

**New York State Higher Education Services Corporation  
Board of Trustees Meeting  
Minutes  
December 8, 2015  
11:00 a.m.  
Approved at May 11, 2016 Meeting**

The meeting was called to order at 11:05 a.m. by Mr. Alan M. Klinger, Co-Managing Partner of Stroock & Stroock & Lavan LLP.

The following members of the Board were also in attendance: Mr. Stanley Hansen, designee of Ms. MaryEllen Elia, Commissioner of the New York State Education Department (SED); Dr. Robert Ptachik, designee of Mr. James B. Milliken, Chancellor of the City University of New York (CUNY); Ms. Patricia Thompson, designee of Dr. Nancy Zimpher, Chancellor of the State University of New York (SUNY); Mr. Joseph Awadje, Chairperson of the CUNY University Student Senate; and Ms. Angela Van Dekker, Associate Vice President, Student Financial Services at Fordham University.

In attendance for the Leadership Council were Ms. Kerrie Cooper, President of the New York State Financial Aid Administrators Association (NYSFAAA) and Mr. Mark Hill, President of the State University of New York Financial Aid Professionals (SUNYFAP).

Present for HESC were: Ms. Elsa Magee, Executive Vice President and Acting President; Ms. Cheryl Fisher, Secretary to the Board; and Mr. Frank Ballmann, Federal Liaison. Also present for the agency were Mr. Thomas Brennan, Mr. Matthew Downey, Ms. Barbara Hochberg, Ms. Lisa Simpson, Ms. Susan Stah-Cooper, Mr. Lonnie

Threatte, and Mr. Warren Wallin, as well as Ms. Cori Biviano, Mr. Joshua Farrell and Ms. Aleah Wendell.

### **Nominating Committee Report**

Dr. Ptachik, Chairman of the Nominating Committee, reported that the Committee (comprised of Ms. Van Dekker, Ms. Thompson, and him) met via conference call on October 5, 2015. He presented the Committee's recommended slate of officers to the Board for consideration and action: Mr. Alan Klinger, Co-Managing Partner of Stroock & Stroock & Lavin LLP, to continue to serve as Chairman; Mr. Philip Williams, President of the Utica School of Commerce, to continue to serve as Vice Chairman; and Ms. Cheryl Fisher, HESC Supervising Attorney, to continue to serve as Secretary to the Board. There being no other nominees, Mr. Joseph Awadjie made a motion to accept the proposed slate and Mr. Stanley Hansen seconded the motion. The slate of officers was unanimously elected by voice vote.

### **Chairperson's Report**

Chairman Klinger thanked the Nominating Committee, and congratulated his fellow officers. He then began the meeting by informing the Board that Ms. VanDekker tendered her resignation from the Board effective December 31, and that today would be her final Board meeting. Mr. Klinger thanked Ms. VanDekker for her 14 years of service to the Board, and reported that a Resolution of Appreciation would be presented at the next meeting.

Mr. Klinger next welcomed new member Joseph Awadjie, Chairperson of the City University of New York University Student Senate to the Board. He also announced a new Leadership Council member, Renee Behnke, President of the New York State

Organization of Bursars and Business Administrators (NYSOBBA), who was unable to attend the meeting.

### **Approval of Minutes from the May 6, 2015 Board Meeting**

Chairman Klinger requested a motion to adopt the draft minutes from the May 6, 2015 Board meeting. Ms. Angela Van Dekker moved to adopt the minutes and Dr. Robert Ptachik seconded the motion. The motion passed unanimously by voice vote and the minutes were adopted without change.

### **Audit Committee Report**

Chairman Klinger introduced Dr. Robert Ptachik, member of the Audit Committee, and requested Dr. Ptachik provide the Audit Committee Report to the Board in the absence of Mr. Philip Williams, Chairman of the Audit Committee. Dr. Ptachik reported that the Audit Committee met that morning at 9:30 am, during which Mr. Matthew Downey, HESC Audit Director, reported that Audit staff continues to work on and complete the 2015-16 Audit Plan. Regarding audit activity reports since April 1, 2015, two U.S. Department of Education audit reports were discussed. One dealt with the initial deposits of collection revenue and the need to establish a separate account other than the Operating account to make the initial deposit into before transferring the Federal share into the Federal account. Management is currently working on establishing the account and, as a result, the audit should be closed out. The second audit dealt with claims paid due to the death of the borrower. HESC had been pulling the incorrect date of death and subsequently reporting the wrong date to the Department of Education. System changes are being implemented to correct the issue and the audit will be closed out once the system changes are verified.

The New York State Department of Financial Services (DFS) issued its annual report and Management has responded. One area of concern was IT risk assessment. To help address this issue, HESC secured the services of the New York State Technology Enterprise Corporation (NYSTEC) which will conduct a comprehensive IT security risk assessment. DFS will begin the 2015 audit Monday, December 14 and will be on site for four weeks with five staff.

Dr. Ptachik next gave highlights of the Finance Report given by Mr. Warren Wallin, HESC CFO. HESC's 2016-2017 budget request was submitted on time, assuming zero growth in state operations in compliance with the Governor's fiscal mandate, and included the following information: agency operating expenditures of \$60M, no TAP offset, NYGEAR UP of \$3.5M, College Choice Tuition Savings Program/NY's 529 Plan (split between OSC and HESC), over \$1B for payment of TAP awards, and approximately \$81M for scholarship and loan forgiveness programs. To date, no substantial changes have been requested by the Division of the Budget.

HESC's Agency Operating Fund projections through SFY 2020 show a positive fund balance, although annual expenses exceed annual revenues each year, resulting in a decline in HESC's Operating Fund balance. Projections are updated quarterly and discussed internally as well as with staff from the Division of the Budget. Investment alternatives are being discussed with the Office of the State Comptroller (OSC), as a result of a contact made by Mr. Klinger within OSC. Based upon preliminary discussions, it appears that HESC will likely be able to participate in the State's Short Term Investment Pool, at a minimum for Operating Fund investments, and possibly for the Federal Fund. Various details regarding the type of collateral placed for investments in the fund, the establishment of sole custody accounts with OSC, and the revision of

existing procedures will need to be further discussed and evaluated. The Audit Committee will be updated on the progress of this initiative.

NYSTEC's review of HESC's IT operations is expected to be completed during the first quarter of 2016, and significant progress has been made towards the delivery of related documents including a Comprehensive Risk Assessment, Incident Response Program and Disaster Recovery/Business Continuity Plan.

Dr. Ptachik concluded the Audit Committee report with information about KPMG's presentation to the Committee regarding the Annual Financial Statement Audit and Single Audit. The Financial Statement Audit resulted in a Management Letter with five Observations noted. None of the Observations are considered material. HESC management is working on a response to address the concerns raised by the Observations. The Financial Statement Audit is complete and the Single Audit will be completed by December 31, 2015.

There were no questions for Dr. Ptachik.

## **HESC UPDATES**

### **President's Report**

Next, Ms. Elsa Magee, HESC's Executive Vice President and Acting President, reported on HESC's activities since the May 6, 2015 meeting of the Board, beginning with the implementation of the New York State Achievement and Investment in Merit Scholarship Program (NY-AIMS), and the NYS Get on Your Feet Loan Forgiveness Program, two of HESC's new programs established in the 2015-16 State Budget.

Ms. Magee stated that the NY-AIMS Scholarship Program was created to provide high school seniors who excel academically with a merit-based scholarship to support the cost of attendance at any college or university located within the State and that the Budget authorized 5,000 awards of \$500 each for the 2015-16 and 2016-17 academic years. Ms. Magee reported that for the 2015-16 Academic Year (AY), 3,500 students completed NY-AIMS applications; however, only 1,800 of those students submitted the required supporting documentation. Ms. Magee informed the Board that all 1,800 met the eligibility requirements and received awards.

Ms. Magee next highlighted that the Get on Your Feet Loan Forgiveness Program allows New York residents who graduate from a college or university located in the State in or after the 2014-15 AY to pay nothing on their federal student loans for the first two years out of school, provided they continue to live in the State, earn less than \$50,000 per year, participate in an eligible income-driven repayment plan, and apply within two years of college graduation. She informed the Board that HESC and ITS staff have been working collaboratively with officials from the U.S. Department of Education and the National Student Loan Data System (NSLDS) to roll out a streamlined, integrated, application and eligibility determination process. With an integrated process, HESC expects to be able to make award determinations in a matter of weeks, once all systems are fully operational. There is a planned integrated launch date of December 31, 2015. In the interim, HESC has registered nearly 2,400 college graduates who visited the HESC website and indicated that they would like to receive notification when the GOYF application becomes available.

Ms. Magee recounted that the Enacted Budget also called for the standardization of financial aid award letters among New York State colleges and universities, tasking

the NYS Department of Financial Services (DFS) with development of the award letter, in consultation with HESC. In September and October, HESC program, legal and executive staff met with each of the sectors and NYSFAAA to identify concerns. Those concerns were taken back and shared with both the Governor's Assistant Deputy Secretary for Higher Education and DFS. Both were understanding of the issues raised and have expressed a desire to try to address many of the concerns, within the parameters of the law.

Ms. Magee reported that one of the concerns raised among the sectors during discussions on the standardized award letter was the timing, in light of the need to implement federal Free Application for Federal Student Aid (FAFSA) changes announced by President Obama in September. Starting next year, students will be able to both submit a FAFSA earlier and use earlier income information for completing the FAFSA. With the change, students will be able to file a 2017–18 FAFSA beginning October 1, 2016, rather than January 1, 2017. Also beginning with the 2017–18 FAFSA cycle, students will be able to report income information from an earlier tax year, which is commonly referred to as prior-prior year. For the 2017–18 FAFSA, students and parents will report their 2015 income information, rather than their 2016 income information.

Although students applying for federal aid will be able to utilize tax information from two years prior, NYS law requires the use of tax information from one year prior for determining TAP eligibility and award amounts. Administrative measures will be taken while legislative decisions are discussed. HESC will, administratively, be making the Tuition Assistance Program (TAP) application available in October 2016. FAFSA filers will be able to enter tax information from two years prior, and HESC will automatically update tax information through the Income Verification Process with the NYS

Department of Taxation and Finance. This will eliminate the need for students to utilize two different incomes or go back into their TAP applications to update their income information.

Finally, Ms. Magee discussed the federal College Access Challenge Grant (or CACG) program, one of the two federal grant programs administered by HESC (NY GEARUP being the other) geared towards improving college attainment by underserved and underrepresented student populations. CACG is sunseting this year. Since the program's inception in 2008, NYS has been awarded \$36M in CACG funds; HESC, in turn, has awarded an overwhelming majority of those funds to support direct services to students through nonprofit service providers.

Ms. Magee reported that, in conjunction with HESC's 2015 NYS College Application Week (CAW) initiative, the agency made mini-CACG grants available to high schools in which 50 percent or more of students are eligible for the federal free/reduced lunch program. These high schools had the opportunity to apply for grants of up to \$5,000 to help cover the cost of college applications for their low-income high school seniors or to cover other eligible costs. To receive a grant, the school or school district had to commit to the following: participation in New York's CAW, held October 26-30; conducting a hands-on FAFSA completion workshop between January and March 2016, and holding a College Signing Day event in May 2016.

This three-pronged approach was utilized to maximize the opportunity for traditionally disadvantaged students to not only apply to a college, but to also apply for and receive financial aid to pay for college, and ultimately to enroll in college. While only a few schools requested the grant funding, supporting just under 800 seniors, HESC



saw a tremendous growth in the number of high schools participating in College Application Week itself. This year, over 420 schools and community groups registered for NYS's CAW, up from 209 in 2014. HESC has not yet received final counts for 2015; however, in 2014, the 209 groups that participated assisted more than 7,300 high school seniors and eligible adults who submitted nearly 17,000 college applications during CAW.

Another CACG-funded effort is the College Tours program, which provides CACG-eligible students the opportunity to experience college first-hand. Non-profit organizations coordinate and accompany the students on the college tours. The trips can be in-State or out-of-state and can include visits to one or multiple colleges. For HESC's final CACG year, HESC is making available \$1 million for this program. Since the launch of the College Tours Program on November 2, 2015, \$250,000 has already been awarded to support over 1,500 students on 44 college visits.

In conclusion, Ms. Magee thanked all the Board members and Leadership Council members for their support of HESC programs and for their assistance whenever contacted. She also extended a special thank you to Ms. VanDekker.

Following Ms. Magee's report, Ms. VanDekker began a conversation regarding concern about TAP estimates using prior-prior tax information. Much of the discussion surrounded the most effective ways to inform students about the change, and make it clear that the TAP award estimate they will receive, sometimes as early as October, is contingent upon HESC's income verification with the NYS Department of Taxation and Finance that will take place closer to May or June. It will also be important to inform students to make their best estimates based on current circumstances, should their

family have experienced a significant change in income. There was discussion regarding financial aid professionals using Professional Judgement, which exists for federal aid, but not TAP. Ms. VanDekker also inquired about the likelihood of a legislative change. Ms. Magee stated that both policy issues and cost estimates must be presented for discussions on a legislative change.

Mr. Stanley Hansen commented about the timing of the Financial Aid Award Letter, and Ms. VanDekker explained that the schools will have technology challenges to overcome in order to address timely implementation of the Letter. Ms. Magee responded that this concern was shared with both the Governor's Assistant Deputy Secretary for Higher Education and DFS.

There being no further questions for Ms. Magee, Chairman Klinger turned the floor over to Mr. Frank Ballmann, HESC's Federal Liaison, for a Federal Update.

### **Federal Update**

Mr. Ballmann's update covered four topics: changes for Academic Year (AY) 2015-16, Federal Fiscal Year 2016 Budget, Higher Education Act (HEA) Reauthorization, and leadership changes.

Mr. Ballmann reported that, for AY 2015-16, the maximum Pell Grant increased by \$45 to \$5,775. He also mentioned that current Federal Direct Loan interest rates have dropped slightly (0.37%) from last May. Mr. Ballmann stated that, currently, the ability to disburse new Perkins loans will be extended through the 2015-16 AY, as long as the loan is first disbursed prior to October 1, 2015, but no further extension will be granted without an Act of Congress. Grandfathered students are eligible for future

Perkins loans if they received their first Perkins loan in the 2014- 2015 AY or prior, and remain at the same institution and in the same 'program of study.' An extension of the program is dependent on a way to cover the \$500 million cost. Absent new legislation, it remains unanswered how the U.S. Department of Education (the Department) will terminate the program and calculate its share of the Perkins revolving fund to be recalled. Currently, Perkins advocates are attempting to attach a rider to pending appropriations bills to extend or renew the program.

Mr. Ballmann next reported that, in terms of the Federal Fiscal Year (FFY) 2016 budget, Congress is currently operating under a Continuing Resolution that expires December 11. He stated that the Bipartisan Budget Act increased the spending caps by \$50 billion for FFY 2016 and \$30 billion for FFY 2017, equally split between Defense and Non-Defense Discretionary (NDD), the latter of which impacts higher education. It is expected that most of the increased NDD funding allocated to Labor, Health and Education will go to the National Institutes of Health, but advocates are hoping sufficient amounts will go to offset cuts to programs affected by the sequester cuts, including federal Supplemental Educational Opportunity Grant (SEOG), College Work-Study and origination fees on Stafford and PLUS loans.

Regarding Reauthorization of the Higher Education Act (HEA), Mr. Ballmann stated that the Elementary and Secondary Education Act (ESEA) is the first priority of Congress. House and Senate conferees recently reached agreement on a compromise bill, the Every Student Succeeds Act (ESSA), which was passed by the House; the Senate is expected to vote on ESSA this week. While the House and Senate committees responsible for Education will now be freed up to focus on HEA Reauthorization, the prognosis for HEA Reauthorization has not changed much since the spring Board of

Trustees meeting. There is some consensus about what should be included in HEA, such as Prior-Prior Year, reinstating year-round Pell, FAFSA simplification and enhanced loan counseling, but exactly how they would be enacted is uncertain.

Mr. Ballmann commented that the Department's new College Scorecard will provide students and parents with a dashboard of statistics and information on colleges that students are considering. He next reported that, effective with the upcoming FAFSA cycle, the Department will no longer share with institutions the schools a student is considering.

Finally, Mr. Ballmann mentioned some of the leadership changes in Washington, including that Secretary of Education Arne Duncan will be replaced by former NYS Education Department Commissioner John King at the end of the year, and that Representative Paul Ryan is the new Speaker of the House. He also commented that the next Chair of the House Education and the Workforce Committee has not yet been determined. As for next steps in Washington, Mr. Ballmann speculated that Congress could pass a FFY Omnibus bill or Continuing Resolution this week. He also noted that HEA reauthorization may not pass in Congress until 2017.

Ms. VanDekker asked about the \$500M cost to extend the Perkins program. Discussion ensued regarding possible implications of an extender. There being no further questions for Mr. Ballmann, the Chairman called upon Ms. Fisher to provide her report regarding NYS Get on Your Feet Loan Forgiveness Program Regulation.

## **NYS Get on Your Feet Loan Forgiveness Program Regulation**

Ms. Fisher began by thanking the Board for the nomination as Secretary. She next clarified that the effective date for the Consensus Rules discussed at the May Board meeting was March 25, 2015, rather than March 11, as stated at the previous meeting.

Next, Ms. Fisher invited the Board members to ask questions they may have regarding the changes made during the rulemaking process to the NYS Get on Your Feet emergency rule that became effective on November 2, which were previously provided to the Board. There were no questions for Ms. Fisher.

## **Leadership Council**

Chairman Klinger next invited comment from the members of the Leadership Council in attendance. Ms. Cooper (NYSFAA) reported that, although the agenda for February visits to the Legislature is under development, prior-prior year changes will be their top agenda item.

Mr. Hill (SUNYFAP) agreed that his organization would also be addressing that issue during their visits. Mr. Hill thanked HESC for the opportunity to be involved in discussions regarding the Standard Award Letter. He also specifically thanked HESC staff Ms. Barbara Hochberg and Ms. Lisa Simpson for assisting with the upcoming Directors Meeting, and Mr. Joseph Gorman for a recent financial aid workshop presentation.

## **Set Date for Spring Meeting**

Chairman Klinger announced that the next meeting of the HESC Board of Trustees will be held on Wednesday, May 11, 2016.

## **Adjournment**

Chairman Klinger asked for a motion to end the meeting. The motion was made by Mr. Stanley Hansen and seconded by Ms. Angela VanDekker. The meeting was adjourned at 12 p.m.