

Approved December 11, 2013
New York State Higher Education Services Corporation
Board of Trustees Meeting
Minutes
April 17, 2013
11:00 a.m.

The meeting was called to order at 11:00 a.m. by Board Chairwoman Angela Van Dekker.

The following members of the Board were also in attendance: Mr. Stanley Hansen, designee of Dr. John B. King, Jr., Commissioner of the New York State Education Department (SED); Dr. Robert Ptachik, designee of Dr. Matthew Goldstein, 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); Mrs. Eileen Bagnoli, Chief Executive Officer of Pioneer Savings Bank; Mr. Charles Delaney, Director, New York Institute of Photography and the Sheffield School and Vice Chairman of the Board of Trustees; Mr. Alan Klinger, Co-Managing Partner of Strook & Strook & Lavan LLP; Mr. Kevin Rea, President of the SUNY Student Assembly; and Mr. Philip Williams, President of the Utica School of Commerce.

In attendance for the Leadership Council were Mr. Mark Hill, newly elected President of the State University of New York Financial Aid Professionals (SUNYFAP), Mr. Greg Withrow, President of the New York State Office of Bursars and Business Administrators, Inc. (NYSOBBA), and Mr. Scott Atkinson, President of the New York State Financial Aid Administrators Association (NYSFAAA).

Present for the Agency were: Ms. Elsa Magee, Executive Vice President and Acting President; Ms. Cheryl Fisher, Secretary to the Board; Mr. John Austin; Mr. Frank

Ballmann; Mr. Thomas Brennan; Ms. Kathy Crowder; Mr. Matthew Downey; Mr. Aaron Pisacane; Ms. Susan Stah-Cooper; Mr. Victor Stucchi; Mr. Richard Valenti; Mr. Warren Wallin and Mr. Neal Warren. Also present for the agency were Ms. Cori Biviano, Mr. Joshua Farrell and Ms. Aleah Wendell.

Chairperson's Report

Chairwoman Van Dekker welcomed the Board members and began the meeting by wishing Mrs. Bagnoli well in her upcoming retirement from Pioneer Bank after 41 years of service. She thanked Mrs. Bagnoli and Mr. Kevin Rea, President of the SUNY Student Assembly who will be completing his graduate study at SUNY Maritime next month, for their service to the Board. Chairwoman Van Dekker also welcomed Mr. Mark Hill, newly elected President of the State University of New York Financial Aid Professionals (SUNYFAP), to the Leadership Council.

Approval of Minutes from the October 24, 2012 Board Meeting

Chairwoman Van Dekker asked for a motion to adopt the draft minutes from the October 24, 2012 Board meeting. Mr. Klinger moved to adopt the minutes and Mr. Williams seconded the motion. The motion passed unanimously and the minutes were adopted without change.

Audit Committee Report

Mr. Alan Klinger, Chairman of the Audit Committee, provided the Audit Committee Report to the Board. Mr. Klinger reported that the Audit Division Director is

prioritizing HESC audits based on available resources, and has hired a temporary IT auditor. He also spoke about an internal audit survey conducted by New York State that could possibly benefit HESC's audit services.

In addition, Mr. Klinger reported that the CFO's financial update indicated no cuts to grant and scholarship funding in the 2013-14 New York State budget, and showed that the Operating Fund balance is healthy for the next two years projected.

Mr. Klinger then introduced Ken Deon, KPMG's returning engagement partner at HESC, and stated that in Mr. Deon's report to the Committee, there were no outstanding concerns by KPMG with respect to HESC's procedures for audits.

KPMG Update

Next, Mr. Ken Deon from KPMG addressed the Board, presenting KPMG's deliverables to HESC which include issuing an audit opinion on the basic financial statements as of and for the year ended March 2013, an OMB Circular A-133 report and a Report on Internal Control over Financial Reporting and Compliance on Other Matters.

There were no questions for Mr. Deon.

HESC UPDATES

President's Report

Ms. Elsa Magee, HESC's Executive Vice President and Acting President, stated that, over the past 6 months, HESC has focused largely on projects designed to make HESC data and services more accessible to customers as well as on statewide initiatives designed to achieve operational efficiencies across state agencies and authorities.

Grant & Scholarship Data Requests

Ms. Magee reported that HESC frequently receives data requests from schools, legislators, reporters, special interest groups, and oversight agencies. In February 2013, HESC introduced an automated system for requesting data and general information regarding HESC-administered grant and scholarship programs. With limited staffing levels and the need to be diligent in responding to outside requests, the online G&S Data Request system allows HESC to more efficiently respond to incoming requests for HESC data through a single channel.

Open NY

Ms. Magee reported that, on March 11, 2013, Governor Cuomo launched “Open.ny.gov,” a new and comprehensive website that provides one-stop access to searchable, downloadable data from New York State agencies, localities, and the federal government. HESC provided TAP data for the launch and is continuing to work with the State’s Office of Information Technology Services (OITS) to make additional TAP data available on the website, which will allow other state agencies and members of the public to independently download and sort TAP data for research or other analysis.

Ongoing TAP Training

Ms. Magee reported that at the October 2012 Board meeting, she announced the availability of six online TAP training modules to provide financial aid professionals with information on various aspects of TAP processing. Today, she reported that in December 2012, HESC released the remaining two modules – covering the TAP certification

process and customized reports. All 8 modules are now available for use at any time from the HESC website.

College Access Challenge Grant

Ms. Magee reported that HESC will be competitively awarding \$2 million in CACG sub-grants to support organizations and programs that provide crucial services to low-income students designed to promote college access and success. In addition, recognizing that the opportunity to visit a college campus can significantly influence a student's motivation and enthusiasm for continuing his or her education, HESC is also making available a total of \$250,000 to support organizations that provide college tours to low-income NYS high school students. Up to \$45,000 will be available for reimbursement of associated costs to qualified, not-for-profit organizations that organize and coordinate the college tours for the target population.

Ms. Magee reported that, on the horizon, HESC is looking to further encourage college participation among students from low-income families by offering a college savings match. While nothing has been finalized as yet, the agency is working on legislation that would enable the State to offer such savings matches to 529 savings accounts, and alternatively looking into Individual Development Accounts to establish savings accounts that could be restricted to postsecondary education expenses. Ms. Magee stated that she hoped to be able to announce a program at the next meeting of the Board of Trustees.

2013-14 State Budget

Lastly, Ms. Magee reported that, for the 3rd consecutive year, the 2013-14 State Budget was enacted before the April 1 deadline, and that the adopted Budget again makes no changes to HESC-administered grant and scholarship programs.

Ms. Magee then turned the presentation over to Mr. Richard Valenti, who updated the Board on the Governor's IT initiatives discussed during the October 2012 meeting of the Board.

Statewide Information Technology Initiatives Update

Mr. Richard Valenti, HESC's Acting Chief Information Officer, explained that IT Transformation encompasses several major statewide initiatives and projects. The focus is centered around 3 main points – streamlining, standardizing, and consolidating IT Services, with the goal being to fundamentally transform the way IT services are provided to agencies and customers.

A new agency, the Office of Information Technology Services (OITS) was established to provide centralized technology services to customer agencies, set the State's technology standards, and coordinate statewide technology-related initiatives and governance of those initiatives to improve the efficiency of New York State government. In November 2012, over 3,300 IT employees transferred from their respective agencies to OITS.

Eight clusters, each with common missions, functions and customer needs, were formed in an effort to allow agencies to focus on business operations and citizen services without having to handle day-to-day IT services. These clusters allow agencies to

consolidate staff, services, and systems; create and implement common standards in technological architecture; combine shared services; establish best practices; emphasize an agency/customer focused delivery of business services; and establish a connected community of IT professionals that can collaborate.

HESC is not officially assigned to a cluster, but is voluntarily working with and participating in the Human Services cluster, comprised of the Office of Children and Family Services (OCFS), the Office of Temporary Disability and Assistance (OTDA), the Department of Labor (DOL), and the Division of Human Rights (DHR). In general, we will utilize and support the same systems we do now, with the same IT staff. In response to a question asking when the transfer of staff would take place, Ms. Magee commented that HESC staff would become OITS staff during the 2013-2014 State fiscal year.

Mr. Valenti also identified five major ongoing, enterprise-wide IT initiatives. They include Data Center Consolidation, Network Consolidation/VoIP (bringing VoIP to agencies), E-mail Consolidation, EIAM (single sign-on capability for State employees, citizens, and vendors) and Call Center consolidation.

Mr. Valenti explained that the objective of the Call Center consolidation is to consolidate all Level 1 calls into one of four anchor agencies: Department of Taxation and Finance (DTF), Office of Children and Family Services (OCFS), The Department of Motor Vehicles (DMV), and the Department of Labor (DOL). HESC was selected to be part of the DTF center. HESC's TAP Level 1 calls will include TAP application status, application errors and how to correct them, college code changes and general TAP and financial aid questions. The highlights of this effort include standard service levels,

quality assurance practices, knowledgebase and reporting tools, a single group of cross-trained agents, state-of-the-art call center technology and a more consistent customer experience. TAP Level 2 calls, those requiring a transaction or special processing, will continue to be routed to HESC. The Level 2 HESC team will also handle email, web chat, and DocTrac faxing. Mr. Valenti noted that there will be no change to the Financial Aid Professional phone number and services.

Mr. Valenti reported that HESC is currently scheduled for a September 2013 move of Level 1 calls. Extensive transfer of knowledge and training will soon begin to ensure that callers receive the same level of service they currently receive from HESC. Currently, HESC staff is participating in various workgroups to ensure implementation of the necessary technical changes, training/knowledge transfer, staffing and communications plans, service level agreement review, quality assurance manual review, performance metrics, reporting needs, etc.

Mr. Valenti and Ms. Magee addressed a few questions and comments regarding the need to ensure that agency-specific priorities are addressed as part of this new model.

Federal Update

Mr. Frank Ballmann, HESC's Federal Liaison, provided an update on developments in Washington, DC since the last Board meeting. He began by reporting that Congress passed a Continuing Resolution funding FFY13 through September 30, generally at level funding, subject to sequester.

President's FFY14 Budget Proposal

Mr. Ballmann began with an overview of the highlights of the President's Budget. He reported that many of the proposals in the President's FFY14 Budget are straight out of last year's budget, although there are some aspects that are new or different. Mr. Ballmann also noted that the President's Budget assumes sequestration is not in effect for FFY 2014. The President's Budget:

- Increases the maximum Pell award to \$5,785 for the 2014-15 academic year from \$5,635 for 2013-14 and \$5,550 for 2012-13. No Pell funding shortfall is forecast until FFY 2015-16.
- Increases College Work Study funding by more than 15 percent, with a goal of doubling the number of award recipients over the next five years.
- Moves student loan interest rates to market-based fixed rate. At today's rates, that's about 2.65 percent for a subsidized loan, 4.65 percent for an unsubsidized loan, and 5.65 percent for a PLUS loan. But, there is no rate cap. Because the rate resets every year on new loans, rate forecasts result in this proposal being budget-neutral with higher interest rate projections in the out years.
- Continues level funding for CACG (for FFY14, which is the last year of mandatory funding), TRIO, and GEAR UP as well as SEOG.
- Expands "Pay As You Earn" eligibility to include all federal student loan borrowers.
- Would make American Opportunity Tax Credit (AOTC) permanent.

Senate and House Pass FFY14 Budgets

Although each chamber passed its respective 2014 budget, the two proposals are vastly different, and therefore it is unlikely that a Conference Committee will be convened absent a path to consensus. The Senate Budget generally included level funding, but the House Budget contained cuts, although it did maintain the maximum Pell grant.

“Student Fiscal Cliff”

- The American Opportunity Tax Credit was extended as part of the American Taxpayer Relief Act through 2017.
- Sequestration start date was delayed until early March, so the cuts to SEOG and College Work Study were reduced from about 6 percent to a range of 5.2-5.5 percent.
- Subsidized Stafford Interest Rate doubles on July 1. There is no fix yet, although there are multiple proposals to address the issue.

Sequestration Impact

While the sequester has taken effect, the higher education impact will be felt in the 2013-14 Academic Year because programs are “forward-funded.”

- Pell is untouched for 2013-14. Mr. Ballmann was asked what happened to the Pell shortfall to which he responded that no study had been conducted to date that identifies the primary reason why a shortfall did not occur.
- Funding for the Defense Department’s Tuition Assistance Program was restored, and was exempted from the sequester in the Continuing Resolution passed in late March.

- A sequestration replacement appears unlikely.

Supplemental Educational Opportunity Grants (SEOG) and College Work-Study (CWS)

- SEOG and CWS cuts are formula-based for school allocations; cut percentages will likely be in 5.23-5.52% range.
- Schools have complete discretion on whether to pro-rate cuts across all students' awards or eliminate awards for some students, such as students with the smallest need.

Stafford and PLUS Loan Fees Increase

The loan fee is now 1.051 percent for Unsubsidized Stafford loans and 4.204 percent for PLUS loans with first disbursement dates after March 1, 2013. Schools are not yet required to collect the increased fee.

Next Steps in DC

Mr. Ballmann concluded his presentation by restating that the full year FFY 2014 budget process is just beginning. Given the vast differences in their bills, it is unlikely that House and Senate Budget Committees are ready to form a Conference Committee on their bills. It is anticipated that hearings will be scheduled on HEA Reauthorization, but enactment is unlikely in 2013. Mr. Ballmann also noted that in addition to the President's proposal to address student loan interest rates, two other proposals have been introduced; one would extend the 3.4 percent Subsidized Stafford rate for two years, and another that would change the interest rate on all federal education loans to a fixed rate

equal to the 10-year Treasury note rate plus 3 percent, which would be about 4.7 percent at today's rates.

Mr. Ballmann addressed the few questions that were posed as they arose during his presentation.

Tuition Assistance Program (TAP) Trends Update

Mr. Neal Warren, Director of Research Analysis and Information Management, provided the Board with an update on recent developments of the New York State Tuition Assistance Program (TAP).

Mr. Warren began by reminding the Board that TAP is one of the nation's most generous, need-based grant programs for undergraduate students, and is provided to the student to use at the New York State college of their choice.

TAP Payment Schedules

Mr. Warren identified that the most notable change with regard to the TAP payment schedule from last year is the nearly ten percent decrease in the number of financially independent students who are married with no children, and the nearly 12 percent increase in the number of financially independent students who are single and under age 22. Of the nearly 4,000 students in this latter category, about 38 percent identify themselves as Orphans or Wards of the Court on their federal aid application (FAFSA - Free Application for Federal Student Aid). For these students, financial independence is not a choice. Yet, not being part of a parental unit, students in this situation are unable to qualify for the higher Dependent Schedule award.

TAP Awards by Schedule and Net Taxable Income

Mr. Warren emphasized that the Dependent Schedule provides the most generous awards and is applicable to 80 percent of all eligible students. Awards made on the Independent Schedule have the steepest decrease as net taxable income increases. Between \$3,000 and \$10,000 NTI, the award slides from \$3,025 to \$855. There are no awards for incomes above \$10,000 NTI, so these students never reach the TAP minimum award.

TAP Recipients by Income Range

Mr. Warren pointed out that the bulk of students receiving TAP are in the lowest income range. About 45 percent of recipients have incomes at or below \$10,000 NTI, and they receive 63 percent of total TAP award dollars, with the average award being \$4,145. About 15 percent of TAP recipients have incomes between \$50,000 NTI and \$80,000 NTI, and receive the minimum \$500 award each. This group receives about 2.5 percent of total TAP award dollars, or \$22.5 million.

Aid for Part-Time Study (APTS)

APTS awards are up to \$2,000 per year to cover tuition for students enrolled in a matriculated program for at least three but less than 12 credit hours per semester. Mr. Warren reminded the Board that APTS is administered to the schools similar to a block grant, with the college allocation based on TAP dollars at the school. The amount of funding available for APTS is \$13 - \$14 million dollars per year, which is consistently underutilized, but increasing.

Part-Time TAP

Part-Time TAP is an entitlement program utilized primarily by students in the SUNY Community College sector. Mr. Warren pointed out that the eligibility criteria require students to attend college one year as a full-time student before they can become eligible. The amount of funding utilized is slowly growing, from \$185,000 in the 2007-08 academic year to just over \$1.7 million in the 2011-12 academic year.

TAP Expenditures Overview

Mr. Warren next explained how the annual estimate for TAP funds increased from just under \$858 million in 2010-11 to just over \$920 million in 2011-12. In addition to the restoration of some one-time cuts, Mr. Warren pointed out tuition increases at SUNY and CUNY, and that a greater percentage of “older” students are returning to school who are able to utilize schedules from 2000 or later versus the less generous schedules established prior to 2000. (Student TAP award schedules are always based on the year of the student’s first TAP award).

Good Academic Standing

More rigorous standards regarding Program Pursuit and Satisfactory Academic Progress were recently introduced for first-time TAP recipients from 2010-11 and after. Mr. Warren pointed out that between 2009 and 2010, when the standards were raised, GAS decertifications for first-time TAP recipients rose from 3.2 percent to 6.0 percent. For the 2011 cohort of first-time TAP recipients, this percentage dropped slightly to about 5%.

Income Decline

Mr. Warren's latest data showed that income decline has slowed somewhat, but that it has not reversed direction. TAP expenditures increased \$9m for 2010 based on income change alone.

First-Time Recipients

Data showed that the number of first time recipients selecting 4-year colleges has decreased while the number selecting 2-year colleges has grown. Similarly, the number of first-time recipients attending private colleges has decreased while the number of first-time TAP recipients selecting public colleges has increased.

Projected Costs TAP Tuition Credit

Mr. Warren explained to the Board that at SUNY and CUNY, the difference between the cost of tuition and the maximum TAP grant is made up by the public university systems, and that this is projected to total roughly \$112.9m by academic year 2015-16. Mr. Atkinson explained that students are billed for the full tuition amount in response to a question concerning how much a student is billed. He further stated that a portion of SUNY's tuition revenues are set aside to pay for the tuition credits.

Post 9-11 Veterans GI Bill

The final presentation to the Board was given by Ms. Cinda Quattrini, Education Liaison Representative for Eastern New York State, with the U.S. Department of

Veterans Affairs (VA). Ms. Quattrini spoke to the Board about the many aspects of the Post 9-11 Veterans GI Bill, or Chapter 33.

Ms. Quattrini explained that, in general, veterans remain eligible for Chapter 33 benefits for 15 years from their last date of discharge of at least 90 continuous days. They receive a maximum of 36 months of Chapter 33 benefits; 48 months of combined VA benefits. There is a unique, tiered level of eligibility based on length of active duty, which recognizes the active duty of Reservists and National Guardsmen. Ms. Quattrini also spoke about the Yellow Ribbon Program and emphasized that it is available at participating colleges only to those veterans at 100% of the benefit tier. To the extent that these benefits do not pay for 100 percent of a veteran student's tuition, HESC funds would augment these benefits.

Chapter 33 payments are made toward tuition and fees, a monthly housing allowance, a stipend for books and supplies, a college fund, charges for various tests and exams, work study and tutorial assistance. Ms. Quattrini explained how tuition and fees are defined, and discussed how the Rate of Pursuit is determined.

Ms. Quattrini discussed the Annual Cap Rate that was implemented with respect to residency. Dr. Ptachik commented that CUNY has found this to be a complication, but they are covering any difference in tuition costs for veterans for one year, in hopes that the veteran student becomes a NYS resident and will then be charged in-state tuition. Ms. Quattrini indicated there is a bill in Congress that would require schools to charge any veteran the in-state rate regardless of residency. Mr. Rea commented that the SUNY Student Assembly is also supporting an effort in the New York State Legislature to recognize all veterans with in-state tuition.

Ms. Quattrini also discussed the Transfer of Entitlement benefit of Chapter 33. She explained that the program was originally promoted as a retention tool for the Department of Defense because it requires an additional four years of service beyond a six year minimum, but the VA funds it. The VA also funds and administers the John D. Fry Scholarship which is granted to children of a parent killed while on active duty.

In closing, Ms. Quattrini informed the Board that the Veterans Administration was exempt from sequestration. She also identified an underutilized VA work study program, and encouraged financial aid professionals to consider using it whenever possible.

Resolutions

Chairwoman Van Dekker asked Ms. Cheryl Fisher, Secretary to the Board, to present the Resolutions to the Board. Ms. Fisher first presented a Resolution to Amend the Financial Resources requirement for certain postsecondary institutions. A motion to adopt the Resolution was made by Mr. Hansen and seconded by Mr. Rea. The Resolution was unanimously adopted with minor grammatical edits recommended by Mr. Delaney.

Next, Ms. Fisher presented a Resolution to Amend the Residency requirement. A motion to adopt the Resolution was made by Mr. Delaney and seconded by Mrs. Bagnoli. The Resolution was unanimously adopted.

Third, Ms. Fisher presented a Resolution to Amend the Institutional Responsibility requirement. A motion to adopt the Resolution was made by Mrs. Bagnoli and seconded by Mr. Rea. The Resolution was unanimously adopted.

Fourth, Ms. Fisher presented a Resolution to Amend the Registration Deadline requirement for certain postsecondary institutions. A motion to adopt the Resolution was made by Ms. Thompson and seconded by Mr. Klinger. The Resolution was unanimously adopted.

Fifth, Ms. Fisher presented a Resolution to Amend HESC's Information Security Program. A motion to adopt the Resolution was made by Mr. Klinger and seconded by Mr. Williams. The Resolution was unanimously adopted.

Ms. Fisher then presented a Resolution of Appreciation to Mrs. Eileen Bagnoli, former Chairwoman of the HESC Board of Trustees and retiring CEO of Pioneer Bank. A motion to adopt the Resolution was made by Mr. Williams and seconded by Mr. Hansen. The Resolution was unanimously adopted.

Next, Ms. Fisher presented a Resolution of Appreciation to Mr. Kevin Rea, SUNY Student Representative to the Board. A motion to adopt the Resolution was made by Mr. Hansen and seconded by Ms. Thompson. The Resolution was unanimously adopted.

Finally, Ms. Fisher presented a Resolution of Appreciation for Ms. Karen Taylor, former SUNYFAP President and representative on the Leadership Council. A motion to adopt the Resolution was made by Mrs. Bagnoli and seconded by Dr. Ptachik. The Resolution was unanimously adopted.

Leadership Council

Chairwoman Van Dekker welcomed and invited comment from members of the Leadership Council: Mr. Scott Atkinson, President of the New York State Financial Aid

Administrators Association (NYSFAAA), Mr. Mark Hill, newly elected President of the State University of New York Financial Aid Professionals (SUNYFAP), and Mr. Greg Withrow, President of the New York State Office of Bursars and Business Administrators, Inc. (NYSOBBA).

Mr. Atkinson informed the Board that NYSFAAA has produced a white paper regarding TAP reform that has been provided to the Legislature and will soon be available on their website. He expressed NYSFAAA's interest in working with HESC to achieve some of the recommended reforms. Mr. Withrow announced the June dates for the NYSOBBA Conference in Syracuse.

Set Date for Fall Meeting

Chairwoman Van Dekker announced that the next meeting of the Board of Trustees will be held on Wednesday, October 23, 2013. She also provided the dates for the NYSFAAA and NASSGAP conferences which will be held just prior to the next Board meeting.

Adjournment

Chairwoman Van Dekker asked for a motion to end the meeting. The motion was made by Mr. Rea and seconded by Mr. Williams. The meeting was adjourned at 1:03 p.m.