

**New York State Higher Education Services Corporation
Board of Trustees Meeting
Minutes
May 11, 2016
11:00 a.m.
Approved at December 6, 2016 Meeting**

The meeting was called to order at 11:05 a.m. by Board Chair, 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. Philip M. Williams, President, Utica School of Commerce; and, Mr. Joseph Awadjie, Chairperson of the CUNY University Student Senate.

In attendance for the Leadership Council were: Mr. Darrin Rooker, President-elect of the New York State Financial Aid Administrators Association (NYSFAAA), attending on behalf of NYSFAA President Kerrie Cooper, and Ms. Debra Bouabidi, 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. Victor Stucci, and Mr. Warren Wallin, as well as Ms. Cori Biviano, Mr. Joshua Farrell and Ms. Aleah Wendell.

Chairperson's Report

Chairman Klinger welcomed the Board and began the meeting by welcoming Debra Bouabidi, President of the State University of New York Financial Aid Professionals (SUNYFAP) and Darrin Rooker, President-elect of the New York State Financial Aid Administrators Association (NYSFAAA) to the Leadership Council.

Approval of Minutes from the December 8, 2015 Board Meeting

Chairman Klinger requested a motion to adopt the draft minutes from the December 8, 2015 Board meeting. Mr. Stanley Hansen moved to adopt the minutes and Mr. Joseph Awadjie seconded the motion. The motion passed unanimously by voice vote and the minutes were adopted without change.

Audit Committee Report

Chairman Klinger introduced Mr. Philip Williams, Chairman of the Audit Committee, to provide the Audit Committee Report to the Board. Mr. Williams reported that the 2015-2016 Audit Accomplishments and the 2016-2017 Audit Plan were presented to the Committee. The Audit Plan will focus on several high risk areas in the Loans Division and field audits will focus on Federal programs.

Mr. Williams informed the Board that the Committee received Audit activity reports going back to October 1, 2015. The New York State Department of Financial Services issued its annual report of examination and Management is preparing its response. Mr. Williams stated that as the Loan program winds down the concerns noted in the report of examination will diminish, and reported that the U.S. Department of Education (ED) has closed two audits from 2011 and 2012 upon HESC's satisfactory responses to their findings.

With respect to the financial update, Mr. Williams reported that HESC's 2016-2017 State Operations budget of \$1.1 billion was approved as part of the Enacted State Budget, with the following additions: \$27 million for TAP; \$2.8 million for NYS Achievement and Investment in Merit Scholarships (NY-AIMS); \$1.1 million for the Senator Patricia K. McGee Nursing Faculty Scholarship Program and Nursing Faculty Loan Forgiveness Incentive Program; and, \$500,000 for On Point for College¹, a College Access Challenge Grant (CACG) State partner.

Mr. Williams informed the Board that HESC's Agency Operating Fund projections through SFY 2019 continue to show a positive fund balance.

¹While Mr. Williams stated that the \$500,000 was for On Point for College, the total is inclusive of funding for On Point for College (\$400,000) and Trinity Alliance (\$100,000).

Further, HESC's Federal Student Loan Reserve Fund through FFY 2018 shows a reserve ratio in excess of the mandated 0.25 percent of the original principal balance of loans outstanding.

Mr. Williams updated the Board regarding investment alternatives that HESC has been pursuing with the Office of the State Comptroller (OSC). HESC has submitted a request to create an investment account to utilize OSC's Short Term Investment Pool to conduct a \$25 million pilot investment program that was approved earlier that morning by the Audit Committee. The pilot is expected to commence in several weeks. A letter has been sent to ED advising them of the pilot, and that initially only Agency Operating Funds will be involved. However, assuming a successful pilot, HESC would request ED's approval to also use this investment vehicle for the Federal Funds.

Mr. Williams reported that significant achievements were made by the New York State Technology Enterprise Corporation (NYSTEC) during their review of HESC's IT operations.

During their engagement, ED required a self-assessment of HESC's IT operations and NYSTEC assisted HESC in this task. HESC has entered into a new contract with NYSTEC to assist the agency in developing the IT Management Plan required by ED, and to develop and implement security assessment /authorization policies and procedures and advise on security and

compliance issues relative to the Federal Information Security Management Act (FISMA) review.

Mr. Williams closed by informing the Board that KPMG's presentation to the Committee included various required items such as audit deliverable, objectives of the audit, HESC responsibilities and KPMG responsibilities. The annual audit has commenced; the IT component was started in April. The financial review will begin next week, and the audit will be completed by early Fall.

There being no questions for Mr. Williams, he introduced Ms. Marie Zimmerman, Engagement Partner from KPMG. Ms. Zimmerman discussed the 2015-16 Financial Statement and Single audits. She also addressed the implementation of GASB Statement No. 68 - Accounting and Financial Reporting for Pensions - and the impact that it would have on HESC's financial statements. There were no questions for Ms. Zimmerman.

HESC UPDATES

President's Report

Next, Ms. Elsa Magee, HESC's Executive Vice President and Acting President, reported on HESC's activities since the December 8, 2015 meeting of the Board, beginning with the 2016-17 New York State Budget.

Ms. Magee reported that, for the sixth consecutive year, the Enacted Budget provides full support of HESC-administered financial aid programs for NYS students pursuing a postsecondary education at a NYS college or university.

She also announced that the 2016-17 Budget authorizes NYS students applying for the Tuition Assistance Program (TAP) to use the same tax data used to file the Free Application for Federal Student Aid (FAFSA). With this change, TAP applicants will be able to use 2015 tax data to complete both their federal and NYS financial aid applications for the 2017-18 academic year. Along with this legislative change, HESC will begin processing TAP applications for the 2017-18 academic year beginning October 1, 2016, to coincide with the earlier FAFSA filing timeline. However, final awards will not be determined until passage of the State Budget in April 2017.

Ms. Magee reported that this year's State Budget also makes several scholarship and loan forgiveness programs permanent: the NYS Licensed Social Worker Loan Forgiveness Program; the Senator Patricia K. McGee Nursing Faculty Scholarship Program, the NYS Nursing Faculty Loan Forgiveness Incentive Program, and the Regents Physician Loan Forgiveness Program. These programs were previously scheduled to sunset in 2016, absent action by the Governor and Legislature to extend them. Ms. Magee explained that Program extensions were historically done for five-year periods; and by making

these Programs permanent, recipients can be assured of their continued legal existence in subsequent years.

Next, Ms. Magee informed the Board that, to be consistent with more recent programs, such as the STEM Incentive Scholarship Program, the Enacted Budget newly authorizes HESC to defer, waive or suspend the repayment obligations of McGee Nursing Faculty Scholarship recipients and NYS Math and Science Teaching Incentive Program recipients in certain circumstances, and to cancel repayment obligations upon the death of a recipient.

The Enacted Budget also makes modifications to the standard financial aid award letter provisions, no longer requiring that the standard award letter be sent to graduate students beginning with the 2016-17 academic year.

At the December meeting, Ms. Magee reported that HESC was collecting contact information of college graduates who wanted to be notified when the NYS Get on Your Feet (GOYF) Loan Forgiveness Program application became available. Today, she informed the Board that the GOYF Program was launched on December 31, 2015 and, to date, HESC has received more than 5,000 applications, most of which were received within the first six to eight weeks of the Program's launch. Ms. Magee reported that, of those 5,000 applicants, more than 3,200 met the requirements regarding the college, residency, year of graduation, and level of degree earned. Many of the 3,200, however, did not

meet the income or other loan or payment requirements when their loan status was verified with the National Student Loan Data System (NSLDS). As a result, only 430 awards have been made to date.

Ms. Magee explained that the GOYF Program is ongoing, and that HESC anticipates another spike in interest and applications in June 2016, when December 2015 graduates enter into repayment. Ms. Magee addressed some questions regarding eligibility criteria and awareness, stating that HESC will be working to clarify the Program requirements both with schools and on the HESC website to ensure that applicants and recent college graduates are aware of the requirements before they apply.

Also at the December meeting, Ms. Magee reported that for the final CACG year HESC made available \$1 million in funding to support nonprofit organizations that provide college tours to underrepresented students. At that time, \$250K had been awarded to support over 1,500 students on 44 college visits. Today, Ms. Magee reported that HESC has awarded over \$900K of the funding to support more than 4,300 students on 130 separate tours, and the agency is pleased to have been able to use these funds to promote college access to so many students.

Ms. Magee concluded by thanking the Board and members of the Leadership Council for their support of HESC programs and services, and

thanked HESC staff for their work that allows her to present these types of reports.

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 Relations Update.

Federal Update

Mr. Ballmann's update covered three topics: Changes for Academic Year 2016-17, Federal Fiscal Year 2016 and 2017 Budgets; and the Higher Education Act (HEA) Reauthorization.

Mr. Ballmann began by informing the Board that, for Academic Year (AY) 2016-17, the maximum Pell Grant will increase by \$40 to \$5,815.

Mr. Ballmann next reported that Federal Direct Loan interest rates for 2016-17 will be announced today. Based on the current value of the 10-year Treasury Note, which is yielding 1.75 percent, it is anticipated rates will drop to under four percent: with undergraduate Stafford loans carrying an estimated rate of 3.80 percent, graduate Stafford at 5.35 percent, and PLUS loans at 6.35 percent. These will be the lowest rates ever for unsubsidized Stafford and all PLUS loans, should this occur.

Although Perkins loans were extended for the 2016-17 AY as part of the FFY16 Omnibus Appropriations Act, existing Perkins borrowers who are undergraduate students must first exhaust subsidized Stafford eligibility and new Perkins borrowers must exhaust both subsidized and unsubsidized Stafford eligibility. Undergraduate Perkins loans must be first disbursed by September 30, 2017, so undergraduates may get loans for the 2017-18 AY. Graduate student Perkins loans are extended for loans first disbursed through September 30, 2016. Whether the Perkins program will continue beyond 2016-17 will be addressed as part of HEA Reauthorization.

Mr. Ballmann observed that the FFY 2017 budget and appropriations processes are moving very slowly, making a Continuing Resolution (CR) most likely.

Mr. Ballmann reminded the Board that the Every Student Succeeds Act (ESEA) passed and Congress will now be taking up HEA Reauthorization. Mr. Ballmann informed the Board that, regarding the approach to HEA Reauthorization, not much has changed from the last meeting. Thought is being given by some to using the “Pell surplus” to pay for implementing Year-Round Pell starting next year. There is still no consensus on “one grant, one loan” or on how to implement “risk sharing” or “skin in the game.” Discussions continue regarding the metric to be used (e.g., cohort default rate or loan repayment rate)

and how to account for disparate student bodies; or, how to ensure institutions are still incented to admit at-risk students.

Mr. Ballmann reported that the U.S. Department of Education (ED) has taken the initiative on implementing multiple college affordability proposals administratively, including allowing families to file their FAFSA by using “prior-prior” year income effective with the 2017-18AY cycle. ED also moved up the start of FAFSA filing to October 1, 2016.

This fall, the College Scorecard will provide students and parents with a dashboard of statistics and information on colleges that students are considering.

Effective with the current FAFSA cycle, ED will no longer share the order or list of schools a student is considering when submitting aid data to institutions. While ED provides this information to state student grant agencies for the current FAFSA cycle, they will provide the list in a random order for 2017-18 and beyond.

In other developments, Mr. Ballmann reminded the Board that John King, who was serving as Acting Education Secretary at the time of the December, 2015 Board meeting, was confirmed as Education Secretary. He also relayed that expectations regarding Democrat control of the US Senate as a result of this fall’s elections could impact whether there is a Continuing Resolution or an

Omnibus Budget for Federal Fiscal Year 2017 and how favorable the resulting budget might be to education programs.

There being no questions for Mr. Ballmann, Ms. Magee requested an opportunity to inform the Board that the Masters-in-Education Teacher Incentive Scholarship Program will be launching this month, with applications scheduled to become available on May 26.

The Chairman next called upon Ms. Fisher to present several Resolutions to the Board.

Resolutions

Ms. Fisher first presented a Resolution to amend the NYS Math and Science Teaching Incentive Program Regulations. No questions were posed to Ms. Fisher by members of the Board or the Leadership Council. A motion to adopt the Resolution was made by Mr. Joseph Awadjie and seconded by Dr. Robert Ptachik. The Resolution was unanimously adopted.

Ms. Fisher next presented a Resolution to amend the Senator Patricia K. McGee Nursing Faculty Scholarship Program Regulations. No questions were posed to Ms. Fisher by members of the Board or the Leadership Council. A motion to adopt the Resolution was made by Mr. Stanley Hansen and seconded by Mr. Philip Williams. The Resolution was unanimously adopted.

Ms. Fisher next presented a Resolution to adopt the NYS Masters-in-Education Teacher Incentive Scholarship Program Regulations. There was some discussion regarding the full-time classroom teaching requirement, and the impact that could have on teachers who experience difficulty finding a full-time job in NYS. Ms. Fisher explained that the requirement is in statute, but that the “labor market conditions” component of the regulation is meant to address those specific instances of extreme hardship. Ms. Magee and Ms. Fisher added that while reasonable documentation and demonstration of effort to secure a full-time position would be required, the language adequately allows HESC to address multiple scenarios.

There being no further questions, a motion to adopt the Resolution was made by Mr. Joseph Awadjie and seconded by Mr. Stanley Hansen. The Resolution was unanimously adopted.

Ms. Fisher then presented a Resolution of Appreciation for Ms. Angela Van Dekker. A motion to adopt the Resolution was made by Mr. Philip Williams and seconded by Dr. Robert Ptachik. The Resolution was unanimously adopted.

Finally, Ms. Fisher read a Resolution of Appreciation for Mr. Mark Hill. A motion to adopt the Resolution was made by Ms. Patricia Thompson and seconded by Mr. Stanley Hansen. The Resolution was unanimously adopted.

Leadership Council

Chairman Klinger next invited comment from the members of the Leadership Council in attendance. Mr. Darrin Rooker (NYSFAAA) informed the Board that Ms. Kerrie Cooper was unable to attend the Board meeting because she was moderating a national forum at NYU regarding higher education costs and financing. He thanked HESC for the statistical analysis work regarding Prior Year, and recognized the administrative burden the change will have on HESC. Mr. Rooker closed by recognizing Ms. Lisa Simpson as an invaluable resource as liaison to NYSFAAA.

Ms. Debra Bouabidi (SUNYFAP) recognized the change to Prior Year for TAP and expressed appreciation for its benefit to SUNY students and families. She expressed concern about implementation at the college level and indicated that software and processes will be ready for October 1. With regard to the Standard Financial Aid Award Letter, Ms. Bouabidi stated that the SUNY letter can easily be converted to meet the standards of the NYS award letter. She closed with a thank you to Ms. Lisa Simpson as well as to Ms. Barbara Hochberg, who presented three sessions at the recent SUNYFAP conference.

Set Date for Fall Meeting

Chairman Klinger announced that the next meeting of the HESC Board of Trustees will be held on Wednesday, October 26, 2016.

Adjournment

Chairman Klinger asked for a motion to end the meeting. The motion was made by Mr. Stanley Hansen and seconded by Mr. Philip Williams. The meeting was adjourned at 12:00 p.m.