

New York State Higher Education Services Corporation
Board of Trustees Meeting
Minutes
Approved at 10/29/14 Meeting
May 5, 2014
11:00 a.m.

The meeting was called to order at 11:05a.m. by Board Chairman Alan Klinger.

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. William P. Kelly, 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. Muhammad Arshad, Chairperson of the University Student Senate of the City University of New York; Mr. Tremayne Price, President of the SUNY Student Assembly; Ms. Angela Van Dekker, Associate Vice President, Student Financial Services at Fordham University; and Mr. Philip Williams, President of the Utica School of Commerce and Vice Chairman.

In attendance for the Leadership Council were Mr. J. Scott Atkinson, 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; Mr. John Austin; Mr. Thomas Brennan; Ms. Kathy Crowder; Mr. Matthew Downey; Ms. Barbara Hochberg; Ms. Susan

Stah-Cooper; Mr. Victor Stucchi; and Mr. Warren Wallin. Also present, for the agency, were Ms. Cori Biviano, Mr. Joshua Farrell and Ms. Aleah Wendell and, for the Office of Information Technology Services, Mr. Richard Valenti, Information Technology (IT) Director.

Chairperson's Report

Chairman Klinger began the meeting by welcoming and thanking the Board members for accommodating the necessary schedule change. He then recognized Mr. J. Scott Atkinson, President of the New York State Financial Aid Administrators Association (NYSFAAA), for his service to the Board upon the impending expiration of his two-year term as NYSFAAA President.

Approval of Minutes from the December 11, 2013 Board Meeting

Chairman Klinger requested a motion to adopt the draft minutes from the December 11, 2013 Board meeting. Mr. Philip Williams moved to adopt the minutes and Ms. Angela Van Dekker seconded the motion. The motion passed unanimously and the minutes were adopted without change.

Audit Committee Report

Mr. Alan Klinger introduced Mr. Philip Williams as the newly elected Chairman of the Audit Committee and requested Mr. Williams to provide the Audit Committee Report to the Board.

Mr. Williams reported that the Audit Committee convened, via conference call, on Wednesday, April 30, 2014. The first order of business was the election of a chairperson. Mr. Williams was elected Chair, and Mr. Klinger and Dr. Ptachik continue to serve on the Audit Committee.

Mr. Williams reported that Mr. Ken Deon, Liaison Partner from KPMG introduced Mr. Gregg Driscoll as HESC's Engagement Partner who, together with his colleagues, gave the Committee an outline of this year's audit, which is already underway. They spoke about audit scope and deliverables for both the financial statement and the OMB Circular A-133 (Education Department) audits. The KPMG presentation ended with a discussion of new and emerging accounting pronouncements.

HESC Audit Director, Mr. Matthew Downey, provided the Committee a summary of the 2013-14 Audit Plan of completed and carried forward audits. The 2014-15 Audit Plan was presented to the Committee and accepted.

HESC's Chief Financial Officer (CFO) Warren Wallin provided the Committee an update on HESC's Agency Operating Fund (AOF) for State Fiscal Years (SFY) 2013-14 through 2015-16, reporting that HESC anticipates reasonable operating fund balances during the three year period. Regarding the Federal Fund, HESC anticipates meeting the minimum reserve requirement through 2015-16 with either no or a minimal transfer of AO funds. No State General Fund appropriation is expected through 2015-16.

Regarding investments, Mr. Wallin informed the Committee that on April 7, 2014, he notified Chairman Klinger that one of HESC's two overnight investment dealers advised HESC on March 20, 2014, with no prior notice, that they would no longer provide collateral for HESC's overnight Purchase Agreements making compliance with

HESC's current Investment Policy impossible. Mr. Williams reported that all funds are secure and that a revised Investment Policy will be presented to the Board at the next meeting.

Chairman Klinger remarked that Dr. Ptachik had asked several questions during the call that were forwarded to Ms. Magee, some of which would be addressed in her Report to the Board. There were no additional questions for Mr. Williams.

HESC UPDATES

President's Report

Ms. Elsa Magee, HESC's Executive Vice President and Acting President, reported on HESC's activities since the December 11, 2013 meeting of the Board, beginning with an update on the 2014-2015 New York State Budget, which included a number of changes that benefit New York State's college-going students; specifically, the first TAP increase in 14 years; higher TAP awards for recipients who are orphans, wards of the court or in foster care; and two new financial aid programs.

Ms. Magee stated that beginning this fall, eligible dependent students who attend a 2-year or 4-year public college or university, or a 4-year private higher education institution in New York State will now be eligible for TAP awards of up to \$5,165. In addition, TAP recipients who are orphans, wards of the court or in foster care will now be treated as dependent students, and will – for the first time – be eligible for awards of up to \$5,165. This change will mean a \$2,140 increase in TAP awards for the neediest students and an increase of up to \$4,885 for those who were previously ineligible for such awards.

The 2014-15 Budget also established the Science, Technology, Engineering and Math (STEM) Incentive Program to encourage New York's top high school graduates to pursue STEM careers in New York State. The STEM Incentive Program covers the full tuition costs of students graduating within the top 10 percent of their high school class, who attend a SUNY or CUNY college or university full time beginning this fall, and who pursue an undergraduate program leading to a career in Science, Technology, Engineering or Math. To be eligible, STEM recipients must agree to live in New York State and work in a STEM job in New York State for five years upon college graduation.

In addition, the 2014 -15 State Budget established the Young Farmers Loan Forgiveness Program to encourage New Yorkers to pursue careers in agriculture by providing education loan forgiveness to New Yorkers who work full time in farming operations for five years. Ten awards of up to \$10,000 will be provided each year for up to 5 years – with total awards of \$50,000 per recipient or the actual amount of qualified education loan debt, whichever is less.

Both the STEM and Young Farmers Loan Forgiveness Programs will be administered utilizing existing staff, resulting in no additional administrative costs.

Ms. Magee announced that, in January 2014, approximately 100 of HESC's Information Technology (IT) staff transitioned to the NYS Office of Information Technology Services (OITS), completing the last of three major statewide IT initiatives designed to consolidate services. She informed the Board that Mr. Richard Valenti, HESC IT Director, would provide a complete report later in the meeting.

Ms. Magee next spoke about the changes in Federal Family Education Loan (FFEL) Program operations as a result of the Bipartisan Budget Act of 2013, enacted in

January, 2014, which established federal spending budget caps for Federal Fiscal Years (FFYs) 2014 and 2015. Ms. Magee reported that funding for Title IV programs is generally level, but individual programs are subject to possible reallocation by Congress.

Ms. Magee went on to explain that the Bipartisan Student Loan Certainty Act of 2013 established a new structure of student loan interest rates that are fixed, but reset annually for new loans each July 1. With interest rates on the 10 year Treasury bond hovering around 2.6 percent, the potential rate for new Stafford loans to undergraduates in 2014-2015 would be 4.65 percent, compared to the 2013-14 rate of 3.86%. Interest rates for graduate Stafford loans and all PLUS loans would also increase to 6.2 percent for graduate Stafford loans and 7.2 percent for graduate and parent PLUS loans. Ms. Magee informed the Board that the 10 year Treasury auction that determines the student loan interest rates for the 2014-15 academic year is scheduled for May 7, 2014.

Ms. Magee reported that, with no new loan originations since June 30, 2010, HESC has supported its operations with revenues earned from its \$14 billion guarantee portfolio and \$2 billion default portfolio. While new federal changes will become effective this July that will reduce student loan rehabilitation earnings for all guaranty agencies, she reported that HESC projects a positive operating fund through SFY 2015-16, barring future FFEL Program changes that impact guaranty agency revenue formulas.

Ms. Magee next reported on the federal College Access Challenge Grant (CACG) Program and the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP). Since the CACG Program's inception in 2008, HESC has been awarded \$36 million in CACG funds. With authorized funding expiring this year and no new funding proposed in the President's FFY 2015 Budget, HESC will be applying for the

final College Access Challenge Grant later this month. As a formula based grant, New York State is eligible to receive grant funds totaling \$6.5 million.

With respect to GEAR UP, Ms. Magee reported that HESC also anticipates the release of a new federal GEAR UP competition later this month. GEAR UP provides six-year grants to states and partnerships to serve an entire cohort of students at high-poverty middle and high schools, beginning no later than the seventh grade and continuing through high school. States can also apply for a seventh year of the grant to see students through their freshman year of college. HESC expects the maximum annual federal award will be \$5 million.

There being no questions for Ms. Magee, she turned the floor over to Mr. Richard Valenti, HESC IT Director, for an update on agency and statewide IT projects and initiatives.

Statewide Information Technology Initiatives Update

Mr. Richard Valenti, HESC Information Technology (IT) Director, presented the Board an update on the ongoing statewide Information Technology initiatives, the objectives of which are to fundamentally improve the delivery of IT services.

Mr. Valenti reported that on January 16, 2014, HESC IT staff and staff from the HESC Information Security Office (ISO) transferred to the Office of Technology Services (OITS) as part of the State's IT Transformation Initiative, joining the Office of Temporary and Disability Services (OTDA), Office of Children and Family Services (OCFS), Department of Labor (DOL) and Division of Human Rights (DHR) as part of the Human Services agency cluster.

Mr. Valenti explained that there are three major IT Enterprise Projects ongoing: email consolidation, Unite NY, and the Data Center Consolidation. He reported that HESC is scheduled to migrate to the new cloud-based Office 365 email, calendaring and collaboration system on June 9, 2014. Mr. Valenti reported that on March 17, 2014, all non-call center staff (75 percent of HESC staff) migrated from the Capnet phone system to a VoIP system as part of the UniteNY project. He explained that call center phones will be migrated when the call center technology is upgraded or replaced. With respect to the Data Center Consolidation Project, Mr. Valenti reported that HESC's network will be converted to the new system in July 2014, and the computer environment will be migrated to the new state-of-the-art data center housed on the campus of the College of Nanoscale Science and Engineering in August 2014.

As for Call Center consolidation, Mr. Valenti reported that in October 2013, Level 1 TAP calls from students and parents began to be handled at the new Department of Taxation and Finance call center anchor. During the period October 2013 to March 2014, over 4,500 calls were transferred to the Tax and Finance anchor, with over 1,570 being identified as Level 2 calls and returned to HESC to be handled. Calls from Financial Aid Officers continue to be addressed at HESC.

Mr. Valenti next discussed the Open NY website launched by the Governor in March 2013, which makes agency data available to the public. He informed the Board that nine HESC datasets are available on the website at Data.NY.Gov, and another is currently in test. There have been over 6,700 views and downloads of HESC data since the launch.

Mr. Valenti then discussed the priority IT projects ongoing at HESC. Phase 1 of the STEM Program is expected to go to production today, and there will be future phases necessary to fully implement the Program. Staff is currently in the planning phase for the Young Farmers Program, with a release date for Phase 1 set for October 2014.

Mr. Valenti then spoke about how the changes to the TAP program enacted as part of the 2-14=15 State Budget are being addressed at HESC. Changes associated with the \$165 increase in the maximum TAP award were moved to production on April 18, 2014. Analysis of the impact on TAP systems with the change to move orphans, foster children and wards of the court from the independent TAP schedule to the more favorable dependent schedule is underway.

Finally, Mr. Valenti reported that, as time permits, staff continue to work on upgrades and modernizations to the TAP and Scholarship systems. Eventually, all scholarship program information will be integrated with the TAP system. This system upgrade will significantly benefit staff at colleges and universities, as well as students, eliminating all paper processes.

Mr. Valenti concluded his report with assurances that staff will continue to work closely with the ITS Project and Portfolio Management Unit, ITS Enterprise Operations and HESC management and program staff to ensure timely implementation of new projects as well as to address daily operational needs.

Ms. Patricia Thompson asked Mr. Valenti about the implementation of the call center changeover. Mr. Valenti responded that the process went very well, and that there have been no difficulties.

Resolutions

Chairman Klinger asked Ms. Cheryl Fisher, Secretary to the Board, to present three Resolutions to the Board. Ms. Fisher first presented a Resolution to Adopt the NYS Science, Technology, Engineering and Mathematics (STEM) Incentive Program Regulations.

Several questions were posed to Ms. Fisher by members of the Board, as well as the Leadership Council, regarding temporary leaves of absence, the interest accrual should the award be converted to a student loan, the GPA requirement for the student's first semester and the deferral of the financial obligation in cases of extreme hardship. Ms. Fisher addressed all of the questions to each member's satisfaction. Dr. Ptachik then commented that outstanding concerns could be addressed in administrative guidelines that HESC would issue to correspond with the Regulations, and stated that he has the necessary assurance that HESC understands the issues at hand and will work together with all parties to satisfy issues raised, allowing him to support the Regulations in the interest of enabling HESC to move forward with the process. Ms. Thompson agreed and expressed her satisfaction that all parties are working toward the same goal, successful implementation of the STEM Program, and she looks forward to further conversations in the near future.

Ms. Fisher closed the discussion with an explanation regarding the process of filing the STEM Regulations, reporting that they are being filed as emergency regulations and will therefore take effect immediately upon filing with the Department of State, allowing HESC to begin to administer the Program. When the Notice of Proposed Rule Making is filed in the near future, the public will have a 45 day comment period during

which it may provide comment and feedback. Ms. Fisher explained that, should any substantive changes need to be made, she will recommend convening an emergency meeting of the Board. However, she is hopeful that guidance documents will suffice. Mr. Tremayne Price asked about the impact of revised regulations on current students, which Ms. Fisher addressed.

At the conclusion of the discussion, a motion to adopt the Resolution was made by Mr. Stanley Hansen and seconded by Ms. Patricia Thompson. The Resolution was unanimously adopted.

Next, Ms. Fisher presented a Resolution to Amend the Leadership Council Membership. Mr. Hansen asked whether a similar amendment would be made for CUNY. Ms. Fisher responded that she and Dr. Ptachik are currently researching the appropriate CUNY entities, if any, and any necessary amendment would be brought to the Board accordingly. A motion to adopt the Resolution was made by Ms. Angela Van Dekker and seconded by Ms. Patricia Thompson. The Resolution was unanimously adopted.

Finally, Ms. Fisher read a Resolution of Appreciation for Mr. J. Scott Atkinson, who was attending his last regular meeting of the HESC Board as President of NYSFAAA. A motion to adopt the Resolution was made by Mr. Stanley Hansen and seconded by Ms. Patricia Thompson. The Resolution was unanimously adopted.

Leadership Council

Chairman Klinger welcomed and invited comment from the members of the Leadership Council: Mr. J. Scott Atkinson and Mr. Mark Hill.

Mr. Atkinson updated the board regarding NYSFAAA's efforts to promote TAP reform in the Legislature. He informed the Board that NYSFAAA has a paper on the issue on their website, and that they have recently joined the Coalition for TAP Reform, and have presented to the Governor's Office and members of the Higher Education and Ways and Means Committees. He reported that there is currently underway at NYSFAAA a grass-roots effort to contact all legislators at their local offices, to increase transparency and simplicity in the TAP process. He assured the Board that his successor, Ms. Kerrie Cooper, would continue to further NYSFAAA's effort in this arena.

Mr. Hill extended his thanks to Ms. Barbara Hochberg for the session she recently presented at the SUNYFAP conference. He reported that her session was one of the anchor sessions of the conference and that feedback had so far been 100 percent positive.

Set Date for Fall Meeting

Chairman Klinger announced that the next meeting of the Board of Trustees will be held on Wednesday, October 29, 2014.

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 11:53a.m.