

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

July 20, 2022

The Higher Education Student Assistance Authority (HESAA) Board held a remote teleconference meeting on July 20, 2021 at 10:00 am via GoTo Meeting.

PRESENT: HESAA Board Members: Ms. Isabella Berdugo-Hernandez; Dr. Brian Bridges, Secretary of Higher Education; Ms. Nicolette Carpenter; Ms. Beatrice Daggett; Dr. Jon Larson; Ms. Jean McDonald Rash; Mr. Scott Salmon; Mr. Robert Shaughnessy, Treasurer's Designee; Mr. David Socolow; and Ms. Christy Van Horn, Chair.

ABSENT: Mr. Anton Lendor

CALL TO ORDER

Christy Van Horn called the meeting to order at 10:01 am. David Socolow stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Ms. Van Horn welcomed the Board members and advised that since this meeting is being held remotely, Marnie Grodman would conduct a roll call for the resolutions.

Ms. Van Horn welcomed Janice Venables, Associate Counsel from the Governor's Authorities Unit; and Erin Herlihy, Deputy Attorney General from the New Jersey Division of Law along with Legal Interns Deana Giles and Edward Bank.

Ms. Van Horn asked Ms. Grodman to call the roll.

INTRODUCTION AND SWEARING-IN OF NEW STUDENT ADVISORY COMMITTEE REPRESENTATIVES

Deputy Attorney General Erin Herlihy swore-in Nicolette Carpenter, the new Chair of the Student Advisory Committee, and Ms. Carpenter introduced herself to the Board.

CONSIDERATION OF THE MINUTES OF THE APRIL 20, 2022 MEETING

A motion to approve the minutes of the April 20, 2022 meeting was made by Jon Larson and seconded by Isabella Berdugo-Hernandez. The minutes were approved unanimously with one abstention, Nicolette Carpenter, who did not attend the April 20, 2022 meeting.

RESOLUTION 10:21 ELECTING THE EXECUTIVE COMMITTEE

Jean McDonald Rash presented to the Board:

In accordance with Article V of the Bylaws of the Higher Education Student Assistance Authority, the Chairperson appointed Thyquel Halley, Scott Salmon and myself to the Nominating Committee to nominate a Chairperson and Vice Chairperson from among the public members of the Authority Board and two additional members of the Executive Committee, one from among the public members of the Board and one from among the institutional members of the Board.

The bylaws include the State Treasurer or designee and the Executive Director as members of the Executive Committee, with the Executive Director serving as Secretary/Treasurer. Accordingly, Robert Shaughnessy, as Treasurer's Designee is a member of the Executive Committee, and Executive Director David Socolow will serve as Secretary/Treasurer of the Executive Committee.

At the April 20, 2022 Board meeting, the Chairperson advised members to contact HESAA if they were willing and able to serve on the Executive Committee.

The Nominating Committee met on June 15, 2022 and recommends electing the following officers for Fiscal Year 2023: Christy Van Horn as Chairperson, Scott Salmon as Vice Chairperson, Beatrice Daggett as the member of the Executive Committee representing the public members, and Dr. Jon Larson as the member of the Executive Committee representing institutional members.

A motion to approve Resolution 10:22 was made by Beatrice Daggett and seconded by Robert Shaughnessy. The motion passed unanimously.

RESOLUTION 11:22 ADOPTING A TUITION AID GRANT AWARD TABLE FOR ACADEMIC YEAR 2022-2023

Jean Hathaway presented Resolution 11:22 to the Board.

Resolution 11:22 will establish award values for the Full-Time Tuition Aid Grant Award table for the 2022-2023 academic year.

The purpose of the TAG Program is to reduce the tuition component of the cost of attending college for students who demonstrate financial need. The structure of the TAG award table is based on a numeric New Jersey Eligibility Index (NJEI) that represents the relative levels of financial need of students and their families, as determined through HESAA's needs analysis methodology. The NJEI ranges on the award table are referred to as "cells."

Students demonstrating the highest need are those in the first cell, with an NJEI under 1,500. In 2021-2022, more than 47% of all TAG recipients were in this cell and therefore were eligible for the maximum TAG award amount. Students with NJEIs in subsequent cells are eligible for proportionately lower awards as the family's calculated financial need decreases.

On June 30, 2022, Governor Murphy signed P.L. 2022, c. 49 which directed the Board to develop a table of TAG award amounts based on the FY 2023 State appropriations for TAG, including both \$477,887,000 for TAG and the separate appropriation of \$558,000 for part-time students eligible to receive TAG awards through the Educational Opportunity Fund (EOF) Program. The Part-Time TAG for EOF Students program is presented together with the full-time TAG table because these students are typically enrolled full-time and are approved by the EOF program on an exception basis for a limited period of part-time enrollment.

Pursuant to FY 2023 budget language, unexpended balances from the TAG account are re-appropriated and available to fund increases in the number of applicants qualifying for TAG, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs. The Appropriations Act also includes language appropriating such additional funds as are required as a result of changes in program participation patterns.

The proposed TAG table increases award values in each cell by three (3) percent above the amounts in the AY 2021-22 TAG schedule for each institution. This table deploys the funding in the FY 2023 Appropriations Act based on financial estimates derived from the proposed award dollar values and HESAA's projections of the number of Tuition Aid Grants expected to be awarded to eligible students at participating institutions in AY 2022-23. The full-time table is projected to fund 62,128 full-year equivalent awards, of which approximately 55% are projected to qualify for maximum awards totaling approximately \$309 million. This also includes the Part-time TAG for EOF program.

The estimated number of awards and financial projections also incorporate two adjustments to HESAA's NJEI methodology for calculating students' financial need. Both of these enhancements are projected to increase the total number of TAG awards in AY 2022-23, and also shift some students into a lower NJEI cell that will qualify them for a larger TAG award amount than they would have received under the financial eligibility methodology used last year.

The first change will increase the income protection allowance (IPA) for independent students in AY 2022-23, adjusting the NJEI calculation of financial need to exclude more of the earnings of independent, working adult students. Second, in AY 2022-23 HESAA will discontinue its past practice of treating federal Earned Income Tax Credit (EITC) benefits as untaxed income in the NJEI calculation. The estimates in Attachment A fully reflect the impact of these policy modifications on increased projected number of awards and shifts in the distribution of awards among the cells.

It is recommended that the Board approve Resolution 11:22 adopting Attachment A as the Full-Time Tuition Aid Grant Award Table for academic year 2022-2023.

A motion to approve Resolution 11:22 was made by Jean McDonald Rash and seconded by Beatrice Daggett.

Jean McDonald Rash thanked HESAA for the changes to the methodology, stating that these changes will help many students. Dr. Larson seconded Ms. Rash's comment and stated that he is pleased and proud that HESAA, the Governor, and the Legislature have seen fit to support these adjustments.

The motion passed unanimously.

RESOLUTION 12:22 ADOPTING A PART-TIME TUITION AID GRANT AWARD TABLE FOR COUNTY COLLEGES FOR ACADEMIC YEAR 2022-2023

Jean Hathaway presented Resolution 12:22 to the Board.

Resolution 12:22 will establish award values for the Part-Time TAG for County Colleges Program for the 2022-2023 academic year.

On June 30, 2022, Governor Murphy signed the FY 2023 Appropriations Act, which includes an appropriation of \$8,737,000 for the Part-Time TAG for County College Students program. This program was established during the 2003-2004 academic year to provide awards to county college students who demonstrate financial need and enroll for 6–11 credits per semester.

The Part-Time TAG Award Table shown in Attachment A follows the same parameters used to construct the 2022-2023 full-time TAG award table. The full-time TAG awards were prorated by 50% or 75% to account for anticipated numbers of part-time TAG awards for students enrolled in 6-8 credits (“half-time”) or 9-11 credits (“three-quarter time”) per semester.

Pursuant to budget language included in the FY 2023 Appropriations Act, unexpended balances from the account shall be available to fund unanticipated increases in the number of applicants qualifying for Part-Time TAG for County College Student awards, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs.

It is recommended that the Board approve Resolution 12:22 Adopting Attachment A as the Part-Time Tuition Aid Grant (TAG) for County Colleges Award Table for Academic Year 2022-2023.

A motion to approve Resolution 12:22 was made by Jon Larson and seconded by Brian Bridges.

Dr. Larson said that on behalf of all of the County Colleges, they are very grateful for all of the support from HESAA, the Governor, and the Legislature.

Christy Van Horn stated the importance of Part-Time TAG for County College students because many students need to enroll part-time in order to continue working while attending school.

The motion passed unanimously.

RESOLUTION 13:22 ADOPTING MAXIMUM COMMUNITY COLLEGE OPPORTUNITY GRANT AWARD AMOUNTS FOR ACADEMIC YEAR 2022-2023

Jean Hathaway presented Resolution 13:22 to the Board.

Resolution 13:22 will establish the maximum individual Community College Opportunity Grant (or CCOG) award amount for each county college.

The State first offered CCOG awards for the spring 2019 semester pursuant to the FY 2019 Appropriation Act as a pilot program. The purpose of CCOG is to provide financial aid grants to eligible county college students, whose adjusted gross income does not exceed \$65,000, to cover the costs of tuition and approved educational fees that are not already covered by any other State, federal, and institutional need-based grants or merit scholarships. Last year, in February 2021, Governor Murphy signed the CCOG Program Act into law. On June 30, 2022 Governor Murphy signed the FY 2023 Appropriations Act, which included an appropriation of \$35,000,000 for CCOG.

The CCOG Program Act requires HESAA annually to establish maximum individual grant amounts to be awarded under the program at each county college. Under the law, HESAA administers CCOG financial aid awards for eligible county college students whose adjusted gross incomes (AGIs) are between \$0 and \$65,000. In addition, the law further provides that the Authority “may annually establish maximum annual adjusted gross income eligibility limits” that exceed \$65,000. The FY 2023 Appropriations Act expands the program by directing HESAA to administer CCOG financial aid grants for eligible county college students whose AGIs are between \$65,001-\$80,000, and to establish for each county college an annual maximum individual grant amount for students with AGIs between \$65,001-\$80,000 that is 50 percent of the maximum individual grant award for students with AGIs between \$0 and \$65,000.

The Table of Maximum CCOG Awards shown in Attachment A calculates the maximum individual annual grant award for students at each county college in Academic Year (AY) 2022-2023. These amounts were determined by:

- The tuition for 36 credit-hours of enrollment at each college in AY 2022-2023, plus \$3,000 for approved educational fees, not to exceed 3 percent more than the prior year’s maximum award value.
- For students with AGIs between \$65,001 and \$80,000, the maximum award value is 50% of the maximum CCOG award value for students with AGIs up to \$65,000.

For students enrolled for at least six credits but less than 12 credits per semester CCOG awards are pro-rated from the full-time tuition and approved educational fees based on the number of credits for which a student enrolls. The table in Attachment A provides maximum individual grant awards for full-time students in academic year 2022-23 (fall 2022 and spring 2023 semesters combined). Maximum awards for part-time students will be calculated as follows:

- 50 percent of the value of a full-time award for eligible students enrolled for 6–8 credits per semester; and
- 75 percent of the full-time award value for students enrolled for 9–11 credits per semester.

Award values for students that fall within the \$65,001-\$80,000 AGI range will be calculated in the same manner for students enrolled between 6-11 credits.

Current projections indicate that the \$35.0 million appropriation will be sufficient to fund the Table of Maximum CCOG Awards shown in Attachment A.

It is recommended that the Board approve Resolution 13:22 Adopting Attachment A as the Maximum Community College Opportunity Grant Awards for Academic Year 2022-2023.

A motion to approve Resolution 13:22 was made by Jon Larson and seconded by Scott Salmon.

Christy Van Horn stated that this is a wonderful addition to our portfolio to increase access to students looking to enhance their academic years. David Socolow explained that the awards for students with AGI’s between \$65,001 and \$80,000 aligns CCOG with the Garden State Guarantee as part of New Jersey’s College Promise program. This provides a second tier of aid for students

with AGIs between \$65,001 and \$80,000, providing access to an estimated increase of 7,000 eligible students in the coming year.

The motion passed unanimously.

RESOLUTION 14:22 APPROVING PROPOSED READOPTION WITH AMENDMENTS OF N.J.A.C. 9A:16 REGULATIONS GOVERNING THE PRIMARY CARE PRACTITIONER LOAN REDEMPTION PROGRAM

Marnie Grodman presented Resolution 14:22 to the Board.

The regulations that govern the Primary Care Practitioner Loan Redemption Program are scheduled to sunset on August 4, 2022. Staff has reviewed the rules and determined that they continue to be necessary, reasonable, and proper for the purpose for which they were originally promulgated. Additionally, upon review, and in consultation with the Department of Health, staff determined that a few amendments are necessary upon readoption to ensure that primary care services are reaching the residents of underserved areas.

For example, the proposed amendments specify that a placement site is not required to accept Medicaid if the site provides its services for free. Additionally, the Commissioner of Health expanded the definition of primary care providers to include psychiatrists, therefore the proposed amendments add psychiatrists to the definition of “primary care.”

Another way the proposed amendments expand access to primary care services is by providing an avenue for practitioners who own their own practice to participate in the Program. To ensure an applicant’s suitability for the Program, the regulations generally require that an authorized official from the approved site submit a letter to the Authority recommending continuation of the participant’s placement. Since it is not a best practice for a participant to self-certify as to their own suitability, the proposed amendment requires that participants who are an owner of their placement site to submit supporting documentation demonstrating both their suitability for the program and that of the placement site. The Executive Director will specify the necessary documentation based on the type of primary healthcare the applicant provides.

The complete rule proposal, as well as a summary of each amendment, are included in the materials. Upon the Board’s approval, the rule proposal will be published in the September 6th New Jersey Register allowing for public comment until November 5, 2022.

It is recommended that the Board approve Resolution 14:22.

A motion to approve Resolution 14:22 was made by Robert Shaughnessy and seconded by Isabella Berdugo-Hernandez.

Christy Van Horn commented that after the completion of the notice and comment period, the Board can expect to consider the final adoption of these amendments as an agenda item for at its January 2023 meeting.

The motion passed unanimously.

RESOLUTION 15:22 APPROVING THE 1ST EXTENSION OF THE CONTRACT WITH BLX GROUP, ARBITRAGE CALCULATION CONSULTANT

Arthur Quaranta presented Resolution 15:22 to the Board.

Under the federal tax code, municipal bond issuers, including the issuers of student loan revenue bonds, are required to produce two types of arbitrage reports on a periodic basis, and remit any liability determined as a result of those calculations to the Internal Revenue Service (IRS).

These reports are required at specific intervals during the life of a bond issue, including as of the date of final retirement.

In the case of HESAA, these arbitrage compliance computation services are required for its student loan bond issues used to establish and maintain the New Jersey College Loans to Assist State Students (NJCLASS) Program and the Federal Family Education Loan Program (FFELP) Portfolio of Loans owned by the NJCLASS/FFELP Trust Estates.

Due to the complexity of the federal tax code as it relates to arbitrage calculations for the structures of HESAA asset-backed bonds, the services of a specialist in this area of accounting are required to ensure compliance.

As a result of the RFP issued on March 4, 2019, HESAA engaged BLX Group (BLX). BLX is a wholly-owned subsidiary of Orrick Herrington & Sutcliffe, LLP, a leading national firm with recognized expertise in arbitrage compliance. HESAA is provided the required calculations by BLX while also having access to unlimited tax expertise and resources at no additional charge. BLX maintains an experienced professional staff with the requisite skills to perform the services required by HESAA. BLX has established a track record with HESAA of quality service at reasonable rates, as well as prompt and helpful responses to questions at no additional cost.

The initial contract to provide arbitrage calculation compliance services for a period of three years, with up to three additional one-year extensions, expires on July 31, 2022.

It is recommended that the Board approve Resolution 15:22 Approving the First Extension of the Agreement with BLX Group as Arbitrage Calculation Consultant.

A motion to approved Resolution 15:22 was made by Beatrice Daggett and seconded by Scott Salmon.

The motion passed unanimously.

RESOLUTION 16:22 APPROVAL OF HESAA'S FY 2023 ADMINISTRATIVE AND CAPITAL BUDGETS

Jerry Traino presented this item to the Board.

On July 11th, the Board Budget Committee met to review and approve HESAA's proposed Fiscal Year 2023 (FY23) Administrative Budget.

The proposed budget for FY23 totals \$34.7 million and will be fully funded through HESAA annual revenues and appropriated reserves as detailed in the attachments of the memo provided earlier.

These revenues include earnings from our administration of the NJCLASS program, the NJBEST programs, and certain other state loan redemption programs, proceeds from the equity distribution from the 2010-2 Indenture Refunding done as part of the 2022 Series Bond transaction, as well as funding from unallocated cash reserves.

As detailed in Schedule I, HESAA administrative projected revenues for FY23 total \$34.7 million, an increase of \$3.6 million over FY22 budget levels. These revenues include:

- \$1.2 million State Program Administration Net Revenues – In FY23 HESAA will be reimbursed for the costs of administering the State’s loan redemption programs and one other program, as these initiatives have expanded over the past two fiscal years. Along with the Primary Care Practitioner Loan Redemption Program and the Nursing Faculty Loan Redemption Program, new programs include:
 - New Jersey STEM Loan Redemption Program;
 - Pay It Forward workforce training funding program;
 - NJCLASS Loan Redemption Program for New Jersey Teachers; and
 - Behavioral Healthcare Provider Loan Redemption Program.

Revenues also include:

- \$4.15 million from NJBEST Net Revenues – NJBEST revenue for FY23 is projected to total \$6 million from fees and interest earnings related to the NJBEST trust for administration of the program. This amount is reduced by \$1.9 million set aside for NJBEST scholarship obligations, resulting in net revenues of \$4.15 million.

Additionally revenues include:

- \$29.4 million from the NJCLASS Program - which is an increase of \$2.5 million over the FY22 budget.

Under the NJCLASS loan program HESAA receives 1% of the 3% origination fee applied to new loans; earns servicing and administrative fees from the Bond Trust Estate which are paid from the spread between the cost of capital and the loan rate; and retains revenue from a portion of the recovery from NJCLASS loans.

Other revenues from the NJCLASS program for FY23 are:

- \$2.5 million in Equity Distribution from the 2010-2 Indenture Refunding done as part of the 2022 Series Bond transaction which was completed in May;
- \$7.5 million in Cash Receipts from HESAA-owned student loans. HESAA anticipates a slight increase over the FY22 budget related to additional collections on the non-trust defaulted assets; and

- \$7.1 million of unallocated cash reserves including funds available from prior years' net earnings.

Turning now to the operating side of the budget and shifting to anticipated expenditures, HESAA's proposed administrative expenditures for FY23 are \$34.7 million. This is a net increase of \$3.6 million over the FY22 budget. This spending plan will support 166 HESAA positions and all non-salary costs associated with fulfilling HESAA's mission of student assistance. The Authority saw seven (7) retirements during FY22.

Changes in the FY23 expenditures versus FY22 include:

- \$8.7 million in Services Other than Personnel which is a net decrease of \$483,000 from FY22 and largely attributable to a decreased reliance on temporary agency service contractors.
- \$2.4 million in anticipated bond-related transaction and trustee costs which is relatively flat to FY22 costs.
- \$4.1 million increase in employee salaries and costs of benefit related to:
 - Contractually obligated cost of living increases as well as increases in the State Health Benefits Program costs; and
 - Anticipated increase to the total staff level at HESAA by approximately 24 individuals.
 - In the past several budget cycles HESAA has experienced significant staff attrition through retirement and the agency remains significantly short-staffed. The mission-critical positions we look to add in FY23 are necessary for HESAA to continue to meet its statutorily mandated program administration duties, launch several newly enacted initiatives, and reduce the Authority's reliance on temporary agency services.

Taking a look at HESAA's capital budget as detailed in SCHEDULE 2, the proposed Capital Budget is \$3 million. This is roughly \$460,000 more than capital budget approved for FY22.

The FY23 Capital spending plan will be funded through current cash reserves which includes \$1 million of unspent FY22 capital resources. The major expenditures for FY23 include:

- \$865,000 for Technology Infrastructure, which includes replacing end-of-life servers to support the NJFAMS system, and increasing data storage capacity as well as licensing Microsoft SQL Server database to transition from the mainframe to a server-based environment.
- \$490,000 which includes funding for fire suppression/system replacement in computer room; the remaining costs related to the installation of the backup emergency generator; as well as for physical upgrades and construction to modernize HESAA's current office footprint to facilitate organizational realignments.

- \$1 million in project extension and contingency funding for the completion and full implementation of HESAA's new Loan Servicing Platform: the Collections, Loan Accounting, and Servicing System (CLASS):
 - In FY 2020 the Board approved awarding a contract to DecisivEdge for the development, construction, and implementation of a new Oracle-based loan servicing platform to replace the decades-old, HESAA-built mainframe system.
 - The State's Pandemic Mitigation policies included Remote Working requirements in 2020 and 2021, which had a major impact on the project timeline.
 - Additionally, the uniqueness of our borrower benefits as well as the complexity of data housed in HESAA's current mainframe has resulted in a larger need for of customizations to the new platform than HESAA and DE originally estimated.
 - This contingency funding will allow for the completion of these customizations and the phased in launch of the CLASS platform starting in the fall of 2022.

That, in summary form, is the proposed FY23 Administrative and Capital budgets for HESAA. I am conveying the Budget Committee's recommendation that the full Board approve Resolution 16:22 and will turn it back to the Chair for discussion.

A motion to approve Resolution 16:22 was made by Jon Larson and seconded by Robert Shaughnessy.

Dr. Larson commented on how pleased the Board Budget committee was on the presentation of this budget. It was both concise and comprehensive. He complimented both Jerry Traino and David Socolow on the well-formed budget. Dr. Larson asked Jerry Traino to explain how HESAA was able to achieve such low interest rates for NJCLASS with the 2022 bonds.

Jerry Traino explained that HESAA normally goes to market with the bonds in mid-May to coincide with market conditions in the same week when the U.S. Department of Education sets the interest rate for Parent PLUS loans. However, this past winter HESAA's bond team watched the market and saw that interest rates were rising. Therefore, with the Board's approval at its special March 31 meeting, HESAA presented this year's bond transaction to the market in April 2022 and as a result was able to achieve better rates for New Jersey's students than would have been the case if we had waited until the usual mid-May timeframe.

The motion passed unanimously.

CHIEF COMPLIANCE OFFICER'S REPORT

Chief Compliance Officer Gregory Foster gave the following report:

It is my pleasure today to start my compliance report to the Board by highlighting three monumental achievements over the past year that have addressed HESAA's main weaknesses from a compliance and risk exposure perspective.

For years before I joined HESAA, staffing issues and succession planning had been identified as weaknesses in multiple areas at HESAA. Several reasons contributed to this deficiency including:

the state-wide hiring freeze, the lack of qualified employees available to assume the higher level roles at HESAA, barriers to cross training in critical business areas, the high number of staff near retirement age, and the upward trend of annual retirements.

I am happy to report that HESAA, with help from the Board, has initiated a significant recruiting and reorganization initiative this past year. In addition to hiring 24 permanent employees, HESAA also promoted five (5) current employees. Across the Authority, this crucial rebuilding effort replaced staff lost to attrition and added new and necessary functions to the Compliance, Customer Care Solutions, the Customer Contact Center, Finance, Grants & Scholarships, Human Resources, Information Services, Information Technology, Loan Originations and Outreach Communications teams. These organization changes have built new capacity, channeling HESAA's resources and expertise to improve support for students and families in all aspects of the college financial aid process while building on the Authority's existing energy and knowledge. The current headcount at HESAA is 138 employees, with additional open positions to be filled in the near future. The Board plays a key role in this process through the Fiscal Year 2023 Budget that you just approved in today's board meeting which will enable the Authority to hire an additional 24 new employees to fill critical vacancies over the next year.

As part of the new hiring initiative, I am proud to announce that we are currently in the process of hiring a number of employees to create a Quality Assurance team for our customer contact center. This is something that we have been planning for a few years and it will be responsible for ensuring the quality of performance for staff who interact one-on-one with existing and potential customers. The QA team will monitor inbound and outbound calls and email responses to assess technical accuracy, customer service performance, and conformity to HESAA's policies and procedures. This will assist in developing, creating, and implementing call center quality processes, consistency, and procedures, as well as making recommendation for enhancements to training materials as needed to advance the overall customer experience.

The other major weakness that the Compliance team has historically cited as a potential risk for HESAA is the aging mainframe system that supports mission-critical transactions, including loan servicing, portions of originations, and accounting. Due to the age of the mainframe based loan servicing system, it has limited capacity to efficiently adjust to meet emerging needs and changes that are required by modern technology or expand customer options such as RAP, HIARP, and streamlined credit reporting.

With the Board's support and approval, HESAA is in the process of developing a new loan servicing system: Collections, Loan Accounting and Servicing System (CLASS). The new system is being programmed and customized to best serve the needs of our borrowers. Currently, the system is being tested and HESAA will launch this user-friendly, in-house system in the fall of this year.

Finally, since technology and security are the foundational areas to monitor for the Authority's success, HESAA and its Board have completed an important project to further protect sensitive organizational and borrower information by recently bringing online a back-up power generator to ensure safe data preservation during a power outage.

At this time, I would like to take a moment to thank all the members of the Board for setting the proper compliance tone at the top of the organization. More specifically I want to acknowledge

the Board for their role in supporting the compliance function of the authority and my personal role as Chief Compliance Officer, by enabling the three major accomplishments recently to address the key weakness and risks I identified. The Board plays a key role in establishing safeguards that flow up and down the Authority which promote compliance participation and excellence at all operation levels.

The Board also has a valuable compliance function in its approval and oversight of expenditures for significant, mission-critical infrastructure. For instance, the new servicing system and generator will significantly reduce risk. Annually, the Board works with our outside auditor, CLA, approves the selection of vendors after a procurement process, works with Finance and outside bond counsel to authorize complex bond transactions, reviews new regulations, completes security SANS trainings, and other required ethics activities. As a result of the Board's compliance activities, HESAA routinely receives high marks as evidenced by clean audit reports, exemplary responses from credit rating agencies, and the absence of major regulatory inquiries or fines, significant lawsuits, security breaches, CFPB complaints, and ethics violations. In fact, this year HESAA was subjected to a periodic Ethics audit by the State Ethics Commission and I am happy to report that there were no negative findings. Our ethics practices received the highest praise and the State Ethics Commission even asked to use some of our policies as their model forms to share with other New Jersey state agencies.

Perhaps the single most important element of the compliance program is an open, active and transparent line of communication between my office and all HESAA staff members, as well as the Board. It pleases me to have such a strong informational reporting relationship between the executive staff and the Board members, which effectively acts as another layer of compliance protection. Through periodic reports to the Board from Finance, Compliance, Audits, and the Executive Director, as well as the open channels of communication and reporting, the Board members protect and strengthen the Authority's overall compliance, reputation, fiscal integrity, and ability to provide critical support and services towards HESAA's mission. The Board's involvement is critical to compliance success and plays an important role in the sustainable effectiveness of mission to help New Jersey students and families achieve higher education.

EXECUTIVE DIRECTOR'S REPORT

Executive Director David Socolow gave the following report:

Thank you Chair Van Horn, members of the Board, and members of the public. I'm pleased to add a warm welcome to our newest Board member, Nicolette Carpenter, who was elected to serve as Chair of the Student Advisory Committee, and to welcome back Isabella Berdugo-Hernandez in her second year as a student representative.

Today the Board has approved important agenda items that will help make college more affordable for tens of thousands of New Jersey students. Investing in higher education expands opportunities for all New Jerseyans to pursue their dreams and achieve economic mobility, especially for historically underserved residents. Thank you for this opportunity to report on several major initiatives the Authority will implement as the 2022-2023 academic year gets started next month.

Fiscal Year 2023 Appropriations Act

At the end of last month, Governor Murphy and the Legislature agreed on a spending plan for Fiscal Year 2023. The investments in the Appropriations Act will help make New Jersey more affordable for our residents and continue building a stronger and fairer economy. HESAA's funding for programs and initiatives in Fiscal Year 2023 will make it possible for students to follow pathways to educational success and career advancement. These resources are a crucial part of making progress toward the goal in the Higher Education State Plan of increasing the postsecondary attainment of our state's working age population to 65% by 2025, by supporting more than 100,000 students' individual efforts and aspirations along with the assistance they receive from their families, friends, educational institutions, and others.

a. New Jersey's College Promise and the Community College Opportunity Grant (CCOG)

The Appropriations Act funds the next phase of the New Jersey College Promise. The Community College Opportunity Grant now serves as the first step of this affordable pathway to a tuition-free degree in New Jersey for even more students. HESAA will distribute an \$8 million funding increase in Fiscal Year 2023 to align the Community College Opportunity Grant program with the Garden State Guarantee, ensuring that students in the same income ranges receive clear net price guarantees that cover up to four years of affordable college, starting with two years at a community college and followed by their third and fourth years at a public, four-year institution. Eligible students with adjusted gross incomes (AGI) from \$0 to \$65,000 continue to be guaranteed tuition-free funding throughout the College Promise Pathway. Starting next month, for students with AGIs between \$65,001 and \$80,000, about half the cost of their tuition will be covered by the Community College Opportunity Grant, which mirrors the Garden State Guarantee's net price promise for students in that income range. We project that 7,000 students will receive Community College Opportunity Grant funding through this expansion, with more than 20,000 students receiving CCOG awards in total.

HESAA also received \$4 million to start a new pilot program to provide tuition-free education to adult postsecondary students enrolled in certain career and technical education programs at county vocational schools. This pilot will encourage partnerships between community colleges and adult post-secondary programs at county vocational schools, by providing last-dollar financial aid grants to students enrolled in technical skills programs at county vocational schools, on the condition that the students who complete these programs receive academic credits awarded by one of New Jersey's community colleges.

b. Tuition Aid Grants (TAG)

HESAA received historic funding of nearly \$478 million in Fiscal Year 2023 to support need-based Tuition Aid Grant (TAG) awards for approximately 70,000 full-time students projected to be eligible for TAG in academic year 2022-2023. This is a \$5 million increase above the level appropriated in the prior fiscal year. This funding enabled the Board's action today to approve a TAG table for the coming academic year that will not only boost by three (3) percent the award amounts for students in each need category over their academic year 2021-2022 dollar values, but will also adjust two TAG eligibility criteria to better target awards to students with significant financial need. Several thousand working adult students will benefit from the enhancement to New Jersey's Income Protection Allowance (IPA) for independent students, as they will receive larger grants than they would have under last year's IPA. Providing more financial aid to working adult learners will complement one of Governor Murphy's top priorities: encouraging students with

some college but no degree to pursue further postsecondary education. Students from low-income families that receive Earned Income Tax Credits (EITC) will also benefit from this year's elimination of the EITC penalty that used to be in HESAA's calculation of financial need and TAG eligibility.

As noted in the consideration of the TAG table resolutions earlier this morning, two separate appropriations line-items – for TAG awards to part-time community college students and for students approved to attend part-time through their institution's Educational Opportunity Fund (EOF) program – were level funded at \$8.7 million and \$558,000, respectively.

c. Governor's Urban Scholarship (GUS) expansion

The Appropriations Act also increases funding by \$150,000 for the Governor's Urban Scholarships (GUS) to expand eligibility beyond the 14 municipalities that were originally designated as eligible when the program started in 2012. The GUS program offers a \$1,000 annual scholarship to a student attending any New Jersey college or university if they ranked in the top five (5) percent of their high school class, had a cumulative grade point average of at least 3.0 through 11th grade, demonstrate TAG-eligible financial need, and reside in one of the designated municipalities. The program also encourages graduation by awarding an additional \$500 scholarship to GUS-eligible students when they earn a college degree. With this year's additional funding, HESAA expanded GUS eligibility to a total of 33 municipalities throughout the state.

d. Student Loan Redemption programs

HESAA is now leading a significant expansion of New Jersey's constellation of student loan redemption programs, which offer valuable incentives for individuals to serve in certain occupations by paying off a portion of an eligible individual's student loans in exchange for that individual's agreement to serve in a specified employment role for a defined period of time within New Jersey. These targeted programs help retain the next generation of professionals in jobs that are crucial to New Jersey's economy and society.

As part of a comprehensive approach to addressing the behavioral health crisis that has been exacerbated by the COVID-19 pandemic, HESAA received \$5 million to inaugurate a Behavioral Healthcare Provider Loan Redemption Program through a new law signed last month by Governor Murphy and championed by Senate President Scutari. This program will offer up to \$150,000 in student loan redemptions for behavioral healthcare providers in exchange for up to six (6) years of clinical mental or behavioral healthcare practice at a community provider. In addition, the law provides dedicated resources to address the youth mental health crisis, by providing annual \$5,000 incentive grants to program participants who work primarily with children and adolescents. Behavioral healthcare providers are defined in the law to include psychiatrists, psychologists, licensed clinical social workers, psychiatric nurse mental health clinical specialists, board-certified behavior analysts, and licensed clinical alcohol and drug counselors. Participants will be eligible to receive incentives under the program for serving at community providers such as those operated by nonprofit organizations, higher education institutions, school districts, county governments, or State agencies.

HESAA also received \$1 million in Fiscal Year 2023 to address the teacher shortage through the NJCLASS Teacher Loan Forgiveness program, which offers to pay off up to \$20,000 of a newly hired teacher's NJCLASS student loan balances in exchange for that teacher's commitment to

teach for up to four years in a high-need field at an eligible New Jersey public school. In addition, the Appropriations Act includes \$100,000 to start up the New Jersey STEM Loan Redemption program in December 2022, which will pay off up to \$8,000 of the outstanding student loan balance for individuals who graduated with a Science, Technology, Engineering, or Math degree from a New Jersey college or university and work full-time in an approved high-growth STEM occupation at a New Jersey employer for between five (5) to (8) years. These programs add to the Authority's loan redemption programs for primary care practitioners and nursing faculty, which received level Fiscal Year 2023 funding, as well as the loan redemption program for public defenders and state prosecutors that is 100 percent federally funded.

e. Pay It Forward program

The Fiscal Year 2023 Appropriations Act also adds \$2.5 million to the Pay It Forward fund, on top of the \$5 million provided in Fiscal Year 2022 and the private donations from eight of New Jersey's leading corporations. The New Jersey Pay It Forward program will create a sustainable cycle of job training to prepare New Jersey residents for in-demand, family-sustaining jobs in industries like health care, information technology, and renewable energy. The program offers interest- and fee-free loans with affordable, income-based repayment terms to finance direct costs of attendance including tuition, materials, and supplies. Additionally, program participants will receive grants – not loans – to partially cover living expenses during training, as well as career counseling and other wrap-around services. The initial cohort of training participants will launch in the coming months, and loan repayments will be deposited into the Fund to “pay it forward” by financing future training.

f. Other State student aid programs

The Fiscal Year 2023 Appropriations Act also provides \$1.5 million to pilot a new, need-based financial aid program for students at Thomas Edison State University, who typically do not qualify for traditional State-funded student assistance programs. For instance, to be eligible for TAG, students at bachelor's degree-granting institutions must enroll “full-time” in at least 12 credit-hours per semester. As most of Thomas Edison State University's adult students juggle personal and professional responsibilities while studying part-time in shorter-duration courses, the TAG program's eligibility restrictions are not aligned with their enrollment patterns. Upon the approval of this new funding opportunity, we began a dialogue with Thomas Edison State University to develop effective and efficient need-based eligibility criteria and operational parameters for this new pilot program to improve the state's aid to adult students in overcoming financial barriers to their pursuit of postsecondary education.

The Appropriations Act also funds two other State student aid programs, the New Jersey Student Tuition Assistance Reward Scholarships (NJ STARS and NJSTARS II) and the World Trade Center Scholarship, at the same funding level as in Fiscal Year 2022.

State Legislation

HESAA and the Office of the Secretary of Higher Education (OSHE) developed joint guidance for New Jersey higher education institutions to start implementing P.L. 2021, c.357. Effective with the fall 2022 term, this law requires institutions to provide customized information about individuals' student loan debt levels and income-contingent repayment options to students during the academic semester in which the student is scheduled to graduate. In May, HESAA and OSHE distributed a one-page template, entitled the “Loan Repayment Roadmap,” that will enable

postsecondary institutions to comply with this requirement in a comprehensive and efficient manner.

HESAA staff updates

Since the last Board meeting, six (6) new employees have started work at HESAA, including two team members who joined just this week. As noted in today's Board discussion of the Authority's operations budget, we have programmed sufficient funds to both fill mission-critical vacancies and hire employees in preparation for anticipated upcoming retirements. The budget approved by the Board today will enable HESAA to handle current workload levels while simultaneously developing and implementing the many new initiatives I have described in this report. Also thanks to the Board's action, the Authority has the necessary operational resources to advance business continuity through thoughtful succession planning and knowledge transfer before the Authority loses experienced and dedicated employees to retirement. Across the Authority, targeted staffing increases will enable the Customer Contact Center to enhance customer service for financial aid applicants, student loan borrowers, and NJBEST investors; to revamp the Authority's internal Quality Assurance function to promote continuous improvement of direct customer interactions; and to expand Outreach & Communications capacity to raise awareness about new and existing programs, distribute information, and offer more in-person and virtual workshops on financial aid and literacy at colleges and universities, high schools, and community-based organizations.

At the end of June, HESAA kicked off our one-year Telework Pilot Program, with 88% of employees choosing to participate by working from home no more than two (2) days per week.

Finally, after a 32-year career at HESAA, Nancy Tumolo has retired to her home five blocks from the beach, where she is excited to swap screen time for shore time. Nancy worked in the Information Services unit, where she was primarily responsible for maintaining HESAA's mainframe Grants & Scholarships system, including being on-call for any second- and third-shift production problems. Since NJFAMS replaced the legacy Grants and Scholarships system, Nancy worked on other transitions from mainframe-based systems to modern platforms, both on the CLASS migration and interface teams and in her work to successfully transfer FFELP data to the successor guaranty agency. We are grateful to Nancy for her important contributions to keeping HESAA's mission-critical technology systems up and running, and wish her the best.

Conclusion

I must conclude by offering my profound thanks and appreciation. Thanks to Governor Murphy and the Legislature for agreeing on historic funding levels to address the financial needs of today's students. Thanks to this Board for championing HESAA's mission and for approving the significant actions taken today to deploy this funding effectively to do the most good possible. And thanks to the amazing staff of HESAA, who every day demonstrate their commitment to serving New Jersey's students and families with the grants, scholarships, college savings accounts, supplemental student loans, advice, and information that they need to succeed during their years in postsecondary education and beyond.

Christy Van Horn commended the successful expansion of the Governor's Urban Scholarship Program and the expansion of the loan redemption programs to support students paying down debt. She stated that loan redemption programs provide students with an opportunity to allow their education to work for them while they do good works. Chair Van Horn also commended the Loan Repayment Roadmap because it enhances HESAA's goal to increase transparency.

Dr. Larson stated that it is amazing to see what a great year this is going to be for all of the students attending school in New Jersey.

NEW BUSINESS

Resolution of Appreciation

David Socolow presented resolution of appreciation for exiting Student Advisory Committee Vice Chair Thyquel Halley thanking him for his service and dedication to the Higher Education Student Assistance Authority Board.

ADJOURNMENT

Ms. Van Horn advised that the next regularly scheduled Board meeting is Wednesday, October 26, 2022 at 10:00 AM.

A motion to adjourn was made by Beatrice Daggett and seconded by Nicolette Carpenter. The motion passed unanimously.

The meeting adjourned at 11:23 am.

RESOLUTION 10:22

ELECTING THE EXECUTIVE COMMITTEE

Moved by: Beatrice Daggett
Seconded by: Robert Shaughnessy

WHEREAS: In accordance with Article V of the Bylaws of the Higher Education Student Assistance Authority, the Chairperson appointed a Nominating Committee to nominate a Chairperson and Vice Chairperson from among the public members of the Authority Board and two additional members of the Executive Committee, one from among the public members of the Board and one from among the institutional members of the Board; and

WHEREAS: The Bylaws include the State Treasurer or designee and the Executive Director as members of the Executive Committee; and

WHEREAS: The Nominating Committee recommends the election of members, as Chairperson, as Vice Chairperson, as a member of the Executive Committee representing institutional members, and as a member of the Executive Committee representing public members; and

NOW THEREFORE, BE IT:

RESOLVED: That the Higher Education Student Assistance Authority Board elects Christy Van Horn as Chairperson, as Scott Salmon Vice Chairperson, Beatrice Daggett as the third public member, and Dr. Jon Larson the institutional member of the Executive Committee for a term of one year, and recognizes the State Treasurer's Permanent designee, Robert Shaughnessy, and David J. Socolow, Executive Director, ex-officio as members of the Executive Committee.

July 20, 2022



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DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
Executive Director *DJS*

FROM: Jean M. Hathaway *JMH*
Director, Grants and Scholarships

SUBJECT: Resolution 11:22 Adopting a Full-Time Tuition Aid Grant Award Table for Academic Year 2022-2023

DATE: July 20, 2022

Summary

Attached for your review and approval is Resolution 11:22, adopting a Full-Time Tuition Aid Grant Award Table for Academic Year (AY) 2022-2023. In accordance with the provisions of the Tuition Aid Grant (TAG) program statute and pursuant to the Fiscal Year 2023 Appropriations Act, P.L. 2022, c. 49, this action will establish a table of full-time Tuition Aid Grant award values for the upcoming academic year.

On June 30, 2022, Governor Murphy signed the FY 2023 Appropriations Act, which includes an appropriation of \$478.445 million for two separate line-items that are presented together on the consolidated TAG table: \$477.887 million for TAG awards to full-time students and \$558,000 for Part-Time TAG for Educational Opportunity Fund (EOF) Students. This is an increase of \$5 million above the FY 2022 appropriations level.

Language in the FY 2023 Appropriations Act outlines the following requirements for full-time TAG award levels and program participation:

- Provide TAG awards to all qualified applicants at levels set by the Higher Education Student Assistance Authority (HESAA).
- Provide TAG awards for undocumented students as set forth in P.L.2018, c.12.
- Provide TAG awards to approved incarcerated individuals.

- Participation in the TAG program is limited to institutions that previously participated in the program, or had applied in writing to HESAA to participate in the TAG program, prior to September 1, 2009, and had met all eligibility requirements prior to that date.

Background

The TAG Program is New Jersey's premier need-based assistance program for college students. Established by statute in 1978, the program covers a portion of tuition charges each academic year and helps keep higher education accessible and affordable for TAG-eligible, full-time undergraduates who attend public and non-public higher education institutions in New Jersey.

The purpose of the TAG Program is to reduce or eliminate the tuition component of the cost of attending college for students who demonstrate financial need. New Jersey's Governors and Legislators have historically authorized significant funding for TAG. However, State appropriations over the past three decades have not been sufficient to fully fund the maximum award levels authorized in statute, which would provide awards of up to 100% of tuition at public institutions, and awards of up to 50% of the average tuition at non-public colleges and universities to students demonstrating the highest financial need.

Each year in July, after the enactment of the Appropriations Act and prior to the start of the academic year, HESAA establishes a table of TAG award values based on application volume, projected demand, and available funds. The Board's action to officially adopt award amounts no later than July is essential to notifying students and institutions of TAG award values prior to the due date of fall semester tuition bills.

The structure of the TAG award table is based on a numeric New Jersey Eligibility Index (NJEI) that represents the relative levels of financial need of students and their families, as determined through HESAA's needs analysis methodology that accounts for income, assets, and household size. The NJEI ranges on the award table are referred to as "cells." Students demonstrating the highest need are in the first cell, with an NJEI level under 1,500. In 2021-2022, more than 47% of all TAG recipients were in this cell and therefore were eligible for the maximum TAG award amount. Students with NJEI levels in subsequent cells are eligible for proportionately lower awards that decrease as the family's calculated financial need increases.

FY 2023 Available Funds and Projected Award Volume

The Board is tasked with approving a table of TAG award amounts based on the FY 2023 State appropriations for TAG, including both \$477,887,000 for TAG and the separate appropriation for \$558,000 for part-time students eligible to receive TAG awards through the Educational Opportunity Fund (EOF) Program. Please note that the Part-Time TAG for EOF Students program is presented together with the full-time TAG table because EOF students are typically enrolled full-time and are approved by the EOF program on an exception basis for a limited period of part-time enrollment.

Pursuant to budget language included in the FY 2023 Appropriations Act, unexpended balances from the FY 2022 TAG account are re-appropriated and available to fund increases in the number of applicants qualifying for TAG, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs. The Appropriations Act also includes language appropriating such additional funds as are required as a result of changes in program participation patterns.

Proposed Full-Time TAG Award Table for AY 2022-23

The recommended Full-Time TAG Award Table for AY 2022-23 in Attachment A increases award values in each cell by three (3) percent above the amounts in the AY 2021-22 TAG schedule for each institution. This table deploys the funding in the FY 2023 Appropriations Act based on financial estimates derived from the proposed per-student award dollar values and HESAA's projections of the number of Tuition Aid Grants expected to be awarded to eligible students at participating institutions in AY 2022-23. The proposed schedule of Full-Time TAG award amounts is projected to fund 62,128 full-year equivalent awards in AY 2022-2023, with total expenditures projected to equal the FY 2023 appropriation of \$478.445 million. Of these projected grants, approximately 55% are projected to be maximum awards, with approximately \$309.6 million in expenditures for TAG awards to students with NJEI levels in the first cell.

The estimated number of awards and financial projections summarized above incorporate two adjustments to HESAA's NJEI methodology for calculating students' financial need. Both of these enhancements are projected to increase the total number of TAG awards in AY 2022-23, and also shift some students into a lower NJEI cell that will qualify them for a larger TAG award amount than they would receive under the financial eligibility methodology used last year. First, HESAA will increase the income protection allowance (IPA) for independent students in AY 2022-23, adjusting the NJEI calculation of financial need to exclude more of the earnings of independent, working adult students. Second, in AY 2022-23 HESAA will discontinue its past practice of treating federal Earned Income Tax Credit (EITC) benefits as untaxed income in the NJEI calculation. The estimates in Attachment A fully reflect the impact of these policy modifications on increased projected number of awards and shifts in the distribution of awards among the cells.

Recommendation

It is recommended that the Board approve Resolution 11:22 Adopting Attachment A as the Full-Time Tuition Aid Grant Award Table for Academic Year 2022-2023.

Attachments

**STATE OF NEW JERSEY
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
FULL-TIME TUITION AID GRANT (TAG) AWARD TABLE FOR 2022-23¹**

New Jersey Eligibility Index (NJEI)	County Colleges² Award Average	State Colleges³ Award Average	Public Research³ Award Value	Independent Non-Public⁴ Award Value
Under 1500	\$2,924	\$8,960	\$10,344	\$13,590
1500-2499	2,546	7,922	9,174	11,522
2500-3499	2,206	6,706	8,168	10,134
3500-4499	1,720	5,554	7,044	9,078
4500-5499	1,280	4,604	6,142	8,016
5500-6499	0	3,594	5,238	6,968
6500-7499		2,616	4,392	5,914
7500-8499		0	3,480	4,850
8500-9499			2,396	3,834
9500-10499			0	2,176
Over 10499				0

¹ Approximate annual award values at higher education institutions licensed and approved for participation in the TAG Program as of September 1, 2009. In accordance with State law, the value of a student's grant depends on appropriated funds, actual tuition charges, cost of attendance, and the student's financial need as calculated by the New Jersey Eligibility Index.

² For county college sector, this table displays average award values across the 18 colleges in the sector. The award values at a given county college may be higher or lower, based on tuition charged by the institution.

³ For state college and public research sectors, this table displays standardized award values for the institutions in each sector. The award values for students at a given institution may not exceed tuition, but may be different from these standardized values based on tuition charged by the institution.

⁴ Proprietary institution awards limited to approved programs of study at Berkeley College, DeVry University, Eastern International College and Eastwick College.

RESOLUTION 11:22

ADOPTING A FULL-TIME TUITION AID GRANT AWARD TABLE FOR ACADEMIC YEAR 2022-23

Moved by: Jean McDonald Rash

Seconded by: Beatrice Daggett

WHEREAS: N.J.S.A. 18A:71B-21 authorizes the Higher Education Student Assistance Authority (HESAA) to establish a table of full-time award values for Tuition Aid Grants (TAG) based on financial need for the grant, tuition levels, projected number of eligible students, and available funding; and

WHEREAS: Pursuant to a provision of P.L. 2022, c.49, HESAA is directed to adopt TAG award tables for Academic Year 2022-2023 based on the amounts to be expended on TAG in Academic Year 2022-2023, which are as follows: \$477.887 million for full-time TAG and \$558,000 for Part-Time TAG for EOF Students, for a total of \$478.445 million that shall be used to adopt a table of 2022-2023 TAG award amounts; and

WHEREAS: Language in the FY 2023 Appropriations Act stipulates the following:

- TAG awards shall be provided to all qualified applicants at levels set by the Higher Education Student Assistance Authority (HESAA).
- Participation in the TAG program is limited to institutions that previously participated in the program, or had applied in writing to HESAA to participate in the TAG program prior to September 1, 2009 and met all eligibility requirements prior to that date.
- Unexpended balances are reappropriated to the TAG account to be held as a contingency for unanticipated increases in the number of applicants qualifying for full-time TAG awards, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs; and
- Such sums as are required to cover the costs of increases in the number of applicants qualifying for full-time TAG awards or to fund shifts in the distribution of awards that result in an increase in total program costs, subject to the approval of the Director of the Division of Budget and Accounting.

NOW THEREFORE BE IT:

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts the attached Full-Time TAG Award Table for AY 2022-2023 (Attachment A); and be it further

RESOLVED: That the attached Full-Time TAG Award Table for AY 2022-2023 pertains to New Jersey institutions that are licensed and were approved for participation in the State grant program as of September 1, 2009; and be it further

RESOLVED: That the Higher Education Student Assistance Authority wishes to thank and commend Governor Murphy and the Legislature for their commitment to higher education access and affordability for all New Jersey residents.

July 20, 2022



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DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
Executive Director *DJS*

FROM: Jean Hathaway *JH*
Director, Grants and Scholarships

SUBJECT: Resolution 12:22 Adopting a Part-Time Tuition Aid Grant for County College Students Award Table for Academic Year 2022-2023

DATE: July 20, 2022

Summary

Attached for your review, comment, and approval is Resolution 12:22, Adopting a Part-Time Tuition Aid Grant for County College Students Award Table for Academic Year (AY) 2022-2023. In accordance with the provisions of the Tuition Aid Grant program statute and pursuant to the Fiscal Year (FY) 2023 Appropriations Act, P.L. 2022, c. 49, this action will establish a table of Part-Time Tuition Aid Grant award values for the upcoming academic year.

Background

On June 30, 2022, Governor Murphy signed the FY 2023 Appropriations Act, which includes an appropriation of \$8.737 million for the Part-Time TAG for County College Students program. This program was established during the 2003-2004 academic year to provide awards to county college students who demonstrate financial need and enroll for 6–11 credits.

As provided in FY 2023 Appropriations Act, part-time awards shall be prorated against full-time awards within the limits of available appropriations as follows: eligible students enrolled for 6–8 credits receive 50 percent of the value of a full-time award, while students enrolled for 9–11 credits receive 75 percent of the full-time award value.

The Higher Education Student Assistance Authority (HESAA) establishes a table of part-time TAG award values each year in July, based on the available FY 2023 appropriation and the anticipated number of part-time awards.

Available Funds and Projected Award Volume

As directed by P.L. 2022, c. 49, the HESAA Board is tasked with approving a table of award amounts for Part-Time TAG for County College Students prorated against full-time awards at the county college sector.

Pursuant to budget language included in the FY 2023 Appropriations Act, unexpended balances from the account shall be available to fund unanticipated increases in the number of applicants qualifying for Part-Time TAG for County College Student awards, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs.

- The Part-Time TAG Award Table shown in Attachment A follows the same parameters used to construct the 2022-2023 Full-Time TAG award table, by prorating the Full-Time TAG awards by 50 percent or 75 percent.

Current projections indicate that the Part-Time TAG for County College Students Award Table shown in Attachment A fully accounts for all available funds for Academic Year 2022-2023.

Recommendation

It is recommended that the Board approve Resolution 12:22 Adopting Attachment A as the Part-Time Tuition Aid Grant (TAG) for County College Students Award Table for Academic Year 2022-2023. Depending upon the student's NJEI, this table will provide awards ranging from a maximum of \$731 to a minimum of \$320 per semester for eligible students enrolled for 6-8 credits, and from a maximum of \$1,097 to a minimum of \$480 for students enrolled for 9-11 credits.

Attachments

**STATE OF NEW JERSEY
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
PART-TIME TUITION AID GRANT (TAG) FOR COUNTY COLLEGES AWARD TABLE FOR
2022-23***

NJEI	1/2 Time Semester Award (6-8 credits)	3/4 Time Semester Award (9-11 credits)
0-1499	\$731	\$1,097
1500-2499	637	955
2500-3499	552	827
3500-4499	430	645
4500-5499	320	480

*Awards pro-rated against 2022-23 full-time TAG county college sector awards.

NOTE: If the TAG award reflected above exceeds the student's actual tuition charges, the institution must reduce the TAG award to reflect actual tuition charges.

7/20/2022

RESOLUTION 12:22

**ADOPTING A PART-TIME TUITION AID GRANT
FOR COUNTY COLLEGE STUDENTS
AWARD TABLE FOR ACADEMIC YEAR 2022-2023**

Moved by: Jon Larson
Seconded by: Brian Bridges

WHEREAS: The Part-Time Tuition Aid Grant (TAG) for County College Students Program was established effective in Academic Year 2003-2004 to provide awards to financially needy county college students who enroll in 6-11 credits per semester; and

WHEREAS: Pursuant to a provision of P.L. 2022, c. 49, HESAA is directed to adopt a Part-Time TAG for County College Students prorated against full-time awards at the county college sector based on the FY 2022 appropriation of \$8.737 million.

WHEREAS: Pursuant to the Appropriations Act, part-time TAG awards shall be prorated, within the limits of available appropriations, against full-time awards as follows: eligible students enrolled for 6--8 credits per semester receive 50 percent of the value of a full-time award, and students enrolled for 9--11 credits per semester receive 75 percent of the full-time award; and

WHEREAS: The Part-Time TAG for County Colleges Award Table shown in Attachment A was constructed following the parameters used to develop the 2022-2023 Full-Time TAG Award Table with awards pro-rated by one-half and three-quarters; and

WHEREAS: Pursuant to FY 2023 budget language, unexpended balances from the account shall be available to fund unanticipated increases in the number of applicants qualifying for Part-Time TAG for County College Student awards, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs.

NOW THEREFORE BE IT:

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts the attached Part-Time Tuition Aid Grant for County College Students Award Table for Academic Year 2022-2023 (Attachment A); and be it further

RESOLVED: That the attached Part-Time TAG for County College Students Award Table for AY 2022-2023 pertains to New Jersey County Colleges established pursuant to N.J.S.A. 18A:64A-1 et. seq. (and their programs of study) that are licensed and approved for participation in the State grant program as of September 1, 2009; and be it further

RESOLVED: That the Higher Education Student Assistance Authority wishes to thank and commend Governor Murphy and the Legislature for their commitment to higher education access and affordability for all New Jersey residents.

July 20, 2022



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DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
Executive Director *DJS*

FROM: Jean M. Hathaway *JMH*
Director, Grants and Scholarships

SUBJECT: Resolution 13:22 Adopting Maximum Community College Opportunity Grant Awards for Academic Year 2022-2023

DATE: July 20, 2022

Attached for your review and approval is Resolution 13:22 Adopting Maximum Community College Opportunity Grant Awards for Academic Year 2022-2023. In accordance with the provisions of the Community College Opportunity Grant (CCOG) program statute and subject to the limits of the Fiscal Year (FY) 2023 Appropriations Act, this action will establish the maximum individual CCOG award amount for eligible students at each county college.

On June 30, 2022, Governor Murphy signed the FY 2023 Appropriations Act, which includes an appropriation of \$35.0 million for CCOG.

Background

The Higher Education Student Assistance Authority (HESAA) first offered CCOG awards to students in the spring 2019 semester pursuant to the FY 2019 Appropriation Act. On February 26, 2021, Governor Murphy ensured the future of the CCOG Program by signing the CCOG Program Act, P.L. 2021, c. 26, into law. The goal of CCOG is to remove financial barriers to students' enrollment at one of New Jersey's 18 county colleges. CCOG awards are designed as "last-dollar" grants that cover the costs of tuition and approved educational fees that are not already covered by any other State, federal, and institutional need-based grants or merit scholarships.

The CCOG Program Act requires HESAA annually to establish maximum individual grant amounts to be awarded under the program at each county college. Under the law, HESAA administers CCOG financial aid awards for eligible county college students whose adjusted gross incomes (AGIs) are between \$0 and \$65,000. In addition, the law further provides that the authority

“may annually establish maximum annual adjusted gross income eligibility limits” that exceed \$65,000, subject to available funding. The FY 2023 Appropriations Act expands the program by directing HESAA to administer CCOG financial aid grants for eligible county college students whose AGIs are between \$65,001-\$80,000, and to establish for each county college an annual maximum individual grant amount for students with AGIs between \$65,001-\$80,000 that is 50 percent of the maximum individual grant award for students with AGIs between \$0 and \$65,000.

Award Amounts

The Table of Maximum CCOG Awards shown in Attachment A calculates the maximum individual annual grant award for students at each county college in Academic Year (AY) 2022-2023. These amounts are determined by:

- The tuition for 36 credit-hours of enrollment at each college in AY 2022-2023, plus \$3,000 for approved educational fees, not to exceed 3 percent more than the prior year’s maximum award value. For students with AGIs between \$65,001-\$80,000, the maximum award value is 50% of the maximum CCOG award value for students with AGIs up to \$65,000.

For students enrolled for at least six credits but less than 12 credits per semester in an associate’s degree, certificate, or three plus one degree program, CCOG awards are pro-rated from the full-time tuition and approved educational fees based on the number of credits for which a student enrolls. The Table of Maximum CCOG Awards in Attachment A provides maximum individual grant awards for full-time students in academic year 2022-23 (fall 2022 and spring 2023 semesters combined). Maximum awards for part-time students will be calculated as follows:

- 50 percent of the value of a full-time award for eligible students enrolled for 6–8 credits per semester; and
- 75 percent of the full-time award value for students enrolled for 9–11 credits per semester.

Current projections indicate that the \$35.0 million appropriation will be sufficient to fund the Table of Maximum CCOG Awards shown in Attachment A.

Recommendation

It is recommended that the Board approve Resolution 13:22 Adopting Attachment A as the Maximum Community College Opportunity Grant Awards for Academic Year 2022-2023.

Attachment

**Community College Opportunity Grant
2022-2023**

Attachment A

	Max CCOG Award Value for Students with AGIs from \$0- \$65,000	Max CCOG Award Value for Students with AGIs from \$65,001- \$80,000
Atlantic Cape Community College	\$8,259.00	\$4,129.00
Bergen Community College	\$8,297.00	\$4,148.00
Brookdale Community College	\$8,508.00	\$4,254.00
Camden Community College	\$7,140.00	\$3,570.00
County College of Morris	\$8,536.00	\$4,268.00
Essex Community College	\$7,737.00	\$3,868.00
Hudson County Community College	\$8,364.00	\$4,182.00
Mercer County Community College	\$8,313.00	\$4,156.00
Middlesex Community College	\$7,320.00	\$3,660.00
Ocean County College	\$9,300.00	\$4,650.00
Passaic County Community College	\$9,372.00	\$4,686.00
Raritan Valley Community College	\$9,264.00	\$4,632.00
Rowan College at Burlington County	\$8,112.00	\$4,056.00
Rowan College of South Jersey	\$6,996.00	\$3,498.00
Salem Community College	\$10,087.00	\$5,043.00
Sussex County Community College	\$8,040.00	\$4,020.00
Union College at Union County, NJ	\$8,529.00	\$4,264.00
Warren County Community College	\$9,228.00	\$4,614.00

RESOLUTION 13:22

ADOPTING MAXIMUM COMMUNITY COLLEGE OPPORTUNITY GRANT AWARDS FOR ACADEMIC YEAR 2022-2023

Moved by: Jon Larson

Seconded by: Scott Salmon

WHEREAS: Public Law 2021, chapter 26 (the “Community College Opportunity Grant Act”) requires the Higher Education Student Assistance Authority (HESAA) to annually establish a maximum individual grant amount awarded under the Community College Opportunity Grant (“CCOG”) program for each county college; and

WHEREAS: The FY 2023 line-item appropriation for CCOG is \$35 million; and

WHEREAS: The Table of Maximum CCOG Awards shown in Attachment A calculates the maximum individual annual grant award for students at each county college in Academic Year (AY) 2022-2023. These amounts are determined by:

- Calculating the tuition for 36 credit-hours of enrollment at each college in AY 2022-2023, not to exceed three percent above AY 2021-2022 maximum award value; plus
- \$3,000 towards approved educational fees; and
- Pursuant to P.L. 2022 c. 49, for eligible county college students whose AGIs are between \$65,001-\$80,000 the maximum award value is 50 percent of the maximum CCOG award value for students with AGIs between \$0 and \$65,000; and

WHEREAS: Pursuant to P.L. 2021, c. 26, for students enrolled for at least six credits but less than 12 credits per semester, CCOG awards shall be pro-rated from the full-time approved tuition and approved educational fees based on the number of credits for which that student is enrolled, calculated as follows

- 50 percent of the value of a full-time award for eligible students enrolled for 6-8 credits per semester; and
- 75 percent of the value of the full time award value for student enrolled for 9-11 credits per semester; and

WHEREAS: Current projections indicate that the \$35 million appropriation will be sufficient to fund the Table of Maximum CCOG Awards shown in Attachment A.

NOW THEREFORE BE IT:

RESOLVED: That the Higher Education Student Assistance Authority hereby adopts the attached Table of Maximum CCOG Awards (Attachment A); and be it further

RESOLVED: That the Higher Education Student Assistance Authority wishes to thank and commend Governor Murphy and the Legislature for their commitment to higher education access and affordability for all New Jersey residents.

July 20, 2022



State of New Jersey

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
Executive Director *DJS*

FROM: Marnie B. Grodman *MBG*
Director, Legal & Governmental Affairs
Administrative Practice Officer

SUBJECT: Resolution 14:22 Approving Proposed Readoption with Amendments of N.J.A.C. 9A:16 Regulations Governing the Primary Care Practitioner Loan Redemption Program

DATE: July 20, 2022

Background

The Higher Education Student Assistance Authority (Authority) proposes to readopt N.J.A.C. 9A:16 governing the Primary Care Practitioner Loan Redemption Program ("PCPLRP" or "Program"). Pursuant to N.J.S.A. 52:14B-5.1, this chapter was scheduled to expire on August 4, 2022. In accordance with N.J.S.A. 52:14B-5.1.c(2), the filing of this notice of proposal with the Office of Administrative Law prior to August 4, 2022 extends that date 180 days.

The Authority reviewed the rules and determined that they continue to be necessary, reasonable, and proper for the purpose for which they were originally promulgated. The rules proposed for readoption will continue to provide the Authority with the ability to administer the Primary Care Practitioner Loan Redemption Program ("PCPLRP" or "Program") in an efficient and economic matter. Pursuant to N.J.S.A. 18A:71C-48, the Authority is statutorily responsible for the administration of the PCPLRP and for the promulgation of all rules to that effect. To ensure the continued efficient administration and operation of this program, the Authority is proposing the readoption of these rules with amendments, all of which are summarized below.

Subchapter 1 sets forth the general provisions of the Program, explaining that the Program provides for the redemption of eligible student loan expenses of its participants in exchange for a specified

period of service in medically underserved areas, and defining words and terms used in the Chapter.

The proposed amendment at N.J.A.C. 9A:16-1.2 clarifies that a site that does not accept Medicare, Medicaid, or Medicaid Managed Care plans can meet the definition of “approved site” if that site provides its services free of charge.

Additionally, the Commissioner of Health has defined psychiatry as an area of medicine that meets the definition of primary care. Therefore, the proposed amendment at N.J.A.C. 9A:16-1.2 adds psychiatry to the regulatory definition of “primary care.”

Subchapter 2 sets forth the Program requirements. This subchapter includes the eligibility provisions, application and selection requirements for participants, terms and procedures for the loan redemption, and conditions and allocation of funds in the event of cancellation of the contract and termination of an individual’s participation in the Program.

N.J.A.C 9A:16-2.1(a)3 requires participants to agree to practice primary care at an approved site. The proposed amendment at N.J.A.C. 9A:16-2.1(a)3 explains that the terms of the agreement are specified in N.J.A.C. 9A:16-2.3.

The proposed new N.J.A.C. 9A:16-2.1(a)5 clarifies that participants who have already received the maximum amount of qualifying loan payments through the program are not eligible to reapply for additional loan redemptions.

Together, the proposed amendments at N.J.A.C. 9A:16-2.2(d) and 9A:16-2.2(f)3 provide an avenue for applicants who are an owner of a medical practice to be eligible participants while also protecting the integrity of the Program. To ensure an applicant’s suitability for the Program, the regulations generally require that an authorized official from the approved site submit a letter to the Authority recommending continuation of the participant’s placement. Since it is not a best practice for a participant to self-certify as to their own suitability, the proposed amendment at N.J.A.C. 9A:16-2.2(f)3 requires that participants who are an owner of their placement site must submit supporting documentation demonstrating both their suitability for the program and that of the placement site. The Executive Director will specify the necessary documentation based on the type of primary healthcare the applicant provides. To ensure the practice is sustainable, the proposed amendment at N.J.A.C. 9A:16-2.2(d) specifies that the site must have operated for a minimum of two years prior to the applicant’s application for the program if the applicant is an owner of the approved site at which the applicant requests to be placed.

The proposed amendment at N.J.A.C. 9A:16-2.3(f) explains how the loan redemption amount accounts for accrual of interest if the outstanding balance on qualifying loans are less than the maximum loan redemption amount that the Program provides.

To ensure loan redemption payments are efficiently paid, the proposed amendment at N.J.A.C. 9A:16-2.4(c) provides that the payments are made directly to the lending institution, not jointly to the participant and the lending institution. The proposed amendment further specifies that if a program participant is entitled to pro-rated interest amounts pursuant to N.J.A.C. 9A:16-2.3(f),

and submits documentation to substantiate that all qualifying loans have been paid in full, then the pro-rated amount will be paid directly to the participant.

Proposed new N.J.A.C. 9A:16-2.6(d) requires participants to submit their documentation to receive the annual redemption within sixty days of written request for the documents by the Authority. If participants do not submit the documentation within the required timeframe, they will be deemed to have terminated their program participation. Terminating participation of practitioners who do not follow through on completing the required paperwork within a reasonable time frame will enable the Authority to unencumber the funds allotted to that practitioner and make those funds available to other applicants.

Recommendation

It is recommended that the Board approve Resolution 14:22 Approving Proposed Readoption with Amendments of N.J.A.C. 9A:16 Regulations Governing the Primary Care Practitioner Loan Redemption Program, so that the proposed readoption can be published in the New Jersey Register.

Attachments

Full text of the proposed amendments follow (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

SUBCHAPTER 1. GENERAL PROVISIONS

9A:16-1.2 Definitions

The following words and terms, when used in this chapter, shall have the following meaning unless the context clearly indicates otherwise.

"Approved site" means a site located within a State designated underserved area or a health professional shortage area, or a clinic which is part of the extramural network of dental clinics established by the Rutgers School of Dental Medicine of the Rutgers Biomedical and Health Sciences, or a site that has been determined by the Higher Education Student Assistance Authority, in consultation with the Department of Health, to serve medically underserved populations according to criteria determined by the Authority, including:

1. – 2 (No change.)
3. Sites must accept Medicare, Medicaid, Medicaid Managed Care plans, **unless they provide services free of charge**;
4. – 6 (No change.)

...

"Primary care" means the practice of family medicine, general internal medicine, general pediatrics, general obstetrics, gynecology, pediatric dentistry, general dentistry, public health dentistry, **psychiatry**, and any other areas of medicine or dentistry defined as such by the Commissioner of Health. Primary care also includes the practice of a nurse-practitioner, certified nurse-midwife, and physician assistant as defined by the U.S. Department of Health and Human Services regulations at 42 CFR Part 62.

...

SUBCHAPTER 2. PROGRAM REQUIREMENTS

9A:16-2.1 Eligibility

(a) To be eligible for participation in the program, an applicant must:

1. – 2. (No change.)
3. Agree to practice primary care at an approved site **pursuant to the terms specified in N.J.A.C. 9A:16-2.3**;
4. Not be in default on any eligible qualifying loan; [and]
5. **Not previously have been selected for participation in the program and received the maximum amount of qualifying loan repayment through the program; and**
6. (No change.)

§ 9A:16-2.2 Application and selection procedures

- (a) – (c) (No change.)

(d) The Executive Director, in consultation with the Commissioner, shall match eligible applicants to State designated underserved areas. **If an applicant is the owner of the approved site at which the applicant requests to be placed, the site must have operated for a minimum of two years prior to the program participant's application for the program.**

(e) (No change.)

(f) At the completion of each program participant's probationary period, a primary care staff member at his or her approved site, or in the case of a clinic which is part of the extramural network of dental clinics established by the Rutgers School of Dental Medicine of the Rutgers Biomedical and Health Sciences, the director of the clinics and the vice-dean of the dental school, or whomever is serving in that capacity, shall submit to the Executive Director a recommendation of either the continuation of the program participant's placement, a change of placement, or the program participant's unsuitability for the program.

1. – 2. (No change.)

3. In the event the participant is an owner of the approved site, in lieu of a letter of recommendation, the participant must submit supporting documentation as requested by the Executive Director demonstrating their suitability for the program and the placement site. The Executive Director shall take such documentation into consideration in determining the participant's final acceptance into the program.

(g) – (h) (No change)

9A:16-2.3 Terms of contract and loan redemption

(a) – (e) (No change.)

(f) If the program participant's total loan amounts equal less than \$120,000, or the maximum amount authorized by the Federal government, whichever is greater, a pro-rated amount of interest costs for the Loan will be added to each annual payment. Other than the pro-rated interest costs, loan repayments cannot exceed the outstanding balance on qualifying educational loans at the time of payment.

9A:16-2.4 Procedure for loan redemption

(a) – (b) (No change.)

(c) The Executive Director shall authorize payment to a program participant for that portion of his or her indebtedness to be forgiven as specified in his or her contract. Checks shall be made payable [jointly] to [the program participant and] the lending institution designated by the participant to [insure] **ensure** proper application of the payment to eligible indebtedness as defined in N.J.S.A. 18A:71C-32 et seq. **If a program participant is entitled to pro-rated interest amounts pursuant to N.J.A.C. 9A:16-2.3(f) and submits documentation to substantiate that all qualifying loans have been paid in full, then the pro-rated amount will be paid directly to the participant.**

9A:16-2.6 Termination by participant prior to completion of contractual service requirements

(a) – (c) (No change.)

(d) A program participant's failure to complete the tasks required by N.J.A.C. 9A:16-2.4 to receive the loan redemption within sixty days of written request for the required documents by the Authority will be deemed to have terminated program participation.

RESOLUTION 14:22

**APPROVING PROPOSED READOPTION WITH AMENDMENTS OF N.J.A.C.
9A:16 REGULATIONS GOVERNING THE PRIMARY CARE PRACTITIONER
LOAN REDEMPTION PROGRAM**

Moved By: Robert Shaughnessy
Seconded By: Isabella Berdugo-Hernandez

WHEREAS: The Higher Education Student Assistance Authority (HESAA) is statutorily responsible for the administration of the Primary Care Practitioner Loan Redemption Program and for the promulgation of all rules to that effect; and

WHEREAS: The rules governing the Primary Care Practitioner Loan Redemption Program are scheduled to expire August 4, 2022; and

WHEREAS: HESAA has reviewed the rules and determined that they continue to be necessary, reasonable, and proper for the purpose for which they were originally promulgated; and

WHEREAS: To ensure the continued efficient administration and operation of these programs, HESAA is proposing the readoption of these rules with amendments to provide additional clarity in the eligibility requirements for participation and application.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves publishing the Proposed Readoption with Amendments of N.J.A.C. 9A:16, Regulations Governing the Primary Care Practitioner Loan Redemption Program, in the New Jersey Register.

July 20, 2022



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Lt. Governor

DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
Executive Director 

FROM: Arthur Quaranta
Controller 

SUBJECT: Resolution 15:22 Approving the First Extension of the Contract with BLX Group, Arbitrage Calculation Consultant

DATE: July 20, 2022

Background

Under the federal tax code, municipal bond issuers, including the issuers of student loan revenue bonds, are required to produce two types of arbitrage reports on a periodic basis, and remit any liability determined as a result of the calculations to the Internal Revenue Service (IRS). These reports are required at specific intervals during the life of a bond issue, including as of the date of final retirement. In the case of HESAA, these arbitrage compliance computation services are required for its student loan bond issues used to establish and maintain the New Jersey College Loans to Assist State Students (NJCLASS) Program and the Federal Family Education Loan Program (FFELP) Portfolio of Loans owned by the NJCLASS/FFELP Trust Estate. Due to the complexity of the federal tax code as it relates to arbitrage calculations for the structures of HESAA asset-backed bonds, which include variable rate bonds and interest rate exchange agreements, the services of a specialist in this area of accounting are required to ensure compliance. The responsibilities of the provider of these services include, but may not necessarily be limited to, those on the following list:

- Calculate applicable bond yield and student loan-yield for each of the Authority's respective issues as requested by the Authority. Identify, and separately account for, all "Gross Proceeds" (as that term is defined in the Arbitrage Requirements) and "Acquired Program Investments" (i.e., the loans) allocable to each bond issue, including those requiring allocation analyses due to circumstances such as refunding, "transferred proceeds" and/or "commingled funds".

- Calculate each issue's excess yield, if any, on student loans.
- Calculate each issue's excess earnings, if any, on non-purpose investments, taking into account any available temporary periods, spending exceptions and exceptions for funds on deposit in a qualified reserve fund.
- Prepare clear and concise reports for each issue.
- Deliver appropriate documentation required to support calculations.
- Provide an executive summary identifying the methodology employed, major assumptions, conclusions, and any recommendations for changes in the Authority's record keeping.
- Assist the Authority as necessary in the event of an IRS inquiry.
- Provide assistance and consultation as necessary to retain records and documentation at least six years after the issue's final maturity.
- Provide a professional opinion or certificate on the mathematical accuracy of all calculations performed. Such opinion or certificate is to include a statement that the calculation results are consistent with the Arbitrage Requirements.
- Provide a legal opinion that the arbitrage calculations are completed in a manner that is consistent with the Arbitrage Requirements or an explanation as to why such is not necessary.
- Perform the required yield reduction or yield adjustment calculations and provide documentation to support such calculations.
- Prepare the necessary forms, if any, which need to be filed by the Authority with the IRS in connection with making yield reduction or arbitrage payments.
- Consult with Authority staff and provide such other incidental advice and assistance as the Authority may deem necessary to ensure full compliance with the arbitrage restrictions imposed by the Arbitrage Requirements.

As a result of the RFP issued on March 4, 2019, HESAA engaged BLX Group (BLX) to provide arbitrage calculation compliance services for an initial contract period of three years, with up to three one-year extensions. The initial contract is set to expire on July 31, 2022.

BLX is a wholly-owned subsidiary of Orrick Herrington & Sutcliffe, LLP, a leading national firm with recognized expertise in arbitrage compliance. This provides HESAA access to unlimited tax expertise and resources at no additional charge. Additionally, BLX maintains an experienced professional staff with the requisite skills to perform the services HESAA requires. BLX has established a track record of quality service at reasonable rates, as well as prompt and helpful responses to questions at no additional cost.

Recommendation

It is recommended that the Board approve Resolution 15:22 Approving the First Extension of the Agreement with BLX Group as Arbitrage Calculation Consultant.

Attachments

RESOLUTION 15:22

**APPROVING THE FIRST EXTENSION OF THE AGREEMENT WITH BLX GROUP
AS ARBITRAGE CALCULATION CONSULTANT**

Moved By: Beatrice Daggett
Seconded By: Scott Salmon

WHEREAS: Under the federal tax code, issuers of tax-exempt municipal bonds, which include the student loan revenue bonds issued by the Higher Education Student Assistance Authority (“HESAA”), are required to produce two types of arbitrage reports on a periodic basis, and remit any liability determined as a result of the calculations to the Internal Revenue Service (IRS); and

WHEREAS: Due to the complexity of the code as it relates to arbitrage calculations for asset-backed bonds such as those issued by HESAA, the services of a specialist in this area of tax accounting are required in order to ensure compliance; and

WHEREAS: Pursuant to the responses to a Request for Proposals, at its April 17, 2019 meeting the HESAA Board appointed BLX Group as arbitrage calculation consultant for a term of three years with two possible one-year extensions; and

WHEREAS: HESAA has been satisfied with the service provided by BLX Group.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the first one-year extension of the agreement with BLX Group as its arbitrage calculation consultant.

July 20, 2022



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PHILIP D. MURPHY
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SHEILA Y. OLIVER
Lt. Governor

DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority Board

FROM: Board Budget Committee

SUBJECT: Resolution 16:22 Approval of HESAA's FY 2023 Administrative and Capital Budgets

DATE: July 20, 2022

As part of HESAA's annual budget process, and to ensure the Board's continued oversight of the programmatic and administrative activities of the Authority, HESAA is presenting the Fiscal Year 2023 (FY 23) administrative and capital budgets to the Board for its review and approval.

Background

HESAA structures its administrative expenditure and capital budgets in a summary presentation since the majority of HESAA's operations have shared staffing and integrated services to maximize efficiency.

Revenue Budgets

In FY 23 HESAA revenues and reserves will fully provide the resources required to pay for the expenditure and capital budgets outlined below. These funding sources include revenue from HESAA's administration of the NJCLASS and NJBEST programs; dedicated administrative funding for several loan redemption programs and one other initiative; the proceeds of an equity distribution from the refinancing of prior year bond issues; and unallocated cash reserves.

HESAA administrative revenues projected for FY 23 total \$34.7 million, which is a \$3.6 million increase over the FY 22 budget levels, as detailed in attached Schedule I. The revenues are broken down as follows:

\$1.2 million from Net Revenues for the Administration of Loan Redemption Programs and the Pay It Forward Program – In FY 23 HESAA will be reimbursed for the costs of administering several loan redemption programs that have been expanded over the past two fiscal years, including a new State-funded loan

redemption program for behavioral healthcare providers signed into law by the Governor on June 30, 2022; the new State-funded teacher loan redemption program enacted in January 2022; and the loan redemption program for employees in high-growth STEM occupations that was enacted in 2018 and will receive its first applications starting in FY 23. In addition, HESAA will receive funding to reimburse the administrative costs of implementing the Pay It Forward program.

\$4.15 million from NJBEST Net Revenues – NJBEST revenue for FY 23 is projected to total \$6 million from fees and interest earnings related to the NJBEST trust for administration of the program. This amount is reduced by \$1.9 million set aside for NJBEST scholarship obligations, resulting in net revenues of \$4.15 million.

\$29.4 NJCLASS Program Administration – HESAA anticipates earning \$29.4 million for the origination and servicing of NJCLASS loans, a net increase of \$2.5 million from FY 2022 budget.

Under the NJCLASS loan program HESAA retains 1% of the 3% origination fee charged to borrowers, with the other 2% deposited to the Student Loan Fund within the NJCLASS Bond Trust Estates to make additional loans during the origination and recycling period. HESAA earns servicing and administrative fees from the Bond Trusts which are paid from the spread between the cost of capital and the loan rate. HESAA also retains revenue from a portion of the recovery of NJCLASS loans.

Included in NJCLASS program revenues for FY 23 are:

- An equity distribution from the 2010-2 Indenture Refunding through the 2022 Series Bond transaction that closed in May 2022;
- Cash receipts on HESAA-owned student Loans: HESAA anticipates a slight increase over the FY22 budget due to additional collections on defaulted NJCLASS loans that are not assets of any of the Bond Trusts; and
- Unallocated cash reserves including funds available from prior years' net earnings.

Operating Expenditure and Capital Budgets

Operating Expenditures – HESAA's administrative expenditure budget for FY 23 totals \$34.7 million, which is a net increase of \$3.6 million over the FY22 budget as detailed in attached Schedule I.

This proposed budget funds 166 HESAA positions and all non-salary costs associated with delivering State student assistance funds and services to nearly 1 million New Jersey residents each year. The Authority had 7 retirements during FY 2021.

The Authority utilizes its resources across all programs to increase efficiency and create flexibility to meet program peak demands. The primary changes to operating expenditures for FY 23 over FY 22 are:

\$8.7 million in Services Other than Personnel, which is a net decrease of \$483,000 from FY 22 and largely attributable to a decreased reliance on temporary agency service contractors;

- \$2.4 million in anticipated bond-related transaction and trustee costs, which is relatively flat to FY 22 costs;
- An increase of \$4.1 million in employee salaries and costs of benefits due to:
 - Contractually obligated cost of living increases as well as increases in the State Health Benefits Program costs; and
 - An anticipated increase of approximately 21 additional employees.

In the past several budget cycles HESAA has experienced accelerated staff attrition through retirement; even after hiring nearly two dozen new employees in FY 22, the agency remains significantly short-staffed. The mission-critical positions planned to be added in FY 23 are necessary for HESAA to continue to meet its statutorily mandated program administration duties, launch several newly enacted initiatives, and reduce the Authority's reliance on temporary agency service contractors.

Capital Budget – The Authority maintains a capital fund that is utilized for investments towards the improvement of HESAA's technological infrastructure, FISMA compliance, and physical improvements. The major expenditures for FY 23 include technology infrastructure and facilities upgrades and project implementation funding.

As the Board has consistently recognized in recent years, the increasing volume of data and business conducted through the internet makes it mission critical for HESAA to annually maintain and upgrade appropriate infrastructure investments to adequately serve students, families, and institutions, as well as provide Authority staff the ability to safely and efficiently fulfill their responsibilities either onsite or from a remote setting with minimal impact to the quality of service to New Jersey students and their families. This proposed capital spending plan reaffirms the Board's commitment to funding the Authority's long-term capital investment strategy.

The FY 23 Capital Budget is \$3.03 million, an increase of \$460,000 over the FY 22 Capital Budget, as detailed in attached Schedule II. The Capital spending plan will be funded through current cash reserves which includes \$1 million of unspent FY 22 capital resources.

The major capital expenditures for FY 23 include:

\$865,000 for Technology Infrastructure which includes replacing end-of-life servers to support the NJFAMS system, increasing data storage capacity, and licensing Microsoft SQL Server database to transition from the mainframe to a server-based environment.

- \$265,000 for fire suppression/system replacement in the computer room, and remaining costs related to the installation of the backup electricity generator.
- \$225,000 for physical upgrades and construction to modernize HESAA's current office footprint to facilitate organizational realignments.
- \$1 million in project extension and contingency funding for the completion and full implementation of HESAA's modernized back-end loan servicing platform, the Collections, Loan Accounting, and Servicing System (CLASS). Specifically, the additional funding is needed because:
 - The State's Pandemic Mitigation policies, including Remote Working requirements in 2020 and 2021, had a major impact on the project timeline; and
 - The uniqueness of HESAA's borrower benefits and complexity of data housed in HESAA's current mainframe required more customizations to the new platform than HESAA and the vendor originally estimated.

Summary

FY 23 administrative resources of \$34.7 million will fund budgeted expenditures of \$34.7 million. The \$3.03 million FY 23 Capital Budget will be funded through current cash reserves (including \$1.035 million in unspent capital funds carried over from FY 22). HESAA continues to contain administrative costs wherever possible while making needed investments in infrastructure and facilities in support of its higher education financial information and services mission; to better serve our constituents; and to continue with improvements to staff productivity and information security. The FY 23 Administrative and Capital Budgets are recommended for your approval.

Attachments

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
Appropriated Administrative Revenues, Expenses & Funding FY 2021 - 2023
(\$ in 000's)

	FY 2021 Actual	FY 2022 Budget	FY 2022 Forecast	FY 2023 Budget	Inc/(Dec) FY 2023 Budget vs FY 2022 Budget	
					\$	%
<u>NJCLASS:</u>						
Application Fees	\$1,305	\$1,430	\$1,430	\$1,587	\$157	10.9%
Servicing Fees	4,856	4,437	4,450	4,203	(234)	-5.3%
Administrative Fees	4,723	4,302	4,747	4,558	256	5.9%
Net Collection Revenue	1,573	1,483	1,582	1,535	53	3.6%
Equity Distribution from Bond Refunding	9,299	0	5,207	0	0	N/M
FY20-21 Carryforward of Remaining Equity Distribution	8,939	0	0	0	0	N/M
FY21-22 Carryforward of Remaining Equity Distribution	(8,000)	8,000	8,000	0	(8,000)	-100.0%
FY22-23 Carryforward of Remaining Equity Distribution	0	0	(2,527)	2,527	2,527	N/M
Funding from Unallocated Cash Reserves	0	0	0	7,258	7,258	N/M
Cash Receipts on HESAA Loans	8,108	6,968	9,158	7,504	536	7.7%
Post FFELP Servicing Agreement	300	300	0	0	(300)	-100.0%
Interest Earnings	22	13	63	228	215	N/M
Total NJCLASS Program	\$31,124	\$26,933	\$32,111	\$29,399	\$2,466	9.2%
<u>NJBEST:</u>						
Fee Income From Provider	\$5,341	\$6,025	\$5,729	\$5,688	(\$336)	-5.6%
Interest Earnings	59	45	113	366	321	705.3%
Scholarship Awards	(642)	(1,900)	(1,500)	(1,900)	0	0.0%
Total NJBEST Program	\$4,758	\$4,170	\$4,342	\$4,154	(\$16)	-0.4%
<u>Administration of Loan Redemption & Other Programs:</u>						
Loan Redemption Program Revenue	\$0	\$0	\$0	\$700	\$700	N/M
Pay It Forward Program Revenue	0	0	0	500	500	N/M
Total Loan Redemption & Other Programs	\$0	\$0	\$0	\$1,200	\$1,200	N/M
Total All Funds	\$35,882	\$31,103	\$36,453	\$34,754	\$3,651	11.7%
<u>HESAA Program Administrative Expenditures:</u>						
Salary and Wages	\$9,488	\$11,479	\$10,005	\$13,459	\$1,980	17.2%
Employee Benefits	5,007	6,113	6,107	8,216	2,104	34.4%
Materials/Supplies	272	397	310	468	71	17.9%
Services Other Than Personnel	7,965	9,195	8,505	8,711	(483)	-5.3%
Maintenance and Fixed Charges	1,101	1,259	1,189	1,354	95	7.5%
Special Purpose/Indirect Cost	19	125	185	125	0	N/M
Bond Transaction & Trustee Costs	1,550	2,307	2,919	2,420	113	4.9%
NJ College Affordability Act Implementation	0	228	0	0	(228)	N/M
Total Program Expenditures	\$25,402	\$31,103	\$29,220	\$34,753	\$3,651	11.7%
Net Earnings ⁽¹⁾	\$10,480	\$0	\$7,233	\$0	(\$0)	

(1) Net Earnings are used to fund current and future operational costs.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
 CAPITAL FUND
 FY 2022 and FY 2023
 (\$ in 000's)

	FY 2022 Budget	FY 2022 Forecast	FY 2023 Budget
Telephone Systems	82	3	114
Technology Infrastructure	614	541	865
Transportation	-	-	30
Desktop Replacement	160	243	119
Security Compliance	100	-	50
Technology Equipment Replacement	120	-	100
Customer Authentication Software	485	-	-
Data Storage and Back-up	210	-	70
Grant System Development	60	83	60
E-Mail and Text	124	24	50
Network Infrastructure	93	54	67
Physical Security	68	67	8
Data Center Flooring/Generator	425	241	265
Customer Database Management Tools	10	-	10
Construction	20	9	225
HESAA Loan Servicing Platform Replacement Project	-	325	1,000
Total Capital Spend ⁽¹⁾	\$2,571	\$1,590	\$3,033

(1) Total FY23 capital spend of \$3.033 million will be funded through current cash reserves. The capital carryover from FY22 is estimated to be \$1.035 million.

RESOLUTION 16:22

APPROVING HESAA's FY 2023 ADMINISTRATIVE AND CAPITAL BUDGETS

Moved by: Jon Larson
Seconded by: Robert Shaughnessy

WHEREAS: As part of the Higher Education Student Assistance Authority's (HESAA) annual budget process, to ensure the Board's oversight of the programmatic and administrative activities of the Authority, staff presents the FY 2023 administrative and capital budgets to the Board for its review and approval; and

WHEREAS: On July 11, 2022 the Board's Budget Committee met with staff to review and approve the FY 2023 administrative and capital budgets for consideration by the full Board.

NOW THEREFORE, LET IT BE:

RESOLVED: That the Board hereby approves the FY 2023 administrative and capital budgets as advanced by the Board's Budget Committee and described in the attachment to this resolution.

July 20, 2022