



*The Authority on Financial Aid*

# 2010 ANNUAL REPORT

## **HESAA's Mission**

The Higher Education Student Assistance Authority (HESAA) is a New Jersey authority that is responsible for providing students and families with financial and informational resources for students to pursue their education beyond high school. These include grants, scholarships, loans, loan redemption programs, a college savings plan and comprehensive outreach programs.

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## MESSAGE FROM HESAA'S EXECUTIVE DIRECTOR

I was privileged to have been appointed Executive Director of the Higher Education Student Assistance Authority by Governor Chris Christie in May of 2011. Since this 2010 Annual Report chronicles the work which occurred prior to my tenure, I proudly give credit to the dedicated staff at HESAA whose diligence and determination produced the achievements documented in this report.

Despite the economic challenges of 2010, HESAA continued to provide New Jersey students and families with the tools, knowledge and funds necessary to achieve a higher education and a brighter future.

New Jersey, once again, placed very near the top of the nation in the amount of grant and scholarship assistance provided to students. Our state's neediest students are supported by HESAA's administration of New Jersey's Tuition Assistance Grant (TAG) program, which provides substantial financial grants to both full and part time college students. .

On the merit scholarship front, HESAA is also proud of our continued administration of the NJ STARS and NJ STARS II programs. NJ STARS provides free community college tuition to our state's highest achieving high school graduates and NJ STARS II allows NJ STARS scholars with a family income of less than \$250,000 to continue their higher education at a four-year state college or university with either a \$6,000 or \$7,000 scholarship depending on the student's Grade Point Average.

In 2010 Governor Christie appointed HESAA to administer the new federal John R. Justice Loan Redemption Program which awards funds to redeem the student loan debt for qualifying prosecutors and public defenders. . HESAA also administers the state's 529 College Savings Plan, NJBEST. In spite of last year's lean financial environment, the total funds under management grew to \$2.34 billion .NJBEST provides a wide range of investment opportunities as well as a scholarship component for qualifying students who attend college in New Jersey.

HESAA's NJCLASS supplemental higher education loan program had another very successful year in 2010. NJCLASS continues to provide student and parent borrowers with higher education loans at the lowest interest rates of any state-based student loan program in the nation. We are proud to be a model for other state-based student loan originators throughout the country and committed to ensuring that HESAA's NJCLASS program remains highly regarded. HESAA's NJCLASS loans are available for students attending college in New Jersey and for New Jersey residents attending college at eligible institutions outside of the state.

We recognize that providing grants, scholarships and loans to students, while critical, is just one piece of HESAA's much larger mission of educating our students and families by being a trusted and accessible informational resource. Throughout 2010, HESAA participated in almost 1000 separate outreach events and presented to almost 250,000 students and families. HESAA's R.E.A.L. Money 101 and Mapping Your Future financial literacy programs are models in the student loan community.

While an Annual Report is historical by nature, it should also provide a glimpse into the future. I am pleased to report that because of our success in 2010, HESAA is well positioned to continue providing robust financial aid services. We have already begun evaluating and updating our technical infrastructure to achieve greater efficiency and provide more timely service. We have begun exploring partnerships with the U.S. Department of Education which will allow HESAA to provide additional services to students and families.

Thank you for your support of HESAA. We look forward to building on our accomplishments of making higher education a reality for students and thereby facilitating a highly educated workforce for New Jersey.

Sincerely,

A handwritten signature in cursive script that reads "Gabrielle Charette". The signature is written in black ink and is positioned below the word "Sincerely,".

## **Making Education Accessible and Affordable Is One of HESAA'S Core Missions**

### ***GRANTS***

One of the nation's premier need-based programs, HESAA's Tuition Aid Grant program (TAG), provided approximately 72,600 awards totaling \$311 million in FY 2010.

HESAA also supports the infrastructure used by the Commission on Higher Education to administer the Educational Opportunity Fund (EOF) Program on behalf of the Commission on Higher Education providing grants to approximately 12,300 students.

### ***SCHOLARSHIPS***

HESAA awarded over 13,200 merit-based scholarships annually; helping to keep the State's high achieving students in New Jersey through the Edward J. Bloustein Distinguished Scholar Award, Urban Scholar Programs, NJ STARS and NJ STARS II Programs.

### ***COLLEGE SAVINGS PLAN***

NJBEST provides families the opportunity to start an independent savings account for a child's college fund, and offers a scholarship for eligible savers who attend school in New Jersey.

### ***STUDENT LOAN PROGRAMS***

During FY 2010 HESAA guaranteed nearly 143,500 Federal Family Education Loan Program (FFELP) loans, totaling nearly \$600,000. Additionally, HESAA provided 20 Federal Consolidation Loan guarantees equaling \$587,307.

HESAA's NJCLASS program, a model for similar State-based supplemental student loan programs in the Nation, is also one of the Nation's leading and lowest cost fixed-rate supplemental student loan programs. In Fiscal Year 2010, NJCLASS originated over 25,500 individual loans totaling approximately \$315 million.

## Grants and Scholarships

### ***Tuition Aid Grant (TAG)***

Helping students who attend New Jersey institutions, TAG consistently ranks among the top five grant programs in the nation, based upon award values.

- FY 2010 AWARDS: 72,609 students totaling \$311,182,687

### ***Part-Time Tuition Aid Grant (TAG) for County College Students***

Students enrolled for between 6 and 11 credits in a degree or certificate program at any of New Jersey's 19 county colleges may be eligible for these awards.

- FY 2010 AWARDS: 12,650 students totaling \$9,004,019

### ***Educational Opportunity Fund Grants (EOF)***

This program provides financial assistance and educational support services to low-income New Jersey undergraduate and graduate students.

- FY 2010 AWARDS: 13,587 students totaling \$16,718,101

### ***Edward J. Bloustein Distinguished Scholar Award***

This four-year renewable scholarship recognizes the exceptional academic performance of New Jersey's high school students. The award is based upon a student's high school class rank and SAT scores.

- FY 2010 AWARDS: 5,351 students totaling \$4,857,576

### ***Urban Scholar Award***

Based on class rank and high school GPA, this renewable scholarship is designed to support students from the State's urban and economically distressed areas.

- FY 2010 AWARDS: 2,344 students totaling \$2,054,741

### ***John R. Justice Loan Redemption Grant***

This pilot program provides partial loan redemption of student loan debt for eligible prosecutors and public defenders who commit to continued service in their important public offices.

- FY2010 AWARDS: 30 recipients totaling \$209,433

**Again in 2010, HESAA delivered over \$1.2 billion in aid  
to assist students achieve their  
educational goals**

***Student Tuition Assistance Reward Scholarship (NJ STARS)***

New Jersey students graduating in the top 15% of their 2010 high school class may be eligible for this program, which covers county college tuition and approved fees for up to 18 credits per semester, for up to 5 semesters.

- FY 2010 AWARDS: 3,559 students totaling \$11,052,629

***NJ STARS II***

NJ STARS II recipients are NJ STARS eligible students who graduated from a community college with a GPA of 3.25 or higher.

- FY 2010 AWARDS: 2003 students totaling \$6,032,677

***Veterinary Medical Education Program<sup>1</sup>***

HESAA administers contractual agreements with out-of-state schools of veterinary medicine for New Jersey residents.

The following schools have participated in recent years:

- University of Pennsylvania
  - Cornell University
  - Tuskegee University
  - Iowa State University
  - Oklahoma State University
  - University of Illinois
  - Tufts University
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- FY 2010 AWARDS: 42 students totaling \$424,000

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<sup>1</sup> Reduction in the number of Veterinary Medical Education Program participants in FY2010 reflects the ongoing phase-out of the program.

### ***Outstanding Scholars Recruitment Program (OSRP)<sup>2</sup>***

OSRP rewards New Jersey's highest-achieving students with scholarships to attend participating New Jersey colleges and universities. Awards are based upon class rank and combined SAT scores. Eligible recipients can receive up to \$7,500 annually.

- FY 2010 AWARDS: 4 students totaling \$11,225

## **Loans & Outreach**

### ***Federal Family Education Loan Program (FFELP)***

As one of the original guaranty agencies in the Federal Family Education Loan Program, HESAA works on behalf of the federal government to provide guarantees for federal student loans. Since 2000, HESAA has saved students well over \$39 million in federal default fees charged on student loans.

Based upon significant changes to the federal higher education landscape, as of July 1, 2010, the FFELP program has been largely abolished, with no new loans originated under the FFELP program; however, HESAA continues to act as guarantor for FFELP loans which were made prior to July 1, 2010. Additionally, the Authority has been accepted for the United States Department of Education's list of eligible not-for-profit servicers which will allow HESAA to continue to pursue opportunities to service loans made under the Federal Direct Loan Program in the future and we took significant steps during 2010 to strengthen those opportunities.

### ***College Loans to Assist State Students (NJCLASS)***

HESAA helps students and families close the gap between financial aid and college costs by providing the NJCLASS loan. Available to New Jersey residents as well as out of state students who attend school in New Jersey, NJCLASS offers one of the most affordable fixed-rate supplemental loans in the entire nation. We were proud to have been the Nation's top not for profit issuer of supplemental student loans in 2010.

### ***Hesaa.org Website***

HESAA provides timely, reliable information that students, their parents and financial aid professionals can access around the clock.

### ***Mapping-Your-Future.org***

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<sup>2</sup> Drastic reductions in FY 2010 OSRP awards and expenditures reflect the termination of the program, the phase-out of which commenced in FY 2007 pursuant to the elimination of OSRP program appropriations.



Information on selecting a school, planning for college, and paying for college can be found at this award-winning website, co-sponsored by HESAA. The site schedules forums to answer questions for students and their families.

### ***R.E.A.L. Success***

HESAA offers a Repayment Education About Loans (R.E.A.L.) Success program that educates students about the importance of repaying their student loans, managing delinquencies and controlling defaults.

The program is comprised of six components and includes *Real Money 101* – a curriculum designed to address these issues – and Cohort e-manager, which allows schools to manage delinquencies and reduce defaults.

## **HESAA'S CONTRIBUTIONS TOWARDS ADVANCING THE ECONOMIC GROWTH STRATEGY OF THE STATE OF NEW JERSEY**

2010 was another successful year in HESAA's proud and long-standing tradition of promoting the State's overarching economic growth strategy. The State Office of Economic Growth identified the development of a world-class workforce as a priority in advancing the State's program for economic growth. Once again, HESAA was at the forefront of the State's critical initiatives in assisting the State's students obtain a higher education critical for competing in our global economy. As a direct result of services and expertise provided by the dedicated and professional HESAA staff, for the second year in a row more New Jersey students than ever before were provided with the information and resources to access and afford a higher education. The most recently published statistics reveal that over 85% of New Jersey's high school graduates intend to continue their postsecondary education and, in 2010, HESAA assisted a great number of those students by providing one or more critical services, including student loan guaranties, grant and scholarship funds, loan redemptions, low cost private student loans, student loan servicing and student outreach.

In fiscal year 2010, the Authority administered almost \$1 billion in loan volume between the NJCLASS Private Supplemental Loan Program and Federal Family Education Program Loans. Specifically, HESAA administered \$927,940,859 in loan volume dollars in fiscal year 2010 to benefit New Jersey students and their families. The Authority processed 169,564 individual loan applications in fiscal year 2010.

In addition, HESAA processed 507,572 grant applications and awarded \$311,182,687 in grant funds to New Jersey students in fiscal year 2010. The combined grant and loan dollars administered by HESAA assist individual students as they advance their goals of achieving education beyond high school and advance the state's interests in maintaining and growing a highly educated and highly skilled work force by promoting greater retention of New Jersey's students. Given the challenges presented by the difficult economic landscape in 2010, greater retention of New Jersey's highly educated and highly skilled work force is that much more critical in further promoting the State's economic interests by attracting high tech and other beneficial businesses to the State.

Retention of the State's best and brightest students was further promoted in 2010 by the Authority's administration of the New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS) and New Jersey Student Tuition Assistance Reward Scholarship II (NJ STARS II) Programs. Each of these programs contributed to the retention of the state's best and brightest students by providing tuition for qualifying students for up to 18 credits per semester for attendance at the resident county college (NJ STARS) and by providing between \$3,000 and \$3,500 per semester for qualifying students who transfer from a county college to a 4 year public college (NJ STARS II). These programs, together with the additional grant and scholarship programs administered by HESAA, promoted the State's economic priority of the continued development of a world-class, highly educated work force.

The most recently published statistics from the United States Bureau of Labor Statistics reveal annual compensation figures based upon attained educational degrees as follows:<sup>3</sup>

- High School Diploma - \$31,286
- Bachelor Degree - \$57,181
- Advanced Degree - \$78,093

Increased annual salaries result in increased income tax revenues, thereby advancing the State's economic growth. More recently published data establishes positive trends regarding employment for those who continue on to postsecondary education. Specifically, the number of college-educated workers has increased almost every year. Over the period from 1992 to 2009, the number of college-educated workers increased from 27 million to 44 million. In contrast, the number of employed individuals with only a high school diploma or without a high school diploma has remained steady or decreased.<sup>4</sup> A detailed look at employment rates by educational attainment for 2010 reveals the following:<sup>5</sup>

- Professional Degree - 2.4%
- Master's Degree - 4.0%
- Bachelor's Degree - 5.4%
- Associate Degree - 7.0%
- Some College (no degree) - 9.2%
- High School Diploma - 10.3%

Those statics show the tremendous advantage gained by continuing on to postsecondary education. In 2010, HESAA was proud to assist a greater number of New Jersey's students in attaining their goals of higher education, and administer programs designed to retain a higher percentage of those students in the State. These same programs further promote the State's interest in attracting new businesses,

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<sup>3</sup> High School Diploma and Bachelor Degree compensation published April 27, 2009. Advanced Degree compensation published October 26, 2006.

<sup>4</sup> Employment data published September 2010 by the United States Bureau of Labor Statistics.

<sup>5</sup> 2010 employment date by educational attainment published May 4, 2011 by the United States Bureau of Labor Statistics.

including new technology and high technology businesses, by virtue of a more highly trained and better educated work force.

The Authority's continued administration of various loan redemption programs continued in 2010. Each of these valuable programs advanced the State's interests by strengthening critical the service infrastructure needs in New Jersey's underserved communities and professions. New in 2010 was HESAA's administration of the John R. Justice Loan Redemption Grant Program which, by redeeming a portion of eligible recipient's student loan debt, provided incentives for current prosecutors and public defenders in New Jersey to remain in their important offices, thereby strengthening the pool of experienced attorneys in each office. The Authority also continued its administration of the Social Services Student Loan Redemption Program (SSLRP) which provided incentives for college graduates to work in the social services field with public or non-profit social service agencies. The program is designed to address the current and projected shortage of social service direct care professionals in the State of New Jersey, and to ensure the provision of quality services to persons in need of services, including persons with mental illness, developmental and other disabilities. In 2010 The Social Services Student Loan Redemption program provided loan redemption to recent college graduates who were hired as full-time direct care professionals at eligible social service agencies. Eligible participants received \$5000 per year of full-time qualified service for up to four years, \$20,000.00 maximum.

In addition, the Authority administered the Teaching Fellows Program which recognizes New Jersey's shortage of teachers who instruct students in the critical area needs of mathematics, science, foreign language, and special education. Additionally, the Program recognizes the difficulty that certain New Jersey school districts have in acquiring and retaining talented teachers. In 2010, the Teaching Fellows Program addressed these issues by rewarding those teachers that accepted positions in selected school districts in New Jersey with offers of student loan redemption. As in previous years, HESAA was proud to play a significant role in helping to attract highly qualified and motivated educators to New Jersey's underserved communities.

Finally, the Authority again administered the Primary Care Physician and Dentist Loan Redemption Program again in 2010. This program promotes access to primary care services in medically underserved areas of the State by improving the distribution of primary care health providers, including physicians, dentists, physician assistants and certified nurse practitioners and certified nurse midwives, by redeeming eligible student loan expenses of providers in exchange for specified periods of service in medically underserved areas. The program provides up to \$120,000 in student loan redemption for two to four years of service as a primary care provider in areas of medicine defined by the Commissioner of Health and Senior Services or the U.S. Department of Health and Human Services in areas identified by the Commissioner of Health and Senior Services as experiencing a health professional shortage.

HESAA has always been proud of its role in helping to support and strengthen New Jersey's underserved communities by administering these loan redemption programs.

#### **HESAA'S CONTRIBUTION IN FURTHERANCE OF THE STATE'S PRIORITY OF PROMOTING FISCAL RESPONSIBILITY**

Unlike other State Agencies and Authorities whose fiscal viability is dependent upon State appropriations, HESAA is overwhelmingly self-supported by its own revenue. In 2010, approximately 98% of the Authority's operating costs were supported by non-State appropriated funds.<sup>6</sup> HESAA's non-

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<sup>6</sup> As of the date of publication of this Annual Report, the Authority is 100% self-funded.

State revenue supported the administration of State and Federal student aid programs, financial aid training, outreach programs, and provided direct borrower benefits to New Jersey students.

Pursuant to N.J.S.A. 18A:71A-9p, HESAA is tasked by the State Legislature with audit oversight authority over institutional disbursement of State-funded financial aid dollars. In 2010, through HESAA's program audit function, the Authority recovered almost \$500,000 in State-funded student assistance which it determined to have been improperly disbursed by institutions of higher education. All of the recovered funds were placed back into student financial aid program accounts for future student financial aid program use, thereby reducing the need for future State-appropriated funds.

HESAA also successfully refinanced approximately \$1.08 Billion of Auction Rate Bonds (ARCs) in 2010 to less costly fixed-rate securities, significantly reducing the Authority's ongoing debt service on those bonds and further reducing the Authority's exposure to increases in interest rates and the illiquidity of the Auction Rate markets. As a result of that significant refinancing, virtually all of the Authority's ARCs have been refinanced with only approximately \$140,000 remaining to be refinanced in 2011.

In 2010, HESAA participated once more in the State's comprehensive internal control management and evaluation program as determined by the New Jersey Treasurer's Office of Management and Budget (OMB) and that process revealed no weaknesses in the Authority's internal control environment. Moreover, HESAA complies with all State-mandated procurement and financial control directives. HESAA's accounts are on the Treasury's cash management system and the Authority's off-line accounts are audited by an independent public accounting firm. No findings were issued by the Authority's independent auditors, Mercadian, PC.

2010 proved to be another challenging year for our Nation's and for New Jersey's economy but New Jersey's high-achieving and forward-thinking students again relied on HESAA and all of the Authority's dedicated professionals more than ever before as they reached for and successfully completed their goals of achieving higher education. It is a privilege for HESAA to be a partner in assisting students and their families realize their educational dreams and we are proud to remain an integral part of assuring that New Jersey not only maintains, but grows an ever expanding, highly educated workforce.

**State of New Jersey  
Higher Education Student Assistance Authority  
Combined Statements of Net Assets**

	June 30,	
	2010	2009
<b>Assets</b>		
<b>Cash and Cash Equivalents</b>	\$ 466,667,941	\$ 512,391,235
<b>Investments</b>	2,491,563,281	2,140,537,265
<b>Receivables</b>		
Federal Government	14,630,241	12,664,802
Loans	1,846,484,038	1,559,162,337
Other	12,480,374	8,622,455
<b>Fixed Assets, Net</b>	728,418	705,204
<b>Other Assets</b>		
Due from Intergovernmental Agencies	1,196,961	2,360,913
Deferred Charges	<u>41,255,562</u>	<u>7,505,201</u>
<b>Total Assets</b>	<u>\$ 4,875,006,816</u>	<u>\$ 4,243,949,412</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 39,588,684	\$ 22,707,861
Due to federal government	12,536,667	8,440,743
Revenue bonds payable	<u>2,249,321,666</u>	<u>2,165,970,801</u>
<b>Total Liabilities</b>	2,301,447,017	2,197,119,405
<b>Fund Balances</b>		
Reserved for Loan Servicing	214,656,446	50,228,479
Restricted	<u>2,358,903,353</u>	<u>1,996,601,528</u>
<b>Total Fund Balances</b>	<u>2,573,559,799</u>	<u>2,046,830,007</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,875,006,816</u>	<u>\$ 4,243,949,412</u>

**State of New Jersey  
Higher Education Student Assistance Authority  
Combined Statements of Revenues, Expenditures and Changes in Net Assets**

	<u>Year ended June 30,</u>	
	<u>2009</u>	<u>2009</u>
<b>Revenues</b>		
Appropriations	\$ 398,675,107	\$ 299,025,105
Federal and other grants	99,867,919	87,383,608
Fees	159,381,466	136,807,849
Investment earnings	239,853,892	(311,095,402)
Other	<u>934,404,983</u>	<u>595,906,947</u>
<b>Total Revenues</b>	1,832,183,367	808,028,107
<b>Expenditures</b>		
Direct Grant Aid to Students	398,260,875	308,424,035
Program expenses	766,507,559	498,130,601
Administrative expenses	45,587,367	45,044,873
Debt service interest	<u>90,526,909</u>	<u>96,507,177</u>
<b>Total Expenditures</b>	1,300,882,710	948,106,686
<b>Excess of Revenues over Expenditures</b>	531,300,657	(140,078,579)
<b>Less:</b>		
<b>Year-end Lapsed Funds</b>	(4,570,865)	
<b>Net Assets - Beginning of Year</b>	<u>2,046,830,007</u>	<u>2,186,908,586</u>
<b>Prior Period Adjustments</b>	<u>-</u>	<u>-</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,573,559,799</u>	<u>\$ 2,046,830,007</u>

**Certification of compliance with Executive Order 37**

We jointly certify that in compliance with paragraph 2 of Executive Order 37, HESAA has, to the best of our knowledge, followed all of the Authority's standards, procedures, and internal controls. We further jointly certify that HESAA fully participated in the prescribed Internal Control Assessment as directed by the Office of Management and Budget and no internal control weaknesses were revealed.

We hereby certify that the foregoing statements are true to the best of our knowledge. We understand that if any of the foregoing statements are willfully false, we are subject to punishment.

By: \_\_\_\_\_

Gabrielle Charette, Esq.  
Executive Director

By: \_\_\_\_\_

Eugene Hutchins  
Chief Financial Officer