

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

The meeting was called to order at 11:20 a.m. by Chairman Alan M. Klinger, Co-Managing Partner of Stroock & Stroock & Lavan LLP.

The following members of the Board were also in attendance: Mr. Stanley Hansen, designee of Ms. MaryEllen Elia, Commissioner of the New York State Education Department (SED); Ms. Patricia Thompson, designee of Dr. Nancy Zimpher, Chancellor of the State University of New York (SUNY); Ms. Chika Onyejiukwa, Chairperson of the City University of New York (CUNY) University Student Senate; and Mr. Marc Cohen, President of the SUNY Student Assembly, who arrived late.

In attendance for the Leadership Council were: Ms. Kerrie Cooper, Past President of the New York State Financial Aid Administrators Association (NYSFAAA), standing in for current President, Mr. Darrin Rooker; and Ms. Doreen Crosby, designee of the President of the State University of New York Business Officers Association (SUBOA).

Present for HESC were: Ms. Elsa Magee, Executive Vice President and Acting President; Ms. Cheryl Fisher, Secretary to the Board; Mr. Frank Ballmann, Federal Liaison and Nona Donovan, NYGEAR UP State Director. Also present for the agency were Mr. Thomas Brennan, Mr. Matthew Downey, Ms. Barbara Hochberg, Ms. Lisa Simpson, Ms. Susan Stah-Cooper, Mr. Victor Stucchi, Mr. Lonnie Threatte, and Mr. Warren Wallin, as well as Ms. Cori Biviano, Mr. Joshua Farrell and Ms. Aleah Wendell.

Nominating Committee Report

Chairman Klinger called on Mr. Hansen to provide the Report of the Nominating Committee on behalf of Dr. Robert Ptachik. Though Mr. Hansen presented the Committee's slate, it was decided that the vote be postponed until Mr. Cohen, President of the SUNY Student Assembly and new Board member, arrived.

Chairperson's Report

Chairman Klinger welcomed Ms. Onyejiukwa, Chairperson of the CUNY University Student Senate, to the Board and welcomed new Leadership Council member, Ms. Doreen Crosby of SUBOA. Chairman Klinger also recognized Ms. Kerrie Cooper, Past President of the New York State Financial Aid Administrators Association (NYSFAAA), for her service on the Leadership Council.

Approval of Minutes from the May 11, 2016 Board Meeting

Chairman Klinger requested a motion to adopt the draft minutes from the May 11, 2016 Board meeting. Mr. Hansen moved to adopt the minutes and Ms. Patti Thompson seconded the motion. The motion passed unanimously by voice vote and the minutes were adopted without change.

KPMG Report

Chairman Klinger introduced Ms. Marie Zimmerman and Ms. Brittany Plumley of KPMG to address the Board regarding the status of the March 31, 2016 year-end Financial Statements and single audits.

Ms. Zimmerman reported that KPMG's audit of HESC's Basic Financial Statements was performed in accordance with the Generally Accepted Government

Auditing Standards. KPMG will issue an unqualified opinion, which states that the basic financial statements are presented fairly, in all material respects. The Accounting and Financial Reporting for Pensions (GASB 68) brought on two liabilities: Net Pension Liability (NPL) of \$1.6M and pension contributions of \$2.7M for a total increase in liabilities of over \$4M. There was no impact to the Operating Fund's operating income as cash flows remained relatively consistent.

Ms. Zimmerman also reported that KPMG's required communications included no uncorrected audit adjustments, three corrected audit differences, no material weaknesses and one significant deficiency in internal controls. The required Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards will specify that one significant deficiency was found in internal controls over financial reporting. Management will be required to take corrective action relative to this finding. In addition, there were no disagreements with management and no significant difficulties encountered while completing the audit.

KPMG will also issue a Report on Required Supplementary Information with an in-relation-to opinion, which states that basic financial statements were presented fairly in all material respects. The Reports will be issued in time to meet year-end deadlines.

There were no questions for the KPMG representatives.

Chairman Klinger paused the meeting at this time to welcome Mr. Marc Cohen, President of the SUNY Student Assembly to the Board, upon his arrival.

Nominating Committee Report

With the arrival of Mr. Cohen, Chairman Klinger again called on Mr. Hansen to provide the Report of the Nominating Committee. Mr. Hansen reported, on behalf of Dr. Ptachik, Chairman of the Nominating Committee who was unable to attend the Board meeting, that the Committee (comprised of Dr. Ptachik, Ms. Thompson, and Mr. Hansen) met via conference call on November 23, 2016. He presented the Committee's recommended slate of officers to the Board for consideration and action: Mr. Klinger, Co-Managing Partner of Stroock & Stroock & Lavin LLP, to continue to serve as Chairman; Mr. Philip Williams, President of the Utica School of Commerce, to continue to serve as Vice Chairman; and Ms. Cheryl Fisher, HESC Supervising Attorney, to continue to serve as Secretary to the Board. Mr. Hansen informed the Board that Mr. Williams had agreed to serve as Vice Chairman, should he be nominated. There being no other nominees, Ms. Onyejiukwa made a motion to accept the proposed slate and Mr. Cohen seconded the motion. The slate of officers was unanimously elected by voice vote.

Chairman Klinger then introduced Ms. Elsa Magee, HESC's Executive Vice President and Acting President, to provide the HESC update.

HESC UPDATES

President's Report

Ms. Magee reported on HESC's activities since the May 11, 2016 meeting of the Board, beginning with an update on the Early FAFSA filings.

Ms. Magee reminded Board members that the 2016-17 Budget authorized the use of the same tax year data for filing the TAP application as is used for filing the FAFSA and that this legislative change enabled HESC to begin accepting and

processing TAP applications for the 2017-18 Academic Year (AY) beginning on October 1, 2016 to coincide with the new FAFSA filing timeline.

HESC also began offering FAFSA completion workshops on October 1, 2016. Between October 1 and November 30, a total of 28 College Goal-sponsored events were held across the State, which provided hands-on assistance to 1,100 students in starting or completing the FAFSA, in addition to 25 HESC-sponsored events that served 852 students.

Ms. Magee reported that an early comparison of the first two months' filing activities shows lower overall filings for October/November 2016 (for the 2017-18 AY cycle) than were seen in January/February 2016 (for the 2016-17 AY cycle) – with FAFSA filings by NYS residents 25 percent lower compared to January/February filings and completed TAP application filings nearly 30 percent lower. She commented that HESC will monitor and track the numbers to see if students continue to file predominantly in the January-March timeframe despite the early availability of the State and federal applications and will look at possible approaches to raise awareness to change that in the future.

Ms. Magee next spoke about College Application Week (CAW). This October, 520 high schools and community-based organizations participated in New York's College Application Week, up from 410 schools and organizations in 2015. High schools that participate in CAW work with students during the school day to help them complete and submit at least one college application. Ms. Magee commented that, currently, less than 20 percent of the participating schools have reported their numbers; however, the

96 sites that have reported assisted more than 7,500 high school seniors who completed over 16,000 college applications.

Ms. Magee then spoke about the NYS Get On Your Feet Loan Forgiveness Program which was launched on December 31, 2015. The Program provides up to 24 months of student loan repayments to assist new college graduates in managing their student loan debt as they transition from college to career. As of the end of November, more than 1,100 recent graduates were receiving payments under the Program. Ms. Magee commented that HESC anticipates seeing an increase in applications during the next several months as this past May's graduates enter into repayment.

Next, Ms. Magee reported on the Masters-in-Education Teacher Incentive Scholarship Program, established in the 2015-16 Budget to incent top students and professionals to pursue teaching careers. Launched in late May, the Program, in its first year, provided full SUNY or CUNY graduate tuition scholarships to 84 recipients.

In 2014, HESC applied for and was awarded a \$22M, seven-year federal GEAR UP grant. The overwhelming majority of the State's grant funds are used to provide direct services to increase college participation to a cohort of low-income or disadvantaged students, beginning in the 7th grade through the completion of their first year in college. In 2015, Ms. Magee recruited Ms. Nona Donovan to HESC who, through her experience, care and dedication has made the Program the success it is today - nine sites with over 6,000 students. Ms. Magee shared with the Board and Leadership Council that it is Ms. Donovan's singular motivation and passion to see students, who may not otherwise be seen as candidates for college, graduate from high school and go on to succeed in college.

Finishing up with several matters of routine, Ms. Magee reported that HESC timely submitted its 2017-18 Budget Request in October. In keeping with the Budget Director's call letter, the agency request calls for level operational spending year to year. On November 1, the agency submitted its Annual Report for the 2015-16 State fiscal year, which was shared with the Board members and the Leadership Council, and on December 1, the agency submitted its 2015-16 NYHELPS Report on the State loan program that was suspended in 2012.

Ms. Magee concluded her report by again thanking the Board members and members of the Leadership Council for their support of HESC programs and services this past year. She wished everyone a wonderful Holiday Season and good health in the coming year.

In response to Mr. Cohen's comment regarding increased advertising of the NYS Get on Your Feet Loan Forgiveness Program, Ms. Magee welcomed ideas for reaching SUNY college alumni who could be potential applicants for the Program. Regarding a question about why FAFSA filings are down when college applications are up, Ms. Magee responded that FAFSA filing data could be lower because it is still a habit to file between January and March, and that HESC was also informed that some high schools were unaware of the earlier filing date. It was also pointed out that NYC recently promoted its College Application Week but decided to keep FAFSA filing as a separate event that has not yet occurred. Ms. Thompson commented that SUNY's new financial literacy effort includes information regarding the new FAFSA filing date as well as a college planning timeline for students in grades nine through 12.

There being no further questions for Ms. Magee, Chairman Klinger turned the floor over to Mr. Ballmann, HESC's Federal Liaison, for a Federal Update.

Federal Update

Mr. Ballmann's update covered three topics: changes for the 2016-17 Academic Year (AY); the status of the Federal Fiscal Year (FFY) 2017 Budget; and Reauthorization of the Higher Education Act (HEA).

Mr. Ballmann reported that the U.S. Department of Education (the Department) announced the Maximum Pell Grant for the 2017-18 AY, subject to final budget passage, will be \$5,920; \$105 higher than the 2016-17 AY maximum of \$5,815. He next reported that, for unsubsidized Stafford loans and all PLUS loans, the current interest rates for the 2016-17 AY are the lowest fixed rates ever (3.76 percent for undergraduate Stafford and 6.31 percent for all PLUS loans). Based on where interest rates stand today, Federal Direct Loan interest rates would increase for the 2017-18 AY by roughly 0.7 percent. Mr. Ballmann next spoke about the status of Perkins loans. The Perkins loan program was reauthorized for the 2016-17 AY. Perkins loans can be made to graduate students through September 30, 2016 and to undergraduate students through September 30, 2017 (first disbursement). There will likely not be another extension.

With respect to the FFY 2017 Budget, Mr. Ballmann reminded the Board that a Continuing Resolution (CR) currently funds the federal government through Friday, December 9, 2016. The appropriations bill that includes education has not yet come to the House or Senate floor, making a CR with an April 28 date the most likely funding vehicle toward a full-year FFY17 Education budget. He anticipates generally level funding for education.

Regarding HEA Reauthorization, Mr. Ballmann reported that the status has not changed much since the Board met in May, and, in spite of a lot of interest in many categories, it is unlikely Reauthorization will occur in 2017. While there is bipartisan support on several issues, there is very little activity. Senator Alexander has not yet introduced a draft bill for mark-up in the Senate HELP Committee.

Mr. Ballmann spoke briefly about the early FAFSA filing, surmising that it is likely the culture throughout New England for filing beginning in January that has kept early filing statistics low in the northeast.

Mr. Ballmann next gave a brief update on some of the activity in the Department. He reported that the College Scorecard will provide students and parents with a dashboard of statistics and information on colleges that students are considering. In addition, Mr. Ballmann stated that there were fewer issues with FSA ID this year and that the Department was pleased with the results of the FSA ID in reducing fraudulent use of federal student aid.

Mr. Ballmann concluded his presentation with some observations regarding changes in leadership in Washington, DC in 2017. The leadership of the three major committees has turned over in the House and there is much work to do in what is now a very different environment. President-Elect Trump has nominated Betsy DeVos to be Secretary of Education. She is a charter school advocate, but does not have a track record on higher education issues. Mr. Trump is talking of risk sharing and income driven repayment plans, but no details are available yet. His transition team is widely reported to be looking at Executive Orders and regulations that he could repeal on his first day in office. Relating to higher education, possible repeals could include gainful

employment rules and defense to repayment rules. Mr. Ballmann concluded with an observation that, with the same party controlling the White House, Senate and House, there will be the potential for one “budget reconciliation” bill to pass with 51, rather than the usually-required 60, votes in the Senate.

There being no questions for Mr. Ballmann, the Chairman called upon Ms. Donovan, Director of NYGEAR UP to provide her report to the Board.

NYGEAR UP

Ms. Donovan began her presentation to the Board with an introduction by way of background, which began as a teacher in Ithaca, NY before continuing her passion for children and teaching in Yonkers, teaching American History to seventh and eighth graders. This experience brought Ms. Donovan to establish several medical and business magnet schools and, ultimately to grant writing. In 2005, Ms. Donovan wrote and was awarded a GEARUP grant, which she implemented for the next six years. This journey, seeing students as seventh graders who may not have had any interest in attending college, through a six year journey where over 90 percent of them graduated high school, is what has made GEARUP so dear to her.

Ms. Donovan shared some personal experiences about how GEARUP can change a child's life, and why she is so passionate about the Program. One story was about a seventh grader experiencing some very difficult family circumstances and seemingly disinterested in school, who won a GEARUP essay contest which allowed him to participate in a two week college residential experience. It was this experience that led him to become a successful high school and college graduate, as well as an inspiration and example to his family members.

Ms. Donovan shared a fact sheet with several statistics and an overview of the varied opportunities NY GEARUP has presented to the nearly 7,000 students throughout NYS who are currently participating. She explained that partnerships with colleges that apply to be part of the Program and offer their services, staff and experiences are what make NYGEAR UP a success. Mr. Cohen offered his organization's assistance in getting SUNY college students to engage as mentors, which Ms. Donovan accepted.

Ms. Donovan's presentation concluded with a video showcasing various field trips, workshops and experiences that NY GEARUP students had across the State this summer.

There being no questions for Ms. Donovan, the Chairman called upon Ms. Fisher to present several Resolutions to the Board.

Resolutions

Ms. Fisher first presented a Resolution to approve the NYS Science, Technology, Engineering and Mathematics (STEM) Incentive Program Regulation. Ms. Fisher addressed a question regarding the need for the clarification regarding eligibility of students pursuing a double STEM major. A motion to adopt the Resolution was made by Mr. Cohen and seconded by Ms. Onyejiukwa. The Resolution was unanimously adopted.

Ms. Fisher next presented a Resolution to amend the Young Farmers Loan Forgiveness Incentive Program Regulation. A motion to adopt the Resolution was made by Mr. Hansen and seconded by Mr. Cohen. The Resolution was unanimously adopted.

Ms. Fisher then presented a Resolution to approve the NYS Masters-in-Education Teacher Incentive Scholarship Program Regulation. Ms. Fisher clarified for the Board that the statute does not define the term “classroom instruction” and that, during the course of the agency’s administration of the Program, some questions have arisen regarding eligibility. Mr. Cohen asked about the eligibility of school professionals such as speech and occupational therapists. Since a necessary credential is a Master’s degree in Education, it was determined that these professions would not likely qualify for the Program. A motion to adopt the Resolution was made by Ms. Onyejiukwa and seconded by Ms. Thompson. The Resolution was adopted with Mr. Cohen abstaining.

Ms. Fisher next presented a Resolution of Appreciation for Mr. Joseph Awadjie. A motion to adopt the Resolution was made by Ms. Onyejiukwa and seconded by Mr. Cohen. The Resolution was unanimously adopted.

Ms. Fisher next presented a Resolution of Appreciation for Mr. Thomas Mastro. A motion to adopt the Resolution was made by Mr. Cohen and seconded by Ms. Onyejiukwa. The Resolution was unanimously adopted.

Finally, Ms. Fisher read a Resolution of Appreciation for Ms. Kerrie Cooper. A motion to adopt the Resolution was made by Mr. Hansen and seconded by Ms. Thompson. Upon unanimous adoption, Ms. Fisher presented the Resolution to Ms. Cooper.

Leadership Council

Chairman Klinger next invited comment from the members of the Leadership Council in attendance.

Ms. Cooper thanked Ms. Lisa Simpson, on behalf of NYSFAAA, for her work on College Goal events, many of which Ms. Simpson ran herself. Ms. Cooper also expressed her gratitude for HESC's continued involvement in providing training sessions during the NYSFAAA conferences.

Ms. Crosby (SUBOA) thanked the Board for welcoming her and said it was a great experience.

Ms. Thompson presented Ms. Bouabidi's (SUNYFAP) report, in Ms. Bouabidi's absence. Ms. Thompson reported that when SUNYFAP members met in June, they reviewed and updated their Vision and Mission Statement and a new website will be rolling out soon. SUNYFAP will be establishing a mentoring network for both mentors and mentees. Ms. Thompson is working with SUNYFAP to develop a conference for all support organizations within SUNY, and they anticipate contacting HESC to collaborate on the event. Ms. Bouabidi is looking forward to her advocate work on the national and State level in the upcoming year, and looks forward to continued collaboration with HESC.

Set Date for Spring Meeting

Chairman Klinger announced that the next meeting of the HESC Board of Trustees will be held on Wednesday, April 26, 2017.

Adjournment

Chairman Klinger asked for a motion to end the meeting. The motion was made by Mr. Hansen and seconded by Mr. Cohen. The meeting was adjourned at 12:45 p.m.