

<b>2008-09 Spending Plan</b>	<b>Agency Name:</b> Higher Education Services Corporation (HESC)
	<b>Agency Head:</b> James C. Ross, President

## A. Overview of Proposed Plan

### A.1 Overall Approach

**State Operations:** HESC achieved the required 3.35 percent recurring reduction in agency spending through OFT data center savings resulting from a combination of HESC's system modernization efforts, controlling utilization and a reduction in OFT fees. In addition to achieving these savings, HESC scrutinized all of its discretionary operating spending including personal service, temporary service, student assistants, overtime, contract programmers, travel, information technology (IT) and training to generate sufficient savings to support the implementation of a major new initiative – collection of defaulted student loans on behalf of the U.S. Department of Education (DOE). The revenue anticipated from this proposal (\$5.0M in 2008-09, \$14.0M in 2009-10, \$16.0M in 2010-11 and \$18M in 2011-12) is in the State's Multi-Year Financial Plan.

The Chief Financial Officer prepares an annual financial plan for HESC's total operating budget which is presented to all members of HESC executive staff, including the President and Executive Vice President, for modification and approval. The plan is also updated regularly and discussed in detail with the Executive Vice President and Division of the Budget examiners. In addition, development and implementation of the agency's workforce, travel and technology plans are approved by the Executive Vice President.

**Local Assistance:** The 2008-09 Budget calls for a two percent reduction in the amount statutorily required to be expended for scholarships and Aid for Part-Time Study (APTS). HESC achieved the required savings for scholarships by either reducing the individual award amount or the number of award recipients (see attached scholarship chart). For scholarships which are entitlements, the award amount will be reduced because the number of recipients cannot be controlled. For merit-based scholarships and loan forgiveness programs, the number of new recipients will be reduced. This approach for merit-based scholarships and loan forgiveness programs impacts only a small group of students and maintains the validity of loan forgiveness contracts whereby students have committed to teaching in high need areas in the State when they graduate in exchange for receiving scholarship funding at the full level. The required savings in APTS was achieved with a two percent reduction in the amount distributed to each school.

To identify additional savings, HESC reestimated the major parameters that determine TAP spending and anticipates an \$18 million reduction in TAP spending in 2008-09 and \$8 million in the out years due to a decrease in the number of TAP recipients.

### A.2 Achievement of Savings on a Recurring Basis

**State Operations:** Because HESC can reasonably control its usage, the Office for Technology data center savings are recurring as long as the data center rates increase at the rate of inflation, as is anticipated by the Division of the Budget examiners for the Office for Technology. However, in the unlikely event that these rates increase significantly or usage increases unexpectedly, HESC will take additional actions to achieve sufficient savings to meet its spending target.

**Local Assistance:** If the appropriation language reducing scholarships and APTS by two percent is continued, the savings will be recurring.

### A.3 Protecting Key Priorities

It is anticipated that all critical priorities will be maintained in the 2008-09 State Fiscal Year.

### A.4 Treatment of New Initiatives

Only new initiatives that are revenue generating are funded in HESC's Financial Management Plan. One of HESC's major new initiatives is the collection of defaulted student loans on behalf of DOE. Savings achieved in other areas will provide the funding needed to hire staff necessary to implement this initiative. HESC has also reconfigured office space and reallocated space from other divisions within HESC to accommodate this initiative.

## B. Summary of General Fund Financial Impacts

<b>GENERAL FUND -- SAVINGS SUMMARY</b>			
	Required Reduction	2008-09 Savings	2009-10 Savings
Local Assistance	916	18,916	8,916
Personal Service	N/A		
Non-personal Service	N/A		
Total State Operations	0	0	0
Capital	0	0	0
<b>TOTAL</b>	<b>916</b>	<b>18,916</b>	<b>8,916</b>

<b>GENERAL FUND -- YEAR-TO-YEAR CHANGE, AFTER SAVINGS</b>			
	2007-08 Actual	Revised Projection	Percent Change
Local Assistance	850,495	799,600	-5.98%
Personal Service	0	0	0
Non-personal Service	0	0	0
Total State Operations	0	0	0
Capital	0	0	0
<b>TOTAL</b>	<b>850,495</b>	<b>799,600</b>	<b>-5.98%</b>

**C. Identification of Proposed General Fund Actions**

	2008-09 Cash	2009-10 Cash	2010-11 Cash
<b>GENERAL FUND</b>			
<b>Local Assistance</b>			
1. Reduce scholarship spending by the required two percent by reducing the award amount or the number of recipients depending on the type of scholarship.	-670	-670	-670
2. Reduce APTS spending by the required two percent.	-246	-246	-246
3. Reduce estimated TAP spending due to an anticipated decrease in the number of recipients.	-18,000	-8,000	-8,000
<b>State Operations</b>			
4. None.	0	0	0
<b>Capital Projects</b>			
5. None.	0	0	0

**D. Summary of Impact on Other Funds**

<b>OTHER FUNDS -- SAVINGS SUMMARY</b>			
	Required Reduction	2008-09 Savings	2009-10 Savings
Local Assistance	40	40	40
Personal Service	N/A	0	0
Non-personal Service	N/A	3,138	3,138
<b>Total State Operations</b>	<b>3,138</b>	<b>3,138</b>	<b>3,138</b>
Capital	██████████	0	0
<b>TOTAL</b>	<b>3,178</b>	<b>3,178</b>	<b>3,178</b>

<b>OTHER FUNDS -- YEAR-TO-YEAR CHANGE, AFTER SAVINGS</b>			
	2007-08 Actual	Revised Projection	Percent Change
Local Assistance	1,648	1,960	+18.93%
Personal Service	36,302	37,663	+3.75%
Non-personal Service	66,144	65,514	-.95%
Total State Operations	102,446	103,177	+.71%
Capital	0	0	0
<b>TOTAL</b>	<b>104,094</b>	<b>105,137</b>	<b>+1.00%</b>

**E. Identification of Proposed Other Fund Actions**

	2008-09 Cash	2009-10 Cash	2010-11 Cash
<b>OTHER FUNDS (Note the fund/s affected by each proposal, in parentheses at the end of each entry)</b>			
<b>Local Assistance</b>			
1. Reduce Volunteer Service Recruitment Scholarships by the required two percent by reducing the award amount by \$87.50 (339.VR).	-40	-40	-40
<b>State Operations</b>			
2. Reduce OFT data center costs by controlling utilization and revising estimates to reflect lower-than projected rates (339.85).	-3,138	-3,138	-3,138
<b>Capital Projects</b>			
3. None.	0	0	0

**F. Plan to Manage the Workforce**

*F.1 Overall Approach*

HESC has implemented a temporary hiring freeze and will fill only those positions identified as revenue generating and/or critical to carrying out its mission. In order to hire staff to implement the new federal collections initiative, HESC will reduce staff through attrition.

**F.2 Plan for Refill of Vacant Positions (both current and anticipated vacancies)**

HESC has implemented a temporary hiring freeze and will fill only those positions identified as revenue generating and/or critical to carrying out its mission.

<b>Workforce Impact -- All Funds</b>	
<b>a. Initial Target: 700 [for reference]</b>	-----
<b>b. Current Fills</b>	700
<b>c. Recurring impact of proposed actions (see Parts C &amp; E)</b>	0
<b>d. Recurring impact of vacancy-refilling plan (see F.2)</b>	0
<b>e. Total FTEs March 31, 2009 (line b minus line c, plus/minus line d)</b>	700
<b>f. Change from Initial 2008-09 Target (line a minus line e)</b>	0

**G. Monthly Projections: All Funds Workforce; General Fund State Operations/Local/Capital (000s)**

	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	TOTAL
<b>A. Workforce - All Funds</b>													
Est FTEs Month-end	700	700	700	700	700	700	700	700	700	700	700	700	700
<b>B. State Operations</b>													
Personal Service													
1st PP	0	0	0	0	0	0	0	0	0	0	0	0	0
2nd PP	0	0	0	0	0	0	0	0	0	0	0	0	0
3rd PP (if applies)	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal PS	0	0	0	0	0	0	0	0	0	0	0	0	0
NPS	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Disbursements -- State Ops</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>C. Local Assistance</b>													
TAP	16,436	16,420	56,470	95,370	188,491	68,419	27,298	25,670	112,510	44,173	27,328	76,131	754,716
APTS	386	207	3,049	1,850	293	470	82	2,918	91	1,442	1,222	44	12,054
Scholarships	(678)	50	938	6,617	4,831	3,250	994	1,647	11,564	2,107	700	810	32,830
<b>Total Disbursements - Local</b>	<b>16,144</b>	<b>16,677</b>	<b>60,457</b>	<b>103,837</b>	<b>193,615</b>	<b>72,139</b>	<b>28,374</b>	<b>30,235</b>	<b>124,165</b>	<b>47,722</b>	<b>29,250</b>	<b>76,985</b>	<b>799,600</b>
<b>D. Capital Projects</b>													
Program/project aa	0	0	0	0	0	0	0	0	0	0	0	0	0
Program/project bb	0	0	0	0	0	0	0	0	0	0	0	0	0
Program/project cc	0	0	0	0	0	0	0	0	0	0	0	0	0
All other Capital Projects	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Disbursements - Capital</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

In addition to providing an explanation for variances from the above estimates, HESC will also regularly provide to DOB an update of its performance in relation to its 2008-09 State Fiscal Year executive goals. Performance measurements have been established for areas such as loan guarantee volume, spending targets, federally mandated reserve balances, development of products, delivery of services and risk management.

## **H. Assumptions Underlying the Proposed Plan**

Major assumptions underlying HESC's proposed plan include:

- DOE approval of a contract for HESC's collection of defaulted student loans on their behalf within the next several months, and
- Successful efforts by HESC staff to control the potential loss in loan volume that it has projected from:
  - not paying the one percent default fee in the 2008-09 AY,
  - the national economic downturn/credit crunch,
  - federal legislation that has impacted the student loan industry, and
  - the potential migration of schools from the Federal Family Education Loan Program (FFELP) to the Direct Loan Program.

## **I. Management of Risks Inherent in the Plan**

Senior management is in constant contact with DOE officials regarding the collection initiative to ensure timely execution of the contract.

In an effort to preserve loan volume, Customer Relations staff and HESC's president are increasing outreach and communication to HESC's lender partners and school customers to maintain a positive relationship and to promote the advantages of FFELP and using HESC as a guarantor.

## **J. Additional Savings Opportunities for 2008-09**

Additional savings opportunities at HESC for 2008-09 include:

- reduction in the utilization of consultants on priority IT projects,
- further reduction of professional development training, and
- amendments to HESC's tuition reimbursement policy.

## **K. Potential Future Savings Opportunities/Operational Improvements**

*K.1 Potential future state operations savings opportunities/operational improvements include:*

- additional PS attrition savings,
- further reduction in overtime spending,
- further reduction of the number of student assistants and temporary staff,
- automation of clerical tasks,
- increased use of video conferencing to reduce travel expenses, and
- additional contracts with DOE to perform such services as default prevention, financial literacy training and Direct Loan Program origination to increase revenue.

*K.2 Potential future TAP savings opportunities/operational improvements:*

Potential future TAP savings/operational reforms could be achieved through programmatic changes that HESC could develop in conjunction with the Division of the Budget. These changes would most likely require legislation.

## **Attachment**

- Scholarship chart

**ATTACHMENT**

Scholarship Name	Section of the Education Law	Method of Savings (Reduce Award Amount or Number of Recipients)	Annual Maximum Award Cap	Annual Maximum Award Amount	Annual 2% Reduction Amount
Children of Deceased and Disabled Veterans Tuition Award Memorial Scholarships for Families of Deceased Firefighters, Police Officers, Peace Officers and Emergency Medical Service Workers	668	Reduce Award Amount	Statutory Amount	\$450.00	\$9.00
World Trade Center Memorial Scholarships	668-b	Reduce Award Amount	Cost of Attendance	\$17,070.00	\$341.40
Military Enhanced Recognition Incentive and Tribute (MERIT) Scholarships	668-d	Reduce Award Amount	Cost of Attendance	\$17,070.00	\$341.40
Flight 587 Memorial Scholarships	668-e	Reduce Award Amount	Cost of Attendance	\$17,070.00	\$341.40
Veterans Tuition Award	668-f	Reduce Award Amount	Cost of Attendance	\$17,070.00	\$341.40
Volunteer Recruitment Service Scholarships	669-a	Reduce Award Amount	SUNY Tuition + College Fee	\$4,375.00	\$87.50
Math & Science Teaching Scholarships	669-c	Reduce Award Amount	SUNY Tuition + College Fee	\$4,375.00	\$87.50
Scholarships for Academic Excellence	669-d	Reduce Number of Recipients	SUNY Tuition + College Fee	\$4,375.00	N/A
Regents Health Care Opportunity Scholarships	670-b	Reduce Number of Recipients	Statutory Amount	\$1,500 or \$500	N/A
Regents Professional Opportunity Scholarships	678	Reduce Number of Recipients	Statutory Amount	\$10,000.00	N/A
Senator Patricia K. McGee Nursing Faculty Scholarships	679	Reduce Number of Recipients	Statutory Amount	\$5,000.00	N/A
Nursing Faculty Loan Forgiveness Incentive Program	679-c	Reduce Number of Recipients	Cost of Attendance	\$18,898.00	N/A
Regents Licensed Social Worker Loan Forgiveness Program	679-d	Reduce Number of Recipients	Statutory Amount	\$8,000.00	N/A
Regents Physician Loan Forgiveness Program	679-a	Reduce Number of Recipients	Statutory Amount	\$6,500.00	N/A
	677	Reduce Number of Recipients	Statutory Amount	\$10,000.00	N/A
The cost of attendance includes tuition, fees, room, board, transportation, books and supplies.					