



**House Appropriations Hearing  
Submitted Testimony for James Steeley  
February 12, 2019**

Mr. Chairman, members of the Committee, and staff – on behalf of our Board of Directors, our employees who live and work throughout Pennsylvania, and the hundreds of thousands of students and families that we serve, I would like to thank you for this opportunity to provide testimony as you prepare the Commonwealth’s 2019-20 budget.

This is my first appearance before this committee as PHEAA’s President & CEO, having been appointed to the position by the PHEAA Board of Directors just last month.

PHEAA was created 55 years ago with the primary mission of creating affordable access to higher education for Pennsylvania students and families.

As a self-sufficient organization – free of taxpayer support for its operating costs – PHEAA also saves millions of dollars annually for the Commonwealth while generating earnings that are used to fund a variety of public service programs and activities.

PHEAA’s business earnings have self-funded the agency’s general administrative budget since 1987, which has saved Pennsylvania taxpayers hundreds of millions of dollars over the last 31 years.

And, as Pennsylvania’s higher education and career-planning needs have evolved over the years, so has PHEAA in order to best meet those needs, regardless of the challenges.

**PA State Grant Program**

The largest state-funded student aid program administered by PHEAA is the Pennsylvania State Grant Program.

This program, which launched in 1966, has grown into one of the largest and most efficient programs of its kind in the nation.

And, since PHEAA pays all administrative costs of the program, every dollar that is appropriated to the PA State Grant Program goes directly to support Pennsylvania students with the most financial need.

Since inception, this program has provided more than \$11.4 billion in grant awards to Pennsylvania students with financial need.

Approximately 80% of State Grant recipients graduated with their postsecondary degree or other academic credential.

With a maximum award of \$4,123, this program is providing approximately 140,000 grant awards to students during the 2018-19 academic year, including the preceding summer semester.

During Governor Wolf's first four annual budgets, the PA State Grant Program received total appropriations of nearly \$1.1 billion, while PHEAA contributed \$400 million from its business earnings, significantly magnifying the benefits of the program for Pennsylvania students.

This total combined funding provided 577,567 grant awards to Pennsylvania students with financial need during those four years.

### **Distance Education**

Beginning with the current academic year, otherwise eligible distance education students enrolled in eligible institutions are now able to benefit from the PA State Grant Program, thanks to the passage of Act 5 of 2018.

To insure that the first-time inclusion of approximately 10,000 additional distance education students would not dilute the limited available funding for the program, Act 5 of 2018 authorized PHEAA's Board of Directors to implement controls that could limit the financial impact of online education.

Subsequently, the PHEAA Board of Directors approved an awarding formula in May 2018 that managed to maintain the previous year's maximum award of \$4,123, while providing for reduced awards to the new distance education students.

Again, this was done to maintain the purchasing power of the PA State Grant award for traditional classroom PA State Grant recipients.

The maximum state grant award for a distance education student was \$2,061 as compared to \$4,123 for a traditional classroom student.

### **2018-19 and 2019-20 PA State Grant Program**

For 2018-19, the Legislature approved a \$273.391 million appropriation for the PA State Grant Program, which was level-funded the previous year and significantly lower than the \$407 million that had been appropriated by the Commonwealth for the program a decade ago.

Unfortunately, without additional funding for 2018-19, level funding would have reduced the maximum grant award more, from \$4,123 to \$3,000, creating significant challenges for Pennsylvania students struggling to afford postsecondary education.

After much deliberation, the PHEAA Board Directors took action at their May Board meeting to maintain the \$4,123 maximum grant award for 2018-19 by allocating a \$101 million supplement from the agency's business earnings, much of which was pulled forward from funds held in reserve for 2019-20.

As a result, PHEAA does not expect to have sufficient reserves or the operating income needed to be able to provide any supplement for 2019-20. This is a decision that the Board of Directors will make, as it does each year, after reviewing available resources at the end of the fiscal year in June.

It is important to note that PHEAA was not able to provide supplemental funding for 2008-09, 2009-10, and 2010-11. However, during those years the program received significantly higher appropriations - as much as \$134 million more.

PHEAA will be able to continue to cover all administrative costs of PA State Grant Program and other student aid programs while also self-funding its public awareness and outreach mission for the Commonwealth. This is expected to save taxpayers approximately \$19.2 million in 2019-20.

For 2019-20, Governor Wolf has proposed a \$310.2 million appropriation for the PA State Grant Program, which is a 13 percent increase over the program's 2018-19 appropriation.

We appreciate the Governor's commitment to the program - which provides the most assistance to students with the most need - as demonstrated by his \$36.8 million recommended funding increase.

He also asked PHEAA to provide an additional \$58 million from its business earnings to supplement the PA State Grant Program. But, as previously stated, the agency does not expect to have sufficient resources available at the end of this fiscal year to provide supplemental funding.

Based on early application and cost projections for 2019-20, we estimate that this total proposed funding would allow PHEAA to provide PA State Grant awards to 139,300 students for the award year and a maximum award of \$3,663, which is a \$460 reduction from 2018-19.

It's important to understand at this early date that our ability to maintain a maximum grant award of \$4,123 in 2019-20 will be affected by several other factors, including the amount of any funds that might remain after final reconciliation of the 2018-19 PA State Grant Program and actual program demand in 2019-20 – both of which cannot be determined at this time.

### **Other PHEAA-Administered Student Aid Programs**

PHEAA administers several other important student aid programs for the Commonwealth.

- **Ready to Succeed Scholarship Program**

This \$5 million program is funded by the Commonwealth and provides awards to high-achieving, middle-income Pennsylvania students.

PHEAA administers this program in cooperation with the Pennsylvania Department of Education, providing income-based scholarships to academic achievers from families earning no more than \$110,000.

Scholarships are awarded to eligible students who are entering their sophomore, junior, or senior year in college, while maintaining a 3.5 GPA or higher.

In combination with the PA State Grant Program, the program offers a total award up to \$2,000 for full-time students and \$1,000 for part-time students.

Nearly 69 percent of Ready to Succeed Scholarship recipients reported that their award was a significant factor in their ability to stay in school, while more than 47 percent of these recipients borrowed less in student loans. These are two important factors that significantly increase a student's chances for long-term financial success after graduation.

This program is currently benefiting nearly 3,400 students with an average award of \$1,520. However, due to limited funding and high program demand, approximately 2,600 applicants did not receive awards during 2018-19.

For 2019-20, Governor Wolf proposed \$5 million for this program, which is level with 2018-19.

- **Pennsylvania Targeted Industry Program - PA-TIP**

PA-TIP was created to help develop a healthy, educated, and well-trained workforce. This program was originally funded by PHEAA. However, since PHEAA does not expect to have the resources available to support this program in 2019-20, the Governor has proposed a \$6.3 million appropriation from the Commonwealth to support the program for the next year. This is a \$300,000 increase over the funding provided for the program in 2018-19.

PHEAA will continue to cover all administrative costs of the program, ensuring that every dollar appropriated to the program goes directly to PA-TIP recipients.

The Program provides grant awards to students interested in working in the fields of energy, advanced materials and diversified manufacturing, or agriculture and food production.

For 2018-19, PA-TIP will provide awards to more than 1,000 Pennsylvania students with an average award of \$1,979.

Since inception in 2012 through 2017-18, this program awarded nearly \$32.7 million in grants to nearly 8,500 recipients. Following graduation, approximately 83 percent of program participants have achieved gainful employment.

Due to program demand, we have currently exhausted all available funding for PA-TIP for 2018-19. However, eligible applicants not receiving awards may still receive awards as award cancellations come in from schools due to actual, real-time enrollment data.

- **Act 101 Program**

The Higher Education of the Disadvantaged Program, more commonly known as the Act 101 Program, provides support services to undergraduate students with economic and educational disadvantages so they can succeed in higher education.

With a Commonwealth appropriation of \$2.246 million for 2018-19, PHEAA disbursed funds to Act 101 programs at 32 participating Pennsylvania postsecondary schools.

Approximately 3,700 students are benefitting from the Act 101 Program during the current academic year.

Act 101 Programs structure their services to best meet the students' needs – but they all typically provide career exploration and support services that help students translate higher education experiences into successful career paths after graduation.

For 2019-20, the Governor has proposed \$2.358 million for the Act 101 Program, which is a 5 percent increase over 2018-19.

- **Institutional Assistance Grant (IAG) Program**

Another relatively large student aid program administered by PHEAA is the Institutional Assistance Grant (IAG) Program, for which the Governor has proposed \$26.5 million for 2019-20, which is level with 2018-19.

The IAG Program provides formula-based grants which are tied to the number of State Grant recipients enrolled at a particular school. This assists independent, nonprofit colleges and universities in their efforts to stabilize costs and maintain enrollment levels.

There are currently 88 IAG eligible schools, qualifying under the program's authorizing legislation.

For 2018-19, this program will provide an estimated per capita award of \$640 per student. Based on current projections and the Governor's proposal, we estimate that the per capita IAG award for 2019-20 will be approximately \$660.

### **Additional Public Services**

PHEAA invests \$19.2 million annually to cover the administrative costs of Pennsylvania student aid programs and other services, such as extensive outreach activities that encourage participation in higher education.

These activities include 13 PHEAA Higher Education Access Partners living and working throughout the Commonwealth who directly support Pennsylvania residents with hands-on assistance.

In 2017-18, these student aid professionals conducted 1,070 financial aid, FASFA completion and early awareness events for nearly 34,000 participants.

Of those events, many were held in cooperation with local legislators, including community presentations and visits to legislative offices.

They also hosted 105 training workshops for high school counselors and community organizations and conducted more than 1,667 site visits and other interactions with Pennsylvania postsecondary schools.

In total, PHEAA's Access Partners conducted 3,743 events for nearly 75,000 participants throughout the Commonwealth.

### **Online Tools**

PHEAA also provides a variety of useful online tools and resources, all of which are provided free to the Commonwealth.

MySmartBorrowing.org engages high school students and their families early in the planning process before any decisions are made to borrow money – helping them to make smart choices as they develop their higher education success plan.

In addition to useful information, MySmartBorrowing.org provides unique estimators that help determine students' possible higher education costs at different schools, future salary expectations for a particular degree, availability of related employment opportunities, and their potential ability to repay student loans comfortably while also affording an independent lifestyle after graduation.

Additional resources include EducationPlanner.org, which is PHEAA's one-stop career and college-planning website; YouCanDealWithIt.com, which helps graduates and soon-to-be graduates prepare for life after college with debt management and career development advice; and PHEAA.org, which provides useful information on available state and federal student aid programs.

### **Looking Ahead**

Operationally, we are working to identify cost savings, while investing in the technology and processes needed to ensure that we are operationally successful and generating the operating income needed to continue delivering on our core mission of providing public services to the Commonwealth.

A key component of this strategy is an exciting new suite of student loan products, which will be available to Pennsylvania students this coming spring.

The program is specifically designed to assist Pennsylvania students who need help paying for college after exhausting their eligibility for gift aid, such as the PA State Grant Program, and low-cost federal student loans.

**It is a borrower-friendly suite of low-cost, private student loans that will offer affordable loans for undergraduate and graduate students, as well as loans for parent borrowers.**

**Additionally, borrowers who are in repayment and want to combine their debt after graduation to achieve a lower monthly payment can benefit from a refinance loan.**

**The program will offer terms and rates that are more favorable than those typically offered elsewhere – including other private loans and the federal PLUS loan for parents.**

**Borrowers will be able to borrow up to the total cost of attendance with competitively low interest rates. Additional benefits include no application or origination fees, immediate credit approvals, and flexible repayment options.**

**Borrowers who take full advantage of the program’s benefits could save thousands of dollars over the life of the loan.**

**This new program also allows PHEAA to earn money that can be used to support of public service mission, including future supplemental funding for the PA State Grant Program.**

**We will share with you and your staff additional formation about this program when applications become available.**

### **Closing**

**In closing – please remember that our Higher Education Access Partners are available to personally assist you in providing student aid and higher education planning outreach to your constituents in your districts.**

**This is a great opportunity for us to work with you in support of your college-bound constituents and their families. We hope that you will take advantage of the services that we offer to you and your communities.**

**PHEAA’s support of higher education in Pennsylvania helps create a powerful economic engine for the Commonwealth, supporting job creation, and strengthening our economy by helping to facilitate the education of a skilled and educated workforce.**

**Through PA-TIP, we are working in partnership with trade and technical schools, career centers, and the Department of Labor and Industry to address the growing need for skilled workers in high-demand industries within the Commonwealth.**

**We look forward to working with the Administration and members of this legislature to better prepare Pennsylvania’s workforce – through planning tools and affordable access to postsecondary education – to better compete in a national and global economy.**

**This concludes my remarks. I want to thank you again for the opportunity to appear here today.**

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