



Mr. Chairman, members of the Committee, and staff – on behalf of our Board of Directors, more than 2,600 PHEAA 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 2020-21 budget.

PHEAA was created in 1963 with the primary mission of creating affordable access to higher education for students and families living in the Commonwealth.

Since then, we have helped generations of Pennsylvania students achieve higher education - ultimately preparing them for employment opportunities and entrepreneurship, while strengthening the foundation of our economy.

As a self-sufficient Pennsylvania agency – free of taxpayer support for its operating costs for more than 33 years – PHEAA saves millions of dollars annually for the Commonwealth while generating earnings that are used to fund a variety of public service programs and activities.

We do this through our various lines of business, each of which aligns with our public service mission for the Commonwealth. This includes our activities as a leading student aid services provider.

Specifically, PHEAA conducts its national student loan servicing operations as FedLoan Servicing and American Education Services (AES).

PHEAA currently manages more than \$500 billion in total assets on its systems.

Key to our recent success –in terms of both new business development and customer service metrics – is our new enterprise-wide strategy that was adopted by PHEAA’s Board of Directors in 2018.

Our new strategy has already helped to facilitate significant operational and cultural changes, in addition to enhancements made at the leadership level.

Our new strategy map, which is continually reviewed and improved, embodies the ethos of “Give, Grow and Transform”.

At the top of this map is the “Give” Component, which is Public Service. This is the reason PHEAA was created in 1963 and continues to be the catalyst for all of our activities.

PHEAA’s singular goal is to deliver meaningful public service by creating affordable access to higher education for Pennsylvania students and their families

To do this – and to do this well – our strategy focuses on developing a customer-driven mindset across all of our business lines.

We are also working to develop new lines of business, which includes a new mission-based student loan program, the PA Forward Student Loan Program, which ties directly to our core public service mission for the Commonwealth.

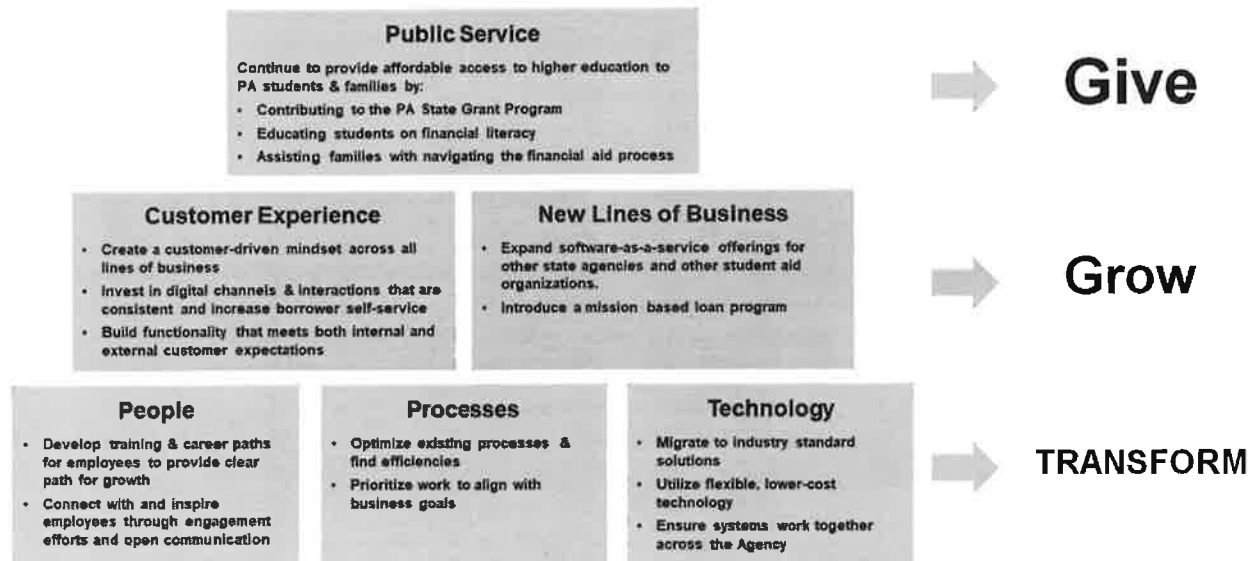
Additionally, we recently established Avereo as the digital technology division of PHEAA to better expand our software-as-a-service offerings for other state agencies and student aid organizations.

These are the important “Grow” components of our strategy; growing as an enterprise in order to “Give” to the Commonwealth.

Finally, we can only “Grow” by “Transforming” our people, processes and technology.

Transformation is the foundational element of our strategy that provides our workforce with better training while opening new career paths, inspires our employees with an improved culture, realigns and optimizes processes to boost productivity and efficiency, and modernizing our infrastructure toward more flexible and responsive digital technology.

PHEAA Strategy Map



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 the fourth largest number of grant recipients in the nation and is among the most efficient of its kind since PHEAA pays all administrative costs at no expense to taxpayers.

This means that every dollar that is appropriated to the program goes directly to support the students who need it most.

Since inception, this program has provided approximately \$11.7 billion in grant awards to Pennsylvania students with financial need.

Approximately 79 percent of PA State Grant recipients graduate with their postsecondary degree or other academic credential.

With a maximum award of \$4,123, this program is providing approximately 136,000 grant awards to students during the 2019-20 academic year, including the preceding summer semester.

Across all of Governor Wolf's first five annual budgets, the PA State Grant Program received total appropriations of nearly \$1.4 billion, while PHEAA contributed an additional \$430 million from its business earnings, significantly magnifying the benefits of the program for Pennsylvania students.

This total combined funding made available \$1.8 billion for grant awards to Pennsylvania students with financial need during those 5 years.

2020-21 PA State Grant Program

For his 2020-21 budget proposal, Governor Wolf recommended a \$339.733 million appropriation for the PA State Grant Program. If approved, this would represent a \$29 million or 9.33 percent increase over the current year's appropriation of \$310.733 million.

This proposed increase would be the second largest percentage increase during the last 20 years, with the largest increase being last year's 13.66% percent increase.

The Governor also recommended a \$30 million PHEAA supplement for the program, which would increase total available funding to \$369.733 million for 2020-21.

Based on current application data and total proposed funding, the maximum grant award for 2020-21 is projected to be \$4,700, a \$577 increase over the 2019-20 maximum award of \$4,123.

However, as always, PHEAA's supplement to the program is contingent upon agency operating results and is subject to formal approval by the PHEAA Board of Directors.

PHEAA will continue to cover all administrative costs of the 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 \$13.5 million in 2020-21.

Other PHEAA-Administered Student Aid Programs

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

Ready To Succeed Scholarship (RTSS) Program

- The Governor's 2020-21 budget proposal also includes a \$14.45 million appropriation for the Ready To Succeed Scholarship (RTSS) Program, which is an \$8.9 million or a 160.36 percent increase over the previous year.

RTSS provides scholarships to high academic achievers from middle income families. The program, in combination with the PA State Grant Program, offers a total award up to \$2,000 for full-time students and \$1,000 for part-time students. 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.

Nearly 66 percent of recent RTSS recipients reported that their award was a positive factor in their ability to stay in school, while more than 53 percent of 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 3,500 students with an average award of \$1,550. However, due to limited funding and high program demand, approximately 3,400 applicants did not receive awards for the current academic year.

- PHEAA believes that the additional funding proposed for 2020-21 would be sufficient to meet current demand for the program.

Pennsylvania Targeted Industry Program (PA-TIP)

- PA-TIP was created to help develop a healthy, educated, and well-trained workforce.

For 2020-21, the Governor has proposed a \$6.615 million appropriation from the Commonwealth to support the program for the next year. This is a \$315,000, or a 5 percent increase, over the funding provided for the program in 2019-20.

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, agriculture and food production – and as of 2019-20, health.

For 2019-20, PA-TIP will provide awards to 1,300 Pennsylvania students with an average award of \$3,400.

Since inception in 2012 through 2018-19, this program awarded nearly \$ 38 million in grants to nearly 9,900 recipients. Following graduation, approximately 89 percent of program participants have achieved gainful employment.

Due to program demand, we have currently exhausted all available funding for PA-TIP for 2019-20. However, eligible applicants may still receive awards as award cancellations come in from schools due to actual, real-time enrollment data.

Based on current projections and application data, we estimate that \$8.6 million would be needed to fully fund the program for 2020-21.

- **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 \$2.358 million for 2019-20, PHEAA disbursed funds to 33 Act 101 programs throughout Pennsylvania.

Approximately 3,606 students benefitted from the Act 101 Program during the last 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 2020-21, the Governor has proposed \$2.476 million for the Act 101 Program, which is a 5 percent increase over 2019-20.

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

Another relatively large student aid program administered by PHEAA is the Institutional Assistance Grant (IAG) Program, for which the Governor has proposed \$27.847 million for 2020-21, which is a 5 percent increase over 2018-19's appropriation of \$26.521 million.

The IAG Program provides formula-based grants which are tied to the number of PA 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 2019-20, this program will provide an estimated per capita award of \$678 per student. Based on current projections and the Governor's proposal, we estimate that the per capita IAG award for 2020-21 will be approximately \$738.

Outreach Efforts

PHEAA invests \$13.5 million annually to cover the administrative costs of Pennsylvania student aid programs and other services, such as broad-reaching 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 2018-19, these student aid professionals conducted nearly 1,800 financial aid, FASFA completion and early awareness events for nearly 44,650 participants.

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

They also hosted 40 training workshops for high school counselors and community organizations and conducted nearly 1,600 site visits and other interactions to Pennsylvania postsecondary schools, high schools, and other organizations.

PA Forward Student Loan Program

Last year, in cooperation with Pennsylvania Department of Community and Economic Development (DCED) and the State Treasurer's Office, PHEAA launched the PA Forward Student Loan Program, which is making borrowing more affordable in for Pennsylvania students who might still need financing assistance – even after exhausting their eligibility for grants, scholarships, and low-cost federal loans.

PHEAA's PA Forward Student Loan Program offers a suite of borrower-friendly loans for undergraduate and graduate students, for parent borrowers and, now, for borrowers in repayment seeking a simple and straightforward way to manage their debt.

PHEAA serves as the lender and servicer for the program, with tax-exempt allocation provided by DCED and a line of credit from the Pennsylvania Treasury.

Leveraging the combined resources of the Commonwealth allows PHEAA to provide the student loans at low rates with better borrower benefits as compared to most commercial private loan programs.

The Program offers competitive fixed interest rates, currently as low as 3.72 percent APR, which is significantly lower than the average private student loan rate of 8.86 percent and the average Federal PLUS loan rate of 6.97 percent.

In the program's first year, 2,400 student loans totaling \$33.8 million have been disbursed, which exceeds our first year projections for the program of \$25 million.

We expect our second year disbursements to exceed \$75 million in PA Forward Loans.

As with all of PHEAA's business activities, the money earned through the PA Forward Student Loan Program will be used to help support the Agency's public service mission for the Commonwealth.

This includes more than \$1 billion that has been allocated to fund student aid programs and services for Pennsylvania residents over the last 10 years – helping to fund grant awards for 825,000 students with financial need during that time.

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.

Student Loan Notification Tool

In response to HB 2124, which was signed into law by Governor Wolf in October 2018 as Act 121, PHEAA recently developed a new Student Loan Notification Tool, which went live in December 2019.

Act 121 requires Pennsylvania schools that receive federal student loan information to provide certain loan debt information on an annual basis to their students.

This includes useful information such as an estimate of the student's potential total loan payoff amount, the number of years used to determine that payoff, and information on how to access online repayment calculators.

PHEAA collaborated with the Pennsylvania Department of Education to create this new tool, which gives schools a low-cost way to more easily comply with Act 121.

Closing

In closing – please remember that PHEAA’s 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.

###