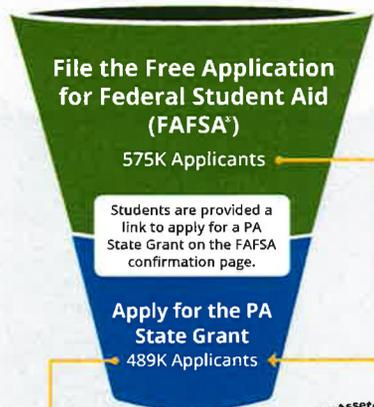




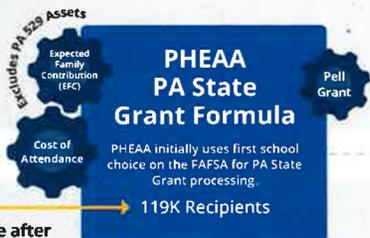
How Students Receive PA State Grant Funds

2020-21 Applicant & Award Data



Why did this number reduce from the number of FAFSA applications?

- Graduate students do not qualify
- Didn't apply for a PA State Grant (high income)
- Didn't fully complete PA State Grant Application



Why did this number reduce after PHEAA processed the PA State Grant applications?

- Not enrolled
- Enrolled at ineligible school
- Insufficient financial need

School Type	Award Amount
4-Year Private 39,500 Recipients Total Awards - \$131.2M	\$4,525 Max \$4,005 Avg
2-Year Private 1,400 Recipients Total Awards - \$4.0M	\$4,140 Max \$3,747 Avg
PASSHE 23,100 Recipients Total Awards - \$66.8M	\$3,851 Max \$3,366 Avg
State-Related 25,900 Recipients Total Awards - \$87.1M	\$4,140 Max \$3,898 Avg
Community College 20,000 Recipients Total Awards - \$23.4M	\$2,407 Max \$2,115 Avg
Bus. Trade Tech. 3,800 Recipients Total Awards - \$9.7M	\$4,140 Max (variable) \$3,930 Avg
Nursing 900 Recipients Total Awards - \$2.0M	\$4,140 Max \$3,655 Avg
Out-of-State* 4,100 Recipients Total Awards - \$2.2M	\$770 Max \$591 Avg

NOTE: Students may receive up to 4 years or 8 terms of PA State Grant awards.

PA State Grant Funds Credited to Student Accounts
(reduces bill for tuition, fees, & other expenses)



Student Makes School Choice, Enrolls & Attends



School Confirms Costs, Enrollment Status, & Other Eligibility Criteria
(i.e., academic progress)

NOTE: All applicant and recipient counts are rounded award year figures.

* Approved Reciprocal States: Ohio, West Virginia, District of Columbia, Delaware, Vermont, Massachusetts



Award Levels for PHEAA-Administered Programs

	PA State Grant Program			PA Ready to Succeed Scholarship Program			PA Targeted Industry Program		
	Maximum Award	Average Award	Lowest (minimum) Award	Maximum Award	Average Award	Lowest (minimum) Award	Maximum Award	Average Award	Lowest (minimum) Award
2016-17	\$4,378	\$3,295	\$500	\$2,000	\$1,546	\$500	\$4,378	\$3,441	\$500
2017-18	\$4,123	\$3,150	\$500	\$2,000	\$1,587	\$500	\$4,318	\$3,517	\$500
2018-19	\$4,123	\$3,032	\$500	\$2,000	\$1,483	\$500	\$4,123	\$3,144	\$500
2019-20	\$4,123	\$3,106	\$500	\$2,000	\$1,534	\$500	\$4,123	\$3,557	\$500
2020-21	\$4,525	\$3,478	\$500	\$2,000	\$1,615	\$500	\$4,123	\$3,681	\$500

NOTE: Maximum and lowest awards are based on full-time enrollment.

Testimony of
Nathan Hench, Senior Vice President of Public Affairs, Guaranty & Strategy
Pennsylvania Higher Education Assistance Agency (PHEAA)
House Appropriations Committee
Subcommittee on Higher Education
Monday, October 4, 2021

Chairman Topper and members of the Committee, on behalf of Jim Steeley, PHEAA's President and CEO, as well as the PHEAA Board of Directors, I would like to thank you for the opportunity to speak with you today as you take a close look at how higher education is funded within the Commonwealth.

PHEAA was created 58 years ago with the primary mission of creating affordable access to higher education for Pennsylvania students and families.

Since then, we have helped generations of Pennsylvanians afford higher education while minimizing their reliance on student loan debt.

We do this by administering a variety of student aid programs for the Commonwealth – the largest of which is the PA State Grant Program – in addition to many outreach services that millions of residents have relied upon to successfully navigate the student aid application process.

As a creation of the Pennsylvania General Assembly, PHEAA is governed by a 20-member Board of Directors, 16 of whom are state legislators with representation split evenly between chambers and parties.

The Agency's enabling legislation, as primarily authored by State Representative K. Leroy Irvis in 1963, specified direct legislative oversight and accountability, since PHEAA would be charged with administering a variety of state-funded student aid programs for the Commonwealth.

Today, PHEAA's Board of Directors, under the leadership of our Chairman, Representative Mike Peifer, and Vice Chairman, Senator Wayne Fontana, is highly engaged in successfully guiding PHEAA as we work to meet the evolving higher education funding needs of Pennsylvania students and families.

PHEAA currently employs nearly 2,200 workers, including many proud members of the American Federation of State, County, and Municipal Employees.

PHEAA is perhaps best known for administering a variety of state-funded programs.

In total, we currently manage and disburse nearly \$380 million in Commonwealth funding that has been appropriated by the General Assembly for student aid programs.

As I mentioned, the largest program that we administer, and the program that has the greatest impact for Pennsylvania families with financial need, is the **PA State Grant Program**.

This program, which launched in 1966 and has since grown into one of the largest and most efficient programs of its kind in the nation, recently awarded the \$12 billionth PA state grant dollar to a student from Waynesburg University.

The PA State Grant Program is a need-based program that awards gift aid to students regardless of the school they may be attending, provided it is an approved institution of higher learning.

For the 2021-22 award year, the need-based PA State Grant Program is providing grant awards to approximately 112,000 students, with a maximum award of \$5,000. This amount is the highest award amount in the program's history.

Since PA State Grant awards follow the student, the program provides both access and choice, which was a priority for the General Assembly when they created the program 55 years ago, just as it remains a priority today.

Financial need is determined by the PA State Grant awarding formula, which the PHEAA Board of Directors reexamines annually to ensure the program is providing the most meaningful grant awards to as many students as possible, based on each year's limited financial resources.

This awarding formula determines a family's ability to meet educational expenses based on a variety of determining factors, including their Expected Family Contribution, as determined by the FAFSA[®] (the Free Application for Federal Student Aid), their cost of attendance, and their Federal Pell Grant eligibility.

This awarding formula is central to the program's effectiveness and is the result of a deliberative process involving the State Grant Advisory Committee, which is comprised of student aid and higher education professionals throughout the Commonwealth, the Board of Directors' Need Analysis Committee and, ultimately, by a full vote by the Board of Directors.

This is done in the early spring of each year so we can calculate estimated conditional award amounts for students to help them prepare their higher education funding plans for the next school year.

These conditional award amounts are provided for planning purposes only and are always subject to change pending final approval of the State Budget in June.

Please note that the infographic that you have before you is a high-level illustration of the PA State Grant awarding process – where we first identify eligible students based on their financial need, we award them with their PA State Grant award, and we allow them to take their grant to any one of the 420 participating schools in Pennsylvania and neighboring states.

This awarding process, while appearing complicated, is key to the program’s ability to fairly distribute limited Commonwealth funding to students who need it the most, while providing them with the freedom of choice as to which school they wish to attend.

After 55 years of administering the PA State Grant Program for generations of Pennsylvania students, PHEAA has become proficient at identifying students who have true financial need, while efficiently delivering and tracking state-appropriated funds to hundreds of postsecondary schools throughout the Commonwealth.

The power of the PA State Grant Program cannot be underestimated, as PHEAA research shows that recipients who are also Pell-eligible, as of initial enrollment, borrow about \$9,000 less over 4 years than the average Pennsylvania college graduate.

In addition to the Commonwealth’s appropriation, PHEAA has contributed more than \$2 billion from its business earnings over the years to supplement the PA State Grant and other student aid programs.

PHEAA also uses its earnings to cover all administrative costs of these programs, saving Pennsylvania taxpayers nearly \$15 million annually.

This makes Pennsylvania’s student aid programs among the most efficient in the nation, since every dollar appropriated to those programs goes directly to benefit the students who need it most.

PHEAA also administers the **Ready to Succeed Scholarship Program, or RTSS**, in cooperation with the Pennsylvania Department of Education, providing income-based scholarships to academic achievers from families earning no more than \$110,000.

Ready to Succeed Scholarships are awarded to eligible students who are entering their sophomore, junior, or senior year in college, while maintaining a 3.25 GPA or higher.

PHEAA continues to engage with RTSS recipients so we can better monitor outcomes; from this engagement, we have learned that nearly 57 percent of recipients said they borrowed less in student loans, thanks to RTSS, and more than 73 percent said their award was a significant factor in their ability to stay in school.

The ability to stay in school longer and to borrow less money are two important factors that significantly increase a student's chances for long-term financial success after graduation.

Unfortunately, the demand for the merit-based Ready to Succeed Scholarship Program far exceeds the available Commonwealth funding as the \$5.55 million program is underfunded.

PHEAA estimates that we would need \$16.375 million to fully meet the current demand among all eligible students with a GPA of greater than 3.25.

PHEAA also administers the **Pennsylvania Targeted Industry Program, or PA-TIP**, which provides grant awards to students interested in working in the fields of energy, health, advanced materials and diversified manufacturing, or agriculture and food production.

For 2020-21, PA-TIP provided awards to nearly 1,800 Pennsylvania students with an average award of \$3,681.

Since the program's inception in 2012-13 through 2020-21, this program awarded more than \$49 million in grants to nearly 13,000 recipients.

Following graduation, approximately 91 percent of program participants have achieved gainful employment, which speaks to the program's success in accomplishing its legislative intent.

Due to program demand, we expect to again exhaust all available funding for PA-TIP for 2021-22.

Conclusion

Someone once said that Higher Education Finance in America needs to experience a paradigm shift - and I think we can all agree that we are seeing this occur at the national level with policy discussions focusing on FAFSA simplification, expansion of Federal Pell

Grant awards, free community college, debt forgiveness, loan cancellation, and how our nation's limited financial resources should be allocated to support access to higher education.

On behalf of the PHEAA Board of Directors and our 2,200 employees, I ask that you please consider PHEAA to be a trusted resource and advisor to this Committee, and to all members of the General Assembly, as you contemplate future policy initiatives.

I welcome the opportunity to answer your questions.