



Greeting

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 2022-23 budget.

PHEAA was created nearly 60 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 for the last 35 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.

This includes covering all administrative costs of the PA State Grant Program and other student aid programs while also self-funding our public awareness and outreach mission for the Commonwealth – which is expected to save taxpayers approximately \$12.4 million in the current year.

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

PA State Grant Program

The PA State Grant Program is the largest state-funded student aid program administered by PHEAA. First launched in 1966, this program has grown into one of the largest and most efficient programs of its kind in the nation.

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 \$12.3 billion in grant awards to Pennsylvania students with financial need.

Historically, PA State Grant recipients achieve far more than a more affordable higher education. The first-year persistence rate for all first-time award recipients is nearly 90 percent, which is significantly higher than the 74 percent rates for first-time college students nationally.

Additionally, nearly 77 percent of State Grant recipients graduate with a postsecondary degree or other academic credential.

During Governor Wolf's first 7 annual budgets, the PA State Grant Program received total appropriations of more than \$2 billion, while PHEAA allocated \$460 million from its business earnings, significantly magnifying the benefits of the program for Pennsylvania students.

This total combined funding provided nearly 937,000 grant awards to Pennsylvania students with financial need during those 7 years.

For 2021-22, the Commonwealth's \$310 million appropriation, combined with \$15 million in funding from PHEAA, provided an historically high \$5,000 maximum grant award – a \$475 increase over 2020-21.

While this is a great achievement, I want to remind the members of the Committee that over the last 15 years the PA State Grant award has not kept pace with inflation - for instance, if the 2007-08 maximum award of \$4,700 was indexed to inflation, the maximum award would be \$6,160.

The power of the PA State Grant Program cannot be underestimated as PHEAA research shows that recipients at 4-year colleges who are also Pell-eligible as of initial enrollment borrow nearly \$7,600 less over 4 years.

The program's combined resources are currently providing approximately 103,600 grant awards to students during the 2021-22 academic year, including the preceding summer semester.

2022-23 PA State Grant Program

For 2022-23, Governor Wolf has proposed a \$350.37 million appropriation for the PA State Grant Program, which is nearly \$40 million more – or a 12.8% increase - over the current year. If approved, this will be the largest dollar increase in the program's history.

We appreciate the Governor's commitment to the PA State Grant Program – which will help the program to provide the most meaningful financial assistance to Pennsylvania students who have the most financial need.

Based on our original budget projections, which were first run in October 2021, we estimated 113,000 recipients for the 2022-23 award year. However, since then we are experiencing a decrease in FAFSA submissions – likely due to continued uncertainty of COVID.

If final application numbers follow this trend and track lower, updated applicant data will be factored into our awarding formula, which could result in higher awards.

We estimate that the Governor's proposed level of funding would allow PHEAA to provide PA State Grant awards to approximately the same number of students in 2022-23 with a similar or higher maximum award.

We are working to increase FAFSA submissions through our comprehensive outreach efforts – including FAFSA completion sessions throughout the Commonwealth, many of which are conducted in cooperation with local legislators and school districts.

We are also leveraging social and traditional media to encourage FAFSA completions - most recently in cooperation with the Pennsylvania Department of Education when Representative Sheryl Delozier and Secretary Noe Ortega co-hosted a state-wide FAFSA completion news conference last month.

Other PHEAA-Administered Student Aid Programs

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

Ready to Succeed Scholarship Program

This \$5.55 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 3.25 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 72 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 55 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 3,500 students with an average award of \$1,637. However, due to limited funding and high program demand, approximately 5,600 applicants did not receive awards during 2021-22.

For 2022-23, PHEAA's Board of Directors requested – and the Governor proposed - a \$16.375 million appropriation for the Ready to Succeed Scholarship Program, which is a \$10.825 increase over the current year.

This amount should be sufficient to provide awards to all eligible applicants in 2022-23.

Pennsylvania Targeted Industry Program - PA-TIP

PA-TIP provides grant awards to students interested in working in the fields of energy, health, advanced materials and diversified manufacturing, or agriculture and food production.

The program was created to help develop a healthy, educated, and well-trained workforce. This program was originally funded by PHEAA. Following graduation, 91 percent of program participants have achieved gainful employment.

Due to program demand, we have currently exhausted all available funding for PA-TIP for 2021-22. However, eligible applicants not receiving awards may still receive awards as award cancellations come in from schools due to actual, real-time enrollment data.

To help close the funding gap next year, PHEAA's Board of Directors requested \$8.652 in funding for the program, which is consistent with the Governor's budget proposal. If approved, this would be a \$2.352 million increase over the current year and would fund an estimated 500 additional awards.

For the current year, PA-TIP is projected to provide awards to more than 1,800 Pennsylvania students. The maximum PA-TIP award for 2021-22 is \$5,000.

PHEAA will continue to cover all administrative costs of the program, as it does with all programs that it administers for the Commonwealth, ensuring that every dollar appropriated to the program goes directly to the program's recipients.

Act 101 Program

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

Act 101 was created with the vision of enhancing postsecondary education opportunities and achievements of undergraduate students from economically and educationally underserved backgrounds.

Specifically, the program is most effective in encouraging retention by providing the support and resources needed to ensure that students - especially first year students - complete their postsecondary studies.

The primary author and sponsor of this legislation was Representative K. Leroy Irvis, the first African American to serve as Speaker of this House Representatives.

With a Commonwealth appropriation of \$2.358 million for 2021-22, PHEAA disbursed funds to Act 101 programs at 36 participating Pennsylvania postsecondary schools.

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.

PHEAA's Board of Directors requested a \$2.417 million appropriation for the program in 2022-23, as did the Governor in his proposed budget, which is a 2.5% increase over the current year.

Institutional Assistance Grants (IAG) Program

Another relatively large student aid program administered by PHEAA is the Institutional Assistance Grants (IAG) Program, which provides formula-based grants that 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. Like many of the state system schools, these institutions are often an integral and defining part of their local communities.

There are currently 89 IAG eligible schools qualifying under the program's authorizing legislation.

For 2021-22, this program, on average, is providing several hundred thousand dollars in funding to each participating school.

For 2022-23, PHEAA's Board of Director requested a \$27.184 million appropriation for the IAG Program, which is also consistent with the Governor's budget proposal.

Student Loan Relief for Nurses (SLRN) Program

PHEAA was recently tasked by the Governor's Office and the General Assembly to administer the PA Student Loan Relief for Nurses (SLRN) Program.

This program was created at the direction of the Governor's Office and is currently funded with \$20 million. In September 2021, \$5 million in COVID – State Fiscal Recovery Funds initially was allocated to the program. However, in January 2022, an additional \$15 million was provided under Act 2.

The program provides up to \$7,500 in financial relief to reduce an eligible nurse's outstanding student loan debt, with up to \$2,500 for each year of work for a maximum of 3 years.

The program is part of the Commonwealth's COVID-19 Nursing Workforce Initiative (NWI), for the purpose of benefitting nurses who have worked and continue to work tirelessly to

fight the COVID-19 pandemic and to ensure that Pennsylvania's healthcare workforce is properly prepared to address ongoing pandemic challenges.

Eligible applicants must be licensed through the PA Department of State and have worked in-person at a qualifying nursing facility and have begun employment prior to December 31, 2021.

Since program demand exceeds the currently available resources, qualified applicants will be randomly selected from the final geographically diversified applicant pool to ensure that loan relief is provided to nurses working in geographically dispersed communities throughout Pennsylvania.

The selection process is planned for late-May, and the first round of payments will go out to student loan servicers later this summer.

As part of his 2022-23 budget proposal, Governor Wolf is recommending an additional \$35 million to expand the program to include additional critical healthcare workers.

PA Forward

PHEAA's PA Forward Student Loan Program was launched in 2019 in cooperation with the Pennsylvania Department of Community and Economic Development (DCED) and the State Treasurer's Office.

The program offers a suite of borrower-friendly loans for undergraduate and graduate students, for parent borrowers, and for borrowers in repayment seeking a simple and straightforward way to manage their debt.

The program is making borrowing more affordable for Pennsylvania students who might still need financing assistance – even after exhausting their eligibility for grants, scholarships, and low-cost federal loans.

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 3.73 percent APR. The average interest rate of the loans disbursed during this academic year is 5.66%, which is significantly lower than the Federal PLUS loan that has an origination fee of 4.228% and an average interest rate of 6.28 percent.

Now in its third year, PHEAA has disbursed \$173 million to 4,300 students.

At the end of 2021, PHEAA announced lower, limited-time interest rates for all new PA Forward Refinance applications received from December 15, 2021, through April 30, 2022. These fixed rates are as low as 2.48% to 6.36% APR, which is extremely competitive compared to private sector loan products.

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.

Outreach Efforts

PHEAA invests \$12.4 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.

Last year, our Higher Education Access Partners conducted more than 1,340 financial aid nights and FASFA completion sessions for over 21,400 participants.

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

They also hosted 36 virtual training workshops for high school counselors and community organizations and conducted more than 1,130 site visits to Pennsylvania postsecondary schools, high schools, and organizations.

In total, these professionals conducted more than 3,400 events during 2021.

Student Loan Notification Tool

In October 2018, Governor Wolf signed PA HB 2124 (Act 121), which requires Pennsylvania postsecondary schools to annually provide students with their individual student loan debt information.

PHEAA collaborated with the Pennsylvania Department of Education to create a cost-effective Student Loan Notification Tool that allows schools to efficiently satisfy provisions of the law and reporting requirements.

The tool, which is available through a secure online portal, went live in December 2019 and 108 Pennsylvania postsecondary schools have partnered with PHEAA to provide their required 2020-21 Notification submissions.

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.

All of PHEAA's free-to-use websites, combined, logged nearly 100 million user sessions, helping millions of students, borrowers and families plan for college or to better manage their student loan debt.

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 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 across many generations.

We look forward to working with the Administration and members of this legislature in the coming year to better prepare Pennsylvania residents – through planning tools and affordable access to postsecondary education – to better compete in a national and global economy, while avoiding unnecessary student loan debt.

This concludes my remarks. I want to thank you again for the opportunity to appear here today... and I am happy to respond to any questions.

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