



Greeting

Mr. Chairman, members of the Committee, and staff – on behalf of our Board of Directors, our more than 1,000 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 2023-24 budget.

PHEAA was created nearly 60 years ago as an independent agency by the Pennsylvania General Assembly and guided by the primary mission of providing affordable access to higher education for Pennsylvania students and families.

Over the years, PHEAA has evolved into a highly effective, self-sufficient public servant in support of this Legislature, postsecondary schools, and the students and families of the Commonwealth.

PHEAA has helped generations of Pennsylvanians afford higher education, providing billions of dollars in financial aid to hundreds of thousands of students.

PHEAA administers a wide variety of state-funded student aid programs – the largest of which is the PA State Grant Program. Our Agency has disbursed more than \$12.7 billion in PA State Grant awards to Pennsylvania students with financial need since the program’s inception. Through our community outreach services, we have helped millions of residents successfully navigate the student aid application process.

PHEAA has also proven to be an earning asset for Pennsylvania. In addition to saving the state tax dollars, we generate millions of dollars for public service funding each year.

PHEAA remains dedicated to building upon our successes for the benefit of the Commonwealth, while reaffirming our commitment to Pennsylvania as a public servant.

Exiting the Federal Student Loan Contract

On July 8, 2021, PHEAA notified the U.S. Department of Education’s Office of Federal Student Aid (FSA) that we would not accept an extension of our federal student loan servicing contract in an effort to more appropriately focus on our core public service mission for the Commonwealth of Pennsylvania.

In 2009, PHEAA became a federal servicer under the brand FedLoan Servicing, with the aim of diversifying our business operations following the financial crisis and the end of the Federal Family Education Loan Program (FFELP) to help support our public service mission, most importantly the funding of need-based grant awards for Pennsylvania students.

However, after we accepted the terms of the federal servicing contract, the federal loan programs, as managed by the U.S. Department of Education, became increasingly complex and challenging, while the cost to service those programs increased dramatically. Beginning in October 2021, FedLoan Servicing began transferring borrowers to other servicers.

In December 2021, FSA officially named MOHELA as the future servicer for the Public Service Loan Forgiveness (PSLF) Program and the Teacher Education Assistance for College and Higher Education (TEACH) Grant Program. FedLoan Servicing completed all loan transfers for active borrowers in 2022.

PHEAA remains strong as an agency and ever focused on devoting our energy, resources, and imagination to developing innovative ways to ease the financial burden of higher education for students, families, schools, and taxpayers.

We will continue to expand our successful commercial servicing and mission-based student lending business, as we refocus on our core mission for the Commonwealth of Pennsylvania.

PA State Grant Program

The state-funded PA State Grant Program is the largest need-based 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 and has provided more than 7.6 million grants totaling more than \$12.7 billion to Pennsylvania students since inception.

PHEAA funds the administrative costs of the PA State Grant Program as well as other state and federally funded student aid programs and outreach at an estimated cost of \$19.2 million annually from our business earnings. Our funding has remained consistent over the years, allowing us to remain long-term partners of the Governor and the General Assembly.

For the years in which the state was struggling financially, PHEAA committed substantial, non-sustainable contributions to the common good, drawing from our reserves to improve the position of students and their families.

The impact of the PA State Grant Program for graduating seniors cannot be underestimated. With the rising cost of attendance, the time required to complete an education, and easy access to loans, graduate debt has become a significant challenge in Pennsylvania. Our research shows that recipients of the PA State Grant, who are also Pell-

eligible as of initial enrollment, borrow nearly \$7,300 less over 4 years than the average Pennsylvania student.

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

The PA State Grant Program reached a new milestone this year with the highest maximum award since inception. The 2022-23 appropriation of \$331 million provided a roughly \$21 million increase in funding to the program. This funding enabled a maximum award of \$5,750 for 2022-23, a \$750 increase from the previous year.

The minimum award remains at \$500 while the maximum amount has increased to \$3,059 for students attending community colleges; \$4,894 for those attending one of the state system or state-owned universities; \$5,261 for those attending Penn State, Pittsburgh, Temple, or Lincoln Universities and technical schools; and \$5,750 for those attending a higher cost private college or university.

For 2023-24, PHEAA's Board of Directors requested a \$371 million appropriation for the PA State Grant Program, which is nearly \$40 million more – or an almost 12% increase – over the current year. This amount was requested in an effort to maintain at least current year award levels in 2023-24.

For 2023-24, Governor Shapiro has proposed a \$331 million appropriation for the PA State Grant Program, which matches the program's 2022-23 appropriation.

Based on early application and cost projections for 2023-24, we anticipate that the PA State Grant population will increase to 109,100 students assuming no changes are made to the current award formula.

Other PHEAA-Administered Student Aid Programs

PHEAA administers more than 20 additional student aid programs for the Commonwealth. While only a few are highlighted here, they all support a variety of focused objectives.

Ready to Succeed Scholarship (RTSS) Program

The \$23.9 million Ready to Succeed Scholarship (RTSS) 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 (PDE), providing income-based scholarships to academic achievers from families earning no more than \$126,000.

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 \$2,500 for full-time students and \$1,250 for part-time students.

Nearly 74% of RTSS recipients reported that their award was a significant factor in their ability to stay in school, while almost 52% 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 more than 12,000 students.

The 2022-23 appropriation of \$23.9 million allowed PHEAA to fully fund the program and provide an increased award of \$2,500 for the first time in the program's history.

For 2023-24, PHEAA's Board of Directors requested a \$24.5 million appropriation for RTSS, which is a \$598,000 increase over the current year.

For 2023-24, Governor Shapiro proposed \$23.9 million for this program, which matches the program's 2022-23 appropriation.

Pennsylvania Targeted Industry Program (PA-TIP)

The Pennsylvania Targeted Industry Program (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.

PA-TIP was created to help develop a healthy, educated, and well-trained workforce. This program was originally funded by PHEAA. However, since 2019-20, PA-TIP has been funded by a state appropriation.

Following graduation, approximately 93% of program participants have achieved gainful employment.

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.

Act 101 Program

The Act 101 Program provides support services for undergraduate students whose economic or educational backgrounds might impede their ability to successfully pursue higher education opportunities.

With a Commonwealth appropriation of \$5 million for 2022-23, PHEAA disbursed funds to Act 101 programs at 35 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.

PHEAA's Board of Directors requested a \$5.1 million appropriation for the program in 2023-24, which is a 2.5% increase over the current year.

For 2023-24, the Governor has proposed \$5 million for the Act 101 Program, which matches the program's 2022-23 appropriation.

Institutional Assistance Grants (IAG) Program

Another relatively large student aid program administered by PHEAA is the Institutional Assistance Grants (IAG) Program, for which the Governor has proposed \$26.5 million for 2023-24.

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

For 2022-23, this program will provide an estimated per capita award of \$774 per student. Based on current projections and the Governor's proposal, we estimate that the per capita IAG award for 2023-24 will be approximately \$732.

Student Loan Relief for Nurses (SLRN)

In the fall of 2021, PHEAA was tasked by the Governor's office to administer the Commonwealth's new Student Loan Relief for Nurses (SLRN) Program.

During 2021-22 and 2022-23, \$55 million in American Rescue Plan Act of 2021 Coronavirus State Fiscal Recovery Funding was allocated for the program.

The program is part of the Commonwealth's COVID-19 Nursing Workforce Initiative (NWI), which was created as a nurse recruitment and retention tool to ensure that Pennsylvania's healthcare workforce is properly prepared to address pandemic challenges.

The program provides relief in an amount up to \$2,500 for each year of work for up to 3 years, with a maximum benefit of \$7,500.

PHEAA accepted applications from January 1 through March 1, 2022. We received applications for nearly 24,000 nurses and reported over 90% of the applicants met the eligibility requirements for the program.

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 exceeded available resources, qualified applicants were 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 was completed on August 17, 2022. Selected nurses could see payments for 2020, 2021, and 2022 during the first award cycle.

Eligible nurses selected for the program have been notified of the next steps through the process to receive student loan relief. This includes their employers verifying the employment and providing documentation evidencing their loans are eligible. Eligible applicants who were not selected can still receive relief as funds become available. Those applicants that are ineligible have an opportunity to appeal their eligibility status.

Across the state, nearly 7,000 nurses have been selected for relief under the SLRN Program. While PHEAA anticipates the number of selected nurses to increase as the program continues, not every selected nurse will require all the funds or meet the eligibility requirements of the program. PHEAA is actively disbursing funds as applicant files are complete.

Other New Programs

PHEAA is currently working to launch several new programs created by the General Assembly.

Pennsylvania Mental Health Education Learning Program in Schools (PA HELPS) – Authorized under Act 55 of 2022 as the School-Based Mental Health Internship Grant Program, PA HELPS will provide a stipend to support school-based mental health professionals who must complete an internship before receiving their credentials.

To be eligible for a stipend, an intern must be a Pennsylvania resident enrolled in an educational specialist preparation program approved by the Pennsylvania Department of Education (PDE) that leads to educator certification as a school nurse, school psychologist,

school counselor, or school social worker. Stipend recipients must agree to work in a school entity in Pennsylvania for a minimum of 3 years following completion of their educational specialist degree. In 2022-23, \$5 million was allocated for this program.

Active Volunteer Tuition and Loan Assistance Program – This program was created to help the state recruit and retain volunteer first responders at volunteer fire companies and emergency medical services companies.

Participants must serve as an active volunteer for at least 1 year prior to enrolling in an approved educational program and serve at least 5 years after completing their degree. Full-time students will receive \$1,000 per academic year. Funding for this program was set at \$1 million.

Military College Educational Assistance Program – Established by Act 160 of 2022, the program's goal is to recruit, train, educate, and retain cadets from the Valley Forge Military College into commissioned officers in the Pennsylvania National Guard through the Reserve Officer Early Commissioning Program.

Cadets will receive educational grants for attendance at the Military College to first attain an associate degree and military commission. Eligible members are obligated to serve 2 years as a military cadet and then 8 years in the National Guard upon appointment as a second lieutenant. PHEAA is currently working with the Pennsylvania National Guard and Valley Forge Military College to implement this program.

PA Forward Student Loan Program

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 in 2019, which makes 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's PA Forward Student Loan 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.

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 Undergraduate, Graduate, and Parent Loan Programs offer competitive fixed interest rates from 3.82% APR to 7.69% APR, which is significantly lower than the Pennsylvania

market average private student loan rate of 3.99% APR to 12.71% APR (1) and the average Federal PLUS loan rate of 7.54% (2).

While we view the PA Forward Student Loan Program as a core part of our public service mission, as with all PHEAA's business activities, any money earned through the program is reinvested back into our public service mission for the Commonwealth.

For 2023-24, PHEAA requested an appropriation of \$35 million to fund an initiative providing Pennsylvania students and families with continued access to a more affordable private education loan option to cover remaining educational costs.

During the first 3 years of the program, 12,000 Pennsylvania families participated, and we estimate the average family will save approximately \$2,600 over the life of their loan.

The appropriation allows PHEAA to maintain low borrower interest rates through the ongoing issuance of tax-exempt bonds in the municipal market. It also allows PHEAA to fund borrowers' interest rate reduction by up to 1 percentage point, saving families up to an additional \$1,600 in interest costs over the life of the loan.

Now in its 4th year, PHEAA has disbursed \$287 million to 12,762 students.

PHEAA recently launched the PA Forward Loyalty Benefit, enabling existing PA Forward borrowers to reduce their final interest rate by 0.35% when they choose to consolidate at least one Undergraduate, Graduate, or Parent PA Forward Loan into a new PA Forward Refinance Loan.

(1) The data source was through ELM Select on September 9, 2022.

(2) The Federal PLUS loan has a loan fee of 4.2% of the loan amount that is not include in the rate displayed.

Outreach Efforts

PHEAA invests an estimated \$19.2 million annually to cover the administrative costs of Pennsylvania student aid programs and other services, such as broad 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 2022, these student aid professionals conducted more than 1,350 Financial Aid Nights and FAFSA Completion Sessions for nearly 23,500 participants.

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

Our Higher Education Access Partners also hosted 35 training workshops for high school counselors and community organizations and conducted nearly 1,145 site visits and other interactions with Pennsylvania postsecondary schools, high schools, and other organizations.

Student Loan Notification Tool

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

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

The tool, which is available through a secure portal, went live in December 2019 and 107 Pennsylvania schools partnered with PHEAA for their 2021-22 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.

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.

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