

Mr. Chairman, members of the Senate Education Committee - on behalf of PHEAA's Board of Directors and staff, I'd like to thank you for the opportunity to appear here today.

Without any doubt, Pennsylvania's higher education and student aid environment is evolving. With the guidance of our Board of Directors, PHEAA is working to respond to those changes in a deliberate manner that best serves the needs of students, while maximizing and protecting the financial resources that are available.

Each piece of legislation that we are here to discuss today represents a worthwhile initiative that could help address the changing needs of Pennsylvania's students, families and schools.

As public servant for the Commonwealth and as an administrator of state-funded student aid programs, PHEAA does not oppose any of these initiatives. Our role is to faithfully administer student aid programs that are created by the General Assembly and in accordance with the intent of the legislation.

As we do so, we are always mindful about maximizing the benefits of each program for the good of the most students – especially students with financial need.

As members of the General Assembly, you are well aware of the importance of helping to provide financial assistance to Pennsylvania citizens seeking a higher education.

This realization was echoed in last year's findings of the Governor's Advisory Commission on Postsecondary Education.

This 30-member commission was led by former Senator Rob Wonderling and was comprised of individuals from a variety of backgrounds in education and the private sector.

The commission was tasked with exploring new ways to make higher education more accessible and affordable for the citizens of Pennsylvania. I was honored to be asked by the Governor to serve on this commission.

SB 78 - Distance Education

One of the commission's recommendations, which is especially relevant to today's hearing, is for PHEAA to expand the Pennsylvania State Grant Program to include 100% distance education.

As you are aware, one piece of legislation that the committee is contemplating today is Senator Greenleaf's bill - Senate Bill 78 – which would remove PHEAA's current 50% rule with regard to programs of study that are offered by distance education.

The intent of this bill is in alignment with similar conversations that PHEAA and its stakeholders are having about relaxing the distance education requirement.

For clarification, distance education is defined as a method of delivering education and instruction to students who are not physically present in a traditional classroom setting – such as online courses, which are growing in popularity and availability.

In 2009-10, 93 percent of public 2-year schools and 88 percent of public 4-year schools offered distance education classes.

The number of students enrolled in at least one distance education class increased from 9.6 percent in 2002 to 32 percent in 2011.

The federal student aid programs recognized this trend and changed its distance education eligibility requirement from 50 percent to 100 percent in 2008. This has contributed in part to the size of the program growing, in terms of dollars that have been disbursed, from \$13 billion in 2007-08 to \$34 billion in the 2011-12 award year.

However, with regard to the Pennsylvania State Grant Program, the regulatory policy still requires that an eligible program of study be structured to not include more than 50 percent online instruction.

PHEAA has pursued a number of initiatives to better understand distance education, specifically as it relates to Pennsylvania students and schools:

- We convened a Distance Education Study Group comprised of financial aid and higher education professionals from different sectors throughout Pennsylvania to discuss and recommend next steps to better address distance education.
- We met with representatives from schools offering online courses for real-life examples of student engagement in distance education.
- We conducted a survey of distance education courses being offered by Pennsylvania schools.
- We reviewed current information and research on distance education growth nationwide.

A concern expressed by various stakeholders, including the Governor's Advisory Commission, the Distance Education Study Group, and the individual schools we met with, was that we not dilute the purchasing power of the traditional State Grant Program, which could harm existing student recipients.

Therefore, it is recommended that any expansion of distance education regulations to increase eligibility should be contingent upon additional funding in order to preserve benefits to current students and Pennsylvania schools.

At this point in time, PHEAA does not have access to sufficient data to know what the financial impact would be to students by expanding those distance education eligibility regulations.

For 2013-2014, it is estimated that PHEAA will have approximately \$412 million of resources for academic year awards. Considering the expected pool of typical State Grant applicants, it is worth noting that an expansion of distance education eligibility to 100 percent may reduce these State Grant awards to a less meaningful amount.

That being said, however, PHEAA understands that now is the time to act.

As a result of our combined efforts, a proposed Distance Education Pilot Program has been suggested for implementation in the 2013-14 academic year and is intended to continue for a total of 5 award years.

This proposed pilot program is consistent with recommendations made by the Governor's Advisory Commission on Postsecondary Education.

The pilot targets programs of study classified as High Priority Occupations (HPOs) in Pennsylvania, including such academic majors as Accounting, Information Science and Engineering.

Under this pilot program, eligible students enrolled in participating schools will be able to take 100 percent of their coursework online and receive a State Grant award.

It was contemplated to limit participation during the pilot to programs of study that support HPOs, primarily because of limited funding, combined with a need to include all education sectors and to contribute to the Commonwealth's priority employment needs.

This will allow us to collect sufficient data on a broad, but not overwhelming, pool of students enrolled in various education sectors throughout the Commonwealth. This will help us to make more informed policy recommendations at the conclusion of the pilot program.

Any changes to the 50% rule under the State Grant Program, including the proposed pilot program as outlined in the Governor's Advisory Commission on Postsecondary Education, would require Legislative authority by the General Assembly.

SB 420 - Middle Income Legislation

Senator Ward's legislation, referred to as the Middle Income Student Debt Reduction Act, is intended, as we understand it, to target new student grant aid to middle income families, to assist them in paying tuition.

During the course of the meetings that PHEAA has held with the legislation's key stakeholders, it is our understanding that the intent is to create a separate program with a separate funding line in the budget that would take into account existing State Grant eligibility requirements for schools and students, with the exception of targeting additional dollars allocated by this legislation through a separate criteria-driven formula to families earning between \$80,000 and \$110,000.

For the benefit of the committee, I would like to share some of the demographics of the existing State Grant Program as it relates to this legislation.

Currently PHEAA annually receives more than 500,000 applications for the State Grant Program. For 2012-2013, we anticipate that we will fund approximately 195,000 of those applications with a State Grant award. Given this legislation, we estimated that the aggregate applications that come from families earning \$80,000 to \$110,000 is approximately 79,000. This was calculated using statistics from the most recent program year, 2011-2012.

Of that count, PHEAA initially approved approximately 17,000 of those students to receive a State Grant under the existing formula. It is our understanding that the intent is for this program to help extend benefits to the remaining balance of the 62,000 applicants. The legislation calls for an appropriation amount of \$36 million.

Given data from the most recent program year, we anticipate that this funding would result in an approximate average award of \$580 for those remaining students.

As you are aware, the State Grant Formula is dynamic and takes many factors into consideration before making an award. Some of the formula factors include cost of attendance, number of family members enrolled in college, and a comprehensive approach to determining family assets – not just income. The State Grant Formula is based on the federal calculation of the Expected Family Contribution (EFC), a national standard for determining financial need.

The legislation, as drafted, is targeting family gross income as the parameter for student eligibility without consideration for financial need.

Therefore, to implement this legislation, there would need to be two, separate awarding formulas – the existing need-based State Grant formula, and a new separate income-driven formula to address middle-income families.

However, we respectfully suggest that this could have the unintended consequence of creating a situation where a family with a lesser income is receiving a smaller grant award, or no award at all, than a family with a gross income between \$80,000 and \$110,000.

Additionally, we would see higher awards of \$580 being disbursed to many out-of-state schools than would typically be disbursed through the State Grant program, which are currently capped at \$ 500 for most students.

However, the proposed legislation does take the important first steps in addressing the issue of where current student aid programs fall short in helping higher income families.

SB 713 – Dream Act

Senate 713, sponsored by Senator Smucker, would allow undocumented individuals to be eligible for state-supported financial aid. This issue is on the forefront of both

national and state agendas. The legislation specifically states that the individual “may apply for and receive financial aid with PHEAA.”

The State Grant Program currently requires that individuals be a resident of Pennsylvania, which requires that they be a citizen or an eligible non-citizen. An example of an eligible non-citizen would be an individual that is a permanent U.S. resident.

Our understanding is that this legislation intends to make all undocumented individuals who have attended at least two years of high school in Pennsylvania, while meeting all other residency requirements, eligible for the State Grant Program.

These individuals would currently not qualify for federal student aid, such as the Pell Grant.

Under existing regulations, the Program requires individuals to be domiciled in Pennsylvania for at least twelve months before becoming State Grant eligible.

Additionally, as we understand it, the legislation would require individuals to apply through PHEAA’s current application process in order to receive financial aid.

I would note to the committee that PHEAA does not have sufficient data to estimate the number of individuals who would be eligible for a State Grant under this legislation, but do not anticipate that it would be a large enough number of applicants to generate a financial concern.

Regardless, if this legislation does pass, we believe that PHEAA would be able to administer and process relevant financial aid applications through our current administrative process. However, a mechanism for schools to securely communicate the certification of eligible students would need to be developed.

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