

House Majority Policy Committee Hearing
Expanding Access to College and Keeping Student Debt Low
Juniata College, Huntingdon County

March 25, 2014

11 a.m. to 1 p.m.

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Mr. Chairman and members of the committee - on behalf of our Board of Directors, we thank you for this opportunity to address this committee with regards to expanding access to college and keeping student debt low.

This topic is especially important to us given PHEAA's primary mission which, since its inception in 1963, has been to create affordable access to higher education.

Student Debt in Pennsylvania

According to recent reports, a college student in a four-year degree program in Pennsylvania who borrows money to pay for school is graduating with an average student loan debt of \$31,675 - which is the third highest in the nation.

The amount of debt that Pennsylvania college students are graduating with can be financially debilitating for many who cannot afford to make their payments - and those who can are often burdened with paying down their student loan debt for 20 or more years.

Also troubling, more and more students seem to become fully aware of their debt burden only after they graduate—which is often too late to implement strategies to lessen the indebtedness.

PHEAA Programs to Address the Student Debt Problem

PHEAA has always advised students and families to avoid unnecessary loan debt and has been leading efforts to combat burdensome debt with extensive community outreach and other awareness and debt counseling resources.

This past summer, PHEAA launched its newest and most feature-packed student debt awareness and college planning initiative - MySmartBorrowing.org.

This new tool engages high school students early in the planning process, helping them to make smart choices at some of the most important decision points as they develop their higher education funding plan.

MySmartBorrowing features unique estimators that help determine a student's possible costs at different schools, future salary expectations for a particular degree program, availability of related employment opportunities, and their potential ability to repay student loans comfortably while affording an independent lifestyle after graduation.

If students must borrow, we believe MySmartBorrowing can help them make better decisions and improve their chances of graduating with manageable debt.

As with all of our programs and resources, we stand ready to assist you in informing your constituents about this valuable initiative.

Pennsylvania State Grant Program

Of all the programs that PHEAA administers, this committee is probably most familiar with the Pennsylvania State Grant Program - which has disbursed more than \$9 billion in awards to nearly 2.5 million students since its inception.

This fiscal year, the General Assembly appropriated \$344.9 million for this program.

To help fulfill the agency's public service mission and to support student aid programs such as the State Grant Program, PHEAA has developed several lines of business.

PHEAA's success as a student loan servicer - doing business nationally as FedLoan Servicing and American Education Services - enables the agency to self-fund its operations and public services for the Commonwealth, saving taxpayers millions of dollars annually while ensuring every appropriated dollar goes directly to students.

For example, PHEAA's Board of Directors has committed \$75 million in agency resources to help make individual State Grant awards more meaningful during the current year. This supplement is in addition to the more than \$17 million that we invest annually to cover the administrative costs of student aid programs and to provide public service outreach.

Our supplement, combined with the Commonwealth's appropriation, helped provide a 2013-14 maximum State Grant award of \$4,363.

On average, this award amount covered about 16.6 percent of the cost of tuition and fees for a typical Pennsylvania college student across all education sectors.

When the Pennsylvania State Grant is combined with the Federal Pell Grant, this average rises to 49.4 percent of tuition and fees across all educational sectors in Pennsylvania.

When compared to other states, Pennsylvania ranks third in providing both award dollars and number of recipients served through its primary need-based grant program to undergraduate college students.

Pilot Program for Distance Education

One aspect of the State Grant Program that has become of particular interest – especially due to its potential to affect both access and affordability - is the way in which the program addresses eligibility for students participating in distance education.

Currently, students who take more than 50 percent of their coursework online or who are enrolled in programs that are structured to be more than 50 percent online are excluded from receiving State Grant awards.

To best analyze and address this issue, PHEAA launched a number of initiatives over the past few years, including:

- The establishment of a Distance Education Study Group comprised of higher education professionals from throughout the Commonwealth
- Meetings with schools currently offering distance education to gather real-world data on student engagement
- Surveys of distance education courses being offered by Pennsylvania postsecondary schools

The General Assembly subsequently authorized PHEAA to establish and administer a Distance Education Pilot Program, which commenced this award year and will continue through 2017-2018.

Under this Pilot Program, students are able to retain their State Grant eligibility while taking online courses at participating schools, which also enables PHEAA to collect relevant data that can be used to make long-term policy recommendations.

To ensure that the Pilot Program does not dilute the limited funding available through the Grant program, PHEAA's Board approved an additional \$10 million from agency resources to fund the first year of this program.

All Pennsylvania-based State Grant-eligible schools are able to participate. However, institutional participation is voluntary and schools must nominate their eligible students for inclusion.

As of March 10, 55 schools (77 including branch campuses) and nearly 3,400 students are participating in the Pilot Program and students are continuing to be awarded.

Programs Targeted to Specific In-Demand Industries

As distance education students are now potentially eligible for a State Grant award, so are students that are pursuing degrees that are less than 2 academic years in length.

In 2012-13, Governor Corbett called for the creation of the Pennsylvania Targeted Industry Program (PA-TIP), providing grant awards to students interested in working in the energy, advanced materials and diversified manufacturing, or agriculture and food production fields.

This program is currently funded with \$5 million from PHEAA's business earning and provides need-based awards up to the equivalent of the maximum State Grant award - currently \$4,363.

Eligible courses of study must be more than 10 weeks in length and less than 2 academic years in length.

Currently, PA-TIP is providing awards to more than 1,230 Pennsylvania students enrolled in 41 schools, with an average award of approximately \$3,200.

Outreach Efforts to Educate Students on Student Debt

In addition to supporting student aid programs for the Commonwealth, PHEAA invests its resources into the development of student aid planning and application tools, community outreach events, student aid publications and other awareness initiatives.

One of the more visible examples of this is PHEAA's 14 Higher Education Access Partners who are strategically located throughout the Commonwealth.

These financial aid experts conduct hundreds of community events, promote our career-and college-planning websites, and work to expand awareness of state and federal grant programs.

They also work specifically with lower-income students and high schools with low college attendance rates, while strengthening and leveraging relationships with community and government organizations to create greater awareness of the importance of higher education.

By working with students, families and schools in the community, our Access Partners provide a hands-on complement to the many online tools and resources that we make available. These include EducationPlanner.org, our award-winning career and college-planning website, YouCanDealWithIt.com, our debt management resource for graduates and soon-to-be graduates, and, of course, PHEAA.org, which is Pennsylvania's go-to website for student aid.

PHEAA is ready to assist your office in coordinating any of these events in your legislative district.

This concludes our remarks. We want to thank you for the opportunity to provide testimony here at Juniata College today. We welcome any questions that you may have.

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