

Senate Education Committee Hearing
PHEAA Testimony
Public hearing on Grow PA
April 29, 2024

Chairman Argall, Chairwoman Williams, members of the Senate Education Committee,

My name is Nathan Hench. I am the Senior Vice President of Public Affairs, Guaranty, and Strategy for the Pennsylvania Higher Education Assistance Agency, or PHEAA.

Allow me to express my sincere gratitude to Chairman Argall for inviting PHEAA to speak before this committee. I truly appreciate the opportunity to provide testimony on the “Grow PA” plan on behalf of our Agency.

Ready to Succeed Scholarship and PA Targeted Industry Programs

Before we focus on the new proposals outlined in the “Grow PA” plan, I would like to briefly address two of the components — the expansion of the highly-successful Ready to Succeed Scholarship Program and the PA Targeted Industry Program.

PHEAA administers the Ready to Succeed Scholarship Program, or the RTSS Program as we call it, in cooperation with the Pennsylvania Department of Education to provide income-based scholarships to academic achievers from Pennsylvania 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, Ready to Succeed offers a total award up to \$2,500 for full-time students and \$1,250 for part-time students.

According to survey data, more than 72% of Ready to Succeed Scholarship recipients reported that their award was a significant factor in their ability to stay in school, while over 52% of these recipients borrowed less in student loans. These are two critical factors that significantly increase a student’s chances for long-term financial success after graduation.

While the Ready to Succeed Program has made significant impact for Pennsylvania students and families, there are avenues for expanding its reach, such as broadening the income limit to encompass more middle-income families, raising the maximum award, and refining the GPA requirements. It is my understanding that part of the “Grow PA” proposals includes a possible expansion of the income limit and adjusting the GPA requirement to be more inclusive of additional students and families.

Also highly regarded is the PA Targeted Industry Program, known as 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. Specifically, these occupations are identified as ones that crosswalk to a certificate or diploma program that is less than 2 years in length – and these grants provide important funding to students who wouldn't qualify for other need-based state aid programs.

PA-TIP was created to help develop a healthy, educated, and well-trained workforce, providing funding to students training for employment in areas such as HVAC maintenance, truck driving, licensed practical or vocational nursing, vehicle maintenance and repair, and dental assistants.

One unique component about PA-TIP is that by working with the Pennsylvania Departments of Education and Labor & Industry, we are able to track the grantees through graduation and employment. I am pleased to say that since program inception, approximately 78% of PA-TIP recipients graduated, and 93% of program participants have achieved gainful employment – with 56% of employed graduates taking jobs in manufacturing, energy, health, or agriculture.

As with the Ready to Succeed Scholarship Program, there are a number of ways in which PA-TIP can be broadened, including expanding the number of eligible programs of study that lead to in-demand occupations, and providing additional resources to fully fund the program. It is my understanding that as part of the "Grow PA" proposal, it is contemplated to allow for additional funding for the program to bring in additional high demand occupations.

Grow PA Scholarship Programs

Now speaking to the proposed scholarship programs – while PHEAA leadership cannot take a position on proposed legislation, we certainly welcome the opportunity to work with the General Assembly to launch efforts such as the two "Grow PA" scholarship programs that have been proposed.

As the General Assembly is well aware, PHEAA has a wealth of experience in standing up programs geared toward providing financial aid to students with a focus on addressing workforce needs. Having also managed programs in which awards convert to loans when certain criteria are not met, we are honored to offer our expertise in this space. Our collaboration with the sponsors of this legislation has been productive, and we are committed to maintaining this partnership to mitigate any unintended consequences.

While both new "Grow PA" programs are called scholarship programs, we believe it is important to term programs that have service or work obligations as "grant-to-loan

programs.” A grant or scholarship program often implies “free” money with no future obligation.

When promoting “grant-to-loan programs,” we have learned it is very important to be transparent regarding the potential loan terms and work obligations. Students frequently do not fully appreciate the work or service obligation that is in the future. It may be beneficial to send an annual reminder to recipients under the program that upon graduation, there is a work obligation and the parameters around the requirements – similar to the General Assembly’s enactment of Act 121 of 2018 that requires schools to send student debt letters on an annual basis to avoid surprises upon graduation.

Additionally, from an administrative perspective, recalling funds after awards have been disbursed can pose significant challenges, and while those challenges can be overcome, I would encourage policymakers to consider complete transparency around the requirements of receiving the grant.

We have also learned that programs are less successful if program parameters are too specific—for example, limited to a geographic area, too severe—as in an overly long service commitment, or tied to a career choice with low compensation. Furthermore, it is important to consider that employment demand for specific industries can ebb and flow, meaning a career that is in high demand today, may not necessarily be in high demand by the time the student graduates.

In developing such programs, it is important to allow for flexibilities. For example, consider income-based repayment for converted loans, or forgive a proportionate amount of the grant-to-loan when parts of the work commitment are met instead of an “all-or-nothing” approach, or allow for reinstatement if a worker meets the work obligation but misses minor paperwork requirements. This can be accomplished by allowing flexibility to the administrator to make professional judgements on a case-by-case basis that cannot always be contemplated when writing legislation.

Additionally, we have found that larger, more meaningful awards have a greater influence on credential completion and meeting the work obligation— but this must be measured against the burden it creates for those recipients who are ultimately unsuccessful.

Many conditional loan programs have had high rates of failure among students who do not meet education requirements or work obligations, which may translate to unattended consequences. For example, 66% of New Economy Technology Scholarship awards, which PHEAA administered under a program no longer funded by the Commonwealth, converted to loans due to recipients not able to fully meet the work requirement.

Further, the federal Government required PHEAA as the servicer for the TEACH Grant Program to go back and allow for “reconsideration.” From 2008 to 2018, less than 12% of TEACH Grant Program recipients completed—or failed to document the completion of—their teaching service obligations as determined by the U.S. Department of Education.

Still, program success does increase when conditional loans are extended only to upper classmen or graduate students. Freshmen and sophomores often need to switch majors. In fact, according to the National Center for Education Statistics, about one-third of undergraduates in declared majors change their major within 3 years of enrollment.

We have found that it is often beneficial to consider a loan repayment program as a way to create a pipeline of students to earn credentials that address Pennsylvania’s workforce needs. Loan repayment programs have less risk than grant-to-loan programs, and they encourage retention of students who have already met the education requirements and are in their chosen career. Also, higher loan repayment amounts can be tied to critical shortage areas.

As I mentioned earlier, PHEAA will continue to collaborate with the sponsors of this legislation to mitigate any unintended consequences.

Finally, before I conclude and while we have the attention of the committee, I want to touch on PHEAA’s recent action to address challenges arising from the rollout of the Free Application for Federal Student Aid (or FAFSA®).

As you know, the FAFSA is the most important application to complete for almost all types of financial aid. Typically, the FAFSA is available on October 1 for the upcoming academic award year.

However, the launch of the FAFSA application was delayed almost 3 months as it underwent changes as a result of the FAFSA Simplification Act, which was intended to streamline the financial aid application process. The U.S. Department of Education rolled out the new FAFSA on December 31, 2023, for the 2024-25 academic year, but has since encountered a significant number of issues, delays, and errors in processing student applications.

As a result, to ensure the effective distribution of PA State Grant funds to deserving students and families, PHEAA’s Board of Directors decisively extended the FAFSA submission deadline for the 2024-25 academic year, in relation to the PA State Grant Program, to June 1, 2024.

While the submission deadline has been extended, we strongly encourage students who have not yet submitted their FAFSA to do so promptly to avoid missing out on vital financial aid opportunities, such as the PA State Grant.

Closing

Thank you again for the opportunity to testify before you today. I am pleased to address any questions from the members of this committee.