

REACH Scholarship Testimony
Pennsylvania House Committee on Education
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Thank you Representative Curry and members of the House Education Committee for this opportunity to address the Committee on the proposed REACH Scholarship program. I am Christine Zuzack, Vice President for State Grant and Special Programs with the Pennsylvania Higher Education Assistance Agency (PHEAA).

PHEAA was created by an act of the Pennsylvania General Assembly in 1963 with the purpose of improving postsecondary educational opportunities for residents of Pennsylvania and identifies its core mission as creating access to education. PHEAA is supportive of financial aid programs that contribute to this mission.

The Reliable Educational Assistance for College Hopefuls Scholarship (REACH) represents a scholarship program that supports excellence and encourages students to remain within the Commonwealth during both postsecondary school and for four years after graduation.

Gift aid, financial aid that does not have to be repaid or earned through employment, comes in two forms: grants that are based on financial need and scholarships that are based on merit, affiliation, talent or some other characteristic. PHEAA currently administers a number of grant and scholarship programs for the Commonwealth and the Federal government. The agency also assists other entities and foundations in the operation of their scholarship efforts. From these experiences, PHEAA has acquired a certain level of expertise in how to administratively structure financial aid programs so that they are operationally efficient while still meeting program goals. My comments today will focus on such efficiencies and the best practices that can be incorporated into successful scholarship programs.

PHEAA receives over 450,000 *Free Application for Federal Student Aid* (FAFSA) forms per year. This form serves as the application for the Pennsylvania State Grant program as well as being a REACH requirement. It would be expected that this number of applications would increase with an influx of REACH applicants who may not have previously considered applying for need-based financial aid programs. Some of these individuals would find that they are also eligible for State Grant awards.

The Pennsylvania State Grant program is a need-based grant that will serve about 166,000 full-time and part-time students this year. This program is supported through a general appropriation of \$386 million for 2007-08 along with a \$75 million supplement provided through PHEAA's business earnings. The maximum award for this year is \$4,700.

The Federal Robert C. Byrd Honors Scholarship is a merit award for high school seniors who are in the top 5 percent of their graduating class, have a combined score of at least 1150 on the Scholastic Aptitude Test (SAT) math and critical reading tests, and have an overall 3.5 Grade Point Average. Approximately 3,000 Byrd applications are received each year from qualified students. However, due to the limited federal funding available, only about 290 new recipients are selected each year through a lottery. This \$1,500 annual award is renewable for up to four years of full time study at any federally approved postsecondary school in the United States.

Students who qualify to receive a Byrd scholarship but are not selected through the lottery process are evaluated for their eligibility for an Academic Excellence Scholarship (AES) which is funded through PHEAA's revenues. The AES scholarship does incorporate a financial need requirement and students must attend a school within Pennsylvania. It provides for \$1,500 per year for up to four years of study. Approximately 650 new recipients are selected each year for this program.

Many of the administrative and processing requirements inherent in the Pennsylvania State Grant Program, Byrd Scholarship, and AES Scholarship are found within the design of the REACH program. These similarities can help in the establishment of the administrative operation of the REACH.

The high school attendance, disciplinary, academic, and residency records are a critical component of establishing initial eligibility for the REACH program. These criteria identify the students in each graduating cohort who will be considered for potential REACH scholarships. In our current environment, confidentiality of non-public personal information (NPPI) has become of critical importance. The highly sensitive nature of disciplinary and attendance records may give some pause as to sharing this information from over 1,000 high schools and home study programs from across the Commonwealth with PHEAA. It is not only the confidentiality of this information that raises concern but also the process for its communication from the high school to PHEAA. A better procedure might be for each high school to evaluate all graduating seniors according to the REACH criteria and to communicate to PHEAA only those students who meet all eligibility parameters. This removes the public concern of sensitive information being released while also addressing some of the information transmission issues.

Pennsylvania Community Colleges offer a low cost option for either a terminal two year degree or access to a Bachelor's degree through college transfer programs. Inclusion of this group of postsecondary institutions for REACH eligibility would seem appropriate.

Further examination of the annual forty hour community service obligation would need to be investigated in regard to Federal tax laws. There are some prohibitions about "required" volunteerism in exchange for reimbursement, i.e. scholarship funds. This type of requirement may lead to the scholarship being considered as taxable for Federal income tax purposes.

REACH requires that each recipient achieve a 3.0 grade point average at the end of each semester while in college. It is a more common practice to evaluate the college grade point average at the end of each academic year rather than after each semester. The conclusion of the fall semester may be only a few days before the beginning of the spring term and thus allow very little time for the 3.0 grade point average review to occur. Students who may lose their spring semester REACH award due to not meeting this criterion would have very little time to react and find alternative financing for the scholarship funds that they have just lost. Having this requirement as an annual review also allows for the adjustment of freshmen and transfer students to their new academic environment during their first term of attendance.

On an informational note, legally binding Master Promissory Notes would be required of all applicants since the potential for the scholarship to turn into a loan would have to be ascertained at the very beginning of the application process. This would cover the "written agreement" that is referred to in the proposed statute. The promissory note would outline in detail all of the rights and responsibilities, repayment terms and conditions, and any other legal requirements inherent with the program.

The administrative requirements of the REACH program would entail substantial start-up efforts to receive and process applications, evaluate eligibility, communicate awards to students and schools, review appeals from rejected applicants, reconcile disbursements, monitor continuing eligibility, and verify Pennsylvania residency for four years following graduation from postsecondary school. Sufficient implementation time must be provided so that all of these steps in the process can be successfully managed.

Currently, PHEAA receives no direct appropriation from the General Assembly for its administrative expenses for the many financial aid programs that we administer so that every dollar designated for financial aid goes directly to students.

Thank you for your attention to this information. I would be happy to address any questions that members of the House Education Committee may have at this time.