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HOUSE OF REPRESENTATIVES  
COMMONWEALTH OF PENNSYLVANIA

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Budget Hearing

Pennsylvania Higher Education Assistance Agency

House Appropriations Committee

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Main Capitol Building  
Majority Caucus Room 140  
Harrisburg, Pennsylvania

Tuesday, February 25, 2014 - 4:11 p.m.

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1300 Garrison Drive, York, PA 17404

717.764.7801

## 1 COMMITTEE MEMBERS PRESENT:

2 Honorable William F. Adolph, Majority Chairman  
Honorable Karen Boback  
3 Honorable Jim Christiana  
Honorable Gary Day  
4 Honorable Gordon Denlinger  
Honorable Brian Ellis  
5 Honorable Garth Everett  
Honorable Glen Grell  
6 Honorable Seth M. Grove  
Honorable Adam Harris  
7 Honorable Tom Killion  
Honorable David Millard  
8 Honorable Mark Mustio  
Honorable Donna Oberlander  
9 Honorable Bernie O'Neill  
Honorable Mike Peifer  
10 Honorable Scott Petri  
Honorable Jeffrey Pyle  
11 Honorable Curtis G. Sonney  
Honorable Joseph F. Markosek, Minority Chairman  
12 Honorable Brendan Boyle  
Honorable Matthew Bradford  
13 Honorable Michelle Brownlee  
Honorable Mike Carroll  
14 Honorable Scott Conklin  
Honorable Madeleine Dean  
15 Honorable Deberah Kula  
Honorable Tim Mahoney  
16 Honorable Michael H. O'Brien  
Honorable Cherelle Parker  
17 Honorable John Sabatina  
Honorable Steven Santarsiero  
18 Honorable Jake Wheatley

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## REPUBLICAN NON-COMMITTEE MEMBERS PRESENT:

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Honorable Steve Barrar  
21 Honorable Sheryl Delozier  
Honorable Mark Keller  
22 Honorable Joe Hackett  
Honorable Marguerite Quinn  
23 Honorable Rick Saccone  
Honorable Kerry Benninghoff  
24 Honorable Paul Clymer  
Honorable R. Lee James  
25 Honorable Mike Turzai, Majority Leader

**Key Reporters**

1 DEMOCRATIC NON-COMMITTEE MEMBERS PRESENT:

2 Honorable Paul Costa  
3 Honorable Dom Costa  
4 Honorable Chris Sainato  
5 Honorable Tom Caltagirone  
6 Honorable Bill Kortz  
7 Honorable Bryan Barbin  
8 Honorable Greg Vitali  
9 Honorable Jaret Gibbons  
10 Honorable James Roebuck

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9 STAFF MEMBERS PRESENT:

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11 David Donley  
12 Majority Deputy Executive Director

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13 Daniel Clark, Esquire  
14 Majority Chief Counsel

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15 Miriam Fox  
16 Minority Executive Director

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**Key Reporters**

*keyreporters@comcast.net*

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TESTIFIERS

PA HIGHER EDUCATION ASSISTANCE AGENCY

James Preston, President & CEO

Christine Zuzack, Vice President  
State Grant & Special Programs

Tim Gunther, Chief Financial Officer

REQUEST FOR INFORMATION

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(None)

1 MAJORITY CHAIRMAN ADOLPH: Thank you.  
2 I'd like to reconvene the House Appropriations  
3 budget hearing. The room seems awful bigger.  
4 Seems to be an echo in the room. It wasn't always  
5 that way when this agency came before this budget  
6 Appropriations Committee hearing.

7 It certainly is nice to see and proud to  
8 introduce Jim Preston, the President and CEO of the  
9 Pennsylvania Higher Education Assistance Agency,  
10 along with Christine Zuzack. Christine, thank you  
11 for all the good work that you do.

12 Jim, if you would like to open up with  
13 an opening statement and introduce anyone else that  
14 you would like to, since your staff fills most of  
15 the chairs that are in this room.

16 MR. PRESTON: Thank you, Mr. Chairman.  
17 Members of the committee and staff, on behalf of  
18 our board of directors, more than 3,000 employees  
19 working throughout Pennsylvania, and the millions  
20 of students and families that we serve, I want to  
21 thank you for this opportunity for this testimony  
22 as we prepare for the Commonwealth's 2014-2015  
23 budget.

24 PHEAA administers several state-funded  
25 student aid programs, including the State Grant

1 Program. Since this program began in 1965, we have  
2 dispersed more than 9 billion in grant awards to  
3 more than 2.4 million Pennsylvania students with  
4 financial need. To help support the administration  
5 of student-aid programs in the Commonwealth, PHEAA  
6 has developed several successful business lines,  
7 all of which are closely aligned with our public  
8 service mission and provide significant value to  
9 your constituents.

10 As a self-sufficient organization, free  
11 of taxpayer support for its operating costs, PHEAA  
12 saves tax dollars while generating earnings to fund  
13 programs and services for the Commonwealth. Our  
14 largest appropriation from the Commonwealth is for  
15 the State Grant Program, which is providing 179,500  
16 student awards in the current award year. In order  
17 to help make grant awards more meaningful, PHEAA  
18 provided a 75-million supplement to the  
19 Commonwealth's 344.9 million state grant  
20 appropriation.

21 Our supplement, combined with the  
22 Commonwealth's appropriation, helped provide  
23 2013-14 maximum state grant award of \$4,363 to  
24 Pennsylvania's students with need. For 2014-15,  
25 Governor Corbett has called for level funding

1 across PHEAA's appropriations. Additionally, he is  
2 asking PHEAA to provide 75 million to supplement  
3 the grant program and 10 million to fund the second  
4 year of the Distance Education Pilot Program.

5 As always, PHEAA's ability to provide  
6 supplemental funding is contingent upon having  
7 sufficient resources available that are above and  
8 beyond our operating expenses.

9 Additionally, any proposed allocation of  
10 PHEAA's resources is subject to board review and  
11 approval, which would most likely be addressed at  
12 the June 2014 board meeting.

13 In this year's budget proposal, the  
14 Governor also called on PHEAA to administer a new,  
15 state-funded, 25-million Ready to Succeed  
16 Scholarships program that intends to make college  
17 more affordable for students with a merit and an  
18 income-based component.

19 In 2012-13, Governor Corbett called for  
20 the creation of the Pennsylvania Targeted Industry  
21 Program that provides grant awards to students  
22 interested in working in the energy, advanced  
23 materials and diversified manufacturing, or  
24 agriculture and food production fields. This  
25 program is currently funded with \$5 million from

1 PHEAA's business earnings and provides need-based  
2 grant awards up to the equivalent of the maximum  
3 state grant.

4           Currently, PA-TIP is providing awards to  
5 1,156 Pennsylvania students, with an average award  
6 of \$3,211. For 2014-15, the Governor has asked  
7 PHEAA to increase the funding for the program to  
8 6 million; an increase of 1 million.

9           In addition to administering student-  
10 aid programs for the Commonwealth, PHEAA invests  
11 more than 17 million of our resources in the  
12 development of student-aid planning and application  
13 tools, community outreach and other awareness  
14 initiatives that can assist your constituents  
15 during every step of their higher education  
16 experience.

17           In closing, I want to remind you that  
18 our 14 Access Partners, who live in and provide  
19 outreach throughout the Commonwealth, are always  
20 available to assist you in providing student aid  
21 and higher education planning outreach to your  
22 constituents in your districts.

23           Of more than 1,000 community events,  
24 such as FAFSA Completion nights, that our Access  
25 Partners participated in last year, many were done



1 in cooperation with local legislators.

2 This concludes my remarks. I want to  
3 thank you for the opportunity to appear here today,  
4 and I welcome the opportunity to answer any of your  
5 questions.

6 MAJORITY CHAIRMAN ADOLPH: Thank you  
7 very much, Mr. Preston.

8 Sitting with me is the Vice Chair of the  
9 Democratic House Appropriations Committee,  
10 Representative Mike O'Brien. Representative  
11 O'Brien, do you have any opening comments?

12 REPRESENTATIVE O'BRIEN: As is Chairman  
13 Markosek's tradition, I won't be asking any  
14 questions of you. But I'll simply have to say  
15 that, for my money, you folks are probably one of  
16 the most important agencies in state government  
17 because, generation after generation, I've seen  
18 blue-collar kids be able to be the first in their  
19 family to go on to college because of the  
20 assistance that you have provided. And for that, I  
21 say thank you.

22 And thank you, Mr. Chairman.

23 MAJORITY CHAIRMAN ADOLPH: Thank you.  
24 As is customary, we invite the chairman of the  
25 standing committee. It's certainly nice to see

1 that Chairman Paul Clymer is with us, and he will  
2 be asking the first question.

3 REPRESENTATIVE CLYMER: Thank you very  
4 much. I just have one question. Before I go with  
5 the one question, I want to just extend my  
6 congratulations for another successful year to you,  
7 Jim Preston, President and CEO of PHEAA, and to our  
8 Chairman, Bill Adolph, for your dedicated work. It  
9 has proved to be invaluable to the students of  
10 Pennsylvania. Obviously that, without the PHEAA  
11 dollars helping them toward their education, many  
12 students would not be there.

13 I get a list of all the students, as  
14 every legislature does, and it's just awesome when  
15 you see the number of students and the dollar  
16 amounts that they're able to secure.

17 Probably an issue that comes up and is  
18 seldom addressed but, again, it shows the good work  
19 of PHEAA, is that, the students pay back their  
20 indebtedness. There is very little bad debt that  
21 does roll out. I think that's a tribute. I don't  
22 know if you want to make a comment on that.

23 But, I think that shows not only how  
24 well the organization is run, but the respect, I do  
25 believe, students have in wanting to pay their

1 debt, their loans back. But also, even with that  
2 small percentage, there are extenuating  
3 circumstances that some students fall into that  
4 they just can't do that. So, I think it just  
5 speaks well of the organization.

6 So, I'll let you take a moment if you  
7 would like to make a comment.

8 MR. PRESTON: Fortunately, most students  
9 recognize that it isn't a grant. It's a loan and  
10 it needs to be paid back. So, what we try to do is  
11 focus on good customer service and provide all the  
12 tolls and information they need so that, if they  
13 need a little help, hopefully we can give them what  
14 they need so they can get over any problems that  
15 they have. Hopefully, they're short-term problems.

16 REPRESENTATIVE CLYMER: Thank you, Mr.  
17 Chairman.

18 MAJORITY CHAIRMAN ADOLPH: Thank you.

19 I just want to advise the members, as  
20 the Chairman of the House Education Committee,  
21 Representative Clymer is also a member of the PHEAA  
22 board, as is Representative Jim Roebuck. They both  
23 have distinguished themselves as board members.

24 Next question will be by Representative  
25 Jake Wheatley.

1                   REPRESENTATIVE WHEATLEY: Thank you, Mr.  
2 Chairman, and good afternoon.

3                   I want to ask a question around how we  
4 do our awarding. I know that we award based off of  
5 cost of institutions so that, sometimes, the more  
6 expensive an institution might be, the more aid a  
7 student might be eligible for. Can you talk to me  
8 a little bit about if that is a board decision, or  
9 is that set in statute that we passed?

10                  MR. PRESTON: Generally, there's a  
11 formula, and it's a need-based formula distributed  
12 across all the sectors. In those various sectors,  
13 they have different costs associated with those.  
14 Those go into the calculation for the maximum and  
15 average award for all the students.

16                  REPRESENTATIVE WHEATLEY: Is that a  
17 board decision, or is that something that you have  
18 to do based off of what we passed as the act that  
19 created you?

20                  MR. PRESTON: I'll ask Christine.

21                  MS. ZUZACK: That is a board decision.  
22 Each April, they set the formula for the next  
23 academic year based on projections of the number of  
24 applicants, the funds we have available and cost of  
25 education.

1           REPRESENTATIVE WHEATLEY: I'm not sure  
2 if you followed any of our prior meetings or  
3 hearings at all. One of the questions I have been  
4 asking of all of the higher ed institutions is the  
5 role or the systemic rationale to how we fund  
6 higher education. Of course, you have a great role  
7 to play in that, because many of the students who  
8 attend these institutions are probably attending  
9 with some form or fashion of financial from you.

10           Do you have in your concept, like, how  
11 you would envision a more rational -- Well, you  
12 might think our system is rational now. From a  
13 board perspective, have you ever thought about the  
14 way you've let out grants? Could it be done in a  
15 more rational way as it relates to our higher  
16 educational institution?

17           MS. ZUZACK: Back in 2005-06, we had a  
18 state grant task force that re-evaluated the way  
19 that we distributed grants and the costs that we  
20 looked at and how we evaluated student financial  
21 need.

22           So, for the 2006-07 academic year, we  
23 implemented a new policy. It caps the amount of  
24 college costs that we recognize. We look at  
25 expected family contribution, instead of a firm

1 income cap, in providing funds. So, I think it was  
2 a more equitable distribution of money to students.  
3 So that's, really, rather recent in our 50-year  
4 history that that change was made.

5 REPRESENTATIVE WHEATLEY: Are you  
6 planning to do anymore conversation around -- Or do  
7 you think that's the extent of what you will do  
8 right now? You don't have any plans to re-evaluate  
9 and try to make it even more rational?

10 MS. ZUZACK: We do have a state grant  
11 advisory committee made up of school  
12 representatives and representatives from different  
13 higher education sectors, high school guidance  
14 counselor, and they meet four times a year to  
15 provide guidance on what things are like out in the  
16 field and how they feel would be the best practices  
17 for the State Grant Program. And then their  
18 recommendations are moved to the Committee on Need  
19 Analysis and Aid Coordination, a subset of the  
20 board of directors, and they discuss that in-depth  
21 before moving it to the board for a final decision.

22 REPRESENTATIVE WHEATLEY: And that  
23 process, does that include any sense from the  
24 General Assembly and the Governor as it relates to  
25 the vision of what we expect from higher education?

1 Meaning, are there some conversations that you are  
2 having with the General Assembly, either through  
3 the education committees or with the Governor,  
4 around what we are anticipating, what we want from  
5 our system, and then you're making those granting  
6 kind of decisions as this role in that vision?

7 MR. PRESTON: It's a fluid discussion  
8 all the time. We're constantly thinking and  
9 talking to various constituencies and legislature  
10 to figure out what's on their mind and what's to  
11 do.

12 Our challenge is, the need is so high,  
13 and tuition and fees are a factor here, that, if we  
14 try to reduce the amount of grants that we have,  
15 then it's probably going to go to more borrowing.  
16 So there's kind of a trade-off here we have to be  
17 careful of and try to make sure that the need-based  
18 population in the state at least has access to the  
19 grant money so they have access to higher  
20 education.

21 That was the original purpose of the  
22 grant program years ago, and I still think it meets  
23 that need. We'll never meet all of the need.  
24 PHEAA could double the amount that we put in, if we  
25 could ever get to that point, but we still wouldn't

1 meet all the need.

2 REPRESENTATIVE WHEATLEY: Right. The  
3 only reason I'm asking that, because I'm not in  
4 disagreement, I don't think, from what you're  
5 saying and what your mission is, but I guess I'm  
6 questioning if we have a sustainable model of  
7 supporting our students in our higher educational  
8 institutions, and does it make sense to be more  
9 focused around how we kind of do our policy and how  
10 we fund it? I'm really struggling to try to figure  
11 it out, because we have all of these various ways  
12 by which we are offering inroads in what we're  
13 trying to provide. I'm not trying to put PHEAA on  
14 the spot about it.

15 MR. PRESTON: I understand.

16 REPRESENTATIVE WHEATLEY: I'm just  
17 trying to figure out what are some better ways to  
18 do what we're trying to do.

19 MR. PRESTON: We watch what's happening  
20 nationally, too, and watch what the federal  
21 government is doing, because they're in the  
22 situation with all the loans they provide and all  
23 the Pell Grants they provide. And they're trying  
24 to ask some of the same questions. So, there's a  
25 dialogue going on, and we'll see where that takes



1 us.

2 REPRESENTATIVE WHEATLEY: Thank you.  
3 Thank you, Mr. Chairman.

4 MAJORITY CHAIRMAN ADOLPH: Thank you,  
5 Representative. Representative Mike Peifer.

6 REPRESENTATIVE PEIFER: Thank you, Mr.  
7 Chairman. Mr. Preston, welcome.

8 Mr. Preston, on page 2 of your summary,  
9 you talk a little about the federal servicing and  
10 the huge increase in volume. We're starting to see  
11 the results of some of the numbers of the federal  
12 contract. Do you just want to talk to us a little  
13 bit about the contract itself that we've talked  
14 about the last several years and the additional  
15 volume of work generated for PHEAA?

16 MR. PRESTON: We probably have 9 to 10  
17 million of borrowers now. Probably 7 million of  
18 that are from the direct-lending contract and  
19 federal assets. We have 3,100 employees, and a  
20 majority of them are working on all servicing.

21 But we also have the traditional  
22 commercial servicing that we have. We have a  
23 thousand workers in that area, and then we probably  
24 have 1,200 in federal and servicing, so it's been a  
25 driver of our growth the last couple years. We

1 have to manage that growth carefully. It's a  
2 challenge, but it does open up other opportunities  
3 for us as well as we go.

4 REPRESENTATIVE PEIFER: When we look at  
5 those additional opportunities, you mean probably  
6 the consolidation of other agencies to PHEAA? I  
7 guess that's my question. That growth that we've  
8 seen, and you talked about managing it and going  
9 forward, what are our projections in the future as  
10 far as the agency's ability to meet that demand,  
11 and has that consolidation at least slowed down?

12 MR. PRESTON: It's hard to predict  
13 what's going to happen in the future and what other  
14 agencies will do. I'll be going down to the  
15 Department of Education on Thursday. One of the  
16 questions they'll ask us will be, if other  
17 opportunities come along to absorb other  
18 guarantees, would you be in the position to do it.  
19 And, of course, we would answer yes. So, I would  
20 assume other opportunities could happen, but we  
21 just don't know specifics at this time.

22 REPRESENTATIVE PEIFER: So, from a  
23 capacity standpoint, do we have the additional  
24 capacity to handle additional workloads such as  
25 that?

1           MR. PRESTON: Yes. Our businesses are  
2 scaleable; that is, I can increase them at an  
3 efficient cost. As we add more business, we'll  
4 increase the net to the bottom line.

5           REPRESENTATIVE PEIFER: The other thing  
6 I just want to say briefly is, you give us some  
7 great materials as far as the number of grant  
8 recipients in my district and throughout the state.  
9 We all receive this information. I know you also  
10 give us some great information on student handbooks  
11 for legislators. You give us some great  
12 information.

13           I'd just like to tell you and your  
14 staff, thank you, because that information is great  
15 to know; that at least over \$3 million in grants  
16 were awarded to the 139th District last year.  
17 That's over a thousand people receive that money.

18           Sometimes when we're out appropriating  
19 money here, we don't necessarily get to see those  
20 dollars falling into our districts. But you helped  
21 us with that information, and it helps us put the  
22 votes down for you.

23           The last thing, in your closing remarks  
24 you talk about your outreach programs. Again, I  
25 applaud you for this. I can tell you that going to

1 college, for many students and their parents, is a  
2 daunting task. I mean, they're concerned about the  
3 price; they're concerned about the location;  
4 they're concerned about the field of study. Any  
5 way that you can continue to reach out, whether  
6 it's the FAFSA Completion Sessions, or what have  
7 you. You talked about the thousand community  
8 events. If you just want to tell us what you're  
9 doing out there. That's very helpful, because  
10 you're coming into my district. Again, you're  
11 helping our guidance counselors; you're helping our  
12 students; you're helping our parents.

13 Do you just want to expand on that a  
14 little bit and talk about how you reach out to some  
15 of our schools out there?

16 MR. PRESTON: Even though the economic  
17 downturn in '07-'08 affected us on the business  
18 side, we were able to adjust to that. One of  
19 things we tried to make sure we did was make sure  
20 we continued our support throughout the  
21 Commonwealth for our outreach and our mission.

22 You really need to be able to get out  
23 and have FAFSA Completion Night. That's free  
24 federal form for financial aid, which is coupled  
25 with our grant program. Also, there's other

1 activities. Many of the high schools have  
2 activities just how to plan for college, and other  
3 activities that we try to coordinate on a community  
4 basis so that, any chance we have to talk to 10,  
5 15, 20, 30 folks, they're interested in going  
6 through the FAFSA, fill it all out and start the  
7 application process; where should they be in  
8 college planning in their senior year.

9           There's so many things we can really  
10 talk about, if they haven't been through it, that  
11 helps them out. So, we take whatever opportunities  
12 we can to get out in the public and talk to them.

13           We also have three educational sites on  
14 the web, YouCanDealWithIt dot com, EducationPlanner  
15 and MySmartBorrowing, to try to get to people  
16 before they borrow or over-borrow.

17           REPRESENTATIVE PEIFER: It just seems  
18 like different schools have different programs.  
19 Your assistance with the guidance counselors is  
20 much appreciated, especially traveling from here  
21 all the way back to my district. You're working  
22 with the schools and just giving the parents that  
23 little bit of information, because there are  
24 deadlines that they have to follow, and they really  
25 need to hear some of these things. I think having

1 you there just to walk them through the process is  
2 very welcoming. So, thank you.

3 MAJORITY CHAIRMAN ADOLPH: Thank you,  
4 Representative Peifer. Just for the members'  
5 information, Representative Peifer is a member of  
6 the PHEAA board. His background is, he's a  
7 certified public accountant, and he's a member of  
8 the Audit Committee. I think it was the first time  
9 in like 40 years or something we changed auditors,  
10 and Representative Peifer certainly played a big  
11 part in that transaction and really helped the  
12 board quite a bit. I appreciate his assistance.

13 Next question will be by Representative  
14 Scott Conklin. I'm very sorry.

15 Representative Mike Carroll, also a  
16 very, very good board member of PHEAA. I'm sorry,  
17 Representative.

18 REPRESENTATIVE CARROLL: Thank you very  
19 much, Mr. Chairman. Good afternoon, Christine,  
20 Jim. Thank you for being here. Thank you for the  
21 wonderful work that's done at PHEAA on behalf of  
22 the citizens of this Commonwealth. It's an agency  
23 that we all are proud of. As a board member, I'm  
24 proud to serve and work with all of you, Chairman  
25 Adolph and the rest.

1           Jim, the Governor proposed a 25-million-  
2           dollar new program, Ready to Succeed Scholarships.  
3           Can you share with us what you know about Ready to  
4           Succeed and what -- Well, can you share with us  
5           what you know about the 25-million-dollar proposal?

6           MR. PRESTON: In general, it's a  
7           merit-based income component, and we understand the  
8           income component is up to 110,000. The details of  
9           the program are still being worked out. We're not  
10          quite sure what the merit-based component will be.  
11          Will that be a grade point average of a certain  
12          amount, we just don't know. That is yet to be  
13          worked out.

14          We'll just have to see how this plays  
15          out if the legislature approves this. We're  
16          starting conversations with the education  
17          department to figure out where they want to go with  
18          this.

19          We figure that, if we look at the  
20          population of the grant file, there's probably  
21          60,000 applicants that may fit into that role.  
22          But, of course, if you put a merit-based component  
23          on it, it would bring it down some. So, we're  
24          still going through the process to see how many  
25          people would be eligible and how the program would

1 work.

2 REPRESENTATIVE CARROLL: To your  
3 knowledge, is there a floor in terms of income?  
4 You said it was up to \$110,000. Is there a range  
5 between two income levels?

6 MS. ZUZACK: No, there was no floor on  
7 the Governor's proposal. It was just incomes up to  
8 \$110,000.

9 REPRESENTATIVE CARROLL: I guess we'll  
10 wait for more information. Thank you very much.

11 MAJORITY CHAIRMAN ADOLPH: Thank you,  
12 Representative Carroll. Also a member of the PHEAA  
13 board and also a member of the Appropriations  
14 Committee, Representative Matt Bradford.

15 I would be remiss if I did not say, it  
16 was as a result of the bipartisanship that we have  
17 on that board that we've been able to achieve  
18 through the leadership of our management. But,  
19 some of the policies that were implemented in a way  
20 where we left our party politics back here in the  
21 Capitol, you can really succeed. These two members  
22 that I just mentioned were a big part of it.

23 Representative Glen Grell.

24 REPRESENTATIVE GRELL: Thanks, Mr.  
25 Chairman. Thank you for being here.



1 I apologize for not knowing more about  
2 this program. But, the line item on your budget  
3 for higher education of blind or deaf students, in  
4 recent years I've become somewhat familiar with the  
5 four state-chartered schools we have across the  
6 state and am very impressed with their programs and  
7 everything they do for those students.

8 Can you tell me a little bit more about  
9 that program? As I understand it, you've inherited  
10 it from the Department of Education. What does it  
11 do, and are there connections between those four  
12 state-chartered schools to help those students move  
13 on to the next level?

14 MS. ZUZACK: Yes, we did inherit that  
15 program from the Pennsylvania Department of  
16 Education. It was created in 1949, so a lot of the  
17 requirements, such as the maximum award, were set  
18 at that time. So, \$500 in 1949 is quite different  
19 than \$500 today.

20 REPRESENTATIVE GRELL: Is that what it  
21 is now?

22 MS. ZUZACK: Yes, it's still \$500.

23 REPRESENTATIVE GRELL: Per year?

24 MS. ZUZACK: Yes. A blind or deaf  
25 student can take that money to any school in the

1 country to use towards their educational expenses.

2 When we first received the program, we  
3 worked with the Office of Vocational Rehabilitation  
4 to give guidance from them about how to screen  
5 applicants and how to manage, because we had never  
6 worked with defining such a disability in the past.  
7 So, they were very helpful. We worked together  
8 with them in program promotion among schools, both  
9 the schools you mentioned and also with colleges  
10 and universities that have recipients; schools such  
11 as Gallaudet University in Washington, D.C., that  
12 cater to deaf students.

13 We've done a lot of outreach with the  
14 program. It only has \$47,000 a year, so we can  
15 only fund 94 students at a time.

16 REPRESENTATIVE GRELL: Would that  
17 typically be fully subscribed over the course of a  
18 year? Do you have enough applicants to spend that  
19 money?

20 MS. ZUZACK: We're getting there. When  
21 we first received it, it was not at that level, but  
22 we're close to approaching that level now.

23 REPRESENTATIVE GRELL: Okay. I guess I  
24 would say thank you for taking on that challenge.  
25 I'm sure that, with the great leadership of our

1 Appropriations Chairman--I couldn't miss the  
2 opportunity for a gratuitous little compliment  
3 there--I'm sure you'll make the most of that  
4 program. Thank you very much.

5 MAJORITY CHAIRMAN ADOLPH: Thank you,  
6 Representative. I was remiss in acknowledging the  
7 presence of the Chairman of the Finance Committee  
8 of the House, Representative Kerry Benninghoff.  
9 Thank you, Kerry, for being here.

10 In closing, I just want to let the  
11 members know that, in the past several years, I  
12 guess, two years, we've expanded some call centers  
13 throughout the Commonwealth; one in the southeast,  
14 a call center which employs, Mr. Preston, what?  
15 About 150 folks?

16 MR. PRESTON: Capacity is 150.

17 MAJORITY CHAIRMAN ADOLPH: 150 folks.  
18 And that's a location right on the Delaware River.  
19 Also, we just recently opened up a call center in  
20 Allegheny County in the city of Pittsburgh; is that  
21 correct? They're just on the outside of --

22 MR. PRESTON: In Green Tree.

23 MAJORITY CHAIRMAN ADOLPH: In Green  
24 Tree. And how many folks do we --

25 MR. PRESTON: 150 maximum there, too.

1 MAJORITY CHAIRMAN ADOLPH: 150 there,  
2 too. And this is all as a result of servicing the  
3 federal loans. We are one of four vendors  
4 nationwide. We were awarded a five-year contract.  
5 When does that contract expire, Mr. Preston?

6 MR. PRESTON: It was awarded in July of  
7 '09, so it expires or is up for renewal in July of  
8 '14. The Department of Ed has already given us  
9 indication it will be done. They're just going  
10 through the details now.

11 MAJORITY CHAIRMAN ADOLPH: And there's  
12 always a possibility, as a result of changes, that  
13 the fees could be changed, and we always keep a  
14 very close eye on that because, obviously, we are  
15 just receiving a servicing fee from the federal  
16 government.

17 Just a note that, all of the  
18 administrative expenses for this agency are paid  
19 through its earnings. Not one dollar of taxpayers'  
20 money is used to pay any of the salaries of this  
21 agency, even in expansion. I think that's  
22 important to mention. The management of this  
23 company and its dedicated employees are very  
24 well-trained employees and highly skilled in their  
25 profession. It's a very, very competitive

1 financial field out there, and we are very  
2 fortunate to have these type of professionals  
3 leading this agency.

4           Hopefully, things will continue. We'll  
5 try to work with you. I kind of wear two hats, but  
6 we will try to work with you to see how we can do  
7 what we can for your requests. However, obviously,  
8 if we're not able to make those requests, I'm sure  
9 you're going to be able to put together the best  
10 possible student grant for the students of  
11 Pennsylvania.

12           That being said, thank you for being  
13 here, and looking forward to working with you.

14           MR. PRESTON: Thank you.

15           MAJORITY CHAIRMAN ADOLPH: Thank you.

16           (At 4:43 p.m., the budget hearing  
17 concluded).

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C E R T I F I C A T E

I, Karen J. Meister, Reporter, Notary Public, duly commissioned and qualified in and for the County of York, Commonwealth of Pennsylvania, hereby certify that the foregoing is a true and accurate transcript, to the best of my ability, of the budget hearing taken stenographically by me and reduced to computer printout under my supervision.

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Karen J. Meister  
Reporter, Notary Public