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**Memo**

**To:** Members of the Board of Directors  
**From:** James L. Preston  
**Date:** January 15, 2016  
**Re:** 2015-2016 Re-budget of State Appropriated Programs

With the Commonwealth’s budget passage, it is necessary for each department and agency to adjust its income and anticipated expenditures to take into consideration the actual state appropriation and any augmentation and adjustments to programs affected by the budget, new legislative enactments, or program requirements. Please note the following summary based on the appropriations signed into law by the Governor on December 29, 2015:

**2015-2016 COMMONWEALTH APPROPRIATIONS  
 PHEAA OVERVIEW**

Programs (in millions)	2014-2015 Budget	2015-2016 PHEAA Requested Budget	2015-2016 Governor’s Recommendation	2015-2016 Approved Budget	Change from 2014- 2015
Pennsylvania State Grant Program	\$344.888	\$362.132	\$344.888	\$305.235	-11.50%
Institutional Assistance Grants (IAG) Program	24.389	25.608	24.389	24.389	0.00%
Matching Funds Program	12.496	13.121	12.496	12.496	0.00%
Horace Mann Bond - Leslie Pinckney Hill Scholarship Program	.534	.534	1.000	.534	0.00%
Cheyney University Keystone Academy Program	1.525	2.000	2.000	1.525	0.00%
Higher Education for the Disadvantaged (Act 101)	2.246	2.358	2.246	2.246	0.00%
Higher Education for Blind and Deaf Students	.047	.049	.047	.047	0.00%
Pennsylvania Internship Program Grant	.350	.000	.000	.350	0.00%
Ready to Succeed Scholarship Program	5.000	N/A	15.000	5.000	0.00%
<b>TOTAL</b>	<b>\$391.475</b>	<b>\$405.802</b>	<b>\$407.066</b>	<b>\$351.822</b>	<b>-10.13%</b>

In addition to the Commonwealth appropriated funds, PHEAA provides financial support to a number of programs through its business earnings. This is in addition to absorbing the administrative costs to operate these and other financial aid programs. A chart on the following page outlines the past year’s supplements and the General Assembly’s proposal for 2015-2016 PHEAA contributions by program.



### PHEAA CONTRIBUTIONS

Programs (in millions)	2014-2015 Support	2015-2016 Anticipated Support
<b>Pennsylvania State Grant Program</b>	\$75.000	\$75.000
<b>Proposed Additional State Grant Program Supplement</b>	0	11.400
<b>State Grant Distance Education Pilot Program</b>	10.000	10.000
<b>Pennsylvania Targeted Industry Program (PA-TIP)</b>	6.000	6.000
<b>TOTAL</b>	<b>\$91.000</b>	<b>\$102.400</b>

Any changes to the PHEAA supplements indicated above would require Board approval. Original proposals from Governor Wolf for PHEAA to fund Dual Enrollment Grants, STEM Scholarships, and Primary Health Care Program Loan Forgiveness Program were not supported.

#### **State Grant Program**

The Pennsylvania State Grant Program received an 11.5 percent decrease in funding for 2015-2016 with an appropriation of \$305.235 million. As approved by the Board in June 2015, PHEAA is contributing \$75 million for 2015-2016 through its business earnings. The current total resources available for the 2015-2016 academic year including carryforward, interest, and refunds are approximately \$385 million. However, this would result in a reduction in State Grant awards from the amounts announced last May, producing a maximum State Grant award of \$4,214, which is a \$126 reduction from the maximum award amount previously announced to students based on an assumption of level funding from 2014-2015.

#### **State Grant Distance Education Pilot Program**

With legislation passed by the General Assembly in June 2013, a State Grant Distance Education Pilot Program will begin its third year of operation in 2015-2016 with \$10 million in funding provided through PHEAA's business earnings. This five-year pilot program will provide State Grant awards for students in online programs of study or for those who take more than 50 percent of their term credits online.

#### **Institutional Assistance Grants (IAG)**

The Institutional Assistance Grants (IAG) Program provides grants to independent, non-profit postsecondary institutions. The 2015-2016 IAG appropriation of \$24.389 million represents level funding as compared to the 2014-2015 final appropriation. This would result in an estimated per capita payment of \$587 compared to the final per capita payment of \$563 for 2014-2015. The exact per capita payment is calculated by dividing the total funds available for the IAG Program by the number of full-time equivalent State Grant recipients at the 89 eligible institutions. The final per capita amount and payment for 2015-2016 will be calculated at the end of the academic year and will vary depending upon the actual number of full- and part-time State Grant recipients enrolled at the eligible institutions.

### **Matching Funds Program**

The 2015-2016 Matching Funds Program has received level funding of \$12.496 million. These funds, along with prior year carry-over, are approximately distributed among the four Matching Funds programs as follows:

- Partnerships for Access to Higher Education - \$2,000,000
- Federal Work-Study On-Campus - \$6,800,000
- Federal Work Study Community Service - \$800,000
- State Work Study Program - \$3,500,000

At its April 2015 meeting, the Board approved individual program allocations and authorized the President and Chief Executive Officer to allocate PATH Program funds among eligible organizations and adjust the Matching Funds Program allocations from time to time as demands within the programs change throughout the year.

### **Horace Mann Bond - Leslie Pinckney Hill Scholarship Program**

This program enhances the Commonwealth's two Historically Black Colleges and Universities (HBCU), Lincoln and Cheyney Universities, by providing funds for tuition, fees and books to a select pool of their graduates pursuing professional study in the competitive fields of medicine, law, dentistry and in other selected graduate programs. It also provides funding for outreach activities at Lincoln and Cheyney Universities related to the scholarship.

This program received a 2015-2016 appropriation of \$534,000 which is level funding compared to the 2014-2015 appropriation. The program is administered the Pennsylvania Department of Education (PDE), which must assess the impact of the appropriation level and other resources, while PHEAA submits the appropriation request determined by PDE and acts as the disbursing agent.

### **Cheyney University Keystone Academy Program**

The Cheyney University Keystone Academy Scholarship is intended to recruit gifted students to enroll at Cheyney University of Pennsylvania. The program is part of the Report and Partnership Commitments between the Commonwealth, including the Pennsylvania Department of Education (PDE) and the Pennsylvania State System of Higher Education (PASSHE), and the U.S. Department of Education Office of Civil Rights (USDE OCR). This program awards financial aid based primarily on merit to Commonwealth residents enrolling at Cheyney each year, up to a maximum of 200 recipients. The Agency acts as a disbursement agent for this program. An appropriation of \$1,525,000 is approved for 2015-2016 for this program, which is level funding for the program.

### **Higher Education for the Disadvantaged (Act 101)**

Created in 1971 (Aug. 31, P.L. 423, No. 101), the Act 101 program was designed to provide funds to institutions of higher education in the Commonwealth for the purpose of offering programs to enhance the chances of disadvantaged students to achieve their educational goals. Act 101 was previously administered by the Pennsylvania Department of Education but was moved to PHEAA beginning with 2011-2012. The appropriation for 2015-2016 is \$2,246,000, level funding compared to the 2014-2015 appropriation. There are 33 participating programs for 2015-2016.

### **Higher Education for Blind or Deaf Students**

Established in 1949 (24 P.S. § 13-1381) to assist blind or deaf students to defray the cost of postsecondary education, this grant provides up to \$500 per year to eligible students. The appropriation for 2015-2016 is \$47,000, level funding compared to 2013-2014.

### **Pennsylvania Internship Program Grants**

The Pennsylvania Internship Program provides internships granting credit in Pennsylvania institutions of higher education through a partnership with The Washington Center for Internships and Academic Seminars, a non-profit independent educational organization. Funded by PHEAA in 2012-2013 with \$200,000 of agency resources, the General Assembly provided \$350,000 for 2013-2014 and 2014-2015 and \$350,000 for 2015-16, level funding compared to 2014-15.

### **Ready to Succeed Scholarship Program (RTSS)**

The Ready to Succeed Scholarship Program (HB 278 of 2014) was a new program for 2014-2015 designed to assist high-achieving students from middle-income families. Awards of up to \$2,000 for full-time or \$1,000 for part-time students are provided to those with family incomes that do not exceed \$110,000. With the exception of financial need, most eligibility provisions of the PA State Grant Program also apply to RTSS. It is anticipated that the number of eligible students will exceed the financial resources of \$5.0 million available to the program. Recipients will be selected on a first-come, first-served basis depending upon the completion date of their Free Application for Federal Student Aid (FAFSA) and State Grant Form (SGF).

New statutory language (Act 33 of 2015) codifies the program and an appropriation of \$5.0 million is approved for 2015-16.

### **Pennsylvania Targeted Industry Program (PA-TIP)**

PA-TIP provides grants for students who are residents of the Commonwealth and pursuing a course of study in in the energy, advanced materials and diversified manufacturing, and agriculture and food production fields. Recommended by the Governor in 2012-2013 to enhance employment in the Commonwealth, PHEAA provided \$5,000,000 in support for each of the first two years of the program along with \$6,000,000 for 2014-2015 and 2015-2016.

In order to complete the program re-budget process, passage of the following motions is in order:

- (1) The President and CEO is authorized to allocate at least \$11 million and up to \$50 million for the 2015-16 PA State Grant Program. This allocation is in addition to the already authorized \$75 million PHEAA supplement and is necessary to honor the May 2015 award announcements for the 2015-16 award year. The President and CEO will report back to the Executive Committee on the progress of disbursing the 2015-16 awards along with any additional recommendations to increase awards.*
- (2) That the Agency's 2015-2016 program year re-budget allocating appropriated funds and augmentations as set forth above and the administration of the programs as set forth in this memorandum be approved and that the President and Chief Executive Officer be given the authority to adjust these augmentations within each program from time to time.*

JLP/

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