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HOUSE DEMOCRATIC POLICY COMMITTEE

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**House of Representatives**  
COMMONWEALTH OF PENNSYLVANIA  
HARRISBURG

**HOUSE DEMOCRATIC POLICY COMMITTEE HEARING**

**Topic: House Bill 2444**

**University of Pittsburgh – Pittsburgh, PA**

**July 18, 2018**

**AGENDA**

- 10:00 a.m. Welcome and Opening Remarks
- 10:10 a.m. Dr. Kenneth Mash  
President  
Association of Pennsylvania State College & University Faculties
- 10:40 a.m. Diana Polson  
Policy Analyst  
Pennsylvania Budget and Policy Center
- 11:10 a.m. Closing Remarks



**Testimony of Dr. Kenneth M. Mash**  
**President, Association of Pennsylvania State College and University Faculties**  
**(APSCUF)**  
**Before the House Democratic Policy Committee on "The Pennsylvania Promise"**  
**Wednesday, July 18, 2018**  
**University of Pittsburgh William Pitt Union (Kurtzman Room, 1st Floor)**

Chairman Sturla and members of the committee,

Thank you for the opportunity to testify today about this extremely important issue. My name is Dr. Kenneth M. Mash, and I am the president of the Association of Pennsylvania State College and University Faculties (APSCUF). APSCUF represents about 5,500 faculty and coaches who work at Pennsylvania's state-owned universities.

My colleagues and I have had the opportunity to witness students speak about what a difference the Pennsylvania Promise would have made to their lives had it been available to them.

Jackie, a junior at Lock Haven shared this story:

*Growing up, I had a disabled father and a mentally ill mother who both couldn't sustain a full-time job. My mother had bipolar 1 disorder, and her manic episodes got so aggressive my father sued her for full custody when I was 9 years old, and he won because she didn't even bother to show up to the court. She was given the choice to have a right to visitation and pay child support or to leave me alone and not pay child support. I never saw her again. It was just my father and I. We were all poor. Forty-eight percent of the students at my high school were on free and reduced lunch, and I was one of them. I got a peanut-butter-and-jelly sandwich, a piece of fruit, and a half pint of milk, and instead of eating it all, I ate my piece of fruit, half my PB&J, and I smuggled (the rest) in my shirt ... I put my books close to my stomach, and I took it home so I could feed my dog the sandwich and my cat the milk.*

*When I was 14, we found out that we couldn't pay our mortgage anymore, and we didn't know if the sheriff was gonna come take our house away today or tomorrow or the next month or anything. And we didn't have any family close ...*

*But before the sheriff could come take our house, my father passed away unexpectedly when I was 16. When he died, I had all my hope for college or anything die along with him.*

*When you're poor, you don't see things as products. You see them as a price tag before you see the usefulness of them, so when I see a piece of candy, or a new shirt, or a new pair of shoes, or a textbook, or college, I see them as these big price tags that could be food for that week. That could be gas to get me to work. And when I looked at colleges, I wanted to go to college so bad, but I looked at tuition before I even looked that any college had my major. When I looked at tuition, my hopes just got darker and darker and darker.*

*So after high school, I got a job at a tampon factory about five miles away from here, and I hated it. I cried on my way to work. I cried going home from work.*



*As an adolescent, I was a good student, but I wasn't good enough to get a scholarship, and that just meant, you know, college was just not an option. So my dream, my dad's dream of his only little girl ever going to college, was just not there.*

*But the reason I'm here with you today is because I was tired of working at a tampon factory. So I went and became a nurse, and then I hated doing that, so I quit that job. And I was tired of knowing my potential and just throwing it away. I was tired of knowing that I was never going to like what I would do if I didn't go to college. So I live 25 minutes away from here, which is the closest, this is the closest school to where I live, so I applied here, and I cried when I called the administrator's office and asked if my application was OK and she said that I was accepted.*

*I want to make a difference, however small it is, and I want to help others as I'm achieving that goal. I want to be the first in my family to get a bachelor's degree. I want to graduate college for my dad so I could finally make him proud.*

*So here I am. I'm working at First Quality Tissue in Lock Haven. ... I just got promoted to full-time, so I'm working 7 p.m to 7 a.m. and going to school in the morning and sleeping in the afternoon. And, yes, I'm tired all the time, and I'm still struggling. And, yes, I did work last night. But I love my professors ...*

*Being here and being with all these people made me realize my love for psychology, and I'm pursuing a Bachelor of Science in psychology. And I want to go to graduate school, and I have all these dreams, and I know that I can do it because I tried hard enough. But I shouldn't have to try hard enough. I shouldn't have to struggle so hard. I shouldn't have to be up for 48 hours at a time just to go to school.*

*Lock Haven University has provided me this opportunity, and I can never express how grateful I am to all of the teachers, all of the staff, all of the professors that put their heart and soul into teaching us. Because of this institution and the overwhelming support that I have received here, I have hope for myself and all the other poor kids like me in the great state of PA, and I'm forever grateful.*

We heard multiple stories like this one; they are all too typical of the students we meet in our classrooms. Students like Jackie have made extraordinary sacrifices to earn a college degree. They are practically superheroes.

Yet, I can't help but to wonder how many students cannot do it? How many students must drop out because they can't afford it or because they can't maintain grades because their energies are expended on working multiple jobs? Why should they have to?

Even those students who manage to do face enormous debt when they are done. Mary, a graduate of Kutztown University, wrote to us that:

*The cost of attending college has left me in so much debt that I found myself taking a job outside of my field of study to pay my bills. I am unable to pay my full student loan payments, so I will be paying back more money in a longer period of time. In my senior year, my financial aid was cut so it wouldn't cover my tuition, so the private loan I had to apply for to cover my rent went straight to the school, leaving me without money to pay for my housing. I moved out of that apartment two years ago, and I owe my landlord double of the rent because I had no*



*way of paying him. I am stuck living at home because I cannot afford to be on my own, let alone my credit does not allow me to be approved for anything.*

I am often concerned that too many policy-makers incorrectly project their college experience on the students of today. There is just no comparison. When the Commonwealth subsidized two-thirds of the cost of college, it was possible to find part-time to help pay for most of it or to have some extra spending money in one's pocket. Today when the Commonwealth pays less than 25 percent of the cost, students can work full time and still cross the graduation stage to face tens of thousands of dollars in debt.

I have often heard it said that, "not everyone should go to college." Of course this is true. But everyone should have a fair opportunity to go if they meet the admission standards.

The universities comprising Pennsylvania's State System of Higher Education have been and they continue to be the universities for working-class Pennsylvanians. A recent study by the Keystone Research Center and Pennsylvania Budget and Policy Center confirmed what many of us already understood to be true: "Because of the State System's greater access for working families, its mobility rate — defined here as the share of all students who come from the bottom 60% of families AND then move into the top 40% of earners (total pre-tax individual earnings) as adults in their early thirties — is 22%, compared to just 14% for the top 10 elite private colleges."

<https://www.pennbpc.org/pennsylvanias-great-working-classcolleges>

The most disturbing element of the study was that should the 2012 cohort be propelled up to the top 40 percent at the same rate as those who attended college between 1999 and 2004, the overall mobility rate will fall 12 percent, and that is due to a drop in the number of students from bottom 60 percent families who can afford to enroll at our universities — 41 percent in 2002, and 35 percent in 2013.

[http://www.pennbpc.org/sites/pennbpc.org/files/KRC\\_PBPC\\_EnginesofMobility.pdf](http://www.pennbpc.org/sites/pennbpc.org/files/KRC_PBPC_EnginesofMobility.pdf), p. 9)

In 2013, Maguire Associates conducted a study for the State System. That study examined the potential impact of increased costs on enrollment at state-owned universities, and it concluded that an increase of more than \$3,000 in total college costs (tuition, fees, room and board costs, etc.) would lead to drastic reductions in enrollment. Moreover, the effects would be felt the worst at the five most cost-sensitive universities: Cheyney University, Mansfield University, Clarion University, Edinboro University, and California University. It is not a coincidence that, years later, those five universities are the ones confronting difficulties. They are also universities serving communities that desperately need affordable, high-quality higher education.

While many hone in on tuition, for families who decide what college to attend or whether to attend college at all, the bottom line is the most important factor. What we know about total college costs is not good. According to a recent study, tuition and fees now account for nearly three quarters (73 percent) of educational costs at State System schools compared with half that level (37 percent) in 1983–84. Further, total costs adjusted for inflation have risen faster for students because of large increases in the costs of room and board, which have increased by 76 percent (a hike of \$4,567 in 2016 dollars) since 2000 compared with 51 percent (\$3,351) for tuition and fees. Total college costs have risen by almost \$10,000 since 2000, from about \$15,000 to about \$25,000 per year, and they have gone from one-fifth of median family income to more than one-third (35 percent). The costs have exceeded the \$3,000 benchmark identified by Maguire Associates.

<https://www.pennbpc.org/students%E2%80%99-expenserising-costs-threaten-pennsylvania-public-universities%E2%80%99-role-upward-mobility>



It is impossible to discuss total college cost without discussing the State's allocation. The reality is that even with this year's 3.3 percent increase (and we do heartily thank you for that), the inflation-adjusted funding for the State System is more than 25 percent below the 2007–08 level and a third below its 2000–01 level. Further, when one looks at Gross State Product, funding for the State System today is only 42 percent of its 1983–84 level.

(<https://www.pennbpc.org/students%E2%80%99-expense-rising-costs-threaten-pennsylvania-publicuniversities%E2%80%99-role-upward-mobility>)

Pennsylvania ranks 47th out of the 50 states in per-student funding. Responding to the cuts during the Great Recession, our universities sought to survive by raising tuition and fees and increasing enrollment. However, that response was limited because the bubble in the number of high school graduates was soon to burst. The increases in college costs have meant that students and their families have had to confront increasing debt or the choice to not go to college at all.

Increasing student debt does not serve anyone. While there is a reasonable argument to be made that students should be invested in their own education, those arguments ought to be understood along with the realization that our economy is hurt when graduates are not making purchases or otherwise putting money into the economy, but are rather paying principal and interest to the banks. Further, it ignores the plain fact that public higher education is a public good that reaps benefits not just to the individual graduate, but also to the Commonwealth overall.

This is a real problem that reinforces the difficulties of families, particularly in struggling communities. The KRC/PBPC study found that the Commonwealth ranks 40th for the share of adults ages 25–64 with more than a high school degree. In more than half of Pennsylvania counties (35), this share is lower than any of the 50 states (i.e., lower than West Virginia's 48.1 percent). (<https://www.pennbpc.org/pennsylvania-highereducation-crossroads-boost-opportunity-and-growth-pennsylvania-needs-invest-high>)

This pattern is likely to continue because of the low percentage of high school students who are seriously contemplating college — that is, the number of students and families who actually fill out FAFSA forms. The contrast between Pennsylvania at its northern tier and the southern tier of New York is particularly stark. New York's counties show 5 to 25 percent more students filling out the forms. (<https://www.pennbpc.org/pennsylvania-higher-education-crossroads-boost-opportunity-and-growth-pennsylvania-needs-invest-high>) Because these numbers came before New York enacted its free-tuition plan, we might expect that this differential will increase.

Unless we are willing to concede that Pennsylvanians are less motivated or less intelligent than their northern neighbors — and we certainly are not — we must understand that something else is going on here, and that something is that college is increasingly not affordable.

Recently the State System's vice chancellor said "it turns out that our current pricing strategies are driving the very students that we were hoping to have access to a State System education out of a State System education." The system said the biggest drop-off has been students with family incomes in the \$48,000 to \$75,000 range. This is where the Pennsylvania Promise proposal outlined in House Bill 2444 sponsored by Chairman Jim Roebuck (D- Philadelphia) and State System Alum Rep. Jordan Harris (D- Philadelphia) could greatly benefit our students.

House Bill 2444 outlines an ambitious proposal that stemmed out of the Keystone Research Center's report titled "The Pennsylvania Promise: Making College Affordable and Securing Pennsylvania's Economic Future." This proposal would do the following:



1. Cover up to four years of tuition and fees for a student at any of the Commonwealth's 14 public community colleges. This would cover up to an associate degree with the four-year range covering those nontraditional students who may not be able to finish in two years
2. Cover four years of tuition and fees for any recent high school graduate with a family income less than or equal to \$110,000 per year and accepted into one of the 14 universities in Pennsylvania's State System of Higher Education
3. Cover four years of tuition and fees not to exceed the State System tuition rate for students with a family income less than or equal to \$110,000 for students accepted into a state-related university
4. For students who qualify, the Pennsylvania Promise would cover along with tuition and fees room and board for students with a family income less than or equal to \$48,000
5. Finance a grant program for adults seeking in-demand skills and industry-recognized credentials, as well as college credit

The Pennsylvania Promise would be a game-changer for students and all citizens of the state. The Pennsylvania Promise would make college truly accessible, and it would free many students from a debt burden, allowing them to contribute to the economy more quickly by doing the things that previous generations could afford to do, like purchasing a car or a home.

The Pennsylvania Promise would help even students who did not qualify for grants. When more students attend a university, you have more students contributing to the fixed costs. Universities that saw enrollment gains could even afford to lower costs for all students.

In its 2018 "Best States" report, U.S. New and World Report ranked Pennsylvania 50<sup>th</sup> in higher education. No lawmaker or resident of Pennsylvania should be proud of this ranking. Something must be done, and the Pennsylvania Promise is the right thing to do.



## **TESTIMONY OF DIANA POLSON**

*House Democratic Policy Committee*

*Hearing on the Pennsylvania Promise Proposal*

Wednesday, July 18<sup>th</sup>, 2018

University of Pittsburgh

Good morning. My name is Diana Polson and I am a Policy Analyst at the Pennsylvania Budget and Policy Center (PBPC). We at PBPC and our host organization, the Keystone Research Center, have written a series of reports on public higher education in Pennsylvania based on research we conducted over the past two years. Our reports culminated in a plan called the Pennsylvania Promise – a plan to make public colleges in the state more affordable and accessible to all Pennsylvanians. I will share with you today some of our findings and the basic ideas behind the Pennsylvania Promise.

Let me first tell you what we found in our research.

First, we found that publicly funded colleges are essential to realizing the American Dream in Pennsylvania. We looked at new data that allowed us to analyze Pennsylvania's public colleges to understand how these universities fared as what we call "engines of upward mobility." At the beginning of 2017, a set of economists released a data set that tracked students who went to college between 1999 and 2004. The data had information on students' family income when they entered college and their individual earnings once they reached their early 30s.

What we found is that public colleges (14 public community colleges, 14 state system schools and state-related universities – Penn State, Pitt, Temple and Lincoln) – account for 65% of Pennsylvania's upward mobility "success stories:" that is, cases in which students from bottom 60% families (incomes less than \$73,500 per year) made it into the top 40% of income earners by the early 30s (see pie chart). It is clear from this data that public colleges in Pennsylvania are critical to upward mobility for many students.

The problem, however, is that the price of pursuing the American dream through Pennsylvania public colleges is rising. The cost of tuition and fees at public colleges in Pennsylvania has gone up by 66% since 2000-01 (adjusting for inflation) (see bar graph). Pennsylvania now ranks third highest in the nation for in-state tuition and fees for public four year colleges and universities.<sup>1</sup> The rising cost of on-campus room and board compounds Pennsylvania's affordability problem for many students from moderate-income families.

Summing up: we know that Pennsylvania's public schools are good engines of upward mobility but the cost of college is increasing. What does this mean for students? Rising tuition and costs means more hardship and rising debt for students and their families.

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<sup>1</sup> Data downloaded from: <https://trends.collegeboard.org/college-pricing/figures-tables/2016-17-state-tuition-and-fees-public-four-year-institutions-state-and-five-year-percentage>

Median student loan debt increased an average of 27% in public and state-related colleges and universities in Pennsylvania between 2000-01 and 2015-16.

A new report by LendEDU found Pennsylvania is number one of all states for student college debt. In 2016, 69% of students graduated with debt – an average of \$35,185 for 2016 graduates.

So, those students attending college are taking on large amounts of debt. But the high cost also acts as a barrier for entry for low- and middle-income students. From 2002 to 2013, the share of students from households with bottom 60% incomes has fallen 15% in the State System and 20% in State-related Universities, meaning fewer low- and middle-income students are attending public schools in the state (line graph).

So why is tuition going up for public universities in Pennsylvania? The source of the problem is that there is low and falling state support for public higher education. Since 2000, state funding for higher education is down by 25% (in inflation adjusted numbers). And today out of 50 states, Pennsylvania ranks 47<sup>th</sup> in terms of per capita investment in higher education (final bar graph showing all the states).

Another problem I want to touch on briefly is the share of adults who have a higher education in Pennsylvania. Our state ranks 40<sup>th</sup> for the share of adults 25-64 with an education beyond high school. In over half of Pennsylvania counties (35), the share of adults with more than a high-school degree is lower than in any of the 50 states (i.e., lower than West Virginia's 48.1%). A large body of economic research shows that lagging educational attainment results in lower wages and incomes for individuals and slower economic growth for regions.

So, given all of this, what can we do about it?

After doing this analysis, we were committed to thinking through solutions. As many of you know, there has been quite a bit of energy and attention on this idea of free tuition plans for higher education (which Bernie Sanders talked about in his campaign). We took a look at other state plans (Tennessee, NY, OR) and came up with a model we think will work for Pennsylvania, the Pennsylvania Promise.

The basic components of the plan are this:

- Covers two years of tuition and fees for any recent high school (HS) graduate who is enrolled full-time at one of PA's 14 public community colleges (no income requirement to qualify)
- Covers four years of tuition and fees for recent HS grads with a family income less than \$110,000/year who have been accepted at a State System of Higher Education school.
- Provide four years of grants ranging from \$2,000 up to \$11,000, depending on family income, for students accepted into a state-related university. Tuition is more expensive in state-related schools – this plan would provide tuition assistance on the level of the State System costs..



- Provides grants to adults (age 20 and over) without a college degree who have a family income less than \$110,000 per year, with priority given to those seeking in-demand skills and industry-recognized credentials. Here we are trying to encourage skill development that leads to better paying jobs and careers – and meets employers’ skill needs – at the same time as enabling adults to get college credit (and ultimately a degree if they want). This funding for adults would initially be capped at \$50 million, which would fund over 7000 adults by 2021-22. The funding would be available to both part-time and full-time students.

Other things to know about the plan:

- **Last Dollar:** This is what we call a “last-dollar proposal” which basically means that you have a student fill out a federal financial aid application to see if they can get any federal grants, or state grants through PHEAA. The PA Promise would kick in after the student accepts grant money from existing federal and state aid (covers remaining amount). Other statewide plans with this last-dollar feature include TN, OR, NY.
- **Help with FAFSA forms:** Another thing the PA Promise would do is create an effort/mechanism to make sure high school students are getting the support they need to fill out FAFSA forms, because we know navigating the world of financial aid is challenging. (High-performing, low-income students complete college less often than high-performing, high-income youth (41% compared to 74%) and one of the barriers to completion is the high cost of college and the complicated financial aid process.)
- **Mobility Grants or support for Room and Board:** To make sure we are serving low-income students adequately, we proposed providing “mobility grants” to students from families who make less than \$48,000/year would get access to more support (\$2500 or \$1000 for community college kids). The PA Promise legislation replaced those grants with housing assistance, a substantial improvement over our initial proposal.
- **Work Study Supplement:** As part of the PA Promise we suggested supplementing federal work study programs for students with family incomes less than \$48,000 per year. Students would get access to 500 hours of employment at a wage level that would phase up to \$15 per hour by 2024.
- **Cost Estimates:** We estimate that the PA Promise with the features we recommended would cost about \$1 billion a year. The brief outlining our proposal also provided several options to pay for such a program. We highlighted options that would raise revenue mostly from upper-income households – in part because the current Pennsylvania (state and local) tax system taxes over twice the share of income from middle-income taxpayers (10.3%) as it does from the top 1% (4.2%).<sup>2</sup> So we focus on raising revenue from corporations (including natural gas companies), upper-income households, and the wealthy.

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<sup>2</sup> <https://itep.org/whopays/pennsylvania/>

- **So what impact will the PA Promise have?** The PA Promise will substantially reduce the cost of college.
  - All told, students whose families earn less than \$110,000 per year would see the total cost of college (including tuition, fees, and room and board) reduced between 17% and 41% (depending on which type of college they attend, family income, etc.)
  - Not “free college”: while this plan would reduce college costs, it would not make it totally free. Many students would still have the cost of books and room and board y.
  - This proposal would increase our per capita spending rank on higher education from 47<sup>th</sup> out of 50 states to 36<sup>th</sup>. So while \$1 billion a year may seem like a lot, it still does not even raise us to the national average per capita spending for higher education. Such a program would make public college more accessible to low- and middle-income families and would substantially reduce student debt.

The PA Promise is both a pragmatic and affordable proposal for Pennsylvania and a “big win” for the vast majority of working and middle-income in families in our state. It would ensure affordable college with little or no increase in taxes. What are we waiting for? We owe it to our young people, their families and the future of our state to pass the Pennsylvania Promise.

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# PENNSYLVANIA'S PROMISE

## WHAT IT DOES:

Covers **two years of tuition/fees** for any recent HS grad enrolled full-time at one of PA's **14 public community colleges**;

Covers **four years of tuition/fees** for recent HS grads with a family income less than \$110,000/year accepted at a **State System of Higher Education school**;

Provides an additional **four years of grants from \$2,000 up to \$11,000**, depending on family income, for students accepted into a **state-related university**;

Provides **grants to adults without a college degree**, with priority given to those seeking in-demand skills and industry-recognized credentials.

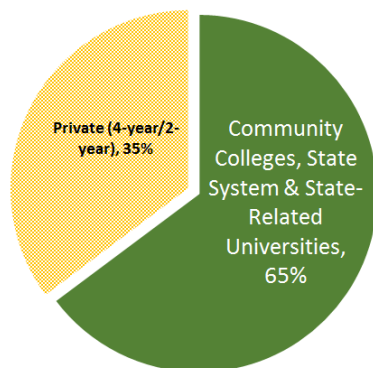
## Additional Information about the Pennsylvania Promise:

- 1) Last Dollar Proposal – Pennsylvania Promise money kicks in after federal and state grant aid
- 2) Support to students filling out financial aid forms
- 3) Support for room and board for students from families making less than \$48,000/year.
- 4) Work Study Supplement for students from families making less than \$48,000/year. Access to 500 hours of work study at a wage rate that would phase up to \$15/hour by 2024.

## Figures from PBPC/KRC research

### Publicly Funded Colleges Are Essential To Realizing The American Dream

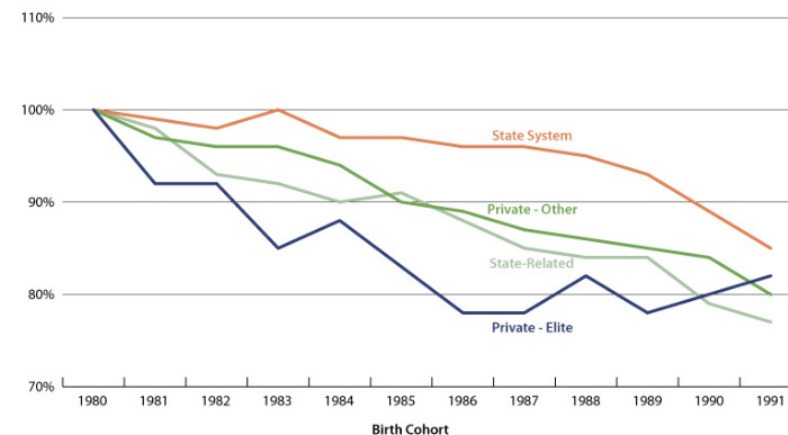
*Public Colleges and State-Related Universities Account for 65% of All Pennsylvania College "Success Stories" - i.e., 65% of of All Students That Come From Bottom 60% Households and Have Top 40% Incomes by Age 32-34*



Source: Keystone Research Center based Mobility Report Cards: The Role of Colleges in Intergenerational Mobility <http://www.equality-of-opportunity.org/college/>

### The Share of Students from Households with Bottom 60% Incomes has Fallen 15% in the State System and Fallen 20% in State-Related Universities

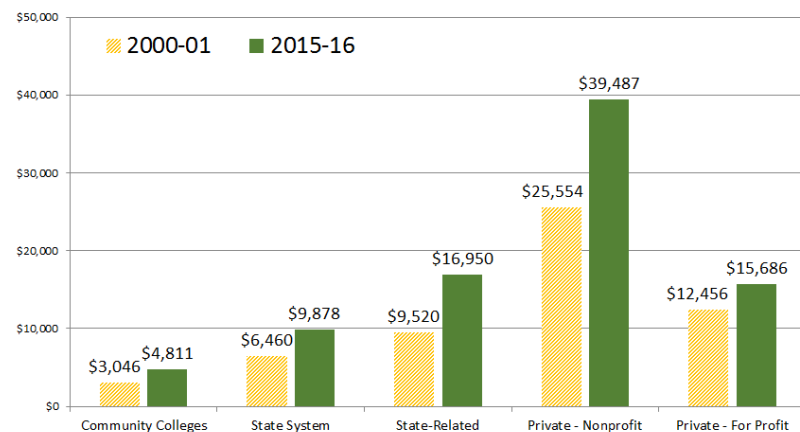
Percent of Students from Households with Bottom 60% Incomes by Birth Year (indexed to 1980 percent of graduates from bottom 60% households = 100)



Source: Keystone Research Center analysis of Mobility Report Cards: The Role of Colleges in Intergenerational Mobility: <http://www.equality-of-opportunity.org/college/>

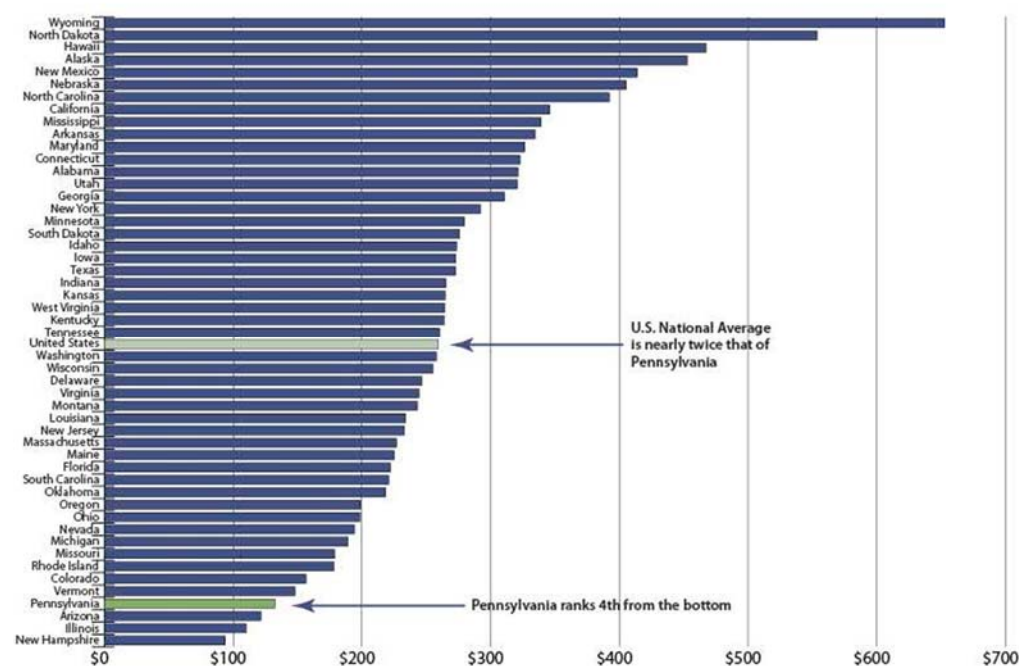
### In The Last 15 Years Tuition and Fees are up 66% in Public and State-Related Universities in Pennsylvania

*In state tuition and fees for Pennsylvania students by type of university, 2000-01 and 2015-16, inflation-adjusted 2016 dollars*



Source: Keystone Research Center analysis of College Scorecard data <https://collegescorecard.ed.gov/>

### State Higher Education Investment Per Capita, 2017



Note: Per Capita estimates based on July 2016 population estimates from the U.S. Bureau of the Census

Source: Pennsylvania Budget and Policy Center based on University of Illinois Grapevine data base Table 4, online at <https://education.illinoisstate.edu/g>

# **The Pennsylvania Promise**

## **Making College Affordable and Securing Pennsylvania's Economic Future**



## **About the Authors**

Mark Price is a labor economist at the Keystone Research Center; Stephen Herzenberg is an economist and Executive Director of the Keystone Research Center; Diana Polson is a Policy Analyst at Pennsylvania Budget and Policy Center.

## **Acknowledgements**

The authors want to thank Sara Goldrick-Rab of Temple University and Lindsay C. Page of the University of Pittsburgh for sharing their research and thoughts about ways to improve this proposal. Thanks also to staff at the Association of Pennsylvania State College and University Faculties, the State System of Higher Education, the Pennsylvania Commission for Community Colleges, and Pennsylvania Higher Education Assistance Agency, and the Pennsylvania Department of Revenue for assistance locating data and/or providing feedback on early drafts of the proposal. Thanks to Aidan Davis and the rest of the staff at the Institute on Taxation and Economic Policy (ITEP) for providing estimates on the tax incidence of changes to the personal income tax. Thanks to John Neurohr for editing and Stephanie Frank for layout and cover design.

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## Executive Summary

Three recent briefs by the Keystone Research Center laid out the case for more affordable access to post-secondary education in Pennsylvania.<sup>1</sup> The global race for raising incomes and increasing opportunity hinges critically on access to post-secondary education and training. If Pennsylvania does not expand access to higher education to more of its citizens, the Commonwealth's economy will suffer and living standards will lag growth

elsewhere. With a modest and smart investment, Pennsylvania can build a more prosperous future for its citizens and reinvigorate the American Dream in every corner of the Keystone State. "The Pennsylvania Promise," outlined below, shows how.

### Our Previous Work on Higher Education in Pennsylvania

- *Pennsylvania's Great Working-Class Colleges* (<https://goo.gl/NHhtqn>)
- *At Student's Expense: Rising Costs Threaten Pennsylvania Public Universities' Role in Upward Mobility* (<https://goo.gl/gwXphr>)
- *Pennsylvania Higher Education at a Crossroads: To Boost Opportunity and Growth, Pennsylvania Needs to Invest in Higher Education* (<https://goo.gl/fr3cBU>)

**The Need for Investment.** There is a pressing need for reinvestment in post-secondary education and training in Pennsylvania.

- Thirty-five years of state disinvestment have left Pennsylvania ranked worst in the nation when it comes to higher education, sunk in the rankings by students' high debt at graduation and the state's high tuition and fees, according to *U.S. News and World Report*.<sup>2</sup>
- The state ranks 40<sup>th</sup> for the share of adults 25-64 with an education beyond high school.<sup>3</sup>
- In over half of Pennsylvania counties (35), the share of adults with more than a high-school degree is lower than in any of the 50 states (i.e., lower than West Virginia's 48.1%).<sup>4</sup>
- A large body of economic research shows that lagging educational attainment translates to lower wages and incomes for individuals and slower economic growth for regions.<sup>5</sup>
- The *Wall Street Journal* has already labeled rural America the "new inner city," the nation's most troubled regions. Rural Pennsylvania has so far escaped the fates of some parts of West Virginia and Kentucky.<sup>6</sup> But if Pennsylvania's rural counties remain higher education deserts,<sup>7</sup> it would guarantee their accelerating decline over the next generation.

**The Pennsylvania Promise.** For about a billion per year, Pennsylvania could:

- cover two years of tuition and fees for any recent high school graduate enrolled full-time at one of the Commonwealth's 14 public community colleges;
- cover four years of tuition and fees for any recent high school graduate with a family income less than or equal to \$110,000 per year accepted into one of the 14 universities in the State System of Higher Education;
- provide 4 years of grants ranging from \$2,000 up to \$11,000, depending on family income, for students accepted into a state-related university.<sup>8</sup>
- Provide free college tuition and fees for adults without a college degree, with priority going to those seeking in-demand skills and industry-recognized credentials, as well as college credit.

Currently per capita funding for higher education in Pennsylvania ranks 47<sup>th</sup> out of 50 states.<sup>9</sup> The increase in state spending required under the Pennsylvania Promise would raise Pennsylvania's rank to 36<sup>th</sup>.

The Pennsylvania Promise would cost:

- **One fourth of the revenue raised from increasing the Pennsylvania personal income tax rate by one percentage point.**<sup>10</sup>
- **About half of the revenue raised by a progressive tax proposal that cuts the personal income tax rate on wages and interest while raising it on the income derived from wealth.** This is a proposal that would lower taxes for most Pennsylvanians, including a large majority of the rural Pennsylvanians who would especially benefit from the Pennsylvania Promise.<sup>11</sup>
- **Roughly the money raised by a severance tax like West Virginia's.** The added appeal of using a severance tax to fund a portion of the Pennsylvania Promise would be that many drilling regions lack a low-cost local community college, making attendance at two and four-year institutions a particularly burdensome proposition for low income students from those regions.<sup>12</sup>
- **The amount raised by a 0.054 percent flat tax on financial wealth ("net worth") – \$540 annually for a taxpayer with \$1 million in financial assets.**<sup>13</sup> Investing these revenues in the Pennsylvania Promise, thereby addressing Pennsylvania's chronic higher education investment deficit, would increase wealth in Pennsylvania long-term. Funding this investment solely through a wealth/net worth tax paid almost entirely by the highest-income Pennsylvanians would place the burden of financing expanded access to higher education on those individuals who have benefited most from changes to tax and economic policy in the last several decades. It would also generate profound improvements in opportunity and quality of life for Pennsylvanians generally.

After running the numbers, the question that emerges is "what are we waiting for?" Anyone who cares about Pennsylvania, particularly those parts of the state underserved by affordable, accessible higher education – most of the state outside the Philadelphia metro area and parts of the Pittsburgh metro area – should be leading the charge for Pennsylvania to enact the Pennsylvania Promise.

# The Pennsylvania Promise

In recent years, in the context of rising costs of attending college and mushrooming student debt, proposals have emerged nationally and in several states to increase funding for higher education. Table 1 (on the next two pages) profiles four of the most visible proposals (the Tennessee Promise, the Oregon Promise, New York's Excelsior Scholarship program, and Senator Bernie Sanders' proposal) and compares them to the Pennsylvania Promise. (The Technical Appendix has more detail on the methodology and data sources for the cost estimates of our proposal.)

## Our proposal:

- Provides grants for two years at one of the Commonwealth's 14 public community colleges or four years at one of 14 universities in the State System of Higher Education (State System) or four years at a state-related university.
- Would make these grants available to any recent high school graduate from Pennsylvania enrolled full-time in a community college or to full-time students enrolled in a State System or state-related university with a family income less than or equal \$110,000.
- Would make these grants cover the "last dollar" of tuition and fees remaining after accounting for all other federal, state, and institutional grants awarded to a student. This is a design like the existing Tennessee, Oregon, and New York programs. Eligible students would need to complete a FAFSA application and access federal Pell grants and state Pennsylvania Higher Education Assistance Agency (PHEAA) grants before Pennsylvania Promise grants pay their remaining tuition and fees.
- Would provide an amount capped initially at \$50 million for adults (20 and over) without a college degree who have a family income less than or equal to \$110,000 to earn, ultimately, up to four years of postsecondary credit. Priority would go to programs that lead to an industry-recognized credential that is articulated with college credit, ordinarily at a community college or State System or state-related university.<sup>14</sup>
- Would establish the Office of Income Mobility within the Pennsylvania Department of Education. The office would coordinate with colleges, high schools, and local communities in implementing evidence-based solutions designed to lower barriers to college attendance and completion for high achieving low- and middle-income students.
- Would include for income-eligible students – those with family incomes less than or equal to \$48,000 – a minimum grant of \$1,000 for those enrolled in a community college and a minimum grant of \$2,500 for those enrolled in the State System or state-related university. For students with federal and state aid that covers all or a substantial portion of tuition and fees, these minimum grants provide some additional assistance in covering other college costs including books and room and board.
- Would add a state supplement to federal work-study programs that gives income eligible students – those with family incomes less than or equal to \$48,000 – access to 500 hours of employment annually at a wage level that would phase up to \$15 per hour by 2024. As proposed by Sara Goldrick-Rab, an expansion of work study could seek to increase student participation in community service and in career training via apprenticeships, internships, and co-op programs.<sup>15</sup> This would benefit employers and regional economies as well as students, particularly in regions underserved by affordable higher education currently.

**Table 1.****A Comparison of Five Tuition Assistance Proposals**

	<i>Tennessee Promise<sup>1</sup></i>	<i>New York Excelsior<sup>2</sup></i>	<i>Oregon Promise<sup>3</sup></i>	<i>Sanders' Proposal<sup>4</sup></i>	<i>PA Promise</i>
<i>Covered Costs</i>	Tuition & fees	Tuition	Most tuition	Tuition	Tuition & fees
<i>Eligible Institutions</i>	CCs, app. tech. C's, other elig. Assoc. Deg. institutions	All City & State Univ. of NY (CUNY/SUNY) 2- and 4-year colleges	Community colleges	Public colleges (State System & Community Colleges)	Any public community college, State System or state-related university
<i>Last Dollar?</i>	Yes -- costs above Pell, HOPE school., TN Stud. Ass.	Yes	Yes -- after Pell & OR Opportunity Grants	Yes	Yes
<i>Grant maximum</i>		\$5,500 minus TAP (see last row on next page), Pell, and other awards	Up to \$3,450 in 2017-18		Tuition & fees minus all federal, state and local grants; grants for state-related schools will be capped at grant average in State System Schools.
<i>Help w/non-tuition costs</i>			Min. \$1,000 grant pays some non-tuition for low-income	Expands work study for low-income students	Minimum grants for low-income students: \$1,000 grant at CCs; \$2,500 at State System or state-related universities; also expanded work study
<i>Income Eligibility</i>		Up to \$125,000 family gross income in 2019	"Expected Family Contribution" on FAFSA up to \$18,000		No income eligibility limits at Community Colleges. At State System and state-related universities, eligibility limited to family income less than or equal to \$110,000 per year
<i>Years/credits of eligibility</i>		Up to 2 years for Associate's Degree and 4 for Bachelor's	Up to 12 credits per semester; 90 credits total		Up to 2 years at a community college/4 at State-system or state-related universities
<i>Up-front geographic eligibility</i>		Resided in state for 12 continuous months prior to term of award	Oregon resident at least 12 months prior to college		Resided in state for 12 continuous months prior to term of award

**Table 1 (continued). A Comparison of Five Tuition Assistance Proposals**

	<i>Tennessee Promise</i>	<i>New York Excelsior</i>	<i>Oregon Promise</i>	<i>Sanders' Proposal</i>	<i>PA Promise</i>
<i>Back-end geographic eligibility</i>		Live & work in NY after graduation for length of scholarship	None		None
<i>Current or future students?</i>		For new and current students; current must be on track to complete on time	Recent HS graduates		Recent high school graduates; \$50 million set aside for adults age 20 and older
<i>Full-time (FT) or Part-time (PT) Students?</i>		Requires 30 credits per calendar year (incl. Jan. and summer)	At least 1/2 time; 100% grants for FT students, 75% for 3/4 time; 50% for 1/2 time		Eligibility for new high school graduates limited to full-time students. Adult education open to part-time students
<i>Grade Requirement</i>	2.0 GPA	Passing grade	2.5 High School GPA	Passing grade	Passing grade
<i>Other features</i>	Mentors for admissions; 8 hours of comm. service per term		Satisfactory Academic Progress (SAP), as determined by college	States pay 33% & must maintain higher education spending, need-based aid, use fewer low-paid adjuncts; no \$ for admin., merit aid, non-academic building	Fund office to promote college entry and persistence for low- to middle-income students
<i>Estimated cost</i>		\$163 million; NY already has \$1 billion Tuition Assistance Program (TAP)	\$40 million allocated for 2017-19, \$8 million short of projected cost		\$1.16 billion

<sup>1</sup> <http://www.tn.gov/thec/topic/tn-financial-aid> and <http://tnpromise.gov/about.shtml>

<sup>2</sup> [https://www.ny.gov/sites/ny.gov/files/atoms/files/ExcelsiorScholarship\\_Toolkit.pdf](https://www.ny.gov/sites/ny.gov/files/atoms/files/ExcelsiorScholarship_Toolkit.pdf)

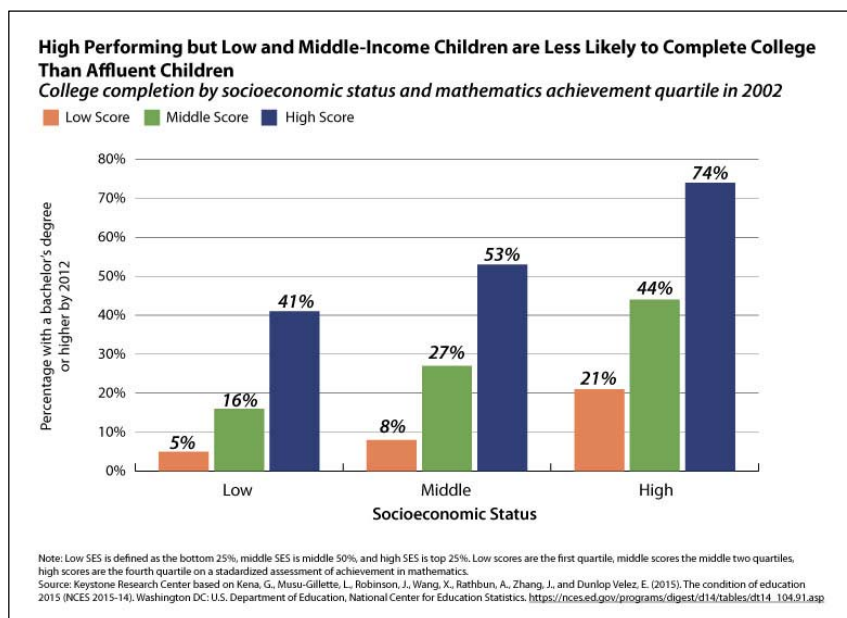
<sup>3</sup> <https://oregonstudentaid.gov/oregon-promise-faq.aspx?m=print>

<sup>4</sup> <https://www.sanders.senate.gov/download/collegeforallsummary/?inline=file>

## Promoting Upward Mobility

Substantial barriers other than ability impede access to post-secondary education and training for low- and middle-income students. Indicative of this, among students scoring in the top quartile of a standardized assessment of achievement in mathematics when they were high school sophomores, only 41% of the low socioeconomic status kids (based on family income and parental occupation) had completed college 10 years later. College completion rises to 53% for similarly high-scoring middle socioeconomic students and to 74% for high socioeconomic status children (Figure 1).<sup>16</sup>

**Figure 1.**



Access to skills through education and training are an important vehicle for upward income mobility in Pennsylvania.<sup>17</sup> There is also evidence that reducing college costs facilitates college entrance and persistence.<sup>18</sup> However, federal grants impose large paperwork burdens that limit their effectiveness in

**Many young people from low- and middle-income families lack key information about college benefits, costs, and the process of applying to and selecting a college. The charge of the Office of Income Mobility is to work to bridge these informational gaps to facilitate increased college-attendance and completion among low- and middle-income students.**

facilitating increases in college entry among low-income students relative to grant programs with less burdensome eligibility requirements. The Pennsylvania Promise, in seeking to maximize existing federal and state sources of grant aid, also requires students to fill out a FAFSA form. Considering this, to maximize the effectiveness of the Pennsylvania Promise in raising college entry among high achieving low- and middle-income students, we propose establishing an Office of Income Mobility within the Pennsylvania Department of Education with an annual appropriation of \$9.9 million. The office's primary charge will be to facilitate the implementation of solutions at public colleges, high schools and in local communities designed to reduce the constraints faced by less affluent students in applying to and completing college. Page and Scott-Clayton provide an in-depth discussion of the empirical research into interventions designed to overcome these constraints.<sup>19</sup> One of the programs we propose the Office of Income Mobility implement is the recruitment of volunteer mentors (replicating innovative features of the Tennessee Promise) to help students navigate through their college, financial aid, and Pennsylvania Promise applications. The office will also be responsible for managing PA Promise grants targeted at adults.

## Changes in the Net Total Cost of College Under the Pennsylvania Promise

Although the Pennsylvania Promise delivers substantial benefits in terms of new grant aid, Table 2 illustrates that the net total cost of college (tuition, fees and living expenses after subtracting existing grants/scholarships and Pennsylvania Promise aid) remains substantial.<sup>20</sup> Students in the State System from families with incomes less than \$30,000 still face a net total cost after all aid of \$12,086, in Community Colleges that figure is \$6,288. These total cost figures point to the critical importance of access to living wage work study opportunities. (See Section IV: Work Study of the Technical Appendix for more details on the work study component of the Pennsylvania Promise). In 2018, we estimate 500 hours of work study at \$9.00 an hour would yield gross wages of \$4,500, a figure that is still less than half of the remaining college tuition bill facing the students from the lowest income families.<sup>21</sup>

**Table 2.**

<b>Net total cost<sup>1</sup> of college 2018-19 before and after Pennsylvania Promise<sup>2</sup> by family income</b>					
	Less than \$30,000	\$30,001 to \$48,000	\$48,001 to \$75,000	\$75,001- \$110,000	\$110,001 or more
<b>State System of Higher Education</b>					
Before	\$16,900	\$18,203	\$22,366	\$25,909	\$26,688
After	\$12,086	\$12,256	\$15,062	\$15,351	\$26,688
Decline in net total cost	-\$4,815	-\$5,947	-\$7,304	-\$10,558	\$0
Percent decline in net total cost	-28%	-33%	-33%	-41%	0%
<b>Community Colleges</b>					
Before	\$7,555	\$8,455	\$11,284	\$13,551	\$13,898
After	\$6,288	\$6,493	\$7,646	\$8,248	\$9,724
Decline in net total cost	-\$1,267	-\$1,962	-\$3,638	-\$5,303	-\$4,174
Percent decline in net total cost	-17%	-23%	-32%	-39%	-30%
<b>State-Related Universities</b>					
Before	\$19,752	\$21,087	\$24,110	\$28,103	\$30,083
After	\$14,938	\$15,140	\$16,806	\$17,545	\$30,083
Decline in net total cost	-\$4,815	-\$5,947	-\$7,304	-\$10,558	\$0
Percent decline in net total cost	-24%	-28%	-30%	-38%	0%

<sup>1</sup> Average annual total cost of attendance, including tuition and fees, books, and supplies, and living expenses, minus the average grant/scholarship aid. It is calculated for all full-time, first-time, degree/certificate-seeking undergraduates who receive Title IV aid. It is included in the IPEDS Student Financial Aid component. Separate metrics are calculated for public institutions and private institutions. For public institutions, this metric is limited to undergraduates who pay in-state tuition and receive Title IV aid. For private institutions, it includes all undergraduates who receive Title IV aid. The total cost of attendance depends on whether undergraduates live on campus, off campus (not with family), or off campus (with family)

<sup>2</sup> Includes mobility grants

Source: Keystone Research Center estimates based on Integrated Postsecondary Education Data System (IPEDS) data

Tuition assistance proposals like the Pennsylvania Promise do substantially lower the financial barriers to college enrollment, reducing the total cost of tuition between 17% and 41% for students with income below \$110,000, but they still leave students and their families facing substantial costs (Table 2). Tuition



assistance proposals by no stretch of the imagination make college free, but they do drive the total cost of college back down in the direction of the lower cost of college faced by previous generations of students that attended public colleges in Pennsylvania.

## Public Institutions of Higher Education: Successful, Accountable & Cost Effective

Only students enrolled in one of Pennsylvania's community colleges, the State System or state-related universities qualify to participate in the Pennsylvania Promise, thus excluding participation by private non-profit and for-profit institutions. This design choice reflects the record of success of Pennsylvania public colleges as engines of upward income mobility. Our analysis finds that, as a group, Pennsylvania public colleges, including state-related universities, account for 65% of the college students from families with bottom-60% incomes who had an income in the top 40% (within their age cohort) by their early thirties.<sup>22</sup> In addition to being a critical channel of upward mobility for Pennsylvania residents, public colleges are also accountable to the taxpayers through the oversight of the Governor and General Assembly.

Despite 35 years of declining state financial support, public colleges (community colleges, state system schools) as well as state-related universities remain the most affordable higher education option in Pennsylvania (Table 3). Private, non-profit institutions with an average tuition of \$37,939 are more than five times as expensive as average tuition across community colleges and State-system schools.

**Table 3.**

**Federal, state, local and institutional grants awarded per student<sup>1</sup> in public, state-related and private institutions of higher education 2014-15**

College type <sup>2</sup>	Federal, state, and local grants per student	Institutional grants per student	Total grants per student	Tuition and fees <sup>3</sup>
<b>Public</b>	\$2,756	\$367	\$3,123	\$7,235
Community Colleges	\$2,629	\$50	\$2,679	\$4,440
State System	\$2,854	\$612	\$3,466	\$9,389
<b>State-Related</b>	\$2,110	\$3,196	\$5,307	\$15,621
<b>Private - Nonprofit</b>	\$2,144	\$17,953	\$20,097	\$37,939
<b>Private - For Profit</b>	\$3,439	\$2,454	\$5,893	\$21,796

<sup>1</sup> Total number of full-time first-time degree/certificate seeking undergraduates - financial aid cohort (variable name "scugffn") drawn from the Student Financial Aid Data file of IPEDS, 2014-15.

<sup>2</sup> Grant amounts per student as well as tuition and fees are weighted averages based on the total number of full-time first-time degree/certificate seeking undergraduates see note <sup>1</sup> for source.

<sup>3</sup> In-district average tuition for full-time undergraduates (variable name "tuition1") drawn from the Institutional Characteristics Data file of IPEDS, 2014-15.

Source: Keystone Research Center estimates based on Integrated Postsecondary Education Data System (IPEDS) data

Table 3 also illustrates that private, non-profit institutions attempt to offset high prices for some of their students using their own grants (institutional grants). Because private institutions are not accountable to the public, there is a risk that opening the Pennsylvania Promise to private institutions may create an

incentive for these institutions to rely on the Pennsylvania Promise to fund more socio-economic diversity on their campuses and thus redirect current institutional grant aid to other less meritorious institutional priorities.

## Promoting Training and Education for Adults

Pennsylvania ranks 40<sup>th</sup> out of 50 states for the share of adults age 25-64 with more than a high school education.<sup>23</sup> The Pennsylvania Promise seeks to boost educational attainment among adults without a college degree, with an initial investment in grants of \$12.5 million in 2018-19 that rises to \$50 million by 2021-22.

- We recommend priority in funding go to programs that lead to an industry-recognized credential that is articulated with college credit, ordinarily at a community college, State-system school or state-relative university.
- Adult learners would be eligible for up to two years of tuition assistance at community colleges or up to four years at a State-system school.
- Eligibility would be limited to adults with family income less than or equal to \$110,000 a year.
- We would recommend NOT limiting eligibility to students attending college full-time.

Based on average tuition and fees at the states community colleges, we estimate the program could provide grants to 1,975 adult learners in 2018-19, with the number of grants rising to 7,301 by 2021-22.

## Funding the Pennsylvania Promise

We recommend that the revenues raised to support this proposal be earmarked to a separate fund managed by the Commonwealth called the Pennsylvania Promise Fund. Earmarking tax revenues raised to support the Pennsylvania Promise establishes a direct link between increased taxes and the services funded by those increases.

### **Funding the Pennsylvania Promise with a Higher Tax on the Income from Wealth**

Analysis by Institute on Taxation and Economic Policy (ITEP) finds an increase in the personal income tax rate from 3.07% to 4.36% applied to all classes of income other than wages and interest (e.g. capital gains, rental property income, etc.) raises 89% of its revenue from taxpayers with incomes of \$109,000 or more. Only 24% of Pennsylvania taxpayers would experience a tax increase under this proposal and the funding made available would eliminate or substantially reducing tuition and fees for 137,000 students a year.

In selecting financing alternatives for the fund, our starting point is to consider tax proposals that are the least likely to increase the burden of taxation on low- and middle-income families relative to high income families. Today, non-elderly middle-income taxpayers in Pennsylvania pay 9.3% of their income in state and local taxes – that’s more than twice as large as the 4.2% of income that the top 1% of families pay in taxes.<sup>24</sup> Relying heavily on an increase in the state sales tax to finance the fund would substantially shift more of the tax burden to low- and middle-income taxpayers. We thus focus on corporate, income, severance, and wealth taxes, all of which have tax incidence that is more favorable for low- and middle-income families.

We present below a menu of possible funding options with each tax rate scaled up to entirely fund the Pennsylvania Promise at \$1.16 billion:

- An increase in the corporate net income tax rate (CNI) from 9.99% to 13.99%.
- Reenacting the Capital Stock and Franchise Tax at 3 mills.
- A natural gas severance tax at a rate similar to the 5% in West Virginia.<sup>25</sup>
- A higher personal income tax rate of 4.36% on unearned income (excluding interest).<sup>26</sup>
- An across-the-board increase in the personal income tax rate of from 3.07% to 3.32%.<sup>27</sup>
- A wealth tax of 0.054%.<sup>28</sup>

The revenue impact on the state budget of corporate tax cuts enacted since 2002 has increased four times since 2003-04 from \$796 million to \$3.25 billion per year.<sup>29</sup> The top 1% of earners have captured 40% of income growth since 1979.<sup>30</sup> Because tax policy and economic growth have favored both corporate and high-income taxpayers, relying on tax increases that ask more of these taxpayers than other groups is fair and given the cost of the Pennsylvania Promise, a modest amount relative to the tax cuts and income growth these tax payers have enjoyed in the past 38 years. These investments may mean slightly higher taxes now for those with the greatest ability to pay. Long-term they will lead to a more prosperous and profitable Pennsylvania economy, with benefits even for those affluent Pennsylvanians asked to invest in our common future.

## Technical Appendix

This technical appendix explains in detail the assumptions underlying our estimate of the total cost (presented in the last row of Table A1 below) of the Pennsylvania Promise. We estimate that the Pennsylvania Promise will cost \$879.2 million in 2018-19 with total costs reaching \$1.16 billion in 2021-22 as all components of the proposal are fully implemented.

**Table A1.**

<b>Summary of Total Cost, Number of Students Affected &amp; Average Tuition Assistance Per Student Under Pennsylvania Promise</b>				
	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
<b>Section I: State System of Higher Education</b>				
Total Cost	\$367,415,692	\$387,240,661	\$408,106,063	\$414,259,770
Number Affected	54,968	54,583	54,310	54,140
Average Award Per Student	\$6,684	\$7,095	\$7,514	\$7,652
<b>Section II: Community Colleges</b>				
Total Cost	\$77,489,139	\$78,535,281	\$82,973,762	\$88,658,820
Number Affected	30,990	30,571	30,408	30,633
Average Award Per Student	\$2,500	\$2,569	\$2,729	\$2,894
<b>Section III: State-Related Universities</b>				
Total Cost	\$393,394,450	\$490,800,190	\$537,990,027	\$532,786,641
Number Affected	48,631	51,342	54,169	53,993
Average Award Per Student	\$8,089	\$9,559	\$9,932	\$9,868
<b>Section IV: Work Study Expansion</b>				
Total Cost	\$20,000,000	\$40,000,000	\$60,000,000	\$60,000,000
<b>Section V: Adult Education Assistance</b>				
Total Cost	\$12,500,000	\$25,000,000	\$37,500,000	\$50,000,000
<b>Section VI: Office of Income Mobility</b>				
Total Cost	\$8,382,993	\$9,565,761	\$10,290,699	\$10,357,052
<b>Section X: Overall</b>				
Total Cost	\$879,182,274	\$1,031,141,894	\$1,136,860,550	\$1,156,062,284

Source: Keystone Research Center estimates based on Integrated Postsecondary Education Data System (IPEDS) data

We will now move through each section of Table A1 discussing in detail the assumptions underlying our cost estimate beginning with Section I: State System of Higher Education, followed by Section II: Community Colleges, Section III: State-Related Universities, Section IV: Work Study, Section V: Adult Education Assistance, and Section VI: Office of Income Mobility.

## Section I: State System of Higher Education

Under the Pennsylvania Promise, the Commonwealth of Pennsylvania will cover tuition and fees remaining after deducting all other state and federal aid for up to four years of college at one of the 14 schools in the State System of Higher Education<sup>31</sup> (hereafter for brevity the State System) for any student with a family income less than \$110,000 a year (low income students with family incomes less than \$48,001 would be provided a minimum \$2,500 grant in addition to assistance with tuition and fees).

In our derivation of the total cost of this proposal we begin with an estimate of the total number of students enrolled in the State System that would be affected by this proposal. In Table A2 we project the enrollment of full-time first-time degree/certificate seeking undergraduates in the State System in each year from 2018-19 to 2021-22 assuming the enrollment of Pennsylvania residents in the State System will remain 13.8% of the projected number of Pennsylvania high school graduates.<sup>32</sup> In 2018-19 this yields an enrollment of 17,136 students. With the upper income limit for Pennsylvania Promise eligibility set at \$110,000, enrollment eligible for grant assistance is reduced to 13,099 (76% of the students in the State System have family incomes less than \$110,000 a year).<sup>33</sup> Using the same procedure for students enrolled in the previous three years (i.e., current sophomores, juniors, and seniors), we estimate an additional 39,675 students will be eligible to participate in the Pennsylvania Promise in 2018-19.

We expect enrollment in the State System to rise in response to the fall in the total cost of attendance. In an unpublished working paper Page, Nurshatayeva and Lowry<sup>34</sup> identified 11 studies tracking the effect of financial aid on overall enrollment, with enrollment gains ranging from zero to 5.4% per \$1,000 dollars of aid. To estimate the impact of the Pennsylvania Promise on enrollment in the State System we averaged across these 11 estimates to arrive at an average effect of 2.3% for every \$1,000 dollars of aid. Based on the average benefit, we estimate enrollment will rise 17% (an increase of 2,244 students) in the State System.<sup>35</sup> Altogether we estimate 55,018 students in the State System will be eligible to participate in the Pennsylvania Promise in 2018-19. We now turn our attention to tuition and existing financial aid.

**Table A2.**

**Pennsylvania resident enrollment estimates 2018-19 to 2021-22 for the State System of Higher Education**

	2018-19	2019-20	2020-21	2021-22
<b>A: Enrollment</b>				
Predicted Enrollment	17,136	16,807	16,950	17,065
Family Income < \$110,000	13,099	12,847	12,956	13,044
Eligible Enrollees Prior 3 Years	39,675	39,542	39,160	38,902
Predicted Enrollment Increase	2,244	2,244	2,244	2,244
Total Enrollment	55,018	54,633	54,360	54,191

Source: Keystone Research Center estimates based on Integrated Postsecondary Education Data System (IPEDS) data

We have assumed that in-state average tuition and fees for full-time undergraduates will rise 3.5% in 2017-18 and 2.5% every year after that, yielding tuition and fees of \$11,100 in 2018-19 (see Table A2 below).<sup>36</sup> For 55,018 students in 2018-19 this corresponds to \$610.7 million in tuition and fees. We estimate existing grant aid from all sources at \$277 million in 2018-19.<sup>37</sup> Under the Pennsylvania Promise, students with family incomes less than or equal to \$48,000 are guaranteed a minimum grant (labeled mobility grants in Table A2) of \$2,500 on top of their tuition assistance.<sup>38</sup> In 2018-19, summing tuition & fees net of grant aid (\$333.7 million) with mobility grants (\$34.1 million) yields a total cost for students enrolled in the State System of \$367.7 million.

**Table A2 (continued).**

**Pennsylvania tuition and grant aid estimates for 2018-19 to 2021-22 for the State System of Higher Education**

<b>B: Tuition &amp; Financial Aid</b>				
	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Tuition & fees	\$11,100	\$11,380	\$11,667	\$11,961
Total tuition & fees	\$610,691,773	\$621,714,326	\$634,213,849	\$648,185,364
Total grant aid	\$276,985,152	\$286,369,221	\$296,319,811	\$306,792,401
Tuition & fees net of grant aid	\$333,706,621	\$335,345,105	\$337,894,037	\$341,392,962
Mobility grants	\$34,073,726	\$52,080,318	\$70,217,250	\$72,692,859
Total Cost	\$367,780,347	\$387,425,423	\$408,111,287	\$414,085,822

Source: Keystone Research Center estimates based on Integrated Postsecondary Education Data System (IPEDS) data

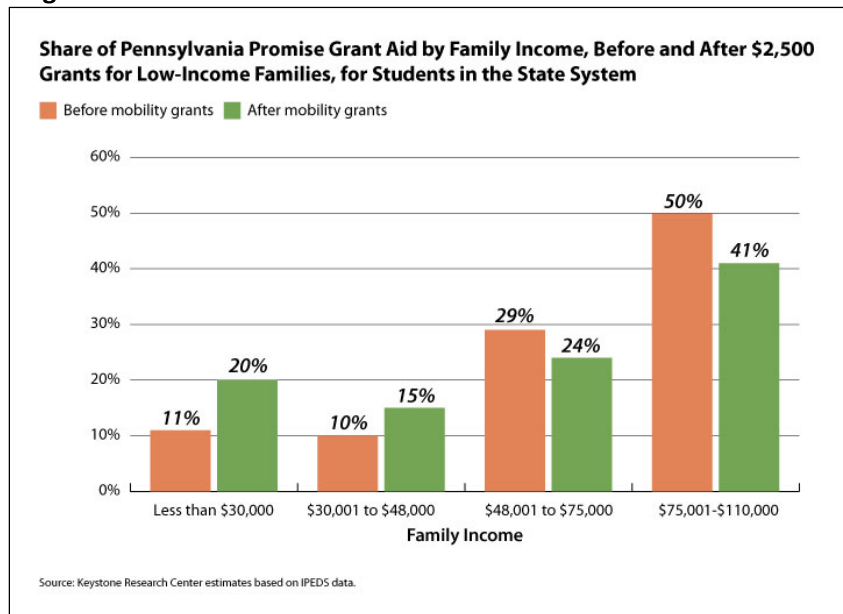
## \$2,500 Mobility Grants in the State System of Higher Education

Figure A1 summarizes, for students in the State System of Higher Education in 2018-19, the share of Pennsylvania Promise grant aid by family income before and after the application of \$2,500 mobility grants for students with family incomes less than \$48,001.

The Pennsylvania Promise distributes more aid to students with family incomes between \$48,001 and \$110,000 because existing federal and state grants peak for the lowest income students at an average of \$8,812 and declines to an average of

\$1,192 for students with family incomes between \$75,000 and \$110,000. This fact combined with the Pennsylvania Promise's coverage of tuition and fees remaining after existing grant aid drives the bulk of aid upward to middle-income students. In the absence of mobility grants, the share of grant aid going to students with family incomes less than \$30,001 is 11% and 10% for those with family incomes between \$30,001 and \$48,000. These shares rise to 20% and 15% respectively as minimum grants guarantee that low income students receive assistance even if existing federal and state grants cover all tuition and fees.

**Figure A1.**



## Section II: Community Colleges

For students in who live in a county or school district than “sponsors” a community college, the Pennsylvania Promise the Commonwealth of Pennsylvania will cover tuition and fees remaining after deducting all other state and federal aid for the first two years of college at one of the 14 community colleges<sup>39</sup> for any recent Pennsylvania high school graduate. Students who live in counties and school districts that do not sponsor a community college would have their tuition and fees reduced to the average “local share” of tuition and fees in sponsoring counties and school districts. Low-income students with family incomes less than \$48,001 would be provided a minimum \$1,000 grant in addition to assistance with tuition and fees. Our derivation of the public cost of covering tuition and fees at Pennsylvania community colleges follows closely the derivation described in “Section I: State System of Higher Education.” For brevity, we will limit our discussion to key assumptions unique to our cost estimates for these institutions.

- To estimate the impact of the Pennsylvania Promise on enrollment in the community colleges we calculated an average award per student from 2018-19 to 2021-22 of \$2,673, which implies an increase in enrollment of 6% (an increase of 926 students).<sup>40</sup>
- Tuition and fees in community colleges grew 5.8% between 2009-10 and 2016-17, in projecting the growth of tuition and fees through 2022-23, we assume average annual growth of 2.9%.
- We estimate that three-fourths of Pennsylvania residents attending community colleges pay in-district tuition and fees with the remainder of students paying in-state tuition and fees.<sup>41</sup> Our



cost estimates subtract existing aid from in-district tuition, which we estimate at \$5,379 in 2018-19. We estimate in-state but out-of-district tuition at community colleges will be \$9,086 in 2018-19. The difference reflects the subsidy that sponsoring school districts and county governments pay for their residents to attend community college, with non-residents paying higher in-state tuition. These out-of-district (but in-state) students in our estimates will have the cost of tuition covered up to the maximum tuition paid by in district students. We recommend counties and school districts that do not have their own community colleges reimburse students for the difference and/or establish their own community colleges. We estimate the total cost of covering the remaining tuition and fees of out-of-district students in Pennsylvania is \$30 million per year. One alternative to consider is state legislation that requires county governments and school districts to reimburse these students for tuition costs not covered by grant aid if districts and counties do not already financially support a community college.

- We recommend that legislation establishing the Pennsylvania Promise make participation by community colleges contingent on school districts and county governments maintaining their current financial support relative to the state's pre-Pennsylvania Promise financial support.
- Under the Pennsylvania Promise community college students with family incomes less than or equal to \$48,000 are guaranteed a minimum grant (labeled mobility grants in Table A3) of \$1,000 on top of their tuition assistance.

In 2018-19, summing tuition and fees net of grant aid (\$57 million) with mobility grants (\$20.5 million) yields a total public cost for community college enrollment of \$77.5 million with total costs rising to \$88.7 million in 2021-22.

**Table A3.**

**Pennsylvania resident enrollment, tuition, and grant aid estimates 2018-19 to 2021-22 for community colleges**

	2018-19	2019-20	2020-21	2021-22
<b>A: Enrollment</b>				
Predicted Enrollment	14,966	14,678	14,803	14,904
Eligible Enrollment	14,966	14,678	14,803	14,904
Enrollment Previous Year	15,097	14,966	14,678	14,803
Predicted Enrollment Increase	926	926	926	926
Total Enrollment	30,990	30,571	30,408	30,633
<b>B: Tuition &amp; Financial Aid</b>				
Tuition & fees (in-district)	\$5,379	\$5,535	\$5,695	\$5,860
Tuition & fees (in-state)	\$9,086	\$9,291	\$9,501	\$9,716
Total tuition & fees	\$166,696,688	\$169,203,319	\$173,172,190	\$179,506,133
Total grant aid	\$109,688,125	\$111,483,891	\$110,906,458	\$111,704,329
Tuition & fees net of grant aid	\$57,008,564	\$57,719,428	\$62,265,732	\$67,801,804
Mobility grants	\$20,480,575	\$20,815,854	\$20,708,029	\$20,857,016
Total Cost	\$77,489,139	\$78,535,281	\$82,973,762	\$88,658,820

Source: Keystone Research Center estimates based on Integrated Postsecondary Education Data System (IPEDS) data

## \$1,000 Mobility Grants in Community Colleges

Figure A2 summarizes for students enrolled in community colleges in 2018-19 the share of Pennsylvania Promise grant aid by family income before and after the application of \$1,000 mobility grants for students with family incomes less than \$48,001. Mobility grants raise the share of total Pennsylvania Promise aid going to students with family incomes less than \$48,001 from 16% to 38%.

### Section III: State-Related Universities

Under the Pennsylvania Promise, the Commonwealth of Pennsylvania will provide grants to students with incomes of less than \$110,000 enrolled at state-related institutions (Lincoln University, Pennsylvania College of Technology, Pennsylvania State University, Temple University, Thaddeus Stevens College of Technology, and University of Pittsburgh). Extending grant aid to 48,631 students in 2018-19 and raises the cost of the Pennsylvania Promise by \$393.4 million in 2018-19, with costs rising to \$532.8 million by 2021-22.

The derivation of the cost of extending the Pennsylvania Promise to students at state-related Universities follows closely the discussion in “Section I: State System of Higher Education.” We limit our discussion here to assumptions unique to state-related institutions.

- To estimate the impact of the Pennsylvania Promise on enrollment in the state-related institutions, we calculated an average award per student from 2018-19 to 2021-22 of \$9,362, which implies an increase in enrollment of 22% (an increase of 2,950 students).<sup>42</sup>
- Tuition and fees in state-related institutions grew 3.4% between 2009-10 and 2016-17; in projecting the growth of tuition and fees through 2022-23 we assume average annual growth of 1.7%.
- Tuition and fees at state-related universities are 51% higher than in the State System. We therefore propose capping Pennsylvania Promise grants available to students enrolled in state-related universities at the average Pennsylvania promise grant aid available to students enrolled in the State System (see Table A5 for maximum grant levels).

**Figure A2.**

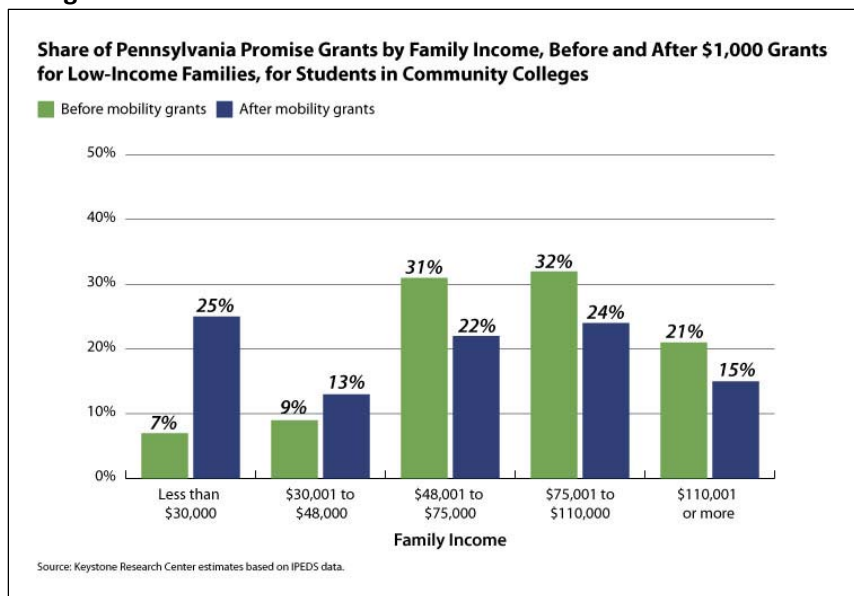


Table A4.

**Pennsylvania resident enrollment, tuition, and grant aid estimates 2018-19 to 2021-22: State-Related Universities**

	2018-19	2019-20	2020-21	2021-22
<b>A: Enrollment</b>				
Predicted Enrollment	19,342	18,970	19,131	19,261
Family Income < \$110,000	13,615	13,353	13,467	13,558
Eligible Enrollees Prior 3 years	35,016	37,989	40,703	40,435
Predicted Enrollment Increase	2,950	2,950	2,950	2,950
Total Enrollment	48,631	51,342	54,169	53,993
<b>B: Pennsylvania Promise Grant Aid (tuition assistance plus mobility grants)</b>				
Total Cost	\$393,394,450	\$490,800,190	\$537,990,027	\$532,786,641

Source: Keystone Research Center estimates based on Integrated Postsecondary Education Data System (IPEDS) data

Table A5.

**Pennsylvania Promise Grant Aid Maximums by Family Income in State-Related Universities**

Note: After subtracting existing state and federal grants from State-Related University tuition and fees students will be eligible for up to the following amounts of Pennsylvania Promise tuition assistance. Mobility grants discussed in the next section are excluded from this calculation.

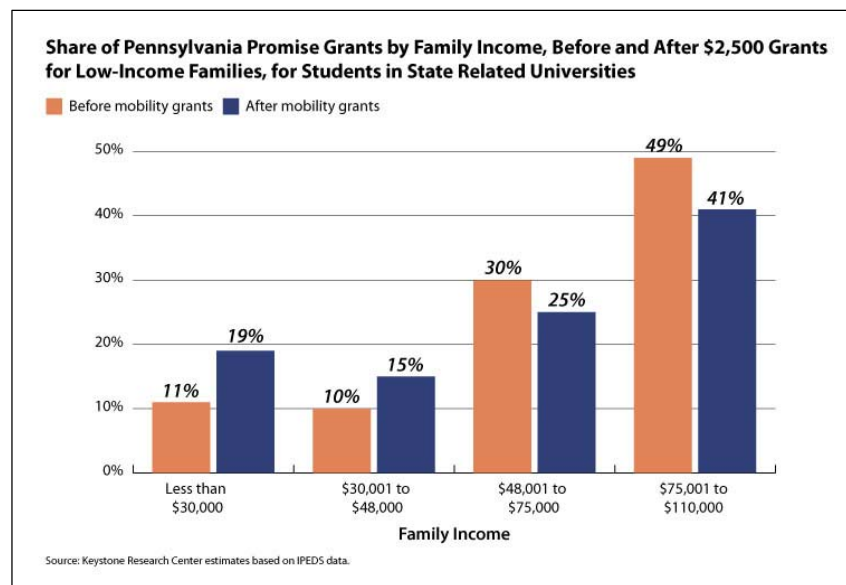
Family Income	2018-19	2019-20	2020-21	2021-22
Less than \$30,000	\$2,315	\$2,595	\$2,882	\$3,176
\$30,001 to \$48,000	\$3,447	\$3,727	\$4,014	\$4,309
\$48,001 to \$75,000	\$7,304	\$7,584	\$7,871	\$8,165
\$75,001-\$110,000	\$10,558	\$10,838	\$11,125	\$11,419
\$110,001 or more	\$0	\$0	\$0	\$0

Source: Keystone Research Center estimates based on Integrated Postsecondary Education Data System (IPEDS) data

## \$2,500 Mobility Grants in State-Related Universities

Figure A3 summarizes for students enrolled in state-related institutions in 2018-19 the share of Pennsylvania Promise grant aid by family income before and after the application of \$2,500 mobility grants for students with family incomes less than \$48,001. Mobility grants raise the share of total Pennsylvania Promise aid going to students with family incomes less than \$48,001 from 21% to 34%.

**Figure A3.**



## Section IV: Work Study

Sara Goldrick-Rab and Nancy Kendall propose a state and local stipend for 15 hours per week of living-wage employment and a federal work-study for 15 hours per week of living-wage employment in the local area.<sup>43</sup> In the absence of federal support for the latter, we propose using state funds to finance a version of the work-study expansion. The Pennsylvania Promise will provide a state supplement to federal work-study programs that makes available to students with family incomes less than or equal to \$48,000 access to 500<sup>44</sup> hours of employment annual at a wage level that would phase up to \$15 per hour by 2024. Since it will take time to create additional work-study positions, we propose phasing in the funds for work-study expansion – \$20 million in year one, \$40 million in year two, and \$60 million in year three and beyond.<sup>45</sup> Given the phase in of funding, we project that by year three, funds would be available for a little over half eligible students (Table A6).

**Table A6.**

<b>Section III: Work Study Expansion</b>				
	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Funds Available	\$20,000,000	\$40,000,000	\$60,000,000	\$60,000,000
Hourly wage rate	\$9	\$10	\$11	\$12
Number of Work Study Position	4,444	8,000	10,909	10,000
Gross Wages Per Student	\$4,500	\$5,000	\$5,500	\$6,000
Projected Number of Eligible Students	18,266	17,956	18,126	18,199

## Section V: Adult Education Assistance

The Pennsylvania Promise seeks to boost educational attainment among adults without a college degree, with an initial investment in grants of \$12.5 million in 2018-19, which rises to \$50 million by 2021-22. Based on average tuition and fees at the states' community colleges, we estimate the program could provide grants to 1,975 adult learners in 2018-19 with the number of grants rising to 7,301 by 2021-22 (Table A7).

**Table A7.**

**Section V: Adult Education Assistance**

	2018-19	2019-20	2020-21	2021-22
Tuition & fees (in-district)	\$5,379	\$5,535	\$5,695	\$5,860
Tuition & fees (in-state)	\$9,086	\$9,291	\$9,501	\$9,716
Average tuition and fees	\$6,330	\$6,498	\$6,671	\$6,849
Funds Available	\$12,500,000	\$25,000,000	\$37,500,000	\$50,000,000
Number of Available Grants	1,975	3,847	5,621	7,301

Source: Keystone Research Center estimates based on Integrated Postsecondary Education Data System (IPEDS) data

One modification not priced into Table A7 above would be to set aside a portion of Adult Education Assistance funds to pay for grants of up to \$2,000 to cover classroom-related instruction for existing apprenticeship programs registered with the Apprenticeship and Training Office located in the Pennsylvania Department of Labor & Industry. These grants would be available to apprenticeship programs that are free, offer paid employment, and have articulation agreements with accredited colleges including, but not limited to, community colleges, State System and state-related Universities. This modification would lower the cost of apprenticeship to employers and to apprenticeship and training funds, and could be used as an incentive to encourage more employers to establish apprenticeship programs.

## Section VI: Office of Income Mobility

As discussed in the main body, we propose the Pennsylvania Promise include an annual appropriation in the state budget of \$9.9 million (1% of the total Pennsylvania Promise aid flowing to students in the community colleges, State System and state-related universities) to establish and operate the Office of Income Mobility within the Pennsylvania Department of Education. The office's primary charge will be to facilitate the implementation of solutions at public colleges, high schools and in local communities designed to reduce the constraints faced by less affluent students in applying to and completing college. The office shall:

- On an annual basis, track the total number of students served by the Pennsylvania Promise and compare net total college costs at public schools in Pennsylvania to a baseline to evaluate the success and adequacy of the Pennsylvania Promise in lowering college costs for Pennsylvania families. The office shall also track the utilization of the Pennsylvania Promise by gender, race, and ethnicity.
- Explore the academic literature and engage academic experts in pursuing and funding interventions aimed at boosting college entry and completion. The office should seek to consult with academic experts and develop internal expertise on the use of control groups to evaluate the effectiveness of interventions the office funds.

- Coordinate the recruitment and assignment of volunteer mentors to help high school students navigate through their college, financial aid, and Pennsylvania Promise applications.
- Pursue strategies to inform high school students of key deadlines in the college application process from college admission exams to financial aid. For more on the potential of reminders and well-framed encouragements, see Page and Scott-Clayton's review.<sup>46</sup>
- The office, in its efforts, should seek to boost college entry for historically underrepresented groups by race, ethnicity (overall in college degree attainment) and for women the pursuit of training in STEM fields.
- Work with school districts that serve low- and middle-income students to both seed and leverage other public and private philanthropic funds to improve access to career counseling. The office shall report to the General Assembly on the success of these interventions in facilitating increased college entry among low- and middle-income high school students and propose statewide publicly funded interventions that replicate successful approaches.
- Administer Pennsylvania Promise funds allocated to Adult Education Assistance. The office shall establish a procedure for collecting applications for tuition assistance and award funds to adult learners. The office shall provide counselors to adult learners to develop an educational plan. The office shall coordinate with workforce development professionals located in the Pennsylvania Department of Labor's CareerLink offices to provide information about skill development and career opportunities in local communities.
- Coordinate with Apprenticeship and Training Office located in the Pennsylvania Department of Labor & Industry to recruit students for career tracks that combine classroom instruction with on the job training that leads to industry recognized credentials and incomes on par with similarly aged college graduates.
- Track the rate at which high school students in each school district complete college admission exams and explore interventions in communities where test taking rates fall below the statewide average to boost the number of students taking college entrance exams.
- Track the intergenerational income mobility of Pennsylvania Promise recipients by establishing a longitudinal database that includes the family income at grant reciprocity for each student and surveying those students at regular intervals throughout their adult life. The office shall follow standard procedures to anonymize this microdata and make it available to researchers.

## End Notes

<sup>1</sup> 1) Pennsylvania's Great Working-Class Colleges <https://goo.gl/uysc3F> 2) At Students' Expense: Rising Costs Threaten Pennsylvania Public Universities' Role in Upward Mobility <https://goo.gl/zxEQuJ> 3) Pennsylvania Higher Education at a Crossroads: To Boost Opportunity and Growth, Pennsylvania Needs to Invest in Higher Education <https://goo.gl/TH5KFy>

<sup>2</sup> Ranked from best (1) to worst (50) Pennsylvania ranked 47 on low debt at graduate, 48 on tuition and fees and 37 on 2-year college graduation rate with an overall ranking of 50 for higher education see Best States for Higher Education, U.S. News & World Report, <https://www.usnews.com/news/best-states/rankings/education/higher-education>

<sup>3</sup> Eugene Henninger-Voss and Stephen Herzenberg, "Pennsylvania Higher Education at a Crossroads: To Boost Opportunity and Growth, Pennsylvania Needs to Invest in Higher Education," Keystone Research Center and Pennsylvania Budget and Policy Center, August 18, 2017, <https://www.keystoneresearch.org/publications/research/pennsylvania-higher-education-crossroads-boost-opportunity-and-growth-pennsylv> see Page 10.

<sup>4</sup> Ibid., 11.

<sup>5</sup> For further discussion and references, see Stephen Herzenberg, Mark Price, and Michael Wood, "A Must Have for Education, Part Two: Investment in Higher Education for Growth and Opportunity," Keystone Research Center and Pennsylvania Budget and Policy Center, October 2014, pp. 3-6; <https://www.keystoneresearch.org/publications/research/investment-higher-education>

<sup>6</sup> *Wall Street Journal*, May 30, 2017; <https://www.wsj.com/articles/rural-america-is-the-new-inner-city-1495817008>

<sup>7</sup> Nicholas Hillman and Taylor Weichman, "Education Deserts: The continued significance of "Place" in the Twenty-First Century", American Council on Education & Center for Policy Research and Strategy, 2016, <https://goo.gl/WnfNB8>, label 15 counties in central, northern, and western PA as "education deserts". These are areas where either 1. Zero colleges or universities located nearby or 2. One community college "is the only public broad access institution near-by." "Broad access" is defined as having an acceptance rate of greater than 75%. "Near-by" is defined as located within the same Commuting Zone (from the 1990 census), metropolitan, or metropolitan statistical area.

<sup>8</sup> State Related Universities include Lincoln University, Pennsylvania College of Technology, Pennsylvania State University, Temple University, Thaddeus Stevens College of Technology, and University of Pittsburgh

<sup>9</sup> The source for this ranking and for our estimates of the change in ranking with alternative proposals for providing free tuition is the University of Illinois Grapevine data base online at <https://education.illinoisstate.edu/grapevine/>. For a bar graph comparing funding per capita in all 50 states, see Diana Polson, Stephen Herzenberg, and Mark Price, "At Students' Expense: Rising Costs Threaten Pennsylvania Public Universities' Role in Upward Mobility," Keystone Research Center and Pennsylvania Budget and Policy Center, June 2017, Figure 1; <https://goo.gl/zxEQuJ>

<sup>10</sup> According to the 2017-18 Governor's Executive Budget, p. B-3, the Pennsylvania 3.07% Personal Income Tax is projected to raise \$14.28 billion in 2018-19. Thus, each point raises 4.65 billion, one fourth of which is \$1.16 billion.

<sup>11</sup> The Fair Share Tax increases the tax on income from dividends; net income [from a business, profession, or farm]; capital gains; net income from rents, royalties, patents, and copyrights; gambling and lottery winnings; and income from estates or trusts. from 3.07% to 6.5% and decreases the tax on wages and interest from 3.07% to 2.8%. In total the Fair Share Tax raises \$2 billion in new revenue. For more see Marc Stier, "A Fair Share Tax to Support Public Investment in Pennsylvania," Pennsylvania Budget and Policy Center, March 22, 2017, [http://www.pennbpc.org/sites/pennbpc.org/files/20170321\\_FairShareTaxReport.pdf](http://www.pennbpc.org/sites/pennbpc.org/files/20170321_FairShareTaxReport.pdf)

<sup>12</sup> Based on Independent Fiscal Office analysis (April 2017), we calculate that a severance tax matching the West Virginia severance tax would have raised over and above existing impact fee revenues another \$912 million in 2010 in Pennsylvania.

<sup>13</sup> Financial assets of households and non-profit organizations equaled \$78.3 trillion in the second quarter of 2017 (<https://www.federalreserve.gov/releases/z1/current/html/b101.htm>). We assume that the Pennsylvania share of U.S. financial assets equals the Pennsylvania share (2.78%) of the net worth held by people with more than \$2 million in assets in 2007 ([http://www.irs.gov/file\\_source/pub/irs-soi/07in06pw.xls](http://www.irs.gov/file_source/pub/irs-soi/07in06pw.xls)). (The year 2007 was the last



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time these personal wealth statistics by state are reported; <https://www.irs.gov/statistics/soi-tax-stats-personal-wealth-statistics#2>.) Thus, Pennsylvania financial wealth equals \$2,179 billion. A 0.054% tax on this amount would raise \$1.18 billion.

<sup>14</sup> One possible modification from the baseline for the Pennsylvania Promise would be to offer grants of up to \$2,000 to cover classroom related instruction for adults enrolled in apprenticeship program registered with the Apprenticeship and Training Office in the Pennsylvania Department of Labor & Industry. Eligible apprenticeship programs would be free to students, provide paid employment associated with the apprenticeship and have articulation agreements with accredited colleges including but not limited to community colleges and State System schools.

<sup>15</sup> Sara Goldrick-Rab and Nancy Kendall, “F2CO: Redefining College Affordability: Securing America’s Future with a Free Two-year College Option,” April 2014, [http://wihopelab.com/publications/Redefining\\_College\\_Affordability.pdf](http://wihopelab.com/publications/Redefining_College_Affordability.pdf), see especially p. 21.

<sup>16</sup> For a compelling summary of changes in college enrollment and persistence by income see Sara Goldrick-Rab and Nancy Kendall, “F2CO: Redefining College Affordability: Securing America’s Future with a Free Two Year College Option”, *The EduOptimists*, April 2014, <http://theeduooptimists.com/2014/04/redefining-college-affordability-securing-americas-future-with-a-free-two-year-college-option.html>

<sup>17</sup> Mark Price, “Pennsylvania’s Great Working-Class Colleges”, Keystone Research Center, April 24, 2017, <https://goo.gl/uysc3F>

<sup>18</sup> For a review of the literature see David Deming and Susan Dynarski, “Into College, Out of Poverty? Policies To Increase The Postsecondary Attainment of the Poor”, NBER Working Paper 15387, September 2009, <http://www.nber.org/papers/w15387> see also Lindsay C. Page and Judith Scott-Clayton, “Improving college access in the United States: Barriers and policy response”, NBER Working Paper No. 21781, December 2015, <http://www.nber.org/papers/w21781>

<sup>19</sup> Lindsay C. Page and Judith Scott-Clayton, “Improving college access in the United States: Barriers and policy response,” NBER Working Paper No. 21781, December 2015, <http://www.nber.org/papers/w21781>

<sup>20</sup> The net total cost of college is defined as the average annual total cost of attendance, including tuition and fees, books, and supplies, and living expenses, minus the average grant/scholarship aid. It is calculated for all full-time, first-time, degree/certificate-seeking undergraduates who receive Title IV aid. It is included in the IPEDS Student Financial Aid component. Separate metrics are calculated for public institutions and private institutions. For public institutions, this metric is limited to undergraduates who pay in-state tuition and receive Title IV aid. For private institutions, it includes all undergraduates who receive Title IV aid. The total cost of attendance depends on whether undergraduates live on campus, off campus (not with family), or off campus (with family)

<sup>21</sup> Gross wages would climb to \$7,500 for 500 hours of work at \$15 per hour in 2024. The proposed wage levels follow our proposed schedule for increases in the Pennsylvania minimum wage see Mark Price and Stephen Herzenberg, “The State of Working Pennsylvania”, Keystone Research Center, September 2017, <https://www.keystoneresearch.org/publications/research/state-working-pennsylvania-2017>

<sup>22</sup> Based on our analysis of Mobility Report Cards: The Role of Colleges in Intergenerational Mobility <http://www.equality-of-opportunity.org/college/>

<sup>23</sup> Based on our analysis of American Community Survey 2011-2015 data <https://goo.gl/JAN1wL>

<sup>24</sup> We are defining middle-income taxpayers here as families with incomes between \$60,000 and \$95,000. Data on tax incidence is provided by the Institute on Taxation and Economic Policy, “Who Pays?”, January 2015, <https://itep.org/whopays/pennsylvania/>

<sup>25</sup> Based on Independent Fiscal Office analysis (April 2017), we calculate that a severance tax matching the West Virginia severance tax would have raised over and above existing impact fee revenues another \$912 million in 2010 in Pennsylvania.

<sup>26</sup> Analysis by the Institute on Taxation and Economic Policy (ITEP) finds that leaving the current personal income tax rate fixed at 3.07% on all wage and interest income while raising the personal income tax rate to 4.36% on all other classes of income including dividends, capital gains, net profits would raise taxes on average in 2018 by: \$2 on families with incomes less than \$23,000, \$8 on families with incomes between \$22,000 and \$42,000, \$19 on families with incomes between \$42,000 and \$66,000, \$62 on families with incomes between \$66,000 and \$109,000, \$162 on families with income between \$109,000 and \$226,000, \$787 on families with incomes between \$215,000 and \$563,000 and \$8,455 on families with an income over \$563,000. In total this tax change would raise in \$1 billion in 2018.

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<sup>27</sup> Analysis by the Institute on Taxation and Economic Policy (ITEP) finds that raising the current personal income tax rate from 3.07% to 3.32% in 2018 would raises taxes on average by \$15 on families with incomes less than \$23,000, \$40 on families with incomes between \$22,000 and \$42,000, \$79 on families with incomes between \$42,000 and \$66,000, \$155 on families with incomes between \$66,000 and \$109,000, \$294 on families with income between \$109,000 and \$226,000, \$654 on families with incomes between \$215,000 and \$563,000 and \$3,056 on families with an income over \$563,000. In total this tax change would raise \$1 billion in 2018.

<sup>28</sup> Financial assets of households and non-profit organizations equaled \$78.3 trillion in the second quarter of 2017 (<https://www.federalreserve.gov/releases/z1/current/html/b101.htm>). We assume that the Pennsylvania share of U.S. financial assets equals the Pennsylvania share (2.78%) of the net worth held by people with more than \$2 million in assets in 2007 ([http://www.irs.gov/file\\_source/pub/irs-soi/07in06pw.xls](http://www.irs.gov/file_source/pub/irs-soi/07in06pw.xls)). (The year 2007 was the last time these personal wealth statistics by state are reported; <https://www.irs.gov/statistics/soi-tax-stats-personal-wealth-statistics#2>.) Thus, Pennsylvania financial wealth equals \$2,179 billion. A 0.054% tax on this amount would raise \$1.18 billion. A 0.054% wealth tax for a taxpayer with \$1 million in financial assets would mean an annual tax bill of \$540. This wealth tax for a taxpayer with \$50,000 in financial assets would mean an annual tax bill of \$27.

<sup>29</sup> Stephen Herzenberg, "Corporate Tax Cuts Since 2002 Now Cost PA \$3.25 Billion Yearly", Pennsylvania Budget and Policy Center, Forthcoming.

<sup>30</sup> This is a comparison of the split income growth between 1979 and 2007 with 2007 being the most recent peak of the business cycle. Those that prefer a more recent estimate the top 1% of earners have 44% of income growth between 1979 and 2014 (the most recent year of data available). As the current business cycle has not yet peaked the income split between the top 1% and the bottom 99% measured for 2015, 2016 and 2017 will likely improve moving closer to the average measured from 1979 to 2007.

<sup>31</sup> State System schools include: Bloomsburg, California, Cheyney, Clarion, East Stroudsburg, Edinboro, Indiana, Kutztown, Lock Haven, Mansfield, Millersville, Shippensburg, Slippery Rock, and West Chester

<sup>32</sup> Full-time first-time degree/certificate seeking undergraduates in State System schools from 2010-11 to 2014-15 averaged 13.8% of high school graduates over the same period. Data on full-time first-time degree/certificate seeking undergraduates paying in-state tuition rates is tracked in the Student Financial Aid data file (variable named "scfa12n") of the Integrated Postsecondary Education Data System (IPEDS). The total number of high school graduates through 2015-16 and projections from 2016-17 to 2021-22 were generously provided by Alan Shay at the State System of Higher Education. Shay's data and estimates are based on Pennsylvania Department of Health "Pennsylvania Vital Statistics 1997-2015."; Pennsylvania Department of Education Public High School Graduates 2003-2016; Pennsylvania Department of Education Public High School Enrollment 2003-2016; projections of high school graduates from 2016-17 to 2021-22 were based on Western Interstate Commission for Higher Education (WICHE) "Knocking at the College Door: Projections of High School Graduates." Issued December 2012. Updated by the Office of Educational Intelligence May 22, 2017.

<sup>33</sup> Based on the Student Financial Aid data file for 2014-15 from IPEDS we estimate that 76% of the students enrolled in the state system have family incomes less than \$110,000 (summing across State System schools the variables (gis4n12+gis4n22+gis4n32 +gis4n42)/gis4n2).

<sup>34</sup> Lindsay C. Page (lpage@pitt.edu), Aizat Nurshatayeva, and Danielle Lowry, "The private labor market returns from decreasing the financial cost of college for low-income students", Unpublished Working Paper, April 14, 2017

<sup>35</sup> We estimate an average award per student over four years of (see Table A1) of \$7,402.

<sup>36</sup> In-state tuition and fees rose at an average annual rate of 5% in the state system from 2009-10 to 2016-17. Assuming increased state support for higher education tuition is assumed to rise at half that pace (2.5%) over the period of our analysis.

<sup>37</sup> Based on data from the Student Financial Aid data file of the Integrated Postsecondary Education Data System (IPEDS) for 2014-15 (variables "gis4n12", "gis4n22", "gis4n32", & "gis4n42") we distribute enrollment (row 3 of panel A of Table A2) for each year assuming the same distribution by family income. We adjust these figures by the percent of students in each income group in 2014-15 that were awarded any grant/scholarship aid (variables "gis4g12", "gis4g22", "gis4g32", "gis4g42"). We distribute the predicted increase in enrollment (row 4 of panel A of Table A2) assuming the same distribution of students by family income in 2014-15. We then multiply our total enrollment figure within each income group by the average amount of grant and scholarship aid awarded in 2014-15 (variables "gis4a12", "gis4a22", "gis4a32", and "gis4a42"). Multiplying by enrollment for each income group and summing across those groups we arrive a total dollar value of existing grant aid for first-time full-time students

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who are PA residents. We arrive at a total for two years of students by repeating the same procedure for the previous year; in effect we are assuming that grant amounts for students in their second year are identical to their first-year award. Staff at the State System confirmed that grant amounts for their students in their second year were almost identical. We were not able to determine if the same pattern prevails among students enrolled in community colleges and state-related institutions. Another key and related assumption here is that federal and state grant aid will remain fixed at 2014-15 levels. If other federal and state grant sources fall or increase over time that will introduce error into our cost estimates.

<sup>38</sup> Average grant aid for State System students by family income in 2014-15 was \$8,812 for family incomes less than \$30,000; \$7,710 for those with incomes between \$30,001 and \$48,000; \$4,189 for those with incomes between \$48,001 and \$75,000 and \$1,192 for family incomes between \$75,001 and \$110,000. Given this distribution of grant aid a free college plan that covers tuition and fees after all other existing federal and state grants distributes a larger share of financial aid to students with family incomes between \$48,001 and \$110,00 (see Figure A2 in the main body). Students with family incomes less than \$48,001 account for 22% of new aid while students with family incomes over \$48,000 capturing the remaining 78% of aid. Instituting a minimum grant of \$2,000 for students with incomes less than \$48,001 raises their share of total grant aid to 32%. As illustrated in Table 2 in the main body of the paper, the total cost of attendance (note we assume that the total cost of attendance rises at the same rate of tuition and fees between 2014-15 and 2018-19) for State System students falls in a range between 26% and 30% for the two lowest income groups of students (those earnings less than \$48,001). The total cost of attendance falls 32% for students with family incomes between \$48,001 and \$75,000 and falls 40% for family incomes between \$75,001 and \$110,00.

<sup>39</sup> Community colleges include: Bucks County Community College, Butler County Community College, Community College of Allegheny County, Community College of Beaver County, Community College of Philadelphia, Delaware County Community College, Harrisburg Area Community College, Lehigh Carbon Community College, Luzerne County Community College, Montgomery County Community College, Northampton County Area Community College, Pennsylvania Highlands Community College, Reading Area Community College, and Westmoreland County Community College.

<sup>40</sup> Lindsay C. Page (lpage@pitt.edu), Aizat Nurshatayeva, and Danielle Lowry, "The private labor market returns from decreasing the financial cost of college for low-income students," Unpublished Working Paper, April 14, 2017

<sup>41</sup> Data on the number of students paying in-district (variable "scfa11n") and in-state (variable "scfa12n") tuition is derived from the Student Financial Aid data file for 2014-15 of the Integrated Postsecondary Education Data System (IPEDS).

<sup>42</sup> Lindsay C. Page (lpage@pitt.edu), Aizat Nurshatayeva, and Danielle Lowry, "The private labor market returns from decreasing the financial cost of college for low-income students", Unpublished Working Paper, April 14, 2017

<sup>43</sup> Goldrick-Rab and Kendall, "F2CO: Redefining College Affordability: Security America's Future with a Free Two-year College Option," p. 21.

<sup>44</sup> Five hundred hours equals approximately 15 hours of employment per week for 34 weeks during the school year.

<sup>45</sup> In 2016-17, Pennsylvania drew down \$50.1 million for federal work study across all public and private colleges, of which \$3.8 million and \$14.6 million were for public two-year and public four-year institutions (see Table 8 at <https://www2.ed.gov/finaid/prof/resources/data/databook2016/databook2016.html>). If a bit less than half the \$14.6 million goes to State System students, these data suggest that our proposal would be twice the scale of work study at community colleges and State System schools in year one and six times by year three. If expanding the number of positions this quickly proves, the cap for individual awards could be increased to 1,000 hours, potentially allowing students to work full-time during the summer as well as 15 hours per week in the school year.

<sup>46</sup> Lindsay C. Page and Judith Scott-Clayton, "Improving college access in the United States: Barriers and policy response," NBER Working Paper No. 21781, December 2015, <http://www.nber.org/papers/w21781>

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## House Co-Sponsorship Memoranda

### House of Representatives Session of 2017 - 2018 Regular Session

#### MEMORANDUM

**Posted:** April 17, 2018 01:50 PM  
**From:** Representative James R. Roebuck, Jr. and Rep. Jordan A. Harris  
**To:** All House members  
**Subject:** PA Promise Act

In the near future I plan to introduce legislation, known as the Pennsylvania Promise Act, that will improve college access and affordability for Pennsylvania students.

The legislation will remove substantial financial burdens on students and their families and make college more affordable for students attending one of Pennsylvania's community colleges, state system universities, and state-related institutions.

The Pennsylvania Promise will be administered by the Pennsylvania Higher Education Assistance Agency (PHEAA) and will cover two years of tuition and fees for recent high school graduates attending one of the 14 community colleges and four years of tuition and fees at a state-owned or state-related university for students with a family income of \$110,000 or less per year. Students whose family income is \$48,000 or less will also be eligible for assistance with costs associated with room and board.

The grants associated with the Pennsylvania Promise will cover the "last dollar" - the remaining amount after all other federal, state, and institutional grants are awarded to a student. Similar legislation has been enacted in New York and Tennessee.

Additionally, this legislation provides dedicated grants to adult learners who are seeking additional credentials, including certification and college credit. The legislation will also dedicating funding to improve college access and opportunity for low and middle-income students.

Together we can improve college access and affordability, reduce the financial burden on Pennsylvania's students and their families, and provide support for our community colleges and state system and state-related universities.

I hope you will join me in sponsoring this important legislation. Please contact my office if you have any questions.



Introduced as HB2444

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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 2444 Session of  
2018

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INTRODUCED BY ROEBUCK, J. HARRIS, BRIGGS, HARKINS, A. DAVIS,  
McCARTER, YOUNGBLOOD, STURLA, CALTAGIRONE, SOLOMON, KINSEY,  
MURT, D. COSTA, McCLINTON, DRISCOLL, HILL-EVANS, DALEY AND  
SCHWEYER, JUNE 6, 2018

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REFERRED TO COMMITTEE ON EDUCATION, JUNE 6, 2018

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AN ACT

1 Providing for the Pennsylvania Promise Program and the  
2 Pennsylvania Promise Fund.

3 The General Assembly of the Commonwealth of Pennsylvania  
4 hereby enacts as follows:

5 Section 1. Short title.

6 This act shall be known and may be cited as the Pennsylvania  
7 Promise Act.

8 Section 2. Definitions.

9 The following words and phrases when used in this act shall  
10 have the meanings given to them in this section unless the  
11 context clearly indicates otherwise:

12 "Academic year." A 12-month period commencing on or after  
13 August 1 of the calendar year.

14 "Agency." The Pennsylvania Higher Education Assistance  
15 Agency.

16 "Community college." An institution created under Article  
17 XIX-A of the act of March 10, 1949 (P.L.30, No.14), known as the

Public School Code of 1949, or the act of August 24, 1963  
(P.L.1132, No.484), known as the Community College Act of 1963.

"Eligible adult learner." An individual who:

(1) Is a resident of this Commonwealth at the time of  
the application.

(2) Has been a domiciled resident of this Commonwealth  
as determined by the agency.

(3) Is 24 years of age or older at the time of the  
application.

(4) Has graduated from high school or an equivalent  
approved by the Department of Education.

(5) Has applied for and been accepted to an institution  
of higher education.

(6) Has completed a Free Application For Federal Student  
Aid (FAFSA).

(7) Has applied for all available Federal Pell grants,  
Pennsylvania State grants and institution grants.

"Eligible student." An individual who:

(1) Is a resident of this Commonwealth at the time of  
the application.

(2) Has been a domiciled resident of this Commonwealth  
as determined by the agency.

(3) Is less than 24 years of age or is an active member  
of a branch of the armed services at the time of the  
application.

(4) Has graduated from high school or an equivalent  
approved by the Department of Education within the previous  
five years.

(5) Has applied for and been accepted to an institution  
of higher education.

(6) Has completed a Free Application For Federal Student Aid (FAFSA).

(7) Has applied for all available Federal Pell grants, Pennsylvania State grants and institution grants.

"Fees." Fixed charges to recover costs of certain services, materials or activities provided. Fees shall not exceed the highest fixed charges set by the Pennsylvania State System of Higher Education's Board of Governors.

"Full-time student." An individual enrolled in an undergraduate degree program at an institution of higher education and registered for a minimum of 12 credits per semester or equivalent enrollment as set by the agency.

"Fund." The Pennsylvania Promise Fund established under section 5.

"Institution of higher education." Any of the following:

(1) A community college.

(2) A State-owned institution.

(3) A State-related institution.

(4) The Thaddeus Stevens College of Technology.

"Part-time student." An individual enrolled in an institution of higher education and registered for less than 12 credits per semester or equivalent enrollment as set by the agency.

"Program." The Pennsylvania Promise Program established under this act.

"Room and board." The standard educational expense allowance for the most recent year as determined by the agency.

"State-owned institution." An institution which is part of the State System of Higher Education under Article XX-A of the Public School Code of 1949 and all branches and campuses of the

1 institution.

2 "State-related institution." The Pennsylvania State  
3 University, Pennsylvania College of Technology, University of  
4 Pittsburgh, Temple University, Lincoln University and associated  
5 branch campuses of the universities.

6 "Tuition." An amount not to exceed the maximum undergraduate  
7 in-state tuition rate established by the Board of Governors for  
8 rendering educational services, as enumerated in Article XX-A of  
9 the Public School Code of 1949. The agency, at its discretion,  
10 may increase the maximum amount.

#### 11 Section 3. Pennsylvania Promise Program.

12 There is established within the agency a program to be known  
13 as the Pennsylvania Promise Program.

#### 14 Section 4. Procedure.

15 (a) Agency.--The agency shall administer the program and be  
16 responsible for carrying out the provisions of this act.

17 (b) Regulations.--The agency may adopt rules and regulations  
18 necessary to administer the provisions of this act.

#### 19 Section 5. Pennsylvania Promise Fund.

20 (a) Fund.--A restricted receipts account shall be  
21 established in the State Treasury and shall be known as the  
22 Pennsylvania Promise Fund.

23 (b) Administration of fund.--Money in the fund shall be  
24 appropriated to the agency on an ongoing basis to carry out the  
25 provisions of this act.

26 (c) Contributions and investment.--The following apply:

27 (1) The fund may accept gifts, donations, legacies or  
28 any other revenues.

29 (2) Interest earned by the fund shall remain in the  
30 fund.



(d) Purpose.--Money in the fund shall be used for the purpose set forth in this act.

(e) Allocation.--The following shall apply:

(1) The agency shall distribute money from the fund to eligible students in accordance with sections 6 and 7.

(2) The agency shall allocate money in the fund for eligible adult learners:

(i) In accordance with section 8.

(ii) In the following amounts:

(A) For fiscal year 2018-2019, \$12,500,000.

(B) For fiscal year 2019-2020, \$25,000,000.

(C) For fiscal year 2020-2021, \$40,000,000.

(D) For fiscal year 2021-2022 and each fiscal year thereafter, \$50,000,000.

(3) Beginning no later than the first full fiscal year after the notice in section 10 is published and each fiscal year thereafter, \$50,000,000 shall be transferred by the agency from the fund to the Department of Labor and Industry to support and enhance apprenticeship programs across this Commonwealth.

(4) Beginning no later than the first full fiscal year after the notice in section 10 is published and each fiscal year thereafter, no more than \$50,000,000 shall be used by the agency for matching funds through the agency's work study program.

(5) Notwithstanding any provisions of law to the contrary, uses of funds made available under this section shall be determined by the agency.

(f) Nonlapsing.--Money in the fund shall not lapse and shall be available in subsequent fiscal years to be used in accordance

1 with the provisions of this act.

2 (g) Administrative fees.--No more than 2% of the money in  
3 the fund may be used to cover administrative costs. For purposes  
4 of this section, administrative costs shall include marketing of  
5 the program throughout this Commonwealth.

6 (h) Insufficient funds.--If during any year there are  
7 insufficient funds available to provide scholarships or make the  
8 transfers required under this section, the agency shall pro rate  
9 the transfers and scholarships under sections 6 and 7.

10 Section 6. Scholarship for tuition and fees.

11 (a) Application.--The agency shall accept applications, in a  
12 form and manner as determined by the agency, from eligible  
13 students for tuition and fees.

14 (b) Scholarship at State-owned or State-related  
15 institution.--An eligible student may receive a scholarship at a  
16 State-owned institution or State-related institution for the  
17 academic year in an amount not to exceed the outstanding tuition  
18 and fees after Federal, State and institution grants have been  
19 applied if the eligible student:

20 (1) has a total annual household income that does not  
21 exceed \$110,000; and

22 (2) is enrolled full-time.

23 (c) Scholarship at community colleges.--An eligible student  
24 may receive a scholarship at a community college for the  
25 academic year in an amount not to exceed the outstanding tuition  
26 and fees after Federal, State and institution grants have been  
27 applied if, at a minimum, the eligible student is enrolled full-  
28 time.

29 (d) Review and approval.--

30 (1) The agency shall review all applications submitted

1 under this section.

2 (2) The agency may approve an application if the  
3 application meets the requirements under subsection (b) or  
4 (c) and if the eligible student submitting the application  
5 meets the requirements of this act.

6 (e) Distribution of scholarship.--Once an eligible student  
7 has been approved for a scholarship for tuition and fees under  
8 this section, the agency shall, upon receipt of an outstanding  
9 balance from an institution of higher education, pay the  
10 outstanding tuition and fee balance owed by the eligible student  
11 directly to the institution of higher education.

12 (f) Limitation on scholarship.--Notwithstanding any  
13 provision of this act to the contrary, the agency may not issue  
14 any scholarship in excess of the outstanding balance for tuition  
15 and fees received from an institution of higher education.

16 (g) Renewal.--

17 (1) A scholarship for tuition and fees awarded to an  
18 eligible student shall not exceed one academic year.

19 (2) The agency shall create an application to allow  
20 previously approved eligible students to recertify their  
21 eligibility.

22 (3) An eligible student at a State-owned or State-  
23 related institution who has not exceeded the limitation in  
24 subsection (i) may reapply for the scholarship for tuition  
25 and fees if the eligible student:

26 (i) Is enrolled full-time.

27 (ii) Is making satisfactory academic progress as  
28 determined by the institution of higher education, unless  
29 the eligible student is in the first year of college.

30 (iii) While attending a State-owned institution or

State-related institution, has a total annual household income that does not exceed \$110,000.

(4) An eligible student at a community college who has not exceeded the limitation in subsection (i) may reapply for the scholarship for tuition and fees if the eligible student:

(i) Is enrolled full-time or part-time.

(ii) Is making satisfactory academic progress, unless the eligible student is in the first year of college.

(h) Continued eligibility.--An eligible student shall be continuously enrolled in the institution of higher education for the academic year which the eligible student received a scholarship for tuition and fees. If the eligible student is not continuously enrolled in the institution of higher education, the agency, in its discretion, may deny renewal under subsection (g).

(i) Limitation to scholarship.--

(1) An eligible student may not receive a scholarship for tuition and fees if the eligible student:

(i) While attending a community college, the eligible student has completed no more than four academic years or has earned an associate's degree, except as provided in paragraph (2).

(ii) While attending a State-owned institution or State-related institution, the eligible student has completed four academic years or has earned a bachelor's degree.

(2) A student who is otherwise eligible for a scholarship under this section may not be eligible for a scholarship for tuition and fees if the local sponsor has not

1 made the payment required under section 1913-A(a)(2) of the  
2 act of March 10, 1949 (P.L.30, No.14), known as the Public  
3 School Code of 1949.

4 (3) An eligible student may receive a scholarship for no  
5 more than four academic years at an institution of higher  
6 education.

7 Section 7. Scholarship for room and board.

8 (a) Application.--The agency shall accept applications, in a  
9 form and manner as determined by the agency, from eligible  
10 students who qualify under subsections (b) and (c).

11 (b) Scholarship at State-owned or State-related  
12 institution.--An eligible student at a State-owned or State-  
13 related institution may receive a need-based scholarship for  
14 room and board for the academic year after Federal, State and  
15 institution grants have been applied if the eligible student:

16 (1) has a total annual household income that does not  
17 exceed \$48,000; and

18 (2) is enrolled full-time.

19 (c) Scholarship at community college.--An eligible student  
20 at a community college may receive a need-based scholarship for  
21 room and board for the academic year after Federal, State and  
22 institution grants have been applied if the eligible student:

23 (1) has a total annual household income that does not  
24 exceed \$48,000; and

25 (2) is enrolled full-time or part-time.

26 (d) Review and approval.--

27 (1) The agency shall review all applications submitted  
28 under this section.

29 (2) The agency may approve an application if the  
30 application meets the requirements under subsection (b) or

(c) and if the eligible student meets the requirements of this act.

(e) Distribution of scholarship at State-owned or State-related institution.--If an eligible student has been approved for a scholarship for room and board under subsection (b), the agency shall, upon receipt of an outstanding balance from the State-owned or State-related institution of higher education, pay the outstanding balance for room and board owed by the eligible student directly to the institution.

(f) Distribution of scholarship at community colleges.--If an eligible student has been approved for a scholarship for room and board under subsection (c), the agency shall pay a scholarship for room and board in a manner decided by the agency.

(g) Limitation on scholarship.--

(1) Except as provided in paragraph (2) and notwithstanding any provision of this act to the contrary, the agency may not issue a scholarship for room and board in excess of the outstanding balance received from a State-owned institution or State-related institution.

(2) The agency may issue a scholarship for room and board in excess of the outstanding balance received from a community college.

(3) A student who is otherwise eligible for a scholarship under this section may not be eligible for a scholarship for tuition and fees if the local sponsor has not made the payment required under section 1913-A(a)(2) of the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949.

(h) Renewal.--

1           (1) A scholarship for tuition and fees awarded to an  
2 eligible student shall not exceed one academic year.

3           (2) The agency shall create an application to allow  
4 previously approved eligible students to recertify their  
5 eligibility.

6           (3) An eligible student who has not exceeded the  
7 limitation in subsection (j) may reapply for the scholarship  
8 for room and board if the student is enrolled full-time at a  
9 State-owned or State-related institution or is enrolled full-  
10 time or part-time at a community college and:

11           (i) is making satisfactory academic progress, unless  
12 the eligible student is in the first year of college; and

13           (ii) has a total annual household income that does  
14 not exceed \$48,000.

15           (i) Continued eligibility.--An eligible student shall be  
16 continuously enrolled in the institution of higher education for  
17 the academic year for which the eligible student received a  
18 scholarship for room and board. If an eligible student is not  
19 continuously enrolled in the institution of higher education,  
20 the agency, in its discretion, may deny renewal under subsection  
21 (h).

22           (j) Limitation to eligibility.--

23           (1) An eligible student may not receive a scholarship  
24 for room and board if the eligible student:

25           (i) While attending a community college, has  
26 completed four academic years or has earned an  
27 associate's degree except as provided in paragraph (2).

28           (ii) While attending a State-owned institution or  
29 State-related institution, has completed four academic  
30 years or has earned a bachelor's degree.

1           (2) An eligible student may receive a scholarship for  
2           two academic years at a State-owned institution or State-  
3           related institution if they have exhausted their eligibility  
4           under paragraph (1)(i).

5 Section 8. Eligibility for adult reeducation.

6           (a) Application.--The agency shall accept applications, in a  
7           form and manner as determined by the agency, from an eligible  
8           adult learner for aid to assist with education expenses.

9           (b) Eligibility.--An eligible adult learner may receive  
10          assistance for aid for adult reeducation programs for the  
11          academic year the eligible adult learner:

12                (1) has a total annual household income that does not  
13                exceed \$110,000; and

14                (2) has applied for and has been accepted into an adult  
15                reeducation program or adult reeducation certificate program,  
16                or is enrolled part time or full time in an institution of  
17                higher education.

18           (c) Pennsylvania Targeted Industry Program.--Notwithstanding  
19          any provisions of law to the contrary, the agency may use money  
20          allocated for adult reeducation for the Pennsylvania Targeted  
21          Industry Program.

22           (d) Review and approval.--

23                (1) The agency shall review all applications submitted  
24                under this section.

25                (2) The agency may approve an application if the  
26                application meets the requirements under subsection (b) and  
27                if the eligible adult learner meets the requirements of this  
28                act.

29           (e) Priority.--When reviewing an application for aid under  
30          this section, the agency shall prioritize aid for programs that



1 lead to an industry-recognized credential that is articulated  
2 with college credit. The agency shall annually determine and  
3 post on its publicly accessible Internet website industry-  
4 recognized credentialed programs that qualify for aid priority  
5 under this section.

6 (f) Distribution of aid.--If an eligible adult learner has  
7 been approved for aid under this section, the agency shall, upon  
8 receipt of an outstanding balance from an institution of higher  
9 education, pay the outstanding balance owed by an adult learner  
10 directly to the institution of higher education.

11 (g) Limitation on aid.--Notwithstanding any provision of  
12 this act to the contrary, the agency may not issue any aid in  
13 excess of the outstanding balance received from an institution  
14 of higher education.

15 (h) Renewal.--

16 (1) Aid awarded to an eligible adult learner shall not  
17 exceed one academic year.

18 (2) The agency shall create an application to allow  
19 previously approved eligible students to recertify their  
20 eligibility.

21 (3) An eligible adult learner who has not exceeded the  
22 limitation in subsection (i) may reapply for aid if:

23 (i) Enrolled as a full-time student or part-time  
24 student at an institution of higher education or a  
25 certificate program approved by the agency.

26 (ii) Total annual household income does not exceed  
27 \$110,000.

28 (i) Limitation to eligibility.--An eligible adult learner  
29 may not receive aid if the eligible adult learner:

30 (1) While attending a community college, has completed

1 no more than four academic years or has earned an associate's  
2 degree or an industry-recognized credential for which the  
3 eligible adult learner was enrolled in order to qualify for  
4 aid.

5 (2) While attending a State-owned institution or State-  
6 related institution, has completed four academic years or has  
7 earned a bachelor's degree or industry-recognized credential  
8 for which the eligible adult learner was enrolled in order to  
9 qualify for aid.

10 Section 9. Annual report.

11 Beginning one year after the first scholarship is awarded  
12 under this act, the agency shall provide the Governor and the  
13 chairperson and minority chairperson of the Appropriations  
14 Committee and the Education Committee of the Senate and the  
15 chairperson and minority chairperson of the Appropriations  
16 Committee and the Education Committee of the House of  
17 Representatives with a report which includes the following:

18 (1) The total number of students served by the program.

19 (2) A breakdown by race, gender, ethnicity and  
20 socioeconomic demographic for all students served by the  
21 program, if known.

22 (3) The total number of scholarships awarded and the  
23 average amount awarded.

24 (4) A year-over-year comparison of the net total costs  
25 at all institutions of higher education in this Commonwealth  
26 which shall be used to evaluate the adequacy and success of  
27 the program in lowering college costs.

28 (5) Recommendations, if any, for improving access and  
29 affordability of higher education.

30 (6) Any other information.

1 Section 10. Notice.

2 The Secretary of the Commonwealth shall submit notice for  
3 publication in the Pennsylvania Bulletin when the General  
4 Assembly appropriates money necessary to effectuate this act.

5 Section 11. Effective date.

6 This act shall take effect as follows:

7 (1) The following provisions shall take effect  
8 immediately:

9 (i) This section.

10 (ii) Section 10.

11 (2) The remainder of this act shall take effect upon  
12 publication of the notice under section 10.