

Introduction

The Pennsylvania Higher Education Assistance Agency was created in 1963 by state law with the intent of providing a public service to the Commonwealth. Its initial mission was to assist students in paying for college, thereby making higher education more accessible to Pennsylvania residents. In 1966 the legislature expanded PHEAA's role and allowed the agency to administer student grant programs.

Education costs now resemble home mortgage payments. Middle- income and working class families are struggling to keep the dream of a college education alive.

The problem with PHEAA lies at the top of the pyramid. "PHEAA is governed by an independent, bipartisan Board of Directors comprised of twenty members, sixteen of whom are also members of the Pennsylvania General Assembly." The Board and senior management model behaviors and attitudes that have undermined the public's confidence in its ability to "make higher education more affordable and accessible for any student who has the desire to achieve." In fact, 11 out of PHEAA's 16 Board members accepted the infamous pay raise of July 7, 2005.

Between 2000-2005, the state-student loan agency lavished \$862,288 on its Board and spouses during eight retreats. The "continuing education courses" featured cigars, facials, fly-fishing, falconry lessons, golf outings, "golfers glow," hot air balloon rides (not to be confused with hot stone massages), limo rides, massages, pedicures, room service, and shopping sprees.

PHEAA spent \$409,000 in legal costs in a protracted battle with three media outlets to keep this information secret despite the ruling of a hearing examiner. Judge Warren G. Morgan found "PHEAA is engaged in a profitable business, the earnings from which provide significant benefits to the citizens of Pennsylvania. That, however, doesn't change the fact that it is a public corporation and governmental instrumentality and that its earnings are public moneys."(May 22, 2006) Judge Morgan's non-binding recommendations were rejected by PHEAA's management.

PHEAA pays more than \$1 million a year to eight lobbying firms, including \$235,000 to a single lobbyist, to influence legislation and contracts despite the fact that 16 of its Board members are members of the Senate and House of Representatives.

Changes at PHEAA need to be made from the outside. Below is a list of 12 recommendations that will create a more independent and transparent agency.

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Twelve Step Program to Reform the Pennsylvania Higher Education Assistance Agency

1) No individual indicted or arraigned by state or federal authorities for felonious conduct can continue to serve on the Board. However, Board Members should only be required to take a leave of absence until the matter is resolved. Full resignation from the Board should only be required in the event of being found guilty of a felony or an offense involving moral turpitude.

2) The Board should be reduced from 20 to nine (9) members. Members of the Board shall serve no more than three consecutive four-year terms and no more than a total of 12 years.

3) The Board should be composed of directors with appropriate skill sets in accounting, community banking, economics, education, finance, marketing, law or statistics.

Board members will be eligible for annual compensation and business meeting stipends as well as reimbursement for legitimate expenses in accord with governance protocol and prevailing public service directorship fees. All data related to Board compensation and expenses will be available for public review.

4) Board members should be nominated by the Governor and approved by 37 senators. Unless a vacancy exists on the Board, the Governor shall nominate no more than four Board Members during each four-year term.

5) No current member of the legislative or executive branches of state government should be eligible to serve as a member of the Board thereby nullifying the claim that Board members "compel the conclusion that the legislative members of PHEAA's board are acting as an arm of the General Assembly when they engage in PHEAA activities." (*Richard Wiley, PHEAA, "Final Decision", June 7, 2006*)

6) The Executive Director of PHEAA shall not be a member of PHEAA's Board of Directors.

- 7) PHEAA's current Board of Directors, together with senior management, should issue a statement acknowledging that PHEAA is not exempt from Pennsylvania's Right-to-Know Law.
- 8) PHEAA should reimburse the legal costs of the three news organizations that filed Right to Know requests, i.e., the Associated Press, the Patriot-News of Harrisburg and WTAE-TV in Pittsburgh.
- 9) PHEAA's current Board of Directors, together with senior management, should immediately release all records requested by legitimate news organizations, including all names or other information necessary to a complete understanding of the nature and purpose of all financial transactions, and release the outstanding records requested by the above-named news agencies.
- 10) PHEAA's Board should issue a statewide request for proposal for bond lawyers and counsel not affiliated with senior management or the Board of Directors or "contractually affiliated" with any cabinet member of the executive branch or any member of the legislative branch of Pennsylvania's government.
- 11) PHEAA's Board should issue request for proposals for a forensic audit to be conducted by one of the Nationally-recognized "Big Four" accounting firms. an entity not affiliated with senior management or the Board of Directors.
- 12) PHEAA's Board should accept Richard Willey's resignation, with severance compensation contractually in effect and required as of his last compensation review date, and conduct a statewide search for a qualified Executive Director, not "contractually affiliated" with senior management or the Board of Directors or "contractually affiliated" with any cabinet member of the executive branch or any member of the legislative branch of Pennsylvania's government.