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House Republicans Seek Value of PHEAA
BY JAN MURPHY

After hearing the state's student loan agency has \$265 million to hand out to state students over the next four years, state GOP lawmakers want to find out how much money the agency and its fund-raising foundations are sitting on.

House Appropriations Committee Chairman Brett Feese, R-Lycoming, yesterday confirmed the Republican leadership wants a firm to do an "assets assessment" of the Pennsylvania Higher Education Assistance Agency and its foundation.

PHEAA's board created the Pennsylvania Higher Education Foundation in 2001 to raise private money for student aid programs.

The biggest contributor has been PHEAA. It has invested \$46.1 million of its assets in the foundation, and is expected to transfer another \$10 million this month as well as in each of the next four years.

The assets study is similar to a house appraisal, said Feese's aide Al Bowman.

PHEAA spokesman Keith New said he was unaware of the planned study. But if that decision has been made, he said, "PHEAA is a legislative agency. ... We will cooperate fully as has always been our desire and our intent."

Gov. Ed Rendell supports the study for the reasons Feese outlined as well to set a possible price for the agency, said press secretary Kate Philips.

Pennsylvania is sitting on a \$1 billion offer from student loan provider Sallie Mae of Reston, Va., to take over parts of PHEAA. The private firm made the unsolicited bid in December. PHEAA's board rejected it after a review.

Feese emphasized the Sallie Mae offer is not motivating the study. "The purpose is not to value PHEAA for the purposes of a sale," he said.

He said the decision to do the study was prompted by PHEAA's announcement in February that it would invest \$265 million of its student loan business earnings in the college student grant program that PHEAA administers for the state. The grants do not have to be repaid.

"The timing of that to me was interesting and it begged the question are there other resources available that could be used for kids that are not currently," Feese said.

Another factor that Feese cited is Rendell's request to raise the state appropriation for next year's student grant program by \$9 million, for a total of \$368 million.

"It raises questions as to is that actually necessary because [PHEAA] might have the funds available without the state allocating \$9 million more in a tight budget year," Feese said.

"Although we're not paying for the assessment, we would welcome the opportunity to work with House leadership to understand and evaluate the results," said Erik Arneson, chief of staff for Senate Majority Leader David "Chip" Brightbill, R-Lebanon.

Rep. Elinor Taylor, R-Chester, PHEAA's board chairwoman, did not return a phone call yesterday seeking comment. Sen. Vincent Fumo, D-Philadelphia, its board vice chairman, declined comment.

Sallie Mae officials, through lobbyists, have tried to revive lawmakers' interest in the company's offer. They have been pushing for a study of the agency's worth.

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THE STORY SO FAR

THE OFFER: Sallie Mae, a private Virginia company, offered to pay \$1 billion over five years to run the state's student-loan business, which serves 4 million borrowers. It promised to keep the Pennsylvania Higher Education Assistance Agency's 2,300 jobs.

THE RESPONSE: PHEAA's board rejected the offer, saying it would reduce competition in the student loan business and increase loan costs for students. PHEAA the said it would spend \$265 million on student grants over the next four years.

WHAT'S NEW: PHEAA's grant aid initiative has prompted the House Republican leadership to look into hiring a firm to determine the financial value of PHEAA, as well as two fund-raising foundations.