

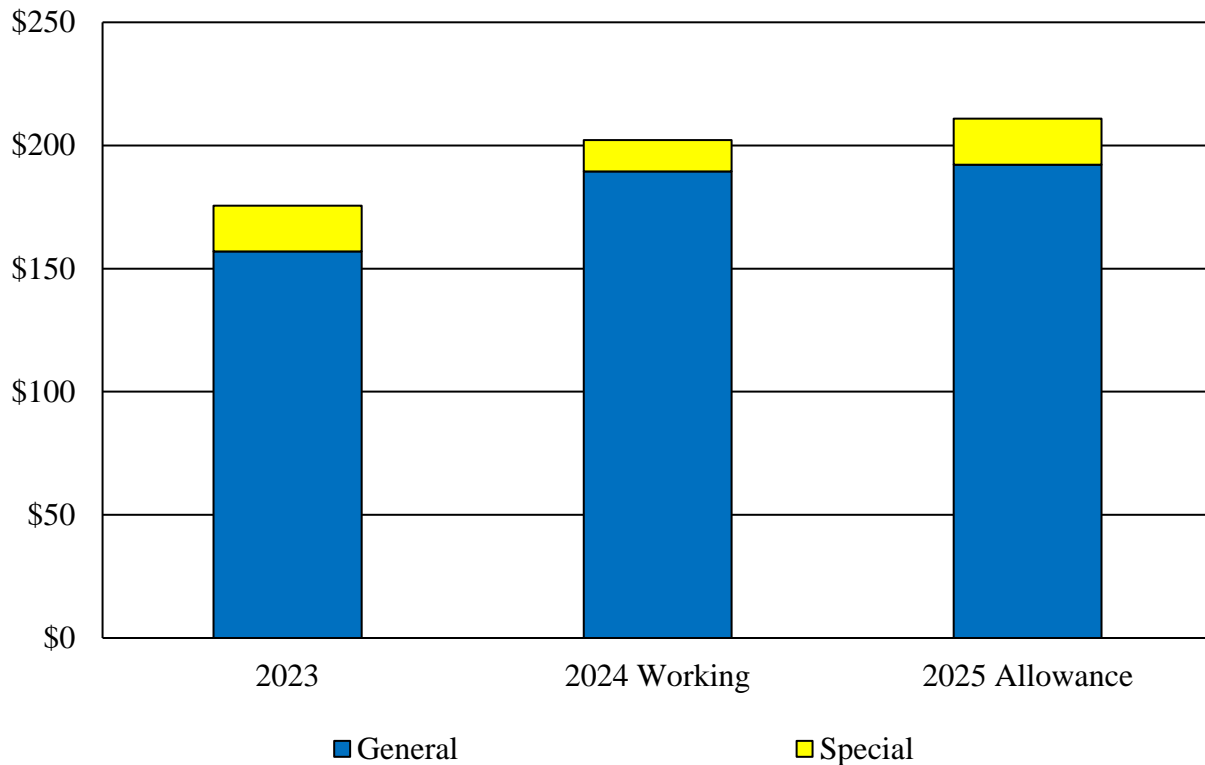
R62I0010
Student Financial Assistance
Maryland Higher Education Commission

Executive Summary

The Office of Student Financial Assistance (OSFA), within the Maryland Higher Education Commission (MHEC), is responsible for the administration of State financial assistance programs.

Operating Budget Summary

Fiscal 2025 Budget Increases \$8.7 Million, or 4.3%, to \$210.9 Million
(\$ in Millions)



Note: The fiscal 2024 working appropriation includes deficiencies. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

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R62I0010 – MHEC – Student Financial Assistance

The fiscal 2025 budget includes a proposed deficiency appropriation for fiscal 2024 totaling \$9.8 million to replace funds for legislative scholarships that were reverted in error to the General Fund in the fiscal 2023 closeout process. Excluding the one-time deficiency appropriation, funding for the legislative scholarships increase by approximately \$289,000.

- The fiscal 2025 allowance of MHEC Student Financial Assistance increases by \$10.0 million for the Teacher Development and Retention Program established in Chapter 627 of 2019. The funding for this program in fiscal 2024 was included in the budget of the Maryland State Department of Education (MSDE).
- Chapter 36 of 2021 implemented the Blueprint for Maryland’s Future that established the Teaching Fellows for Maryland scholarship program, which is funded by the Blueprint for Maryland’s Future Fund. The fiscal 2025 allowance increases funding for the program by \$6.0 million, due to an increase in the mandated appropriation in that year from \$12.0 million to \$18.0 million.

Key Observations

- ***Administration of Free Application for Federal Student Aid (FAFSA) Experiences Glitches and Delays:*** The reported delays in distribution of FAFSA data will hinder MHEC from making initial awards by the required deadline.
- ***Maryland Total FAFSAs Filed:*** The total FAFSAs filed increased by 19.5% in the 2024 award cycle compared to the 2023 award cycle.
- ***Guaranteed Access (GA) Grants:*** The total amount of GA initial and renewal awards increased by \$13.6 million from fiscal 2022 to 2023.
- ***Educational Assistance (EA) Grants:*** The EA initial and renewal awarded and accepted increased by \$6.8 million from fiscal 2022 to 2023.

Operating Budget Recommended Actions

1. Adopt committee narrative requesting a report on the impact of credit completion requirement on financial aid awards.
2. Adopt committee narrative requesting a report on the Next Generation Scholars students and their postsecondary outcomes.

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Student Financial Assistance
Maryland Higher Education Commission

Operating Budget Analysis

Program Description

OFSA, within MHEC, is responsible for the administration of State student financial assistance programs. These programs are designed to improve access to higher education for needy students and certain unique populations and to encourage students to major in workforce shortage areas. Maryland students use State financial assistance at community colleges, independent institutions, private career schools, and the State’s public four-year institutions.

Financial aid comes in the form of grants; work study; student loans; parent loans; and scholarships from federal, State, private, and institutional sources. Grants and scholarships are aid that students do not have to pay back. Grants are usually given because a student has financial need, while scholarships are usually given to recognize the student’s academic achievement, athletic ability, or other talent. Loans must be repaid, usually with interest. **Exhibit 1** shows current financial aid programs offered by OSFA.

Exhibit 1
Financial Aid Programs in Fiscal 2025 by Category

Program

Description

Need-based Financial Aid

Delegate Howard P. Rawlings Educational Excellence Awards

Guaranteed Access Grants	Need- and merit-based scholarships intended to meet 100% of financial need for full-time undergraduates from low-income households. Qualified applicants must have a cumulative high school GPA of at least 2.5 on a 4.0 scale. The commission extended the income limits for renewals to 150% of the federal poverty level to prevent a student who may work in the summertime from exceeding the original 130% income cap.
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Educational Assistance Grants	Need-based scholarships intended to meet 40% of financial need at four-year institutions and 60% at community colleges for full-time undergraduates from low- to middle-income families. The maximum award amount authorized by statute is \$3,000. The current maximum amount awarded is \$3,000.
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<u>Program</u>	<u>Description</u>
Campus-based	Need-based grant for full-time undergraduates from low-income families who, for extenuating circumstances, miss the application filing deadline. Funds for the campus-based grant are allocated to eligible institutions that then select recipients
<i>Other Need-based Aid Programs</i>	
Graduate and Professional Scholarship Program	Need-based scholarships for those pursuing certain graduate and professional degrees at certain Maryland institutions of higher education.
Early College Access Grant Program	Need-based grants for students dually enrolled in a Maryland high school and a Maryland institution of higher education.
2+2 Transfer Scholarship	Scholarship to provide an incentive for Maryland students to earn an associate degree from a community college before enrolling in a four-year institution. Recipient must demonstrate financial need. Minimum GPA required.
Maryland Community College Promise Scholarship	Scholarship to provide tuition assistance for Maryland students attending a community college covering costs not met by any other student financial aid, excluding loans, also known as a last dollar scholarship after the federal Pell Grant and State financial aid awards are calculated. Minimum GPA and credit completion required.
Career-based Financial Aid	
Charles W. Riley and Emergency Medical Services Scholarship Program	Chapter 503 of 2013 converted the former tuition reimbursement program to a scholarship for fire, ambulance, and rescue squad workers pursuing a degree in fire services or emergency medical technology for awards beginning in fiscal 2017.
Workforce Shortage Student Assistance Grants	Merit- and need-based scholarships for Maryland students pursuing degrees in teaching, nursing, human services, physical or occupational therapy, public service, and other areas to address workforce and regional needs.

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<u>Program</u>	<u>Description</u>
Workforce Development Sequence Scholarship	Need-based scholarship for Maryland community college students enrolled in a program composed of courses relating to job preparation or an apprenticeship, licensure, or certification, or job skill enhancement.
Teaching Fellows for Maryland Scholarship	Scholarship for Maryland student pursuing a degree leading to a Maryland professional teacher’s certificate. Requires a service obligation of teaching in a public school or prekindergarten program with at least 50% of students eligible for free and reduced-price meals.
Cybersecurity Public Service Scholarship	Scholarship for Maryland students enrolled in programs directly relevant to cybersecurity. Minimum GPA and service obligation requirements apply.
Pilot Human Services Careers Scholarship	Scholarship for students enrolled in a program at a public higher education institution in Maryland that will enable the student to obtain a credential or degree needed to work in or further a career in a targeted position in the Department of Human Services. Targeted positions include family investment specialists, child support specialists, family support workers, family services caseworkers, and social workers in an eligible county (Baltimore City, Baltimore County, and Prince George’s County). Minimum GPA and service obligation requirements apply. This pilot program was established in Chapter 100 of 2023.
Teacher Development and Retention Program	Financial support through an initial and internship stipend to eligible individuals who pledge to fulfill a service obligation as a teacher employed full time in a high-needs school, grade level, or content area in the State in which there is a shortage of teachers, as identified by the Maryland State Department of Education. Must be enrolled in the first or second year at an institution where at least 40% of the attendees receive federal Pell grants. This pilot program was established in Chapter 627 of 2023.

Program

Description

Loan Assistance Repayment Programs (LARP)

Janet L. Hoffman	Loan repayment assistance for graduates of a Maryland institution who work full-time for the government or the nonprofit sector in a priority field as determined by the commission. Priority is given to recent graduates who are State residents and employed full-time principally providing legal services to low-income residents, nursing services in nursing shortage areas in the State, or other employment fields where there is a shortage of qualified practitioners for low-income or underserved residents. Recipients must meet income eligibility requirements as determined by the commission.
Nancy Grasmick Teacher Scholars (Part of Hoffman LARP)	Loan repayment assistance for those who currently serve in specified public schools or teach science, technology, engineering, or math and graduated from a Maryland university.
Maryland Dent-Care	Loan repayment assistance designed to increase access to oral health services for Maryland Medical Assistance Program recipients.
Foster Care Recipients	Loan repayment assistance designed to increase higher education access for students who received foster care assistance.
Police Officers	Loan repayment assistance designed to assist in the repayment of a higher education loan owed by a police officer who satisfies certain criteria.

Assistance for Unique Populations

James Proctor Scholarship	Chapter 309 of 2018 established the James Proctor Scholarship program to award scholarships for tuition and fees to State residents who attend a public historically Black college or university (HBCU) in the State. Each HBCU must administer the program on its campus and must adopt policies to establish (1) eligibility requirements; (2) award amounts; (3) procedures and schedules for the payment of awards; and (4) any other policies. The scholarships must be last-dollar scholarships.
Jack F. Tolbert Memorial	Provides grants to private career schools to award to full-time students based on financial need.

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<u>Program</u>	<u>Description</u>
Veterans of the Afghanistan and Iraq Conflicts Scholarship Program	Scholarships for U.S. Armed Forces personnel who served in the Afghanistan or Iraq conflicts and their sons, daughters, or spouses attending a Maryland postsecondary institution.
Maryland First Scholarship	Scholarship for first-generation college students with financial need. No funding has been provided.
Near Completer Grant	Grants for tuition not covered by any other non-loan financial aid for eligible near completers to return to finish their degree. Minimum GPA and credit hours completed required.
Richard W. Collins III Leadership with Honor Scholarship	Scholarship for Maryland minority Reserve Officer Training Corps students enrolled in an HBCU.
Maryland Police Officers Scholarship Program	Scholarship to provide tuition assistance for students attending a degree program that would further the student’s career in law enforcement at an eligible institution with the intent to be a police officer after graduating.

Legislative Scholarships

Senatorial Scholarships	Senators select recipients from within their legislative district. Students may be pursuing undergraduate, graduate, or professional degrees, or a certificate or license at a community college.
Delegate Scholarships	Delegates select recipients pursuing undergraduate, graduate, or professional degrees, or a certificate or license at a community college.

Source: Maryland Higher Education Commission

This analysis includes MHEC Student Financial Assistance Programs that provide:

- funds directly to institutions of higher education to cover qualified college expenses;
- funds directly to students as reimbursement for the payment of tuition and mandatory fees and, in some cases, other expenses; and
- assistance for the repayment of student loans.

A separate budget analysis for R62I0001 – MHEC covers the personnel associated with the administration of these financial aid programs as well as other educational grant programs administered by the commission.

Performance Analysis: Managing for Results

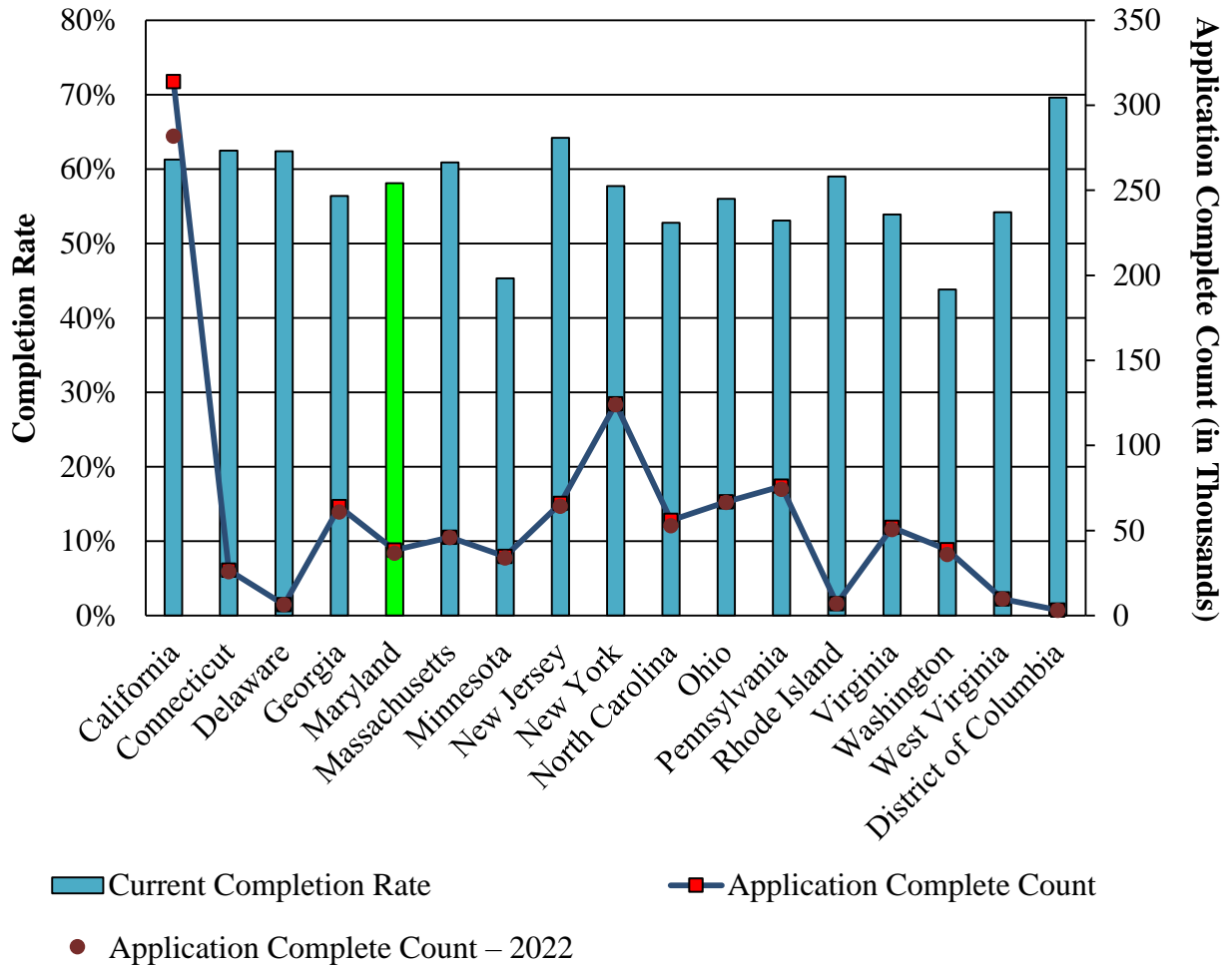
1. Free Application for Federal Student Aid

The State’s financial aid programs play a critical role in facilitating access and reducing financial barriers to postsecondary education, especially for students from low- and moderate-income families. To receive many State awards, a student must first submit a FAFSA (or an alternative State form) that determines eligibility for federal student aid, including Pell grants, Stafford loans, and work study. Currently, a student’s eligibility depends on their expected family contribution (EFC), their year in school, their enrollment status, and the cost of attendance at the school that they will be attending. Financial aid for State awards is determined by the difference between the cost of attendance, the student’s EFC, and the amount of the Pell grant that a student may receive.

The Consolidated Appropriations Act of 2020 eliminated the EFC criterion and replaced it with the student aid index (SAI), which will be used to determine eligibility for all types of Title IV student aid except maximum and minimum Pell grant awards. A negative SAI established a framework to allow the very neediest students to receive aid in excess of the cost of attendance established by their school. In addition, other changes made through the Fostering Undergraduate Talent by Unlocking Resources for Education Act of 2020 made additional changes that were intended to ease the filling out of FAFSA forms with secure data transfers and a simplified form. The status and challenges related to the implementation of the revised FAFSA is discussed further in HIGHED – Higher Education Overview.

As shown in **Exhibit 2**, Maryland had a completion rate of 58% with 38,385 completed applications, which is a 4.7% increase from the 2022-2023 award cycle. The District of Columbia has the highest completion rate of 70%. California has the highest number of completed applications at 313,841.

Exhibit 2
National Estimated Completed FAFSAs by Public High School Students
As of June 2023

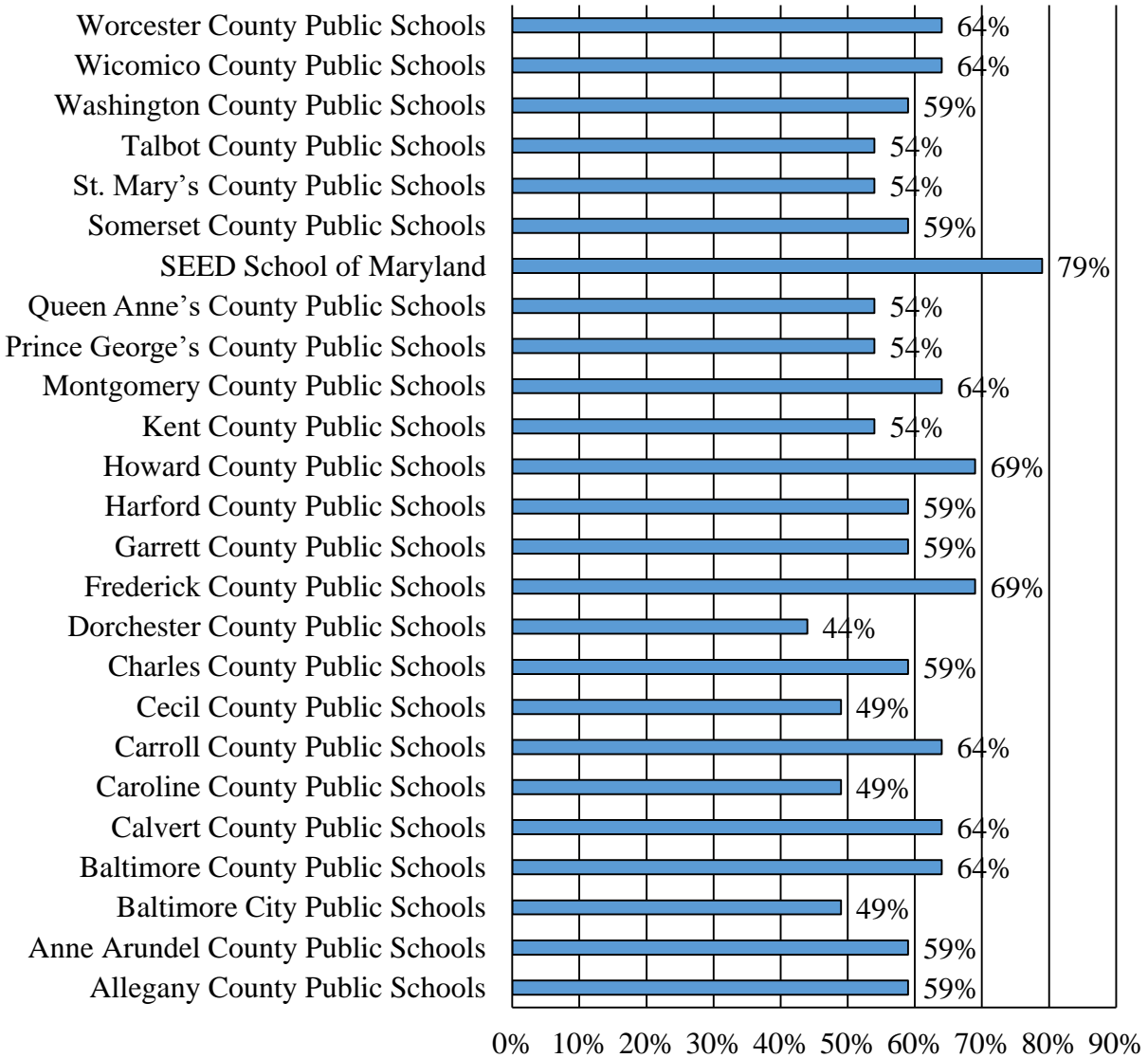


FAFSA: Free Application for Federal Student Aid

Source: FAFSA Tracker

Exhibit 3 compares the FAFSA completion rate of county public schools in Maryland as of December 2023 for the 2023-2024 award cycle. The School for Education Evolution and Development School of Maryland in Baltimore is a boarding school and has the highest number of students that have completed the FAFSA in the State (79%). Dorchester County Public Schools has the lowest number of FAFSAs completed at 44%.

Exhibit 3
Maryland Public High School Students Estimated Completed FAFSAs
2023-2024 Award Cycle (As of December 2023)



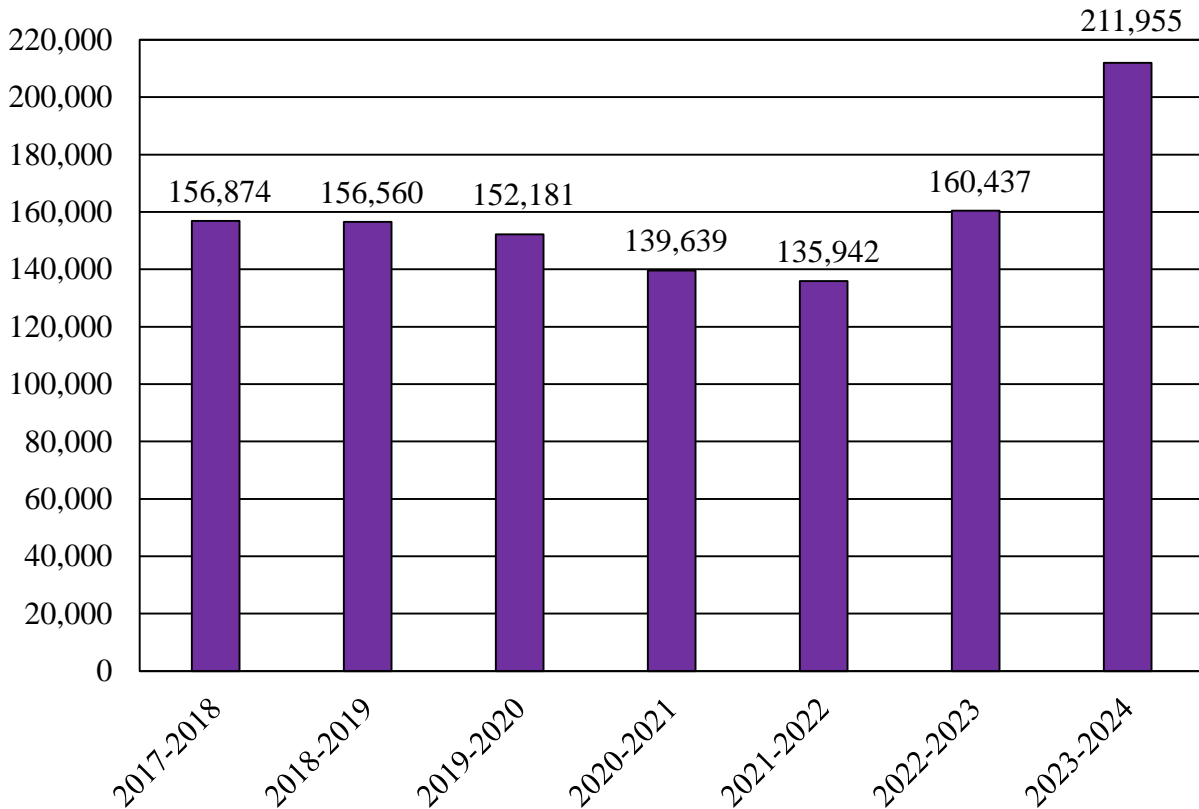
FAFSA: Free Application for Federal Student Aid
 SEED: School for Education Evolution and Development

Note: Data is provided in ranges of 5 percentage points (example 60% to 64%), the percentages shown in this chart represent the upper side of the range for each school districts.

Source: FAFSA Tracker

Exhibit 4 shows the number of FAFSAs filed in Maryland. The number of applications declined in each successive year after the 2017-2018 award cycle and then increased in the 2022-2023 award cycle. Filings increased by 18.02% in the 2022-2023 award cycle compared to the 2021-2022 award cycle. In the 2023-2024 award cycle the number of FAFSAs filed in Maryland is 211,955. MHEC reports that this change is due to a change in the timing for FAFSA filings for individuals to be considered for certain awards, which has led to more FAFSA filings being captured in the data in the 2023-2024 award cycle. **MHEC should discuss this change in timing and how it is expected to impact consideration for State aid moving forward.**

Exhibit 4
Total FAFSA Filing
2017-2018 to 2023-2024 Award Cycles



FAFSA: Free Application for Federal Student Aid

Note: In fiscal 2023, the first month of availability was October 1 to 31, 2021. In fiscal 2024, the first month of availability was October 1 to 31, 2022. For fiscal 2025 students have until June 1, 2024, to file a FAFSA or to apply for State aid from the Maryland Higher Education Commission.

Source: Maryland Higher Education Commission

2. Guaranteed Access Grant

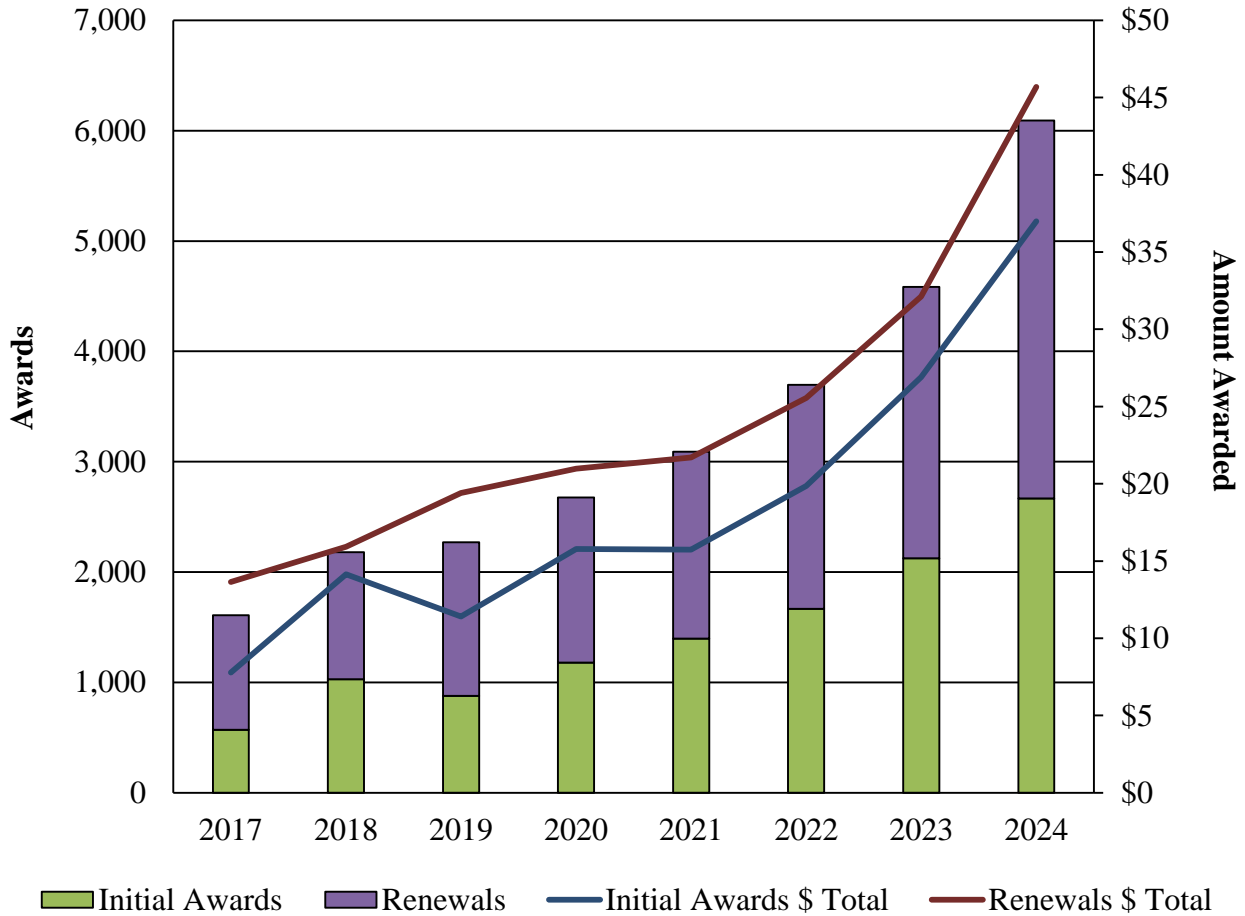
The Delegate Howard P. Rawlings Educational Excellence Awards (EEA) are comprised of three grant programs: the GA grant; the EA grant; and Campus-based Educational Assistance grants. Chapter 389 of 2018 expanded eligibility requirements for the EEA program to include those who obtained a GED diploma with a passing score of at least 165 per module and who are under age 26. In addition, Chapter 812 of 2018 expanded the eligibility requirements of the EEA program to include students who are eligible for in-state tuition. This includes undocumented immigrants, or DREAMers, as defined in Chapter 191 of 2011; active-duty military members, spouses, and children; and honorably discharged military veterans.

The GA grants, when combined with the federal Pell grant, cover 100% of the need for the State's lowest income students. The maximum amount is capped at the total cost of attendance (tuition, fees, and room and board) at the highest cost four-year University System of Maryland institutions, excluding the University of Maryland, Baltimore Campus and the University of Maryland Global Campus. The maximum award is \$20,700 in fiscal 2024.

MHEC identifies first-time applicants who are potentially eligible for the grant based on FAFSAs or the Maryland State Financial Aid Application (MSFAA) (MSFAA for qualified children of undocumented immigrants who are eligible for in-State tuition) submitted by the March 1 deadline. Eligible applicants must have an annual total family income that qualifies for the federal free lunch program (less than 130% of the federal poverty level (FPL) for first-time students and 150% for renewal awards), enroll in college as a full-time degree-seeking student within a year of completing high school, have an unweighted GPA of at least 2.5 as of the fall semester of their senior year, be in high school at the time of the application, and be under age 22 at the time of high school graduation or have a GED and be under age 26. Students meeting all the requirements are guaranteed funding.

As shown in **Exhibit 5**, in fiscal 2023, the total number of awards increased by 24%, or 886, totaling 4,583, compared to fiscal 2022. The increased trend in the number of awards through the last couple of years is due to the elimination of the supplemental application requirement, which began in fiscal 2018, and using FAFSA or MSFAA to identify potentially eligible applicants. In fiscal 2022, MHEC implemented the Electronic File Upload process, which allowed applicants to upload required documents into the Maryland College Aid Processing System (MDCAPS). Also, the GPA Upload Tool was implemented in fiscal 2021 to allow high school staff to use MDCAPS to verify and report all high school seniors' cumulative unweighted GPAs, from their first semester or end of senior year cumulative GPA from high school. This upload tool allows MHEC to determine applicant's eligibility faster and more efficiently as well as confirm applicant's eligibility for the GA grant. The use of both tools will cause an increase in GA awards. In fiscal 2024 the number of initial awards increased by 25.6%, and the number of renewals increased by 39.3% compared to fiscal 2023. The total amount of initial awards is \$37 million, and the total amount of renewals is \$46 million. The combined total of initial and renewal awards in fiscal 2024 increased by 40% (to \$82.7 million) compared to fiscal 2023.

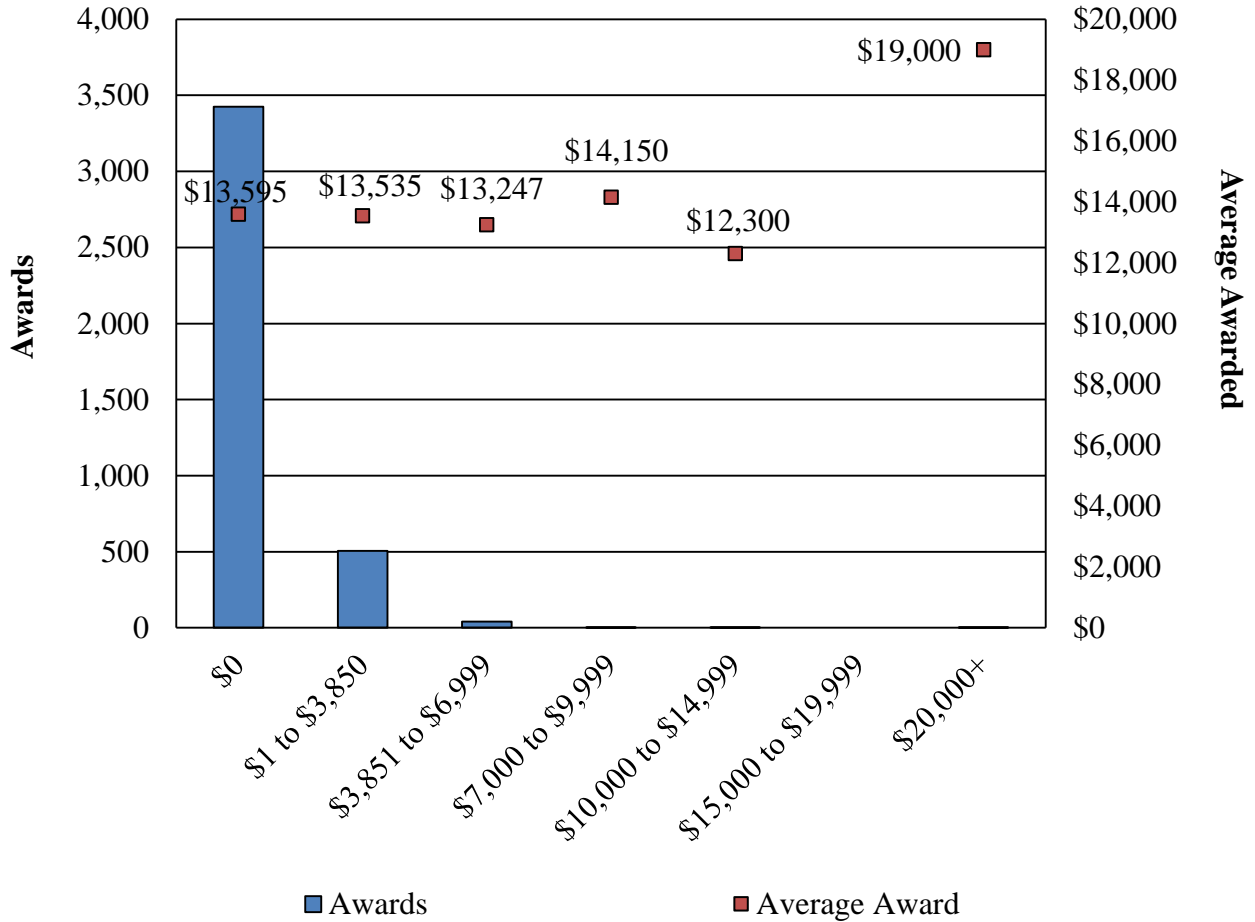
Exhibit 5
Guaranteed Access Grant Awards
Fiscal 2017-2024
(\$ in Millions)



Source: Maryland Higher Education Commission

As shown in **Exhibit 6**, 86% of GA grant awards distributed to individuals in fiscal 2023 have a \$0 EFC. GA grants are renewed if the student meets certain requirements, including that family income does not exceed 150% of the FPL, so if a student’s EFC increases after the initial application, they still receive the grant. **Appendices 2** through **6** contain EFC and award outcomes for other selected OFSA programs.

**Exhibit 6
Guaranteed Access Grants by Expected Family Contribution
Fiscal 2023**



Source: Maryland Higher Education Commission

3. Educational Assistance Grants

The EA grant is designed to meet 40% of the financial need at four-year institutions and 60% at community colleges for full-time undergraduate students from low- to middle-income families. All applicants are ranked by EFC with awards made first to those with the lowest EFC. Awards may not be less than \$400 and cannot exceed \$3,000 – award amounts have not changed since fiscal 1996.

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Funding for EA grants is shown in **Exhibit 7**. The appropriation remains the same at \$46.1 million from fiscal 2021 to 2024. In fiscal 2024, there is a 67% increase in on-time applications. The initial applicants with a \$0 EFC increased by 39,770 in fiscal 2024 compared to fiscal 2023. The renewal applicants with a \$0 EFC increased by 17,124 from fiscal 2023 to 2024. The EFC cutoff increased by 1,115 in fiscal 2024 compared to fiscal 2023. The EA initial and renewal awarded and accepted in fiscal 2024 is \$45.5 million, which is an increase of 60.8% compared to fiscal 2023. **MHEC should discuss how it accommodated with the increase in awards within the same level of appropriation.**

**Exhibit 7
EA Grants
Fiscal 2018-2023**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>% Change 2023-2024</u>
EA Appropriation (\$ in Millions)	\$52.2	\$53.4	\$46.1	\$46.1	\$46.1	\$46.1	0.0%
EA Applicants (On-time FAFSAs)	156,874	152,181	139,639	135,942	123,944	206,942	67.0%
EA Initial Applicants with \$0 EFC	34,970	33,257	30,286	28,559	25,139	64,909	158.2%
EA Renewal Applicants with \$0 EFC	23,702	20,291	17,362	17,455	14,023	31,147	122.1%
EFC Cutoff ¹	2,750	3,800	2,997	6,495	4,545	5,660	24.5%
EA Initial and Renewal Awarded	25,000	23,665	18,930	31,605	28,278	45,471	60.8%
Waitlist ²	18,798	7,074	7,751	7,364	71	1,251	1,662.0%

EA: Educational Assistance
EFC: Expected Family Contribution
FAFSA: Free Application for Federal Student Aid

¹ The numbers above are reported as of January.

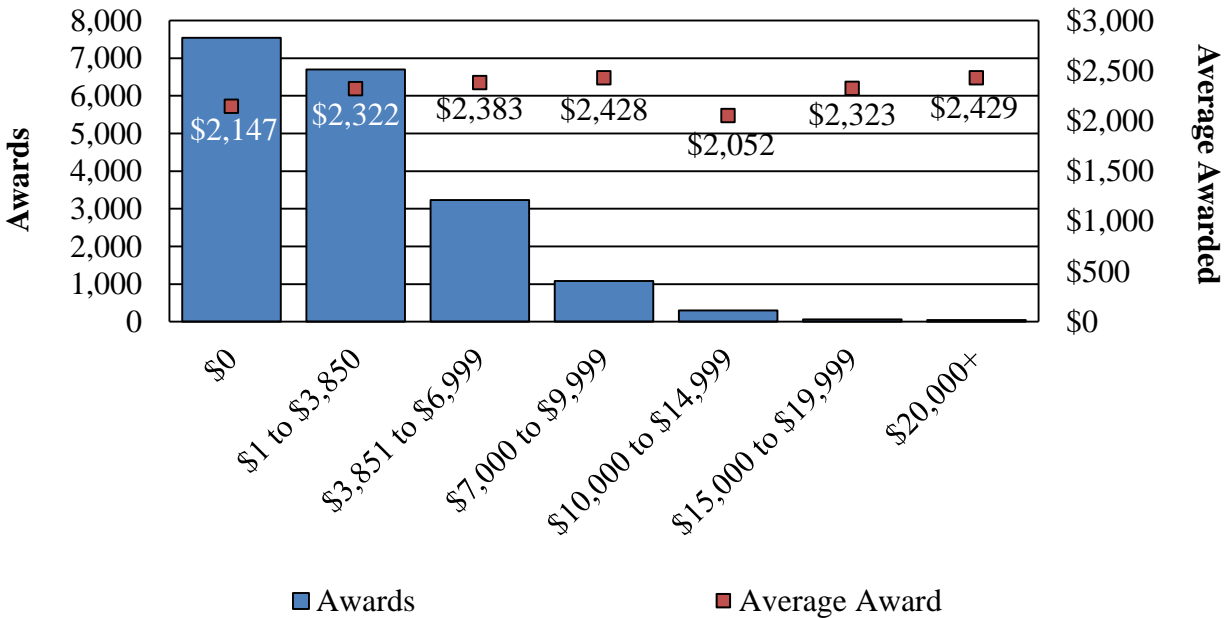
² As of May 1, Students are eligible for Educational Excellence Awards and are placed on the waitlist if they are full-time students, submit a completed application by the March 1 deadline, and have financial need remaining after their EFC and federal Pell Grant award are considered.

Source: Maryland Higher Education Commission

In 2016, the Financial Assistance Advisory Council, which advises MHEC on policy and administrative issues affecting State financial aid, recommended adopting a formula to determine an EFC cutoff for the EA waitlist to create a more realistic waitlist number. Starting in fiscal 2017, students whose EFC exceed the waitlist cutoff are deemed ineligible for the program. In fiscal 2019, 18,798 students with an EFC up to \$10,974 were placed on the waitlist. In fiscal 2021, the EFC cutoff for the waitlist was changed to align with the federal Pell index, which in fiscal 2021 was \$6,395. This resulted in the waitlist declining by 58.8% to 7,751 students from fiscal 2019 to 2021. In fiscal 2022, the cutoff was \$6,495. In fiscal 2023 the cutoff decreased to \$4,545

As shown in **Exhibit 8**, 75% of the EA awards in fiscal 2023 has less than \$3,850 EFC. The total number of awards are 18,957. The average EA grant for those with a \$0 EFC is less than the average of those with an EFC between \$1 and \$6,999 because students with a lower EFC receive a higher federal Pell grant. Pell awards are given to students who have an EFC of less than a specific amount, the maximum amount of which was \$6,495 in fiscal 2022. Some students will qualify for a Pell grant but receive no State aid. The EA grant is based on student need after accounting for the federal Pell grants; as a result, those with low EFCs often qualify for smaller EA grant awards. EA grants are renewed automatically as long as the student continues to have demonstrated need, even if a student’s EFC increases in later years. This policy bumps some new Pell grant students to the EA waitlist every year.

Exhibit 8
Educational Assistance Grant by Expected Family Contribution
Fiscal 2023



Source: Maryland Higher Education Commission

The U. S. Department of Education’s reported delays in distribution of FAFSA data will hinder MHEC from making initial EEA awards by April 15, 2024, as required in State law. **MHEC should discuss the impact of the delay on the ability to make awards and its plan and timing for making awards given the delayed distribution of data.**

Fiscal 2024

Proposed Deficiency Appropriation

During the fiscal 2023 closeout, prior year unused funds for legislative scholarships reverted to the General Fund in error. The fiscal 2025 budget includes proposed deficiency appropriations totaling \$9.8 million to replace these funds reverted in error.

Implementation of Legislative Priorities

Section 19 of the fiscal 2024 Budget Bill added \$1 million in general funds for the Pilot Program Human Services Careers Scholarship, contingent on legislation creating the program. Chapter 100 of 2023 created the Pilot Program Human Services Careers Scholarship, which provides financial assistance to students enrolled in a program at a public higher education institution in Maryland that will enable the student to obtain a credential or degree necessary to work in or further a career in a targeted position in the Department of Human Services. Under Chapter 100, the targeted positions include social workers, child support specialists, family investment specialists, and family support workers. Eligible locations and school systems are Baltimore City, Baltimore County, and Prince George’s County. Recipients must meet certain GPA requirements and other criteria. The fiscal 2025 allowance continues funding for the program at the same level. **MHEC should discuss the status of implementation of this new program, the number of applications for this program, and the number of anticipated or provided scholarships.**

Fiscal 2025 Proposed Budget

Exhibit 9 shows, for fiscal 2022 and 2023, the number and average award by financial aid program for ongoing programs. MHEC was unable to provide reliable figures for fiscal 2024 or estimates for the fiscal 2025. **MHEC should provide the committees with a chart showing projected recipients, the average grant, and the total expenditures for each scholarship for fiscal 2024 and estimates for fiscal 2025.**

Exhibit 9
Recipients of State Aid Programs, Excluding New Programs
Fiscal 2022-2023 Actuals

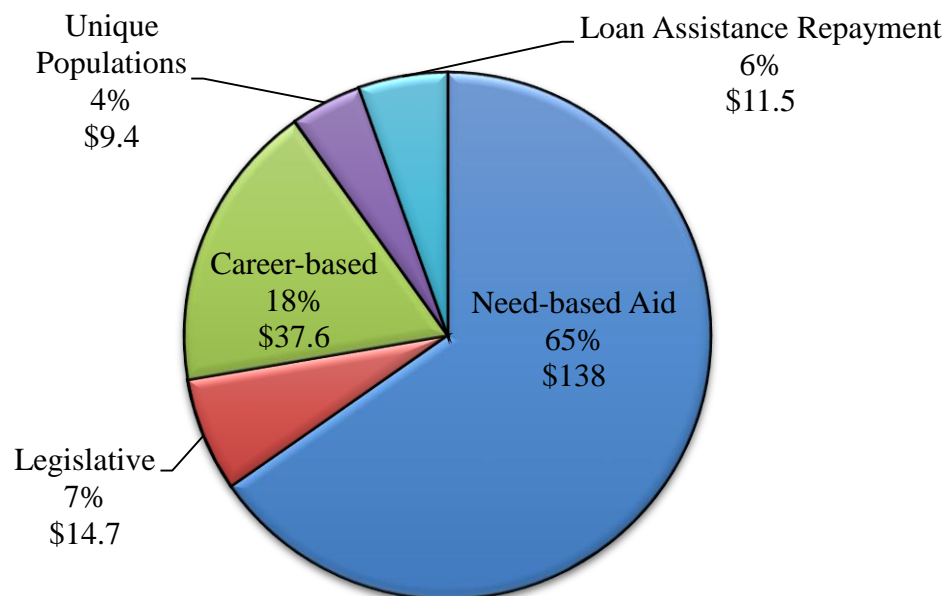
<u>Program</u>	<u>2022 Actual</u>		<u>2023 Actual</u>	
	<u>Recipients</u>	<u>Average Award</u>	<u>Projected Recipients</u>	<u>Projected Average Award</u>
Need-based Aid				
Educational Assistance Grant	19,973	\$2,246	18,901	\$2,265
Campus-based Educational Assistance Grant	1,074	1,680	1,066	1,706
Guaranteed Access Grant	3,321	13,526	4,572	13,909
2+2 Transfer Scholarship	174	1,511	247	1,447
Part-time Grant Program	5,258	905	5,591	912
Graduate and Professional Scholarship	322	1,387	364	1,142
Maryland Community College Promise Scholarship	1,904	2,961	1,375	3,067
Near Completer Grant	4	2,839	5	315
Subtotal	32,030	\$3,206	32,121	\$3,683
Legislative Programs	15,124	\$1,046	16,273	\$1,113
Charles Riley Scholarship Program	25	\$6,299	20	\$6,587
Workforce Shortage Student Assist Grant	339	3,193	550	3,229
Teaching Fellows for Maryland Scholarship	105	17,963	209	19,780
Cohen Graduate Nursing Faculty Scholarship	0	0	0	0
Subtotal	469	\$6,665	779	\$7,756
Unique Population Programs	1,739	\$3,797	1,175	\$4,846
Loan Assistance Repayment Programs	147	\$5,819	102	\$7,710
Total	49,509	\$2,288	50,450	\$2,594

Note: Data is a point-in-time calculation and cannot be used to calculate total aid.

Source: Maryland Higher Education Commission

As shown in **Exhibit 10**, the fiscal 2025 allowance totals \$210.9 million. Need-based grants or scholarships comprise 65% of the allowance. Career or occupation-based scholarships account for 18% of the budget.

Exhibit 10
Overview of Agency Spending
Fiscal 2025 Allowance
(\$ in Millions)



Source: Governor’s Fiscal 2025 Budget Books

As shown in **Exhibit 11**, the fiscal 2025 allowance increases by \$8.7 million compared to the fiscal 2024 working appropriation. The largest increase is \$10 million for the Teacher Development and Retention Program reflecting the transfer of the program from MSDE. This program was established by Chapter 627, the Maryland Educator Shortage Reduction Act, as a pilot program to encourage college students to pursue teaching careers and makes a number of additional changes related to the recruitment and retention of teachers, including prekindergarten teachers and school-based mental health professionals. Section 19 of the fiscal 2024 Budget Bill provided \$10 million for this purpose in MSDE. The program terminates June 30, 2029.

Chapter 36 required the Governor to appropriate funding for the Teaching Fellows for Maryland scholarship of increasing amounts from \$4 million in fiscal 2022 to \$18 million in fiscal 2025. Future year mandates remain at \$18 million. The increase in the mandated level from fiscal 2024 to 2025 is \$6.0 million.

Exhibit 11
Proposed Budget
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Total</u>
Fiscal 2023 Actual	\$157,007	\$18,599	\$175,607
Fiscal 2024 Adjusted Working Appropriation	189,518	12,723	202,241
Fiscal 2025 Allowance	<u>192,220</u>	<u>18,723</u>	<u>210,943</u>
Fiscal 2024-2025 Amount Change	\$2,702	\$6,000	\$8,702
Fiscal 2024-2025 Percent Change	1.4%	47.2%	4.3%
Where It Goes:			<u>Change</u>
Chapter 627 of 2023 Teacher Development and Retention Program funded in the Maryland State Department of Education in fiscal 2024			\$10,000
Chapter 36 of 2021 Teaching Fellows for Maryland Scholarships mandated increase to \$18 million in fiscal 2025.....			6,000
Educational Excellence Awards.....			2,240
Legislative scholarships			-9,538
Total			\$8,702

Note: Numbers may not sum to total due to rounding. The fiscal 2024 working appropriation includes deficiencies. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

Source: Governor’s Fiscal 2025 Budget Books

Need-based Student Financial Assistance Fund

The Need-based Student Financial Assistance Fund (NBSFAF), a nonlapsing special fund, was created in fiscal 2011 to receive unused scholarship funds at the close of each fiscal year, which are then reserved for future need-based and certain unique population awards. Funds from the NBSFAF can be appropriated in the annual State budget or recognized by budget amendment in the following fiscal year, thereby creating a transparent process for MHEC to encumber unexpended scholarship funds. **Exhibit 12** shows the current balance of the NBSFAF. MHEC tries to maintain a fund balance at the end of the fiscal year to ensure that it does not over award financial aid in any given year and require a general fund deficiency.

Exhibit 12
Need-based Student Financial Assistance Fund
Fiscal 2020-2024 Estimated

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024 Est.</u>
Opening Balance	\$10,392,845	\$6,606,877	\$8,664,317	\$13,012,641	\$37,502,192
Transfers In	\$1,414,723	\$3,470,682	\$10,798,022	\$29,899,941	TBD
Transfers Out					
2+2 Transfer	\$0	\$277,000	\$259,000	\$300,000	\$300,000
EEA	4,972,826	0	5,090,698	5,110,389	0
Conroy Memorial	227,865	1,136,242	1,100,000	0	0
Subtotal	\$5,200,691	\$1,413,242	\$6,449,698	\$5,410,389	\$300,000
Closing Balance	\$6,606,877	\$8,664,317	\$13,012,641	\$37,502,192	\$37,202,192

EEA: Educational Excellence Awards

TBD: to be determined

Source: Maryland Higher Education Commission

In fiscal 2023, the opening balance for the NBSFAF totaled \$13.0 million, with an additional \$29.9 million transferred into the fund in that year. Fund balance transfers out in fiscal 2023 include \$300,000 for the 2+2 Transfer Program and \$5.1 million for the EEA program. In fiscal 2024, MHEC currently plans to use a portion of the balance of \$37.5 million to fund additional EEA, 2+2 Transfer, and Conroy Memorial Scholarship awards, even though the Department of Legislative Services (DLS) notes that only funding for the 2+2 Transfer program is currently reflected in the fiscal 2024 working appropriation. **MHEC should discuss the reason for the \$29.9 million in unused appropriations available for fiscal 2023, a level much higher than that of recent years, and plans to utilize the balance.**

Issues

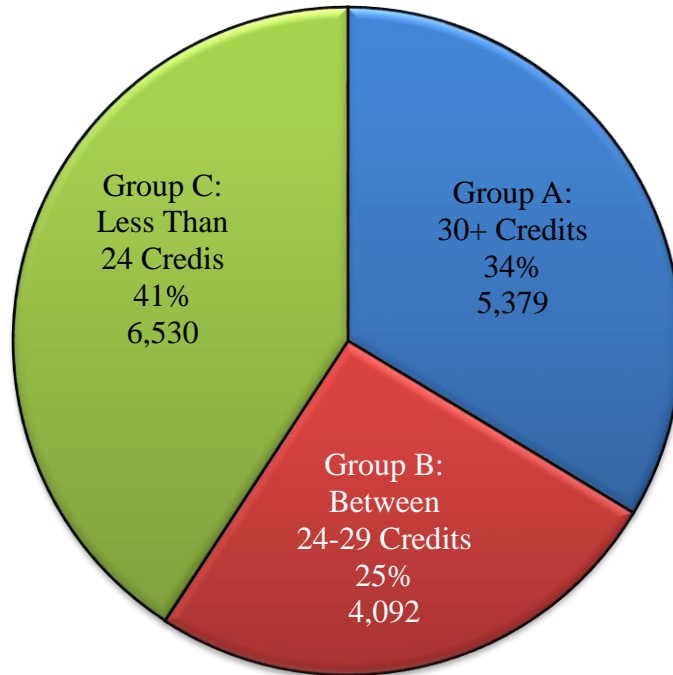
1. Credit Completion Requirements on Financial Aid Awards

Although not formally submitted, MHEC provided a report on the impact of credit completion requirements on financial aid awards in response to the 2023 *Joint Chairmen’s Report* (JCR) request. Information from that report was used in this analysis. The College Affordability Act of 2016 (Chapters 689 and 690) requires students who are recipients of the EEA program, composed of the EA grant, the GA grant, and the Campus-based Educational Assistance grant, to meet certain credit completion requirements. The credit completion requirement in the EEA program became effective in the 2018-2019 academic year (fiscal 2019) and requires students to successfully complete at least 30 credit hours at the end of their second (and subsequent) academic year(s) to be eligible to receive full (nonprorated) State funding in the subsequent year. The law also requires that students who fail to complete 30 credits but complete at least 24 credits in the prior year be eligible for a prorated award. Students who complete fewer than 24 credits are ineligible for the award in the subsequent year.

The intent of the credit completion requirement is to encourage students who receive an EEA award to complete their postsecondary education on time, which means attaining 15 credits per semester, or 30 credits per year. Most four-year degree programs require a student to satisfactorily complete at least 120 credits to graduate and earn a bachelor’s degree and, similarly, 60 credits are required for most associate degrees at community colleges. “On-time” graduation for most bachelor’s degree programs is four years; likewise, on-time graduation for most associate degree programs is two years. This change is intended to limit the number of students who run out of eligibility for need-based grants before completing their degrees and, therefore, accumulate additional debt.

As shown below in **Exhibit 13**, of the 16,001 students reported in the 2022-2023 credit roster, OSFA has identified that 6,530 students, or 41%, completed fewer than 24 credits and became ineligible for their EEA award for the 2023-2024 award year; 4,092 students, or 26%, completed at least 24 credits but fewer than 30 credits and received a prorated award; and 5,379 students, or 34%, completed at least 30 credits and received their full award eligibility.

Exhibit 13
EEA Credit Completion Outcome
2022-2023 Credit Roster

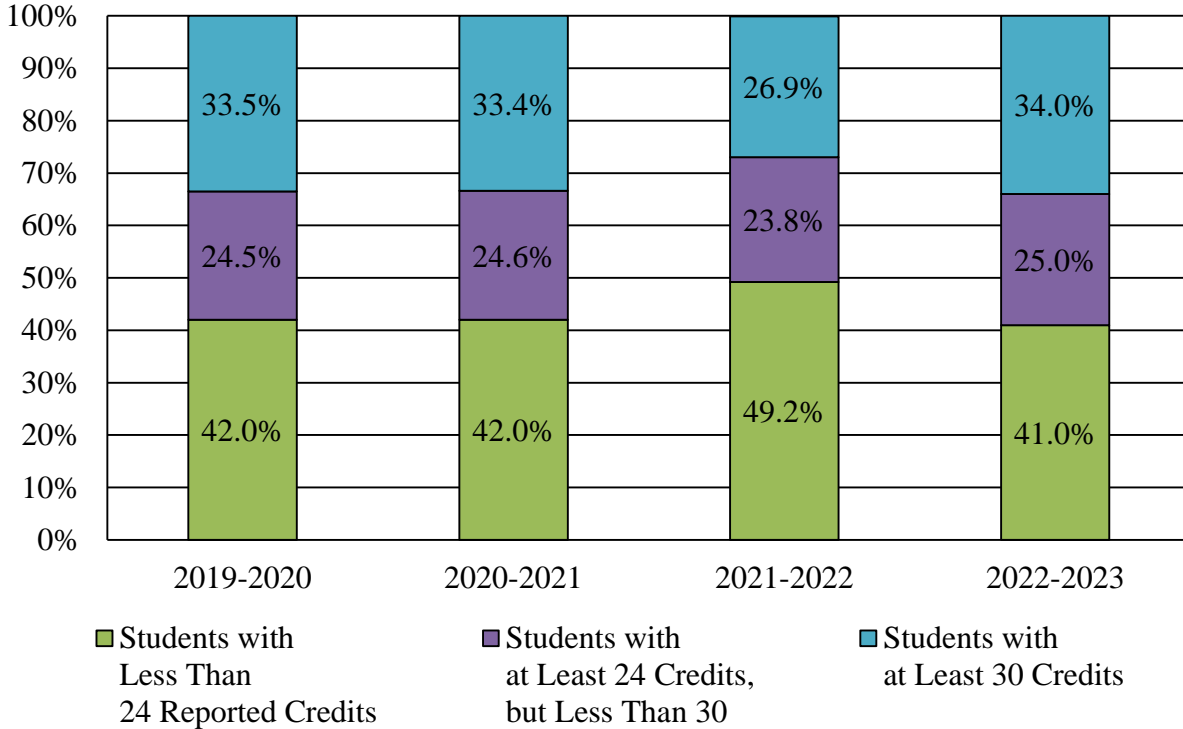


EEA: Educational Excellence Award

Source: Maryland Higher Education Commission

The 2022-2023 academic year is the fifth year of the credit completion reporting requirements as the credit completion data from the 2019-2020 academic year was used to inform EEA awarding for the 2020-2021 academic year. As shown in **Exhibit 14**, in the 2022-2023 academic year, the total percentage of students who completed at least 30 credits, 34%, increased 7.1 percentage points from the previous year, when 26.9% of the population completed at least 30 credits. Students with at least 24 credits but less than 30 increased to 25% of the total student pool, an increase of 1.2 percentage points when compared to the previous year. Students with less than 24 credits made up the majority of the group, with 41% of the student population not achieving this target, a decrease of 8.2 percentage points over the 2021-2022 period when 49.2% failed to reach the 24-credit limit. **MHEC should comment on the increasing number of students meeting the credit completion requirement.**

Exhibit 14
EEA Credit Completion Outcomes
2019-2020 through 2022-2023

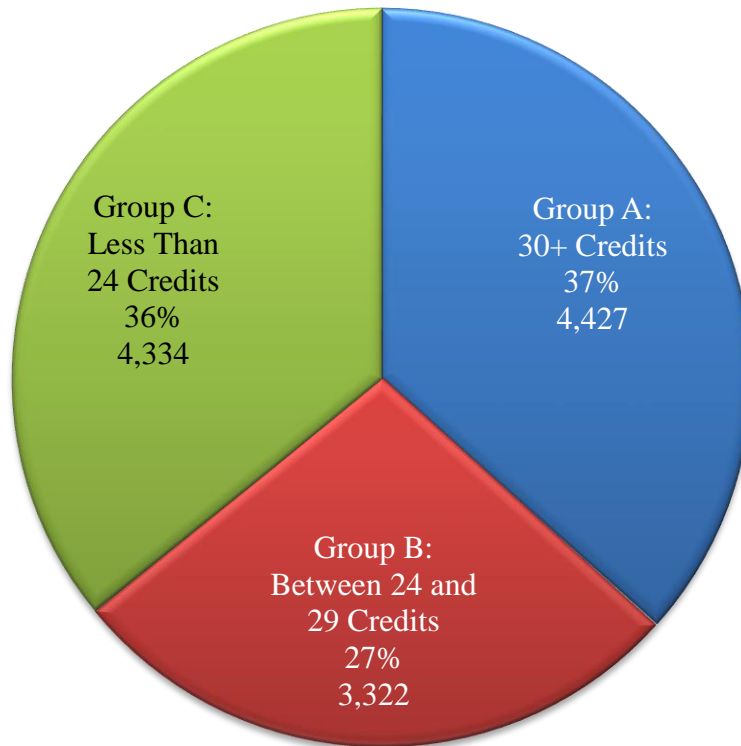


EEA: Educational Excellence Award

Source: Maryland Higher Education Commission

For the 2022-2023 academic year, four-year public institutions participating in the EEA program reported credit completion information for 12,083 students who appeared on the credit roster in MDCAPS. As shown in **Exhibit 15**, 36.6% of students at four-year public institutions have completed 30 or more credits, which is lower than independent institutions, but a higher percentage than community colleges. Consequently, four-year public institutions also have the higher percentage of students, 35.9%, who complete fewer than 24 credits compared to independent institutions, but a lower percentage than community colleges. As shown in Exhibit 11, for the 2022-2023 academic year of students attending four-year public institutions, the highest percentage of students, 37%, completed 30 or more credits. Of the students at four-year public institutions, a total of 3,322 students, or 27%, completed between 24 to 29 credits, which caused their EEA award to be prorated for the subsequent 2023-2024 award year, and a total of 4,334 students, or 36%, completed less than 24 credits, which caused them to lose their EEA award eligibility for the subsequent 2023-2024 award year.

Exhibit 15
Four-year Public Institutions in EEA Program
2022-2023 Academic Year

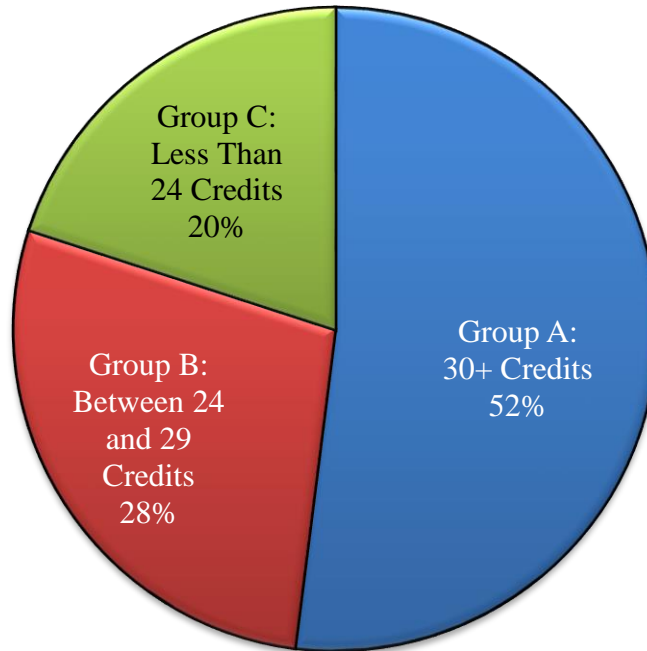


EEA: Educational Excellence Award

Source: Maryland Higher Education Commission

For the 2022-2023 academic year, independent institutions participating in the EEA program reported credit completion information for 1,500 students who appeared on the credit roster in the MDCAPS. As shown in **Exhibit 16**, independent institutions have the smallest percentage of students, 20%, who completed fewer than 24 credits and lost EEA eligibility based upon credit requirement guidelines. MHEC reported that 52% completed 30 or more credits, and 28% completed between 24 and 29 credits at the end of the 2022-2023 academic year. Independent institutions had the highest percentage of students remaining eligible for EEA funding.

Exhibit 16
Independent Colleges and Universities in EEA Programs
Fiscal 2022-2023

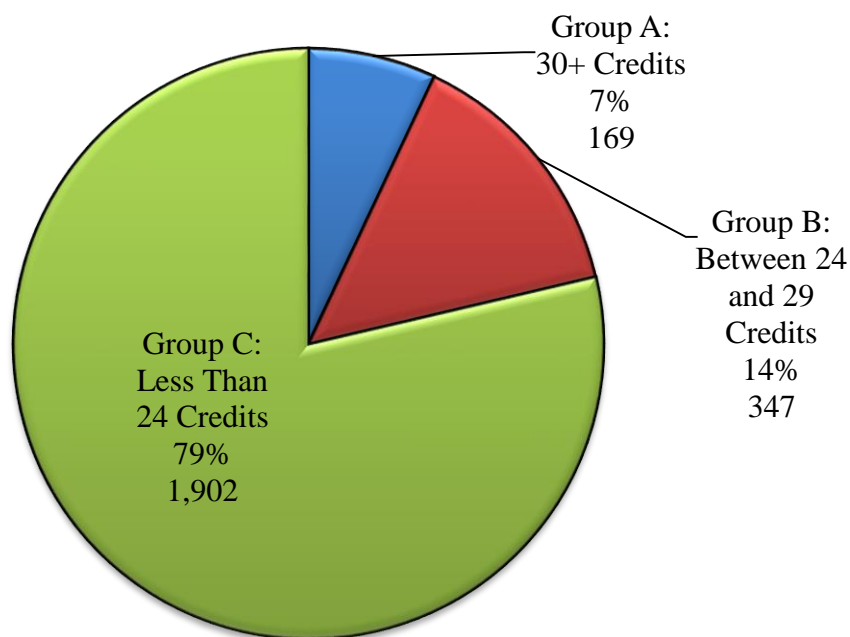


EEA: Educational Excellence Award

Source: Maryland Higher Education Commission

For the 2022-2023 academic year, community colleges participating in the EEA program reported credit completion information for 2,418 students who appeared on the credit roster in MDCAPS. As shown in **Exhibit 17**, of 2,418 students, 79% completed fewer than 24 credits and were not eligible for continued funding, 7% of students completed 30 or more credits and remained eligible, and 14% of students completed 24 to 29 credits were eligible for prorated awards in the subsequent year. For the community college sector, there is a 50-percentage-point difference between those completing 30 or more credits and between 24 and 29 credits for the 2022-2023 academic year. **MHEC should discuss efforts to make students aware of the credit requirements and how specifically it is working with the Maryland Association of Community Colleges to increase the share of recipients that complete enough credits to remain eligible.**

Exhibit 17
Community Colleges in EEA Programs
Fiscal 2022-2023



EEA: Educational Excellence Award

Source: Maryland Higher Education Commission

2. Next Generation Scholars Program

Although not formally submitted, MHEC provided a report on the Next Generation Scholars (NGS) program in response to the 2023 JCR request. The Maryland General Assembly established the Next Generation Scholars of Maryland in calendar 2016. It is a college preparation program that supports low-income students in high poverty school systems to prepare for and enroll in postsecondary educational opportunities. Through the program, students also prequalify for the Howard P. Rawlings GA grant. The public school systems that are included in the NGS program are those where at least 50% of the students are eligible to receive free lunch are Allegany County Public Schools, Baltimore City Public Schools, Caroline County Public Schools, Dorchester County Public Schools, Kent County Public Schools, Prince George’s County Public Schools, Somerset County Public Schools, and Wicomico County Public Schools. Data discussed in this analysis is from the sixth year of the program.

NGS consists of nonprofit organizations who implement a unique program customized to the needs of the students that they serve in the eligible local education agencies and the expertise and focus of the nonprofit. MSDE is required to award grant funding to nonprofit organizations to administer the program. **Exhibit 18** provides details about the funding awarded to each nonprofit in fiscal 2023. Participating organizations must submit a grant application that includes goals, strategies, and activities.

Exhibit 18
Next Generation Scholars Grant Awardees
2023 Award Cycle

<u>Nonprofit Organization</u>	<u>Local Education Agency</u>	<u>Award Amount</u>
CollegeBound Foundation	Baltimore City	\$186,716
First Generation College Bound	Prince George’s County	772,384
Higher Achievement	Baltimore City	218,258
It Takes a Village to Help Our Children	Somerset County	256,871
KIPP Baltimore	Baltimore City	267,851
Latin American Youth Center/ Maryland Multicultural Youth Centers	Prince George’s County	221,258
Maryland Business Roundtable for Education	Allegany County Caroline County Dorchester County Kent County Wicomico County	1,432,117
MERIT Leadership Academy	Baltimore City	186,627
Next One Up Foundation	Baltimore City	198,220
University of Maryland Baltimore	Baltimore City	436,512
The Y in Central Maryland	Baltimore City	775,668

Source: Maryland Higher Education Commission

Data on the outcomes for the class of 2023 is self-reported by the participating nonprofit organizations. **Exhibit 19** shows how each nonprofit performed in encouraging students to graduate, meet GA grant requirements, apply for GA grants, and receive GA grants; the number of graduates who were admitted into a college or university; and how much financial aid was awarded to students. Data was not available in these categories for one nonprofit (Higher Achievement). In fiscal 2023, the Maryland Business Roundtable for Education had the highest number of graduates at 462, the most graduates who met GA grant requirements at 209,

the most applicants for GA grants at 153, the highest number of GA grant awardees at 84, the most graduates accepted into college at 224, and the largest dollar amount of financial aid awarded to graduates at \$3,752,595 compared to the other nonprofit organizations.

Exhibit 19
Student Outcomes for the Class of 2023
Fiscal 2023
(\$ in Thousands)

<u>Nonprofit Organization</u>	<u>Total Graduates</u>	<u>Graduates That Met GA Requirements</u>	<u>GA Applicants</u>	<u>GA Recipients</u>	<u>Graduates Accepted to College</u>	<u>Amount of Financial Aid Awarded</u>
CollegeBound Foundation	88	66	32	32	66	\$685
First Generation College Bound	182	43	43	43	176	2,662
It Takes a Village to Help Our Children	79	70	79	31	63	2,610
KIPP Baltimore	145	24	21	16	100	660
Latin American Youth Center	5	20	1	1	2	4
Maryland Business Roundtable for Education	462	209	153	84	224	3,753
Next One Up Foundation	10	2	6	2	10	135
University of Maryland, Baltimore Campus	87	72	66	9	55	156
The Y in Central Maryland	48	14	48	14	42	2,655

GA: Guaranteed Access

Source: Maryland Higher Education Commission

As shown in **Exhibit 20**, as of October 29, 2023, for the 2023-2024 award year, a total of 201 NGS applicants, have been awarded the NGS_GA grant for approximately \$3.0 million. Of the 201 applicants awarded, 148 have been certified as eligible and attending for approximately \$1.3 million, and 140 students have received funding for approximately \$1.2 million. There are several institutions that still need to certify funds for the fall 2023 semester, and additional funds will be certified and paid in the spring 2024 semester.

Exhibit 20
NGS Guaranteed Access Award Summary
Fiscal 2024 Year to Date

	<u>Students Awarded</u>	<u>Total Amount Awarded</u>	<u>Students Certified</u>	<u>Total Amount Certified</u>	<u>Students Paid</u>	<u>Total Amount Paid</u>
NGS (GA Grant) – Initial	91	\$1,330,387	65	\$556,368	60	\$520,768
NGS (GA Grant) – Renewal	110	1,716,750	83	717,050	80	691,400
Total	201	\$3,047,137	148	\$1,273,418	140	\$1,212,168

GA: Guaranteed Access

NGS: Next Generation Scholars

Source: Maryland Higher Education Commission

Operating Budget Recommended Actions

1. Adopt the following narrative:

Impact of Credit Completion Requirement on Financial Aid Awards: The committees are interested in the impact the 30-credit-hour requirement had on students in the 2023-2024 academic year and the 2024-2025 awarding year, specifically if students are meeting the requirement in order to receive the full amount of award, how many students had their awards prorated, and how many students lost eligibility. The report should also include the graduation rates of students who completed 30 credit hours compared to those who completed less than 30 credit hours. The report should provide summary data by segment (community colleges, four-year public, and independent institutions) and by institution. The report should also identify how the Maryland Higher Education Commission (MHEC) alerts Educational Excellence Award (EEA) recipients that they are in danger of losing their award, as all segments are showing signs of increasing populations of students not meeting the 24-credit-hour minimum. The report should identify the updated funding disbursement, by EEA award type and by total credit attainment grouping, for the students from the most recent review cycle as well as what the total funding amount was, by EEA award type, prior to those students having their award funding amounts revised.

Information Request	Author	Due Date
Report on impact of credit completion requirement on financial aid awards	MHEC	December 11, 2024

2. Adopt the following narrative:

Next Generation Scholars (NGS) Postsecondary Outcomes: The committees remain interested in determining how many NGS students met the eligibility requirements and later enrolled in a postsecondary institution. The report should identify the number of NGS seniors for the 2022-2023 and 2023-2024 academic years, the number of NGS seniors who successfully met all of the eligibility requirements, the number of eligible NGS seniors receiving a guaranteed access award, and the number of seniors who later enrolled in a postsecondary institution of higher education in either the summer session or the fall semester and identify to which higher education segment those students enrolled.

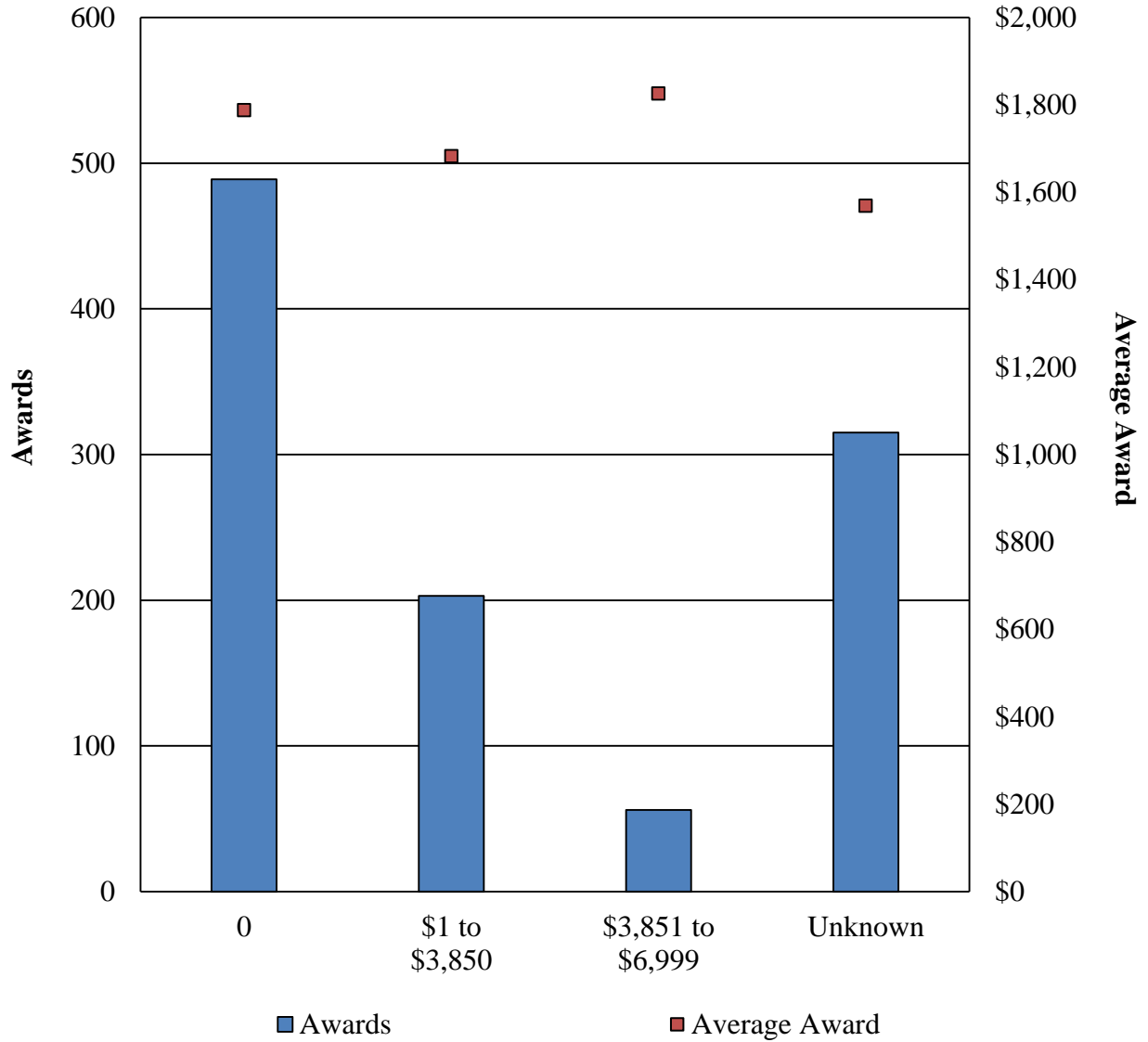
Information Request	Author	Due Date
Report on postsecondary outcomes for NGS senior students	Maryland Higher Education Commission	December 1, 2024

Appendix 1
2023 Joint Chairmen’s Report Responses from Agency

The 2023 JCR requested that MHEC prepare three reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

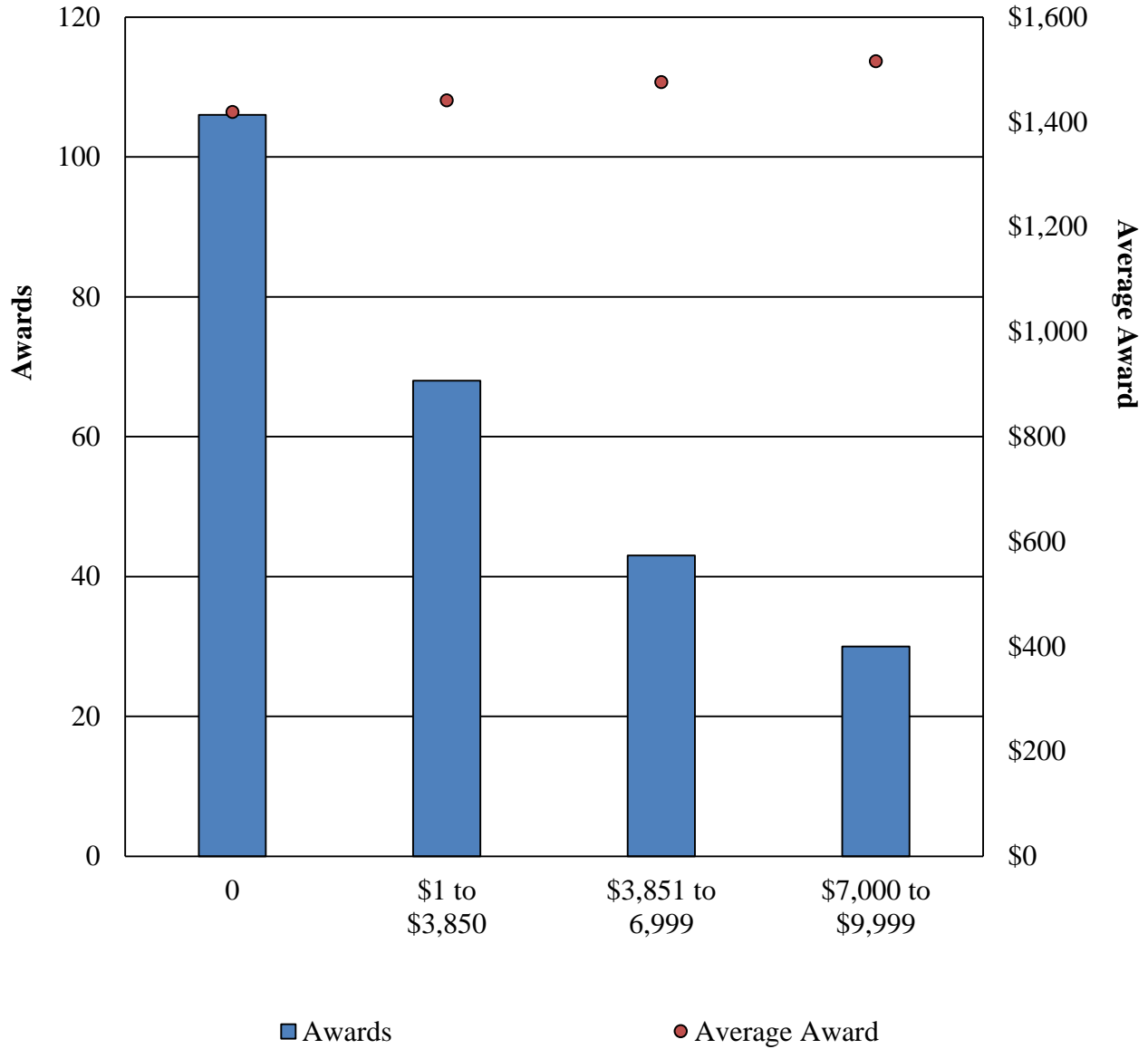
- ***Report on Funding the GA and EA Grants:*** The committees requested a report on the cost to fully fund the two grants separately as well as eliminate the EA waitlist. The report was due in December 2023. MHEC has provided DLS a copy of what it plans to submit. Currently, GA grants are a funding priority over EA grants, which causes some students not to receive grant funding. Eligible students on the waitlist are awarded grants based on need and the funding available. In the report, MHEC recommends establishing separate funding sources for GA and EA grants and increasing the appropriation for each grant with an annual increase of 5% to account for growth in the number of eligible applicants. MHEC recommends dedicating \$165 million to \$200 million to GA grants and \$120 million to EA grants.
- ***Report on Impact of Credit Completion Requirement on Financial Aid Awards:*** The committees requested information on the impact the 30-credit-hour requirement has on students in the 2022-2023 academic year and the 2023-2024 awarding year, specifically if students are meeting the requirement to receive the full amount of award, how many students had their awards prorated, and how many students lost eligibility. The report was due in December 2023. MHEC has provided DLS a copy of what it plans to submit. Further discussion of the data in this report can be found in Issue 1 of this analysis.
- ***Report on NGS Postsecondary Outcomes:*** The committees requested a report on NGS students that met the eligibility requirements and later enrolled in a postsecondary institution. This report was submitted in December 2023. Further discussion of the data from this report may be found in Issue 2 of this analysis.

Appendix 2
Campus-based Educational Assistance Grants by EFC
2022-2023 Academic Year



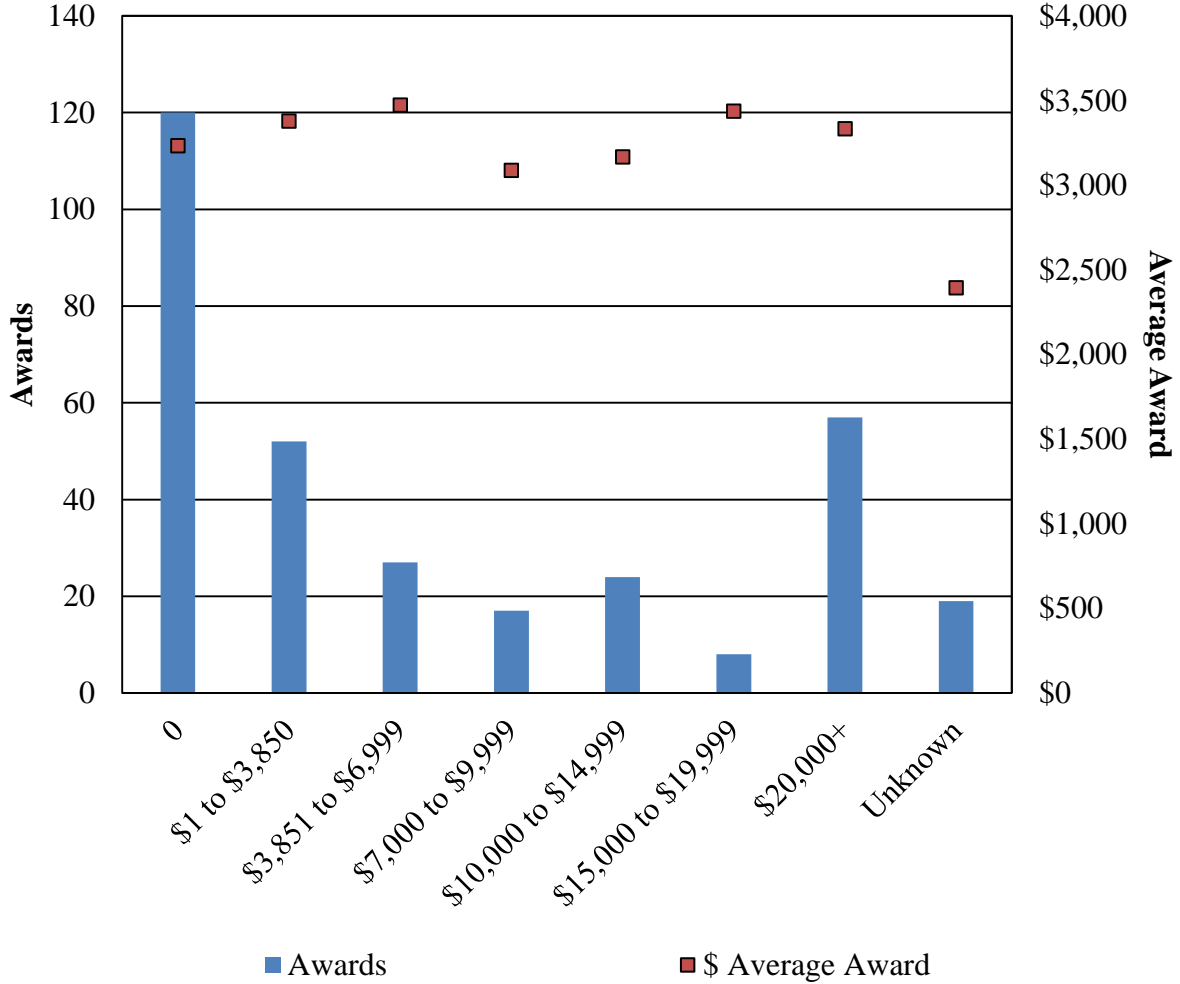
Source: Maryland Higher Education Commission

Appendix 3
2+2 Scholarship Awards by EFC
2022-2023 Academic Year



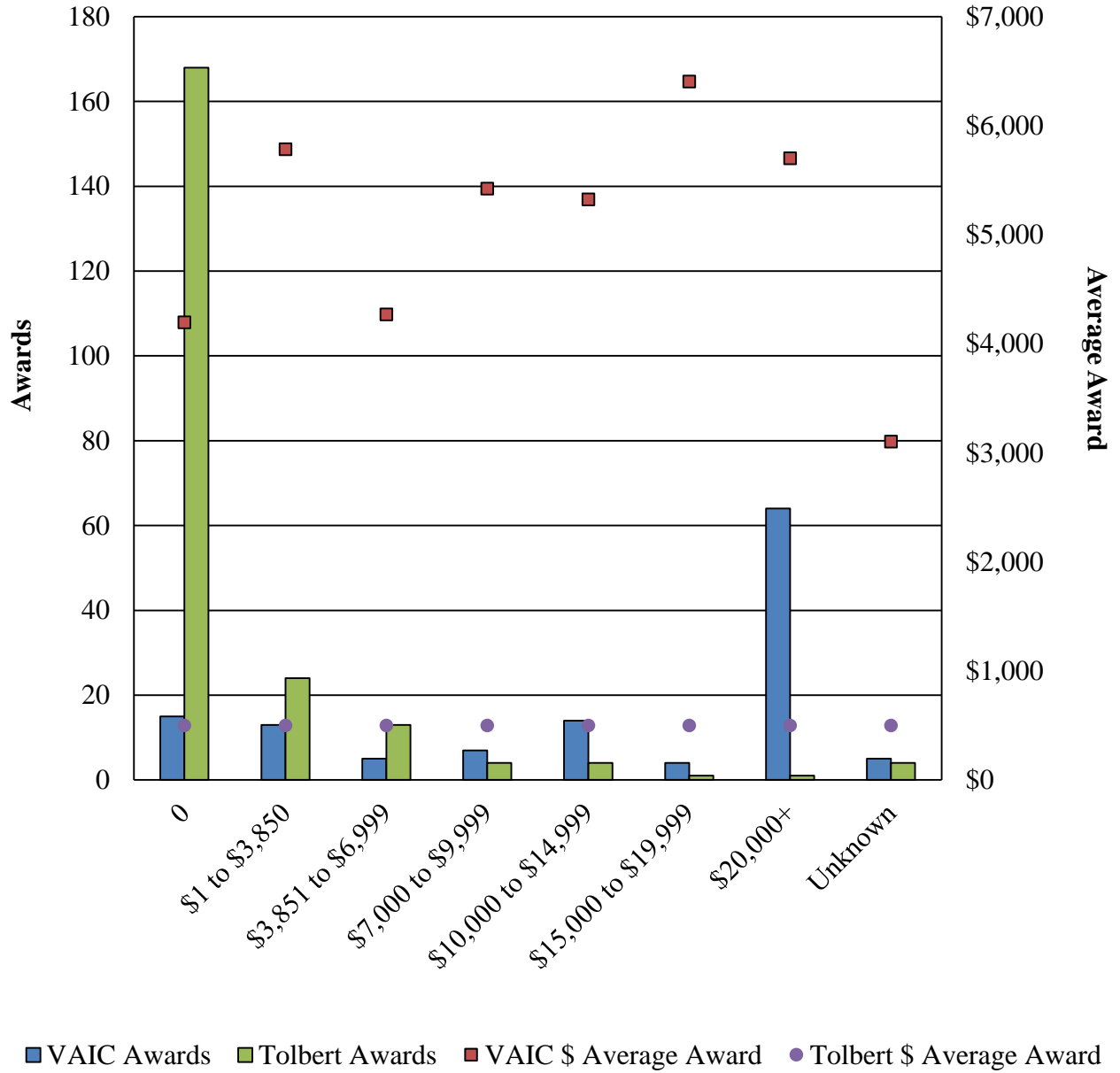
Source: Maryland Higher Education Commission

Appendix 4
Workforce Shortage Awards by EFC
2022-2023 Academic Year



Source: Maryland Higher Education Commission

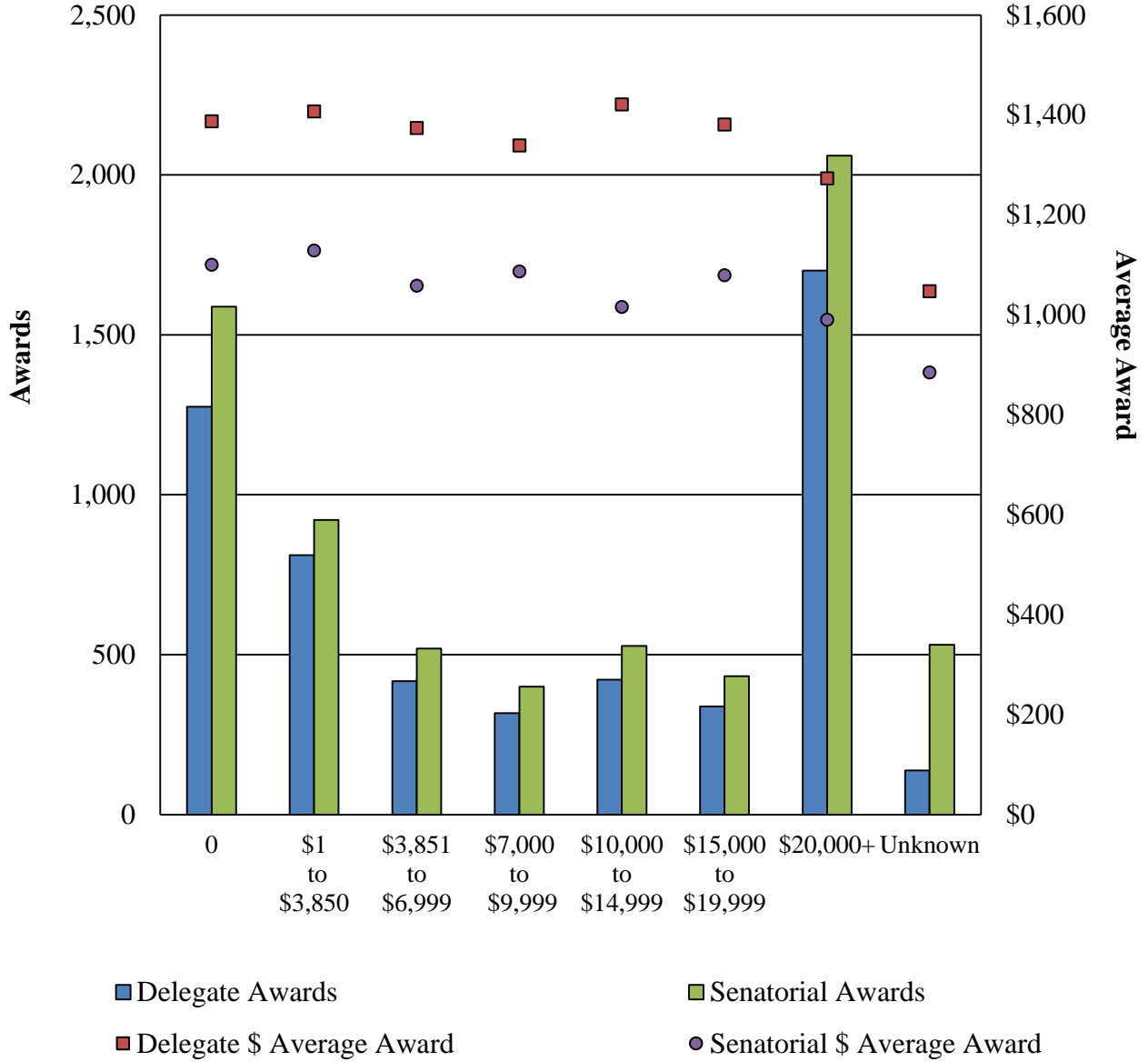
Appendix 5
Unique Populations Awards by EFC
2022-2023 Academic Year



VAIC: Veterans of Afghanistan and Iraq Conflicts

Source: Maryland Higher Education Commission

Appendix 6
Legislative Awards by EFC
2022-2023 Academic Year



Source: Maryland Higher Education Commission

Appendix 7
Object/Fund Difference Report
Maryland Higher Education Commission – Student Financial Assistance

<u>Object/Fund</u>	<u>FY 23</u> <u>Actual</u>	<u>FY 24</u> <u>Working</u> <u>Appropriation</u>	<u>FY 25</u> <u>Allowance</u>	<u>FY 24 - FY 25</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 175,606,838	\$ 192,413,691	\$ 210,942,562	\$ 18,528,871	9.6%
Total Objects	\$ 175,606,838	\$ 192,413,691	\$ 210,942,562	\$ 18,528,871	9.6%
Funds					
01 General Fund	\$ 157,007,484	\$ 179,690,691	\$ 192,219,562	\$ 12,528,871	7.0%
03 Special Fund	18,599,354	12,723,000	18,723,000	6,000,000	47.2%
Total Funds	\$ 175,606,838	\$ 192,413,691	\$ 210,942,562	\$ 18,528,871	9.6%

Note: The fiscal 2024 appropriation does not include deficiencies.

Appendix 8
Fiscal Summary
Maryland Higher Education Commission – Student Financial Assistance

<u>Program/Unit</u>	<u>FY 23</u> <u>Actual</u>	<u>FY 24</u> <u>Wrk Approp</u>	<u>FY 25</u> <u>Allowance</u>	<u>Change</u>	<u>FY 24 - FY 25</u> <u>% Change</u>
09 Governor’s Promise Plus Program	\$ 2,300,000	\$ 2,300,000	\$ 2,300,000	\$ 0	0%
10 Educational Excellence Awards	106,376,354	112,000,000	114,240,000	2,240,000	2.0%
12 Senatorial Scholarships	7,020,655	7,161,068	7,304,289	143,221	2.0%
14 Edward T. Conroy Memorial Scholarship Program	6,500,000	7,000,000	7,000,000	0	0%
15 Delegate Scholarships	7,139,723	7,282,517	7,428,167	145,650	2.0%
16 Riley Fire and EMS Tuition Reimbursement Program	358,000	358,000	358,000	0	0%
17 Graduate and Professional Scholarship Program	1,174,473	1,174,473	1,174,473	0	0%
21 Jack F. Tolbert Memorial Student Grant Program	200,000	200,000	200,000	0	0%
26 Hoffman Loan Assistance Repayment Program	1,370,000	6,370,000	6,370,000	0	0%
27 Maryland Loan Assistance Repayment Program for Foster Care Recipients	100,000	100,000	100,000	0	0%
33 Part-Time Grant Program	5,087,780	5,087,780	5,087,780	0	0%
36 Workforce Shortage Student Assistance Grants	1,229,853	2,229,853	1,229,853	-1,000,000	-44.8%
37 Veterans of the Afghanistan and Iraq Conflicts Scholarship	750,000	750,000	750,000	0	0%
45 Workforce Development Sequence Scholarship	1,000,000	1,000,000	1,000,000	0	0%
46 Cybersecurity Public Service Scholarship Program	1,000,000	1,000,000	1,000,000	0	0%
48 Maryland Community Colleges Promise Scholarship Aid	15,000,000	15,000,000	15,000,000	0	0%
49 Teaching Fellows for Maryland Scholarships	8,000,000	12,000,000	18,000,000	6,000,000	50.0%
51 Richard W. Collins Leadership with Honor Scholarship Program	1,000,000	1,000,000	1,000,000	0	0%
52 Maryland Loan Assistance Repayment Program for Police Officers	1,500,000	5,000,000	5,000,000	0	0%
53 Maryland Police Officers Scholarship Program	8,500,000	5,000,000	5,000,000	0	0%
55 James Proctor Scholarship Program	0	400,000	400,000	0	0%
56 Teacher Development and Retention Program	0	0	10,000,000	10,000,000	0%
57 Human Services Careers Scholarship	0	0	1,000,000	1,000,000	0%
Total Expenditures	\$ 175,606,838	\$ 192,413,691	\$ 210,942,562	\$ 18,528,871	9.6%
General Fund	\$ 157,007,484	\$ 179,690,691	\$ 192,219,562	\$ 12,528,871	7.0%
Special Fund	18,599,354	12,723,000	18,723,000	6,000,000	47.2%
Total Appropriations	\$ 175,606,838	\$ 192,413,691	\$ 210,942,562	\$ 18,528,871	9.6%

Note: The fiscal 2024 appropriation does not include deficiencies.