

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 Enrolled - Revised

House Bill 824
 Appropriations

(Delegate Jones, *et al.*)

Education, Health, and Environmental Affairs

**Financial Aid - Guaranteed Access Grants - Verification and Administration by
 Institutions of Higher Education**

This bill authorizes public institutions of higher education in the State or a private nonprofit institution eligible for the Joseph A. Sellinger State aid program to verify the eligibility of an applicant for and administer the Guaranteed Access (GA) grant under the Educational Excellence Award (EEA) Program as specified. It also requires the Financial Assistance Advisory Council within the Maryland Higher Education Commission (MHEC) to study the institution-based verification process for the GA grant authorized by the bill and submit recommendations on implementation of the verification process by December 31, 2019. **The bill’s study requirement takes effect July 1, 2019. The financial aid verification process authorization takes effect July 1, 2020.**

Fiscal Summary

State Effect: General fund expenditures increase by \$45,000 in FY 2021 for one-time contractual costs associated with updating MHEC’s scholarship system. The bill does not change the total amount of funds appropriated for the EEA program, as explained below. If public four-year institutions and Baltimore City Community College (BCCC) choose to participate their expenditures may increase; however, participation is voluntary. Revenues are not affected.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	45,000	0	0	0
Net Effect	\$0	(\$45,000)	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None. If a local community college chooses to participate their expenditures may increase; however, participation is voluntary. Revenues are not affected.

Small Business Effect: None.

Analysis

Bill Summary:

Financial Aid Verification Study

By December 31, 2019, the Financial Assistance Advisory Council in MHEC must study the financial aid verification process established by the bill and must make recommendations to MHEC and to participating institutions on the implementation of the bill. The council must consider issues relating to the dissemination of information to applicants, limiting inconsistencies and duplication of efforts in the application process, and the prioritization of awards.

Financial Aid Verification Process

An eligible institution may verify the eligibility of an applicant who is identified by the Office of Student Financial Assistance (OSFA) in MHEC as potentially eligible for a GA grant and applies for admission to the institution. A student may use a verification obtained from an institution at any institution at which a GA grant may be used. The amount of the GA grant awarded to an applicant may be adjusted in accordance with the cost of attendance (COA) at the institution at which the applicant uses the award. An eligible institution may also renew eligibility of a student who received a GA grant in the prior year and is an admitted student at the institution in the current award year.

An institution must:

- verify that an applicant qualifies for a GA grant;
- evaluate the applicant's income eligibility criteria using federal V1 standard verification and in accordance with the income eligibility criteria established by OSFA;
- maintain records used by the institution to determine the eligibility of applicants for a period of five years after the end date of the award year associated with the student's last award;
- provide MHEC with an audit, in accordance with rules adopted by MHEC, to show that awards verified and administered under the bill have been made properly.

Current Law:

Delegate Howard P. Rawlings Educational Excellence Awards Program

The EEA Program consists of two types of awards: (1) GA grants that are awarded to the neediest students to ensure that 100% of educational costs are paid; and (2) Educational

Assistance (EA) grants that are awarded to low- and moderate-income students to assist in paying educational costs.

The GA grant is a need-based scholarship intended to meet 100% of financial need for full-time undergraduates from low-income households. Qualified applicants must have a cumulative high school grade point average of at least 2.5 on a 4.0 scale and, except as otherwise allowed, completed high school. MHEC 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.

A student in grade 7 or 8 can prequalify for a GA grant to be used at the time of enrollment at an institution of higher education. To prequalify a student must agree in writing, as a secondary and undergraduate student, to (1) satisfy the attendance policy of the applicable school; (2) refrain from substance abuse; (3) provide information required by MHEC or the State Board of Education; (4) apply for admission to an institution of higher education during the student's senior year in high school; (5) complete and file on a timely basis applications for federal student aid for each year that the student plans to enroll in postsecondary education; (6) participate in the Next Generation Scholars of Maryland Program until the student graduates from high school and matriculates at an institution of higher education; (7) maintain a cumulative grade point average of at least 2.5 on a 4.0 scale or its equivalent; and (8) satisfy any other program requirements set by OSFA, MHEC, the State Board of Education, or the Maryland State Department of Education.

The EA grant is a need-based scholarship intended to meet 40% of financial need at four-year institutions and 60% at community colleges for full-time undergraduates from low- to moderate-income families. The maximum award amount authorized by statute is \$3,000. An EEA award may be used at a degree-granting institution of higher education, an eligible institution with an associate degree program that provides transfer credit for an accredited baccalaureate program, or a hospital diploma school for training registered nurses if the curriculum is approved by MHEC. The award may be used for educational expenses as defined by MHEC, including tuition and fees and room and board.

Beginning with the 2018-2019 award year, EEA award recipients are required to successfully complete 30 credits at the end of their sophomore year to receive their maximum renewal award. A student who fails to meet the 30-credit completion requirement but completes between 24 and 29 credits is eligible for a prorated renewal award.

The fiscal 2020 State budget includes \$86.4 million for the EEA Program. According to the Managing for Results document, in fiscal 2018, OSFA awarded 2,181 GA grants, totaling \$30.2 million with an average award of approximately \$13,800. There were 8,767 applicants for GA grants, and 457 awards were declined or canceled. In fiscal 2018,

OSFA awarded 23,544 EA grants, totaling \$51.6 million with an average award of \$2,200. There were 151,976 applicants for EA grants, and 41,095 awards were declined or canceled.

Background: The Maryland Independent College and University Association (MICUA) reports that at the end of April, approximately 7,600 students had been identified as potentially eligible for the GA award. Of those, 3,000 initiated the application process with MHEC. MICUA advises that MHEC had only processed 760 applications by May 1, which is known as “decision day” for students choosing which institution to attend.

Cost of Attendance

Institutions of higher education package and distribute financial aid from many sources to students. According to federal law, in general, a student cannot receive more need-based aid than the amount of financial need as determined by the Free Application for Federal Student Aid and the COA. If a student decides to attend an institution with a different COA, than the amount of need-based aid a student qualifies for will be different.

Financial Assistance Advisory Council

The Financial Assistance Advisory Council is one of four MHEC advisory councils established by law. The councils must meet periodically for the purpose of reviewing such matters that are referred by MHEC or the Secretary for their consideration and advice, or as required by statute. The council may make reports and recommendations to MHEC.

State Expenditures: The Financial Assistance Advisory Council within MHEC can study the financial aid verification process established by the bill and make recommendations using existing resources.

General fund expenditures increase by \$45,000 in fiscal 2021 for one-time contractual costs associated with enhancements to MHEC’s scholarship system, known as Maryland College Aid Processing System, necessitated by the bill. MHEC advises that the scholarship system must be upgraded to allow the institutions to report, as applicable, the students they have verified as eligible for the GA award prior to MHEC performing awarding.

If public four-year institutions and BCCC choose to verify the eligibility of GA applicants, their expenditures may increase. University System of Maryland institutions report that implementing the process will increase expenditures by \$40,000 to \$80,000 annually due to hiring additional personnel to verify student eligibility. However, the bill does not *require* an institution to participate, so expenditures only increase if an institution decides to participate.

Depending on how many institutions choose to verify GA eligibility, OSFA may realize a decreased workload in the GA program. This may free up OSFA resources to process more scholarship applications in other financial aid programs; it is assumed there is no administrative savings given the current total workload within OSFA.

The bill does not require an increase in the EEA appropriation, which includes a lump sum appropriation for GA, EA, and campus-based EA grants. To the extent that the bill results in more students qualifying for and receiving GA grants, the amount of the total EEA appropriation available for EA grants is less, assuming a level appropriation amount.

Local Expenditures: As stated above, participation in the program is voluntary; therefore, expenditures are only affected if an institution decides to participate.

Additional Information: MICUA reports that member institutions, which are private nonprofit institutions, currently match the GA grant through a program known as the Guaranteed Access Partnership Program (GAPP). MICUA advises that verifying students for the GA grant will have very little impact on institutions that already identify students for the GAPP since the requirements are the same.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission; Baltimore City Community College; University System of Maryland; Maryland Independent College and University Association; Department of Legislative Services

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