

R62I0010
Student Financial Assistance
Maryland Higher Education Commission

Operating Budget Data

(\$ in Thousands)

	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18-19</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$101,633	\$106,505	\$108,388	\$1,883	1.8%
Adjustments	0	0	0	0	
Adjusted General Fund	\$101,633	\$106,505	\$108,388	\$1,883	1.8%
Special Fund	3,897	1,665	3,172	1,506	90.5%
Adjustments	0	1,275	0	-1,275	
Adjusted Special Fund	\$3,897	\$2,940	\$3,172	\$231	7.9%
Reimbursable Fund	649	400	400	0	
Adjusted Reimbursable Fund	\$649	\$400	\$400	\$0	0.0%
Adjusted Grand Total	\$106,179	\$109,845	\$111,960	\$2,115	1.9%

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- There are two deficiencies for fiscal 2018 that would transfer \$1.3 million from the Need-based Student Financial Assistance Fund to the Edward T. and Mary A. Conroy Memorial Scholarship Program (\$0.8 million) and the 2+2 Transfer Scholarship Program (\$0.5 million).
- General funds increase \$1.9 million, or 1.8%, over fiscal 2018 primarily due to mandated funding for a new scholarship program. Special funds increase 7.9%, or \$0.2 million.
- Overall, total funding for student financial assistance in fiscal 2019 increases \$2.1 million, or 1.9%, over fiscal 2018.

Note: Numbers may not sum to total due to rounding.

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Analysis in Brief

Major Trends

Free Application for Federal Student Aid: In 2014, the U.S. Department of Education launched the Free Application for Federal Student Aid (FAFSA) Completion Initiative in which it partners with states to assist students in completing and filing a FAFSA. In January 2018, the FAFSA completion rate increased in 13 local school systems. The earlier filing of FAFSA applications in fiscal 2018 resulted in a 25.3% increase in the number of FAFSAs filed in Maryland.

Guaranteed Access Grants: The number of awards increased 8.9%, or 132 awards, totaling 1,609 in fiscal 2017 with 86.9% of the recipients having an expected family contribution (EFC) of \$0. This is due to an increase in outreach efforts and student awareness of the grants and scholarships that are available to them, and that the Maryland Higher Education Commission (MHEC) is identifying income-eligible students who may qualify for Guaranteed Access Grants.

Issues

State Need-based Aid Reaches Low-income Students: The effects of early FAFSAs filing can be seen in fiscal 2018 with an increase in the number of on-time Educational Assistance (EA) grants. The intent of the earlier filing is to encourage low-income families to complete their FAFSAs earlier, and families seem to be taking advantage of the extra three months with the number of initial and renewal applicants with \$0 EFC increasing 36.7% and 32.1%, respectively. In fiscal 2017, 92.2% of EA grants went to students with an EFC between \$0 and \$3,850.

State Financial Aid Application Deadline: Due to concerns that some students with high financial need may not be considered for the State's need-based aid award because they may not make a decision to attend a postsecondary institution until after the March 1 deadline, MHEC was requested to submit a report on the impact of extending the FAFSA deadline. MHEC concluded that the need to extend the deadline is nullified by the implementation of early FAFSA.

Incentives to Encourage On-time Graduation: The College Affordability Act encourages students receiving aid through the Educational Excellence Awards (EEA) program to stay on track for on-time graduation. Beginning in academic year 2018-2019 and in a student's third academic year, all EEA grant recipients must successfully complete 30 credit hours in the prior academic year in order to receive the full amount of the grant. Students not completing 24 credits are ineligible for the EEA grant.

Operating Budget Recommended Actions

1. Add narrative requesting a report on credit requirement.
2. Add narrative requesting a report.

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Operating Budget Analysis

Program Description

The Office of Student Financial Assistance (OSFA), within the Maryland Higher Education Commission (MHEC), is responsible for the administration of State financial assistance programs. These programs are designed to improve access to higher education for needy students and certain unique populations, and 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.

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 entitled *Maryland Higher Education Commission* covers the personnel associated with administration of these financial aid programs, as well as other educational grant programs administered by the commission.

Exhibit 1
Financial Aid Programs in Fiscal 2019 by Category

<u>Program</u>	<u>Description</u>
<i>Need-based Financial Aid</i>	
Delegate Howard P. Rawlings Educational Excellence Awards (Composed of the Following Three Grants):	
• 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 grade point average 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.
• 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.
• Campus-based Grants	Need-based grants 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.
Part-time Grant Program	Need-based grants provided to institutions to award to qualified part-time undergraduate students.
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’s degree from a community college before enrolling in a four-year institution. Recipient must demonstrate financial need. Minimum GPA required.
Maryland First Scholarship	Scholarship for first-generation college students with financial need. No funding has been provided.

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<u>Program</u>	<u>Description</u>
<i>Career-based Financial Aid</i>	
Charles W. Riley and Emergency Medical Services Scholarship Program	Tuition reimbursement for fire, ambulance, and rescue squad workers pursuing a degree in fire services or emergency medical technology. (Chapter 503 of 2013 converted the program to a scholarship effective October 1, 2015, 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.
Teaching Fellows of Maryland Scholarship	Scholarship for those pursuing a degree leading to a Maryland professional teacher's certificate. Requires service obligation. No funding has been provided.
Workforce Development Sequence Scholarship	Scholarships of up to \$2,000 for community college students enrolled in an approved workforce development sequence that does not lead to a degree. (New in fiscal 2019 – mandated annual appropriation of at least \$1 million.)
Loan Assistance Repayment Programs (LARP):	
• Janet L. Hoffman	Loan repayment assistance for graduates of an institution of higher education in Maryland 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.
• Primary Care Physicians and Physician Assistants	Loan repayment assistance for those who currently serve or who pledge to serve as primary care physicians.
• 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. (New in fiscal 2018 – mandated annual appropriation of at least \$100,000.)

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<u>Program</u>	<u>Description</u>
<i>Assistance for Unique Populations</i>	
Jack F. Tolbert Memorial	Provides grants to private career schools to award to full-time students based on financial need.
Edward T. Conroy and Jean B. Cryor Memorial	Scholarships for certain military veterans or certain public safety personnel and for dependents of eligible public and nonpublic school employees.
Veterans of the Afghanistan and Iraq Conflicts Scholarship Program	Scholarships for United States Armed Forces personnel who served in the Afghanistan or Iraq conflicts and their sons, daughters, or spouses attending a Maryland postsecondary institution.
<i>Legislative Scholarships</i>	
Senatorial Scholarships	Senators select recipients from within their legislative district. Students may be pursuing undergraduate, graduate, or professional degrees.
Delegate Scholarships	Delegates select recipients pursuing undergraduate, graduate, or professional degrees.

Source: Maryland Higher Education Commission

Performance Analysis

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 Free Application for Federal Student Aid (FAFSA), which determines eligibility for federal student aid including Pell grants, Stafford loans, and work study. The FAFSA is used to calculate a student's level of financial need – the expected family contribution (EFC), which not only determines eligibility for federal student aid but State aid as well. Financial aid for State awards is determined by calculating the difference between the cost of attendance, a student's EFC, and the amount of the Pell grant a student may receive.

Two significant changes were made in the filing of the FAFSA for academic year 2017-2018: an earlier submission date and the use of earlier income data. Students can now file their FAFSA as early as October 1 rather than January 1, giving students more time to fill out the form. This earlier date is also better aligned with the college application process. In addition, instead of using tax

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information from the prior year, data from the second preceding year is now used to determine eligibility. This means students do not have to wait until taxes are filed before they submit their FAFSA or use estimated tax data only to have to change it later.

For academic year 2017-2018, students could use the Internal Revenue Service (IRS) Data Retrieval Tool (DRT) that automatically fills in the tax information in the FAFSA. However, DRT was disabled in March 2017 due to concerns that data from DRT could be used by identity thieves to file fraudulent tax returns. Privacy and security enhancements were added to DRT so that tax information transferred from the IRS into the FAFSA form will not be visible and instead will say “transferred from the IRS” in the appropriate fields. DRT is available for the 2018-2019 academic year.

In 2014, the U.S. Department of Education launched the FAFSA Completion Initiative in which it partners with states to assist students in completing and filing a FAFSA. Participating high schools and local educational agencies can partner with MHEC to use specific, limited information about FAFSA completions to assist students and families in completing the FAFSA and resolve any problems. **Exhibit 2** compares the estimated percentage of completed FAFSAs by school systems in Maryland. Overall, in January 2018, the completion rate increased in 13 local school systems and decreased in Garret and Talbot counties, and the SEED School of Maryland. While the rate decreased at the SEED School of Maryland, it still exceeds 50%. **The Secretary should comment on efforts to assist students and families, particularly low-income families, complete and file a FAFSA.**

Exhibit 2
Estimated Completed FAFSAs by Public Schools
January 2017 and 2018

	<u>January 2017</u>	<u>January 2018</u>
Allegany	30% to 34%	30% to 34%
Anne Arundel	30% to 34%	35% to 39%
Baltimore City	30% to 34%	30% to 34%
Baltimore County	35% to 39%	40% to 44%
Calvert	30% to 34%	35% to 39%
Caroline	20% to 24%	30% to 34%
Carroll	40% to 44%	40% to 44%
Cecil	30% to 34%	35% to 39%
Charles	30% to 34%	35% to 39%
Dorchester	20% to 24%	25% to 29%
Frederick	35% to 39%	40% to 44%
Garrett	25% to 29%	20% to 24%
Harford	30% to 34%	35% to 39%
Howard	50% to 54%	50% to 54%
Kent	25% to 29%	30% to 34%
Montgomery	45% to 49%	45% to 49%
Prince George's	30% to 34%	30% to 34%
Queen Anne's	35% to 39%	35% to 39%
Somerset	25% to 29%	30% to 34%
St. Mary's	20% to 24%	25% to 29%
Talbot	35% to 39%	30% to 34%
Washington	25% to 29%	25% to 29%
Wicomico	30% to 34%	35% to 39%
Worcester	35% to 39%	35% to 39%
SEED School of Maryland	55% to 59%	50% to 54%

FAFSA: Free Application for Federal Student Aid

Note: Data reflects the number of submitted and competed FAFSAs among first-time applicants no older than 19 at the cutoff date who will have received their high school diploma by the start of the school year in which they apply for aid.

Source: Federal Student Aid; FAFSA Completion by High School and Public School District

The deadline for Maryland students to submit their FAFSA for the upcoming academic year is March 1. However, students identified by MHEC as potentially eligible for the Guaranteed Access Grant and selected for verification will have until April 1 to submit all required documentation. As shown in **Exhibit 3**, the earlier filing of the FAFSA in fiscal 2018 greatly impacted the total number of FAFSAs filed to date, which increased 25.3% from fiscal 2016 to 2018. While overall more FAFSAs were filed in fiscal 2018, the number filed during the first month, which was moved up three months to October 1, declined 17.1%. While the earlier filing date does not necessarily translate into more filing in the first month, the effect of having more time to file can be seen with the increase in number of FAFSAs filed for the year.

Exhibit 3
FAFSA Filing Information in Maryland
Fiscal 2016-2018

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Change</u> <u>2017-2018</u>	<u>% Change</u> <u>2017-2018</u>
FAFSAs Filed in First Month	47,530	45,613	37,492	-8,121	-17.1%
Total \$0 EFCs Filed in First Month	17,074	17,054	12,567	-4,487	-26.3%
Total FAFSAs Filed to Date	121,211	121,244	151,932	30,688	25.3%

EFC: expected family contribution
FAFSA: Free Application for Federal Student Aid

Note: In fiscal 2016 and 2017, the first month of availability was January. In fiscal 2018, the first month of availability was October 1.

Source: Maryland Higher Education Commission

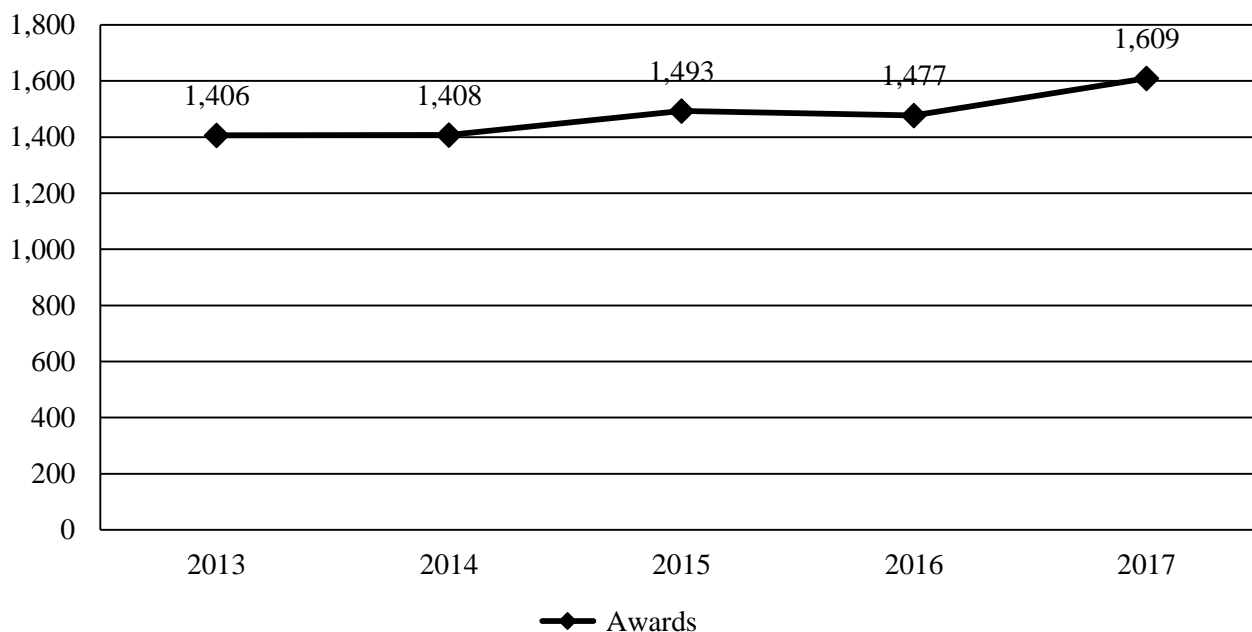
2. Guaranteed Access Grants

The Delegate Howard P. Rawlings Educational Excellence Awards (EEA) are comprised of three grant programs, one of which is the Guaranteed Access (GA) grant program. When combined with the federal Pell grant, the GA grant covers 100% of 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 institution, excluding the University of Maryland, Baltimore Campus and the University of Maryland University College. The maximum award in fiscal 2017 was \$17,900 and is \$18,400 in fiscal 2018.

MHEC began identifying first-time applicants in 2016 who are potentially eligible for the grant based on FAFSAs submitted by the March 1 deadline. Prior to fiscal 2017, potentially eligible students had to proactively apply for GA. In addition, eligible applicants must have an annual total family income that qualifies for the federal free lunch program (below 130% for first time students and 150% for renewal awards), enroll in college within a year of completing high school, have an unweighted grade point average of at least 2.5 as of the fall semester of their senior year, and be in high school at the time of the application. Students meeting all the requirements are guaranteed funding.

In fiscal 2017, the number of awards increased 8.9%, or 132 awards, totaling 1,609, as shown in **Exhibit 4**. This is the most GA grants MHEC has ever awarded. MHEC attributes this to an increase in outreach and awareness, specifically using text messaging to inform students of the various scholarships and grants available to them. This, along with making awards earlier, led to the increase in the number of awards.

Exhibit 4
Guaranteed Access Grants Awards
Fiscal 2013-2017

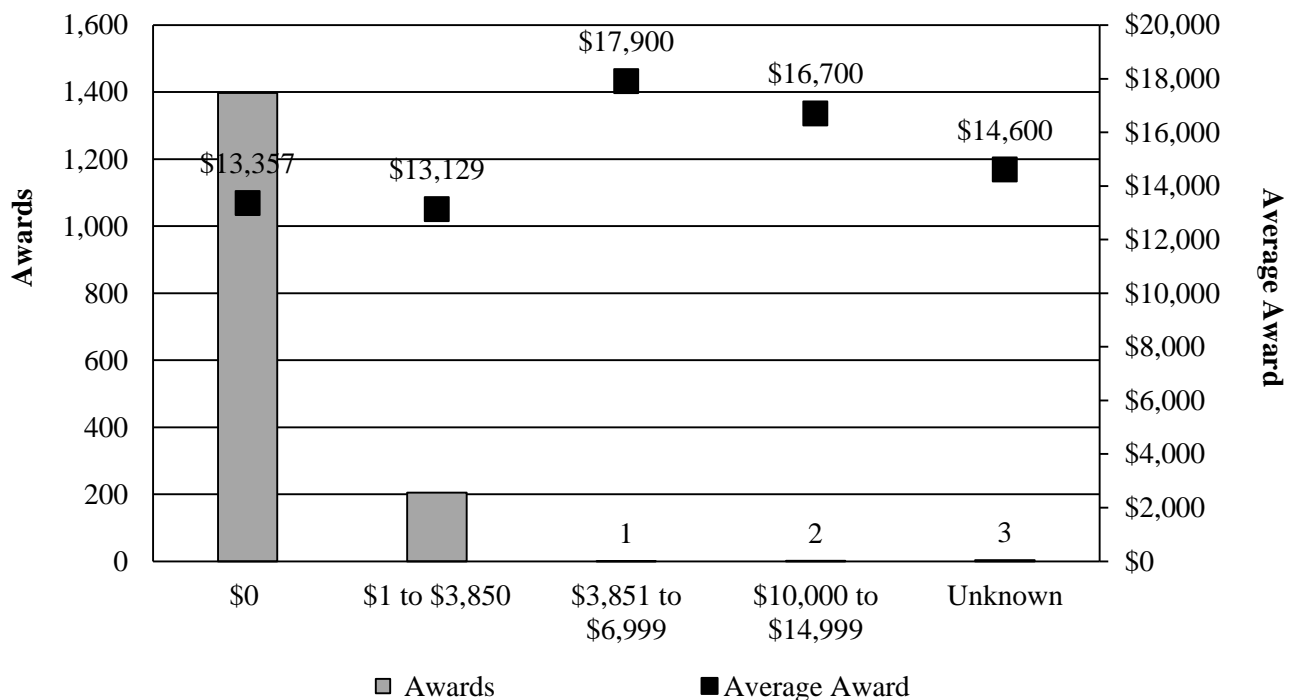


Source: Maryland Higher Education Commission

As shown in **Exhibit 5**, almost all those receiving a GA grant in fiscal 2017 had an EFC of \$3,850 or lower, with 86.9% of the recipients having an EFC of \$0. GA grants are renewed automatically as long as the family income does not exceed 150% of the federal poverty income level,

so if a student’s EFC increases in later years of study, (s)he still receives the grant. Thus, the six grants made to those with higher EFC’s are likely older awards passing through the system. In cases where MHEC had to override a student’s EFC in order to determine eligibility, such as when an institution used professional judgement that resulted in changing a student’s EFC, the system will default to unknown for the EFC. Therefore, even though the recipient has need and is eligible for the award, EFC will be reported as unknown EFC. EFC and award outcomes for other selected OSFA programs are shown in **Exhibit 11** and **Appendices 2** through **6**.

Exhibit 5
Guaranteed Access Grants by Expected Family Contribution
Fiscal 2017



Source: Maryland Higher Education Commission

Fiscal 2018 Actions

There are two fiscal 2018 deficiencies that would transfer \$1.3 million from the Need-based Student Financial Assistance Fund (NBSFAF) to the Edward T. and Mary A. Conroy Memorial Scholarship Program (\$0.8 million) and the 2+2 Transfer Scholarship Program (\$0.5 million).

Proposed Budget

As shown in **Exhibit 6**, general funds increase \$1.9 million in fiscal 2019 mainly due to the funding of a new scholarship program (\$1 million) – Workforce Development Sequence Scholarship. This scholarship is available to community college students enrolled in job preparation, job skills, licensure, or certification courses or apprenticeships. Eligible students may receive up to \$2,000 annually. Special funds increase \$0.2 million, or 7.9%, resulting in total funding increasing 1.9%, or \$2.1 million, over fiscal 2018.

Exhibit 6
Proposed Budget
Maryland Higher Education Commission – Student Financial Assistance
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
Fiscal 2017 Actual	\$101,633	\$3,897	\$649	\$106,179
Fiscal 2018 Working Appropriation	106,505	2,940	400	109,845
Fiscal 2019 Allowance	<u>108,388</u>	<u>3,172</u>	<u>400</u>	<u>111,960</u>
Fiscal 2018-2019 Amount Change	\$1,883	\$231	\$0	\$2,115
Fiscal 2018-2019 Percent Change	1.8%	7.9%		1.9%
 Where It Goes:				
Other Changes				
Increase in Educational Excellence Awards				\$1,661
Funding for new Workforce Development Sequence Scholarship				1,000
Increase in Conroy Memorial Scholarship Program reflecting prior year appropriation was not sufficient to fund all eligible students				630
Increase in Delegate Scholarship to accommodate undergraduate tuition increase.....				129
Increase in 2+2 Transfer Scholarship Program to fund expected increase in the number of recipients				100
Hoffman Loan Assistance Repayment Program adjustment.....				124
Physician and Physician Assistants Repayment program adjustment to reflect decrease in special funds				-254
Fiscal 2018 deficiencies transferring funds from Need-based Student Financial Assistance Fund to the Conroy Memorial Scholarship Program and 2+2 Transfer Scholarship Program				-1,275
Total				\$2,115

Note: Numbers may not sum to total due to rounding.

Need-based Student Financial Assistance Fund

The NBSFAF was created in 2011 to receive unused scholarship funds at the close of each fiscal year to be used 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 7** shows the current balance of nonlapsing special funds in the NBSFAF. MHEC tries to maintain a fund balance at the end of the fiscal year to ensure that it does not overaward financial aid in any given year and require a general fund deficiency.

Exhibit 7
Need-based Student Financial Assistance Fund
Fiscal 2016-2018

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Opening Balance	\$412,620	\$4,620,853	\$6,884,631
Transfers In	\$4,368,732	\$4,697,594	
Transfers Out (Fiscal 2018 Deficiencies)			
2+2 Transfer	\$160,500	\$317,500	\$525,000
Conroy Memorial		2,116,316	750,000
Subtotal	\$160,500	\$2,433,816	\$1,275,000
Closing Balance	\$4,620,853	\$6,884,630	\$5,609,631

Source: Maryland Higher Education Commission

A deficiency would transfer \$0.8 million to the Conroy Memorial Scholarship Program due to the fiscal 2018 appropriation of \$0.6 million being insufficient to cover reimbursements of awards made by institutions to all eligible students. Under State law, a Conroy award may not be the less than the lesser of \$3,000 or a student’s tuition and fees. The maximum award may not exceed the highest tuition and fees at a public four-year institution in the State with exceptions specified in law. Since fiscal 2012, MHEC has transferred funds to the Conroy program every year except for fiscal 2016. The amount transferred ranges from \$0.3 million fiscal 2015 to \$2.1 million in fiscal 2017. **The Secretary should comment on why award projections and the allowance continue to be understated and if the methodology to project total awards should be revised to provide a more accurate estimate of the cost for budgeting purposes.**

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A second deficiency would transfer \$0.5 million to the 2+2 Transfer Scholarship Program of which \$0.2 million will fund new awards and \$0.3 million for renewals. This will bring total funding for the scholarship to \$0.7 million in fiscal 2018. Students who complete an associate's degree before transferring to a four-year institution and have an EFC of \$10,000 or less are eligible for an award. Awards total \$1,000 or \$2,000 for those enrolled in a science, technology, engineering, or mathematics program.

The program got off to a slow start in fiscal 2016 with 618 students applying for the scholarship and 111 received the award. In fiscal 2018, applications increased 158.6%, totaling 1,598 and it is estimated 250 will receive the award. MHEC notes that for fiscal 2019 it has already received 654 applications and expects to exceed the number received in fiscal 2018. Legislation creating the scholarship intended for the program to receive at least \$2 million for awards in general or NBSFAF each year.

Spending on Need-based Aid

In fiscal 2018, spending on need-based aid grew 6%, or \$5.1 million, over fiscal 2017, as shown in **Exhibit 8**, exceeding the 2% tuition increase at the public four-year institutions. Awards targeting unique populations and loan assistance repayments program decreased by 37.6% and 5.1%, respectively, in fiscal 2018. This is due to lower expenditures for the Conroy awards and loan repayment for physicians and physician assistants. In fiscal 2019, need-based aid grows 1.4%, or \$1.2 million, less than the planned 2% tuition increase at the public four-year institutions. The portion of State aid expenditures going toward need-based aid increases from 80.1% in fiscal 2017 to 82.3% in fiscal 2019.

Exhibit 8
State Financial Aid Expenditures
Fiscal 2017-2019
(\$ in Thousands)

	<u>2017</u>	<u>Working</u> <u>2018</u>	<u>Allowance</u> <u>2019</u>	<u>\$ Change</u> <u>2018-19</u>	<u>% Change</u> <u>2018-19</u>
Need-based Aid	\$85,087	\$90,034	\$91,270	\$1,236	1.4%
Legislative	12,805	12,953	13,082	129	1.0%
Career-based Aid	1,588	1,588	2,588	1,000	0.6%
Unique Populations	3,637	2,270	2,150	-120	-5.3%
Loan Assistance Repayment	3,068	2,912	2,782	-130	-4.5%
Total	\$106,179	\$109,757	\$111,872	\$2,115	1.9%

Note: Working 2018 adjusted to reflect deficiencies. Includes transfers to the Need-based Student Financial Assistance Funds.

Source: Governor’s Budget Books

While State aid expenditures increased in fiscal 2018, MHEC expects the number of recipients to decline by 1,860, mainly due to a 7.7% drop in the number of Educational Assistance (EA) grant recipients, as shown in **Exhibit 9**. However, the average EA award increases 6.5%, or \$144, in fiscal 2018. In addition, there is a 32.4% increase in the number of GA recipients.

Exhibit 9
Recipients of State Aid Program
Fiscal 2017-2019

<u>Program</u>	2017 Actual		2018 Working		2019 Allowance	
	<u>Rec</u>	<u>Avg. Award (\$)</u>	<u>Proj. Rec.</u>	<u>Proj. Avg. Award (\$)</u>	<u>Proj. Rec.</u>	<u>Proj. Avg. Award (\$)</u>
Need-based Aid						
Educational Assistance						
Grant	23,236	\$2,213	21,445	\$2,357	22,500	\$2,444
Campus-based						
Educational Assistance						
Grant	1,059	1,806	1,060	1,801	1,059	1,889
Guaranteed Access Grant	1,609	13,367	2,132	12,195	2,300	12,047
2+2 Transfer Scholarship	219	1,463	250	1,200	325	923
Part-time Grant Program	6,118	813	6,110	812	6,110	832
Graduate and Professional Scholarship	520	2,246	510	2,303	510	2,303
Subtotal	32,762	\$2,482	31,507	\$2,694	32,804	\$2,729
Legislative Programs	17,384	\$1,512	16,796	\$1,475	17,400	\$1,511
Career and Occupational Programs	554	\$6,842	593	\$6,895	615	\$6,708
Unique Population Programs	712	\$3,504	690	\$3,107	714	\$3,159
Loan Assistance Repayment Programs	259	\$11,307	227	\$11,543	243	\$11,299
Total	51,671	\$1,752	49,811	\$1,882	51,766	\$1,905

Note: May not equal the totals reported in State financial aid expenditures by program due to expenditures including transfers to the Need-based Student Financial Assistance Funds and the timing of when canceled awards are recognized.

Source: Maryland Higher Education Commission

The fiscal 2019 numbers are projections based off of the fiscal 2018 allowance and generally illustrate trends MHEC expects to see in the coming year. MHEC projects a 3.9% increase in the number of recipients mainly due to a 1,297 increase in the need-based aid recipients.

Issues

1. State Need-based Aid Reaches Low-income Students

The EA grant is designed to meet 40% of financial need at four-year institutions and 60% at the 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 that have not changed since fiscal 1996.

After the GA awards are made, the remaining EEA funds are used to fund the EA grants. Generally, this accounts for 70% of the EEA appropriation which averaged \$57.7 million over the past five years, as shown in **Exhibit 10**. In fiscal 2014, \$12.9 million was transferred from the NBSFAF thereby increasing funding for EA grants to \$70.7 million. As a result OSFA was able to reduce the waitlist by 20,669 students and award grants to students with a much higher EFC of \$10,709. Since fiscal 2014, funding for EA grants has steadily declined to \$54.5 million in fiscal 2017 but increased 2.3% to \$55.8 million in fiscal 2018.

Exhibit 10
Educational Assistance Grants
Fiscal 2013-2018

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>% Increase</u>	
							<u>2013-18</u>	<u>2017-18</u>
EA Appropriation (\$ in Millions)	\$55.4	\$70.7	\$59.6	\$58.5	\$54.5	\$55.8	0.7%	2.3%
EA Applicants (on-time FAFSAs)	178,603	134,670	131,695	131,232	121,213	151,916	-14.9%	25.3%
EA Initial Applicants with \$0 EFC	30,644	30,321	28,391	29,559	26,377	36,058	17.7%	36.7%
EA Renewal Applicants with \$0 EFC	16,006	15,469	16,199	18,722	15,613	20,627	28.9%	32.1%
Maximum EFC ¹	3,750	10,709	2,610	2,860	2,900	2,815	-24.9%	-2.9%
EA Awards Made ²	25,698	33,864	28,456	24,377	23,236	20,025	-22.1%	-13.8%
Average Award	2,109	2,130	2,101	2,213	2,213	2,357	11.8%	6.5%
Waitlist ³	30,865	10,196	22,097	19,064	18,759	17,967	-41.8%	-4.2%

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

Note: The figures provided only include the Educational Assistance Grant Program.

¹ Maximum EFC met with new awards each year.

² The numbers above are as of the last round of aid awards in fiscal 2018.

³ As of May 1. Students eligible for EA and are placed on the waitlist if they are full-time students and submit a completed application by the March 1 deadline. In fiscal 2017 students with an EFC up to \$17,900 were placed on the waitlist, and in fiscal 2018, the cut off for the waitlist is \$10,700.

Source: Maryland Higher Education Commission

R62I0010 – MHEC – Student Financial Assistance

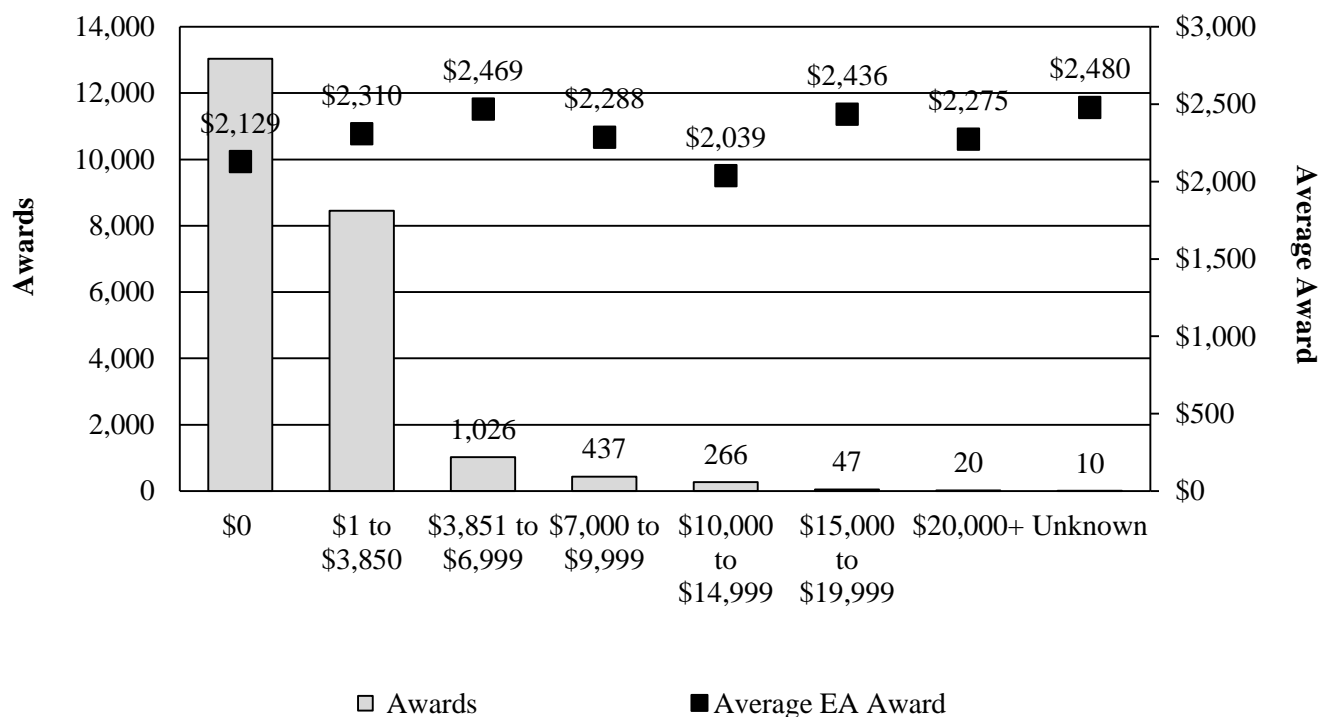
From fiscal 2013 to 2017, the number of on-time applicants dropped 32.1% with a corresponding decline of 13.9% and 2.5% in the number of initial and renewal applicants with \$0 EFC, respectively. However, the effects of early FAFSAs filing can be seen in fiscal 2018, with the number of on-time applicants increasing 25.3%. The intent of the earlier filing is to target low-income families to complete their FAFSAs earlier, and families seem to be taking advantage of the extra three months with the number of initial and renewal applicants with \$0 EFC increasing 36.7% and 32.1%, respectively. MHEC expects the number of students with a \$0 EFC completing the FAFSA on-time to continue to increase in the coming years.

After peaking in fiscal 2014, the number of EA awards has steadily declined 18.3% from fiscal 2015 to 2018. However, the average amount of the award increased between fiscal 2015 and 2018 from \$2,101 to \$2,357, or 12.2%. This has more than kept pace with tuition increases at the public four-year institutions which, on average, grew 8.3% during this time period. In addition, there was an 18.7% decline in the number of students on the waitlist. It should be noted that 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. OSFA implemented an EFC cutoff for the waitlist to create a more realistic waitlist. Starting in fiscal 2017, students whose EFC exceeds the waitlist cutoff are deemed ineligible for the program. In fiscal 2017, the EFC cutoff for the waitlist was \$17,900, and in fiscal 2018, it is \$10,700. This has reduced the waitlist.

As shown in **Exhibit 11**, in fiscal 2017, 92.2% of EA grants went to students with an EFC between \$0 and \$3,850. Awards made to those with higher EFCs are due to renewals from prior years, especially in 2014, when the EFC met with new awards increased to \$10,709. It should be noted that the average EA grant for those with a \$0 EFC is \$2,129 compared to \$13,357 for a GA grant, creating large differences in State support for students with similar EFCs.

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. This is related to the federal Pell grant where the lower a student's EFC, the higher the grant. Because the EA grant is based on student need after accounting for the federal Pell grants, those with low EFCs often qualify for smaller EA grant awards. Pell awards are given to students that have an EFC of less than a specific amount, which was \$5,920 in fiscal 2017. While students with EFCs below this level have the greatest need, some will qualify for a Pell grant but receive no State aid. EA grants are renewed automatically, so if a student's EFC increases in later years (s)he still receives the EA grant, which bumps some new Pell grant students to the EA waitlist every year.

**Exhibit 11
Educational Assistance Grants by Expected Family Contribution
Fiscal 2017**



EA: Educational Assistance

Source: Maryland Higher Education Commission

Enrollment Certification Improves

A continual problem for MHEC has been to get institutions that receive State awards as payment for the cost of attendance to certify the enrollment of student awardees. Every year from June to September, institutions review and process student rosters to certify and, if necessary, cancel EEA awards in the upcoming academic year. Then, in October, OSFA can determine if there is sufficient funding to award additional EA awards to those on the waitlist. However, if institutions do not verify enrollment in a timely manner, then MHEC accumulates a backlog of unclaimed awards that could be recycled. The timing of MHEC’s awarding cycle and the State’s budgeting cycle can create difficulties in ensuring that funding is available to make awards at the right time. If a student were to receive an award late in a semester, it is of significantly less use because the student has already decided whether or not to enroll. If the student does enroll, that financial need is being covered through other means such as student loans. Receiving a State award after a loan has already be drawn upon creates burdens for the student to figure out how to align the State award with other educational finances.

In fall 2016, MHEC started contacting senior leadership at each institution to certify enrollments early in the fall semester. This proved to be successful, resulting in MHEC having about \$8 million to do another round of awarding in December, reaching over 3,900 students. It also allowed MHEC to push the EFC met for new EA grants from an initial \$2,000 to \$2,900 in fiscal 2017.

MHEC has since revised its process for contacting institutions. If an institution does not certify all awards by the deadline, a follow-up email is sent, and a new deadline is given that does not exceed two weeks. If after a third reminder an institution still fails to complete the certification, then MHEC contacts senior management. MHEC stated that in fiscal 2018, the majority of institutions are certifying awards in a timely manner. However, there are four institutions that are historically late in completing the certification process. MHEC also notes that one reason institutions do not complete the certification by the first deadline is because those that offer mini-semesters within the regular 16 week session are not able to complete the certification process until after the drop/add date for the mini-semester. MHEC is working with these institutions to develop a more realistic deadline.

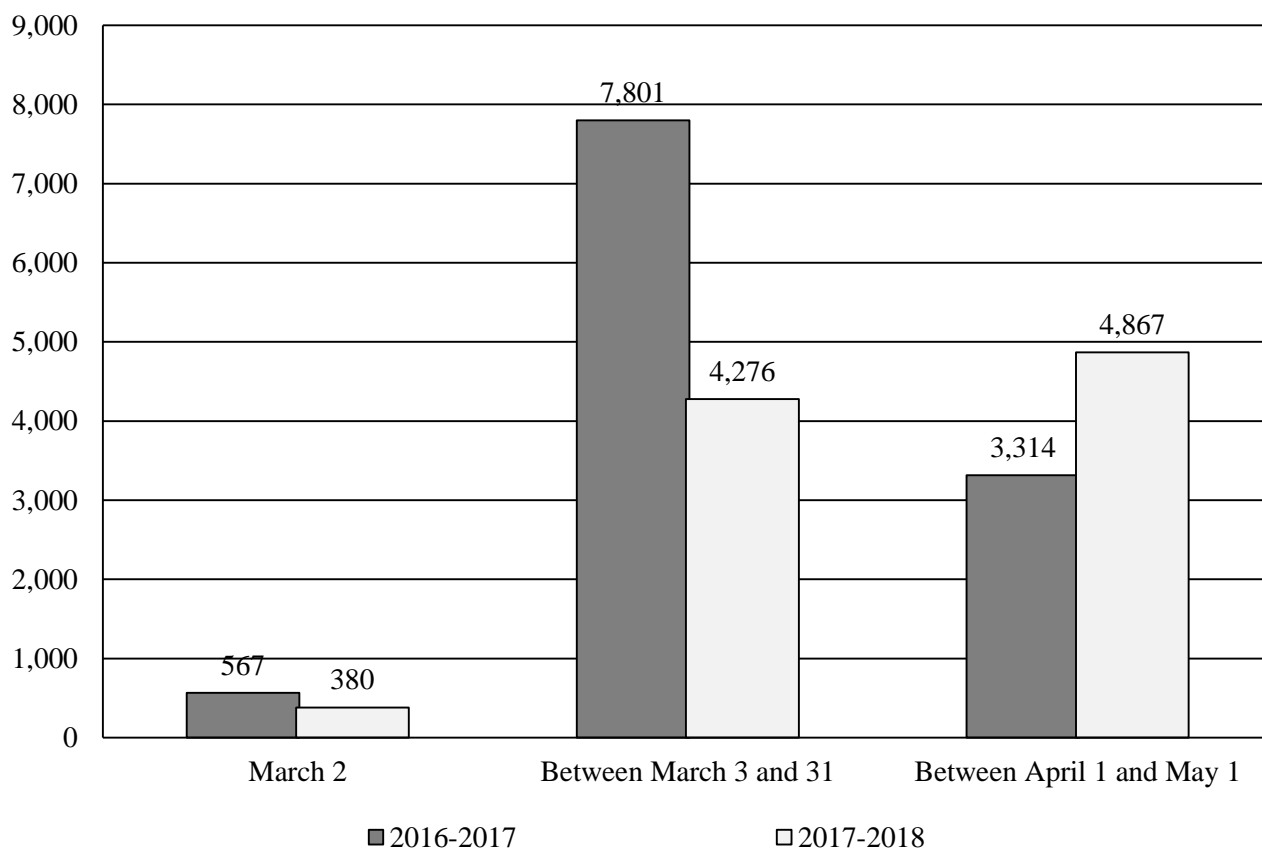
2. State Financial Aid Application Deadline

Due to concerns that some students with high financial need may not be considered for the State's need-based aid award because they may not make a decision to attend a postsecondary institution until after the March 1 FAFSA deadline, language in the 2017 *Joint Chairmen's Report* requested MHEC to submit a report on the impact of extending the FAFSA deadline. MHEC was also requested to report on the financial need to the students who filed FAFSAs near and beyond the deadline.

During the 2016-2017 academic award year, 73,577 FAFSA applications were received by the March 1 deadline that met the eligibility requirements to be considered for the EA grant program. Of the 73,577 eligible applicants, 23,202 received an award while the remaining 23,646 were placed on a waitlist (includes all applicants that demonstrated need, those with an EFC up to the waitlist cutoff of \$17,900, and those who demonstrated need but had an EFC above the cutoff).

MHEC acknowledges that some students with high financial need are excluded from consideration of State need-based aid awards because they may not make a decision to enroll in a postsecondary institution until after the March 1 deadline. As shown in **Exhibit 12**, for the 2016-2017 academic year, 11,682 FAFSAs were submitted between March 2 and May 1 for students who met the eligibility criteria for consideration of the EEA program. Of these, 4.9% were filed one day late, while 66.8% were received between March 3 and March 31. The number of late filers declined 18.5% for the 2017-2018 academic year. While the number of applications submitted between March 3 and 31 declined 45.2%, the number filed between April 1 and May 1 increased 46.9%. MHEC does not know the reasons for this trend.

Exhibit 12
Total Late FAFSA Applications Received
2016-2017 and 2017-2018 Academic Year

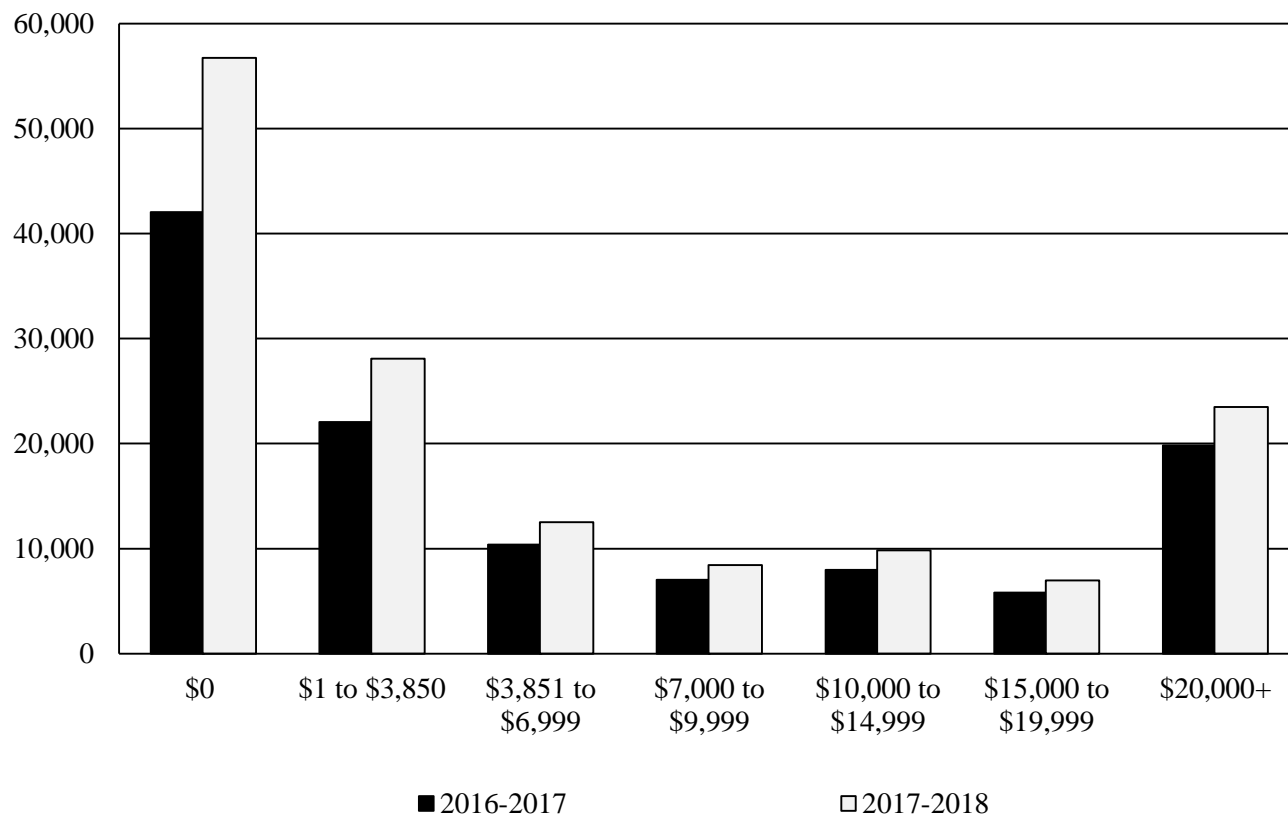


FAFSA: Free Application for Federal Student Aid

Source: Maryland Higher Education Commission

Early FAFSA, where the application is available to students on October 1 rather than January 1, was implemented for the 2017-2018 academic year. The impact of this is shown in **Exhibit 13**, with a 35% increase in the number of on-time applications from those with a \$0 EFC. Overall, on-time submissions increased across all EFC categories, with the total number of on-time filings increasing 26.9%. The report states if Maryland continues outreach to inform students of the State’s deadline and students complete and take the opportunity to submit their FAFSAs early, then the number of low-income, underserved students who complete the FAFSA on time will increase.

Exhibit 13
Total On-time FAFSA Applications Received by
Expected Family Contribution
2016-2017 and 2017-2018 Academic Year



FAFSA: Free Application for Federal Student Aid

Source: Maryland Higher Education Commission

The report concludes that the need to extend the March 1 deadline is nullified by the implementation of early FAFSA *i.e.*, students have an additional three months to complete the application. The Department of Legislative Services (DLS) also notes that the Campus-based EA Grants were created specifically to provide funds for students who file their FAFSA late. Campuses award the funds directly to students. The program generally awards about \$1.8 million annually. **The Secretary should comment on whether the amount awarded for the campus-based grants is sufficient, and whether MHEC will transfer any NBSFAF to increase the funding.**

3. Incentives to Encourage On-time Graduation

The College Affordability Act encourages students receiving aid through the EEA program to stay on track for on-time graduation through student financial aid incentives based on annual credit completion requirements. Beginning in academic year 2018-2019 (fiscal 2019), a student receiving an EEA award in their third year and thereafter must have successfully completed 30 credit hours in the prior academic year in order to receive the full amount of the grant.

EEA grant recipients who successfully completed at least 24 credit hours but less than 30 hours in the prior academic year will have their award prorated. For example, a student who completed 24 credit hours would receive 80% of the amount of the grant (the number of credits successfully complete divided by 30 credits) they would have otherwise been awarded. A student whose award was prorated in the third year can regain eligibility for the full amount in the fourth year if they successfully meet the course completion requirement in the year in which they received the prorated award. Students who do not complete 24 credits are ineligible for the EEA grant but can regain eligibility in the fourth year if they met the credit completion requirement at the end of their third year.

Courses that count toward credit completion include:

- remedial courses or the course equivalent;
- courses the student passes for credit (courses are considered successfully completed if the student receives a grade higher than an F regardless of any school or program policy except that a course that is retaken by a student two or more times may not be considered successfully completed);
- credits from subsequent attempts of the same course will only count toward completion requirement if in alignment with institution policy; and
- incomplete classes will not count until a grade has been issued.

The Secretary should comment on how MHEC has made students and institutions aware of the new award policy. DLS recommends that MHEC submit a report on the impact of the 30-credit completion requirement.

Operating Budget Recommended Actions

1. Adopt the following narrative:

Report on Impact of Credit Completion Requirement on Financial Aid Awards: The College Affordability Act encourages students receiving aid through the Educational Excellence Award (EEA) program to stay on track to graduate on time. The EEA is comprised of three grant programs: Guaranteed Access Grant, Educational Assistance Grant, and Campus-based Educational Assistance Grant. Beginning in academic year 2018-2019 and in a student’s third academic year, students receiving an EEA award must successfully complete 30 credit hours in the prior academic year in order to receive the full award amount. Students who completed at least 24 hours but less than 30 hours will have their awards prorated, and those who do not compete at least 24 credit hours lose their award. The budget committees are interested in the impact the new 30-credit-hour requirement had on students in the 2018-2019 academic year, particularly if students are meeting the requirement in order to receive the full amount of award, how many had their awards prorated, and those who lost eligibility. The report should provide summary data by segment (community colleges, four-year public, and independent institutions) and by institution. The report is due by December 15, 2018.

Information Request	Author	Due Date
Report on impact of credit requirement on financial aid awards	Maryland Higher Education Commission	December 15, 2018

2. Adopt the following narrative:

Report on the Budget for Educational Excellence Awards: In order to more easily track the actual and planned expenditures of the three grants that comprise the Educational Excellence Awards – Guaranteed Access Grants, Educational Assistance Grants, and Campus-based Grants – the Maryland Higher Education Commission should submit with the fiscal 2020 budget the fiscal 2018 actual, fiscal 2019 working appropriation, and fiscal 2020 allowance for each grants program in R62I00.10 Educational Excellence Awards.

Information Request	Author	Due Date
Report on the budget for Educational Excellence Awards	Maryland Higher Education Commission	With the fiscal 2020 budget

R62I0010 – MHEC – Student Financial Assistance

**Appendix 1
Current and Prior Year Budgets
MHEC – Student Financial Assistance
(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2017					
Legislative Appropriation	\$106,143	\$1,665	\$0	\$400	\$108,208
Deficiency Appropriation	0	3,100	0	0	3,100
Cost Containment	-3,100	0	0	0	-3,100
Budget Amendments	-310	2,276	0	640	2,606
Reversions and Cancellations	-1,100	-3,144	0	-391	-4,636
Actual Expenditures	\$101,633	\$3,897	\$0	\$649	\$106,179
Fiscal 2018					
Legislative Appropriation	\$106,505	\$1,665	\$0	\$400	\$108,570
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Working Appropriation	\$106,505	\$1,665	\$0	\$400	\$108,570

MHEC: Maryland Higher Education Commission

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

Fiscal 2017

In fiscal 2017, the general fund appropriation decreased by \$4.5 million mostly due to \$3.1 million in the November 2016 Board of Public Works cost containment in the Educational Excellence Awards (EEA) program based on the availability of special funds to backfill the program and from a targeted reversion of \$1.1 million due to restricted funding in the Maryland Early Graduation Scholarship (MEGS) program that was not released. General funds also declined by \$0.3 million as a portion of the restricted funds in MEGS was transferred to the Maryland State Department of Education for innovative programs.

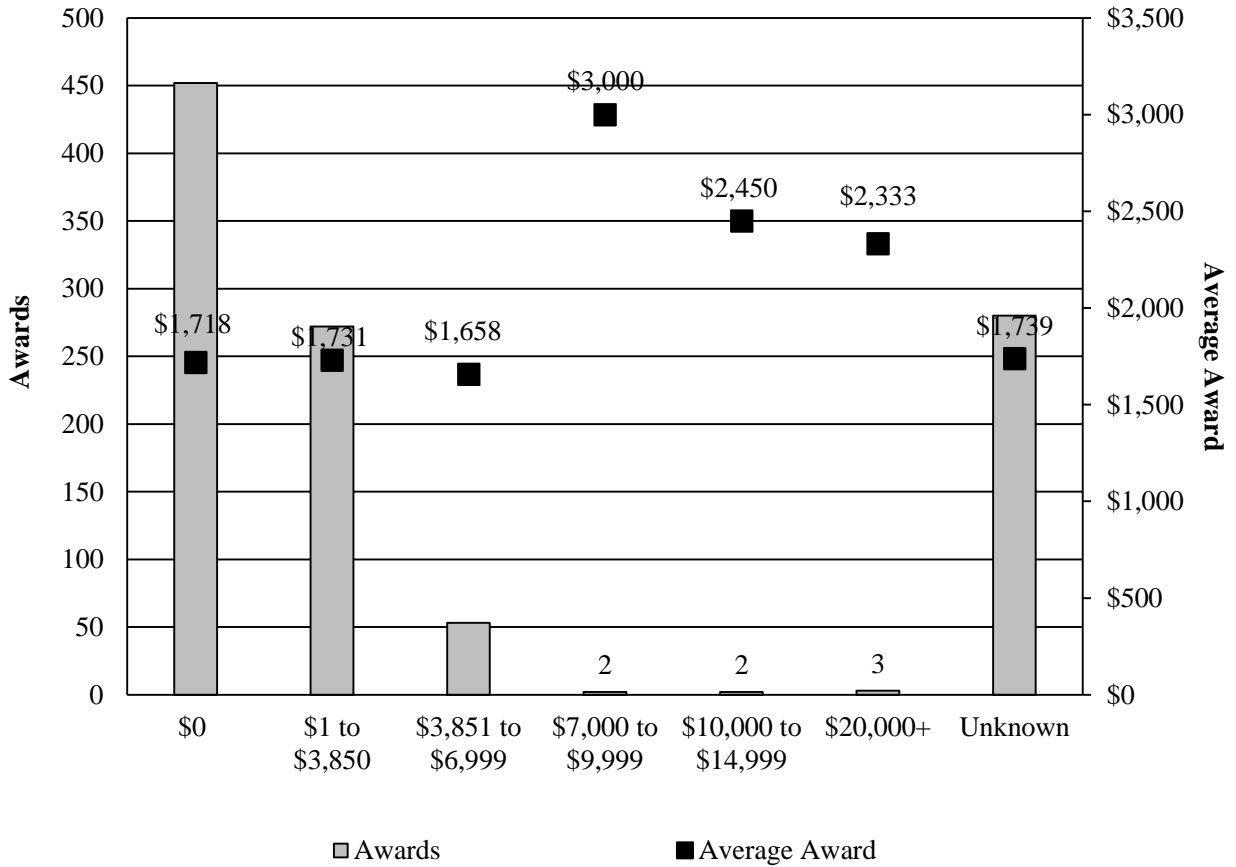
Special funds increased by \$2.2 million. Of that amount, \$3.1 million was due to a deficiency appropriation from the Maryland Higher Education Commission's (MHEC) financial aid fund balance to offset the cost containment noted above to the EEA program. A further \$2.3 million from this fund balance was used to increase awarding in the Edward T. Conroy Memorial Scholarship Program and in the 2+2 Transfer Scholarship Program. At the end of the fiscal year, the transfer of \$3.1 million to EEA was not actually needed to fulfill anticipated awards, and this funding, along with about \$44,000 left over in other financial aid programs, was canceled, and reverted to MHEC's financial aid fund balance.

Reimbursable funds increased by \$0.6 million due to carryover federal funds from a prior fiscal year that were available to make additional awards in the Maryland Loan Assistance Repayment Program, but at the end of the fiscal year, \$0.4 million remained and was canceled.

Fiscal 2018

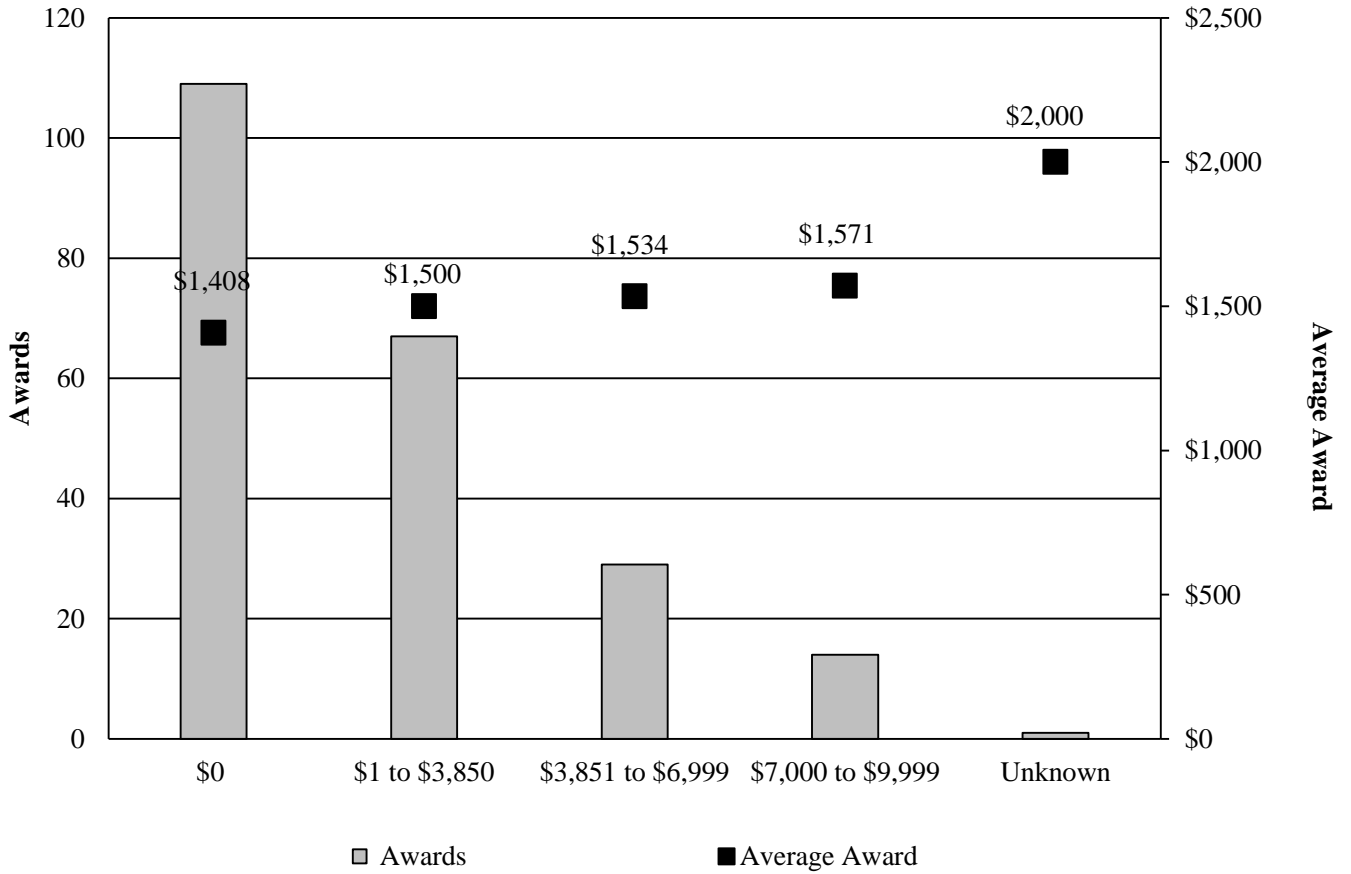
To date there have been no changes to the legislative appropriation.

**Appendix 2
Campus-based Educational Grants by Expected Family Contribution
Fiscal 2017**



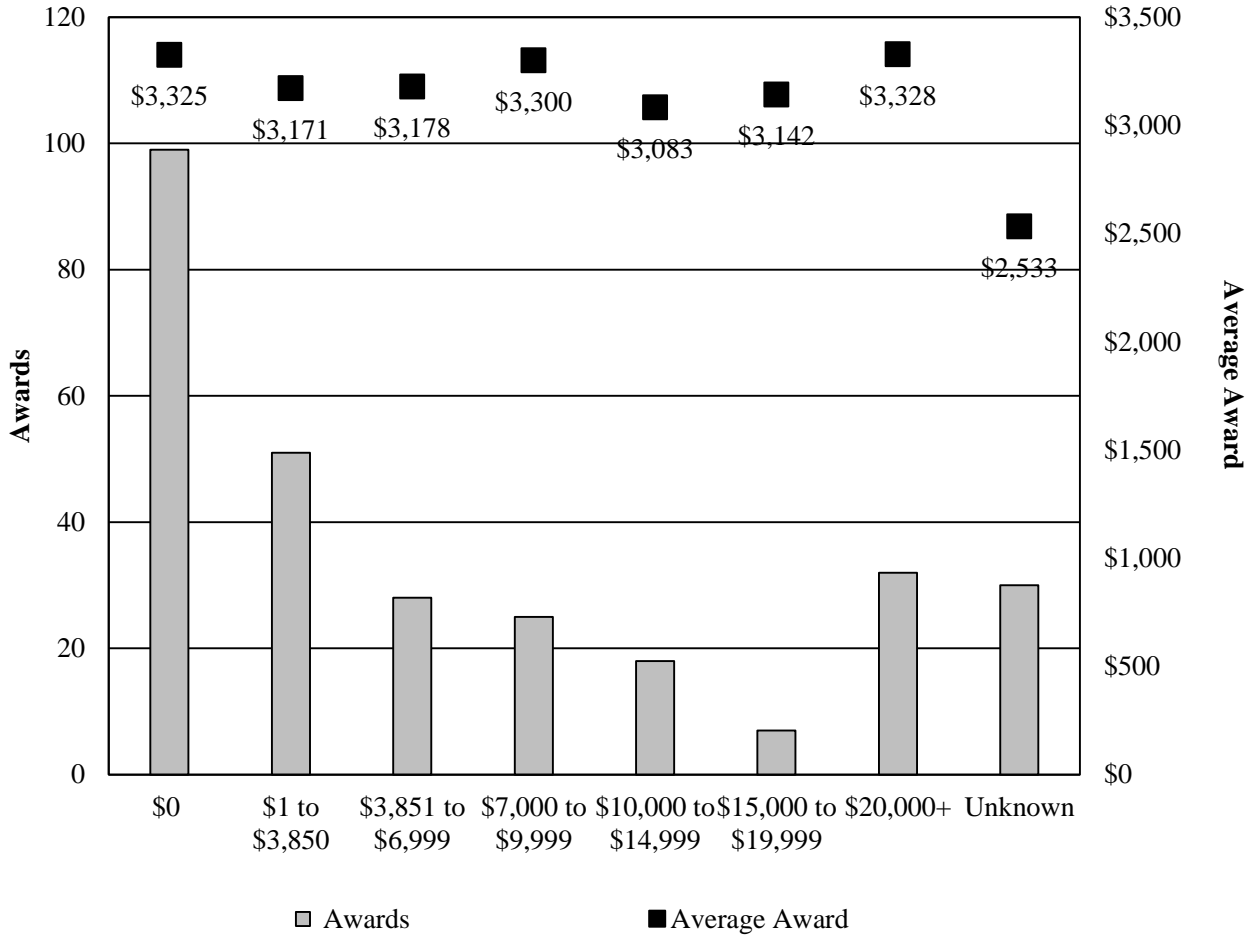
Source: Maryland Higher Education Commission

Appendix 3
2+2 Scholarship Awards by Expected Family Contribution
Fiscal 2017



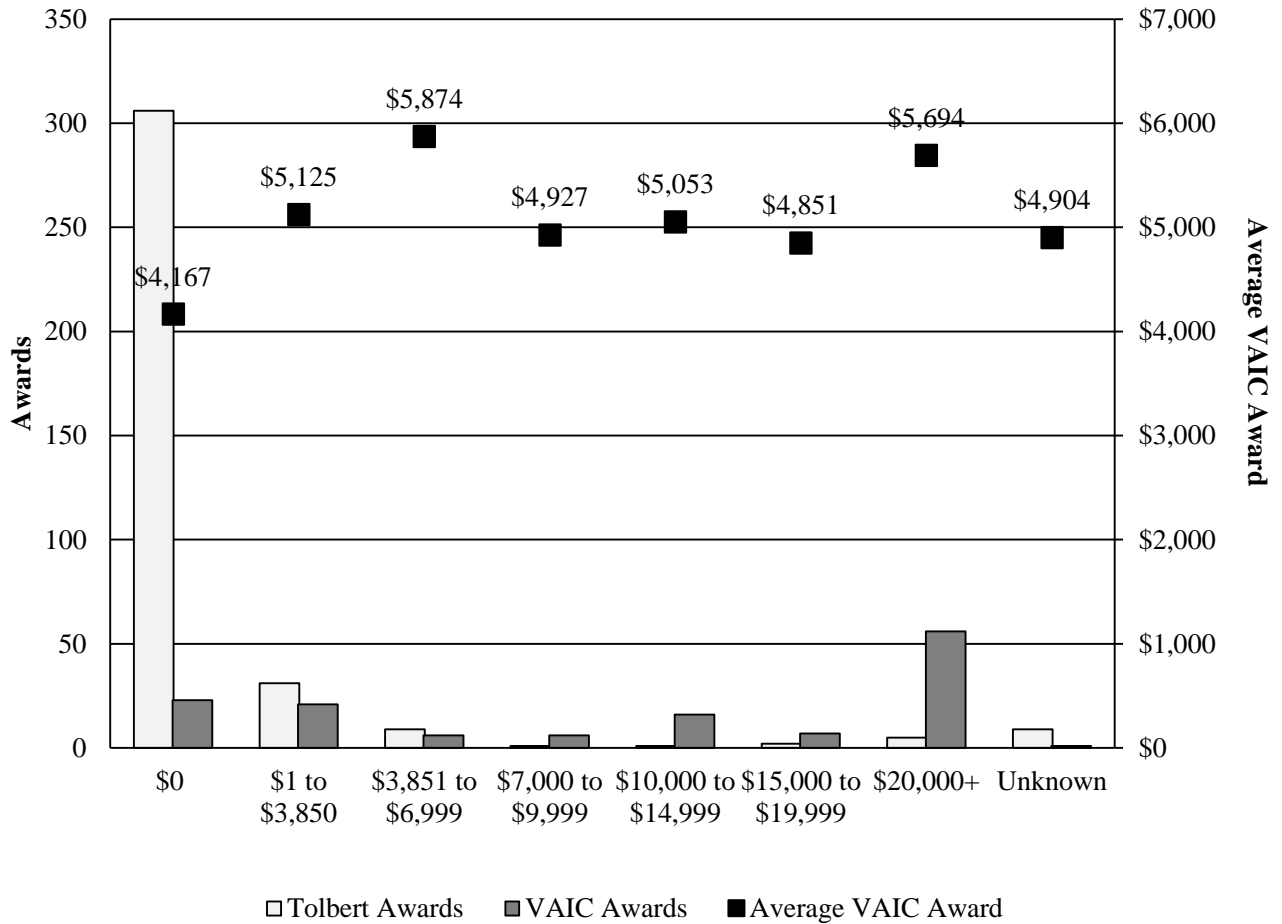
Source: Maryland Higher Education Commission

Appendix 4
Workforce Shortage Awards by Expected Family Contribution
Fiscal 2017



Source: Maryland Higher Education Commission

**Appendix 5
Unique Populations Awards by Expected Family Contribution
Fiscal 2017**

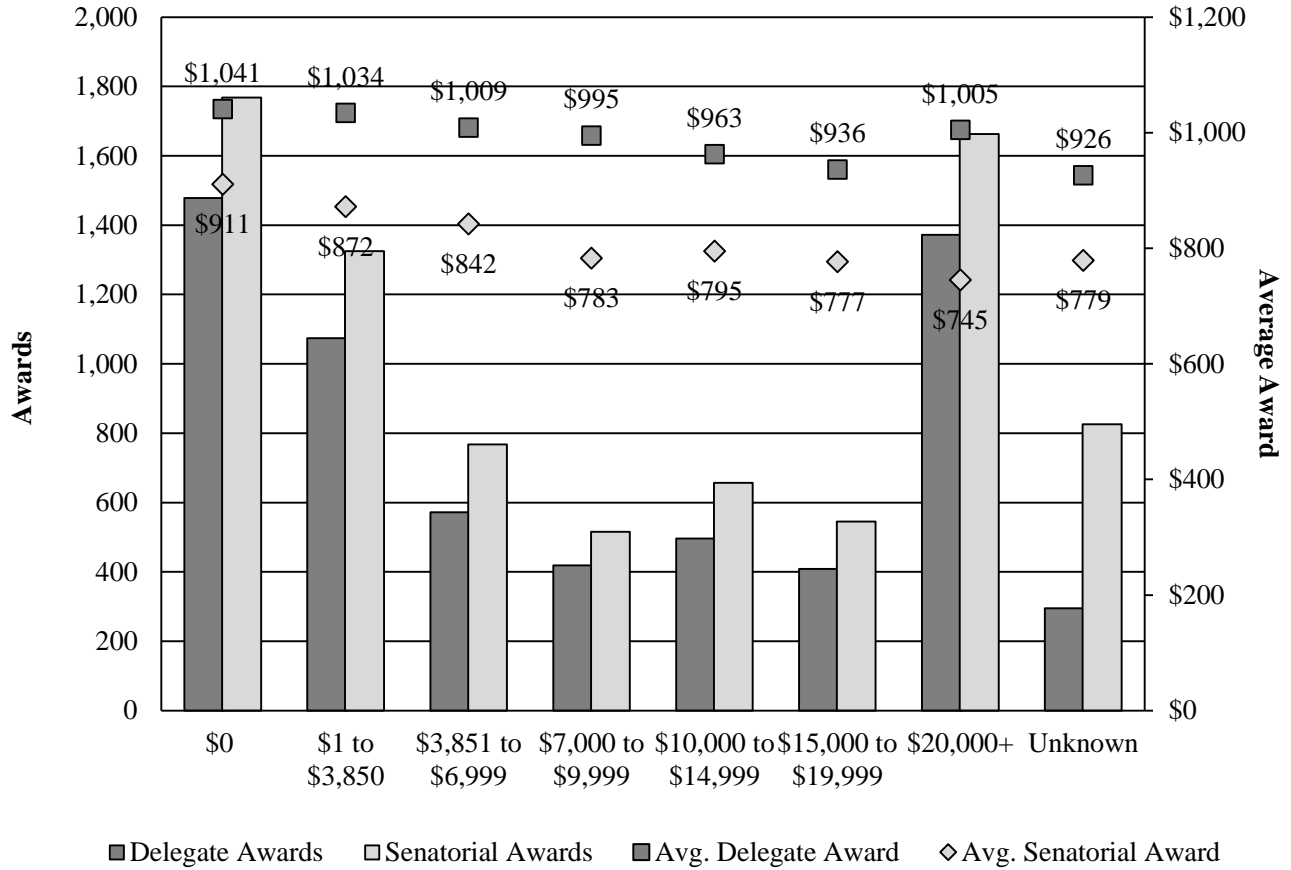


VAIC: Veterans of Afghanistan and Iraq Conflicts

Note: The average Tolbert Award, not shown, is \$500 across all except family contribution category.

Source: Maryland Higher Education Commission

**Appendix 6
Legislative Awards by Expected Family Contribution
Fiscal 2017**



Source: Maryland Higher Education Commission

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

<u>Object/Fund</u>	<u>FY 17 Actual</u>	<u>FY 18 Working Appropriation</u>	<u>FY 19 Allowance</u>	<u>FY 18 - FY 19 Amount Change</u>	<u>Percent Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 106,178,836	\$ 108,569,941	\$ 111,959,635	\$ 3,389,694	3.1%
Total Objects	\$ 106,178,836	\$ 108,569,941	\$ 111,959,635	\$ 3,389,694	3.1%
Funds					
01 General Fund	\$ 101,633,000	\$ 106,504,659	\$ 108,388,000	\$ 1,883,341	1.8%
03 Special Fund	3,897,250	1,665,282	3,171,635	1,506,353	90.5%
09 Reimbursable Fund	648,586	400,000	400,000	0	0%
Total Funds	\$ 106,178,836	\$ 108,569,941	\$ 111,959,635	\$ 3,389,694	3.1%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

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

<u>Program/Unit</u>	<u>FY 17 Actual</u>	<u>FY 18 Wrk Approp</u>	<u>FY 19 Allowance</u>	<u>Change</u>	<u>FY 18 - FY 19 % Change</u>
09 2+2 Transfer Scholarship Program	\$ 317,500	\$ 200,000	\$ 300,000	\$ 100,000	50.0%
10 Educational Excellence Awards	78,501,525	83,046,555	84,707,486	1,660,931	2.0%
12 Senatorial Scholarships	6,486,000	6,486,000	6,486,000	0	0%
14 Edward T. Conroy Memorial Scholarship	2,686,790	570,474	1,200,000	629,526	110.4%
15 Delegate Scholarships	6,319,000	6,466,865	6,596,000	129,135	2.0%
16 Riley Fire and EMS Tuition Reimbursement	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	1,388,895	1,380,000	1,504,089	124,089	9.0%
27 Maryland Loan Assistance Repayment Program	0	100,000	100,000	0	0%
28 Maryland Loan Assistance Repayment Program	1,679,020	1,432,282	1,178,295	-253,987	-17.7%
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	1,229,853	1,229,853	0	0%
37 Veterans of the Afghanistan and Iraq Conflicts	750,000	750,000	750,000	0	0%
44 Somerset Economic Impact Scholarship	0	87,659	87,659	0	0%
45 Workforce Development Sequence Scholarship	0	0	1,000,000	1,000,000	0%
Total Expenditures	\$ 106,178,836	\$ 108,569,941	\$ 111,959,635	\$ 3,389,694	3.1%
General Fund	\$ 101,633,000	\$ 106,504,659	\$ 108,388,000	\$ 1,883,341	1.8%
Special Fund	3,897,250	1,665,282	3,171,635	1,506,353	90.5%
Total Appropriations	\$ 105,530,250	\$ 108,169,941	\$ 111,559,635	\$ 3,389,694	3.1%
Reimbursable Fund	\$ 648,586	\$ 400,000	\$ 400,000	\$ 0	0%
Total Funds	\$ 106,178,836	\$ 108,569,941	\$ 111,959,635	\$ 3,389,694	3.1%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.