

**R62I0010**  
**Scholarship Programs**  
Maryland Higher Education Commission

***Operating Budget Data***

(\$ in Thousands)

	<b>FY 04</b>	<b>FY 05</b>	<b>FY 06</b>	<b>FY 05-06</b>	<b>% Change</b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>	<b><u>Prior Year</u></b>
General Fund	\$73,691	\$83,031	\$93,529	\$10,498	12.6%
Special Fund	1,426	3,300	1,500	-1,800	-54.5%
Federal Fund	<u>769</u>	<u>769</u>	<u>769</u>	<u>0</u>	
<b>Total Funds</b>	<b>\$75,886</b>	<b>\$87,101</b>	<b>\$95,798</b>	<b>\$8,698</b>	<b>10.0%</b>
Contingent & Back of Bill Reductions					
<b>Adjusted Total</b>	<b>\$75,886</b>	<b>\$87,101</b>	<b>\$95,798</b>	<b>\$8,698</b>	<b>10.0%</b>

- Overall, scholarship funding increases \$8.7 million, or 10% in the fiscal 2006 allowance.
- Need-based aid programs increase \$13.3 million.
- HOPE Scholarships decrease \$5.8 million, or 49%, as the phase-out of the program continues.

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

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## *Analysis in Brief*

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### Major Trends

***Graduate and Professional Scholarship Program on the Rise Again:*** After a significant decrease in the number of scholarship graduates in fiscal 2002, the number of graduates has been increasing slowly.

***The Effect of State Financial Assistance Presentations Unclear:*** The number of presentations conducted in high-need communities has not led to an increase in the number of applications to the Guaranteed Access Grant program.

### Issues

***HOPE Scholarship Program Set to Be Phased Out:*** The general fund allowance for the HOPE programs will not be increasing to accommodate new students and will be funded in the future only at the levels needed for continuing awards.

***Review of Spending of Additional Need-based Financial Aid Funds:*** State appropriations to financial aid programs decreased in fiscal 2003 and 2004. In fiscal 2005, appropriation levels increased \$11.2 million, primarily funding need-based programs.

***Governor Proposes Eliminating Legislative Scholarships:*** The Governor has proposed budget language that will eliminate the funding for the Delegate and Senatorial Scholarships and transfer the funds into need-based aid, contingent upon enactment of a provision in the budget reconciliation legislation.

### Recommended Actions

	<u>Funds</u>
1. Reduce need-based aid increase.	\$ 3,800,000
<b>Total Reductions</b>	<b>\$ 3,800,000</b>

### Updates

***First Year of the William Donald Schaefer Scholarship Program:*** Fiscal 2006 is the first year for the William Donald Schaefer Scholarship Program, a career/occupational program for students preparing for and pursuing careers in public service.

**R62I0010**  
**Scholarship Programs**  
**Maryland Higher Education Commission**

***Operating Budget Analysis***

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**Program Description**

One of the Maryland Higher Education Commission's (MHEC) main functions is the administration of the 24 different scholarship programs. Administration of these programs includes publicizing the availability of awards, accepting and processing applications, and verifying initial and continued eligibility. Since many of the scholarship programs have a post-graduate commitment, MHEC must also track completion of service commitments, process claims for deferments, and collect repayment from those who fail to meet scholarship program requirements.

MHEC Scholarship Programs fall into five categories: (1) need-based aid; (2) service commitment/workforce shortage based aid; (3) merit-based aid; (4) assistance for unique populations; and (5) legislative scholarships, as shown in **Exhibit 1**. These five categories were designated by an independent evaluation of Maryland's scholarship programs four years ago. Although many scholarship funds have criteria in two or more of these categories, each scholarship is grouped according to its most outstanding requirement.

This analysis includes those MHEC Scholarship Programs that provide the following:

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

A separate analysis titled *Maryland Higher Education Commission* covers the personnel associated with administration of scholarship programs and other grant programs administered by the commission.

## Exhibit 1 Scholarship Programs

### Need-based

#### Educational Excellence Awards

##### Guaranteed Access Grants

Need-based 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 35% of financial need 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 \$2,700.

#### Part-time Grant

Need-based grants provided to institutions to award to qualified part-time undergraduate students.

#### Graduate and Professional Scholarship

Need-based scholarships for those pursuing professional degrees at certain Maryland institutions of higher education.

### Merit-based

##### Distinguished Scholar Program

Talent- or merit-based scholarship awarded to full-time undergraduates.

##### Distinguished Scholar – Teacher Education

For Distinguished Scholar recipients enrolled in a teacher education program.

### Service Commitment/Workforce Shortage

#### HOPE Scholarships Program

##### Science and Technology Scholarships

Merit-based scholarships for full-time students planning to pursue an undergraduate degree in selected fields of science and technology.

##### Teachers Scholarships

Merit-based scholarships for future teachers (enrolled or planning to enroll full-time/part-time as graduate or undergraduate students).

##### General Scholarship

Merit-based and need-based (\$95,000 annual family income cap) scholarships for full-time students planning to pursue undergraduate degrees in selected fields of study. Qualified applicants must be high school seniors.

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Community College Transfer Scholarships	Merit-based and need-based (\$95,000 annual family income cap) scholarships for students enrolled in a Maryland community college who enroll full-time at a Maryland four-year institution.
<b>McAuliffe Memorial – Teacher Education</b>	Merit-based scholarships for future teachers require recipients to work in a designated critical shortage area in the State for each year the scholarship is received.
<b>Child Care Providers</b>	Tuition assistance for those pursuing a degree in child development or early childhood development or enrolled in a program leading to a child development associate credential.
<b>Developmental Disabilities, Mental Health, Child Welfare, and Juvenile Justice Workforce Tuition Assistance</b>	Tuition assistance for direct service workers pursuing a human services degree or for students pursuing a human services degree.
<b>MD State Nursing Scholarships</b>	Merit-based scholarship for those pursuing a nursing degree or diploma.
<b>Physical and Occupational Therapists and Assistants</b>	Tuition assistance for those seeking licensure as a physical therapist, physical therapy assistant, occupational therapist, or occupational therapy assistant.
<b>Tuition Reimbursement of Fire, Ambulance, and Rescue Squad Workers</b>	Tuition reimbursement for fire, ambulance, and rescue squad workers pursuing a degree in fire services or emergency medical technology.
<b>Hoffman Loan Assistance Repayment Program</b>	
Employees of Government and Nonprofit Sector	Need-based 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.
Primary Care Physicians	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.
<b>William Donald Schaefer Scholarship</b>	Tuition assistance for those who pledge to pursue a career in public service.

## **Assistance for Unique Populations**

<b>Jack F. Tolbert Memorial</b>	Provides grants to private career schools to award to full-time students based on financial need.
<b>Edward T. Conroy Memorial</b>	Scholarships for children of certain veterans or certain public safety personnel.

## **Legislative Scholarships**

<b>Senatorial Scholarships</b>	Senators select recipients from within their legislative district. Students may be pursuing undergraduate, graduate, or professional degrees.
<b>Delegate Scholarship</b>	Delegates select recipients pursuing undergraduate, graduate, or professional degrees.

Source: Department of Legislative Services

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## **Performance Analysis: Managing for Results**

State need-based aid is one way of alleviating some of the financial burden of continuing education for lower income students and their families. Workforce shortage areas are another focus of the State's financial aid programs; many of the programs require students receiving aid to work in the State in the area of their degree for each year they receive the scholarship. The HOPE program is the largest of these programs but is scheduled to be phased out over the next several years. The program measurement data looks at several outcomes related to need-based programs, workforce shortage programs, and financial aid for outstanding students in academics and the arts. The data is shown in **Exhibit 2**.

**Exhibit 2**  
**Program Measurement Data**  
**MHEC Scholarship Programs**

	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Actual</u> <u>2004</u>	<u>Est.</u> <u>2005</u>	<u>Est.</u> <u>2006</u>	<u>Ann.</u> <u>Change</u> <u>02-04</u>	<u>Ann.</u> <u>Change</u> <u>04-06</u>
Number of Guaranteed Access Grant Applications received	1,183	1,941	1,604	1,604	1,604	16.4%	0.0%
Number of State financial assistance presentations conducted in high-need communities	35	61	82	82	82	53.1%	0.0%
Percent of Distinguished Scholar recipients (academic) who plan to attend a Maryland institution	47%	40%	35%	35%	35%	-13.7%	0.0%
Percent of Distinguished Scholar recipients (talent in the arts) who plan to attend a Maryland institution	71%	60%	55%	55%	55%	-12.0%	0.0%
Number of applications received for the McAuliffe Teacher Education Tuition Assistance program	191	166	205	185	195	3.6%	-2.5%
Number of McAuliffe scholarship recipients that enter the workforce as teachers in critical needs areas	*	15	21	21	21		0.0%
Number of applications received for the Nursing Scholarship program	632	760	968	968	968	23.8%	0.0%
Number of Nursing Scholarship recipients that enter the workforce as a nurse	*	121	*	121	121		
Number of graduates in academic programs targeted by the Graduate and Professional Scholarship program	2,759	1,680	1,668	1,700	1,750	-22.2%	2.4%

\* Data not available.

Source: Maryland Higher Education Commission

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The Educational Excellence Awards (EEA) program is a need-based program that provides up to 100% of financial need for the annual expenses of a full-time resident undergraduate at the four-year public institutions. The Guaranteed Access Grant (GAG) is a component of the EEA program for students whose family income is below a designated poverty index and who meet certain academic requirements. To help make this and other need-based programs successful tools for affordability, the Office of Student Financial Aid (OSFA) seeks to emphasize the availability of State need-based financial assistance programs to communities with the highest financial need. Indicative of these efforts is the number of presentations to communities as well as the number of applications received for the GAG program. The program goal is to maintain or exceed the fiscal 2004 performance by fiscal 2007. In fiscal 2004, the goal of 82 presentations per year had been met and is expected to be maintained in fiscal 2005 and 2006. **Since the 2007 goal has been accomplished, the Secretary should comment on any new goals for this program.**

The number of presentations to the target communities nearly doubled between fiscal 2002 and 2003, from 35 to 61. Consequently, the number of applications increased 64%; however, when the number of presentations increased in fiscal 2004, the number of applications declined. **The Department of Legislative Services (DLS) recommends that the Secretary comment on why applications are not increasing proportionate to the number of presentations.**

There are several scholarship programs focusing on increasing access to and graduation from programs that serve workforce shortage needs in the State. The Graduate and Professional Scholarship program provides financial aid to full- and part-time students in the fields of medicine, dentistry, law, pharmacy, nursing, social work, and veterinary medicine. The related Managing for Results goal measures the number of graduates in the State from these programs each year. After a significant decrease in fiscal 2003, the number of graduates is expected to rise slowly, and fiscal 2006 should exceed fiscal 2003 by 4.2%.

The Sharon Christa McAuliffe Memorial Teacher Education Tuition Assistance program provides tuition assistance to students pursuing a career in public school teaching in areas of critical shortage in Maryland. The recipient is required to teach in Maryland for one year for each year of full-time or part-time tuition assistance. OSFA measures the number of applications received for this award as well as the number of recipients that enter the workforce as a teacher in a critical shortage area. The estimated number of applications in fiscal 2005 and 2006 is not expected to exceed the fiscal 2004 level. However, the fiscal 2006 estimate has increased over fiscal 2005. The number of recipients working in critical areas has remained above its goal.

The Maryland State Nursing Scholarship program is similar to the McAuliffe program for teachers except that its target population is students pursuing a career in nursing. The measures for this program also include the total number of applicants, the number of nursing graduates in the State, and the number of scholarship recipients that enter the workforce as a nurse. Since fiscal 2003, the number of applications has increased by 27%; however, the number of recipients entering the workforce has not increased at all during the same period. **DLS recommends the Secretary comment on the how the program is contributing to the total number of new nurses entering the workforce in the State.**

### *R6210010 – MHEC – Scholarship Programs*

The Distinguished Scholar program provides 350 four-year scholarships in the amount of \$3,000 for use at postsecondary institutions in the State. The mission of this program is to educate the most promising and gifted high school graduates in Maryland's colleges and universities and encourage them to remain in the State. Therefore, OSFA promotes this program throughout the State as a resource for meeting college costs and measures the number of recipients that accept the award and attend a Maryland institution. The percentage of recipients planning to attend a Maryland institution is expected to remain unchanged in the fiscal 2006 allowance.

## **Governor's Proposed Budget**

The Governor's proposed budget, shown in **Exhibit 3**, increases 10% over the fiscal 2005 working appropriation. The largest increase is due to the 20% growth in Educational Excellence awards – the main source of State undergraduate need-based aid. The Graduate and Professional Scholarship and the Part-time Grant program, both offering need-based aid, increase 267% and 127%, respectively. The HOPE scholarship programs decrease 49%.

General funds for all scholarship programs increase 13%, or 10.5 million, over the fiscal 2005 working appropriation. Special funds decrease \$1.8 million because the fiscal 2005 appropriation contained \$1.8 million of funds carried forward from fiscal 2004. No carry-forward from fiscal 2005 to 2006 is reflected in the allowance.

**Exhibit 3**  
**Governor's Proposed Budget**  
**MHEC Scholarship Programs**  
(\$ in Thousands)

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Total</b>
2005 Working Appropriation	\$83,031	\$3,300	\$769	\$87,101
2006 Governor's Allowance	93,529	1,500	769	95,798
Contingent & Back of Bill Reductions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Adjusted Allowance	<b>\$93,529</b>	<b>\$1,500</b>	<b>\$769</b>	<b>\$95,798</b>
Amount Change	\$10,498	-\$1,800	\$0	\$8,698
Percent Change	12.6%	-54.5%		10.0%

**Where It Goes:**

Educational Excellence Awards increase (20%).....	\$10,149
HOPE Scholarships decrease (49%) .....	-5812
Part-time Grant Program increases (127%).....	2,625
Delegate Scholarships increase (16%) .....	677
Professional School Scholarships increase (267%).....	500
Loan Assistance Repayment Plan (LARP) increase (20%) .....	469
William Donald Schaefer Scholarship Program.....	60
Senatorial Scholarship increases (1%) .....	40
Sharon C. McAuliffe Memorial Scholarship decreases (20%) .....	-11
<b>Total</b>	<b>\$8,697</b>

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

**Educational Excellence Awards**

The Governor's budget includes \$61.7 million for Educational Excellence Awards (EEA), the largest source of need-based aid. This includes a \$10.1 million increase in general funds. The Governor's proposal to redirect the funding for the Senatorial and Delegate Scholarships to need-based aid would increase the EEA appropriation by an additional \$11.3 million (see Issue 3).

## Part-time Grant

The Governor’s budget includes \$4.7 million for the Part-time Grant program, a need-based grant for part-time undergraduates. This includes a \$2.6 million, or 127% increase in general funds. This allocation also represents the largest appropriation for the program within the past five years.

## Scholarship Allowance Indicates Changing Priorities

While need-based aid has always comprised the largest share of scholarship funding, funding for career and occupational programs received the largest increases at the beginning of this decade due to the expansion of the HOPE program (**Exhibit 4**). Fiscal 2005 was the first year that need-based aid grew after a period of level funding from fiscal 2001 through 2004. In fiscal 2006, need-based aid programs are the only scholarships with significantly increased funding levels.

**Exhibit 4**  
**Scholarship Funding by Type of Aid**  
**Fiscal 1993 – 2006**



Source: Governor’s Budget Books, Fiscal 1995-2006

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With the increases in scholarship funding, there has been a corresponding increase in the number of program recipients. **Exhibit 5** shows the actual and projected number and size of awards of the scholarship programs between fiscal 2002 and 2006. The number of need-based awards is expected to reach 35,301 in fiscal 2006, an 8,953 increase compared to the actual number of fiscal 2004 awards. This expansion in need-based awards is due in part to a new scholarship program that began in fiscal 2004. The Campus-based Educational Assistance Grant program provides funds via MHEC to Maryland public and independent colleges and universities to assist students who filed their federal aid forms after the State's March 1 deadline.

The average need-based award is projected to rise 19% over fiscal 2004. Between fiscal 2002 and 2004, the average award increased only 1.5% each year. The average merit-based award has fluctuated somewhat during this period, whereas the average assistance for unique populations has steadily risen.

**Exhibit 5**  
**Recipients of Student Financial Assistance**  
**Fiscal 2002 – 2006**

<b>Program</b>	<b>FY 2002 Actual</b>		<b>FY 2003 Actual</b>		<b>FY 2004 Actual</b>		<b>FY 2005 Working</b>		<b>FY 2006 Allowance</b>	
	<b>Recipients</b>	<b>Avg. Award</b>	<b>Recipients</b>	<b>Avg. Award</b>	<b>Recipients</b>	<b>Avg. Award</b>	<b>Proj. Rec.</b>	<b>Avg. Award</b>	<b>Proj. Rec.</b>	<b>Avg. Award</b>
Need-based Awards										
Educational Assistance (EA)	20,339	\$1,574	19,904	\$1,616	20,201	\$1,750	22,412	\$1,936	23,319	\$2,125
Campus-based EA					1,686	1,168	1,686	1,186	2,299	1,305
Guaranteed Access	842	5,897	924	6,010	1,071	7,082	1,099	7,790	1,069	8,569
Part-time Grant	6,489	432	4,276	419	3,195	421	3,857	538	7,939	592
Professional School	462	991	204	986	224	1,077	189	993	675	1,019
<b>Subtotal</b>	<b>28,132</b>	<b>\$1,430</b>	<b>25,308</b>	<b>\$1,569</b>	<b>26,377</b>	<b>\$1,763</b>	<b>29,243</b>	<b>\$1,833</b>	<b>35,301</b>	<b>\$1,901</b>
Legislative Scholarships	8,593	\$935	11,006	\$915	10,806	\$850	15,118	\$718	12,956	\$872
Merit-based Awards	1,441	\$2,941	1,403	\$2,938	1,359	\$2,942	1,508	\$2,940	1,508	\$2,940
Career/Occupational	6,471	\$3,615	6,883	\$3,525	5,428	\$3,664	4,817	\$3,649	3,443	\$3,579
Assistance for Unique Populations	1,058	\$514	1,045	\$523	881	\$610	1,001	\$639	1,009	\$634
<b>Total</b>	<b>45,695</b>	<b>\$1,673</b>	<b>45,645</b>	<b>\$1,724</b>	<b>44,851</b>	<b>\$1,786</b>	<b>51,687</b>	<b>\$1,787</b>	<b>54,217</b>	<b>\$1,758</b>

Source: Maryland Higher Education Commission

## Scholarship Programs Continue to Have Waiting Lists

Despite the \$11.2 million increase in appropriations for need-based programs in fiscal 2005, the waiting list for Educational Excellence awards grew to over 6,500 students. The HOPE programs are not accepting any new applications as the program is being phased out. **Exhibit 6** compares the final waiting list numbers from fiscal 2004 to those in fiscal 2005, as of January 2005.

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### Exhibit 6 Program Waiting Lists for 2004 and 2005 Academic Years

<u>Program</u>	<u>2004*</u>	<u>2005**</u>
Educational Excellence Awards		
Educational Assistance Grant <sup>1</sup>	5,443	6,533
McAuliffe Memorial Teacher Scholarships	89	18
HOPE Scholarships		
HOPE Scholarship – General	688	
HOPE Scholarship – Science and Technology	874	
HOPE Scholarship – Maryland Teacher	983	
HOPE Scholarship – Community College Transfer	164	
Hoffman Loan Assistance Repayment Program		63
Nursing Scholarship	579	495
Developmental Disabilities	418	258
Conroy Memorial Scholarship	27	25
Child Care Providers	7	22
Physical and Occupational Therapists		22
<b>Total</b>	<b>9,272</b>	<b>7,436</b>

<sup>1</sup> Students that file the Free Application for Federal Student Aid after the March 1 deadline are not put in the system unless funds are available for late awards.

\*As of October 1, 2003.

\*\*As of January 2005.

Source: Maryland Higher Education Commission

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## Issues

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### 1. HOPE Scholarship Program Set to Be Phased Out

All new awards for applicants to the HOPE Scholarship program are frozen under a multi-year plan to phase out the program. The general fund allowance for the HOPE programs will not be increasing to accommodate new students and will be funded in the future only at the levels needed for continuing awards

The last year of the HOPE program will be fiscal 2007. OSFA anticipates the remaining renewal awards will be funded, as shown in **Exhibit 7**.

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#### Exhibit 7 HOPE Renewal Schedule

	<u>FY 2006</u> <u>Appropriation</u>	<u>Projected</u> <u>Recipients</u>	<u>FY 2007</u> <u>Appropriation</u>	<u>Projected</u> <u>Recipients</u>
General	\$902,160	333	\$0	0
Science and Technology	846,240	298	0	0
Maryland Teacher	4,296,750	963	2,605,250	584

Source: Maryland Higher Education Commission

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The Community College Transfer (CCT) scholarship was a component of the HOPE program for students who transfer from a Maryland community college to a Maryland four-year institution for full-time enrollment. As part of the phase-out, the CCT program received its final appropriation of \$9,750 in fiscal 2005 and issued 4 renewal awards.

While there is no longer a specific program designed for community college transfer students, the majority of programs administered by MHEC do allow students of any age to apply and attend school full-time or part-time. **Exhibit 8** outlines who is eligible to apply for the State's financial aid programs and designates whether students can attend full-time or part-time. Of the 24 programs, only three (the Guaranteed Access grant, the Distinguished Scholar, and the Distinguished Scholar – Teacher programs) restrict eligibility to current high school seniors who will enroll as full-time undergraduates. Students who received a community college transfer scholarship will compete for the remaining programs that currently have a combined waiting list of 7,436 students, including 6,534 for the Educational Assistance (EA) grant. **The Secretary should comment on the impact of phasing out the HOPE Scholarships on other State financial aid programs.**

**Exhibit 8  
State Financial Assistance Program Eligibility**

<u>Program</u>	<u>Full-time</u>	<u>Part-time</u>	<u>High School Seniors</u>	<u>Any Age</u>
Guaranteed Access Grant	X		X	
Educational Assistance Grant	X			X
Part-time Grant		X		X
Graduate and Professional Scholarship	X	X		X
Senatorial	X	X		X
Delegate	X	X		X
Distinguished Scholar	X		X	
Distinguished Scholar Teacher	X		X	
Nursing	X	X		X
Physical and Occupational Therapists	X			X
Sharon C. McAuliffe Teacher	X	X		X
Child Care	X	X		X
Developmental Disabilities	X	X		X
Fire and Rescue	X	X		X
Tolbert	X			X
Conroy	X	X		X

Note: LARP programs are not included since aid is provided after student graduates and becomes employed.

Source: Maryland Higher Education Commission

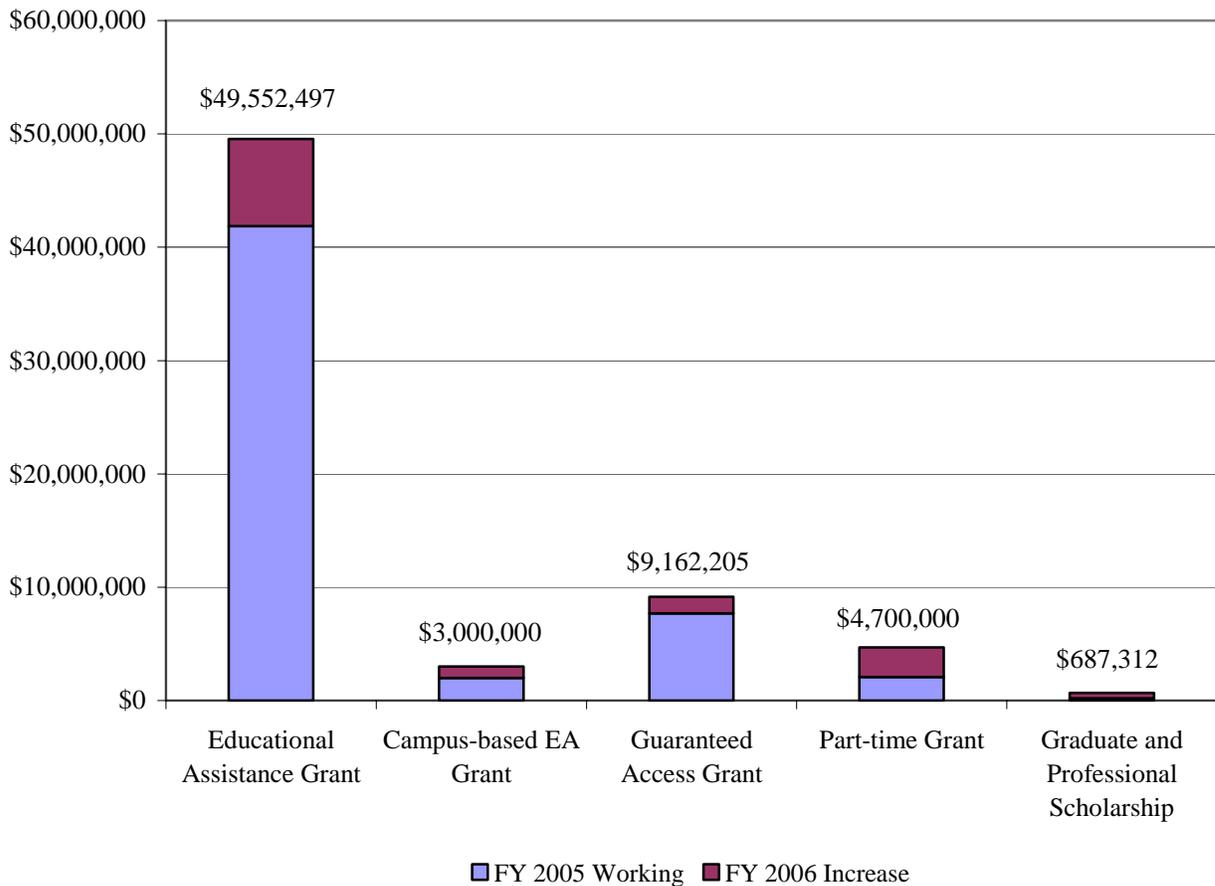
**2. Review of Spending of Additional Need-based Financial Aid Funds**

Funding for student financial aid programs increased 15% in fiscal 2005 after two consecutive years of decreasing appropriations. Most of the \$11.2 million increase, which included \$4.1 million from the HOPE Scholarship program, went to need-based programs. In the Governor's fiscal 2006 allowance, need-based aid will receive another increase of \$13.3 million, or 25%, in funding for a total of \$67.1 million in appropriations (not including any transfer of legislative scholarship funds).

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**Exhibit 9** compares funding in need-based aid programs in fiscal 2005 and the fiscal 2006 allowance. The exhibit shows that the Educational Assistance grant received \$7.9 million in the allowance, bringing its total funding level to nearly \$50 million. The increase for the Part-time Grant program is more than double the fiscal 2005 working appropriation. The Graduate and Professional Scholarship grew by 267% with a \$500,000 increase in general funds.

**Exhibit 9**  
**Need-based Appropriation Increases over Fiscal 2005**

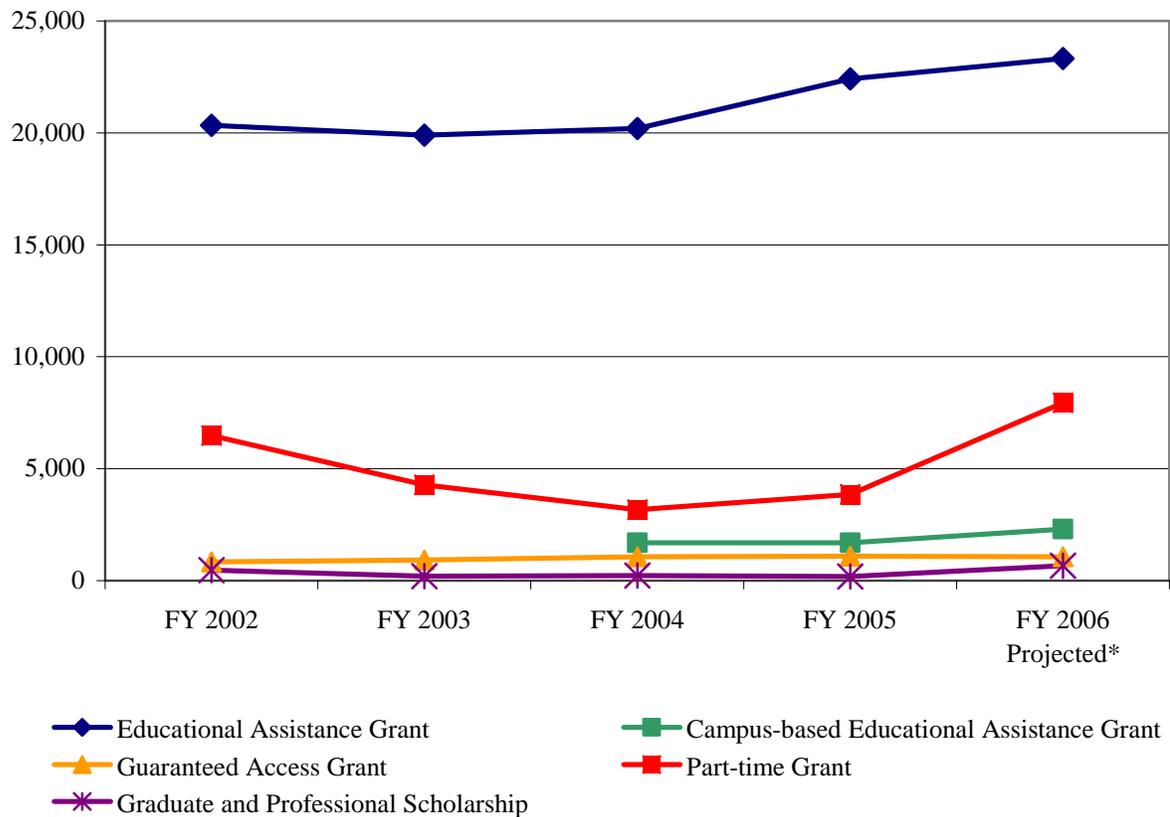


Source: Maryland Higher Education Commission

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The additional need-based funds enable the Office of Student Financial Aid to issue more awards and increase the average award amount. Overall, it is estimated there will be 35,301 awards in fiscal 2006, which is 6,058 more than fiscal 2005. **Exhibit 10** shows the trends in grant recipients for the need-based programs from fiscal 2002 through 2006 projected. The exhibit shows the number of Professional School and Part-time grant recipients is expected to grow by 486 and 4,082, respectively, from fiscal 2005 to 2006. At the same time, some programs have increased the number of recipients; there has been a 10% increase in the average Campus-based EA grant and Guaranteed Access grant awards.

**Exhibit 10**  
**Program Recipients**  
**Fiscal 2002 – 2006 Projected**



Note: Fiscal 2004 was the first year of the Campus-based Educational Assistance Grant.

Source: Maryland Higher Education Commission

Another component of the need-based aid expansion, the Community College Access Initiative, increases the percent of need used to calculate an EA grant from 35% to 45% for students enrolling at a Maryland community college. As shown in **Exhibit 11**, additional funds will be requested in subsequent fiscal years until awards are based on 60% of need for community college students.

**Exhibit 11**  
**Fiscal 2006 Need-based Initiative**  
**Assistance for Community College Students**

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Percent of financial need met	35%	45%	50%	55%	60%
Total students offered award in each year	9,853	11,409	11,415	11,416	11,446
Average award	\$970	\$1,148	\$1,271	\$1,396	\$1,540
Fund increase in each year	\$9,500,000	\$2,125,380	\$2,972,760	\$3,826,740	\$4,843,860
Cumulative increase in need-based aid		\$2,125,380	\$5,353,047	\$9,371,124	\$14,457,177

Source: Maryland Higher Education Commission

**The Secretary should comment on the need-based aid expansion.**

### 3. Governor Proposes Eliminating Legislative Scholarships

The Governor has proposed budget language that would transfer the allowance for the Senatorial and Delegate Scholarships to the Educational Excellence Awards contingent upon enactment of legislation. The 2006 allowance allocates \$6.5 million to the Senatorial Scholarships and \$4.8 million to the Delegate Scholarships. The \$11.3 million transfer would increase EEA's total 2006 allowance appropriation to \$73 million.

Delegate Scholarships are a one-time award whereby students must re-apply each year for an award. Senatorial Scholarships, however, may be renewable awards. **Exhibit 12** shows the allocations needed to maintain existing awards. The model assumes that one-third of the students would drop out or graduate during the last two years. According to the Attorney General for MHEC, the State is only responsible for renewing awards if funds are provided in the budget.

**Exhibit 12**  
**Senatorial Scholarships – Renewals**

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Undergraduates	\$3,854,022	\$2,569,348	\$1,284,674
Graduates	477,775	318,517	159,258
Total	<b>\$4,331,797</b>	<b>\$2,887,865</b>	<b>\$1,443,932</b>

Source: Maryland Higher Education Commission

**The Secretary should discuss how the legislative scholarship funds would be utilized if they were diverted to need-based aid as proposed by the Governor.**

***Recommended Actions***

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	<b><u>Amount Reduction</u></b>	
1. Reduce need-based aid increase by \$3,800,000. The reduction still provides \$9.5 million, or an 18% increase in need-based aid programs over fiscal 2005. The revised funding level accounts for the funds shifted from HOPE Scholarships and the 5.9% tuition and fee increase by the University System of Maryland.	\$ 3,800,000	GF
<b>Total General Fund Reductions</b>	<b>\$ 3,800,000</b>	

## *Updates*

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### **1. First Year of the William Donald Schaefer Scholarship Program**

In 2004, the General Assembly established the William Donald Schaefer Scholarship program. The program is designed to provide financial assistance to students who demonstrate outstanding potential for and pledge to pursue a career in public service. The scholarship is available to Maryland residents who demonstrate the intention of entering public service upon completing a degree program, who demonstrate a financial need, and who have been accepted for admission or enrolled as an undergraduate or graduate student in any institution in the State that offers educational activities related to preparation for a career in public service.

The annual award is equal to the costs of the recipient's tuition and fees without exceeding that for a full-time resident student at a University System of Maryland institution. The award is currently capped at \$7,950 for the year 2004-2005.

## *Current and Prior Year Budgets*

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### Current and Prior Year Budgets MHEC Scholarships (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Fiscal 2004</b>					
Legislative Appropriation	\$77,353	\$2,191	\$712	\$0	\$80,256
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	57	0	57
Cost Containment	-3,580	0	0	0	-3,580
Reversions and Cancellations	-82	-765	0	0	-847
<b>Actual Expenditures</b>	<b>\$73,691</b>	<b>\$1,426</b>	<b>\$769</b>	<b>\$0</b>	<b>\$75,886</b>
<b>Fiscal 2005</b>					
Legislative Appropriation	\$83,031	\$3,300	\$769	\$0	\$87,101
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$83,031</b>	<b>\$3,300</b>	<b>\$769</b>	<b>\$0</b>	<b>\$87,101</b>

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

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*R62I0010 – MHEC – Scholarship Programs*

**Fiscal 2004**

General funds for MHEC Scholarships were reduced \$3,579,972 in fiscal 2004 through the Governor's July 2003 cost containment action. Budget amendments increased federal funds by \$56,978 due to an increase of \$56,978 for the Educational Excellence Awards program to reflect additional funds received from the federal government.

Special funds were reduced by \$0.8 million due to the cancellation of:

- \$665,121 in the Janet L. Hoffman Loan Assistance Repayment Program because the appropriation had been increased to expend prior years revenue in the prior year and the amount should have been reduced in fiscal 2004; and
- \$99,357 in the Health Personnel Shortage Incentive Grant Program because revenue was less than the appropriation.

**Object/Fund Difference Report  
MHEC Scholarship Programs**

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
<b>Objects</b>					
12 Grants, Subsidies, and Contributions	\$ 75,886,036	\$ 87,100,526	\$ 95,798,353	\$ 8,697,827	10.0%
<b>Total Objects</b>	<b>\$ 75,886,036</b>	<b>\$ 87,100,526</b>	<b>\$ 95,798,353</b>	<b>\$ 8,697,827</b>	<b>10.0%</b>
<b>Funds</b>					
01 General Fund	\$ 73,690,710	\$ 83,031,323	\$ 93,529,149	\$ 10,497,826	12.6%
03 Special Fund	1,426,122	3,300,000	1,500,000	-1,800,000	-54.5%
05 Federal Fund	769,204	769,203	769,204	1	0%
<b>Total Funds</b>	<b>\$ 75,886,036</b>	<b>\$ 87,100,526</b>	<b>\$ 95,798,353</b>	<b>\$ 8,697,827</b>	<b>10.0%</b>

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary  
MHEC Scholarship Programs**

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
10 Educational Excellence Adwards	\$ 40,848,683	\$ 51,565,854	\$ 61,714,702	\$ 10,148,848	19.7%
12 Senatorial Scholarships	6,411,000	6,445,675	6,486,000	40,325	0.6%
14 Edward T. Conroy Memorial Scholarship Program	285,736	362,474	362,474	0	0%
15 Delegate Scholarships	3,199,260	4,135,646	4,813,000	677,354	16.4%
16 Reimbursement of Firemen and Rescue Squadmen	141,210	344,311	344,311	0	0%
17 Professional School Scholarships	187,312	187,312	687,312	500,000	266.9%
19 Physician Assistant - Nurse Practitioner Training	0	73,538	73,538	0	0%
20 Distinguished Scholar Program	3,722,087	4,200,000	4,200,000	0	0%
21 Jack F. Tolbert Memorial Student Grant Program	266,300	277,500	277,500	0	0%
22 Sharon Christa McAuliffe Memorial - Teacher Education	534,401	584,852	574,027	-10,825	-1.9%
23 HOPE Scholarships Program	15,307,550	11,857,025	6,045,150	-5,811,875	-49.0%
24 Distinguished Scholar Program - Teacher Education	95,500	234,000	234,000	0	0%
26 Loan Assistance Repayment Program	1,357,809	2,343,795	2,812,795	469,000	20.0%
27 Maryland State Nursing Scholarship Program	979,294	979,294	979,294	0	0%
29 Higher Education - Tuition Assistance - Physical	8,000	18,500	18,500	0	0%
31 Child Care Providers	47,250	83,250	83,250	0	0%
32 Developmental Disabilities and Mental Health Workforce	737,772	832,500	832,500	0	0%
33 Part-Time Grant Program	1,350,000	2,075,000	4,700,000	2,625,000	126.5%
35 The William Donald Schaefer Scholarship Program	0	0	60,000	60,000	
39 Health Manpower Shortage Incentive Grant Program	406,872	500,000	500,000	0	0%
<b>Total Expenditures</b>	<b>\$ 75,886,036</b>	<b>\$ 87,100,526</b>	<b>\$ 95,798,353</b>	<b>\$ 8,697,827</b>	<b>10.0%</b>
General Fund	\$ 73,690,710	\$ 83,031,323	\$ 93,529,149	\$ 10,497,826	12.6%
Special Fund	1,426,122	3,300,000	1,500,000	-1,800,000	-54.5%
Federal Fund	769,204	769,203	769,204	1	0%
<b>Total Appropriations</b>	<b>\$ 75,886,036</b>	<b>\$ 87,100,526</b>	<b>\$ 95,798,353</b>	<b>\$ 8,697,827</b>	<b>10.0%</b>

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.