

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

***Operating Budget Data***

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(\$ in Thousands)

	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>	<b>FY 06-07</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	\$83,031	\$93,149	\$110,776	\$17,627	18.9%
Special Fund	1,221	1,500	1,500	0	
Federal Fund	590	769	609	-160	-20.8%
Reimbursable Fund	<u>200</u>	<u>0</u>	<u>200</u>	<u>200</u>	
<b>Total Funds</b>	<b>\$85,042</b>	<b>\$95,418</b>	<b>\$113,086</b>	<b>\$17,667</b>	<b>18.5%</b>

- Overall, scholarship funding increases \$17.7 million, or 18.5% over fiscal 2006.
- Need-based aid programs increase \$19.5 million, or 29% over fiscal 2006.

***Analysis in Brief***

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**Major Trends**

***Decline in Sharon Christa McAuliffe Program:*** Since fiscal 2005 the number of applicants continues to drop for the Sharon Christa McAuliffe Memorial Teacher Education Tuition Assistance program.

**Issues**

***Review of Spending of Additional Need-based Financial Aid Funds:*** State appropriations to financial aid increased \$17.7 million, primarily funding need-based programs.

***Financial Aid Information System:*** Comprehensive data is being collected from two- and four-year institutions on financial aid recipients. The data will be used in the State's student financial aid information system to provide a demographic and financial profile of students receiving aid from the State.

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

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## **Recommended Actions**

	<b><u>Funds</u></b>
1. Reduce need-based aid increase	\$ 5,101,220
<b>Total Reductions</b>	<b>\$ 5,101,220</b>

## **Updates**

***Workgroup on the Consolidation of Career/Occupational State Financial Assistance Programs:***  
The Student Financial Assistance Reform Act of 2005 (Chapter 429, Acts of 2005) required the Maryland Higher Education Commission to establish a workgroup to study the consolidation of economic development student assistance grants and work-based shortage grants into a single financial assistance program.

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

***Operating Budget Analysis***

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**Program Description**

The Office of Student Financial Assistance (OSFA) is an office within the Maryland Higher Education Commission (MHEC) responsible for the administration of 28 State financial assistance programs. These programs are designed to improve access to higher education for needy students; encourage students to major in areas of great economic need to the State, such as teaching and nursing; and encourage Maryland's brightest students to attend college in the State. Maryland students use the assistance from these programs at community colleges, independent colleges and universities, private career schools, and the State's public four-year campuses.

Financial aid can come in the form of grants, work, student loans, parent loans, scholarships and other awards, which can be available through the federal government, State, private agencies, and the college or university. Grants and scholarships are gift aid that students do not have to pay back. Grants are usually given because the 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.

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 at four-year institutions and 45% 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 \$2,700.

##### Campus-based

Need-based grant for full-time undergraduates from low-income families who for extenuating circumstances miss the application filing deadline. Funds for the campus based grant are allocated to eligible institutions that then select recipients.

#### 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.

##### Distinguished Scholar Community College Transfer Scholarship

For Maryland students who are attending Maryland community colleges and continue their education at a Maryland four-year college or university.

### 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.

*R6210010 – MHEC – Scholarship Programs*

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.
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>Janet L. 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: Maryland Higher Education Commission

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

The State has an extensive array of financial aid programs in the form of grants, scholarships and other awards for students who want to further their education beyond high school. Merit-based financial aid is aid given to students who have special talents, skills, or who have earned good grades. Need-based financial aid is given to students who demonstrate that they have financial need. Financial aid can come in the form of grants, work, student loans, parent loans, scholarships and other awards. 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**  
**Fiscal 2003 – 2007**

	<u>Actual</u> <u>2003</u>	<u>Actual</u> <u>2004</u>	<u>Actual</u> <u>2005</u>	<u>Est.</u> <u>2006</u>	<u>Est.</u> <u>2007</u>	<u>Ann.</u> <u>Change</u> <u>03-05</u>	<u>Ann.</u> <u>Change</u> <u>05-07</u>
Number of Guaranteed Access Grant Applications received	1,941	1,604	1,287	1,604	1,604	-18.6%	11.6%
Number of State financial assistance presentations conducted in high-need communities	61	82	78	82	82	13.1%	2.5%
Percent of Distinguished Scholar recipients (academic) who plan to attend a Maryland institution	40%	35%	27%	27%	27%	-17.8%	0.0%
Percent of Distinguished Scholar recipients (talent in the arts) who plan to attend a Maryland institution	60%	55%	46%	46%	46%	-12.4%	0.0%
Number of applications received for the McAuliffe Teacher Education Tuition Assistance program	166	205	68	68	68	-36.0%	0.0%
Number of McAuliffe scholarship recipients that enter the workforce as teachers in critical needs areas	15	21	21	21	21	18.3%	0.0%
Number of applications received for the Nursing Scholarship program	760	968	882	968	968	7.7%	4.8%
Number of Nursing Scholarship recipients that enter the workforce as a nurse	121	121	130	130	130	3.7%	0.0%
Number of graduates in academic programs targeted by the Graduate and Professional Scholarship program	1,680	1,668	1,805	1,820	1,835	3.7%	0.8%

Source: Maryland Higher Education Commission

### *R6210010 – MHEC – Scholarship Programs*

The Guaranteed Access Grant (GAG) is a component of the Educational Excellence Awards (EEA) program for students whose family income is below a designated poverty index and who meet certain academic requirements. The number of GAG applicants decreased by 18.6% annually from fiscal 2003 to 2005. However, the number of applicants is expected to return to fiscal 2004 levels in fiscal 2006 and 2007.

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. The program is measured by the number of applicants and those entering the workforce in critical need areas. The number of applicants dropped significantly by 66.8% in fiscal 2005 and is expected to remain at this level for fiscal 2006 and 2007. The number of teachers entering the workforce in critical need areas is not much better, with the number at 21 from fiscal 2004 to 2007. **The Secretary should comment on how the McAuliffe program is addressing the teacher shortage in critical need areas.**

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. From fiscal 2003 through 2005, the number of applications has increased by 7.7% annually, but the number has fluctuated up and down. Applications are expected to remain flat at 968 in fiscal 2007. The number of recipients entering the workforce increased slightly from fiscal 2003 through 2005 but has remained relatively flat and will continue in fiscal 2006 and 2007 with 130 nurses expected to enter the workforce.

Merit-based financial aid is aid given to students who have special talents, skills, or who have earned good grades. The Distinguished Scholar program is a merit-based scholarship awarded to full-time undergraduates. The 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. The percentage of Distinguished Scholar recipients (academic) who plan to attend a Maryland institution decreased by 17.8% annually from fiscal 2003 to 2005. The percentage is expected to remain below the 2003 rates at 27% for fiscal 2006 and 2007.

## **Governor's Proposed Budget**

The Governor's proposed budget, shown in **Exhibit 3**, increases 18.5% overall; general funds for all scholarship programs increase 19%, or \$17.6 million. A \$160,000 decrease in federal funds is offset by a \$200,000 increase in reimbursable funds due to an accounting change. The largest increase, \$17.4 million is due to the 28% growth in the Educational Excellence Awards program (EEA) – 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 27.7% and 118%, respectively. The HOPE scholarship programs decrease 56% as the programs continue to phase out. Only renewals are being funded in fiscal 2007.

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

<b>How Much It Grows:</b>	<b><u>General</u> <u>Fund</u></b>	<b><u>Special</u> <u>Fund</u></b>	<b><u>Federal</u> <u>Fund</u></b>	<b><u>Reimb.</u> <u>Fund</u></b>	<b><u>Total</u></b>
2006 Working Appropriation	\$93,149	\$1,500	\$769	\$0	\$95,418
2007 Governor's Allowance	<u>110,776</u>	<u>1,500</u>	<u>609</u>	<u>200</u>	<u>113,086</u>
Amount Change	\$17,627	\$0	-\$160	\$200	\$17,667
Percent Change	18.9%		-20.8%		18.5%

**Where It Goes:**

**Personnel Expenses**

Educational Excellence Awards increases (28.3%) .....	\$17,368
HOPE scholarships decreases (56%) .....	-3,322
Part-time Grant Program increases (27.7%) .....	1,300
Delegate scholarships increases (5%) .....	241
Professional school scholarships increases (118%) .....	813
Loan Assistance Repayment Program (LARP) increases (1.4%) .....	40
William Donald Schaefer Scholarship Program increases (150%) .....	90
Maryland State nursing increases (116%) .....	1,138
<b>Total</b>	<b>\$17,668</b>

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

## Need-based Aid Receives Largest Increase

The Governor’s budget includes \$78.7 million for EEA, the largest source of need-based aid. This includes a \$17.4 million increase in general funds. The Part-time Grant program, receives a \$1.3 million, or 27.7% increase in general funds. This allocation also represents the largest appropriation for the program within the past five years.

Higher education can play a key role in making the State competitive in recruiting and retaining businesses and organization by providing academic programs that have a strong demand. Registered nurses are among the occupations that are expected to have the highest number of job openings. Therefore, funding for career and occupational programs continue to increase as attention is centered on addressing the critical workforce areas in the State. General funds for the State Nursing program and William Donald Schaefer Scholarship program receive increases over a 100% for fiscal 2007.

As shown in **Exhibit 4**, between fiscal 2001 and 2007, State financial aid increased 63%, need-based aid increased 114%, merit-based aid remained the same, and career and occupational scholarships that address critical workforce shortages decreased 37%. The phasing out of the HOPE scholarships accounts for the drop in career and occupational scholarships. Need-based aid accounts for 76% of all aid in fiscal 2007 compared to 58% of all aid in fiscal 2001.

**Exhibit 4**  
**State Financial Aid Appropriations**  
**(\$ in Thousands)**

	<u>FY 2001</u>	<u>FY 2005</u>	<u>Working</u> <u>FY 2006</u>	<u>Allowance</u> <u>FY 2007</u>	<u>\$ Increase</u> <u>FY 06-07</u>	<u>%</u> <u>Increase</u> <u>FY 06-07</u>	<u>%</u> <u>Increase</u> <u>FY 01-07</u>
Need-based Aid	\$40,248	\$53,590	\$66,722	\$86,202	\$19,480	29%	114%
Merit-based Aid	4,433	4,411	4,434	4,434	0	0%	0%
Legislative	8,423	10,581	11,299	11,540	241	2%	37%
Career/Occupational	15,998	17,184	12,205	10,151	-2,054	-17%	-37%
Unique Populations	456	729	758	758	0	0%	66%
<b>Total</b>	<b>\$69,558</b>	<b>\$86,495</b>	<b>\$95,418</b>	<b>\$113,085</b>	<b>\$17,667</b>	<b>19%</b>	<b>63%</b>

Source: 2007 Maryland State Budget Book; Department of Legislative Services

Overall MHEC projects awarding aid to 58,399 recipients in fiscal 2007, down slightly from 58,680 recipients in fiscal 2006 as shown in **Exhibit 5**. However, the average award for all programs is projected to increase from \$1,691 in fiscal 2006 to \$1,912 in fiscal 2007, a \$221 or 13.1% increase. The waiting list for scholarship programs has declined to 588 in fiscal 2006 (as of January 2006). The waiting list includes no one seeking need-based aid. This compares to 7,436 in fiscal 2005, 6,533 need-based and 903 for other programs.

**Exhibit 5**  
**Recipients of Student Financial Assistance**  
**Fiscal 2004 – 2007 Allowance**

Program	FY 2004 Actual		FY 2005 Actual		FY 2006 Working		FY 2007 Allowance	
	<u>Recipients</u>	<u>Avg. Award</u>	<u>Proj. Rec.</u>	<u>Avg. Award</u>	<u>Proj. Rec.</u>	<u>Avg. Award</u>	<u>Proj. Rec.</u>	<u>Avg. Award</u>
Need-based Awards								
Educational Assistance (EA)	20,201	\$1,750	21,511	\$1,871	23,820	\$2,125	25,209	\$2,547
Campus-based EA	1,686	1,168	1,493	1,276	2,459	1,220	2,215	1,354
Guaranteed Access	1,071	7,082	1,045	7,900	1,333	8,374	1,295	8,876
Part-time Grant	3,195	421	4,050	512	7,939	592	9,561	628
Professional School	224	1,077	151	1,240	673	1,020	1,453	1,032
<b>Subtotal</b>	<b>26,377</b>	<b>\$1,763</b>	<b>28,250</b>	<b>\$1,864</b>	<b>36,225</b>	<b>\$1,937</b>	<b>40,033</b>	<b>\$2,163</b>
Legislative Scholarships	10,806	\$850	11,926	\$861	17,142	\$863	13,619	\$847
Merit-based Awards	1,359	\$2,942	1,334	\$2,936	1,508	\$2,914	1,509	\$2,823
Career/Occupational*	5,428	\$3,664	3,965	\$3,292	2,765	\$3,301	2,229	\$3,020
Assistance for Unique Populations	881	\$610	983	\$692	1,040	\$728	1,009	\$633
<b>Total</b>	<b>44,851</b>	<b>\$1,809</b>	<b>47,646</b>	<b>\$1,734</b>	<b>58,680</b>	<b>\$1,691</b>	<b>58,399</b>	<b>\$1,912</b>

\*Does not include Loan Assistance Repayment Program

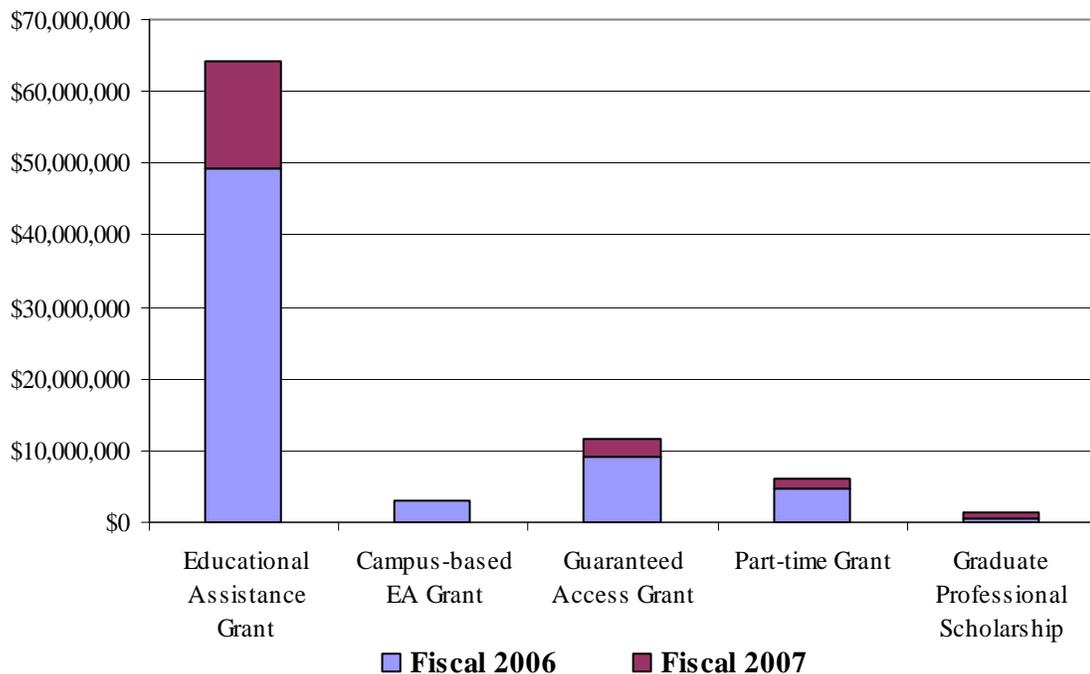
Source: Maryland Higher Education Commission

## Issues

### 1. Review of Spending of Additional Need-based Financial Aid Funds

Need-based aid is a high priority for Maryland in light of the States' poor grade in affordability over the past six years. The EEA program is the State's largest need-based program and has three components: the Educational Assistance Grant (EAG), Campus-based EAG, and GAG. EAG is targeted to low to moderate-income families and is based on financial need. The Campus-based EAG is decentralized and provides assistance to needy students who decide late in the financial aid process to attend school. GAG is for very low-income students and covers 100% of the student need. Funding for need-based aid programs, specifically the EEA program and the Part-Time Grant, increased significantly in fiscal 2005 and continues to increase in fiscal 2006 and 2007. **Exhibit 6** compares funding in need-based aid programs in fiscal 2006 and the fiscal 2007 allowance. The exhibit shows that EAG increases by \$15 million or 30.6% from fiscal 2006, GAG increases by \$2.3 million or 25.5% while the Campus-based Grant remains the same. The Part-time Grant program increases by 27.7%, and the Graduate and Professional Scholarship grows by 118% with a \$812,688 increase.

**Exhibit 6**  
**Need-based Appropriation Increases Over Fiscal 2006**

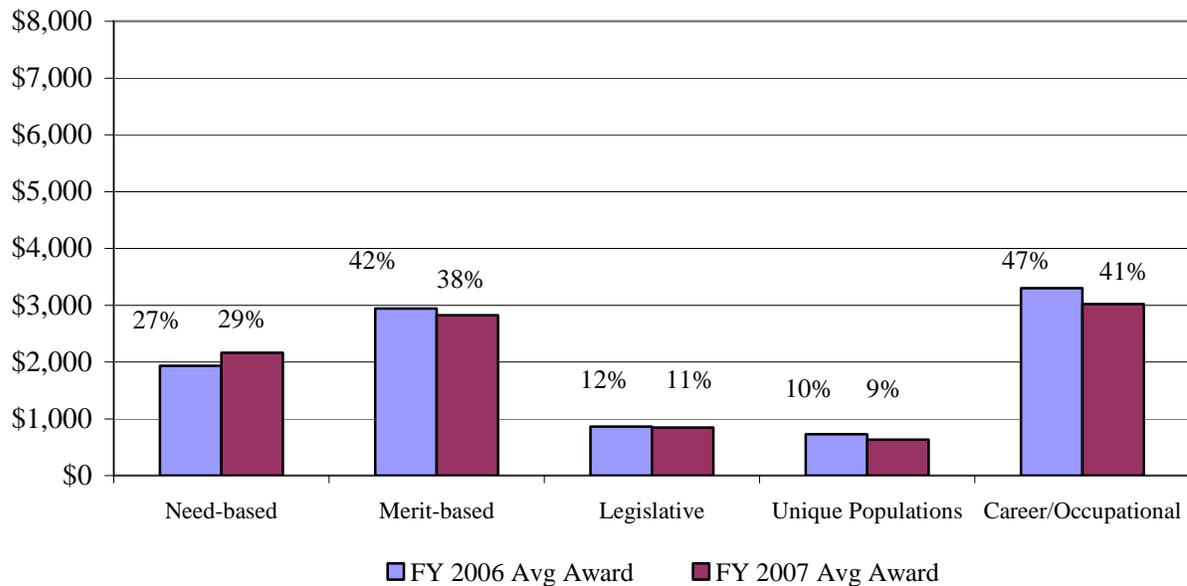


Source: Maryland Higher Education Commission

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The additional need-based aid will enable MHEC to make more awards and increase the award amount. The average need-based award has been increasing. From fiscal 2005 to 2006, the average need-based award increased from \$1,864 to \$1,937, about 4%. By comparison, during that same period, the average weighted tuition and mandatory fee increase at public four-year institutions increased by 5.6% to \$7,051. In fiscal 2007, the average award is projected to increase to \$2,163, an 8.7% increase over fiscal 2006, compared to a 4.6% increase in weighted tuition and fees bringing the average to \$7,375. **Exhibit 7** shows the average award amount of each State financial aid program excluding loan assistance repayment programs, compared to the average tuition and fees of the University System of Maryland (USM) institutions, Morgan State University (MSU), and St. Mary’s College of Maryland (SMCM) in fiscal 2006 and 2007 for undergraduate in-state students. On average the Career/Occupational Aid awards, including HOPE renewal awards, are projected to cover the largest share of in-state tuition at 41% in fiscal 2007, followed by merit-based aid and need-based aid. Need-based aid will cover 27%, on average, of in-state tuition and fees in fiscal 2006, which increases slightly to 29% based on the tuition and fee rates approved (to date) for fiscal 2007.

**Exhibit 7**  
**State Aid Average Undergraduate Awards Compared to Average\***  
**Tuition and Fees at USM, MSU, and SMCM**  
**Fiscal 2006 and 2007**



\*Weighted Average

Source: Maryland Higher Education Commission, Department of Legislative Services

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The EEA program includes funds for the Community College Access Initiative. The allowance allocates sufficient funding to the EEA program including funds for the access initiative to reach, two years early, the goal of increasing the percent of need used to calculate an EEA grant to 60% for students enrolling at a Maryland community colleges by fiscal 2009 (**Exhibit 8**).

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**Exhibit 8**  
**Fiscal 2007 Need-based Initiative**  
**Assistance for Community College Students**

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Percent of financial need met	35%	45%	60%
Total students offered award in each year	9,853	11,409	11,446
Average award	\$970	\$1,148	\$1,540
Fund increase in each year		\$2,125,380	\$4,843,860
Cumulative increase in need-based aid		\$2,125,380	\$6,969,240

Source: Maryland Higher Education Commission

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The award amount will increase by \$392 in fiscal 2007 but will not significantly increase the number of students awarded. Community colleges are the largest component of higher education enrollment in Maryland, but they receive a smaller percentage of all State aid dollars and also comprise a smaller percentage of recipients as shown in **Exhibit 9**.

**The Secretary should comment on how the increased need-based aid will affect college affordability for Maryland students.**

**Exhibit 9**  
**Distribution of State Financial Aid Funds**  
**Compared to Total Maryland Enrollments**  
**Fiscal 2004**

<u>Segment</u>	<u>% of State Financial Aid Funds</u>	<u>% of State Aid Recipients</u>	<u>% of Maryland Enrollments</u>
Community Colleges	9%	25%	46%
2-Year Independent Institutions	1%	1%	1%
4-Year Public Institutions	70%	60%	41%
4-Year Independent Institutions	20%	14%	12%

Note: Does not include private career schools.

Source: Maryland Higher Education Commission

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## **2. Financial Aid Information System**

The 2002 *Joint Chairmen's Report* directed two- and four- year institutions to work in cooperation with MHEC to develop a system to collect comprehensive data on State financial aid recipients. The data would include information such as the student's enrollment status, family size, dependency status, expected family contribution, and parental and student income. MHEC proposed a six-year timeline to implement the student-based financial aid information system (FAIS). The information from year three (fiscal 2004) collected from two- and four-year institutions identifies the demographic and financial profile of students receiving aid from various federal, State, and institution programs. During MHEC's review of the data, concerns surrounding the methods institutions used to report the data became an issue. Therefore, MHEC will provide further guidelines to make sure reporting is consistent and have institutions resubmit the data.

### **Family Income Distribution**

In an effort to determine the affordability of a college education in Maryland and if the needs are being met through State financial aid, one of the measures that MHEC is collecting information on is the family income distribution of students receiving State aid. The information will provide a financial profile of students receiving aid and a better idea of what programs are needed to ensure a

college education is accessible to residents. **Exhibit 10** shows family income distribution for undergraduates at two-year and four-year institutions who were awarded State aid in fiscal 2004. As expected, two-year institutions have significantly more students receiving aid with income under \$30,000 than four-year institutions. While 6% of students receiving aid at two-year institutions have income \$70,000 and above, more than one-fifth of students receiving aid at four-year institutions are in that income range. Although household size and other factors determine Expected Family Contribution, the amount a family is expected to contribute toward college costs, these data show that almost a quarter of the students receiving aid at two-year institutions are at or below federal poverty levels (\$9,800 in 2006 for a family of one) if the student is independent, i.e., no longer a dependent of a parent.

**Exhibit 10**  
**Family Income Distribution of Undergraduates Awarded State Aid**  
**Two-year and Four-year Institutions**  
**Fiscal 2004**

<u>\$ Income Range</u>	<u>Community College Recipients</u>		<u>Four-year Recipients</u>	
	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>
\$0 – 9,999	21.6%	1,803	18.4%	3,117
\$10,000 – 19,999	20.4%	1,702	11.6%	1,969
\$20,000 – 29,999	20.1%	1,674	12.2%	2,063
\$30,000 – 39,999	14.1%	1,171	11.2%	1,897
\$40,000 – 49,999	8.9%	741	10.0%	1,694
\$50,000 – 59,999	5.5%	454	7.9%	1,341
\$60,000 – 69,999	3.4%	282	7.1%	1,200
\$70,000 +	6.0%	502	21.6%	3,664
<b>Total</b>	<b>100%</b>	<b>8,329</b>	<b>100%</b>	<b>16,945</b>

Note: These data do not include 950 community college students and 3,982 four-year students who did not report income.

Source: Maryland Higher Education Commission

**The Secretary should comment on the implementation of FAIS and the data that will be available to analyze the effectiveness of State financial aid programs.**

***Recommended Actions***

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	<b><u>Amount Reduction</u></b>	
1. Reduce need-based aid increase by \$5.1 million. The reduction still provides a \$14.4 million or 21.6% increase in need-based aid programs over fiscal 2006. In addition, unspent scholarship funds may be carried forward in fiscal 2007 for need-based aid; \$5.6 million in carry forward funds are available for need-based aid in fiscal 2006.	\$ 5,101,220	GF
<b>Total General Fund Reductions</b>	<b>\$ 5,101,220</b>	

## ***Updates***

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### **1. Workgroup on the Consolidation of Career/Occupational State Financial Assistance Programs**

The Student Financial Assistance Reform Act of 2005 (Chapter 429, Acts of 2005) required MHEC to establish a workgroup to study the consolidation of economic development student assistance grants and work-based shortage grants into a single financial assistance program. The language in the bill stated that the grant program should, to the extent practicable, establish uniform criteria for grant eligibility, award amounts, and service obligation requirements and that the new program should include a methodology for prioritizing work-based shortage grants. Legislation is needed to implement the workgroup's recommendations.

#### **Recommended Model**

The recommended model from the workgroup provides initial guidance for the identification of workforce shortage areas in Maryland. It is envisioned that as new tools become available the model will be adapted to incorporate new techniques. The Department of Labor, Licensing, and Regulation (DLLR), working in collaboration with MHEC, will be responsible for identifying workforce shortage areas in the State on a biennial basis. DLLR will use semi-annual employer surveys and industry and occupational projections to identify demand occupations. The identified occupations will be sorted by training codes to ensure occupations require some level of postsecondary education. MHEC enrollment and graduation data will be used to determine the supply of workers in the pipeline to meet occupational demand. To identify priority demand occupations to be included in the scholarship program, an Advisory Council will be appointed by the Secretary of Higher Education. DLLR will provide assistance to ensure appropriate representation on the Advisory Council.

Using the occupational demand data, the Advisory Council will establish thresholds for defining a critical shortage. The Advisory Council will also have the ability to look at additional information that may not be presented in the data to determine critical shortage occupations for the scholarship program.

Once demand occupations are identified by the Advisory Council, Standardized Occupational Classification codes will be matched with Classification Instructional Program codes, which then will be matched to Higher Education General Information Survey codes to determine the specific Maryland programs students must enroll in to be eligible for scholarship aid. Enrollment and graduation data will then be used to determine how many students are in the pipeline. The Advisory Council must then determine what level of enrollment is adequate to meet occupational need.

Awards made under the new program will be made to the students in all fields covered under the current programs; however, the awards to these students will be made under the new program criteria. At the time the new program takes effect, students receiving awards in any existing program will continue to be awarded under the terms of the old program. Funding will be continued in these

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programs at a level to support renewal awards. The existing programs will sunset in 2012 after all renewals are complete.

#### **Implementation**

It is anticipated that awards will be made under the new program structure beginning in fiscal 2008, or for the 2007-2008 academic year. At this time, awards will only be made for programs and occupational areas covered by existing programs. Once information is provided that identifies workforce shortage occupations, it is anticipated that new occupations could be incorporated into the program beginning in the 2008-2009 academic year, or fiscal 2009. A more detailed timeline is below:

July 2006	Legislation takes effect.
Aug/Sept 2006	Advisory Council appointed. Guidelines developed to begin new program with existing occupational areas.
Oct 2006	Guidelines approved by MHEC Finance Policy Committee for initial implementation of program with existing occupational areas. Advisory Council begins meeting – discusses specifics of the model; reviews occupational supply and demand data; establishes thresholds; discusses program guideline changes to incorporate new occupational fields; recommends occupational shortage areas to be included in the program.
Nov 2006	Guidelines approved by the MHEC for initial implementation of program with existing occupational areas.
Jan 2007	Program information and applications available for existing occupational areas.
March 1, 2007	Free Application for Federal Student Aid (FAFSA) deadline for students to be considered by need.
June 1, 2007	Application deadline for students to be considered for an award.
July 2007	Awards are made for existing occupational areas and students/institutions are notified Sept 2007. Advisory Council completes its work and reports its recommendations to MHEC for approval and inclusion in program guidelines. Recommendations will include identified critical shortage occupations to be included in or removed from the scholarship program and any necessary guideline changes to administer the program.
Oct 2007	Finance Policy Committee to discuss and approve new guideline changes based on the Advisory Council's recommendations.

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Nov 2007	MHEC to discuss and approve new guidelines that incorporate new critical shortage occupations.
Jan 2008	Program information and applications available incorporating new occupational areas identified by the Advisory Council and approved by MHEC.
March 1, 2008	FAFSA deadline for students to be considered by need.
June 1, 2008	Application deadline for students to be considered for an award
July 2008	Awards are made in new occupational areas.

## *Current and Prior Year Budgets*

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

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2005</b>					
Legislative Appropriation	\$83,031	\$3,300	\$769	\$0	\$87,100
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	200	200
Reversions and Cancellations	0	-2,079	-179	0	-2,258
<b>Actual Expenditures</b>	<b>\$83,031</b>	<b>\$1,221</b>	<b>\$590</b>	<b>\$200</b>	<b>\$85,042</b>
<b>Fiscal 2006</b>					
Legislative Appropriation	\$93,149	\$1,500	0	\$769	\$95,418
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$93,149</b>	<b>\$1,500</b>	<b>\$0</b>	<b>\$769</b>	<b>\$95,418</b>

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

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**Fiscal 2005**

Special funds were reduced by \$2,079,391 in cancellations primarily due to the inappropriate recognition as special funds of \$1,800,000 of the carryover of general fund scholarship funds from the prior year. \$279,392 was cancelled because receipts were less than anticipated for LARP and Health Personnel Shortage Incentive Grants.

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

<u>Object/Fund</u>	<u>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
<b>Objects</b>					
02 Technical & Spec Fees	\$ 15,450	\$ 0	\$ 0	\$ 0	0.0%
04 Travel	446	0	0	0	0.0%
07 Motor Vehicles	6	0	0	0	0.0%
08 Contractual Services	14,955	0	0	0	0.0%
09 Supplies & Materials	12	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	85,011,155	95,418,353	113,085,639	17,667,286	18.5%
<b>Total Objects</b>	<b>\$ 85,042,024</b>	<b>\$ 95,418,353</b>	<b>\$ 113,085,639</b>	<b>\$ 17,667,286</b>	<b>18.5%</b>
<b>Funds</b>					
01 General Fund	\$ 83,031,323	\$ 93,149,149	\$ 110,776,435	\$ 17,627,286	18.9%
03 Special Fund	1,220,608	1,500,000	1,500,000	0	0%
05 Federal Fund	590,093	769,204	609,204	-160,000	-20.8%
09 Reimbursable Fund	200,000	0	200,000	200,000	N/A
<b>Total Funds</b>	<b>\$ 85,042,024</b>	<b>\$ 95,418,353</b>	<b>\$ 113,085,639</b>	<b>\$ 17,667,286</b>	<b>18.5%</b>

**Fiscal Summary  
MHEC Scholarship Programs**

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 – FY07 % Change</u>
10 Educational Excellence Awards	\$ 49,881,934	\$ 61,334,702	\$ 78,702,863	\$ 17,368,161	28.3%
12 Senatorial Scholarships	6,445,675	6,486,000	6,486,000	0	0%
14 Edward T. Conroy Memorial Scholarship Program	451,689	480,474	480,474	0	0%
15 Delegate Scholarships	4,135,646	4,813,000	5,053,703	240,703	5.0%
16 Reimbursement of Firemen and Rescue Squadmen	343,775	344,311	344,311	0	0%
17 Professional School Scholarships	185,939	687,312	1,500,000	812,688	118.2%
19 Physician Assistant - Nurse Practitioner Training	73,538	73,538	73,538	0	0%
20 Distinguished Scholar Program	4,176,976	4,200,000	4,200,000	0	0%
21 Jack F. Tolbert Memorial Student Grant Program	277,500	277,500	277,500	0	0%
22 Sharon Christa McAuliffe Memorial - Teacher Education	532,017	574,027	574,027	0	0%
23 HOPE Scholarships Program	10,814,025	5,927,150	2,605,250	-3,321,900	-56.0%
24 Distinguished Scholar Program - Teacher Education	234,000	234,000	234,000	0	0%
26 Loan Assistance Repayment Program	2,196,599	2,812,795	2,852,795	40,000	1.4%
27 Maryland State Nursing Scholarship Program	1,774,294	979,294	2,116,928	1,137,634	116.2%
29 Higher Education - Tuition Assistance - Physical a	50,500	18,500	18,500	0	0%
31 Child Care Providers	95,250	83,250	83,250	0	0%
32 Developmental Disabilities and Mental Health Workforce	896,157	832,500	832,500	0	0%
33 Part-Time Grant Program	2,068,706	4,700,000	6,000,000	1,300,000	27.7%
35 The William Donald Schaefer Scholarship Program	0	60,000	150,000	90,000	150.0%
39 Health Manpower Shortage Incentive Grant Program	407,804	500,000	500,000	0	0%
<b>Total Expenditures</b>	<b>\$ 85,042,024</b>	<b>\$ 95,418,353</b>	<b>\$ 113,085,639</b>	<b>\$ 17,667,286</b>	<b>18.5%</b>
General Fund	\$ 83,031,323	\$ 93,149,149	\$ 110,776,435	\$ 17,627,286	18.9%
Special Fund	1,220,608	1,500,000	1,500,000	0	0%
Federal Fund	590,093	769,204	609,204	-160,000	-20.8%
<b>Total Appropriations</b>	<b>\$ 84,842,024</b>	<b>\$ 95,418,353</b>	<b>\$ 112,885,639</b>	<b>\$ 17,467,286</b>	<b>18.3%</b>
Reimbursable Fund	\$ 200,000	\$ 0	\$ 200,000	\$ 200,000	N/A
<b>Total Funds</b>	<b>\$ 85,042,024</b>	<b>\$ 95,418,353</b>	<b>\$ 113,085,639</b>	<b>\$ 17,667,286</b>	<b>18.5%</b>

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Appendix 4