

R62I0010
Scholarship Programs
Maryland Higher Education Commission

Operating Budget Data

(\$ in Thousands)

	FY 07	FY 08	FY 09	FY 08-09	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$107,691	\$101,988	\$107,269	\$5,281	5.2%
Special Fund	1,041	1,000	1,000	0	
Federal Fund	549	1,272	1,272	0	
Reimbursable Fund	<u>127</u>	<u>200</u>	<u>250</u>	<u>50</u>	<u>25.0%</u>
Total Funds	\$109,408	\$104,460	\$109,791	\$5,331	5.1%

- Overall scholarship funding increases by \$5.3 million, or 5.1%, in the fiscal 2009 allowance.
- Need-based aid programs increase 4%.

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

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Analysis in Brief

Major Trends

Increase in Graduate and Professional Scholarship Program: The number of graduates enrolled in academic programs targeted by the Graduate and Professional Scholarship program declined in fiscal 2007 but are expected to increase in fiscal 2008 and 2009.

Issues

Identifying Workforce Shortage Occupations for Student Assistance Grants: Legislation passed in the 2006 session consolidated seven workforce-related State financial assistance programs into one program and provides a framework for developing a model to identify critical workforce occupations. This issue will discuss the development of the workforce model and program enhancements for the 2008-2009 academic year.

Percent of Need Fully Met Is Lowest for Neediest Students: Data collected by the Maryland Higher Education Commission on financial aid recipients indicate that the lowest income students are the least likely to have all their college costs covered. This issue will examine Maryland's need-based financial aid programs.

Recommended Actions

1. Concur with Governor's allowance.

R62I0010
Scholarship Programs
Maryland Higher Education Commission

Operating Budget Analysis

Program Description

The Office of Student Financial Assistance, an office 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; 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 study, 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 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) merit-based aid; (3) career-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 in 2001. Many programs in the career-based category have been consolidated into the Workforce Shortage Student Assistance Grant Program. 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

Delegate Howard P. Rawlings
Educational Excellence Awards
Guaranteed Access Grants

Need- and merit-based scholarships intended to meet 100% of financial need for full-time undergraduates from low-income households. Qualified applicants must have a cumulative high school 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

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 Program

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

Dual Enrollment Grant Program

Need-based grants for students enrolled in a secondary school and a higher education institution at the same time. The program expires after fiscal 2009.

Graduate and Professional
Scholarship Program

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

Merit-based

Distinguished Scholar Program

Talent- or merit-based scholarship awarded to full-time undergraduates. Three hundred and fifty scholarships must be awarded annually.

Distinguished Scholar Community
College Transfer Scholarship Program

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

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Career-based

**Charles W. Riley and Emergency
Medical Services Tuition
Reimbursement Program**

Tuition reimbursement for fire, ambulance, and rescue squad workers pursuing a degree in fire services or emergency medical technology.

**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.

Janet L. Hoffman Loan Assistance Repayment Program

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.

Assistance for Unique Populations

Jack F. Tolbert Memorial

Provides grants to private career schools to award to full-time students based on financial need.

Edward T. Conroy Memorial

Scholarships for children of certain veterans or certain public safety personnel.

**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.

Legislative Scholarships

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: 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 may come in the form of grants, work study, student loans, parent loans, scholarships, and other awards. The program measurement data look at several outcomes related to need-based programs, workforce shortage programs, and financial aid for outstanding students in academics and the arts. The data are shown in **Exhibit 2**.

Exhibit 2
Program Measurement Data
MHEC – Scholarship Programs
Fiscal 2005-2009

	<u>Actual</u> <u>2005</u>	<u>Actual</u> <u>2006</u>	<u>Actual</u> <u>2007</u>	<u>Est.</u> <u>2008</u>	<u>Est.</u> <u>2009</u>	<u>Ann.</u> <u>Change</u> <u>05-09</u>
Number of Guaranteed Access Grant Applications received	1,288	1,709	2,359	2,380	2,380	16.6%
Number of State financial assistance presentations conducted in high-need communities	77	82	77	82	82	1.6%
Percent of students offered a Distinguished Scholar award (academic) who plan to attend a Maryland institution	29%	30%	38%	30%	30%	0.9%
Percent of students offered a Distinguished Scholar award (talent in the arts) who plan to attend a Maryland institution	46%	61%	61%	50%	50%	2.1%
Number of applications received for Workforce Shortage Student Assistance Grant	1,803	1,786	1,900	2,076	2,210	5.2%
Number of graduates in Physician Assistant programs	71	83	87	90	90	6.1%
Number of degrees and certificates awarded in emergency medical technologies	86	122	141	122	122	9.1%
Number of graduates in academic programs targeted by the Graduate and Professional Scholarship program	1,924	1,784	1,751	1,800	1,850	-1.0%

Source: Governor's Budget Books, Fiscal 2009

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The Guaranteed Access Grant (GAG) is a component of the Educational Excellence Awards (EEA) program for students whose family incomes are below a designated poverty index and who meet certain academic requirements. The number of GAG applicants is expected to increase in fiscal 2008 by less than 1% and is expected to remain level in fiscal 2009.

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 students who are offered a Distinguished Scholar award (academic) and who attend a Maryland institution (*i.e.*, accept the award) increased to 38% in fiscal 2007 but is expected to decline by eight percentage points and remain level at 30% for fiscal 2008 and 2009. **The Secretary should comment on what measures MHEC is taking to increase the number of academic Distinguished Scholar awardees who attend Maryland institutions.**

The Graduate and Professional Scholarship program is available for students enrolled in either a part-time or full-time program and attend one of the following schools: University of Maryland, Baltimore Schools of Medicine, Dentistry, Law, Pharmacy, or Social Work; University of Baltimore School of Law; The Johns Hopkins University School of Medicine; the Virginia-Maryland Regional College of Veterinary Medicine; or certain Maryland institutions offering a master's degree in nursing or social work. The number of graduates in these academic programs declined from fiscal 2005 to 2007. MHEC expects the number of graduates to increase in fiscal 2008 and 2009.

Fiscal 2008 Actions

Impact of Cost Containment

Cost containment actions by the Board of Public Works on July 11, 2007, reduced scholarships by a total of \$5.9 million. Details of cost containment actions appear in **Exhibit 3**. An estimated \$5.0 million in carry forward funds from prior year scholarship appropriations was available in MHEC that could be expended in fiscal 2008.

Governor's Proposed Budget

The Governor's proposed budget, as shown in **Exhibit 4**, increases overall by 5%. General funds increase primarily due to the restoration of general funds from the fiscal 2008 cost containment actions. EEA increases \$3.6 million, or 5%. Delegate scholarships also increase by 2% reflecting the projected increase in student fees. The Veterans of the Afghanistan and Iraq Conflicts scholarship

**Exhibit 3
Fiscal 2008 Cost Containment**

<u>Impact</u>	<u>Reduction</u>
Educational Excellence Awards	\$4,414,113
Edward T. Conroy Memorial Scholarship Program	83,691
Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program	2,196
Distinguished Scholar Program	169,000
Janet L. Hoffman Assistance Repayment Program	80,000
Workforce Shortage Student Assistance Grants	1,165,113
Total	\$5,914,113

Source: Maryland Department of Budget and Management

**Exhibit 4
Governor’s Proposed Budget
Scholarship Programs
(\$ in Thousands)**

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2008 Working Appropriation	\$101,988	\$1,000	\$1,272	\$200	\$104,460
2009 Governor’s Allowance	<u>107,269</u>	<u>1,000</u>	<u>1,272</u>	<u>250</u>	<u>109,791</u>
Amount Change	\$5,281	\$0	\$0	\$50	\$5,331
Percent Change	5.2%			25.0%	5.1%

Where It Goes:

Program Expenditures

Educational Excellence Awards	\$3,614
Workforce Shortage Student Assistance Grants	1,316
Distinguished Scholar	286
Veterans of the Afghanistan and Iraq Conflicts Scholarship Program	150
Delegate Scholarships increase.....	104
Janet L. Hoffman Loan Assistant Repayment Program.....	16
Fire Rescue Tuition Reimbursement/Tolbert Grants.....	14

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Where It Goes:

Dual Grant Enrollment.....	-120
Edward T. Conroy Memorial Scholarships	-30
Elimination of Hope Scholarships	-19
Total	\$5,331

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

receives an enhancement of \$150,000, or 25% over fiscal 2008. The Edward T. Conroy Memorial Scholarship decreases by 4%. The Dual Enrollment Grant program created in 2007 with an initial allocation of \$120,211 receives no funding in the allowance. The program is scheduled to sunset after fiscal 2009.

The Governor’s 2009 allowance includes \$1,500,000 for Graduate/Professional Scholarship and \$4,200,000 for Distinguished Scholars. Of the total \$5,700,000, \$380,000 in revenues from special license plates are included in the allowance for Graduate/Professional Scholarship (\$180,000) and Distinguished Scholars (\$200,000). However, House Bill 5 of the 2007 special session repealed the requirement that Transportation Trust Fund revenues from special license plates to be distributed to MHEC for Graduate/Professional Scholarship and Distinguished Scholars. The impact of House Bill 5 would reduce funding for both programs if general funds were not increased to replace the special funds. As mandated by Section 18-1101, Distinguished Scholars must award 350 awards in the amount of \$3,000 each academic year which requires \$4,200,000 to be provided in the allowance.

Assistance for Unique Populations Receives Largest Increase

Workforce Shortage Student Assistance Grants and Education Excellence Awards receive the largest percentage and dollar increases in the fiscal 2009 allowance, respectively. However, once cost containment reductions are restored, assistance for unique populations receives the largest percent increase as a result of the additional funds for the Veterans of Afghanistan and Iraq Conflicts Scholarship program. Due to the demand in applicants, MHEC expects to award 30 additional scholarships. As shown in **Exhibit 5**, between fiscal 2003 and 2009, assistance for unique populations increased 191%, and need-based aid increased 97%. Career-based aid decreased 68% due to the phasing out of the Hope Scholarships. Need-based aid accounts for 78% of all aid in fiscal 2009 compared to 54% of all aid in fiscal 2003.

Overall, MHEC projects awarding aid to 55,699 recipients in fiscal 2009, which is down from 60,173 recipients in fiscal 2008, as shown in **Exhibit 6**. Over 3,000 of this decrease is due to fewer estimated legislative scholarship awards in fiscal 2009. There was an increase in fiscal 2008 due to the availability of carry forward funds. The number of recipients for need-based aid is also projected to decrease by 3% in fiscal 2009, but the average award increases by 1.5%. The average award for all programs is projected to increase to \$1,919 in fiscal 2009. However, the total cost of increasing average need-based awards is approximately \$1.6 million, less than half of the increase in the fiscal 2009 allowance. Based on the fiscal 2008 working appropriation, the number of awards and the average award for fiscal 2008 appear inflated.

**Exhibit 5
State Financial Aid Appropriations
Fiscal 2003-2009
(\$ in Thousands)**

	<u>2003</u>	<u>2007</u>	<u>Working</u> <u>2008</u>	<u>Allowance</u> <u>2009</u>	<u>\$ Increase</u> <u>2008-09</u>	<u>% Increase</u> <u>2008-09</u>	<u>% Increase</u> <u>2003-09</u>
Need-based Aid	\$43,267	\$83,818	\$81,796	\$85,388	\$3,592	4%	97%
Merit-based Aid	4,222	4,331	3,931	4,200	269	7%	-1%
Career-based Aid	22,701	9,124	6,013	7,256	1,244	21%	-68%
Legislative	8,610	11,349	11,245	11,349	104	1%	32%
Unique Populations	549	785	1,475	1,598	123	8%	191%
Total	\$79,349	\$109,408	\$104,460	\$109,791	\$5,331	5%	38%

Source: Maryland Higher Education Commission

**Exhibit 6
Recipients of Student Financial Assistance
Fiscal 2006-2009**

<u>Program</u>	<u>FY 2006 Actual</u>		<u>FY 2007 Actual</u>		<u>FY 2008 Working</u>		<u>FY 2009 Allowance</u>	
	<u>Recipients</u>	<u>Avg. Award</u>	<u>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)	24,506	\$1,980	26,992	\$2,243	27,384	\$2,309	26,272	\$2,354
Campus-based EA	2,019	1,454	1,448	1,915	1,521	1,972	1,491	2,012
Guaranteed Access	1,204	8,921	1,298	9,026	1,446	9,296	1,375	9,482
Part-time Grant	7,309	639	9,428	612	9,331	643	9,148	656
Graduate and Professional School	368	1,867	616	2,400	595	2,520	584	2,570
Dual Enrollment					330	364		
Subtotal	35,406	\$1,908	39,782	\$2,068	40,607	\$2,150	38,870	\$2,197
Legislative Scholarships	11,712	\$877	12,263	\$896	15,921	\$873	12,907	\$880
Merit- and Career-based Awards	3,974	3,140	3,222	3,043	2,949	2,906	2,940	2,910
Assistance for Unique Populations	1,021	717	640	1,181	1,026	1,519	982	1,625
Total	52,113	\$1,747	55,907	\$1,857	60,503	\$1,840	55,699	\$1,919

Note: Does not include Janet L. Hoffman Loan Assistance Repayment Program.

Source: Maryland Higher Education Commission

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The Secretary should comment on the impact of cost containment on the number and average amount of awards, especially in need-based scholarships; the use of carry forward funds in fiscal 2008; and the availability of carry forward funds in fiscal 2009. The Secretary should also discuss why the number of need-based awards is expected to decrease 3% in fiscal 2009 despite an increase of 4% in the fiscal 2009 allowance.

Issues

1. Identifying Workforce Shortage Occupations for Student Assistance Grants

The Student Financial Assistance Reform Act of 2005 (Chapter 429 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 was needed to implement the workgroup's recommendations.

As specified in the legislation, a 21-member Advisory Council on Workforce Shortage was appointed to assist with the development of the model and implementation of the program. Based on the council's recommendation, Workforce Shortage Student Assistance Grants (Chapter 367 of 2006), consolidated seven workforce-related State financial assistance programs into one program for the 2007-2008 academic year. The Advisory Council met last year and focused on the development of the workforce model and program enhancements for the 2008-2009 academic year. The council's recommendations are summarized below.

Workforce Shortage Model and Program Enhancements

After reviewing occupational projections from the Department of Labor, Licensing, and Regulation, graduation data, public comments, the advisory council endorsed the current model used to identify priority workforce occupations and recommends further use of the model regarding the inclusion of specific occupations in the Janet L. Hoffman Loan Assistance Repayment Program (LARP). The advisory council further recommends that other analytical tools be incorporated into the model for future uses as they become available.

The advisory council strongly recommends that a balanced approach be used to address workforce shortages in both public good and economic development occupations. It also recommends that as occupations are added to the program, they be balanced among the types – public good and economic development – and should not affect the current funding level of the grant program. Funding the program should be increased to ensure all applicants are awarded a scholarship and the demand is met.

Addition of New Occupations

Additional occupations should demonstrate gaps between annual openings and annual graduates. Once these occupations have been incorporated into the program, occupations with small gaps identified as emerging fields should be added.

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- Occupations demonstrating gaps should be added in the following order:
 - medical and clinical laboratory technicians and technologists;
 - dental hygienists;
 - computer and electrical engineers;
 - computer/network managers;
 - civil engineers;
 - microbiologists;
 - aerospace engineers; and
 - architects.

- Occupations with small gaps or identified as emerging fields should be added in the following order:
 - medical records and health information technicians;
 - respiratory therapists and technicians;
 - radiology technologists and technicians;
 - chemical engineers;
 - biomedical engineers;
 - mechanical engineers; and
 - computer and information systems.

Service Obligation Enhancements for Existing Occupations

Individuals receiving an award through this program must agree to work one year in an eligible occupation in the State of Maryland for each year the award was received. As additional healthcare occupations are added to the program, the service obligation component associated with each occupation should include employment as a healthcare faculty member. Recipients of new healthcare occupations, such as medical and clinical laboratory technicians and technologists, must be employed in one of these fields in a licensed hospital, public health agency, home health agency, a

nonprofit organization under 501(c)(3) or (4) of the Internal Revenue Code of 1986, or other organization authorized by the Secretary of the Department of Health and Mental Hygiene. Other occupations such as engineering should have employment directly related to their program of study located in the State.

2. Percent of Need Fully Met Is Lowest for Neediest Students

MHEC collects annual data for the Financial Aid Information System (FAIS) database. The FAIS data provide a profile of students receiving financial aid and are used to gauge the impact of financial assistance on the affordability of higher education. Affordability for a student contemplating enrollment in an institution of higher education is driven by the total cost of attending the institution (cost of attendance (COA)) and the amount that the student or the student's family can reasonably be expected to pay toward that cost (expected family contribution (EFC)). If the COA exceeds a student's EFC, the student has a financial need for assistance. Although not all student aid programs are targeted to students with financial needs, all financial aid can be used to fill gaps between the COA and EFC and help students meet their financial needs.

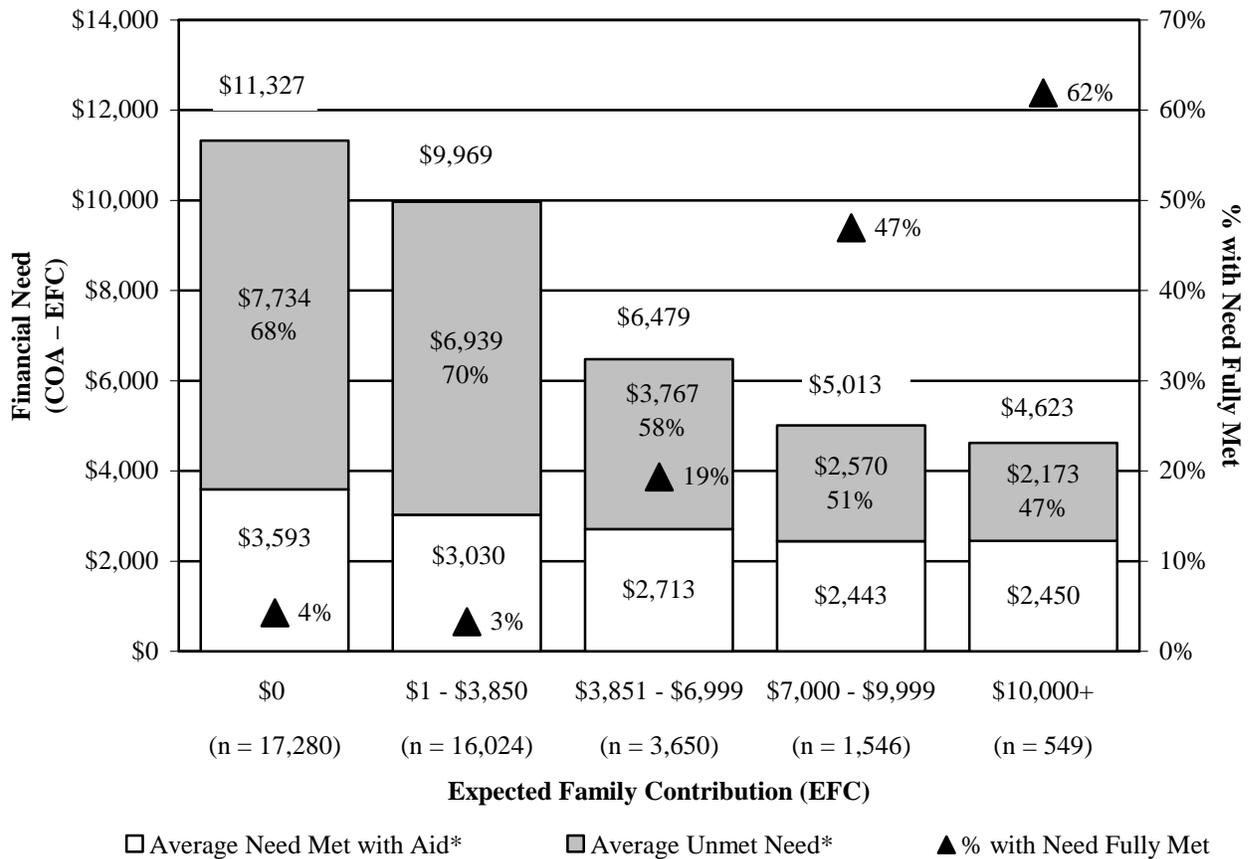
The FAIS database for the 2005-2006 academic year, which represents the most recent data available and pre-dates the freeze on in-state undergraduate tuition, includes more than 127,000 undergraduate students who received financial aid during the school year. Among these students, more than half (52%) attended four-year public institutions of higher education and 42% attended community colleges. Unlike the State's public institutions, which submit data on all students at the schools who receive federal, State, or institutional financial assistance, independent colleges and universities only submit data on Maryland students who receive State financial aid. Students attending independent institutions, therefore, only make up about 5% of the database records.

Community Colleges

Among the 54,000 Maryland community college students who received financial aid in fiscal 2006, just over 39,000, or 72%, demonstrated a financial need (*i.e.*, their COAs exceeded their EFCs) according to FAIS data. The majority of these students (85%) had EFCs of \$3,850 or less, which is the cutoff to qualify for Federal Pell Grant aid. Just 3,000 of the community college students with a demonstrated financial need (8%) had their needs fully met through student financial aid, meaning almost all still had a financial need after receiving aid from the federal government, the State, and the community colleges.

The outcomes for five different EFC groupings are shown in **Exhibit 7**. The exhibit shows that just 3% to 4% of students with EFCs of \$3,850 or less had their needs fully met (represented by the triangles in each EFC grouping), compared to nearly half (47%) of students with EFCs of \$7,000 to \$9,999 and 62% of students with EFCs of \$10,000 or more. State aid covers a small percentage of the student's total financial need. Students with EFCs of \$3,850 or less had 11% of their need met through State aid while federal (including subsidized and unsubsidized loans) and institutional aid covered a greater amount of the financial need.

Exhibit 7
Impact of Student Financial Aid on Students at Community Colleges
Who Had Demonstrated Financial Needs
Fiscal 2006



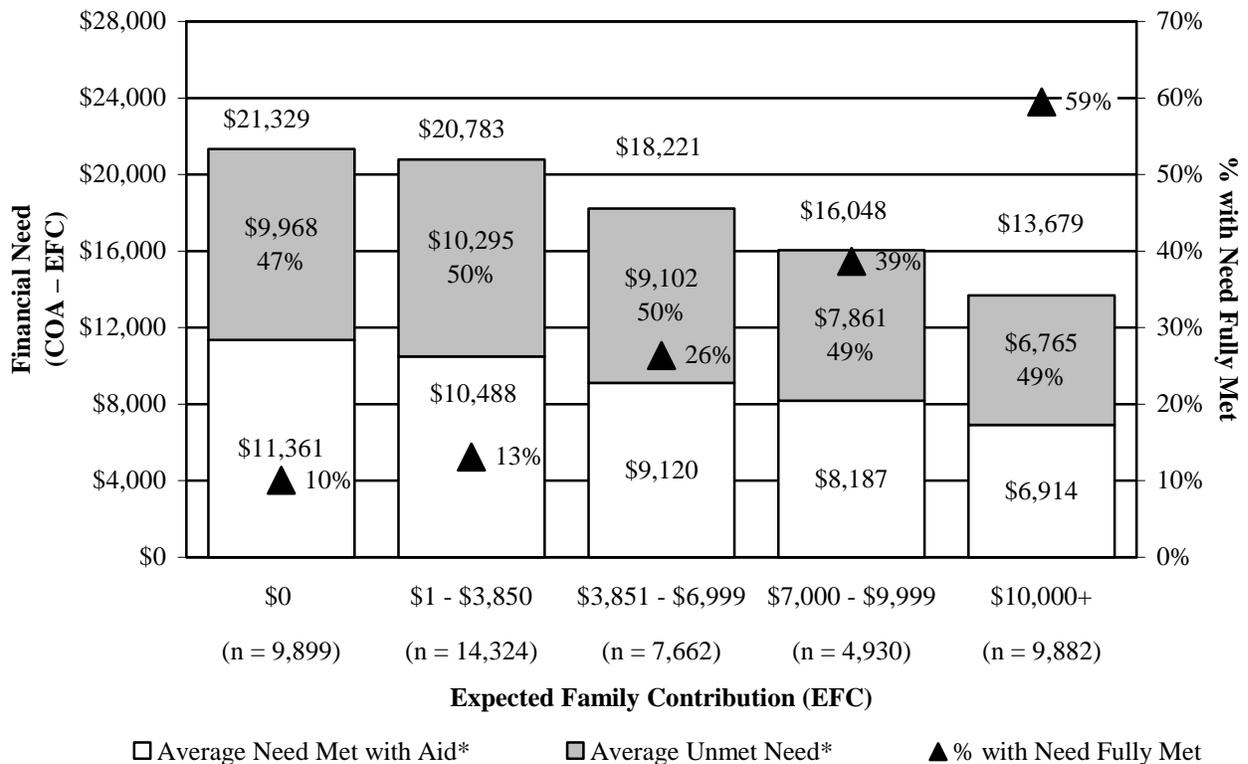
*Among students whose need was not fully met.

Source: Financial Aid Information System, Maryland Higher Education Commission

Four-year Public Institutions of Higher Education

The FAIS database includes 66,600 students at public four-year institutions for the 2005-2006 academic year, including 46,700, or 70%, who demonstrated a financial need. Of those students that demonstrated financial need, 27% had their needs fully met through grants, scholarships, and loans. As shown in **Exhibit 8**, 10% of students with \$0 EFCs had their financial needs completely covered by aid. This percentage increased with each EFC grouping, reaching 59% for students with EFCs of

Exhibit 8
Impact of Student Financial Aid on Students at Four-year Public Institutions
Who Had Demonstrated Financial Needs
Fiscal 2006



*Among students whose need was not fully met.

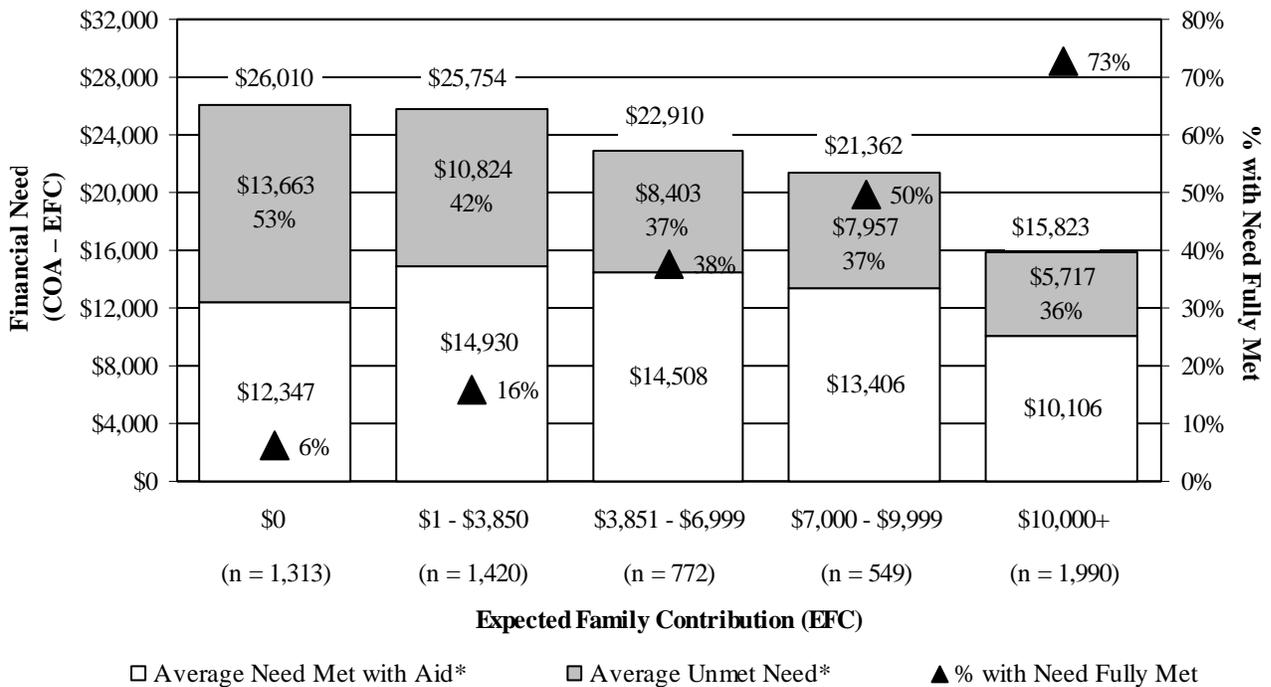
Source: Financial Aid Information System, Maryland Higher Education Commission

\$10,000 or more. Through each of the five different EFC categories shown in Exhibit 8, just over half of the average total need for these students was met through financial aid. This finding contrasts with the data on community college students, in which the higher EFC students had a greater average percentage of their needs met through financial aid. When other sources of aid are not included, State aid covers 17% of the student’s financial need with EFCs of \$3,850 or less. **The Secretary should comment on continued efforts to increase the average award amount for State scholarships, particularly at the lower EFC levels where the percent of fully met need is the lowest.**

Independent Colleges and Universities

There are 6,700 students in the FAIS database who attended independent colleges and universities during the 2005-2006 academic year. Unlike the students at public higher education institutions, only in-state students who received State financial aid are included from independent institutions. Of the 6,700 students, just over 6,000 had a demonstrated financial need, and about one-third of these students had EFCs that exceeded \$10,000. Still, nearly half (45%) of the students with need were Pell grant eligible, meaning they had EFCs of \$3,850 or less. As shown in **Exhibit 9**, the higher EFC levels were more likely to have their needs fully met through financial aid. Nearly three-quarters (73%) of students with \$10,000+ EFCs had their needs fully covered by financial aid, compared to 6% of \$0 EFC students and 16% of students with EFCs between \$1 and \$3,850.

Exhibit 9
Impact of Student Financial Aid on Students at Independent Colleges and Universities Who Had Demonstrated Financial Needs
Fiscal 2006



*Among students whose need was not fully met.

Source: Financial Aid Information System, Maryland Higher Education Commission

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Compared to students at the public institutions of higher education, students at private institutions who are in the FAIS database had higher levels of student financial aid. This allowed students in the higher EFC categories to actually have comparable or lower average unmet need amounts relative to students at public four-year institutions. Due to total financial aid packages (including loans) that averaged \$10,106, students with EFCs of \$10,000 or higher actually had lower unmet needs in private institutions (\$5,717) than they did at public four-year institutions (\$6,765). The average unmet need for students with EFCs of \$0, however, was greater at independent colleges and universities (\$13,663) than it was at four-year public institutions (\$9,968) or community colleges (\$7,734).

FAIS data will continue to provide valuable information about the impact of student financial aid in Maryland. Across all sectors of higher education and all income levels, financial aid is allowing students to meet or come closer to meeting higher education costs. Future data will provide insight on the impact of the tuition freeze on affordability. **The Secretary should discuss how FAIS data are being used to identify gaps in financial aid award programs and policies.**

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets Scholarship Programs (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2007					
Legislative Appropriation	\$108,703	\$1,000	\$609	\$200	\$110,512
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-62	200	0	0	138
Reversions and Cancellations	-\$950	-\$159	-\$60	-\$73	-\$1,243
Actual Expenditures	\$107,691	\$1,041	\$549	\$127	\$109,408
Fiscal 2008					
Legislative Appropriation	\$107,902	\$1,000	\$609	\$200	\$109,711
Cost Containment	-5,914	\$0	\$0	\$0	-5,914
Budget Amendments	\$0	\$0	\$662	\$0	\$662
Working Appropriation	\$101,988	\$1,000	\$1,272	\$200	\$104,460

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

R6210010 – MHEC – Scholarship Programs

Fiscal 2007

General funds decreased \$61,792 due to budget amendments realigning scholarships from carry forward from the previous fiscal year due to timing of closeout.

Special funds increased \$200,000 for the Maryland Nursing Scholarship Program through a budget amendment.

General funds decreased \$950,000 in cost saving reversions instructed by the Department of Budget and Management.

Special funds decreased \$159,491 in cancellations for the LARP program which were less than anticipated.

Federal funds decreased \$60,465 in cancellations because funds for Special Leveraging Educational Assistance Partnership scholarships were less than anticipated.

Reimbursable funds decreased \$72,662 in cancellations because funds from the Department of Health and Mental Hygiene were reduced from \$200,000 to \$127,338.

Fiscal 2008

General funds decrease \$5,914,113 through the Governor's July 2007 cost containment action. Federal funds increase \$662,342 for Educational Excellence Awards through a budget amendment.

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

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
Objects					
02 Technical and Spec. Fees	\$ 14,840	\$ 0	\$ 0	\$ 0	0.0%
04 Travel	264	0	0	0	0.0%
08 Contractual Services	7,169	0	0	0	0.0%
09 Supplies and Materials	117	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	109,385,300	104,459,703	109,790,791	5,331,088	5.1%
Total Objects	\$ 109,407,690	\$ 104,459,703	\$ 109,790,791	\$ 5,331,088	5.1%
Funds					
01 General Fund	\$ 107,691,104	\$ 101,988,157	\$ 107,269,245	\$ 5,281,088	5.2%
03 Special Fund	1,040,509	1,000,000	1,000,000	0	0%
05 Federal Fund	548,739	1,271,546	1,271,546	0	0%
09 Reimbursable Fund	127,338	200,000	250,000	50,000	25.0%
Total Funds	\$ 109,407,690	\$ 104,459,703	\$ 109,790,791	\$ 5,331,088	5.1%

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary
MHEC – Scholarship Programs**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
10 Educational Excellence Awards	\$ 76,323,856	\$ 74,272,712	\$ 77,887,698	\$ 3,614,986	4.9
12 Senatorial Scholarships	6,415,700	6,486,000	6,486,000	0	0
14 Edward T. Conroy Memorial Scholarship Program	511,636	600,252	570,474	-29,778	-5.0
15 Delegate Scholarships	4,933,703	4,759,308	4,862,808	103,500	2.2
16 Reimbursement of Firemen and Rescue Squadmen	393,128	342,115	344,311	2,196	0.6
17 Professional School Scholarships	1,500,000	1,500,000	1,500,000	0	0
18 Dual Enrollment Grant	0	120,211	0	-120,211	-100.0
20 Distinguished Scholar Program	4,145,414	3,913,728	4,200,000	286,272	7.3
21 Jack F. Tolbert Memorial Student Grant Program	273,600	266,000	277,500	11,500	4.3
22 Sharon Christa McAuliffe Memorial – Teacher Education	1,069,527	0	0	0	0
23 HOPE Scholarships Program	1,444,005	19,289	0	-19,289	-100.0
24 Distinguished Scholar Program – Teacher Education	185,500	0	0	0	0
26 Loan Assistance Repayment Program	2,740,642	2,887,295	2,902,795	15,500	0.5
27 Maryland State Nursing Scholarship Program	2,418,628	0	0	0	0
29 Higher Education – Tuition Assistance – Physical Assistance – Physical and Occupational Therapy	48,000	0	0	0	0
31 Child Care Provider Scholarship	64,000	0	0	0	0
32 Developmental Disabilities and Mental Health Workshop	795,841	0	0	0	0
33 Part-time Grant Program	5,994,510	6,000,000	6,000,000	0	0
35 William Donald Schaefer Scholarship Program	150,000	0	0	0	0
36 Workforce Shortage Student Assistance Grants	0	2,692,793	4,009,205	1,316,412	48.9
37 Veterans of the Afghanistan and Iraq Conflicts Scholarship Program	0	600,000	750,000	150,000	25.0
Total Expenditures	\$ 109,407,690	\$ 104,459,703	\$ 109,790,791	\$ 5,331,088	5.1
General Fund	\$ 107,691,104	\$ 101,988,157	\$ 107,269,245	\$ 5,281,088	5.2
Special Fund	1,040,509	1,000,000	1,000,000	0	0
Federal Fund	548,739	1,271,546	1,271,546	0	0
Total Appropriations	\$ 109,280,352	\$ 104,259,703	\$ 109,540,791	\$ 5,281,088	5.1
Reimbursable Fund	\$ 127,338	\$ 200,000	\$ 250,000	\$ 50,000	25.0
Total Funds	\$ 109,407,690	\$ 104,459,703	\$ 109,790,791	\$ 5,331,088	5.1

Note: The fiscal 2008 appropriation does not include deficiencies.