

R62I0010
Scholarship Programs
Maryland Higher Education Commission

Operating Budget Data

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$105,366	\$101,954	\$101,590	-\$363	-0.4%
Contingent & Back of Bill Reductions	0	0	-1,250	-1,250	
Adjusted General Fund	\$105,366	\$101,954	\$100,340	-\$1,613	-1.6%
Special Fund	1,556	400	400	0	
Adjusted Special Fund	\$1,556	\$400	\$400	\$0	0.0%
Federal Fund	1,254	1,272	1,272	0	
Adjusted Federal Fund	\$1,254	\$1,272	\$1,272	\$0	0.0%
Reimbursable Fund	250	250	250	0	
Adjusted Reimbursable Fund	\$250	\$250	\$250	\$0	0.0%
Adjusted Grand Total	\$108,426	\$103,875	\$102,262	-\$1,613	-1.6%

- A deficiency appropriation replacing \$43.7 million in general funds with federal funds from the Temporary Assistance for Needy Families is not reflected above.
- General funds decrease \$363,305, or 0.4%, though when accounting for contingent reductions to the Jack F. Tolbert Memorial Student Grant and Distinguished Scholar programs, general funds decrease \$1.6 million or 1.6% since fiscal 2010.

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

For further information contact: Rachel N. Silberman

Phone: (410) 946-5530

Analysis in Brief

Major Trends

Percent of Neediest Students with Unmet Need Declines: The percent of students in the lowest 40% of median family income that have unmet need after all financial aid sources are considered declined 0.4 percentage points in 2008 and is expected to decrease an additional 0.4 percentage points in both 2010 and 2011.

Number of Guaranteed Access Grant Recipients Increases: The number of students receiving the Guaranteed Access Grant (GA) increased 14.3% in fiscal 2009 to 1,321. The number of GAs awarded is expected to continue increasing, although at a slower rate; 3.0% in fiscal 2010 and 1.5% in 2011.

Issues

Distribution of Financial Aid by Family Income: Data collected by the Maryland Higher Education Commission on financial aid recipients indicates that while most State financial aid is awarded as need-based aid to students with the lowest expected family contributions (EFC), the percent of need this aid meets is significantly smaller than the percent of need met by State aid awarded to students at the highest EFC levels.

New GI Bill Duplicates Veterans of the Afghanistan and Iraq Conflicts Scholarship Program: The Post 9/11 GI Bill passed by the United States Congress in 2008, first available to active service members and veterans in fall 2009, greatly expands federal financial support for postsecondary education provided to those who have served in the Armed Forces after 9/11. Because Maryland's Veterans of the Afghanistan and Iraq Conflicts Scholarship Program is designed to supplement federal funds, it is likely that demand for this program will decrease.

Recommended Actions

- | | <u>Funds</u> |
|--|---------------------|
| 1. Eliminate general fund support for the Graduate and Professional Scholarship Program. | \$ 1,178,303 |
| 2. Strike contingent reduction language concerning the Distinguished Scholars Program. | |
| 3. Reduce general fund support for the Distinguished Scholars Program. | 1,050,000 |

R62I0010 – MHEC – Scholarship Programs

4.	Strike contingent reduction language concerning the Jack F. Tolbert Memorial Student Grant Program.	
5.	Eliminate general fund support for the Jack F. Tolbert Memorial Student Grant Program.	200,000
6.	Eliminate general fund support for the Janet L. Hoffman Loan Assistance Repayment Program.	1,492,895
7.	Reduce general fund support for the Veterans of the Afghanistan and Iraq Conflicts Scholarship.	375,000
8.	Adopt narrative requesting a report on the current fiscal year working appropriation for the Maryland Higher Education Commission Scholarships.	
	Total Reductions	\$ 4,296,198

R62I0010 – MHEC – Scholarship Programs

R62I0010
Scholarship Programs
Maryland Higher Education Commission

Operating Budget Analysis

Program Description

The Office of Student Financial Assistance, 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 workforce shortage areas; and encourage Maryland's brightest students to attend college within the State. Maryland students use State financial assistance at community colleges, independent institutions, private career schools, and the State's public four-year campuses.

Financial aid comes in the form of grants, work study, student loans, parent loans, scholarships, and other awards, from federal, State, private, and institutional resources. Grants and scholarships are aid that students do not have to pay back. Grants are usually given because a student has financial need, while scholarships are usually given to recognize the student's academic achievement, athletic ability, or other talent. Loans must be repaid, usually with interest.

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**. 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 MHEC Scholarship Programs that provide:

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

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.

R62I0010 – MHEC – Scholarship Programs

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

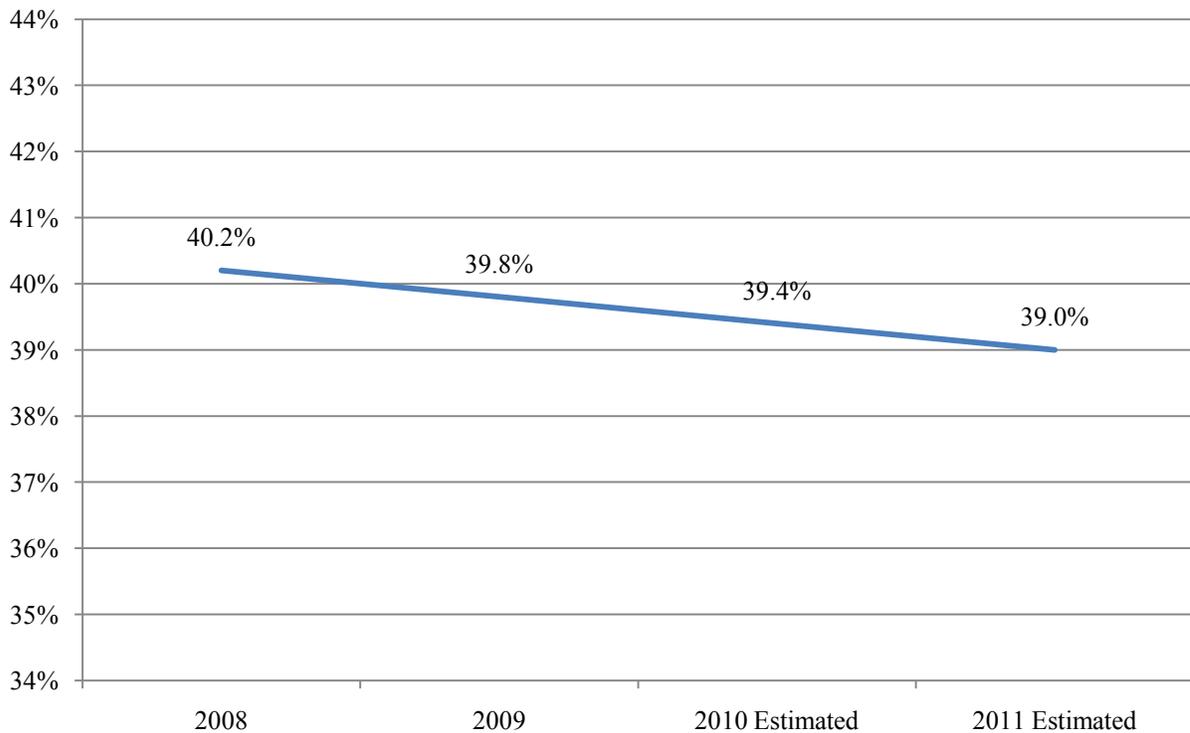
Senatorial Scholarships	Senators select recipients from within their legislative district. Students may be pursuing undergraduate, graduate, or professional degrees.
Delegate Scholarships	Delegates select recipients pursuing undergraduate, graduate, or professional degrees.

Source: Maryland Higher Education Commission

Performance Analysis: Managing for Results

The State’s financial aid programs play a critical role in facilitating access and reducing financial barriers to postsecondary education, especially for students from low- and moderate-income backgrounds. **Exhibit 2** shows the percent of students in the lowest 40.0% of median family income (MFI) that have unmet need after all financial aid sources are considered from 2008 to 2011. The percentage of such students with unmet need declined 0.4 percentage points in 2009 and is expected to decrease an additional 0.4 percentage points in 2010 and 2011, putting the State within range of the goal to decrease the percentage of those with unmet need to 38.3% in fiscal 2013.

Exhibit 2
Percent of Neediest Students with Unmet Need Remaining
After All Aid Sources Including Loans
2008-2011



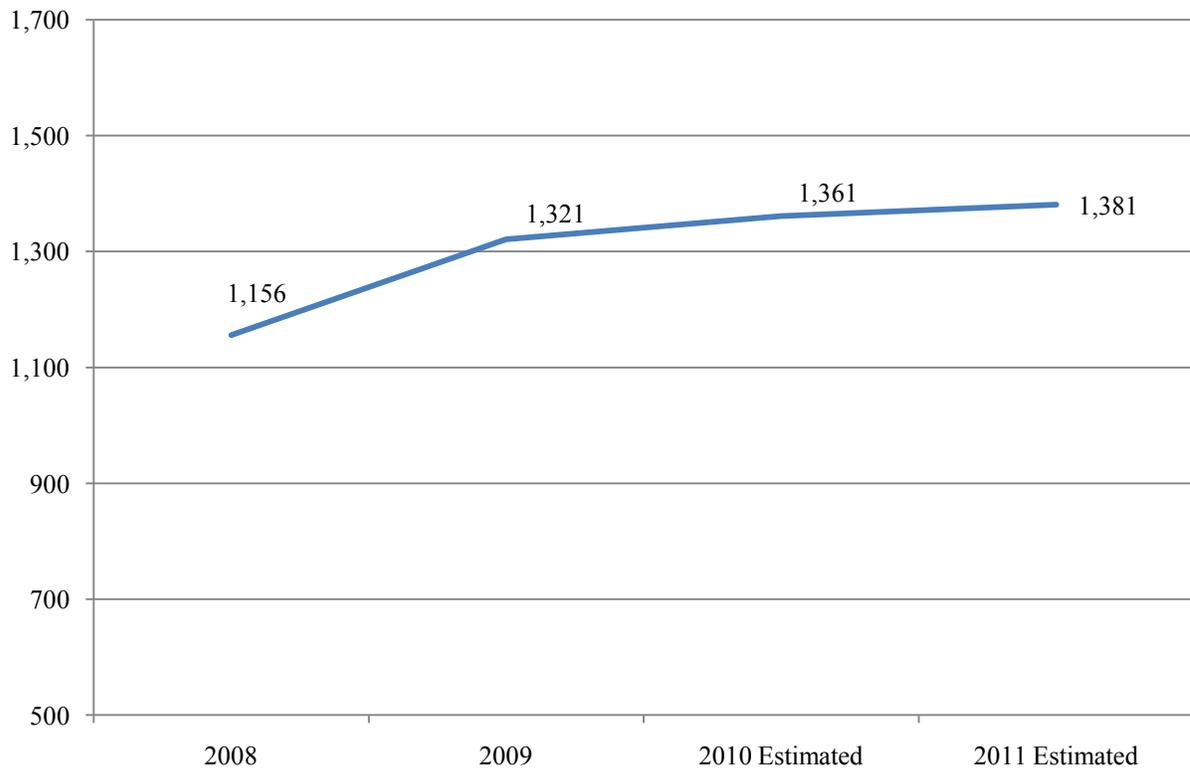
Note: Fiscal 2007 data is shown in 2008 actuals.

Source: Governor’s Budget Books, Fiscal 2011

R62I0010 – MHEC – Scholarship Programs

The Guaranteed Access Grant (GA) is a component of the Educational Excellence Awards (EEA) program that covers 100% of need when combined with a Federal Pell grant for the State’s lowest income students. The maximum amount is capped at the cost of education at the highest cost four-year University System of Maryland (USM) institution, excluding the University of Maryland, Baltimore (UMB) and the University of Maryland University College (UMUC). Students that meet all program criteria are guaranteed funding. **Exhibit 3** shows the number of GAs awarded from fiscal 2008 to 2011. The number of students qualifying for and receiving these awards increased 14.3% in fiscal 2009 and is expected to increase 3.0 and 1.5% in fiscal 2010 and 2011, respectively.

Exhibit 3
Guaranteed Access Grants Awarded
Fiscal 2008-2011



Source: Governor’s Budget Books, Fiscal 2011

Fiscal 2010 Actions

Proposed Deficiency

A deficiency appropriation to the fiscal 2010 budget replaces \$43.7 million in general funds from the EEA program with federal funds from the Temporary Assistance for Needy Families program.

Impact of Cost Containment

Cost containment actions by the Board of Public Works reduced EEA, the State's largest need-based aid program, by \$366,906 in fiscal 2010, to account for additional federal need-based aid provided by an increase in the maximum Pell grant. Janet L. Hoffman Loan Assistance Repayment Program (LARP) grants were reduced \$539,900, Workforce Shortage Student Assistance Grants were reduced \$696,309, and Distinguished Scholar Grants were reduced \$411,000. Funds for the Jack F. Tolbert Memorial Student Grant Program were eliminated. Overall, general funds for scholarships declined \$2.0 million in fiscal 2010 as a result of these actions.

Federal Stimulus

The American Recovery and Reinvestment Act of 2009 provided \$17.0 billion to close the Federal Pell grant program shortfall and increased the maximum grant to \$5,350 in federal fiscal 2010. The Act also increased funding for the Federal Work Study program \$200.0 million, approximately \$3.1 million of which was directed to Maryland institutions. In addition, the federal stimulus included \$13.8 billion to boost the tuition tax credit from \$1,800 to \$2,500 for families earning up to \$180,000, which is partially refundable for lower-income families that do not pay sufficient taxes to qualify for existing college tax credits.

Proposed Budget

General funds decrease \$363,305, or 0.3%, in the Governor's proposed fiscal 2011 budget, as shown in **Exhibit 4**. When accounting for contingent reductions proposed in the Budget Reconciliation and Financing Act (BRFA) of 2010, however, general funds decrease \$1.6 million, or 1.6%. Special, federal, and reimbursable funds show no change. General fund changes include reductions to the Graduate and Professional Scholarship program and the Part-time grant program, which decrease \$296,872 and \$822,513, respectively. The Part-time Grant program was established to provide a source of need-based financial aid to students attending two- and four-year institutions part-time, as part-time students do not qualify for EEA aid. The majority of Part-time Grant awards go to students attending community colleges. The fiscal 2011 allowance increases funds for Delegate Scholarships to accommodate a planned 3.0% in-state undergraduate increase at public four-year institutions in Maryland, as required by statute.

Exhibit 4
Proposed Budget
MHEC Scholarship Programs
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2010 Working Appropriation	\$101,954	\$400	\$1,272	\$250	\$103,875
2011 Allowance	<u>101,590</u>	<u>400</u>	<u>1,272</u>	<u>250</u>	<u>103,512</u>
Amount Change	-\$363	\$0	\$0	\$0	-\$363
Percent Change	-0.4%				-0.3%
 Contingent Reduction	 -\$1,250	 \$0	 \$0	 \$0	 -\$1,250
Adjusted Change	-\$1,613	\$0	\$0	\$0	-\$1,613
Adjusted Percent Change	-1.6%	0.0%	0.0%	0.0%	-1.6%

Where It Goes:

Other Changes

Adjust Delegate Scholarships to accommodate 3% undergraduate resident tuition increase.....	\$145,530
Graduate and Professional Scholarship Program	-296,872
Part-time Grant Program	-822,513
Restore Tolbert Student Grant Program for private career schools following fiscal 2010 cost containment actions	200,000
Restore Distinguished Scholars Program to mandated funding level following fiscal 2010 cost containment actions.....	410,550

Contingent Reductions

Eliminate funding for new Distinguished Scholars Scholarships	-1,050,000
Repeal Tolbert Student Grant Program for private career schools.....	-200,000

Total **-\$1,613,305**

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

Impact of Cost Containment

The fiscal 2011 budget assumes contingent reductions to the Distinguished Scholars program and the Jack F. Tolbert Memorial Grant Program. By law, the Governor’s allowance must include at least \$200,000 for the Jack F. Tolbert Scholarship Program which provides grants to students attending private career schools, which the BRFA repeals. The BRFA also reduces the Distinguished Scholar Program \$1.05 million and prohibits the awarding of new Distinguished Scholar scholarships in fiscal 2011, retroactive to January 20, 2010. By law, the allowance must include funding to

R62I0010 – MHEC – Scholarship Programs

support 350 new \$3,000 awards for this scholarship. The reduction leaves \$3,061,000 to award renewals. MHEC reports that an awards ceremony honoring new fiscal 2011 Distinguished Scholar recipients was held in September 2009, though funding for these scholarships will not be available if the contingent reduction is enacted.

Federal Budget Impacts

The Obama Administration's fiscal 2011 budget proposal increases the maximum Federal Pell grant, which provides need-based financial aid to students with the greatest financial need, from \$5,550 to \$5,710. Under the proposal, the Federal Pell program would become an entitlement, and the maximum Pell award would rise with the cost of inflation plus one percentage point annually. The Office of Management and Budget expects 11,000 students in Maryland to receive \$416.2 million in Pell grant funds in federal fiscal 2011. If enacted, this will supplement need-based aid provided by the State and decrease the maximum GA award amount. The proposed federal budget also eliminates the Leveraging Educational Assistance Partnership Grant (LEAP), which provides \$1.3 million in federal funds to the EEA program. If the LEAP program is eliminated, total fiscal 2011 EEA appropriations will be reduced 1.7%.

In addition, a new repayment plan for federal loans will help ease student debt burden among Maryland residents. Income Based Repayment (IBR) was established by the College Cost Reduction and Access Act of 2007 and became available July 1, 2009. Under IBR, an individual's required monthly debt payment on federal student loans is capped at an amount that is intended to be affordable based on income and family size. Stafford, Grad PLUS, and consolidation loans made under the Direct Loan or Federal Family Education Loan program are eligible for this repayment plan. In addition, the remaining balance of federal loans will be cancelled for individuals who repay loans under IBR for 25 years and meet certain other requirements.

The College Cost Reduction and Access Act also established the Public Service Loan Forgiveness Program (PSLF) allowing borrowers to qualify for forgiveness on loans from the Federal Direct Loan Program after making 120 payments while employed full time by a public service employer including a federal, state, or local government; a public child or family service agency; a 501(c)(3), or a private organization that provides emergency management, military, public safety or law enforcement; public interest law; early childhood education; public services for the disabled or elderly; or public health, public education or library services.

These federal loan programs partially fill a need currently addressed by LARP and the Graduate and Professional Scholarship Programs. LARP provides loan repayment assistance to individuals with federal, institutional, and private loans that commit to working for a specified number of years in specified fields of public service. LARP provides tiered awards based on a qualified applicant's total debt burden up to \$30,000 over three years for most individuals and was designed to encourage and enable graduates of Maryland institutions to take jobs in public service by relieving their debt burden. Maryland's Graduate and Professional Scholarship Program is a need-based grant that provides financial assistance to full- and part-time students in medicine, dentistry, law, pharmacy, nursing, social work and veterinary medicine. With the IBR and PSLF in place, Maryland residents entering the health and public service fields are assured that federal loan

repayment remains affordable, regardless of the status of the LARP and Graduate and Professional Scholarship Programs.

Need-based Aid Decreases Despite Planned 3% Tuition Increase at Public Four-year Institutions

Funding for the State’s largest need-based aid program, EEA, is level funded in fiscal 2011 at \$76.4 million, despite a planned 3.0% increase in in-state undergraduate tuition at public four-year institutions. The proposed elimination of federal LEAP funds would reduce EEA funding \$1.3 million, the equivalent of 556 awards. As shown in **Exhibit 5**, need-based aid overall decreases 2.2%, in fiscal 2011. This decrease is related to \$1.1 million in reductions to the Graduate and Professional Scholarship and Part-time Grant Programs in fiscal 2011 and transfers from the Delegate Scholarship Program to fund Educational Assistance (EA) awards, a component of the EEA program, in fiscal 2010. Also, additional federal LEAP and EEA carry-forward funds were available in fiscal 2010 that are not anticipated in fiscal 2011. After accounting for \$2.7 million in legislative carry-forward funds, legislative awards increase \$145,530, or 1.3%, in fiscal 2011. Career-based aid decreases 26.6% in fiscal 2011 due largely to LARP carry-forward funds and funds transferred into the program by budget amendment in 2010 that are not included in fiscal 2011, and NSP II funds that were transferred to the Workforce Shortage Student Assistance Program to support nursing scholarships in fiscal 2010 that will not be available in 2011. Funding for unique populations decreases 1.1% due to funds that were transferred to the Conroy Scholarship Program in fiscal 2010 that are not included in the fiscal 2011 budget. Need-based aid accounts for 78.6% of all aid in fiscal 2010 compared to 54.0% in fiscal 2003.

Exhibit 5 State Financial Aid Appropriations Fiscal 2003-2011

	<u>2003</u>	<u>2009</u>	<u>Working 2010</u>	<u>Allowance 2011</u>	<u>\$ Change 2010-11</u>	<u>% Change 2010-11</u>	<u>% Change 2003-11</u>
Need-based	\$43,267	\$83,986	\$84,479	\$82,659	-\$1,820	-2.2%	91.0%
Merit-based	4,222	3,989	3,700	4,111	411	10.3%	-2.6%
Career-based	22,701	9,535	7,951	5,415	-2,536	-26.6%	-76.1%
Legislative	8,610	11,120	11,337	11,482	145	1.3%	33.4%
Unique Populations	549	1,701	1,538	1,520	-18	-1.1%	176.9%
Total	\$79,349	\$110,331	\$109,005	\$105,187	-\$3,818	-3.5%	32.6%

Note: Fiscal 2010 legislative appropriations do not include \$2.7 million in carry-forward funds. All other fiscal 2010 working appropriations include budget amendments and carry-forward funds. This exhibit does not include fiscal 2011 contingent reductions of \$1,050,000 to merit aid and \$200,000 aid to unique populations or include GEAR UP Scholarship Funds.

Source: Maryland Higher Education Commission

R62I0010 – MHEC – Scholarship Programs

Overall, MHEC expects to award aid to 54,463 recipients in fiscal 2011, down from 58,444 in fiscal 2010, as shown in **Exhibit 6**. The number of recipients declines for all types of scholarship programs in fiscal 2011 except Assistance for Unique Populations. Overall, both the number and size of need-based awards are expected to decrease based on projections developed using three-year averages. MHEC anticipates awarding 2,715 fewer need-based grants, which are on average \$80, or 3.6%, lower than the need-based awards made in fiscal 2010. Meanwhile, fiscal 2011 undergraduate tuition and fee increases are expected to total 3.8%. The Commission to Develop the Maryland Model for Funding Higher Education recommended that need-based appropriations and average awards at least keep pace with tuition and fee increases. Implementing this would require that the EEA program be funded at \$79.3 million in fiscal 2011, a \$2.9 million increase over the allowance.

The number of legislative awards is expected to decrease, though MHEC anticipates the average award will increase 4.6%. Both the number and size of merit- and career-based awards are expected to decrease, due largely to additional funds that were transferred into the LARP program in fiscal 2010 that are not available in fiscal 2011, and the elimination of the Nurse Support Program II funds in fiscal 2011 supporting the Workforce Shortage Student Assistance Grant. The number of grants to unique populations decreases while the size of awards increases in fiscal 2010 due to the elimination of Tolbert grants. In fiscal 2011, the number of awards to unique populations increases while the average size decreases due to the reintroduction of Tolbert grants, though the Governor's proposed elimination of this program would result in recipient numbers and average award sizes similar to fiscal 2010.

**Exhibit 6
Recipients of Student Financial Assistance
Fiscal 2009-2011**

<u>Program</u>	2009		2010 Working		2011 Allowance	
	<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)	28,194	\$2,199	27,675	\$2,242	26,400	\$2,286
Campus-based EA	1,444	1,876	1,046	1,913	1,538	1,950
Guaranteed Access	1,320	9,078	1,408	9,258	1,380	9,443
Part-time Grant	11,221	533	10,932	541	9,192	554
Graduate and Professional School	543	2,188	682	2,164	518	2,274
Dual Enrollment	330	364	0		0	
Subtotal	43,052	\$2,164	41,743	\$2,198	39,028	\$2,118
Legislative Scholarships	13,222	841	13,940	857	12,814	896
Merit- and Career-based Awards	3,087	3,471	2,471	3,453	1,973	2,892
Assistance for Unique Populations	767	2,218	290	5,305	648	2,392
Total	60,128	\$1,845	58,444	\$1,915	54,463	\$1,861

Note: Exhibit does not include GEAR UP scholarships, Graduate Nursing Faculty/Living Expenses Grants, or the Janet L. Hoffman Loan Assistance Repayment Program.

Source: Maryland Higher Education Commission

Issues

1. Distribution of Financial Aid by Family Income

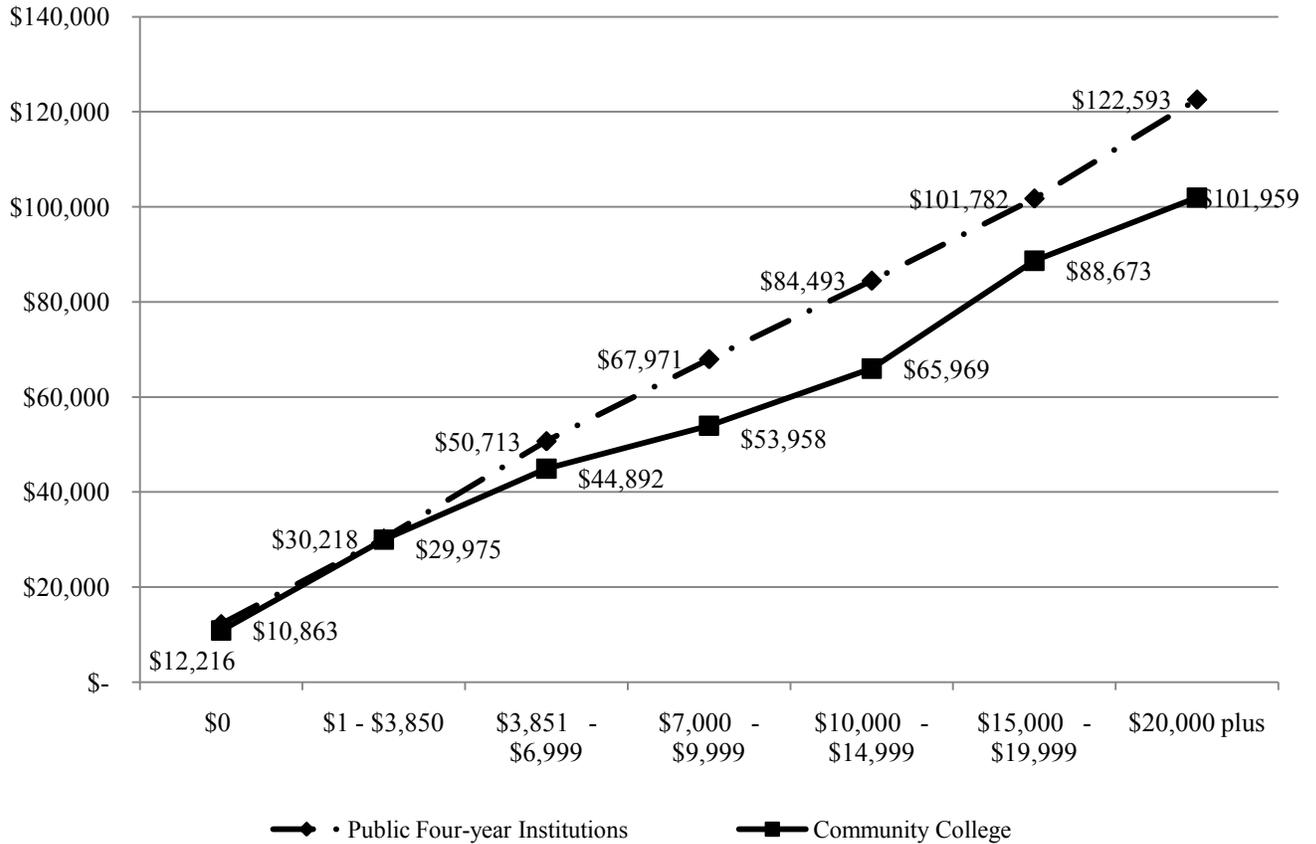
The State is committed to ensuring that more Marylanders have access to postsecondary institutions, and financial aid programs play a critical role in facilitating access and reducing financial barriers to higher education, especially for students from low- and moderate-income backgrounds. Maryland has moved from having the seventh highest average tuition and fees for public colleges and universities in the country in fiscal 2006, to the seventeenth highest in fiscal 2010. This is due, in part, to the multi-year tuition freeze at public four-year institutions, and the State's commitment to enhance need-based financial aid awards.

One measure to determine whether student needs are met through State financial aid is to consider how many State awards are made and how much need is met at each family income level. MHEC's Financial Aid Information System (FAIS) database provides information on the expected family contribution (EFC) of students that receive financial aid. In general, the lower a student's EFC, the greater their financial need. Students with an EFC of \$0 to \$3,850 have the greatest need. Financial need is defined as the difference between a student's expected family contribution and the cost of attendance at the school in which the student enrolled. MHEC tracks the number and size of each type of award by EFC category. The most recent FAIS data available is fiscal 2008.

EFC is based on a number of family income indicators including the income a family pays taxes on, also called adjusted gross income (AGI). EFC is highly correlated with AGI. **Exhibit 7** shows the average AGI by EFC for undergraduates receiving financial aid at community colleges and public four-year institutions. Students attending public four-year institutions and community colleges have similar AGIs at the lower EFC categories, though, as EFC increases, the gap between AGI for community college and public four-year students increases. Students with \$0 EFC attending public four-year institutions report an average \$12,216 AGI, and those students attending community college have an average AGI of \$10,863. Students with EFCs of \$20,000 or more attending public four-year institutions have an average AGI of \$122,593, while those students attending community college on average have \$101,959.

Exhibit 8 shows the amount of State aid awarded in fiscal 2008, by segment. In fiscal 2008, Maryland awarded \$108.0 million in need, merit, career, and legislative awards to students attending public four-year institutions, independent institutions, and community colleges. Students attending public four-year institutions were awarded the most aid, receiving \$68.8 million, or 64.0%, of all State awards. Students attending independent institutions received the next most, at \$20.1 million, or 18.6%, of the total. Students attending community colleges received the smallest amount of State financial award, totaling \$19.1 million, or 17.7%.

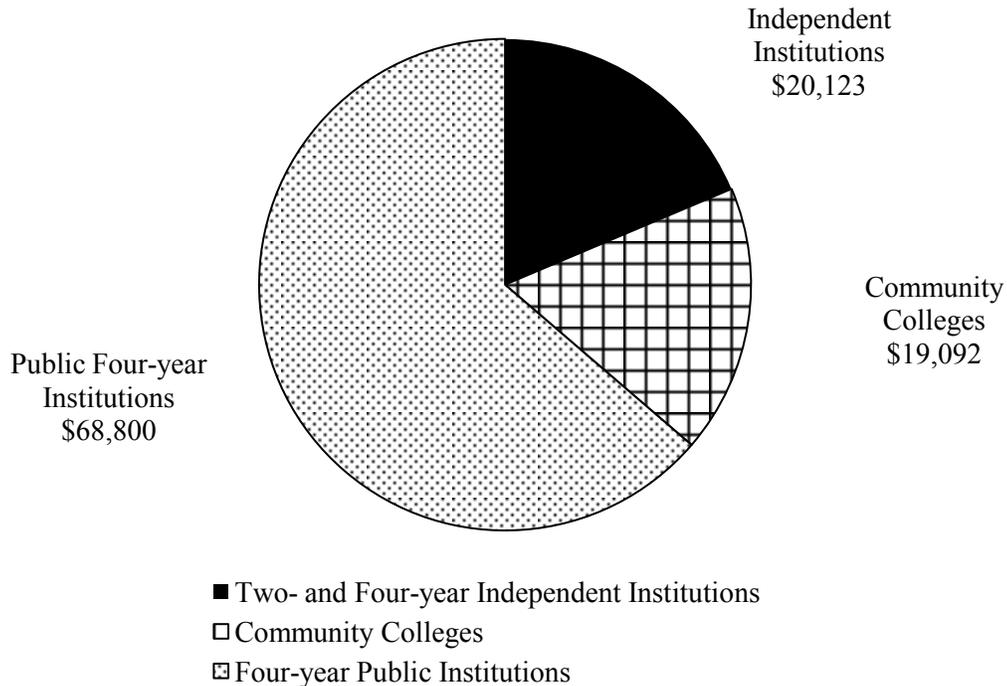
Exhibit 7
Average AGI by EFC for Maryland Public Undergraduates
Fiscal 2008



AGI: adjusted gross income
 EFC: expected family contribution

Source: Maryland Higher Education Commission

Exhibit 8
State Financial Aid by Segment
Fiscal 2008
(\$ in Thousands)



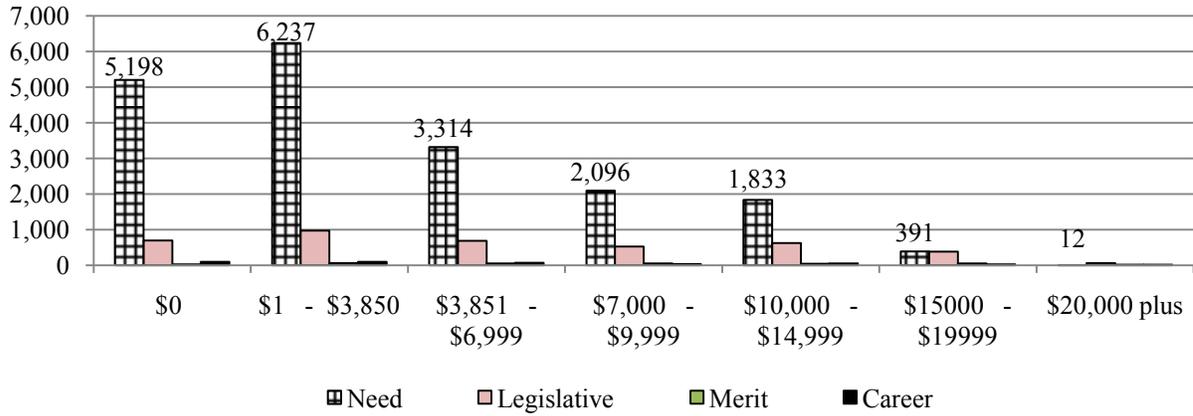
Source: Maryland Higher Education Commission

Public Four-year Institutions

The number of State awards provided to students attending public four-year institutions in fiscal 2008 for need, legislative, career, and merit aid by EFC appears in **Exhibit 9**. A total of \$68.8 million was awarded to students at public four-year institutions. Approximately 80.0% of the awards were based on need; of these, most (59.9%) went to students with EFCs between \$0 to \$3,850. Legislative awards represented 16.6% of State awards and were relatively evenly distributed across low (\$0 to \$3,850), middle (\$3,851 to \$14,999), and higher (\$15,000 and above) EFC levels. Career and merit awards were similarly distributed across EFC levels.

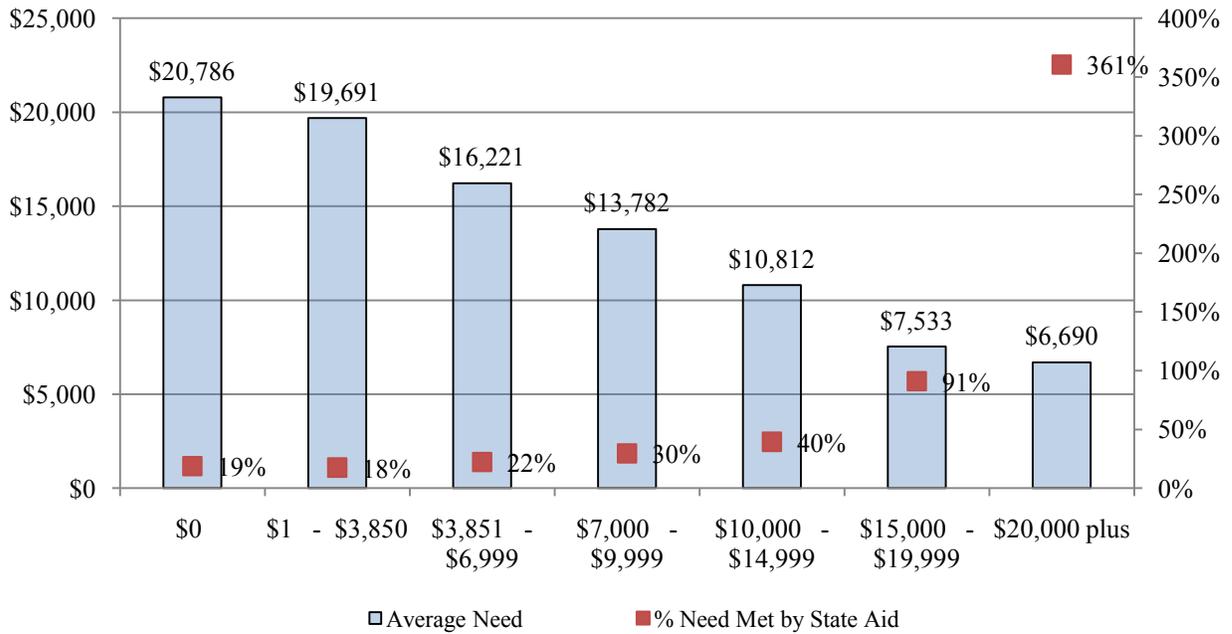
Exhibit 10 shows average student need and percent of need met by State aid across EFC levels for students attending public four-year institutions. The amount of need is highest for students with \$0 EFC, who on average have need equaling \$20,786, and decreases across EFC levels to

**Exhibit 9
State Awards by Type and Expected Family Contribution
Public Four-year Institutions
Fiscal 2008**



Source: Maryland Higher Education Commission; Financial Aid Information System, 2007-2008

**Exhibit 10
Average Need and Percent Need Met by State Aid
Public Four-year Students
Fiscal 2008**



Source: Maryland Higher Education Commission; Financial Aid Information System, 2007-2008

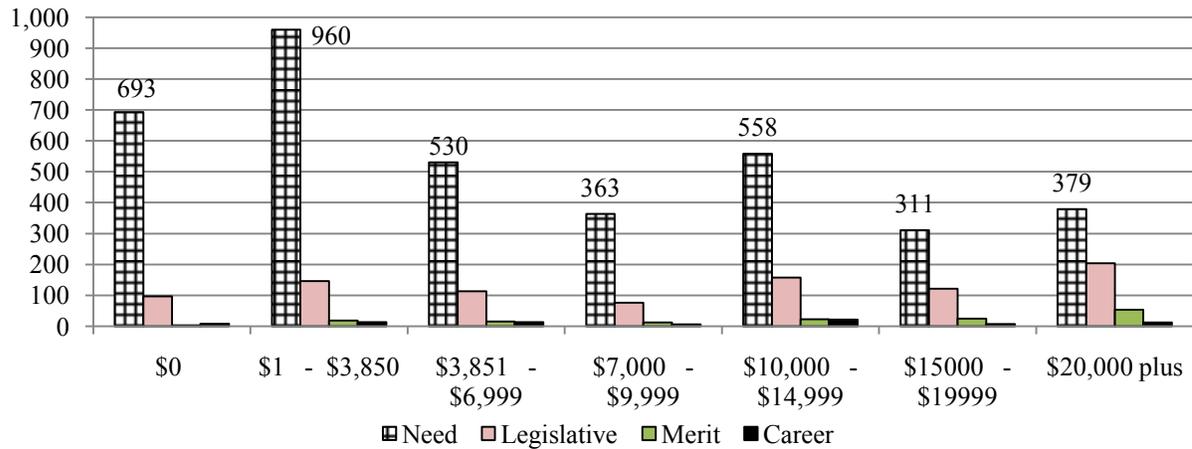
\$6,690 for students with EFCs of \$20,000 or more. In contrast, the percent of need met by State aid is lowest for students with \$0 EFC at 19.0% and increases across EFC levels to 361.0% for students with EFCs of \$20,000. While the State provides only 107, or 0.5%, of awards to students with the very highest EFCs, these awards satisfy a very large proportion of need, because the need is limited at this income level. **The Secretary should comment on steps MHEC is taking to reduce the amount of unmet financial need among the lowest income students attending public four-year institutions.**

Independent Institutions

The number of State awards provided to students attending independent institutions in fiscal 2008 for need, legislative, career, and merit aid by EFC appears in **Exhibit 11**. A total of \$20.1 million was awarded to students at independent institutions. Of all State awards, 77.0% were based on need, which are almost evenly distributed across students of low- (\$0 to \$3,850) and middle- (\$3,851 to \$14,999) income levels. Legislative awards represented 18.5% of State awards to students attending independent institutions and were more heavily concentrated among middle and higher EFC levels, which combined received 72.4% of legislative awards made to students attending independent institutions. Merit awards were similarly distributed, with most going to students with middle or higher EFC levels, while career awards were predominately distributed to students at the middle EFC level, who received 50.0% of these awards.

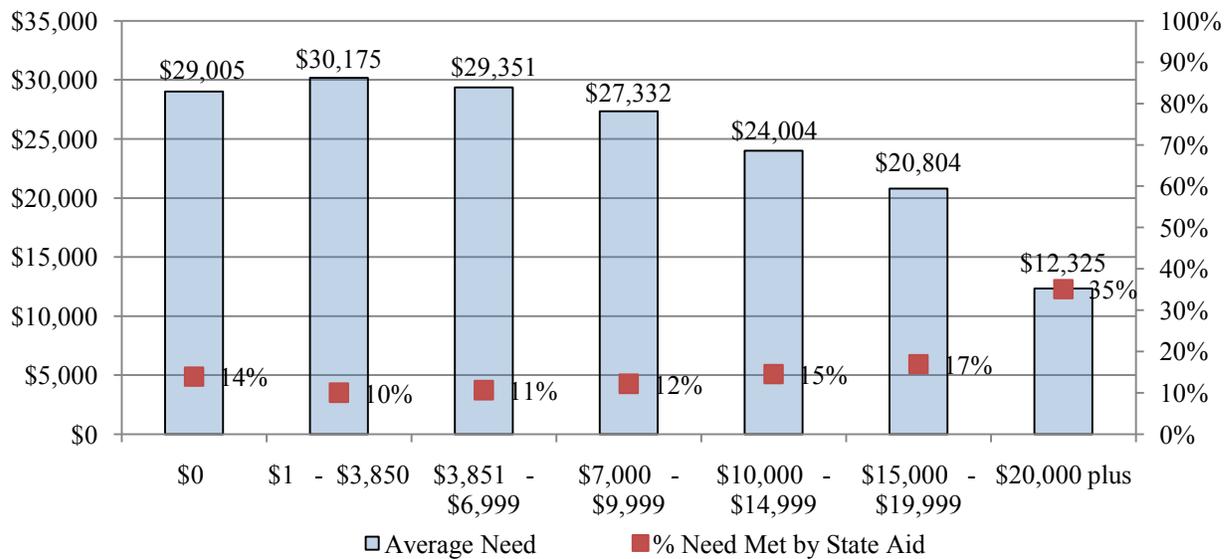
Exhibit 12 shows average student need and percent of need met by State aid across EFC levels for students attending independent institutions. The amount of need is relatively level across EFC compared to the distribution of need among students attending public institutions where need is significantly greater for students with low EFCs. The average amount of need for students attending independent institutions ranges from \$29,005 for students with \$0 EFC to \$20,804 for those with EFCs between \$15,000 and \$19,999. Those with EFCs of \$20,000 or more generally have less need, averaging \$12,325. Need among students attending independent institutions is significantly higher than it is for students attending public four-year institutions because the cost of attending independent institutions is much higher. The percent of need met for students attending independent institutions by State aid is also fairly level across EFCs ranging from 14.0% for those with \$0 EFC, to 35.0% for those with EFCs over \$20,000.

Exhibit 11
State Awards by Type and Expected Family Contribution
Independent Institutions
Fiscal 2008



Source: Maryland Higher Education Commission; Financial Aid Information System, 2007-2008

Exhibit 12
Average Need and Percent Need Met by State Aid
For Students Attending Independent Institutions
Fiscal 2008



Source: Maryland Higher Education Commission; Financial Aid Information System, 2007-2008

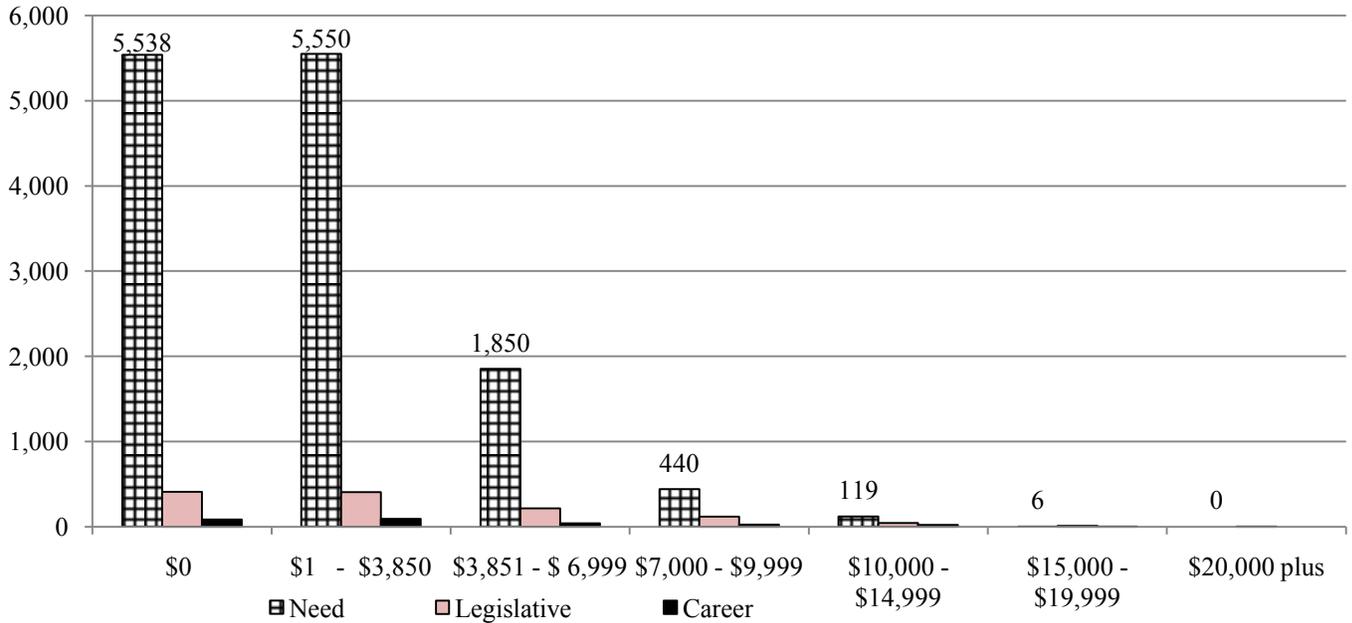
Community Colleges

The number of State need, legislative, and career awards provided to students attending community colleges in fiscal 2008 appears in **Exhibit 13**. A total of \$19.1 million was awarded to community college students. About 90.0% of the State awards made to community college students were need-based; of these, 82.1% went to students with the greatest financial need, those with EFCs between \$0 and \$3,850. Legislative aid represented 8.0% of awards to community college students, and 68.0% of these were awarded to students with the greatest need. Career awards represented a small proportion of awards made to students attending community colleges.

Exhibit 14 shows average student need and percent of need met by State aid across EFC levels for students attending community colleges. The distribution of need across EFC levels is similar to that of students attending public four-year institutions. Need peaks at \$12,996 for students with \$0 EFC, and decreases as EFC increases to \$2,571 for students with EFCs between \$15,000 and \$19,999. While need increases to \$4,864 for students at the very highest EFC level, only 11 individuals fell into the category, which may skew the data. The percent of need met by State aid is 10.0% for students with \$0 EFC and increases to 475.0% for students with EFCs between \$15,000 and \$19,999. The percent of need met by State aid declines to 30.0% for students with the very highest EFCs, which also may be attributable to the group's small size.

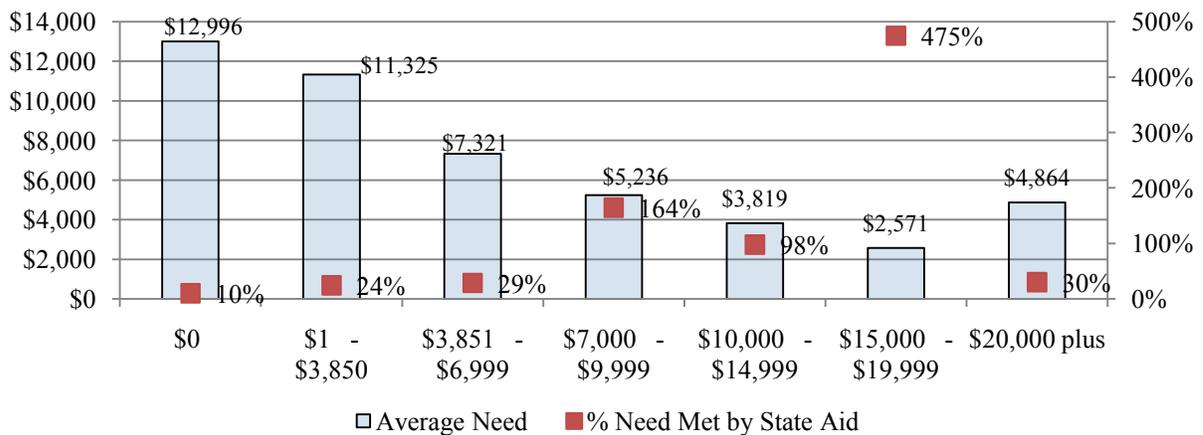
Because many community college students attend college part-time, the only need-based State financial assistance many qualify for is the Part-time Grant Program, which decreases 13.9% in the fiscal 2011 allowance. In addition, while the tuition freeze kept the cost of attending a public four-year institution in Maryland fairly level between fiscal 2007 and 2010, community colleges tuition increased 2.7% in fiscal 2009 and 2.2% in 2010. Furthermore, while MHEC's aim is to meet 60.0% of need for students attending community colleges after all aid sources (including loans) are considered, community college students with \$0 EFC had only 29.0% of their need met. **The Secretary should comment on the steps MHEC is taking to reduce the amount of unmet financial need among the lowest income community college students, particularly in light of the fiscal 2011 reduction to the Part-time Grant Program.**

**Exhibit 13
State Awards by Type and Expected Family Contribution
Community Colleges
Fiscal 2008**



Source: Maryland Higher Education Commission; Financial Aid Information System, 2007-2008

**Exhibit 14
Average Need and Percent Need Met by State Aid
For Community College Students
Fiscal 2008**



Source: Maryland Higher Education Commission; Financial Aid Information System, 2007-2008

2. New GI Bill Duplicates Veterans of the Afghanistan and Iraq Conflicts Scholarship Program

The Veterans Advocacy and Education Act of 2006 (Chapter 290 of 2006) established the Veterans of the Afghanistan and Iraq Conflicts Scholarship Program. The program is designed to provide financial assistance to United States Armed Forces personnel who served in the Afghanistan or Iraq conflicts, and children or spouses who are current high school seniors, or full- and part-time, degree-seeking undergraduate students enrolled in an eligible accredited Maryland postsecondary institution.

The award amount is 50% of annual tuition and mandatory fees and room and board of a resident undergraduate at a four-year public institution of higher education within USM with the highest annual expenses for a full-time resident undergraduate, excluding UMUC and UMB. Scholarships awarded under this program supplement any federal education benefits for which a recipient qualifies as a result of military service, or status as a dependent of a member of the armed forces, or of a veteran of the armed forces.

In 2008, Congress created the Post 9/11 GI Bill, which provides enhanced federal educational aid for veterans serving after 9/11. Veterans who meet eligibility requirements for this program receive a housing allowance, a stipend for books and supplies, and funds to support the cost of attendance, up to the cost of in-state tuition for the most expensive program of study at an in-state public university. In addition, the Veteran's Administration will match funding provided by public or independent institutions to support veterans attending programs whose costs exceed the highest cost in-state undergraduate program through the Yellow Ribbon program; 15 private, non-profit institutions in Maryland currently participate.

This new federal program marks a significant increase in the financial support available to those serving in the armed forces after 9/11. In contrast, the Montgomery GI Bill, which was the primary source of federal educational aid to veterans when the Veterans of the Afghanistan and Iraq Conflict Scholarship was created, provides only a monthly lump sum totaling \$1,321 for full-time students who have served on active duty at least three years.

Eligibility requirements for the Post 9/11 GI Bill and the Veterans of the Afghanistan and Iraq Conflict Scholarship are similar, as shown in **Exhibit 15**. The programs' primary difference is in transferability to children and spouses. Maryland's program allows children and spouses of eligible active service personnel and veterans to participate without limit, though veterans receive first priority for available funds. In contrast, to transfer benefits under the Post 9/11 GI Bill, eligible individuals must have served or committed to serve in the Armed Forces at least 10 years. Once that benchmark is met, an eligible individual may transfer any unused benefits, or the entire 36 months, if the member has used none. In addition, those serving in Iraq and Afghanistan for at least 60 days qualify for the full award under Maryland's program, while eligibility for the federal program is phased in; those serving at least 90 days qualify for 40% of the full federal benefit, which increases up to 100% for those serving at least 36 months.

Exhibit 15 Eligibility Requirements

Veterans of Afghanistan and Iraq Conflict Scholarship (Maryland)

- Resident of Maryland
- Veteran, as defined under 9-901 of the State Government Article, active duty member of the armed forces, or of a reserve component of the armed forces of the United States or Maryland National Guard who served in the Afghanistan or Iraq conflict
- Son, daughter, or spouse of an individual as described above

Duration: Recipients hold the award for five years of full-time or eight years of part-time study.

Amount: May not exceed 50% of the equivalent annual tuition, mandatory fees, and room and board of a resident undergraduate student at the public four-year institution within the University System of Maryland, other than the University of Maryland University College, and University of Maryland, Baltimore, with the highest annual expenses for a full-time resident undergraduate.

Post 9/11 GI Bill (Federal)

Military service members and veterans are eligible for benefits if they served at least 90 aggregate days on active duty after September 10, 2001, and meet one of the five following requirements:

- still on active duty;
- honorably discharged from active duty;
- honorably released from active duty and placed on the retired list or temporary disability retired list;
- honorably released from active duty and transferred to the Fleet Reserve or Fleet Marine Corps Reserve;
- honorably released from active duty for further service in a reserve component of the Armed Forces.

Total Amount: Based on the number of months served after 9/11. Those serving at least 36 months have full eligibility.

Transfer: To transfer benefits to a spouse or child, a service member must have at least 6 years of service in the Armed Forces and agree to 4 more; have 10 years of service in the Armed Forces; or become retirement-eligible between August 1, 2009, and August 1, 2013. Eligible service members may transfer the unused benefits or the entire 36 months if the member has used none.

Source: Maryland Statute, Veteran's Administration

R62I0010 – MHEC – Scholarship Programs

Maryland's program provides 50% of the cost of tuition and fees and room and board at the most expensive in-state undergraduate program, excluding UMUC and UMB, which totals \$9,072 in fiscal 2011. The new Post 9/11 GI Bill provides funding for 100% of the cost of tuition for the most expensive in-state undergraduate program, in addition to stipends for housing, books, and materials, which would total \$19,507 plus a housing allowance for a veteran taking 30 credit hours over two semesters in the most expensive undergraduate program. Because the Maryland program is intended to supplement federal veteran's benefits, it is likely that most veterans who may have benefited from the Maryland program prior to the Post 9/11 Bill will have much less need given expanded federal benefits. **The Secretary should comment on the likely impact of the Post 9/11 GI Bill on demand for the Veterans of the Afghanistan and Iraq Conflict Scholarship Program.**

Recommended Actions

- | | <u>Amount
Reduction</u> | |
|---|------------------------------------|----|
| 1. Eliminate general fund support for the Graduate and Professional Scholarship Program. New federal Income Based Repayment and Public Service Loan Forgiveness programs reduce the need for this scholarship. | \$ 1,178,303 | GF |
| 2. Strike the following language to the general fund appropriation:

; provided that \$1,050,000 of this appropriation shall be reduced contingent upon the enactment of legislation to reduce the required appropriation for the support of the Distinguished Scholars Program. | | |

Explanation: The language is not required for the General Assembly to reduce the budget.

- | | <u>Amount
Reduction</u> | |
|--|------------------------------------|----|
| 3. Reduce general fund support for the Distinguished Scholars Program consistent with the reduction proposed by the Administration in the Budget Reconciliation and Financing Act. | 1,050,000 | GF |
| 4. Strike the following language to the general fund appropriation:

; provided that \$200,000 of this appropriation shall be reduced contingent upon the enactment of legislation to repeal the program. | | |

Explanation: The language is not required for the General Assembly to reduce the budget.

- | | <u>Amount
Reduction</u> | |
|---|------------------------------------|----|
| 5. Eliminate general fund support for the Jack F. Tolbert Memorial Student Grant Program consistent with the reduction proposed by the Administration in the Budget Reconciliation and Financing Act. | 200,000 | GF |

R62I0010 – MHEC – Scholarship Programs

- | | | |
|----|--|--------------|
| 6. | Eliminate general fund support for the Janet L. Hoffman Loan Assistance Repayment Program. New federal Income Based Repayment and Public Service Loan Forgiveness programs reduce the need for this program. | 1,492,895 GF |
| 7. | Reduce general fund support for the Veterans of the Afghanistan and Iraq Conflicts Scholarship. The new Federal Post 9/11 GI Bill provides the full cost of tuition for the most expensive public in-state undergraduate program, making this program partially duplicative. | 375,000 GF |
| 8. | Adopt the following narrative: | |

Report on the Current Fiscal Year Working Appropriation for the Maryland Higher Education Commission: The committees request that the Maryland Higher Education Commission (MHEC) submit reports by October 15, 2010, and January 15, 2011, on the current fiscal year working appropriation for MHEC scholarships by program. MHEC frequently moves money between scholarship programs to ensure that available funds are fully spent. A significant lag time often exists between when funds are moved and when the move is recognized through budget amendment. As a result, it is difficult to monitor the use of scholarship funds across fiscal years. The current year working appropriation reported by MHEC in the Governor’s budget books is often not reflective of the actual working appropriation. These reports on the current working appropriation would ensure that the committees have access to the most updated data available.

Information Request	Author	Due Date
Report on current fiscal year working appropriation for Maryland Higher Education Program Scholarships by program	MHEC	October 15, 2010 January 15, 2011
Total General Fund Reductions		\$ 4,296,198

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2009					
Legislative Appropriation	\$107,649	\$620	\$1,272	\$250	\$109,791
Deficiency Appropriation	\$0	\$0	\$0	\$0	\$0
Budget Amendments	\$0	\$936	\$0	\$0	\$936
Cost Containment	-\$2,283	\$0	\$0	\$0	-\$2,283
Reversions and Cancellations	\$0	\$0	-\$18	\$0	-\$18
Actual Expenditures	\$105,366	\$1,556	\$1,254	\$250	\$108,426
Fiscal 2010					
Legislative Appropriation	\$66,911	\$14,727	\$3,484	\$250	\$85,373
Cost Containment	-\$2,292	\$0	\$0	\$0	-\$2,292
Budget Amendments	\$0	\$0	\$0	\$0	\$0
Working Appropriation	\$64,620	\$14,727	\$3,484	\$250	\$83,081

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

R62I0010 – MHEC – Scholarship Programs

Fiscal 2009

General funds decreased \$2,282,825 due to cost containment actions that reduced EEA by \$1,258,000, or 2%, replaced \$1,000,000 Workforce Shortage Student Assistance Program (WSSAP) general funds with special funds from the Higher Education Investment Fund (HEIF), and reduced the Graduate and Professional Scholarship Program by \$24,825.

Special funds increased \$1,378,500 due to a transfer of MHEC funds to support the LARP and WSSAP and a \$1,000,000 fund swap that replaced general funds supporting the WSSAP with HEIF. Special funds declined \$442,664 to reflect a revised estimate of corporate tax collections supporting HEIF.

Federal funds declined \$17,754 due to a cancellation of funds for the EEA program.

Fiscal 2010

General funds decreased \$2,291,615 due to cost containment actions that withdrew \$366,906 in carry-forward funds from the EEA Program, eliminated funding for the Tolbert Memorial Student Grant Program (\$277,500), and reduced funding for LARP (\$539,900), WSSAP (\$696,309), and the Distinguished Scholar Program (\$411,000).

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

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
Objects					
01 Salaries and Wages	\$ 0	-\$ 411,000	\$ 0	\$ 411,000	-100.0%
02 Technical and Spec. Fees	14,767	0	0	0	0.0%
03 Communication	2,130	0	0	0	0.0%
04 Travel	842	0	0	0	0.0%
08 Contractual Services	6,696	0	0	0	0.0%
09 Supplies and Materials	350	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	108,401,263	104,286,211	103,511,906	-774,305	-0.7%
Total Objects	\$ 108,426,048	\$ 103,875,211	\$ 103,511,906	-\$ 363,305	-0.3%
Funds					
01 General Fund	\$ 105,366,420	\$ 101,953,665	\$ 101,590,360	-\$ 363,305	-0.4%
03 Special Fund	1,555,836	400,000	400,000	0	0%
05 Federal Fund	1,253,792	1,271,546	1,271,546	0	0%
09 Reimbursable Fund	250,000	250,000	250,000	0	0%
Total Funds	\$ 108,426,048	\$ 103,875,211	\$ 103,511,906	-\$ 363,305	-0.3%

Note: The fiscal 2010 appropriation does not include deficiencies.

**Fiscal Summary
MHEC – Scholarship Programs**

<u>Program/Unit</u>	<u>FY09 Actual</u>	<u>FY10 Wrk Approp</u>	<u>FY11 Allowance</u>	<u>Change</u>	<u>FY10 - FY11 % Change</u>
10 Educational Excellence Adwards	\$ 76,742,322	\$ 76,393,170	\$ 76,393,170	\$ 0	0%
12 Senatorial Scholarships	6,486,000	6,486,000	6,486,000	0	0%
14 Edward T. Conroy Memorial Scholarship Program	677,008	570,474	570,474	0	0%
15 Delegate Scholarships	4,740,683	4,851,000	4,996,530	145,530	3.0%
16 Riley Fire and EMS Tuition Reimbursement Program	383,979	340,979	340,979	0	0%
17 Graduate and Professional Scholarship Program	1,475,175	1,475,175	1,178,303	-296,872	-20.1%
18 Dual Enrollment Grant	120,211	0	0	0	0%
20 Distinguished Scholar Program	3,970,416	3,700,450	4,111,000	410,550	11.1%
21 Jack F. Tolbert Memorial Student Grant Program	277,500	0	200,000	200,000	0%
26 Hoffman Loan Assistance Repayment Program	3,015,795	2,142,895	2,142,895	0	0%
33 Part-time Grant Program	5,910,293	5,910,293	5,087,780	-822,513	-13.9%
36 Workforce Shortage Student Assistance Grants	3,866,541	1,254,775	1,254,775	0	0%
37 Veterans of the Afghanistan and Iraq Conflicts	760,125	750,000	750,000	0	0%
Total Expenditures	\$ 108,426,048	\$ 103,875,211	\$ 103,511,906	-\$ 363,305	-0.3%
General Fund	\$ 105,366,420	\$ 101,953,665	\$ 101,590,360	-\$ 363,305	-0.4%
Special Fund	1,555,836	400,000	400,000	0	0%
Federal Fund	1,253,792	1,271,546	1,271,546	0	0%
Total Appropriations	\$ 108,176,048	\$ 103,625,211	\$ 103,261,906	-\$ 363,305	-0.4%
Reimbursable Fund	\$ 250,000	\$ 250,000	\$ 250,000	\$ 0	0%
Total Funds	\$ 108,426,048	\$ 103,875,211	\$ 103,511,906	-\$ 363,305	-0.3%

Note: The fiscal 2010 appropriation does not include deficiencies.