

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

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 10</u> <u>Actual</u>	<u>FY 11</u> <u>Working</u>	<u>FY 12</u> <u>Allowance</u>	<u>FY 11-12</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$58,254	\$101,590	\$101,789	\$199	0.2%
Contingent & Back of Bill Reductions	0	0	-1,591	-1,591	
<b>Adjusted General Fund</b>	<b>\$58,254</b>	<b>\$101,590</b>	<b>\$100,198</b>	<b>-\$1,392</b>	<b>-1.4%</b>
Special Fund	1,962	400	520	120	30.0%
Contingent & Back of Bill Reductions	0	0	341	341	
<b>Adjusted Special Fund</b>	<b>\$1,962</b>	<b>\$400</b>	<b>\$861</b>	<b>\$461</b>	<b>115.2%</b>
Federal Fund	45,003	1,272	1,272	0	
<b>Adjusted Federal Fund</b>	<b>\$45,003</b>	<b>\$1,272</b>	<b>\$1,272</b>	<b>\$0</b>	<b>0.0%</b>
Reimbursable Fund	300	250	250	0	
<b>Adjusted Reimbursable Fund</b>	<b>\$300</b>	<b>\$250</b>	<b>\$250</b>	<b>\$0</b>	<b>0.0%</b>
<b>Adjusted Grand Total</b>	<b>\$105,519</b>	<b>\$103,512</b>	<b>\$102,581</b>	<b>-\$931</b>	<b>-0.9%</b>

- General funds increase \$198,640, or 0.2%, though when accounting for contingent reductions to the Jack F. Tolbert Memorial Student Grant, Distinguished Scholar, and Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement programs, general funds decrease \$1.4 million, or 1.4%, from fiscal 2011.
- Special funds increase \$120,000, or 30.0%, though when accounting for contingent adjustments related to the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program, special funds increase \$460,979 over fiscal 2011.

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

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## ***Analysis in Brief***

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### **Major Trends**

***Percent of Neediest Students with Unmet Need Continues to Decline:*** The percentage of students in the lowest 40% of median family income with unmet need declined 2.4 percentage points in fiscal 2009. The Maryland Higher Education Commission (MHEC) expects the percentage to continue to decline in fiscal 2010 and 2011 due to increases in the maximum federal Pell Grant, despite level State financial aid and growing student financial need.

***Number of Guaranteed Access Grant Recipients Increases:*** The number of students receiving Guaranteed Access Grants (GA) increased 19.6% between fiscal 2008 and 2010, though growth is expected to slow between fiscal 2010 and 2012. MHEC attributes the increase in GA recipients to additional exposure to higher education among students and additional staff effort to encourage students to finish incomplete applications.

### **Issues**

***Distribution of Financial Aid by Type and Family Income:*** Data collected by MHEC on recipients of State financial aid indicates that while most aid is awarded based on need to students with the lowest expected family contribution levels (EFC), State career-based financial aid and aid to students from unique populations is directed to students across EFC levels. Only State merit-based aid is targeted largely to those with high EFCs and, therefore, the least amount of need.

***Maryland College Aid Processing System Implementation:*** For the 2010-2011 academic year, MHEC transitioned financial aid administration to a new web-based processing system called the Maryland College Aid Processing System (MDCAPS). The MDCAPS is a \$3.3 million information technology project that automates formerly manual processes; speeds student application, award, and payment processes; and moves the award process from paper-based to electronic. The system manages almost \$110.0 million in State student financial aid each year.

***Audit Findings Concern Scholarship Accounting:*** A legislative audit completed in August 2010 found that MHEC misreported unexpended scholarship funds to the budget committees in response to an information request in the 2009 *Joint Chairmen's Report*, and that no appropriate accounting mechanism exists to encumber unexpended scholarship funds, as authorized in statute.

***Federal Veterans Benefits Reduce State Scholarship Expenditures in Fiscal 2011, Expected to Increase in Fiscal 2012:*** The State's Veterans of Afghanistan and Iraq Conflict (VAIC) Scholarship Program, which is intended to supplement federal veterans educational benefits, awards 50% of annual tuition and mandatory fees and room and board of resident undergraduates at a four-year public institution of higher education within the University System of Maryland. The federal Post-9/11 GI Bill, passed in 2008, provides enhanced federal educational aid for veterans serving after 9/11, which resulted in reduced demand for the State VAIC program in fiscal 2011. Recent

*R62I0010 – MHEC – Scholarship Programs*

legislation changes the way federal post-9/11 veterans benefits are administered so that State financial aid will be applied to the cost of tuition before federal benefits. As a result, State savings in the program are unlikely to persist.

**Recommended Actions**

	<u><b>Funds</b></u>
1. Adopt committee narrative requesting a report on the current fiscal year working appropriation for the Maryland Higher Education Commission.	
2. Concur with contingent reduction of general fund support for Charles W. Riley Tuition Reimbursement Program.	
3. Concur with contingent general fund reduction to the Distinguished Scholar Program.	
4. Concur with contingent general fund reduction to Jack F. Tolbert Memorial Student Grant Program.	
5. Eliminate general fund support for the Janet L. Hoffman Loan Assistance Repayment Program.	\$ 1,492,895
6. Reduce general fund support for the Veterans of the Afghanistan and Iraq Conflicts Scholarship.	219,730
<b>Total Reductions</b>	<b>\$ 1,712,625</b>

**Updates**

***Workforce Shortage Student Assistance Grant Program Suspends New Awards in Fiscal 2011:*** In fiscal 2011, special fund support for the Workforce Shortage Student Assistance Grant Program declined \$1.5 million due to a fiscal 2010 action that reduced general fund support and authorized a budget amendment to transfer special funds from the Nurse Support Program II. A funding shortage resulted when general funds were not restored in fiscal 2011. In response, MHEC did not accept new applications for the program in fiscal 2011.

*R62I0010 – MHEC – Scholarship Programs*

**R62I0010**  
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## ***Operating Budget Analysis***

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### **Program Description**

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

As shown in **Exhibit 1**, financial aid comes in the form of grants, work study, student loans, parent loans, and scholarships from federal, State, private, and institutional sources. Grants and scholarships are aid that students do not have to pay back. Grants are usually given because a student has financial need, while scholarships are usually given to recognize the student's academic achievement, athletic ability, or other talent. Loans must be repaid, usually with interest.

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 Fire 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 nonprofit sectors in a priority field as determined by the commission.

Maryland Loan Assistance Repayment for 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 U.S. 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**

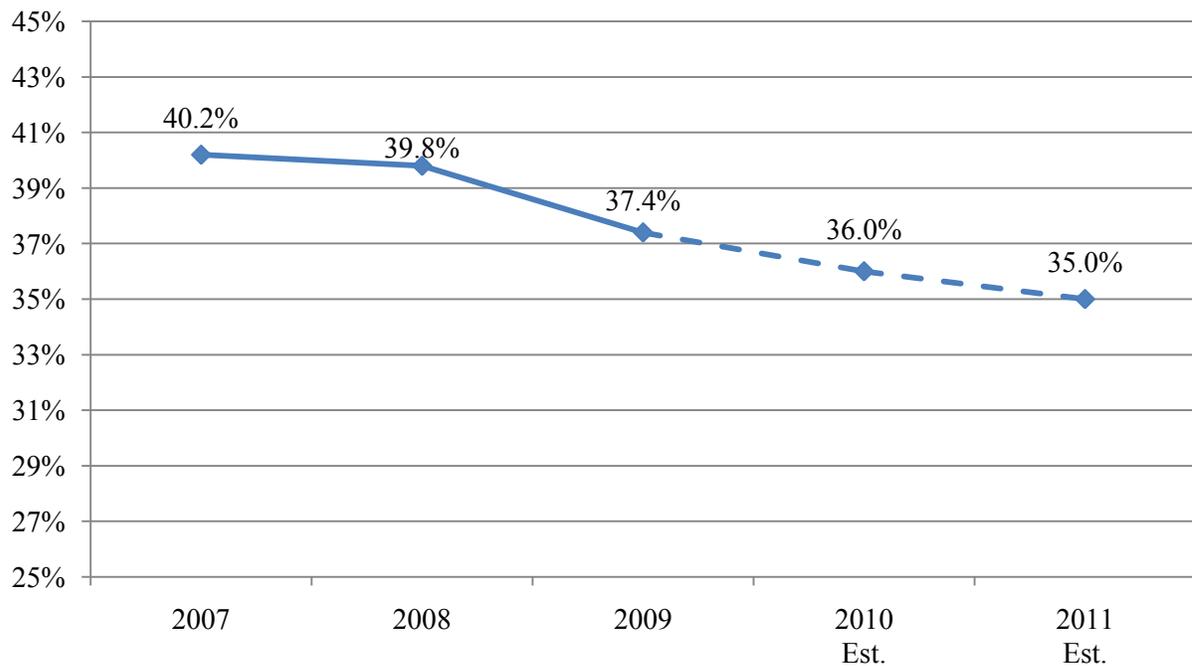
Delegates select recipients pursuing undergraduate, graduate, or professional degrees.

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% of median family income that have unmet need after all financial aid sources (including loans) are considered from fiscal 2007 to 2011. The percentage of such students with unmet need declined 2.4 percentage points in fiscal 2009. MHEC expects the percentage to continue to decline in fiscal 2010 and 2011 despite level State financial aid and growing student need due to a \$619 increase in the maximum Pell Grant in fiscal 2010, and a \$200 increase in fiscal 2011. Other possible contributors to the decline in unmet need among low-income students are an increasing reliance on student loans and work-study to finance higher education, and the deferral of enrollment in higher education among the neediest students.

**Exhibit 2**  
**Percent of Neediest Students with Unmet Need Remaining**  
**After All Aid Sources Including Loans**  
**Fiscal 2007-2011**

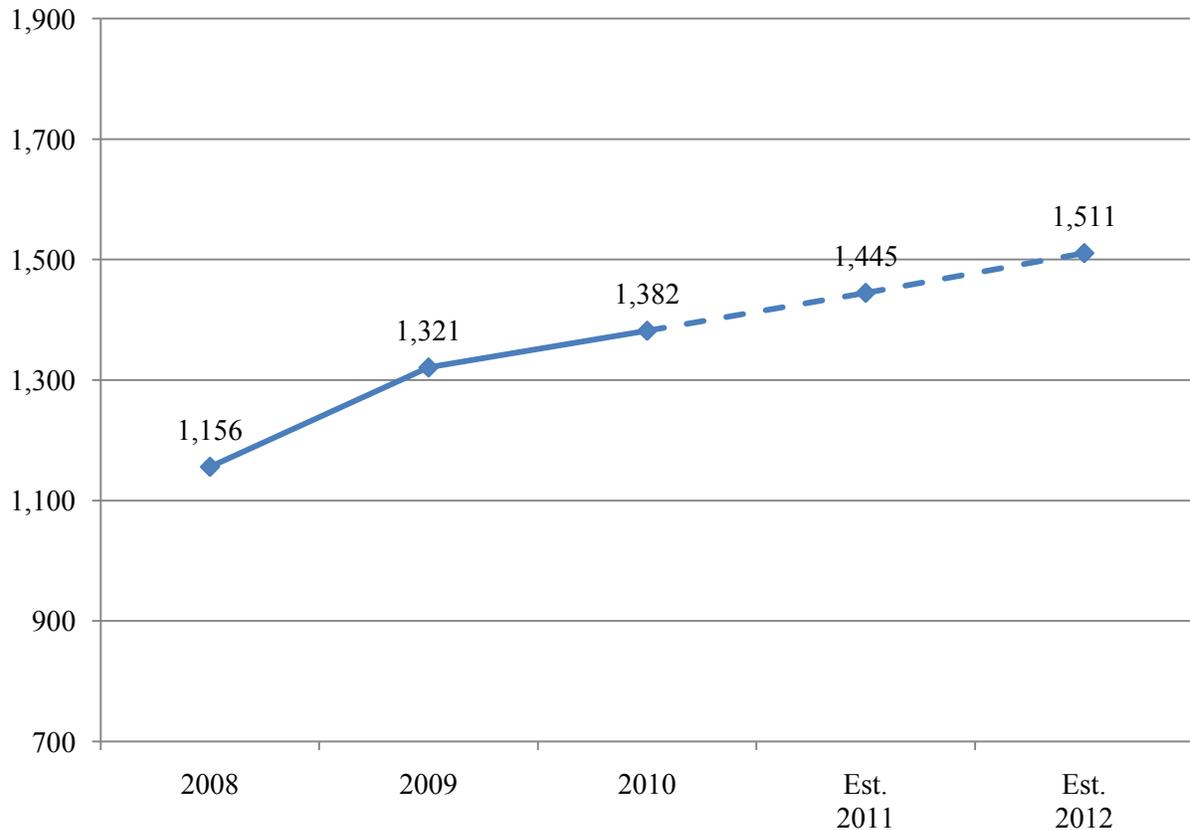


Source: Governor's Budget Books, Fiscal 2011 and 2012

*R62I0010 – MHEC – Scholarship Programs*

The Guaranteed Access Grant (GA) is a component of the Delegate Howard P. Rawlings Educational Excellence Awards (EEA) program that covers 100.0% 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 2012, which increased 19.6% between fiscal 2008 and 2010, though growth is expected to slow between fiscal 2010 and 2012. MHEC attributes the increase to additional exposure to higher education among students and redoubled staff effort to encourage students to complete incomplete applications.

**Exhibit 3**  
**Guaranteed Access Grants Awarded**  
**Fiscal 2008-2012**



Source: Governor’s Budget Books, Fiscal 2011 and 2012

## **Proposed Budget**

General funds increase \$198,640, or 0.2%, in the Governor's proposed fiscal 2012 budget, as shown in **Exhibit 4**. General fund changes include an increase to Delegate Scholarships to accommodate the planned 3.0% in-state undergraduate increase at public four-year institutions in Maryland, as required by statute. When accounting for contingent reductions proposed in the Budget Reconciliation and Financing Act (BRFA) of 2011, however, general funds decrease \$1.4 million. Special funds increase \$120,000 to account for additional special funds for the Maryland Loan Assistance Repayment Program for Physicians (MLARP), though when accounting for contingent actions in the BRFA of 2011, special funds increase \$460,979.

## **Impact of Cost Containment**

The fiscal 2012 budget assumes contingent reductions to the Distinguished Scholars Program, the Jack F. Tolbert Memorial Grant Program, and the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement 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. The BRFA of 2011 repeals the Tolbert Program, effective July 1, 2011, and the budget includes a \$200,000 contingent general fund reduction to eliminate support for the program. The budget also includes a \$1.1 million reduction contingent on a BRFA provision that prohibits the awarding of new Distinguished Scholar scholarships in fiscal 2012 and in every year thereafter, and repeals the program effective July 1, 2015. By law, the allowance must include funding to support 350 new \$3,000 awards for this merit-based scholarship annually. The reduction leaves \$3.1 million to award Distinguished Scholar renewals in fiscal 2012. This BRFA provision will result in a \$1.1 million reduction to the program each year associated with the loss of one additional new class of Distinguished Scholar recipients. Finally, the allowance includes a \$340,979 contingent general fund reduction associated with a BRFA provision to fund the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program with special funds generated by surcharges on certain traffic convictions that currently accrue to the Volunteer Company Assistance Fund.

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

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Reimb. Fund</b>	<b>Total</b>
2011 Working Appropriation	\$101,590	\$400	\$1,272	\$250	\$103,512
2012 Allowance	<u>101,789</u>	<u>520</u>	<u>1,272</u>	<u>250</u>	<u>103,831</u>
Amount Change	\$199	\$120	\$0	\$0	\$319
Percent Change	0.2%	30.0%			0.3%
Contingent Reduction	-\$1,591	\$341	0	0	-\$1,250
Adjusted Change	-\$1,392	\$461	\$0	\$0	-\$931
Adjusted Percent Change	-1.4%	115.2%	0.0%	0.0%	-0.9%

**Where It Goes:**

**Other Changes**

Delegate Scholarships to accommodate 3% undergraduate resident tuition increase .....	\$199,470
Special funds for Maryland Loan Assistance Repayment Program for Physicians .....	120,000
Miscellaneous savings .....	-830

**Contingent Reductions**

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

**Total** **-\$931,360**

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

**Federal Budget Impacts**

The federal Pell Grant is an important source of need-based aid for many Maryland students. Because State need-based programs such as the GA and the EEA are applied to student need after the federal Pell Grant is considered, federal funding for the Pell Grant program has a significant impact on how far State need-based financial aid will stretch. For academic year 2010-2011, the maximum Pell Grant is \$5,550, though funding for academic year 2011-2012 is unknown. The federal fiscal 2012 proposed budget level funds the maximum Pell Grant but eliminates the year-round grant.

### *R62I0010 – MHEC – Scholarship Programs*

The federal College Cost Reduction and Access Act of 2007 established the Public Service Loan Forgiveness Program (PSLF) effective July 1, 2009, that allows 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. This program partially fills a need currently addressed by the Loan Assistance Repayment Program (LARP) which provides loan repayment assistance to individuals with federal, institutional, and private loans who commit to working for a specified number of years in specified fields of public service. The 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 graduates of Maryland institutions to take jobs in public service by relieving their debt burden. The PSLF provides incentives for Maryland residents with federal student loan debt to enter the health and public service fields. **The Department of Legislative Services (DLS) recommends that general fund support for the LARP be deleted. Funding for the MLARP, which is supported by special and reimbursable funds, will not be affected.**

### **Need-based Financial Aid Appropriations Remain Below Fiscal 2009 Level Despite Tuition Increases at Public Four-year Institutions**

The State's largest need-based financial aid program, the EEA, is level funded in fiscal 2012 at the fiscal 2009 level of \$76.4 million, despite a 3.3% increase in in-state undergraduate tuition and mandatory fees at public four-year institutions in fiscal 2011 and an expected increase of 3.1% in fiscal 2012. As shown in **Exhibit 5**, need-based aid overall decreases 1.1% in fiscal 2012 due to the EEA carry-forward funds that were available in fiscal 2011 that are not anticipated in fiscal 2012. Need-based aid accounts for 78.0% of all aid in fiscal 2012 compared to 54.5% in fiscal 2003. The Commission to Develop the Maryland Model for Funding Higher Education recommended that need-based financial aid appropriations and average awards at least keep pace with tuition and fee increases. Implementing this would require that the EEA program be funded at \$78.7 million in fiscal 2012, a \$2.3 million increase over the allowance.

After accounting for \$6.0 million in legislative carry-forward funds, legislative awards increase \$199,470, or 1.8%, though this increase is expected to be adjusted to \$149,896 by a supplemental budget to accommodate the projected 3.0% increase in undergraduate resident tuition at public four-year institutions. Maryland is one of only five states (Illinois, New Mexico, New York, and Vermont) to award legislative scholarships.

Career-based aid increases 0.3% due to additional special funds available for the MLARP in fiscal 2012, and carry-forward funds and funds transferred into the LARP by budget amendment in fiscal 2011 that are not included in 2012. Funding for unique populations decreases 6.1%, or \$104,248, due to carry-forward funds in the Veterans of Afghanistan and Iraq Conflict (VAIC) and Edward T. Conroy scholarship programs available in fiscal 2011 that are not expected in fiscal 2012.

**Exhibit 5**  
**State Financial Aid Appropriations**  
**Fiscal 2003-2012**  
**(\$ in Thousands)**

	<u>2003</u>	<u>2009</u>	<u>2010</u>	<u>Working<sup>1</sup></u> <u>2011</u>	<u>Allowance<sup>2</sup></u> <u>2012</u>	<u>\$ Change</u> <u>2011-12</u>	<u>% Change</u> <u>2011-12</u>	<u>% Change</u> <u>2003-12</u>
Need-based Aid	\$43,267	\$83,986	\$83,022	\$83,557	\$82,658	-\$899	-1.1%	93.1%
Merit-based Aid	4,222	3,989	3,696	4,008	4,111	103	2.6%	-5.1%
Career-based Aid	22,701	9,535	5,538	3,832	3,858	26	0.3%	-83.1%
Legislative	8,610	11,120	11,268	11,482	11,682	200	1.8%	33.4%
Unique Populations	549	1,701	1,457	1,624	1,520	-104	-6.1%	195.8%
<b>Total</b>	<b>\$79,349</b>	<b>\$110,331</b>	<b>\$104,981</b>	<b>\$104,503</b>	<b>\$103,829</b>	<b>-\$674</b>	<b>-0.6%</b>	<b>31.7%</b>

<sup>1</sup>Includes budget amendments and carry-forward funds not yet submitted to the Department of Budget and Management.

<sup>2</sup>Fiscal 2012 allowance before contingent reductions proposed by the Governor.

Note: Fiscal 2011 legislative appropriation does not include \$6.003 million in legislative carry-forward funds. All other fiscal 2011 working appropriations include budget amendments and carry-forward funds.

Source: Maryland Higher Education Commission

Overall, MHEC expects to award aid to 57,298 recipients in fiscal 2012, 12.9% fewer than fiscal 2011, as shown in **Exhibit 6**, mostly due to legislative scholarships. Excluding legislative scholarships, the number of recipients declines 2.8%. Though merit-based programs show a small increase in fiscal 2012, the Governor’s budget plan includes \$1,050,000 in reductions to merit-based aid contingent on the passage of legislation in the BRFA, which would reduce the number of recipients. The largest decrease is expected in legislative scholarships due to carry-forward funds used to make awards in fiscal 2011 that are not accounted for in fiscal 2012 related in part to funds retained to make renewal awards. While the number of need-based awards is expected to decrease 1,230, average awards are expected to increase based on projections developed by MHEC using three-year averages. The number of awards made through both career and unique population programs are expected to decrease slightly, while the average award size increases for career-based aid and decreases for grants to unique populations based on these three-year averages. Similar to merit aid, the number of recipients of aid to unique populations will decrease if the \$200,000 contingent reduction to the Tolbert Grant Program is passed.

**Exhibit 6  
Recipients of Student Financial Assistance  
Fiscal 2010-2012**

<b>Program</b>	<b>2010</b>		<b>2011</b>		<b>2012</b>	
	<b>Actuals</b>		<b>Working</b>	<b>Working</b>	<b>Governor's</b>	<b>Governor's</b>
	<b>Recipients</b>	<b>Avg. Award</b>	<b>Proj. Rec.</b>	<b>Avg. Award</b>	<b>Proj. Rec.</b>	<b>Proj. Avg. Award</b>
Need-based Aid						
Educational Assistance Grant	28,683	\$2,097	28,670	\$2,138	27,693	\$2,180
Campus-based Educational Assistance Grant	1,966	1,876	1,569	1,913	1,539	1,950
Guaranteed Access Grant	1,380	8,893	1,437	9,070	1,409	9,250
Part-time Grant Program	11,221	527	9,465	538	9,279	548
Graduate and Professional Scholarship	543	2,717	425	2,770	416	2,825
<b>Subtotal</b>	<b>43,793</b>	<b>\$1,907</b>	<b>41,566</b>	<b>\$2,011</b>	<b>40,336</b>	<b>\$2,049</b>
Legislative Programs	13,773	785	21,359	817	14,087	829
Merit-based Programs	1,289	2,950	1,368	2,930	1,400	2,937
Career and Occupational Programs	1,331	4,167	843	4,461	830	4,637
Unique Population Programs	271	5,304	666	2,138	645	2,050
<b>Total</b>	<b>60,457</b>	<b>\$1,738</b>	<b>65,802</b>	<b>\$1,675</b>	<b>57,298</b>	<b>\$1,809</b>

Note: Does not include fiscal 2012 contingent reductions of \$1,050,000 in merit aid and \$200,000 in aid to unique populations.

Source: Maryland Higher Education Commission

Legislative changes to the Conroy Program made by Chapter 607 of 2009 decentralized the program so that awards are made by postsecondary institutions, which then apply for reimbursement from MHEC. MHEC reports that 121 renewal and 43 new Conroy awards have been made in fiscal 2011, resulting in total program expenditures of \$921,853, exceeding the fiscal 2011 appropriation by \$351,379. Funding due in excess of the fiscal 2011 appropriation will be allocated to the institutions in fiscal 2012 using the 2012 appropriation, and fiscal 2012 awards that cannot be supported by the current year appropriation will be rolled into fiscal 2013, and so on. **The Secretary should comment on the impact such forward funding has on program budgeting and on whether MHEC has any plans to limit the number of new awards in fiscal 2012 to better align program expenditures with the current year appropriation.**

## *Issues*

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### **1. Distribution of Financial Aid by Type and 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 low- and moderate-income students. 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 nineteenth most expensive in fiscal 2011. This is due, in part, to the multi-year tuition freeze at public four-year institutions.

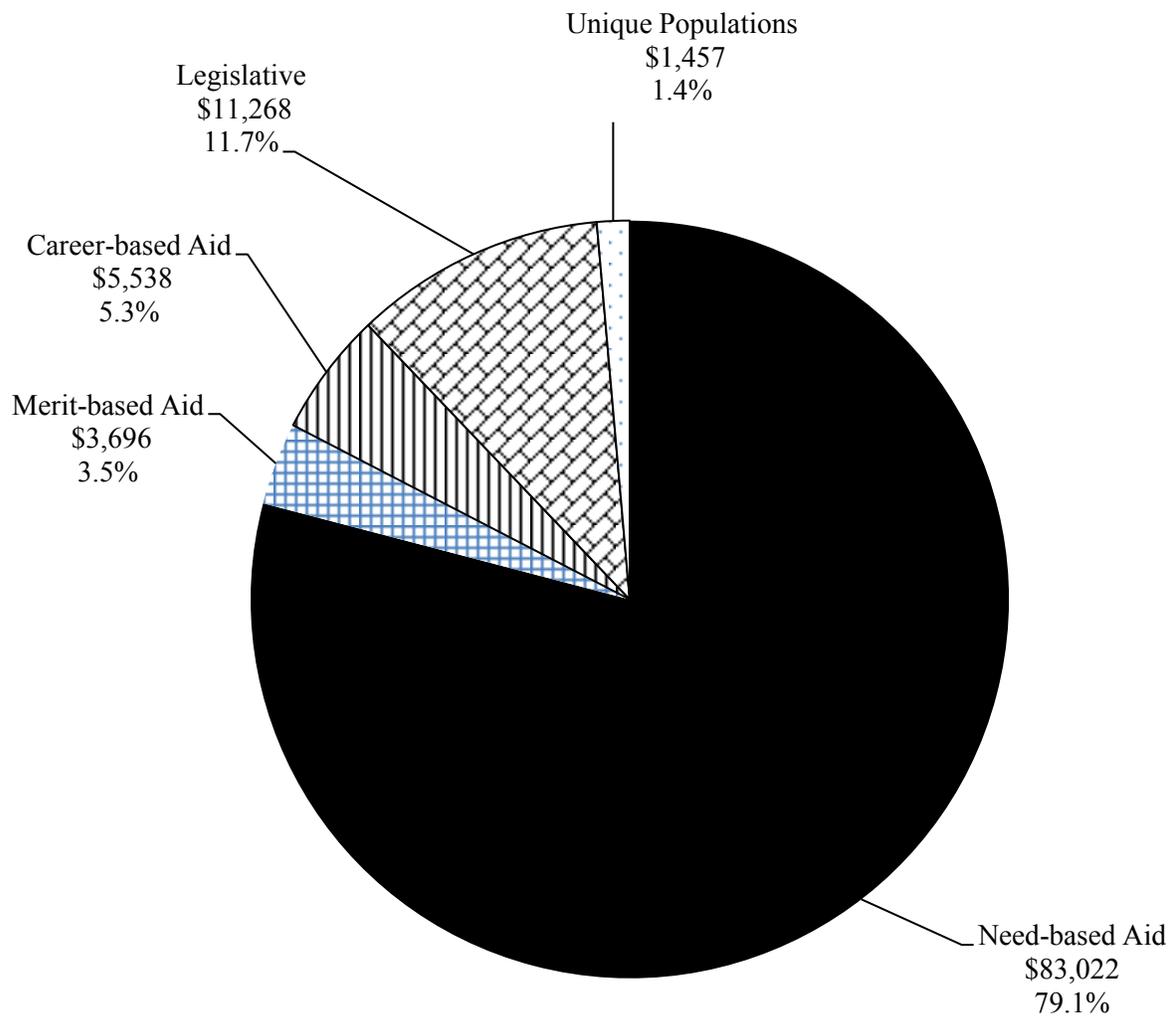
Financial aid is important in helping many students achieving their educational goals. A lack of financial support often contributes to a student's decision to stop out, or drop out of school. To increase degree attainment among Maryland residents and ensure affordability in higher education, most of the State's financial aid is provided to students who demonstrate need. **Exhibit 7** shows the amount of State funds awarded by aid type in fiscal 2010. Need-based aid represents the largest proportion of State financial aid at 79.1% followed by legislative aid at 11.7%, career-based aid at 5.3%, merit-based aid at 3.5%, and aid to unique populations at 1.4%.

Need is determined by a student's expected family contribution (EFC), which is the amount of money a family is expected to contribute towards a student's college costs. EFC is determined when a student files a Free Application for Federal Student Aid (FAFSA) and is based on a number of indicators including the income a family pays taxes on, family size, and the number of family members who will attend college during the year. To determine the amount of financial need a student has, the State subtracts the student's EFC and any financial aid the student may have already received (such as the federal Pell Grant) from the cost of attendance (including room, board, and tuition and fees) at the institution the student plans to attend. The gap between the cost of attendance and the EFC plus other financial aid sources is considered a student's unmet need. In general, the lower a student's EFC, the greater their financial need.

#### **State Need-based Aid Reaches Fewer Middle Class Students**

**Exhibit 8** shows trends in EEA appropriations and applicants from fiscal 2009 to 2011. EEA accounts for 70.0% of all State scholarship funding. While appropriations for State need-based aid remained level, student need grew significantly over this period. The number of EEA applicants increased 33.5% between fiscal 2009 and 2011, and those applying demonstrated greater financial need. Between fiscal 2009 and 2011, the number of EEA applicants with \$0 EFC increased 63.8%. As a result of growing need, EEA aid becomes more concentrated on lower EFCs each year. To date, in fiscal 2011, MHEC has awarded EEA grants to students with EFCs up to \$3,731, while the same funding in fiscal 2009 reached students with EFCs up to \$10,300. As a result of growing demand and level funding, the EEA waitlist has grown by over 13,600 students between fiscal 2009 and 2011. **The Secretary should comment on the impact of funding need-based financial aid in fiscal 2012 at the fiscal 2009 level.**

**Exhibit 7**  
**State Financial Aid by Type**  
**Fiscal 2010**  
**(\$ in Thousands)**



Source: Maryland Higher Education Commission

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**Exhibit 8**  
**Educational Excellence Awards**  
**Fiscal 2009-2011**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>% Increase</u>
Appropriation	\$76,742,322	\$76,458,474	\$77,328,411	0.8%
EEA Applicants	109,300	129,300	145,944	33.5%
EEA Applicants with \$0 EFC	15,942	24,672	26,112	63.8%
EFC Awarded – New Awards	\$10,300	\$8,764	\$3,731	–
Waitlist <sup>1</sup>	4,846	11,333	18,504	281.8%

EEA: Educational Excellence Awards  
EFC: expected family contribution

<sup>1</sup> As of May 1. Fiscal 2011 waitlist as of February 8, 2011 is 15,768. Students are eligible for EEA and are placed on the waitlist if they are full-time students, submit a completed application by the March 1 deadline, and have financial need remaining after their EFC and federal Pell Grant award are considered.

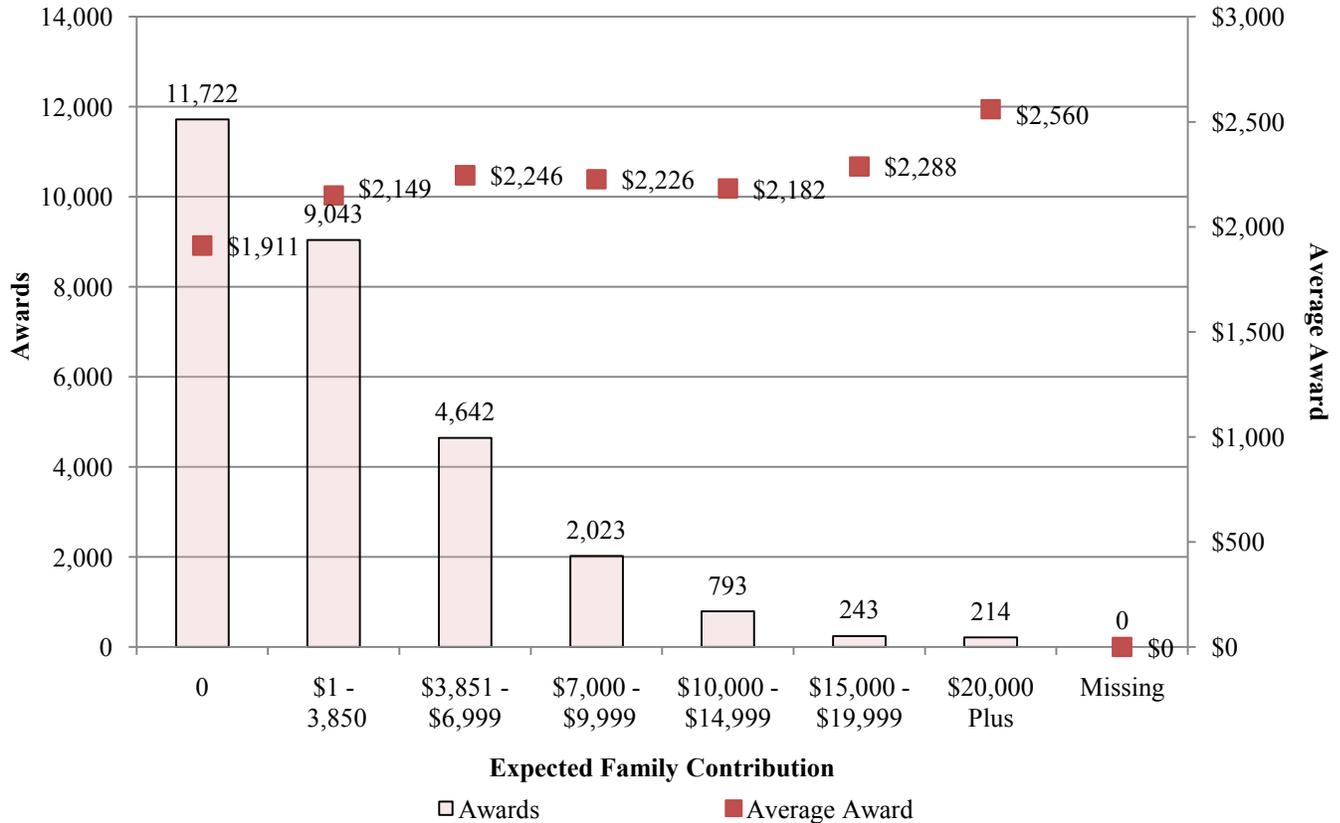
Source: Maryland Higher Education Commission

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The EEA is designed to meet 40% of financial need at four-year institutions and 60% at community colleges for full-time undergraduate students from low- to middle-income families. The maximum award amount is \$3,000. **Exhibit 9** shows the number of recipients and average award in fiscal 2010 by EFC category. Though the EFC maximum for federal Pell Grant eligibility increases regularly, the maximum EFC in fiscal 2010 was \$5,350. Students with EFCs below this level have the greatest need. The greatest number of EEA awards was made to students in the \$0 EFC category. As EFC increases, the number of EEAs decreases. As shown in Exhibit 8, MHEC was only able to award students with EFCs up to \$8,764 in fiscal 2010, though Exhibit 9 shows a small number of awards made to students with higher EFCs due to renewal awards from prior years. The average EEA award is fairly level across EFC categories, though students with \$0 EFC on average receive \$649 less than students with EFCs of \$20,000 or more. MHEC attributes this to the federal Pell Grant, which students with EFCs below \$5,350 are likely to receive. Because the EEA is based on student need after federal Pell Grants are accounted for, those with low EFCs often qualify for smaller EEA grants than they otherwise might.

Exhibit 9 excludes GA and campus-based EEAs, both components of the Educational Excellence Awards program. GA grants cover 100% of need when combined with a federal Pell Grant for the State's lowest income students. Program eligibility is determined in part by a student's total annual family income, which may not exceed 130% of the federal poverty line. Almost all students receiving aid through this program have EFCs of \$3,850 or less. Because the program covers the full cost of education, GA awards are significantly higher than EEA's which may not exceed \$3,000. Average GA awards to students with \$0 EFC are \$8,808 compared to the EEA's \$1,911 to students with the same EFC.

**Exhibit 9  
Educational Excellence Awards by Expected Family Contribution  
Fiscal 2010**



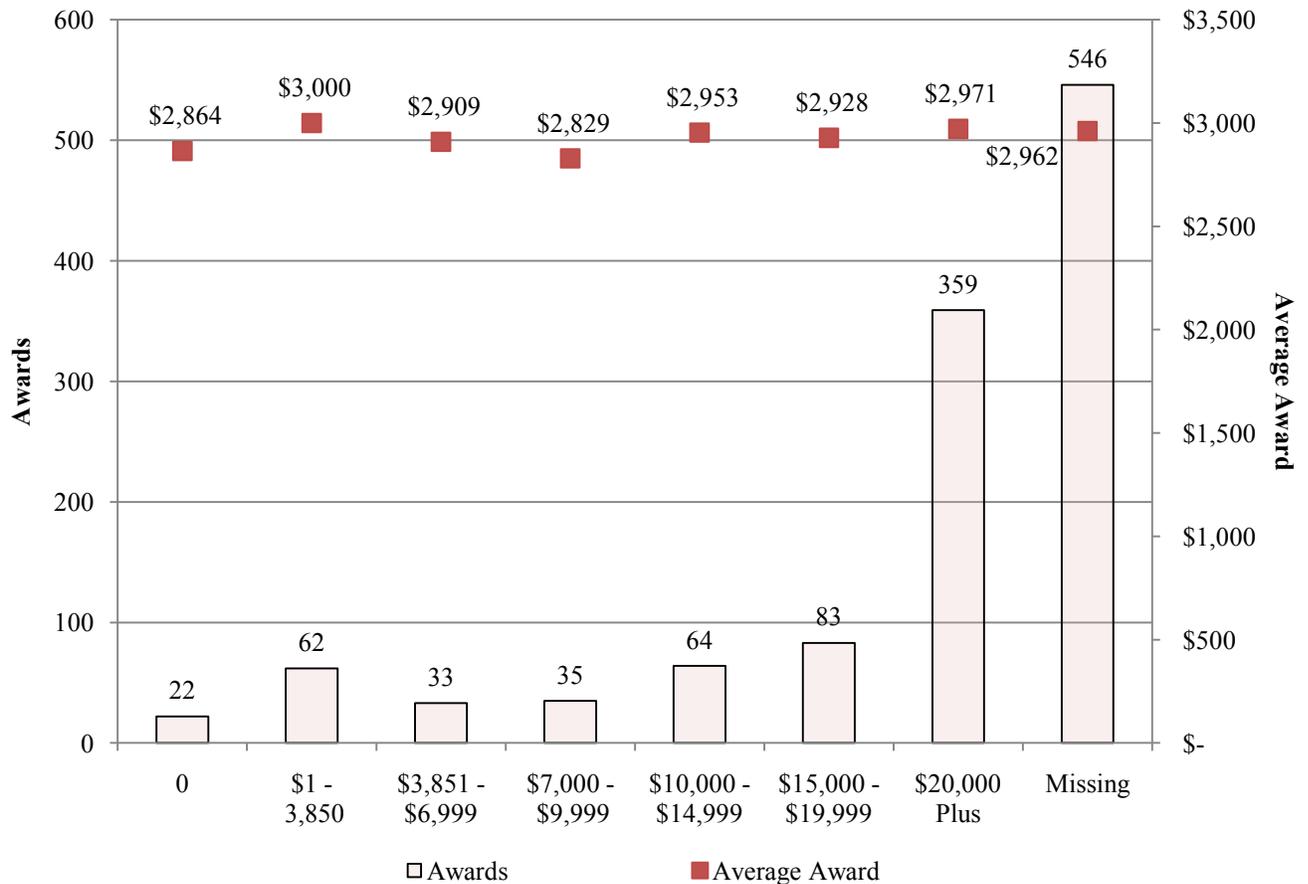
Note: Excludes campus-based Educational Excellence Awards and Guaranteed Access grant awards.

Source: Maryland Higher Education Commission; Maryland College Aid Processing System

**Merit-based Awards Largely Made to Students with Little Need**

**Exhibit 10** shows the number of recipients and average award for the Distinguished Scholar program in fiscal 2010 by EFC. The Distinguished Scholar award is a merit-based scholarship intended to encourage Maryland’s brightest students to attend college within the State. Finalists in the National Merit Scholarship and National Achievement Scholarship programs automatically receive the award if they attend a Maryland institution. More than 75% of Distinguished Scholar awards are made to students that did not file a FAFSA or have EFCs of \$20,000 or more. Because a FAFSA is required to receive both federal and State need-based aid, students that do not file one are less likely to have financial need than those that do.

**Exhibit 10  
Distinguished Scholar Awards by Expected Family Contribution  
Fiscal 2010**



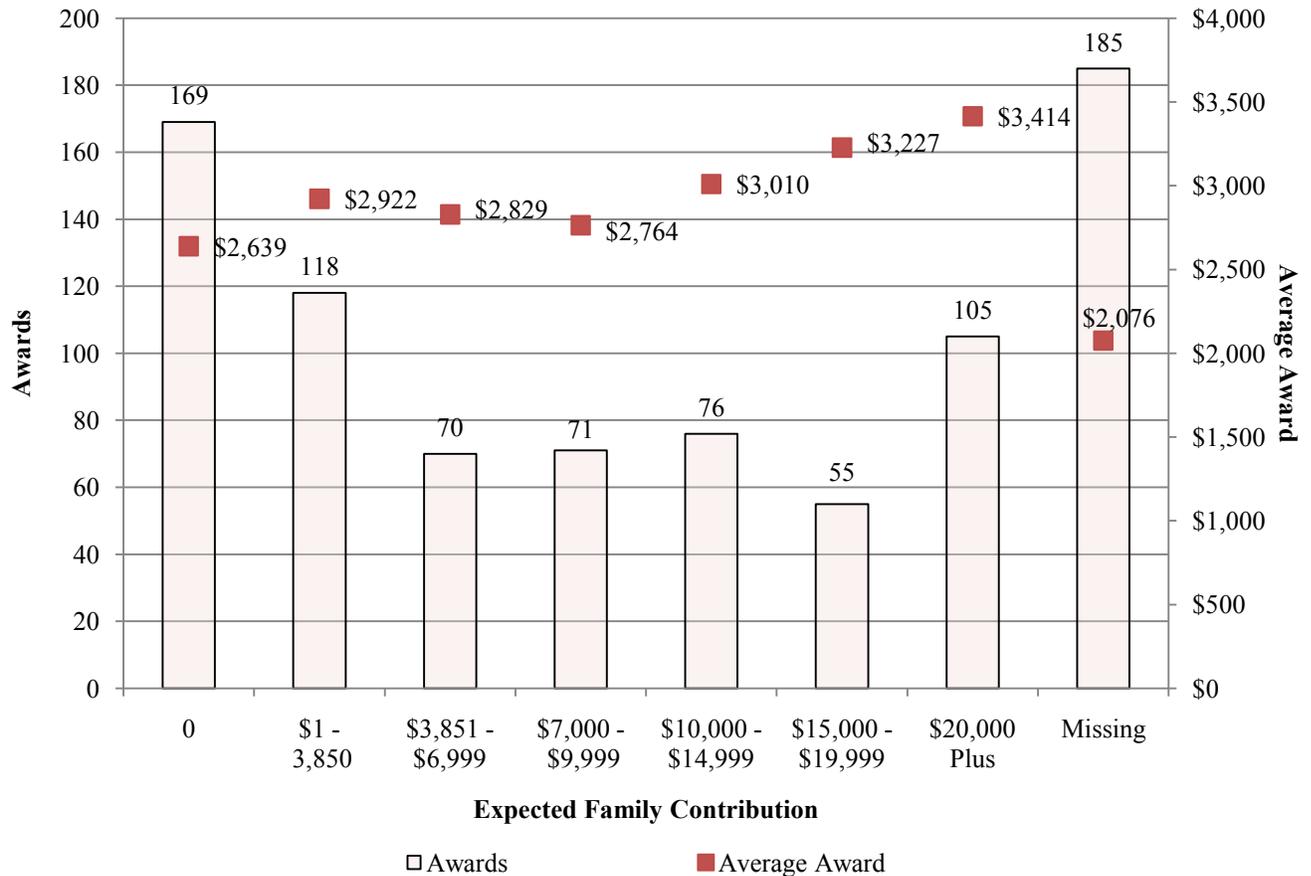
Note: Includes Distinguished Scholar Community College Transfer Awards.

Source: Maryland Higher Education Commission; Maryland College Aid Processing System

**Career-based Awards Serve Students at All Levels of Need**

**Exhibit 11** shows the number of recipients and average award for the Workforce Shortage Student Assistance Grant in fiscal 2010 by EFC. Workforce Shortage Student Assistance grants are 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. The Workforce Shortage Student Assistance Grant provides the most awards of the State’s career-based financial aid programs. Recipients are concentrated on the low

**Exhibit 11**  
**Workforce Shortage Awards by Expected Family Contribution**  
**Fiscal 2010**



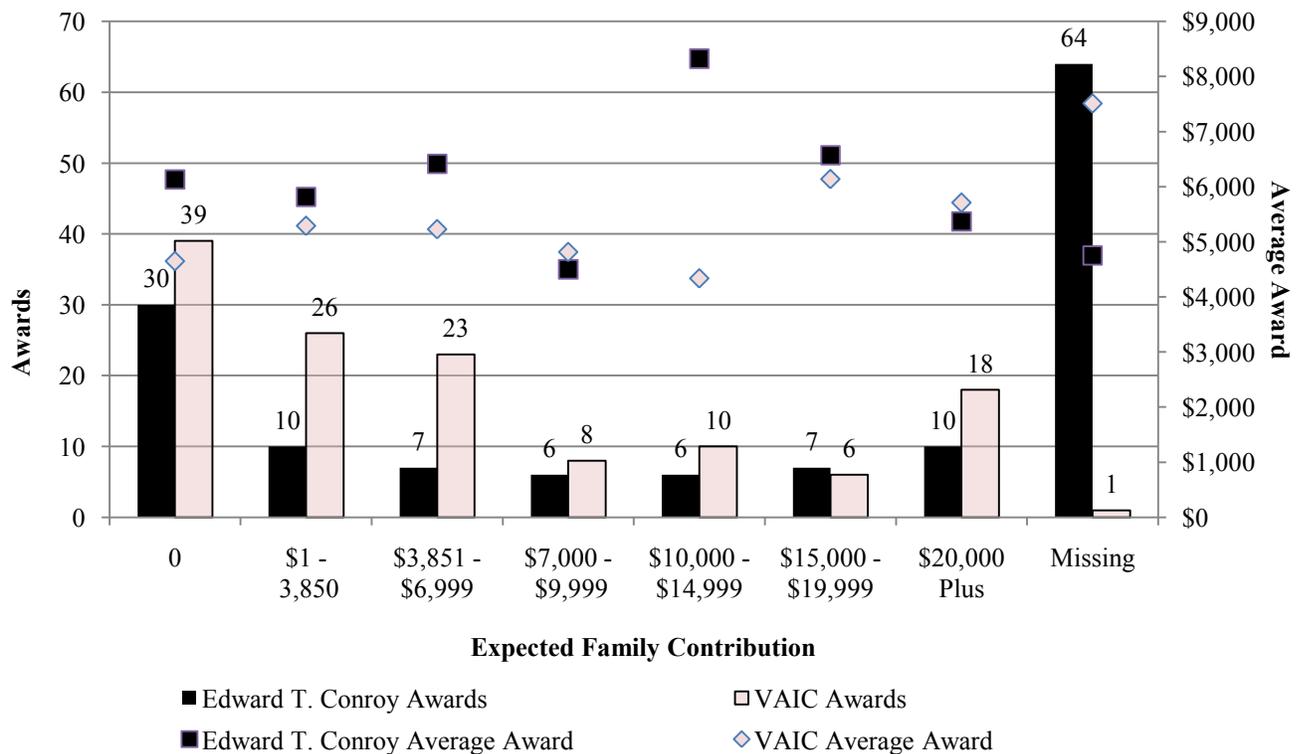
Source: Maryland Higher Education Commission, Maryland College Aid Processing System

and high ends of the EFC range; 33.8% have EFCs of \$3,850 or lower, while 34.2% have EFCs of \$20,000 or more, or did not file a FAFSA. Average Workforce Shortage Student Assistance Grant awards are fairly even across EFC categories, though awards to those with EFCs of \$20,000 or more are \$775 higher on average than those to students with \$0 EFC. MHEC attributes the difference to the EEA, which reduces the maximum Workforce Shortage Student Assistance award for which students receiving the EEA qualify.

## Awards to Students from Unique Populations Made Largely to Students with Low EFC

Exhibit 12 shows the number of recipients and average awards for the Edward T. Conroy Memorial Scholarship and the VAIC programs. The Conroy Program provides scholarships to children of certain veterans and public safety personnel and victims of the attacks of 9/11, while VAIC provides scholarships to U. S. Armed Forces personnel who served in the Afghanistan or Iraq conflicts and their children or spouses attending a Maryland postsecondary institution. Nearly 50.0% of VAIC awards were made to recipients with EFCs lower than \$3,850, and only one recipient did not submit a FAFSA. In contrast, 28.6% of Conroy awards were made to those with EFCs of less than \$3,850, and 45.7% of recipients did not file a FAFSA. MHEC attributes the difference in the number of students missing EFC data between the programs to the support systems and campus resources available to VAIC recipients, which ensure that student veterans exhaust all financial aid resources, including those that require filing a FAFSA.

**Exhibit 12**  
**Unique Population Awards by Expected Family Contribution**  
**Fiscal 2010**



VIAC: Veterans of the Afghanistan and Iraq Conflicts Scholarship Program

Source: Maryland Higher Education Commission, Maryland College Aid Processing System

## **2. Maryland College Aid Processing System Implementation**

For the 2010-2011 academic year, MHEC transitioned financial aid administration to a new web-based processing system called the Maryland College Aid Processing System (MDCAPS). The MDCAPS, which replaces the out dated system, is a \$3.3 million information technology project that automates formerly manual processes; speeds student application, award, and payment processes; and moves the award process from paper-based to electronic. The system manages almost \$110.0 million in State student financial aid each year.

Project development for the MDCAPS began in fiscal 2008 and fell a year behind schedule due to significant turnover within the vendor company and the complexity of Maryland scholarship programs. The MDCAPS was launched in the middle of the 2010-2011 awarding cycle according to a phased implementation schedule to ensure that basic awarding functions were in place first, followed by legislative and service obligation capabilities. Final system features were introduced in August 2010. Though fully implemented, the MDCAPS service contract extends through the first year of operation to address any system deficiencies. The contract includes five option years to maintain and support the system. Given its complexity, other vendors may be at a significant disadvantage in bidding future maintenance contracts due to the system integrity threat posed by programmers unfamiliar with the system.

Through the first full year of operation in fiscal 2012, the MDCAPS will be included in the Department of Information Technology budget. MHEC expects the system's annual operating costs and enhancements to total \$220,000 annually. Changes to existing federal programs such as the FAFSA or the federal calculation of EFC are considered routine maintenance and are handled at no additional cost. Changes due to the creation of new State or federal scholarship programs or to program eligibility will be considered enhancements and billed at a rate negotiated in the MDCAPS contract. The ease and expense of such enhancements will depend on their complexity. MHEC will need to ask the vendor for cost estimates in each case.

**The Secretary should comment on how MHEC will provide timely and accurate estimates of MDCAPS costs related to proposed financial aid changes during the legislative session to facilitate good decisionmaking, and specifically the impact of scholarship changes proposed in the BRFA. The Secretary should also comment on how MHEC plans to contain costs associated with system enhancements.**

### **MDCAPS and Recent MHEC Audit Findings**

A legislative audit, completed in August 2010, found issues concerning financial aid administration including:

- inadequate procedures and controls over financial aid awards and critical information maintained in its automated financial aid system;

### *R62I0010 – MHEC – Scholarship Programs*

- failure to ensure that student service obligations were fulfilled as a condition for a financial aid award or that related financial aid awards were properly recovered; and
- inadequate procedures and controls over financial aid recoveries.

MHEC reports that the implementation of the MDCAPS will resolve these audit findings. The MDCAPS allows MHEC to set user access levels based on specific staff duties, compared to the previous system, in which access was assigned on a role-based level. In addition, while Social Security numbers are maintained in the system, MHEC gives each student a unique identifier so that Social Security numbers are not used. Finally, the MDCAPS automatically tracks all changes made to student records, which cannot be deleted. To address audit concerns regarding service obligations and controls over financial aid recoveries, the MDCAPS automatically generates three reports regarding outstanding obligations, and after the third, automatically refers the outstanding obligation to the Central Collections Unit; prior to the MDCAPS, this required staff to track and manually generate outstanding obligations reports.

### **Results from the First Awarding Cycle**

The MDCAPS processed 145,944 financial aid applications and made 53,883 awards in fiscal 2011. Due to project development delays, the system was implemented in the middle of the fiscal 2011 awarding cycle, creating administrative challenges. User call load concerning questions on the web-portal, or confusion regarding email award notification posed a significant challenge to MHEC personnel. While the staff time needed to answer user questions is expected to diminish as students, parents, and institutional staff become familiar with the MDCAPS, some staff support will be required each year to field questions.

### **3. Audit Findings Concern Scholarship Accounting**

A legislative audit completed in August 2010 found that MHEC misreported unexpended scholarship funds to the budget committees in response to an information request in the 2009 *Joint Chairmen's Report* (JCR) and that no appropriate accounting mechanism exists to encumber unexpended scholarship funds, as authorized in statute.

State law provides that unawarded student financial aid appropriations are retained by MHEC to award in the following fiscal year, though no accounting mechanism exists to retain unexpended general fund appropriations. To encumber unexpended funds, MHEC created purchase orders identifying the vendor as the "State of Maryland," reallocated funds the following fiscal year to the appropriate grant programs, and processed a budget amendment reflecting the transfer. This process makes it difficult for the budget committees to monitor the use of scholarship funds across fiscal years. OLA recommended that MHEC work with the Department of Budget and Management (DBM) and the Comptroller of Maryland to identify an appropriate method for retaining unexpended scholarship funds in accordance with State law.

**DLS recommends that a special fund be created for unused scholarship funds that may not revert to the general fund under § 18-107 (b) of the Education Article. Under current law, these funds may only be used for need-based awards in future years. Establishing a special fund would provide a mechanism for MHEC to retain the funds and re-allocate them through the budget amendment process. Unexpended and encumbered funds for legislative and VAIC scholarships and the Loan Assistance Repayment Program would not be affected. Amendments would need to be adopted in the BRFA to establish such a fund.**

The audit also found that MHEC reported to the budget committees that \$4.3 million in unexpended scholarship appropriations were available at the close of fiscal 2009, though State records showed \$7.5 million in response to a 2009 JCR request for data on current year working scholarship appropriations. The Office of Legislative Audits (OLA) recommended that MHEC investigate and resolve the difference between the State's accounting records and the amounts reported to the budget committees, and report the appropriate amount in future JCR responses. In its response to the audit, MHEC noted that the disparity between stated and actual unexpended legislative scholarship funds was due to difficulty matching data obtained from the previous financial aid processing system against prior year data from State accounting records. MHEC reports that in the future, OSFA will resolve any inconsistencies with the accounting department before filing reports.

**The Secretary should comment on what caused the disparity between data from the previous financial aid processing system and the State's accounting systems, and on MHEC, DBM, and the Comptroller's Office efforts to identify an appropriate method for retaining unexpended scholarship funds. Finally, the Secretary should comment on whether the MDCAPS is expected to resolve existing data inconsistencies between the financial aid administration system and the State accounting system.**

#### **4. Federal Veterans Benefits Reduce State Scholarship Expenditures in Fiscal 2011, Expected to Increase in Fiscal 2012**

The Veterans Advocacy and Education Act of 2006 (Chapter 290 of 2006) established the State's VAIC Scholarship. The program is designed to provide financial assistance to U.S. Armed Forces personnel who served in the Afghanistan or Iraq conflicts, and children or spouses who are current high school seniors, or full- or part-time, degree-seeking undergraduate students enrolled in an eligible accredited Maryland postsecondary institution. According to statute, new awards may not be made after June 30, 2016, though MHEC may continue to fund renewal awards until student eligibility has ended.

The VAIC award maximum 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. According to statute, scholarships awarded under this program are intended to supplement any federal education benefit 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.

### *R62I0010 – MHEC – Scholarship Programs*

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 undergraduate program of study at an in-state public university, \$16,308 in Maryland for academic year 2010-2011. The Post-9/11 GI Bill marks a significant increase in federal educational support for those serving in the armed forces after 9/11. The Montgomery GI Bill, which was the primary source of federal educational aid to veterans when VAIC was created, provides a monthly sum totaling \$1,426 for full-time students who have served on active duty for at least three years.

Eligibility requirements for the Post-9/11 GI Bill and the VAIC are similar, with the primary difference being 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 priority for available funds. Between fiscal 2008 and 2011, the number of VAIC awards made to children and spouses of veterans ranged from 0 to 47 of the roughly 130 awards made annually. 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 active duty military individual may transfer any unused benefits, or the entire 36 months, if the member has used none.

MHEC began collecting information on federal benefits received by VAIC applicants in academic year 2010-2011 and awarding State funds to veterans for which federal benefits did not cover total cost, due to the increase in federal veterans aid from the Post-9/11 GI Bill. As a result, MHEC reports a reduction in demand for the program. In fiscal 2011, if all VAIC awards made to date are accepted, MHEC expects to award \$615,537 to 121 recipients, \$219,730 less than the total appropriation when prior year carry-forward funds are considered. **DLS recommends that a one-time reduction be made of \$219,730 to the fiscal 2012 VAIC appropriation to account for fiscal 2011 funds that will not be expended.**

The Post-9/11 Veterans Educational Assistance Improvements Act of 2010 changes the way federal Post-9/11 veterans' benefits are applied. Effective August 2011, institutional and State financial aid awarded through the program will be applied to the cost of tuition first, followed by federal veterans' benefits making the federal government the last payer of aid. As a result, the VAIC program which was originally intended to fill gaps in the federal program will become the first source of funds for most veterans serving after 9/11. As a result, any fiscal 2011 savings the State realizes are unlikely to persist into fiscal 2012. This change does not impact federal educational benefits awarded under the Montgomery GI bill through which some veterans serving after 9/11 continue to receive aid. **MHEC should comment on how administration of the State VAIC Scholarship Program will be impacted by the federal move to become the last payer of educational benefits to service members and veterans under the Post-9/11 GI Bill. DLS recommends that MHEC begin collecting data on the percentage of maximum benefits payable under the federal Post-9/11 GI Bill for which VAIC recipients qualify.**

## ***Recommended Actions***

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1. 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, 2011, and January 15, 2012, 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.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on current fiscal year working appropriation for Maryland Higher Education Scholarships by program	MHEC	October 15, 2011 January 15, 2012

2. Concur with the following language on the general fund appropriation:

, provided that this appropriation shall be reduced by \$340,979 contingent upon enactment of legislation authorizing the transfer of funds from the Voluntary Company Assistance Fund. Authorization is hereby provided to process a Special Fund budget amendment up to \$340,979 from the Voluntary Company Assistance Fund to support the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program.

**Explanation:** The fiscal 2012 budget bill as introduced includes a \$340,979 contingent reduction to reduce funding for the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2011 authorizing the transfer of funds from the Voluntary Company Assistance Fund. The Department of Budget and Management reports that a supplemental budget will revise this contingent language to clarify that special funds will be redirected from traffic surcharge revenues rather than transferred from the VCAF. This action concurs with that contingent reduction.

*R62I0010 – MHEC – Scholarship Programs*

3. Concur with the following language on 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 Scholar Program.

**Explanation:** The fiscal 2012 budget bill as introduced includes a \$1,050,000 contingent reduction to reduce funding for the Distinguished Scholar Program contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2011 to reduce funds for this program in each of the next four fiscal years until the program is repealed. This action concurs with that contingent reduction.

4. Concur with the following language on 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 fiscal 2012 budget bill as introduced includes a \$200,000 contingent reduction to reduce funding for the Jack F. Tolbert Memorial Student Grant Program contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2011 to delete funding for this scholarship program. This action concurs with that contingent reduction.

	<b><u>Amount Reduction</u></b>	
5. Eliminate general fund support for the Janet L. Hoffman Loan Assistance Repayment Program. Public Service Loan Forgiveness program reduces the need for this program.	\$ 1,492,895	GF
6. Reduce general fund support for the Veterans of the Afghanistan and Iraq Conflicts Scholarship. This is a one-time action to account for fiscal 2011 funds that will not be expended.	219,730	GF
<b>Total General Fund Reductions</b>	<b>\$ 1,712,625</b>	

## ***Updates***

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### **1. Workforce Shortage Student Assistance Grant Program Suspends New Awards in Fiscal 2011**

The purpose of the Workforce Shortage Student Assistance Grant Program is help meet State workforce needs in occupations with current shortages. Students agree to work in designated occupations providing service to low-income or underserved residents or areas of the State in the public sector or in a non-profit organization in exchange for financial aid through the program.

In fiscal 2011, special fund support for the Workforce Shortage Student Assistance Grant Program declined \$1.5 million due to a fiscal 2010 action that reduced general fund support and authorized a budget amendment to transfer special funds from the Nurse Support Program II (NSP II). General funds were not restored in fiscal 2011, and special funds were not available from the NSP II Program, creating a funding shortage. In response, MHEC did not accept new applications for the program in fiscal 2011 and revised program guidelines to fund renewal awards based on the priority of each student's occupation and grade level (highest to lowest) within the occupation, due to concern that sufficient funds would not be available to award all renewals.

Occupational priority was based on the proportion of funds each occupational area received of total available funding in fiscal 2009:

- nursing;
- teaching;
- human services;
- child care;
- physical and occupational therapy; and
- public service.

Despite concerns, MHEC was able to fund all renewals, awarding 419 grants in all. In fiscal 2012, MHEC will fund all renewals before making awards to new applicants if sufficient funds are available. Renewal awards will be administered using the prioritization procedure established in fiscal 2011, and new awards will use the established method of allocating funds across occupation categories based on the proportion of funds each received during the prior academic year.

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets MHEC – Scholarship Programs (\$ 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 2010</b>					
Legislative Appropriation	\$104,245	\$400	\$1,272	\$250	\$106,167
Deficiency Appropriation	-43,700	0	43,700	0	0
Budget Amendments	0	1,740	32	100	1,871
Cost Containment	-2,292	0	0	0	-2,292
Reversions and Cancellations	0	-178	0	-50	-228
<b>Actual Expenditures</b>	<b>\$58,254</b>	<b>\$1,962</b>	<b>\$45,003</b>	<b>\$300</b>	<b>\$105,519</b>
<b>Fiscal 2011</b>					
Legislative Appropriation	\$101,590	\$400	\$1,272	\$250	\$103,512
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$101,590</b>	<b>\$400</b>	<b>\$1,272</b>	<b>\$250</b>	<b>\$103,512</b>

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

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## **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 Jack F. Tolbert Memorial Student Grant Program (\$277,500), and reduced funding for the LARP (\$539,900), Workforce Shortage Student Assistance Grant Program (\$696,309), and the Distinguished Scholar Program (\$411,000). A deficiency appropriation reduced the general funds in the EEA program by \$43,700,000 and replaced them with federal funds from the Temporary Assistance for Needy Families (TANF) program.

Special funds increased \$1,739,573 to recognize carry-forward funds and funds transferred from the Department of Health and Mental Hygiene (DHMH) for the MLARP for physicians and funds transferred into the Workforce Shortage Student Assistance Grant Program to support nursing scholarships. A cancellation of \$177,873 decreased the appropriation to account for unspent funds for the LARP Physicians program.

Federal funds increased \$43,731,900 due to a deficiency appropriation that swapped general funds for federal funds from the TANF program and a budget amendment recognizing additional Leveraging Educational Assistance Partnership and Special Leveraging Education Assistance Partnership program funds for need-based aid.

Reimbursable funds increased \$100,000 to recognize DHMH funds available for the MLARP program. A cancellation of \$50,000 decreased the appropriation to account for unspent MLARP funds due to lack of a qualified applicant.

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

<u>Object/Fund</u>	<u>FY 10 Actual</u>	<u>FY 11 Working Appropriation</u>	<u>FY 12 Allowance</u>	<u>FY 11 - FY 12 Amount Change</u>	<u>Percent Change</u>
<b>Objects</b>					
02 Technical and Spec. Fees	\$ 16,242	\$ 0	\$ 0	\$ 0	0.0%
04 Travel	750	0	0	0	0.0%
08 Contractual Services	9,665	0	0	0	0.0%
09 Supplies and Materials	24	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	105,492,130	103,511,906	103,830,546	318,640	0.3%
<b>Total Objects</b>	<b>\$ 105,518,811</b>	<b>\$ 103,511,906</b>	<b>\$ 103,830,546</b>	<b>\$ 318,640</b>	<b>0.3%</b>
<b>Funds</b>					
01 General Fund	\$ 58,253,665	\$ 101,590,360	\$ 101,789,000	\$ 198,640	0.2%
03 Special Fund	1,961,700	400,000	520,000	120,000	30.0%
05 Federal Fund	45,003,446	1,271,546	1,271,546	0	0%
09 Reimbursable Fund	300,000	250,000	250,000	0	0%
<b>Total Funds</b>	<b>\$ 105,518,811</b>	<b>\$ 103,511,906</b>	<b>\$ 103,830,546</b>	<b>\$ 318,640</b>	<b>0.3%</b>

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.

**Fiscal Summary  
MHEC – Scholarship Programs**

<u>Program/Unit</u>	<u>FY 10 Actual</u>	<u>FY 11 Wrk. Approp.</u>	<u>FY 12 Allowance</u>	<u>Change</u>	<u>FY 11 - FY 12 % Change</u>
10 Educational Excellence Awards	\$ 76,459,474	\$ 76,393,170	\$ 76,396,170	\$ 3,000	0%
12 Senatorial Scholarships	6,486,000	6,486,000	6,486,000	0	0%
14 Edward T. Conroy Memorial Scholarship Program	707,100	570,474	570,474	0	0%
15 Delegate Scholarships	4,782,192	4,996,530	5,196,000	199,470	4.0%
16 Riley Fire and EMS Tuition Reimbursement Program	297,979	340,979	340,979	0	0%
17 Graduate and Professional Scholarship Program	1,475,175	1,178,303	1,174,473	-3,830	-0.3%
20 Distinguished Scholar Program	3,696,339	4,111,000	4,111,000	0	0%
21 Jack F. Tolbert Memorial Student Grant Program	0	200,000	200,000	0	0%
26 Hoffman Loan Assistance Repayment Program	1,527,299	1,492,895	1,492,895	0	0%
28 Maryland Loan Assistance Repayment Program for Physicians	701,700	650,000	770,000	120,000	18.5%
33 Part-time Grant Program	5,899,074	5,087,780	5,087,780	0	0%
36 Workforce Shortage Student Assistance Grants	2,736,479	1,254,775	1,254,775	0	0%
37 Veterans of the Afghanistan and Iraq Conflicts	750,000	750,000	750,000	0	0%
<b>Total Expenditures</b>	<b>\$ 105,518,811</b>	<b>\$ 103,511,906</b>	<b>\$ 103,830,546</b>	<b>\$ 318,640</b>	<b>0.3%</b>
General Fund	\$ 58,253,665	\$ 101,590,360	\$ 101,789,000	\$ 198,640	0.2%
Special Fund	1,961,700	400,000	520,000	120,000	30.0%
Federal Fund	45,003,446	1,271,546	1,271,546	0	0%
<b>Total Appropriations</b>	<b>\$ 105,218,811</b>	<b>\$ 103,261,906</b>	<b>\$ 103,580,546</b>	<b>\$ 318,640</b>	<b>0.3%</b>
Reimbursable Fund	\$ 300,000	\$ 250,000	\$ 250,000	\$ 0	0%
<b>Total Funds</b>	<b>\$ 105,518,811</b>	<b>\$ 103,511,906</b>	<b>\$ 103,830,546</b>	<b>\$ 318,640</b>	<b>0.3%</b>

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.