

R62I0010
Student Financial Assistance
Maryland Higher Education Commission

Operating Budget Data

(\$ in Thousands)

| | <u>FY 13</u> <u>Actual</u> | <u>FY 14</u> <u>Working</u> | <u>FY 15</u> <u>Allowance</u> | <u>FY 14-15</u> <u>Change</u> | <u>% Change</u> <u>Prior Year</u> |
|--------------------------------------|-------------------------------|--------------------------------|----------------------------------|----------------------------------|--------------------------------------|
| General Fund | \$85,927 | \$101,480 | \$100,421 | -\$1,059 | -1.0% |
| Contingent & Back of Bill Reductions | 0 | -550 | 0 | 550 | |
| Adjusted General Fund | \$85,927 | \$100,930 | \$100,421 | -\$509 | -0.5% |
| Special Fund | 14,026 | 5,390 | 1,390 | -4,000 | -74.2% |
| Adjusted Special Fund | \$14,026 | \$5,390 | \$1,390 | -\$4,000 | -74.2% |
| Federal Fund | 22 | 0 | 0 | 0 | |
| Adjusted Federal Fund | \$22 | \$0 | \$0 | \$0 | |
| Reimbursable Fund | 188 | 250 | 250 | 0 | |
| Adjusted Reimbursable Fund | \$188 | \$250 | \$250 | \$0 | 0.0% |
| Adjusted Grand Total | \$100,163 | \$106,571 | \$102,062 | -\$4,509 | -4.2% |

- The budget decreases \$4.5 million, or 4.2%, mostly due to a \$4.0 million decline in special funds, as no carry forward funds were budgeted in need-based programs.
- Cost containment of \$0.6 million reduces general funds in 2014, and general funds decrease a further \$0.5 million in 2015.
- Two special fund deficiencies are proposed in the 2015 allowance from unexpended funds appropriated in prior years:
 - \$10,000,000 – awarding additional Educational Excellence Award scholarships; and
 - \$750,000 – awarding all eligible recipients for the Veterans of the Afghanistan and Iraq Conflicts scholarships.

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

For further information contact: Garret T. Halbach

Phone: (410) 946-5530

Analysis in Brief

Major Trends

Percentage of Neediest Students with Unmet Needs Varies: The percentage of students in the lowest 40% of median family incomes with unmet need increased 3.8 percentage points from fiscal 2010 to 2012 but is expected to decline 4.1 percentage points by fiscal 2015, to 37%. This decline would come in spite of very small increases in the federal Pell grant and growing student financial need.

Number of Guaranteed Access Grant Recipients Decreases: The number of students receiving Guaranteed Access Grants increased 26.6% between fiscal 2008 and 2012, although awards fell 10.2% in 2013. The Maryland Higher Education Commission (MHEC) is not yet sure why applications and awards fell in 2013 but expects awards to increase again in fiscal 2014 and beyond.

Issues

Trends in Aid Distribution: Data collected by MHEC on recipients of State financial aid indicates that while most aid based on need is awarded to students with the lowest Expected Family Contribution (EFC) levels, State career-based financial aid and aid to students from unique populations are directed to students across all EFC levels. Also, fiscal 2013 is the first year in which no new merit-based awards were issued.

Need Met by State Aid Varies by Institution: Data from MHEC's Financial Aid Information System shows the percent of need met by State aid varies greatly by public institution. In particular, Garrett College, St. Mary's College of Maryland, and Frostburg State University appear to meet the most financial need through State programs.

Proposed Changes to Financial Aid Programs: The 2013 *Joint Chairmen's Report* requested MHEC to rethink a number of application and awarding decisions to improve the efficiency of the State's \$100 million in various financial aid programs. While MHEC proposed ideas, there is more that can be done, such as tying program changes to MHEC's research in financial aid outcomes.

Recommended Actions

1. Add language to restrict funding pending a report on changes to financial aid programs.
2. Adopt narrative requesting a report on recommendations to improve State student financial aid programs.
3. Adopt narrative requesting a report on unmet need and student success.

Updates

Recent Changes to Financial Aid Programs: The 2012 and 2013 legislative sessions brought about a few changes and new programs to MHEC – Student Financial Aid. This update will review the Nancy Grasmick Teacher Award, the Maryland First Scholarship, the Jean Cryor Memorial Scholarship, and modifications to the Charles W. Riley program, which is changing from a reimbursement award to a scholarship.

R62I0010 – MHEC – Student Financial Assistance

R62I0010
Student Financial Assistance
Maryland Higher Education Commission

Operating Budget Analysis

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 and certain unique populations and encourage students to major in workforce shortage areas. 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, 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. **Exhibit 1** shows current financial aid programs offered by OSFA.

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 budget analysis entitled *Maryland Higher Education Commission* covers the personnel associated with administration of scholarship programs, as well as other educational grant programs administered by the commission.

Exhibit 1
Scholarship Programs in Fiscal 2015

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

(Both programs end by fiscal 2016)

Distinguished Scholar Program
(not accepting new applicants)

Talent- or merit-based scholarship awarded to full-time undergraduates. Three hundred and fifty scholarships must be awarded annually. Program terminates July 1, 2015.

Distinguished Scholar Community
College Transfer Scholarship Program
(not accepting new applicants)

For Maryland students who attend Maryland community colleges and continue their education at a Maryland four-year college or university. Program defunded July 1, 2011.

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. |

Loan Assistance Repayment Programs

| | |
|---------------------------------|---|
| Janet L. Hoffman Awards | 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. |
| Nancy Grasmick Teacher Scholars | Loan repayment assistance for those who currently serve in specified public schools or teach science, technology, engineering, or math and graduated from a Maryland university. |
| 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. |
| Maryland First Scholarship | Scholarship for first-generation college students with financial need. No funding provided in fiscal 2015. |

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.

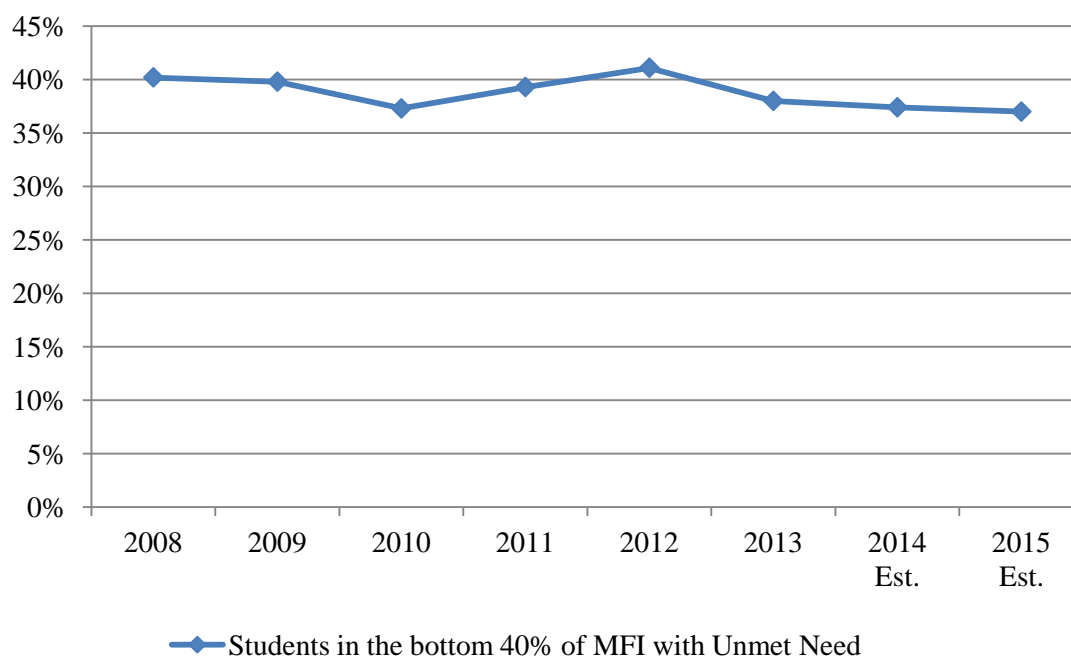
Source: Maryland Higher Education Commission

Performance Analysis: Managing for Results

1. Percentage of Neediest Students with Unmet Needs Varies

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. Although the percentage of such students with unmet need declined 2.5 percentage points in fiscal 2010, it grew 3.8 percentage points by fiscal 2012. MHEC expects the percentage to decline in fiscal 2014 and fiscal 2015 to 37%, despite growing student need and an increase of only \$85 in the maximum Pell grant in the 2014-2015 academic year. Possible contributors to the expected decline in unmet need among low-income students are an increasing reliance on student loans to finance higher education and the deferral of enrollment in higher education entirely among the neediest students. On the other hand, an ongoing research question is how students with unmet need meet that need and enroll.

Exhibit 2
Percent of Neediest Students with Unmet Need Remaining
Fiscal 2008-2015 Est.



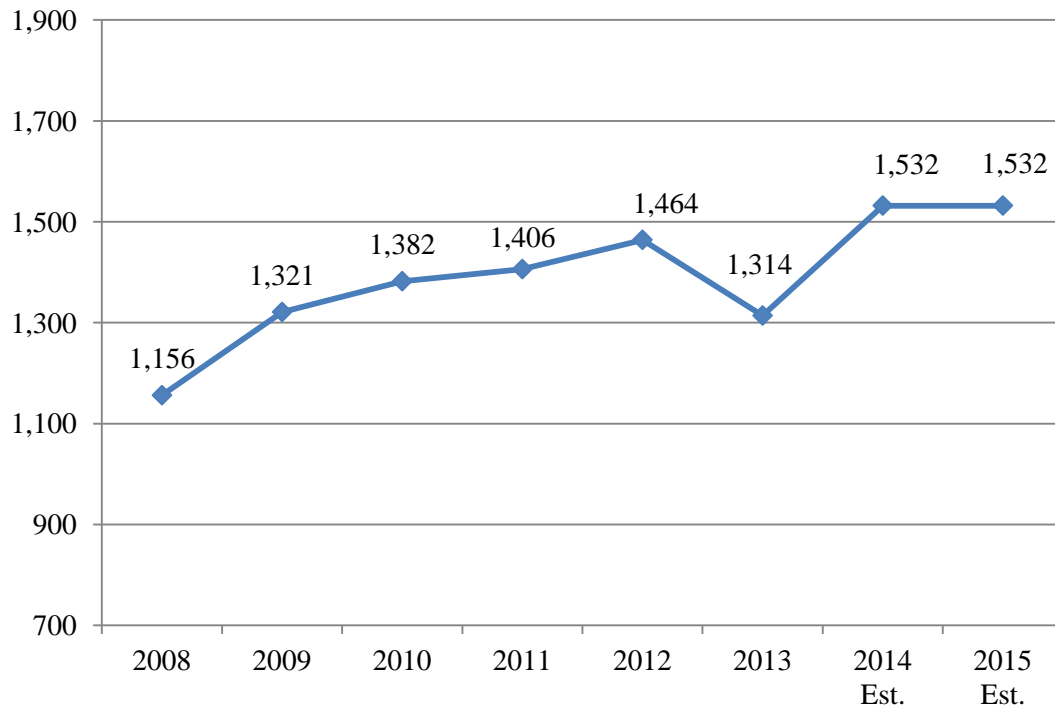
MFI: median family income

Source: Governor's Budget Books, Fiscal 2011 to 2015

2. Number of Guaranteed Access Grant Recipients Decreases

The Guaranteed Access (GA) Grant 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 and the University of Maryland University College. The maximum award in fiscal 2013 was \$15,900, and the maximum award in fiscal 2014 is \$16,100. Students that meet all program criteria, such as enrolling directly from high school and having certain family income limits, are guaranteed funding. **Exhibit 3** shows that the number of GA grants awarded increased 14.3% between fiscal 2008 and 2009, although growth slowed from fiscal 2010 to 2012, before dropping 10.2% in fiscal 2013. MHEC estimates strong growth of 16.6% in fiscal 2014 before holding steady in 2015. The drop in 2013 is related to an unforeseen decline in applications.

Exhibit 3
Guaranteed Access Grants Awarded
Fiscal 2008-2015 Est.



Source: Governor's Budget Books, Fiscal 2011 to 2015

Fiscal 2014 Actions

Proposed Deficiency

Two deficiencies appropriate a net increase of \$10,750,000 into MHEC Student Financial Assistance. These actions transfer \$10.0 million and \$0.75 million from the Need-based Student Financial Assistance Fund (NBSFAF) to EEA and the Veterans of the Afghanistan and Iraq Conflicts (VAIC) scholarship program, respectively. The 2014 action fully funds VAIC but leaves many students remaining on the EEA waitlist. Such deficiencies have become standard operating procedure to cover more awardees in EEA and VAIC in recent years. These deficiencies are greater than the deficiencies for EEA and VAIC in fiscal 2013 when they received \$6.5 million and \$150,000, respectively.

Cost Containment

Cost containment totaling \$550,000 is associated with the Distinguished Scholars (DS) program. As noted in Exhibit 1, this merit-based program will sunset after the close of fiscal 2015. Due to a budgeting error made in the final year of making new DS awards in fiscal 2012, there is more funding than necessary for the program. This action leaves only the necessary amount of funding in fiscal 2014. If this action was not taken, the funding would have been unspent in DS and reverted to OSFA's NBSFAF at the close of the fiscal year. Within USM, \$3.0 million in Higher Education Investment Funds (HEIF) was restricted to be transferred only to EEA for additional 2014 awards. This funding has not been transferred and will be canceled at the end of the year due to an expected shortfall in HEIF attainment. This cost containment action effectively reduces the amount available for EEA in fiscal 2014.

Proposed Budget

General funds decrease \$509,000, or 0.5%, in the Governor's proposed fiscal 2015 budget, after accounting for the fiscal 2014 withdrawn DS appropriation, as shown in **Exhibit 4**. General fund changes include the Delegate Scholarships increasing to accommodate the planned 3.0% in-state undergraduate increase at public four-year institutions in Maryland, as required by statute; an increase of \$45,000, or 0.1%, in support for EEA; and the phasing out of the DS program. Special funds decrease exactly \$4.0 million, or 74.2%, due to a decline in the budgeted transfer of special funds in EEA. If the proposed deficiencies are added in, the change from fiscal 2014 to 2015 is an even more pronounced decline than shown here. The Administration plan would have \$16.1 million in special funds available for fiscal 2014 versus \$1.4 million for fiscal 2015.

Exhibit 4
Proposed Budget
MHEC – Student Financial Assistance
(\$ in Thousands)

| How Much It Grows: | <u>General Fund</u> | <u>Special Fund</u> | <u>Federal Fund</u> | <u>Reimb. Fund</u> | <u>Total</u> |
|----------------------------|----------------------------|----------------------------|----------------------------|---------------------------|---------------------|
| 2014 Working Appropriation | \$100,930 | \$5,390 | | \$250 | \$106,571 |
| 2015 Allowance | <u>100,421</u> | <u>1,390</u> | | <u>250</u> | <u>102,062</u> |
| Amount Change | -\$509 | -\$4,000 | | \$0 | -\$4,509 |
| Percent Change | -0.5% | -74.2% | | | -4.2% |

Where It Goes:**Other Changes**

| | |
|---|-----------------|
| Delegate Scholarships increase to accommodate 3% undergraduate resident tuition increase..... | \$165 |
| Educational Excellence Awards (EEA) general funds increase | 45 |
| Distinguished Scholarships program phasing out..... | -720 |
| Decline in special fund support to EEA Program | -4,000 |
| Total | -\$4,509 |

Note: Numbers may not sum to total due to rounding. The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions.

Need-based Student Financial Assistance Fund

A 2010 legislative audit from the Office of Legislative Audits (OLA) reported on nonstandard accounting practices that MHEC used to transfer unexpended scholarship funds into future fiscal years. The Budget Reconciliation and Financing Act of 2011 required MHEC to work with the Department of Budget and Management and the Comptroller of Maryland to create a new fund for unspent scholarship aid. Through the new NBSFAF, unused scholarship funds are now deposited into the fund at the close of each fiscal year to be used for future need-based and certain unique population awards. Special funds can be appropriated in the annual State budget or recognized by budget amendment in the following fiscal year, creating a process for MHEC to encumber unexpended scholarship funds while greatly improving administrative transparency.

Exhibit 5 shows the current status of the NBSFAF. It began with nearly \$9.9 million in carry forward funds from fiscal 2011. While MHEC would like to keep a fund balance at the end of the fiscal year to ensure that it does not over award financial aid in any given year and require a general fund deficiency, MHEC allowed fund balance to grow significantly in fiscal 2012 through 2014. Due to a loss of \$1.2 million in federal funds in fiscal 2013, MHEC budgeted \$10.8 million in total to cover the loss of federal grants and to make more awards. MHEC would also like to transfer additional funds to VAIC, as well as \$10.0 million to EEA through a fiscal 2014 deficiency appropriation (discussed above).

Exhibit 5
Need-based Student Financial Assistance Fund
Fiscal 2011-2015

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014*</u> | <u>2015</u> |
|----------------------------|--------------------|---------------------|---------------------|---------------------|--------------------|
| Opening Balance | \$0 | \$9,868,419 | \$17,662,274 | \$17,221,337 | \$4,094,376 |
| Deposits | \$9,868,419 | \$8,296,361 | \$10,369,630 | \$1,623,038 ** | |
| Withdrawals | | | | | |
| EEA | | | \$10,560,567 | \$14,000,000 | |
| Edward T. Conroy | | \$300,000 | 100,000 | | |
| VAIC | | 202,506 | 150,000 | 750,000 | |
| <i>Withdrawal Subtotal</i> | <i>\$0</i> | <i>\$502,506</i> | <i>\$10,810,567</i> | <i>\$15,300,000</i> | |
| Ending Balance | \$9,868,419 | \$17,662,274 | \$17,221,337 | \$4,094,337 | |

EEA: Educational Excellence Awards

VAIC: Veterans of the Afghanistan and Iraq Conflicts Scholarship Program

*Includes proposed deficiencies.

**Does not include awards cancelled in fiscal 2014.

Source: Maryland Higher Education Commission

In an October 2013 audit report for MHEC, OLA had its first opportunity to review use of the NBSFAF following OLA's call for its creation in the 2010 audit. Finding 1 in the new report raised concerns over the amount of funding building up in the NBSFAF. In academic year 2012-2013, there were over 16,000 applicants on the waiting list and fund reserves of over \$17 million, as shown in Exhibit 5, but little funding was appropriated until deficiencies for fiscal 2013 were included in the fiscal 2014 budget bill. Concerns over funds building up in the NBSFAF were raised by the Department of Legislative Services (DLS) in operating budget analyses for fiscal 2013 and 2014. Of the remaining eight OLA findings, four also dealt with OSFA and two more with information technology (IT) that OSFA uses. As four repeat findings were identified, funding is restricted in MHEC's administration budget pending corrective actions. Further discussion is in the MHEC Administration budget analysis.

Sources of Revenue for the NBSFAF

Whereas \$4.0 million from the NBSFAF was budgeted directly into the fiscal 2014 allowance for EEA, none is budgeted in fiscal 2015 despite a minimum of \$4.1 million available before any final fiscal 2014 cancellations are reverted to the NBSFAF. MHEC reports that about 40% of need-based awards were not accepted in the first awarding round in fiscal 2014, despite strong evidence of student need, as shown in Exhibit 2. Approximately \$8.0 to \$10.0 million has been added to the NBSFAF each year in fiscal 2010 to 2012. While MHEC typically overawards, it has not done so at a high enough rate to actually reduce the balance in NBSFAF.

MHEC reports that approximately \$2.5 million in funds from fiscal 2013 will still accrue to the NBSFAF. This resulted from awardee rosters being sent to institutions for certification of enrollment, but the schools' approvals were not submitted back to MHEC in time to be paid out in fiscal 2013. As of February 2014, only about \$0.9 million of that amount had been certified, which leaves a balance of \$1.6 million to be transferred back to the NBSFAF from the final round of fiscal 2013 awards, as shown in Exhibit 5. MHEC is currently exploring why so many schools failed to certify their award rosters, which essentially leaves financial aid unclaimed. This may, in fact, reflect the rate of actual cancellations, but if institutions failed to certify awards due to oversight at the schools' end, MHEC should consider allowing institutions to reinstate some awards. Solving this roster certification issue will be critical for improving the outcomes of State financial aid.

A significant amount of scholarship aid will likely be transferred to the NBSFAF at the end of fiscal 2014, given how late in the academic year the \$10 million deficiency for additional EEA funds will be made available. The timing of MHEC's awarding cycle and the State's budgeting cycle can create difficulties in ensuring that funding is available at the right times of the year to make awards to students. If a student were to receive an award late into a semester, it is of significantly less use because the student has already decided whether to enroll and, if the student did enroll, that financial need was already covered through other means, such as student loans. Receiving a State award after a loan has already been drawn creates burdens for the student to figure out how to align the State award with other educational finances.

MHEC reports that out of the fiscal 2014 appropriation of \$80.9 million in EEA, \$13.6 million has been certified and disbursed as financial aid through GA and \$56.9 million has also been disbursed through EAG. This leaves about \$4.5 million in the general fund appropriation, as well as the initial \$4.0 million special fund appropriation and the \$10.0 million deficiency, for additional EAG awards in fiscal 2014. From this balance, MHEC made initial waitlist awards in November 2013 totaling about \$22.0 million for the spring 2014 semester. Institutions will certify spring semester enrollment status for awards from January to March 2014. However, it seems likely that this action will not overaward aggressively enough to spend down the balance given the prior cancellation rate of about 40%. This means the cycle of funds out of, and back into, the NBSFAF will repeat.

Given that the spring academic semester is already well underway and that there generally has not been a shortage of students with financial need to make awards to, the Secretary should comment on why the \$10 million from the NBSFAF to EEA was not appropriated via budget amendment earlier in fiscal 2014 so as to align with the beginning of

the academic year. As also occurred last year, using a deficiency request significantly delays when later rounds of awarding may be disbursed to students. The Secretary should also comment on how MHEC can work with institutions to speed up the process for certifying student enrollment, which has led to delays in receiving, and cancellations of, EEA awards.

Conroy Awards

Conroy awards were decentralized from MHEC to institutions in fiscal 2009 because of a growing waitlist of eligible students. Under the new system, students apply for Conroy aid at a particular institution and, if eligible, the institution immediately covers the cost of the award. Institutions submit the number of awards made to MHEC in October and February of each fiscal year to receive reimbursement. As a result of decentralization, MHEC cannot limit the number of applicants awarded by the institutions, so expenditures have not been aligned with appropriations.

MHEC allocates funding on a pro-rata basis to institutions when the appropriation is not sufficient to cover all of the eligible reimbursements. In that case, MHEC is to allocate the next year's funding to institutions with an outstanding prior year obligation before funding new awards. As an eligible unique population program, MHEC also has the ability to transfer NBSFAF monies to cover shortfalls. As shown in **Exhibit 6**, the fiscal 2015 allowance and fiscal 2014 working appropriation for the Conroy program are both about \$95,000 below the fiscal 2013 actual. In the past four years, the legislative appropriation was kept flat at \$570,474, and in each year MHEC transferred unexpended prior year funds to fully fund the program. In fiscal 2012, \$300,000 was needed to supplement the appropriation, and in fiscal 2013, \$100,000 was transferred.

Exhibit 6 Conroy Award Funding Fiscal 2013-2015

| | 2013 Actual | | 2014 Working | | 2015 Working | |
|-----------------------------------|----------------------|-------------|----------------------|-----------------------|----------------------|-----------------------|
| | <u>Appropriation</u> | <u>Rec.</u> | <u>Appropriation</u> | <u>Proj. Rec.</u> | <u>Appropriation</u> | <u>Proj. Rec.</u> |
| Appropriation | \$570,474 | 75 | \$570,474 | 80 | \$570,474 | 80 |
| Actual/ Commitments to Date | 670,474 | 97 | 559,225 | 151 | | |
| Difference | \$100,000 | 22 | -\$11,249 | 71 | | |

Rec: Recipients

Source: Maryland Higher Education Commission

In fiscal 2014, MHEC spent down all but about \$11,000 of the total Conroy appropriation just for fall 2013 awards. This means if MHEC expects to make spring 2014 reimbursements to institutions for Conroy awards, it will need to bring in funds from the NBSFAF once again to meet all the need. The number of recipients is estimated to remain the same in fiscal 2015; however, the budget only allows for 80 recipients, so it seems likely this situation will repeat itself again next fiscal year.

Federal Budget Impacts

The Pell grant, a federal program, is an extremely important source of need-based aid for many Maryland students. Because State need-based programs 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 each year. For the 2013-2014 academic year, the maximum Pell grant increased \$95, or 1.7%, following three years of no adjustment and rising tuition and fees at Maryland's higher education institutions. The Pell grant was excluded from federal government sequestration, although other forms of federal aid, such as the TRIO program, have been affected.

As mentioned in prior budget analyses, recent federal actions significantly restricted eligibility retroactively by reducing the number of full-time semesters that a student may receive a Pell grant from 18 to 12 and dropping the Automatic Zero Expected Family Contribution (EFC) threshold from \$30,000 to \$23,000 adjusted family income. Additionally, Congress eliminated the "double Pell grant" wherein students could receive a second Pell award within a single year to pursue summer coursework to expedite graduation. All three rule changes went into effect on July 1, 2012.

Need-based Financial Aid Appropriations Are Not Growing with Tuition Increases at Public Four-year Institutions

In fiscal 2012, two large federal programs, the Leveraging Educational Assistance Partnership and the Special Leveraging Educational Assistance Partnership, concluded. In fiscal 2013, MHEC covered this loss of \$1.2 million in federal funds in EEA by using special funds from the NBSFAF. In fiscal 2014, funding increased dramatically due to the use of NBSFAF funds, although this goes well beyond the level of support previously provided by federal funding.

For need-based aid in the 2015 allowance, general fund support increases about \$45,000, and support from the NBSFAF is reduced from \$4.0 million in the 2014 allowance to \$0 in the 2015 allowance. As shown in **Exhibit 7**, when accounting for the 2014 deficiencies, need-based aid overall decreases 14.4% in fiscal 2015, so that need-based aid does not keep pace with an expected 3.0% increase in in-state undergraduate tuition at public four-year institutions in fiscal 2015. 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. While the 2013 State Plan recommends further consideration of the Maryland Model, it puts forth no direct guidance or benchmarks for OSFA's programs. Overall, need-based aid accounts for 81.6% of all aid in fiscal 2015 compared to 54.5% in fiscal 2003.

Exhibit 7
State Financial Aid Expenditures
Fiscal 2011-2015
(\$ in Thousands)

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>Working</u> <u>2014</u> | <u>Allowance</u> <u>2015</u> | <u>\$ Change</u> <u>2014-15</u> | <u>% Change</u> <u>2014-15</u> |
|--------------------|-----------------|-----------------|------------------|-------------------------------|---------------------------------|------------------------------------|-----------------------------------|
| Need-based Aid | \$77,350 | \$76,422 | \$79,868 | \$97,226 | \$83,271 | -\$13,955 | -14.4% |
| Merit-based Aid | 3,536 | 3,386 | 3,061 | 1,491 | 771 | -\$720 | -48.3% |
| Career-based Aid | 3,630 | 3,874 | 3,729 | 4,388 | 4,388 | \$0 | 0.0% |
| Legislative | 11,145 | 11,532 | 11,786 | 11,946 | 12,111 | \$165 | 1.4% |
| Unique Populations | 1,740 | 1,740 | 1,719 | 2,270 | 1,520 | -\$750 | -33.0% |
| Total | \$97,401 | \$96,954 | \$100,163 | \$117,321 | \$102,061 | -\$15,260 | -13.0% |

Note: Fiscal 2014 working appropriation includes deficiencies but does not include \$10.9 million in legislative carry-forward funds.

Source: Financial Management Information System; Maryland Higher Education Commission

After accounting for approximately \$10.9 million in legislative carry forward funds, legislative awards increase about \$165,000, or 1.4%, as the Delegate scholarships accommodate the projected 3.0% increase in undergraduate resident tuition at public four-year institutions. Maryland is the only state to fund and operate a legislative scholarships program following the end of a similar program in Illinois in 2012.

Career-based aid is flat in fiscal 2015, whereas it had increased in some prior years due to more revenue available from the State Board of Physicians for the loan assistance repayment program (LARP) for physicians. As shown in Exhibit 7, funding for unique populations decreases by \$750,000 due to deficiency funds from the NBSFAF counted in fiscal 2014 toward the VAIC program; otherwise, it would be flat funded.

MHEC did not provide fiscal 2015 estimates for recipients and awards. Overall, MHEC expects to award aid to over 62,000 recipients in fiscal 2014, or 13.6% more than in fiscal 2012, as shown in **Exhibit 8**, mostly due to an increase in EAG. This reflects the additional awards made in fall 2013 for the spring semester using funds from declined or cancelled awards. Average need-based awards are expected to decrease substantially in fiscal 2014, down almost \$700, or 19.1%, on average. However, the number of awards grows almost 5,500 over the prior year, or 14.4%. Merit-based programs show a decrease in fiscal 2014 to reflect the phasing out of the DS program. The number of awards made through career programs declines 14.8%, while award sizes also decline 8.5%. In fiscal 2014, unique populations are the only programs where the average award size is increasing, up \$334, or 11.5%.

Exhibit 8
Recipients of Student Financial Assistance
Fiscal 2012-2014

| <u>Program</u> | 2012 Actuals | | 2013 Actuals | | 2014 Working | |
|----------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|--------------------------------|
| | <u>Recipients</u> | <u>Avg. Award</u> | <u>Rec.</u> | <u>Avg. Award</u> | <u>Proj. Rec.</u> | <u>Proj. Avg. Award</u> |
| Need-based Aid | | | | | | |
| Educational Assistance | | | | | | |
| Grant | 25,747 | \$2,231 | 25,698 | \$2,109 | 31,445 | \$1,556 |
| Campus-based Educational | | | | | | |
| Assistance Grant | 1,072 | 1,939 | 1,133 | 1,765 | 783 | 1,662 |
| Guaranteed Access Grant | 1,464 | 10,244 | 1,316 | 11,350 | 1,373 | 8,522 |
| Part-time Grant Program | 9,546 | 531 | 9,214 | 552 | 9,214 | 552 |
| Graduate and Professional | | | | | | |
| Scholarship | 539 | 2,364 | 478 | 2,457 | 478 | 2,457 |
| <i>Subtotal</i> | 38,368 | \$2,077 | 37,839 | \$3,647 | 43,293 | \$2,950 |
| Legislative Programs | 14,110 | 817 | 17,637 | 687 | 17,131 | 516 |
| Merit-Based Programs | 1,150 | 2,944 | 772 | 2,947 | 484 | 1,714 |
| Career and Occupational | | | | | | |
| Programs | 664 | 4,982 | 943 | 5,880 | 803 | 5,379 |
| Unique Population Programs | 577 | 3,016 | 632 | 2,895 | 618 | 3,229 |
| Total | 54,869 | \$1,757 | 57,823 | \$1,825 | 62,329 | \$41,858 |

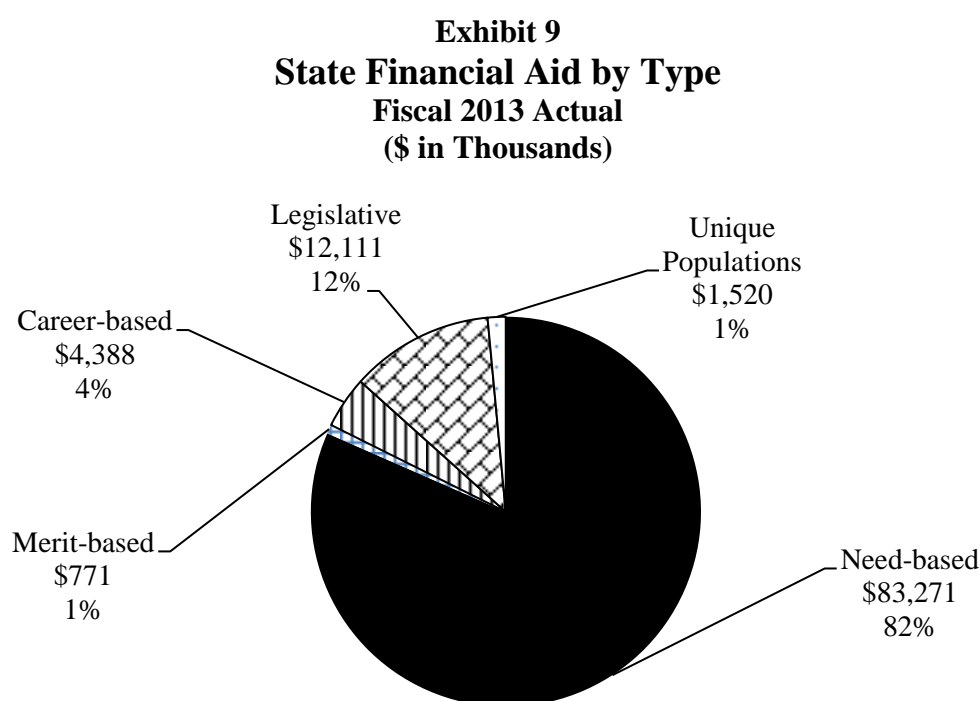
Source: Maryland Higher Education Commission

Issues

1. Trends in Aid Distribution

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 twenty-seventh most expensive in fiscal 2013. This is due, in part, to the multi-year tuition freeze and a 3% increase cap at most 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 9** shows the amount of State funds awarded by aid type in fiscal 2013. Need-based aid represents the largest proportion of State financial aid, at 82%, followed by legislative aid, at 12%, career-based aid, at 4%, merit-based aid, at 1%, and aid to unique populations, at 1%. The only change from the prior year was career-based aid growing one percentage point, due to the decline of merit-based aid.



Source: Maryland Higher Education Commission

Need is determined by a student's Expected Family Contribution (EFC), which is the amount of money that a family is expected to contribute toward 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 family's taxable income, 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 certain 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 Far Fewer Students

Exhibit 10 shows trends in the EAG appropriations and applicants from fiscal 2009 to 2014. EAG grants account for about 70.0% of all EEA funding. While appropriations for EAG remained fairly constant, student need grew significantly over this period, given increases in tuition and other costs as well as decreases in some family incomes and assets due to the Great Recession. The number of EAG applicants increased over 75.0% between fiscal 2009 and 2014, and those applying demonstrated greater financial need due to the economic recession. Currently, over 50,000 students have applied in fiscal 2014 with \$0 EFC. This figure has grown over 200.0% between fiscal 2009 and 2014, while the appropriation has grown only 5.5%. As a result of this growing need, EAG aid had become more concentrated in lower EFCs each year. In fiscal 2014, to date, MHEC has awarded EAG grants to students with EFCs up to \$10,700, which is similar to levels reached in fiscal 2009 because its re-awarding cycle in winter 2013-2014 assumes the \$10 million deficiency. From fiscal 2010 through 2013, the EFC awarded had dropped to as low as \$1,500, with the waitlist growing to over 30,000. As of February 2014, the waitlist has declined to under 10,000, due to more aggressive awarding and low cancellation rates, although some students that dropped off the list ceased to qualify for aid because they did not enroll full-time at Maryland institutions.

The Secretary should comment on what expectations MHEC relays to students on the waitlist concerning the likelihood and timing of receiving an award.

Exhibit 10
Educational Assistance Grants
Fiscal 2009-2014

| Educational Excellence Awards, 2009-2014 | | | | | | | | % Increase |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|-----------------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2009-14</u> | <u>2013-14</u> |
| Approp. (\$ in Millions) | \$76.7 | \$76.5 | \$77.3 | \$75.1 | \$76.4 | \$91.0 | 5.5% | 6.0% |
| EAG Applicants | 109,300 | 129,300 | 145,944 | 170,489 | 178,603 | 192,900 | 76.5% | 8.0% |
| Applicants with \$0 EFC | 15,942 | 24,672 | 26,112 | 38,282 | 35,795 | 50,535 | 217.0% | 41.2% |
| Final EFC Awarded ² | \$10,030 | \$8,764 | \$5,516 | \$1,500 | \$3,750 | \$10,709 | 6.8% | 185.6% |
| Waitlist ¹ | 4,846 | 11,333 | 18,504 | 31,000 | 30,865 | 9,764 | 101.5% | -68.4% |

EAG: Educational Excellence Award Grant

EEA: Educational Excellence Award

EFC: Expected Family Contribution

¹ As of May 1, students are eligible for the EEA and are placed on the waitlist for receiving an award 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.

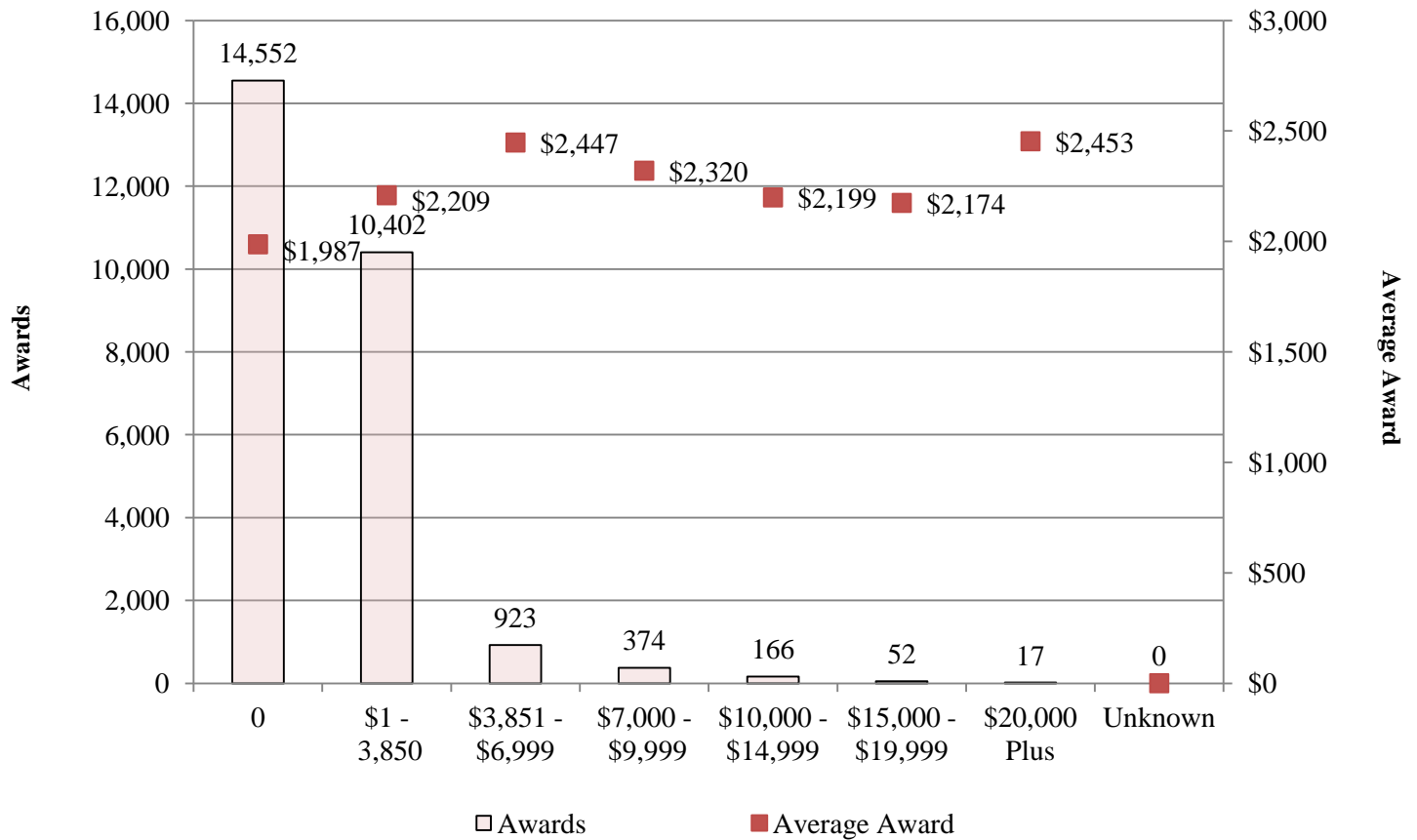
² The numbers are as of the last round of awards in December 2013.

Note: 2014 includes deficiency.

Source: Maryland Higher Education Commission

The EAG 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 fixed at \$3,000. From fiscal 2010 to 2013, after GA awards, about \$55 to \$60 million remained in the EEA appropriation for EAG. **Exhibit 11** shows the number of recipients and average award in fiscal 2013 by EFC category. The EFC maximum for federal Pell grant eligibility increases periodically, with the maximum EFC in fiscal 2014 of \$5,081. Students with EFCs below this level have the greatest need. The greatest number of EAGs were made to students in the \$0 EFC category. As the EFC increases, the number of EAGs decreases. As shown in Exhibit 10, MHEC was only able to award students with EFCs up to \$3,750 in fiscal 2013, although Exhibit 11 shows a small number of awards made to students with higher EFCs due to renewal awards from prior years, as Pell students have a lifetime eligibility of up to six years of full-time Pell assistance. The average EAG has a distinct wave pattern across EFC categories, as students with \$0 EFC, on average, receive \$466 less than students with EFCs of \$20,000 or more. MHEC attributes this to the federal Pell grant, which students with EFCs below \$5,085 are likely to receive. Because the EAG is based on student need after federal Pell grants are accounted for, those with low EFCs often qualify for smaller EAG. However, it is not clear why the highest EFC category shows an increase over the preceding EFC category.

Exhibit 11
Educational Assistance Awards by Expected Family Contribution
Fiscal 2013

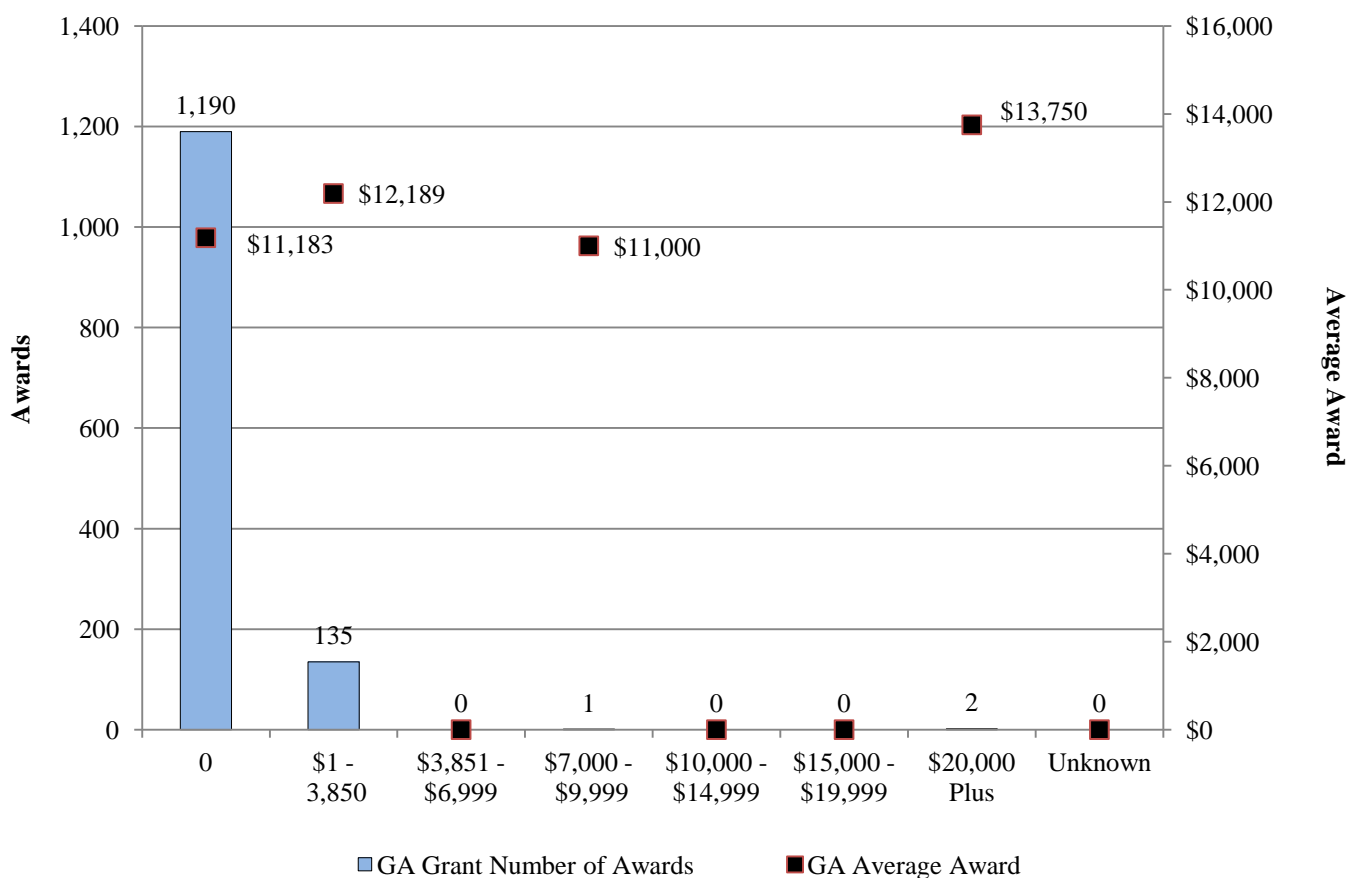


Note: Does not include campus-based Educational Excellence Awards and Guaranteed Access Grants awards.

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

Exhibit 12 shows GA grants, which 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 level for initial awardees and 150% of the federal poverty level for renewals. 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 with \$0 EFC are \$11,183, compared to the EAG’s \$1,987 to students with the same EFC. About 55% of EAG recipients had a \$0 EFC versus about 90% for GA recipients. The three GA awards made to higher EFCs are likely older awards passing through the system that have seen EFC changes occur.

Exhibit 12
Guaranteed Access Grant Awards by EFC
Fiscal 2013



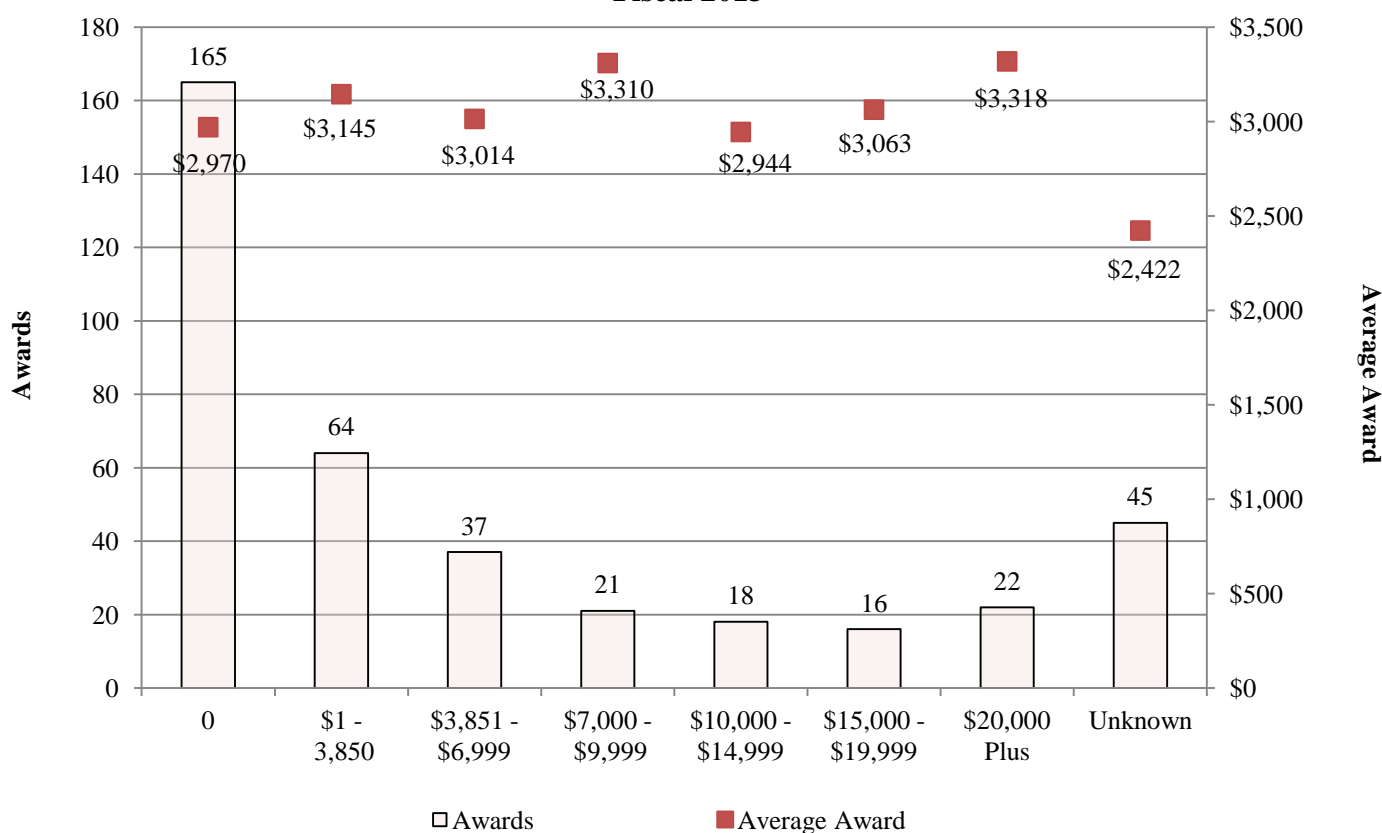
GA: Guaranteed Access

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

Career-based Awards Serve Students at All Levels of Need

Exhibit 13 shows the number of recipients and average award for the Workforce Shortage Student Assistance Grants in fiscal 2013 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 end of the EFC range; 42.5% have EFCs of \$3,850 or lower, while 26.0% have EFCs of \$10,000 or more, or did not file a FAFSA (*i.e.*, unknown). Average Workforce Shortage Student Assistance Grant awards are fairly even across EFC categories. MHEC attributes the difference to the type of institution that the student attends, which determines the student's actual award amount.

Exhibit 13
Workforce Shortage Awards by EFC
Fiscal 2013



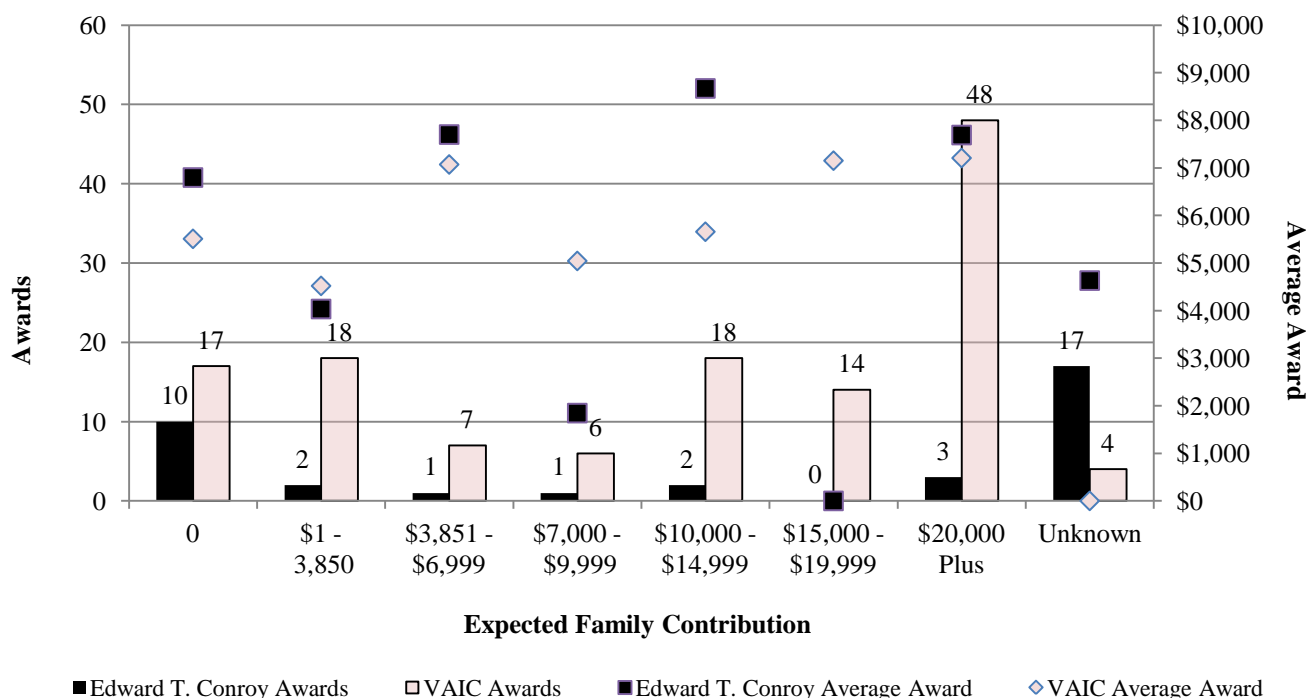
EFC: Expected Family Contribution

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

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

Exhibit 14 shows the number of recipients and average awards for the Conroy Memorial Scholarship and the VAIC program. 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. These two programs are, by number of awardees, the smallest programs at MHEC. Over 60% of VAIC awards were made to recipients with EFCs of \$10,000 or more. Only four awardees did not submit a FAFSA. In contrast, 27.8% of Conroy awards were made to those with EFCs of less than \$3,850, and 47.2% 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 14
Unique Population Awards by EFC
Fiscal 2013



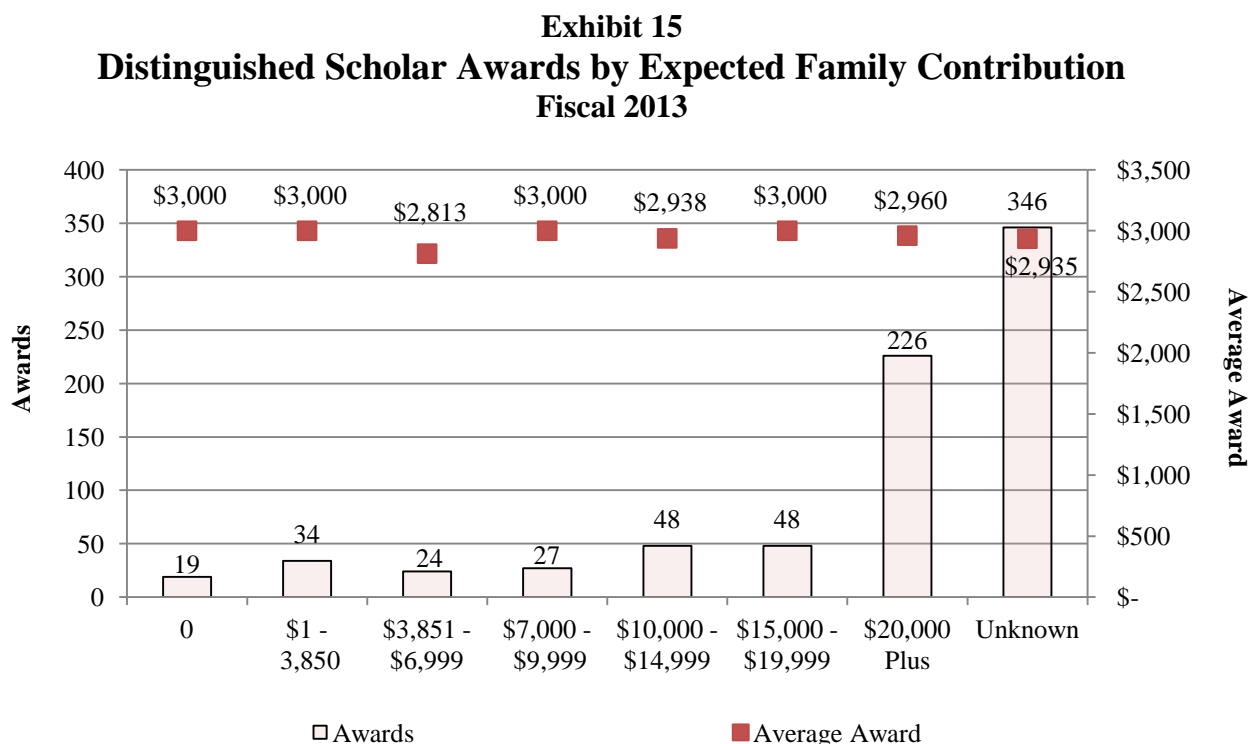
VAIC: Veterans of the Afghanistan and Iraq Conflicts Scholarship Program

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

Distinguished Scholars Winding Down

The DS Program awarded merit-based scholarships of up to \$3,000 for Maryland residents to attend in-state institutions full-time. The scholarship was renewable for three additional years if the student maintained a 3.0 grade point average for each academic year and remained a full-time student. Three hundred-fifty new scholarships were awarded annually to Maryland residents out of a competitive applicant pool. No new applications were accepted beginning in spring 2011, and the program will phase out entirely by fiscal 2016. A related program, the Distinguished Scholars Community College Transfer Program, has not received funding since the 2011-2012 school year. With these two programs gone, Maryland will no longer offer any merit-based financial aid for higher education, although higher education institutions may still award merit aid.

Exhibit 15 shows the number of recipients and average award for the DS program in fiscal 2013 by EFC. About 85.0% of the DS awards were made to students that did not file a FAFSA or have EFCs of \$10,000 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. Only 2.5% of awards went to students with a \$0 EFC.

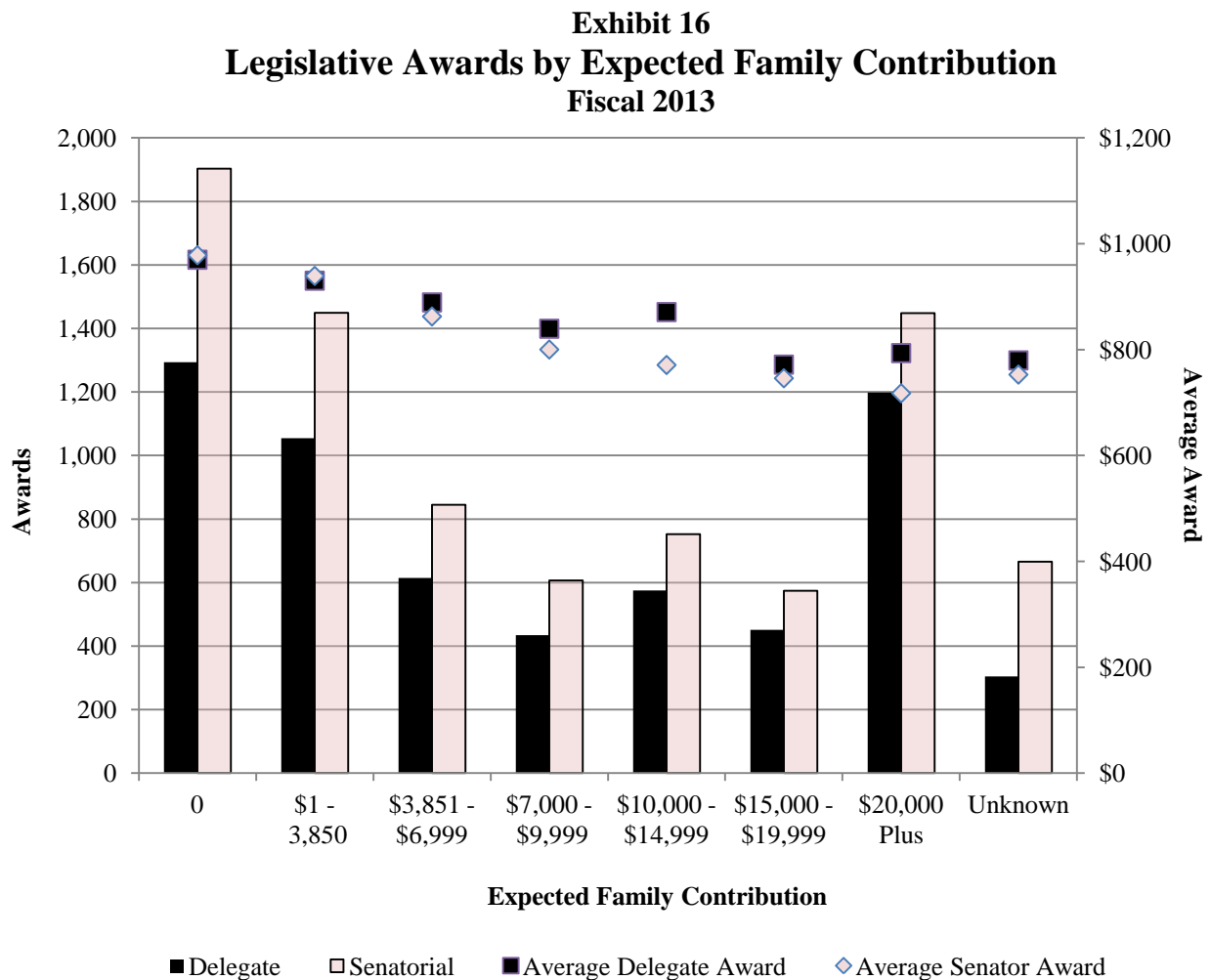


Note: Includes Distinguished Scholar Community College Transfer Awards.

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

Legislative Scholarships

Exhibit 16 shows the number of recipients and average award for the Delegate and Senatorial Scholarship programs in fiscal 2013 by EFC. The exhibit is U-shaped, suggesting most awards go to students with low or high EFCs. About 40% of awards are made to students in the two lowest EFC categories where awards are also highest. Differences between Delegate and Senatorial awards are likely due to different limits in statute on the size and number of awards that delegates and senators may make.

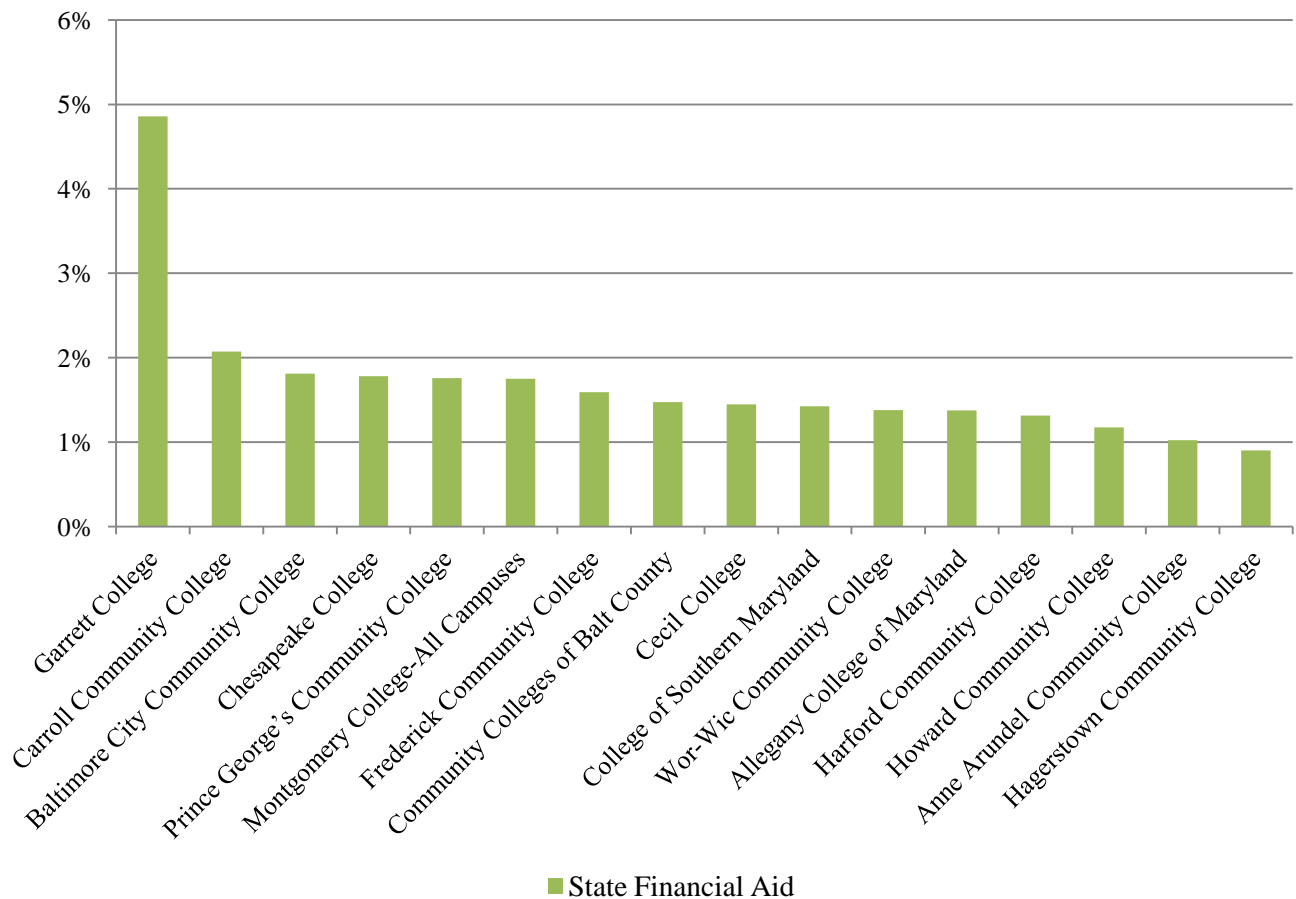


Source: Maryland Higher Education Commission, Maryland College Aid Processing System

2. Need Met by State Aid Varies by Institution

While students take State financial aid to public two- and public and private nonprofit four-year institutions in Maryland, the amount of need met by OSFA's programs varies by campus. The following data represents only students who filed a FAFSA and who had financial need remaining after exhausting all financial aid sources. The sample under review is similar in nature to those in Exhibit 2, but will show all students with unmet need remaining. **Exhibit 17** shows the amount of need met by the State at community colleges.

Exhibit 17
Need Met by State Aid at Community Colleges
Fiscal 2013



Source: Maryland Higher Education Commission

With the exception of Garrett College, the average community college student has only 1 to 2% of need met through State aid programs. While many community college students have financial need, about two-thirds are enrolled part time and do not qualify for most OSFA programs. The part-time grant program has been level funded at \$5.1 million since fiscal 2011. Garrett College is a notable exception to this rule, meeting almost 5% of student need through State aid programs. While not necessarily a large amount for an individual student, the institution is accessing State aid at a far higher rate than other two-year institutions.

Exhibit 18 shows the same information for public four-year institutions. Unlike community colleges, there is much variation across these campuses. St. Mary's College of Maryland and Frostburg State University both reach about 8% of need met through State programs, while the next eight institutions are between 4 and 6%. For students at the bottom three institutions, the University of Baltimore, the University of Maryland University College, and the University of Maryland, Baltimore (UMB), 1% or less of their need is met by State aid. For UMB, this reflects the small amount of graduate aid provided by the State.

Exhibit 18
Need Met by State Aid at Public Four-year Institutions
Fiscal 2013



Source: Maryland Higher Education Commission

3. Proposed Changes to Financial Aid Programs

The 2013 *Joint Chairmen's Report* (JCR) requested MHEC to examine aspects of the GA and EAG programs, such as the application process, eligibility, number of recipients, award amounts, program expenditures, and the waitlist. MHEC submitted a report in November 2013, reviewing the award pipeline for the two main EEA programs, as well as additional information regarding the awarding process and waitlist.

MHEC emphasizes that the waitlist is a snapshot in time and can fluctuate based on several factors. For example, if students have a change in their school of choice, residency status, or EFC, the waitlist will change. Additionally, the FAFSA does not report on school choice or enrollment status of applicants, information that was previously captured before the FAFSA was simplified. As a result, OSFA assumes students will attend the highest-cost institution as a full-time student. Only after awards are made are students required to select an institution and confirm enrollment status. This process significantly overestimates the amount of funding required and delays the recycling of funds to students who would actually use the aid. This over-commitment of funds also applies to the waitlist and helps explain why the waitlist is so long. While OSFA recognizes this issue and does overaward, the growth of the NBSFAF illustrates that it could overaward more aggressively than it has in recent years.

One of the biggest hurdles, as mentioned previously, is that schools must certify enrollment in September for the student to receive the award. This pushes back additional awarding off the waitlist well into the fall semester, at which point some students may have decided not to enroll at all. As noted in the audit, OSFA, and the rest of MHEC, must work to improve IT systems security and operational capabilities to streamline and speedup internal processes and rethink how external communication with institutions, applicants, and awardees works. In the most recent award cycle, MHEC eliminated a telephone-based appeal process and automatically re-instated late award confirmations by students. This led to 2,000 fewer phone calls being handled by OSFA's dozen staff.

MHEC provided several broad recommendations, including development of an EAG application process, redefining eligibility for the financial aid waitlist, and examining changes to the definition of full-time status. As these changes would affect many institutions, after many years on hiatus, MHEC is bringing back the Financial Aid Advisory Committee as a regularly scheduled organization, like the Student Transfer Advisory Committee. While no significant changes were put in place to change the processes for the fall 2014 application cycle, there is time to improve the certification process at institutions for fall 2015 awards.

The Secretary should comment on the role of the Financial Aid Advisory Committee and what the priority issues are that will be addressed by the body.

DLS recommends further work be done to streamline the application and awarding process and that MHEC think creatively about how to ensure that aid is going toward measurable student outcomes. This report should synergize with the continuation of MHEC's research into the correlations between financial aid and student outcomes.

Recommended Actions

1. Add the following language to the general fund appropriation:

, further provided that \$100,000 of the General Fund appropriation for the Maryland Higher Education Commission's (MHEC) administration shall be restricted pending a report on recommendations to improve MHEC's student financial aid programs. The budget committees shall have 45 days to review and comment on the report. Funds restricted pending receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: This language restricts funding at MHEC pending a report on recommendations to improve the administration and outcomes of MHEC's various student financial aid programs to be reached in collaboration with the Financial Aid Advisory Committee.

2. Adopt the following narrative:

Recommendations to Improve State Student Financial Aid Programs: The committees request that the Maryland Higher Education Commission (MHEC), with the newly reestablished Financial Aid Advisory (FAA) Committee, review Guaranteed Access (GA) and Educational Assistance grant (EAG) programs and propose changes, such as lowering the maximum award amount within the GA program, to create a more gradual continuum of the percent of need met by the GA and EAG programs and possibly incorporating the part-time need-based grant program. This would increase the amount of funding available and the number of possible awards in the EA program. MHEC should also consider how to eliminate or significantly reduce the waitlist for need-based grants. MHEC should look at eligibility and renewal criteria for all financial aid programs, such as changing the definition of a full-time student, and making summer grants available, and how such changes may incentivize on-time completion and meet other State goals in postsecondary education. Beyond the FAA Committee, MHEC should consider using the many experts that are available to Maryland, such as the Institute for Higher Education Policy, in developing its recommendations and include a timeline for possible implementation of any recommendations and future work to be done. The report shall be submitted by October 15, 2014.

| Information Request | Author | Due Date |
|---|---------------|------------------|
| Report on recommendations to improve State student financial aid programs | MHEC | October 15, 2014 |

3. Adopt the following narrative:

Report on Unmet Need and Student Success at Maryland Public Four-year Institutions:

As part of the Access, Affordability, and Completion goal of the 2013 State Plan for Postsecondary Education, the State is to work toward breaking down financial barriers to higher education. MHEC has previously studied unmet student financial need and student persistence. The committees request that MHEC enhance the prior two reports by including loans in the analysis so that outcomes such as credit attainment, retention, and time to graduation can be compared to levels of financial need with and without loans. The report shall be due by August 1, 2014.

| Information Request | Author | Due Date |
|--|---------------|-----------------|
| Report on unmet need and student success at Maryland public four-year institutions | MHEC | August 1, 2014 |

Updates

1. Recent Changes to Financial Aid Programs

The 2012 and 2013 legislative sessions brought about a few changes and new programs to MHEC – Student Financial Aid.

- Chapter 496 of the 2012 Regular Session created the Nancy Grasmick Teacher Award within the Hoffman LARP program for Maryland public school teachers who have taught in Maryland for at least two years in science, technology, engineering, or math subjects or at a school in which at least 75% of the students are enrolled in the free and reduced price meal program. The fiscal note for the legislation estimated that about 450 teachers met all the qualifications to be eligible for this new LARP. No new funding was added specifically for the program. MHEC made no awards in fiscal 2013 but expects to make nine awards in fiscal 2014.
- Chapter 374 of 2013 established the Maryland First Scholarship. Students must have met certain requirements, such as a 3.0 grade point average, have conducted 40 hours of community service in the year prior to application, demonstrate financial need, and be the first student in a family to attend college. No funding was provided for this program in the fiscal 2015 allowance.
- Chapter 395 of 2013 created the Jean Cryor Memorial Scholarship, which creates a new designation within the Edward T. Conroy Memorial Scholarship program to include spouses or dependents of those who have been killed in the line of duty while serving as public or nonpublic school employees.
- Chapter 503 of 2013 restructured the Charles W. Riley Tuition Reimbursement Program so that it will transition to the Charles W. Riley Scholarship Fund. This means students get paid up front like other financial aid awards, rather than reimbursed after graduation. The first awards are to be made in the 2016-2017 academic year.

Current and Prior Year Budgets

Current and Prior Year Budgets MHEC – Student Financial Assistance (\$ in Thousands)

| | <u>General Fund</u> | <u>Special Fund</u> | <u>Federal Fund</u> | <u>Reimb. Fund</u> | <u>Total</u> |
|----------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|---------------------|
| Fiscal 2013 | | | | | |
| Legislative Appropriation | \$85,927 | \$16,723 | \$0 | \$250 | \$102,900 |
| Deficiency Appropriation | 0 | 6,750 | 0 | 0 | 6,750 |
| Budget Amendments | 0 | 0 | 22 | 0 | 22 |
| Reversions and Cancellations | 0 | -9,447 | 0 | -63 | -9,509 |
| Actual Expenditures | \$85,927 | \$14,026 | \$22 | \$188 | \$100,163 |
| Fiscal 2014 | | | | | |
| Legislative Appropriation | \$101,480 | \$5,390 | \$0 | \$250 | \$107,121 |
| Budget Amendments | 0 | 0 | 0 | 0 | 0 |
| Working Appropriation | \$101,480 | \$5,390 | \$0 | \$250 | \$107,121 |

Note: Numbers may not sum to total due to rounding. The fiscal 2014 working appropriation does not include deficiencies or contingent reductions.

Fiscal 2013

A deficiency appropriation increased special funds about \$6.8 million. Of that amount, \$6.5 million was for issuing additional need-based awards, while the remainder was for additional awards in the Edward T. Conroy and VAIC scholarship programs.

Federal funds increased about \$22,000 to account for additional unappropriated federal grants for need-based awards.

Special funds totaling about \$9.5 million were reverted to special MHEC funds. Of that amount, \$9.4 million came from declined financial aid awards, which revert to a special NBSFAF, and \$0.1 represents fund balance in LARP that will be spent in the next fiscal year.

Reimbursable funds decreased \$63,000 from a cancellation to account for unspent Department of Health and Mental Hygiene award revenue.

Object/Fund Difference Report
MHEC – Student Financial Assistance

| <u>Object/Fund</u> | <u>FY 13 Actual</u> | <u>FY 14 Working Appropriation</u> | <u>FY 15 Allowance</u> | <u>FY 14 - FY 15 Amount Change</u> | <u>Percent Change</u> |
|---|-------------------------|--|----------------------------|--|---------------------------|
| Objects | | | | | |
| 12 Grants, Subsidies, and Contributions | \$ 100,162,730 | \$ 107,120,773 | \$ 102,061,547 | -\$ 5,059,226 | -4.7% |
| Total Objects | \$ 100,162,730 | \$ 107,120,773 | \$ 102,061,547 | -\$ 5,059,226 | -4.7% |
| Funds | | | | | |
| 01 General Fund | \$ 85,927,000 | \$ 101,480,491 | \$ 100,421,265 | -\$ 1,059,226 | -1.0% |
| 03 Special Fund | 14,026,162 | 5,390,282 | 1,390,282 | -4,000,000 | -74.2% |
| 05 Federal Fund | 22,068 | 0 | 0 | 0 | 0.0% |
| 09 Reimbursable Fund | 187,500 | 250,000 | 250,000 | 0 | 0% |
| Total Funds | \$ 100,162,730 | \$ 107,120,773 | \$ 102,061,547 | -\$ 5,059,226 | -4.7% |

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

Fiscal Summary
MHEC – Student Financial Assistance

| <u>Program/Unit</u> | <u>FY 13 Actual</u> | <u>FY 14 Wrk Approp</u> | <u>FY 15 Allowance</u> | <u>Change</u> | <u>FY 14 - FY 15 % Change</u> |
|---|-------------------------|-----------------------------|----------------------------|----------------------|-----------------------------------|
| 10 Educational Excellence Adwards | \$ 73,605,697 | \$ 80,963,593 | \$ 77,008,868 | -\$ 3,954,725 | -4.9% |
| 12 Senatorial Scholarships | 6,486,000 | 6,486,000 | 6,486,000 | 0 | 0% |
| 14 Edward T. Conroy Memorial Scholarship Program | 665,900 | 570,474 | 570,474 | 0 | 0% |
| 15 Delegate Scholarships | 5,300,486 | 5,459,501 | 5,625,000 | 165,499 | 3.0% |
| 16 Riley Fire and Emergency Medical Services Tuition Reimbursement Program | 355,984 | 358,000 | 358,000 | 0 | 0% |
| 17 Graduate and Professional Scholarship Program | 1,174,473 | 1,174,473 | 1,174,473 | 0 | 0% |
| 20 Distinguished Scholar Program | 3,061,000 | 2,041,000 | 771,000 | -1,270,000 | -62.2% |
| 21 Jack F. Tolbert Memorial Student Grant Program | 200,000 | 200,000 | 200,000 | 0 | 0% |
| 26 Hoffman Loan Assistance Repayment Program | 1,492,895 | 1,492,895 | 1,492,895 | 0 | 0% |
| 28 Maryland Loan Assistance Repayment Program for Physicians | 624,871 | 1,282,282 | 1,282,282 | 0 | 0% |
| 33 Part-time Grant Program | 5,087,780 | 5,087,780 | 5,087,780 | 0 | 0% |
| 36 Workforce Shortage Student Assistance Grants | 1,254,775 | 1,254,775 | 1,254,775 | 0 | 0% |
| 37 Veterans of the Afghanistan and Iraq Conflicts Scholarships | 852,869 | 750,000 | 750,000 | 0 | 0% |
| Total Expenditures | \$ 100,162,730 | \$ 107,120,773 | \$ 102,061,547 | -\$ 5,059,226 | -4.7% |
| General Fund | \$ 85,927,000 | \$ 101,480,491 | \$ 100,421,265 | -\$ 1,059,226 | -1.0% |
| Special Fund | 14,026,162 | 5,390,282 | 1,390,282 | -4,000,000 | -74.2% |
| Federal Fund | 22,068 | 0 | 0 | 0 | 0.0% |
| Total Appropriations | \$ 99,975,230 | \$ 106,870,773 | \$ 101,811,547 | -\$ 5,059,226 | -4.7% |
| Reimbursable Fund | \$ 187,500 | \$ 250,000 | \$ 250,000 | \$ 0 | 0% |
| Total Funds | \$ 100,162,730 | \$ 107,120,773 | \$ 102,061,547 | -\$ 5,059,226 | -4.7% |

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.