

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 1310
Ways and Means

(Delegate Gutierrez, *et al.*)

Higher Education - State Student Financial Assistance - Eligibility

This bill prohibits the Office of Student Financial Assistance (OSFA) from refusing to consider an application for State student financial assistance simply because the student's application for federal student aid is denied. OSFA must implement a process to determine and verify the reasons that a student's federal application is denied and ensure that students who are denied federal assistance are still considered for State grants. For purposes of awarding State financial assistance, the process must compare students whose federal aid applications are denied to students who successfully file an application for federal student aid.

Fiscal Summary

State Effect: General fund expenditures could increase significantly beginning in FY 2008 to provide guaranteed access grants to students who are denied federal financial assistance. In FY 2006, the average award amount for the program is nearly \$8,400. General fund expenditures for other need-based financial aid programs could also increase. Revenues would not be affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Although there is no statute governing the practice, OSFA advises that there are a number of situations in which it makes an initial award to a student despite the

federal government's rejection of the student's Free Application for Federal Student Aid (FAFSA). Federal denial is often the result of an error on a student's FAFSA, and OSFA makes an initial award assuming the error will be identified and corrected by the institution of higher education the student is attending. If a problem with a FAFSA is not resolved, OSFA cancels the State award.

Background: The proposed fiscal 2007 State budget includes \$113.1 million for State scholarship programs, an increase of \$17.7 million or 18.5% over the fiscal 2006 appropriation. Funding for need-based student financial aid programs increases by \$19.5 million, an increase of 29.2%. OSFA uses FAFSAs to determine eligibility and award amounts under the following student financial assistance programs:

- Guaranteed Access Grants;
- Educational Assistance Grants;
- Part-time Grants;
- Graduate and Professional Scholarships;
- Senatorial Scholarships;
- Nursing Scholarship Living Expenses Grants;
- Jack F. Tolbert Student Grants; and
- William Donald Schaefer Scholarships.

State Fiscal Effect: General fund expenditures for guaranteed access grants could increase significantly if students who are denied federal assistance qualify for need-based State assistance. Guaranteed access grants are provided to every eligible student, and the fiscal 2006 average award amount for the program is \$8,374. Categories of students who are currently denied assistance by the federal government include • students who are not registered for Selective Service; • students who are in default of federal student loans; • students who do not qualify as eligible noncitizens; and • students who have been convicted of drug offenses. It is not known how many additional students would become eligible for the guaranteed access grants, but the additional funding needed to support grants for these students could be significant.

In addition to guaranteed access grants, other State financial assistance programs also use FAFSAs to determine eligibility for State grants. However, funding for these programs is discretionary so expanding eligibility for the programs will not necessarily result in additional State spending. The effects on other State assistance programs that use FAFSAs are discussed in **Exhibit 1**.

Exhibit 1
Discretionary Need-based State Financial Assistance Programs

<u>Program</u>	<u>Fiscal Impact Discussion</u>
Educational Assistance Grants	Expenditures could increase to make additional awards. The estimated fiscal 2006 average award amount is \$2,125.
Part-time Grants <i>and</i> Graduate and Professional Scholarships	Institutions of higher education, not OSFA, make awards for these programs. OSFA advises that the programs do not currently have sufficient funds to make additional awards.
Senatorial Scholarships	Senators receive an allocation of \$34,500 annually, so extending eligibility for the scholarships could increase applications but will not increase expenditures.
Nursing Scholarship Living Expenses Grants	OSFA advises that the program does not currently have sufficient funds to make additional awards. The annual award amount is \$3,000.
Jack F. Tolbert Student Grants	Expenditures could increase to make additional awards. The estimated fiscal 2006 average award amount is \$300.
William Donald Schaefer Scholarships	Expenditures could increase to make additional awards. The estimated fiscal 2006 average award amount is \$7,584.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, Department of Legislative Services

Fiscal Note History: First Reader - March 16, 2006
ncs/rhh

Analysis by: Mark W. Collins

Direct Inquiries to:
(410) 946-5510
(301) 970-5510