

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE

Senate Bill 607 (Senator Klausmeier)
Education, Health, and Environmental Affairs

Institutions of Higher Education - Student Notification - Financial Information

This bill requires, beginning with the 2013-2014 academic year, institutions of higher education that receive funding from the State to mail all first-time, full-time freshman, information on the cost of higher education at the institution by completing and mailing the form known as the *Financial Aid Shopping Sheet*, as promulgated by the U.S. Department of Education. The shopping sheet must be mailed at the same time that an award of federal financial aid is mailed to a student.

The bill takes effect July 1, 2013.

Fiscal Summary

State Effect: Assuming that email is an acceptable method of mailing the *Financial Aid Shopping Sheet*, expenditures are not affected. If public institutions are required to use the U.S. Postal Service to mail the information, higher education expenditures increase significantly.

Local Effect: Local community college expenditures may increase to develop and mail the *Financial Aid Shopping Sheet*.

Small Business Effect: None.

Analysis

Current Law/Background: In accordance with the federal Higher Education Opportunity Act of 2008 (HEOA), by October 29, 2011, each postsecondary institution that participates in Title IV federal student aid programs must post a net price calculator

on its website that uses institutional data to provide estimated net price information to current and prospective students and their families based on a student's individual circumstances. The net price calculator is required for all Title IV institutions that enroll full-time, first-time degree- or certificate-seeking undergraduate students.

Institutions may meet this requirement by using the U.S. Department of Education's net price calculator template or by developing their own customized calculator that includes, at a minimum, the same elements as the department's template.

For institutions that choose to develop a custom net price calculation, the calculator must, at a minimum, include an input data element that approximates the student's expected family contribution such as income, number in family, and dependency status or factors that estimate dependency status. The calculator must, at a minimum, output the following:

- estimated total price of attendance;
- estimated tuition and fees;
- estimated room and board;
- estimated books and supplies;
- estimated other expenses (personal expenses, transportation, etc.);
- estimated total grant aid;
- estimated net price;
- percent of the cohort (full-time, first-time students) that received grant aid; and
- caveats and disclaimers, as indicated in the HEOA.

In June 2012, the Vice President of the United States and other federal officials encouraged all college and university presidents to make a commitment to provide easy-to-understand financial data about the cost to attend their institutions, specifically the same information required by the bill, to all incoming students as part of their financial aid package beginning with the 2013-2014 academic year. At the press conference for the initiative, it was announced that the University System of Maryland (USM) along with several other colleges, universities, and state systems of higher education had made the commitment to provide the information.

In July 2012, the federal government released a model financial aid award letter called the *Financial Aid Shopping Sheet*, which will standardize award letters, making it easier to comparison shop. The sheets include the following key information:

- estimated cost of attendance per year;

- financial aid options, with a clear differentiation between grants and scholarships, which do not have to be repaid, and loans, which do;
- the net cost of attendance after accounting for scholarships and loans;
- vital information about student results, including comparative information about default rates, graduation rates, and median debt levels for the school;
- and potential monthly payments for the federal student loans a typical student will owe after graduation.

By November 2012, more than 500 colleges and universities, including at least 15 in Maryland (all USM institutions and St. Mary's College of Maryland (SMCM)), had committed to adopting the *Financial Aid Shopping Sheet* by the 2013-2014 academic year. Morgan State University (MSU) advises that it is currently in the process of creating its shopping sheet. Baltimore City Community College (BCCC), the State-operated community college, reports that it also voluntarily agreed to develop and use the form.

During the 2013 State of the Union Address, the President announced another tool, the *College Scorecard*, to help prospective college students and their parents compare institutions. The *College Scorecard* presents information about a college's cost, graduation rate, average debt burden, loan-repayment rate, and job-placement rate.

In addition to the USM institutions, the State funds two other public four-year institutions MSU and SMCM, at a total amount of \$1.28 billion in the Governor's proposed fiscal 2014 budget. The State also provides funding for the State's 15 community colleges through the Senator John A. Cade Funding Formula and other programs, and to the State-operated community college, BCCC, through its own formula. The Governor's proposed fiscal 2014 budget includes \$286.6 million for the local colleges, and \$41.8 million in State funds for BCCC.

The Joseph A. Sellinger Grant Program provides State funding to private, nonprofit colleges and universities located in Maryland. Of the approximately 30 private nonprofit institutions of higher education located in Maryland, 16 institutions are eligible for funding through the Sellinger program. The Governor's proposed fiscal 2014 budget includes \$41.3 million for the Sellinger funding formula.

The State also provides capital funding for public and nonprofit higher education institutions annually.

Financial aid applications and awards have been automated by the Maryland Higher Education Commission and many higher education institutions; most students and their families can view the status of the financial aid awards online.

Local Expenditures: Local community college expenditures may increase to develop and mail the *Financial Aid Shopping Sheet*. However, the costs cannot be reliably estimated at this time.

Additional Comments: The Maryland Independent College and University Association reports that currently none of its institutions uses the *Financial Aid Shopping Sheet*.

Additional Information

Prior Introductions: None.

Cross File: HB 557 (Delegate Stein, *et al.*) - Appropriations.

Information Source(s): Baltimore City Community College, Maryland Higher Education Commission, Maryland Independent College and University Association, Morgan State University, University System of Maryland, U.S. Department of Education, Department of Legislative Services

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