

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 842

(Senator Conway)

Education, Health, and Environmental Affairs

Ways and Means

Higher Education - Educational Excellence Award Eligibility - High School
Diploma by Examination

This bill expands eligibility for the Guaranteed Access (GA) grant under the Educational Excellence Award (EEA) Program to encompass individuals who have successfully obtained a high school diploma by examination (commonly known as the GED) if those individuals also meet certain criteria. Specifically, such an individual must also (1) have scored a passing score of at least 165 per module; (2) begin college within one year of achieving the score or provide evidence satisfactory to the Office of Student Financial Assistance (OSFA) of extenuating circumstances; (3) be, from July 1, 2018, through June 30, 2022, younger than age 26 at the time of receiving the first award and, from July 1, 2022, onward, be younger than age 22; (4) enroll in college as a full-time student; and (5) have an annual family income below a poverty index determined by the Maryland Higher Education Commission (MHEC). **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: Individuals can be added to the EEA wait list at no additional cost. Expanding *eligibility* for the use of the GA grant without adding to the EEA wait list may require general fund expenditures. MHEC and public higher education institutions can process any additional grant applications using existing resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background:

Delegate Howard P. Rawlings Educational Excellence Awards Program

The EEA Program consists of two types of awards: (1) GA grants that are awarded to the neediest students to ensure that 100% of educational costs are paid; and (2) EA grants that are awarded to low- and moderate-income students to assist in paying educational costs.

The GA grant is a need-based scholarship 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 and, except as otherwise allowed, completed high school. MHEC 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.

The EA grant is a need-based scholarship intended to meet 40% of financial need at four-year institutions and 60% at community colleges for full-time undergraduates from low- to moderate-income families. The maximum award amount authorized by statute is \$3,000. An EEA award may be used at a degree-granting institution of higher education, an eligible institution with an associate's degree program that provides transfer credit for an accredited baccalaureate program, or a hospital diploma school for training registered nurses if the curriculum is approved by MHEC. The award may be used for educational expenses as defined by MHEC, including tuition and fees and room and board.

Beginning with the 2018-2019 award year, EEA award recipients are required to successfully complete 30 credits at the end of their sophomore year to receive their maximum renewal award. A student who fails to meet the 30-credit completion requirement but completes between 24 and 29 credits is eligible for a prorated renewal award.

The fiscal 2019 State budget includes \$84.7 million for the EEA Program. According to the Managing for Results document, in fiscal 2017, OSFA awarded 1,609 GA grants, totaling \$21.5 million. There were 3,529 applicants for GA grants, and 238 awards were declined or canceled. In fiscal 2017, OSFA awarded 23,238 EA grants, totaling \$51.4 million. There were 121,241 applicants for EA grants, and 26,632 awards were declined or canceled. MHEC advises that, at the end of fiscal 2017, approximately 18,800 students remained on the wait list for EA grants.

Diploma by Examination in Maryland

The GED test is offered by GED Testing Services, which is a joint venture between Pearson VUE and ACE. The GED test consists of four modules that can be taken separately: Reasoning through Language Arts; Social Studies; Math; and Science. Candidates who have passed all four modules of the GED test are awarded a Maryland high school diploma issued jointly by the Maryland State Department of Education and the Department of Labor, Licensing, and Regulation (DLLR). The 2014 GED test modules are reported on a scale from 100 to 200, with 145 scaled score points as the Passing Standard for high school equivalency; 165 scaled score points as the GED College Ready score level, reflective of readiness for career and college; and 175 scaled score points as the GED College Ready + Credit score level.

In fiscal 2017, 3,529 individuals earned a diploma by examination.

State Expenditures: Additional individuals can be added to the EEA Program wait list at no additional cost. Funding levels for EEA grants are determined by the State budget; therefore, any additional expenditures resulting from an expansion of the program are only incurred if the annual State budget includes new funding to make additional awards.

The EEA Program (the GA grant and the EA grant) receives one appropriation. The GA grant is an entitlement for individuals who meet all eligibility criteria, while the EA grants are made from the funds remaining once all GA grants are made.

Thus, individuals receiving the GA grant (including those who qualify due to the bill) will not be placed on the wait list; instead individuals eligible for the EA grant will be placed on the EEA wait list. Based on fiscal 2017 expenditures, expanding eligibility for EEA without adding to the wait list may result in general fund expenditures of approximately \$14,500 for each additional GA grant beginning in fiscal 2019.

It is unknown how many additional individuals will be eligible to receive a GA grant award under the bill. However, in 2017, 73 individuals who earned a diploma by examination were age 29 or younger according to self-reported data collected by DLLR. It is unknown how many of those individuals would meet the income-eligibility requirements; however, 75% of test takers in Maryland self-report as unemployed or have incomes of less than \$5,000. It is also unknown how many of those individuals scored 165 or higher on all four modules of the GED test; however, younger test takers tend to have higher scores due to being out of school for a shorter period of time. It is also unknown how many eligible individuals will choose to use the scholarship. Thus, it is estimated that 73 or fewer additional individuals qualify for a first-time GA grant annually from July 1, 2018, through June 30, 2022.

Beginning on July 1, 2022, the qualifying age for an individual who has received a diploma by examination to be eligible for a first-time GA grant is reduced to younger than age 22. Thus, according to self-reported data collected by DLLR, approximately 40 individuals younger than age 22 earned a diploma by examination in fiscal 2017. Therefore, the number of individuals who qualify for a GA grant due to the bill likely drops to 40 or fewer in fiscal 2023 and each year thereafter.

Additional Information

Prior Introductions: None.

Cross File: HB 781 (Delegate Mosby, *et al.*) - Ways and Means.

Information Source(s): Maryland Higher Education Commission; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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