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FISCAL AND POLICY NOTE
First Reader

Senate Bill 762 (Senator Lam)
Education, Health, and Environmental Affairs

**Education - High School Graduation Requirements - Applications for Student
Financial Aid**

This bill requires each student, beginning in the 2021-2022 school year, as a requirement for graduation, to complete and submit (1) the Free Application for Federal Student Aid (FAFSA) to the U.S. Department of Education or (2) the Maryland State Financial Aid Application (MSFAA) to the Maryland Higher Education Commission (MHEC). A student or parent or legal guardian of a minor student may submit a signed form declining to complete and submit the FAFSA or the MSFAA as specified. A local board of education must waive the requirement in specified circumstances. The Maryland State Department of Education (MSDE) must adopt regulations, which include guidelines to ensure each student receives adequate support in completing and submitting the FAFSA or the MSFAA, to implement the bill. By July 1 each year, from 2022 through 2027, each local board of education must report specified information related to the bill.

Fiscal Summary

State Effect: General fund expenditures may increase to give local school systems access to individual MSFAA data, as explained below. Such costs cannot be reliably estimated but may be significant. Revenues are not affected.

Local Effect: Local school system expenditures may increase, potentially significantly, due to requiring additional staff to assist students with completing a FAFSA and a MSFAA and to track completion. Costs may vary significantly by local school system and may be mitigated by local implementation decisions, as explained below. Revenues are not affected. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The form signed by a student's parent or legal guardian must state that the student understands the FAFSA or the MSFAA application and declines to complete and submit the FAFSA or the MSFAA.

The local board of education must waive the requirement if a student completes all other requirements for graduation and the student's principal attests that the student has made a good faith effort to complete the FAFSA or the MSFAA. The local board must also waive the requirement if a parent or guardian of a student request a waiver due to extenuating circumstances.

Current Law/Background: A [FAFSA](#) is the official application for financial assistance for postsecondary education from the federal government. States, individual colleges and universities, and private scholarship programs use this information as well. Financial aid includes grants, educational loans, and work-study programs.

FAFSA asks a series of questions about the parents' and student's income and assets, as well as other factors such as family size. This information is used to calculate an Expected Family Contribution, which is the number used to determine the amount and type of financial aid for which an individual may qualify.

To complete a FAFSA, a student needs:

- a Social Security Number or Alien Registration Number (if not a U.S. citizen);
- federal income tax returns, W-2s, and other records of money earned;
- bank statements and records of investments (if applicable);
- records of untaxed income (if applicable); and
- a federal student aid identification to sign in electronically.

A student who is a dependent will need this information for his or her parents as well. The FAFSA is filed electronically, so access to a computer and the internet is required.

The basic eligibility requirements for federal student aid:

- demonstrate financial need (for most programs) as determined by the FAFSA;
- be a U.S. citizen or an eligible noncitizen;
- have a valid Social Security number (with the exception of students from the Republic of the Marshall Islands, Federated States of Micronesia, or the Republic of Palau);

- be registered with the Selective Service System, if you are a male (you must register between the ages of 18 and 25);
- be enrolled or accepted for enrollment as a regular student in an eligible degree or certificate program;
- be enrolled at least half-time to be eligible for Direct Loan Program funds;
- maintain satisfactory academic progress in college or career school;
- sign the certification statement on the FAFSA form stating that you are not in default on a federal student loan, you do not owe money on a federal student grant, and you will use federal student aid only for educational purposes; and
- be qualified to obtain a college or career school education as specified.

Beginning with the 2019-2020 award year, qualified undocumented immigrants who are eligible for in-state tuition under the Maryland Dream Act (Section 15-106.8 of the Education Article) are eligible to apply for some State financial aid grants and scholarships. The [MSFAA](#) is the form used to apply for that financial aid. The MSFAA asks questions similar to those asked on the FAFSA.

Maryland Completion Efforts

MSDE advises that high school counselors work with students and parents to complete the FAFSA through parent nights and evening sessions with parents and students. In most school systems school counselors invite representatives from higher education to present these workshops since they are experts in financial aid. School counselors share information on free FAFSA sessions with all students and advertise FAFSA deadlines and media sites.

[The Maryland College Application Campaign](#) (MCAC) seeks to increase the number of Maryland students completing college applications. The MCAC reports that it supported 31,000 seniors in 166 high schools completing college applications. In addition, some families received support with the FAFSA process. The MCAC provides materials and support to schools and school systems ([Maryland College Application Campaign Coordinator Guidebook, 2019](#)). The MCAC is a partnership of MSDE, MHEC, and College Goal Maryland. Since 2014, the MCAC has supported high school seniors across the State.

FAFSA Timeline

The FAFSA opens for submission on October 1 each year, and the federal deadline is June 30; however, states and individual colleges set their own FAFSA deadlines that are typically much earlier than the federal one. Maryland has a [March 1 deadline](#) for most

need-based State aid. In addition, filing earlier (as close to October 1 as possible) improves an individual's chances of qualifying for first-come first-served aid.

Completion of a FAFSA

According to data from the National Center for Education Statistics, 90% of high school seniors nationwide who filed a FAFSA enrolled in a postsecondary program in the following semester, while only 55% of noncompleters enrolled in a postsecondary program.

According to the [National College Access Tracker](#), during the 2019-2020 FAFSA cycle, approximately 64% of Maryland's graduating seniors completed the FAFSA. Maryland ranked 16th in completion rates. As shown in **Exhibit 1**, according to the [U.S. Department of Education](#), FAFSA completion by school system varies considerably. Only an estimated 40% to 44% of public high school seniors from Dorchester County completed a FAFSA, while 70% to 74% of seniors from Garrett and Howard county public schools completed the FAFSA.

Reasons for Not Completing a FAFSA

The reasons given by students without a completed FAFSA by postsecondary enrollment are shown in **Exhibit 2**. Reasons for not completing a FAFSA were different depending on whether or not the student was enrolled in a postsecondary institution. Among enrolled students who reported not completing a FAFSA, 52% thought they or their family could afford school or college without financial aid, while only 18% of non-enrollees gave that reason. Approximately 22% of enrollee and non-enrollee non-FAFSA completers felt that they did not have enough information about how to complete a FAFSA. In addition, 14% of enrollee and non-enrollee non-FAFSA completers did not know they could complete a FAFSA.

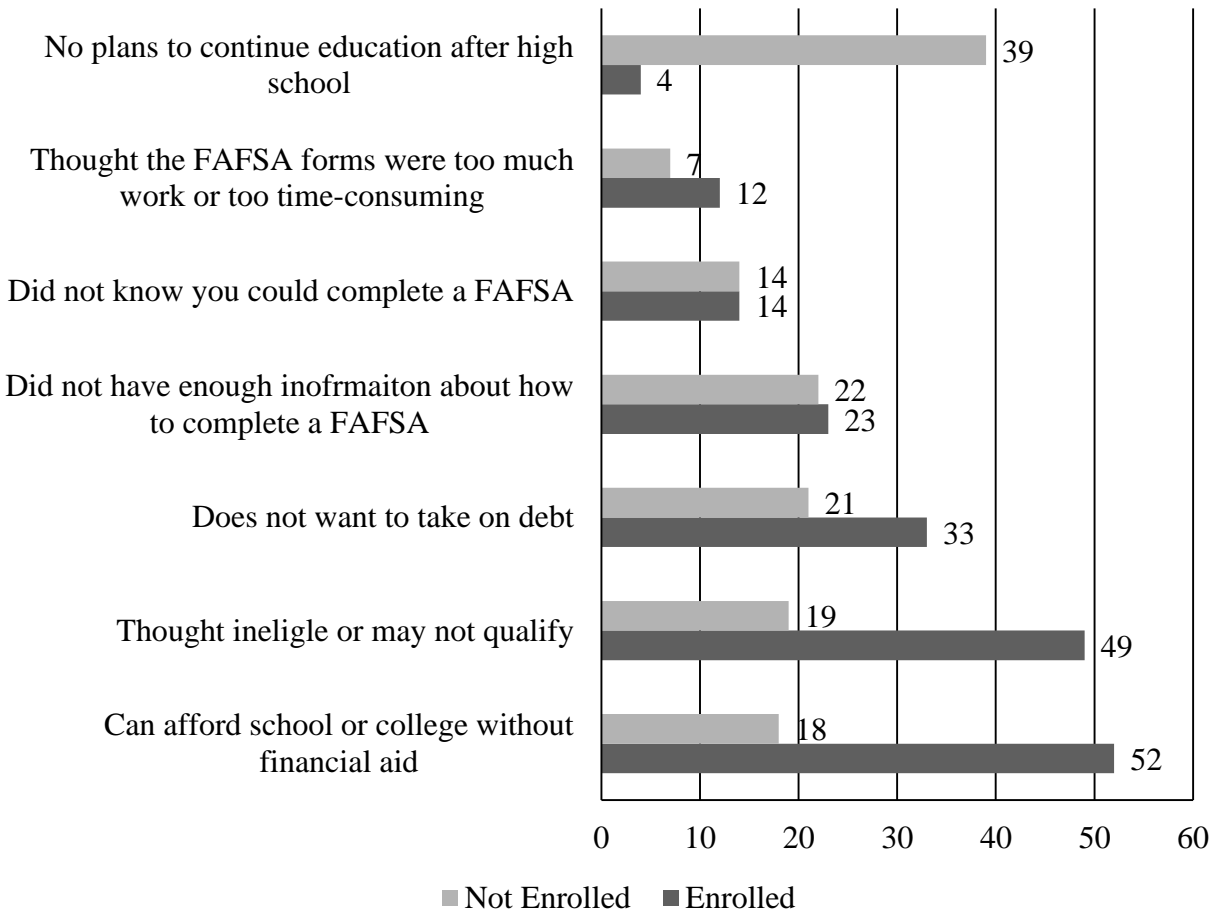
Exhibit 1
Estimated Percentage of Seniors Who Completed a FAFSA
By December 2019 for 2019-2020 Award Cycle

<u>Local School System</u>	<u>Estimated Percent Complete</u>
Allegheny	65%-69%
Anne Arundel	55%-59%
Baltimore City	55%-59%
Baltimore	65%-69%
Calvert	60%-64%
Caroline	55%-59%
Carroll	60%-64%
Cecil	55%-59%
Charles	60%-64%
Dorchester	40%-44%
Frederick	65%-69%
Garrett	70%-74%
Harford	60%-64%
Howard	70%-74%
Kent	55%-59%
Montgomery	65%-69%
Prince George's	55%-59%
Queen Anne's	65%-69%
St. Mary's	50%-54%
Somerset	50%-54%
Talbot	55%-59%
Washington	55%-59%
Wicomico	60%-64%
Worcester	65%-69%

FAFSA: Free Application for Federal Student Aid

Source: U.S. Department of Education

Exhibit 2
Percentage of Fall 2009 Ninth Graders without a Completed FAFSA
By Reasons for Not Completing a Postsecondary Enrollment



Source: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics; *High School Longitudinal Study of 2019*

Other States

According to *Forbes*, as of August 2019, three states have passed legislation requiring high school seniors to complete the FAFSA. Louisiana first started requiring its students to complete the FAFSA for the 2017-2018 academic year. During the 2019-2020 FAFSA cycle, Louisiana ranked first in FAFSA completion by seniors at approximately 83%.

However, in addition to requiring the FAFSA for graduation, the state implemented a number of best practices through the 2016-2017 FAFSA Completion Challenge Grant. These are six of the top best practices: FAFSA completion workshops; FAFSA completion community events including a block party; Compete to Complete competition/website set up a friendly challenge among Baton Rouge high schools; peer-to-peer FAFSA Ambassadors; FAFSA computer laboratory open to the public; and a media campaign.

Illinois and Texas added the requirement in 2019. In Texas, sophomores who will graduate in 2022 will be the first class that must meet the requirement. An advisory committee will present plans on implementation to the Texas state legislature by January 1, 2021, about tracking and enforcing the law.

Other states including California, Indiana, Michigan, and the District of Columbia are considering similar requirements.

Implementation Considerations

MSDE advises that in Maryland the average student-to-counselor ratio is 369-1 compared to the national standard of 250-1 recommended by the American Counselor Association.

Baltimore County Public Schools (BCPS) advises that the bill might create a chilling effect for undocumented students and families who would be required to share personal information in order for their children to meet the new graduation requirement. For example, a student who fills out a MSFAA will be revealing to school officials that the student is undocumented. BCPS also advises there are also complicated family circumstances such as unofficial guardianship, divorced and remarried parents, and parents who refuse to share personal information that prevent students from completing the FAFSA. In addition, there are students who are homeless or who are unaccompanied youth.

State Expenditures: General fund expenditures may increase to give local school systems access to individual MSFAA data. The MSFAA, which is used for undocumented students to determine financial need in a manner similar to the FAFSA, was not designed to grant access to individual completion data by non-MHEC staff. At this time, the cost of granting access to local school system staff to this information cannot be reliably estimated, but is likely significant. Further it is unclear what entity should be responsible for matching MSFAA data with high school student data, whether it should be MHEC, the Maryland Longitudinal Data System center, or local school systems themselves. All options have costs and other implications that should be considered. Under any implementation scenario, there may be one-time programming costs in the hundreds of thousands and ongoing staffing costs. As explained in more detail below, there are no additional State costs for tracking FAFSA completion because it is a federal form and there is a current system for tracking individual participation.

Increased FAFSA and MSFAA completion has no material effect on State, public four-year and Baltimore City Community College scholarships, grants, and work-study programs. These programs in general receive a set appropriation or funding amount that is not impacted by the number of applicants.

There are operational impacts on both MSDE and MHEC; however, both can meet the requirements of the bill using existing resources. Nevertheless, more extensive FAFSA and MSFAA programs and outreach may require additional staff.

Local Expenditures: Local school system expenditures may increase, potentially significantly, due to requiring additional staff to assist students with completing a FAFSA and a MSFAA and to track completion. Costs may vary significantly by local school system and may be mitigated by local implementation decisions, as explained below. As shown in Exhibit 1, current completion rates vary significantly between local school systems. It is likely that local school systems with lower completion rates will need more resources to help students and families complete the FAFSA and the MSFAA than local school systems with higher current completion rates.

The Baltimore City Public School System advises that each of its 35 high schools require an additional high school counselor. Thus, based on the average actual salary and fringe benefits for counselors in fiscal 2021, expenditures increase by an estimate \$3.8 million annually beginning in fiscal 2021. BCPS advises that it could not determine the overall fiscal impact. Montgomery County Public Schools reported no fiscal impact.

Without additional staff for school systems and schools with low-completion rates, resources may be diverted from current counseling activities. Alternatively, local boards may need to provide additional waivers to students who were certified by their principals as making good faith efforts.

In addition to helping students and families complete the FAFSA and the MSFAA, counseling staff and/or central office staff will need to access and record MSFAA and FAFSA completion data to see which students have completed the forms to know which students and families may need additional guidance and to mark which students meet the requirement. As explained above, there is no current system for non-MHEC staff to access MSFAA participation data; thus, a system needs to be developed. FAFSA participation data on an individual level is available through the FAFSA Completion Initiative (FCI), which is sponsored by the Office of Student Financial Assistance in MHEC. Under the FCI, a high school and/or the school system can sign up for a username and password for this system. Some organizations that provide services to students, such as CollegeBound, may sign up for this service. MHEC verifies that the entity requesting access is eligible.

If the local school system or school participates in the FCI, they have access to student information regarding the completion of the FAFSA, such as whether or not the FAFSA is complete and submitted, or what information is missing. MSFAA data is not part of the FCI. MSDE advises that there are currently nine local school systems participating in the FCI.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland State Department of Education; Maryland Higher Education Commission; Baltimore City Public Schools; Baltimore County Public Schools; Montgomery County Public Schools; National College Access Tracker; National Center for Education Statistics; *Forbes*; Department of Legislative Services

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