

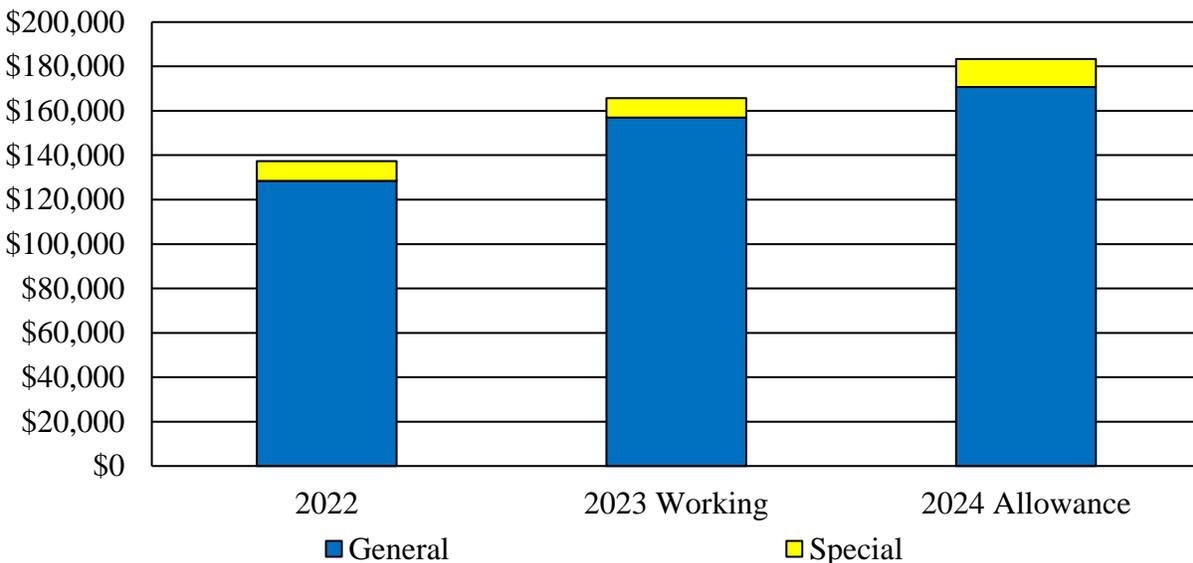
R62I0010
Student Financial Assistance
Maryland Higher Education Commission

Executive Summary

The Office of Student Financial Assistance (OSFA), within the Maryland Higher Education Commission (MHEC), is responsible for the administration of State financial assistance programs.

Operating Budget Summary

Fiscal 2024 Budget Increases \$17.7 Million, or 10.7%, to \$183.4 Million
(\$ in Thousands)



Note: The fiscal 2023 working appropriation includes deficiency appropriations including this agency's share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

- Chapter 23 of 2022 mandated an increase in funding for the Educational Excellence Awards (EEA) program (\$12 million), the Edward T. and Mary A. Conroy Memorial Scholarship (\$1 million), and the James Proctor Scholarship (\$400,000).
- The fiscal 2024 allowance for the Teaching Fellows for Maryland Scholarship program increases \$4.0 million, to provide a total of \$12.0 million due to Chapter 36 of 2021.

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Key Observations

- ***Free Application for Federal Student Aid (FAFSA) Submission Increases:*** After four years of declining, FAFSA filings by Maryland high school students increased 18.0% in the 2022-2023 award cycle compared to the 2021-2022 award cycle.
- ***Highest Number of Guaranteed Access (GA) Grants Awarded:*** The number of GA grant awards has increased by 30.0%, or 886, to 4,583 in fiscal 2023 compared to fiscal 2022.
- ***Missing Documentation for EEA recipients:*** The Office of Program Evaluation and Government Accountability's (OPEGA) evaluation reported that students are not receiving EEA awards due to missing documents such as high school transcripts and income verification.

Operating Budget Recommended Actions

1. Adopt narrative requesting a report on the impact of the credit completion requirement on financial aid awards.
2. Adopt narrative requesting a report on the Next Generation Scholars students and their postsecondary outcomes.

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Operating Budget Analysis

Program Description

OFSA, within MHEC, is responsible for the administration of State student financial assistance programs. These programs are designed to improve access to higher education for needy students and certain unique populations and to 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 institutions.

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 OSFAs.

Exhibit 1
Financial Ais Programs in Fiscal 2024 by Category

Program

Description

Need-based Financial Aid

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 GPA 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.
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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.
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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.
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<u>Program</u>	<u>Description</u>
<i>Other Need-based Aid Programs</i>	
Graduate and Professional Scholarship Program	Need-based scholarships for those pursuing certain graduate and professional degrees at certain Maryland institutions of higher education.
Early College Access Grant Program	Need-based grants for students dually enrolled in a Maryland high school and a Maryland institution of higher education.
2+2 Transfer Scholarship	Scholarship to provide an incentive for Maryland students to earn an associate degree from a community college before enrolling in a four-year institution. Recipient must demonstrate financial need. Minimum GPA required.
Maryland Community College Promise Scholarship	Scholarship to provide tuition assistance for Maryland students attending a community college covering costs not met by any other student financial aid, excluding loans, also known as a last dollar scholarship after the federal Pell Grant and State financial aid awards are calculated. Minimum GPA and credit completion required.
Somerset Economic Impact Scholarship	Scholarships to provide tuition assistance for Somerset County residents who graduated from high school within the county and will be attending Wor-Wic Community College.
Career-based Financial Aid	
Charles W. Riley and Emergency Medical Services Scholarship Program	Chapter 503 of 2013 converted the former tuition reimbursement program to a scholarship for fire, ambulance, and rescue squad workers pursuing a degree in fire services or emergency medical technology for awards beginning in fiscal 2017.
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.
Workforce Development Sequence Scholarship	Need-based scholarship for Maryland community college students enrolled in a program composed of courses relating to job preparation or an apprenticeship, licensure or certification, or job skill enhancement.
Teaching Fellows for Maryland Scholarship	Scholarship for Maryland student pursuing a degree leading to a Maryland professional teacher’s certificate. Requires a service obligation of teaching in a public school or prekindergarten program with at least 50% of students eligible for free and reduced-price meals.

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Program

Description

Cybersecurity Public Service Scholarship Scholarship for Maryland students enrolled in programs directly relevant to cybersecurity. Minimum GPA and service obligation requirements.

Loan Assistance Repayment Programs (LARP)

Janet L. Hoffman Loan repayment assistance for graduates of a Maryland institution who work full-time for the government or the nonprofit sector in a priority field as determined by the commission. Priority is given to recent graduates who are State residents and employed full-time principally providing legal services to low-income residents, nursing services in nursing shortage areas in the State, or other employment fields where there is a shortage of qualified practitioners for low-income or underserved residents. Recipients must meet income eligibility requirements as determined by the commission.

Nancy Grasmick Teacher Scholars (Part of Hoffman LARP) 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.

Maryland Dent-Care Loan repayment assistance designed to increase access to oral health services for Maryland Medical Assistance Program recipients.

Foster Care Recipients Loan repayment assistance designed to increase higher education access for students who received foster care assistance.

Police Officers Loan repayment assistance designed to assist in the repayment of a higher education loan owed by a police officer who satisfies certain criteria.

Assistance for Unique Populations

James Proctor Scholarship Program Chapter 309 of 2018 established the James Proctor Scholarship Program to award scholarships for tuition and fees to State residents who attend a public Historically Black College or University (HBCU) in the State. Each HBCU must administer the program on its campus and must adopt policies to establish (1) eligibility requirements; (2) award amounts; (3) procedures and schedule for the payment of scholarship awards; and (4) any other policies. The scholarships must be last-dollar scholarships. The funds appropriated must be divided and distributed equally to each HBCU: Bowie State University; Coppin State University; Morgan State University; and the University of Maryland Eastern Shore.

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<u>Program</u>	<u>Description</u>
Jack F. Tolbert Memorial	Provides grants to private career schools to award to full-time students based on financial need.
Veterans of the Afghanistan and Iraq Conflicts Scholarship Program	Scholarships for U.S. 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 has been provided.
Near Completer Grant	Grants for tuition not covered by any other non-loan financial aid for eligible near completers to return to finish their degree. Minimum GPA and credit hours completed required.
Richard W. Collins III Leadership with Honor Scholarship	Scholarship for Maryland minority Reserve Officer Training Corps students enrolled in an HBCU.
Maryland Police Officers Scholarship Program	Scholarship to provide tuition assistance for students attending a degree program that would further the student's career in law enforcement at an eligible institution with the intent to be a police officer after graduating.
Legislative Scholarships	
Senatorial Scholarships	Senators select recipients from within their legislative district. Students may be pursuing undergraduate, graduate, or professional degrees, or a certificate or license at a community college.
Delegate Scholarships	Delegates select recipients pursuing undergraduate, graduate, or professional degrees, or a certificate or license at a community college.

Source: Maryland Higher Education Commission

This analysis includes MHEC Student Financial Assistance 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, in some cases, other expenses; and
- assistance for the repayment of student loans.

A separate budget analysis for the Maryland Higher Education Commission – R62I0001 covers the personnel associated with the administration of these financial aid programs as well as other educational grant programs administered by the commission.

Performance Analysis: Managing for Results

1. Free Application for Federal Student Aid

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 families. To receive many State awards, a student must first submit a FAFSA (or an alternative State form) that determines eligibility for federal student aid, including Pell grants, Stafford loans, and work study. Currently, a student’s eligibility depends on their expected family contribution (EFC), their year in school, their enrollment status, and the cost of attendance at the school that they will be attending. Financial aid for State awards is determined by the difference between the cost of attendance, the student’s EFC, and the amount of the Pell grant that a student may receive.

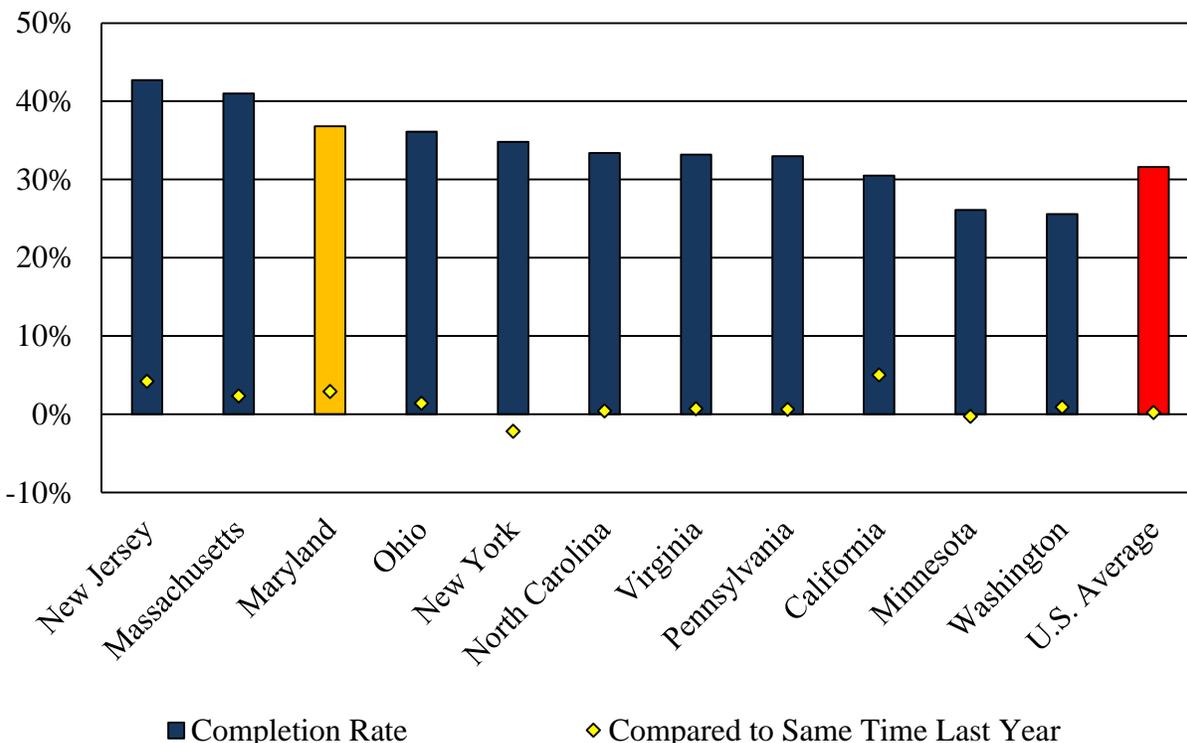
The Consolidated Appropriations Act (CAA) of 2020 eliminated the EFC criterion and replaced it with the student aid index (SAI), which will be used to determine eligibility for all types of Title IV student aid except maximum and minimum Pell grant awards. A negative SAI established a framework to allow the very neediest students to receive aid in excess of the cost of attendance established by their school. Initially, SAI was expected to be fully implemented for the 2023-2024 academic year; however, this has been pushed back to the 2024-2025 award year, or the FAFSA that will be released on October 1, 2023. Until additional information concerning SAI is made available, the impact of the transition from EFC to SAI on the Maryland College Aid Processing System (MDCAPS), the State’s financial aid management system, is currently unknown.

The CAA also modified FAFSA, reducing the number of questions that applicants need to fill out from 108 to 33. The purpose of this change was to make completing FAFSA easier for students and families. The Fostering Undergraduate Talent by Unlocking Resources for Education Act passed by the U.S. Congress in 2019 also included an update to FAFSA to allow for the use of the Internal Revenue Service (IRS) data retrieval tool, which would allow for automatic transfer of information from IRS to the U.S. Department of Education as a means to reduce the need for income verification (which is currently a manual process of proving the information a family submitted on FAFSA is correct). These actions are intended to encourage millions more low-income individuals to take advantage of the grants and loans that the federal government offers for college.

Exhibit 2 compares Maryland’s FAFSA completion rate as of January 25, 2023, to the states that it principally competes with for employers – California, Massachusetts, Minnesota, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Virginia, and Washington.

Completions range from 42.7% in New Jersey to 25.6% in Washington. Maryland, with a completion rate of 36.8%, compares favorably to eight competitor states and exceeds the national average of 31.6%.

Exhibit 2
Estimated Completed FAFSAs by Public High School Students
As of January 2022

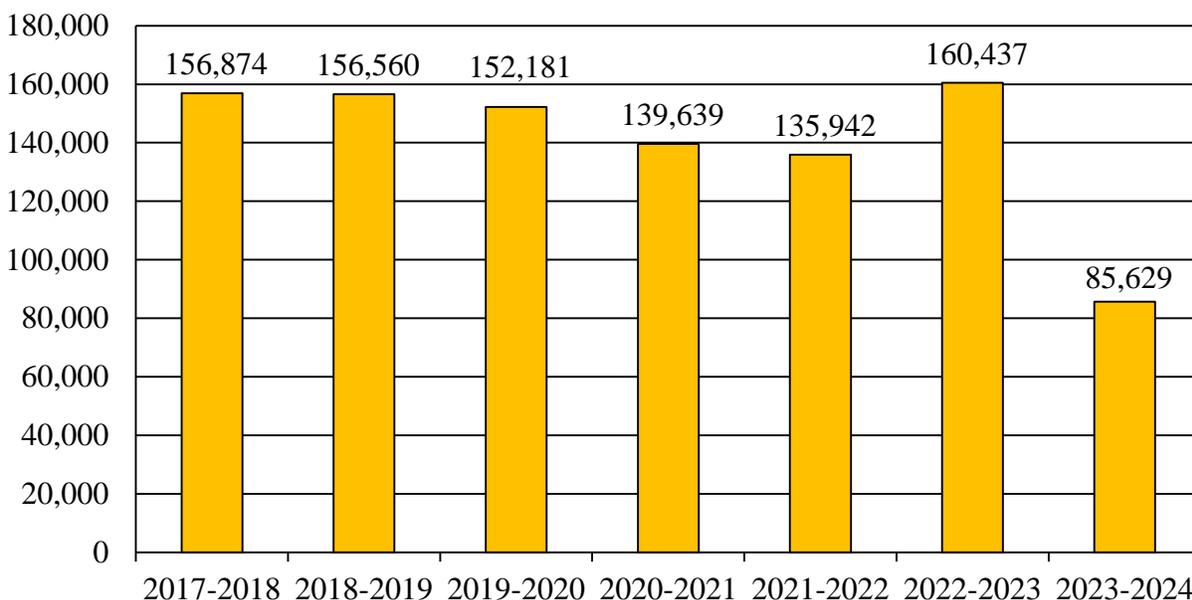


FAFSA: Free Application for Federal Student Aid

Source: FAFSA Tracker

Exhibit 3 shows the number of FAFSAs filed in Maryland. It should be noted that, for the 2017-2018 application cycle, the filing date of FAFSA was moved up three months to October 2016, and tax information from the second preceding year was used to determine eligibility. The impact of this change can be seen by the increased number of FAFSAs filed, 29.4%. The number of applications declined in each successive year after the 2017-2018 cycle; however, the filings were relatively steady between the 2020-2021 and 2021-2022 cycles. Filings increased 18% between the 2021-2022 and the 2022-2023 cycles. This represented the first increase since the 2017-2018 cycle. As of January 25, 2023, the number of FAFSAs filed in Maryland is 85,629; however, this does not represent the final number of filings that will occur in this cycle.

Exhibit 3
Total FAFSA Filing¹
2017-2018 to 2023-2024 Award Cycle



FAFSA: Free Application for Federal Student Aid

¹ 2023-2024 award cycle as of January 25, 2023

Note: For the 2017-2018 application cycle, the first month of availability was moved up to October 2016. The FAFSA application cycle begins the October before the award year. The current award year begins on July 1, 2023, and ends June 30, 2024, with the application cycle starting October 2022. Students have until March 1, 2023, to file FAFSAs to apply for State aid.

Source: Maryland Higher Education Commission

2. Guaranteed Access Grant

The Delegate Howard P. Rawlings EEAs are comprised of three grant programs: (1) the GA grant; (2) the Educational Assistance (EA) grant; and (3) Campus-based Educational Assistance grants. Chapter 389 of 2018 expanded eligibility requirements for the EEA program to include those who obtained a GED diploma with a passing score of at least 165 per module and who are under the age of 26. In addition, Chapter 812 of 2018 expanded the eligibility requirements of the EEA program to include students who are eligible for in-state tuition. This includes undocumented immigrants, or Dreamers, as defined in Chapter 191 of 2011; active-duty military members, spouses, and children; and honorably discharged military veterans.

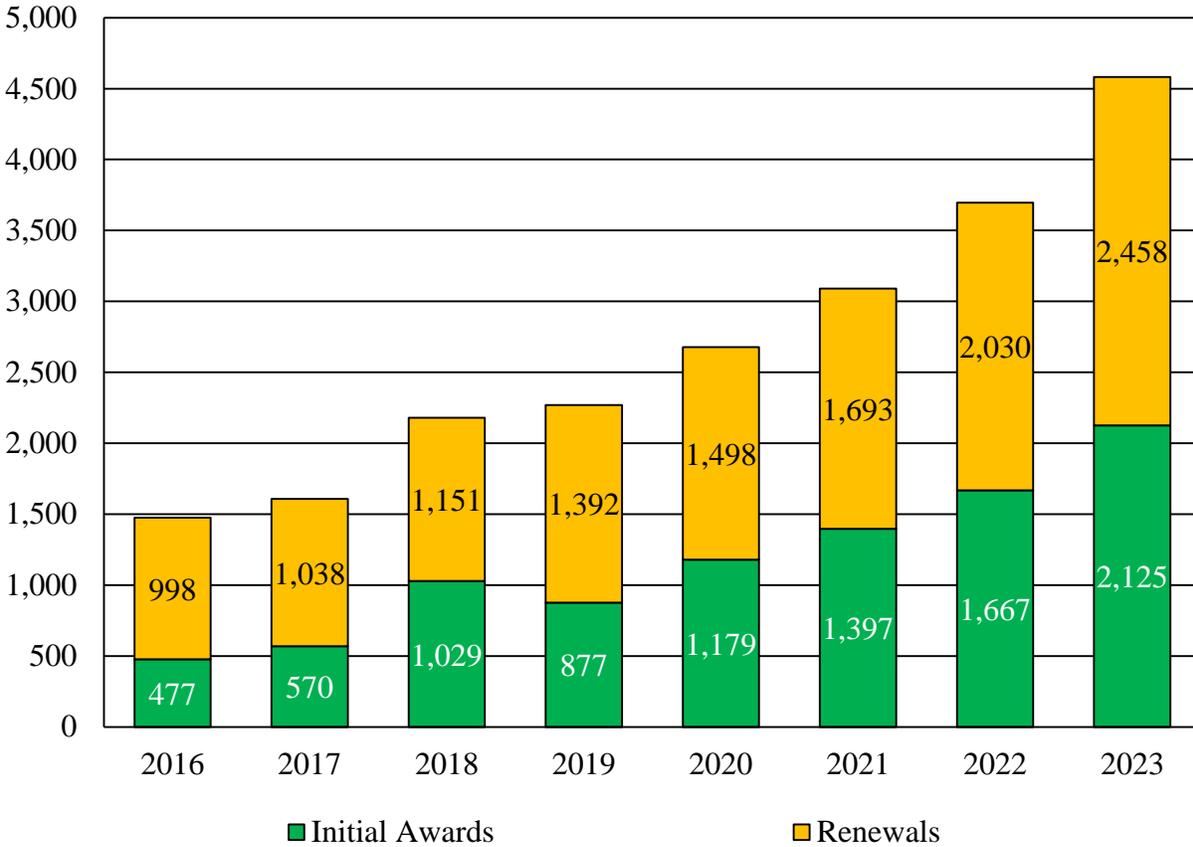
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The GA grants, when combined with the federal Pell grant, cover 100% of the need for the State’s lowest income students. The maximum amount is capped at the total cost of attendance (tuition, fees, and room and board) at the highest cost four-year University System of Maryland institutions, excluding the University of Maryland, Baltimore Campus and the University of Maryland Global Campus. The maximum award is \$20,000 in fiscal 2023.

MHEC identifies first-time applicants who are potentially eligible for the grant based on FAFSAs or the Maryland State Financial Aid Application (MSFAA) (MSFAA for qualified children of undocumented immigrants who are eligible for in-State tuition) submitted by the March 1 deadline. Eligible applicants must have an annual total family income that qualifies for the federal free lunch program (less than 130% of the federal poverty level (FPL) for first-time students and 150% for renewal awards), enroll in college as a full-time degree-seeking student within a year of completing high school, have an unweighted GPA of at least 2.5 as of the fall semester of their senior year, be in high school at the time of the application, and be under age 22 at the time of high school graduation or have a GED and under age 26. Students meeting all the requirements are guaranteed funding.

In fiscal 2023, the total number of awards increased by 24.0%, or 886, totaling 4,583, compared to fiscal 2022, as shown in **Exhibit 4**. The number of awards has increased in each year since 2016. One reason for the continuing increase in the number of awards each year is the elimination of the supplemental application requirement, which began in fiscal 2018, and using FAFSA or MSFAA to identify potentially eligible applicants. In fiscal 2018, the first year of this change, the overall number of awards increased by 35.6% compared to the prior year. MHEC has implemented two new changes that have eased the application process. In fiscal 2022, MHEC implemented the Electronic File Upload process which allowed applicants to upload required documents into MDCAPS. Additionally, the GPA Upload Tool was implemented, which allows high school staff to use MDCAPS to verify and report all high school seniors’ cumulative unweighted GPAs, from their first semester or end of senior year cumulative GPA from high school. This simple upload tool allows MHEC to determine applicant’s eligibility faster and more efficiently as well as confirm applicant’s eligibility for the GA Grant. Use of both tools will cause an increase in GA awards. Overall, since fiscal 2016, the number of initial awards has increased by 345.5%, and renewals have increased by 146.3%.

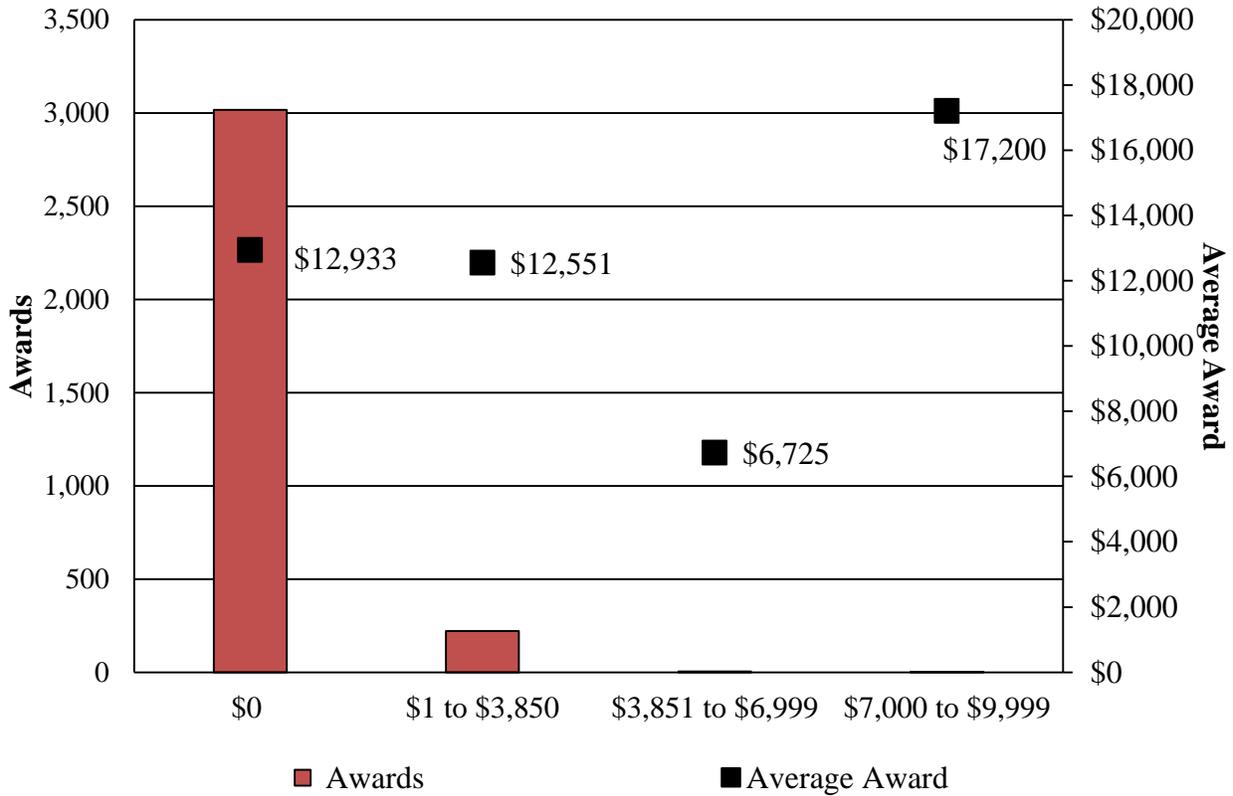
**Exhibit 4
Guaranteed Access Grant Awards
Fiscal 2016-2023**



Source: Maryland Higher Education Commission

As shown in **Exhibit 5**, almost all of those receiving a GA grant in fiscal 2022 have an EFC of \$3,850 or lower, with 93.0% of the recipients having a \$0 EFC. GA grants are renewed as long as the student meets certain requirements, including that family income does not exceed 150% of the FPL, so if a student’s EFC increases after the initial application, they still receive the grant. Thus, the seven grants made to those with higher EFCs are likely older awards passing through the system. EFC and award outcomes for other selected OSFA programs are shown in **Exhibit 7** and **Appendix 2**, **Appendix 3**, **Appendix 4**, **Appendix 5**, and **Appendix 6**.

**Exhibit 5
Guaranteed Access Grants by Expected Family Contribution
Fiscal 2022**



Source: Maryland Higher Education Commission

3. Educational Assistance Grants

The EA grant is designed to meet 40% of the financial need at four-year institutions and 60% at community colleges for full-time undergraduate students from low- to middle-income families. All applicants are ranked by EFC with awards made first to those with the lowest EFC. Awards may not be less than \$400 and cannot exceed \$3,000 – award amounts have not changed since fiscal 1996.

Funding for the EA grants is shown in **Exhibit 6**. The effects of early FAFSA filings noted earlier can be seen with the number of on-time applications increasing by 6.4% from fiscal 2021 to 2022. In fiscal 2023, there is 20.8% decrease in on-time applications, but the numbers have not been finalized yet.

Exhibit 6
Educational Assistance Grants¹
Fiscal 2018-2023

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Difference</u> <u>2022-2023</u>	<u>% Change</u> <u>2022-2023</u>
EA Appropriation (\$ in Millions)	\$52.3	\$52.2	\$53.4	\$46.1	\$46.1	\$46.1	\$0.0	0.0%
EA Applicants (On-time FAFSAs)	151,977	156,874	152,181	139,639	148,594	123,944	-24,650	-16.6%
EA Initial Applicants with \$0 EFC	36,060	34,970	33,257	30,286	31,754	25,139	-6,615	-20.8%
EA Renewal Applicants with \$0 EFC	20,615	23,702	20,291	17,362	20,517	14,203	-6,494	-31.7%
EFC Cutoff ¹	\$2,815	\$2,750	\$3,800	\$2,997	\$6,495	\$4,545	-\$1,950	-30.0%
EA Awards Made	23,550	25,000	23,665	18,930	20,130	28,278	8,148	40.5%
Waitlist ²	17,924	18,798	7,074	7,751	0	71	71	TBD

EA: Educational Assistance
EFC: expected family contribution
FAFSA: Free Application for Federal Student Aid
TBD: to be determined

¹The numbers above are reported as of January 25, 2023.

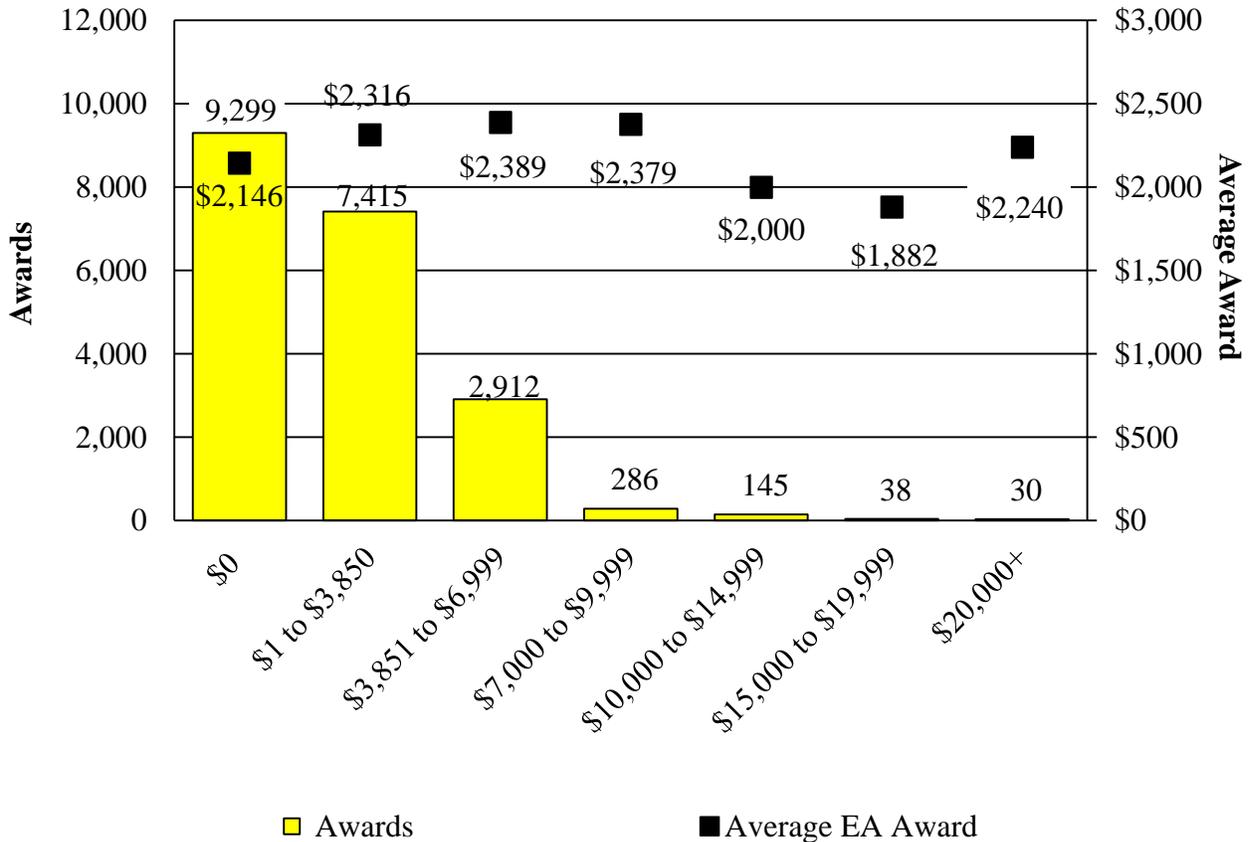
²As of May 1, students are eligible for EA and are placed on the waitlist if they are full-time students, submit a completed application by the March 1 deadline, and have financial need remaining after their EFC and federal Pell Grant award are considered.

Source: Maryland Higher Education Commission

In 2016, the Financial Assistance Advisory Council, which advises MHEC on policy and administrative issues affecting State financial aid, recommended adopting a formula to determine an EFC cutoff for the EA waitlist to create a more realistic waitlist number. Starting in fiscal 2017, students whose EFC exceed the waitlist cutoff are deemed ineligible for the program. In fiscal 2019, 18,798 students with an EFC up to \$10,974 were placed on the waitlist. In fiscal 2021, the EFC cutoff for the waitlist was changed to align with the federal Pell index, which in fiscal 2021 is \$6,395. This resulted in the waitlist declining by 58.8% to 7,751 students. As of fiscal 2022, the cutoff is \$6,495.

The number of EA awards made increased by 6.3%, or nearly 1,200, in fiscal 2022 compared to the prior year. As shown in **Exhibit 7**, in fiscal 2022, 83.1% of EA grants went to students with an EFC between \$0 and \$3,850. The average EA grant for those with a \$0 EFC is less than the average of those with an EFC between \$1 and \$6,999 because students with a lower EFC receive a higher federal Pell grant. Pell awards are given to students who have an EFC of less than a specific amount, the maximum amount of which was \$6,495 in fiscal 2022. Some students will qualify for a Pell grant but receive no State aid. The EA grant is based on student need after accounting for the federal Pell grants; as a result, those with low EFCs often qualify for smaller EA grant awards. EA grants are renewed automatically as long as the student continues to have demonstrated need, even if a student’s EFC increases in later years. This policy bumps some new Pell grant students to the EA waitlist every year.

Exhibit 7
EA Grant by Expected Family Contribution
Fiscal 2022



EA: Educational Assistance

Source: Maryland Higher Education Commission

Fiscal 2023 Working Appropriation

Exhibit 8 shows the number and average award by financial aid program for ongoing programs. For these programs, in fiscal 2023, MHEC expects an increase in the total number of recipients of State aid of 21.7% or 10,728 recipients. In past years, MHEC has provided estimates for the allowance year, but was not able to do so. **MHEC should explain why the information is not available for the fiscal 2024 allowance.**

Exhibit 8 Recipients of State Aid Programs, Excluding New Programs Fiscal 2021-2023 Allowance

Program	2021 Actual		2022 Actual		2023 Working	
	Recipients	Average Award	Projected Recipients	Projected Average Award	Projected Recipients	Projected Average Award
Need-based Aid						
Educational Assistance Grant	18,712	\$2,185	19,994	\$2,246	28,169	\$1,837
Campus-based Educational Assistance Grant	995	1,868	1,076	1,681	1,100	1,879
Guaranteed Access Grant	3,090	12,116	3,321	13,521	4,572	13,071
2+2 Transfer Scholarship	179	1,550	174	1,511	315	1,414
Part-time Grant Program	5,628	901	5,258	905	5,500	902
Graduate and Professional Scholarship	406	2,525	322	1,387	350	2,022
Maryland Community College Promise Scholarship	2,026	3,113	1,904	2,963	2,012	2,786
Near Completer Grant	8	933	4	2,839	2	315
Subtotal	31,044	\$2,992	32,053	\$3,205	42,020	\$2,982
Legislative Programs	15,944	\$1,416	15,124	\$970	16,273	\$1,113
Career and Occupational Programs						
Charles Riley Scholarship Program	29	\$5,440	25	\$6,299	20	\$6,472
Workforce Shortage Student Assist Grant	327	3,271	339	3,193	550	2,949
Teaching Fellows for Maryland Scholarship	106	16,780	105	17,963	209	19,413
Cohen Graduate Nursing Faculty Scholarship	0	0	0	0	0	0
Subtotal	462	\$6,507	469	\$6,665	779	\$7,457
Unique Population Programs	1,612	\$3,736	1,739	\$3,797	1,175	\$5,096
Loan Assistance Repayment Programs	87	\$9,067	147	\$6,106	13	\$19,107
Total	49,149	\$2,089	49,532	\$2,289	60,260	\$2,279

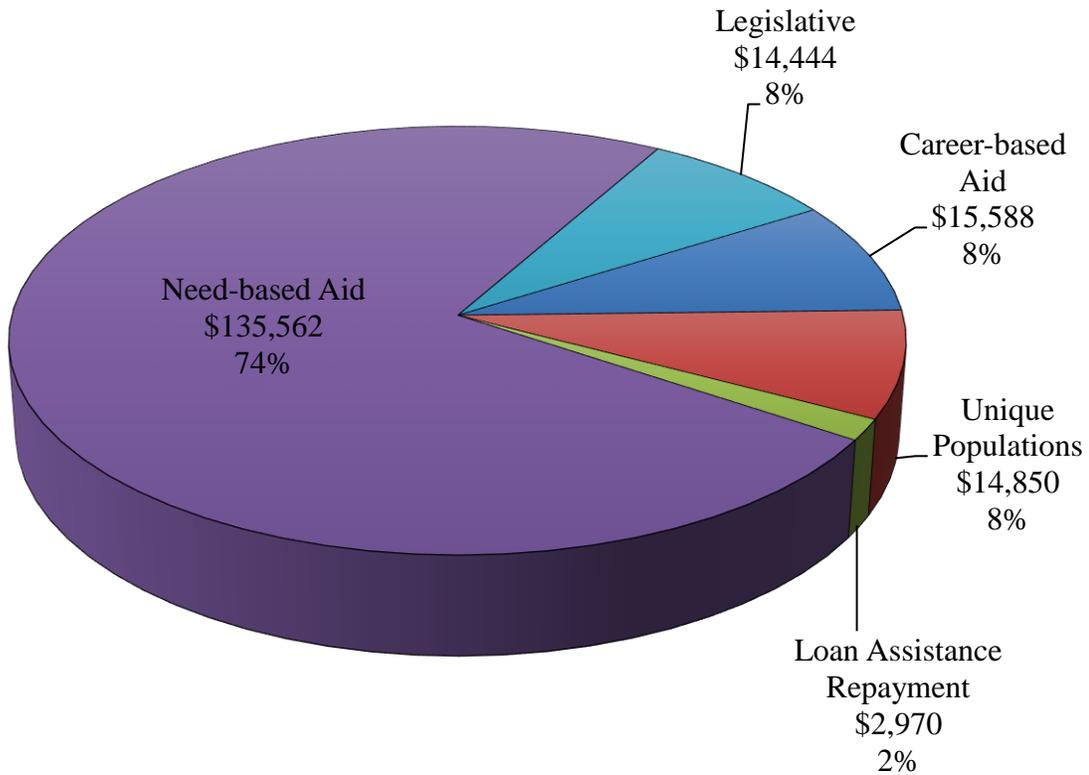
Note: Data is a point-in-time calculation and cannot be used to calculate total aid.

Source: Maryland Higher Education Commission

Fiscal 2024 Overview of Agency Spending

The fiscal 2024 allowance for Student Financial Assistance totals \$183.4 million. **Exhibit 9** shows the fiscal 2024 allowance by type of aid. The largest share of the fiscal 2024 allowance is Need-based Aid, 74%. Career-based aid at 8% and legislative scholarships at 8% represent the next highest shares of aid.

Exhibit 9
Overview of Agency Spending
Fiscal 2024 Allowance
(\$ in Thousands)



Source: Governor’s Fiscal 2024 Budget Books; Department of Legislative Services

Fiscal 2024 Proposed Budget

As shown in **Exhibit 10**, the total funding in fiscal 2024 increases by 10.7%, or \$17.7 million. Chapter 23 increased or added mandated funding levels for three programs accounting for \$13.4 million of the increases. That additional funding went to EEA (\$12 million), the Edward T. Conroy Memorial Scholarship (\$1.0 million), and the James Proctor Scholarship (\$400,000). Aside from those changes, the Teaching Fellows for Maryland Scholarship increased by \$4.0 million due to Chapter 36.

**Exhibit 10
Proposed Budget
Maryland Higher Education Commission – Student Financial Assistance
(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Total</u>
How Much It Grows:			
Fiscal 2022 Actual	\$128,419	\$8,869	\$137,289
Fiscal 2023 Adjusted Working Appropriation	157,019	8,723	165,742
Fiscal 2024 Allowance	<u>170,691</u>	<u>12,723</u>	<u>183,414</u>
Fiscal 2023-2024 Amount Change	\$13,671	\$4,000	\$17,671
Fiscal 2023-2024 Percent Change	8.7%	45.9%	10.7%
Where It Goes:			
			<u>Change</u>
Educational Assistance Awards due to mandated level in Chapter 23 of 2022 ...			\$12,000
Teaching Fellows for Maryland Scholarship due to mandated level in Chapter 36 of 2021.....			4,000
Edward T. Conroy Memorial Scholarship Program due to mandated level in Chapter 23.....			1,000
James Proctor Scholarship due to mandated level in Chapter 23.....			400
2% Increase Delegate and Senatorial Scholarships.....			283
Somerset Economic Impact Scholarship.....			-12
Total			\$17,671

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

Need-based Student Financial Assistance Fund

The Need-based Student Financial Assistance Fund (NBSFAF), a nonlapsing special fund, was created in 2011 to receive unused scholarship funds at the close of each fiscal year, which are then reserved for future need-based and certain unique population awards. Funds from the NBSFAF can be appropriated in the annual State budget or recognized by budget amendment in the following fiscal year, thereby creating a transparent process for MHEC to encumber unexpended scholarship funds. **Exhibit 11** shows the current balance of the NBSFAF. MHEC tries to maintain a fund balance at the end of the fiscal year to ensure that it does not overaward financial aid in any given year and require a general fund deficiency.

Exhibit 11
Need-based Student Financial Assistance Fund
Fiscal 2019-2023 Est.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023 Est.</u>
Opening Balance	\$8,324,136	\$10,392,845	\$6,606,877	\$8,664,317	\$13,012,641
Transfers In	\$3,833,129	\$1,414,723	\$3,470,682	\$10,798,022	TBD
Transfers Out					
2 + 2 Transfer	\$231,500	\$0	\$277,000	\$259,000	\$300,000
EEA	0	4,972,826	0	5,090,698	0
Conroy Memorial	1,532,920	227,865	1,136,242	1,100,000	0
Subtotal	\$1,764,420	\$5,200,691	\$1,413,242	\$6,449,698	\$300,000
Closing Balance	\$10,392,845	\$6,606,877	\$8,664,317	\$13,012,641	\$12,712,641

EEA: Educational Excellence Awards

TBD: to be determined

Source: Maryland Higher Education Commission

In fiscal 2022, the opening balance for the NBSFAF totaled \$8.7 million, with an additional \$10.8 million transferred into the fund in that year. Of that total, approximately \$0.3 million was utilized for the 2+2 Transfer Program, \$1.1 million was provided to Conroy Memorial recipients, and \$5.1 million was used for the EEA program. In fiscal 2023, MHEC currently plans to use a portion of the fiscal 2022 closing balance of \$13.0 million to fund additional EEA, 2+2 Transfer, and Conroy Memorial Scholarship awards, though the Department of Legislative Services (DLS) notes that only funding for the 2+2 Transfer program is currently reflected in the fiscal 2023 working appropriation. **MHEC should discuss the reason for the \$10.8 million in unused appropriations available for fiscal 2022, a level much higher than that of recent years.**

Issues

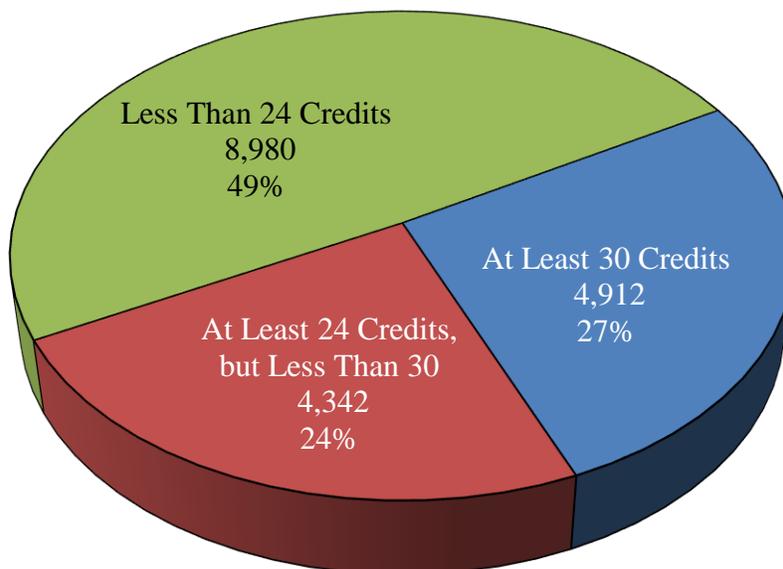
1. Credit Completion Requirements on Financial Aid Awards

The College Affordability Act of 2016 (Chapters 689 and 690) requires students who are recipients of the EEA program, composed of the EA grant, the GA grant, and the Campus-based Educational Assistance grant, to meet certain credit completion requirements. The credit completion requirement in the EEA program became effective in the 2018-2019 academic year (fiscal 2019) and requires students to successfully complete at least 30 credit hours at the end of their second (and subsequent) academic year(s) to be eligible to receive full (non prorated) State funding in the subsequent year. The law also requires that students who fail to complete 30 credits but complete at least 24 credits in the prior year be eligible for a prorated award. Students who complete fewer than 24 credits are ineligible for the award in the subsequent year.

The intent of the credit completion requirement is to encourage students who receive an EEA award to complete their postsecondary education “on-time,” which means attaining (*i.e.*, not just enrolling in) 15 credits per semester, or 30 credits per year. Most four-year degree programs require a student to satisfactorily complete at least 120 credits to graduate and earn a bachelor’s degree and, similarly, 60 credits are required for most associate degrees at community colleges. “On-time” graduation for most bachelor’s degree programs is considered to be four years; likewise, on-time graduation for most associate degree programs is two years. This change is intended to limit the number of students who run out of eligibility for need-based grants before completing their degrees and, therefore, accumulate additional debt.

As shown in **Exhibit 12**, out of 18,234 students who had received an award for at least two years at the end of the 2021-2022 academic year, postsecondary institutions reported that 8,980 students (49.2%) completed fewer than 24 credits and became ineligible for their EEA award in the subsequent year, 4,342 (23.8%) completed at least 24 credits but fewer than 30 credits and received a prorated award, and 4,912 (26.9%) completed at least 30 credits and are eligible to receive the full award amount.

Exhibit 12
EEA Credit Completion
2021-2022 Credit Roster

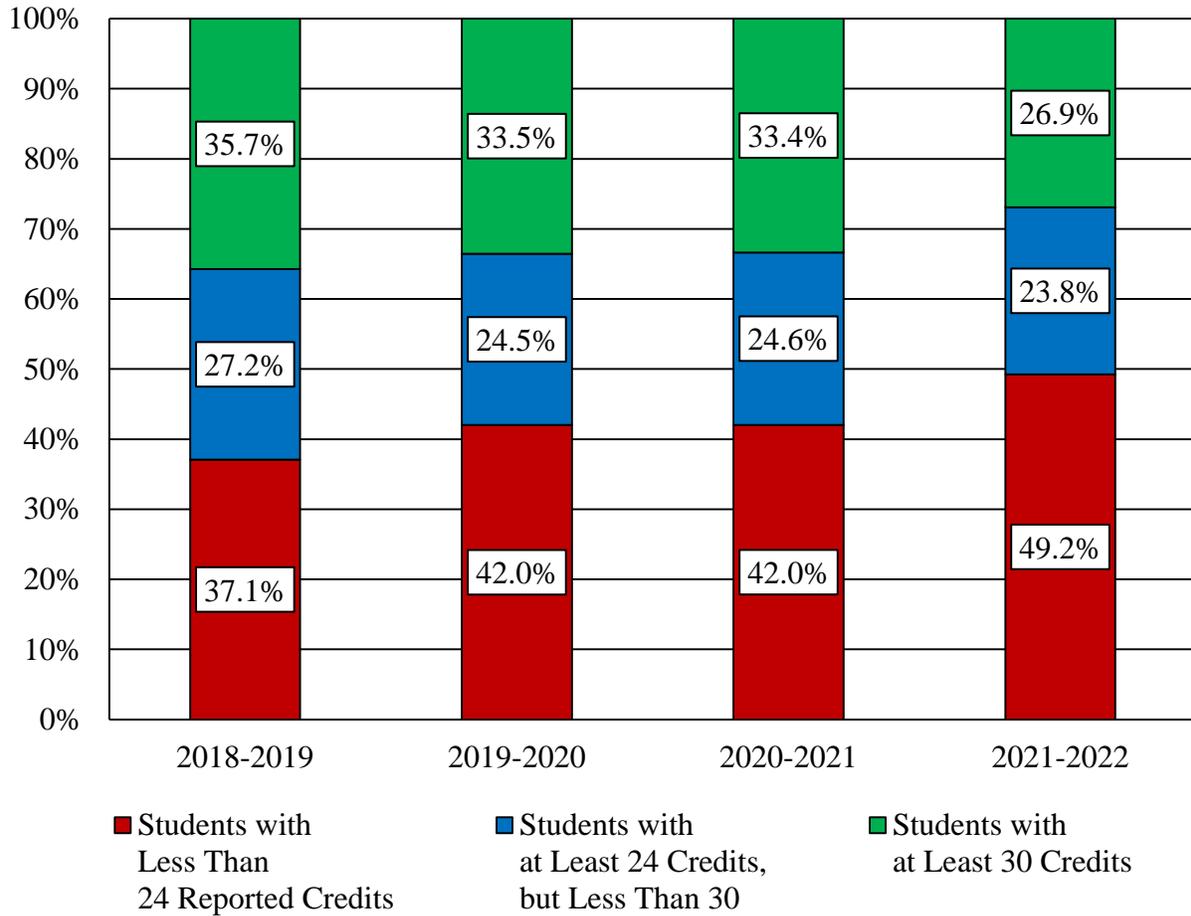


EEA: Educational Excellence Awards

Source: Maryland Higher Education Commission

The 2021-2022 academic year is the fourth year of the credit completion reporting requirements as the credit completion data from the 2019-2020 academic year was used to inform EEA awarding for the 2020-2021 academic year (fiscal 2021). As shown in **Exhibit 13**, in the 2021-2022 academic year, the total percentage of students who completed at least 30 credits, 26.9%, decreased 6.5 percentage points from the previous year, when 33.4% of the population completed at least 30 credits. Students with at least 24 credits but less than 30 increased to 23.8% of the total student pool, an increase of 0.8 percentage points when compared to the previous year. Students with less than 24 credits made up the plurality of the group, with 49.2% of the student population not achieving this target, an increase of 7.2 percentage points over the 2020-2021 period when 42.1% failed to reach the 24-credit limit. **The Secretary should comment on the increasing number of students not fulfilling the credit completion requirement.**

**Exhibit 13
EEA Credit Completion Outcomes
2018-2019 through 2021-2022**



EEA: Educational Excellence Award

Source: Maryland Higher Education Commission

When reviewing the credit completion outcomes by higher education segment, the private four-year institutions attained the highest percentage of students who completed at least 30 credits for the 2021-2022 class at 44.4% of that segment’s total number of students receiving EEA awards, as shown in **Exhibit 14**. The public four-year institutions saw a decrease in students maintaining full EEA awards, with 29.3% attaining at least 30 credits compared to 35.7% in the previous year, and 45.4% failed to attain the 24 credit total. The public two-year institutions had the largest percentage of students who completed fewer than 24 credits, at 79.4%, and, as a result, lost their EEA awards for the 2022-2023 academic year (fiscal 2023).

Exhibit 14
EEA Credit Completion Outcomes by Higher Education Segment
2021-2022 Credit Roster

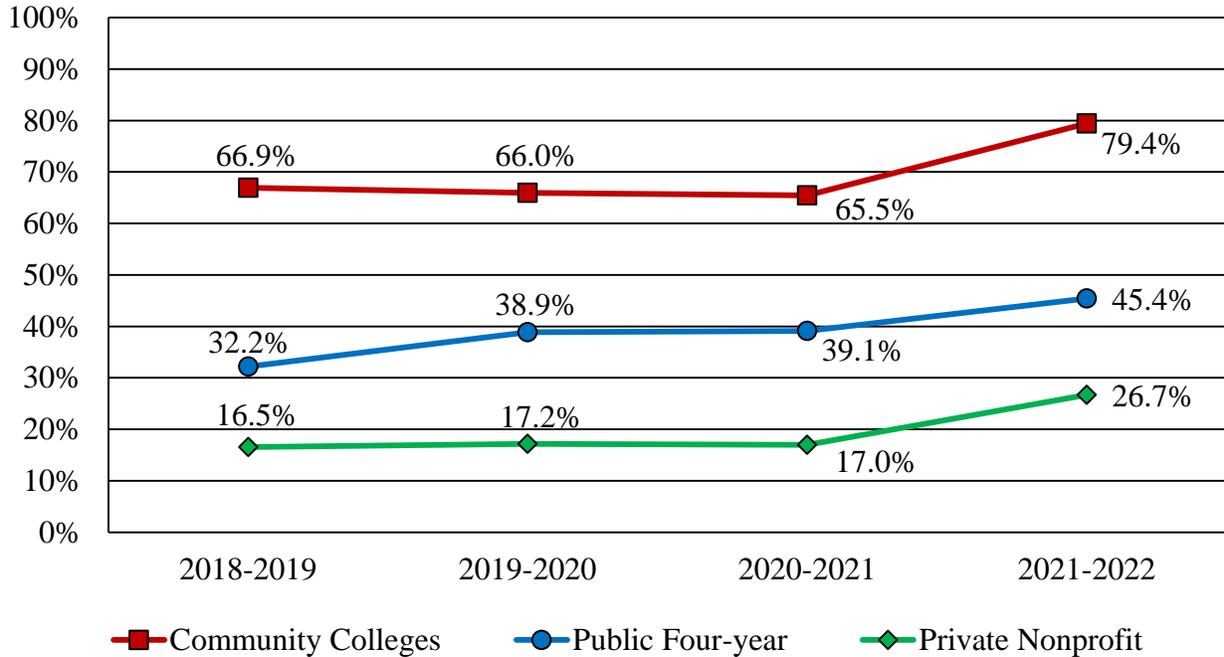
	<u>Fewer Than 24 Credits</u>	<u>At Least 24 Credits but Fewer Than 30 Credits</u>	<u>At Least 30 Credits</u>
Private Four-year Institution	458	494	761
Private Four-year Institution Total % of Segment	26.7%	28.8%	44.4%
Public Four-year Institution	6,127	3,419	3,959
Public Four-year Institution Total % of Segment	45.4%	25.3%	29.3%
Public Two-year Institution	2,395	429	192
Public Two-year Institution Total % of Segment	79.4%	14.2%	6.4%

EEA: Educational Excellence Award

Source: Maryland Higher Education Commission

As shown in **Exhibit 15**, the completion trends for students who have completed fewer than 24 credits illustrate that community college students have fared the worst in each year, with more than 60% failing to meet the 24-credit completion requirement for a prorated award in each of the two most recent years. The public four-year EEA awardees population that failed to reach 24 credits has increased from 32.2% in the 2018-2019 class to 45.4% in the 2021-2022 class, an increase of 13.2 percentage points. The private nonprofit four-year EEA awardees population failing to meet the 24-credit requirement over this period remained fairly level through the 2020-21 class but increased to 26.7% in the 2021-2022 class.

Exhibit 15
Credit Completion Requirement – Fewer Than 24 Credits
2018-2019 through 2021-2022 Academic Years



Source: Maryland Higher Education Commission

The Secretary should comment on the credit completion requirement, specifically addressing what changes MHEC can make to its EEA student outreach to encourage credit completion.

The Executive Director of the Maryland Association of Community Colleges should comment on what actions are being taken at the respective community colleges to advertise the credit completion requirement and efforts being made to help students keep EEA eligibility.

2. Reorganization of OSFA as an Independent Agency

The *Joint Chairman’s Report* (JCR) of 2022 restricted funds pending a report on the reorganization of MHEC, including the possibility of OSFA as a separate independent agency. OSFA was restructured to be an office within MHEC under the Maryland Charter of Higher Education in 1988 (Chapter 246 of the Laws of Maryland 1988), replacing the former State Scholarship Board. OSFA is responsible for administering the State’s student financial aid

programs. Seventeen staff members administer the 28 active programs at OSFA, leaving it with a heavy workload due to the thousands of financial applications and the tight turnaround.

It is not uncommon for States to have independent student financial aid agencies. **Exhibit 16** shows Maryland’s competitor states and if their student financial aid office is distinct from the agency that oversees academic programs. Six of the 11 competitor states have independent financial aid offices.

Exhibit 16
Competitor States’ Student Financial Aid Agencies

<u>State</u>	<u>Separate Financial Aid Agency</u>
California	Yes
Massachusetts	No
Minnesota	Yes
New Jersey	Yes
New York	Yes
North Carolina	Yes
Ohio	No
Pennsylvania	Yes
Virginia	No
Washington	No

Source: Department of Legislative Services

Being housed in MHEC, OSFA shares resources, including staff, with MHEC. In its response, MHEC explains that to separate OSFA from the agency, several changes to statutory language would be necessary. In addition to those changes, there would be increased staffing costs for a new agency. OSFA has the benefit of MHEC’s resources, but those positions would need to be created in a new agency. MHEC estimates \$1.1 million to \$1.7 million for a new executive team and an additional \$0.9 million for new staff to assist the existing OSFA staff. With OSFA as an independent agency with new employees, it would no longer have sufficient space in its current offices; as a result, there would be the additional cost of leasing new space and extra expenses. For all these reasons, MHEC does not recommend creating an independent OSFA. The fiscal 2024 allowance does not reflect a change in the structure of OSFA.

3. Program Evaluation of OSFA

In December 2022, OPEGA released an evaluation of OFSA. The evaluation focuses on the efficiency and effectiveness of the EEA Program. The remainder of this discussion will look at the findings on ineligibility and unmet need, however the full report is available on the DLS website.

Ineligibility Of Initial Grantees

MHEC reviews all on-time (by March 1) FAFSA/MSFAAs to identify applicants who may meet the statutory eligibility criteria for age and household income required for a GA grant. MHEC notifies the students that they must upload an official high school transcript or GED score to demonstrate that they also meet the GA grant’s eligibility criteria for academics. In addition, MHEC asks a subset (currently 60%) of potential GA-Initial grantees to provide documents for income verification. Failure to complete any one required document makes an applicant ineligible for a GA-Initial Grant; that student may instead receive a smaller EA-Initial Grant that year, which requires no such documentation.

Challenges Identified By OPEGA

Overall, OPEGA found that 21.4% of required documentation was incomplete in the 2021-2022 academic year. However, 48.0% of requested high school transcripts were not received nor were 50.8% of income verification documents. In addition, for EA-Initial Grants, students must officially accept the awards to receive them. Fifty-four percent of the students offered an EA-Initial Grant failed to accept them.

For both the GA and EA grants, OPEGA raises the question of whether students are intentionally not meeting requirements or having a problem navigating the MDCAPS website. Students must be registered with MDCAPS to navigate MHEC’s financial aid process. This website is used to upload the requested documentation and accept the offer of MHEC financial aid awards. OPEGA notes that MDCAPS cannot track whether applicants had unsuccessful attempts of uploading material versus never doing so.

Recommendations

In the report, OPEGA recommended streamlining the application process to make it easier for students to meet eligibility requirements, including:

- requiring all local education agencies to upload high school transcripts to MHEC;
- giving MHEC access to Maryland’s Total Human-services Integrated Network to allow students to be income-qualified based on their family’s Supplemental Nutrition Assistance Program; and

- developing a memorandum of understanding between MHEC and the Comptroller’s office to address income verification issues.

Unmet Need

OPEGA’s evaluation states that more EEA grantees received EA grants (7,089) than GA grants (2,560). This difference might be attributed to the lower threshold to receive an EA grant versus a GA grant. GA grants grow with the cost of attendance while EA grants have been capped at \$3,000 since 1996.

The average unmet need for GA grantees was \$12,500. The unmet need ranged from \$3,800 to \$13,100 for students between 130% to 300% below the FPL. The evaluation also noted that EA recipients just above the 130% poverty eligibility cutoff require \$7,000 more than GA recipients just below the cutoff. Those EA grantees had \$19,764 in unmet need, while the GA grantees had \$12,309.

In its current form, the GA grants and EA grants are competing for the same dollars. Currently, GA grants are guaranteed because they are awarded before the EA grant. The funds not used for initial GA grants are used for initial EA grants. OPEGA presents two options to address the unmet need of low-income students. One option is to budget GA and EA grants as separate appropriations. The second option is to introduce a sliding scale that would allow higher awards to applicants with an EFC just above the current limit for a GA-Initial Grant.

MHEC is in the process of analyzing the current GA award income eligibility guidelines for initial applicants to assess if income guidelines should increase from 130% of FPL to 150% or even 180%. If income guidelines are increased, the number of initial applicants eligible to receive the GA award will increase and thus increase the overall total of GA awards.

In response, MHEC agreed with most recommendations in OPEGA’s evaluation. The agency did take issue with lack of context for certain recommendations not covered in this analysis and the scope of the evaluation. MHEC indicated that the agency would have preferred if the evaluation looked at all of its programs and not only the EEA program. **MHEC should comment findings and recommendations of the OPEGA analysis, particularly on the feasibility of the recommendations and what additional resources would be necessary.**

Operating Budget Recommended Actions

1. Adopt the following narrative:

Impact of Credit Completion Requirement on Financial Aid Awards: The committees are interested in the impact the 30-credit-hour requirement had on students in the 2022-2023 academic year and the 2023-2024 awarding year, specifically if students are meeting the requirement in order to receive the full amount of award, how many students had their awards prorated, and how many students lost eligibility. The report should also include the graduation rates of students who completed 30 credit hours compared to those who completed less than 30 credit hours. The report should provide summary data by segment (community colleges, four-year public, and independent institutions) and by institution. The report should also identify how the Maryland Higher Education Commission (MHEC) alerts Educational Excellence Award (EEA) recipients that they are in danger of losing their award, as all segments are showing signs of increasing populations of students not meeting the 24-credit hour minimum. The report should identify the updated funding disbursement, by EEA award type and by total credit attainment grouping, for the students from the most recent review cycle as well as what the total funding amount was, by EEA award type, prior to those students having their award funding amounts revised.

Information Request	Author	Due Date
Report on impact of credit completion requirement on financial aid awards	MHEC	December 11, 2023

2. Adopt the following narrative:

Next Generation Scholars (NGS) Postsecondary Outcomes: The 2020-2021 academic year was the first academic year with a cohort of grade 12 students in the NGS program. The committees remain interested in determining how many NGS students met the eligibility requirements and later enrolled in a postsecondary institution. The report should identify the number of NGS seniors for the 2021-2022 and 2022-2023 academic years, the number of NGS seniors who successfully met all of the eligibility requirements, the number of eligible NGS seniors receiving a guaranteed access award, and the number of seniors who later enrolled in a postsecondary institution of higher education in either the summer session or the fall semester and identify to which higher education segment those students enrolled.

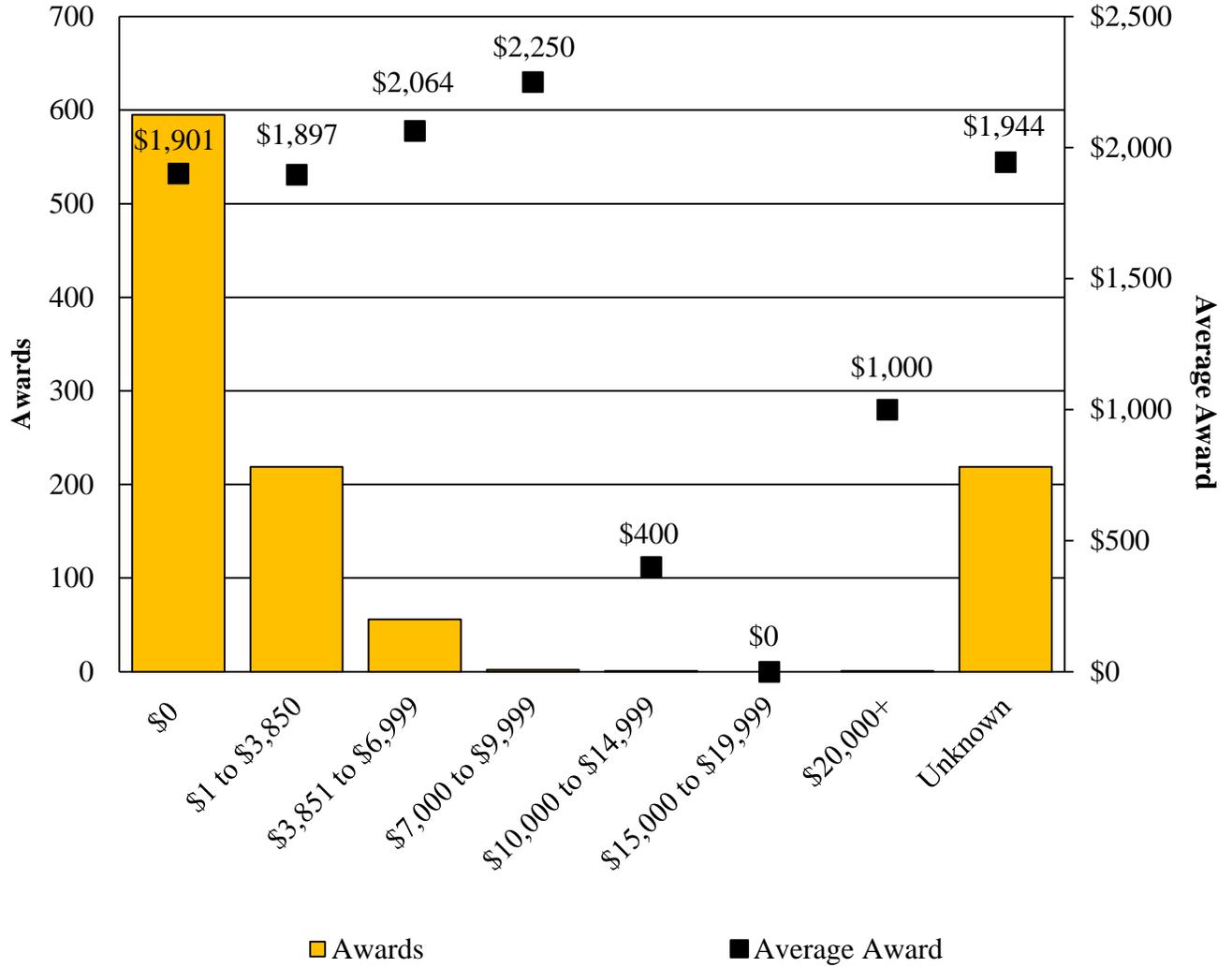
Information Request	Author	Due Date
Report on postsecondary outcomes for NGS senior students	Maryland Higher Education Commission	December 1, 2023

Appendix 1
2022 Joint Chairmen’s Report Responses from Agency

The 2022 JCR requested that OSFA prepare two reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Impact of Credit Completion Requirements on Financial Aid Awards:*** MHEC was required to provide a report on how the credit completion requirements impacted students eligible for the EA grant, the GA grant, and the Campus-based Educational Assistance grant. This report is discussed in Issue 1 of this analysis.
- ***Next Generation Scholars (NGS) Postsecondary Outcomes:*** MHEC was required to provide a report identifying the number of NGS seniors for the 2021-2022 academic year, the number of NGS seniors who successfully met all of the eligibility requirements, the number of eligible NGS seniors receiving a guaranteed access award, and the number of seniors who later enrolled in a postsecondary institution of higher education in either the summer 2022 session or the fall 2022 semester and identify to which higher education segment those students enrolled. This report has not yet been submitted.

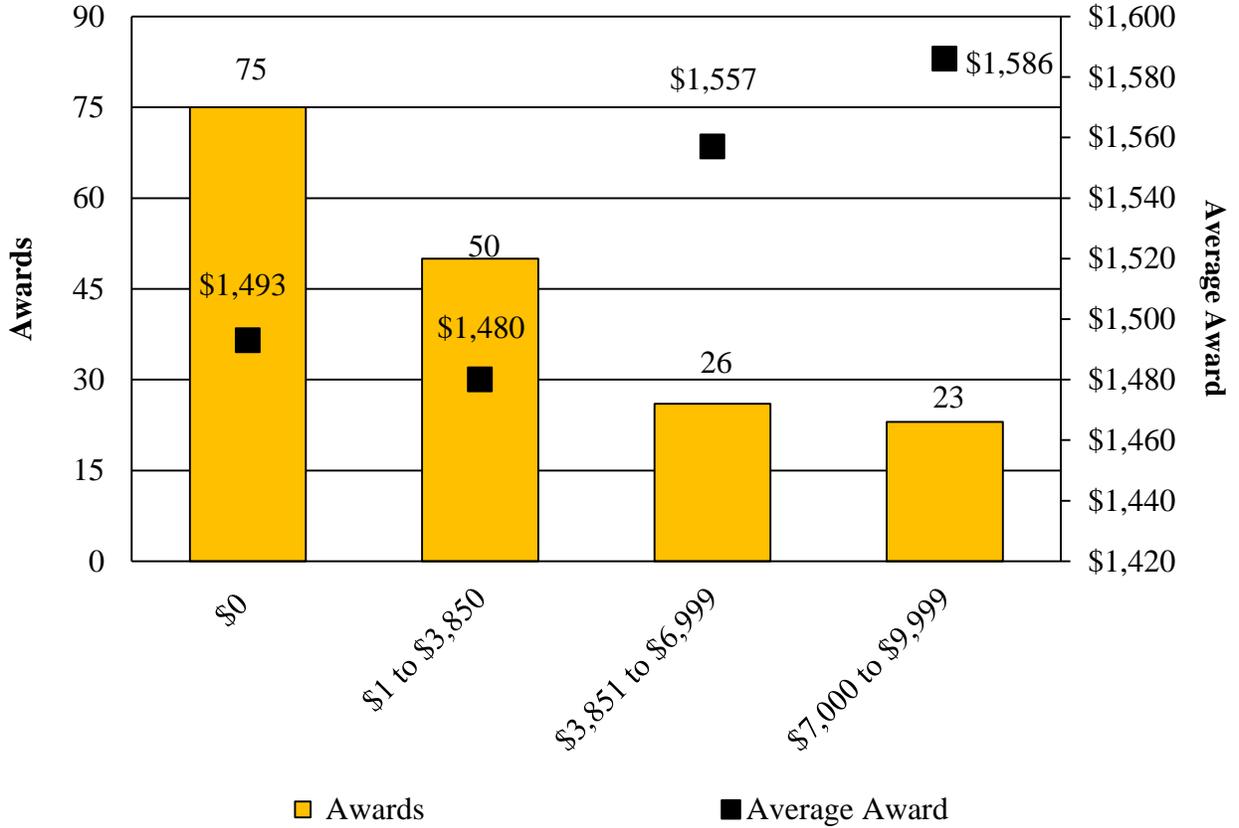
Appendix 2
Campus-based Educational Assistance Grants by EFC
Fiscal 2022



EFC: expected family contribution

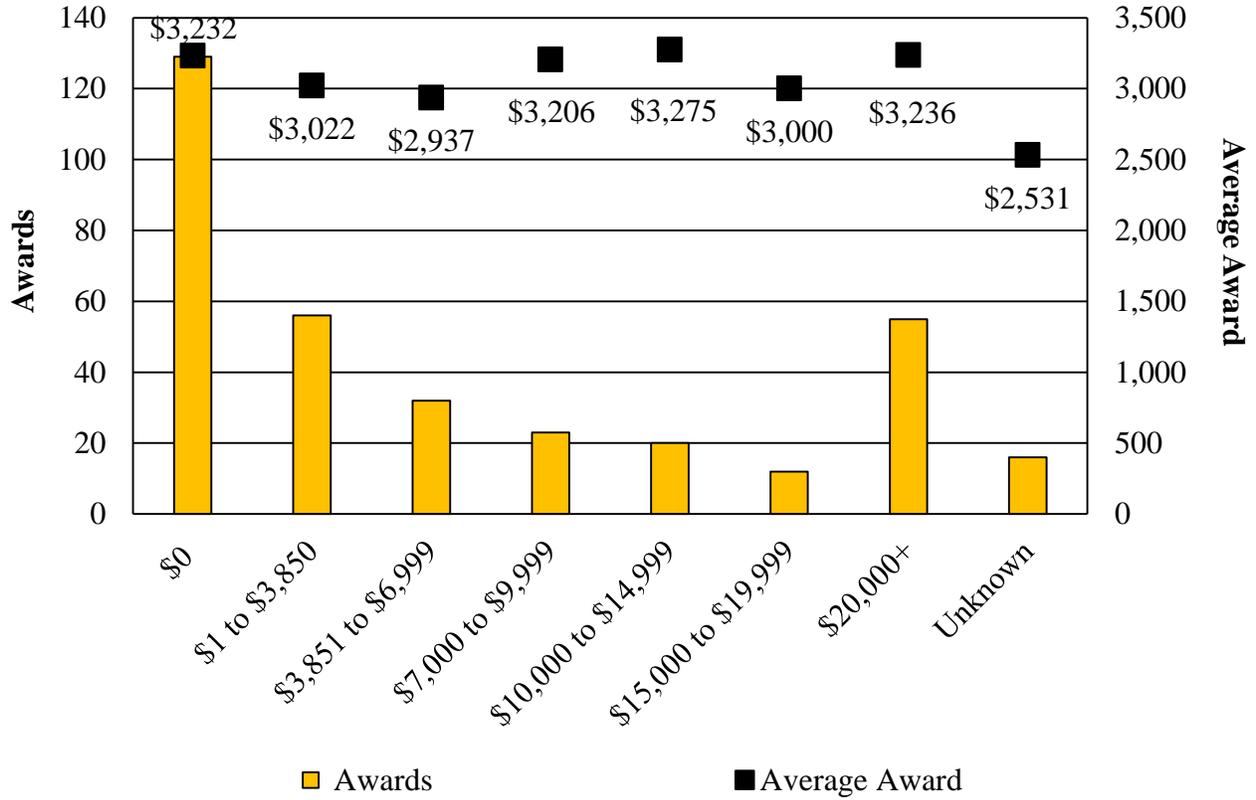
Source: Maryland Higher Education Commission

Appendix 3
2+2 Scholarship Awards by Expected Family Contribution
Fiscal 2022



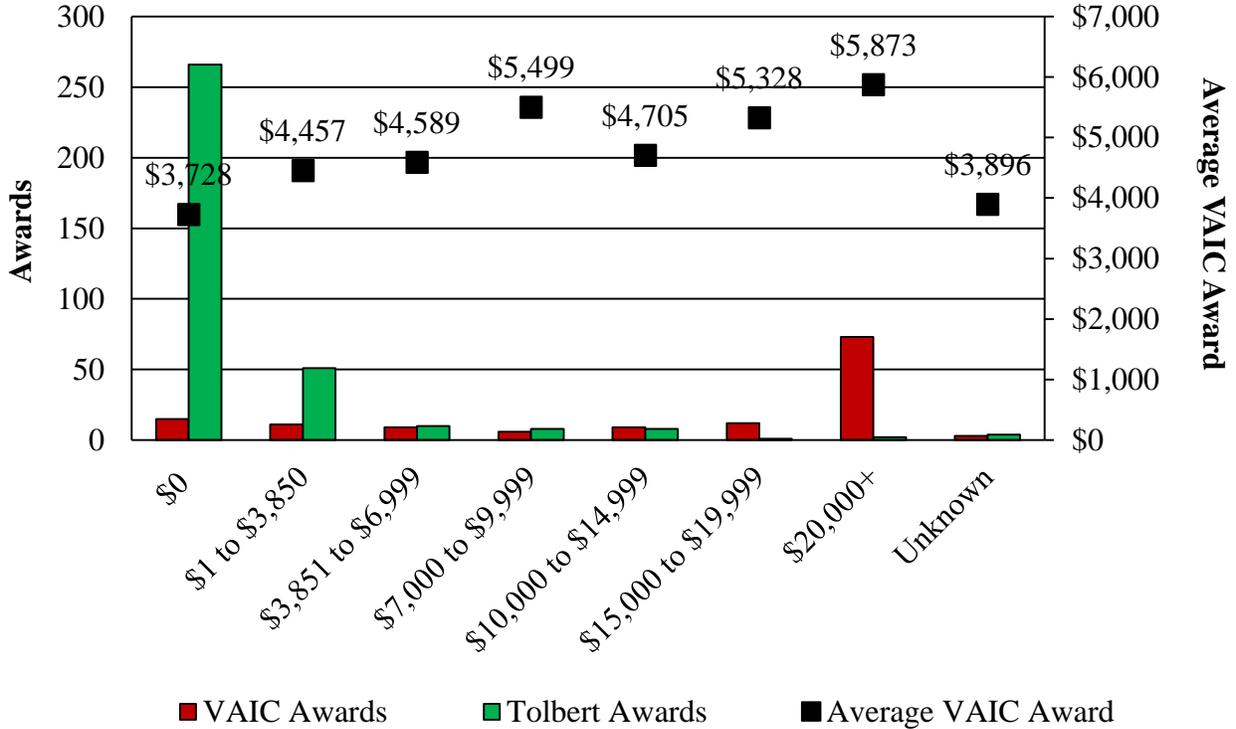
Source: Maryland Higher Education Commission

Appendix 4
Workforce Shortage Awards by Expected Family Contribution
Fiscal 2022



Source: Maryland Higher Education Commission

Appendix 5
Unique Populations Awards by Expected Family Contribution
Fiscal 2022

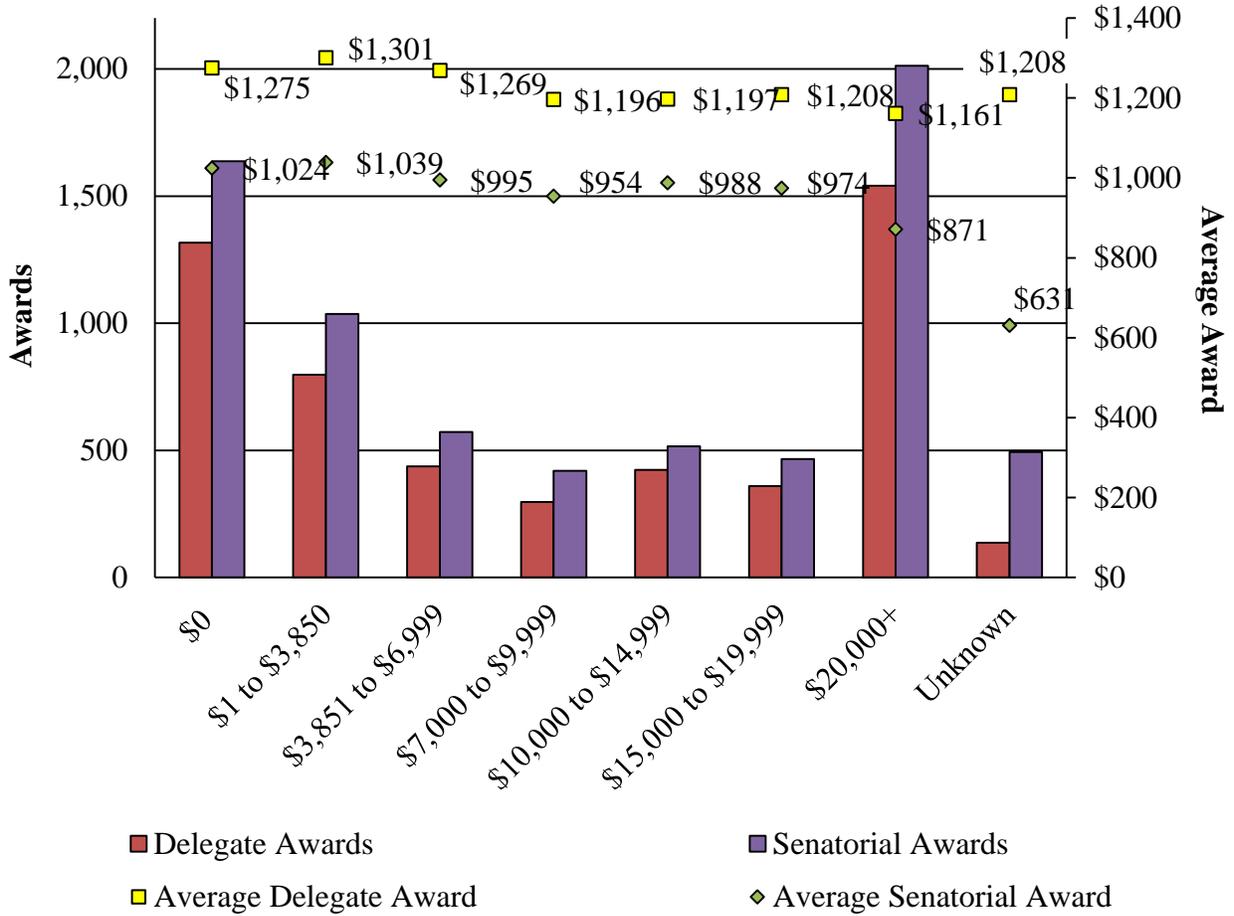


VAIC: Veterans of Afghanistan and Iraq Conflicts

Note: The average Tolbert Award is not shown and is \$500 across all expected family contribution categories.

Source: Maryland Higher Education Commission

Appendix 6
Legislative Awards by Expected Family Contribution
Fiscal 2022



Source: Maryland Higher Education Commission

Appendix 7
Object/Fund Difference Report
Maryland Higher Education Commission – Student Financial Assistance

<u>Object/Fund</u>	<u>FY 22</u> <u>Actual</u>	<u>FY 23</u> <u>Working</u> <u>Appropriation</u>	<u>FY 24</u> <u>Allowance</u>	<u>FY 23 - FY 24</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 137,288,968	\$ 165,742,484	\$ 183,413,691	\$ 17,671,207	10.7%
Total Objects	\$ 137,288,968	\$ 165,742,484	\$ 183,413,691	\$ 17,671,207	10.7%
Funds					
01 General Fund	\$ 128,419,498	\$ 157,019,484	\$ 170,690,691	\$ 13,671,207	8.7%
03 Special Fund	8,869,470	8,723,000	12,723,000	4,000,000	45.9%
Total Funds	\$ 137,288,968	\$ 165,742,484	\$ 183,413,691	\$ 17,671,207	10.7%

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include deficiencies or salary adjustments budgeted within the Department of Budget and Management.

**Appendix 8
Fiscal Summary**

Maryland Higher Education Commission – Student Financial Assistance

<u>Program/Unit</u>	<u>FY 22 Actual</u>	<u>FY 23 Wrk Approp</u>	<u>FY 24 Allowance</u>	<u>Change</u>	<u>FY 23 - FY % Change</u>
09 Governor's Promise Plus Program	\$ 259,000	\$ 2,300,000	\$ 2,300,000	\$ 0	0%
10 Educational Excellence Awards	90,220,367	100,000,000	112,000,000	12,000,000	12.0%
12 Senatorial Scholarships	6,882,995	7,020,655	7,161,068	140,413	2.0%
14 Edward T. Conroy Memorial Scholarship Program	3,500,000	3,000,000	4,000,000	1,000,000	33.3%
15 Delegate Scholarships	6,999,728	7,139,723	7,282,517	142,794	2.0%
16 Riley Fire and EMS Tuition Reimbursement Program	358,000	358,000	358,000	0	0%
17 Graduate and Professional Scholarship Program	1,174,473	1,174,473	1,174,473	0	0%
21 Jack F. Tolbert Memorial Student Grant Program	200,000	200,000	200,000	0	0%
26 Hoffman Loan Assistance Repayment Program	1,366,772	1,370,000	1,370,000	0	0%
27 MLARP for Foster Care Recipients	100,000	100,000	100,000	0	0%
33 Part-Time Grant Program	5,087,780	5,087,780	5,087,780	0	0%
36 Workforce Shortage Student Assistance Grants	1,229,853	1,229,853	1,229,853	0	0%
37 Veterans of the Afghanistan and Iraq Conflicts Scholarship	750,000	750,000	750,000	0	0%
44 Somerset Economic Impact Scholarship	0	12,000	0	-12,000	-100.0%
45 Workforce Development Sequence Scholarship	1,000,000	1,000,000	1,000,000	0	0%
46 Cybersecurity Public Service Scholarship Program	160,000	1,000,000	1,000,000	0	0%
48 Maryland Community Colleges Promise Scholarship Aid	15,000,000	15,000,000	15,000,000	0	0%
49 Teaching Fellows for Maryland Scholarships	2,000,000	8,000,000	12,000,000	4,000,000	50.0%
51 Richard W. Collins Leadership With Honor Scholarship Program	1,000,000	1,000,000	1,000,000	0	0%
52 MLARP for Police Officers	0	1,500,000	1,500,000	0	0%
53 Maryland Police Officers Scholarship Program	0	8,500,000	8,500,000	0	0%
55 James Proctor Scholarship Program	0	0	400,000	400,000	0%
Total Expenditures	\$ 137,288,968	\$ 165,742,484	\$ 183,413,691	\$ 17,671,207	10.7%
General Fund	\$ 128,419,498	\$ 157,019,484	\$ 170,690,691	\$ 13,671,207	8.7%
Special Fund	8,869,470	8,723,000	12,723,000	4,000,000	45.9%
Total Appropriations	\$ 137,288,968	\$ 165,742,484	\$ 183,413,691	\$ 17,671,207	10.7%

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include deficiencies or salary adjustments budgeted within the Department of Budget and Management.