

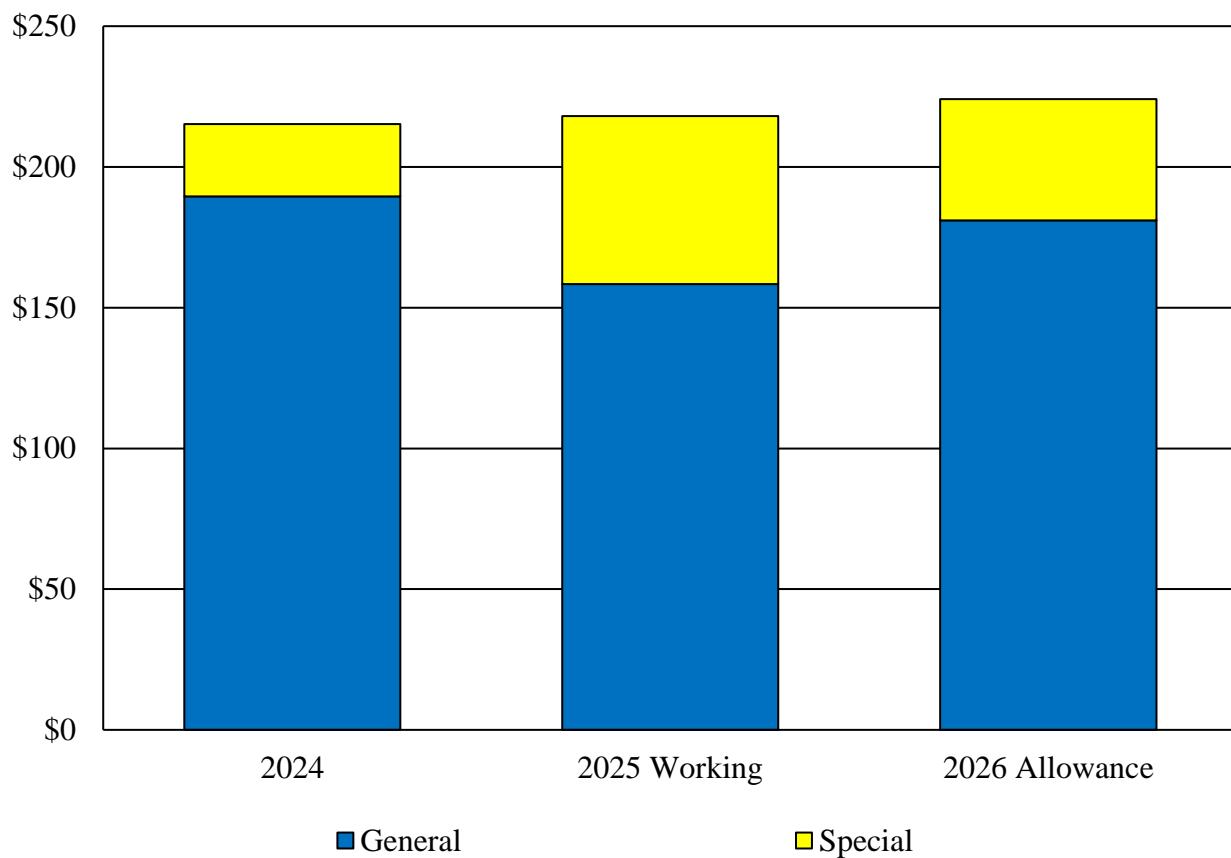
R62I0010
Student Financial Assistance
Maryland Higher Education Commission

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 2026 Budget Increases \$6.0 Million, or 2.8%, to \$224.1 Million
(\$ in Millions)



Note: Numbers may not sum due to rounding. The fiscal 2025 working appropriation accounts for deficiencies and contingent reductions. The fiscal 2026 allowance accounts for contingent reductions.

- The fiscal 2026 allowance for MHEC Student Financial Assistance increases by \$6 million, after accounting for proposed deficiency appropriations and contingent reductions, primarily due to an increase in the Educational Excellence Awards (EEA) of \$9.4 million due to the availability of balance from the Need-based Student Financial Assistance Fund (NBSFAF) to support additional awards.
- Proposed deficiency appropriations would increase the fiscal 2025 appropriation by a net of \$8.7 million, with general funds decreasing by \$10.4 million and special funds increasing by \$19.0 million. The special fund increase is due to the use of the NBSFAF balance to support additional EEA awards (\$15 million) and the Conroy and Cryor scholarship (\$4 million).
- A proposed deficiency would reduce \$3 million in general funds for the Janet L. Hoffman Loan Assistance Repayment Program (LARP) due to lower expected expenditures.
- Proposed deficiency appropriations for the Maryland LARP for Police Officers and Probation Agents and Maryland Police Officers and Probation Agents Scholarship program would reduce the appropriation for each by \$3.7 million in fiscal 2025. Language in the fiscal 2026 budget would reduce the mandated appropriations of \$5 million by \$4.8 million and \$4.5 million, respectively, contingent on the enactment of a provision in the Budget Reconciliation and Financing Act (BRFA) of 2025 reducing the mandated appropriations for the programs.

Key Observations

- ***Free Application for Federal Student Aid (FAFSA) Submissions Decrease:*** The FAFSA Simplification Act replaced the expected family contribution (EFC) criteria with the student aid index (SAI) which caused delays and technical issues that hindered the applicants' submission process and contributed to a decrease of 3% for FAFSAs filed in the 2024-2025 award year compared to the 2023-2024 award year.
- ***EEAs:*** The change to SAI to determine financial need as well as Chapter 634 of 2023 has resulted in more students being eligible for the Guaranteed Access (GA) Grants. In the 2024-2025 award year, MHEC is awarding Educational Assistance (EA) Grant awards and is not awarding EA initial awards due to availability of funds. Due to growth in the program and the available fund balance, additional funds are dedicated to the program in fiscal 2025 and 2026. As of January 2025, MHEC has awarded approximately \$128 million in EEA funds of which \$104 million is for 8,074 GA initial awards and renewal awards and \$23 million is for 9,254 EA renewal awards.
- ***Underspending of Scholarship Programs:*** Significant underspending in certain scholarship programs has contributed to growth in the NBSFAF balance since fiscal 2022,

as funds not expended for most scholarship programs are transferred to the fund rather than reverted or canceled. The programs with the highest levels of underspending in fiscal 2023 and 2024 include the Community College Promise Scholarship and Teaching Fellows for Maryland Program, which transferred more than \$7 million and \$4 million to NBSFAF, respectively in fiscal 2024.

- **Credit Completion Requirements:** In January 2025, MHEC submitted a report on the impact of the credit completion requirements based on the 2023-2024 academic year. MHEC reported that 40% of EEA recipients completed fewer than 24 credits and, under the requirements of the program, were ineligible for an award for the 2024-2025 award year, a 1 percentage point decrease compared to the prior year.

Operating Budget Recommended Actions

	<u>Funds</u>
1. Add language to reduce the fiscal 2025 appropriation for the Maryland Community College Promise Scholarship Program.	
2. Add language to reduce the fiscal 2025 appropriation for the Teaching Fellows for Maryland Scholarship Program.	
3. Adopt committee narrative requesting a report on the impact of the credit completion requirement on financial aid awards.	
4. Adopt committee narrative requesting a report on the Next Generation Scholars students and their postsecondary outcomes.	
5. Reduce general funds within the Maryland Community College Promise Scholarship Program due to lower projected expenditures.	-\$ 5,000,000
6. Reduce special funds within the Teaching Fellows for Maryland Scholarship Program due to lower projected expenditures.	-\$ 4,000,000
Total Net Change	-\$ 9,000,000

Budget Reconciliation and Financing Act Recommended Actions

1. Reduce the mandated funding level for the Maryland Community College Promise Scholarship from \$15.0 million to \$10.0 million.

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Operating Budget Analysis

Program Description

OSFA, 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 talents. Loans must be repaid, usually with interest. **Exhibit 1** shows current financial aid programs offered by OSFA.

Exhibit 1 **Financial Aid Programs in Fiscal 2026 by Category**

<u>Program</u>	<u>Description</u>
Need-Based Financial Aid	
<i>Delegate Howard P. Rawlings Educational Excellence Awards</i>	
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 grade point average (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.
Educational Assistance (EA) 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.

<u>Program</u>	<u>Description</u>
Campus-based EA Grants	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.
<i>Other Need-Based Aid Programs</i>	
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.
Graduate and Professional Scholarship Program	Need-based scholarships for those pursuing certain graduate and professional degrees at certain Maryland institutions of higher education.
Part-Time Grant Program	Provides funding to Maryland public and independent colleges and universities based on the number of undergraduate part-time students with demonstrated financial need, who are enrolled in degree-granting programs at specific institutions. Recipients are selected and awarded by the institution.
Maryland Community College Promise Scholarship Program	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.
Career-based Financial Aid	
Charles W. Riley Firefighter and Ambulance and Rescue Squad Membership Scholarship	Scholarship for fire, ambulance, and rescue squad workers pursuing a degree in fire services or emergency medical technology, prior to fiscal 2017 was a tuition reimbursement program.
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 Scholarships	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.

<u>Program</u>	<u>Description</u>
Cybersecurity Public Service Scholarship Program	Scholarship for Maryland students enrolled in programs directly relevant to cybersecurity. Minimum GPA and service obligation requirements apply.
Teaching Fellows for Maryland Scholarships	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.
Teacher Development and Retention Program	Financial support through an initial and internship stipend to eligible individuals who pledge to fulfill a service obligation as a teacher employed full time in a high-needs school, grade level, or content area in the State in which there is a shortage of teachers, as identified by the Maryland State Department of Education. Must be enrolled in the first or second year at an institution where at least 40% of the attendees receive federal Pell grants.
Pilot Human Services Careers Scholarship	Scholarship for students enrolled in a program at a public higher education institution in Maryland that will enable the student to obtain a credential or degree needed to work in or further a career in a targeted position in the Department of Human Services. Targeted positions include family investment specialists, child support specialists, family support workers, family services caseworkers, and social workers in an eligible county (Baltimore City, Baltimore County, and Prince George's County). Minimum GPA and service obligation requirements apply.
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.

<u>Program</u>	<u>Description</u>
Loan Assistance Repayment Programs (LARP)	
Janet L. Hoffman Loan Assistance Program	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.
Maryland LARP for Foster Care Recipients	Loan repayment assistance designed to increase higher education access for students who received foster care assistance.
Maryland LARP for Police Officers and Probation Agents	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	
Edward T. and Mary A. Conroy Memorial Scholarship and Jean B. Cryor Memorial Scholarship Program	The Conroy Scholarship Program is for certain Maryland residents based on eligible military or public safety service, or an eligible family or marital relationship to such an individual. The Cryor Scholarship Program is for eligible children and surviving spouses of school employees rendered 100% disabled as a victim in an act of violence in the line of duty.
Jack F. Tolbert Memorial Student Grant Program	Provides grants to private career schools to award to full-time students based on financial need.
Douglas J.J. Peters Veterans of the Afghanistan and Iraq Conflicts Scholarship	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.

<u>Program</u>	<u>Description</u>
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 Program	Scholarship for Maryland minority Reserve Officer Training Corps students enrolled in an Historically Black Colleges and Universities (HBCU).
James Proctor Scholarship Program	Scholarships for tuition and fees to State residents who attend a public 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 schedules for the payment of awards; and (4) any other policies. The scholarships must be last-dollar scholarships.

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, R62I0001 – MHEC, covers the personnel associated with the administration of these financial aid programs (Office of Student Financial Assistance) as well as other educational grant programs administered by the commission.

Performance Analysis: Managing for Results

1. Free Application for Federal Student Aid Changes

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 (aid for undergraduates with exceptional financial need), Stafford loans, and work study. Until the 2024-2025 award year a student's eligibility for federal financial awards depended on the EFC, year in school, enrollment status, and the cost of attendance at the school that they would be attending. Financial aid for State awards was determined by a methodology that used the difference between the cost of attendance, the student's EFC, and the amount of the Pell Grants that a student may receive.

The FAFSA Simplification Act, which was included as part of the Consolidated Appropriations Act of 2020 eliminated EFC criterion and replaced it with SAI. This change took effect for the 2024-2025 award year, with the goal of simplifying the financial aid process and expanding access to postsecondary education. SAI is an index number ranging that can include both positive and negative numbers. A negative SAI (like -1500) indicates that a student has a greater financial need than a student with a zero or positive SAI. However, a negative SAI does not increase the eligibility for federal aid, and awards are still limited by the cost of attendance. Students with a negative or zero SAI are eligible for the maximum Pell Grant. SAI is used to determine eligibility for all types of Title IV student aid except maximum and minimum Pell Grant awards. A student may still qualify for a Pell Grant even if their SAI is too high based on factors like family income and size relative to the federal poverty guidelines. SAI is calculated using the information that the student provides on the FAFSA form.

In conjunction with this, the Fostering Undergraduate Talent by Unlocking Resources for Education Act of 2020 streamlined the FAFSA by reducing the number of questions from over 100 to a few dozen. It also enabled students and families to securely transfer federal tax information needed for eligibility calculations directly from the Internal Revenue Service to FAFSA in an efficient manner, simplifying the process and reducing errors.

Students from low-income families were expected to benefit most, as they are expected to receive the greatest increase in aid, reducing the barriers for attending and graduating college. However, middle- and high-income families who have more than one child in college may see a decrease in financial aid because SAI does not consider a multiple-student discount, which was previously a factor in EFC calculations.

FAFSA Submissions Decrease Amid New Form Rollouts

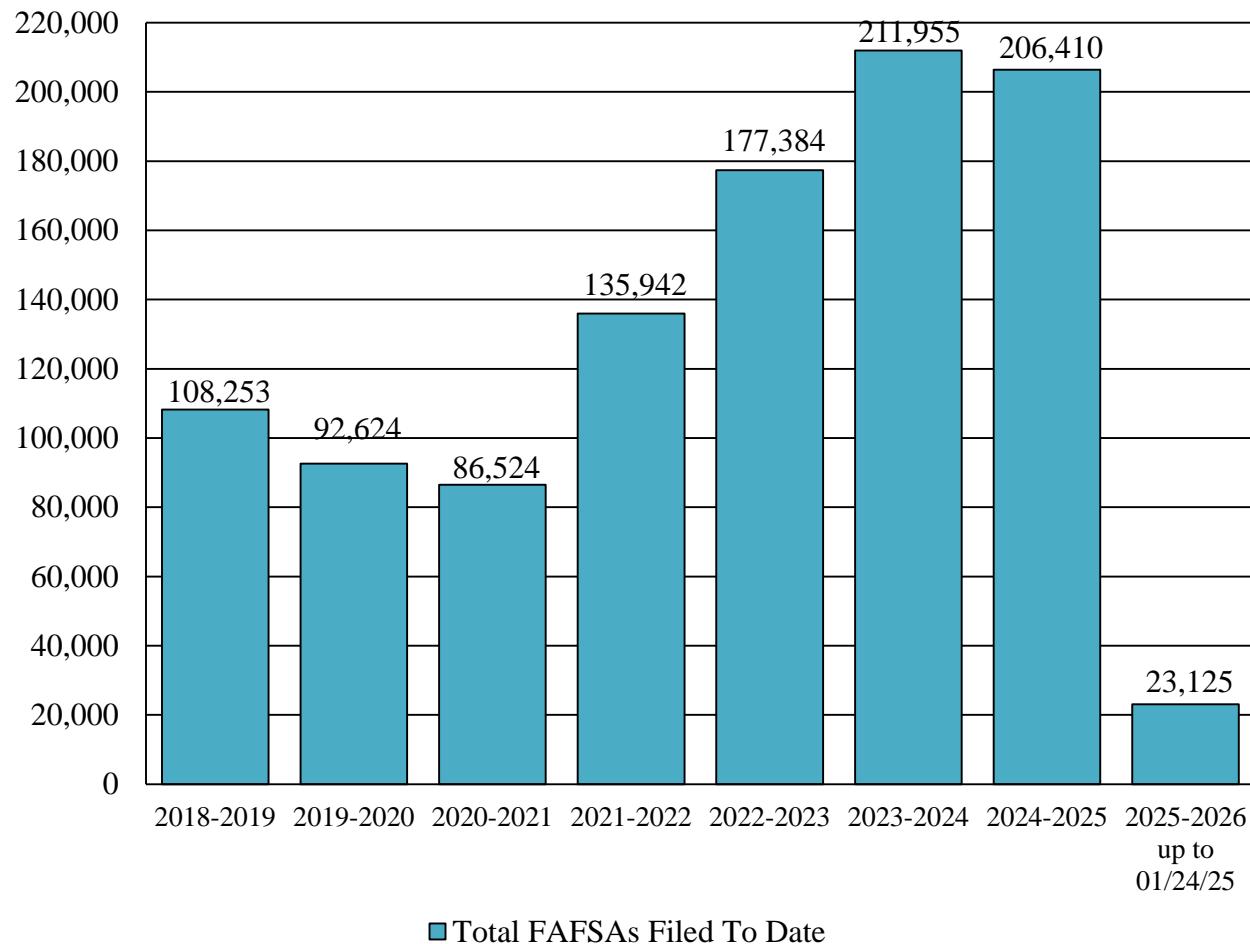
The U.S. Department of Education (ED) made the 2024-2025 award year FAFSA available on December 31, 2023, instead of the original date of October 1, 2023, due to the form changes. During the first month of the application launch, ED monitored for technical issues and implemented periodic pauses to make improvements. This action postponed the processing of completed applications until late January 2024, which delayed the institutions from receiving the Institutional Student Information Record data. Completed FAFSAs represent all submitted applications that were not rejected.

Many barriers to access were created by this new process with some students across the country being unable to complete the FAFSA due to technical issues. Representatives from the U.S. Government Accountability Office testified on September 24, 2024, before the U.S. House of Representatives Education Subcommittee on Higher Education and Workforce Development that there were more than 40 technical issues with the FAFSA initial rollout. Some parents and students found information they entered onto the form deleted, incorrect estimates of students' eligibility for federal aid, and erroneous error messages. According to the U.S. Government Accountability Office, 74% of calls to the ED call center for help with the FAFSA application in calendar 2024 went unanswered due to understaffing. ED was inefficient in notifying applicants when technical problems or processing delays were resolved; sometimes it took months for the ED to follow-up with some parents and students.

Due to these issues, MHEC extended the deadline to apply for the 2024-2025 FAFSA award year from March 1, 2024, to June 1, 2024. The deadline to apply for the 2025-2026 FAFSA award year is March 1, 2025.

Exhibit 2 shows the number of FAFSAs filed in Maryland in recent award years. According to MHEC, the numbers from 2018-2019 award year to 2022-2023 award year are different from previous analysis reports due to a determination by MHEC that the numbers provided in prior years did not capture all data or ED provided additional records after initial numbers for prior years were recorded. The number of applications declined in each successive year after the 2018-2019 award cycle and then increased in the 2021- 2022 award cycle. Filings increased by approximately 56% (76,013) in the 2023-2024 award cycle compared to the 2021-2022 award cycle due to a change in timing for individuals to be considered for certain awards. In the 2024-2025 award cycle the number of FAFSAs filed in Maryland was 206,410, a decrease of 2.6% (5,545) compared to the 2023-2024 award cycle. Despite the slight decrease, the number of filings remained substantially higher than any other recent year. As of January 24, 2025, Marylanders have filed 23,125 FAFSA applications for the 2025-2026 award cycle.

Exhibit 2
Maryland Total FAFSA Filing
2018-2019 to 2025-2026 Award Cycles



FAFSA: Free Application for Federal Student Aid

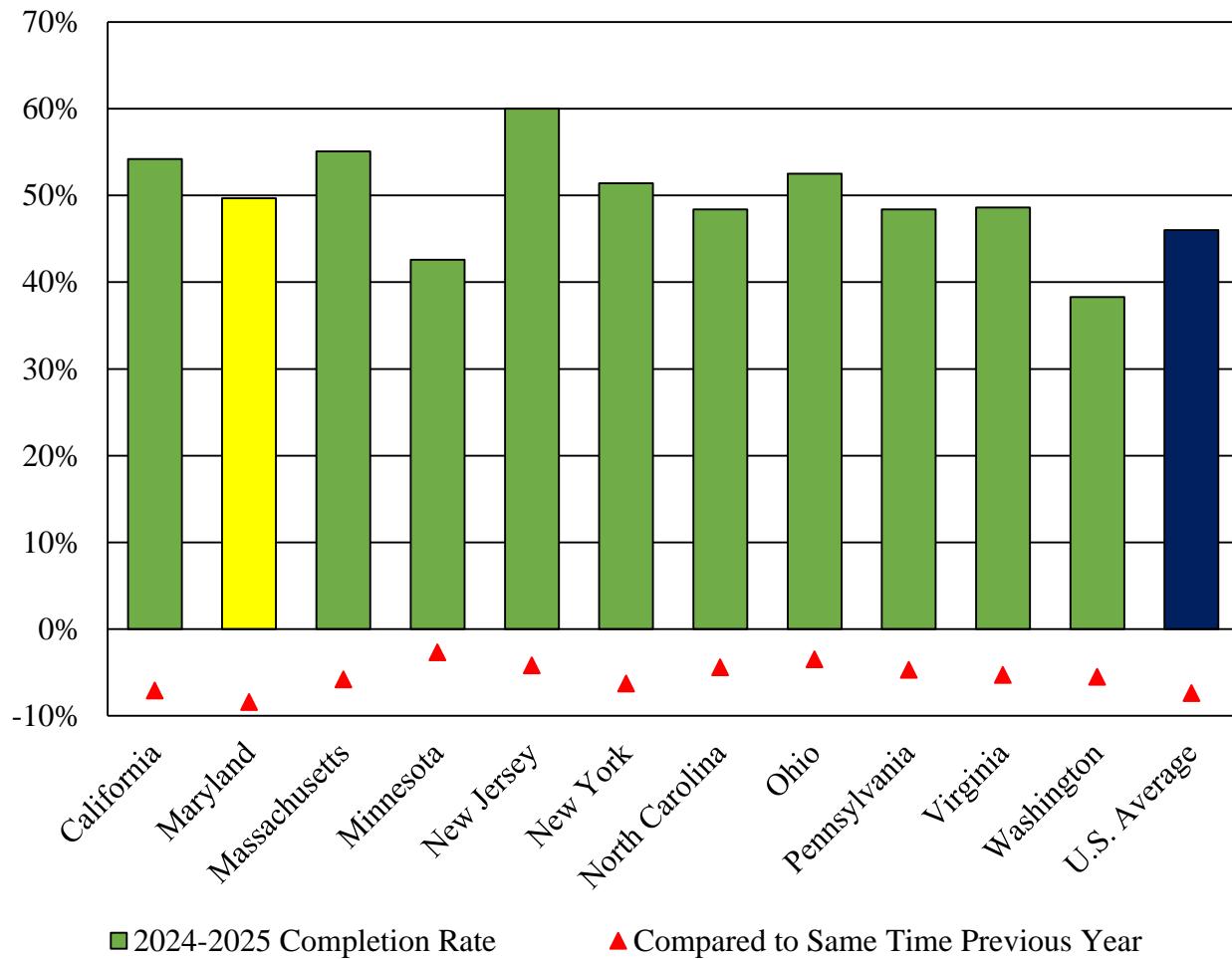
Note: For the 2023-2024 award cycle, the first month of availability was October 1 to 31, 2022. For the 2024-2025 award cycle, the first month of availability was December 30 to January 31, 2024. For the 2025-2026 award cycle, the first month of availability was November 21 to December 19, 2024.

Source: Maryland Higher Education Commission

Exhibit 3 compares Maryland's FAFSA completion rate as of June 2024 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 in the 2024-2025 award year range from 38.3% in Washington to 60% in New Jersey. Maryland had a completion rate of 49.7%, which exceeded the national average of 46%, and was higher than six

of these states. Due to the technical issues with the new FAFSA, each state completion rate decreased across each of the states and the national average. Maryland's rate decreased by 8.4 percentage points compared to the previous year (2023-2024 award year).

Exhibit 3
National Estimated Completed FAFSAs by Public High School Students
As of June 2024



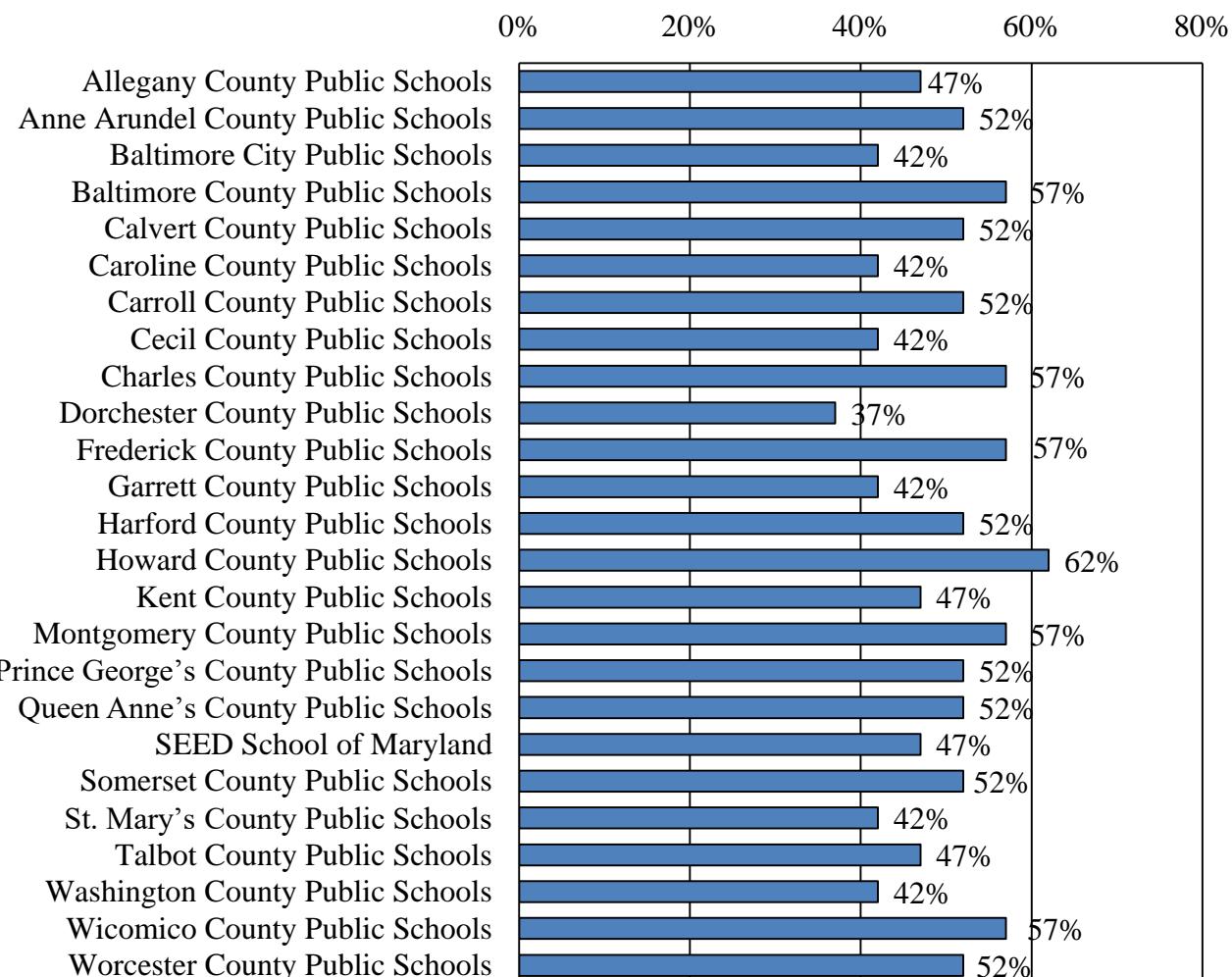
FAFSA: Free Application for Federal Student Aid
U.S.: United States

Source: National FAFSA Tracker

Exhibit 4 compares the FAFSA completion rate of local public school systems in Maryland as of June 2024 for the 2024-2025 award cycle. Maryland's estimated FAFSA completion rates

vary across local public school systems, with Howard County Public School achieving the highest completion rate at 62%, and Dorchester County having the lowest at 37%. The average completion rate across all public school systems is 50%. Overall, this data reflects disparities in FAFSA completion across the State, highlighting areas where increased support may be beneficial to help more students access financial aid opportunities.

Exhibit 4
Maryland Public High School Students Estimated Completed FAFSAs
2024-2025 Award Cycle (As of June 2024)



FAFSA: Free Application for Federal Student Aid

SEED: School for Education Evolution and Development

Source: U.S. Department of Education

2. Guaranteed Access Grant

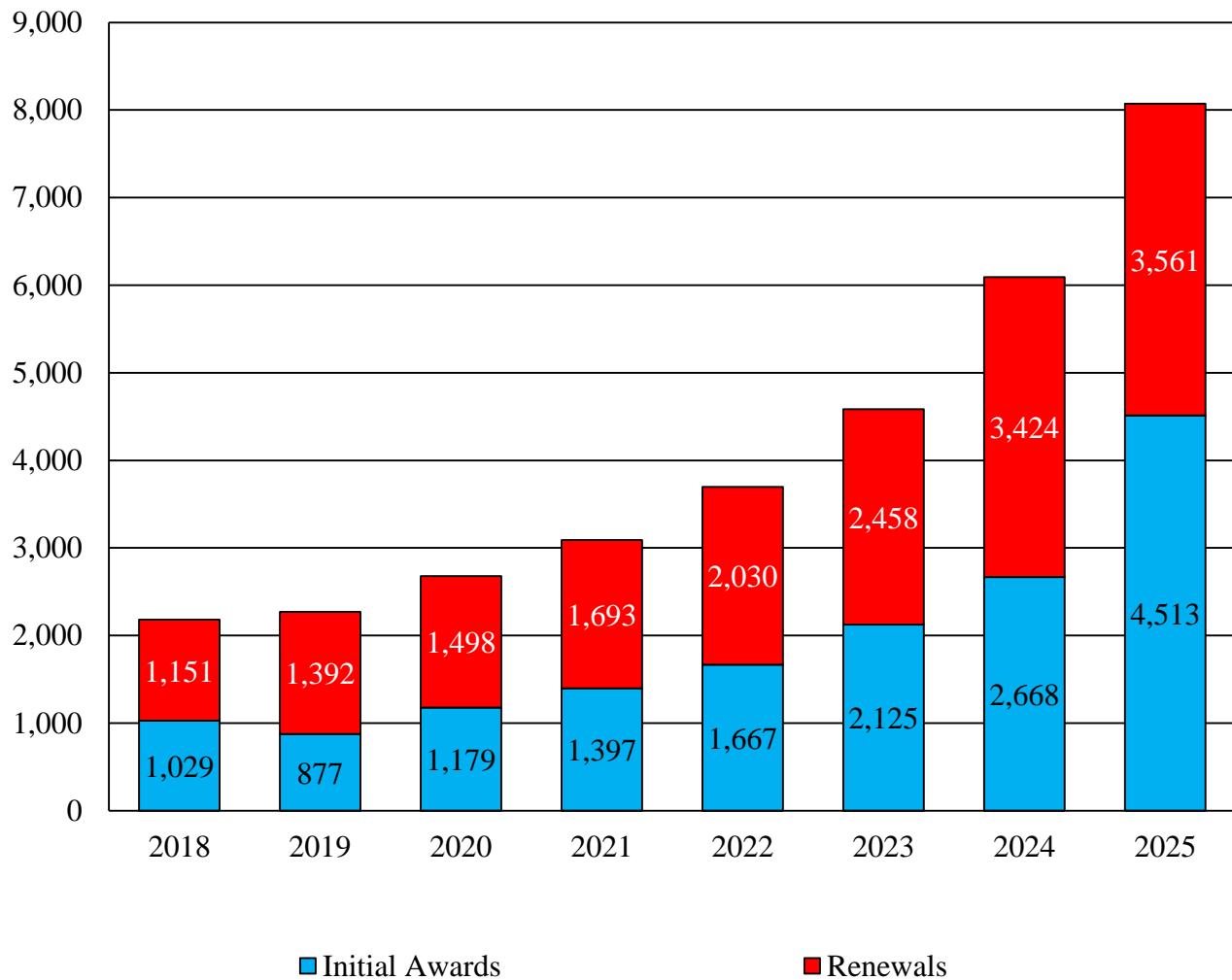
EEA is comprised of three grant programs: GA; EA; and Campus-Based Educational Assistance grants. All Maryland students who submit the FAFSA application are automatically considered for the GA, EA, and the Community College Promise Scholarship Program. Chapter 634 of 2023 altered the criteria on who can receive GA awards to include students who start college within six years of graduating high school instead of one year and increasing the age limit from 22 to 26 for a student to receive their first award. Furthermore, SAI also allows more students to be eligible for GA awards and qualifies individuals for larger award amounts. Statutory guidelines require all GA awards to be fulfilled before funds are allocated to EA awards.

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.

First-time applicants who are potentially eligible for the GA grant based on FAFSAs or the Maryland State Financial Aid Application (MSFAA) must submit their completed form by the March 1 deadline. MSFAA is for qualified children of undocumented immigrants who are eligible for in-State tuition. Eligible applicants must have an annual total family income of less than 130% of the federal poverty level for first-time students and 150% for students eligible for renewal awards, enroll in college as a full-time, degree-seeking student within a year of completing high school, have an unweighted grade-point average (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 the age of 22 at the time of high school graduation or have a GED diploma while under the age of 26. Students meeting all the requirements are guaranteed funding.

Recipients of the GA initial award can receive a GA renewal award for up to three years if the individual meets the renewal requirements. **Exhibit 5** shows the GA grant initial and renewal awards from fiscal 2018 to 2025. In fiscal 2021, MHEC implemented the GPA upload tool to determine the applicant's eligibility faster. In fiscal 2025, initial awards have increased by 69% due to the changes in eligibility under Chapter 634 and the implementation of SAI. In addition, renewal awards have increased by 4% compared to fiscal 2024.

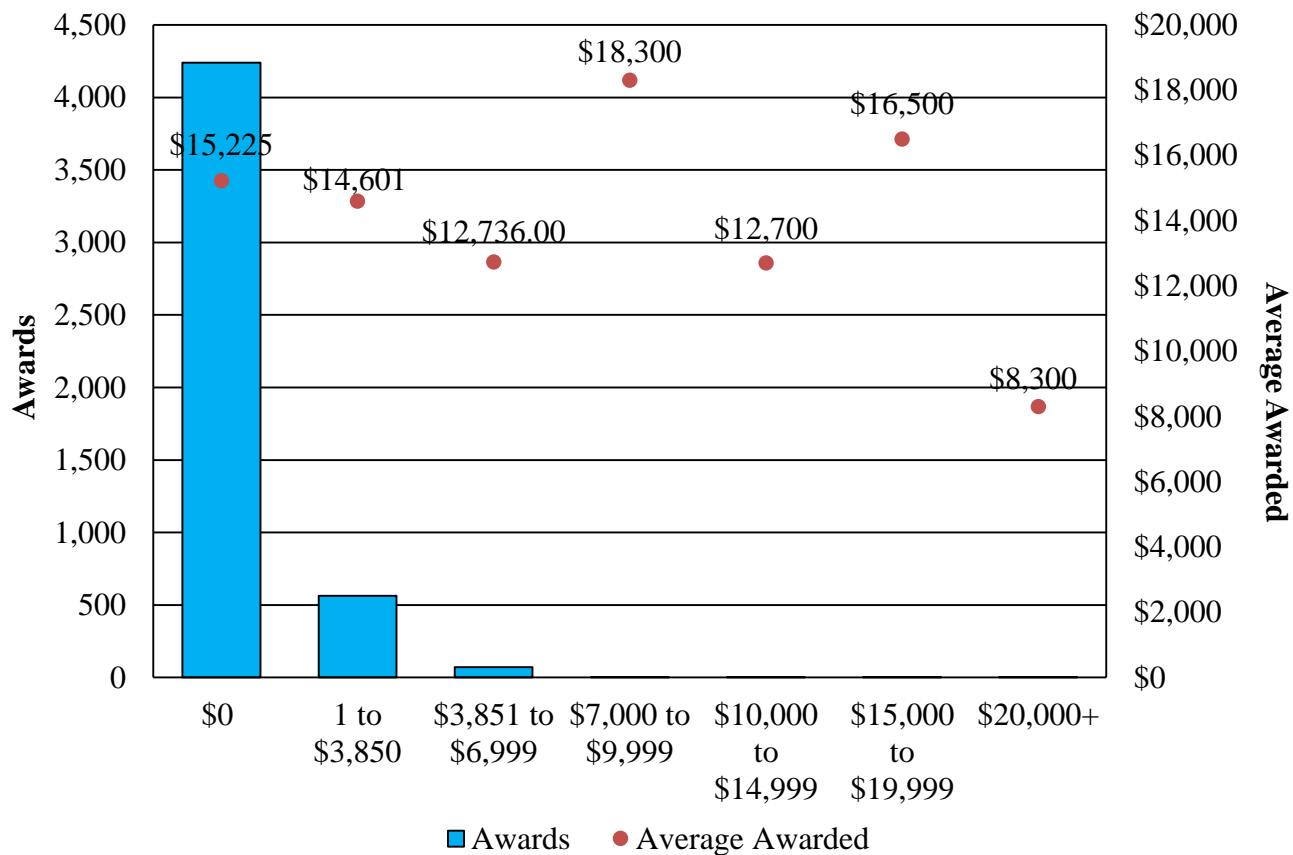
Exhibit 5
Guaranteed Access Grant Awards
Fiscal 2018-2025



Source: Maryland Higher Education Commission

As shown in **Exhibit 6**, 98% of GA grant recipients in fiscal 2024 have a SAI of \$3,850 or lower, with 87% having a \$0 SAI. GA grants are renewed as long as the student meets certain requirements, including family income does not exceed 150% of the federal poverty guidelines. Even if a student's SAI increases after the completed application, they still will receive the grant. **Appendix 2**, **Appendix 3**, **Appendix 4**, **Appendix 5**, and **Appendix 6** contain EFC and award outcomes for other selected OSFA programs.

Exhibit 6
Guaranteed Access Grants by Student Aid Index
Fiscal 2024



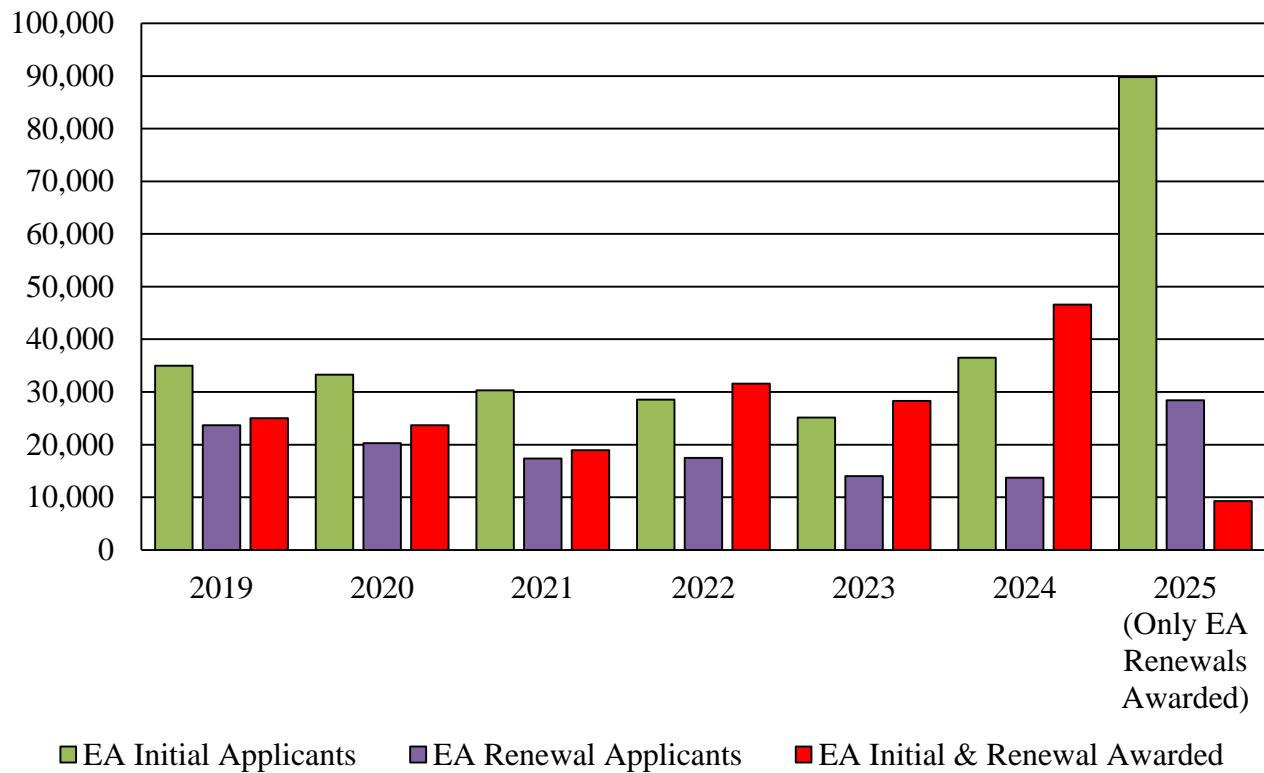
Source: Maryland Higher Education Commission

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. **Exhibit 7** shows the EA initial and renewal applicants and the number awarded. In fiscal 2024, the initial applicants increased by 45%, or 11,339, to 36,478 applicants, and the renewals decreased by 2%, or 286, to 13,737 applicants. Currently in fiscal 2025, the initial applicants have increased by a significant 146% (53,342), and the renewals have increased by 107% (14,693) compared to fiscal 2024. However, since statutory guidelines require all GA awards to be fulfilled before funds are allocated to EA awards, MHEC noted that they are currently awarding EA renewal applicants and not providing initial awards. As of January 2025, MHEC has

awarded a total of \$128 million in EEA funds of which \$23 million has been awarded to EA renewals.

Exhibit 7
Educational Assistance Grants
Fiscal 2019-2025

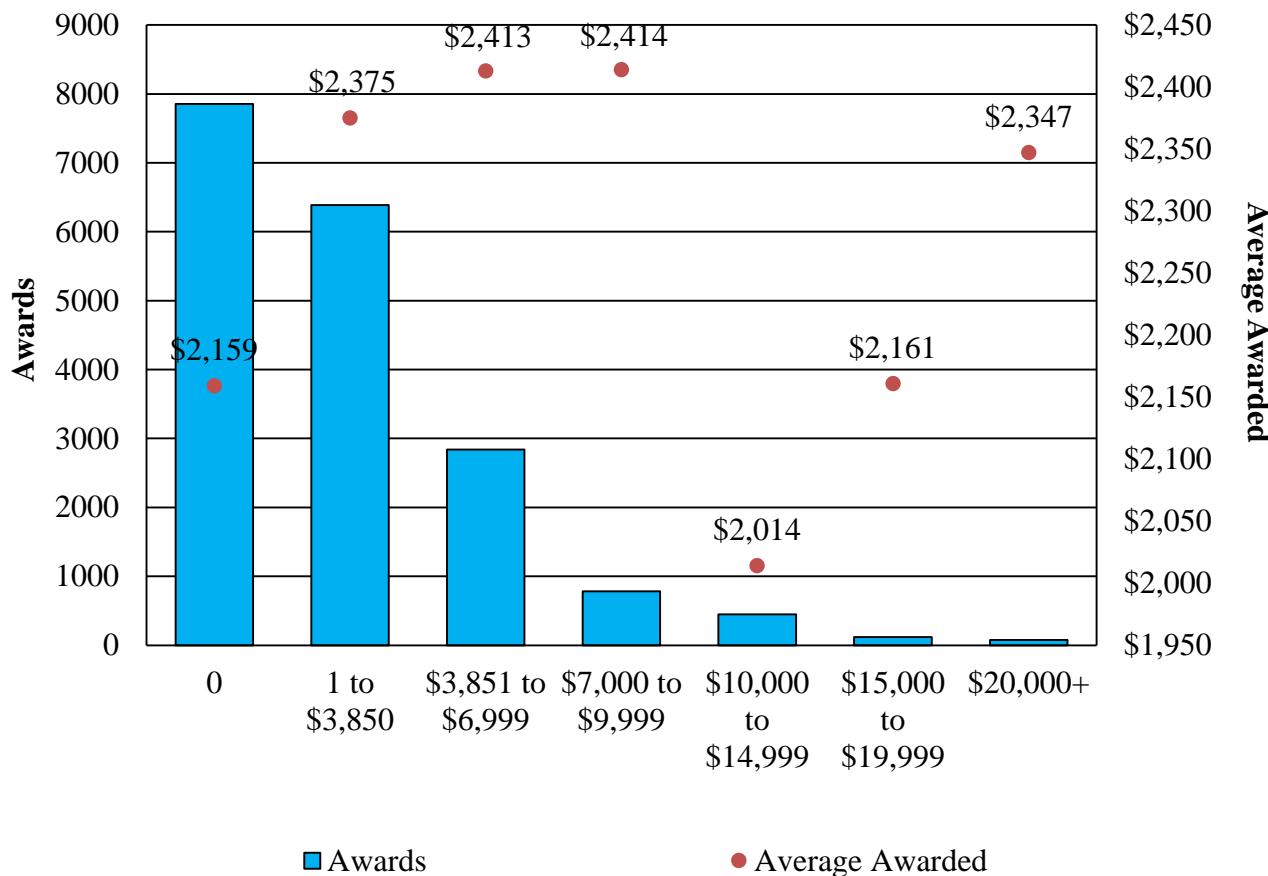


EA: Educational Assistance

Source: Maryland Higher Education Commission

As shown in **Exhibit 8**, 77% of the students receiving an EA award in fiscal 2024 had an SAI of less than \$3,850. Pell Grants are given to students who have an SAI of less than a specific amount. 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; therefore, those with low SAIs often qualify for smaller EA grant awards. As a result, the average EA grant for individuals with a \$0 SAI is less than the average of those with an SAI between \$1 and \$3,850 because students with a lower SAI receive a higher federal Pell Grant. EA grants are renewed automatically if the student continues to have demonstrated need, even if a student's SAI increases in later years.

Exhibit 8
Educational Assistance Grant by Student Aid Index
Fiscal 2024



Source: Maryland Higher Education Commission

Fiscal 2025

Exhibit 9 shows the fiscal 2023 actuals through fiscal 2025 working (estimates) and average award by financial aid program for ongoing programs. The total number of recipients in fiscal 2025 is expected to decrease by 1,768, or 3.5%, and the projected average award increases by approximately \$466, or 8.8%, compared to fiscal 2024. In prior years, MHEC has provided estimates for the allowance year but has been unable to provide in recent years. This limits the ability of the General Assembly to understand the budget for these programs. **MHEC should discuss why this data is no longer available.**

Exhibit 9
Recipients of State Aid Programs
Fiscal 2023 Actual-2025 Working

Program	2023 Actual		2024 Actual		2025 Working	
	Recipients	Projected Average Award	Projected Recipients	Projected Average Award	Projected Recipients	Projected Average Award
Need-based Aid						
Educational Assistance						
Grant	18,901	\$2,246	18,501	\$2,281	9,311	\$2,486
Campus-based Educational Assistance Grant	1,066	1,680	1,063	1,527	1,108	1,614
Guaranteed Access Grant	4,572	13,526	4,880	14,920	8,447	14,097
2+2 Transfer Scholarship	247	1,511	266	1,410	269	1,462
Part-time Grant Program	5,591	905	4,988	899	5,052	1,026
Graduate and Professional Scholarship	364	1,387	286	1,176	309	1,495
Maryland Community College Promise Scholarship	1,375	2,961	2,637	2,923	3,637	2,923
Near Completer Grant	5	2,839	28	1,804	N/A	N/A
<i>Subtotal</i>	32,121	\$3,382	32,649	\$3,368	28,133	\$3,586
Legislative Scholarships	16,273	\$1,046	15,376	\$1,099	14,099	\$1,091
Career and Occupational Programs						
Charles Riley Scholarship Program	20	\$6,299	15	\$6,844	18	\$6,906
Workforce Shortage Student Assist Grant	550	3,193	298	3,039	267	2,705
Teaching Fellows for Maryland Scholarship	209	17,963	316	23,058	472	22,951
<i>Subtotal</i>	779	\$7,756	629	\$8,235	757	\$8,141
Unique Population Programs	1,175	\$4,846	1,933	\$4,614	2,654	\$5,938
Loan Assistance Repayment Programs	102	\$7,710	103	\$12,401	128	\$15,357
Total	\$50,450	\$2,594	\$50,690	\$5,270	45,771	\$5,736

Source: Maryland Higher Education Commission

Cost Containment

In the July 17, 2024, meeting, the Board of Public Works (BPW) approved reductions to various agency budgets. Actions impacting financial assistance within MHEC for fiscal 2025 were:

- a reduction of \$20 million EEA due to availability of special funds in the NBSFAF. A fiscal 2025 budget amendment of \$20 million replaced the reduced funds from the NBSFAF;
- a reduction of \$1.1 million to \$3.9 million for the Maryland LARP for Police Officers and Probation Agents; and
- a reduction of \$1.1 million to \$3.9 million for the Maryland Police Officers and Probation Agents Scholarship.

Implementation of Legislative Priorities

Section 21 of Chapter 716 of 2024 added funds for two items within MHEC Student Financial Assistance. One of these added \$750,000 in general funds for the Hoffman LARP for the purpose of expanding to provide loan assistance repayment to school nurses contingent on the implementation of Chapter 251 of 2024 expanding the Nancy Grasmick Public School Professional Award. **MHEC should provide information on the awards to date and for additional awards if any funds remain.**

The other addition was \$2 million in special funds from the NBSFAF to EEA for need-based awards to replace general funds reduced from EEA. These funds backfilled a reduction of general funds for the program due to the availability of fund balance, which could be used to support the program.

Proposed Deficiency

The fiscal 2026 budget includes five proposed deficiencies for fiscal 2025 totaling \$8.7 million to reduce funds for some scholarships that are being underutilized and add funds for certain programs to give additional scholarships; including:

- \$15 million in special funds from the NBSFAF to fund the EA and GA grants;
- \$4 million in special funds from the NBSFAF for additional scholarships within the Edward T. and Mary A. Conroy Memorial Scholarship and Jean B. Cryor Memorial Scholarship Program;
- a reduction of \$3 million in general funds to reduce the appropriation for the Hoffman LARP due to expected expenditures;

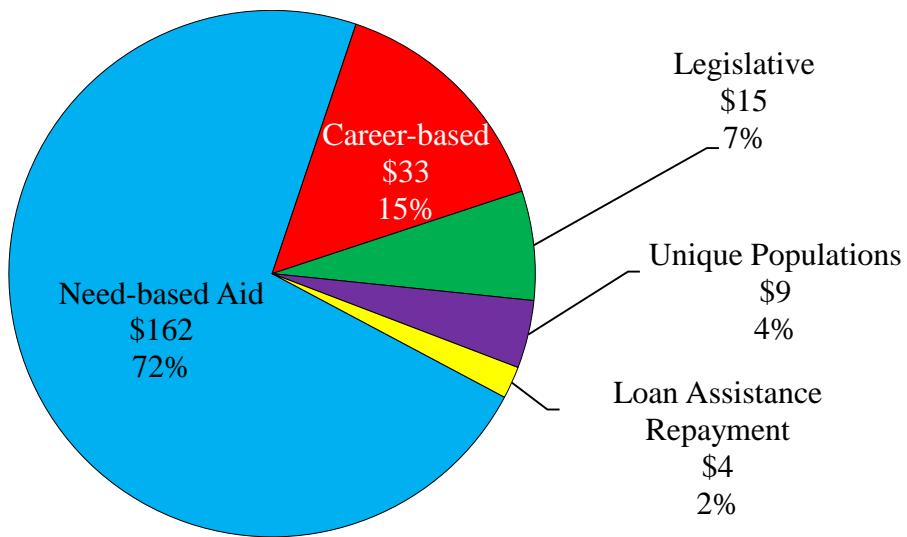
- a reduction of \$3.7 million in general funds for Maryland LARP for Police Officers and Probation Agents due to lower expected expenditures, contingent upon the BRFA reducing the mandated funding level from \$5 million to \$200,000; and
- a reduction of \$3.7 million in general funds to reduce the fiscal 2025 appropriation for the Maryland Police Officers and Probation Agents Scholarship program due to expected expenditures, contingent upon the BRFA reducing the mandated funding level from \$5 million to \$200,000.

Fiscal 2026 Proposed Budget

Fiscal 2026 Overview of Agency Spending

The fiscal 2026 allowance for OSFA totals \$224.1 million, after accounting for contingent reductions. As shown in **Exhibit 10**, the majority of the fiscal 2026 allowance (72%) supports need-based grants or scholarships. Career or occupation-based scholarships account for 15% of the budget.

Exhibit 10
Overview of Agency Spending
Fiscal 2026 Allowance
(\$ in Millions)



Note: The fiscal 2026 allowance accounts for contingent reductions.

Source: Governor's Fiscal 2026 Budget Books

Proposed Budget Change

As shown in **Exhibit 11**, the fiscal 2026 allowance increases by a net of \$6 million compared to the fiscal 2025 appropriation, after accounting for proposed deficiency appropriations and fiscal 2026 contingent reductions. The general fund increases by approximately \$22.6 million due to backfilling one-time general fund reductions in EEA due to available balance from the NBSFAF to support the program. Overall, the fiscal 2026 allowance for EEA increases by \$9.4 million, with the increased general funds partially offset by a lower use of the NBSFAF balance in that year. The largest spending decrease of \$4 million for the Conroy and Cryor Memorial Scholarship Program occurs due to a one-time deficiency of \$4 million in fiscal 2025 to fund additional scholarships.

Exhibit 11
Proposed Budget
Maryland Higher Education Commission – Student Financial Assistance
(**\$ in Thousands**)

How Much It Grows:	General Fund	Special Fund	Total
Fiscal 2024 Actual	\$189,518	\$25,720	\$215,238
Fiscal 2025 Working Appropriation	158,370	59,723	218,093
Fiscal 2026 Allowance	<u>180,964</u>	<u>43,148</u>	<u>224,112</u>
Fiscal 2025-2026 Amount Change	\$22,595	-\$16,575	\$6,019
Fiscal 2025-2026 Percent Change	14.3%	-27.8%	2.8%

Where It Goes:	Change
Educational Excellence Awards	\$9,425
Maryland Police Officers and Probation Agents Scholarship Program, after accounting for proposed deficiency appropriation and the contingent reduction	300
Senatorial and Delegate scholarships aligns with a 2% tuition increase	295
Conroy and Cryor Memorial Scholarship Program, after accounting for the proposed deficiency	-4,000
Total	\$6,019

Note: Numbers may not sum to total due to rounding. The fiscal 2025 working appropriation accounts for deficiencies and contingent reductions. The fiscal 2026 allowance accounts for contingent reductions.

Budget Reconciliation and Financing Act

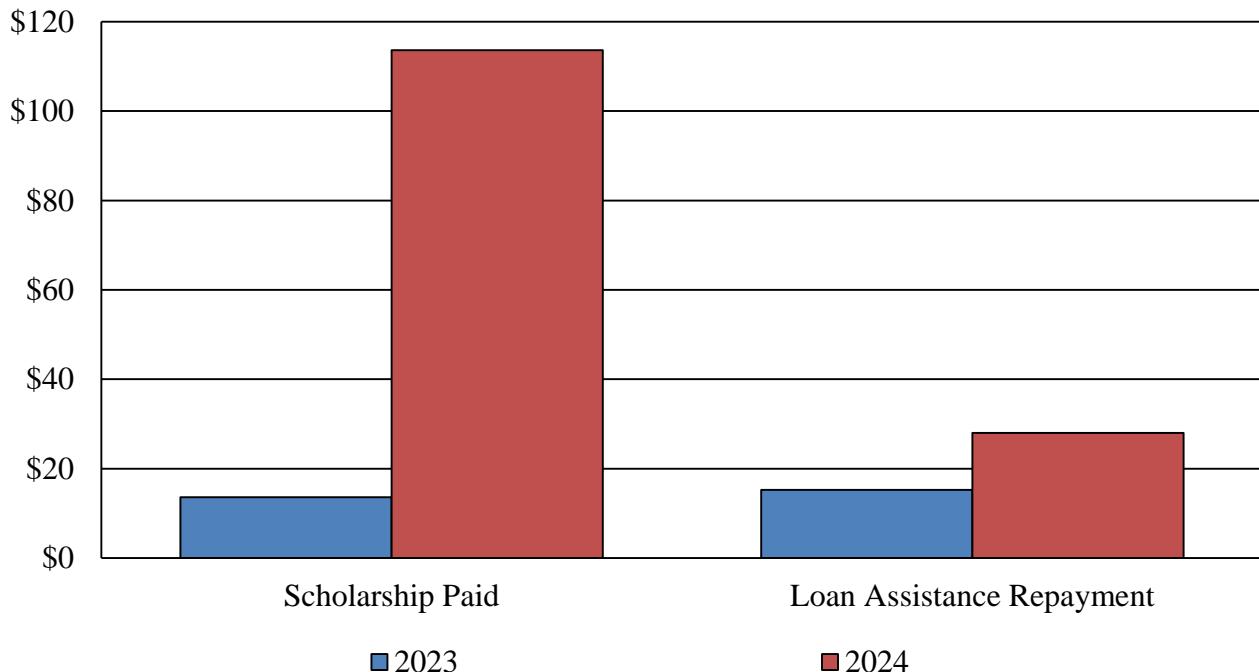
Chapter 59 of 2021, the Maryland Police Accountability Act, established the Police Officers Scholarship Program and LARP for Police Officers. The Police Officer Scholarship provides tuition assistance for students attending a degree program that would further the student's career in law enforcement at an eligible institution with the intent to be a police officer after graduating. LARP for Police Officers is a loan repayment assistance designed to assist in the repayment of a higher education loan owed by a police officer who satisfies certain criteria. Both programs first received funding in fiscal 2023.

Chapter 100 of 2023 expanded the eligibility of both programs to include probation agents and renamed the programs to Maryland Police Officers and Probation Agents Scholarship and Maryland LARP for Police Officers and Probation Agents. In addition, Chapter 100 reallocated an overall mandated level of \$10 million between programs, specifically decreasing the mandate for the scholarship program from \$8.5 million to \$5 million and increasing the mandate for LARP from \$1.5 million to \$5 million beginning in fiscal 2024. For the scholarship program, Chapter 100 also required that of the \$5.0 million, \$2.5 million was to be distributed to students who intend to become police officers or probation agents, and \$2.5 million was for existing police officers or probation agents. Section 19 of Chapter 101 of 2023 shifted \$3.5 million from the Maryland Police Officers and Probation Agents Scholarship to the Maryland LARP for Police Officers and Probation Agents to make both programs' appropriation \$5 million in fiscal 2024 consistent with the altered mandates. Chapter 252 of 2024 expanded the eligible institutions to Maryland community colleges.

Although the fiscal 2025 budget as enacted included the mandated \$5 million for each program, in July 2024, BPW reduced funding for each program to \$3,875,000 for fiscal 2025.

According to MHEC, the Maryland Police Officer and Probation Agents Scholarship was only awarded to 6 students in fiscal 2023 and 32 students in fiscal 2024, and the Maryland LARP for Police Officers and Probation Agents only had 1 person receive an award in fiscal 2023 and fiscal 2024. Therefore, the amount provided through these programs was significantly lower than the appropriation. As shown in **Exhibit 12**, the amount paid to institutions for the scholarship program was less than \$125,000 in each year, and the amount of LARP provided was less than \$30,000 in each year. According to MHEC, OSFA does not have a specific communications campaign to connect with police officers and probation agents to pursue these programs. **MHEC should comment on what communication measures it has taken to connect with police officers and probation agents about pursuing these programs.**

Exhibit 12
Police Officers and Probation Agents Programs Award Data
Fiscal 2023-2024
(\$ in Thousands)



Source: Maryland Higher Education Commission

Two provisions in the BRFA of 2025 impact these programs. One of these would reduce the mandated funding level for the Maryland LARP for Police Officers and Probation Agents from \$5 million to \$200,000. The fiscal 2026 budget as introduced includes a \$3.7 million general fund reduction in fiscal 2025 and \$4.8 million general fund reduction in fiscal 2026, contingent on legislation reducing the mandate. After accounting for the contingent reduction, the program is funded at \$200,000 in each year.

The second provision similarly reduces the mandated funding level for the Maryland Police Officers and Probation Agents Scholarship Program from \$5 million to \$200,000. It also repeals the requirement for MHEC to use \$2.5 million for students who intend to become police officers or probation agents and \$2.5 million for existing police officers or probation agents. The fiscal 2026 budget as introduced includes a \$3.7 million general fund reduction in fiscal 2025 and \$4.5 million general fund reduction in fiscal 2026, contingent on legislation reducing the mandate. Although the BRFA would reduce the mandate to \$200,000, the budget provides \$500,000 in fiscal 2026 for this program.

Issues

1. Need-Based Student Financial Assistance Fund

The NBSFAF, a nonlapsing special fund, was created 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 by budget amendment, thereby creating a transparent process for OSFA, within MHEC, to encumber unexpended scholarship funds. Since fiscal 2022, MHEC has experienced significant amounts of underspending of scholarship funds in certain programs compared to the level of the appropriation, which has led to significant transfers into the NBSFAF. Transfers into the fund rose from \$3.5 million in fiscal 2021 to \$10.8 million in fiscal 2022, \$35 million in fiscal 2023, and \$45.7 million in fiscal 2024. These large transfers resulted in a higher than typical closing balance. **Exhibit 13** shows the current balance of the NBSFAF, the significant transfers in, and the transfers out. The Governor's fiscal 2026 budget plan largely eliminates these higher than expected balances by using it to support additional spending in fiscal 2025 and 2026.

Exhibit 13
Need-based Student Financial Assistance Fund
Fiscal 2020-2026 Est.

	2020	2021	2022	2023	2024	2025 Est.	2026 Est.
Opening Balance	\$9,699,662	\$6,606,877	\$8,664,317	\$13,012,641	\$38,332,417	\$70,746,359	\$29,446,359
Transfers In							
EEA	\$466,168	\$1,973,854	\$113,231	\$5,110,389	\$14,455,330		
Community College Promise	0	0	8,919,158	10,750,395	7,151,522		
Police Officers LARP	0	0	0	1,497,000	4,966,032		
Police Officers	0	0	0	8,482,852	4,865,548		
Teaching Fellows	0	0	312,882	4,392,362	4,683,142		
2+2 Transfer	15,000	0	0	1,938,000	1,930,000		
Graduate & Professional	36,166	303,147	266,460	466,809	852,005		
Cybersecurity Public Service	0	0	25,468	602,735	622,282		
Hoffman LARP	581,172	597,601	218,365	499,532	511,233		
Nancy Grasmick Teachers Scholar Award					5,000,000		
<i>Other Transfers</i>	781,535	596,080	942,458	1,270,256	676,848		
Subtotal	\$1,880,041	\$3,470,682	\$10,798,022	\$35,010,330	\$45,713,942	TBD	TBD
Transfers Out							
2+2 Transfer	\$0	\$277,000	\$259,000	\$299,000	\$300,000	\$300,000	\$300,000
Conroy & Cryor Memorial	0	1,136,242	1,100,000	3,500,000	0	4,000,000	4,000,000
EEA	4,972,826	0	5,090,698	5,891,554	13,000,000	37,000,000	24,424,752
Subtotal	\$4,972,826	\$1,413,242	\$6,449,698	\$9,690,554	\$13,300,000	\$41,300,000	\$28,724,752
Closing Balance	\$6,606,877	\$8,664,317	\$13,012,641	\$38,332,417	\$70,746,359	\$29,446,359	\$721,607

EEA: Educational Excellence Awards

LARP: Loan Assistance Repayment Program

TBD: to be determined

Note: Numbers may not previously reported information as the Maryland Higher Education Commission reported revised numbers to resolve discrepancies between data reported in other reports.

Source: Maryland Higher Education Commission

As shown in Exhibit 13, the closing balance of the NBSFAF in fiscal 2024 was \$70.7 million, an increase of \$32.4 million compared to fiscal 2023. At the close of fiscal 2024, MHEC reported transfers into the NBSFAF of approximately \$45.7 million with transfers out of approximately \$13.3 million.

Of the transfers in, approximately \$5.5 million was from the Hoffman LARP. However, approximately \$5 million of this amount was the funding added in Section 19 of Chapter 101 of 2023 for the Nancy Grasmick Teachers Scholars award to provide student loan repayment assistance to qualifying Maryland teachers. According to MHEC, the advertisement to apply for the Grasmick Teacher award was sent out late. In fiscal 2024, MHEC had 3 applicants for Nancy Grasmick Teacher award in which 2 of the applicants completed all requirements and received the award for a total of \$4,500, with each applicant receiving \$2,250. The third applicant was identified as ineligible due to not meeting the income requirement. The language appropriating the funds required dollars not used for this purpose to revert to the General Fund. **MHEC should discuss why these funds were not reverted to the General Fund as required.**

Scholarship Programs Underspending

MHEC awards scholarship funds to applicants who meet the requirements of the programs. Students may apply and receive multiple awards up to the cost of attendance at the institution that the student attends. Applicants have six weeks from the date they receive the financial aid award to accept or decline through the OSFA online portal. Accepted awards are not final until the funds have been paid to the institution. MHEC approves awards throughout the academic year until all funds are exhausted or all eligible applicants have received awards.

Although individual programs may have specific barriers in overall acceptance of awards, MHEC described some general factors that contribute to declined awards. OSFA indicated that most students that decline awards choose to not enroll at a college or decide to attend an out-of-state school. Students who receive more awards than their cost of attendance will decide often to select the programs that do not require community service, contributing to higher rates of decline for programs with these types of requirements. **MHEC should comment on the potential for surveying the applicants on the scholarship process, including the financial aid portal, reasons for declining scholarships, and reasons for neither accepting nor declining awards.**

When an award is accepted, institutions must certify and request payment or cancel the award if the student does not meet requirements. If the institution does not certify the accepted award, then the funds will not be distributed to the school, leading to fewer paid than were accepted. According to MHEC, most of the awards that are canceled by institutions are due to students accepting the award without enrolling into the institution and applicants accepting the award without meeting the requirements.

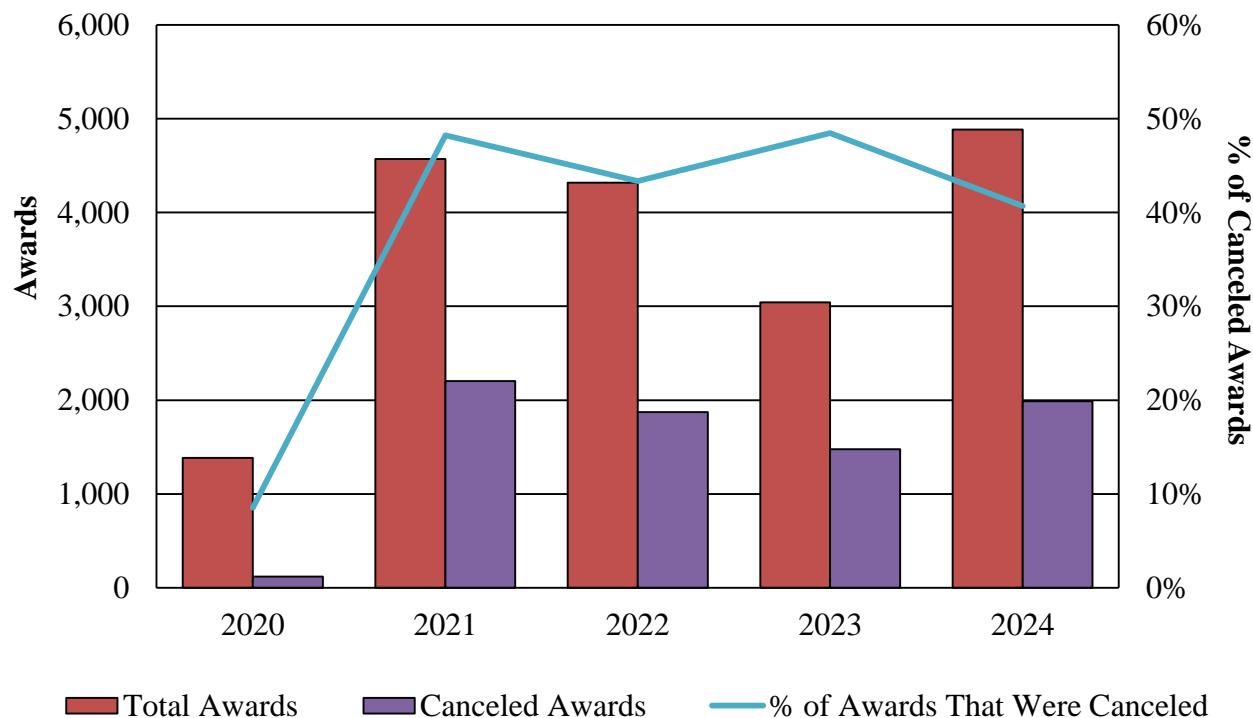
Community College Promise Scholarship Program

Chapter 554 of 2018 created the Maryland Community College Promise Scholarship Program and established the mandated funding level of a \$15 million annual appropriation. The

program began to allocate funds starting in fiscal 2020. Recipients may receive awards of up to \$5,000 to cover any remaining tuition and mandatory fee expenses after all other non-loan aid had been applied. The program also includes a service obligation that requires recipients to sign an agreement to work full-time in the State within one year of earning a certificate or degree. Chapter 752 of 2019 altered eligibility criteria including requiring an applicant to enroll at their local community college unless it does not offer the degree or certificate that the student is seeking. The scholarship can be used for credit or noncredit courses that lead to a licensure or certification, and the funds can be used for the community college costs for a registered apprenticeship program. Chapter 200 of 2020 further altered eligibility requirements allowing students who graduated from high school or equivalency longer than two years prior to be eligible and altering the GPA criteria.

As shown in **Exhibit 14**, in fiscal 2020, only \$3.1 million was needed to meet all 960 qualified applicants' needs. In fiscal 2021, the mandated funding was reduced to \$8 million due to legislative action and cost containment actions approved by BPW in July 2020. Since fiscal 2022, the mandated funds have been provided for the program. MHEC has consistently underspent the appropriation in the last three years (\$8.9 million in fiscal 2022, \$10.8 million in fiscal 2023, and \$7.1 million in fiscal 2024). According to MHEC, the cause of the underspending relates to high rates of cancellations of awards due to the applicant not having at least 6 credits in a semester of a credit bearing program. For example, cancellations as a share of awards were 43% in fiscal 2022, 48% in fiscal 2023, and 41% in fiscal 2024. **The Department of Legislative Services (DLS) recommends reducing \$5 million in general funds in each fiscal 2025 and 2026 from the Community College Promise Scholarship due to the consistent underspending of the program. DLS also recommends adding a provision to the BRFA to reduce the mandated funding level for the program from \$15.0 million to \$10.0 million.**

Exhibit 14
Community College Promise Scholarship Award Data
Fiscal 2020-2024



Source: Maryland Higher Education Commission

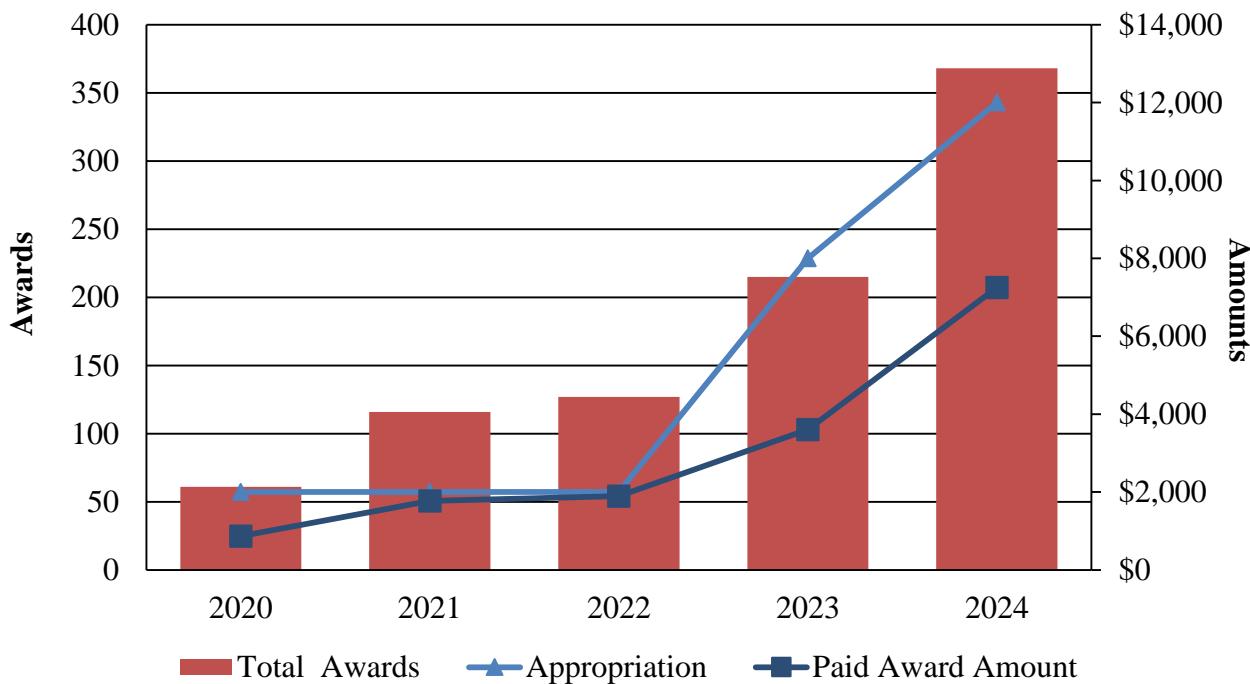
Teaching Fellows for Maryland Scholarship Program

Chapter 543 of 2014 renamed the Maryland Teacher Scholarship to be the Teaching Fellows for Maryland Scholarship and requires institutions to provide matching funds for this program. The program includes a service obligation for the recipients. The maximum award is the full cost of attendance for tuition, fees, room, and board. This scholarship is for students pursuing a degree leading to a Maryland professional teacher's certification. Chapter 36 of 2021 mandated increasing funding levels for the Teaching Fellows Scholarship beginning with \$8 million in fiscal 2023, \$12 million in fiscal 2024, and \$18 million in fiscal 2025.

Exhibit 15 provides information on the scholarship awards and appropriation for the Teaching Fellows program from fiscal 2020 through 2024. The total awarded number of students substantially increased in recent years, with increases of 69% between fiscal 2022 and 2023 and 71% between fiscal 2023 and 2024. Despite increases in the total number of awards, the program did not receive enough eligible applicants to award the full amount of the appropriation in

fiscal 2023 and 2024 as the appropriation increased. As a result, MHEC underspent by more than \$4 million in each fiscal 2023 and 2024, when the appropriation was \$8 million and \$12 million respectively. In fiscal 2025 and 2026, the appropriation for the program totals \$18 million. **DLS recommends reducing \$4 million in special funds in each fiscal 2025 and 2026 for the Teaching Fellows for Maryland Scholarship due to the underspending of the appropriation in the last two years.**

Exhibit 15
Teaching Fellows Scholarship Award Data
Fiscal 2020-2024
(\$ in Thousands)



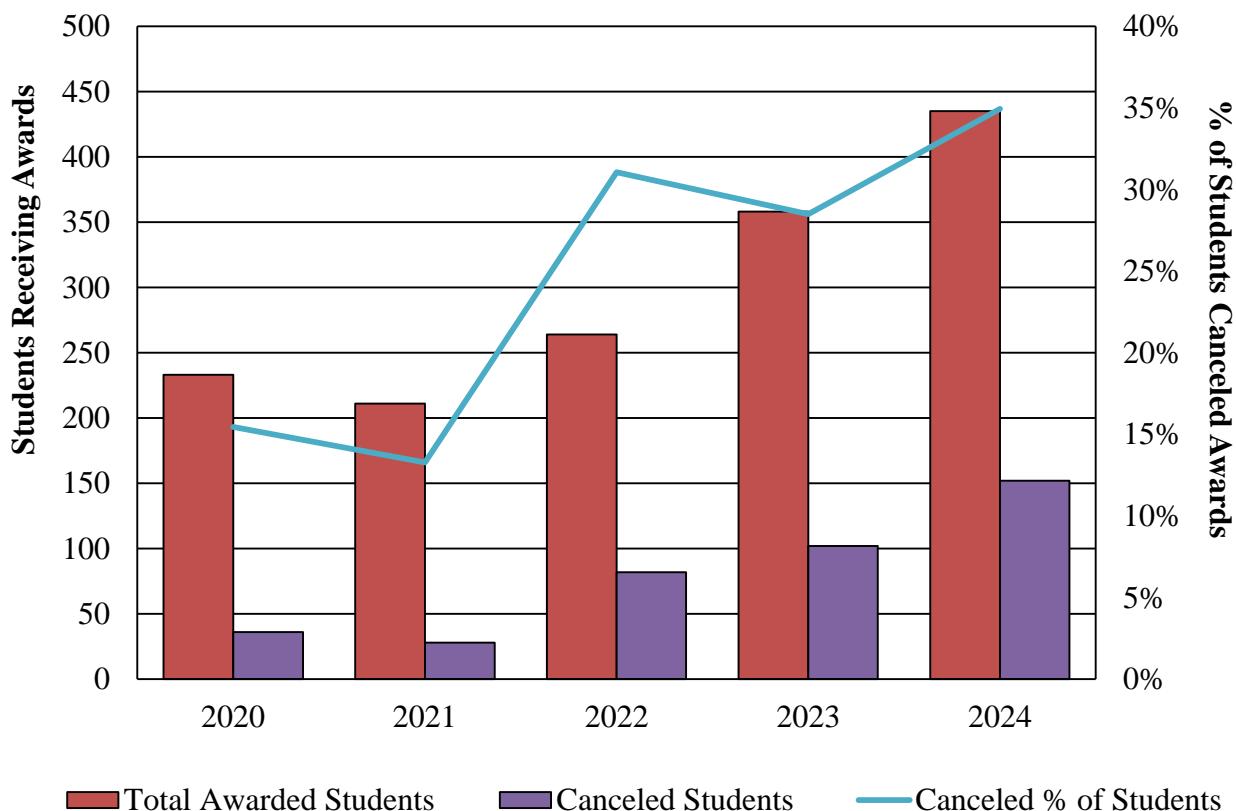
Source: Maryland Higher Education Commission

2+2 Transfer Scholarship Program

Chapter 340 of 2014 created the 2+2 Transfer Scholarship Program, which rewards students for completing an associate degree before transferring to a four-year institution to pursue a bachelor's degree. If the Governor does not provide at least \$2.0 million for this program, MHEC is required to transfer up to \$2.0 million from the NBSFAF to fund it. Between fiscal 2022 and 2023, the appropriation increased by \$2 million due to the required funding level.

Exhibit 16 provides information on the awards for the 2+2 Transfer Scholarship. The total number of students receiving awards gradually increased from fiscal 2020 to 2024 and totaled 358 in fiscal 2023 and 435 in fiscal 2024. The number of students who had their awards canceled by their institution significantly increased throughout the last two years. Cancellations in the program typically are due to students being required to graduate with their associate degree and transfer into a Maryland four-year institution by the fall or spring semester after graduation, whichever comes first. In fiscal 2023, 28% of awards were canceled, and in fiscal 2024, 35% of awards were canceled. MHEC underspent 84% of the 2+2 Transfer Scholarship program in fiscal 2023 and 2024. In both fiscal years, the appropriation was \$2.3 million. According to OSFA, not enough applications meet the eligibility requirements of the program to fully spend the appropriation. **MHEC should comment on their communication efforts to notify community college students of this scholarship program.**

Exhibit 16
2+2 Transfer Scholarship Award Data
Fiscal 2020-2024



Source: Maryland Higher Education Commission

2. Office of Student Financial Assistance Website

Language in the fiscal 2025 Budget Bill restricted \$50,000 in general funds in MHEC pending submission of a report detailing the review of the OSFA website. As of this writing, MHEC has not submitted the report but did provide information to DLS regarding the review of the website. **MHEC should comment on when the agency anticipates submitting the report.**

According to MHEC, the purpose of the OSFA website is to provide the public with information about financial aid opportunities. Specifically, to provide access to information about financial aid programs, eligibility, deadlines, policies, regulations, tools, resources, and support services to understand the financial aid process. MHEC indicates that it updates its website each month. Under certain circumstances, MHEC has adjusted the frequency of updates, such as posting emergency notifications daily to keep the public informed about the challenges with the FAFSA rollout.

The Department of Information Technology (DoIT) is performing a website audit with MHEC to evaluate cell phone responsiveness, design trends, and user experience. Through MHEC's collaboration with DoIT, it has been uncovered that only 120 pages out of the 600 plus pages have been touched in the last two years. DoIT stated that there is mostly static content on the site, and occasionally, the editor will forget to publish a page, which prevents the public from accessing it. MHEC and DoIT have noted the usability of the website is the major concern.

Currently, MHEC is evaluating other State agency websites to gain ideas to improve usability by focusing on the accessibility of the site to see if it is compliant with Americans with Disabilities Act standards, the ease of navigating the site efficiently, and whether the search bar directs you to accurate results. In addition, MHEC has expressed that monthly maintenance for technical issues is a priority.

3. Credit Completion Requirements on Financial Aid Awards

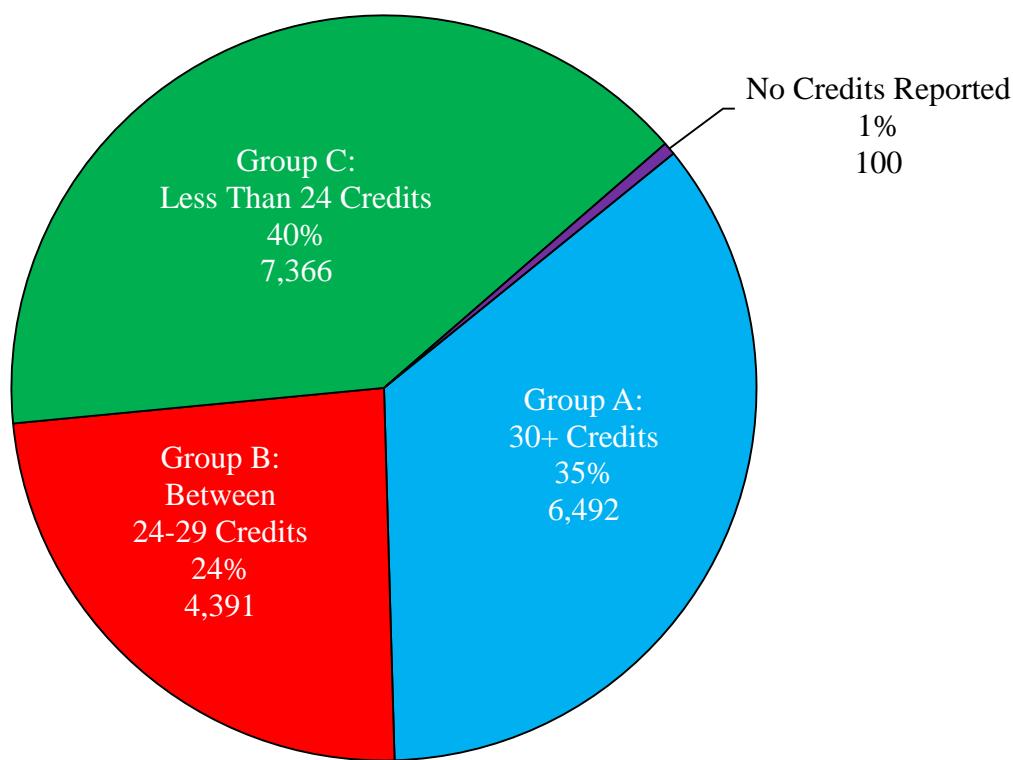
Language in the fiscal 2025 Budget Bill restricted \$100,000 in general funds in MHEC pending submission of a report on the impact of credit completion requirements on financial aid awards. Chapters 689 and 690 of 2016 require students receiving grants through EEA programs to meet certain credit completion requirements. These requirements have been in effect since the 2018-2019 academic year (fiscal 2019). Under these requirements, to be eligible to receive full funding in the subsequent year, students must successfully complete at least 30 credit hours at the end of their second (and subsequent) academic year(s). Students who fail to complete 30 credits but complete at least 24 credits in the prior year are eligible to receive a prorated award. However, students are ineligible in the subsequent year if they have completed fewer than 24 credits.

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 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 four years; likewise, on-time graduation for most associate degree programs is two years. The requirement 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 17**, 6,492 students (35%) completed at least 30 credits and are eligible to receive their full award, 4,391 students (24%) completed in between 24 and 29 credits and were eligible for a prorated award, 7,366 students (40%) completed fewer than 24 credits and became ineligible for the 2024-2025 academic year, and 100 students (1%) had no credits reported. Some of the students that will lose eligibility can regain it in the 2025-2026 academic year depending on whether the student can get back within the credit requirement guidelines.

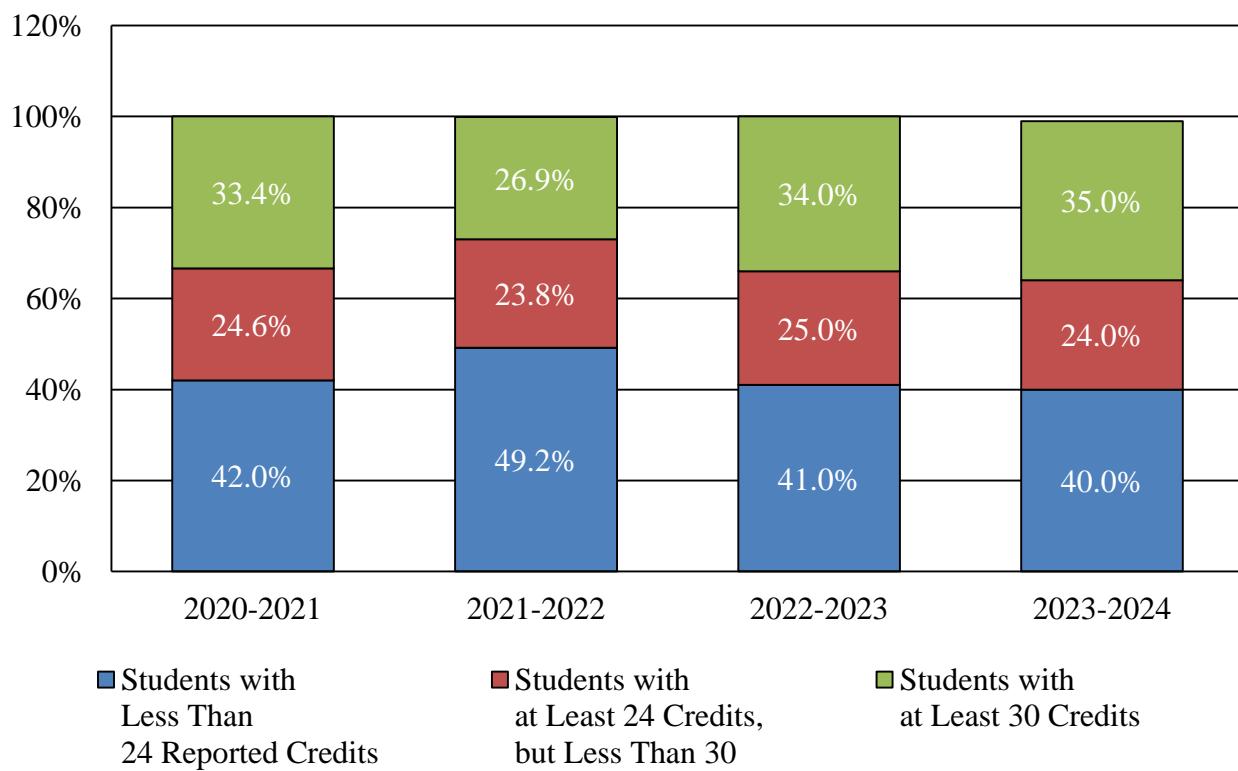
Exhibit 17
Educational Excellence Award Credit Completion Outcome
2023-2024 Academic Year



Source: Maryland Higher Education Commission

The 2023-2024 academic year is the sixth year of the credit completion reporting requirements. **Exhibit 18** details the comparison between the last four years of credit completion outcomes. In the 2023-2024 academic year, the share of students with at least 30 credits had a slight increase (1 percentage point) compared to the 2022-2023 academic year. Students in-between 24 and 29 credits and students with less than 24 credits each decreased by 1 percentage point in the 2023-2024 academic year compared to the 2022-2023 academic year.

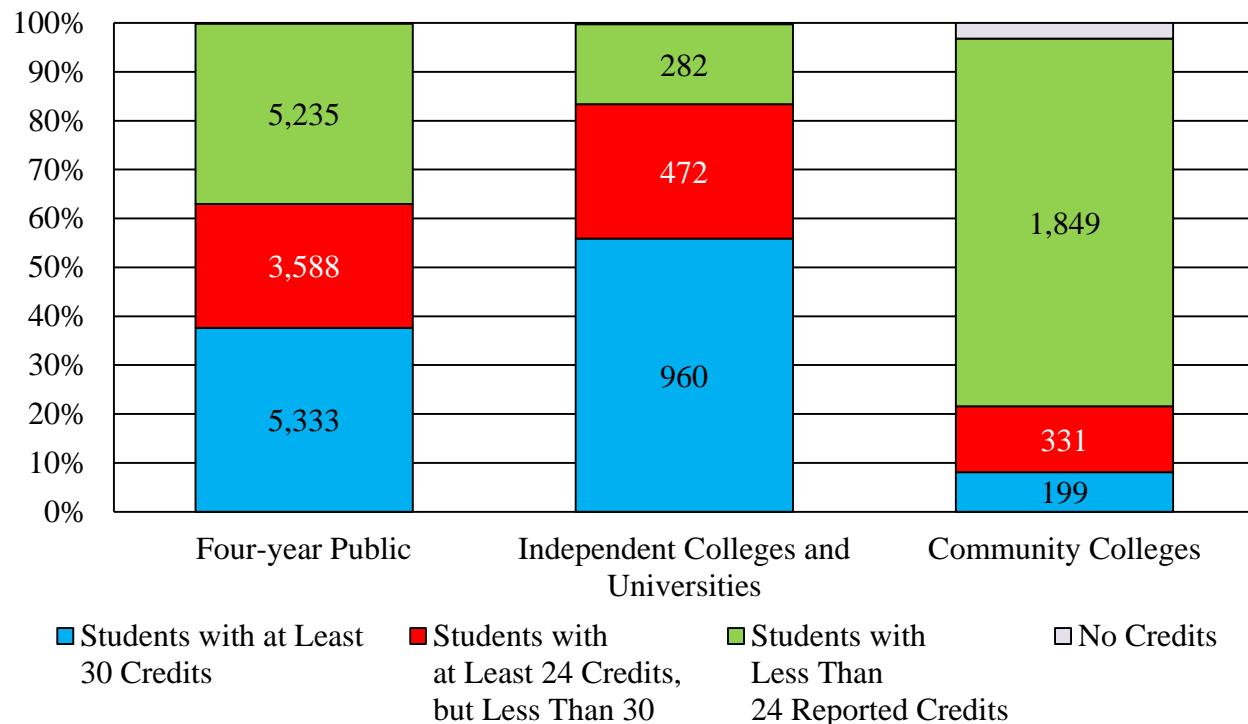
Exhibit 18
Education Excellence Award Credit Completion Outcomes
2020-2021 through 2023-2024 Academic Years



Source: Maryland Higher Education Commission

Exhibit 19 shows the credit completion information by higher education segment in the EEA program for the 2023-2024 academic year. Due to having more students receiving awards, four-year public institutions have the highest number of students in each completion category. However, as a share of students, community colleges have the highest share having students with less than 24 credits (75%), while independent institutions had the lowest (16%). The four-year public institutions have similar shares meeting the requirement for a full award (37.6%) as failing to maintain eligibility for an award (36.9%).

Exhibit 19
Institutions Credit Completion in Educational Excellence Award Program
2023-2024 Academic Year



Source: Maryland Higher Education Commission

DLS recommends releasing the \$100,000 in general funds that were withheld pending submission of this report and will process a letter to that effect if no objections are raised in the hearings.

4. Next Generation Scholars Program

Chapter 197 of 2024 transferred the administration of the Next General Scholars (NGS) program from the Maryland State Department of Education (MSDE) to MHEC. The fiscal 2026 allowance includes funds reflecting the transfer in the Educational Grants program. The data in this write-up occurred before the transition.

Committee narrative in the 2024 *Joint Chairman's Report* (JCR) requested that MHEC submit a report on the outcomes of students participating in the NGS program. As of this writing, MHEC had not submitted the report but did provide the requested information to DLS. **MHEC should comment on when the agency anticipates submitting the report.**

NGS is a college preparation program designed to assist low-income students in high-poverty school systems in preparation and enrollment in postsecondary educational opportunities. Through the program, students also prequalify for the GA grant. Participating public school systems are those where at least 50% of the students are eligible to receive free lunch and the school systems involved are: Allegany County Public Schools; Baltimore City Public Schools; Caroline County Public Schools; Dorchester County Public Schools; Kent County Public Schools; Prince George's County Public Schools; Somerset County Public Schools; and Wicomico County Public Schools.

MSDE is required to award grant funding to nonprofit organizations to administer the program. The nonprofit organizations implement programs customized to the students that they serve as well as the mission of the organization. To participate, organizations must submit an application that includes goals, strategies, and activities. **Exhibit 20** provides details about the funding awarded to each nonprofit in the 2023-2024 award year.

Exhibit 20
Next Generation Scholars Grant Awardees
2023-2024 Award Year

<u>Nonprofit Organization</u>	<u>Local Education Agency</u>	<u>Award Amount</u>
Maryland Business Roundtable for Education	Allegany County, Caroline County, Dorchester County, Kent County, Wicomico County	\$1,124,545
First Generation College Bound	Prince George's County	855,536
The Y in Central Maryland	Baltimore City	775,779
The United Way of Central Maryland	Baltimore City	405,898
It Takes a Village to Help Our Children	Somerset County	361,018
University of Maryland Baltimore	Baltimore City	350,000
Latin American Youth Center/ Maryland Multicultural Youth Centers	Prince George's County	299,999
KIPP Baltimore	Baltimore City	274,102
Next One Up Foundation	Baltimore City	221,600
Higher Achievement	Baltimore City	218,258
CollegeBound Foundation	Baltimore City	186,716

Source: Maryland Higher Education Commission

As shown in **Exhibit 21**, as of November 12, 2024, a NGS – GA initial and renewal grant was awarded to a combined 238 applicants with a total amount of \$3.8 million. The total amount of initial awards was \$1.5 million, and renewal awards was \$2.3 million. However, only about \$1.5 million of the awards have been certified and ultimately paid. Multiple institutions have yet to certify all funds for the fall 2024 semester; therefore, additional funds will be certified and paid in the spring 2025 semester.

Exhibit 21
Next Generation Scholars Guaranteed Access Award Summary
Fiscal 2025 Year to Date

		Total		Total		Total
	Students Awarded	Amount Awarded	Students Certified	Amount Certified	Students Paid	Amount Paid
NGS						
(GA Grant)-Initial	102	\$1,461,950	65	\$518,350	65	\$522,100
NGS						
(GA Grant)-Renewal	136	2,309,150	113	1,014,500	113	1,008,200
Total	238	\$3,771,100	178	\$1,532,850	178	\$1,530,300

GA: Guaranteed Access

NGS: Next Generation Scholars

Source: Maryland Higher Education Commission

Operating Budget Recommended Actions

1. Add the following language:

\$5,000,000 in general funds is reduced from the fiscal 2025 appropriation for program R62I00.48 Maryland Community College Promise Scholarship Program within the Maryland Higher Education Commission that was made for the purpose of the Maryland Community College Promise Scholarship Program.

Explanation: Reduce general funds within the Maryland Community College Promise Scholarship Program due to lower projected expenditures. The Maryland Higher Education Commission (MHEC) has consistently underspent the appropriation in the last three years. In fiscal 2024, MHEC awarded less than the appropriation by approximately \$7.2 million. MHEC also awarded less than the appropriation in fiscal 2022 and 2023 by \$8.9 million and \$10.8 million, respectively.

2. Add the following language:

\$4,000,000 in special funds is reduced from the fiscal 2025 appropriation for program R62I00.49 Teaching Fellows for Maryland Scholarship Program within the Maryland Higher Education Commission that was made for the purpose of the Teaching Fellows for Maryland Scholarship Program.

Explanation: Reduce special funds within the Teaching Fellows for Maryland Scholarship Program due to lower projected expenditures. The Maryland Higher Education Commission (MHEC) has consistently underspent the appropriation in the last two years. In fiscal 2023 and 2024, MHEC awarded less than the appropriation by approximately \$4.4 million and \$4.7 million, respectively.

3. Adopt the following narrative:

Impact of Credit Completion Requirement on Financial Aid Awards: The committees are interested in the impact that the 30-credit-hour requirement had on students in the 2024-2025 academic year and the 2025-2026 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. 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 12, 2025

4. Adopt the following narrative:

Next Generation Scholars (NGS) Postsecondary Outcomes: 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 2024-2025 and 2025-2026 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	MHEC	December 1, 2025

	Amount <u>Change</u>
5. Reduce general funds within the Maryland Community College Promise Scholarship Program due to lower projected expenditures. The Maryland Higher Education Commission (MHEC) has consistently underspent the appropriation in the last three years. In fiscal 2024, MHEC awarded less than the appropriation by approximately \$7.2 million. MHEC also awarded less than the appropriation in fiscal 2022 and 2023 by \$8.9 million and \$10.8 million, respectively.	-\$ 5,000,000 GF
6. Reduce special funds within the Teaching Fellows for Maryland Scholarship Program due to lower projected expenditures. The Maryland Higher Education Commission (MHEC) has consistently underspent the appropriation in the last two years. In fiscal 2023 and 2024, MHEC awarded less than	-\$ 4,000,000 SF

the appropriation by approximately \$4.4 million and \$4.7 million, respectively.

Total Net Change	-\$ 9,000,000
Total General Fund Net Change	-\$ 5,000,000
Total Special Fund Net Change	-\$ 4,000,000

Budget Reconciliation and Financing Act Recommended Actions

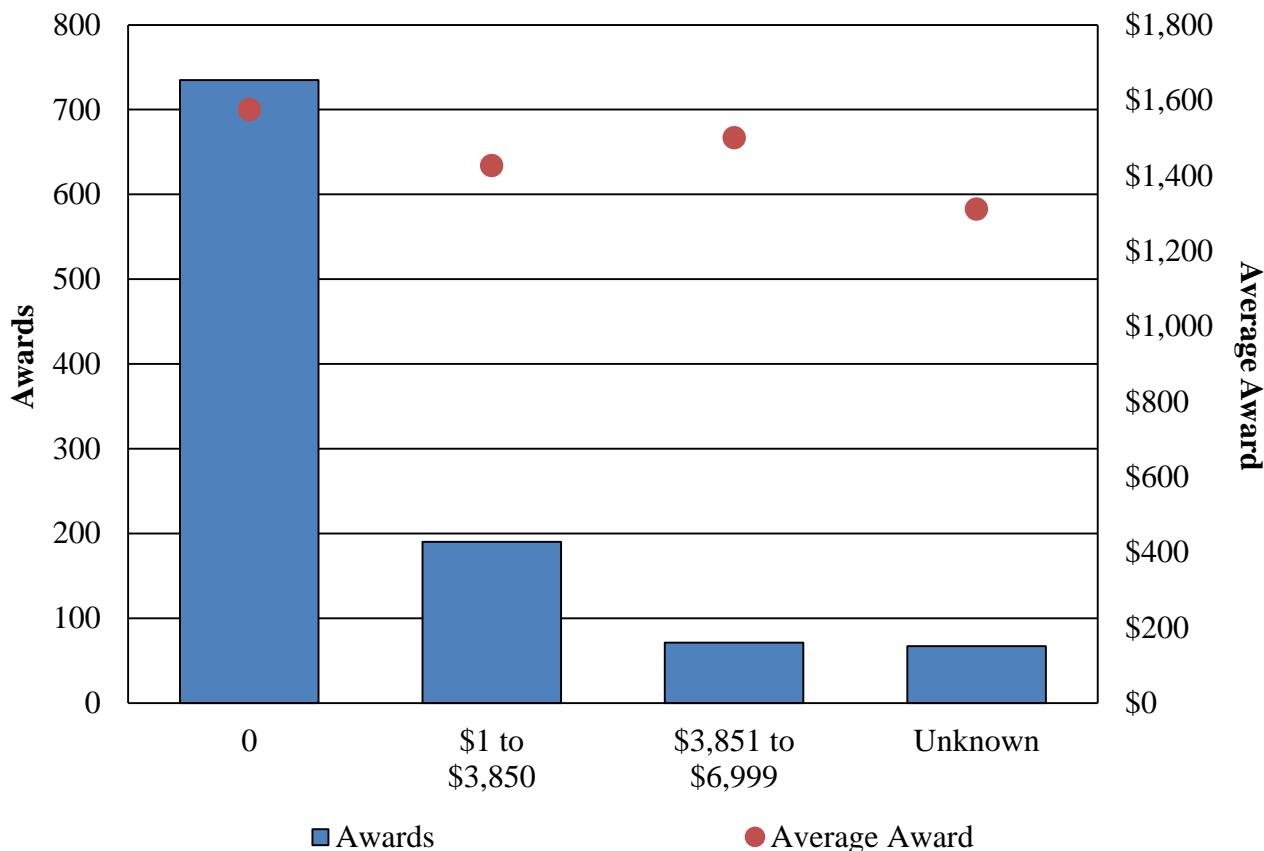
1. Reduce the mandated funding level for the Maryland Community College Promise Scholarship from \$15.0 million to \$10.0 million.

Appendix 1 **2024 Joint Chairmen's Report Responses from Agency**

The 2024 JCR requested that MHEC prepare three reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

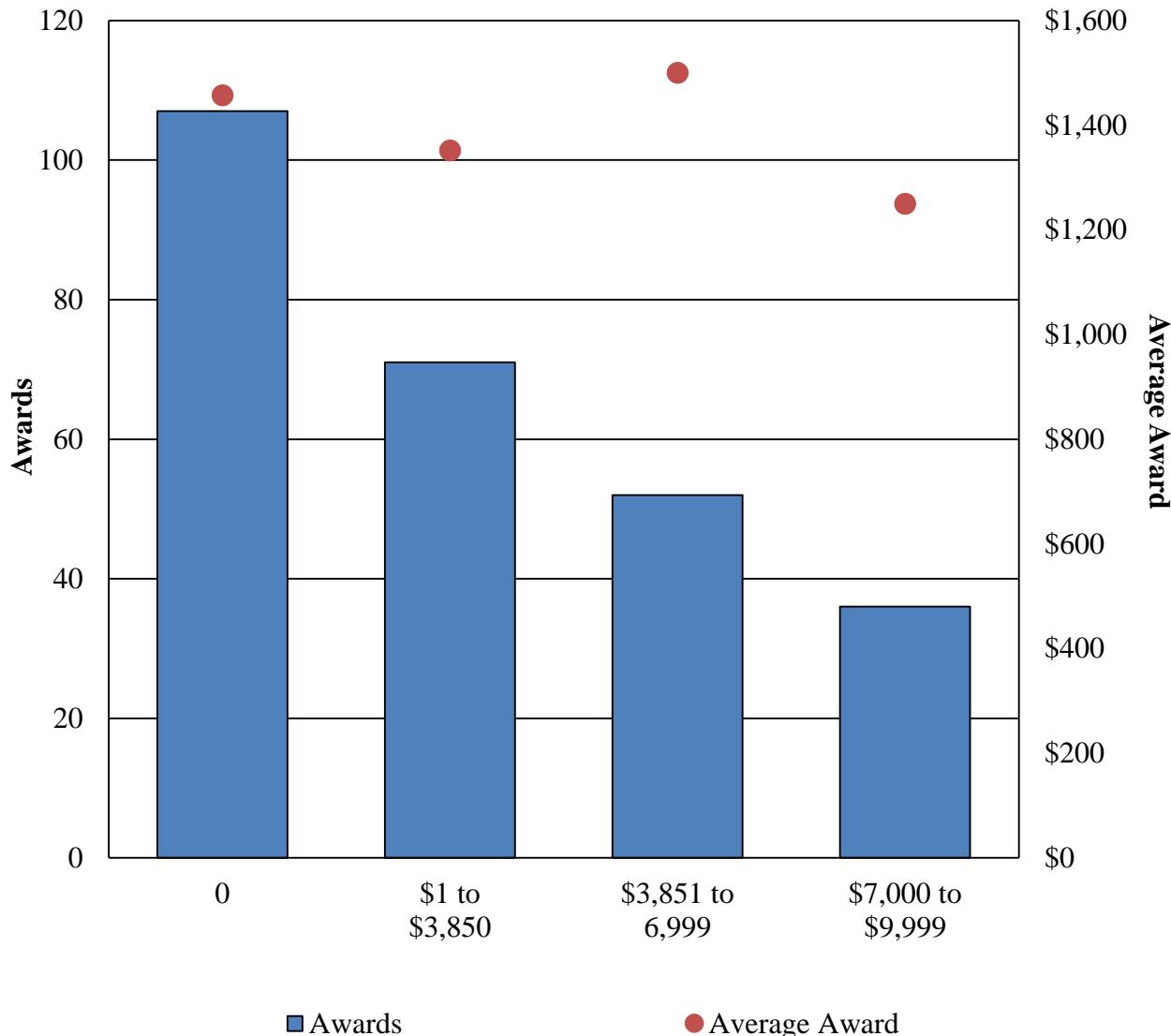
- ***Report on the Status of the OSFA Website:*** The committees requested a report on the evaluation of the OSFA website and the public accessibility to engage the process to apply for financial aid. The report was due December 1, 2024. The report has not been submitted. However, MHEC provided data outside of the formal submission, which is discussed in Issue 2 of this analysis.
- ***Report on Impact of Credit Completion Requirement on Financial Aid Awards:*** Language in the fiscal 2025 Budget Bill restricted funds pending the receipt of a report with information on the impact that the 30-credit-hour requirement has on students in the 2023-2024 academic year and the 2024-2025 awarding year, specifically if students are meeting the requirement to receive the full amount of award, how many students had their awards prorated, and how many students lost eligibility. The report was submitted in December 2024. Further discussion of the data in this report can be found in Issue 3 of this analysis.
- ***Report on NGS Postsecondary Outcomes:*** The committees requested a report on NGS students that met the eligibility requirements and later enrolled in a postsecondary institution. The report was due on December 1, 2024. The report has not been submitted. However, MHEC provided data outside of the formal submission, which is discussed in Issue 4 of this analysis.

Appendix 2
Campus-based Educational Assistance Grants by
Expected Family Contributions
2023-2024 Academic Year



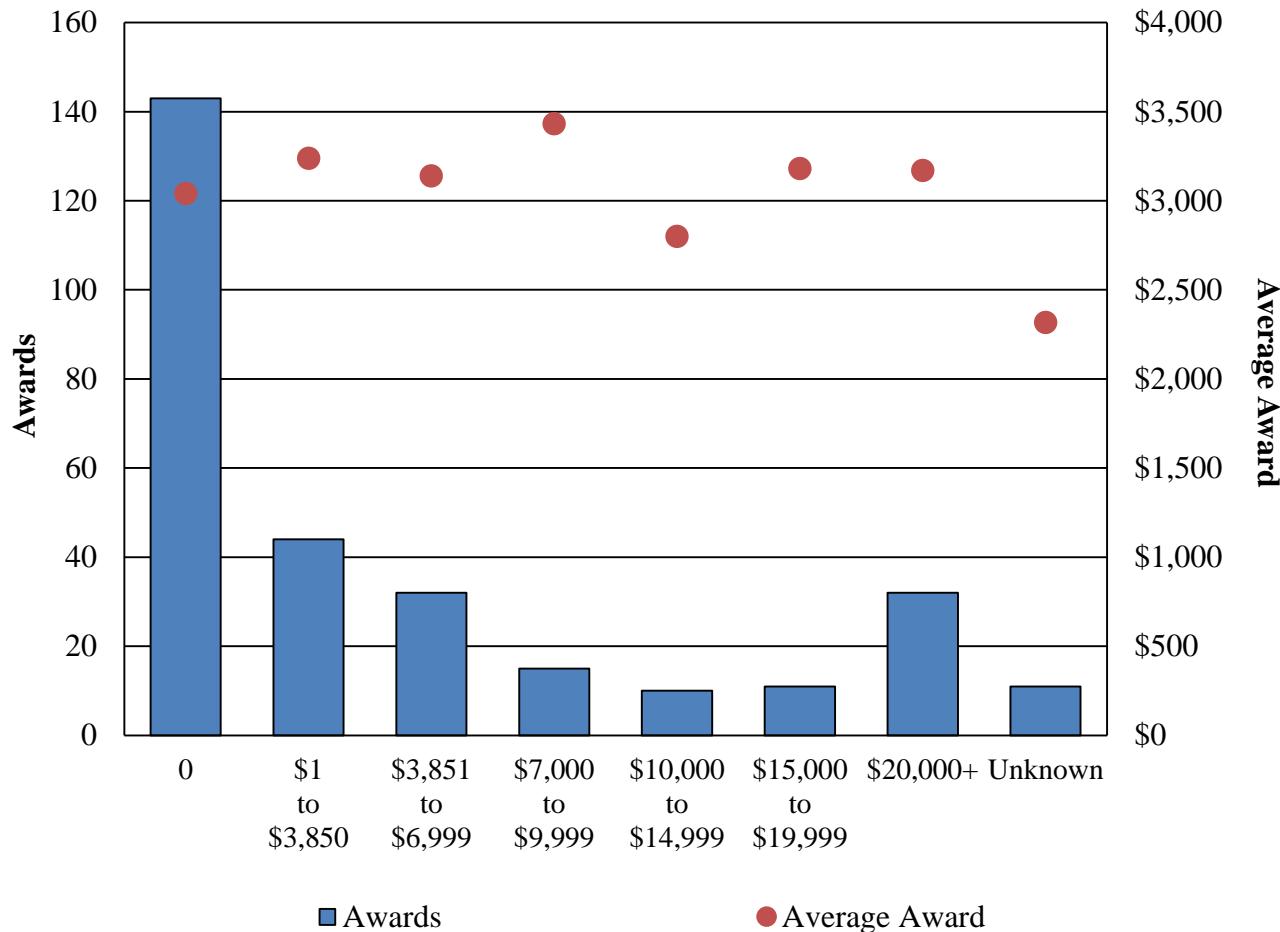
Source: Maryland Higher Education Commission

Appendix 3
2+2 Scholarship Awards by Expected Family Contribution
2023-2024 Academic Year



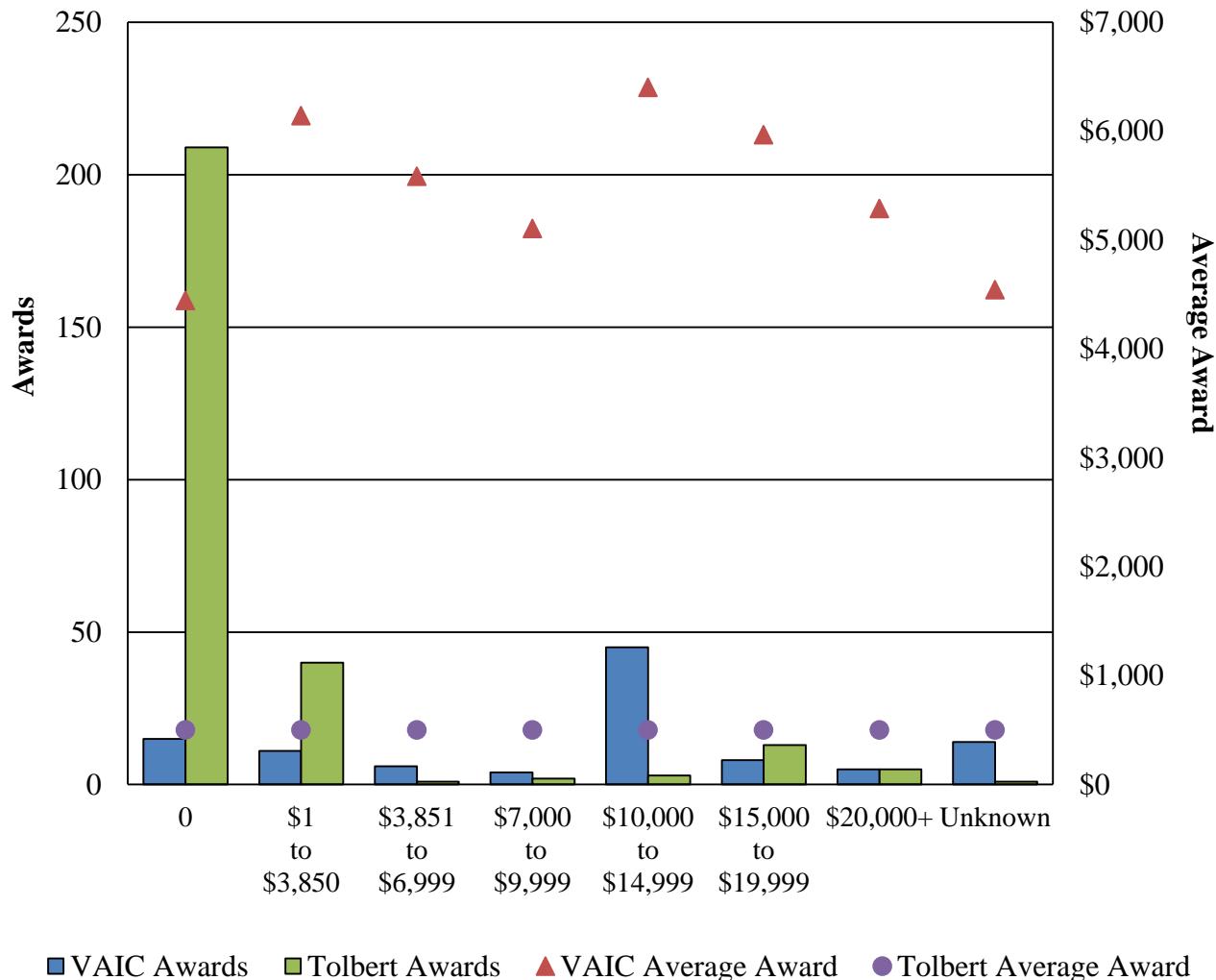
Source: Maryland Higher Education Commission

Appendix 4
Workforce Shortage Awards by Expected Family Contribution
2023-2024 Academic Year



Source: Maryland Higher Education Commission

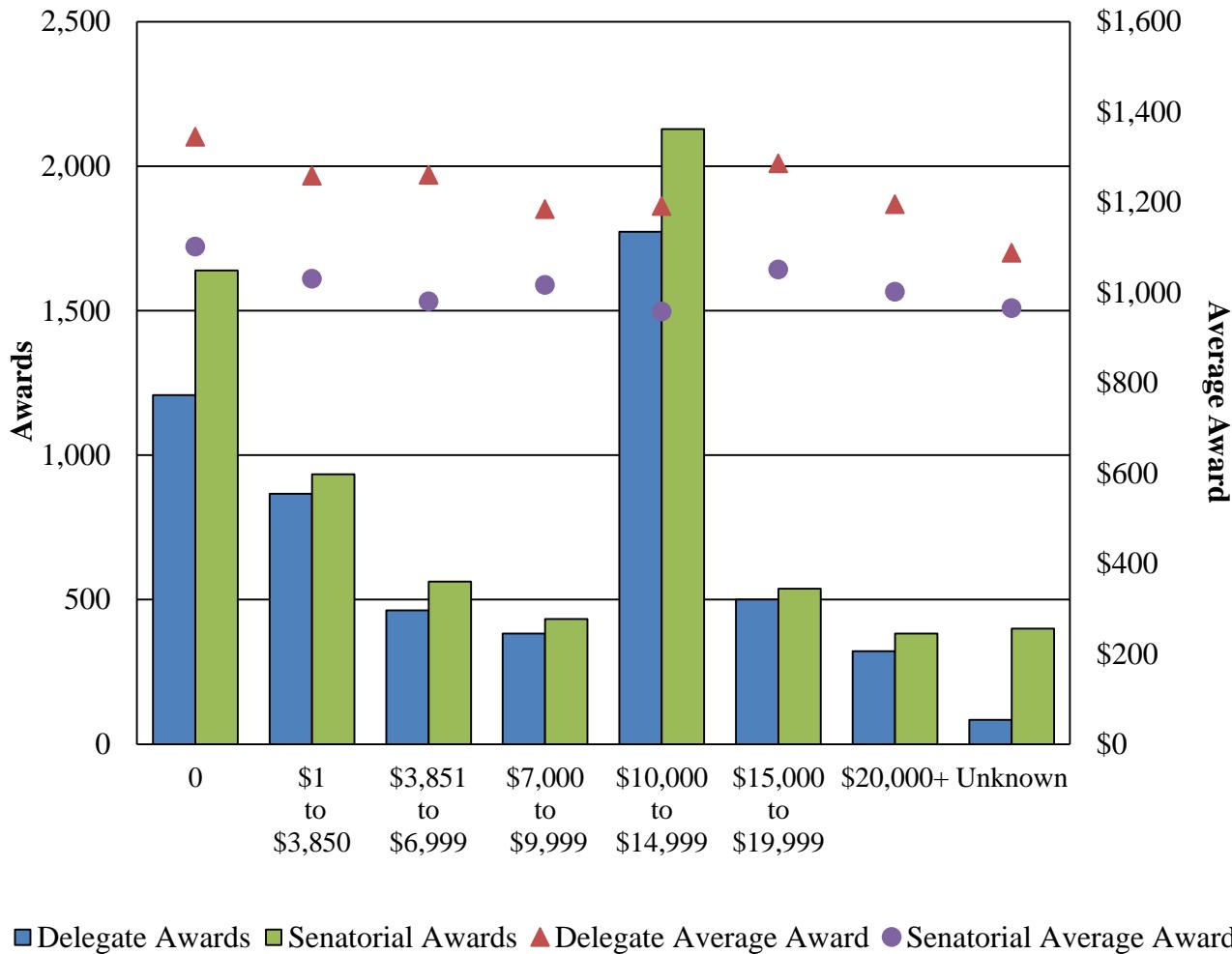
Appendix 5
Unique Populations Awards by Expected Family Contribution
2023-2024 Academic Year



VAIC: Veterans of Afghanistan and Iraq Conflicts

Source: Maryland Higher Education Commission

Appendix 6
Legislative Awards by Expected Family Contribution
2023-2024 Academic Year



■ Delegate Awards ■ Senatorial Awards ▲ Delegate Average Award ● Senatorial Average Award

Source: Maryland Higher Education Commission

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

<u>Object/Fund</u>	FY 25			Percent Change
	FY 24 Actual	Working Appropriation	FY 26 Allowance	
Objects				
12 Grants, Subsidies, and Contributions	\$ 215,237,872	\$ 209,442,562	\$ 233,411,963	\$ 23,969,401 11.4%
Total Objects	\$ 215,237,872	\$ 209,442,562	\$ 233,411,963	\$ 23,969,401 11.4%
Funds				
01 General Fund	\$ 189,517,622	\$ 168,719,562	\$ 190,264,211	\$ 21,544,649 12.8%
03 Special Fund	25,720,250	40,723,000	43,147,752	2,424,752 6.0%
Total Funds	\$ 215,237,872	\$ 209,442,562	\$ 233,411,963	\$ 23,969,401 11.4%

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include contingent reductions.

Appendix 8
Fiscal Summary
Maryland Higher Education Commission - Student Financial Assistance

Program/Unit	FY 24	FY 25	FY 26	FY 25 - FY 26	
	<u>Actual</u>	<u>Wrk. Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
09 Governor's Promise Plus Program	\$ 2,300,000	\$ 2,300,000	\$ 2,300,000	\$ 0	0%
10 Educational Excellence Awards	124,997,250	114,240,000	138,664,752	24,424,752	21.4%
12 Senatorial Scholarships	14,300,047	7,304,289	7,450,375	146,086	2.0%
14 Edward T. Conroy Memorial Scholarship	7,000,000	7,000,000	7,000,000	0	0%
15 Delegate Scholarships	9,970,469	7,428,167	7,576,730	148,563	2.0%
16 Riley Fire and EMS Tuition Reimbursement	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	6,370,000	7,120,000	4,120,000	-3,000,000	-42.1%
27 Maryland Loan Assistance Repayment Program	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	2,229,853	1,229,853	1,229,853	0	0%
37 Veterans of the Afghanistan and Iraq Conflicts	750,000	750,000	750,000	0	0%
45 Workforce Development Sequence Scholarship	1,000,000	1,000,000	1,000,000	0	0%
46 Cybersecurity Public Service Scholarship	1,000,000	1,000,000	1,000,000	0	0%
48 Maryland Community Colleges Promise	15,000,000	15,000,000	15,000,000	0	0%
49 Teaching Fellows for Maryland Scholarships	12,000,000	18,000,000	18,000,000	0	0%
51 Richard W. Collins Leadership with Honor	1,000,000	1,000,000	1,000,000	0	0%
52 Maryland Loan Assistance Repayment Program	5,000,000	3,875,000	5,000,000	1,125,000	29.0%
53 Maryland Police Officers Scholarship Program	5,000,000	3,875,000	5,000,000	1,125,000	29.0%
55 James Proctor Scholarship Program	400,000	400,000	400,000	0	0%
56 Teacher Development and Retention Program	0	10,000,000	10,000,000	0	0%
57 Human Services Careers Scholarship	0	1,000,000	1,000,000	0	0%
Total Expenditures	\$ 215,237,872	\$ 209,442,562	\$ 233,411,963	\$ 23,969,401	11.4%
General Fund	\$ 189,517,622	\$ 168,719,562	\$ 190,264,211	\$ 21,544,649	12.8%
Special Fund	25,720,250	40,723,000	43,147,752	2,424,752	6.0%
Total Appropriations	\$ 215,237,872	\$ 209,442,562	\$ 233,411,963	\$ 23,969,401	11.4%

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include contingent reductions.