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Governor

Boyd K. Rutherford
Lt. Governor

Mary Pat Seurkamp, Ph.D.
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James D. Fielder, Jr., Ph. D.
Secretary

Bill Number: House Bill 734 **Position:** Letter of Information
Title: Higher Education – Student Financial Assistance – Alterations and Appropriation
Committee: House Appropriations Committee
Hearing Date: February 22, 2022

Bill Summary:

House Bill 734 requires the Maryland Higher Education Commission to use a certain income determination when awarding a Guaranteed Access Grant. It alters the maximum award amount for an Educational Assistance Grant. It provides a recipient of a Guaranteed Access Grant who becomes ineligible due to an income change shall remain eligible for the full award term with a reduced amount.

Information:

The Maryland Higher Education Commission (MHEC) has reviewed the proposed changes in House Bill 734. After reviewing the proposed changes a minor issue has been identified on page 2 lines 28-30. The current text as written in the bill reads:

When awarding a Guaranteed Access Grant, the Commission shall use the annual family income determination used when the student prequalified under subsection (e)(1) of this section.

However, recipients of the award do not prequalify for the award. Therefore the language must be amended to individuals that “apply” for the grant. The recommend change to the text is:

When awarding a Guaranteed Access Grant **to a student who prequalified for the award under subsection (e)(1) of this section**, the Commission shall use the annual family income determination used when the student prequalified ~~under subsection (e)(1) of this section~~.

Also, House Bill 734 states “if a recipient of a Guaranteed Access Grant becomes ineligible because of a change in family income, the recipient shall remain eligible for the award for the full award term applicable to the recipient under this subtitle, but the Commission shall reduce the award based on a sliding scale developed by the Commission...”

MHEC can develop a sliding scale that allows Guaranteed Access Grant recipients to continue to receive their award. However, it is important to note that when the income increases for a Guaranteed Access Grant recipient it may directly impact the recipient’s eligibility for the Federal Pell Grant award amount. The Federal Pell Grant award amount is included when determining a Guaranteed Access Grant recipient’s award amount. The formula to calculate the Guaranteed Access Grant award is:

OSFA Cost of Attendance (COA) - Federal Pell Grant = Unmet Need/GA Award Amount not to exceed

the annual maximum award amount

If a Guaranteed Access Grant recipient's Federal Pell Grant decreases the recipient's "unmet need" increases therefore increasing the GA Award Amount for the recipient.

In the chart below "Student A" Guaranteed Access Grant award amount is determined based on the student being eligible for the maximum Federal Pell Grant award amount of \$6,495. While "Student B" Guaranteed Access Grant award amount is determined based on the recipient being ineligible for the federal Pell Grant. Therefore, Student B Guaranteed Access Grant award is higher due to the student having a higher unmet need. Implementation of a sliding scale may unintentionally increase the award amount for recipients that have a higher income which directly conflicts with the intent of the proposed legislation.

Student A GA Award Calculation (Meets Annual Income Requirement)		Student B GA Award Calculation (Exceeds Annual Income Requirement)	
OSFA Cost of Attendance	24,596	OSFA Cost of Attendance	24,596
- Pell	6,495	- Pell	0
GA Award Amount	18,101	GA Award Amount	19,400

Additionally, allowing Guaranteed Access Grant recipients whose income exceeds the annual income limits to remain eligible for the award, but on a sliding scale directly impacts funding levels in the Educational Assistance Grant Program. An increase in the number of Guaranteed Access Grant awards made annually will reduce the number of awards made in the Educational Assistance Grant Program.

A more efficient way to ameliorate the effects of the "GA cliff" is to raise the income limits for renewal recipients, a change that can easily be made in regulation.

It should be noted that the proposed language requires the annual budget in the Howard P. Rawlings Educational Excellence Awards program be \$75 million. This amount is lower than the annual amount appropriated in the program of \$88.1 million in fiscal year 2022.

For additional information, please contact Donna Thomas, Director of the Office of Student Financial Assistance, at donnae.thomas@maryland.gov, for more information.