

SB 912 GA FAV_.pdf

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Senate Education, Health, and Environmental Affairs Committee
Senate Bill 912 (Pinsky) Higher Education – Student Financial Assistance – Alterations and Appropriation

Sara C. Fidler, President

sfidler@micua.org

March 15, 2022

On behalf of the member institutions of the Maryland Independent College and University Association (MICUA) and the 58,000 students we serve, I thank you for the opportunity to provide this written testimony in support of [Senate Bill 912 Higher Education – Student Financial Assistance – Alterations and Appropriation](#). This bill requires the Maryland Higher Education Commission to utilize the annual family income determination used when the student prequalified for a Guaranteed Access Grant (GAG) when making an award. The bill also increases the maximum award amount for an Educational Assistance Grant to be \$7,000 instead of \$3,000 and allows the recipient of a GAG who becomes ineligible due to an income change to remain eligible for the full award term with a reduced amount of funding.

Every one of MICUA's thirteen State-aided institutions participates in the Guaranteed Access Partnership Program (GAPP). GAPP is a public-private partnership that helps students close the affordability gap in order to attend a private nonprofit institution of higher education in the State. Students who receive a GAG from the State are eligible for a matching grant from a MICUA institution. Since 2017 when the program was established, GAPP has matched over \$45 million to nearly 2,400 Maryland students.

The modifications to the GAG program made by this bill will have a substantial positive impact on student retention and completion. In some instances, when a recipient loses a GAG due to income ineligibility, they may choose to withdraw from the institution. Allowing a student to receive a reduced GAG award amount is a significant improvement over a firm cutoff (the "GA cliff") for the award. Data from our MICUA institutions indicates that many students who lose eligibility for their GAG because of an income change remain Pell grant eligible – meaning these are still the lowest-income students. Maintaining the GAG, even at a reduced award level, allows these students to continue pursuing their academic goals, and graduate with a baccalaureate degree.

The MICUA colleges and universities are committed to helping students obtain the financial assistance they need to access their choice of institution of higher education. We use 85%-90% of our Sellinger funding for financial aid for Maryland students, and in Fiscal 2021, we awarded over \$300 million in institution-based financial aid. We have seen increased financial need in recent years, especially during the pandemic, and this bill will help alleviate some of the economic pressures on our students.

We appreciate the effort that the sponsor has made to ensuring that students receive and retain the financial aid resources they need to pursue their undergraduate education. If you have any questions or would like additional information, please contact Angela Sherman, Vice President for Academic Affairs, asherman@micua.org.

For all of these reasons, MICUA requests a favorable Committee report for Senate Bill 912.

SB 912 Student Financial Assistance (Pinsky) EHEA

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Position: INFO



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

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SENATE BILL 912 Higher Education - Student Financial Assistance - Alterations and Appropriation (Pinsky)

STATEMENT OF INFORMATION

DATE: March 15, 2022

COMMITTEE: Senate Education, Health & Environmental Affairs

SUMMARY OF BILL: SB 912, in part, mandates an appropriation in the amount of \$75 million for the Educational Excellence Awards, beginning FY 2024.

EXPLANATION: The Department of Budget and Management's focus is not on the underlying policy proposal being advanced by the legislation, but rather on the \$75 million mandated appropriation provision that impacts the FY 2024 and subsequent budgets.

The FY 2023 Budget allowance provides \$100 million for the Educational Excellence Awards, or \$10 million more than the FY 2022 funding amount. Typically, this particular scholarship Award increases 2% each year to keep up with tuition growth at the public four year institutions. The Governor has consistently demonstrated his support for the Educational Excellence Awards program and for the students it serves and has significantly increased funding for the program in FY 2023.

DBM has the responsibility of submitting a balanced budget to the General Assembly annually, which will require spending allocations for FY 2024 to be within the official revenues estimates approved by the Board of Revenue Estimates in December 2022.

Changes to the Maryland Constitution in 2020 provide the General Assembly with additional budgetary authority, beginning in the 2023 Session, to realign total spending by increasing and adding items to appropriations in the budget submitted by the Governor. The legislature's new budgetary power diminishes, if not negates, the need for mandated appropriation bills.

Fully funding the implementation of the Blueprint for Maryland's Future (Kirwan) will require fiscal discipline in the years ahead, if the State is to maintain the current projected structural budget surpluses. Mandated spending increases need to be reevaluated within the context of this education funding priority and the Governor's tax relief proposals.

Economic conditions remain precarious as a result of COVID-19. High rates of inflation and workforce shortages may be short lived or persist, thereby impacting the Maryland economy. While current budget forecasts project structural surpluses, the impact of the ongoing COVID-19 pandemic continues to present a significant budgetary

vulnerability. The Department continues to urge the General Assembly to focus on maintaining the structural budget surplus.

**For additional information, contact Barbara Wilkins at (410) 260-6371
or barbara.wilkins1@maryland.gov**

SB 912 MHEC Letter of Information 03152022.pdf

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

Bill Number: Senate Bill 912

Position: Letter of Information

Title: Higher Education – Student Financial Assistance – Alterations and Appropriation

Committee: Senate Education, Health & Environmental Affairs Committee

Hearing Date: March 15, 2022

Bill Summary:

Senate Bill 912 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 Senate Bill 912. 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, Senate Bill 912 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 (<i>Meets Annual Income Requirement</i>)		Student B GA Award Calculation (<i>Exceeds Annual Income Requirement</i>)	
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.