



Wes Moore
Governor

Aruna Miller
Lt. Governor

Mary Pat Seurkamp, Ph.D.
Chair

Bill Number: Senate Bill 662 Position: Letter of Information
Title: Higher Education – Appointment of Secretary and Student Financial Assistance – Alterations
Committee: Senate Education, Energy, and Environment Committee
Hearing Date: March 1, 2023

Bill Summary:

Provides that the Secretary of Higher Education is appointed by, and serves at the pleasure of, the Governor. It alters eligibility criteria for, and the process for awards from, the Delegate Howard P. Rawlings Program of Educational Excellence Awards. It alters eligibility criteria for services provided to students through the Next Generation Scholars of Maryland Program. It requires community colleges to award Maryland Community College Promise Scholarships in place of the Office of Student Financial Assistance.

Information:

- *Page 4 lines 7 – 8.* The legislation continues to require a passing score of at least 165 per module on the diploma by examination (i.e., GED), however on page 1 lines 19-27, the proposed legislation eliminated the GPA and college preparatory program requirements for high school applicants. The minimal score needed on each test to pass and earn a GED diploma is 145. MHEC proposes that in order to remain equitable, the passing score requirement for GED recipients should be removed since the GPA requirement has been eliminated for high school students.
- *Page 5 lines 8 – 9.* The legislation continues to require Next Generation Scholars to maintain a cumulative grade point average of at least 2.5 on a 4.0 scale or its equivalent; however, on page 1 lines 19-27, the proposed legislation eliminated the GPA and college preparatory program requirements for high school applicants. MHEC would point out that to remain equitable; GPA requirement for Next Generation Scholars should be removed since the GPA requirement has been eliminated for high school students.
- *Page 7 line 8 – 10.* The legislation removes federal “VI” terminology and replaces it with “Standards for”. Federal standards are not specific and are determined by interpretation. Although federal verification is a process, which requires institutions to verify the accuracy of the information provided on a student's Free Application for Federal Student Aid (FAFSA) in an effort to ensure federal aid is distributed to those who are eligible. The Department of Federal Student Aid (FSA) long-term goal is for a customized approach to verification, which creates menu of potential verification items for each award year. MHEC would suggest that additional language be included to provide clarity of “Standards”. An example of suggested language is as follows:

Federal standards include Adjusted Gross Income (AGI); Income Earned from Work, Household Size, and High School Completion Status.

- *Page 8 line 24 – 29.* The legislation decentralizes the Maryland Community College Promise Scholarship program and requires the Commission to allocate Maryland Community College Promise Scholarship funding to each community college based on the proportion of full-time equivalent (FTE) students at each institution. MHEC expresses that decentralizing the Promise Scholarship program and allocating funds as identified in the legislation may have an adverse effect based on the proposed funding formula causing an inequity of funds. If the funding allocation for each community college is based on the proportion of full-time equivalent students at each community college, the amount allocated to each institution may be increased or decreased disproportionately. Currently, as a centralized program, awards are made to the student based on eligibility and need, funds are not allocated to the institution, but paid to the institution based on how many students are eligible for the funds and have a remaining balance for the funds to cover. Since the Promise Scholarship is a last dollar fund, there are many instances in which an eligible student is no longer eligible because they have no cost remaining. The applicant received enough aid from other types or sources of aid (including Pell Grant, Guaranteed Access Grant, Educational Assistance Grant, private scholarships, etc.), in which the applicant had no remaining balance for the semester. Therefore, an institution received funds based on eligible students and funds remain available for students that need additional funding. The proposed legislation creates an environment in which now community colleges will have the funds and funding for eligible recipients will be determined if the eligible recipient attends an institution with funding available. The proposed legislation creates the possibility that institutions with a higher FTE will have majority of funding that they cannot spend as where institutions with a lower FTE will have more eligible students, but not funding because they have exhausted it all.

MHEC is currently in the process of extending the deadline dates for the Promise Scholarship so that students are eligible to apply for it all year round. MHEC suggests that either this part of the proposed legislation is removed and allow MHEC increase accessibility of the Promise Scholarship or at minimum allow MHEC to propose a different manner or calculating the allocation to institution of higher education.

- *Page 15 line 11 – 14.* The legislation identifies and establishes a deadline date for the Commission to establish the annual family income used to determine a student’s eligibility for a Guaranteed Access Grant and Educational Assistance Grant each year. MHEC advises that putting such a date in statute will require a more extensive process if there is ever a need to change the date. MHEC proposes that this section of the legislation be revised to read the following:

Each year the Commission shall establish the annual family income used to determine a student’s eligibility for a Guaranteed Access Grant and Educational Assistance Grant each year. The Commission shall include an established date of when the annual family income will be available as part of the Commissions Guaranteed Access Grant and Educational Assistance Grant regulations.

- *Page 15 lines 19 – 22.* The proposed legislation does not remove MHEC from the verification of Next Generation Scholars, but it requires institutions of higher education to verify already pre-qualified Next Generation Scholars. On page 15 lines 23 – 25, it is established that the Commission shall provide a list of all students who have prequalified for Next Generation Scholars. Since Next Generation Scholars takes place during grades 7, 8, 9, or 10; and prequalified students are already identified and verified by the Commission, why would there be a need for institutions of higher education the verify the prequalified student, when MHEC already verified and prequalified the student? MHEC would like additional clarity.

- *Page 15 lines 23 – 25.* The legislation adds that the Commission shall provide a list of all students who have prequalified for the award under subsection (e)(1) or (2) of this section to each institution of higher education. MHEC already provides a list of all students who have prequalified for the Next Generation Scholars (Guaranteed Access Grant) award. Next Generation Scholars award is treated as a subsidiary of the Guaranteed Access Grant and currently named separately in the Maryland College Aid Processing System (MDCAPS) for awarding, tracking, and reporting purposes.
- *Page 16 lines 24 – 28.* The proposed legislation adds that each institution of higher education in the state “shall” verify the eligibility of “each” applicant for the Guaranteed Access Grant program, etc. MHEC is concerned that the word “each” implies that the institution must verify all GA initial and renewal recipients. MHEC suggests that the word “each” should be removed and allow the number of recipients to be verified determined in regulations or set by each institution.
- *Page 17 lines 13 – 19.* The proposed legislation requires an institution to verify whether each applicant qualifies for a Guaranteed Access Grant, calculate, and offer the Guaranteed Access Grant award to the applicant upon the applicant’s award letter for admission, and submit to the office on or before June 1 each year for the upcoming school year, information on the students whom the institution of higher education offered a Guaranteed Access Grant. Majority of Institutions start the admission process for incoming students (i.e., freshman, Transfer, and Graduate students) as early as September in the current year for the upcoming year (i.e., admission process starts September 2023 for the incoming class of 2024-2025). The proposed requirements may cause a delay in student admission decision, since the Free Application for Federal Student Aid (FAFSA) is not available until October 1 of the prior year (i.e. 2024-2025 FAFSA is available October 1, 2023) an institution will not be able to calculate and offer the GA award if the student has not completed the FAFSA/MSFAA. Typically, the financial aid office issues a student’s award letter not the admissions office and the letters are not issued at the same time. Most institutions do not provide an award letter to the student until the student completes the FAFSA and each student’s Pell eligibility is required to calculate the GA award. Therefore, the GA calculation will not be able to be completed at the time of admissions, unless the admission office delays the admission offer until the student completes the FAFSA, and it is received by the financial aid office to calculate the award. Admission offices will need to coordinate with financial aid offices prior to notifying students of their acceptance.

The legislation has a fiscal impact to institutions. If the institution must calculate the GA award the institution must update their financial aid management system to perform the calculation. Institutions will not be able to calculate the award manually and will need to update their information systems to import the upcoming year FAFSA records, which usually is not ready until early November of the prior year. Incoming students usually apply to multiple institutions, which would require each institution to verify if the applicant qualifies, calculate, and offer the award upon the applicant’s award letter for admission. If the institution is required to verify the applicant’s eligibility, each applicant will be required to submit documents to each institution they applied to for admission. Furthermore, since the proposed legislation requires all institutions to do verification in the GA program, this may create an audit risk for institutions. Under the current regulations, subsection §18-303.3.(d)(1), “a verification obtained by an applicant under subsection (b) of this section may be used at any eligible institution described under § 18-305 of this subtitle.” This audit risk deterred many institutions from opting into completing the verification. Institutions did not want to be responsible for another institution’s error. Will the same audit risk remain if this bill is passed? The legislation creates a tracking dilemma for MHEC, since a student may apply to multiple institutions, tracking awards being made by the institutions to ensure there is no over awarding will be a challenge.

Please be aware, institutions do not have access to MSFAA applicants. MHEC only collects data for MSFAA applicants. If the legislation passes as is, MHEC will have to enhance MDCAPS to provide MSFAA output data for institutions to use when calculating the award, this is one of the enhancements included in the fiscal notes. Additionally, the legislation only allows MHEC 2-3 months to award all eligible Educational Assistance (EA) awards.

Page 20 lines 23 – 27. The legislation states after awards from institutions of higher education have been made and accepted for the GA grant, the Office shall award eligible students the EA award based on financial need from any remaining funding for the EA awards. Language in lines 23-27, would impede MHEC in assessing funding levels in the EA program and most likely push back the assessment at least until October of the current award year. The reason being is most institutions now practice block scheduling, in which once the student is admitted, the student attends a “incoming student day” and institutions registers the student for classes. Unfortunately, this creates a problem when the student decides not to attend but does not notify the institution. The institution is not able to identify students that are not enrolled at their institution to begin canceling the award until after census. Not to mention that if the school identifies that the student is not enrolled, they would more than likely reallocate the funds to another student, still utilizing the funds. The proposed legislation will directly impact community colleges as a number of EA recipients attend a community college. Also, the proposed legislation does not account for the federal requirement satisfactory academic progress (SAP) which requires each institution that participates in federal student aid to complete at the very minimum at the end of each academic year. Institutions do not process awards for renewal students until June 1 after SAP has been run. MHEC suggests that the timeline be revisited.

Page 17 lines 16 – 19, allows institutions to submit to the office on or before June 1 each year, information on the students to whom the institution offered the GA award. This creates a dilemma when compared to page 20 lines 23 – 27. What happens to current EA renewal students, will they be required to wait until GA eligibility has been finalized? Many institutions have rolling acceptance and most likely will not submit information for the students until the final deadline, June 1. This may put students eligible for the EA award at a disadvantage since they will not receive notification of eligibility until after June 1, 3 months prior to the start of the upcoming academic year. This will also increase the operational impact on the office by increasing the inquiry volume for the office since institutions will notify students to contact the office for more information, but the office will not be able to provide specific information until after June 1.

MHEC provides some suggested amendments to the legislation:

1. Revisit timeline.
2. Separate funding between GA and EA program or at minimum allocate a percentage of EEA funds to the Educational Assistance (EA) award program, so that the office may award renewal applicants and initial applicants that are identified as ineligible for the GA grant earlier.
3. Allow the office to initially qualify and award applicants based on the current system and provide institutions with the list of GA applicants that have listed the institution on their FAFSA/MSFAA
 - In congruence with the legislation, institutions will still be responsible to verify and confirm students’ eligibility (in place of the office) as well as calculate/adjust awards. However, it will allow the office to manage EEA funds more efficiently by actively reviewing the amount of GA funds used from the appropriation to manage EA awards.

4. Line 23, on page 20 states that after awards from institutions of higher education have been made and accepted for the GA Grant MHEC can now award eligible student EA. MHEC suggests that the word “accepted” either be removed or add an additional requirement for institutions to create an acceptance process in the legislation. Most institutions do not require students to accept grants or scholarships and since the institution will be making the awards the student will no longer be required to accept the award in the MDCAPS systems.
5. Add the following language:

If an institution of higher education fails to meet a reporting deadline or fails to certify any student, the Commission, must provide the institution with an opportunity to submit the report and/or certify the student within a 30-day time frame. If the Commission provides the institution with an opportunity to submit the report to certify the student(s) within a 30-day time frame and the institution does not comply, the Commission may consider the error as an administrative error and cancel all related awards. The institution of higher education may not require the student to pay the institution for an administrative error.

- One of the current issues MHEC is observing is that some institutions do not report (i.e., complete billing rosters, etc.) in a timely manner, which creates an obstacle for MHEC to reallocate funds to eligible students on the waiting list. Currently, there is no statute/regulation that allows MHEC to enforce guidelines. In adding the suggested language to the legislation, it will allow MHEC to enforce guidelines while still supporting institutions and students. We do not want to penalize our institutions of higher education; we want to work together with them for the benefit of the student.

Final Comments:

With the elimination of the age requirement and GPA in the legislation, it allows any student planning to attend or currently enrolled at a post-secondary institution to be eligible for the GA award as long as they meet the income requirement. This change will significantly increase the number of GA awards made in the program. If the legislation is passed and institutions will be responsible for calculating awards in the GA program, enhancements will need to be made in MDCAPS to allow the institutions to report award outcomes for MHEC to track funding levels. A timeline of required reporting dates will need to be established by MHEC to ensure institutions do not over award and legislative support will be needed to hold institutions accountable.

Also, there is no mention of grandfathering current EA recipients. Under the proposed legislation, no funding would be available to continue to award EA students. This needs to be addressed in legislation.

MHEC welcomes the opportunity to work with the Chairman and the members of the committee on the bill.

For additional information, please contact Mr. Al Dorsett, Director of the Office of Student Financial Assistance, at al.dorsett@maryland.gov, for more information.