

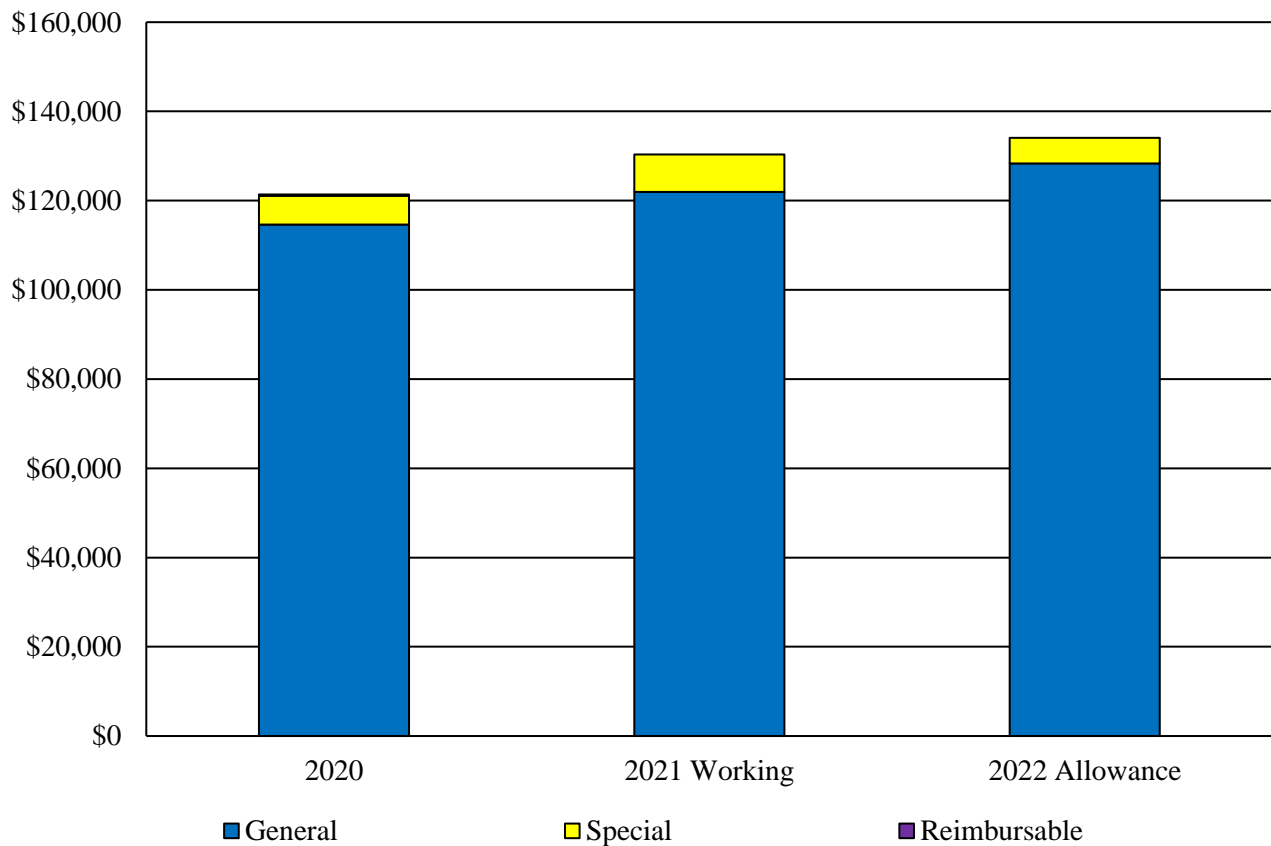
R62I0010
Student Financial Assistance
Maryland Higher Education Commission

Executive Summary

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

Operating Budget Summary

Fiscal 2022 Budget Increases \$3.7 Million, or 2.8%, to \$134.1 Million
(\$ in Thousands)



Note: Numbers may not sum due to rounding. The fiscal 2021 appropriation includes deficiencies. The fiscal 2022 allowance includes contingent reductions.

R62I0010 – MHEC – Student Financial Assistance

- The fiscal 2022 budget plan includes a \$0.1 million reduction to the Maryland Loan Assistance Repayment Program for Foster Care Recipients contingent on passage of the Budget Reconciliation and Financing Act of 2021.
- The fiscal 2021 working appropriation includes a \$3.5 million proposed deficiency appropriation for the Maryland Community College Promise Scholarship Program.
- The adjusted fiscal 2022 allowance increases by \$3.7 million over the adjusted fiscal 2021 working appropriation primarily due to restoring funding for the Maryland Community College Promise Scholarship Program to the mandated level of \$15.0 million.

Key Observations

- ***Free Application for Federal Student Aid (FAFSA) Submission Declines:*** As of February 2021, the number of FAFSA applications completed by Maryland high school students declined by 5.1%, to 42.7%, compared to February 2020.
- ***Highest Number of Guaranteed Access (GA) Grants Awarded:*** The number of GA grant awards grew by 3.9%, or 101, to a total of 2,676 awards in fiscal 2020.
- ***Credit Completion Requirement for Financial Aid Awards:*** The credit completion requirement in the Educational Excellence Awards (EEA) program requires students meet certain credit attainment levels or risk losing their financial aid awards. This requirement has had a significant impact on community college EEA recipients.

Operating Budget Recommended Actions

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

R62I0010
Student Financial Assistance
Maryland Higher Education Commission

Operating Budget Analysis

Program Description

The Office of Student Financial Assistance (OSFA), within the Maryland Higher Education Commission (MHEC), is responsible for the administration of State student financial assistance programs. These programs are designed to improve access to higher education for needy students and certain unique populations and to encourage students to major in workforce shortage areas. Maryland students use State financial assistance at community colleges, independent institutions, private career schools, and the State’s public four-year institutions.

Financial aid comes in the form of grants, work study, student loans, parent loans, and scholarships from federal, State, private, and institutional sources. Grants and scholarships are aid that students do not have to pay back. Grants are usually given because a student has financial need, while scholarships are usually given to recognize the student’s academic achievement, athletic ability, or other talent. Loans must be repaid, usually with interest. **Exhibit 1** shows current financial aid programs offered by OSFA.

Exhibit 1
Financial Aid Programs in Fiscal 2022 by Category

<u>Program</u>	<u>Description</u>
Need-based Financial Aid	
Delegate Howard P. Rawlings Educational Excellence Awards	
Guaranteed Access Grants	Need- and merit-based scholarships intended to meet 100% of financial need for full-time undergraduates from low-income households. Qualified applicants must have a cumulative high school GPA of at least 2.5 on a 4.0 scale. The commission extended the income limits for renewals to 150% of the federal poverty level to prevent a student who may work in the summertime from exceeding the original 130% income cap.
Educational Assistance Grants	Need-based scholarships intended to meet 40% of financial need at four-year institutions and 60% at community colleges for full-time undergraduates from low- to middle-income families. The maximum award amount authorized by statute is \$3,000. The current maximum amount awarded is \$3,000.

R62I0010 – MHEC – Student Financial Assistance

<u>Program</u>	<u>Description</u>
Campus-based	Need-based grant for full-time undergraduates from low-income families who, for extenuating circumstances, miss the application filing deadline. Funds for the campus-based grant are allocated to eligible institutions that then select recipients.
Part-time Grant Program	Need-based grants provided to institutions to award to qualified part-time undergraduate students.
Graduate and Professional Scholarship Program	Need-based scholarships for those pursuing certain graduate and professional degrees at certain Maryland institutions of higher education.
Early College Access Grant Program	Need-based grants for students dually enrolled in a Maryland high school and a Maryland institution of higher education.
2+2 Transfer Scholarship	Scholarship to provide an incentive for Maryland students to earn an associate degree from a community college before enrolling in a four-year institution. Recipient must demonstrate financial need. Minimum GPA required.
Maryland Community College Promise Scholarship	Scholarship to provide tuition assistance for Maryland students attending a community college covering costs not met by any other student financial aid, excluding loans, also known as a last dollar scholarship. Minimum GPA and credit completion required.
Somerset Economic Impact Scholarship	Scholarships to provide tuition assistance for Somerset County residents who graduated from high school within the county and will be attending Wor-Wic Community College.
Career-based Financial Aid	
Charles W. Riley and Emergency Medical Services Scholarship Program	Chapter 503 of 2013 converted the former tuition reimbursement program to a scholarship for fire, ambulance, and rescue squad workers pursuing a degree in fire services or emergency medical technology for awards beginning in fiscal 2017.
Workforce Shortage Student Assistance Grants	Merit- and need-based scholarships for Maryland students pursuing degrees in teaching, nursing, human services, physical or occupational therapy, public service, and other areas to address workforce and regional needs.
Workforce Development Sequence Scholarship	Need-based scholarship for Maryland community college students enrolled in a program composed of courses relating to job preparation or an apprenticeship, licensure or certification, or job skill enhancement.
Teaching Fellows for Maryland Scholarship	Scholarship for Maryland student pursuing a degree leading to a Maryland professional teacher's certificate. Requires a service obligation of teaching in a public school or prekindergarten program with at least 50% of students eligible for free and reduced-price meals.

R62I0010 – MHEC – Student Financial Assistance

Program

Description

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

Loan Assistance Repayment Programs (LARP)

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

Nancy Grasmick Teacher Scholars (Part of Hoffman LARP) Loan repayment assistance for those who currently serve in specified public schools or teach science, technology, engineering, or math and graduated from a Maryland university.

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

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

Assistance for Unique Populations

Jack F. Tolbert Memorial Provides grants to private career schools to award to full-time students based on financial need.

Edward T. Conroy and Jean B. Cryor Memorial Scholarships for certain military veterans or certain public safety personnel and for dependents of eligible public and nonpublic school employees.

Veterans of the Afghanistan and Iraq Conflicts Scholarship Program Scholarships for United States Armed Forces personnel who served in the Afghanistan or Iraq conflicts and their sons, daughters, or spouses attending a Maryland postsecondary institution.

Maryland First Scholarship Scholarship for first-generation college students with financial need. No funding has been provided.

Near Completer Grant Grants for tuition not covered by any other non-loan financial aid for eligible near completers to return to finish their degree. Minimum GPA and credit hours completed required.

Richard W. Collins III Leadership with Honor Scholarship Scholarship for Maryland minority Reserve Officer Training Corps students enrolled in a Historically Black College or University.

Program

Description

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 entitled the Maryland Higher Education Commission covers the personnel associated with the administration of these financial aid programs as well as other educational grant programs administered by the commission.

Performance Analysis: Managing for Results

1. Free Application for Federal Student Aid

The State’s financial aid programs play a critical role in facilitating access and reducing financial barriers to postsecondary education, especially for students from low- and moderate-income families. To receive many State awards, a student must first submit a Free Application for Federal Student Aid (FAFSA) (or an alternative State form) that determines eligibility for federal student aid, including Pell grants, Stafford loans, and work study. FAFSA has been used to calculate a student’s level of financial need – the expected family contribution (EFC), which not only determines eligibility for federal student aid but also State aid. Financial aid for State awards has been determined by calculating the difference between the cost of attendance, a student’s EFC, and the amount of the Pell grant that a student may receive.

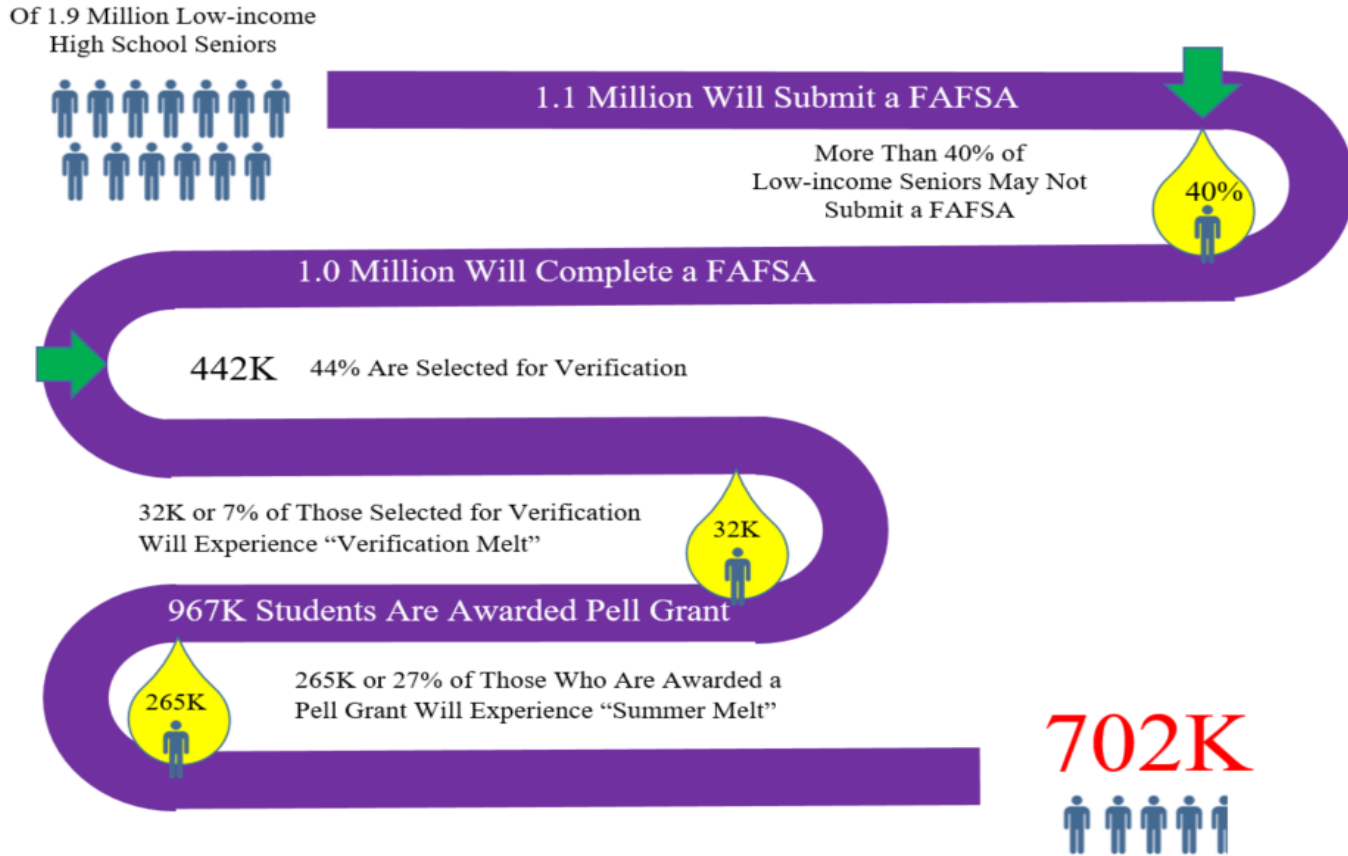
In December 2020, the Consolidated Appropriation Act (CAA) eliminated the EFC criterion and replaced it with the student aid index (SAI), which will be used to determine eligibility for all types of Title IV student aid except maximum and minimum Pell grant awards. A negative SAI establishes a

framework to allow the very neediest students to receive aid in excess of the cost of attendance established by their school. The SAI is not expected to be fully implemented until the 2023-2024 academic year. **The Secretary should comment on how MHEC will integrate the new federal processes into the existing State system and what initial plans are in place to begin this process.**

Exhibit 2 illustrates the leakages in the FAFSA pipeline. According to the National College Access Network (NCAN), of the approximately 1.9 million low-income high school seniors, only 53.3% will submit and complete a FAFSA. Of those that complete a FAFSA, 44% will be selected for verification during which 7% will experience “verification melt” in which students selected to have their income eligibility verified for federal aid fail to complete the process. Approximately 265,000 students who are awarded a Pell grant and accepted into college will not enroll, which is known as the “summer melt.” Overall, only 37% of low-income students will enroll in college using a Pell grant. According to NCAN, the reasons students do not submit a FAFSA include:

- that they do not know they could or how to submit it;
- that they are debt averse or think their credit score is too low;
- that they are not going to college; or
- that the form is too complicated (prior to CAA revisions to FAFSA).

Exhibit 2 FAFSA Pipeline

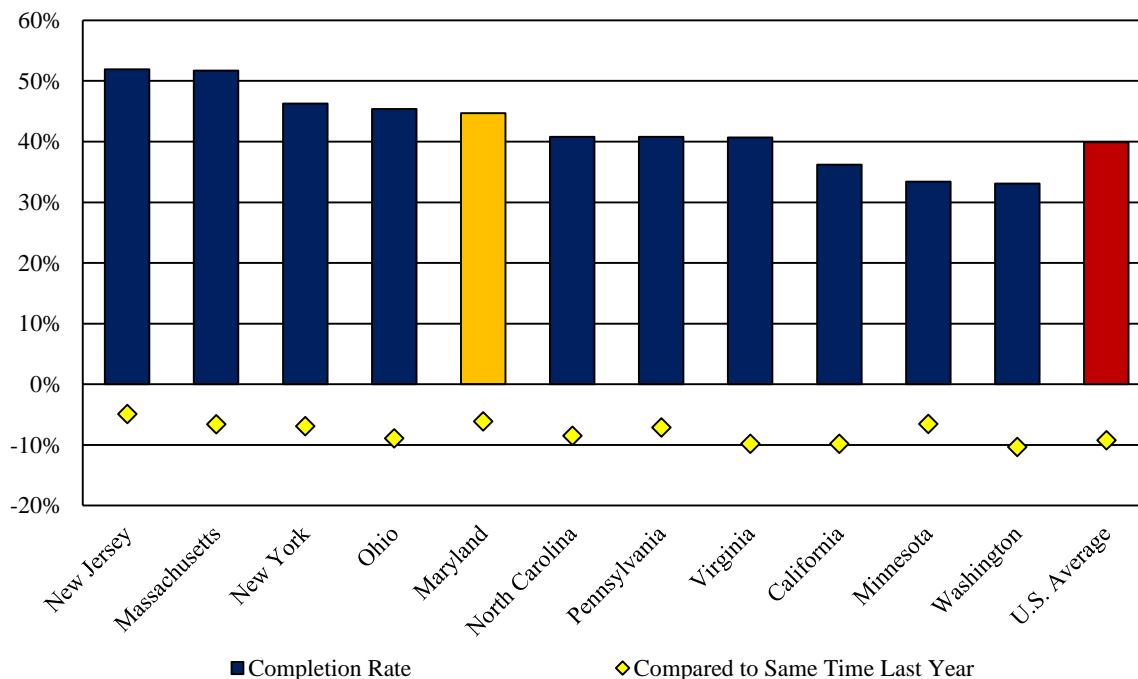


Source: National College Access Network

The CAA also modified FAFSA, reducing the number of questions that applicants need to fill out from 108 to 33. The purpose of this change was to make completing FAFSA easier for students and families. This law, as well as the Fostering Undergraduate Talent by Unlocking Resources for Education Act passed by the U.S. Congress in 2019, which included a FAFSA update that uses the Internal Revenue Service (IRS) data retrieval tool allowing automatic transfer from the IRS to the U.S. Department of Education as a means to reduce the need for income verification (which is a manual process of proving the information a family submitted on the FAFSA is correct), have been recent actions taken to encourage millions more low-income individuals to take advantage of the grants and loans that the federal government offers for college. It is anticipated that the simplified FAFSA will first be utilized during the 2023-2024 award cycle.

Exhibit 3 compares Maryland's FAFSA completion rate as of February 19, 2021, to the states that it principally competes with for employers – California, Massachusetts, Minnesota, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Virginia, and Washington. Completions range from 51.9% in New Jersey to 33.1% in Washington. Maryland, with a completion rate of 44.7%, compares favorably to six competitor states and exceeds the national average of 39.9%. However, the number of high school seniors completing a FAFSA in Maryland decreased 6.1% from the same time in 2020. All other competitor states bar New Jersey experienced greater decreases in FAFSA completion. Washington experienced the largest decrease, 10.3%, among Maryland's competitor states. The overall decrease in FAFSA submissions has been attributed to the COVID-19 pandemic with high school students choosing to push back their enrollment in a higher education institution upon graduation from high school. **The Secretary should comment on what steps are being taken to promote and encourage FAFSA filing given the decline when compared to the previous year and how the COVID-19 pandemic has impacted FAFSA filing in Maryland.**

Exhibit 3
Estimated Completed FAFSAs by Public High School Students
As of February 2020 and 2021

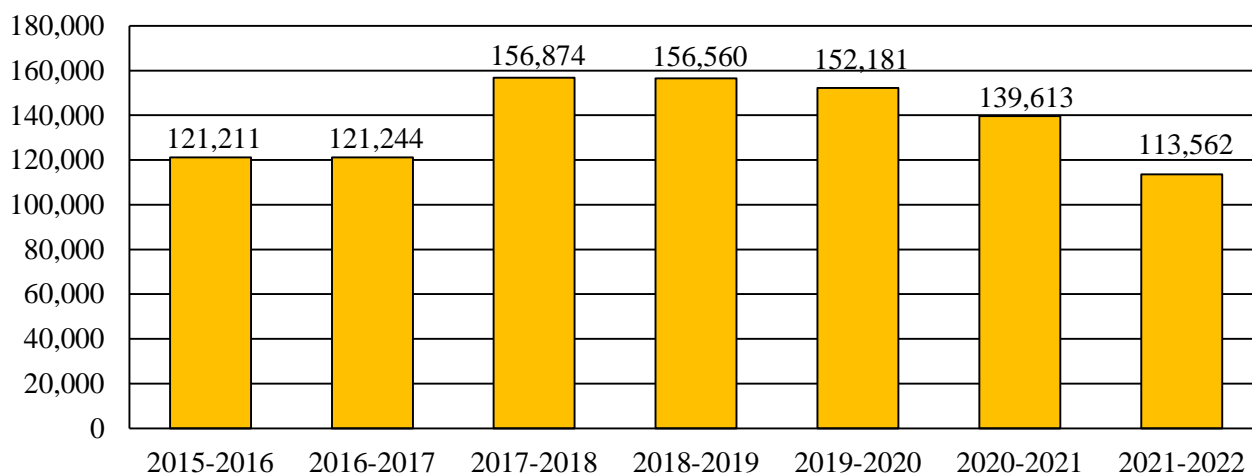


FAFSA: Free Application for Federal Student Aid

Source: National College Access Network, FAFSA Tracker

Exhibit 4 shows the number of FAFSAs filed in Maryland. It should be noted that, for the 2017-2018 application cycle, the filing date of FAFSA was moved up three months to October 2016, and tax information from the second preceding year was used to determine eligibility. The impact of this can be seen by the increased number of FAFSA's filed, 29.4%. The number of applications has declined in each successive year after the 2017-2018 cycle.

Exhibit 4
Total FAFSA Filing¹
2015-2016 to 2021-2022 Award Cycle



FAFSA: Free Application for Federal Student Aid

¹2021-2022 award cycle as of February 9, 2021.

Note: For the 2017-2018 application cycle, the first month of availability was moved up to October 2016. FAFSA application cycle begins the October before the award year. The current award year begins on July 1, 2021, and ends June 30, 2022, with the application cycle starting October 2020. Students have until March 1, 2021, to file FAFSAs to apply for State aid.

Source: Maryland Higher Education Commission

2. Guaranteed Access Grant

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

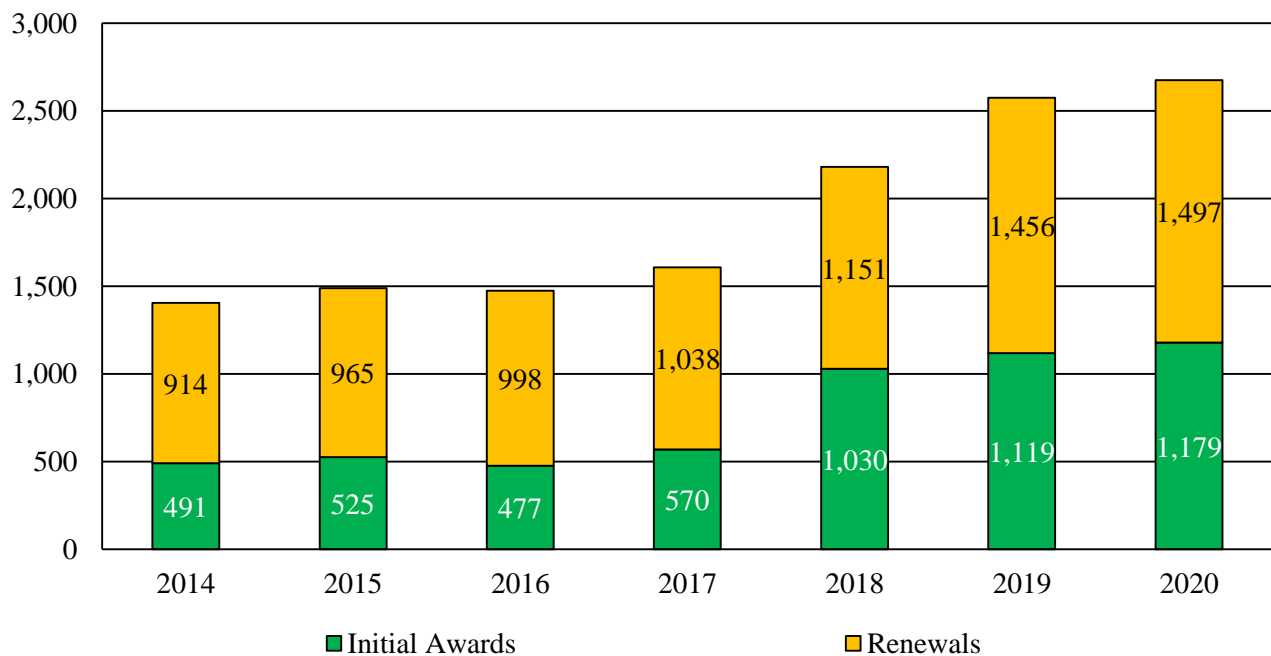
The GA grants, when combined with the federal Pell grant, cover 100% of the need for the State's lowest income students. The maximum amount is capped at the total cost of attendance (tuition, fees, and room and board) at the highest cost four-year University System of Maryland institution

excluding the University of Maryland, Baltimore Campus and the University of Maryland Global Campus. The maximum award in fiscal 2020 was \$19,100 and is \$19,400 in fiscal 2021.

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

The number of awards increased 18.1%, or 394, totaling 2,575 in fiscal 2019, as shown in **Exhibit 5**. One reason for the increase was the elimination of the supplemental application requirement in fiscal 2018 and using FAFSA or MSFAA to identify potentially eligible applicants. This is reflected in the 35.6% increase in awards in fiscal 2018. Overall, since fiscal 2014, the number of initial awards increased 140.1% from 491 in fiscal 2014 to 1,179 in fiscal 2020, and renewals increased 63.8%, from 914 to 1,497 during the same time period.

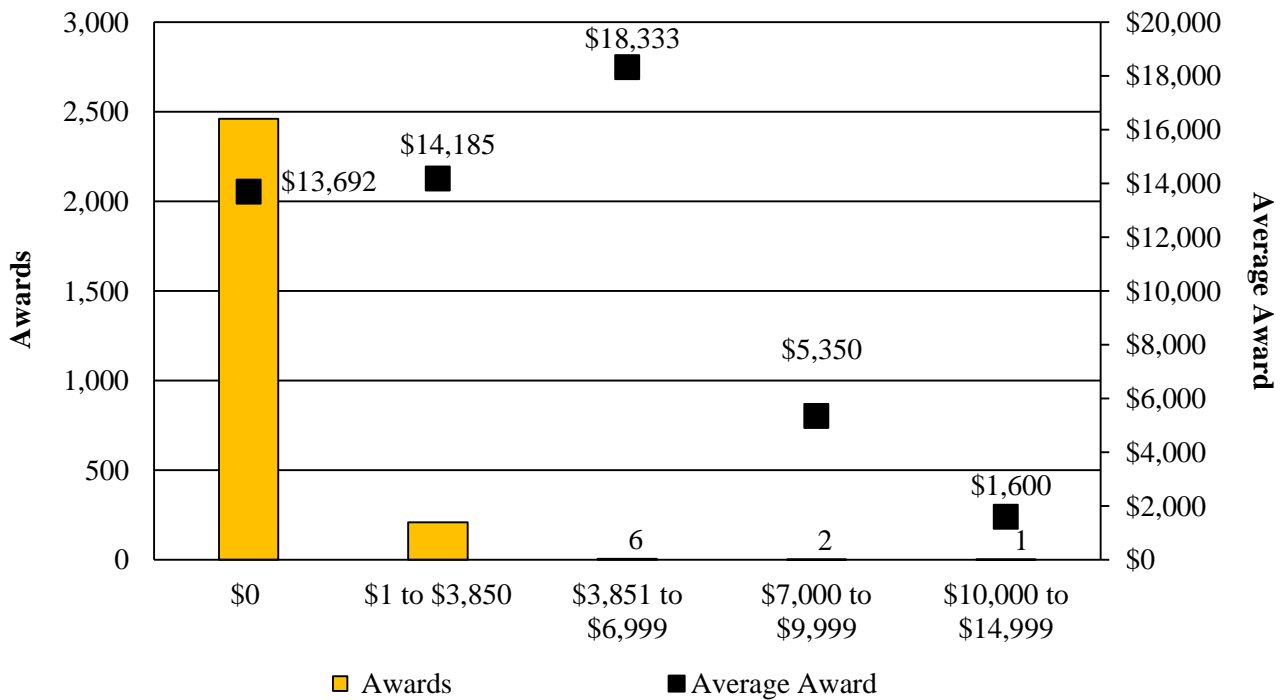
Exhibit 5
Guaranteed Access Grant Awards
Fiscal 2014-2020



Source: Maryland Higher Education Commission

As shown in **Exhibit 6**, almost all of those receiving a GA grant in fiscal 2020 have an EFC of \$3,850 or lower, with 91.8% of the recipients having a \$0 EFC. GA grants are renewed as long as the student meets certain requirements, including that family income does not exceed 150% of the federal poverty income level, so if a student’s EFC increases after the initial application, they still receive the grant. Thus, the nine grants made to those with higher EFCs are likely older awards passing through the system. In cases where MHEC had to override a student’s EFC in order to determine eligibility, such as when an institution used professional judgement that resulted in changing a student’s EFC, the system will default to unknown for EFC. Therefore, even though the recipient has need and is eligible for the award, the EFC will be reported as unknown. EFC and award outcomes for other selected OSFA programs are shown in **Exhibit 7** and **Appendices 2** through **6**.

Exhibit 6
Guaranteed Access Grants by Expected Family Contribution
Fiscal 2020



Source: Maryland Higher Education Commission

It should also be noted that the College Affordability Act of 2016 (Chapters 689 and 690) requires students who are recipients of the EEA program, composed of the EA grant, the GA grant, and the Campus-Based Educational Assistance grant, to meet certain credit completion requirements. The credit completion requirement in the EEA program became effective in the 2018-2019 academic year,

requiring that students who successfully complete at least 30 credit hours by the end of their second academic year be eligible to receive full (non-prorated) State funding in the subsequent year. The law also required that students who fail to complete 30 credits but complete at least 24 credits are eligible for a prorated award. Students who complete fewer than 24 credits become ineligible for the award in the subsequent year. The impact of this requirement will be discussed further in Issue 1.

3. Educational Assistance Grants

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

After the GA awards are made, the remaining EEA funds are used to support the EA grants. Generally, since fiscal 2015, this has accounted for approximately 64% of the EEA appropriations. Funding for the EA grants is shown in **Exhibit 7**. The effects of early FAFSA filings can be seen with the number of on-time applications increasing 25.4% in fiscal 2018 and 3.2% in fiscal 2019. However, the number declines by 3.0% in fiscal 2020. These numbers have continued to decline, falling by 8.3% in fiscal 2021. This decline should not be surprising given the overall FAFSA completion decrease of 5.5% previously discussed.

The number of EA awards made decreased 5.3%, or 1,335 in fiscal 2020. Overall, the number of EA awards has declined 4,791 from fiscal 2015 to 2020, which corresponds to increases in GA awards.

Exhibit 7
Educational Assistance Grants¹
Fiscal 2016-2021

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	Difference 2020-2021	% Change 2020-2021
EA Appropriation (\$ in Millions)	\$58.5	\$54.5	\$51.7	\$52.2	\$53.3	\$46.0	-\$7.3	-13.7%
EA Applicants (on-time FAFSAs)	131,232	121,213	151,977	156,874	152,181	139,612	-12,569	-8.3%
EA Initial Applicants with \$0 EFC	29,559	26,377	36,060	34,970	33,257	30,292	-2,965	-8.9%
EA Renewal Applicants with \$0 EFC	18,722	15,613	20,615	23,702	20,291	17,360	-2,931	-14.4%
EFC Cutoff for Initial Recipients ²	\$2,860	\$2,900	\$2,815	\$2,750	\$3,800	\$2,336	-\$1,464	-38.5%
EA Awards Made	24,377	23,236	23,550	25,000	23,665	30,339	6,674	28.2%
Waitlist ³	19,064	18,759	17,924	18,798	7,074	9,436	2,362	33.4%

EA: educational assistance

EFC: expected family contribution

FAFSA: Free Application for Federal Student Aid

¹The numbers above are reported as of February 5, 2021.

²Renewals that have an EFC over the cutoff remain eligible as long as they demonstrate need.

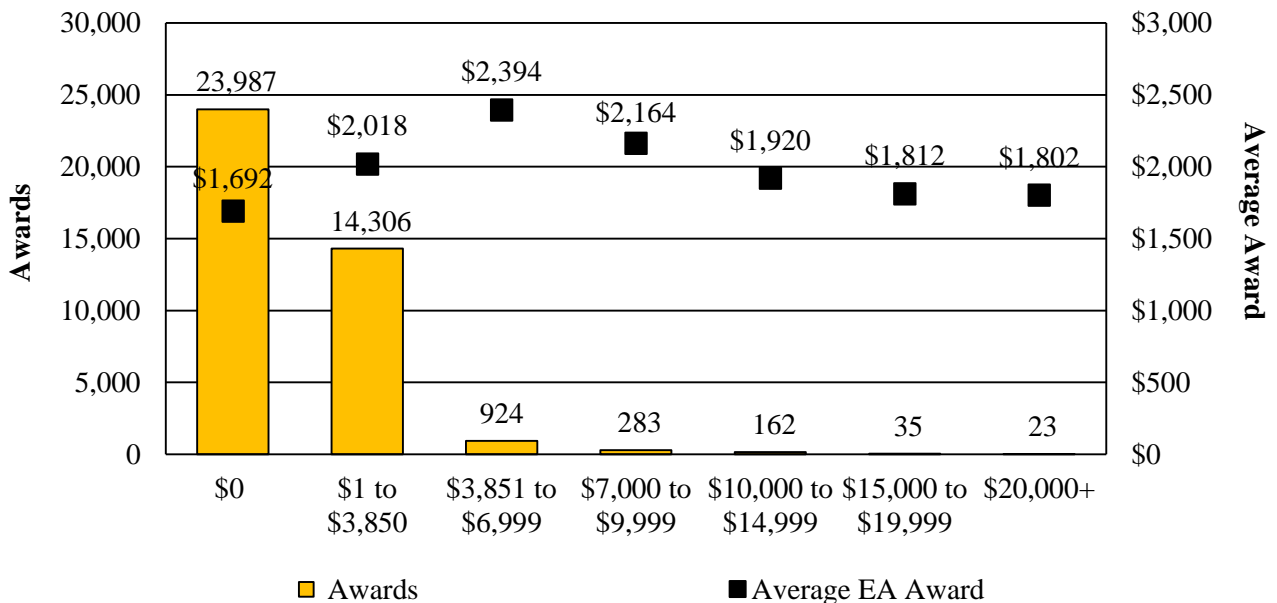
³As of May 1, students eligible for EA are placed on the waitlist if they are full-time students, submit a completed application by the March 1 deadline, and have financial need remaining after their EFC and federal Pell grant award are considered.

Source: Maryland Higher Education Commission

In 2016, the Financial Assistance Advisory Council, which advises MHEC on policy and administrative issues affecting State financial aid, recommended adopting a formula to determine an EFC cutoff for the EA waitlist to create a more realistic waitlist number. Starting in fiscal 2017, students whose EFC exceed the waitlist cutoff are deemed ineligible for the program. In fiscal 2019, 18,798 students with an EFC up to \$10,974 were placed on the waitlist. In fiscal 2021, the EFC cutoff for the waitlist was changed to align with the federal Pell index, which in fiscal 2021 is \$6,395. This resulted in the waitlist declining 49.8% to 9,436 students.

As shown in **Exhibit 8**, in fiscal 2020, 95.0% of EA grants went to students with an EFC between \$0 and \$3,850. The average EA grant for those with a \$0 EFC is less than the average of those with an EFC between \$1 and \$6,999. This is related to the federal Pell grant where the lower a student’s EFC is, the higher the grant. Pell awards are given to students who have an EFC of less than a specific amount, which was \$5,140 in fiscal 2019. Because the EA grant is based on student need after accounting for the federal Pell grants, those with low EFCs often qualify for smaller EA grant awards. Some students will qualify for a Pell grant but receive no State aid. EA grants are renewed automatically as long as the student continues to have demonstrated need, so if a student’s EFC increases in later years, they still receive the EA grant, which bumps some new Pell grant students to the EA waitlist every year.

Exhibit 8
EA Grant by Expected Family Contribution
Fiscal 2020



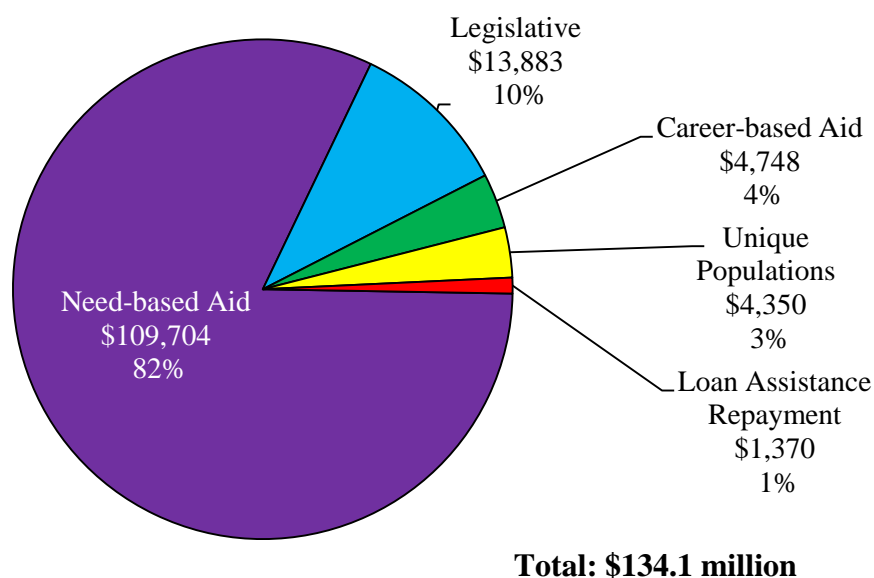
EA: Educational Assistance

Source: Maryland Higher Education Commission

Fiscal 2022 Overview of Agency Spending

Exhibit 9 shows funding by the type of aid in fiscal 2022. Of the \$134.1 million provided in the adjusted allowance, 81.8% goes toward need-based aid, followed by legislative scholarships at 10.4%, and career-based aid at 4%.

Exhibit 9
Overview of Agency Spending
Fiscal 2022 Allowance
 (\$ in Thousands)



Note: Fiscal 2022 allowance data includes contingent reduction.

Source: Governor’s Fiscal 2022 Budget Books; Department of Legislative Services

Exhibit 10 shows the number and the average award by financial aid program. MHEC expects a 7.4%, or 4,253, increase in the total number of recipients of State aid in fiscal 2022. Most of this increase is attributed to a projected increase of 2,480 in the number of Maryland Community College Promise Scholarship Program recipients, 1,000 in EA award recipients, and 414 in Legislative Scholarship recipients. The average EA award is estimated to decrease by \$91 while the average Promise Scholarship Program award remains level at \$2,831.

Exhibit 10
Recipients of State Aid Programs
Fiscal 2020-2022

<u>Program</u>	2020 Actual		2021 Working		2022 Allowance	
	<u>Recipients</u>	<u>Avg. Award</u>	<u>Proj. Rec.</u>	<u>Proj. Avg. Award</u>	<u>Proj. Rec.</u>	<u>Proj. Avg. Award</u>
Need-based Aid						
Educational Assistance Grant	22,858	\$2,191	22,000	\$2,096	23,000	\$2,005
Campus-based Educational Assistance Grant	946	2,037	1,000	2,000	1,000	2,000
Guaranteed Access Grant	2,667	13,726	2,993	13,365	3,100	12,903
2+2 Transfer Scholarship	193	1,487	200	1,500	200	1,500
Part-time Grant Program	8,881	566	8,800	578	9,000	565
Graduate and Professional Scholarship	404	2,796	400	2,936	420	2,796
Maryland Community College Promise Scholarship	966	3,190	2,818	2,831	5,298	2,831
Near Completer Grant			16	536	25	500
Subtotal	36,915	\$2,659	38,227	\$2,686	42,043	\$2,609
Legislative Programs	16,502	\$1,389	16,586	\$1,415	17,000	\$1,500
Career and Occupational Programs	693	\$6,068	477	\$6,705	505	\$6,907
Unique Population Programs	1,582	\$2,475	1,755	\$2,937	1,770	\$2,950
Loan Assistance Repayment Programs	140	\$11,366	138	\$9,544	118	\$9,821
Total	55,832	\$1,932	57,183	\$1,964	61,436	\$1,946

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

Source: Maryland Higher Education Commission

Fiscal 2022 Proposed Budget

As shown in **Exhibit 11**, after adjusting for a deficiency appropriation in fiscal 2021 and reductions contingent on legislation, total funds increase 2.8%, or \$3.7 million, in fiscal 2022. The deficiency appropriation totals \$3.5 million and is provided in an attempt to ensure that the Maryland Community College Scholarship Program is funded so all eligible recipients receive an award. Funding

for the Maryland Loan Assistance Repayment Program for Foster Care Recipients is reduced by \$0.1 million contingent on the Budget Reconciliation and Financing Act (BRFA).

Exhibit 11
Proposed Budget
MHEC – Student Financial Assistance
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
Fiscal 2020 Actual	\$114,671	\$6,401	\$306	\$121,378
Fiscal 2021 Adjusted Working Appropriation	121,965	8,417	0	130,382
Fiscal 2022 Adjusted Allowance	<u>128,331</u>	<u>5,723</u>	<u>0</u>	<u>134,054</u>
Fiscal 2021-2022 Amount Change	\$6,366	-\$2,694	\$0	\$3,672
Fiscal 2021-2022 Percent Change	5.2%	-32.0%		2.8%
 Where It Goes:				<u>Change</u>
Increase in Maryland Community College Promise Scholarship Program to fund at mandated level				\$3,500
2% increase in Delegate and Senatorial Scholarships.....				272
Elimination of mandate for Maryland Loan Assistant Repayment Program for Foster Care Recipients contingent on the Budget Reconciliation and Financing Act of 2021				-100
Total				\$3,672

MHEC: Maryland Higher Education Commission

Note: Numbers may not sum due to rounding. The fiscal 2021 appropriation includes deficiencies. The fiscal 2022 allowance includes contingent reductions.

Need-based Student Financial Assistance Fund

The Need-based Student Financial Assistance Fund (NBSFAF) was created in 2011 to receive unused scholarship funds at the close of each fiscal year and reserved for future need-based and certain unique population awards. Funds from the NBSFAF can be appropriated in the annual State budget or recognized by budget amendment in the following fiscal year, thereby creating a transparent process for MHEC to encumber unexpended scholarship funds. **Exhibit 12** shows the current balance of nonlapsing special funds in the NBSFAF. MHEC tries to maintain a fund balance at the end of the fiscal year to ensure that it does not overaward financial aid in any given year and require a general fund deficiency. The projected 2021 end balance of \$612,727 is the lowest closing balance since 2014, which had a closing balance of \$412,620.

Exhibit 12
Need-based Student Financial Assistance Fund
Fiscal 2018-2021

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Opening Balance	\$6,884,630	\$8,324,136	\$10,392,845	\$6,606,877
Transfers In	\$2,912,988	\$3,833,129	\$1,414,723	TBD
Transfers Out				
2 + 2 Transfer	\$363,000	\$231,500	\$0	\$300,000
EEA	364,125	0	4,972,826	5,694,150
Conroy Memorial	746,357	1,532,920	227,865	0
Subtotal	\$1,473,482	\$1,764,420	\$5,200,691	\$5,994,150
Closing Balance	\$8,324,136	\$10,392,845	\$6,606,877	\$612,727

EEA: Educational Excellence Awards

Source: Maryland Higher Education Commission

In fiscal 2020 the opening balance for the NBSFAF totaled \$10.4 million. Of that total, \$5.0 million was utilized for students on the EA waiting list while an additional \$0.2 million was provided to Conroy Memorial recipients. MHEC plans to continue spending down the opening balance in fiscal 2021 with an anticipated \$5.7 million currently planned to be allocated to EA waitlist recipients, as well as \$0.3 million for the 2+2 Transfer Scholarship program. Despite having large closing balances in previous years, MHEC indicated that carrying such a high fund balance in the NBSFAF may not have been the optimal strategy at ensuring eligible awardees are provided financial aid. Transfers in from unused funds in fiscal 2021 will assist in replenishing NBSFAF for fiscal 2022.

The BRFA of 2021 seeks to transfer any unused Senatorial and Delegate Scholarships into the NBSFAF. Under current law, any Senatorial or Delegate Scholarship funds that are unused at the end of the fiscal year are retained by MHEC for use by the Senator or Delegate during subsequent fiscal years. This legislation would eliminate the authority to retain unused funds for more than two years and transfer unused Senatorial and Delegate Scholarship funding into the NBSFAF.

Issues

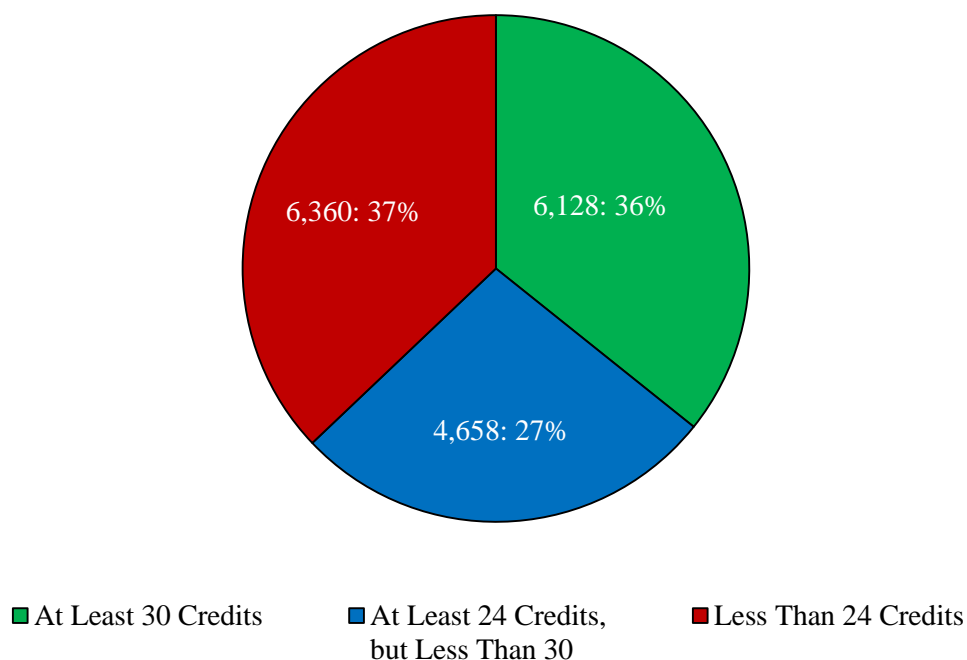
1. Credit Completion Requirements on Financial Aid Awards

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

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

As shown in **Exhibit 13**, out of 17,146 students who had received an award for at least two years at the end of the 2018-2019 academic year, postsecondary institutions reported that 6,360 students (37%) completed fewer than 24 credits and became ineligible for their EEA award in the subsequent year, 4,658 (27%) completed at least 24 credits but fewer than 30 credits and received a prorated award, and 6,128 (36%) completed at least 30 credits and are eligible to receive the full award amount.

Exhibit 13
EEA Credit Completion Outcomes
2018-2019 Credit Roster

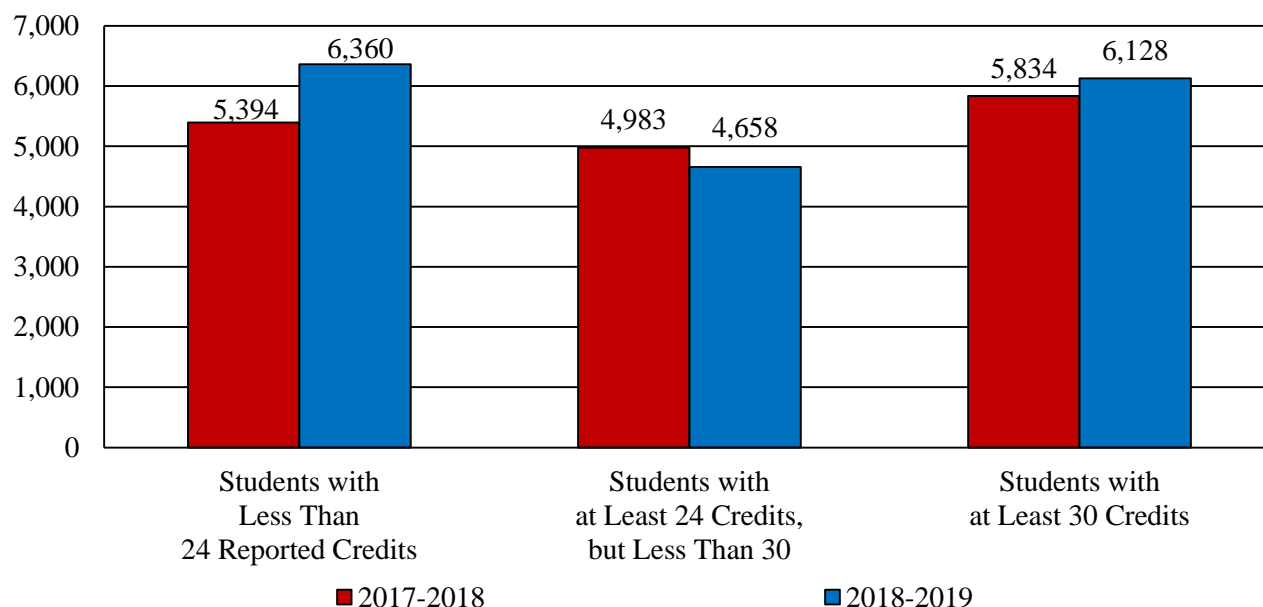


EEA: Educational Excellence Awards

Source: Maryland Higher Education Commission

The 2018-2019 academic year is the second year of the credit completion reporting requirements as the credit completion data from the 2017-2018 academic year was used to inform EEA awarding for the 2018-2019 academic year (fiscal 2019). As shown in **Exhibit 14**, there was an overall increase across all segments for students who completed 30 or more credits by 294 students, or 5.0%, when compared to the 2017-2018 academic year. The number of students who completed at least 24 but fewer than 30 credits decreased by 325 students, or 6.5%, when compared to the 2017-2018 academic year. The decrease in the number of students who completed at least 24 but fewer than 30 may be attributed to the increase in the number of students who completed 30 or more, or perhaps is reflected in the increased number of students who completed fewer than 24 credits. In the 2018-2019 academic year, there was an increase of 966 students, or 17.9%, who completed fewer than 24 credits, when compared to the 2017-2018 academic year.

Exhibit 14
EEA Credit Completion Outcomes
2017-2018 and 2018-2019



EEA: Educational Excellence Awards

Source: Maryland Higher Education Commission

When reviewing credit completion outcomes by higher education segment, the private four-year institutions attained the highest percentage of students who completed at least 30 credits at 61.4% of that segment’s total, as shown in **Exhibit 15**. The public four-year institutions had a fairly even distribution with their student population, with 39% attaining at least 30 credits. The public two-year institutions had the largest percentage of students who completed fewer than 24 credits, at 66.9%, and, as a result, this population lost their EEA awards for the 2019-2020 academic year (fiscal 2020).

The Secretary should comment on how students are informed that, beginning in their third academic year, they must complete at least 30 credits in the prior academic year to retain a full EEA award and how they are notified if they fail to meet the program requirements. The Secretary should also comment on what actions are being taken to specifically address the community college student population given the large percentage of that segment that have lost their EEA awards.

The Executive Director of the Maryland Association of Community Colleges should comment on what actions are being taken at the respective community colleges to advertise the credit completion requirement and provide information as to how community college students are notified if they are in danger of, or have not met, the credit completion requirement.

Exhibit 15
EEA Credit Completion Outcomes by Higher Education Segment
2018-2019 Credit Roster

	<u>Fewer Than 24 Credits</u>	<u>At Least 24 Credits but Fewer Than 30 Credits</u>	<u>At Least 30 Credits</u>
Private Four-year Institution	237	316	880
Private Four-year Institution Total Percentage of Segment	16.5%	22.1%	61.4%
Public Four-year Institution	4,065	3,642	4,931
Public Four-year Institution Total Percentage of Segment	32.2%	28.8%	39.0%
Public Two-year Institution	2,058	700	317
Public Two-year Institution Total Percentage of Segment	66.9%	22.8%	10.3%

EEA: Educational Excellence Awards

Source: Maryland Higher Education Commission

2. Maryland Community College Promise Scholarship

Chapter 554 of 2018 created the Maryland Community College Promise Scholarship Program, a last dollar scholarship program that became available to applicants beginning in the 2019-2020 academic year. The fiscal 2022 allowance includes \$15.0 million, as mandated, to fund the program.

Recipients may receive awards of up to \$5,000 to cover any remaining tuition and mandatory fee expenses after all other non-loan aid has been applied. The scholarship is renewable for two years. The scholarship is available to Maryland students who have an annual adjusted gross income of not more than (1) \$100,000, if the applicant is single or resides in a single-parent household or (2) \$150,000, if the applicant is married or resides in a two-parent household.

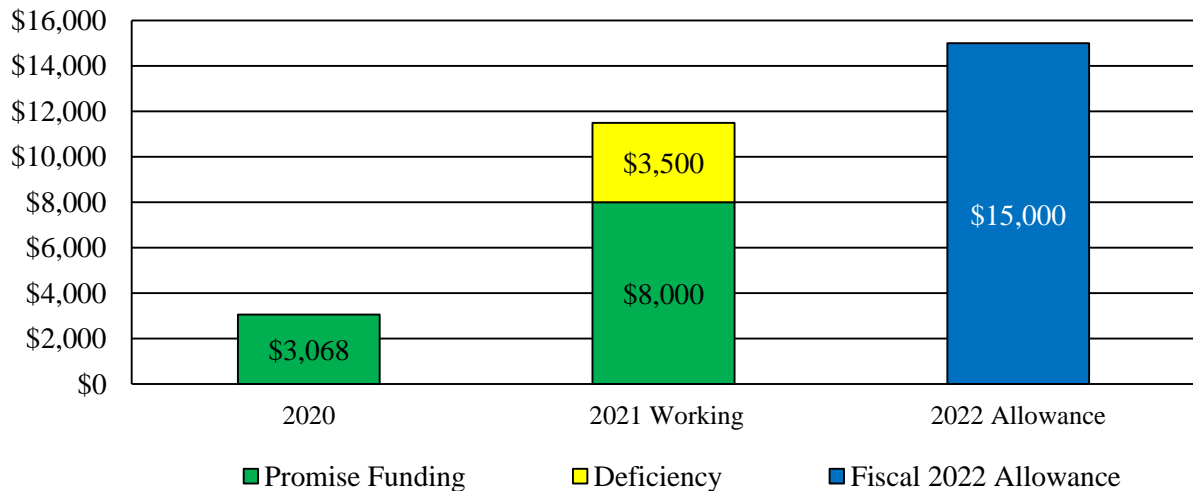
Chapter 752 of 2019 altered eligibility requirements including that an applicant must enroll at the applicant’s local community college unless it does not offer the degree or certificate in which the applicant wants to enroll and that the scholarship can be used for credit or noncredit courses that lead to licensure or certificate and for a registered apprenticeship program but only for costs associated with the parts that take place at a community college. In addition, it changed the GPA requirement basing

eligibility on an applicant’s cumulative GPA at the end of the first semester of the senior year in high school rather than at the time of graduation.

Chapter 200 of 2020 further altered eligibility requirements allowing students who graduated from high school or completed their GED longer than two years prior to be eligible and altering the GPA requirements. This legislation additionally eliminated the service obligation for all recipients, including current recipients, whereby Promise recipients had to commit to working full-time and paying Maryland state income taxes for a specified period of time.

Utilization of the Promise Scholarship was lackluster in its first year, as shown in **Exhibit 16**. Of the \$15.0 million that had been appropriated in fiscal 2020, only \$3.1 million was needed to meet all 966 qualified applicants’ needs. The fiscal 2021 allowance was set at \$15.0 million but was reduced to \$11.5 million, and the July 2020 Board of Public Works action further reduced this total to \$8.0 million. As of February 2021, MHEC has indicated that just under \$8.0 million has already been awarded for the program. Applicants can apply for the Promise Scholarship through June 30, and as such, a fiscal 2021 deficiency appropriation of \$3.5 million has been included in the fiscal 2022 budget in an attempt to ensure all eligible applicants may receive an award. The fiscal 2022 allowance fully funds the Promise Scholarship Program at \$15.0 million.

Exhibit 16
Maryland Community College Promise Scholarship Funding History
Fiscal 2020-2022
(\$ in Thousands)

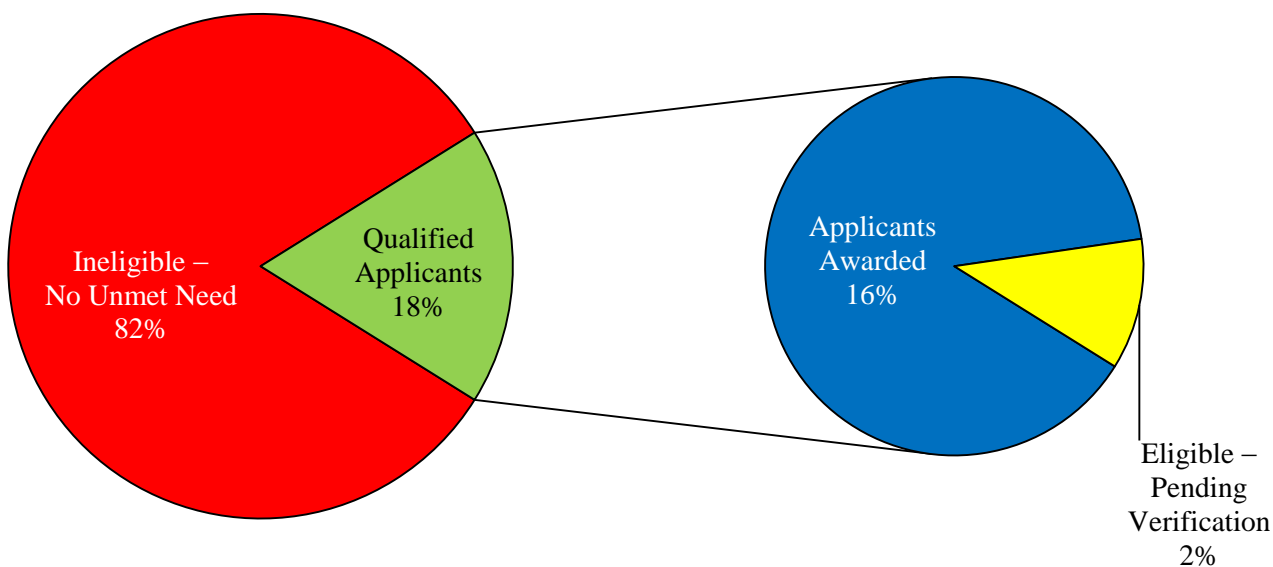


Note: As of February 5, 2021, the Maryland Higher Education Commission had identified \$13,875 remaining of the \$8.0 million allocated for the program.

Source: Maryland Higher Education Commission; Department of Legislative Services

Interest in and utilization of the Promise Scholarship Program has grown tremendously in fiscal 2021 when compared to fiscal 2020. As shown in **Exhibit 17**, there were a total of 26,602 applicants as of February 5, 2021, of which 4,725 individuals, or 17.8%, met the eligibility requirements and qualified for the award, while for the remaining applicants, tuition and fees were covered by their Pell grant. Overall, 15.8% received an award, while 2.0% were pending verification. As of February 16, 2021, a total of 1,548 initial applicants remain on the Promise Scholarship waiting list, which are not included in the exhibit.

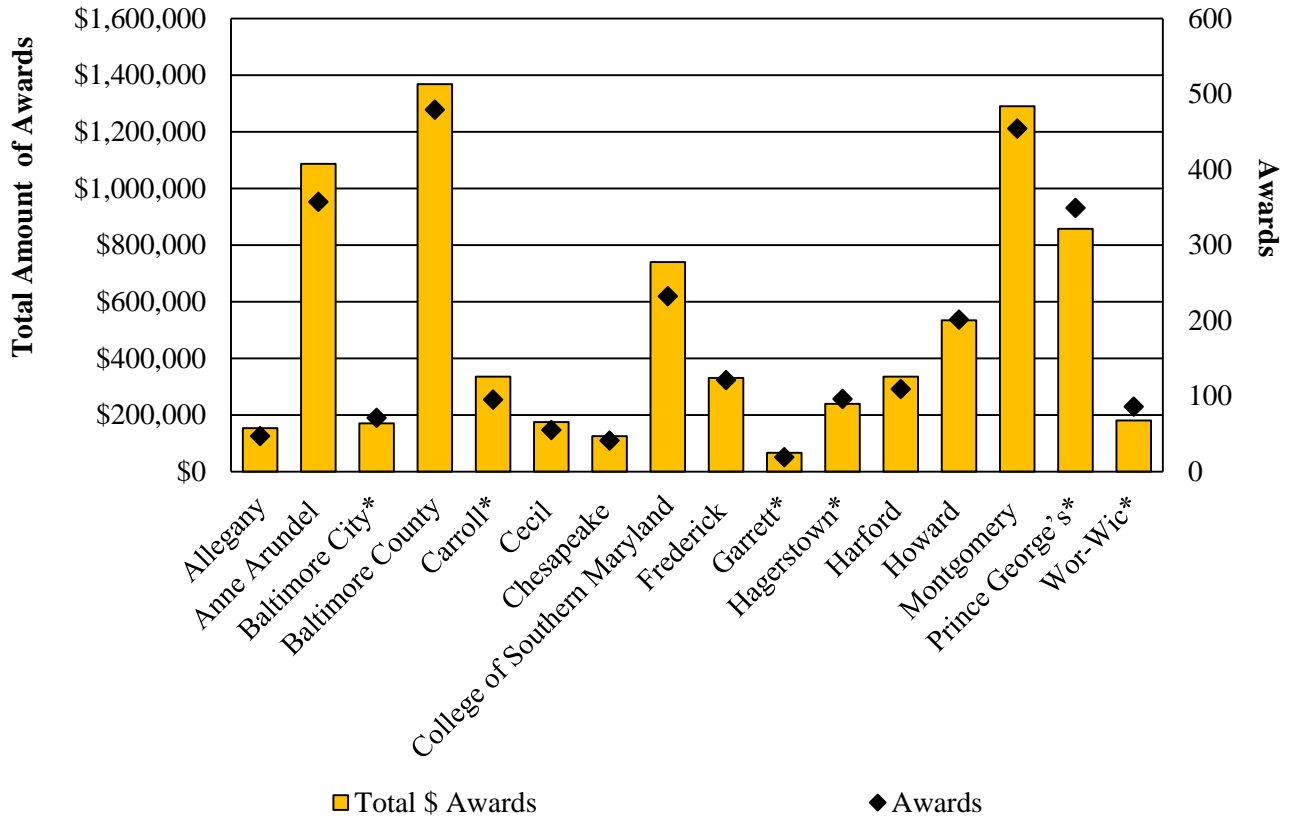
Exhibit 17
Outcomes of Promise Scholarship Applicants
February 2021



Source: Maryland Higher Education Commission

As of February 5, 2021, a total of 2,812 awards had been made totaling \$8.0 million. **Exhibit 18** shows the distribution of the awards and total award amount by community college. At two community colleges, over 450 students received an award. Only 19 awards were made at Garrett Community College, but this institution offers a local promise program.

**Exhibit 18
Number and Total Promise Scholarship Award Amounts
February 2021**

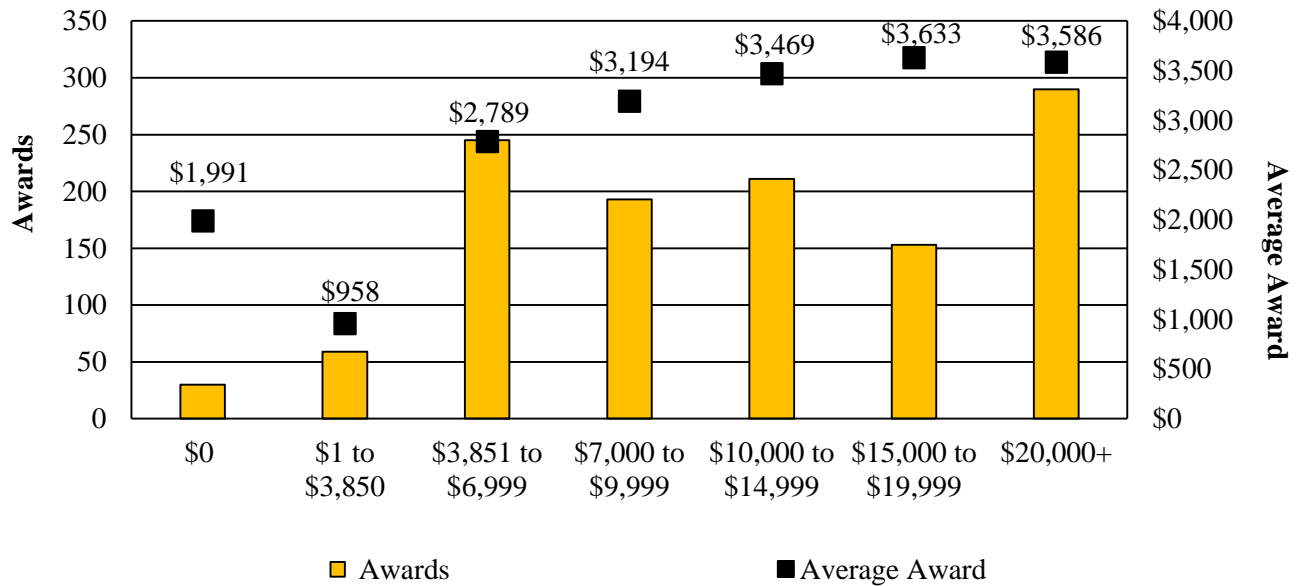


*Colleges have local promise program.

Source: Maryland Higher Education Commission

Exhibit 19 shows the distribution of awards by a student’s EFC category. Since Promise is a last dollar award only covering any remaining tuition and fee expenses after all other non-loan aid has been applied, most of the awards were made to students with higher EFCs who also received a higher average award. Those with EFCs greater than \$20,000 received 24.6% of the awards, while 20.7% of the awards went to those with an EFC between \$3,851 and \$6,999.

**Exhibit 19
Promise Scholarship by Expected Family Contribution
Fiscal 2020**



Source: Maryland Higher Education Commission

3. Next Generation Scholars

The Next Generation Scholars (NGS) of Maryland Program, enacted as Chapter 33 of 2016, expanded the existing College Readiness Outreach Program that was under the purview of MHEC. The NGS program provides State funding supporting students in high poverty school systems enabling these students who meet certain criteria to participate in this college preparation program and to prequalify for a GA grant. Funding for the program is mandated in the budget through fiscal 2023.

Research suggests that low-income middle and high school students may opt out of preparing for college because they believe a postsecondary education is more than they or their parents can afford. The NGS Program is an early commitment financial aid program designed to provide the promise of financial aid to students from low-income families who are less likely to pursue higher education and complete a degree program. Students who have participated in early commitment programs typically have higher high school graduation rates and higher college matriculation rates than low-income students who do not participate in the programs.

R6210010 – MHEC – Student Financial Assistance

The law designated nonprofits as the vehicle for providing guidance and college preparation services to eligible students. Nonprofit organizations were directed to provide the following services for NGS students:

- a high school graduation plan;
- summer work or internship opportunities;
- financial aid and literacy assistance;
- career interest assessments;
- mentorship and one-on-one counseling;
- visits to college campuses and workplaces;
- an intensive summer bridge program for students entering an institution of higher education directly from high school; and
- a plan to matriculate and graduate from an institution of higher education.

The 2020-2021 school year is the first year with a cohort of grade 12 students in the NGS program. A total of 4,087 NGS were served in eight counties through 13 nonprofit organizations, with 1,003 high school seniors in the program during this period. MHEC is working with the Maryland State Department of Education (MSDE) and the participating nonprofit organizations to get a cumulative list that reflects the fiscal 2021 Next Generation applicants planning to enroll at a postsecondary institution for the 2021-2022 academic year.

At this time, MHEC is unable to identify how many Next Generation applicants are eligible for the GA award, as these individuals would need to meet the 2.5 GPA requirement and complete a FAFSA or MSFAA by March 1. Also, the deadline for applicants to submit the required documentation (*e.g.*, high school transcript) to MHEC is April 1. Therefore, MHEC will not know how many applicants are eligible until mid to late April. In accordance with statute, NGS will be prioritized over all other GA applicants.

The Secretary should comment on what OSFA, working with MSDE and the nonprofit organizations, is doing to notify students that they must file FAFSA/MSFAA by March 1 in order to qualify for a GA grant (It should be noted that the intent of the program was that students *pre-qualify* for a GA grant, so this process should have occurred in prior years.) The Department of Legislative Services recommends that MHEC report on the number of NGS who receive a GA grant or, if not, why not; and the number of NGS who matriculate by postsecondary education institution in the 2021-2022 academic year as part of a report that documents the performance of the NGS program.

Operating Budget Recommended Actions

1. Adopt the following narrative:

Report on Impact of Credit Completion Requirement on Financial Aid Awards: Beginning in the 2018-2019 academic year and in a student’s third academic year, students receiving the Educational Excellence Award (EEA) must successfully complete 30 credit hours in the prior academic year in order to receive the full award amount. Students who completed at least 24 credit hours but less than 30 credit hours will have their awards prorated, and those who do not complete at least 24 credit hours will lose their award. The committees are interested in the impact the 30-credit-hour requirement had on students in the 2020-2021 academic year, and the 2021-2022 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 community college EEA recipients that they are in danger of losing their award as this group was the most severely impacted by the credit completion requirement. 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	12/15/2021

2. Adopt the following narrative:

Report on the Next Generation Scholars Postsecondary Outcomes: The 2020-2021 academic year is the first academic year with a cohort of grade 12 students in the Next Generation Scholars (NGS) program. These seniors, should they meet certain eligibility requirements, are automatically prioritized to prequalify for a Guaranteed Access grant. The committees are interested in determining how many NGS seniors met the eligibility requirements and later enrolled in a postsecondary institution. The report should identify the number of NGS seniors for the 2020-2021 academic year, the number of NGS seniors who successfully met all of the eligibility requirements, and the number of seniors who later enrolled in a postsecondary institution of higher education in either the summer 2021 session or the fall 2021 semester and identify to which higher education segment those students enrolled.

R62I0010 – MHEC – Student Financial Assistance

Information Request	Author	Due Date
Report on postsecondary outcomes for NGS senior students	MHEC	12/1/2021

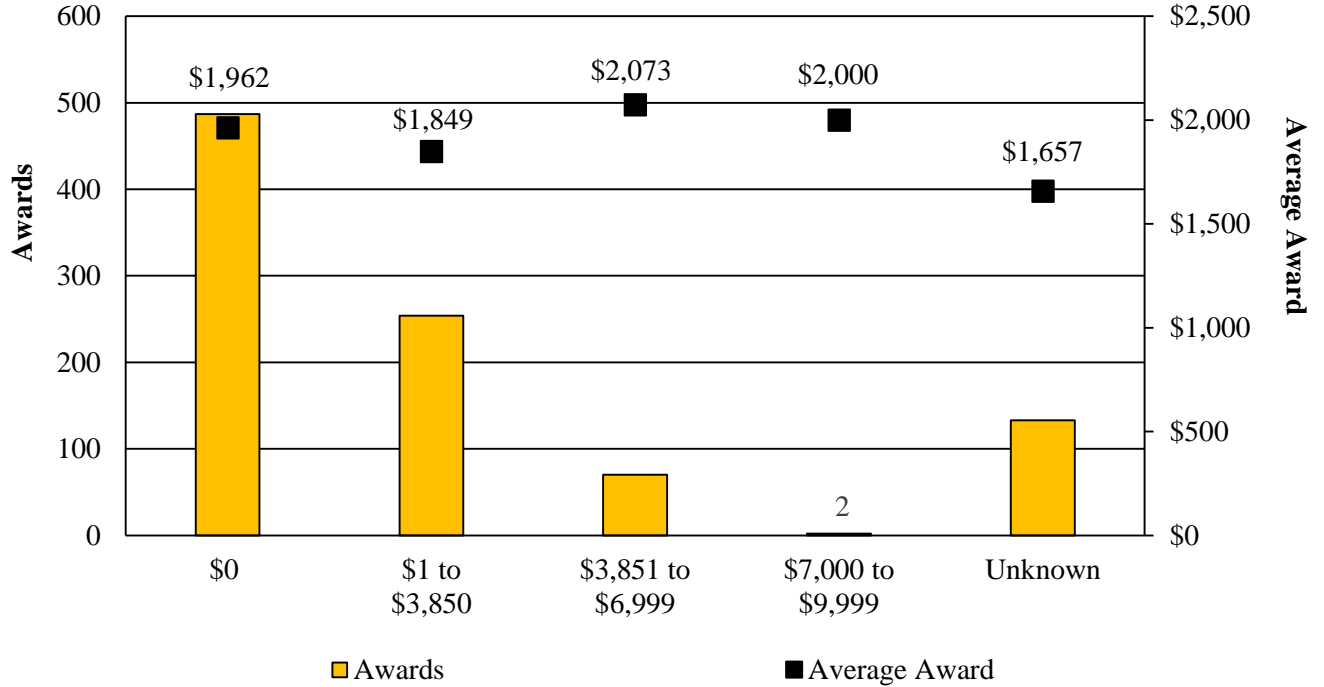
Appendix 1
2020 Joint Chairmen’s Report Responses from Agency

The 2020 *Joint Chairmen’s Report* (JCR) requested that the Maryland Higher Education Commission (MHEC) prepare two reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Report on Credit Completion Requirements on Financial Aid Awards:*** MHEC was required to provide a report on how the credit completion requirements impacted students eligible for the Education Assistance grant, the Guaranteed Access grant, and the Campus-based Educational Assistance grant. This is discussed in Issue 1.

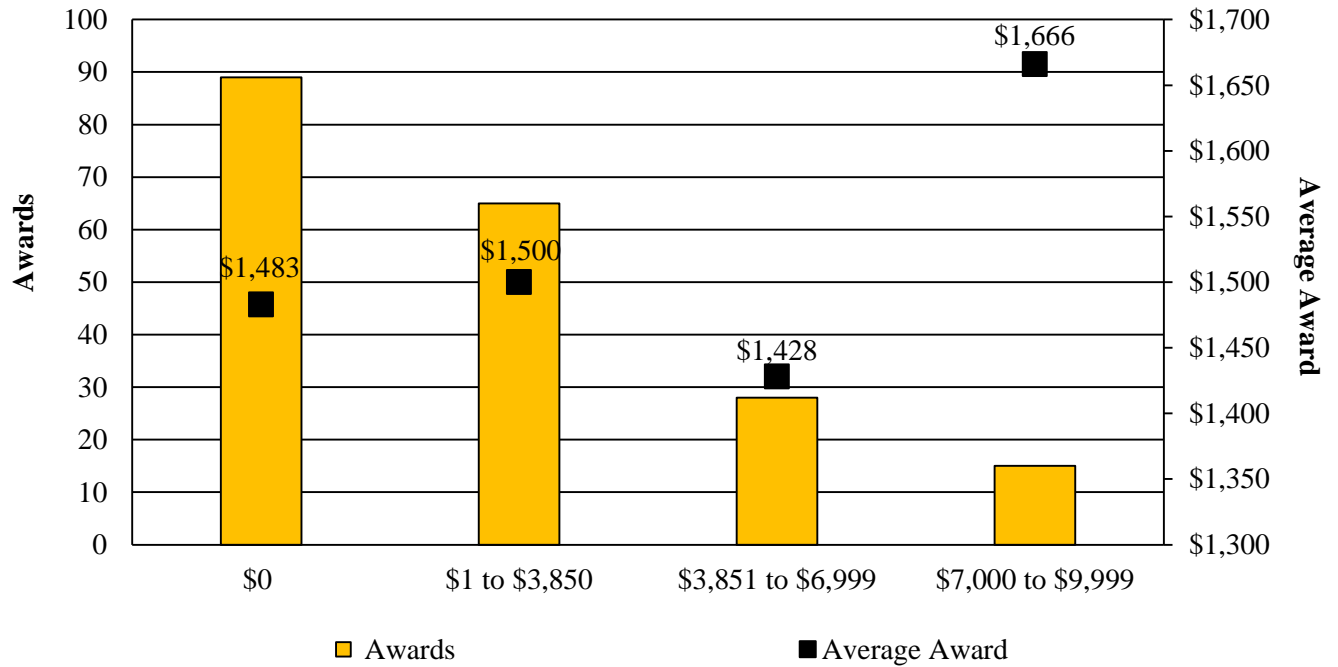
- ***Report on Award Notifications:*** MHEC was required to provide a report on the feasibility of notifying students of financial aid awards by May 1 and the changes required to implement such a change. MHEC identified that nine award programs currently offer awards by May 1. For the three other programs, the Office of Student Financial Assistance is currently unable to complete awarding by May 1. A students’ cumulative GPA is needed to make an award for The Maryland Community College Promise Scholarship Program and, as such, the deadline for applicants runs to June 30; however, renewal recipients will be awarded by May 1. The Code of Maryland Regulations currently identifies the deadlines for applicant award submission for the Workforce Shortage Student Assistance Grant Program and the Cybersecurity Public Service Scholarship at July 1; MHEC is currently reviewing the regulations to make the necessary amendments to the application deadlines in order to perform initial awarding by May 1.

Appendix 2
Campus-based Educational Grants by Expected Family Contribution
Fiscal 2020



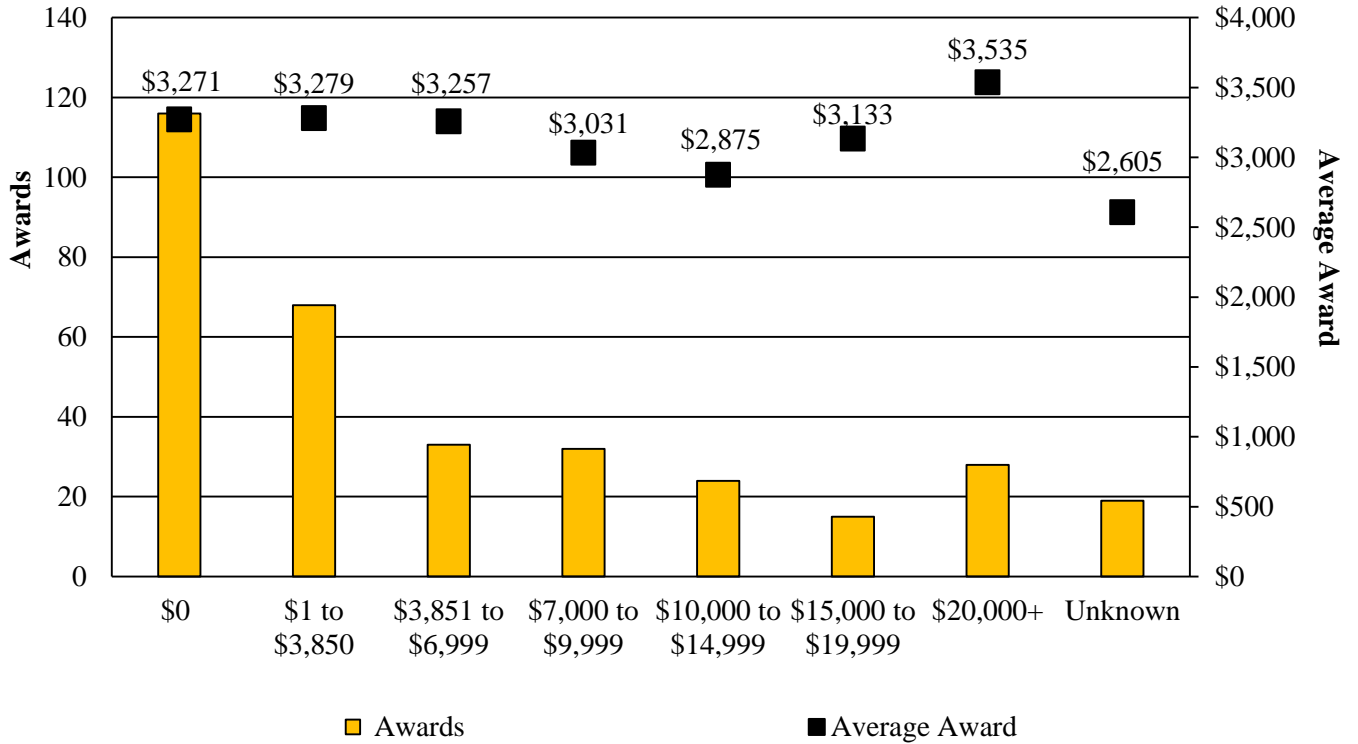
Source: Maryland Higher Education Commission

Appendix 3
2+2 Scholarship Awards by Expected Family Contribution
Fiscal 2020



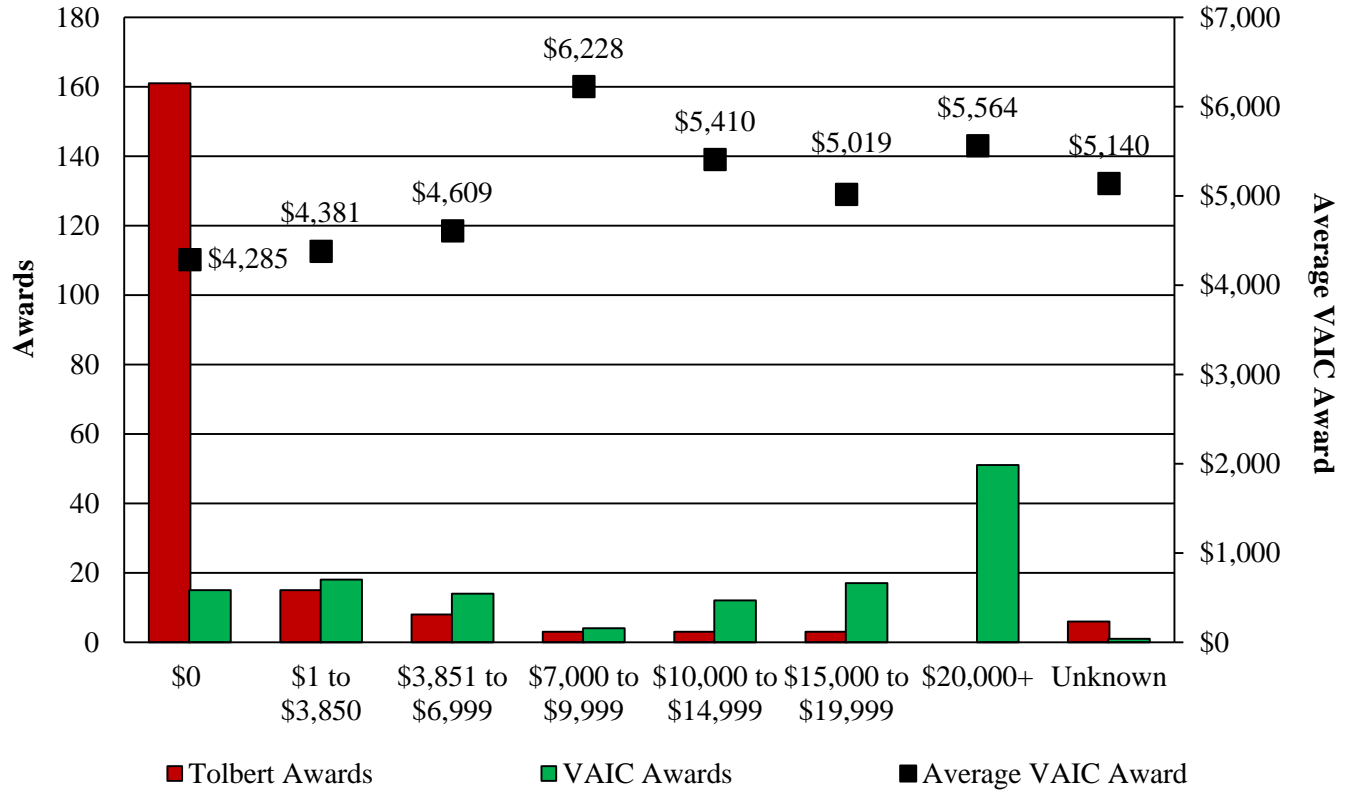
Source: Maryland Higher Education Commission

Appendix 4
Workforce Shortage Awards by Expected Family Contribution
Fiscal 2020



Source: Maryland Higher Education Commission

**Appendix 5
Unique Populations Awards by Expected Family Contribution
Fiscal 2020**

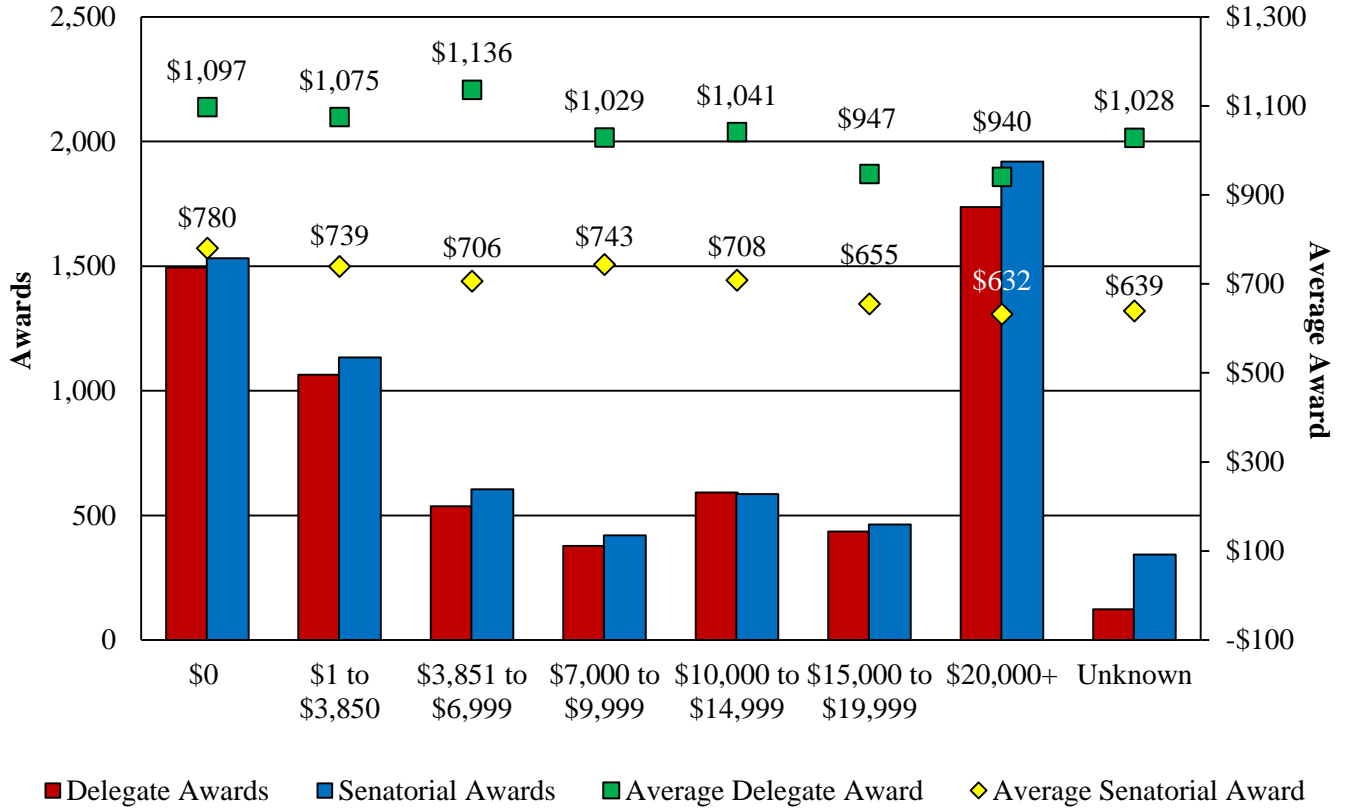


VAIC: Veterans of Afghanistan and Iraq Conflicts

Note: The average Tolbert Award is not shown and is \$500 across all Expected Family Contribution categories.

Source: Maryland Higher Education Commission

**Appendix 6
Legislative Awards by Expected Family Contribution
Fiscal 2020**



Source: Maryland Higher Education Commission

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

<u>Object/Fund</u>	<u>FY 20</u> <u>Actual</u>	<u>FY 21</u> <u>Working</u> <u>Appropriation</u>	<u>FY 22</u> <u>Allowance</u>	<u>FY 21 - FY 22</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 121,378,060	\$ 126,882,287	\$ 134,154,498	\$ 7,272,211	5.7%
Total Objects	\$ 121,378,060	\$ 126,882,287	\$ 134,154,498	\$ 7,272,211	5.7%
Funds					
01 General Fund	\$ 114,971,182	\$ 118,465,137	\$ 128,431,498	\$ 9,966,361	8.4%
03 Special Fund	6,100,629	8,417,150	5,723,000	-2,694,150	-32.0%
09 Reimbursable Fund	306,249	0	0	0	0.0%
Total Funds	\$ 121,378,060	\$ 126,882,287	\$ 134,154,498	\$ 7,272,211	5.7%

Note: The fiscal 2021 appropriation does not include deficiencies. The fiscal 2022 allowance does not include contingent reductions.

**Appendix 8
Fiscal Summary**

Maryland Higher Education Commission – Student Financial Assistance

<u>Program/Unit</u>	<u>FY 20 Actual</u>	<u>FY 21 Wrk Approp</u>	<u>FY 22 Allowance</u>	<u>Change</u>	<u>FY 21 – FY 22 % Change</u>
09 2+2 Transfer Scholarship Program	\$ 300,000	\$ 300,000	\$ 300,000	\$ 0	0%
10 Educational Excellence Awards	88,680,312	88,129,669	88,129,669	0	0%
12 Senatorial Scholarships	6,615,720	6,748,034	6,882,995	134,961	2.0%
14 Edward T. Conroy Memorial Scholarship Program	2,627,865	2,400,000	2,400,000	0	0%
15 Delegate Scholarships	6,727,920	6,862,478	6,999,728	137,250	2.0%
16 Riley Fire and EMS Tuition Reimbursement Program	358,000	358,000	358,000	0	0%
17 Graduate and Professional Scholarship Program	1,174,473	1,174,473	1,174,473	0	0%
21 Jack F. Tolbert Memorial Student Grant Program	200,000	200,000	200,000	0	0%
26 Hoffman Loan Assistance Repayment Program	1,504,089	1,370,000	1,370,000	0	0%
27 Maryland Loan Assistance Repayment Program for Foster Care Recipients	6,363	100,000	100,000	0	0%
28 Maryland Loan Assistance Repayment Program for Physicians	649,098	0	0	0	0%
33 Part-time Grant Program	5,087,780	5,087,780	5,087,780	0	0%
36 Workforce Shortage Student Assistance Grants	1,229,853	1,229,853	1,229,853	0	0%
37 Veterans of the Afghanistan and Iraq Conflicts Scholarship	750,000	750,000	750,000	0	0%
44 Somerset Economic Impact Scholarship	30,000	12,000	12,000	0	0%
45 Workforce Development Sequence Scholarship	1,000,000	1,000,000	1,000,000	0	0%
46 Cybersecurity Public Service Scholarship Program	72,824	160,000	160,000	0	0%
48 Maryland Community Colleges Promise Scholarship Aid	3,068,140	8,000,000	15,000,000	7,000,000	87.5%
49 Teaching Fellows for Maryland Scholarships	875,623	2,000,000	2,000,000	0	0%
51 Richard W. Collins III Leadership with Honor Scholarship Program	420,000	1,000,000	1,000,000	0	0%
Total Expenditures	\$ 121,378,060	\$ 126,882,287	\$ 134,154,498	\$ 7,272,211	5.7%
General Fund	\$ 114,971,182	\$ 118,465,137	\$ 128,431,498	\$ 9,966,361	8.4%
Special Fund	6,100,629	8,417,150	5,723,000	-2,694,150	-32.0%
Total Appropriations	\$ 121,071,811	\$ 126,882,287	\$ 134,154,498	\$ 7,272,211	5.7%
Reimbursable Fund	\$ 306,249	\$ 0	\$ 0	\$ 0	0.0%
Total Funds	\$ 121,378,060	\$ 126,882,287	\$ 134,154,498	\$ 7,272,211	5.7%

Note: The fiscal 2021 appropriation does not include deficiencies. The fiscal 2022 allowance does not include contingent reductions.