

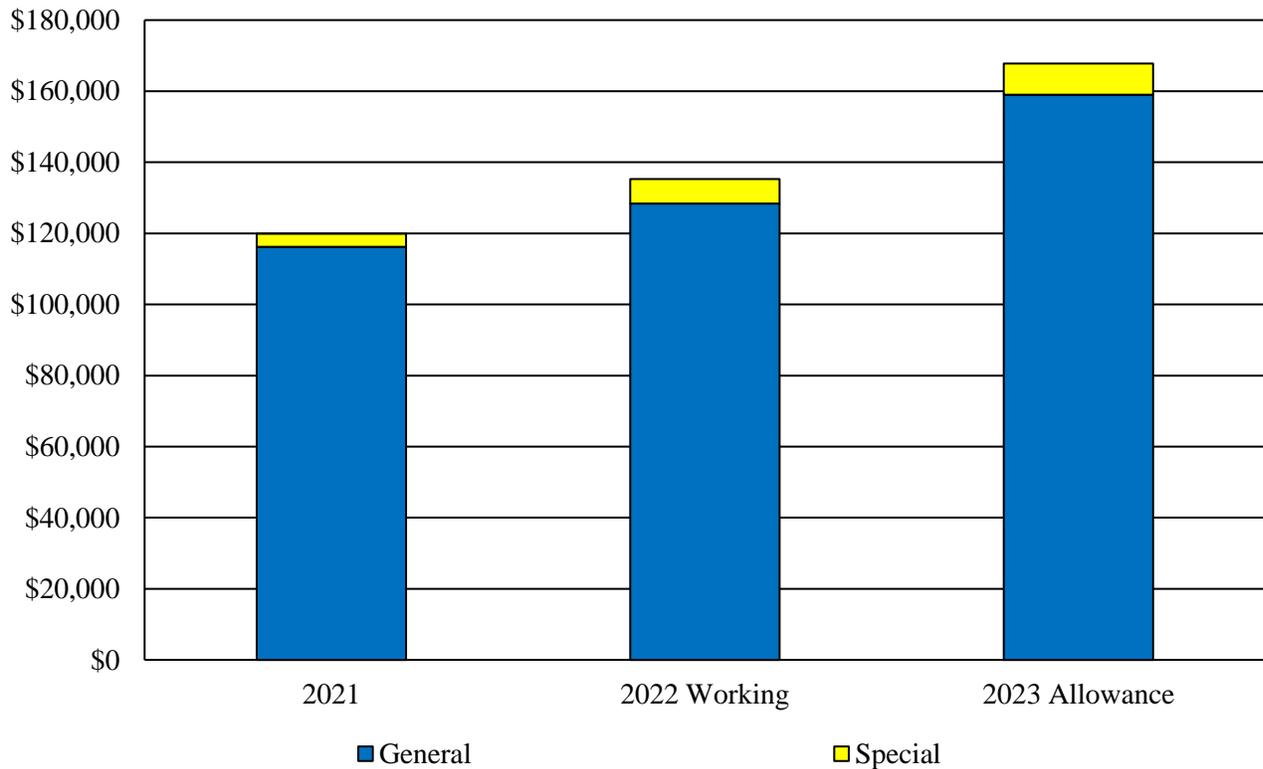
R62I0010
Student Financial Assistance
Maryland Higher Education Commission

Executive Summary

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

Operating Budget Summary

Fiscal 2023 Budget Increases \$32.5 Million, or 24.0%, to \$167.7 Million
(\$ in Thousands)



Note: Numbers may not sum due to rounding. The fiscal 2022 appropriation includes a proposed deficiency appropriation.

- The allowance includes a fiscal 2022 special fund deficiency appropriation of \$1.1 million for the Edward T. and Mary A. Conroy Memorial Scholarship and Jean B. Cryor Memorial Scholarship Program.

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- Funding for the Education Excellence Awards (EEA) program in the fiscal 2023 allowance increases by 13.5%, or \$11.9 million, over the fiscal 2022 working appropriation.
- Two new programs are included in the fiscal 2023 allowance as a result of Chapter 59 of 2021 (Maryland Police Accountability Act): the Maryland Police Officers Scholarship Program, totaling \$8.5 million, and the Maryland Loan Assistance Repayment Program (MLARP) for Police Officers, totaling \$1.5 million.
- The fiscal 2023 allowance for the Teaching Fellows for Maryland Scholarships program totals \$8.0 million, increasing by \$6.0 million, as a result of Chapter 36 of 2021 (Blueprint for Maryland’s Future).
- A new MLARP is included in the fiscal 2023 allowance, the MLARP for Nurses and Nursing Assistants, totaling \$2.0 million.
- The 2+2 Transfer Scholarship Program’s funding totals \$2.3 million in the fiscal 2023 allowance, increasing by \$2.0 million.

Key Observations

- ***Free Application for Federal Student Aid (FAFSA) Submission Declines:*** As of January 2022, the percentage of FAFSA applications completed by Maryland high school students declined 1.5%, to 33.9%, compared to January 2021.
- ***Highest Number of Guaranteed Access (GA) Grants Awarded:*** The number of GA grant awards grew by 15.4%, or 413, to a total of 3,090 awards in fiscal 2021 compared to the prior year.
- ***Credit Completion Requirement for Financial Aid Awards:*** The credit completion requirement in the EEA program requires students to meet certain credit attainment levels or risk losing their financial aid awards. This requirement continues to have 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.

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Operating Budget Analysis

Program Description

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

Financial aid comes in the form of grants, work study, student loans, parent loans, and scholarships from federal, State, private, and institutional sources. Grants and scholarships are aid that students do not have to pay back. Grants are usually given because a student has financial need, while scholarships are usually given to recognize the student’s academic achievement, athletic ability, or other 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 2023 by Category

Program

Description

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.
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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.
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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
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Program

Description

Other Need-Based Aid Programs

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 after the Federal Pell Grant and State financial aid awards are calculated. 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.

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<u>Program</u>	<u>Description</u>
Cybersecurity Public Service Scholarship	Scholarship for Maryland students enrolled in programs directly relevant to cybersecurity. Minimum GPA and service obligation requirements.
Maryland Police Officers Scholarship Program	Scholarship to provide tuition assistance for students attending a degree program that would further the student’s career in law enforcement at an eligible institution with the intent to be a police officer after graduating.

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.
Nurses and Nursing Assistants	Loan repayment assistance designed to increase access to nursing programs for nursing and nursing assistant students.
Police Officers	Loan repayment assistance designed to assist in the repayment of a higher education loan owed by a police officer who satisfies certain criteria.

Assistance for Unique Populations

Jack F. Tolbert Memorial	Provides grants to private career schools to award to full-time students based on financial need.
Veterans of the Afghanistan and Iraq Conflicts Scholarship Program	Scholarships for U.S. Armed Forces personnel who served in the Afghanistan or Iraq conflicts and their sons, daughters, or spouses attending a Maryland postsecondary institution.
Maryland First Scholarship	Scholarship for first-generation college students with financial need. No funding has been provided.

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<u>Program</u>	<u>Description</u>
Near Completer Grant	Grants for tuition not covered by any other nonloan 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.
Edward T. and Mary A. Conroy Memorial Scholarship Program & Jean B. Cryor Memorial Scholarship Program	The Conroy Scholarship Program is for certain Maryland residents due to their eligible military or public safety service, or due to their eligible family or marital relationship to such an individual. The Cryor Scholarship Program is for eligible children and surviving spouses of school employees that renders the school employee 100% disabled as a victim in an act of violence in the line of duty.

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 FAFSA (or an alternative State form) that determines eligibility for federal student aid, including Pell grants, Stafford loans, and work study. A student’s eligibility depends on their expected family contribution (EFC), their year in school, their enrollment status, and the cost of attendance at the school that they will be attending. Financial aid for State awards is determined by the difference between the cost of attendance, the student’s EFC, and the amount of the Pell grant that a student may receive.

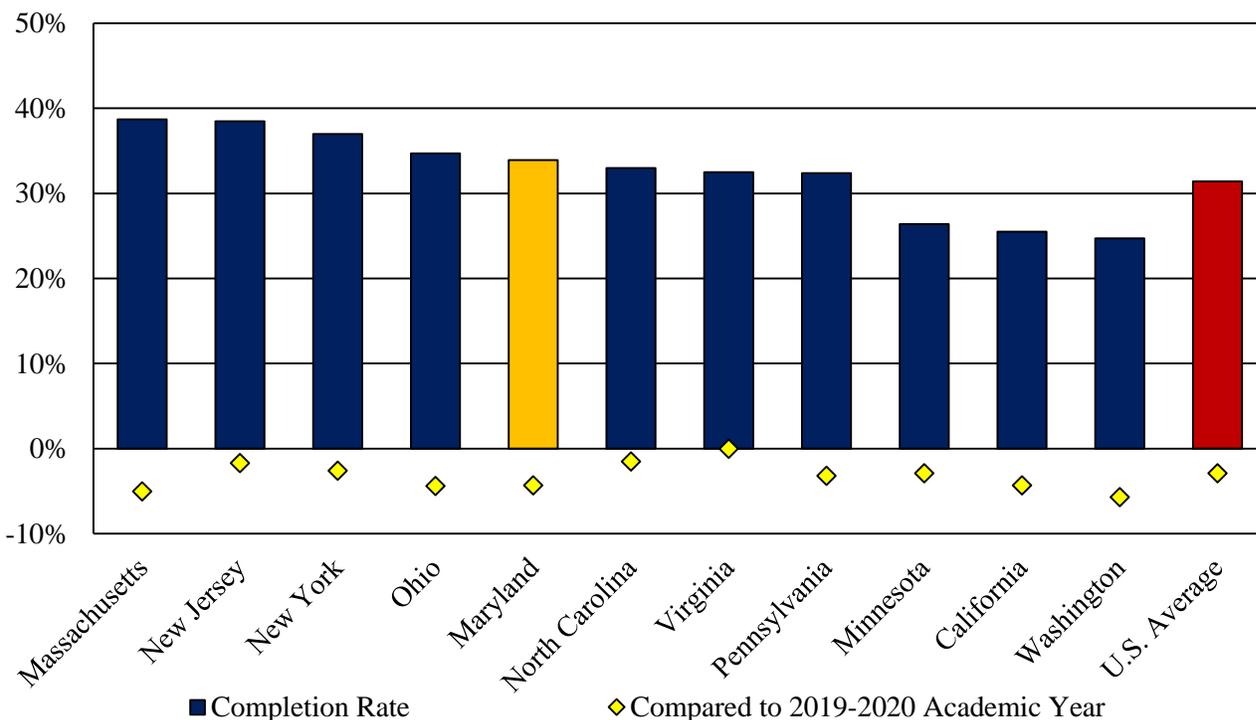
FAFSA has been used to calculate a student’s level of financial need – currently, EFC, which not only determines eligibility for federal student aid but also State aid. Financial aid for State awards has been determined by calculating the difference between the cost of attendance, a student’s EFC, and the amount of the Pell grant that a student may receive.

The Consolidated Appropriations Act (CAA) of 2020 eliminated 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 established a framework to allow the very neediest students to receive aid in excess of the cost of attendance established by their school. Initially, SAI was expected to be fully implemented for the 2023-2024 academic year; however, this has been pushed back to the 2024-2025 award year, or the FAFSA that will be released on October 1, 2023. Until additional information concerning SAI is made available, the impact of the transition from EFC to SAI on the Maryland College Aid Processing System (MDCAPS), the State’s financial aid management system, is currently unknown. In a response to committee narrative included in the 2021 *Joint Chairmen’s Report* (JCR) submitted in December 2021 concerning MHEC’s transition to SAI, it was noted that at the Federal Student Aid (FSA) conference, held on December 2, 2021, additional information was provided on SAI. **The Secretary should comment on the findings from the FSA conference concerning SAI and how these findings would impact financial aid in Maryland and MDCAPS.**

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. The Fostering Undergraduate Talent by Unlocking Resources for Education Act passed by the U.S. Congress in 2019 also included an update to FAFSA to allow for the use of the Internal Revenue Service (IRS) data retrieval tool, which would allow for automatic transfer of information from the IRS to the U.S. Department of Education (ED) as a means to reduce the need for income verification (which is currently a manual process of proving the information a family submitted on FAFSA is correct). These recent actions are intended to encourage millions more low-income individuals to take advantage of the grants and loans that the federal government offers for college.

Exhibit 2 compares Maryland’s FAFSA completion rate as of January 14, 2022, 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 38.7% in Massachusetts to 24.7% in Washington. Maryland, with a completion rate of 33.9%, compares favorably to six competitor states and exceeds the national average of 31.4%. However, the number of high school seniors completing a FAFSA in Maryland decreased by 4.3% from the same time in 2019, the year prior to the pandemic-related application declines of 2020 and 2021. Maryland’s rate of decrease was slightly larger than the nationwide decline of 2.9%. All other competitor states, with the exception of Virginia, have been unable to rebound to FAFSA application levels prior to those experienced before the pandemic. Washington experienced the largest decrease, 5.7%, among Maryland’s competitor states. The overall decrease in FAFSA submissions continues to be 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 prepandemic cycle.**

Exhibit 2
Estimated Completed FAFSAs by Public High School Students
As of January 2022 and 2019

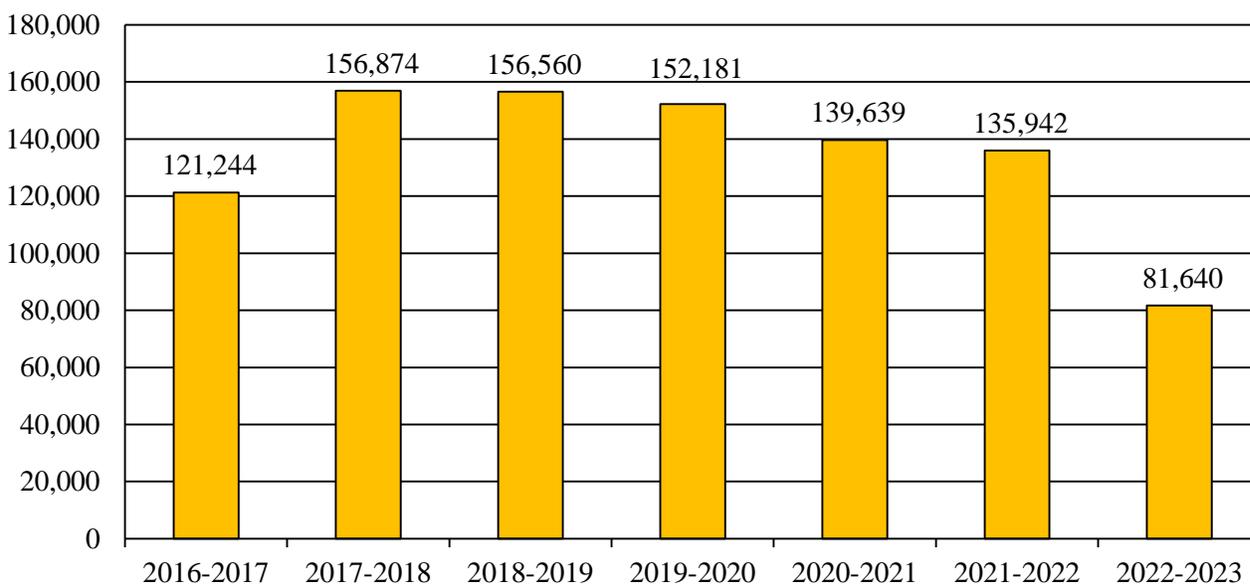


FAFSA: Free Application for Federal Student Aid

Source: National College Access Network, FAFSA Tracker

Exhibit 3 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 FAFSAs filed, 29.4%. The number of applications has declined in each successive year after the 2017-2018 cycle; however, the filings were relatively steady between the 2020-2021 and 2021-2022 cycles. As of January 27, 2022, the number of FAFSAs filed in Maryland is 81,640; however, this does not represent the final number of filings that will occur in this cycle. **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
Total FAFSA Filing¹
2016-2017 to 2022-2023 Award Cycle



FAFSA: Free Application for Federal Student Aid

¹ 2022-2023 award cycle as of January 27, 2022

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, 2022, and ends June 30, 2023, with the application cycle starting October 2021. Students have until March 1, 2022, to file FAFSs to apply for State aid.

Source: Maryland Higher Education Commission

2. Guaranteed Access Grant

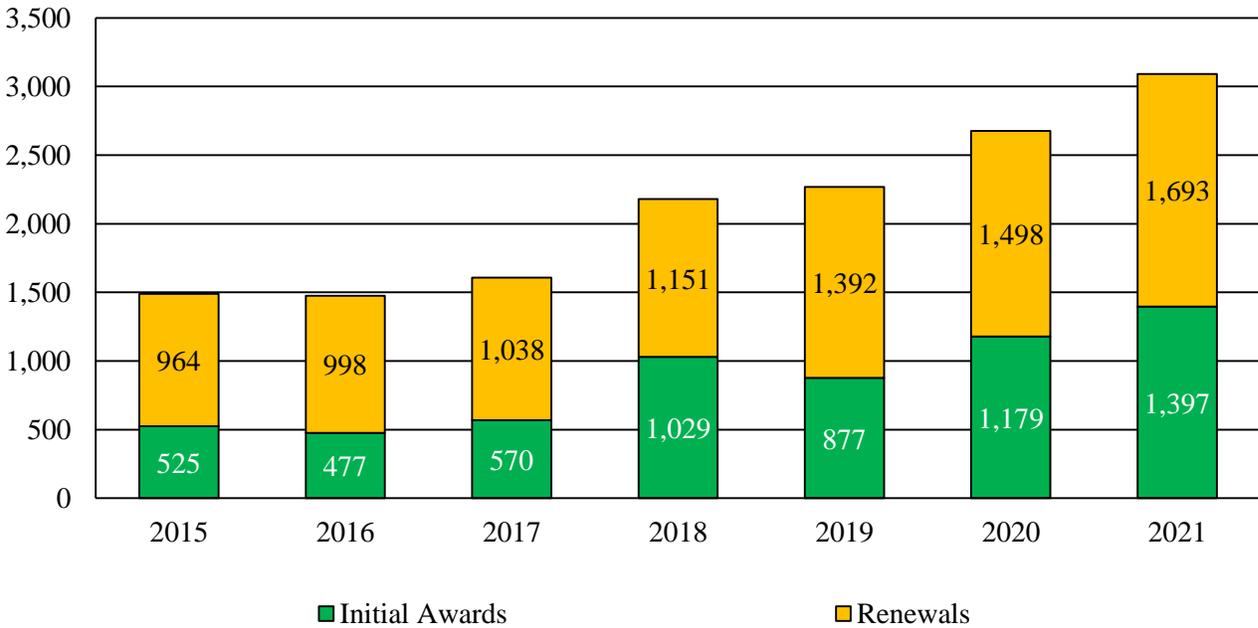
The Delegate Howard P. Rawlings EEAs are comprised of three grant programs: the GA grant; the Educational Assistance (EA) grant; and Campus-based Educational Assistance grants. Chapter 389 of 2018 expanded eligibility requirements for the EEA program to include those who obtained a GED diploma with a passing score of at least 165 per module and who 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 institutions, excluding the University of Maryland, Baltimore Campus and the University of Maryland Global Campus. The maximum award rose from \$19,100 in fiscal 2020 to \$19,400 in fiscal 2021 and \$19,300 in fiscal 2022.

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 (FPL) 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 total number of awards increased by 15.4%, or 413, totaling 3,090 in fiscal 2021, over fiscal 2020, as shown in **Exhibit 4**. One reason for the continuing increases is the elimination of the supplemental application requirement, which began in fiscal 2018, and using FAFSA or MSFAA to identify potentially eligible applicants. In fiscal 2018, the first year of this change, the overall number of awards increased by 35.6% compared to the prior year. Overall, since fiscal 2015, the number of initial awards has increased by 166.1%, and renewals have increased by 75.6%.

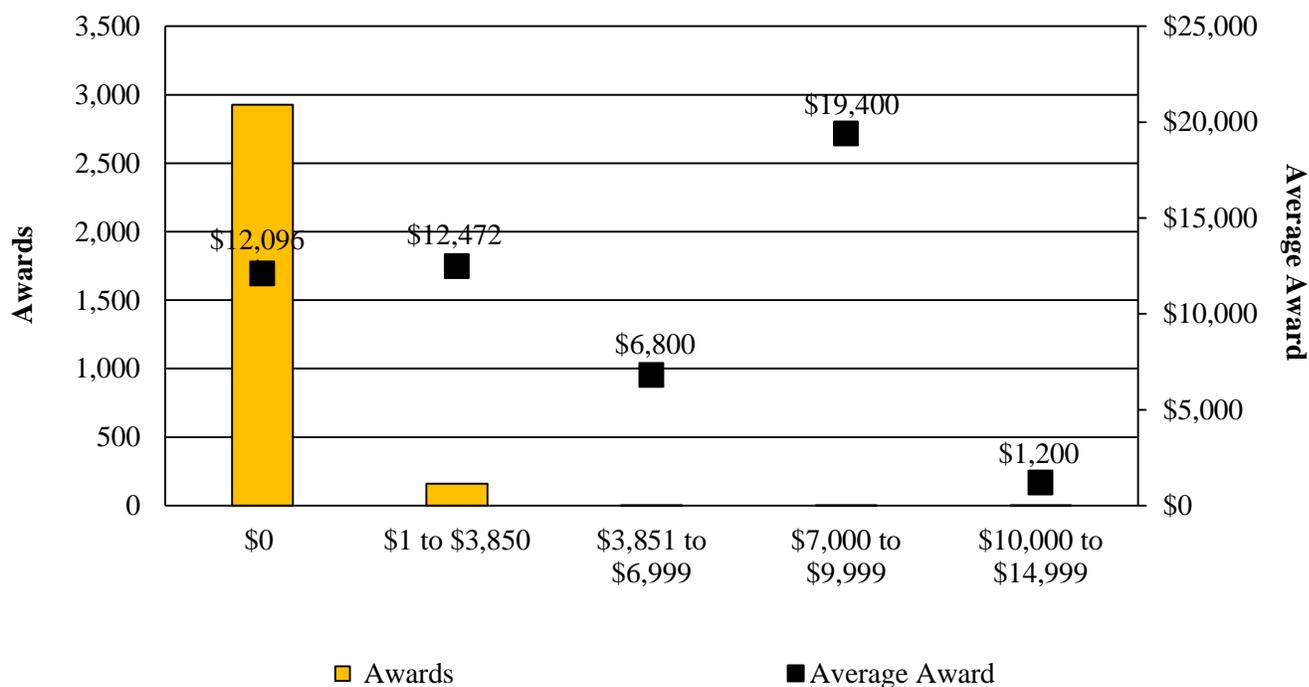
Exhibit 4
Guaranteed Access Grant Awards
Fiscal 2015-2021



Source: Maryland Higher Education Commission

As shown in **Exhibit 5**, almost all of those receiving a GA grant in fiscal 2021 have an EFC of \$3,850 or lower, with 94.7% 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 five grants made to those with higher EFCs are likely older awards passing through the system. EFC and award outcomes for other selected OSFA programs are shown in Exhibit 6 and **Appendix 3** through **Appendix 7**.

**Exhibit 5
Guaranteed Access Grants by Expected Family Contribution
Fiscal 2021**



Source: Maryland Higher Education Commission

It should also be noted that the College Affordability Act of 2016 (Chapters 589 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 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.

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After the GA awards are made, the remaining EEA funds are used to support the EA grants. Generally, since fiscal 2015, EA awards had accounted for approximately 64% of the EEA appropriations; however, this percentage has steadily declined as EA awards only accounted for 55% of the awards in fiscal 2021. **The Secretary should comment on how MHEC determines the appropriate allocation of GA and EA awards, focusing on how MHEC ensures that the neediest students are provided the greatest award while striving to maximize the number of awards provided to the eligible applicant pool.**

Funding for the EA grants is shown in **Exhibit 6**. The effects of early FAFSA filings noted earlier can be seen with the number of on-time applications increasing by 25.4% in fiscal 2018 and 3.2% in fiscal 2019. However, the number of on-time applications has declined in each of the last three fiscal years, falling by 2.6% in fiscal 2022. The declining number should not be surprising given the overall FAFSA completion decrease previously mentioned.

Exhibit 6
Educational Assistance Grants¹
Fiscal 2017-2022

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Difference</u> <u>2021-2022</u>	<u>% Change</u> <u>2021-2022</u>
EA Appropriation (\$ in Millions)	\$54.5	\$52.3	\$52.2	\$53.4	\$46.1	\$46.1	\$0.0	0.0%
EA Applicants (On-time FAFSAs)	121,213	151,977	156,874	152,181	139,639	135,942	-3,697	-2.6%
EA Initial Applicants with \$0 EFC	26,377	36,060	34,970	33,257	30,286	28,559	-1,727	-5.7%
EA Renewal Applicants with \$0 EFC	15,613	20,615	23,702	20,291	17,362	17,455	93	0.5%
EFC Cutoff ¹	\$2,900	\$2,815	\$2,750	\$3,800	\$2,997	\$3,300	\$303	10.1%
EA Awards Made	23,236	23,550	25,000	23,665	18,930	31,605	12,675	67.0%
Waitlist ²	18,759	17,924	18,798	7,074	7,751	TBD	TBD	TBD

EA: Educational Assistance

EFC: expected family contribution

FAFSA: Free Application for Federal Student Aid

TBD: to be determined

¹The numbers above are reported as of January 22, 2022

²As of May 1, students are eligible for EA and 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

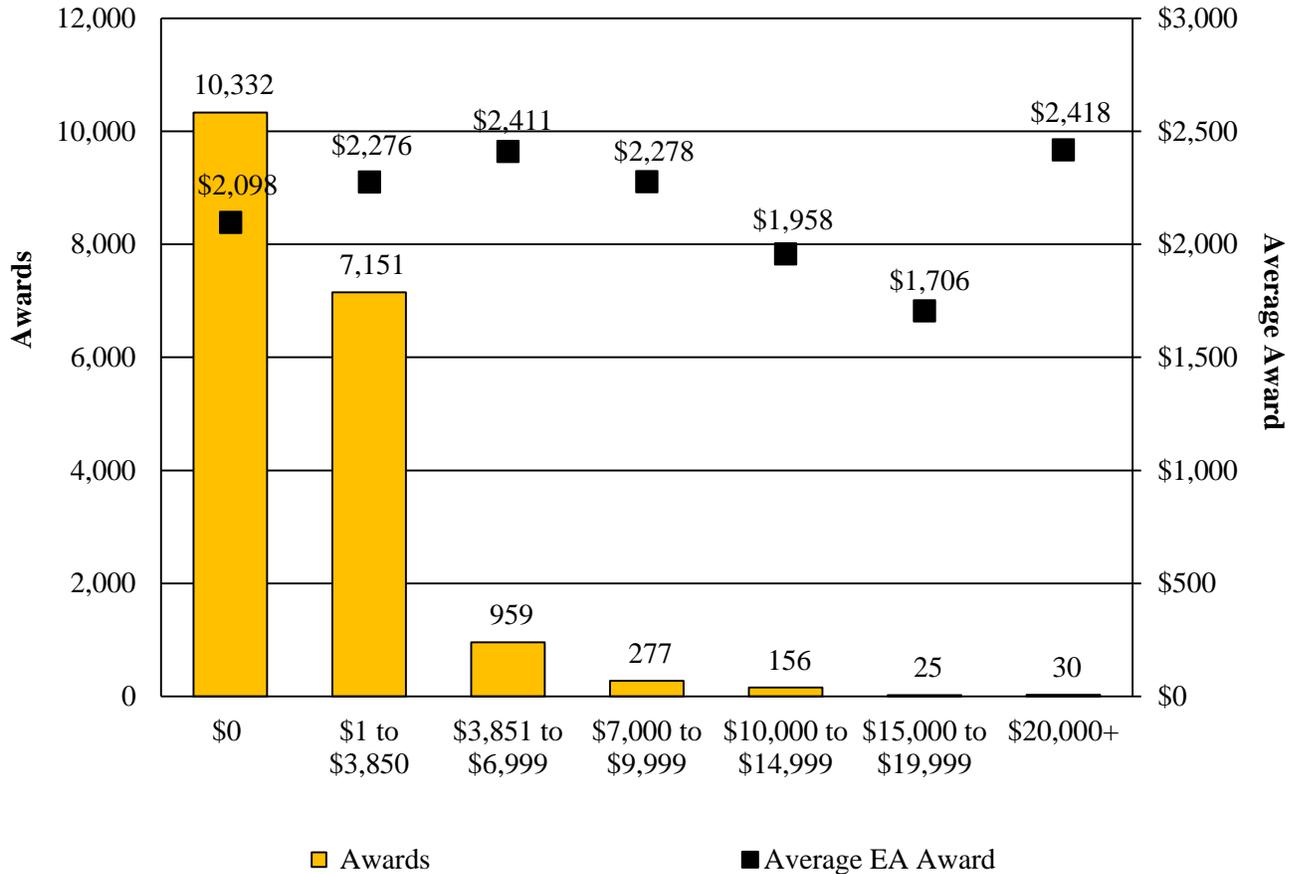
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The number of EA awards made decreased by 20.0%, or 4,735, in fiscal 2021 compared to the prior year. MHEC indicates that this decrease was the result of a higher number of GA awards being provided (meaning less funding was available to the EA program from the redistribution). Additionally, the acceptance rate in the EA program was lower than anticipated. Once the institutions completed the certification process for MHEC to accurately assess funding levels in the EEA program, it was too late in the year for MHEC to make additional awards in the program.

In 2016, the Financial Assistance Advisory Council (FAAC), 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 58.8% to 7,751 students. As of fiscal 2022, the cutoff is \$6,495.

As shown in **Exhibit 7**, in fiscal 2021, 92.3% 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 because students with a lower EFC receive a higher federal Pell grant. 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. Pell awards are given to students who have an EFC of less than a specific amount, which was \$6,345 in fiscal 2021. 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, even if a student's EFC increases in later years. This policy bumps some new Pell grant students to the EA waitlist every year. MHEC indicated that the increase in the \$20,000+ EFC category, relative to the lower EFC categories, may be the result of a family's income increasing during the 2019 tax year, but the student still had a demonstrated need and therefore maintained eligibility.

**Exhibit 7
EA Grant by Expected Family Contribution
Fiscal 2021**



EA: Educational Assistance

Source: Maryland Higher Education Commission

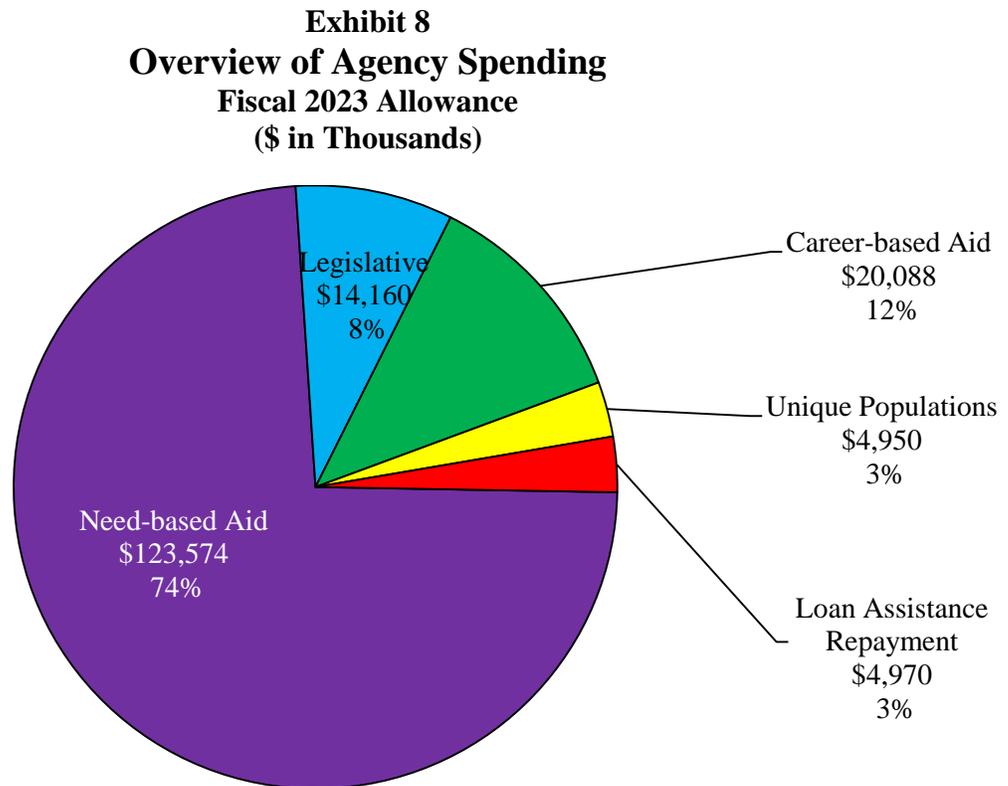
Fiscal 2022 Working Budget

Proposed Deficiency

A deficiency of \$1.1 million in special funds is proposed for the Edward T. and Mary A. Conroy Memorial Scholarship and Jean B. Cryor Memorial Scholarship Program for additional scholarships in an attempt to ensure that there is sufficient funding so that all eligible recipients receive an award.

Fiscal 2023 Overview of Agency Spending

The fiscal 2023 allowance for Student Financial Assistance totals \$167.7 million. **Exhibit 8** shows funding by type of aid in fiscal 2023. The largest share of the fiscal 2023 allowance is Need-based Aid, 74%. Career-based aid at 12% and legislative scholarships at 8% represent the next highest shares of aid.



Source: Governor’s Fiscal 2023 Budget Books; Department of Legislative Services

Exhibit 9 shows the number and average award by financial aid program for ongoing programs. For these programs, in fiscal 2023, MHEC expects an increase in the total number of recipients of State aid of 16.8% or 9,002 recipients. The largest funding increase, by scholarship program, in the fiscal 2023 allowance is \$11.8 million for EEAs. MHEC anticipates that this increase in funding will support an additional 869 EA, 523 GA, and 320 Campus-based awards. The next largest projected increases in scholarships are:

- 1,353 in Maryland Community College Promise Scholarships;
- 1,311 in 2+2 Transfer Scholarships; and
- 366 in Teaching Fellows award recipients.

Exhibit 9
Recipients of State Aid Programs, Excluding New Programs
Fiscal 2021-2023

<u>Program</u>	<u>2021 Actual</u>		<u>2022 Working</u>		<u>2023 Allowance</u>	
	<u>Recipients</u>	<u>Average Award</u>	<u>Projected Recipients</u>	<u>Projected Average Award</u>	<u>Projected Recipients</u>	<u>Projected Average Award</u>
Need-based Aid						
Educational Assistance Grant	18,712	\$2,185	21,098	\$2,185	21,967	\$2,185
Campus-based Educational Assistance Grant	995	1,868	680	1,714	1,000	2,000
Guaranteed Access Grant	12,116	3,090	3,602	12,262	4,125	12,116
2+2 Transfer Scholarship	179	1,550	172	1,531	1,483	1,550
Part-time Grant Program	5,628	901	5,628	901	5,646	901
Graduate and Professional Scholarship	406	2,525	406	2,525	406	2,525
Maryland Community College Promise Scholarship	2,026	3,113	3,465	2,823	4,818	3,113
Near Completer Grant	8	933	3	3,632	20	933
<i>Subtotal</i>	<i>31,044</i>	<i>\$2,992</i>	<i>35,054</i>	<i>\$3,069</i>	<i>39,465</i>	<i>\$3,127</i>
Legislative Programs	15,944	\$1,416	16,555	\$871	20,005	\$1,416
Career an Occupational Programs	462	\$6,507	502	\$6,491	916	\$10,445
Unique Population Programs	1,612	\$3,736	1,188	\$4,858	1,894	\$3,646
Loan Assistance						
Repayment Programs	87	\$9,067	164	\$7,686	185	\$7,470
Total	49,149	\$2,089	53,463	\$2,205	62,465	\$2,261

Note: Data is point-in-time calculation and cannot be used to calculate total aid. There is one new scholarship program (Maryland Police Officers Scholarship Program) and two new Loan Assistance Repayment Programs (Maryland Loan Assistance Repayment Program (MLARP) for Police Officers and MLARP for Nurses and Nursing Assistants) in the fiscal 2023 allowance. MHEC is currently unable to provide the number of projected recipients and average award projections for these new programs.

Source: Maryland Higher Education Commission

At this time, MHEC is unable to project the number of recipients and average awards provided for the three new programs funded in fiscal 2023. The Edward T. and Mary A. Conroy Memorial Scholarship and Jean B. Cryor Memorial Scholarship Program has the largest estimated increase per award, growing by \$1,573.

Fiscal 2023 Proposed Budget

As shown in **Exhibit 10**, after accounting for a proposed special fund deficiency appropriation in fiscal 2022, the total funding in fiscal 2023 increases by 24.0%, or \$32.5 million. Increases totaling \$12 million are the result of three new programs: the Maryland Police Officers Scholarship Program, the MLARP for Police Officers, and the MLARP for Nurses and Nursing Assistants; these programs will add \$8.5 million, \$1.5 million, and \$2.0 million. Two of the new programs are the result of Chapter 59 (The Maryland Police Accountability Act – Police Discipline and Law Enforcement Programs and Procedures). The increase of \$6.0 million in the Teaching Fellows for Maryland Scholarship is a result of a mandated funding increase from Chapter 36 (Blueprint for Maryland’s Future – Implementation).

Exhibit 10
Proposed Budget
Maryland Higher Education Commission – Student Financial Assistance
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Total
Fiscal 2021 Actual	\$116,223	\$3,632	\$119,855
Fiscal 2022 Adjusted Working Appropriation	128,431	6,823	135,254
Fiscal 2023 Allowance	<u>159,019</u>	<u>8,723</u>	<u>167,742</u>
Fiscal 2022-2023 Amount Change	30,588	1,900	32,488
Fiscal 2022-2023 Percent Change	23.8%	27.8%	24.0%
 Where It Goes:			<u>Change</u>
Educational Assistance Awards			\$11,870
Maryland Police Officer Scholarship Program implementation created in Chapter 59 of 2021			8,500
Teaching Fellows for Maryland Scholarship due to mandated level in Chapter 36 of 2021			6,000
Loan Assistance Repayment Program for Nurses and Nursing Assistants implementation			2,000
2+2 Transfer Program			2,000
Loan Assistance Repayment Program for Police Officers created in Chapter 59			1,500
Cybersecurity Public Service Scholarship Program			840
2% Increase in Delegate and Senatorial Scholarships			278
Edward T. Conroy Memorial Scholarship Program after adjusting for a fiscal 2022 deficiency appropriation			-500
Total			\$32,488

Note: Numbers may not sum due to rounding. The fiscal 2022 appropriation includes a proposed deficiency appropriation.

Need-based Student Financial Assistance Fund

The Need-based Student Financial Assistance Fund (NBSFAF), a nonlapsing special fund, was created in 2011 to receive unused scholarship funds at the close of each fiscal year, which are then reserved for future need-based and certain unique population awards. Funds from the NBSFAF can be appropriated in the annual State budget or recognized by budget amendment in the following fiscal year, thereby creating a transparent process for MHEC to encumber unexpended scholarship funds. **Exhibit 11** shows the current balance of the NBSFAF. MHEC tries to maintain a fund balance at the end of the fiscal year to ensure that it does not over award financial aid in any given year and require a general fund deficiency.

Exhibit 11
Need-based Student Financial Assistance Fund
Fiscal 2019-2022 Est.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Est. 2022</u>
Opening Balance	\$8,324,136	\$10,392,845	\$6,606,877	\$8,664,317
Transfers In	\$3,833,129	\$1,414,723	\$3,470,682	TBD
Transfers Out				
2 + 2 Transfer	\$231,500	\$0	\$277,000	\$300,000
EEA	0	4,972,826	0	3,000,000
Conroy Memorial	1,532,920	227,865	1,136,242	1,100,000
Subtotal	\$1,764,420	\$5,200,691	\$1,413,242	\$4,400,000
Closing Balance	\$10,392,845	\$6,606,877	\$8,664,317	\$4,264,317

EEA: Educational Assistance Awards

TBD: to be determined

Source: Maryland Higher Education Commission

In fiscal 2021, the opening balance for the NBSFAF totaled \$6.6 million. Of that total, \$0.3 million was utilized for the 2+2 Transfer Program, while an additional \$1.1 million was provided to Conroy Memorial recipients. MHEC currently plans to use a portion of the fiscal 2021 closing balance of \$8.7 million to fund additional EEA, 2+2 Transfer, and Conroy Memorial Scholarship awards. The Conroy Memorial Scholarship amount is reflected as a proposed fiscal 2022 deficiency appropriation in the allowance. The current projected end balance of fiscal 2022 totals \$4.3 million.

Issues

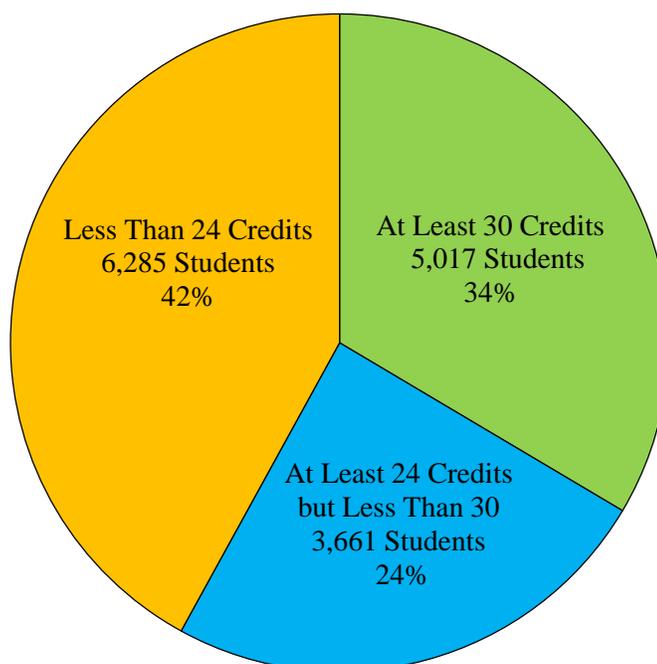
1. Credit Completion Requirements on Financial Aid Awards

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) and requires 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 requires 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 are ineligible for the award in the subsequent year.

The intent of the credit completion requirement is to encourage students who receive an EEA award to complete their postsecondary education “on-time,” which means attaining (*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 is intended to limit the number of students who run out of eligibility for need-based grants before completing their degrees and, therefore, accumulate additional debt.

As shown in **Exhibit 12**, out of 14,963 students who had received an award for at least two years at the end of the 2019-2020 academic year, postsecondary institutions reported that 6,285 students (42%) completed fewer than 24 credits and became ineligible for their EEA award in the subsequent year, 3,661 (24%) completed at least 24 credits but fewer than 30 credits and received a prorated award, and 5,017 (34%) completed at least 30 credits and are eligible to receive the full award amount.

Exhibit 12
EEA Credit Completion Outcomes
2019-2020 Credit Roster

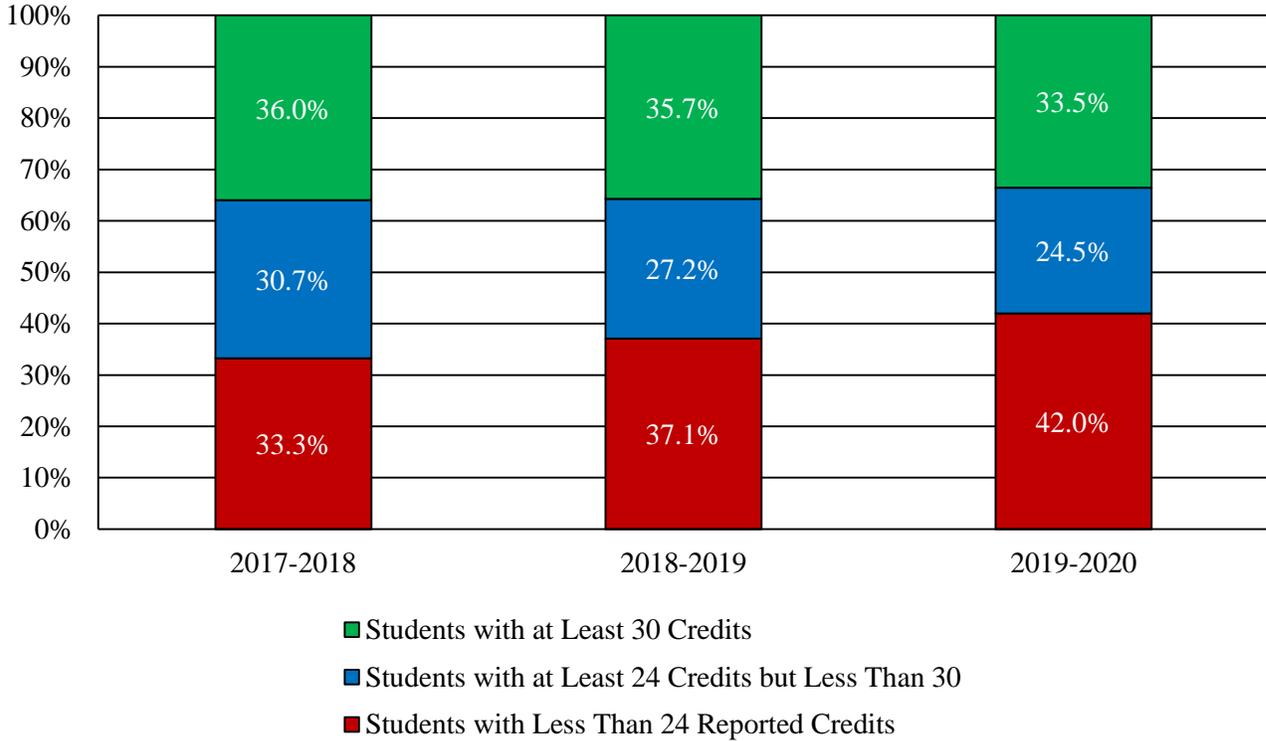


EEA: Education Excellence Awards

Source: Maryland Higher Education Commission

The 2019-2020 academic year is the third 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 13**, in the 2019-2020 academic year, the total percentage of students who completed at least 30 credits, 33.5%, was a decrease of 2.2 percentage points from the previous year, when 35.7% of the population completed at least 30 credits. Similarly, students with at least 24 credits but less than 30 also declined, falling to 24.5% of the total student pool, or decreasing 2.7 percentage points when compared to the previous year. Students with less than 24 credits made up the plurality of the group, with 42.0% of the student population not achieving this target; this was an increase of 4.9 percentage points over the 2018-2019 period when 37.1% failed to reach the 24-credit limit.

Exhibit 13
EEA Credit Completion Outcomes
2017-2018 through 2019-2020



EEA: Educational Excellence Award

Source: Maryland Higher Education Commission

When reviewing the credit completion outcomes by higher education segment, the private four-year institutions attained the highest percentage of students who completed at least 30 credits for the 2019-2020 class at 60.0% of that segment’s total number of students receiving EEA awards, as shown in **Exhibit 14**. The public four-year institutions had a fairly even distribution among the students receiving EEA awards, with 35.7% attaining at least 30 credits, while 38.9% failed to attain the 24 credit total. The public two-year institutions had the largest percentage of students who completed fewer than 24 credits, at 66.0%, and, as a result, losing their EEA awards for the 2020-2021 academic year (fiscal 2021).

Exhibit 14
EEA Credit Completion Outcomes by Higher Education Segment
2019-2020 Credit Roster

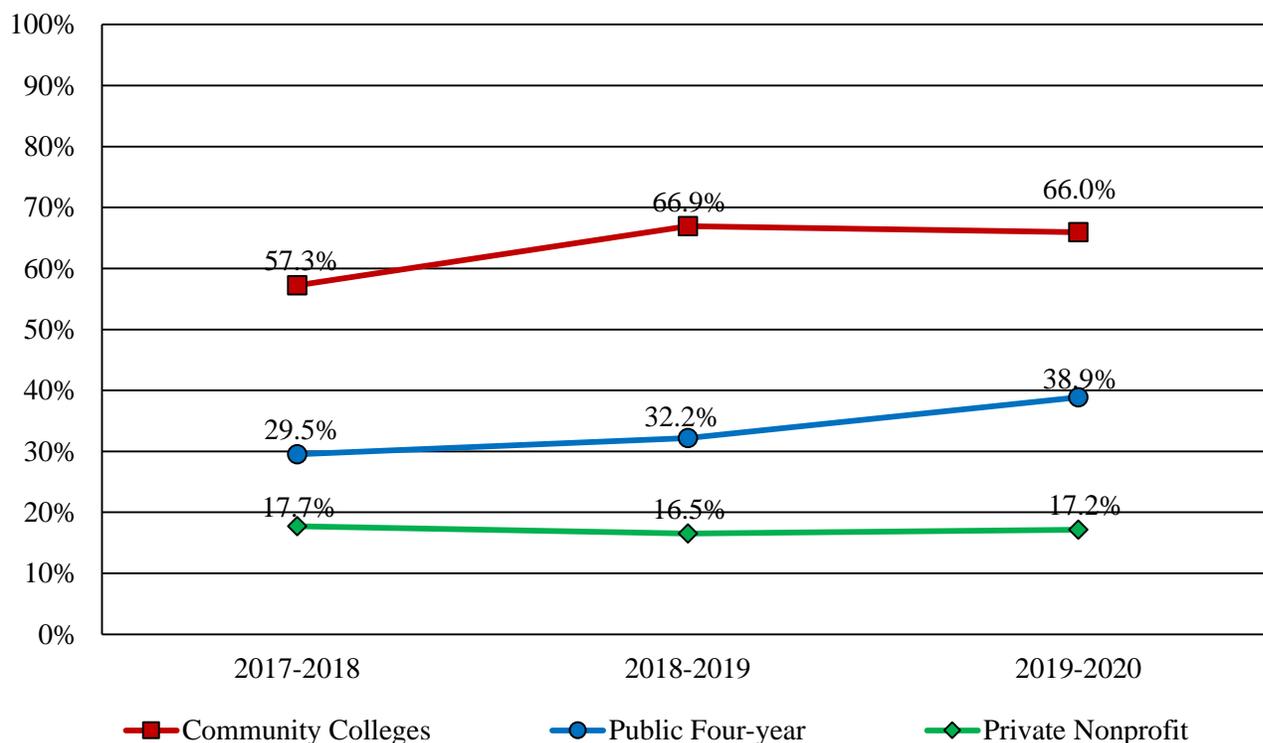
	<u>Fewer Than 24 Credits</u>	<u>At Least 24 Credits but Fewer Than 30 Credits</u>	<u>At Least 30 Credits</u>
Private Four-year Institution	219	291	765
Private Four-year Institution Total % of Segment	17.2%	22.8%	60.0%
Public Four-year Institution	4,255	2,778	3,909
Public Four-year Institution Total % of Segment	38.9%	25.4%	35.7%
Public Two-year Institution	1,811	592	343
Public Two-year Institution Total % of Segment	66.0%	21.6%	12.5%

EEA: Educational Excellence Award

Source: Maryland Higher Education Commission

With the submission of the 2019-2020 credit completion report, three years of data available is now available to review the impact that the credit completion requirement has had on students receiving these awards by higher education segment. As shown in **Exhibit 15**, the completion trends for students who have completed fewer than 24 credits illustrate that community college students have fared the worst in each year, with more than 60% failing to meet the 24-credit completion requirement for a prorated award in each of the two most recent years. The public four-year EEA awardees population that failed to reach 24 credits has steadily increased, increasing from 29.5% in the 2017-2018 class to 38.9% in the 2019-2020 class, an increase of 9.4 percentage points. The private nonprofit four-year EEA awardees population failing to meet the 24-credit requirement over this period has remained fairly level, at 17.2% on average.

Exhibit 15
Credit Completion Requirement – Fewer Than 24 Credits
2017-2018 through 2019-2020 Academic Years



Source: Maryland Higher Education Commission

The Secretary should comment on the credit completion requirement, specifically addressing

- **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;**
- **how students are notified if they fail to meet the program requirements;**
- **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; and**
- **how the COVID-19 pandemic has impacted students' ability to take a full academic course load (30 credits an academic year).**

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. The executive director should also comment on how the COVID-19 pandemic has specifically impacted community college students' ability to take a full academic course load (30 credits an academic year).

It should be noted that the information included in this review was from MHEC's response to committee narrative in the 2020 JCR response. This information was not included in the fiscal 2022 MHEC Student Financial Assistance analysis (2021 legislative session) as it was submitted roughly two months past the JCR required due date of December 15, 2020. MHEC was also required to submit an impact of the credit completion requirement for the 2021-2022 academic year in the 2021 JCR by December 15, 2021, but as of February 5, 2022, this response has not been received. The topic of late JCR submissions will be discussed further in the MHEC Administration operating analysis.

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 2023 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 nonloan 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 to require an applicant to 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 allow the scholarship to 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, Chapter 752 changed the GPA requirement to base 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.

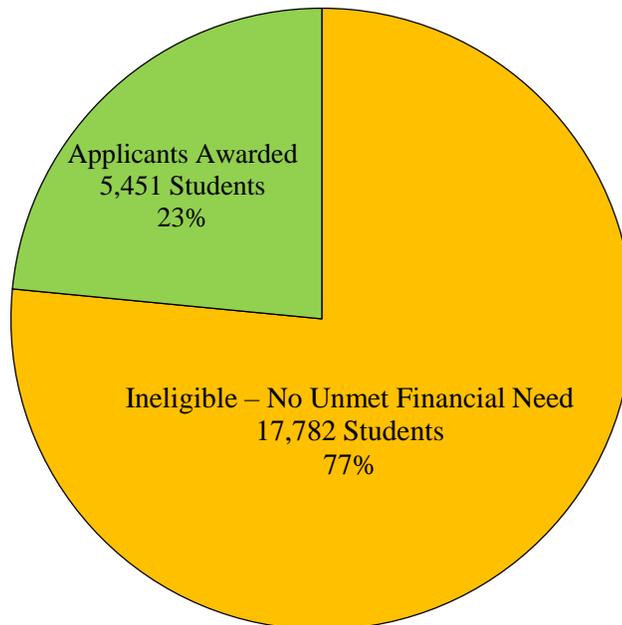
Chapter 200 of 2020 further altered eligibility requirements, including the GPA requirements and to allow students who graduated from high school or completed their GED longer than two years prior to be eligible. Additionally, Chapter 200 eliminated the service obligation for all recipients, including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

Promise Scholarship Utilization

Utilization of the Promise Scholarship was lackluster in its first year. In fiscal 2020, of the \$15.0 million that was appropriated, only \$3.1 million was needed to meet all 966 qualified applicants’ needs. As introduced, the fiscal 2021 budget provided \$15.0 million; however, this amount was reduced to \$11.5 million by the General Assembly, and the actions approved by Board of Public Works in July 2020 further reduced the funding to \$8.0 million. The total fiscal 2021 allocation of awards was \$6.3 million.

In fiscal 2022, through January 22, 2022, the number of applicants for the program totals 23,233, with 5,451 of those applicants having been awarded a Promise Scholarship, as shown in **Exhibit 16**. The remaining 77% of applicants were ineligible for a Promise Scholarship due to unmet financial need.

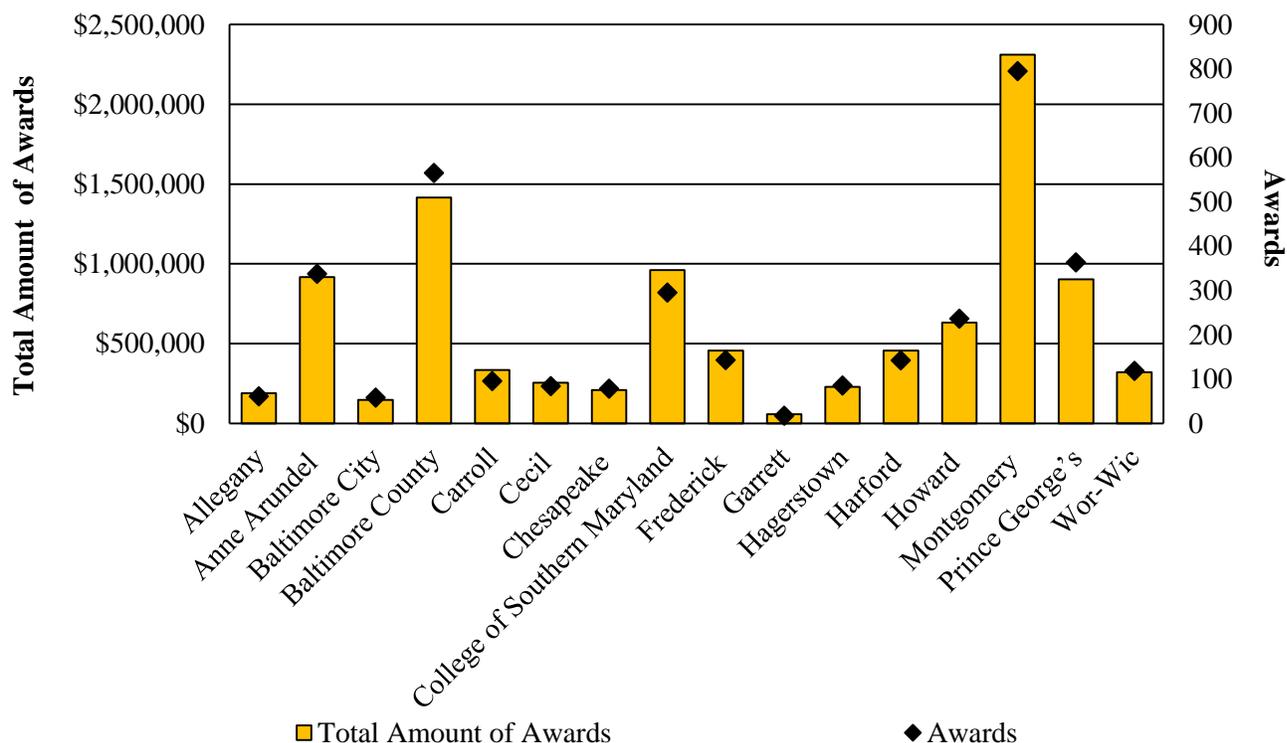
Exhibit 16
Outcomes of Promise Scholarship Applications
January 2022



Source: Maryland Higher Education Commission

As of January 22, 2022, a total of 3,472 awards have been made and accepted totaling \$9.8 million. **Exhibit 17** shows the distribution of the awards and total award amount by community college. Montgomery College students have received the most awards, with 795 students receiving an award. Only 17 awards were made at Garrett Community College, but this institution offers a local Promise program.

Exhibit 17
Number and Total Promise Scholarship Amounts
January 2022



Note: The annual number of awards made and accepted in fiscal 2022 may decline after the institutions complete the certification process. A Promise award is not final until it has been certified and payment requested by the institution.

Source: Maryland Higher Education Commission

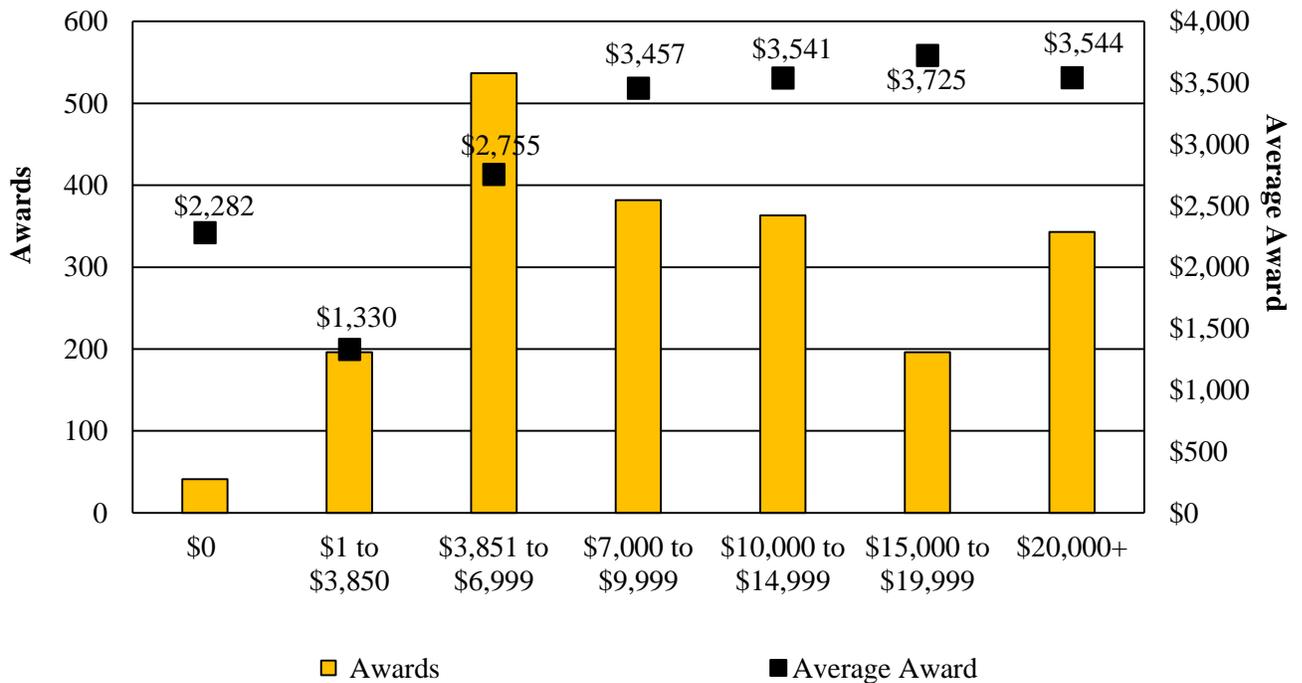
In fiscal 2022, program funding totals \$15.0 million. MHEC has indicated that the projected net expenditure based on the current number of awards made is approximately \$10.0 million, slightly higher than the amount already awarded. It should be noted that any unused Promise funds would roll into the NBSFAF, where those funds could be allocated to other financial aid programs. **The Secretary should comment on the reasons why the Promise program has not been able to expend the full amount allocated for the program in any award year to date and actions that could be taken to spur interest in the program.**

The Secretary should also comment on the declining number of community college students in the State despite financial aid programs such as the Maryland Community College Promise Scholarship that are designed to make the financial obligation required to attend a higher education institution, particularly community colleges, as financially manageable as possible for the student.

Distribution Of Funding by EFC

Exhibit 18 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 nonloan 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 16.7% of the awards, while 26.1% of the awards went to those with an EFC between \$3,851 and \$6,999.

Exhibit 18
Promise Scholarship by Expected Family Contribution
Fiscal 2021



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 to support students in high-poverty school systems to enable these students who meet certain criteria to participate in this college preparation program and to prequalify for a GA grant. Eligible students in grades 7 through 10 who meet income eligibility requirements specified in the law prequalify for a GA grant to be used when they enroll in college. The Maryland State Department of Education (MSDE), in collaboration with MHEC and other stakeholders, is responsible for administering the program. Nonprofit organizations apply to MSDE for grants to provide counseling and support services to students participating in the program. The program has been funded at approximately \$5 million annually since fiscal 2018; Chapter 578 of 2021 permanently mandates annual funding at \$5 million.

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.

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.

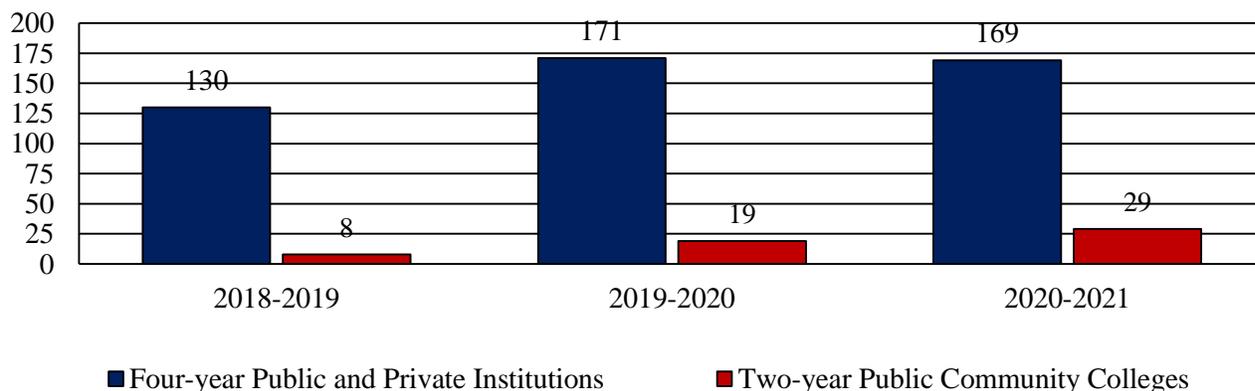
The 2020-2021 school year was the first year with a cohort of grade 12 students in the NGS program. A total of 4,087 NGS were served in eight counties through 13 nonprofit organizations. MSDE reported that 966 NGS graduated in 2021 from one of the eligible local school systems and, out of that number, 402 NGS were accepted at a college or university; a total of 175 applied for the GA grant of which 97 students were awarded and accepted the GA grant for this cycle. A total of \$1.2 million in GA funding was provided to NGS students for the 2021-2022 award cycle.

It should be noted that the intent of the program was that students would prequalify for a GA grant when they entered the program in grades 7 through 10 so long as certain statutorily required standards were met, so it is concerning that so few of the students that participated both applied and were ultimately awarded funding. **The Secretary should comment on how MHEC prequalifies students for the GA grant when they participate in the NGS program.**

4. Guaranteed Access Grant Cliff

Although students who meet the requirements for a GA grant are guaranteed funding, if a family’s income increases above the designated total, even if by only a dollar, the student may become ineligible to renew the GA award; this is known as the GA cliff. As shown in **Exhibit 19**, over the last three award years, 526 individuals who had been awarded a GA grant lost eligibility for the award due to their family income exceeding the designated cutoff level. The impact of the GA cliff has been most profound at the four-year institution level. However, the number of those impacted at the two-year community college level has steadily increased. Over the three-year period, 11.4% of GA awards were not renewed due to the GA cliff.

Exhibit 19
Individuals Who Lost a GA Grant due to the GA Cliff
Fiscal 2019-2021



Source: Maryland Higher Education Commission

R62I0010 – MHEC – Student Financial Assistance

FAAC of MHEC meets periodically to review and discuss student financial aid issues and make recommendations to MHEC for policy revision consideration. FAAC has been reviewing the GA cliff issue with the goal of assisting students impacted by the GA cliff since 2020 and has developed the following recommended actions to be presented to MHEC, many of which would require statutory changes:

- The continuation of a GA grant as long as the student’s EFC would qualify the student for the federal Pell Grant program (nine-month EFC between \$0 and \$5,846 in the 2021-2022 school year).
- If a student’s total family income increases above 150% of FPL, the student does not automatically lose eligibility for the GA grant; instead, the amount would be reduced on a sliding scale based on how far above the 150% poverty index point the family’s income has increased.
- A GA grant renewal student does not lose eligibility due to a temporary increase in family income. The student would need to document that the family income in the most recent year (the year following the year that is being used for income eligibility) has been reduced to a level that would qualify for the grant. If approved, the income overage would be deducted from the approved GA grant amount. This proposal would result in a dollar-for-dollar adjustment for income over the cutoff level and the GA grant award total.

FAAC recently received the estimated financial impact of these recommended actions on the EEA program and, in light of those findings, is further evaluating these proposals with the goal of making a recommendation for one, or all, of these proposed changes to the GA grant program to be brought forward to MHEC later in calendar 2022 for further statutory modification discussions. **The Secretary should comment on the persistence rates for those students who lost their GA award due to the GA cliff. The Secretary should also comment on how many of those students who lost their GA award, as a result of the GA cliff, were successful in receiving an EA award the following financial aid cycle, and the application process that a student must go through to receive the EA award after losing their GA award due to the GA cliff.**

Operating Budget Recommended Actions

1. Adopt the following narrative:

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 2021-2022 academic year and the 2022-2023 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	December 5, 2022

2. Adopt the following narrative:

Next Generation Scholars Postsecondary Outcomes: The 2020-2021 academic year was the first academic year with a cohort of grade 12 students in the Next Generation Scholars (NGS) program. The committees remain interested in determining how many NGS students met the eligibility requirements and later enrolled in a postsecondary institution. The report should identify the number of NGS seniors for the 2021-2022 academic year, the number of NGS seniors who successfully met all of the eligibility requirements, the number of eligible NGS seniors receiving a guaranteed access award, and the number of seniors who later enrolled in a postsecondary institution of higher education in either the summer 2022 session or the fall 2022 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	December 12, 2022

Appendix 1 2021 Joint Chairmen’s Report Responses from Agency

The 2021 JCR requested that MHEC Student Financial Assistance prepare five reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- **Report on MLARP for Foster Care Recipients:** MHEC was required to provide a report on how the MLARP for foster care recipients is advertised as well as number of applicants, awards, and reasons for applicants being ineligible. MHEC identified that this program is advertised on its website as well as text message alerts being provided to the 18,057 subscribers who request to receive updates on the MLARP for Foster Care Recipients Program. From the 2018-2019 through the 2020-2021 award years, seven individuals applied, and six were awarded. One applicant was ineligible as the individual was a recipient of another Loan Assistance Repayment Program offered by MHEC.
- **Report on the Workforce Shortage Student Assistance Grant (WSSAG) Program:** MHEC was required to provide a report on the characteristics of people who applied for WSSAG, the funding provided to identified workforce shortage fields, how grants are allocated, and additional datapoints. MHEC identified that recipients are selected in accordance with Code of Maryland Regulations on a merit and need-based criteria. The Workforce Shortage Advisory Council identifies the priority workforce shortage fields as well as fields that no longer qualify. The report noted that 327 awards were made in the 2020-2021 award year as well as the distribution of award by workforce service area and average award for that area. Demographic information was also provided that documented the higher education enrollment status, dependency status, sex, age, and income of recipients of the award for the 2020-2021 award year. Over 81% of awardees were female, and the plurality of awardees (22.7%) came from the \$100,000+ income bracket – more than doubling the next closest income brackets, which represented 11.3% of awardees (\$1 to \$9,999 and \$10,000 to \$19,999).
- **Quarterly Report on the Transition to SAI:** MHEC was required to provide quarterly reports on the transition of the State’s financial aid and loan system away from EFC to SAI, also identifying information on needed upgrades to MHEC’s computer system required for the changes to go into effect. To date, MHEC has provided one report that stated that it is currently unable to determine the impact on needed upgrades to the State’s financial aid management system as ED is still holding meetings and discussions concerning necessary changes. MHEC noted that the anticipated timeframe to transition to SAI is the 2024-2025 academic year. MHEC noted that, while quarterly reports are required, MHEC may not be able to determine the fiscal impact for MDCAPS in time for the May 1, 2022 report as ED may not provide an update prior to that report’s due date.
- **Report on Credit Completion Requirements and Financial Aid Awards:** MHEC was required to provide a report on how the credit completion requirements impacted students eligible for the EA grant, the GA grant, and the Campus-based Educational Assistance grant. This report

R62I0010 – MHEC – Student Financial Assistance

has not yet been submitted, and further discussion of credit completion requirements is included in in Issue 1 of this analysis.

- ***Report on the NGS Postsecondary Outcomes:*** MHEC was required to provide a report identifying the number of NGS for the 2020-2021 academic year, the number who successfully met eligibility requirements, the number of seniors who later enrolled into postsecondary institution of higher education, and the higher education segment in which the student enrolled. This report is discussed in Issue 3 of this analysis.

**Appendix 2
Audit Findings**

Audit Period for Last Audit:	November 5, 2015 – March 31, 2020
Issue Date:	June 2021
Number of Findings:	8
Number of Repeat Findings:	5
% of Repeat Findings:	62.5%

Career-Based Financial Aid

Finding 1: MHEC did not monitor service obligation compliance in a timely and comprehensive manner and consequently did not ensure that repayments were pursued when required.

Finding 2: Adjustments made to recipient accounts were not subject to independent review and approval, and MHEC did not ensure that repayments from recipients who did not meet their service obligation were recorded in its accounts receivable system.

MDCAPS

Finding 3: Sufficient controls were not established over the issuance and monitoring of user access to MDCAPS.

Finding 4: MHEC did not adequately restrict user access to the Service Obligation Loan Repayment module, resulting in employees with unnecessary access to process critical functions and others with the ability to process adjustments without independent review and approval.

Aid to Community Colleges

Finding 5: This finding pertains to Aid to Community Colleges. Further discussion of this audit finding can be found in the Aid to Community Colleges (R62I00.05) analysis.

Finding 6: This finding pertains to Aid to Community Colleges. Further discussion of this audit finding can be found in the Aid to Community Colleges (R62I00.05) analysis.

Information Systems Security and Control

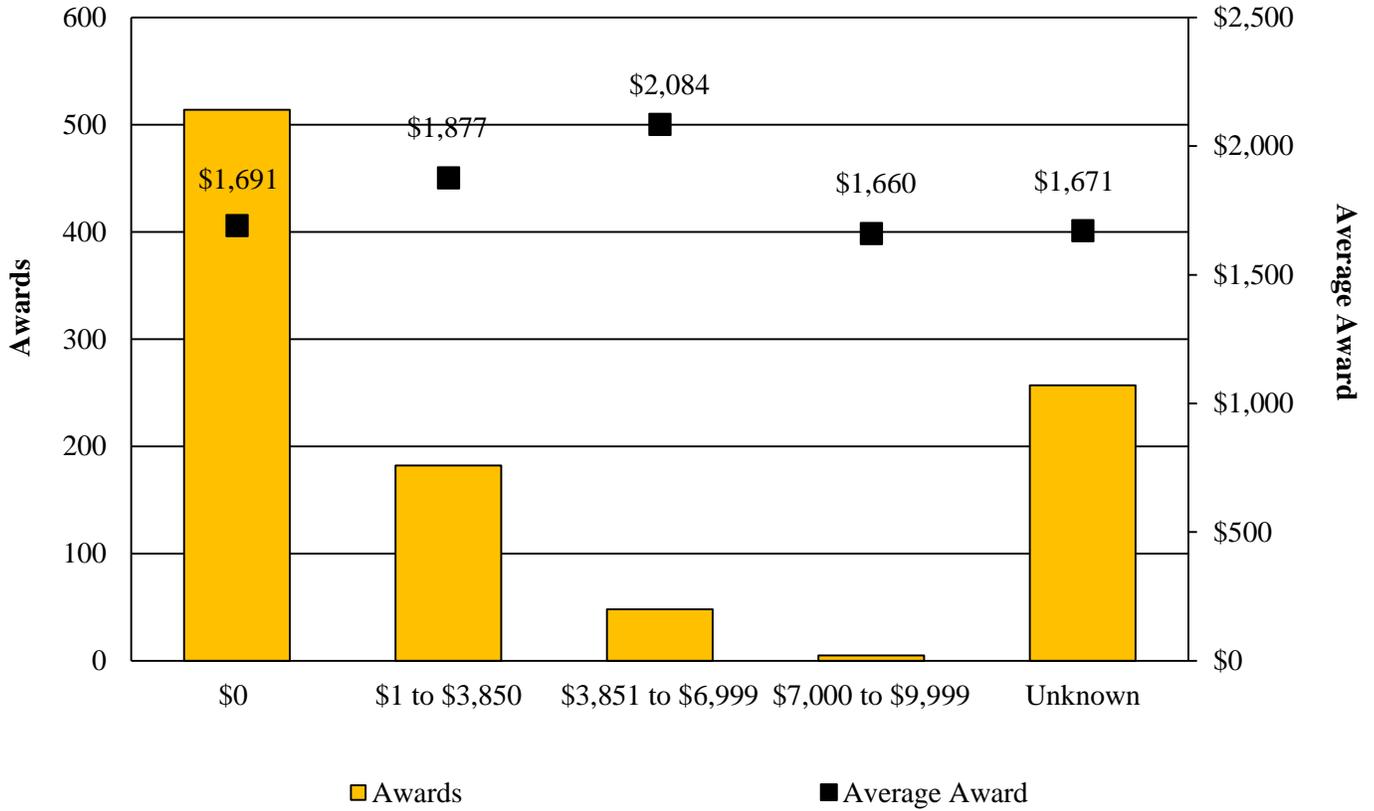
Finding 7: MHEC maintained sensitive personally identifiable information (PII) in a manner that did not provide adequate safeguards and lacked assurance that adequate security protections existed over PII on the vendor-hosted development servers.

Finding 8: MHEC did not use a web application firewall to provide security over MDCAPS, which is a critical public web-enabled system.

Note: Recommended Actions associated with these findings is discussed in the Maryland Higher Education Commission Administration (R62I00.01) analysis.

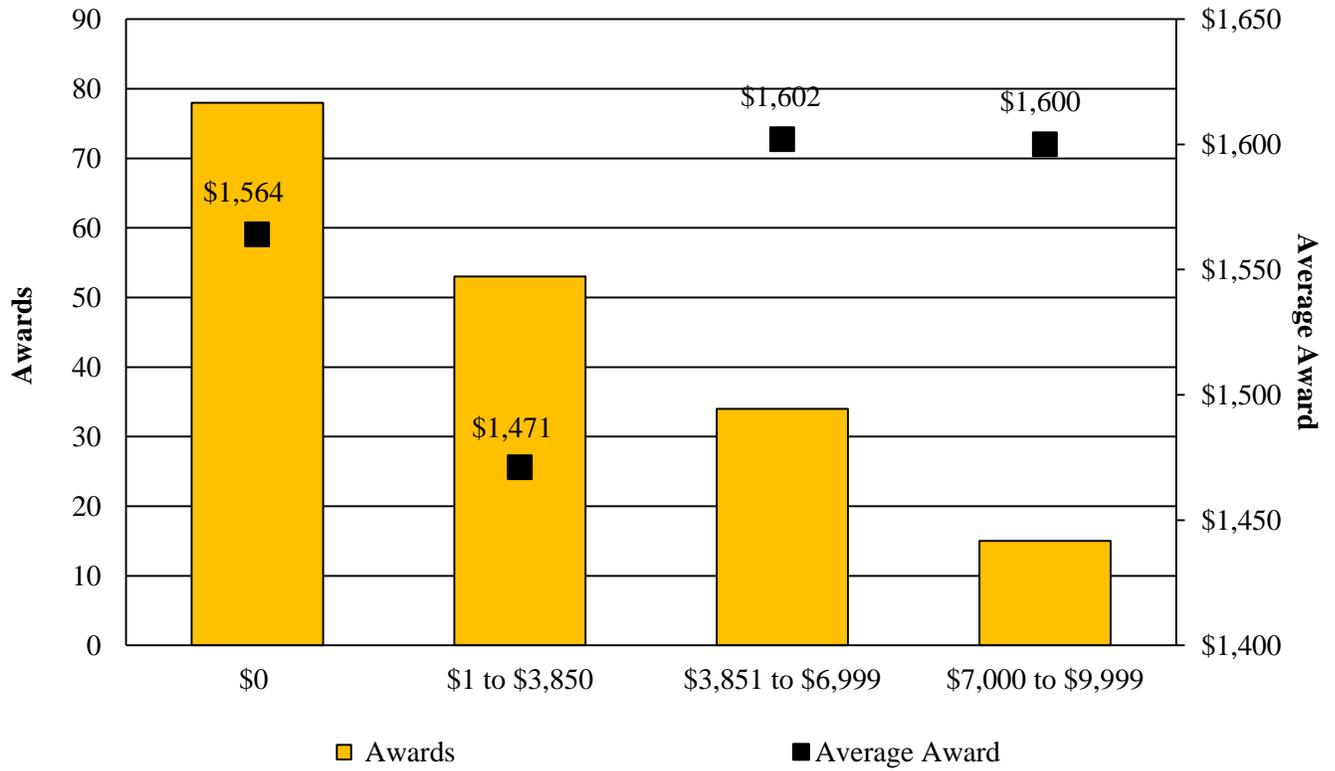
*Bold denotes item repeated in full or part from preceding audit report.

Appendix 3
Campus-based Educational Assistance Grants by Expected Family Contribution
Fiscal 2021



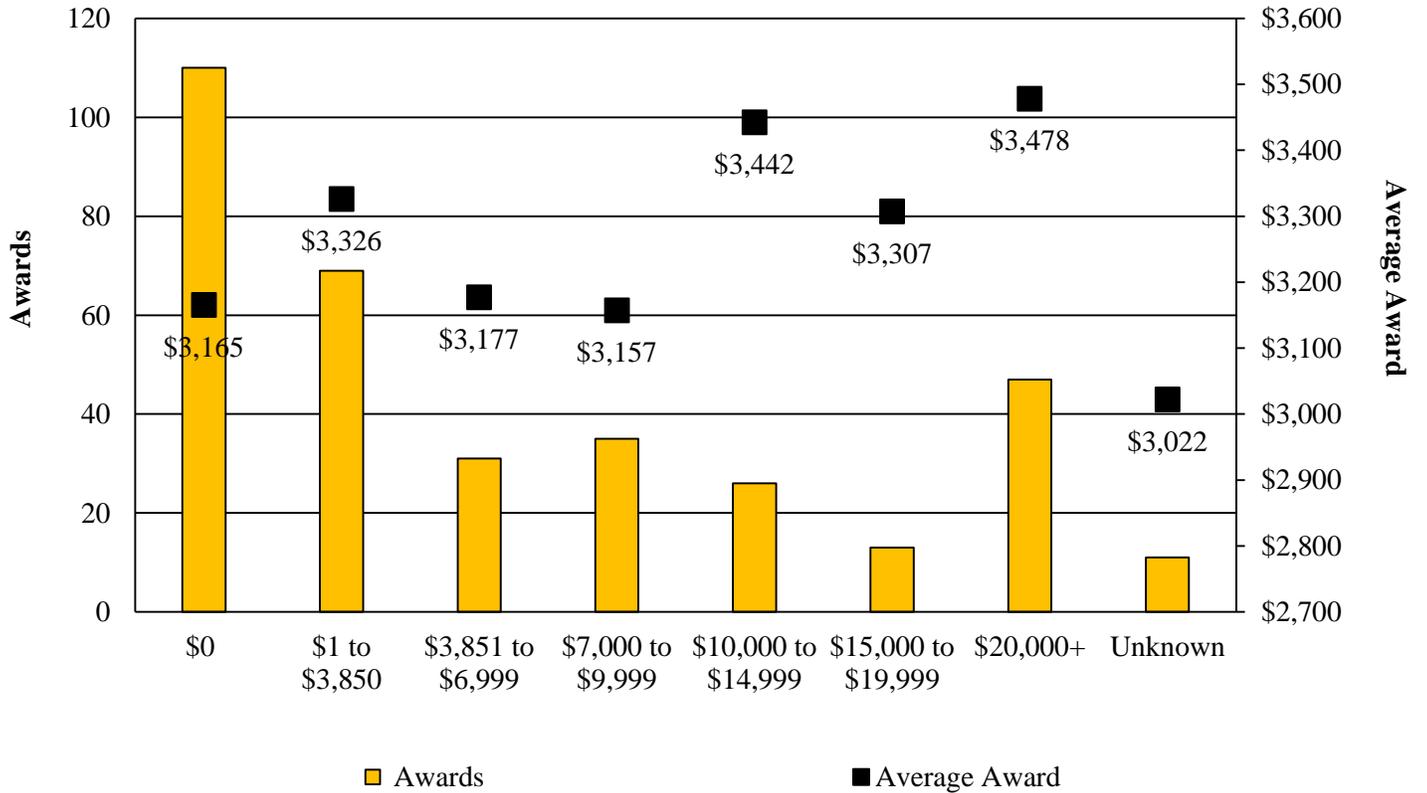
Source: Maryland Higher Education Commission

Appendix 4
2+2 Scholarship Awards by Expected Family Contribution
Fiscal 2021



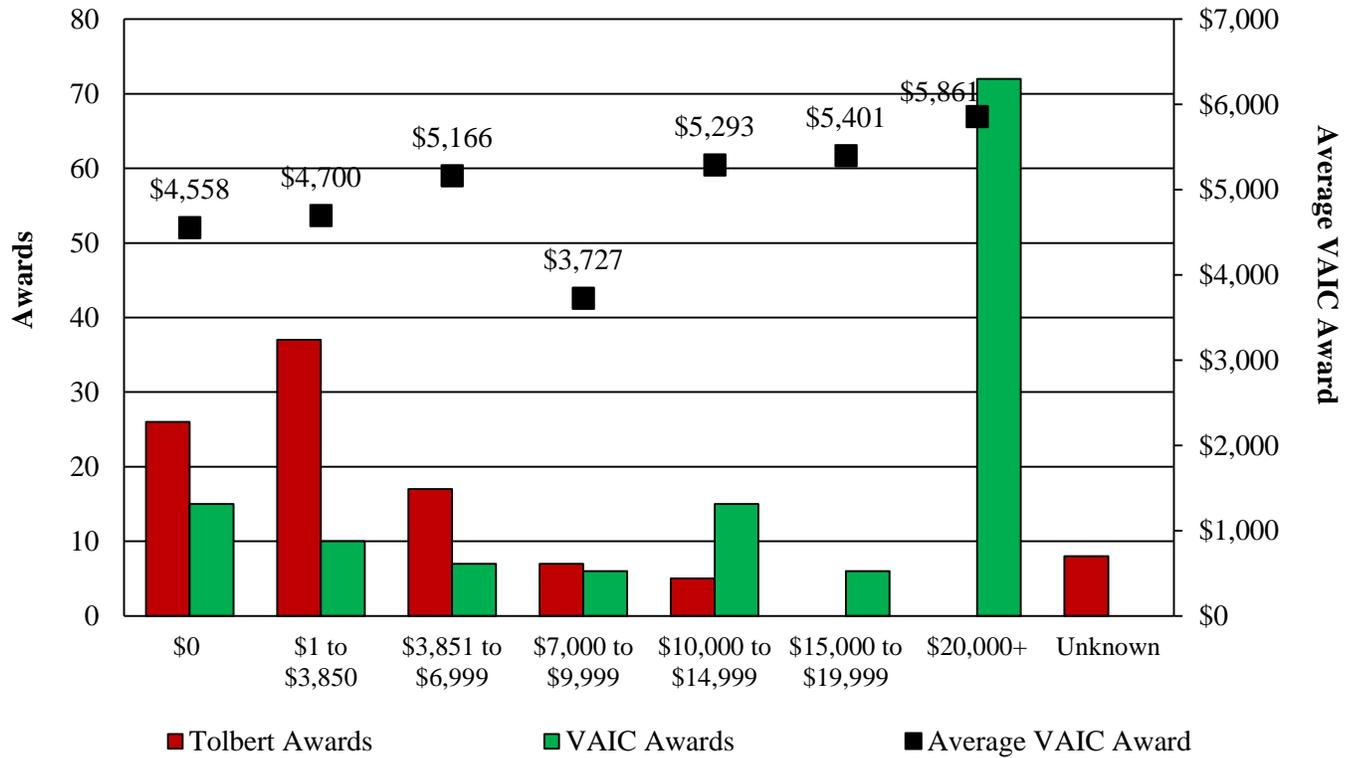
Source: Maryland Higher Education Commission

Appendix 5
Workforce Shortage Awards by Expected Family Contribution
Fiscal 2021



Source: Maryland Higher Education Commission

Appendix 6
Unique Populations Awards by Expected Family Contribution
Fiscal 2021

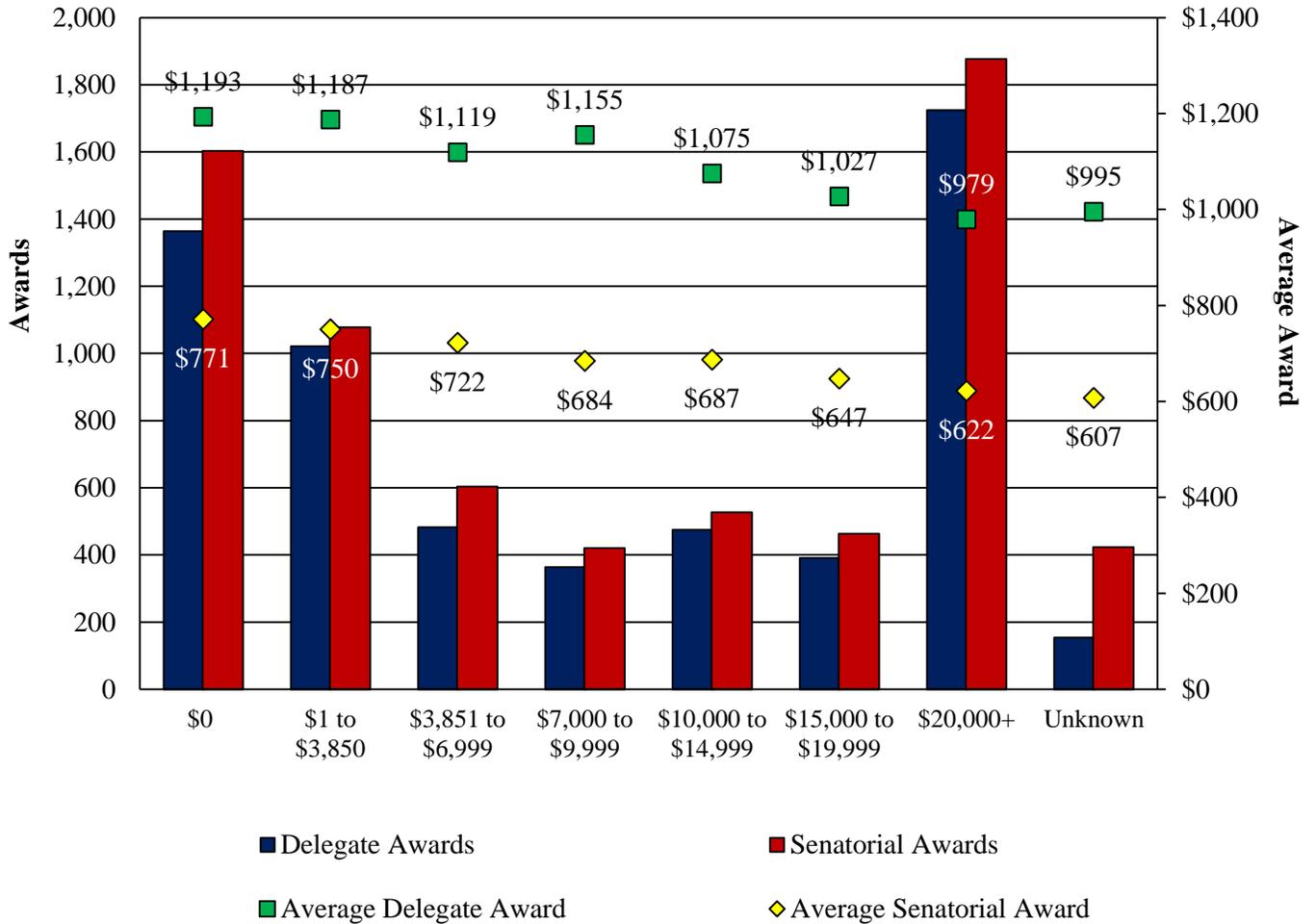


VAIC: Veterans of Afghanistan and Iraq Conflicts

Note: The average Tolbert Award is not shown and is \$500 across all expected family contribution Categories.

Source: Maryland Higher Education Commission

Appendix 7
Legislative Awards by Expected Family Contribution
Fiscal 2021



Source: Maryland Higher Education Commission

**Appendix 8
Object/Fund Difference Report
MHEC – Student Financial Assistance**

<u>Object/Fund</u>	<u>FY 21 Actual</u>	<u>FY 22 Working Appropriation</u>	<u>FY 23 Allowance</u>	<u>FY 22 - FY 23 Amount Change</u>	<u>Percent Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 119,854,697	\$ 134,154,498	\$ 167,742,484	\$ 33,587,986	25.0%
Total Objects	\$ 119,854,697	\$ 134,154,498	\$ 167,742,484	\$ 33,587,986	25.0%
Funds					
01 General Fund	\$ 116,222,873	\$ 128,431,498	\$ 159,019,484	\$ 30,587,986	23.8%
03 Special Fund	3,631,824	5,723,000	8,723,000	3,000,000	52.4%
Total Funds	\$ 119,854,697	\$ 134,154,498	\$ 167,742,484	\$ 33,587,986	25.0%

Note: The fiscal 2022 appropriation does not include deficiencies.

Appendix 9
Fiscal Summary
MHEC – Student Financial Assistance

<u>Program/Unit</u>	<u>FY 21</u> <u>Actual</u>	<u>FY 22</u> <u>Wrk Approp</u>	<u>FY 23</u> <u>Allowance</u>	<u>Change</u>	<u>FY 22 - FY 23</u> <u>% Change</u>
09 2+2 Transfer Scholarship Program	\$ 277,000	\$ 300,000	\$ 2,300,000	\$ 2,000,000	666.7%
10 Educational Excellence Awards	82,435,519	88,129,669	100,000,000	11,870,331	13.5%
12 Senatorial Scholarships	6,748,034	6,882,995	7,020,655	137,660	2.0%
14 Edward T. Conroy Memorial Scholarship	3,536,242	2,400,000	3,000,000	600,000	25.0%
15 Delegate Scholarships	6,862,478	6,999,728	7,139,723	139,995	2.0%
16 Riley Fire and EMS Tuition Reimbursement	358,000	358,000	358,000	0	0%
17 Graduate and Professional Scholarship Program	1,174,473	1,174,473	1,174,473	0	0%
21 Jack F. Tolbert Memorial Student Grant Program	200,000	200,000	200,000	0	0%
26 Hoffman Loan Assistance Repayment Program	1,370,000	1,370,000	1,370,000	0	0%
27 MLARP for Foster Care Recipients	2,777	100,000	100,000	0	0%
33 Part-Time Grant Program	5,087,780	5,087,780	5,087,780	0	0%
36 Workforce Shortage Student Assistance Grants	1,229,853	1,229,853	1,229,853	0	0%
37 Veterans of the Afghanistan and Iraq Conflicts	750,000	750,000	750,000	0	0%
44 Somerset Economic Impact Scholarship	1,759	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	108,000	160,000	1,000,000	840,000	525.0%
48 Maryland Community Colleges Promise	6,329,598	15,000,000	15,000,000	0	0%
49 Teaching Fellows for Maryland Scholarships	1,795,582	2,000,000	8,000,000	6,000,000	300.0%
51 Richard W. Collins Leadership with Honor	587,602	1,000,000	1,000,000	0	0%
52 MLARP for Police Officers	0	0	1,500,000	1,500,000	
53 Maryland Police Officers Scholarship Program	0	0	8,500,000	8,500,000	
54 MLARP for Nurses and Nursing Assistants	0	0	2,000,000	2,000,000	
Total Expenditures	\$ 119,854,697	\$ 134,154,498	\$ 167,742,484	\$ 33,587,986	25.0%
General Fund	\$ 116,222,873	\$ 128,431,498	\$ 159,019,484	\$ 30,587,986	23.8%
Special Fund	3,631,824	5,723,000	8,723,000	3,000,000	52.4%
Total Appropriations	\$ 119,854,697	\$ 134,154,498	\$ 167,742,484	\$ 33,587,986	25.0%

EMS: emergency medical services

Note: The fiscal 2022 appropriation does not include deficiencies.