

**R62I00.10**  
**Scholarship Programs**  
**Maryland Higher Education Commission**

***Operating Budget Data***

|                               | (\$ in Thousands)               |                                 |                                    |                                    |                                      |
|-------------------------------|---------------------------------|---------------------------------|------------------------------------|------------------------------------|--------------------------------------|
|                               | <u>Actual</u><br><u>FY 2002</u> | <u>Approp</u><br><u>FY 2003</u> | <u>Allowance</u><br><u>FY 2004</u> | <u>Change</u><br><u>FY 03 - 04</u> | <u>% Change</u><br><u>FY 03 - 04</u> |
| General Funds                 | \$79,789                        | \$80,360                        | \$78,119                           | -\$2,241                           | -2.8%                                |
| Fund Balance                  |                                 | 2,000                           | 541                                | -1,459                             | -73%                                 |
| FY 2003 Cost Containment      | 0                               | -2,459                          | 0                                  | 2,459                              | -100.0%                              |
| <b>Adjusted General Funds</b> | <b>\$79,789</b>                 | <b>\$79,901</b>                 | <b>\$78,660</b>                    | <b>-\$1,241</b>                    | <b>-1.5%</b>                         |
| Special Funds                 | 1,379                           | 2,191                           | 2,191                              | 0                                  | 0.0%                                 |
| Federal Funds                 | 712                             | 712                             | 712                                | 0                                  | 0.0%                                 |
| <b>Adjusted Grand Total</b>   | <b>\$81,880</b>                 | <b>\$82,804</b>                 | <b>\$81,563</b>                    | <b>-\$1,241</b>                    | <b>-1.5%</b>                         |

- HOPE Scholarships increase \$1.1 million, or 5.7% from fiscal 2003 funding; however, after accounting for available fund balance, HOPE Scholarships actually decrease 2%.
- Delegate Scholarships increase 6%.
- The Part-time Grant Program, a need-based scholarship fund, decreased 25%, and the Loan Assistance Repayment Program, a service-commitment/workforce shortage program, decreased 22%.

Note: Numbers may not sum to total due to rounding.

For further information contact: Jessica Jordan

Phone: (410) 946-5530

## ***Analysis in Brief***

---

### **Issues**

***HOPE Scholarship Funds Remain High at the Expense of Need-based Aid:*** Since HOPE scholarships began in 1999, workforce shortage/commitment-based aid has increased 991%. During this same time period, need-based aid has grown only 24%. The fiscal 2004 allowance for HOPE is a 5.7% increase from the 2003 working appropriation, while need-based aid is flat-funded, continuing the trend of emphasis on workforce shortage scholarship programs.

***Students Struggle to Keep HOPE Scholarships:*** Because HOPE scholarship recipients must maintain a minimum grade point average, almost one-third of recipients each year lose their scholarships by not meeting the required 3.0.

### **Recommended Actions**

|   | <u><b>Funds</b></u> |
|---|---------------------|
| 1. Add budget bill language to transfer funds from HOPE Scholarships to need-based aid. |                     |
| 2. Reduce HOPE funds.   | \$765,624           |
| <b>Total Reductions</b>   | <b>\$765,624</b>    |

### **Updates**

***The Maryland Higher Education Commission Ready to Begin Pilot Program of New Financial Aid Data Collection Methods:*** As designated in the 2002 *Joint Chairmen's Report*, the Maryland Higher Education Commission convened a work group to prepare a framework for financial aid data collection; the report of this work group was submitted on December 1, 2002. This framework will be used to study ways of improving financial aid for low- and moderate-income students while tracking shortfalls in scholarship programs. A representative group of schools has volunteered to participate in the pilot program beginning in 2003.

## ***Operating Budget Analysis***

---

### **Program Description**

One of the Maryland Higher Education Commission's (MHEC) main functions is the administration of the 24 different scholarship programs. Administration of these programs includes publicizing the availability of awards, accepting and processing applications, and verifying initial and continued eligibility. Since many of the scholarship programs have a post-graduate commitment, MHEC must also track completion of service commitments, process claims for deferments, and collect repayment from those who fail to meet scholarship program requirements.

The MHEC Scholarship programs fall into five categories: (1) need-based aid; (2) service commitment/workforce shortage based aid; (3) merit-based aid; (4) assistance for unique populations; and (5) legislative scholarships, as shown in **Exhibit 1**. These five categories were designated by an independent evaluation of Maryland's scholarship programs two years ago. Although many scholarship funds have criteria in two or more of these categories, each scholarship is grouped according to its most outstanding requirement. Since some of these programs are very small, not all of the 24 scholarships are funded each year.

This analysis includes those MHEC Scholarship Programs that provide the following:

- funds directly to institutions of higher education to cover qualified tuition expenses;
- funds directly to students as reimbursement for the payment of tuition and mandatory fees; and
- assistance for the repayment of student loans.

A separate analysis titled "Maryland Higher Education Commission" covers the personnel associated with administration of scholarship programs and other grant programs administered by the commission.

### **Fiscal 2003 Actions**

Governor Parris Glendening's cost containment reduced HOPE Scholarships by \$2.5 million. Language in the budget bill for fiscal 2002 and 2003 restricted \$2 million and \$1 million, respectively, of HOPE Scholarship dollars. These restrictions reflect the General Assembly's concern that the funding priorities in the State's scholarship programs are not consistent with the needs reflected in the "D" grade for affordability Maryland received in the *Measuring Up 2000* report produced by the National Center for Public Policy and Higher Education. (Since the JCR was published in April, Maryland's affordability grade has decreased to a "D-").

**Exhibit 1**

---

**Scholarship Programs**

**Need-based**

**Educational Excellence Awards**

Guaranteed Access Grants

Need-based 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 grade point average 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 35% of financial need for full-time undergraduates from low- to middle-income families. The maximum award amount authorized by statute is \$3,000.

**Part-time Grant**

Need-based grants provided to institutions to award to qualified part-time undergraduate students.

**Professional School Scholarships**

Need-based scholarships for those pursuing professional degrees at certain Maryland institutions of higher education.

**Merit-based**

**Distinguished Scholar Program**

Talent- or merit-based scholarship awarded to full-time undergraduates.

**Service Commitment/Workforce Shortage**

**HOPE Scholarships Program**

Science and Technology  
Scholarships

Merit-based scholarships for full-time students planning to pursue an undergraduate degree in selected fields of science and technology.

Teachers Scholarships

Merit-based scholarships for future teachers (enrolled or planning to enroll full-time).

Scholarship for Other Majors

Merit-based and need-based (\$95,000 annual family income cap) scholarships for full-time students planning to pursue undergraduate degrees in selected fields of study. Qualified applicants must be high school seniors.

Community College Transfer  
Scholarships

Merit-based and need-based (\$95,000 annual family income cap) scholarships for students enrolled in a Maryland community college who enroll full-time at a Maryland four-year institution.

### ***R62I00.10 - MHEC Scholarship Programs***

|   |   |
|---|---|
| <b>McAuliffe Memorial - Teacher</b>   | Merit-based scholarships for future teachers.   |
| <b>Distinguished Scholar - Teacher</b>  | For Distinguished Scholar recipients enrolled in a teacher education program.   |
| <b>Child Care Providers</b>   | Tuition assistance for those pursuing a degree in child development or early childhood development or enrolled in a program leading to a child development associate credential.  |
| <b>Developmental Disabilities and Mental Health Worker Tuition Assistance</b> | Tuition assistance for direct service workers pursuing a human services degree or for students pursuing a human services degree.  |
| <b>MD State Nursing Scholarships</b>  | Merit-based scholarship for those pursuing a nursing degree or diploma.   |
| <b>Physical and Occupational Therapy Tuition Assistance</b>                   | Tuition assistance for those seeking licensure as a physical therapist, physical therapy assistant, occupational therapist, or occupational therapy assistant.  |
| <b>Tuition Reimbursement of Fire, Ambulance, and Rescue Squad Workers</b>     | Tuition reimbursement for fire, ambulance, and rescue squad workers pursuing a degree in fire services or emergency medical technology.   |
| <b>Hoffman Loan Assistance Repayment Program</b>                              |   |
| Employees of Government and Nonprofit Sector                                  | Need-based loan repayment assistance for graduates of an institution of higher education in Maryland who work full-time for the government or the nonprofit sector in a priority field as determined by the commission. |
| Primary Care Physicians   | Loan repayment assistance for those who currently serve or who pledge to serve as primary care physicians.  |
| Maryland Dent-Care  | Loan repayment assistance designed to increase access to oral health services for Maryland Medical Assistance Program recipients.   |
| <b>Assistance for Unique Populations</b>                                      |   |
| <b>Jack F. Tolbert Memorial</b>   | Provides grants to private career schools to award to full-time students based on financial need.   |
| <b>Edward T. Conroy Memorial</b>  | Scholarships for children of certain veterans or certain public safety personnel.   |

## *R62I00.10 - MHEC Scholarship Programs*

### **Legislative Scholarships**

#### **Senatorial Scholarships**

Senators select recipients from within their legislative district. Students may be pursuing undergraduate, graduate, or professional degrees.

#### **Delegate Scholarships**

Delegates select recipients pursuing undergraduate, graduate, or professional degrees.

Source: Department of Legislative Services

---

In order for the restricted funds to be used for need-based aid, MHEC must submit a budget amendment transferring the money from HOPE. Due to a disagreement on scholarship priorities, these amendments have not been processed, and the \$3 million remains unused. \$2.5 million of these funds were used for cost containment. Therefore, cost containment has not had an added negative effect on the number of students receiving aid.

### **Governor's Proposed Budget**

As shown in **Exhibit 2**, the fiscal 2004 allowance for the State's financial aid programs is \$81.5 million, or a 1.5% decrease from the revised fiscal 2003 working appropriation. All of the increase comes from general funds; special and federal funds remain unchanged. The largest decrease is a 25% decrease in Part-time Grant Program funds; the remainder of need-based aid is flat-funded. HOPE Scholarships increase 5.7% from the 2003 working appropriation. The only other increase to any of the scholarship programs is a 6% increase in Delegate Scholarships.

#### **Carry Forward**

When the scholarship funding for fiscal 2003 and 2004 is further adjusted for the availability of dollars carried forward from prior years and restrictions on fiscal 2003 funding, the overall funding picture changes (**Exhibit 3**). As discussed in the cost containment section, \$1 million of the HOPE Scholarships appropriation for 2003 was earmarked by the General Assembly for need-based aid. As shown in Exhibit 3, \$500,000 of these funds were taken with the cost containment, leaving a \$500,000 'fund balance' in the HOPE Scholarship fiscal 2003 working appropriation. In order for this money to be spent, a budget amendment must be approved allowing the transfer of the \$500,000 to need-based aid. To date, a budget amendment has not transferred these funds, and they cannot be spent on HOPE Scholarships. This \$500,000 is included as a part of HOPE Scholarships in Exhibits 1 and 2, but since it cannot be spent as such, Exhibit 3 shows the actual changes in the budget by removing the \$500,000 from HOPE and the overall working appropriation. After removing the \$500,000, the total change in scholarship appropriations is -\$1.2 million, or a 2% decrease. HOPE Scholarship funds decrease \$373,000, or 2%.

*R62I00.10 - MHEC Scholarship Programs*

**Exhibit 2**

**Governor's Proposed Budget  
MHEC Scholarship Programs  
(\$ in Thousands)**

|                               | <u>Actual</u><br><u>FY 2002</u> | <u>Approp</u><br><u>FY 2003</u> | <u>Allowance</u><br><u>FY 2004</u> | <u>Change</u><br><u>FY 03 - 04</u> | <u>% Change</u><br><u>FY 03 - 04</u> |
|-------------------------------|---------------------------------|---------------------------------|------------------------------------|------------------------------------|--------------------------------------|
| General Funds                 | \$79,789                        | \$80,360                        | \$78,119                           | -\$2,241                           | -2.8%                                |
| Fund Balance                  |                                 | 2,000                           | 541                                | -1,459                             | -73%                                 |
| FY 2003 Cost Containment      | 0                               | -2,459                          | 0                                  | 2,459                              | -100.0%                              |
| <b>Adjusted General Funds</b> | <b>\$79,789</b>                 | <b>\$79,901</b>                 | <b>\$78,660</b>                    | <b>-\$1,241</b>                    | <b>-1.5%</b>                         |
| Special Funds                 | 1,379                           | 2,191                           | 2,191                              | 0                                  | 0.0%                                 |
| Federal Funds                 | 712                             | 712                             | 712                                | 0                                  | 0.0%                                 |
| <b>Adjusted Grand Total</b>   | <b>\$81,880</b>                 | <b>\$82,804</b>                 | <b>\$81,563</b>                    | <b>-\$1,241</b>                    | <b>-1.5%</b>                         |

**Where It Goes:**

|  |                 |
|--|-----------------|
| HOPE Scholarships (2% decrease) .....                  | -\$373          |
| Loan Assistance Repayment Program (22% decrease) ..... | -589            |
| Part-time Grant Program (25% decrease) .....           | -450            |
| Delegate Scholarships Expansion (6% increase) .....    | 171             |
| <b>Total</b>   | <b>-\$1,241</b> |

Note: Numbers may not sum to total due to rounding.

**Exhibit 3**

---

**Fiscal 2003 Appropriation vs. Fiscal 2004 Allowance with Fund Balance**  
**(\$ in Thousands)**

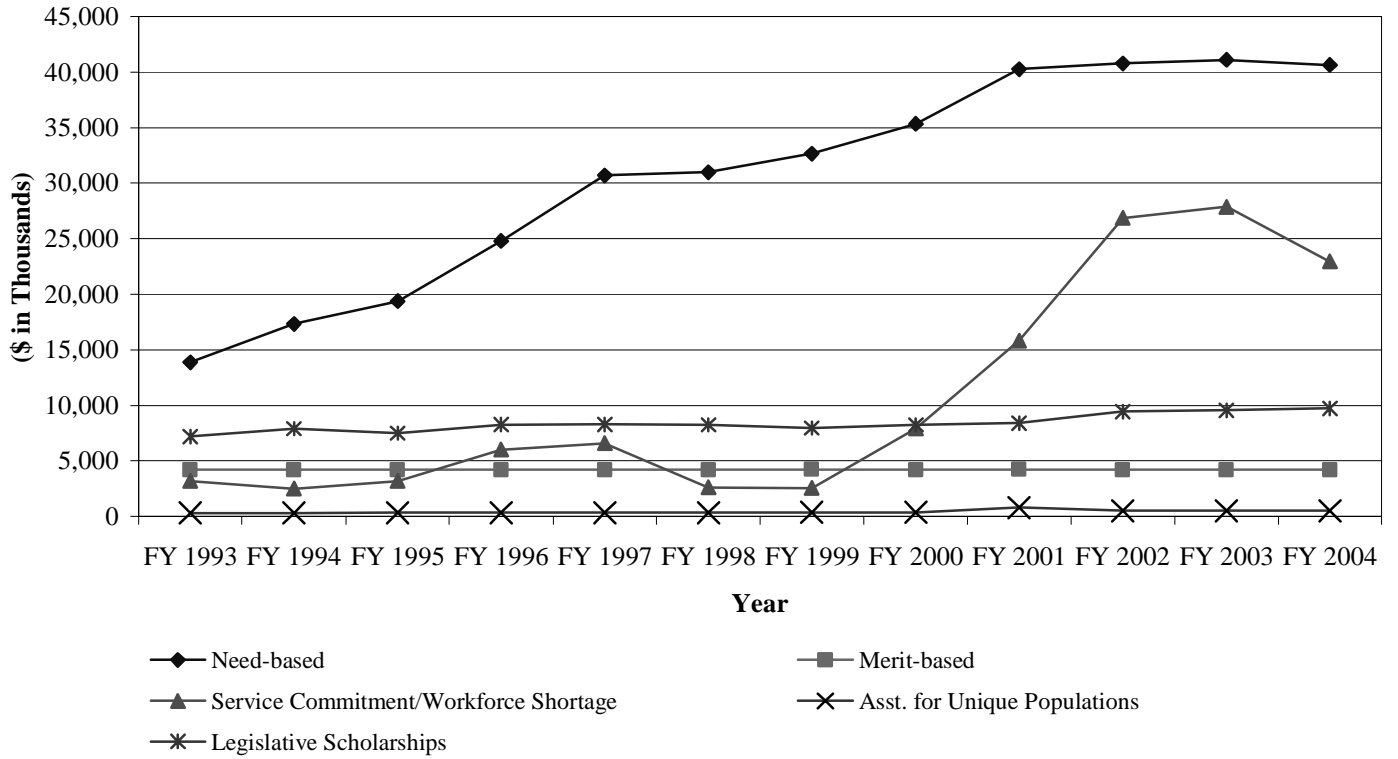
|                                      | <u>FY 2003</u>  | <u>FY 2004</u>  | <u>% Chg.</u> |
|--------------------------------------|-----------------|-----------------|---------------|
| Fund Balance                         | \$2,000         | \$541           | -27%          |
| Appropriation                        | 80,360          | 78,119          | 3%            |
| Cost Containment                     | -2,459          | 0               | -100%         |
| <b>Total</b>                         | <b>\$79,901</b> | <b>\$78,660</b> | <b>-2%</b>    |
| HOPE Scholarships                    | 20,360          | 19,987          | -2%           |
| Educational Excellence Awards        | 39,071          | 39,071          | 0%            |
| Other                                | 19,929          | 19,061          | -4%           |
| HOPE Funds Restricted for Need-based | 541             | 541             | 0%            |

---

Need-based aid makes up 50% of the Governor's allowance, as compared with 53% in fiscal 2003. Service commitment/workforce shortage aid decreased by less than 1% and still accounts for 29% of financial aid funding. **Exhibit 4** shows the funding trends in each of the five categories of scholarships from 1993 to 2004.

Exhibit 4

Scholarship Funding by Type of Aid  
Fiscal 1993 through 2004



Source: Governor's Budget Books, 1994-2003

## Scholarship Programs Continue to Have Wait Lists

Many programs currently have waiting lists, particularly the Educational Assistance Grants, which comprise one of two scholarship programs for undergraduate need-based aid. **Exhibit 5** shows the number of students waitlisted for the scholarship programs for the 2002-2003 academic year. Currently, there are nearly 3,000 eligible students waiting for need-based aid. The current cap for Educational Assistance Grants is \$2,700 per student per year.

### Exhibit 5

---

#### Program Wait Lists for 2002-2003 Academic Year

| <u>Program</u>                                | <u>On-time</u> | <u>Late</u> |
|---|----------------|-------------|
| Educational Excellence Awards                 |                |             |
| Educational Assistance Grant*                 | 2,966          |             |
| McAuliffe Memorial Teacher Scholarships       | 71             |             |
| HOPE Scholarships                             |                |             |
| HOPE Scholarship – General                    | 276            | 351         |
| HOPE Scholarship – Science and Technology     | 248            | 351         |
| HOPE Scholarship – Maryland Teacher           |                | 521         |
| HOPE Scholarship – Community College Transfer | 37             | 83          |
| Loan Assistance Repayment Program             | 147            |             |
| Nursing Scholarship                           | 228            | 27          |
| Developmental Disabilities                    | 14             | 88          |

\*Students that file the Free Application for Federal Student Aid (FAFSA) after the March 1 deadline are not put in the system unless funds are available for late awards.

Source: Maryland Higher Education Commission

---

## HOPE Scholarship Programs

The allowance contains \$20 million for the HOPE Scholarship Programs. This is a decrease of \$373,000 after cost containment, or -2% from fiscal 2003. The HOPE Scholarships Program is divided into four categories of critical workforce shortage areas: teaching, science and technology, other majors, and community college transfers. **Exhibit 6** shows the breakdown in HOPE funding for each of the four categories since the program began. Funding for teaching scholarships has increased the most, 716%, over five years. Science and technology scholarships are the second largest component of HOPE funding, while general majors and community college transfers make up only 7% of the 2004 allowance combined. **The Department of Legislative Services (DLS) recommends reducing HOPE funds by \$765,624 to provide funding for renewals in all categories of HOPE and new scholarships only for teachers. DLS also recommends that \$765,624 from the HOPE appropriation be transferred to need-based**

*R62I00.10 - MHEC Scholarship Programs*

**aid programs.**

## Exhibit 6

---

**Hope Scholarships by Type of Degree**  
 (\$ in Thousands)

| <b>Scholarship Programs</b>    | <b>FY 2000</b> | <b>FY 2001</b>  | <b>FY 2002</b>  | <b>FY 2003</b>  | <b>FY 2004</b>   | <b>% Change</b> |
|--------------------------------|----------------|-----------------|-----------------|-----------------|------------------|-----------------|
|                                | <b>Actuals</b> | <b>Actuals</b>  | <b>Actuals</b>  | <b>Working</b>  | <b>Allowance</b> | <b>FY 00-04</b> |
| General                        | -              | 426             | 1,003           | 1,139           | 1,065            | n/a             |
| Science and Technology         | 2,084          | 3,246           | 4,886           | 5,069           | 4,743            | 128%            |
| Teacher                        | 1,696          | 8,284           | 13,844          | 14,785          | 13,835           | 716%            |
| Community College Transfers    | -              | -               | 1,027           | 367             | 343              | n/a             |
| Available Fund Balance         | -              | -               | -               | 2,000           | 541              | n/a             |
| Cost Containment               | -              | -               | -               | -2,459          | -                | n/a             |
| <b>Total HOPE Scholarships</b> | <b>\$3,780</b> | <b>\$11,955</b> | <b>\$20,760</b> | <b>\$20,901</b> | <b>\$20,527</b>  | <b>443%</b>     |

Source: Maryland Higher Education Commission

---

### Legislative Scholarships

The Governor's budget includes \$9,757,426 for the Senatorial and Delegate Scholarship programs. This represents an increase of 6% over fiscal 2003; all of this increase is for Delegate Scholarships. This increase is roughly based on full-time tuition and mandatory fees for State residents at the University of Maryland, College Park (UMCP). Because tuition and fees are supposed to increase by 4% for the 2003-2004 academic years, the allowance reflects this increase. A portion of this \$9.8 million budget will likely fund other scholarship programs administered by MHEC because legislators can request to transfer their allocation or a portion of their allocation to the other scholarship programs. Historically, 10% of these funds have been transferred back to MHEC to support other programs.

In the 2002-2003 academic year, MHEC made awards for 9 senators and 13 delegates. These awards are made within each legislator's district using need-based awarding criteria. Award amounts are typically \$1,000 for a full-time and \$500 for a part-time student.

### Educational Excellence Awards

The Governor's proposed budget provides \$39 million for Education Excellence Awards, which is the same funding as the 2003 working appropriation. The cost of funding renewals for fiscal 2004 is estimated at \$28 million for approximately 16,700 awards. There are currently over 3,500 eligible students on the waiting list for the 2002-2003 academic year, and the maximum award amount is \$2,700. As long as need-based aid is flat funded the number of students waiting to receive aid will continue to grow, as will the disparity between the cost of tuition and mandatory fees and the amount of aid students receive.

## Performance Analysis: Managing for Results

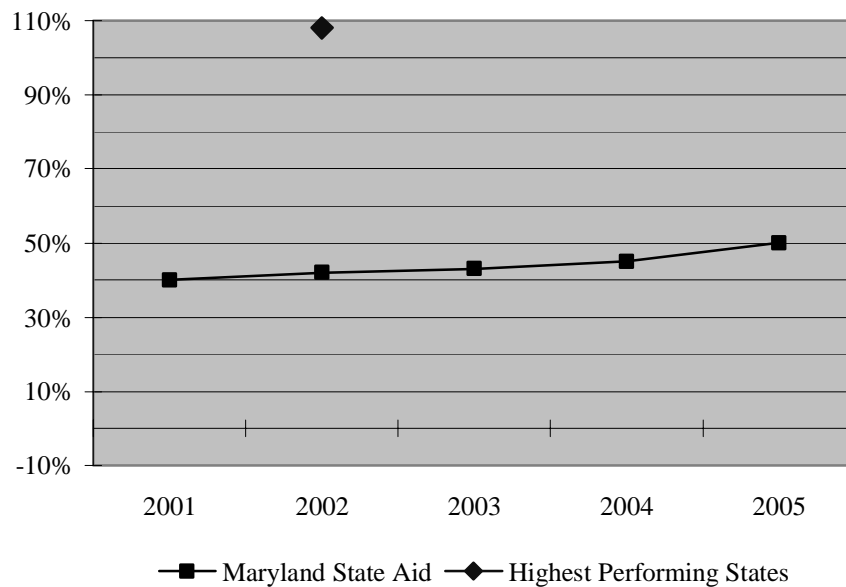
The primary focus of scholarships and grants is to increase affordability for students interested in obtaining a higher education degree. To this end, measuring the amount of help provided by programs specifically targeted at needy students is the most important aspect of scholarship program performance. There are several standard measures for judging how well need-based aid is assisting the target population.

One measure of the college-going rate of needy students is the “chance for college” rate for low-income students, which comes from the annual report produced by *Postsecondary Education Opportunity*; as of 2002 this report is no longer published. “Chance for college” represents the high school completion rate times the college participation rate. By using this outcome measure, the commission can begin to determine whether or not current State student aid activities are influencing the behavior of potential postsecondary students from low-income backgrounds. In Maryland this rate is currently at 33.5% with the goal of increasing it to 35% by 2005. **Since this report will not be published in future years, the Secretary should comment on how this measurement will be restructured.**

Another important indicator is state grant aid targeted to low-income families as a percentage of federal Pell Grant aid. Most states do not make large investments in need-based aid, and the goal for this indicator is 50% by fiscal 2005, 5% above the 2004 estimate. As indicated in the latest *Measuring Up 2002* report produced by the National Center for Public Policy and Higher Education, the top states provided 108% in 2002. **Exhibit 7** shows Maryland’s progress on this indicator since 2001.

### Exhibit 7

State Need-based Aid As a Percent of Federal Pell Grants



Source: Maryland Higher Education Commission; *Measuring Up 2002* Report

Maryland performs relatively well on the share of family income required, after financial aid, to attend the lowest priced public two-year colleges. The share of income required to attend the State’s public four-

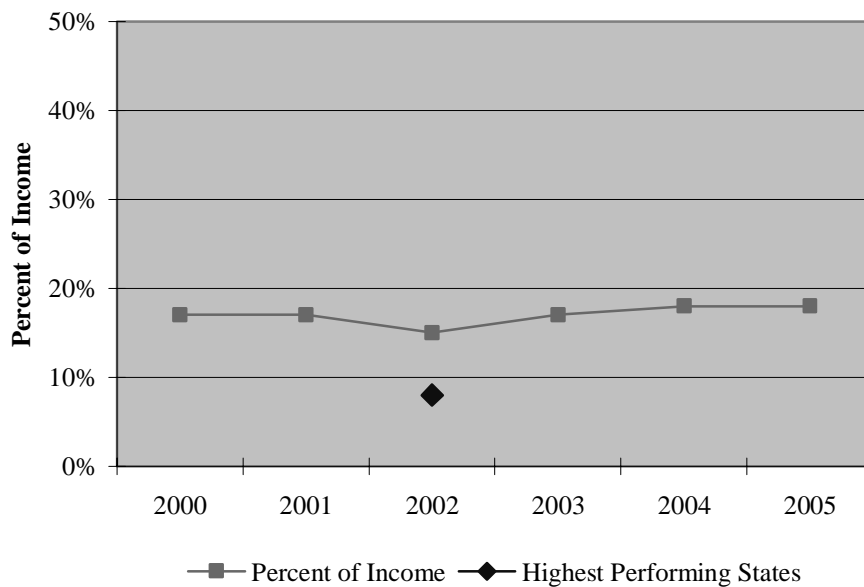
*R62I00.10 - MHEC Scholarship Programs*

year colleges and universities decreased from fiscal 2000 to 2002. Shown in **Exhibit 8**, the goal is for this percentage to be as low as possible, and Maryland did decrease from 17% to 15% from 2000 to 2002. However, it is estimated that this percentage will increase to 18 % in 2003. The poorest families in the top-performing states needed only 8% of their income to pay for a low-priced college.

**Exhibit 8**

---

**Share of Income Neediest Families Must Pay for Tuition at  
Lowest Priced Four-year Colleges**



Source: Maryland Higher Education Commission; *Measuring Up 2002 report*

---

Informing people that scholarships are available is a vital part of scholarship distribution. MHEC has worked at increasing their outreach efforts, particularly in high-need communities. Since 2001, the number of presentations to high-need communities has increased 300%, from 15 to 45. However, there are no indicators that measure whether or not these presentations are directly affecting applicants and if they are targeting possible applicants in time for application. **The Secretary should discuss these outreach efforts and how MHEC could measure their usefulness.**

Since an increased emphasis has been placed on service commitment/workforce shortage aid in the past four years, it is important to track whether or not this aid is allowing interested students to obtain and renew scholarships and graduate in a reasonable number of years. It is also important to determine if this aid is alleviating workforce shortages in the State.

Currently, MHEC only tracks the number of baccalaureate recipients in academic programs specifically identified with work shortage occupations. While this number is increasing, it does not measure how many of these students actually enter the workforce in critical need areas, nor does it measure how many

*R62I00.10 - MHEC Scholarship Programs*

students are following through with service commitments attached to their financial aid. These measures are highly important in gauging the success of HOPE and other workforce shortage aid programs. **The Secretary should comment on how these measures will be implemented as well as any preliminary measurements that would help determine the success of service commitment/workforce shortage aid programs.**

## Issues

---

### 1. HOPE Scholarship Funds Remain High at the Expense of Need-based Aid

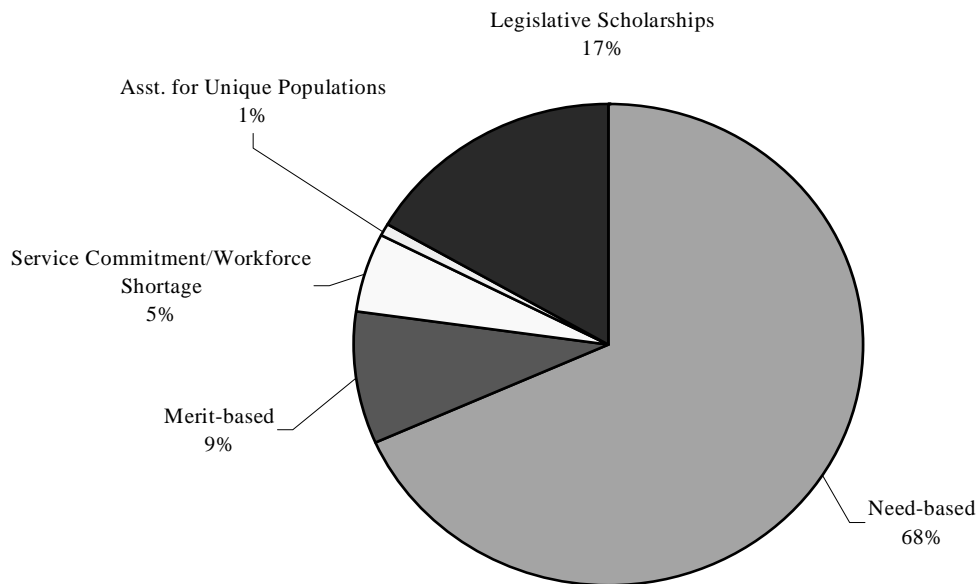
With the creation of the HOPE scholarship program in 1999, funding for financial aid began to grow rapidly, with the largest increases in workforce shortage/commitment-based aid, of which HOPE scholarships make up the largest program.

From 1993 to 2003 workforce shortage/commitment based aid received a 991% funding increase, while strictly need-based aid received only a 26% increase. The proportion of need-based aid as a percent of the total financial aid budget continues to shrink in fiscal 2004. The graphs in **Exhibit 9** break down financial aid funding into the five major categories and depict each as a percent of the total funding for both 1999 and 2003.

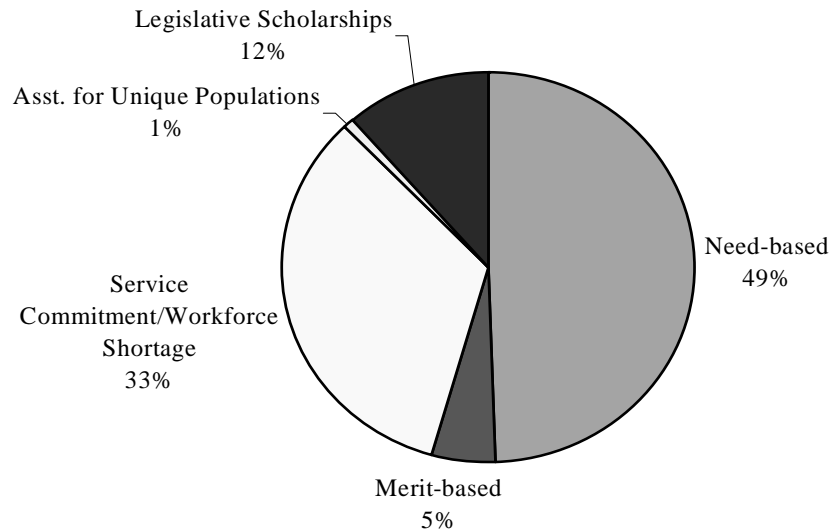
### Exhibit 9

---

**Scholarship Funding by Type of Aid  
Fiscal 1999**



### Scholarship Funding by Type of Aid Fiscal 2003



Source: Governor's 2003 and 2004 Budget Books

---

Since 2001 need-based aid has leveled off and actually declines in 2004 although it still accounts for 53% of the budget. During this same time period, the cost of tuition and mandatory fees continues to rise – 14% at UMCP since 1999 and may increase more than the 4.9% currently planned for the 2004 academic year.

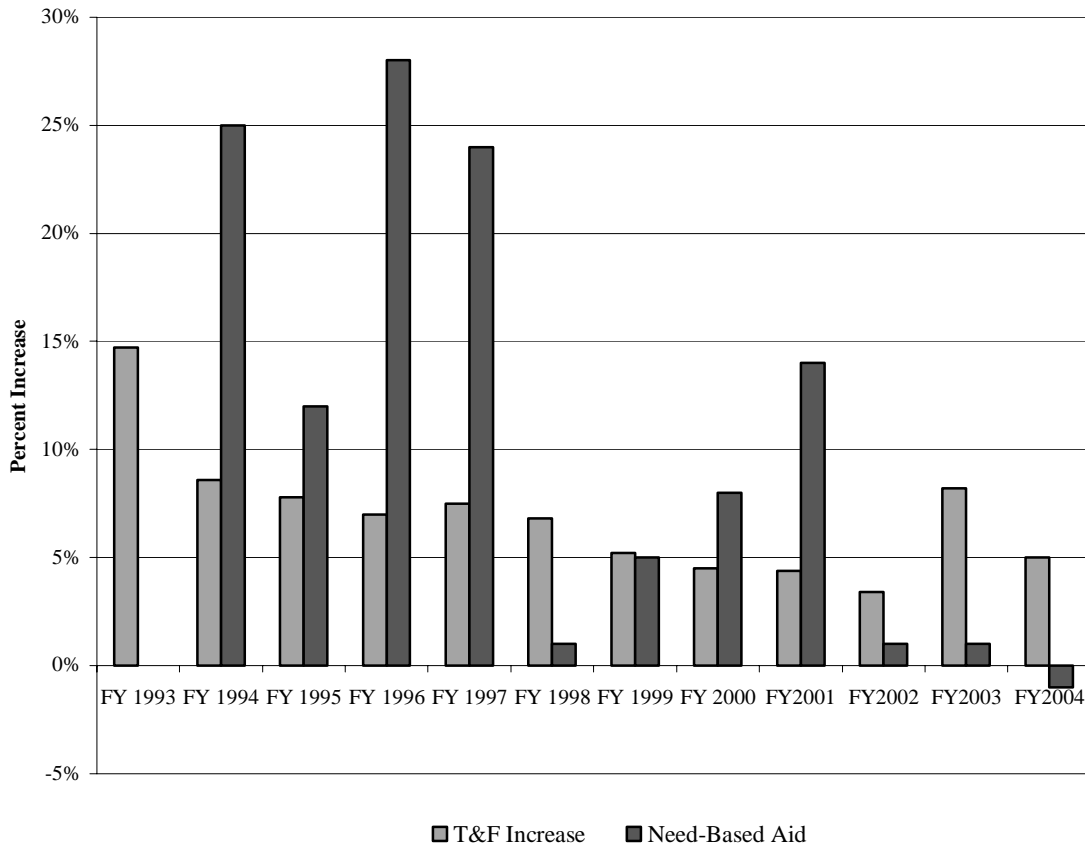
Currently, need-based aid is not keeping pace with tuition and fee increases at Maryland schools, as shown in **Exhibit 10**. The 2004 allowance is the first year in over ten years that need-based aid will decrease. Furthermore, Educational Assistance awards, the largest need-based aid program for undergraduates, are capped at \$2,700 per student per year. As tuition and fees rise, the amount of the cost of education these awards cover will continue to decrease unless the cap is lifted or changed. Almost 3,000 eligible students are waiting for need-based aid this year, and tuition is expected to rise again this spring. A decrease in the 2004 allowance will make the waiting list even longer for the 2003-2004 academic year. **The Secretary should brief the committees on the need that is met by need-based aid, and the effects rising tuition and fees will have on recipients' ability to pay for college.**

## 2. Students Struggle to Keep HOPE Scholarships

HOPE scholarships are for students seeking degrees in fields of work that will help alleviate workforce shortages in the State. For each year of financial aid the student agrees to work for one year in

**Exhibit 10**

**Percent Increase of Tuition and Fees Compared to  
Percent Increase in Need-based Aid  
Fiscal 1993 through 2004**



Source: Maryland Higher Education Commission

that field in Maryland. If a student fails to fulfill the work requirements, the loan must be paid back plus interest. In the two largest HOPE programs, Science and Technology and Teacher Scholarships, there is no income eligibility requirement. Students must have a family income of less than \$95,000 to be eligible for the HOPE general or community college transfer scholarships.

All HOPE scholarship recipients must have and maintain a 3.0 grade point average on a 4.0 scale. Maintaining a “B” average has proven difficult for some students. About 861 students, or 20% of recipients, lost the scholarship this year after failing to maintain a “B” average. Students receiving the Science and Technology scholarship had the most difficulty, with about one-third of recipients losing their award this year. Twenty-seven percent of community college transfers lost their awards, as did 25% of HOPE recipients in other majors. Only 11% of teacher scholarships recipients lost their awards. **The Secretary should discuss the demand for HOPE scholarships and the success to date of students completing their work requirements.**

## ***Recommended Actions***

---

1. Add the following language to the general fund appropriation:

. provided that \$765,624 of this appropriation made available to the HOPE Scholarships Program may only be expended for need-based scholarship awards within the MHEC Scholarship Programs. Further provided that these funds may not be transferred by budget amendment or otherwise, to any other purpose.

**Explanation:** This language expresses the need to prioritize the State's need-based financial aid programs. Even with this restriction, HOPE Scholarship programs still account for 24% of the Governor's fiscal 2004 allowance. Need-based aid was reduced 1% in fiscal 2004; this restriction will increase the 2004 need-based aid allowance 1.8%.

|   | <b><u>Amount<br/>Reduction</u></b> |
|---|------------------------------------|
| 2. Reduce general funds for new HOPE Science and Technology, Community College Transfers, and General Majors awards. The remaining appropriation is for renewal awards in all categories of HOPE Scholarships as well as new awards for Teacher Scholarships. | \$765,624 GF                       |
| <b>Total General Fund Reductions</b>  | <b>\$765,624</b>                   |

## *Updates*

---

### **1. The Maryland Higher Education Commission Ready to Begin Pilot Program of New Financial Aid Data Collection Methods**

As tuition prices increase, college access for moderate- and low-income students has become an area of concern in Maryland. An independent study of Maryland's financial aid programs by the American Institute of Research and the Maryland-based Task force to study College Readiness for Disadvantaged and Capable Students both found MHEC's data collection methods to be insufficient in determining whether the needs of low-income students were being adequately met by Maryland's current financial aid system.

The 2002 *Joint Chairmen's Report* directed the institutions to work in cooperation with MHEC to develop a student unit record system to collect the necessary student data and to establish a multi-year timeline for data collection and research. MHEC convened a workgroup of individuals from the University System of Maryland, Morgan State University, St. Mary's College of Maryland, the independent colleges and universities, the community colleges, the Department of Budget and Management, and DLS. During the past half-year this group met regularly, examining the current data collection systems, establishing research goals, determining the missing data elements, and producing a proposal for a pilot program.

To properly assess the efficacy of financial aid programs, three major data collection systems are required on a unit (i.e., student) basis: enrollment, graduation, and financial aid. Unit data is currently available on enrollment and graduation, but financial aid data has historically been collected only in the aggregate. The Enrollment Information System (EIS) and the Degree Information System (DIS) provide a record on each student enrolled at a public higher educational institution and provide a record on every student's formal awards conferred. Academic performance information is also available for each student, except the student's grade point average, which is important in measuring student success.

The workgroup concluded that comprehensive data on financial aid recipients combined with ongoing enrollment and graduation data from all of the higher education institutions would provide information on program effectiveness, type of students assisted, and their success. The new system includes a variety of financial aid variables at the student level:

- financial aid application;
- student enrollment status;
- family size;
- dependency status;
- expected family contribution;
- cost of attendance;

### ***R62I00.10 - MHEC Scholarship Programs***

- type and amount of financial aid award;
- parental income; and
- student income.

Collection of these data in addition to the EIS and DIS information currently available will help MHEC accomplish the following objectives:

- identify the student, family, and institutional characteristics related to the receipt of different types of financial aid;
- identify the resources that students and their families use to pay for college;
- analyze the distribution of financial aid to students attending all of Maryland's higher education institutions;
- examine the extent to which grants and scholarships cover the amount of money needed to pay college costs after factoring in family contribution, especially among low- and moderate-income students;
- assess the post-graduation activities of financial aid recipients, particularly those participating in financial aid programs with service obligations; and
- assess the degree to which Maryland's financial aid programs achieve their established outcomes.

### **Proposed Time Frame for Implementation and Pilot Program**

Over the next year, MHEC will work with the following pilot institutions to implement this new student-based financial aid information system. Institutions involved in this pilot program will report information on financial aid distributed during the July 1, 2002, to June 30, 2003, academic year to MHEC beginning in the fall of 2003. The pilot institutions include: Montgomery Community College; Prince George's Community College; Carroll Community College; the University of Maryland, College Park; the University of Maryland, Baltimore; Morgan State University; and St. Mary's College of Maryland.

The Maryland Independent College and University Association has also indicated their support for the project. However, these institutions do not currently submit enrollment and graduation data to MHEC; the development of these data reporting systems will be more challenging for them.

The timetable for implementation is presented below:

#### ***Year 1 (Summer 2002 to October 2003):***

- Work with institutions to develop financial aid information system.
- Research post-graduation activities of specific State financial aid recipients, particularly those receiving scholarships with service obligations.

### ***R62I00.10 - MHEC Scholarship Programs***

- Work collaboratively with “pilot” program participants to develop and implement the student record data collection for fall 2003.
- Establish an editing process that will identify inaccurate or questionable data.

#### ***Year 2 (October 2003 to October 2004):***

- Implement the “pilot” financial aid data collection process.
- Identify a “core” set of data and information that MHEC will produce each year.

#### ***Year 3 (October 2004 to October 2005):***

- Implement the data collection process for all higher education institutions.
- Identify student, family, and institutional characteristics related to financial aid program participation.
- Develop a web-based warehouse to access aggregated institutional and statewide data.

#### ***Year 4 (October 2005 to October 2006):***

- Examine affordability, including issues related to the cost of attending Maryland institutions, student financial aid policy, and family ability to pay.

#### ***Year 5 (October 2006 to October 2007):***

- Combine the financial aid information system with MHEC’s enrollment information system to examine the persistence patterns among financial aid recipients.
- Examine the effectiveness of specific state financial aid programs.
- Examine the availability of student loans and its impact on the price of attendance.

#### ***Year 6 (October 2007 to October 2008):***

- Complete a comprehensive assessment on financial aid (a five-year review).

***Current and Prior Year Budgets***

---

**Current and Prior Year Budgets  
Scholarship Programs  
(\$ in Thousands)**

|                                  | <b><u>General<br/>Fund</u></b> | <b><u>Special<br/>Fund</u></b> | <b><u>Federal<br/>Fund</u></b> | <b><u>Reimb.<br/>Fund</u></b> | <b><u>Total</u></b> |
|----------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|---------------------|
| <b>Fiscal 2002</b>               |                                |                                |                                |                               |                     |
| Legislative<br>Appropriation     | \$80,040                       | \$1,080                        | \$722                          | \$0                           | \$81,842.00         |
| Deficiency<br>Appropriation      | 0                              | 0                              | 0                              | 0                             | 0                   |
| Budget<br>Amendments             | -\$251                         | \$299                          | 0                              | 0                             | 48                  |
| Reversions and<br>Cancellations  | 0                              | 0                              | -9                             | 0                             | -9                  |
| <b>Actual<br/>Expenditures</b>   | <b>\$79,789</b>                | <b>\$1,379</b>                 | <b>\$ 713</b>                  | <b>\$ 0</b>                   | <b>\$81,880</b>     |
| <b>Fiscal 2003</b>               |                                |                                |                                |                               |                     |
| Legislative<br>Appropriation     | \$80,360                       | \$2,191                        | \$712                          | \$0                           | \$83,263            |
| Budget<br>Amendments             | 0                              | 0                              | 0                              | 0                             | 0                   |
| Carry Forward<br>Funds           | \$541                          | 0                              | 0                              | 0                             | 541                 |
| Cost<br>Containment              | -\$2,459                       | 0                              | 0                              | 0                             | (2,459)             |
| <b>Working<br/>Appropriation</b> | <b>\$78,442.00</b>             | <b>\$2,191</b>                 | <b>\$ 712</b>                  | <b>\$ 0</b>                   | <b>\$81,345.00</b>  |

Note: Numbers may not sum to total due to rounding.

*R62I00.10 - MHEC Scholarship Programs*

**Fiscal 2003**

The change in fiscal 2003 was for cost containment, which was a decrease of approximately \$2.5 million in HOPE scholarship funds.

**Fiscal Summary  
MHEC Scholarship Programs**

| <u>Unit/Program</u>                                       | <u>FY02<br/>Actual</u> | <u>FY03<br/>Legislative<br/>Appropriation</u> | <u>FY03<br/>Working<br/>Appropriation</u> | <u>FY02 - FY03<br/>% Change</u> | <u>FY04<br/>Allowance</u> | <u>FY03 - FY04<br/>% Change</u> |
|---|------------------------|---|---|---------------------------------|---------------------------|---------------------------------|
| 10 Educational Excellence Awards                          | \$ 37,941,315          | \$ 39,071,026                                 | \$ 39,071,026                             | 3.0%                            | \$ 39,071,026             | 0%                              |
| 12 Senatorial Scholarships                                | 6,277,115              | 6,486,000                                     | 6,486,000                                 | 3.3%                            | 6,486,000                 | 0%                              |
| 13 Scholarships to Univ. of MD School of Medicine         | 7,500                  | 0   | 0   | (100.0%)                        | 0                         | 0%                              |
| 14 Edward T. Conroy Memorial Scholarship Program          | 263,768                | 232,484                                       | 232,484                                   | (11.9%)                         | 232,484                   | 0%                              |
| 15 Delegate Scholarships                                  | 2,392,575              | 3,100,426                                     | 3,100,426                                 | 29.6%                           | 3,271,426                 | 5.5%                            |
| 16 Reimb. of Firemen and Rescue Squadmen                  | 357,912                | 372,228                                       | 372,228                                   | 4.0%                            | 372,228                   | 0%                              |
| 17 Professional School Scholarships                       | 522,500                | 202,500                                       | 202,500                                   | (61.2%)                         | 202,500                   | 0%                              |
| 19 Physician Assistant – Nurse Practitioner Training      | 79,500                 | 79,500  | 79,500                                    | 0%                              | 79,500                    | 0%                              |
| 20 Distinguished Scholar Program                          | 4,242,286              | 4,200,000                                     | 4,200,000                                 | (1.0%)                          | 4,200,000                 | 0%                              |
| 21 Jack F. Tolbert Memorial Student Grant Program         | 300,000                | 300,000                                       | 300,000                                   | 0%                              | 300,000                   | 0%                              |
| 22 Sharon Christa McAuliffe Memorial – Teacher Education  | 845,522                | 620,570                                       | 620,570                                   | (26.6%)                         | 620,570                   | 0%                              |
| 23 HOPE Scholarships Program                              | 20,760,000             | 21,360,000                                    | 21,360,000                                | 2.9%                            | 19,986,957                | (6.4%)                          |
| 24 Distinguished Scholar Program – Teacher Educ.          | 141,000                | 234,000                                       | 234,000                                   | 66.0%                           | 234,000                   | 0%                              |
| 26 Loan Assistance Repayment Program                      | 2,430,108              | 2,629,371                                     | 2,629,371                                 | 8.2%                            | 2,040,366                 | (22.4%)                         |
| 27 Maryland State Nursing Scholarship Program             | 1,380,000              | 1,058,696                                     | 1,058,696                                 | (23.3%)                         | 1,058,696                 | 0%                              |
| 29 Physical and Occupational Therapy Tuition Assistance   | 11,000                 | 20,000  | 20,000                                    | 81.8%                           | 20,000                    | 0%                              |
| 31 Child Care Providers                                   | 54,250                 | 90,000  | 90,000                                    | 65.9%                           | 90,000                    | 0%                              |
| 32 Developmental Disabilities and Mental Health Workforce | 723,976                | 900,000                                       | 900,000                                   | 24.3%                           | 900,000                   | 0%                              |
| 33 Part-time Grant Program                                | 2,800,000              | 1,800,000                                     | 1,800,000                                 | (35.7%)                         | 1,350,000                 | (25.0%)                         |
| 39 Health Manpower Shortage Incentive Grant Program       | 350,000                | 506,229                                       | 506,229                                   | 44.6%                           | 506,229                   | 0%                              |
| <b>Total Expenditures</b>                                 | <b>\$ 81,880,327</b>   | <b>\$ 83,263,030</b>                          | <b>\$ 83,263,030</b>                      | <b>1.7%</b>                     | <b>\$ 81,021,982</b>      | <b>(2.7%)</b>                   |
| General Fund  | \$ 79,789,036          | \$ 80,360,104                                 | \$ 80,360,104                             | 0.7%                            | \$ 78,119,056             | (2.8%)                          |
| Special Fund  | 1,378,965              | 2,190,600                                     | 2,190,600                                 | 58.9%                           | 2,190,600                 | 0%                              |
| Federal Fund  | 712,326                | 712,326                                       | 712,326                                   | 0%                              | 712,326                   | 0%                              |
| <b>Total Appropriations</b>                               | <b>\$ 81,880,327</b>   | <b>\$ 83,263,030</b>                          | <b>\$ 83,263,030</b>                      | <b>1.7%</b>                     | <b>\$ 81,021,982</b>      | <b>(2.7%)</b>                   |

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.