

R62I0010
Scholarship Programs
Maryland Higher Education Commission

Operating Budget Data

(\$ in Thousands)

	FY 06	FY 07	FY 08	FY 07-08	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$93,023	\$108,703	\$109,102	\$399	0.4%
Special Fund	501	1,000	1,000	0	
Federal Fund	548	609	609	0	
Reimbursable Fund	<u>200</u>	<u>200</u>	<u>200</u>	<u>0</u>	
Total Funds	\$94,272	\$110,512	\$110,911	\$399	0.4%

- Overall scholarship funding increases by \$399,373, or 0.4% over fiscal 2007. Need-based aid increases \$2.3 million, offset by a reduction in the same amount for Hope Scholarships.
- The new Veterans of the Afghanistan and Iraq Conflicts Scholarship Program receives \$500,000 in general funds.

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

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Analysis in Brief

Major Trends

Increase in Guaranteed Assistance Grant (GAG) Applicants: The number of GAG applicants declined in fiscal 2005 but increased in fiscal 2006. This trend is expected to continue in fiscal 2007 and 2008.

Issues

New Scholarships Funded in Fiscal 2008: This issue will highlight the new scholarships developed at the request of the General Assembly.

Carry Forward Funding from Unused Scholarship Funds Is Not Reflected in the Budget: This issue will examine unused funds from scholarships that are carried forward to the following year and the impact it has on awarding scholarships.

How Well Is State Financial Aid Meeting the Need?: Data on financial aid recipients has been collected from public and independent two-year and four-year institutions. This discussion will provide an update on the findings collected from fiscal 2005.

Recommended Actions

	<u>Funds</u>
1. Reduce need-based increase.	\$ 1,000,000
Total Reductions	\$ 1,000,000

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Operating Budget Analysis

Program Description

The Office of Student Financial Assistance is an office within the Maryland Higher Education Commission (MHEC) responsible for the administration of State financial assistance programs. These programs are designed to improve access to higher education for needy students; encourage students to major in areas of great economic need to the State, such as teaching and nursing; and encourage Maryland's brightest students to attend college in the State. Maryland students use the assistance from these programs at community colleges, independent colleges and universities, private career schools, and the State's public four-year campuses.

Financial aid can come in the form of grants, work study, student loans, parent loans, scholarships, and other awards, which can be available through the federal government, State, private agencies, and the college or university. Grants and scholarships are aid that students do not have to pay back. Grants are usually given because the 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.

MHEC Scholarship Programs fall into five categories: (1) need-based aid; (2) merit-based aid; (3) career-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 in 2001. Programs in the career-based category have been consolidated into the Workforce Shortage Student Assistance Grant Program. Although many scholarship funds have criteria in two or more of these categories, each scholarship is grouped according to its most outstanding requirement.

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.

Exhibit 1 Scholarship Programs

Need-based

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 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 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.

Campus-based

Need-based grant for full-time undergraduates from low-income families who for extenuating circumstances miss the application filing deadline. Funds for the campus-based grant are allocated to eligible institutions that then select recipients.

Part-time Grant Program

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

Graduate and Professional Scholarship Program

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

Merit-based

Distinguished Scholar Program

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

Distinguished Scholar Community College Transfer Scholarship Program

For Maryland students who are attending Maryland community colleges and continue their education at a Maryland four-year college or university.

Career-based

Charles W. Riley and Emergency Medical Services Tuition Reimbursement Program

Tuition reimbursement for fire, ambulance, and rescue squad workers pursuing a degree in fire services or emergency medical technology.

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Workforce Shortage Student Assistance Grants

Merit- and need-based scholarships and tuition assistance 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.

Janet L. Hoffman Loan Assistance Repayment Program

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.

Assistance for Unique Populations

Jack F. Tolbert Memorial

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

Edward T. Conroy Memorial

Scholarships for children of certain veterans or certain public safety personnel.

Veterans of the Afghanistan and Iraq Conflicts Scholarship Program

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

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: Maryland Higher Education Commission

Performance Analysis: Managing for Results

The State has an extensive array of financial aid programs in the form of grants, scholarships, and other awards for students who want to further their education beyond high school. Merit-based financial aid is aid given to students who have special talents, skills, or who have earned good grades.

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Need-based financial aid is given to students who demonstrate that they have financial need. Financial aid can come in the form of grants, work study, student loans, parent loans, scholarships, and other awards. The program measurement data look at several outcomes related to need-based programs, workforce shortage programs, and financial aid for outstanding students in academics and the arts. The data is shown in **Exhibit 2**.

Exhibit 2
Program Measurement Data
MHEC – Scholarship Programs
Fiscal 2005-2008

	<u>Actual</u> <u>2005</u>	<u>Actual</u> <u>2006</u>	<u>Est.</u> <u>2007</u>	<u>Est.</u> <u>2008</u>	<u>Ann.</u> <u>Change</u> <u>2005-06</u>	<u>Ann.</u> <u>Change</u> <u>2007-08</u>
Number of Guaranteed Access Grant Applications received	1,288	1,709	2,226	2,250	32.7%	1.1%
Number of State financial assistance presentations conducted in high-need communities	77	82	82	86	6.5%	4.9%
Percent of initial Distinguished Scholar recipients (academic) who plan to attend a Maryland institution	29%	30%	30%	30%	3.4%	0.0%
Percent of initial Distinguished Scholar recipients (talent in the arts) who plan to attend a Maryland institution	46%	61%	50%	50%	32.6%	0.0%
Number of applications received for Workforce Shortage Student Assistance Grants	1,803	1,784	1,825	1,825	-1.1%	0.0%
Number of graduates in Physician Assistant programs	71	76	80	85	7.0%	6.3%
Number of degrees and certificates awarded in emergency medical technologies	86	107	123	140	24.4%	13.8%
Number of graduates in academic programs targeted by the Graduate and Professional Scholarship program	1,924	1,784	1,800	1,850	-7.3%	2.8%

Source: Governor's Budget Books, Fiscal 2008

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The Guaranteed Access Grant (GAG) is a component of the Educational Excellence Awards (EEA) program for students whose family income is below a designated poverty index and who meet certain academic requirements. The number of GAG applicants declined in 2005 but increased in fiscal 2006 by 33%; the number is expected to increase from fiscal 2007 to 2008 (1%).

Merit-based financial aid is aid given to students who have special talents, skills, or who have earned good grades. The Distinguished Scholar program is a merit-based scholarship awarded to full-time undergraduates. The program provides 350 four-year scholarships in the amount of \$3,000 for use at postsecondary institutions in the State. The mission of this program is to educate the most promising and gifted high school graduates in Maryland's colleges and universities and encourage them to remain in the State. The percentage of initial Distinguished Scholar recipients (academic) who plan to attend a Maryland institution increased by 1 percentage point in fiscal 2006. The percentage is expected to remain level at 30% for fiscal 2007 and 2008.

The Graduate and Professional Scholarship program is available for students enrolled in either a part-time or full-time program and attend one of the following schools: University of Maryland, Baltimore Schools of Medicine, Dentistry, Law, Pharmacy, or Social Work; University of Baltimore School of Law; The Johns Hopkins University School of Medicine; the Virginia-Maryland Regional College of Veterinary Medicine, or certain Maryland institutions offering a master's degree in nursing or social work. The number of graduates in these academic programs declined in fiscal 2006 to 1,784 students but is expected to increase in fiscal 2007 and 2008 to 1,800 and 1,850, respectively, still well below the fiscal 2005 actual of 1,924 students.

Governor's Proposed Budget

The Governor's proposed budget, shown in **Exhibit 3**, increases overall by 0.4%. General funds increase primarily due to the new scholarship, Veterans of the Afghanistan and Iraq Conflicts. The Edward T. Conroy Memorial Scholarship also increases by 18.7% while funding for the Delegate Scholarships decreases by 3.8%. The fiscal 2007 appropriation for the Delegate Scholarships included a 5.0% increase in tuition; in-state tuition was subsequently frozen by the General Assembly. Educational Excellence Awards increase by \$2.3 million, which is the same amount that Hope Scholarships decrease as the final year of the Hope Scholarship phase-out is implemented. Only Hope Scholarship renewal awards are funded in the fiscal 2008 allowance. Funding for the new Workforce Shortage Student Assistance Grants equals the amount appropriated in fiscal 2007 for the grants that were consolidated into the new program.

Exhibit 3
Governor’s Proposed Budget
Scholarship Programs
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2007 Working Appropriation	\$108,703	\$1,000	\$609	\$200	\$110,512
2008 Governor’s Allowance	<u>109,102</u>	<u>1,000</u>	<u>609</u>	<u>200</u>	<u>110,911</u>
Amount Change	\$399	\$0	\$0	\$0	\$399
Percent Change	0.4%				0.4%

Where It Goes:

Program Expenditures

New Veterans of the Afghanistan and Iraq Conflicts Scholarship Program	\$500
Edward T. Conroy Memorial Scholarships increase (18.7%)	90
Delegate Scholarships decrease (3.8%)	-191
Educational Excellence Awards increase	2,355
Hope Scholarships decrease	-2,355
New Workforce Shortage Student Assistance grants	4,009
Consolidation of existing workforce grants.....	-4,009
Total	\$399

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

Assistance for Unique Populations Receives Largest Increase

Assistance for unique populations receives the largest percent increase (78%) due to the new Veterans of the Afghanistan and Iraq Conflicts Scholarship Program. Need-based aid continues to increase but at a smaller rate compared to fiscal 2007. As shown in **Exhibit 4**, between fiscal 2003 and 2008, assistance for unique populations increased 196% and need-based aid increased 100%. Merit- and career-based aid decreased 58% due to the phasing out of the Hope Scholarships. Need-based aid accounts for 78% of all aid in fiscal 2008 compared to 54% of all aid in fiscal 2003.

Exhibit 4
State Financial Aid Appropriations
Fiscal 2003-2008
(\$ in Thousands)

	<u>2003</u>	<u>2006</u>	<u>Working</u> <u>2007</u>	<u>Allowance</u> <u>2008</u>	<u>\$ Increase</u> <u>2007-08</u>	<u>% Increase</u> <u>2007-08</u>	<u>% Increase</u> <u>2003-08</u>
Need-based Aid	\$43,267	\$68,903	\$83,253	\$86,558	\$3,305	4%	100%
Merit-based Aid	4,222	3,633	4,434	4,200	-234	-5%	0%
Career-based Aid	22,701	9,946	9,578	7,456	-2,122	-22%	-67%
Legislative	8,610	11,075	11,540	11,349	-191	-2%	32%
Unique Populations	456	714	758	1,348	590	78%	196%
Total	\$75,034	\$90,638	\$105,129	\$106,711	\$1,582	2%	42%

Source: Maryland Higher Education Commission

Overall, MHEC projects awarding aid to 56,695 recipients in fiscal 2008, which is down slightly from 57,653 recipients in fiscal 2007, as shown in **Exhibit 5**. The number of recipients for need-based aid is also projected to decrease in fiscal 2008, but the average award increases by 4% (the maximum award increases to \$3,000). The average award for all programs is projected to remain level at \$1,910 in fiscal 2008.

Exhibit 5
Recipients of Student Financial Assistance
Fiscal 2005-2008

<u>Program</u>	<u>2005 Actual</u>		<u>2006 Actual</u>		<u>2007 Working</u>		<u>2008 Allowance</u>	
	<u>Recipients</u>	<u>Avg. Award</u>	<u>Recipients</u>	<u>Avg. Award</u>	<u>Proj. Rec.</u>	<u>Avg. Award</u>	<u>Proj. Rec.</u>	<u>Avg. Award</u>
Need-based Awards								
Educational Assistance (EA)	21,511	\$1,871	24,506	\$1,980	26,945	\$2,317	25,836	\$2,385
Campus-based EA	1,685	1,151	2,109	1,454	1,859	1,614	1,771	1,694
Guaranteed Access	1,045	7,900	1,204	8,921	1,464	9,456	1,483	9,740
Part-time Grant	4,440	455	7,309	639	8,859	677	8,437	711
Professional School	190	999	368	1,867	1,141	1,314	1,087	1,380
Subtotal	28,871	\$1,824	35,496	\$1,907	40,268	\$2,155	38,614	\$2,242
Legislative Scholarships	11,926	\$861	11,475	\$877	12,700	\$908	13,139	\$883
Merit-based Awards	1,334	2,936	1,351	2,936	1,456	2,941	1,467	2,863
Career-based Awards	3,965	3,292	2,623	3,246	2,215	3,072	2,361	1,951
Assistance for Unique Populations	983	692	1,021	717	1,014	746	1,114	1,209
Total	47,079	\$1,711	51,966	\$1,750	57,653	\$1,911	56,695	\$1,910

Note: Does not include Janet L. Hoffman Loan Assistance Repayment Program.

Source: Maryland Higher Education Commission

Issues

1. New Scholarships Funded in Fiscal 2008

Workforce Shortage Student Assistance Grant Program

The Student Financial Assistance Reform Act of 2005 (Chapter 429 of 2005) required MHEC to establish a workgroup to study the consolidation of economic development student assistance grants and work-based shortage grants into a single financial assistance program. The language in the bill stated that the grant program should, to the extent practicable, establish uniform criteria for grant eligibility, award amounts, and service obligation requirements, and that the new program should include a methodology for prioritizing work-based shortage grants. Legislation was needed to implement the workgroup's recommendations

A report with the workgroup's findings and recommendations was provided to the Governor and General Assembly prior to the 2006 General Assembly session. Based on the workgroup's recommendations, House Bill 988 Higher Education – Workforce Shortage Student Assistance Grants (Chapter 367 of 2006) was enacted. Under law, the Maryland Higher Education Commission was given the authority to establish regulations for the administration of this program.

For the first year of the program, academic 2007-2008, majors and occupational areas associated with the scholarship and tuition assistance programs listed below, will be included in the program:

- Child Care Provider Scholarship;
- Developmental Disabilities, Mental Health, Child Welfare, and Juvenile Justice Workforce Tuition Assistance Program;
- Distinguished Scholar Program – Teacher Education;
- Physical and Occupational Therapists and Assistants Scholarship;
- Sharon Christa McAuliffe Memorial Teacher Education Award;
- State Nursing Scholarship and Living Expenses Grant; and
- William Donald Schaefer Scholarship.¹

¹ The William Donald Schaefer Scholarship Advisory Council, appointed by the Secretary of Higher Education, will remain intact to select award recipients using specified criteria.

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Individuals who received scholarships or tuition assistance under these programs prior to academic 2007-2008 will continue to receive their awards under the guidelines in effect at that time as long as they remain eligible. All awards made in these majors or occupational fields beginning with academic 2007-2008 will be made as Workforce Shortage Student Assistance Grants. Award amounts are set at the statutory minimum and are based on the type of institution and the student's enrollment status. The award is \$2,000 per year if attending a Maryland community college full-time (12 plus credits per semester) or \$1,000 per year if part-time (6 to 11 credits per semester). The award is \$4,000 per year if attending a Maryland four-year institution full-time (12 plus credits per semester for undergraduate; 9 plus credits per semester for graduate) or \$2,000 per year if part-time (6 to 11 credits per semester for undergraduate; 6 to 8 credits per semester for graduate).

Based on the Advisory Council recommendations, new workforce shortage occupations will be incorporated in the program in academic 2008-2009. The Advisory Council will be meeting over the next year to fully develop the workforce model to be used to identify workforce shortage occupations and the number of demand occupations to consider each year.

Veterans of the Afghanistan and Iraq Conflicts Scholarship Program

The Veterans Advocacy and Education Act of 2006 (Chapter 290 of 2006) established the Veterans of the Afghanistan and Iraq Conflicts Scholarship Program. The program is designed to provide financial assistance to United States Armed Forces personnel who served in the Afghanistan or Iraq conflicts and their sons, daughters, or spouses who are current high school seniors, and full-time and part-time, degree-seeking undergraduate students enrolled in an eligible accredited Maryland postsecondary institution.

Uniformed services members of the United States who served in Afghanistan, or contiguous air space as defined in federal regulations, on or after October 24, 2001, and before a terminal date to be prescribed by the United States Secretary of Defense; or in Iraq, or contiguous waters or air space as defined in federal regulations, on or after March 19, 2003, and before a terminal date to be prescribed by the United States Secretary of Defense, may apply for this scholarship.

The award amount is 50% of annual tuition and mandatory fees and room and board of a resident undergraduate at a four-year public institution of higher education within the University System of Maryland, other than the University of Maryland University College and the University of Maryland, Baltimore, with the highest annual expenses for a full-time resident undergraduate. Scholarships awarded under this program shall supplement any federal education benefits for which a recipient qualifies as a result of an individual's military service or status as a dependent of a member of the armed forces or of a veteran of the armed forces. The funds may be used at any eligible Maryland institution to pay for educational expenses including tuition and mandatory fees and room and board. MHEC anticipates 88 students receiving the Veterans of the Afghanistan and Iraq Conflicts Scholarship Program.

2. Carry Forward Funding from Unused Scholarship Funds Is Not Reflected in the Budget

State appropriations for financial aid have increased significantly over the past few years. Although, overall the fiscal 2008 allowance increases by less than 1% percent, the appropriation for several need-based scholarships will likely receive a significant increase in the fiscal 2008 working appropriation as a result of carry forward funds from the previous fiscal year that are not reflected in the allowance. Under State law, any unused funds for student awards (excludes legislative scholarships for which any unspent funds remain in the program), must be retained and used in subsequent fiscal years for need-based aid including Nursing Living Expense Scholarships and the Loan Assistance Repayment Program (LARP) (§18-107 (b) of the Education Article). In order to implement this law, MHEC encumbers any unused funds in the current year. In the following year, funds are moved into various need-based scholarships through a budget amendment. This process provides an increase of funds available to award more recipients in the following year but a missed opportunity to provide financial aid to other students in the current year. In addition, these additional funds are generally not reflected in the working appropriation or the allowance for the upcoming fiscal year.

The amount of funds carried forward is significant. **Exhibit 6** shows estimates of carry forward funding in fiscal 2005 and 2006. Overall, MHEC carried forward approximately \$10.0 million in fiscal 2005. Educational Excellence Awards and legislative scholarships made up the majority of the carry forward funds (\$6.9 million) with the remaining scholarships accounting for approximately \$3.0 million. This trend continued in fiscal 2007 with an estimate of \$10.1 million carried forward from fiscal 2006. Excluding legislative scholarship funds, need-based aid (including nursing and LARP funds, which MHEC retains in those programs), increased by \$6.5 million in fiscal 2006 and \$6.0 million in fiscal 2007 above the legislative appropriation. MHEC has not estimated the carry forward amount for fiscal 2007, but it seems likely it will fall in the \$5 million to \$6 million range based on the past amounts.

Although MHEC over-awards scholarships to anticipate cancellations, unused funds continue to occur and could grow larger as total funding increases each year. There are thousands of students attending higher education institutions in Maryland that have unmet need and would qualify for more need-based aid, particularly students who apply for aid after March 1 (more information in next issue). Yet, millions of dollars appropriated for need-based aid is not reaching these students. There appears to be a discrepancy between the level of funds provided in a fiscal year and the number of recipients utilizing these funds during that year. **The Secretary should comment on the significant amount of scholarship funds carried forward year after year, particularly need-based aid. The Secretary should also comment on what efforts MHEC is taking to decrease the amount of unused scholarship funds. In light of the large carry forward funds available in fiscal 2006 and 2007 for the Educational Excellence Awards, DLS recommends reducing the fiscal 2008 appropriation by \$1.0 million. This will still provide an increase of \$1.3 million, or 1.8% over fiscal 2007.**

Exhibit 6
Student Financial Assistance Funding Carry Forward
Fiscal 2005-2007

	Estimated Carry Forward 2005	Awarding Balance 2006	Estimated Carry Forward 2006	Beginning Award Balance 2007
Educational Excellence	\$3,445,222	\$67,029,062	\$3,512,916	\$79,265,779
Educational Assistance		53,617,719		65,417,829
Guaranteed Access Grant		11,162,205		13,847,950
Senatorial	2,386,722	8,818,922	3,062,822	9,548,822
Edward T. Conroy	44,896	519,697	58,838	480,474
Delegate	1,112,783	5,755,283	1,115,808	6,169,511
Fire Tuition Reimbursement	65,208	344,311	1,183	344,311
Grad. and Professional		687,312		1,500,000
Physicians Assistant	73,538			
Distinguished Scholar (DS)	346,437	3,979,892	54,585	3,900,000
DS Community College Transfer				300,000
Tolbert Memorial	37,800	277,500	3,900	277,500
McAuliffe Memorial	80,658	754,027	65,000	574,027
Hope Scholarships	1,240,775	5,029,503	217,253	2,605,250
Hope Scholarship – General		902,160		
Hope Scholarship – Science		846,240		2,605,250
Hope Scholarship – Teacher		3,281,103		
Hope Transfer Scholarship				
Distinguished Scholar Teacher	136,500	134,000	48,500	234,000
Hoffman Loan Assistance	346,799	3,154,552	906,611	3,759,406
Loan Assistance Repayment Program (LARP)	194,459	2,021,411	531,268	2,324,120
LARP Primary Care Service	133,054	740,858	280,051	817,899
LARP Dent-Care	152,340	152,340	95,292	335,265
Maryland State Nursing	90,147	1,779,368	81,728	2,198,656
Physical Therapy	8,500	57,500	4,500	18,500
Child Care Provider	6,750	83,250	19,250	83,250
Developmental Disabilities	84,570	1,009,500	82,659	832,500
Part-time	6,844	4,700,000	5,490	6,000,000
William Donald Schaefer		80,108		150,000
Health Personnel Incentive				
Total	\$9,647,203	\$104,193,787	\$9,241,043	\$118,241,986
Amount Required to Be Allocated to Need-based Aid*	\$6,147,698		\$5,062,413	

*Includes LARP and Nursing Living Expenses Scholarships.

Source: Maryland Higher Education Commission

3. How Well Is State Financial Aid Meeting the Need?

The 2002 *Joint Chairmen's Report* directed two- and four-year institutions to work in cooperation with MHEC to develop a system to collect comprehensive data on State financial aid recipients. The data would include information such as the student's enrollment status, family size, dependency status, expected family contribution, and parental and student income. MHEC proposed a four-year timeline to implement the student-based financial aid information system (FAIS).

Profile of Students Attending Public Colleges and Universities

According to MHEC's FAIS data for the 2004-2005 academic year, a total of 119,266 undergraduates enrolled at Maryland's two- and four-year public higher education institutions received some form of financial aid. Sources of aid included the federal and State governments, higher education institutions, and private funds. Scholarships, grants, loans, and work study were the major type of aid awarded. For students at State-aided independent institutions, FAIS only contains data for students who are Maryland residents and received State financial aid. For 2004-2005, a total of 7,860 Maryland residents are receiving aid at private institutions.

The FAIS data provides a profile of those students both with financial need and without need who are receiving aid. Of those students with need at public colleges, 47% were enrolled at community colleges, while 53% attended public four-year institutions. **Exhibit 7** shows the demographics of aid recipients with need attending public colleges. Two-thirds were women and one-third was men. African American students made up 44% of the sample, followed by whites at 38%.

State Meeting Small Proportion of Student Need

The large number of students requiring financial assistance for higher education is related to the high cost of tuition in the State. In the 2004-2005 academic year, the average cost of attendance (COA) at higher education institutions, which is a key component in determining a student's level of need among students who received financial assistance, varied by each segment. The cost of attendance at community colleges (\$10,461) is by far the lowest compared to public four-year institutions (\$18,770) and independent institutions (\$26,521). A student's financial need is calculated by subtracting Expected Family Contribution (EFC) from COA.

As DLS' Higher Education Overview analysis discussed, the FAIS data show a gap between a student's ability to pay for college and the cost of attending. That gap, or unmet need, after financial aid excluding private sources is largest for students with the greatest financial need. For students with \$0 EFC, \$8,093 per student, or 40% of their need was met by financial aid (60% was unmet) while just over 50% of need was met for students with EFCs of \$5,000 or more. **Exhibit 8** shows the percent of need being met by State aid at each higher education segment (community colleges, public four-year, and independents). The percent of need met for students receiving State financial aid and not including other sources of aid with \$0 EFC at community colleges is 8%. The percent of need

**Exhibit 7
Profile of Public College Aid Recipients with Need
Fiscal 2005**

<u>Demographic</u>	<u>Total # of Students with Need</u>	<u>Percent of Students with Need</u>
Men	28,699	33%
Women	57,647	67%
African American	38,187	44%
Asian	5,177	6%
Hispanic	3,426	4%
White	32,746	38%
Other	6,810	8%
Total	86,346	100%

Source: Financial Aid Information System, Maryland Higher Education Commission

**Exhibit 8
Percent of Need Met by State Aid
Fiscal 2005**

<u>EFC Category</u>	<u>Community Colleges</u>	<u>Public Four-year Colleges/ Universities</u>	<u>Private Four-year Colleges/ Universities</u>
\$0	8%	17%	16%
\$1 – \$2,499	8%	16%	13%
\$2,500 – \$4,999	14%	20%	14%
\$5,000 – \$9,999	87%	26%	18%
\$10,000 – \$19,999	124%	155%	26%
\$20,000 plus	0%	591%	53%

Note: Includes only those students with need.

EFC: Expected Family Contribution

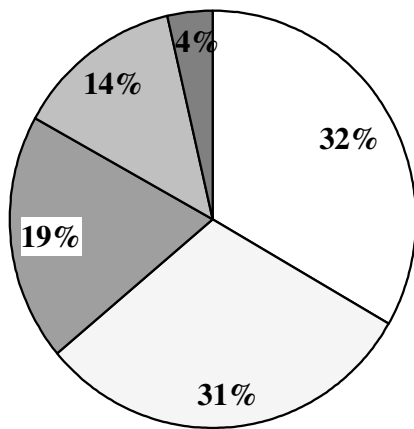
Source: Financial Aid Information System, Maryland Higher Education Commission

met remains level for EFCs of \$1 to \$2,499 but starts to increase as the EFC increases. This same trend is seen at public four-year institutions but does not become apparent at private institutions until it reaches the \$5,000 to \$9,999 EFC range. The data also show that the State meets a smaller share of need for students at community colleges than at both public and private four-year institutions. The Community College Access Initiative that increased the percent of need the State will meet for community college students from 35% in fiscal 2005 to 60% in fiscal 2007 is not reflected in the data.

Exhibit 9 shows the distribution by EFC of State need-based aid and all other State aid, which includes merit, career, legislative, and unique populations. As expected, more need-based aid is distributed to students with lower EFCs. Nearly two-thirds of need-based aid awarded in fiscal 2005 went to students with EFCs less than \$2,500 while 18% went to students with EFCs over \$5,000. The distribution of other aid is the opposite, with about two-thirds going to students with EFCs of \$5,000 or more.

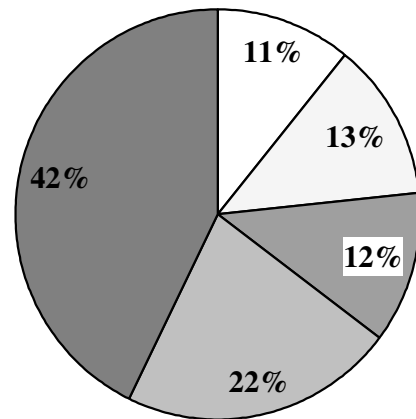
**Exhibit 9
Distribution of State Financial Aid by EFC**

Need-based Student Financial Aid



Total Need-based Aid = \$47.7 million

Other Student Financial Aid



Total Other Aid = \$19.8 million

EFC: □ \$0 □ \$1 - \$2,499 □ \$2,500 - \$4,999 □ \$5,000 - \$10,000 □ \$10,000+

EFC: Expected Family Contribution

Source: Financial Aid Information System, Maryland Higher Education Commission

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Federal and institutional aid are also available to students. Overall, the percent of need being met by the State is by far the smallest. **Exhibit 10** shows the total percent of need met at all segments of higher education institutions by each source of aid (not including private sources) with respect to each EFC category. Values over 100% indicate that more aid is being awarded to students in the higher EFCs than is needed strictly by the federal formula that determines need.

Exhibit 10
Percent of Need Met by All Sources of Financial Aid
Fiscal 2005

<u>EFC Category</u>	<u>State Aid</u>	<u>Federal Aid Including Loans</u>	<u>Institutional Aid</u>
# of Awards	30,549	82,888	29,434
\$0	13%	38%	14%
\$1 – \$2,499	13%	37%	15%
\$2,500 – \$4,999	18%	46%	24%
\$5,000 – \$9,999	35%	135%	52%
\$10,000 – \$19,999	117%	617%	151%
\$20,000 plus	131%	709%	331%
Total	26%	119%	45%

Note: Includes only those students with need; data do not include aid from private sources.

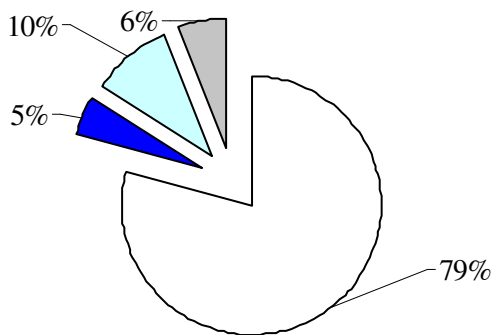
Source: Financial Aid Information System, Maryland Higher Education Commission

No-need Financial Aid Recipients

FAIS also collects data for students without need receiving financial aid, typically through merit or other scholarships and loans. A total of 12,797 aid recipients enrolled at Maryland's public two- and four-year institutions in 2004-2005 did not have financial need, according to the federal formula (*i.e.*, when a student's EFC is equal to or greater than the cost of attendance). Students without need represented approximately 11% of all aid recipients in 2004-2005, and they received about 12% of all aid distributed that year. **Exhibit 11** shows the average award and total aid students with no need received at Maryland's public two- and four-year institutions. Overall, students with no-need at community colleges received \$8.4 million and the average award was \$2,134. The federal government provided 79%, 10% came from institutions, 6% from private sources, and 5% from the State. Students with no need at public four-year colleges received \$77.6 million with an average award of \$5,940. The federal government provided 73% of all aid no-need students received (almost all was loans), 11% came from institutions, 11% from private sources, and 5% from the State.

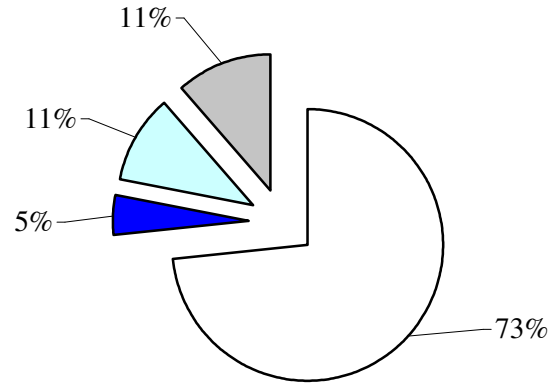
**Exhibit 11
Sources of Aid to Students with No Need
Fiscal 2005**

Percent of Total Aid to Students with No Need at Community College



□ Federal ■ State □ Institutional ■ Private

Percent of Total Aid to Students with No need at Public Four-year Colleges/Universities



□ Federal ■ State □ Institutional ■ Private

	Community Colleges			Public Four-year Colleges/Universities		
	<u>Avg. Award</u>	<u>Number</u>	<u>Total Aid</u>	<u>Avg. Award</u>	<u>Number</u>	<u>Total Aid</u>
Federal	\$2,846	2,343	\$6,667,371	\$7,594	7,486	\$56,850,311
State	843	476	401,328	2,170	1,713	3,717,937
Institutional	1,141	761	868,079	3,964	2,076	8,228,270
Private	1,326	367	486,742	4,924	1,794	8,832,882
Total	\$2,134	3,947	\$8,423,520	\$5,940	13,069	\$77,629,400

Source: Financial Aid Information System, Maryland Higher Education Commission

The Secretary should comment on:

- the differences in aid awarded to students with zero to low EFC compared to those with a higher EFC;
- what efforts are being made to address the gap that exists for low-income students despite increases in need-based aid; and
- the goal of how the State is meeting 60% of community college students' financial need when Exhibit 8 shows the State meeting only 8% of the need for the lowest income students.

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce Educational Excellence Awards (EEA) by \$1 million. EEA will still have an increase of \$1.3 million, or 1.8% over fiscal 2007. Approximately \$1 million in carry-forward funds are likely to be available for need-based aid awards in fiscal 2008 that are not reflected in the allowance.	\$ 1,000,000	GF
Total General Fund Reductions	\$ 1,000,000	

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2006					
Legislative Appropriation	\$93,076	\$1,000	\$769	\$0	\$94,845
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-52	0	0	200	148
Reversions and Cancellations	0	-499	-221	0	-720
Actual Expenditures	\$93,023	\$501	\$548	\$200	\$94,272
Fiscal 2007					
Legislative Appropriation	\$108,703	\$1,000	\$609	\$200	\$110,512
Budget Amendments	0	0	0	0	0
Working Appropriation	\$108,703	\$1,000	\$609	\$200	\$110,512

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

R6210010 – MHEC – Scholarship Programs

Fiscal 2006

General funds decreased by \$52,497 which were due to budget amendments realigning scholarships from carry forward from the previous fiscal year due to timing of closeout.

Special funds decreased \$499,121 in reversions due to payments of the Loan Assistance Repayment Program being less than originally anticipated.

Federal funds decreased \$220,815 in reversions due to the following:

- MHEC received \$548,389 for Educational Excellence Awards, \$60,815 less than anticipated.
- In accordance with direction from the Department of Budget and Management, \$160,000 became reimbursable funds.

**Object/Fund Difference Report
MHEC – Scholarship Programs**

<u>Object/Fund</u>	<u>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07-FY08 Amount Change</u>	<u>Percent Change</u>
Objects					
02 Technical and Spec. Fees	\$ 15,500	\$ 0	\$ 0	\$ 0	0.0%
04 Travel	326	0	0	0	0.0%
08 Contractual Services	9,128	0	0	0	0.0%
09 Supplies and Materials	31	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	94,246,897	110,512,101	110,911,474	399,373	0.4%
13 Fixed Charges	500	0	0	0	0.0%
Total Objects	\$ 94,272,382	\$ 110,512,101	\$ 110,911,474	\$ 399,373	0.4%
Funds					
01 General Fund	\$ 93,023,114	\$ 108,702,897	\$ 109,102,270	\$ 399,373	0.4%
03 Special Fund	500,879	1,000,000	1,000,000	0	0%
05 Federal Fund	548,389	609,204	609,204	0	0%
09 Reimbursable Fund	200,000	200,000	200,000	0	0%
Total Funds	\$ 94,272,382	\$ 110,512,101	\$ 110,911,474	\$ 399,373	0.4%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

**Fiscal Summary
MHEC – Scholarship Programs**

<u>Program/Unit</u>	<u>FY06 Actual</u>	<u>FY07 Wrk Approp</u>	<u>FY08 Allowance</u>	<u>Change</u>	<u>FY07-FY08 % Change</u>
10 Educational Excellence Awards	\$ 63,523,025	\$ 76,702,863	\$ 79,058,381	\$ 2,355,518	3.2%
12 Senatorial Scholarships	6,432,200	6,486,000	6,486,000	0	0%
14 Edward T. Conroy Memorial Scholarship Program	474,801	480,474	570,474	90,000	18.7%
15 Delegate Scholarships	4,642,500	5,053,703	4,862,808	-190,895	-3.8%
16 Reimbursement of Firemen and Rescue	279,103	344,311	344,311	0	0%
17 Professional School Scholarships	687,312	1,500,000	1,500,000	0	0%
20 Distinguished Scholar Program	3,633,455	4,200,000	4,200,000	0	0%
21 Jack F. Tolbert Memorial Student Grant Program	239,700	277,500	277,500	0	0%
22 Sharon Christa McAuliffe Memorial - Teacher Education	670,869	574,027	0	-574,027	-100.0%
23 Hope Scholarships Program	3,788,728	2,605,250	250,000	-2,355,250	-90.4%
24 Distinguished Scholar Program - Teacher Education	0	234,000	0	-234,000	-100.0%
26 Loan Assistance Repayment Program	2,387,774	2,852,795	2,852,795	0	0%
27 Maryland State Nursing Scholarship Program	1,689,221	2,116,928	0	-2,116,928	-100.0%
29 Higher Education - Tuition Assistance - Physical Assistance – Physical and Occupational Therapy	49,000	18,500	0	-18,500	-100.0%
31 Child Care Provider Scholarship	76,500	83,250	0	-83,250	-100.0%
32 Developmental Disabilities and Mental Health Workforce	924,930	832,500	0	-832,500	-100.0%
33 Part-time Grant Program	4,693,156	6,000,000	6,000,000	0	0%
35 William Donald Schaefer Scholarship Program	80,108	150,000	0	-150,000	-100.0%
36 Workforce Shortage Student Assistance Grants	0	0	4,009,205	4,009,205	0%
37 Veterans of the Afghanistan and Iraq Conflicts Scholarship Program	0	0	500,000	500,000	0%
Total Expenditures	\$ 94,272,382	\$ 110,512,101	\$ 110,911,474	\$ 399,373	0.4%
General Fund	\$ 93,023,114	\$ 108,702,897	\$ 109,102,270	\$ 399,373	0.4%
Special Fund	500,879	1,000,000	1,000,000	0	0%
Federal Fund	548,389	609,204	609,204	0	0%
Total Appropriations	\$ 94,072,382	\$ 110,312,101	\$ 110,711,474	\$ 399,373	0.4%
Reimbursable Fund	\$ 200,000	\$ 200,000	\$ 200,000	\$ 0	0%
Total Funds	\$ 94,272,382	\$ 110,512,101	\$ 110,911,474	\$ 399,373	0.4%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.