

R62I0010
Scholarship Programs
Maryland Higher Education Commission

Operating Budget Data

(\$ in Thousands)

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$101,988	\$105,366	\$106,260	\$894	0.8%
Adjusted General Fund	\$101,988	\$105,366	\$106,260	\$894	0.8%
Special Fund	1,170	1,970	400	-1,570	-79.7%
Adjusted Special Fund	\$1,170	\$1,970	\$400	-\$1,570	-79.7%
Federal Fund	1,272	1,272	1,272	0	
Adjusted Federal Fund	\$1,272	\$1,272	\$1,272	\$0	0.0%
Reimbursable Fund	250	250	250	0	
Adjusted Reimbursable Fund	\$250	\$250	\$250	\$0	0.0%
Adjusted Grand Total	\$104,680	\$108,858	\$108,182	-\$676	-0.6%

- Overall scholarship funding decreases \$676,000, or 0.6%, in the fiscal 2010 allowance.
- Special funds decrease \$1.6 million, or 79.7%, due mostly to the restoration of general funds to the Workforce Shortage Student Assistance program after fiscal 2009 cost containment actions replaced \$1.0 million in general funds with special funds from the Higher Education Investment Fund.

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

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Analysis in Brief

Major Trends

Applicants to the Guaranteed Access Grant Increase: The number of applications received for the Guaranteed Access Grant is expected to increase 9.6% in fiscal 2009.

Issues

Distribution of Financial Aid by Family Income: Data collected by the Maryland Higher Education Commission on financial aid recipients indicates that about the same proportion of financial need is met after all resources are considered for students in all income categories attending public four-year institutions. In contrast, on average, both the lowest income community college students and the lowest income students at independent institutions have the smallest proportion of their financial need met.

Recommended Actions

1. Adopt committee narrative requesting a report on the current fiscal year working appropriation for the Maryland Higher Education Commission Scholarships.

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Scholarship Programs
Maryland Higher Education Commission

Operating Budget Analysis

Program Description

The Office of Student Financial Assistance, an office within the Maryland Higher Education Commission (MHEC), is 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 workforce shortage areas; and encourage Maryland's brightest students to attend college within the State. Maryland students use State financial assistance at community colleges, independent institutions, private career schools, and the State's public four-year campuses.

Financial aid comes in the form of grants, work study, student loans, parent loans, scholarships, and other awards, from federal, State, private, and college and university resources. Grants and scholarships are aid that students do not have to pay back. Grants are usually given because a student has financial need, while scholarships are usually given to recognize the student's academic achievement, athletic ability, or other talent. Loans must be repaid, usually with interest.

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 categories were designated by an independent evaluation of Maryland's scholarship programs in 2001. 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:

- 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

Delegate Howard P. Rawlings
Educational Excellence Awards

Guaranteed Access Grants

Need- and merit-based scholarships intended to meet 100% of financial need for full-time undergraduates from low-income households. Qualified applicants must have a cumulative high school 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 during the summer 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.

Dual Enrollment Grant Program

Need-based grants for students enrolled in a secondary school and a higher education institution at the same time. The program expires after fiscal 2009.

Graduate and Professional Scholarship Program

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

Merit-based

Distinguished Scholar Program

Talent- or merit-based scholarship awarded to full-time undergraduates. Three hundred and fifty scholarships must be awarded annually.

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.

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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.
Workforce Shortage Student Assistance Grants	Merit- and need-based scholarships for Maryland students pursuing degrees in teaching, nursing, human services, physical/or occupational therapy, public service; and other areas to address workforce and regional needs.

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 provides financial aid in the form of grants, scholarships, and other awards for students pursuing post-secondary education. Merit-based financial aid is given to students who have special talents, skills, or who have earned good grades. Need-based financial aid is given to students with demonstrated financial need. The performance measurement data, which examine outcomes related to need-based, workforce shortage, and merit-based financial aid, are shown in **Exhibit 2**.

The Guaranteed Access Grant (GAG) is a component of the Educational Excellence Awards program that covers 100% of need when combined with a Federal Pell Grant for the State's lowest income students. The maximum amount is capped at the cost of education at the highest cost four-year University System of Maryland institution, excluding University of Maryland, Baltimore and University of Maryland University College. Students that meet all criteria are guaranteed funding. The number of GAG applicants is expected to increase 9.6% in fiscal 2009 and 5.0% in fiscal 2010. MHEC attributes the rise to an increase in outreach activities in regions with lower income populations such as Baltimore and Prince George's counties and where 40% or more of the students qualify for the free or reduced price lunch program.

The Distinguished Scholar Program is a merit-based scholarship program that provides 350 \$3,000 four-year scholarships to full-time undergraduates for use at postsecondary institutions in the State. The mission of this program is to educate the most gifted high school graduates in Maryland's colleges and universities. The percentage of students who are offered a Distinguished Scholar award (academic) and who attend a Maryland institution (*i.e.*, accept the award) increased to 38% in fiscal 2007 but decreased 12 percentage points in fiscal 2008. The percentage is expected to stabilize in fiscal 2009 and remain level in fiscal 2010. MHEC attributes the recent acceptance rate decline to the award's size. The Distinguished Scholar award has been \$3,000 for more than 10 years and is not sufficient to keep a student with high academic credentials in the State. Recent studies conducted by the agency show that high achieving students choose to attend out-of-state Ivy League schools instead of Maryland institutions. MHEC believes that the one action that could increase the acceptance rate would be to increase the award amount. MHEC has recommended increasing the award to \$6,000, which was included in the final report of the Commission to Develop the Maryland Model for Funding Higher Education and is included in House Bill 789/Senate Bill 861 of 2009. MHEC is also exploring new ways of working with institutions of higher education to promote the Distinguished Scholar Program.

The Graduate and Professional Scholarship program is available to students enrolled in part- or full-time programs 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 programs declined from fiscal 2005 to 2007 but increased in fiscal 2008. MHEC expects the number of graduates to increase slightly in fiscal 2009 and 2010 as well.

Exhibit 2
Program Measurement Data
Fiscal 2005-2010

	<u>Actual 2005</u>	<u>Actual 2006</u>	<u>Actual 2007</u>	<u>Actual 2008</u>	<u>Est. 2009</u>	<u>Est. 2010</u>	<u>Average Annual % Change</u>
Number of Guaranteed Access Grant Applications received	1,288	1,709	2,359	2,482	2,720	2,856	24.3%
Share of income that poorest families use to pay for tuition at lowest priced colleges	16%	19%	19%	19%	20%	20%	5.0%
Number of State financial assistance presentations conducted in high-need communities	77	82	77	104	104	104	7.0%
Percent of Distinguished Scholar recipients (academic) who plan to attend a Maryland institution	29%	30%	38%	26%	30%	30%	0.7%
Percent of Distinguished Scholar recipients (talent in the arts) who plan to attend a Maryland institution	46%	61%	61%	38%	40%	40%	-2.6%
Number of applications received for Workforce Shortage Student Assistance Grant	1,803	1,786	1,900	2,090	2,210	2,400	6.6%
Number of graduates in Physician Assistant programs	71	83	87	95	100	105	9.6%
Number of degrees and certificates awarded in emergency medical technologies and fire science technologies	86	122	97	132	140	145	13.7%
Number of graduates in academic programs targeted by the Graduate and Professional Scholarship program	1,924	1,784	1,751	1,838	1,850	1,860	-0.7%

Source: Governor's Budget Books, Fiscal 2008 and 2010

Fiscal 2009 Actions

Impact of Cost Containment

Cost containment actions by the Board of Public Works reduced Educational Excellence Awards, the State's largest need-based aid program, by 2%, or \$1.3 million. Cost containment actions also replaced \$1.0 million in general funds for the Workforce Shortage Student Assistance Program with Higher Education Investment Funds. Further reductions may occur as part of \$54.0 million of unspecified reductions to the Executive Branch expected in fiscal 2009.

Proposed Budget

The Governor's proposed fiscal 2010 budget, as shown in **Exhibit 3**, decreases overall by \$676,000 or 0.6%. General funds increase \$893,781, or 0.8%, due largely to the restoration of general fund support for the Workforce Shortage Student Assistance (WSSA) Program following the fiscal 2009 cost containment fund swap. This fund swap is also the driver behind the special funds decrease of \$1.6 million, or 79.9%. WSSA is funded entirely by general funds in the fiscal 2010 allowance and is reduced \$343,200, or 8.0%. Special funds also decline \$270,000 due to a reduction in the percentage of licensing fees from the Board of Physicians that supports the Hoffman Loan Assistance Repayment Program (LARP) from 15.0 to 12.0%.

The Educational Excellence Awards, which were reduced \$1.3 million in fiscal 2009 cost containment actions, are level funded in the fiscal 2010 allowance. LARP decreases \$305,000 or 11.1% in fiscal 2010 due largely to a \$270,000 reduction in health care licensing fee revenues. The Edward T. Conroy Memorial Scholarship Program appears to be reduced \$106,534 in fiscal 2010, though after accounting for a \$130,000 transfer to the program from the Distinguished Scholars Program due to cancelled awards in fiscal 2009 and \$23,466 in fiscal 2008 carry-forward funds, the Conroy Program is level funded in the fiscal 2010 allowance. The additional fiscal 2009 funds were used to make awards to applicants on the wait list. The Dual Enrollment Grant program created in fiscal 2007 and scheduled to sunset after fiscal 2009 receives no funding, though HB 789/SB 861 repeals the termination of the Dual Enrollment Grant and renames it the Early College Access Grant.

Federal Stimulus

The American Recovery and Reinvestment Act signed into law February 17, 2009, provides \$17 billion to close the Federal Pell Grant Program shortfall and to increase grant amounts by \$500 to \$5,350 in federal fiscal 2009. The Act also increases funding for the Federal Work Study program \$200.0 million, \$3.1 million of which is expected to be directed to Maryland institutions. In addition, the federal stimulus includes \$13.8 billion to boost the tuition tax credit from \$1,800 to \$2,500 for families earning up to \$180,000, which is partially refundable for lower-income families that do not pay sufficient taxes to qualify for existing college tax credits. This added funding may impact the proportion of student financial need State aid is able to satisfy when combined with federal and institutional resources.

Exhibit 3
Proposed Budget
MHEC – Scholarship Programs
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
2009 Working Appropriation	\$105,366	\$1,970	\$1,272	\$250	\$108,858
2010 Allowance	<u>106,260</u>	<u>400</u>	<u>1,272</u>	<u>250</u>	<u>108,182</u>
Amount Change	\$894	-\$1,570	\$0	\$0	-\$676
Percent Change	0.8%	-79.7%			-0.6%
Contingent Reduction	\$0	\$0	\$0	\$0	\$0
Adjusted Change	\$894	-\$1,570	\$0	\$0	-\$676
Adjusted Percent Change	0.8%	-79.7%	0.0%	0.0%	-0.6%

Where It Goes:

Other Changes

Return Distinguished Scholar Program to mandated funding level.....	\$141
Partially restore Delegate Scholarships after transferring \$69,000 to LARP and EEA programs per delegate requests	57
Reduce Edward T. Conroy Memorial Scholarship Program.....	-107
Sunset of the Dual Enrollment Grant	-120
Reduction to Hoffman Loan Assistance Repayment Program.....	-305
Elimination of HEIF funds for Workforce Shortage Student Assistance Program.....	-1,000
Reduce Workforce Shortage Student Assistance after mid-year fiscal 2009 transfer from the Nurse Support Program II.....	-300
Partial general fund replacement of HEIF for Workforce Shortage Student Assistance Program.....	957
Total	-\$676

EEA: Educational Excellence Awards
 HEIF: Higher Education Investment Fund
 LARP: Loan Assistance Repayment Program

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

Need-based Aid Not Restored After Cost Containment

Funding for the State’s largest need-based aid program, Educational Excellence Awards, is not restored to pre-cost containment levels in the fiscal 2010 budget. This amounts to a 2.0% reduction over the fiscal 2009 legislative appropriation. Educational Assistance (EA) Grants, which represent the largest component of Educational Excellence Awards, are expected to award 595 fewer scholarships in fiscal 2010, a 2.2% decline. As shown in **Exhibit 4**, need-based aid decreases 0.5% in fiscal 2010. This decrease is related to the fiscal 2010 sunset of the Dual Enrollment Grant Program (-\$120,000), \$111,825 in reductions to the Part-time and Graduate and Professional Grant Programs in the Governor’s fiscal 2010 allowance, and transfers of Delegate Scholarship funds to EA in fiscal 2009. After accounting for \$3.3 million in fiscal 2009 legislative award carry forward funds, legislative awards increase \$58,000 or 0.5% in fiscal 2010. Career-based aid decreases 13.8% and financial aid for unique populations decreases 7.6%. Need-based aid accounts for 77.8% of all aid in fiscal 2010 compared to 54% in fiscal 2003.

Exhibit 4 State Financial Aid Appropriations Fiscal 2003-2010 (\$ in Thousands)

	<u>2003</u>	<u>2008</u>	Working ⁽¹⁾ <u>2009</u>	Allowance <u>2010</u>	\$ Change <u>2009-10</u>	% Change <u>2009-10</u>	% Change <u>2003-10</u>
Need-based Aid	\$43,267	\$86,528	\$84,563	\$84,145	-\$418	-0.5%	94.5%
Merit-based Aid	4,222	3,999	4,070	4,111	\$41	1.0%	-2.6%
Career-based Aid	22,701	6,936	8,109	6,989	-\$1,120	-13.8%	-69.2%
Legislative ⁽¹⁾	8,610	10,506	11,279	11,337	\$58	0.5%	31.7%
Unique Populations	549	1,553	1,728	1,597	-\$131	-7.6%	190.9%
Total	\$79,349	\$109,522	\$109,749	\$108,179	-\$1,570	-1.4%	36.3%

⁽¹⁾ Fiscal 2009 legislative appropriation does not include \$3.34 million in carry-forward funds. All other fiscal 2009 working appropriations include budget amendments and carry-forward funds.

Source: Maryland Higher Education Commission

Overall, MHEC expects to award aid to 54,194 recipients in fiscal 2010, down from 55,485 recipients in fiscal 2009, as shown in **Exhibit 5**. The number of recipients declines for all types of scholarship programs in fiscal 2010. Exhibit 5 shows the number of legislative award recipients remains relatively level while recipients for need-based aid are projected to decrease by 1,278, or 3.3%, in fiscal 2010. The average need-based award, however, increases 4.5% to keep pace

Exhibit 5
Recipients of Student Financial Assistance
Fiscal 2007-2010

<u>Program</u>	FY 2007 Actual		FY 2008 Actual		FY 2009 Working		FY 2010 Gov. Allow.	
	<u>Rec.</u>	<u>Avg. Award</u>	<u>Rec.</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)	26,992	\$2,243	28,219	\$2,241	26,412	\$2,307	25,817	\$2,352
Campus-based EA	1,448	1,915	2,534	1,913	1,522	1,971	1,492	2,010
Guaranteed Access	1,298	9,026	1,156	9,396	1,347	9,678	1,320	9,872
Part-time Grant	9,428	612	8,667	688	8,304	723	8,019	737
Graduate and Professional School	616	2,400	584	2,568	547	2,697	536	2,751
Dual Enrollment			330	364	323	372		
Subtotal	39,782	\$2,068	41,490	\$2,086	38,462	\$2,164	37,184	\$2,262
Legislative Scholarships	12,263	\$896	12,384	\$848	13,099	\$861	13,156	\$863
Merit- and Career-based Awards	3,222	3,043	2,942	3,188	2,910	\$3,114	2,890	2,912
Assistance for Unique Populations	640	1,181	766	2,027	1,014	1,680	964	1,657
Total	55,907	\$1,857	57,582	\$1,867	55,485	\$1,921	54,194	\$1,946

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

Source: Maryland Higher Education Commission

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with mandatory fee increases. On average, USM mandatory fees increase 5.6% in the fiscal 2010 allowance resulting in an average tuition and fee increase of 1.37% in fiscal 2010. The Commission to Develop the Maryland Model for Funding Higher Education recommended that need-based appropriations and average awards at least keep pace with tuition and fee increases. Implementing this, in addition to restoring the \$1.3 million fiscal 2009 cost containment reduction in fiscal 2010, would require that the EA and Campus Based EA programs be funded at \$66.1 million in fiscal 2010, a \$2.4 million increase over the fiscal 2010 appropriation.

Issues

1. Distribution of Financial Aid by Family Income

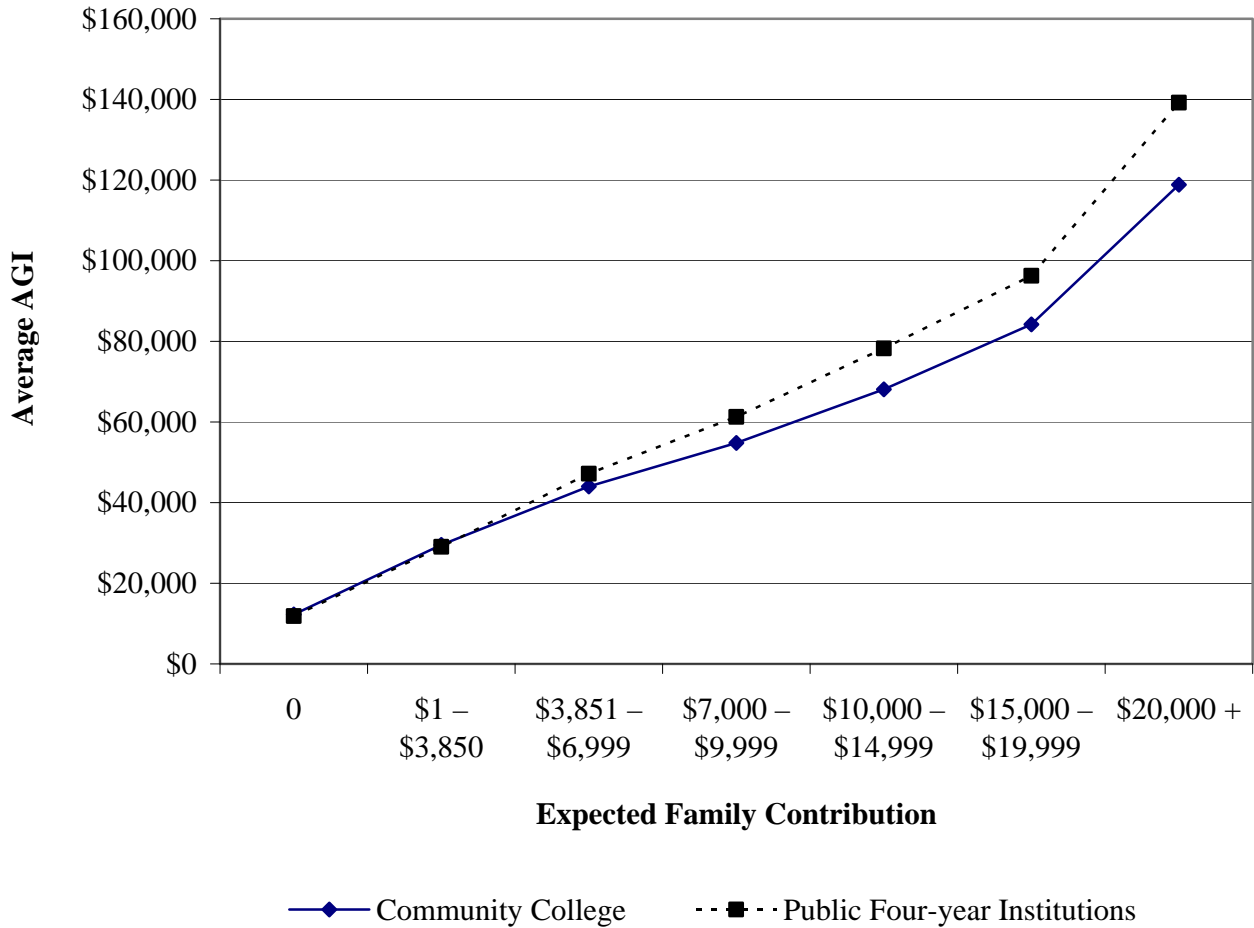
One measure to determine whether student needs are met through State financial aid is to consider how State aid is distributed among family income levels and how much need is left unmet once all financial aid resources have been considered. MHEC's Financial Aid Information System (FAIS) database provides information on the expected family contribution (EFC) of students that receive financial aid. In general, the lower the students' EFC, the greater their financial need. Students with an EFC of \$0 to \$3,850 are eligible for the Federal Pell grant program and have the most need. MHEC tracks the number and size of each type of award by EFC category. The most recent FAIS data available is fiscal 2007.

EFC is based on a number of family income indicators including the income a family pays taxes on, also called adjusted gross income (AGI). EFC is highly correlated with AGI. **Exhibit 6** shows the average AGI by EFC for undergraduates receiving State aid at community colleges and public four-year institutions. Students attending public four-year institutions and community colleges have similar AGIs at the lower EFC categories; though, as EFC increases, the gap between AGI for community college and public four-year students increases. Students with \$0 EFC attending public four-year institutions report an average \$11,846 AGI, and those students attending community college have an average AGI of \$12,267. Students with EFCs of \$20,000 or more attending public four-year institutions have an average AGI of \$139,215, while those students attending community college on average have \$118,857 AGI.

Public Four-year Institutions

The number of State awards provided to students attending public four-year institutions in fiscal 2007 for need, legislative, career, and merit aid by EFC category appears in **Exhibit 7**. Nearly three quarters of the awards were based on need; of these, most (59.1%) went to students with EFCs between \$0 and \$3,850. Legislative awards represented 22% of State awards and were relatively evenly distributed across low (\$0 – \$3,850), middle (\$3,851 – \$14,999), and higher (\$15,000 and above) EFC levels. Career awards were similarly distributed across EFC levels. Merit awards were heavily concentrated among higher EFC students, with 80% of awards going to those with EFC levels of \$15,000 or more, or that had no demonstrated financial need.

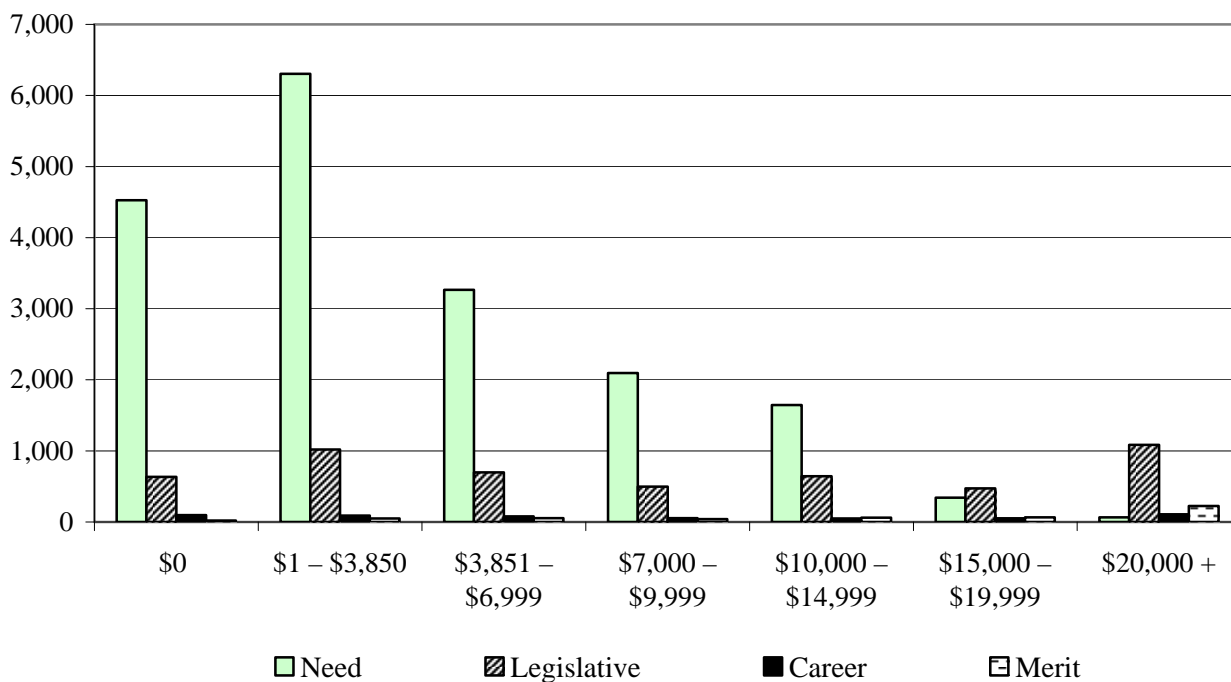
Exhibit 6
Average AGI by EFC for Maryland Public Undergraduates
Fiscal 2007



AGI: adjusted gross income
EFC: expected family contribution

Source: Maryland Higher Education Commission, Financial Aid Information System 2006-2007

Exhibit 7
Number of State Awards by Type and Expected Family Contribution Category
Public Four-year Institutions
Fiscal 2007

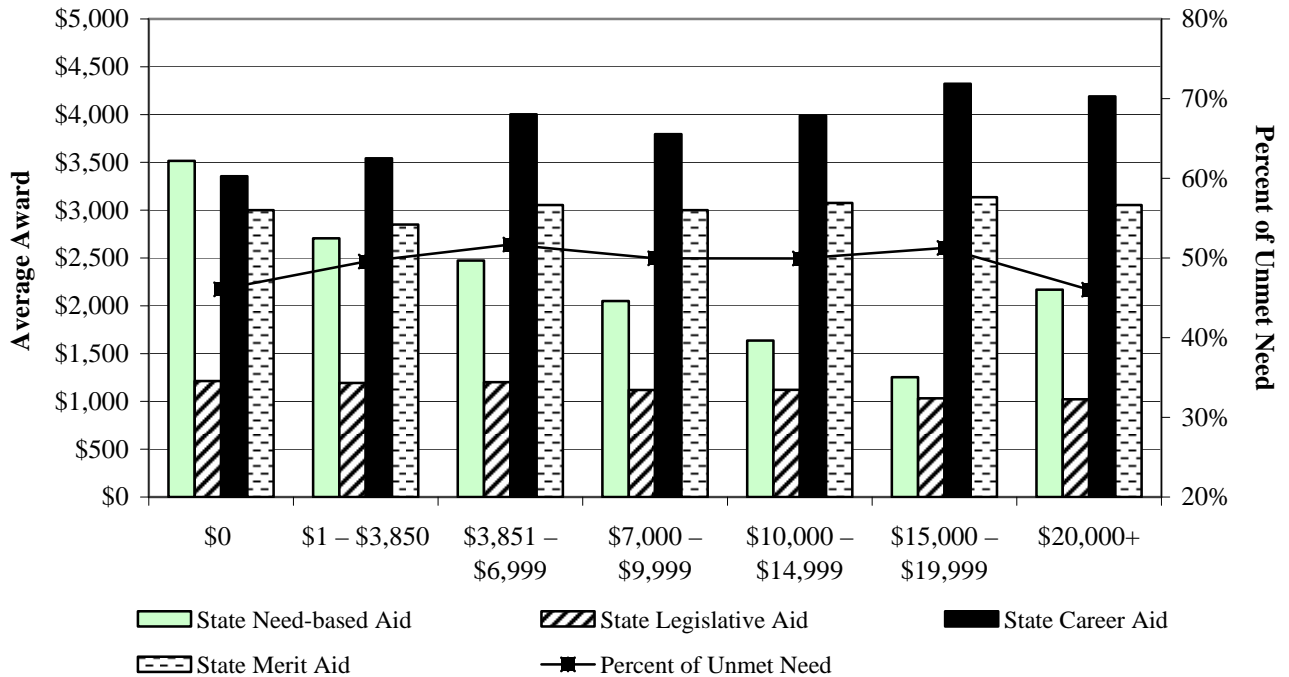


Source: Maryland Higher Education Commission, Financial Aid Information System 2006-2007

As shown in **Exhibit 8**, average unmet need is relatively even across EFC levels for students attending public four-year institutions, though students in the lowest and highest EFC categories have slightly more of their need met after federal, State, and institutional financial aid sources are considered. This indicates that State aid leaves about the same gap between the cost of attendance and a student’s ability to pay, regardless of family income. Exhibit 8 also shows the average size of each type of aid. State need-based awards were largest for students with the greatest financial need, though the average need-based award was smaller than both career and merit awards at every EFC level other than the lowest. On average, career awards were largest for students with the highest EFCs. The average size of legislative and merit awards were fairly level across EFC categories.

The Secretary should comment on steps MHEC is taking to reduce the amount of unmet financial need among the lowest income students attending public four-year institutions and on how the Commission to Develop the Maryland Model for Funding Higher Education’s recommendations are likely to impact this effort.

Exhibit 8
Average State Financial Aid Award and Percent Unmet Need by EFC
Public Four-year Institutions
Fiscal 2007



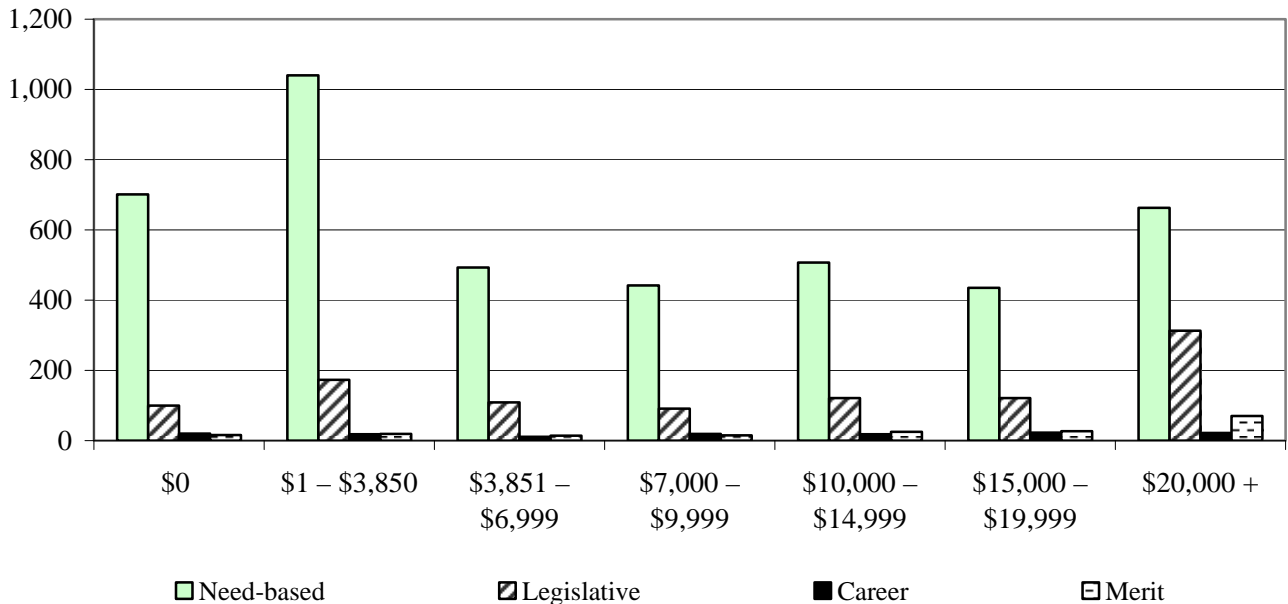
EFC: expected family contribution

Source: Maryland Higher Education Commission, Financial Aid Information System 2006-2007

Independent Institutions

Students attending independent four-year institutions are also eligible for State financial aid. MHEC collects data on students at independent institutions who are Maryland residents and receive Maryland State aid, which represents approximately 16.0% of the students attending independent institutions in the State. Generally, the distribution of awards to students attending independent institutions is less concentrated among students with the lowest EFCs than among students attending public institutions due to the higher cost of attendance at independent colleges and universities. The number of State awards provided to students attending independent four-year institutions in fiscal 2007 for need, legislative, career, and merit aid by EFC category appears in **Exhibit 9**. Nearly three quarters of the awards were based on need, though only 40.6% of need-based awards went to students with EFCs between \$0 and \$3,850. The number of need-based awards was more evenly distributed across EFC levels than need-based awards for either public four-year institutions or

Exhibit 9
Number of State Awards by Type and Expected Family Contribution Category
Independent Institutions
Fiscal 2007

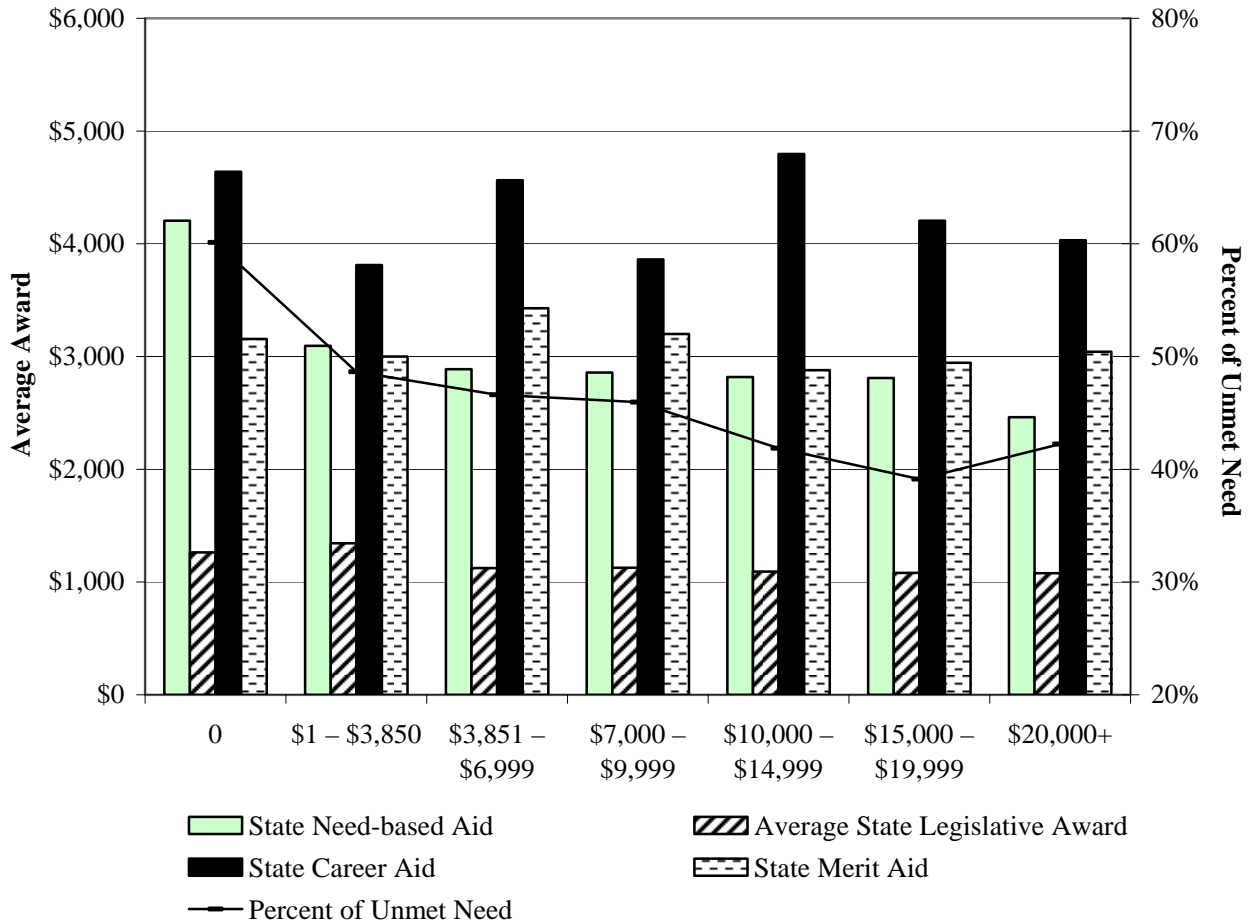


Source: Maryland Higher Education Commission, Financial Aid Information System 2006-2007

community colleges, with 33.7% going to students with middle (\$3,851 – \$14,999) and 24.9% to students with higher (\$15,000 or more) EFCs. Unlike the distribution for public four-year institutions, legislative awards were weighted toward students in higher EFC categories with 41.2% going to students with EFCs of at least \$15,000. Career awards, which represent only 3.0% of all the State awards provided to students attending independent institutions, were evenly distributed across EFC categories. Like the merit awards provided to students at public institutions, merit aid to students at independent institutions was weighted toward those with EFCs of \$15,000 or more, or who had no demonstrated financial need who received 65.4% of those awards.

As shown in **Exhibit 10**, average unmet need is highest among the lowest EFC for students attending independent institutions. This indicates that State aid leaves a larger gap between the cost of attendance and a student’s ability to pay for students with the lowest EFCs. Exhibit 10 also shows the average size of each type of aid. State need-based awards were largest for students with EFCs of \$0, and fairly level across other EFC categories. The size of career awards varied across EFC levels, though for every category, career aid was the largest award offered by the State. Legislative awards, the smallest award across EFC categories, were slightly larger on average for students with the lowest EFC, though they were relatively even across EFC levels. The size of merit awards were also fairly even across categories.

Exhibit 10
Average State Financial Aid Award and Percent Unmet Need by
Expected Family Contribution at Independent Colleges and Universities
Fiscal 2007

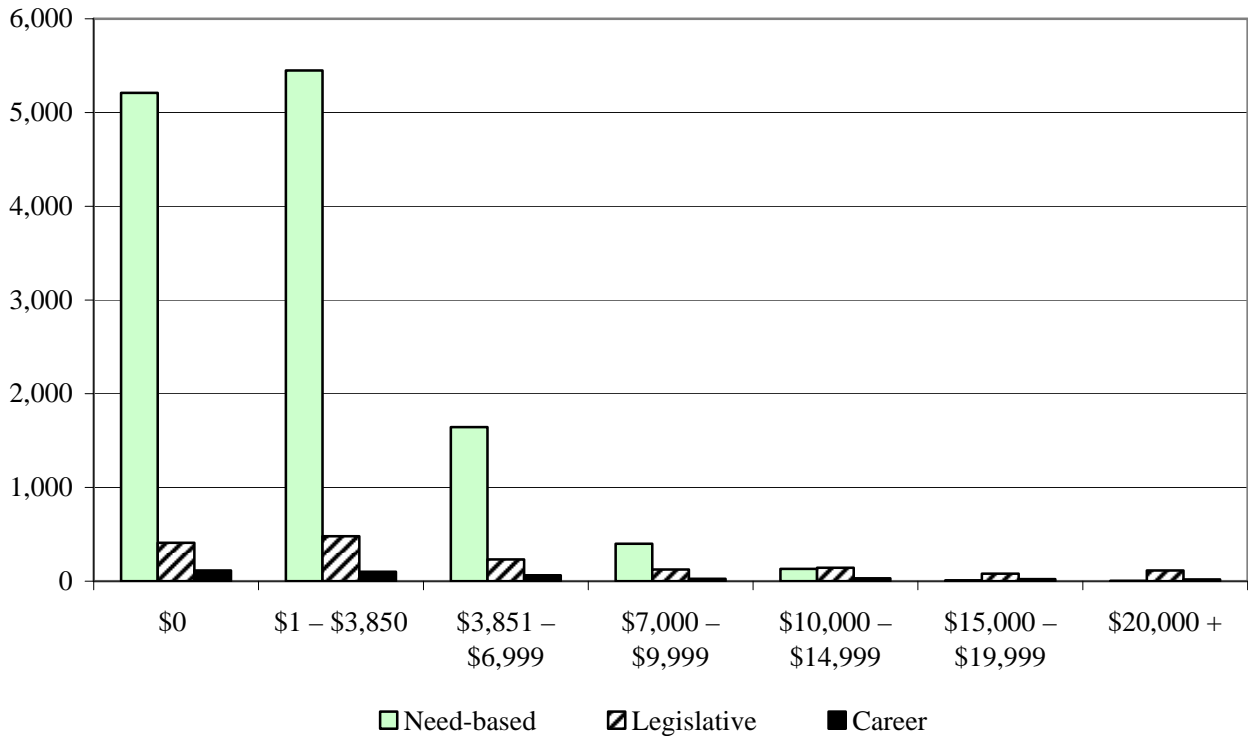


Source: Maryland Higher Education Commission, Financial Aid Information System 2006-2007

Community Colleges

The number of State need, legislative, career, and merit-based awards provided to students attending community colleges in fiscal 2007 appears in **Exhibit 11**. About 85.0% of the State awards made to community college students in fiscal 2007 were need-based; of these, 80.8% went to students in EFC categories between \$0 and \$3,850. Legislative aid represented 11.9% of awards to community college students, 48.2% of which went to the lowest-income students. Career and merit awards represented a small proportion of awards.

Exhibit 11
Number of State Awards by Type and Expected Family Contribution Category
Community Colleges
Fiscal 2007

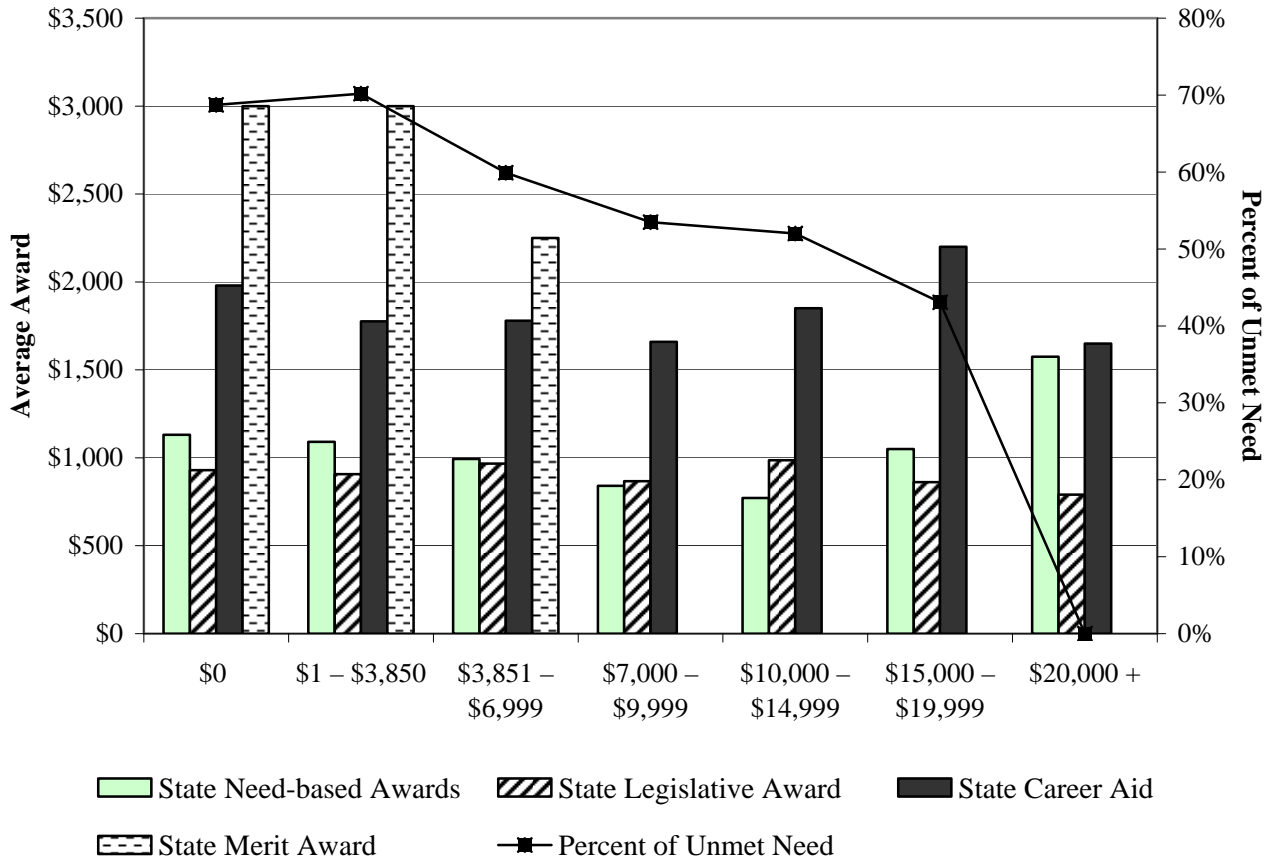


Note: Merit aid does not appear due to the small number of awards.

Source: Maryland Higher Education Commission, Financial Aid Information System 2006-2007

As shown in **Exhibit 12**, average unmet need was significantly higher for community college students with the greatest financial need in fiscal 2007. This indicates that State aid leaves a bigger gap between the cost of attendance and a family’s ability to pay for those with the greatest financial need. Exhibit 12 also shows the average size of State need-based, legislative, career, and merit awards for community college students in each EFC category. Because community college students often attend school part-time, their average award is typically smaller than those granted to students attending four-year institutions. MHEC implemented the Community College Access Initiative in fiscal 2006, raising the percent of need satisfied by Educational Assistance (EA) Grants from 35% in fiscal 2005, to 60% by fiscal 2007. In fiscal 2007, average unmet need for students with EFCs between \$0 and \$3,850 was more than 70% despite the EA formula change. MHEC reports that annual EA appropriations are insufficient to award all students who apply, and that 1,176 students (both community college and four-year) were on the EA waiting list at the end of the 2007-2008 granting cycle. Preliminary numbers indicate that the 2008-2009 waiting list could be significantly longer.

Exhibit 12
Average State Financial Aid Award and Percent Unmet Need by EFC
Community Colleges
Fiscal 2007



EFC: expected family contribution

Source: Maryland Higher Education Commission, Financial Aid Information System 2006-2007

The average State need-based award for community college students in fiscal 2007 was largest for those with the greatest financial need. Both merit and career awards on average were larger than need-based aid at every EFC level, and the average legislative award was relatively level across EFC levels. **The Secretary should comment on the steps MHEC is taking to reduce the amount of unmet financial need among the lowest income community college students.**

Recommended Actions

1. Adopt the following narrative:

Report on the Current Fiscal Year Working Appropriation for the Maryland Higher Education Commission Scholarships: The committees request that the Maryland Higher Education Commission (MHEC) submit reports by October 15, 2009, and January 15, 2010 on the current fiscal year working appropriation for MHEC Scholarships by program. MHEC frequently moves money between scholarship programs to ensure that available funds are fully spent. A significant lag time often exists between when funds are moved and when the move is recognized through budget amendment. As a result, it is difficult to monitor the use of scholarship funds across fiscal years. The current year working appropriation reported by MHEC in the Governor’s budget books is often not reflective of the actual working appropriation. These reports on the current working appropriation would ensure that the committees have access to the most updated data available.

Information Request	Author	Due Date
Report on current fiscal year working appropriation for MHEC Scholarships by program	MHEC	October 15, 2009 January 15, 2010

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2008					
Legislative Appropriation	\$107,902	\$1,000	\$609	\$200	\$109,711
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	333	662	50	1,045
Cost Containment	-5,914	0	0	0	-5,914
Reversions and Cancellations	0	-163	0	0	-163
Actual Expenditures	\$101,988	\$1,170	\$1,272	\$250	\$104,680
Fiscal 2009					
Legislative Appropriation	\$107,649	\$620	\$1,272	\$250	\$109,791
Cost Containment	-2,283	1,000	0	0	-1,283
Budget Amendments	0	350	0	0	350
Working Appropriation	\$105,366	\$1,970	\$1,272	\$250	\$108,858

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

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Fiscal 2008

General funds decreased \$5,914,113 due to cost containment actions to withdraw unspent scholarship balances.

Special funds increased \$333,000 due to a transfer of funds from the Nurse Support Program II to the Loan Assistance Repayment Program (\$33,000) and the Workforce Shortage Student Assistance Grants (\$300,000) for the awarding of nursing scholarships to students on the wait list. Special funds decreased \$163,145 due to a reversion of an excess appropriation for the Loan Assistance Repayment Program.

Federal funds increased \$662,342 due to availability of additional Improving Teacher Quality and Special Leveraging Educational Assistance Program Scholarships.

Reimbursable funds increased \$50,000 due to an increase in MHEC's share of federal grants to support the Loan Assistance Repayment Program.

Fiscal 2009

General Funds decreased \$2,282,825 due to cost containment actions that reduced Educational Excellence Awards by 2% and replaced \$1,000,000 of general funds supporting the Workforce Shortage Student Assistance Program (WSSAP) with special funds from the Higher Education Investment Fund (HEIF).

Special funds increased \$1,350,000 due to a transfer of MHEC funds to support the Loan Assistance Repayment Program and WSSAP and a fund swap that replaced general funds supporting the WSSAP with \$1,000,000 in HEIF.

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

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Working Appropriation</u>	<u>FY10 Allowance</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
Objects					
02 Technical and Spec. Fees	\$ 14,712	\$ 0	\$ 0	\$ 0	0.0%
04 Travel	901	0	0	0	0.0%
08 Contractual Services	4,108	0	0	0	0.0%
09 Supplies and Materials	1,741	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	104,658,096	108,857,966	108,181,747	-676,219	-0.6%
Total Objects	\$ 104,679,558	\$ 108,857,966	\$ 108,181,747	-\$ 676,219	-0.6%
Funds					
01 General Fund	\$ 101,988,157	\$ 105,366,420	\$ 106,260,201	\$ 893,781	0.8%
03 Special Fund	1,169,855	1,970,000	400,000	-1,570,000	-79.7%
05 Federal Fund	1,271,546	1,271,546	1,271,546	0	0%
09 Reimbursable Fund	250,000	250,000	250,000	0	0%
Total Funds	\$ 104,679,558	\$ 108,857,966	\$ 108,181,747	-\$ 676,219	-0.6%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

**Fiscal Summary
MHEC – Scholarship Programs**

<u>Program/Unit</u>	<u>FY08 Actual</u>	<u>FY09 Wrk Approp</u>	<u>FY10 Allowance</u>	<u>Change</u>	<u>FY09 - FY10 % Change</u>
10 Educational Excellence Awards	\$ 74,272,712	\$ 76,760,076	\$ 76,760,076	\$ 0	0%
12 Senatorial Scholarships	6,486,000	6,486,000	6,486,000	0	0%
14 Edward T. Conroy Memorial Scholarship Program	600,252	677,008	570,474	-106,534	-15.7%
15 Delegate Scholarships	4,759,308	4,793,808	4,851,000	57,192	1.2%
16 Riley Fire and EMS Tuition Reimbursement Program	342,115	340,979	340,979	0	0%
17 Graduate and Professional Scholarship Program	1,500,000	1,475,175	1,475,175	0	0%
18 Dual Enrollment Grant	120,211	120,211	0	-120,211	-100.0%
20 Distinguished Scholar Program	3,913,728	3,970,416	4,111,450	141,034	3.6%
21 Jack F. Tolbert Memorial Student Grant Program	266,000	277,500	277,500	0	0%
23 HOPE Scholarships Program	19,289	0	0	0	0%
26 Hoffman Loan Assistance Repayment Program	2,807,150	2,987,295	2,682,795	-304,500	-10.2%
33 Part-time Grant Program	6,000,000	5,910,293	5,910,293	0	0%
36 Workforce Shortage Student Assistance Grants	2,992,793	4,309,205	3,966,005	-343,200	-8.0%
37 Veterans of the Afghanistan and Iraq Conflicts Scholarship	600,000	750,000	750,000	0	0%
Total Expenditures	\$ 104,679,558	\$ 108,857,966	\$ 108,181,747	-\$ 676,219	-0.6%
General Fund	\$ 101,988,157	\$ 105,366,420	\$ 106,260,201	\$ 893,781	0.8%
Special Fund	1,169,855	1,970,000	400,000	-1,570,000	-79.7%
Federal Fund	1,271,546	1,271,546	1,271,546	0	0%
Total Appropriations	\$ 104,429,558	\$ 108,607,966	\$ 107,931,747	-\$ 676,219	-0.6%
Reimbursable Fund	\$ 250,000	\$ 250,000	\$ 250,000	\$ 0	0%
Total Funds	\$ 104,679,558	\$ 108,857,966	\$ 108,181,747	-\$ 676,219	-0.6%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.