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Secretary of Higher Education

MARYLAND HIGHER EDUCATION COMMISSION SCHOLARSHIP PROGRAMS

Senate Budget and Taxation Subcommittee on Education, Business, and Administration

February 11, 2004

Responses to Recommended Actions Raised in the Department of Legislative Services Analysis

1. Reduce funding for need-based aid by $3,800,000

The Commission does not accept the analyst's recommendation. The Governor's FY 2006 budget increases funding for need-based aid by approximately $15.8 million. This increased funding will improve access and affordability for approximately 6,100 additional students in the Educational Excellence Awards, Part-Time Grant, Graduate and Professional, and Janet L. Hoffman Loan Assistance Repayment programs. A reduction in funding would severely impact our ability to award these students and implement other initiatives that are being proposed to address our F grade in affordability in the National Report Card on Higher Education.

MHEC is proposing the following awarding priorities be implemented with the increased funds requested for the EEA program:

- Adjust award amounts in both components of the Educational Excellence Award program, the Guaranteed Access Grant (GAG) and Educational Assistance Grant (EAG), for FY 2006 tuition and fee increases;
- Increase the standard allowance for students living with parents by $300 to $2,800;
- Implement the Community College Access Initiative which will increase the percent of need used to calculate an award for a community college student receiving an EAG award from 35% to 45%;
- Increase funding for the Campus-Based EAG program by $1 million bringing the total allocation to $3 million; and,
- Increase the number of awards in the EEA Program.

Each of these priorities is necessary to ensure that students receive awards that reflect increases in tuition and fees and other basic expenses students incur to attend school, and to ensure that higher education is accessible and affordable for all student populations. The Community College Access Initiative, which will award community college students

at 45% of need instead of 35%, is being proposed to ensure that Maryland's lowest income families can afford to go to Maryland's lowest cost colleges. This measure on the report card found that Maryland's low-income families contribute a much larger percentage of income to go to community colleges than low-income families in states that performed better on the affordability measure. The Campus-Based EAG program was implemented two years ago to address the needs of students who for extenuating circumstances may decide late in the year to go to school and miss earlier financial aid deadlines. Based on an evaluation after the first year of the new initiative, this program is providing flexibility to institutions to assist traditional and nontraditional low-income students to enroll and continue in postsecondary education. Additional funds in this component will increase awards for tuition and fees and award more students.

Any reduction in funding will limit MHEC's ability to achieve the proposed awarding priorities for the EEA program and award the number of students anticipated in the other need-based aid programs.

Response to Issues Raised in the Department of Legislative Services Analysis

Performance Analysis: Managing for Results

1. New goals for the Guaranteed Access Grant program

The Office of Student Financial Assistance (OSFA) has achieved its program goal for the Guaranteed Access Grant with regard to the number of presentations held in high-need communities. At this time OSFA is not planning to revise this goal, however, a more concerted effort will be undertaken to further reach this student population that may result in more applications being received and more students being awarded. Efforts to be explored include working directly with the institutions to identify students who may be eligible for the Guaranteed Access Grant, better publicizing the program through the Department of Social Services to attract foster care recipients, and identifying eligible students from FAFSA information received.

2. Guaranteed Access Grant applications not increasing proportionate to the number of presentations

While the number of Guaranteed Access Grant applications may have declined from FY 2003 to FY 2004, OSFA has experienced a significant increase in the number FAFSAs and applications received for need-based aid programs. It is important to note that low-income students may qualify for an EAG award, but not be eligible for the GAG award since the GAG program requires application within a year of graduation from high school. OSFA believes that the increase in applications is directly related to the increased number of presentations held across the State. Efforts to better identify students who may be eligible for the Guarantee Access Grant are mentioned above. These efforts will increase the number of applications received.

3. State Nursing Scholarship – how is program contributing to the total number of new nurses entering the workforce

OSFA believes that this program is contributing towards the total number of new nurses entering the State workforce. In 2004, MHEC conducted a study of the Nursing Scholarship program. The study found that an overwhelming number of participants began they career as a nurse and will continue to do so even after the service obligation component is completed. In addition, each year, students that have received this scholarship are graduating and beginning their career as a nurse. The measure referred to in the analyst's write-up was incorporated into OSFA's MFR beginning in FY 2003 and little data is available at this time to make out year estimates. OSFA staff is currently in the process of surveying nursing recipients to see how many have graduated and entered the workforce in FY 2004. We expect to have this completed by April. At that time it may be appropriate to revise this MFR measure to better reflect the current and estimated number of nurses entering the workforce. It should be noted however, that the program appropriation has remained flat, while the number of applications have increased.

Issues

1. The Secretary should comment on the impact of phasing out the HOPE Scholarships on other State financial aid programs.

The phase out of the HOPE Scholarship program has provided $10 million in funding to state need-based financial aid programs in FY 2004 and FY 2005. These funds allowed for the implementation of the campus-based Educational Assistance Grant (EAG) program, which is now in its second year of implementation, as well as increased funding for the Part-time Grant and the regular EAG program. Students eligible for the HOPE programs who demonstrate need can receive funds under any of these programs. The chart below provides information on the family income ranges for new and renewal students under the regular EAG program. Under the campus-based EAG program and the Part-time grant, students need to be eligible for a Pell grant to qualify for an award.

Summary of Educational Assistance Grant Recipients by Income: FY 2005

	Fiscal Year 2005				
	EA New Awards		EA Renewal Awards		FY 2005
	Independent	Dependent	Independent	Dependent	Total Awards
0 - 19,999	6,373	3,024	2,843	1,419	**13,659**
20 - 39,999	2,317	4,458	895	2,739	**10,409**
40- 59,999	503	3,081	183	2,096	**5,863**
60 - 79,999	79	928	30	922	**1,959**
80 - 99,999	10	198	5	335	**548**
100,000+	3	92	0	138	**233**
TOTAL	9,285	11,781	3,956	7,649	32,671

2. The Secretary should discuss how the legislative scholarship funds would be utilized if they were diverted to need-based aid as proposed by the Governor.

HB 148 includes a provision to transfer the funding for legislative scholarships to the Education Excellence Award (EEA) Program. If this provision is enacted, an additional $11.3 million would be available to be awarded under the EEA program for FY 2006. The Maryland Higher Education Commission annually determines the priorities for awarding under the EEA program. If the increase in need-based aid provided in the FY 2006 budget request is not reduced, the following are funding options that staff would present to the Commission for consideration:

- Fund all eligible students under the program;
- Increase the percent of need and maximum amount of EAG awards;
- Increase the standard living allowance to address current living costs; and
- Increase the percent of need for students attending community colleges.