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MARYLAND HIGHER EDUCATION COMMISSION
SCHOLARSHIP PROGRAMS

House Appropriations Subcommittee on Education and Economic Development

February 11, 2004

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

1. Reduce funding for need-based aid by $5,000,000

The Commission does not accept the analyst's recommendation. The Governor's FY 2005 budget increases funding for the Educational Excellence Award (EEA) program and the Part-Time Grant program by approximately $15.9 million. This increased funding will accommodate increases in EEA awards attributed to FY 2004 and FY 2005 tuition and fee increases, continue the Campus-Based EAG, and increase the overall number of awards in need-based aid by approximately 1,765.

Funding for these programs has remained flat or has been reduced over the last couple of fiscal years. As tuition and fees have increased, awards are covering a significantly lower percentage of student need and the waiting list for assistance has skyrocketed. Sufficient funding is needed to address both of these concerns raised by the analyst. It will be impossible to address these issues if funding is reduced.

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

It is true that OSFA has achieved both of its program goals for the Guaranteed Access Grant with regard to the number of applications received and the number of presentations held in high-need communities, however, a more concerted effort is being undertaken to further reach this student population. The number of presentations held has continued to increase and a greater emphasis has been placed on high-need communities. To reflect these increased efforts, program goals will be adjusted using FY 2004 actuals as the base performance measure.

2. Sharon Christa McAuliffe Memorial Teacher Education Tuition Assistance Program – recipients working in critical shortage areas compared to total graduates

OSFA is currently tracking 302 recipients in its service obligation database. These are individuals who have graduated from school and are currently working in a critical shortage field, are in deferment, or have decided not to fulfill the service obligation. Of the 302, 168 (56%) have completed their service obligation, 61 (20%) are currently performing their service obligation, 31 (10%) are in repayment, 32 (11%) are in deferment, and 10 (3%) have repaid the scholarship in full. These statistics show that 76% of the graduates receiving this scholarship are currently teaching in a critical shortage area.

3. State Nursing Scholarship - recipients working as a nurse compared to total graduates

OSFA is currently tracking 714 recipients in its service obligation database. These are individuals who have graduated from school and are currently working as a nurse, are in deferment, or have decided not to fulfill the service obligation. Of the 714, 219 (31%) have completed their service obligation, 359 (50%) are currently performing their service obligation, 65 (9%) are in repayment, 57 (8%) are in deferment, and 13 (2%) have repaid the scholarship in full. These statistics show that 81% of the graduates receiving this scholarship are working as a nurse.

Governor's Proposed Budget

1. Overall award trend in light of increased allowance for financial aid programs

The overall number of projected awards for FY 2005 is slightly lower than the number of actual awards for FY 2003 for the following reasons: 1) FY 2004 cost containment; 2) impact of tuition and fee increases on the Educational Excellence Award (EEA) program; and 3) the reduction in the number of HOPE Scholarship awards.

FY 2004 Cost Containment

With the exception of the EEA program, Part-Time Grant, Delegate and Conroy scholarships, all financial aid programs are funded in FY 2005 at the same level in FY 2004 after cost containment. Cost containment reduced financial aid programs on average by 7.5%. For many programs, this funding level is less than the FY 2003 appropriation. It was estimated that the reductions taken during cost containment would have equated into approximately 1,200 fewer awards being made. This reduction in awards is being reflected in the overall estimated number of awards for FY 2005. It should also be noted that the Part-Time Grant appropriation, although not impacted by cost containment in FY 2004, is significantly lower than the FY 2003 appropriation, which also accounts for a reduction in awards.

Impact of Tuition and Fees on EEA Program

The much-needed increase in the Governor's proposed budget for the EEA program is to achieve the following priorities:

1) adjust award amounts in both the GAG and EAG program for FY 2004 and FY 2005 tuition and fee increases;
2) provide funds to continue the Campus-Based EAG program; and
3) increase the overall number of awards in EEA.

It is estimated that $11.9 million of the proposed $15.3 million increase for EEA will be needed to adjust awards for tuition and fees. Once $2 million is allocated for the campus-based EAG program, approximately $1.4 million is left to increase the number of overall awards in EEA. The intent of this increased funding is to bring awards in line with recent tuition and fee increases while slightly increasing the number of awards.

Reduction of HOPE Scholarship Awards

The Governor's FY 2005 proposed budget provides sufficient funds for the renewal of current HOPE scholarship awards, however, funds have not been provided for new awards. This results in 2,350 fewer students being awarded in FY 2005 compared to FY 2003. Obviously this impacts the overall number of financial aid awards estimated for FY 2005.

2. Additional funds for need-based aid and plans to reduce the waiting list and increase the maximum grant

As stated above the increase in the Governor's proposed budget for the EEA program is to achieve the following priorities:

1) adjust award amounts in both the GAG and EAG program for FY 2004 and FY 2005 tuition and fee increases;
2) provide funds to continue the Campus-Based EAG program; and
3) increase the overall number of awards in EEA.

Considering recent increases in tuition and fees, a significant portion of the increase will be used for award increases. The slight increase in the number of awards will reduce the number of students on the waiting list; however, it is not likely that the maximum award amount will be increased this year. Funds are not sufficient to award more recipients and increase the maximum grant.

3. Findings of the Teacher Scholarship Survey

As pointed out by the analyst, a number of individuals responded that they chose the scholarship because they already planned to become a teacher. However, the most

significant finding is that nearly all recipients stated they planned to continue teaching following the end of their service obligation. This confirms that the overall goal of the programs is being met - bring teachers into the field and keep them there on a long-term basis.

4. Rationale for phasing out the HOPE scholarship program

As mentioned previously, funding for need-based aid programs has remained flat or has been reduced over the last couple of fiscal years. As a result, award amounts have not kept pace with tuition and fee increases. Awards are covering a significantly lower percentage of student need and the waiting list for assistance has skyrocketed. It was felt very strongly that something needed to be done to reverse this trend. However, in tight budget times it became obvious that to achieve this goal some funds would need to be diverted from another source. HOPE funding has been reduced over the last two fiscal years and only limited new awards were made for the current academic year. Therefore the difficult decision was made to divert funds from HOPE to be used for need-based aid. These funds will be used to ensure that low and moderate-income students of all ages have access to college.