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Scholarship Program Budget Hearing

House Appropriations Subcommittee on
Education and Economic Development

January 22, 2002

Response to Issues Raised in the Department of Legislative Services Analysis

1. Commission to Implement Recommendation from State Financial Aid Report

The Secretary of Higher Education should be prepared to discuss with the committees on the commission's responses to the recommendations made in the comprehensive review of State scholarship programs, specifically the recommendations to establish goals for all existing programs and to annually monitor the achievement of those goals and to consider decentralizing need-based aid.

2. College Readiness Task Force Submits Recommendations for Financial Aid

The Secretary of Higher Education should brief the committees on the Commission's responses to the long-term recommendations made by the Task Force to Study Disadvantaged and Capable Students. The discussion should include what recommendations the commission can begin implementing in fiscal 2003 in spite of the current State budget situation.

The Commission's Financial Aid Study conducted by the American Institute for Research (AIR) and the Task Force on College Readiness for Disadvantaged and Capable Students identified a number of similar concerns with regard to access. In addition, the AIR study identified issues such as streamlining programs and modernization of administrative functions. Legislation is planned for 2002 as follows:

<u>Commission Legislation</u>

As a result of the Commission's financial aid study performed by the American Institutes for Research (AIR), the Commission is seeking introduction of the following two bills to simplify the eligibility criteria for scholarship programs.

1) This bill will change how the Commission calculates GPAs for students applying for the Maryland Science and Technology Scholarship, Maryland Teacher Scholarship, and Maryland HOPE Scholarship. Currently, the Commission recalculates GPAs for these programs based on core courses and unweighted grades. With the enactment of this bill, the Commission will be able to use student GPAs as reported on high school transcripts.

2) This bill will enable students to hold multiple scholarships as long as they meet the eligibility requirements and the total amount of aid (scholarships, grants, and loans) does not exceed the cost of full-time undergraduate or graduate tuition at the University of Maryland College Park. Currently, a limited number of scholarships may be held with other scholarships.

Task Force on College Readiness Legislation

Legislation is currently being drafted to implement the recommendations of the Task Force, a number of which corresponded with AIR recommendations. Legislative members that served on the Task Force will be asked to introduce the legislation. It will include the following components:

1. change the name of the State Scholarship Administration to the Office of State Student Financial Aid;

2. codify and decentralize the Professional Scholarship Program;

3. decentralize a portion of the Educational Assistance Grant Funds

4. modify the Guaranteed Access program to include a "Collge Readiness" Outreach Effort;

5. guarantee funding levels for each need-based aid program equal to 80 percent of the previous year's funding.

A number of these recommendations do have a budgetary impact. Although funds have not been specifically identified in the fiscal 2003 budget, the Commission believes that it is important to provide the statutory authority for these initiatives. It is the Commission's intention to seek funding in future years.

Administrative Changes

A number of administrative changes were also recommended by the study and the Task Force to make Maryland's financial aid programs more effective in reaching students and to improve internal operations. Additional funds and/or positions are required to fully implement these recommendations. Although funds have not been specifically identified in the fiscal 2003 budget, it is the Commission's intention to seek funding in future years. These recommendations include:

1) Collect data to effectively analyze need-based and other financial aid programs

The Commission is convening a segmental workgroup to determine the data needed to conduct comprehensive analyses of financial aid and the data collection mechanisms. The first meeting of the workgroup is January 24, 2002. Based on the new data collected, the Commission will determine additional

measurable goals for the programs. The Task Force on College Readiness for Capable and Disadvantaged Students has recommended an additional research/analyst position to conduct analysis of state financial aid programs using the comprehensive financial aid data.

2) Modify the current method of awarding the Educational Assistance Grant funds to address issues of equity, predictability, and timing of awards.

The Task Force on College Readiness for Capable and Disadvantaged Students has recommended an additional fiscal analyst position to provide comprehensive analysis for fund management of state financial aid and forecasting to improve the equity and predictability of awards for parents, students and institutions and make awards earlier in the year to have more impact on student decisions to attend college.

3) Expand the public education and outreach efforts of the State Scholarship Administration to heighten awareness of disadvantaged and capable students of the availability of financial aid, including the types of aid available, the need to complete applications timely, and other familiarization techniques.

The Commission has expanded outreach activities in the last year including increases in the number of presentations and workshops, and contacts to community, faith-based, and other organizations. In addition, the Student Guide reached high schools in September 2001, a new brochure was sent home to all high school juniors promoting higher education and financial aid opportunities, a web-based student inquiry has just been completed and a web-based student search function for state scholarships should be functioning within a few months. The Commission is continuing to expand outreach based on available resources to ensure students and parents are aware of the opportunities in higher education in Maryland.

4) Develop an outreach component to the expanded Diversity Grant Program for HBCU graduates who pursue graduate and professional degrees in Maryland universities, as suggested in the Office for Civil Rights agreement.

The Commission plans to work with HBCUs and TWI's to develop recommendations to modify the current Diversity Grant program to implement the recommendations of the OCR Agreement.

3. Fiscal 2002 Restricted HOPE funds in Limbo

The Secretary of Higher Education should be prepared to discuss with the committees about the intended use of these funds in fiscal 2003.

According to legislation that was passed during the last legislative session, money appropriated under Title 18 that is not used by the end of the fiscal year may not revert to the State Treasury and must be used to make awards under the Educational Excellence Award Program, need-based awards under the Nursing

Scholarship Program, Part-time Grant Program, the Hoffman Loan Assistance Repayment Program, and/or the Professional Scholarship program. Therefore, if the $2 million in HOPE remains at the end of FY 2002, these funds will be carried forward and will be awarded in need-based programs. Once the FY 2003 budget is approved, the Commission will evaluate the available funds for FY 2003, including a carry forward funds from other programs to determine the distribution of funds to the eligible need-based programs.

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

1. Reduce general funds to the HOPE Scholarships Program - $4,800,000

   The Commission does not accept the analyst's recommendation. For FY 2002, the working appropriation for the HOPE Scholarship programs totals $18,760,000. Currently, all funds have been awarded and there are more than 500 students on a waiting list as follows:

   Science and Technology – 21
   Maryland Teacher – 144
   HOPE General – 370
   HOPE Transfer – 22

   In FY 2003, funds are needed to support the second year phase-in of the HOPE Transfer Scholarship, the final year of phase-in for eligible majors under the HOPE General Scholarship and expanded eligibility under the Maryland Teacher Scholarship for part-time graduate students and current college students under the Science and Technology award.

2. Reduce general funds to the Developmental Disabilities and Mental Health Worker Tuition Assistance Program - $600,000

   The Commission does not accept the analyst's recommendation. In FY 2002 it is anticipated that a total of $908,976 will be awarded to 521 students under the Developmental Disabilities and Mental Health Worker Tuition Assistance Program. A reduction of $600,000 in the FY03 allowance would reduce the FY 2003 funding to $900,000. Additional funds are needed in FY 2003 to continue funding for renewal awards and to fund new applicants as the program is being phased-in.

3. Reduce special funds in the Loan Assistance Repayment Program - $350,000

   The Commission does not accept the analyst's recommendation. The Health Subcommittee of the House Environmental Matters Committee did not approve the recommendation in the BPQA sunset review report to eliminate the earmarking of funds to support the Loan Assistance Repayment Program. In addition, the subcommittee felt strongly that funding be continued for this program