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Maryland Higher Education Commission
Student Financial Assistance

**Testimony of Dr. James D. Fielder, Jr., Secretary, to the
House Appropriations Subcommittee for Education and Economic Development and the
Senate Budget and Taxation Subcommittee for Education, Business and Administration**

February 24 & 25, 2016

Proposed Budget

- 1. Given the late timing of the new MEGS program and because no bill has been introduced to authorize MEGS, DLS recommends that \$3.0 million in new MEGS funding be transferred to the Education Excellence Awards Program to make additional need-based awards in fiscal 2017.**

MHEC opposes this recommendation. MHEC is working to have the program up and running this spring and to make awards for students entering postsecondary education in fall 2016.

While DLS is correct that no bill has been introduced to authorize the Maryland Early Graduation Scholarship (MEGS), no bill is needed to authorize the program. MHEC supports the scholarship and recommends that the funding remain. MHEC is confident that the scholarship will be operable in time for the 2016-2017 award year for students to both apply and utilize beginning in the fall 2016 semester. MHEC will also develop a Public Relations (PR) campaign to ensure individuals within the State that may qualify for the scholarship are aware of it. MHEC believes that the MEGS is a step in the right direction of promoting high school completion with an added incentive of providing financial assistance towards a post-secondary education.

MHEC's efforts are focused on ensuring that more students earn degrees, in less time, and with lower debt. The Maryland Early Graduation Scholarship (MEGS) will advance those goals, and so MHEC is committed to ensuring the implementation of the program.

MHEC does not concur with the recommendation to transfer the MEGS funds provided in the second supplemental budget to the Howard P. Rawlings Educational Excellence Awards Program. The analysis expresses concerns about the State's ability to identify potential recipients and to establish the infrastructure for a new scholarship program in the few months remaining before the beginning of the next academic year. However, established procedures for scholarship programs provide models for OSFA to draw upon as it develops criteria and procedures.

- 2. The Secretary should comment on how MEGS would incentivize students to graduate early if they are seeking credit-bearing postsecondary education and how it incentivizes early high school completers in fall 2016 or 2017. The Secretary should comment on the demographics of students who would be eligible for MEGS, including their potential need for financial aid to enroll in postsecondary education, and on the decision to add \$3 million for a new merit-based program when need-based aid is level funded.**

The analysis correctly notes that Executive Order 01.01.2016.03 does not specify that the scholarship must be applied to credit-bearing coursework in degree programs. The State needs individuals who are ready to participate in the economy at all levels. That includes individuals who might obtain a workforce-related credential through noncredit education or through a private career school. Some individuals may even wish to secure that credential in order to earn funds to support further postsecondary study. MHEC believes the vast majority of students who graduate early from high school will probably seek to continue on to a degree program at a college or university, and it is likely that a student would realize the maximum value of the award only by attending a degree-granting program.

The analysis is incorrect in stating that there are no other financial aid programs that are allocated without respect to need. There are several programs that have no need component, including career-based programs such as Nurse Support II program and Janet L. Hoffman Loan Assistance Repayment Program, the Delegate scholarship, and grants to unique populations such as the Edward T. Conroy Memorial Scholarship Program and the Jack F. Tolbert Memorial Student Grant Program. Many of these recipients are not required to submit a FAFSA, and so income data is not available for these individuals.

As noted in the analysis, students who would be eligible to receive MEGS awards in fall 2017 are already on track to graduate early. Early graduation requires intention and planning. Course selection must take place before the start of 11th grade. More than that, early graduation is possible only when students have taken significant coursework relatively early in their high school careers, and so even then the student has to begin the groundwork well in advance.

For these initial recipients, MEGS will function not as an incentive for early graduation, but as a way to make portable the State's existing commitment to their education. These students have taken advantage of many opportunities provided by the State, their public high schools, and postsecondary institutions to accelerate their academic progress. If these students had taken the full four years to graduate from high school, the State would have provided funding for all four years. MEGS allows students who will not have to spend that fourth year in high school, thanks to their diligence and persistence and the efforts of their teachers and counselors, to use that funding to support their postsecondary education.

The Maryland Early Graduation Scholarship (MEGS) could eventually incentivize students to graduate early as the scholarship provides a financial resource to students thus allowing them to access a postsecondary education where they will have the opportunity to obtain a degree or certificate that will ultimately lead to them securing employment within the State.

It is also likely that MEGS will encourage more Maryland high schoolers to enroll in Maryland colleges and universities. While the initial recipients are already on track to graduate in June 2016 and have probably applied for admission to college, few of them have made commitments to enroll at any particular college or university. MEGS should encourage additional students to remain in Maryland and attend Maryland colleges and universities.

Nevertheless, given the expressions of interest already received by the Commission and the Governor, it is likely that this scholarship would become an incentive for high school students to begin exploring the possibility of early graduation. Rapid implementation will give MHEC and other parties enough time to implement the program with a relatively small pool of recipients, and also ensure that students and counselors receive information about the scholarship program early enough that they can begin work on accelerating their graduation from high school.

MHEC is unable to comment on the demographics of students who graduate early at this time, but has already requested data from the Maryland State Department of Education (MSDE) to assess the type of early graduates from high school.

3. The Secretary should comment on resolving award certification issues.

The Office of Student Financial Assistance (OSFA) relies on the certification process performed by the institutions to determine if financial aid awards granted to students will be claimed. This process creates a barrier to MHEC as it cannot adequately assess what levels of funding may be available from the institutions when making additional State awards to students with demonstrated need.

Under the current certification process, there will continuously be a timing issue in which additional awards may be granted, this is attributed to the fact that institutions typically do not begin to certify awards until after their respective census dates in each semester. The timing in which certifications are performed can be a deterrent to students in attending a State institution or utilizing the funding to apply directly to their educational expenses due to the lateness of the awards.

MHEC is committed to providing timely financial aid awards to students, as demonstrated in fiscal 2016 when awarding was performed in March, resulting in an increase in acceptance rates. Therefore, MHEC plans to work collaboratively with the Financial Aid Advisory Council (FAAC) to review the certification process and determine what improvements or changes in the certification process can be made to improve the timing in which the institutions can certify awards.

4. The Secretary should comment on the number of applications for 2+2 awards so far for fiscal 2017 versus the prior year.

In fiscal 2016 MHEC received 618 applications for the 2+2 Transfer Scholarship and made awards to 137 students, which equates to 22% of students successfully turning in all required documentation. MHEC believes that there is a need for the scholarship program when approximately 9,300 students were awarded transfer degrees in fiscal year 2014 as reported by the Maryland Association of Community Colleges (MACC) and has increased its outreach efforts in fiscal 2017 to promote the scholarship.

Since there was a significant number of incomplete applications in fiscal 2016 due to students not submitting their transcripts, MHEC has developed a separate notification to send to 2+2 applicants notifying them that a transcript is required to be considered for the scholarship. This is an attempt to reduce the number of incomplete applications and increase the number of 2+2 awards in fiscal 2017. To date MHEC has received 317 applications and is confident that this number will increase as students have until August 31st to apply and be considered for the award if funding remains available.

Additionally, in fiscal 2017 MHEC is continuously providing correspondence to Community College Presidents advertising the scholarship in hopes that they can assist in notifying students about the scholarship in addition to utilizing social media, the MHEC website, and all post-secondary institutions as various avenues of outreach.

5. DLS recommends reducing the Delegate Scholarships by \$176,500 so that this program increases to reflect no more than the actual tuition increase from fall 2014 to fall 2016, including mid-year tuition adjustments.

MHEC takes no position on this recommendation.

6. The Secretary should comment on the cause of the decline in EEA awards from fiscal 2015 to 2016.

The decline in Educational Excellence Awards (EEA) is a direct result of MHEC utilizing excess funds accumulated in the Need Based Student Financial Assistance Fund (NBSFAF) in fiscal 2014. In fiscal 2014, MHEC granted awards to approximately 30,000 recipients in the Educational Assistance (EA) Grant program due to an accumulated balance of \$14 million in the NBSFAF. This balance funding was a one-time, lump sum increase of funds in EEA that resulted in a decrease in the number of EA awards that could be made in subsequent years.

Issues

- 1. The Secretary should comment on the effects of level funding need-based aid in fiscal 2017 and what this means for resolving the waitlist, which remains large even with the new EFC cutoff implemented.**

With no increase in funding in need-based aid for fiscal 2017, MHEC plans to discuss the EFC cutoff with the Financial Aid Advisory Council (FAAC) to explore the option of developing another formula to create a more realistic Expected Family Contribution (EFC) cutoff for the waitlist. MHEC must identify a way to create a realistic waitlist that aligns with the availability of funding.

- 2. The Secretary should comment on MHEC's research agenda for the 2016 interim. The Secretary should also comment on how MHEC will contribute to a deeper analysis of the distribution of student loan debt across public and private institutions in Maryland, including transfer students.**

MHEC is pleased to comment on its research agenda for the balance of calendar year 2016. In addition to providing data to the public and responding to State requests for information, including reports to the General Assembly as requested in the Joint Chairmen's Report, the agency is working to examine a wide array of questions related to higher education.

Financial aid is the subject of two major research projects. First, as noted in the analysis, MHEC is preparing a longitudinal study of financial aid. This study will consider financial aid, especially debt, for individuals over a defined time period, and evaluate the effects of aid and debt on graduation and other educational outcomes.

A second upcoming report is an update on earlier studies regarding the effect of unmet financial need on graduation among students at four-year colleges and universities. Previous reports showed that while financial aid and unmet need did affect graduation rates, the effect was unrelated to student debt; that is, graduation rate depended on the amount of aid rather than the form of aid. Moreover, low-income students were especially affected by gaps in unmet need, and that the most effective way to increase graduation rates would likely be an increase in the dollar amount of awards to students from low-income families. The forthcoming release will consider the effect of unmet need on six-year graduation rates for the cohort.

A third research objective is a discussion of several factors that affect affordability, including the cost of providing educational services; State and local support for colleges and universities, which are used to set the price of attendance (i.e. tuition and fees) and effectively subsidize college for all students; and financial aid, which provides a subsidy for some individual students. Our analysis will discuss how these factors affect students during and after their time in higher education.

Finally, MHEC plans to consider degree progression at the level of course credits, rather than the familiar time-based framework of retention and graduation rates. This approach should reveal how other factors, such as the number of credits registered and whether the student remains in good academic standing, affect degree progression.

These latter studies on degree progression depend on the incorporation of expanded data that MHEC has been collecting in the last two years. In 2012-2013, MHEC collected approximately 865,000 records, and early estimates suggested that the number of data records would increase by more than 200 percent under the new collections. However, in reality the number of data records collected annually has increased to approximately 4,795,000, an increase of more than 450 percent. These 4.8 million records comprise information on enrollment, earned degrees and certificates, course registration, academic progress, transfer credit, financial aid, and employment in 43 public and independent colleges and universities and more than 250 private career schools. However, the agency has been unable to complete the construction of new data systems to make these data available for analysis. MHEC has worked to reallocate some resources and has also decided to eliminate an expensive database platform. While this has freed up some resources it has also lengthened the timetable for making these new data usable. The agency continues to work on these operational problems to allow MHEC, and not incidentally the Maryland Longitudinal Data System Center, to conduct new research on pressing policy questions.

3. The Secretary should comment on progress toward implementing any of the recommendations of FAAC from the December 2014 JCR response and what FAAC will consider during the next interim.

In 2015, the Financial Aid Advisory Council (FAAC) continued to discuss its recommendations from the 2014 *Recommendations to Improve Need-Based Student Financial Aid Programs and Expenditure of State Funds* report. During the 2015 interim, the council decided to change its recommendation of eliminating renewal awards for Educational Assistance Grant recipients as was previously suggested in the 2014 JCR report. The council spent the majority of 2015 gathering data and discussing its recommendation of redefining full-time enrollment at 15 credits per semester. FAAC then decided to redefine full-time to mean the students complete 30 credits during the full academic year (fall, spring, and summer). This would provide students with more flexibility to meet the full-time credit level requirement,

However, based on the recommended change by the Council to allow students to earn 30 credits annually, a final consensus on drafting enabling legislation to redefine the State's need-based aid programs could not be made. The council concluded 2015 with requesting more data to be gathered to further assess the impact.

MHEC has implemented two of the recommendations in the 2014 JCR report: 1.) establishing an EFC cutoff for the waitlist, and 2.) performing initial awarding earlier in an attempt to improve acceptance and cancellation rates. MHEC reports that OSFA was able to make awards for fiscal 2016 in March, rather than late April as had been done in the past. By pushing up awarding a month earlier, MHEC was able to increase in the initial award

acceptance rates to 35 percent, or 3 percentage points higher than the prior year rate of 32 percent.

In the next interim, FAAC will discuss the following:

- Implementation of Prior-Prior Year and the impact on State financial aid;
- Drafting legislation to redefine full-time enrollment;
- Developing another formula to establish a more realistic Expected Family Contribution (EFC) cutoff for the Educational Assistance Grant program waitlist;
- Review of the statutory requirements for renewal awards for the Educational Excellence Awards Program;
- Exploring options to make summer grants available; and
- Developing a survey to send to students that decline awards within the Educational Excellence Awards Program to better assess how MHEC can reduce its cancellation rate.

Recommended Actions

- | | Amount
Reduction |
|---|-----------------------------|
| 1. Reduce general funds for Delegate Scholarships. | \$ 176,500 GF |

MHEC takes no position on this recommendation.

- 2. Add the following language to the general fund appropriation:**

, provided that \$3,000,000 of this appropriation made for the purpose of the Maryland Early Graduation Scholarship Program may not be expended for that purpose but instead may only be transferred to the Education Excellence Awards Program for need-based financial aid. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall be canceled.

Explanation: Because of the timing of the creation of the Maryland Early Graduation Scholarship program and because no legislation has been introduced to authorize the program, \$3.0 million of funding is transferred to an existing financial aid program in statute with a waitlist that will be able to spend this funding in fiscal 2017.

MHEC opposes this recommended action.