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Maryland Higher Education Commission
Student Financial Assistance

Testimony of Dr. Jennie C. Hunter-Cevera, Secretary of Higher Education, to the Senate Budget and Taxation Subcommittee for Education, Business and Administration and the House Appropriations Subcommittee for Education and Economic Development

February 19 & 23, 2015

Recommended Actions

1. Concur with Governor's Allowance – pp. 2 and 33

MHEC concurs with this recommendation.

FY 2015 Actions

1. The Secretary should comment on the appropriate amount of fund balance to carry in the NBSFAF and how MHEC will use the NBSFAF in fiscal 2016 for the 2+2 Transfer Scholarship Program and any other programs. – p. 16

When enacted in the Budget Reconciliation and Financing Act of 2011 (Chapter 397, Laws of Maryland 2011), the purpose of the Need-based Student Financial Assistance Fund (NBSFAF) was to provide an accounting mechanism for student financial assistance program funds not used in one fiscal year to be retained for need-based awards in future fiscal years. The fund is a special, nonlapsing fund that is not subject to §7-302 of the state finance and procurement article. In the enacting legislation, the fund was to be used only for making need-based financial assistance awards to students in specified State financial aid programs in the Education Article of the Annotated Code of Maryland. In other words, this was a funding mechanism whereby MHEC could move “carry-forward,” or unexpended, State financial aid program funds from one fiscal year to the next and make additional awards in programs in the subsequent fiscal year. It was designed to remedy prior improper accounting procedures used to move the funds to that point, and the objective was to maintain the lowest balance possible in the fund. The NBSFAF was not developed for the purpose of funding new State financial aid programs.

At the end of each fiscal year, MHEC aims to retain approximately 1-2% of its annual appropriation (approximately \$1 million) in the NBSFAF. This rollover amount has historically provided MHEC with a reserve fund in the event that award cancellations are

substantially lower than projected, and helps to reduce the risk of a general fund deficiency request. However, the 2+2 Transfer Scholarship Program (2+2 Scholarship) (§18-2507 of the Education Article) requires that if funding is not appropriated in the State budget for the 2+2 Scholarship in any fiscal year, at least \$2 million shall be transferred out of the NBSFAF to fund the program annually.

In the proposed FY 2016 budget, no funding is allocated for the 2+2 Scholarship. MHEC is prepared to use any excess funds that remain in the NBSFAF, up to \$2 million, in order to grant 2+2 Scholarship awards in FY 2016. However, as the current NBSFAF balance is approximately \$1.2 million, this transfer will likely eliminate the above mentioned reserve fund, and reduce MHEC's ability to bolster and sustain other financial aid programs.

In the event that additional funds remain in the NBSFAF after transferring funds to the 2+2 Scholarship in FY 2016, funding will be applied to the Howard P. Rawlings Educational Excellence Awards (EEA), Edward T. Conroy Memorial Scholarship, and Veterans of Afghanistan and Iraq Conflicts Scholarship (VAIC) programs, as performed in prior years, to ensure all eligible applicants are awarded.

Issues

- 1. The Secretary should comment on whether the 15 credit as full-time standard should be extended into other State policies to improve on-time completion rates in Maryland and whether the 15-credit rule now applies to all State aid programs. – p. 29**

The 12-credit full-time rule was implemented at the Federal level to provide some flexibility for college students whose circumstances do not allow them to take 15 credits. Most often, these include the need to care for family members, the need to work while attending college, and the need to take a slightly lighter course load in order to earn higher grades and ensure satisfactory academic progress. Students who are considered full-time also enjoy the ability to defer repayment of student loans.

In the case of the recent recommendations from the Financial Assistance Advisory Council (FAAC), the 15-credit rule would be applied in a very narrow circumstance: namely, eligibility for 100% of certain State financial aid awards. These awards include the Guaranteed Access Grant (GA) and the Educational Assistance Grant (EA). Students who enroll for 12 credits would be eligible for a pro-rated award amount.

Some states have implemented "15 to Finish" campaigns, inspired by Complete College America, to encourage students to take a full credit load each semester. MHEC is exploring this as part of our outreach work, and notes that Maryland institutions are already developing guided pathways, implementing degree planning systems, and reducing credit limits for degrees (60 for associate's degrees and 120 for bachelor's degrees), all of which support on-time completion.

MHEC will work with institutions to explore whether there are other policies or programs that would allow students to enjoy pro-rated benefits and, therefore, could be suited to a broader 15-credit standard. However, moving to a 15-credit-as-full-time standard in all circumstances would place significant burdens on some students, particularly working adult nontraditional students. MHEC would only implement this approach within the grant programs in order to support completion and align with the maximum lifetime of eligibility for the award. It is true that an undergraduate student who can satisfactorily complete a 15-credit load will graduate on time, but some interests of the State can also be served by students who graduate late than by students who do not graduate at all.

2. The Secretary should comment on progress toward implementing the recommendations of FAAC, specifically the 15-credit hour rule and the non-automatic renewal rule and when these will be fully implemented. The Secretary should also comment on any other changes MHEC may be able to put in place for the next awarding cycle and whether any regulatory or statutory changes will be forthcoming. – p. 30

In 2014, MHEC's Financial Aid Advisory Council (FAAC) was reconvened after being inactive for over five years. The Council, along with MHEC, examined the Howard P. Rawlings Educational Excellence Awards Program and proposed the following recommendations: require that recipients have regular meetings with an advisor; explore work-study opportunities for EA recipients; redefine full-time enrollment at 15-credits; eliminate renewal awards for EA and set a yearly Expected Family Contribution (EFC) cutoff for all applicants that complete the FAFSA by March 1st; make summer grants available through the Part-Time Grant program; place a cap on the EA waitlist using the highest cost institution within the University System of Maryland; reduce carry-over funds in the NBSFAF by making a budget request for the Campus-Based and Part-Time Grant program to offer summer awards in the event excessive funding remains; and improve certification and acceptance rates by generating initial awards no later than May of each year and offering waitlist awards no later than July of each year.

Beginning with FY 2016, MHEC will generate initial awards no later than May and offer waitlist awards no later than July. Moving the date in which waitlist awards are granted should ultimately improve acceptance and certification rates. It should also allow MHEC to make awards to students before they are enrolled at an institution and accept other forms of aid (such as student loans) to offset the difference in what they owe.

Beginning in FY 2017, MHEC would like to move forward with the implementation of the 15- credit rule to redefine full-time enrollment, as well as eliminate automatic renewal awards for EA. This would require enabling legislation, in consultation with the FAAC and the higher education segments, during the 2016 General Assembly session. Students who are awarded the EA prior to FY 2017 would be grandfathered in, as long as they have not exhausted their maximum lifetime eligibility. MHEC will then proceed with granting initial awards annually to students who complete a FAFSA by March 1st, based on an EFC set by MHEC.

The Secretary should comment on what FAAC will consider during the next interim. – p. 30

Over the next year, FAAC will convene and assist MHEC with the following:

- Develop enabling legislation to redefine full-time enrollment as 15 credits, and eliminate renewal awards in the EA program;
- Assist in the development and implementation of an outreach campaign explaining changes;
- Assist MHEC in researching and securing Federal funds to increase funding for State scholarship and grant programs;
- Serve as the sub-committee group as it relates to the external audit review process that will begin in FY 2017; and
- Review the institutional certification and acceptance process performed through MDCAPS to identify areas of improvement.

3. The Secretary should comment on whether MHEC can use this study to reduce awards that generate significant overmet need for students, especially with high EFCs. The Secretary should also comment on what studies MHEC can do to continue this research with the Maryland Longitudinal Data System. – p. 32

The findings in MHEC's 2013 and 2014 studies on unmet need suggest that it is unlikely that significant changes can be made to reduce overawards to students with high incomes. One of the salient findings from the 2013 study was that students in the top three income deciles had zero unmet need on the basis of Expected Family Contribution (EFC) alone – that is, before any financial aid was applied. A significant number of these students and their families nevertheless decided to take out loans to ease funding of their educational expenses. Students in the next two income deciles made the same decision, even though their EFCs covered 60% or more of the cost of attendance.

That said, some students at the higher income levels did receive scholarship awards. MHEC will conduct additional research on this population to determine whether the applicable scholarship programs have need-based components and whether need-based components can be strengthened or, where possible, added. It will also conduct additional research to determine whether six-year graduation outcomes differ substantially by income and EFC.

MHEC plans to conduct additional analyses of financial aid and its impact on progression and completion. Because the MLDSC has no more data on postsecondary financial aid than that provided by MHEC, the MLDSC will not be able to add to MHEC's research projects. However, the MLDSC research agenda includes complementary questions about the effect of financial aid programs on students from various K-12 backgrounds and the workforce outcomes for students receiving financial aid. MHEC will continue to provide data on financial aid to the MLDSC and partner with the MLDSC in conducting research and analysis on these questions.