



Larry Hogan
Governor

Boyd K. Rutherford
Lt. Governor

Anwer Hasan
Chairperson

James D. Fielder, Jr., Ph. D.
Secretary

R62I0010
Student Financial Assistance
Fiscal 2020 Budget

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

February 13 & 28, 2019

Recommended Actions

- | | <u>Amount</u>
<u>Reduction</u> |
|--|-----------------------------------|
| 1. Delete funds for the proposed Governor's Promise Plus Program. Since the awards would not be made until the start of the 2020-2021 academic year (fiscal 2021), the funds would not be needed in fiscal 2020. | \$ 8,000,000 GF |

MHEC Response: MHEC opposes this recommended action. The fiscal 2020 allowance includes \$8 million to fund the Maryland Promise Plus Scholarship program as proposed by House Bill 41 and Senate Bill 88. The Promise Plus Scholarship program is similar to the 2+2 Transfer Scholarship program in that it provides tuition assistance to students who transfer to four-year public institutions in the State after earning their Associate's Degrees from a Community College.

MHEC currently has a process in place and can utilize eligible applicants that qualify for the 2+2 Transfer Scholarship program for the Maryland Promise Plus Scholarship, if the applicant is attending a public four-year institution. MHEC will need to make enhancements to the Maryland College Aid Processing System (MDCAPS) to incorporate the Promise Plus program for the 2019-2020 academic year, but those enhancements can be completed in time, since the framework currently exists in the system for the 2+2 Transfer Scholarship Program.

There are slight differences between the Promise Plus Scholarship and the 2+2 Transfer Scholarship program. Eligible students for the 2+2 Transfer Scholarship program are able to attend non-profit four-year institutions and can receive a maximum award of \$2,000 if they major in a STEM related field, and \$1,000 if in a non-related STEM field.

Therefore, eligible 2+2 Transfer Scholarship students attending a non-profit four-year institution will be ineligible for the Maryland Promise Plus Scholarship. However, since the fiscal 2020 allowance includes \$300,000 for the 2+2 Transfer Scholarship, eligible students attending four-year non-profit institutions will continue to receive the award for up to three years while attending college.

2. Adopt the following narrative:

Report on Impact of Credit Completion Requirement on Financial Aid Awards:

Beginning in the 2018-2019 academic year and in a student’s third academic year, students receiving the Educational Excellence Award must successfully complete 30 credit hours in the prior academic year in order to receive the full award amount. Students who completed at least 24 credit hours but less than 30 credit hours will have their awards prorated, and those who do not complete at least 24 credit hours lose their award. The budget committees are interested in the impact the new 30-credit-hour requirement had on students in the 2019-2020 academic year, particularly if students are meeting the requirement in order to receive the full amount of award, how many students had their awards prorated, and how many students lost eligibility. The report should also include the graduation rates of students who completed 30 credit hours compared to those who completed less than 30 credit hours. The report should provide summary data by segment (community colleges, four-year public and independent institutions) and by institution. The report is due by December 15, 2019.

Information Request	Author	Due Date
Report on impact of credit completion requirement on financial aid awards	Maryland Higher Education Commission	December 15, 2019

MHEC Response: MHEC concurs with this recommended action.

Issues

1. **The Secretary of MHEC should provide a detailed timetable of the tasks required to update MDCAPS so that new scholarships will be awarded in a timely manner.**

MHEC Response: On February 6, 2019, the contract modification to increase the base year amount of the Maryland College Aid Processing System (MDCAPS) was approved by the Board of Public Works (BPW). With the approval of the contract modification, MHEC can proceed with making the necessary system enhancements to implement the various scholarship programs that were enacted in 2018.

The various state financial aid grant and scholarship programs listed below will be deployed into MDCAPS in phases, with the development of the application process being primary by the established timeline. This will ensure that applicants are able to apply for the various scholarship

programs, while the remaining development of the programs continues in MDCAPS with the vendor.

Also, the final phases of the State Aid Application Process for Undocumented families will be completed by April 15, 2019. The application is currently available through MDCAPS for students to complete, in order to be considered for certain state financial aid programs.

It is important to note that the Cybersecurity Public Service Scholarship program, which was funded for the 2018-2019 academic year, has already received applications. MHEC implemented a paper application process to ensure applicants were able to apply for the scholarship by January 31, 2019. Now that the MDCAPS contract modification has been completed, the vendor will perform the necessary system enhancements, which will allow MHEC to award eligible applicants for the 2018-2019 academic year after March 31, 2019.

Below you will find the programs and corresponding timeline of when the programs will be available in MDCAPS:

State Financial Aid Program	Expected Date of Deployment into MDCAPS
Cybersecurity Public Service Scholarship Award	By March 31, 2019
Jill Wrigley Memorial Scholarship Expansion Act (Create a State Aid Application Process for Undocumented families)	By April 15, 2019
Maryland Community College Promise Scholarship	By April 15, 2019
Workforce Development Sequence Scholarship Reporting Requirements	By June 1, 2019
Richard W. Collins III Leadership with Honor Scholarship	By June 15, 2019
Near Completers Scholarship	By June 15, 209
Expanded program eligibility requirements in the Senatorial and Delegate Scholarship programs	By June 15, 2019

- 2. Therefore, the Department of Legislative Services (DLS) recommends deleting the funding for the Governor’s Promise Plus Scholarship.**

MHEC Response: Please see the response to Recommended Action 1.

- 3. The Secretary should comment on the potential impact that the scholarship may have on enrollment at the four-year institutions.**

MHEC Response:

MHEC Response: As the analysis notes, in Tennessee's Promise program there was an increase of 27.7 percent enrollment at community colleges and 11.8 percent enrollment overall in the first year of implementation. The public four-year institutions in the University of Tennessee System and the six public universities experienced declines of 5.5 per cent and 5.6 per cent, respectively. Two year trends show enrollment for first-time freshmen leveled off with a 1.5 percent increase in the fall 2016 cohort and enrollment at the University of Tennessee System declined by 3.5 per cent, but the other public four-year institutions experienced an increase of 7.6 per cent. However, in terms of the use of these figures as estimates for impact in Maryland, these should be seen as a ceiling, rather than a floor.

Tennessee is a state with a great deal of untapped college enrollment. Prior to the introduction of the Tennessee Promise, Tennessee sent 51.0 percent of its recent high school graduates to college. By comparison, Maryland's college going rate is 59.2 percent. This is one of the highest rates in the nation. It is possible that there are many fewer Marylanders interested in college who do not attend.

More importantly, Tennessee's program offers full funding to all high school graduates who qualify. There is no limit on the amount that can be expended in a given year, and there are no income restrictions. Consequently, anyone who qualifies receives the scholarship.

This will not be true in Maryland. Prior to the 2017 legislative session, Maryland developed estimates showing that the cost to the State of providing last-dollar funding for one year would be \$9.1 million for current financial aid recipients alone, who made up only 32 percent of new full-time students. It is likely that some community college students who do not currently receive financial aid will receive the Maryland Promise Scholarship.

The likeliest scenario lies somewhere between zero and the 27.7 percent increase of Tennessee. But there are too many unknowns to be able to project exactly where. In particular, the statutory qualifications for the Maryland Promise Scholarship are resistant to estimating. MHEC does not have, for example, data on the family income of students who do not apply for financial aid, and neither MHEC nor MLDC has data on high school grade point averages.

Non-public institutions are likely to see the most impact from a promise scholarship. These institutions are already facing demographic headwinds, as the number of high school graduates is declining in most of the states where they currently recruit, and competition for those students is increasing across the region. It is likely that these institutions will suffer additional negative effects from any promise-type program, as some of their price-sensitive students will choose to enroll at community colleges instead.

Given Maryland's higher education funding formulae, baseline appropriations will shift in accordance with enrollment changes.