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**Maryland Higher Education Commission
FY 2023 Operating Budget
Student Financial Assistance
Response to Department of Legislative Services Analysis**

**Senate Budget and Taxation
Subcommittee on Education, Business, and Administration
Senator Nancy King
February 11, 2022**

**House Appropriations
Subcommittee on Education and Economic Development
Delegate Ben Barnes
February 16, 2022**

Performance Analysis: Managing for Results

Pg. 7 - The Secretary should comment on the findings from the FSA conference concerning SAI and how these findings would impact financial aid in Maryland and MDCAPS.

On December 2, 2021, at the Federal Student Aid (FSA) conference, a session was held on the FAFSA Simplification Process including information on the Student Aid Index (SAI). During the session, the following information was provided on SAI:

- Implementation of the SAI will take effect with the 2024-2025 FAFSA application cycle
- The equation for determining need will change to: $\text{Need} = \text{Cost of Attendance (COA)} - \text{Student Aid Index (SAI)} - \text{Other Financial Aid (OFA)}$
- Income will now be determined by FADDX transfer
 - Transfer of tax information from the IRS directly to the FAFSA
- Assets will mostly be the same when calculating SAI
- Child support received will now be included when calculating SAI and counted as assets rather than untaxed income
- Family farms and small businesses are no longer excluded
- A student's SAI can be a negative number down to negative 1,500
 - the negative SAI establishes a framework to allow students with the greatest need to receive aid in excess of Cost of Attendance
- Individuals not required to file a return in the base year will get an automatic negative 1,500
- Auto-Zero SAI is available to those who qualify for a maximum Pell Grant unless they have a negative SAI
- Maximum Pell Grant awards would go to:
 - Independent student non-tax filers

- Dependent children of parents who are non-tax filers
- Independent students who are single parents and whose student AGI is below 225% of the poverty level
- Dependent children of a single parent whose parent AGI is below 225% of the poverty level
- Independent students who are not single parents whose student AGI is below 175% of the poverty level
- Dependent students with parents who are not single parents whose parent AGI is below 175% of the poverty level
- Those ineligible for max Pell and with SAI < max Pell:
 - The Pell grant will be determined using the following formula :
Pell Grant = max Pell – SAI unless that is < min Pell (10% of the max); then no Pell
- If the student is not eligible for the Pell Grant using the above equation, the student can still get a minimum Pell Grant if:
 - For dependent students, their parent
 - is a single parent whose AGI \leq 325% of poverty line
 - is not a single parent and whose AGI \leq 275% of poverty line
 - For independent students, they are
 - single parent whose AGI \leq 400% of poverty line
 - a parent but not a single parent and AGI \leq 350% of poverty line
 - not a parent and have AGI \leq 275% of poverty line

As MHEC continues to discuss the implementation of SAI, the following potential implication has been identified:

- State aid applicants who get an automatic negative 1,500 SAI due to not filing taxes as reported on the FAFSA. Given this change, MHEC may elect to select a sampling of these students to verify the families' incomes when applying for the Guaranteed Access Grant program to ensure the students meet the required income levels.

In addition to implementing the new SAI changes in the Maryland College Aid Processing System (MDCAPS) for FAFSA filers, the SAI calculation must also be applied to the Maryland State Financial Aid Application (MSFAA) to be consistent.

The information provided on SAI in this analysis is based upon the information provided currently provided by the U.S. Department of Education. As the U.S. Department of Education continues to provide guidance on the implementation of SAI, information is subject to change.

Pg. 8 - The Secretary should comment on what steps are being taken to promote and encourage FAFSA filing given the decline when compared to the prepandemic cycle.

Nationally there is an overall decline in the number of FAFSA completions. While Maryland has seen a decline in the number of FAFSAs completed from 2021 to 2022, there is only a difference of 587 individuals from 2021 to 2022 (27,365 FAFSAs filed at this point last year compared to 26,778 this year), or a 2% decrease.

Drivers of lower rates could be affected by decreases in *intent* to enroll and decreases in actual enrollments (students who do not intend to go to college may not file the FAFSA). The decrease in undergraduate enrollment is discussed later in the analysis and in other budget hearing analyses.

Some key steps to promote and encourage FAFSA filing include MHEC outreach partnerships with high schools and promotion on social media from multiple sources (colleges, high schools, local community organizations, MHEC).

Pg. 9 - The Secretary should comment on what steps are being taken to promote and encourage FAFSA filing given the decline when compared to the previous year and how the COVID-19 pandemic has impacted FAFSA filing in Maryland.

There is only a difference of 587 individuals from 2021 to 2022 (27,365 FAFSAs filed at this point last year compared to 26,778 this year), or a 2% decrease.

Although the COVID-19 pandemic prevented MHEC from promoting and encouraging FAFSA filings in person, MHEC continues to promote and encourage FAFSA completion by conducting virtual presentations, collaborating with external stakeholders, the MHEC website, and utilizing social media platforms.

In addition, MHEC has partnered with the YMCA of Central Maryland with an initiative to help 6,000 students from six schools in Baltimore to complete and file a FAFSA or MSFAA. MHEC has a dedicated webpage “How to Fill Out a FAFSA Form” to guide individuals on how to complete the FAFSA. MHEC continues to work with CollegeBound to promote the “count-down to completing and filing the FAFSA” by the March 1 deadline.

Further, MHEC continues to promote the FAFSA Completion Initiative (FCI). FCI allows high school districts, high schools, local educational agencies (LEAs), and certain designated entities access to limited but valuable FAFSA information for Maryland students. Participants can use the FAFSA information provided through FCI to determine which individual students have submitted a FAFSA and whether the FAFSA has any problems that require corrections. This allows students or parents to make sure any unresolved issues or missing information on the FAFSA is resolved prior to the beginning of the student’s college academic year.

Lastly, MHEC continues to promote the Maryland State Financial Aid Application (MSFAA) to undocumented individuals through the MHEC website, social media, and during outreach presentations. MHEC began working with the Anne Arundel County Office of Social Service in an ongoing effort to get Anne Arundel Hispanic student-parents who are working on their GED to complete a MSFAA.

Pg. 13 - The Secretary should comment on how MHEC determines the appropriate allocation of GA and EA awards, focusing on how MHEC ensures that the neediest students are provided the greatest award while striving to maximize the number of awards provided to the eligible applicant pool.

In accordance with the Code of Maryland Regulations (COMAR), 13B.08.10.08, applicants in the Howard P. Rawlings Educational Excellence Awards (EEA) Program with the greatest need are awarded first. MHEC prioritizes awarding in the EEA Program as follows:

- Renewal recipients in the Guaranteed Access Grant Program who meet the requirements
- Renewal recipients in the Educational Assistance Grant Program who meet the requirements
- Initial applicants in the Guaranteed Access Grant Program who meet the requirements
- Initial applicants in the Educational Assistance Grant Program who meet the requirements

- Initial EA applicants are ranked by EFC starting at \$0

MHEC separates the GA and EA programs by program type. The total dollar amount required to fund all renewal recipients in the GA and EA programs is determined. Then, the total dollar amount to fund all initial GA applicants who meet the priority deadline is determined. Next, the remaining funds in the EEA program are allocated to initial applicants in the EA program, not to exceed the annual appropriation.

MHEC uses an award projection model that projects the acceptance rates in both the GA and EA programs based upon prior year outcomes. By including the projected acceptance rates in the award projection model, MHEC can maximize the number of awards provided to eligible applicants in the EA program for initial applicants when performing initial awarding.

If additional funding becomes available because of canceled/declined GA and EA awards, MHEC performs another round of awarding as follows:

- GA renewal recipients who submitted all required GA documents by May 15
- GA initial applicants who submitted all required GA documents by May 15
- EA initial applicants

The award projection model is also used when making additional awards to project the acceptance rates in the program to maximize the number of award made.

Issues

Pg. 24 - The Secretary should comment on the credit completion requirement, specifically addressing

- **how students are informed that, beginning in their third academic year, they must complete at least 30 credits in the prior academic year to retain a full EEA award;**
- **how students are notified if they fail to meet the program requirements;**
- **what actions are being taken to specifically address the community college student population given the large percentage of that segment that have lost their EEA Awards; and**
- **how the COVID-19 pandemic has impacted students' ability to take a full academic course load (30 credits an academic year).**

MHEC continues to advertise the EEA credit completion requirements on the MHEC website. Currently, EEA recipients who received the award for at least two years receive a notification at the end of their second year informing them that their renewal award eligibility is contingent upon meeting certain credit completion requirements. The notification includes a chart that details the estimated award amount the recipient is eligible to receive based upon the number of credits completed at the end of the prior academic year.

In addition, MHEC sends a notification to EEA recipients who failed to meet the credit requirements informing them that they are ineligible for their renewal award at the end of the academic year. In the notification, MHEC includes information on what the recipients must do to regain their EEA award in the subsequent year if they enroll at a postsecondary institution and complete at least 24 credits in the year in which they lost their eligibility.

To further increase awareness and communication efforts to EEA recipients on the credit completion requirements, MHEC will now send notifications at the end of the fall term and mid-way through the spring term to current EEA recipients each year. The notification will remind EEA recipients of the

credit completion requirements that they must meet at the end of their second year receiving the award to remain eligible for the award. This notification will not be specific to community college EEA recipients, but will encompass all EEA award recipients.

In addition, MHEC plans to form a subcommittee with the community college representatives on the Financial Assistance Advisory Council (FAAC) to further discuss the number of EEA recipients who lost their eligibility due to not meeting the credit completion requirements. The subcommittee will work to identify mechanisms that can be implemented to reduce the number of EEA recipients who lost their awards due to not meeting the credit completion requirements.

The effects of the COVID-19 pandemic are still being felt on college campuses and will take time to better understand. Some national research on the effects can provide helpful information on how Maryland students may have been affected:

- The enrollment decline was most noticeable at the community colleges. Four-year institutions fared better during the pandemic. Year to year retention rates were lower at community colleges as well.
- Relative to four-year institutions, community colleges serve a higher percentage of undergraduates who identify as Black, Hispanic, and Indigenous (NCES). Data from the Centers for Disease Control and Prevention (CDC) show that these same racial and ethnic groups were disproportionately affected by COVID. The economic effects of COVID were also borne disproportionately by Black and Hispanic persons, who were more likely than Asian or White individuals to suffer job loss and to report difficulty paying their bills after the pandemic started.
- According to a nationally representative survey, households with students who had plans to attend community college were nearly twice as likely as households with students who had four-year college plans to cite affordability or changes in financial aid as reasons for canceling their college plans.
- The same survey found that, overall the move to online education had different effects depending upon the segment of higher education. Households with plans for four-year college were more likely to report that changes in the format of college classes had a net positive effect on their enrollment decision than households with plans for community college.

Pg. 27 - The Secretary should comment on the reasons why the Promise program has not been able to expend the full amount allocated for the program in any award year to date and actions that could be taken to spur interest in the program.

MHEC continues to promote the Maryland Community College Promise Scholarship Program to increase the number of awards made in the program. MHEC utilizes the MHEC website, social media platforms, flyers, and newsletters to promote the scholarship.

It is possible that several factors are affecting the initial progress and full implementation of the State's Promise program. It is possible that the local programs (Allegany College of Maryland, Hagerstown Community College, Prince George's Community College Wor-Wic Community College, Baltimore County, Baltimore City Community College, and Garrett College) are competing for the same students and the messaging may be unclear to students how the statewide program might benefit them.

National research shows that Promise program implementation can be affected by such factors as a state's existing degree attainment rates and college going rates - if the state has lower degree attainment and college-going rates, Promise scholarships can have more of an effect due to the sheer number of people they can help/target. Maryland has one of the highest degree attainment rates in the nation and has a sizable college-going rate for recent high school graduates; therefore, the effects of Promise might be more muted and it may take longer to increase interest in the program. MHEC has targeted the Promise program among its research priorities in the near future.

In addition, MHEC plans to:

- Review the Promise program regulations and, as appropriate, make amendments that will further enhance the program and provide greater access for applicants;
- Coordinate with the existing Promise subcommittee group in the Financial Assistance Advisory Council (FAAC) composed of financial aid officers from the community colleges to discuss and identify actions that can be taken to increase the number of awards made. This includes, but is not limited to, working with each community college to identify applicants who enrolled at the community college who had unmet tuition but did not receive the Promise award.

Pg. 28 - The Secretary should also comment on the declining number of community college students in the State despite financial aid programs such as the Maryland Community College Promise Scholarship that are designed to make the financial obligation required to attend a higher education institution, particularly community colleges, as financially manageable as possible for the student.

The declining number of community college students is part of a longer decline trend that traces back to the 2011-2012 academic year. Nationally, community college enrollments mostly grew during the first decade of the 21st century, accelerating rapidly at the end of that decade as the Great Recession hit. For example, between 2016 and 2017, 36 states had decreases in community college enrollment. Similar to the national pattern, since a peak enrollment in the 2011-2012 academic year, aggregate Maryland community college enrollment has decreased each fall. One exception is the enrollment of high school students (dual enrollment).

Community college professionals frequently claim that community college enrollments are inversely related to the economy. That is why we see the community college enrollment peaking in the Great Recession and declining after that.

Pg. 30 - The Secretary should comment on how MHEC prequalifies students for the GA grant when they participate in the NGS program.

For the Next Generation Scholars (NGS) program, students enrolled in grades 7, 8, 9, or 10 are verified by MHEC to determine if the student meets the financial need requirement to prequalify for the Guaranteed Access (GA) Grant.

To determine if the NGS prequalifies for the GA Grant, MHEC collects tax information from the parent and, if applicable, the student from the prior-prior tax year. If the parent/student worked but was not required to file a tax return, MHEC will collect the W2 information from the prior-prior tax year and a non-tax filer statement. If the parent/student was not required to file a tax return and did not work, the parent/student will complete a non-tax filer statement.

The student submits all documentation to MHEC through an online application that has been created specifically for Next Generation Scholars students.

Pg. 31 - The Secretary should comment on the persistence rates for those students who lost their GA award due to the GA cliff. The Secretary should also comment on how many of those students who lost their GA award, as a result of the GA cliff, were successful in receiving an EA award the following financial aid cycle, and the application process that a student must go through to receive the EA award after losing their GA award due to the GA cliff.

MHEC is unable to calculate a persistence rate at this time but can investigate how to study this. To calculate the persistence rate of those students who lost eligibility due to the GA cliff, MHEC's Office of Student Financial Assistance (OSFA) would need to provide data to the agency's Office of Research and Policy Analysis (ORPA). OSFA could provide the data for the numerator of the rate, i.e. those who lost eligibility due to the GA cliff in a given term or year. Research and Policy Analysis would use the data provided by OSFA to calculate a persistence rate by finding additional data in the agency's enrollment and degree data. This would provide the numerator - those who were ineligible due the GA cliff who persisted into another academic term or year. OSFA and ORPA have just begun exploring the processes by which they can extract data safely and securely from MDCAPS to share with the Research team. Efforts are underway with agency staff and the MDCAPS contractor on this work.

In 2021, OSFA extracted data from MDCAPS upon request from the Financial Assistance Advisory Council (FAAC) to identify the number of GA recipients who lost their awards in the 2020-2021 academic year due to not meeting the GA renewal income requirements. A review of the data found that 169 GA renewal recipients lost their GA awards for that reason. Out of the 169 renewal recipients, 120 received an EA award in the same year that they lost their GA award.

GA renewals recipient who lose their awards due to not meeting the income requirements are eligible for the EA award as long as they complete the FAFSA or MSFAA by March 1 and have demonstrated financial need. The students are then included in the EA renewal awarding processes and awarded when all other EA renewal awards are made.

Recommended Actions – Pg. 32

1. Adopt the following narrative:

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 (EEA) 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 will lose their award. The committees are interested in the impact the 30-credit-hour requirement had on students in the 2021-2022 academic year and the 2022-2023 awarding year, specifically 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 should also identify how the Maryland Higher Education Commission (MHEC) alerts community college EEA recipients that they are in danger of losing their award as this group was the most severely impacted by the credit completion requirement. The report

should identify the updated funding disbursement, by EEA award type and by total credit attainment grouping, for the students from the most recent review cycle as well as what the total funding amount was, by EEA award type, prior to those students having their award funding amounts revised.

Information Request	Author	Due Date
Report on impact of credit completion requirement on financial aid awards	MHEC	December 5, 2022

MHEC Response: MHEC concurs with the recommended action.

2. Adopt the following narrative:

Next Generation Scholars Postsecondary Outcomes: The 2020-2021 academic year was the first academic year with a cohort of grade 12 students in the Next Generation Scholars (NGS) program. The committees remain interested in determining how many NGS students met the eligibility requirements and later enrolled in a postsecondary institution. The report should identify the number of NGS seniors for the 2021-2022 academic year, the number of NGS seniors who successfully met all of the eligibility requirements, the number of eligible NGS seniors receiving a guaranteed access award, and the number of seniors who later enrolled in a postsecondary institution of higher education in either the summer 2022 session or the fall 2022 semester and identify to which higher education segment those students enrolled.

Information Request	Author	Due Date
Report on postsecondary outcomes for NGS senior students	MHEC	December 12, 2022

MHEC Response: MHEC concurs with the recommended action.