

# ISSUE PAPERS 2022 LEGISLATIVE SESSION



DEPARTMENT OF LEGISLATIVE SERVICES 2021

# Higher Education

## College Affordability

**Maryland has several need-based financial aid programs designed to make college more affordable and ensure students have an opportunity to attend college. However, to provide the most benefit, the programs must operate in a manner that directs the funds to the students that the programs are intended to serve. Several issues have arisen regarding eligibility for the Guaranteed Access (GA) grant, including prequalification through the Next Generation Scholars of Maryland Program and the use of family income cutoffs that prevent students from accessing the GA program. There is also an impending issue with the 2+2 Transfer Scholarship Program arising from changes in federal law that require a statutory change.**

### Guaranteed Access Grants

The Delegate Howard P. Rawlings Educational Excellence Awards (EEA) Program is the State's largest scholarship program; it is also the State's largest need-based scholarship program. The EEA Program consists of two different types of grants: (1) Guaranteed Access (GA) grants that are awarded to the neediest students to ensure that 100% of educational costs are paid; and (2) Educational Assistance grants that are awarded to low- and moderate-income students to assist in paying educational costs. GA grants, when combined with the federal Pell grant, cover 100% of the need for the State's lowest income students. The maximum amount is capped at the total cost of attendance (tuition, fees, and room and board) at the highest cost four-year University System of Maryland institution excluding the University of Maryland, Baltimore Campus and the University of Maryland Global Campus. The maximum award in fiscal 2021 was \$19,400.

The Maryland Higher Education Commission (MHEC) identifies first-time applicants who are potentially eligible for the GA grant based on the Free Application for Federal Student Aid (FAFSA) or the Maryland State Financial Aid Application (for qualified children of undocumented immigrants who are eligible for in-state tuition) submitted by the March 1 deadline set by MHEC. Previously, students were required to determine themselves whether they might be eligible and submit a separate GA application to MHEC. The number of students receiving GA grants has steadily increased from approximately 1,300 awards in fiscal 2013 to nearly 3,100 awards in fiscal 2021. GA awards accounted for 42% of the EEA appropriation in fiscal 2021 (\$88.1 million), which is up from 20% in fiscal 2013. In addition, as described in more detail below, it is intended that eligible students in grades 7 through 10 may prequalify for the GA grant by participating in the Next Generation Scholars of Maryland Program.

Among other requirements, statute requires that eligible GA applicants must have an annual family income below a poverty index determined by MHEC. MHEC has set the income requirement using the federal poverty level, which accounts for family size, at 130% for first-time

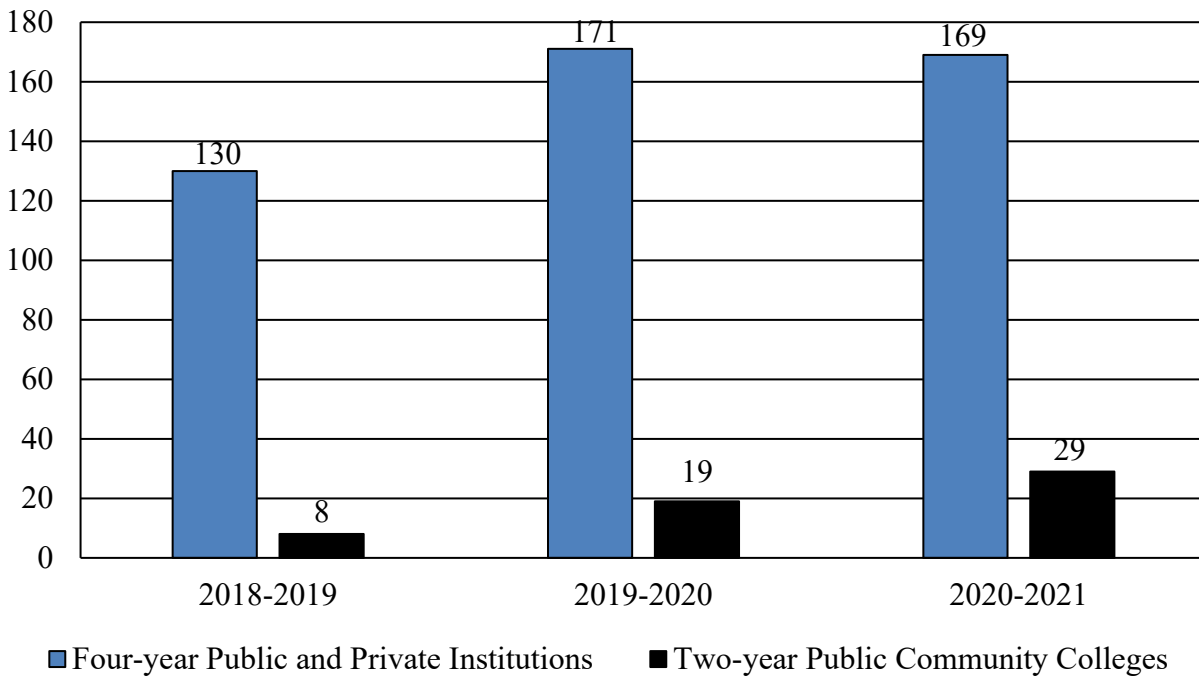
students and 150% for renewal awards. Students meeting all the requirements are guaranteed funding.

### Guaranteed Access Grant Renewal

Although students who meet the requirements for a GA grant are guaranteed funding, if a family's income increases above the designated total, even if by only a dollar, the student may become ineligible to renew the GA award; this is known as the GA cliff. Over the last three award years, as shown in **Exhibit 1**, 526 individuals who had been awarded a GA grant lost eligibility for the award due to their family income exceeding the designated cutoff level. The impact of the GA cliff has been most profound at the four-year institution level; however, the number of those impacted at the two-year community college level has steadily increased. Overall, over the three-year period, 11.4% of GA awards were not renewed due to the GA cliff.

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**Exhibit 1**  
**Individuals Who Lost a GA Grant to the GA Cliff**  
**Fiscal 2019-2021**



GA: Guaranteed Access

Source: Maryland Higher Education Commission; Department of Legislative Services

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The Financial Assistance Advisory Council (FAAC) of MHEC meets periodically to review and discuss student financial aid issues and make recommendations to MHEC for policy revision consideration. FAAC has been reviewing the GA cliff issue since 2020 and has developed the following recommended actions to be presented to MHEC, many of which would require statutory changes, with the goal of assisting students impacted by the GA cliff:

1. The continuation of a GA grant as long as the student's estimated family contribution (EFC) would qualify the student for the Federal Pell Grant program (nine-month EFC between \$0 and \$5,846 in the 2021-2022 school year).
2. If a student's total family income increases above 150% of the federal poverty level, the student does not automatically lose eligibility for the GA grant; instead, the amount would be reduced on a sliding scale based on how far above the 150% poverty index point the family's income has increased.
3. A GA grant renewal student does not lose eligibility due to a temporary increase in family income. The student would need to document that the family income in the most recent year (the year following the year that is being used for income eligibility) has been reduced to a level that would qualify for the grant. If approved, the income overage would be deducted from the approved GA grant amount. This proposal would result in a dollar-for-dollar adjustment for income over the cutoff level and the GA grant award total.

### **Next Generation Scholars of Maryland Program Implementation**

The Next Generation Scholars of Maryland Program is an early commitment financial aid program designed to provide the promise of financial aid to students from low-income families who are less likely to pursue higher education and complete a degree program. Eligible students in grades 7 through 10 who meet income eligibility requirements specified in the law prequalify for a GA grant to be used when they enroll in college. The Maryland State Department of Education (MSDE), in collaboration with MHEC and other stakeholders, is responsible for administering the program. Nonprofit organizations apply to MSDE for grants to provide counseling and support services to students participating in the program. The program has been funded at approximately \$5 million annually since fiscal 2018; Chapter 578 of 2021 permanently mandates annual funding at \$5 million.

The program served 4,087 students across the eight school systems eligible to participate in the program in fiscal 2021. However, according to MSDE, many of the nonprofit organizations in the program served students who did *not* meet the income requirement to prequalify for a GA grant. Unfortunately, annual data reported by the nonprofit organizations on specific metrics required by statute was not disaggregated between the students who prequalified for the GA grant and those who did not. Therefore, it is not clear to what degree the program is helping low-income students graduate from high school and prepare for college as intended.

## **Free Application for Federal Student Aid Law Necessitates Statutory Change**

In December 2020, the federal FAFSA Act was enacted into law as part of the Consolidated Appropriations Act, 2021. The Act makes many significant changes to the Higher Education Act of 1965 and the FAFSA, including replacing EFC with a new “Student Aid Index” (SAI). For years, EFC has been the figure calculated from the financial information provided on the FAFSA and used as the primary measure to determine the amount of need-based financial aid to offer students. SAI will serve a similar purpose but will be calculated differently.

Although EFC is the primary measure used to determine financial need, the term is only used once in Maryland law, in regard to the 2+2 Transfer Scholarship. Specifically, § 18-2503(10) of the Education Article states that a 2+2 Transfer Scholarship recipient must “[h]ave demonstrated financial need, defined as a federally calculated EFC of \$10,000 or less as reported on the student’s FAFSA.” Most other scholarships with a financial need component require a student to “[d]emonstrate financial need according to criteria established by [MHEC].”

Due to delays in the implementation of some provisions of the federal law by a year, it is unknown if the migration to SAI will be in academic year 2023-2024 or 2024-2025. To provide uninterrupted scholarship distribution, the Department of Legislative Services recommends that the statute for the 2+2 Transfer Scholarship be changed and further recommends using more general statutory language regarding financial need rather than simply changing the reference from EFC to a similar SAI level.