

**Department of Legislative Services**  
 Maryland General Assembly  
 2022 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

House Bill 734  
 Appropriations

(Delegates Lierman and Solomon)

Education, Health, and Environmental Affairs

**Higher Education - Student Financial Assistance - Alterations and Appropriation**  
**(Maryland Student Investment Act)**

This bill (1) changes eligibility for the Guaranteed Access (GA) Grant under the Delegate Howard P. Rawlings Educational Excellence Awards (EEA) Program and extends eligibility for services through a related program; (2) authorizes a private career school to award scholarships under the Edward T. and Mary A. Conroy Memorial Scholarship Program and the Jean B. Cryor Memorial Scholarship Program; (3) expands the eligibility requirements for the Veterans of the Afghanistan and Iraq Conflicts Scholarship to include the stepchildren of specified qualified individuals; (4) expands the focus of the near completer communication campaign; and (5) makes a technical change to the 2+2 Scholarship Program. Beginning in fiscal 2024, the bill establishes minimum mandated appropriations for three programs and increases an existing mandated appropriation for another program. **The bill takes effect July 1, 2022.**

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$80,000 in FY 2023 for one-time costs. General fund expenditures are assumed to increase by \$13.7 million annually beginning in FY 2024 due to additional scholarship funding mandated by the bill. Special fund revenues and expenditures for the Conroy/Cryor scholarships increase by a corresponding \$1.0 million. General fund expenditures (and special fund revenues and expenditures) may further increase if expanded eligibility under the Conroy/Cryor scholarships exceeds the additional funding. **This bill establishes mandated appropriations and increases a mandated appropriation beginning in FY 2024.**

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
GF Expenditure	\$80,000	\$13,700,000	\$13,700,000	\$13,700,000	\$13,700,000
SF Expenditure	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Net Effect	(\$80,000)	(\$13,700,000)	(\$13,700,000)	(\$13,700,000)	(\$13,700,000)

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** None.

**Small Business Effect:** Minimal.

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## Analysis

### Bill Summary:

#### *Mandated Appropriations*

The bill establishes minimum mandated appropriations for three programs beginning in fiscal 2024. Accordingly, the Governor must include an appropriation of at least \$112.0 million for the EEA Program, at least \$4.0 million to the Edward T. Conroy and Jean B. Cryor Scholarship Fund, and at least \$400,000 for scholarship awards under the James Proctor Scholarship Program. In addition, the existing mandated appropriation for the Higher Education Outreach and College Access Program is increased from \$200,000 to \$500,000 beginning in fiscal 2024.

#### *Educational Excellence Award Program Changes*

Under the bill, (1) a GA Grant recipient who otherwise becomes ineligible because of a change in family income still receives the full award if the recipient remains eligible to receive a federal Pell Grant; (2) GA Grant eligibility for a student who prequalified under the Next Generation Scholars of Maryland Program must be based on the annual family income determination used when the student prequalified; and (3) the Next Generation Scholars of Maryland Program may continue to provide services to students when they attend an institution of higher education.

Extending GA eligibility for students who become ineligible because of a change in income significantly reduces what is known as the GA cliff, which is explained in greater detail in the [College Affordability issue paper for the 2022 Legislative Session](#).

#### *Veterans of the Afghanistan and Iraq Conflicts Scholarship*

Specifically, the bill expands eligibility requirements for the Veterans of the Afghanistan and Iraq Conflicts Scholarship to include the stepchildren of specified veterans, active-duty members of the armed services, members of the reserve, or members of the Maryland National Guard.

### *Near Completer Communication Campaign*

For the 2022-2023 and 2023-2024 academic years, the Maryland Higher Education Commission (MHEC) must focus the work of the near completer communication campaign on near completers who are no longer attending an institution of higher education because of personal or financial reasons relating to the COVID-19 pandemic.

### *2+2 Transfer Scholarship*

The bill also makes a technical change to the 2+2 Transfer Scholarship by repealing an obsolete definition of “demonstrated financial need” for the scholarship. Under the bill, MHEC must define “demonstrated financial need.”

### **Current Law:**

#### *Pell Grant – Generally*

Federal Pell Grants are generally only awarded to undergraduate students who display exceptional financial need and have not earned a bachelor’s, graduate, or professional degree. Individuals who are incarcerated in a federal or state penal institution or are subject to an involuntary civil commitment upon completion of a period of incarceration for a forcible or nonforcible sexual offense are not eligible for a Pell Grant.

The maximum federal Pell Grant award is \$6,495 for the 2022-2023 award year (July 1, 2022, through June 30, 2023). As of March 24, 2022, for the 2022-2023 award year, a student with an expected family contribution – as determined by the Free Application for Federal Student Aid (FAFSA) – of \$5,846 is eligible for a Pell Grant.

To continue receiving a Pell Grant, a student must (1) maintain [basic eligibility criteria](#) for financial aid; (2) fill out FAFSA annually; (3) make satisfactory academic progress for financial aid as determined by the institution; and (4) maintain enrollment in an eligible course of study. A student may receive a Pell Grant for 12 terms.

#### *Delegate Howard P. Rawlings Education Excellence Awards Program – Generally*

The EEA Program consists of two types of awards for full-time undergraduate students: (1) GA Grants that are awarded to the neediest students to ensure that 100% of educational costs are paid; and (2) Educational Assistance (EA) Grants that are awarded to low- and moderate-income students to assist in paying educational costs.

An EEA award may be used at a degree-granting institution of higher education, an eligible institution with an associate’s degree program that provides transfer credit for an accredited

baccalaureate program, or a hospital diploma school for training registered nurses if the curriculum is approved by MHEC. The award may be used for educational expenses as defined by MHEC, including tuition and fees and room and board.

An EEA award may be used at a school in another state if (1) there is a specified reciprocal agreement and (2) the school meets the same requirements that an in-state school must meet. The Office of Student Financial Aid (OSFA) may not award more than 10% of the funds available for either the GA Grant or the EA Grant for use by students attending schools in another state.

EEA award recipients are required to successfully complete 30 credits at the end of their sophomore year to receive their maximum renewal award. A student who fails to meet the 30-credit completion requirement but completes between 24 and 29 credits is eligible for a prorated renewal award.

### *Guaranteed Access Grant*

The GA Grant is a component of the EEA Program that covers 100% of need when combined with a federal Pell Grant for the State's lowest income students. The maximum award is capped at the cost of education at the highest cost four-year University System of Maryland (USM) institution, excluding the University of Maryland, Baltimore Campus (UMB) and the University of Maryland Global Campus (UMGC). The maximum award for the 2022-2023 award cycle is \$19,300. Students that meet all program criteria, such as enrolling directly from high school and having certain family income limits, are guaranteed funding.

MHEC identifies first-time applicants who are potentially eligible for the GA Grant based on 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.

Among other requirements, statute requires that eligible GA Grant 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.

A student in grade 7 or 8 can prequalify for a GA Grant to be used at the time of enrollment at an institution of higher education. Chapter 578 of 2021 expanded prequalification eligibility to allow a student in grade 9 or 10 who meets other existing eligibility requirements to automatically prequalify for an award if the student is (1) eligible for free

or reduced-priced meals or (2) attends a school that participates in the U.S. Department of Agriculture Community Eligibility Provision (better known as CEP) and the student is identified by direct certification or income information provided by the family of the student to the local school system on an alternative form developed by the Maryland State Department of Education (MSDE).

To prequalify, a student must agree in writing, as a secondary and undergraduate student, to (1) satisfy the attendance policy of the applicable school; (2) refrain from substance abuse; (3) provide information required by MHEC or the State Board of Education (SBE); (4) apply for admission to an institution of higher education during the student's senior year in high school; (5) complete and file, on a timely basis, applications for federal student aid for each year that the student plans to enroll in postsecondary education; (6) participate in the Next Generation Scholars of Maryland Program until the student graduates from high school and matriculates at an institution of higher education; (7) maintain a cumulative grade point average of at least 2.5 on a 4.0 scale or its equivalent; and (8) satisfy any other program requirements set by OSFA, MHEC, SBE, or MSDE.

In addition, for academic years 2017-2018 and 2018-2019, a student in grade 9 who otherwise met the prequalifying conditions for grades 7 and 8 students described above could prequalify if the student applied and met the financial need standards established by MHEC.

#### *Educational Assistance Grant*

The EA Grant is a need-based scholarship intended to meet 40% of financial need at four-year institutions and 60% at community colleges for full-time undergraduates from low- to moderate-income families. The maximum award amount authorized by statute is \$3,000, which has not changed since fiscal 1996. An EEA award may be used at a degree-granting institution of higher education, an eligible institution with an associate degree program that provides transfer credit for an accredited baccalaureate program, or a hospital diploma school for training registered nurses if the curriculum is approved by MHEC. The award may be used for educational expenses as defined by MHEC, including tuition and fees and room and board.

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

MSDE, in collaboration with MHEC, the local boards of education, local superintendents, and institutions of higher education, must administer the Next Generation Scholars of Maryland Program.

The program must provide guidance and services to students who qualify for a GA Grant to assist the students in successfully (1) completing a college preparatory curriculum;

(2) graduating from high school; (3) matriculating at an institution of higher education; and (4) making timely progress to complete a degree program.

To administer the Next Generation Scholars of Maryland Program, MSDE must:

- publicize the program through community outreach and marketing materials;
- award grants to nonprofit organizations to administer the program;
- solicit applications from nonprofit organizations to administer the program in local school systems; and
- give priority to applications from Maryland-based nonprofit organizations and that include businesses and institutions of higher education partners.

The following guidance and services must be provided to students participating in the program:

- a high school graduation plan;
- summer work or internship opportunities;
- financial aid literacy assistance;
- career interest assessments;
- mentorship and one-on-one counseling;
- visits to college campuses and workplaces;
- an intensive summer bridge program for students entering an institution of higher education directly from high school or a matriculation assistance program; and
- a plan to matriculate and graduate from an institution of higher education.

The Governor must include in the annual budget bill an appropriation of \$5.0 million for the program. MSDE must use the mandated funding to distribute grants to nonprofit organizations that are selected in accordance with specified priorities to administer the program in local school systems in which at least 50% of the students are eligible to receive a free lunch under National School Lunch Program in the 2015-2016 school year.

There is a Next Generation Scholars of Maryland Program Fund to provide funds to administer the program. MSDE must administer the fund. The Next Generation Scholars of Maryland Program Fund is a special, nonlapsing fund that consists of (1) money appropriated in the State budget; (2) interest earnings; and (3) any other money from any other source given to the fund. The fund may only be used to administer the program, and expenditures from the fund may be only in accordance with the State budget. Any investment earnings of the fund must be credited to the fund.

*The Edward T. and Mary A. Conroy Memorial Scholarship Program and the Jean B. Cryor Memorial Scholarship Program*

The Edward T. and Mary A. Conroy Memorial Scholarship Program makes awards to specified public safety personnel and their eligible dependents to attend an eligible postsecondary institution in the State for five years of full-time study or eight years of part-time study. The Jean B. Cryor Memorial Scholarship Program makes the same type of financial assistance available to the child or surviving spouse of a public or nonpublic school employee who, as a result of an act of violence, died in the line of duty or is 100% disabled due to an injury sustained in the line of duty. There is an Edward T. Conroy and Jean B. Cryor Scholarship Fund.

Scholarships may be used at private or public four-year institutions or community colleges, and they may be used for undergraduate or graduate study. Under current law, to apply for a Conroy or a Cryor scholarship, the following individuals are required to be a resident of Maryland at the time of application or the disabling or fatal event:

- the child of a member of the U.S. Armed Forces who, after December 7, 1941, died or suffered a service-connected 100% permanent disability;
- the surviving spouse of a member of the U.S. Armed Forces who suffered a service-connected 100% permanent disability;
- the child of a member of the U.S. Armed Forces who was declared to be a prisoner of war or missing in action as a result of the Vietnam conflict;
- an individual who was a prisoner of war as a result of the Vietnam conflict;
- a veteran who suffers a service-related disability of 25% or greater and has exhausted all federal veterans' educational benefits;
- the child or surviving spouse of a victim of the September 11, 2001 terrorist attacks; and
- the child or surviving spouse of a school employee who, as a result of violence, died in the line of duty or suffered a 100% permanent disability in the line of duty.

Chapter 267 of 2020 removed residency requirements for (1) the child or surviving spouse of a State or local public safety employee who was killed in the line of duty or who suffered an injury in the line of duty resulting in 100% disability and (2) a disabled public safety employee.

To be eligible, an applicant also must be accepted for admission or enrolled in the regular undergraduate, graduate, or professional program at an eligible institution or be enrolled in a two-year terminal certificate program in which the course work is acceptable for transfer credit for an accredited baccalaureate program.

Postsecondary institutions include public, private nonprofit, and for-profit institutions of higher education, as well as private career schools. Private career schools have not necessarily been considered eligible institutions due to other parameters of the scholarship programs. Postsecondary institutions verify eligibility and award the scholarships to eligible students. In October and February of each year, each postsecondary institution reports to MHEC the number of students eligible for a Conroy or a Cryor scholarship. After verifying the number of eligible students for both programs, MHEC allocates the funds for awards to the postsecondary institutions. If funds cannot be allocated in the fiscal year in which awards are made, priority must be given to allocating funds for those awards in the following fiscal year.

Awards are subject to both a ceiling and a floor. They may not exceed the equivalent annual tuition and mandatory fees of a full-time undergraduate Maryland resident at a four-year institution within USM – other than UMB and UMGC – with the highest annual expenses for a full-time resident undergraduate. They may not be less than either \$3,000 or the equivalent annual tuition and mandatory fees of a resident of the institution attended by the recipient of the scholarship, whichever is the least.

#### *Veterans of the Afghanistan and Iraq Conflicts Scholarship*

Veterans and active-duty members of the U.S. Armed Forces who served in Afghanistan and Iraq, and members of the reserve or Maryland National Guard who were activated as a result of the conflicts, are eligible for the scholarships, as are their children and spouses. To qualify, an applicant must also be a Maryland resident and must be accepted for admission or enrolled in a regular undergraduate program at a Maryland institution of higher education or a two-year terminal certificate program in which the course work is eligible for transfer into a baccalaureate program at a Maryland institution of higher education.

A recipient is not required to file for financial aid; however, a recipient who does file for financial aid must file by March 1. A scholarship may supplement, but is not contingent on, any federal education benefits for which a recipient qualifies as a result of an individual's military or military dependent status. Recipients must maintain a grade point average of at least 2.5 on a 4.0 scale and may hold the scholarship for up to five years of full-time study or eight years of part-time study.

The annual amount of a scholarship may not exceed 50% of the equivalent annual tuition, mandatory fees, and room and board at the USM institution with the highest annual expenses for full-time resident undergraduates, excluding UMB and UMGC. OSFA in MHEC may not award an initial scholarship under the program after June 30, 2030, although existing scholarships may be renewed after that date.

Funding for the scholarship program is as provided in the annual State budget. In addition, senators and delegates may authorize OSFA to award their senatorial and delegate scholarship funds to eligible recipients of the scholarships. There is a Veterans of the Afghanistan and Iraq Conflicts Scholarship Fund. MHEC may accept gifts or grants for the fund and must report annually on the status of the fund.

#### *Near Completer Communication Campaign*

“Near completer” is defined as an individual who has completed some college credits but does not have a college degree and is no longer attending an institution of higher education. MHEC, in collaboration with institutions of higher education, must create a statewide communication campaign to identify near completers in the State and to encourage near completers to reenroll in an institution of higher education to earn a degree. The communication campaign must meet specified requirements, including providing a centralized contact point for reenrollment information. Further, the campaign must focus on near completers who (1) earned a minimum grade point average of 2.0 while in college and (2) earned at least 45 credit hours from a community college or 90 credit hours from a four-year education institution. The Governor must include \$125,000 in the State budget in each year from fiscal 2020 through 2024 for the communication campaign.

#### *Higher Education Outreach and College Access Program*

Chapters 200 and 201 of 2015 established the Maryland Higher Education Outreach and College Access Pilot Program as a two-year pilot grant program for eligible nonprofit organizations that meet specified requirements, to be administered by MHEC. Chapter 399 of 2018 extended the duration of the pilot program to five years (with authorization for it terminating September 30, 2022) and added more reporting requirements. Chapter 403 of 2021 made the program permanent and required the Governor to include \$200,000 annually in the State budget for the program, beginning in fiscal 2023.

The purposes of the program are to:

- encourage low-income Maryland high school students to attend and complete college;
- connect potential college and university students with nonprofit organizations that have a history of successful higher education outcomes for targeted youth;
- create an equal matching fund for nonprofit organizations to access in order to increase college outreach services to low-income students;
- provide funding for nonprofit organizations that are already established in communities to provide targeted outreach to encourage low-income students to enroll in college; and

- establish a pilot program to determine if the program can lead to an increase in low-income students attending and succeeding in college.

To carry out the purposes of the program, MHEC established a grant program, including eligibility, application, and compliance requirements. MHEC allocated funding to nonprofit organizations on a competitive basis after verifying that the nonprofit organizations had matching funds available.

To be eligible for program participation, a nonprofit organization is required to be located in the State, have a contract or memorandum of understanding with a local school system or an institution of higher education (or must establish one if one does not exist), and demonstrate an equal match for funds requested.

A nonprofit organization that receives funding through the program must (1) submit data on outreach programs; (2) track student progress through the higher education system; and (3) submit an annual report to MHEC on or before October 1 following the fiscal year in which funds were received.

By December 1 each year, MHEC must [report](#) to the General Assembly with specified information on the program.

### *James Proctor Scholarship Program*

Chapter 309 of 2018 established the James Proctor Scholarship Program to award scholarships for tuition and fees to State residents who attend a public historically black college or university (HBCU) in the State. Each HBCU must administer the program on its campus and must adopt policies to establish (1) eligibility requirements; (2) award amounts; (3) procedures and schedule for the payment of scholarship awards; and (4) any other policies. The scholarships must be last-dollar scholarships. The funds appropriated must be divided and distributed equally to each HBCU: Bowie State University; Coppin State University; Morgan State University; and the University of Maryland Eastern Shore.

### *2+2 Transfer Scholarship*

There is a 2+2 Transfer Scholarship for students that earn an associate's degree from a community college before entering a public or private nonprofit institution of higher education in the State. To be eligible, a recipient must be a resident of the State, enroll full time in the fall semester following completion of an associate's degree, and have earned a cumulative 2.5 grade point average while at a community college. Further, a recipient must demonstrate financial need, defined as an expected family contribution of \$10,000 or less on the federal FAFSA.

**State Fiscal Effect:** As shown in **Exhibit 1**, general fund expenditures increase by an estimated \$80,000 in fiscal 2023 due to one-time contractual costs; beginning in fiscal 2024, general fund expenditures increase by an estimated \$13.7 million annually due to the mandated appropriations established by the bill. The information and assumptions used in this estimate are explained in further detail below.

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**Exhibit 1**  
**Estimated Additional General Fund Expenditures**  
**Fiscal 2023 and 2024**

	<u><b>FY 2023</b></u>	<u><b>FY 2024</b></u>
One-time Contractual Costs <sup>1</sup>	\$80,000	
EEA Awards <sup>2</sup>		\$12,000,000
Conroy/Cryor Scholarships <sup>3</sup>		1,000,000
HE Outreach and College Access Program <sup>4</sup>		300,000
James Proctor Scholarship <sup>5</sup>		400,000
<b>Total Additional General Fund Expenditures</b>	<b>\$80,000</b>	<b>\$13,700,000</b>

EEA: Delegate Howard P. Rawlings Educational Excellence Awards

HE: Higher education

<sup>1</sup>One-time contractual costs associated with enhancements to the Maryland Higher Education Commission’s scholarship system, known as the Maryland College Aid Processing System.

<sup>2</sup>Bill mandates \$112.0 million for the EEA Program beginning in fiscal 2024. Reflects an additional \$12.0 million for EEA above \$100.0 million included in the fiscal 2023 budget.

<sup>3</sup>Bill mandates \$4.0 million for the Edward T Conroy and Jean B Cryor Scholarship Fund beginning in fiscal 2024, which ensures special fund revenues and expenditures by the same amount. Reflects an additional \$1.0 million for Conroy/Cryor above \$3.0 million included in the fiscal 2023 budget. However, under the bill and current law, all eligible students must receive awards. Thus, this estimate only reflects funding the awards in the year in which the awards are made rather than the following fiscal year.

<sup>4</sup>Bill mandates \$500,000 for the Higher Education Outreach and College Access Program, which is \$300,000 more than the current \$200,000 mandated appropriation.

<sup>5</sup>Bill mandates \$400,000 for the James Proctor Scholarship Program. Reflects full \$400,000 as the fiscal 2023 budget does not include any funding for the scholarship.

Source: Department of Legislative Services

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*Maryland Higher Education Commission Expenditures*

The bill makes several changes to existing scholarship programs; thus, general fund expenditures increase by an estimated \$80,000 in fiscal 2023 for one-time contractual costs associated with enhancements to MHEC’s scholarship system, known as the Maryland College Aid Processing System (MDCAPS). This includes approximately \$25,000 to

change programs under the Delegate Howard P. Rawlings Education Excellence Awards Program, \$34,000 to change the Edward T. and Mary A. Conroy Memorial Scholarship and Jean B. Cryor Memorial Scholarship Programs, \$10,000 to change the Veterans of the Afghanistan and Iraq Conflicts Scholarship, and \$11,000 to extend the Near Completer Grant application process to those affected by COVID-19. Further, OSFA's workload likely increases to handle inquiries relating to the programs and make more (and/or greater) awards due to additional funding being available under the bill. Nevertheless, with additional automation through MDCAPS, existing can likely handle any additional workload.

#### *Delegate Howard P. Rawlings Education Excellence Awards Program Mandated Funding*

The bill specifies that the Governor must include an appropriation of at least \$112.0 million for the EEA Program beginning in fiscal 2024. The fiscal 2023 budget already includes \$100.0 million for the program. Assuming the program would continue to receive a similar level of appropriations in future years, the bill requires an additional \$12.0 million in general fund expenditures for the EEA Program in fiscal 2024 and annually thereafter.

#### *Guaranteed Access Grant Eligibility*

There are two ways additional individuals may receive a GA Grant under the bill: (1) by prequalifying in grades 7 through 10 through participating in the Next Generation Scholars of Maryland Program; and (2) through allowing GA recipients to remain eligible for an award if the recipient becomes ineligible because of a change (increase) in family income, but remains eligible for a federal Pell Grant. The exact number of additional GA Grants awarded under the bill cannot be reliably estimated. However, as explained in more detail below, awarding additional GA Grants has no direct fiscal impact. Instead, awarding additional GA Grants may result in additional individuals being added to the EA Grant program waitlist. Additional individuals can be added to the EA Grant waitlist at no additional cost.

The EEA Program (the GA Grant and the EA Grant) receives one appropriation. The GA Grant is an entitlement for individuals who meet all eligibility criteria, while EA Grants are made from the funds remaining once all GA Grant awards have been made. Thus, if more GA awards are made, there is less funding for EA Grant awards. When EA Grant funding for that fiscal year is exhausted, individuals eligible for the EA Grant are placed on the waitlist.

Based on fiscal 2021 expenditures, expanding eligibility for GA Grants without adding to the waitlist may result in general fund expenditures of approximately \$12,100 for each additional GA Grant beginning in fiscal 2023. The bill adds \$12.0 million to the EEA Program. *For illustrative purposes only* and given an average award amount of \$12,100 for

each GA Grant recipient, one-half of the additional EEA appropriation (\$6.0 million) would allow approximately 496 additional awards annually without reducing EA Grants. If fewer GA Grants were awarded, more EA Grants could be awarded.

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.

#### *Educational Assistance Grant*

As explained above, MHEC distributes EA Grant awards until available funding is exhausted. Therefore, the number and/or amount of EA Grant awards increases – to the extent there is residual funding, following awards made under the expanded GA Grant eligibility, from the additional \$12.0 million required to be appropriated for the EEA Program. *For illustrative purposes only* and given an average award amount of \$2,200 for each EA Grant recipient, if \$6.0 million of the additional \$12.0 million EEA Program appropriation remains after GA Grants are awarded, approximately 2,730 additional individuals would be able to receive an EA Grant. The maximum award amount for the EA Grant is \$3,000. However, any expansion of or contraction in the number of EA Grants awarded depends on the number of GA Grant awards made under the expanded eligibility requirements.

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

Authorizing nonprofit partners that receive Next Generation Scholars of Maryland Program grants to provide services to students when they attend an institution of higher education does not necessitate additional funding. MSDE awards grants to nonprofit partners based on available funding for the program. The program is already mandated to receive \$5.0 million annually.

#### *Edward T Conroy and Jean B Cryor Memorial Scholarship Programs Mandated Appropriation*

Expansion of the two scholarship programs to explicitly include private career schools likely increases the number of annual award recipients, although the number of additional applicants cannot be reliably estimated. Expanding the institutions at which a currently eligible individual may use an award increases expenditures by an estimated \$8,700 per award annually, based on current scholarships. However, each scholarship award may be up to the tuition and mandatory fees of a full-time undergraduate Maryland resident at the four-year public institution with the highest annual expenses for a full-time resident

undergraduate within USM, other than UMB and UMGC. The scholarship does not have a set amount of funding; funding is allocated based on the number of eligible individuals.

In fiscal 2021, the annual appropriation to the program was \$2.4 million. Due to the demand of eligible recipients in the program, the annual appropriation was not sufficient to cover all eligible recipients, and approximately \$1.1 million was transferred from the Need-Based Student Financial Assistance Fund to cover all eligible recipients. In fiscal 2021, MHEC awarded 408 scholarships with an average award amount of approximately \$8,700. The fiscal 2023 budget includes \$3.0 million for the scholarships.

The bill requires that, beginning in fiscal 2024, the Governor include an appropriation of at least \$4.0 million to the Edward T Conroy and Jean B Cryor Scholarship Fund, a \$1.0 million increase over the fiscal 2023 amount. Accordingly, general fund expenditures, and corresponding special fund revenues and expenditures, increase by \$1.0 million each year starting with fiscal 2024. To the extent expanded eligibility under the programs exceeds \$4.0 million (approximately 460 total awards), general fund expenditures increase further – by \$8,700 per award annually. Under the bill, as under current law, awards must be made for to all eligible students for both programs. After verifying the number of eligible students for both programs, MHEC allocates the funds for awards to the postsecondary institutions. If funds cannot be allocated in the fiscal year in which awards are made, priority must be given to allocating funds for those awards in the following fiscal year. This estimate assumes that, absent the mandated funding in the bill, sufficient monies may not be available to be allocated in the fiscal year in which the awards are made.

#### *Veterans of the Iraq and Afghanistan Scholarship*

The number of additional eligible individuals for the Veterans of the Iraq and Afghanistan Scholarship cannot be reliably estimated but may be significant. Expanding scholarship eligibility does not require additional spending; in recent years, the total dollars awarded under the scholarship have been less than the funds appropriated for the scholarship. However, if in future years, scholarship applicant need exceeds the funds available, without additional spending, more individuals may be added to the waitlist, fewer scholarships may be awarded, or scholarship amounts may be smaller.

In fiscal 2021, MHEC awarded 131 scholarships with an average award amount of approximately \$5,400 resulting in a total of \$709,959 being awarded. The fiscal 2023 budget includes a \$750,000 general fund appropriation to the Veterans of Afghanistan and Iraq Conflict Scholarship.

### *Higher Education Outreach and College Access Program Mandated Appropriations*

Under the bill, beginning in fiscal 2024, the Governor must also include an appropriation of \$500,000 for the Higher Education Outreach and College Access Program, a \$300,000 increase over the appropriation already required. Accordingly, general fund expenditures increase by \$300,000 annually beginning in fiscal 2024. Under current law, the Governor must include an appropriation of at least \$200,000 annually for the program, and the fiscal 2023 budget includes an appropriation of \$200,000.

These grant funds leverage matching funds from the nonprofit organization that receive grants; therefore, an additional \$600,000 may be used to meet the program's goals each year beginning in fiscal 2024. This is beyond the \$400,000 available in fiscal 2023. Thus, beginning in fiscal 2024, a total of \$1.0 million may be used to meet the program's goals. This estimate assumes that eligible nonprofit organization can match the entire \$500,000 annually. It further assumes that MHEC can manage the additional funding with existing staff.

### *James Proctor Scholarship Program Mandated Appropriations*

Chapter 309 of 2018 established the James Proctor Scholarship Program; however, no funding has been allocated to the program. Accordingly, MHEC has not made any awards under the program. The bill mandates \$400,000 annually be appropriated to the program for scholarship awards beginning in fiscal 2024. Accordingly, general fund expenditures increase by \$400,000 in fiscal 2024 and subsequent years to meet the mandate.

### *2+2 Transfer Scholarship*

MHEC can determine a method for an applicant for a 2+2 Transfer Scholarship to demonstrate financial need using existing resources. This is a technical change necessitated by a change in federal law that made the term "expected family contribution" obsolete. Allowing MHEC to determine financial need, as is done for other scholarships with a financial need component, enables uninterrupted scholarship distribution for the 2+2 Transfer Scholarship. The fiscal 2023 budget includes \$2.3 million for 2+2 scholarship aid. In fiscal 2021, 179 2+2 scholarship awards were made, with an average award amount of approximately \$1,550.

**Small Business Effect:** Many private career schools are small businesses. Under the bill, a private career school may award the Edward T. and Mary A. Conroy Memorial Scholarship and the Jean B. Cryor Memorial Scholarship. Thus, a private career school that admits an eligible student who applies due to the bill may minimally increase its revenues and student expenditures.

## **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** SB 912 (Senator Pinsky) - Education, Health, and Environmental Affairs.

**Information Source(s):** Maryland State Department of Education; Maryland Higher Education Commission; Department of Budget and Management; Department of Legislative Services

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