

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 662

(Chair, Education, Energy, and the Environment
 Committee)

Education, Energy, and the Environment

Rules and Executive Nominations

**Higher Education - Appointment of Secretary and Student Financial Assistance -
 Accommodations at Public Institutions for Religious Beliefs**

This bill alters the selection process for the Secretary of Higher Education. The bill also alters the eligibility requirements for the Guaranteed Access (GA) Grant component of the Delegate Howard P. Rawling Educational Excellence Awards (EEA) program and requires institutions of higher education, rather than the Maryland Higher Education Commission (MHEC) Office of Student Financial Assistance (OSFA), to notify award recipients beginning July 1, 2025. The bill also changes the eligibility requirements for the Maryland Community College Promise (MCCP) Scholarship and requires community colleges in the State, not OSFA, to select scholarship recipients and verify recipient eligibility. Finally, the bill requires each public institution of higher education to (1) adopt a policy, as specified, to accommodate students’ faith-based or religious practices and (2) provide a space on campus for such practices. **The bill generally takes effect July 1, 2023; however, provisions transferring GA Grant notification take effect July 1, 2025.**

Fiscal Summary

State Effect: General fund expenditures increase by \$278,200 in FY 2024 and may increase in FY 2026 for one-time contractual costs. Higher education expenditures at Baltimore City Community College (BCCC) increase beginning in FY 2024 to administer the MCCP Scholarship; beginning in FY 2026, higher education expenditures for all public institutions likely increase minimally to implement notification systems for GA Grant awards; all or a portion of these costs may be offset by general fund expenditures, in which case higher education revenues increase. Otherwise, impacts are minimal.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Higher Ed Rev.	\$0	\$0	-	-	-
GF Expenditure	\$278,200	\$0	-	-	-
Higher Ed Exp.	-	-	-	-	-
Net Effect	(\$278,200)	(-)	(-)	(-)	(-)

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

Local Effect: Locally funded community colleges incur additional expenditures to properly verify applicant income, distribute MCCP Scholarship awards, and report awards to OSFA beginning in FY 2024. Locally funded community colleges similarly incur additional minimal expenditures to notify students of GA Grant eligibility beginning in FY 2026; to the extent State funding is available to offset these costs, revenues increase beginning in FY 2026. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary:

Secretary of Higher Education and Office of Student Financial Assistance Organization

The bill alters the selection process for the Secretary of Higher Education by removing the requirement that the Governor select the Secretary from a list of three nominees provided by MHEC. The bill further specifies that the Secretary of Higher Education serves at the pleasure of the Governor, not MHEC.

The bill repeals uncodified language in Chapters 639 and 640 of 2022 expressing the intent of the General Assembly that MHEC be reorganized to establish OSFA as a separate independent agency in fiscal 2024.

Guaranteed Access Grant – Eligibility

Effective July 1, 2023, the bill alters requirements for GA Grant awards made under the Delegate Howard P. Rawlings EEA program, allowing more individuals to qualify for or retain their awards. Specifically, the bill removes the requirements that a recipient (1) attain a grade point average (GPA) of at least 2.5 on a 4.0 scale at the end of the first semester of the senior year in high school and (2) have successfully completed a college preparatory program in high school. The bill also alters other GA Grant requirements by (1) expanding the window of time within which a recipient must begin college after completing high school (or achieve a passing score on the diploma by examination), except under extenuating circumstances, from one to six years and (2) increasing the maximum age of a first-time award recipient to include individuals younger than age 26 instead of younger than age 22. Additionally, the bill removes the requirement that a student who prequalifies for a GA Grant agree in writing to refrain from substance abuse. Further, the bill lowers the minimum score required on each module for individuals who received a diploma by examination.

Guaranteed Access Grant – Administration

Effective July 1, 2025, the bill establishes a process for making initial and renewal GA Grant awards that generally requires institutions of higher education to use information from OSFA to notify students of awards and issue awards for the appropriate amount in accordance with statute. Additionally, applicants may accept an offer of a GA award from an institution of higher education, and institutions of higher education must then notify OSFA of the number of individuals receiving a GA Grant award. OSFA must reimburse each institution using the list provided from institutions of higher education. OSFA must adopt regulations to implement the new award notification processes. Additionally, MHEC must work with the Segmental Advisory Council and the Financial Assistance Advisory Council in establishing regulations to implement new GA Grant processes, including award deadlines and procedures for renewal awards.

Under the bill, OSFA remains responsible for verifying applicant eligibility, but instead of OSFA *directly* making GA Grant awards, OSFA must turn over lists of eligible students to institutions of higher education for them to notify students of eligibility and make awards.

Compilation and Certification of Lists: For initial GA Grant awards, the bill requires OSFA – beginning when financial aid information is available each year, but no later than October 1 – to compile and certify lists for the entire State that rank applicants for the GA Grant by financial need. For renewal awards, OSFA must also compile and certify lists of students who previously received a GA Grant award and are eligible for renewal, though the bill does not specify a timeline for the creation of the renewal lists.

Provision of Lists: For initial GA Grant awards, OSFA must regularly provide lists of eligible students to each institution of higher education in the State. OSFA must also provide each institution of higher education in the State with lists of students who previously received a GA Grant award and are eligible for a renewal award, though the bill does not specify that this must be done regularly as with initial award applicants.

Use of Lists and Notifications by Institutions: Each institution of higher education must use the lists provided by OSFA (in concert with the statutory requirements of the GA Grant award) to determine which applicants will be offered both initial and renewal GA Grant awards as well as the amount of initial and renewal GA Grant awards. Each institution must then send award notifications to initial applicants or continuing students to offer an initial or renewal GA Grant award.

Awards Made and Related Reimbursement: The bill further specifies a new process for initial award acceptance and for how OSFA must reimburse institutions of higher education for GA Grant awards. Once an applicant receives notification for an initial award, the applicant may accept the offer of a GA Grant from an institution of higher education. Each

semester, each institution must submit a list to OSFA containing all students who were awarded a GA Grant for the semester and the amounts awarded. For initial awards, OSFA must then *reimburse* each institution for the GA Grants provided to students in accordance with the lists submitted by institutions of higher education. In the case of renewal awards, OSFA must reimburse in accordance with the lists generated by OSFA containing students who previously received a GA Grant award and are eligible for a renewal award.

OSFA must adopt regulations to implement these changes to the awarding of initial and renewal GA Grant awards.

Related Notification Information: In a financial aid award notification to a student, each institution of higher education must include the availability of the EA Grant administered by OSFA, including a description of OSFA and the EA Grant, information on EA Grant award timelines, and a point of contact in OSFA for students.

Educational Assistance Grant – Administration

The bill makes various conforming changes, effective July 1, 2025, to specify that OSFA must continue to administer EA Grant awards, which requires that OSFA continue to compile and certify lists for the entire State that rank applicants by financial need. Accordingly, OSFA must make EA Grant awards to eligible students, based on financial need, from any *remaining* funding for EEA (so after the GA Grant awards process delineated above).

The bill repeals the requirement that, by April 15 each year, OSFA must send notification to each individual who applied for an EEA indicating whether the student is the recipient of an award and the amount, if applicable. Similarly, OSFA no longer must notify each senator and delegate of individuals in each legislative district who receive an EEA.

Financial Aid Office Funding

The bill expresses legislative intent that, beginning in fiscal 2026, the Governor must include funding for financial aid offices at public institutions of higher education to implement administration of GA Grant awards by institutions of higher education.

Next Generation Scholars Program

The Next Generation Scholars of Maryland program must provide guidance and services to students who qualify to receive free or reduced-price lunch under the National School Lunch Program to aid students in specified ways as the program already does for students who prequalify for a GA Grant. Additionally, the bill allows students who have participated

in the program for one full year to continue to receive services under the program should they relocate to another county in the State that does not participate in the program.

Maryland Community College Promise Scholarship – Eligibility and Priority

Under the bill, a recipient of an MCCP Scholarship must only enroll in 6, rather than 12, credits per semester to retain the scholarship. The bill specifies priority for non-initial scholarship awards made under the program. Priority must be given to prior-year recipients who remain eligible for the program *as well as* all eligible students who are enrolled in either at least 12 credits per semester or a sequence of credit or noncredit courses that lead to licensure or certification. Then, if any funds remain to be allocated, students enrolled in at least 6 credits per semester may be awarded scholarships.

Maryland Community College Promise Scholarship – Administration

The bill shifts responsibility for the selection and distribution of awards under the MCCP Scholarship from OSFA to each community college in the State. The bill further tasks each community college with promoting the MCCP Scholarship (in addition to existing promotion from OSFA). Each community college, not OSFA, must select eligible applicants to award MCCP Scholarships. Instead of applying directly to OSFA, a student may apply annually to a Maryland community college located in the county or, in the case of a regional community college, the region in which the applicant lives. As under current law, if an applicant's community college or regional community college does not offer the degree or certification program in which the applicant wants to enroll, an applicant may apply to a community college or regional community college outside the region where the applicant lives to receive an MCCP Scholarship. OSFA must allocate MCCP Scholarship funding to each community college in the State based on the proportion of Pell-eligible students at each community college. If a community college does not award all funding allocated, the community college must distribute the remaining funding to other community colleges to make MCCP Scholarship awards in the award year.

Each community college must verify the eligibility (including income eligibility using federal standards and in accordance with income eligibility criteria established by OSFA) of applicants, maintain records of any eligibility determinations for at least five years post-award, and provide MHEC with an audit that shows proof of proper verification and award of scholarships. OSFA must review these audits provided to MHEC at least once every three years. If OSFA determines that an award was made in error, the community college that made the award in error must remit, to MHEC, the total amount of the award made in error. Remitted funds must be paid to the Need-based Student Financial Assistance Fund, and the community college may not require a student to repay the award made in error.

The bill makes other conforming changes to generally allow community colleges to administer scholarships in ways OSFA previously has, including authorizing community colleges (instead of OSFA) to extend scholarships and to determine eligibility for placing an award on hold.

Religious Accommodations Policy

Each public institution of higher education must adopt a written policy that provides reasonable academic accommodations for students to practice sincerely held faith-based or religious beliefs. The policy must (1) provide an accommodation for a student, including excused absences, for a student to observe faith-based or religious holidays or participate in organized religious activities; (2) provide that a student be allowed reasonable alternative accommodations for missing an examination or other academic requirements due to an excused absence for a student's faith-based or religious beliefs; and (3) include a grievance procedure to report noncompliance with the policy. Each public institution of higher education must post the policy prominently on its website.

Except for the University of Maryland Global Campus (UMGC), each public institution of higher education must also provide a space on campus to accommodate faith-based or religious practices.

Current Law:

Maryland Higher Education Commission – Membership, Meetings, and Responsibilities

MHEC consists of 12 members appointed by the Governor with the advice and consent of the Senate. Each year, from among the members of MHEC, the Governor must designate a chairperson; MHEC must elect other officers as required. The Secretary of Higher Education is appointed by the Governor, from a list of three nominees for the position submitted by MHEC, with the advice and consent of the Senate. The Governor may reject the list of nominees and request MHEC to submit the names of additional nominees. The Secretary of Higher Education is responsible for selecting, organizing, and directing the staff of MHEC and generally executing the policies and decisions of MHEC. The Secretary of Higher Education serves at the pleasure of MHEC.

MHEC is the State of Maryland's higher education coordinating board responsible for establishing statewide policies for Maryland public and private colleges and universities and for-profit career schools. MHEC, through OSFA, also administers State financial aid programs that affect students on a statewide basis. Generally, MHEC is responsible for the overall growth and development of postsecondary education in the State. To that end, MHEC must develop and implement an overall State Plan for Higher Education, support community colleges, coordinate regional higher education centers, act as the State

Postsecondary Education Commission, be the approving agency for purposes of educational benefits programs, develop a program of desegregation and equal education opportunity including developing an enhancement for historically Black colleges and universities (better known as HBCUs), and administer State funds for private institutions.

In addition, MHEC has responsibilities related to scholarships established in State law. Subject to specified provisions of State law, MHEC must administer the various scholarship, grant-in-aid, and tuition assistance programs established by law. Further, one of the councils that MHEC must establish is a Financial Assistance Advisory Council.

Office of Student Financial Assistance – Organization and Responsibilities

OSFA is established as a suboffice of MHEC and is headed by an executive director who must be appointed by the Secretary of Higher Education. The executive director exercises powers and duties subject to the general policies of MHEC and the general supervision of the Secretary of Higher Education. Generally, in conducting their operations, MHEC and OSFA must share resources and coordinate their activities in order to enhance the efficient utilization of resources.

Generally, OSFA is responsible for (1) administering student financial assistance programs; (2) issuing and disseminating public information about student financial assistance; (3) regulating the form and submission of applications for student financial assistance; and (4) conducting conferences and interviews with applicants to evaluate their eligibility. OSFA may adopt rules and regulations necessary to carry out its powers and duties, including those related to the performance of a service obligation as a condition of award, the repayment of student financial assistance funds should a recipient fail to perform a service obligation, and waiver and deferment of a service obligation in circumstances determined by MHEC. Generally, OSFA must administer any federal scholarships or grants to students or institutions, arrange for the competitive examination as required for certain scholarships, and analyze the financial need of each applicant for applicable scholarships on behalf of the person or institution who awards the scholarship.

Chapters 639 and 640 expressed the intent of the General Assembly that MHEC be reorganized to establish OSFA as an independent agency in fiscal 2024.

Delegate Howard P. Rawlings Educational 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) 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 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. 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 institution, excluding the University of Maryland, Baltimore Campus (UMB) and UMGC. The maximum award for the 2023-2024 award cycle is \$20,000. Students that meet all program criteria are guaranteed funding. The criteria include (1) enrolling as a full-time student directly from high school absent extenuating circumstances; (2) being younger than age 22 at the time of receiving the first award; (3) successfully completing a college preparatory program; (4) having certain family income limits; and (5) satisfying any additional criteria set by MHEC.

MHEC identifies first-time applicants who are potentially eligible for the GA Grant based on Free Application for Federal Student Aid 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 Grant application to MHEC.

Among other requirements, statute requires that eligible GA Grant applicants 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. As a result of Chapter 23 of 2022, 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.

For a GA Grant, each recipient must demonstrate a definite financial need to OSFA or an eligible institution of higher education. A verification obtained by an applicant from one institution of higher education may be used at any eligible institution for an EEA.

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 GPA 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. Chapter 23 requires that GA Grant eligibility for a student who prequalified under the Next Generation Scholars of Maryland Program be based on the annual family income determination used when the student prequalified.

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.

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. Under Chapter 23, the Next Generation Scholars of Maryland Program may continue to provide services to students when they attend an institution of higher education.

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.

Maryland Community College Promise Scholarship

Chapter 554 of 2018 created a scholarship program in Maryland to provide tuition assistance to students who attend a community college in the State and who meet specified eligibility criteria, including an income limitation. The MCCP Scholarship is a last-dollar award that is applied after State or federal non-loan aid to eligible recipients has been applied; an award cannot exceed \$5,000 annually or actual tuition, whichever is less. Chapter 464 of 2019 specified that, if a local community college offers a Promise Scholarship, an award from the statewide program must be applied before the award of the local scholarship.

To be eligible for the program, a student must:

- be eligible for in-state tuition and enroll at a community college, in an eligible program;
- have earned at least a 2.3 high school GPA at the end of the first semester or the end of the senior year unless the applicant graduated from high school five or more years before the date of application, for an initial award, or have earned at least a 2.5 GPA while enrolled at a community college in the State; and
- have a gross adjusted income of \$100,000 or less if the applicant is single or resides in a single-parent household or of \$150,000 or less if married or resides in a two-parent household.

An applicant also has to attend the applicant's local community college, except under specified circumstances. In addition, an applicant must either enroll as a candidate for a vocational certificate, a certificate, or an associate degree or participate in a registered apprenticeship at a community college in the State. Further, an applicant must enroll in at least 12 credits per semester or a sequence of credit or noncredit courses that leads to licensure or certificate.

The Governor must appropriate at least \$15.0 million annually for the program.

Initial awards are made based on greatest demonstrated need. Eligible applicants who do not receive an award are placed on a waiting list. In subsequent years, priority is to be given to prior-year recipients who remain eligible for the program. A recipient can receive the award for a total of three years. To maintain the award, the recipient must complete 12 credits per semester or make satisfactory progress toward a vocational certificate and earn a cumulative GPA of at least 2.5. The recipient must meet the designated income requirements for the program, remain eligible for in-state tuition, apply annually, and continue to make satisfactory academic progress as determined by the community college.

MHEC must contact each school counselor at each public high school in the State with information on the MCCP Scholarship, including eligibility, availability, and deadlines for the scholarship. In addition, MHEC and each community college must post this information in a readily accessible location on their respective websites. Finally, MHEC must annually report to the General Assembly on specified aspects of its implementation of the MCCP Scholarship, including its outreach activities.

State Fiscal Effect:

Maryland Community College Promise Scholarship – Eligibility and Priority

Altering priority for the MCCP Scholarship does not affect overall spending. This analysis assumes allowing recipients to enroll in 6, rather than 12, community college credits has no impact on overall spending for the program. Students must otherwise meet the same eligibility criteria, and students receiving the scholarship part time would need the same number of credit hours to graduate as full-time students and, therefore, receive the same amount of scholarship funds spread out over a longer term, subject to the three-year cap. Further, any increased applications or awards that do result from the ability of recipients to enroll half time are likely absorbable within existing appropriations to the program. The fiscal 2024 budget as passed by the General Assembly includes a general fund appropriation of \$15.0 million for the program. In fiscal 2022, the program made approximately \$5.6 million in awards to 1,904 recipients.

Maryland Community College Promise Scholarship – Maryland Higher Education Commission and Baltimore City Community College

To implement changes to the MCCP Scholarship, general fund expenditures increase by \$131,669 in fiscal 2024 for contractual expenses associated with changes to the Maryland College Aid Processing System (MDCAPS). MHEC advises that the bill necessitates these significant contractual expenditures due to the amount of reporting and auditing necessary for MHEC to ensure that awards are made in alignment with program terms.

MHEC further advises that OSFA requires one new administrative specialist to coordinate with participating community colleges, process new reports that community colleges are required to submit, and assist with regular auditing of awards made by community colleges. The Department of Legislative Services (DLS) advises that, due to the bill removing awarding responsibility of the MCCP Scholarship from OSFA, OSFA can likely absorb these responsibilities using existing resources; however, during the first year of implementation, resources may need to be diverted from other projects. Further, DLS notes that, while distributing MCCP Scholarship funds based on the number of Pell-receiving students is achievable with existing resources, MHEC may face additional logistical

burdens to determine the number of Pell-eligible students at each community college in the State for the purposes of distributing funds.

Conversely, beginning in fiscal 2024, higher education expenditures at BCCC likely increase to take on the responsibility for awarding the MCCP Scholarship to students attending the college.

Guaranteed Access Grant – Eligibility Expansion

The EEA program (the GA Grant and the EA Grant) receives one appropriation; the fiscal 2024 budget as passed by the General Assembly includes an appropriation of \$112.0 million for the EEA program. The GA Grant provides awards for any individuals who meet all eligibility criteria, while EA Grant awards are made from the funds remaining once all GA Grant awards have been made. Thus, if more GA Grant awards are made, there is less funding for EA Grant awards. When EA Grant funding for a fiscal year is exhausted, individuals eligible for the EA Grant are placed on the waiting list.

Therefore, expanding GA Grant eligibility may increase State general fund expenditures to the extent existing appropriations to the Delegate Howard P. Rawlings EEA program are insufficient to cover awards for eligible GA Grant recipients. Alternatively, and because of the way the EEA program is structured, expanding eligibility for the GA Grant without increasing expenditures may necessitate reducing the number of EA Grant awards that could be made. Based on fiscal 2022 expenditures, expanding eligibility for the GA Grant without adding to the EA Grant waiting list may result in general fund expenditures of approximately \$12,916 for each additional GA Grant award beginning in fiscal 2024. Further, current law governing the EEA program provides that, should total calculated EEA awards exceed total appropriations, MHEC may reduce all award amounts by a percentage to keep award dollars within total appropriated funds.

A recent DLS Office of Program Evaluation and Government Accountability [report](#) found that, during the 2020-2021 academic year, only 32% of 3,558 individuals identified as eligible for a first-time GA Grant actually received one. Another 32% of students received an EA Grant award, and 37% of identified students received no EEA whatsoever, potentially because their high school GPA was less than the required 2.5 on a 4.0 scale or equivalent or they failed to submit official transcripts with their GPA to MHEC, among other reasons.

For illustrative purposes only and under the assumption that the additional 37% of identified students, 1,316 students, who received no EA Grant or GA Grant would receive an average GA Grant award amount as a result of the bill removing GA Grant requirements, State expenditures for GA Grant awards increase by as much as \$17.0 million in fiscal 2024. Given the rapid growth of the GA Grant between fiscal 2020 and 2022, the

total cost of GA Grant awards once GPA requirements are lifted is difficult to estimate. Based on the assumption that \$55.0 million of the EEA program appropriation would be used for GA Grant awards under current law and, as discussed above, the bill would likely add an additional \$17.0 million in costs, fiscal 2024 expenditures for the GA Grant could be \$72.0 million.

Guaranteed Access Grant – Maryland Higher Education Commission

MHEC advises that, to implement changes to the EEA program, general fund expenditures increase by an additional \$146,547 in fiscal 2024 for contractual expenses associated with enhancements to MDCAPS. Additional costs may be incurred for further changes to MDCAPS in fiscal 2026. MHEC also advises that OSFA requires two new administrative officers to coordinate with participating institutions of higher education and conduct audits for the restructured GA Grant. However, DLS advises that, due to the bill removing awarding responsibility for the MCCP Scholarship from OSFA in fiscal 2024 and transferring responsibility for notifying individuals eligible for GA Grant awards in fiscal 2026, OSFA can likely absorb these responsibilities using existing resources. Nevertheless, resources may need to be diverted from other projects, particularly because OSFA retains responsibility for determining eligibility for GA Grant awards.

Guaranteed Access Grant – Public Institutions of Higher Education

Although exact costs are difficult to estimate, public institutions of higher education may incur minimal staffing, equipment/systems, and training costs to provide notice for GA Grant awards as specified in the bill. Exact costs depend on notification methods used by public institutions of higher education and the resources required to annually coordinate with OSFA to report information on awards.

The bill expresses legislative intent that the Governor include funding in the budget for financial aid offices at public institutions of higher education to implement changes to the Delegate Howard P. Rawlings EEA program; accordingly, general fund expenditures may increase beginning in fiscal 2026 for this purpose. If so, such funding would be available to the public four-year institutions, BCCC, and locally funded community colleges.

Legislative Intent for the Office of Student Financial Assistance to Be Independent

To the extent repealing the language in Chapters 639 and 640 expressing legislative intent that MHEC be reorganized to establish OSFA as a separate independent agency in fiscal 2024 forestalls creation of an independent OSFA, the State avoids costs to do so. The fiscal and policy note for the legislation (Senate Bill 501 and House Bill 1030 of 2022) noted that creating an independent OSFA would increase expenditures by an estimated \$675,000 in fiscal 2023 for moving and equipment costs and by an estimated \$571,385 in

fiscal 2024 to hire at least four additional staff (one information technology director, one fiscal services administrator, one accountant, and one administrative specialist) due to loss of MHEC technical support. That analysis further assumed future year expenditures would include full salaries with annual increases, inflation, and ongoing operating expenses. However, it is unclear if further legislation was required to initiate the reorganization.

Local Fiscal Effect: Locally funded public community colleges face challenges similar to those for public four-year colleges and universities to notify students about and make GA Grant awards beginning in fiscal 2026. The bill expresses legislative intent that the Governor include funding in the budget for financial aid offices at public institutions of higher education to implement changes to the Delegate Howard P. Rawlings EEA program; accordingly, revenues for locally funded community colleges may increase beginning in fiscal 2026 to offset, in total or partially, such costs.

Locally funded community colleges also face potentially meaningful administrative burdens as they verify applicant income, distribute MCCP Scholarship awards, and report such awards to OSFA beginning in fiscal 2024. To the extent community colleges must redistribute unspent MCCP Scholarship funds to other community colleges, scholarship revenues and expenditures for those community colleges may be further affected.

Additional Comments: Nonpublic institutions of higher education eligible for the Joseph A. Sellinger State aid program incur additional, likely minimal, costs to notify applicants about and make GA Grant awards beginning in fiscal 2026. Although they are reimbursed for the awards, their financial aid offices are not eligible for funding to offset their administrative costs.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 923 (Delegate B. Barnes, *et al.*) - Appropriations.

Information Source(s): Maryland State Department of Education; Maryland Higher Education Commission; Maryland Independent College and University Association; Morgan State University; University System of Maryland; Department of Legislative Services

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