

**Report of the**



**Financial Aid Task Force  
to the  
University System of Maryland  
Board of Regents  
December 10, 2004**

## Executive Summary

The USM Financial Aid Task Force was charged to review issues related to institutional financial aid and the role it should play in maintaining and expanding access in times of rapidly rising tuition levels and uncertain state appropriations. These dynamics coupled with the impending Reauthorization of the Higher Education Act, and the challenge of increasing the availability of funds for meritorious students with demonstrated financial need, made it imperative that the USM move expeditiously to conduct a comprehensive assessment of all USM financial aid policies, processes, programs, and review national best practices. Financial aid is the most important tool available to address access and affordability.

The work of the Task Force was guided by the following principles with a particular focus on increasing assistance to students with the highest financial need:

- To the extent possible, USM institutions should commit to holding harmless those students with the highest financial need.
- Policies and practices at USM institutions should emphasize financial aid grants over student loans to decrease debt burden.
- Future growth in all financial aid programs should target aid based on need.
- Through a spirit of collaboration at the federal, state and institutional levels, the USM can address the challenges and provide affordable access to a remarkable system of higher education.
- Efficiencies in processes translate to better service to students and possible savings that can be redirected to financial aid.
- Creative strategies for enhancing financial aid resources, including ways to increase private giving, must be developed to meet the surging enrollments at USM institutions and the workforce needs of the State.

It is within this context that the Task Force considered ways to meet the challenges of maintaining quality, access, and affordability.

## Summary of Recommendations

The deliberations and recommendations of the Task Force focused on providing students with enhanced services and timely information regarding financial assistance, and on what might be characterized as a three-pronged strategy to address the challenge of increasing financial aid funding, particularly for students with the highest need. The implementation of the recommendations should serve to maximize cost savings realized through more effective and efficient practices in administrative processes, increase focus on fundraising efforts directed to need-based financial aid, and foster the development of policies and practices to lower student debt. *It is important to note that realization of the goals set forth in the recommendations is dependent upon the success of identifying new or increased federal, state, and system funding sources.*

### ***I. Decreasing Student Loan Debt Burden***

Establish a goal to decrease the debt burden for all undergraduate students, particularly those in the highest need range, by increasing institutional grants. "Highest need" is defined as students whose Expected Family Contribution (EFC) is less than 25 percent of the cost of attendance (COA). (See Appendix F for details.) It is recommended that the implementation begin with incoming undergraduate students who are "Pell-eligible" with the eventual goal of including students whose EFC is equal to or more than 25 percent of the COA. The target maximum "acceptable" loan debt burden for students with the highest need would be at least twenty-five percent below the institutional average loan debt burden for undergraduate students.

### ***II. Proportion of Tuition Increase Revenue Allocated to Institutional Need-based Aid***

Direct the institutions to establish a plan by July 2005 that by Fall 2010 would allow for:

- a) the allocation of funds realized from tuition increase revenues that would be necessary to implement the recommendation on decreasing undergraduate student loan debt, and
- b) to the extent possible, provision of commensurate increases in financial aid to qualifying undergraduate students to offset increases in tuition rates, holding harmless those student with the highest need.

### ***III. Percent of Need Met***

Establish a goal for institutions to reach at least the 75<sup>th</sup> percentile of institutional peers in the average percent of need met.

### ***IV. Balance of Need-based and Non-Need Based Aid***

1) Direct institutions to:

- a) develop a plan to phase in the allocation of any new unrestricted institutional aid funds to need-based programs,
- b) whenever possible, consider financial need in awarding merit aid, and
- c) take additional proactive measures to increase the proportion of institutional aid allocated to need-based programs.

2) Propose to MHEC the inclusion in financial aid reports of data that reflect the amount of non-need-based institutional aid that is awarded to meet student financial need.

## V. *Aid to Maryland Community College Transfer Students*

To increase community college transfer student access to financial aid:

- a) Propose that the State modify the *Maryland Distinguished Scholars Program* to create a set-aside for transfer students.
- b) Propose to the State a matching grant program for institutional aid to transfer students.
- c) Encourage the USM institutions to establish or enhance dual admissions programs such as the UMUC *Alliance Agreements*, and the HBCU *Connect* programs which in part serve to provide timely information about financial aid opportunities.

## VI. *Graduate/Professional Student Financial Aid*

In recognition of the high debt burdens of graduate and professional students and the very limited amount of State scholarship support available,

- 1) Propose that the State:
  - a. modify the Loan Assistance Repayment Program (LARP) and Nursing scholarship program statute and/or regulations to provide more flexibility and effective utilization of these programs, and to address critical faculty workforce shortage areas, and
  - b. increase funds for the LARP, Nursing and, Graduate and Professional Scholarships programs.
- 2) Direct institutions to allocate a portion of Perkins Loans to graduate/professional students.

## VII. *Administrative Processes*

- 1) Develop web content to assist students in understanding the implications and management of debt and to provide information regarding alternative funding sources such as private sector or foundation scholarships, state scholarships and grants, and institutional awards.
- 2) Direct institutions to:
  - a) take all necessary steps to ensure that e-mail is the standard form of communication for financial aid matters,
  - b) consider implementation of document imaging and workflow systems,
  - c) provide document and award tracking via the Internet, and
  - d) consider establishing or enhancing institutionally funded work programs using funds already budgeted for appropriate part-time positions.
- 3) Propose to the Maryland Higher Education Commission (MHEC) the establishment of a process to support institutional packaging for State Educational Assistance Grants (EAG). Under such a process, MHEC would:

- a) provide, in January of each year, detailed information on the formula used to calculate EAG awards along with information on student eligibility that is considered by the Office of Student Financial Assistance (OSFA),
- b) provide information on the Expected Family Contribution (EFC) cut-off for initial EAG awards for the prior three years and the funding level for the EAG program included in the Governor's budget request submitted to the General Assembly, and
- c) work with institutions and segments in developing this process to ensure that estimates can be calculated with a high degree of accuracy.

### ***VIII. Increasing Financial Aid Funding***

- 1) Increase the monitoring of federal legislative developments, the dissemination of information, and the facilitation of meetings among appropriate institutional groups to formulate effective strategies to affect legislation at the federal level (Appendix G).
- 2) Conduct a cost/benefit analysis of increasing federal work-study funds by establishing an electronic clearinghouse for off-campus employment (Appendix H).
- 3) Propose to the State:
  - a) a matching grant program to leverage private giving, and
  - b) the allocation of surplus property sales revenue to establish an endowment for institutional financial aid matching grants.
- 4) Explore the efficacy of increasing private giving by:
  - a) the establishment of a pilot program to develop a marketing and fund raising campaign, using unrestricted funds donated to the USM, to focus increased private giving to support institutional financial aid, and
  - b) establishing alliances with business and industry to develop a matching grant program, especially in areas of high workforce demand.

### ***IX. Alternative Tuition Model***

By Fall 2005, conduct a cost/benefit analysis of piloting the Miami University of Ohio tuition model at one of the University System of Maryland institutions.

**X. *Additional Analyses for Continuous Improvement***

- 1) Propose that MHEC conduct a comprehensive analysis using student financial aid data to determine if federal, state, and institutional aid programs are ensuring student access and success.
- 2) Require the USM institutions to undertake a regular affordability analysis to determine if average student debt burden exceeds a reasonable portion of expected post-graduation earnings.

**XI. *Board of Regents and Institutional Financial Aid Policies***

Direct institutions to provide to the Board an annual assessment of actions taken to increase need-based financial aid funds, lower student loan debt burden for students with high need, and streamline administrative processes to enhance student services

## **Introduction**

In its November 2003 report to the Board of Regents, the USM Tuition Task Force recommended the establishment of a financial aid task force to "... review issues related to institutional financial aid and the role it would play in maintaining and expanding access in times of rapidly rising tuition levels." In response to this recommendation, the impending Reauthorization of the Higher Education Act, and the challenge of increasing the availability of funds for meritorious students with demonstrated financial need, Chancellor William E. Kirwan appointed a Task Force in June 2004 to conduct a comprehensive review of all USM financial aid processes, programs, and national best practices.

The Task Force was charged to 1) survey best practices at comparable systems and institutions; 2) review current financial aid policies and practices at USM institutions; 3) consider ways to improve the efficiency of financial aid administrative processes and practice; 4) develop creative strategies for enhancing financial aid resources; and 5) recommend policies that will ensure the ability of USM institutions to provide access and affordability for all qualified students.

## **Process**

Because of the urgency of addressing the critical issue of access and affordability for all qualified students and the complexity of the work, two working groups were established. The Administrative Processes Working Group directed their work to the development of recommendations to improve processes, policies and practices that might result in greater effectiveness in the use of resources, and student service. The Goals Working Group was asked to identify the major goals in the context of the guiding principles as stated in the charge to the Task Force and to develop recommendations to implement strategies to attain the goals.

## **Federal, National, State and System Context**

In response to the charge to examine best practices at the federal, national, state, and system level, the Task Force reviewed reports, data, trends, and policies.

### *Federal, National, State and Institutional Aid Trends*

In the last four years, the maximum Pell Grant has risen only slightly, from \$3,750 to \$4,050, diminishing the purchasing power of the grant. According to a 2003 Lumina Foundation report, "...the maximum award would have to almost double for purchasing power to be fully restored."<sup>1</sup> In reviewing trends over the past decade, federal policy has shifted the

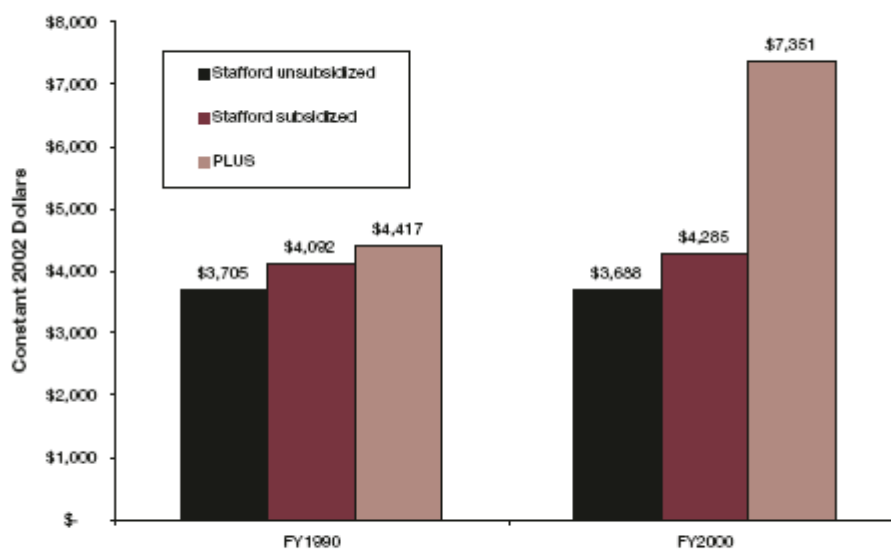
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<sup>1</sup> Lumina Foundation, *Focus, Summer 2003, Restricted Access*

federal aid program from one largely comprised of need-based grants to a loan-based program. According to the College Board, in 2002-03 loans constituted 54 percent of total aid, grants 40 percent. In 1992-93, loans constituted 47 percent of total federal aid.<sup>2</sup> Federal education loans accounted for three-quarters of all federal student aid and more than half of aid from all sources—or more than \$41 billion.

Over time, as growth of the maximum Pell Grant award failed to keep pace with either inflation or rising college prices, both low- and middle-income students came to rely on student loans to help finance their education.<sup>3</sup>

**Average Loan Amounts, in Constant 2002 Dollars,  
by Program: FY1990 and FY2000**



Source: U.S. Department of Education, Office of Postsecondary Education, *Federal Student Loan Programs Data Book: Fiscal Years 1997–2000*.

Note: 1993 was the first year of operation for the Stafford unsubsidized loan program. Therefore, that year is used instead of 1990.

To address the continued access to higher education, both the State and the University System of Maryland institutions have begun to shift a higher portion of financial aid to need-based grant programs. The Governor has recently increased funds to the State’s need-based programs. However, even with this welcome increase, over 7,000 eligible students remain on a waiting list for the State’s Educational Assistance Grants.

In 2002 – 2003, Maryland ranked 23<sup>rd</sup> in the nation in the amount of need-based undergraduate grant dollars per full-time equivalent student.<sup>4</sup>

<sup>2</sup> The College Board, *Trends in Student Aid*, October 2003

<sup>3</sup> American Council on Education, *2003 Status Report on the Federal Education Loan Programs*, Washington, D.C.: ACE, 2003.



**Table 12. Estimated Undergraduate Grant Dollars per Undergraduate Enrollment, by State: 2002-03**

2002-03 Undergraduate FTE		Estimated UG Grant Dollars/UG FTE		Estimated Need-based UG Grant Dollars/UG FTE	
State		State		State	
1. Alabama (1)	287,428	1. Georgia	1,453.74	1. New York	1,007.12
2. Alaska	16,600	2. New York	1,032.55	2. New Jersey	783.41
3. Arizona	237,096	3. South Carolina	973.89	3. Pennsylvania	737.75
4. Arkansas	96,449	4. New Jersey	886.97	4. Illinois	735.37
5. California	1,482,991	5. Illinois	793.52	5. Minnesota	631.57
6. Colorado	181,877	6. Pennsylvania	737.75	6. Vermont	615.71
7. Connecticut	107,480	7. Kentucky	717.27	7. Indiana	567.39
8. Delaware	32,834	8. Minnesota	631.57	8. Washington	482.69
9. District of Columbia	43,835	9. Vermont	615.71	9. Texas	428.65
10. Florida	532,851	10. Louisiana	612.04	10. California	367.43
11. Georgia	273,278	11. Indiana	570.91	11. Iowa	341.20
12. Hawaii	42,787	12. Florida	546.00	12. Kentucky	337.60
13. Idaho	53,298	13. Washington	488.51	13. Ohio	320.06
14. Illinois	466,791	14. Ohio	478.36	14. Massachusetts	307.70
15. Indiana	239,502	15. Texas	434.05	15. Maine	302.59
16. Iowa	145,427	16. Virginia	410.39	16. Wisconsin	297.64
17. Kansas	124,840	17. West Virginia	405.48	17. West Virginia	266.49
18. Kentucky	153,265	18. North Carolina	398.07	18. Virginia	261.32
19. Louisiana	171,577	19. California	367.43	19. Michigan	255.39
20. Maine	41,464	20. Colorado	355.70	20. North Carolina	249.88
21. Maryland	173,365	21. Iowa	344.26	21. Colorado	237.40
22. Massachusetts	270,316	22. Wisconsin	311.36	22. Tennessee	233.23
23. Michigan	374,800	23. Massachusetts	307.82	23. Maryland	227.91
24. Minnesota	211,514	24. Maine	302.59	24. Arkansas	217.53
25. Mississippi	113,434	25. Arkansas	292.69	25. Puerto Rico	190.57
26. Missouri	216,567	26. Michigan	255.39	26. South Carolina	184.30
27. Montana	35,618	27. Maryland	250.99	27. New Mexico	175.24
28. Nebraska	78,962	28. Tennessee	236.37	28. Florida	166.52
29. Nevada	55,012	29. Oklahoma	225.41	29. Oklahoma	154.67
30. New Hampshire	46,455	30. New Mexico	203.11	30. Connecticut	148.29
31. New Jersey	244,973	31. Puerto Rico	190.57	31. Oregon	132.71
32. New Mexico	73,648	32. Missouri	189.98	32. Missouri	118.22
33. New York	731,861	33. Mississippi	179.38	33. Rhode Island	111.47
34. North Carolina	305,518	34. Connecticut	148.29	34. Montana	79.30
35. North Dakota	36,687	35. Oregon	132.71	35. New Hampshire	68.25
36. Ohio	413,340	36. Rhode Island	111.47	36. Delaware	52.19
37. Oklahoma	143,992	37. Idaho	94.84	37. North Dakota	38.07
38. Oregon	130,291	38. Montana	79.30	38. Nebraska	31.13
39. Pennsylvania	472,776	39. New Hampshire	68.25	39. Utah	29.20
40. Puerto Rico	189,959	40. Delaware	61.39	40. Idaho	16.40
41. Rhode Island	56,609	41. North Dakota	48.89	41. Mississippi	11.81
42. South Carolina	141,763	42. Nebraska	31.13	42. Arizona	11.77
43. South Dakota	33,141	43. Utah	29.20	43. Hawaii	9.54
44. Tennessee	196,398	44. Alabama	23.31	44. Louisiana	8.46
45. Texas	743,693	45. Arizona	11.77	45. Wyoming	7.59
46. Utah	129,391	46. Hawaii	9.54	46. Alabama	5.73
47. Vermont	26,350	47. Wyoming	7.59	47. Georgia	5.49
48. Virginia	264,577	48. Alaska	-	48. Alaska	-
49. Washington	234,821	49. District of Columbia	-	49. District of Columbia	-
50. West Virginia	71,952	50. Kansas	-	50. Kansas	-
51. Wisconsin	225,198	51. Nevada	-	51. Nevada	-
52. Wyoming	21,173	52. South Dakota	-	52. South Dakota	-
<b>Nation</b>	<b>11,195,825</b>	<b>Nation</b>	<b>466.62</b>	<b>Total</b>	<b>354.32</b>

(1) FTE figure for Alabama is 2000-01 FTE which includes the Community College of the Air Force (CCAF). The 2002-03 FTE for Alabama is 170,778, but does not include the FTE for the CCAF. Estimated 2002-03 CCAF FTE is 159,095.

FTE data from U.S. Department of Education, National Center for Education Statistics (NCES), Integrated Postsecondary Data System (IPEDS), Fall enrollment data file, 2002.

In reviewing the USM financial aid trends from FY1999 to FY 2003, the data indicates the following:

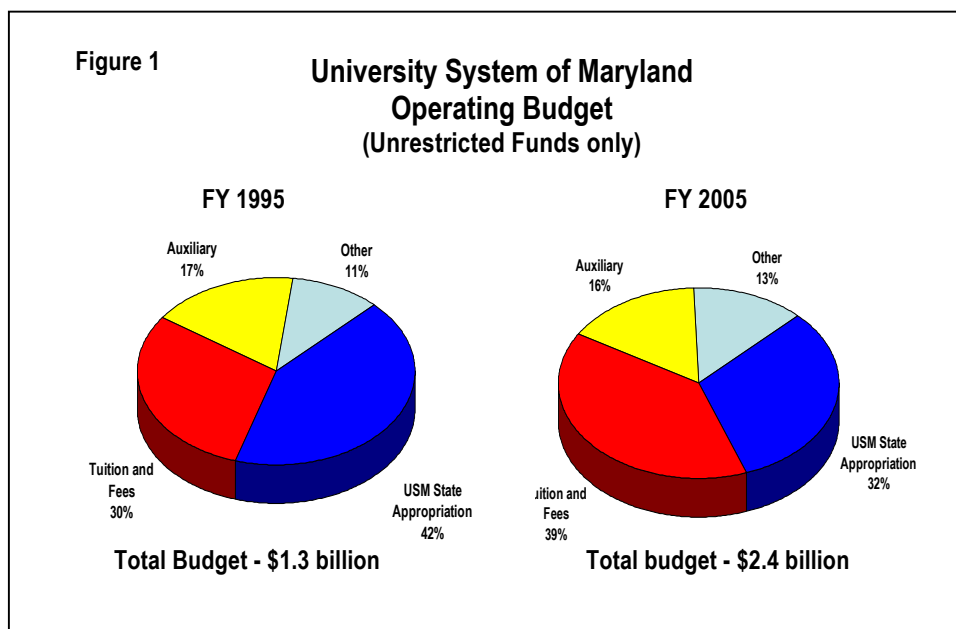
<sup>4</sup> NASSGAP, 34<sup>th</sup> Annual Survey Report on State-Sponsored Student Financial Aid, 2002-2003 Academic Year, Washington, D.C., May 2004

- The number of financial aid recipients increased by 3% (1,823) from FY 2002, an increase of 13% (6,431) from FY 1999.
- Total financial aid dollars increased by 10% (\$41.1 million) from FY 2002, an increase of 34% (\$114.8 million) from FY 1999.
- The average award per student increased by 7% (\$488 per student) from FY 2002, an increase of 19% (\$1,276/student) from FY 1999.
- The percentage of undergraduates receiving financial aid has remained stable.

In addition, the *USM Board of Regents Policy on Tuition* directs institutions to "...address need-based institutional financial aid opportunities in their tuition plans with the goal of maximizing access for all qualified students." In FY2003 the average price of attendance for all in-state full-time undergraduates was \$14,927, as compared to a net price of attendance of \$6,813 for financial aid recipients.

### State Appropriations

In Maryland, increasing tuition and fees over the past decade reflect a national trend caused by stagnant state appropriations. Rising energy and health benefits costs have exacerbated this problem for all higher education institutions. As shown in Figure 1, the portion of the USM operating budget supported by tuition and fees has grown in proportion to State appropriations.



During the past three years of economic downturn and decreasing state appropriations, the University System of Maryland has increased its enrollment by 6,600 students through cost avoidance measures realized through an aggressive effectiveness and efficiency effort.

However, *cost avoidance* does not translate into *additional* dollars that can be directed into much needed financial aid programs.

It is within this context that the Task Force considered ways to meet the challenges of maintaining quality, access, and affordability.

## **Major Areas of Consideration and Recommendations**

In the 2004 update to the USM Strategic Plan, the System reaffirmed its commitment to maintain affordability. The Task Force considered seven major areas that needed to be addressed to meet this goal, a) reduced student loan debt level, b) the proportion of tuition increase revenue allocated to institutional need-based financial aid, c) balance of need-based and non-need based aid, d) aid to transfer, and graduate and professional students, e) administrative processes, f) increased financial aid funding, and g) alternative tuition models.

### ***I. Need and Debt Level: Reducing Student Loan Debt Level***

For the University System of Maryland institutions, the average debt burden for the undergraduate Class of 2002 was comparable to, or in a few instances below, that of their performance peers. (See Appendix D). However, this must be placed in the context of the amount of debt burden incurred by students with the most need. According to the 2003 ACE Status Report on the Pell Grant Program, grant recipients nationally "...are four times more likely to borrow subsidized Stafford loans and twice as likely to borrow unsubsidized loans as other students. As a result, they are far more likely than other graduating seniors to incur student loan debt. Almost 90 percent of Pell Grant recipients who completed a bachelor's degree in 2000–01 graduated with student loan debt. In contrast, 47 percent of all other bachelor's degree recipients finished college with some student loan debt. Further, Pell Grant recipients who completed a bachelor's degree in 1999–2000 borrowed a median of \$17,430, more than \$2,000 higher than the median amount borrowed by other undergraduates (\$15,065)."<sup>5</sup>

Institutions across the country have been seeking ways in which to decrease undergraduate debt burden in order to maintain access and affordability for students with the highest need, leading to innovative programs such as *Maryland Pathways* at the University of Maryland, College Park. (Appendix E)

It is within this context that the Goals working group focused on ways in which the institutions might work to decrease the debt burden for students with the most need.

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<sup>5</sup> American Council on Education, *2003 Status Report on the Pell Grant Program*, Washington, D.C.: ACE, 2003.

**Recommendation:**

Establish a goal to decrease the debt burden for all undergraduate students, particularly those in the highest need range, by increasing institutional grants. "Highest need" is defined as students whose Expected Family Contribution (EFC) is less than 25 percent of the cost of attendance (COA). (See Appendix F for details.) It is recommended that the implementation begin with incoming undergraduate students who are "Pell-eligible" with the eventual goal of including students whose EFC is equal to or more than 25 percent of the COA. The target maximum "acceptable" loan debt burden for students with the highest need would be at least twenty-five percent below the institutional average loan debt burden for undergraduate students.

***II. Proportion of Tuition Increase Revenue Allocated to Institutional Need-based Aid***

An analysis of peer institution data for the percent of tuition revenue allocated to financial aid indicates that the majority of USM institutions surpass their peer average. This does not, however, provide a complete picture. The largest portion of USM institutional aid continues to be allocated to non-need based awards. This fact, coupled with rising tuition and fees, led the Task Force to consider ways in which to target additional funds to institutional need-based programs.

**Recommendation:**

- Direct the institutions to establish a plan by July 2005 that by Fall 2010 would allow for
- a) the allocation of funds realized from tuition increase revenues that would be necessary to implement the recommendation on decreasing undergraduate student loan debt, and
  - b) to the extent possible, provision of commensurate increases in financial aid to qualifying undergraduate students to offset increases in tuition rates, holding harmless those student with the highest need.

***III. Percent of Need Met***

Among USM institutions, an average of 60 to 85% of financial need is met (Appendix D). Financial aid award packages include state and federal grants, loans, college work study, and institutional grants or scholarships, as appropriate. The recommendation on student loan debt will change the proportion of loans awarded to a particular population of students, i.e. those with the highest need. The recommendation to target sufficient tuition increase revenues to need-based programs will put the institutions on track to meet the goals of reducing debt burden. Again, the increased revenues allocated to need-based programs are

targeted to students with the highest need. Mindful that we must not lose sight of the needs of students who are not “Pell-eligible” but who nonetheless have significant need, the Task Force sought to find a balance that would not shift the burden to this population.

**Recommendation:**

Establish a goal for institutions to reach or surpass, by Fall 2010, the 75<sup>th</sup> percentile of institutional peers in the average percent of need met.

***IV. Balance of Need-based and Non-Need Based Aid***

In FY 2003, need-based institutional dollars increased 8%, from \$13.7 million in FY 2002 to \$14.8 million in FY 2003, while non-need-based institutional aid increased 4%, from \$41.2 million in FY 2002 to \$42.8 million in FY 2003. While the percentage of funds allocated to need-based aid increased, a much greater amount of non-need based institutional aid has been awarded.

The Task Force recognizes that institutions have recently begun to shift additional funds towards need-based aid, however the proportion has remained at approximately twenty-five percent of total institutional aid. It should be noted that this figure does not include the amount of non-need based funds awarded to students with financial need. In 2003, among the USM institutions, 12.8 to 84 percent of students receiving non-need based awards had financial need. However, if the institutions are to meet the goal of lowering student loan debt for students with the highest need, redirecting a more significant portion of institutional aid funds towards need-based grants will necessarily be an integral part of the strategy to achieve the goal.

The following recommendations were formulated in recognition that the USM institutions have varying levels of resources that can be developed and allocated towards new funding for financial aid. Nevertheless, each institution can set as its goal the allocation of existing and new funds to balance the proportion of need-based vs. non-need-based aid.

**Recommendation:**

- 1) Direct institutions to:
  - a) develop a plan to phase in the allocation of any new unrestricted institutional aid funds to need-based programs,
  - b) whenever possible, consider financial need in awarding merit aid, and
  - c) take additional proactive measures to increase the proportion of institutional aid allocated to need-based programs.
  
- 2) Propose to MHEC the inclusion in financial aid reports of data that reflect the amount of non-need-based institutional aid that is awarded to meet student financial need.

## ***V. Aid to Maryland Community College Transfer Students***

There remains a continuing concern regarding the amount of funds available to ensure the affordability and access for transfer students, particularly those who begin their postsecondary education at Maryland's community colleges and represent the largest proportion of the transfer population. Particularly in these times of economic downturn, more students are choosing to attend the lower cost community colleges for the first part of their postsecondary education. The pressures on capacity in recent and upcoming years will likely contribute to this pattern of enrollment. With the projected increases in enrollment, this trend is likely to continue through the next five years.

### **Recommendation:**

To increase access to financial aid by community college students who transfer to USM institutions:

- 1) Propose that the State modify the *Maryland Distinguished Scholars Program* to create a set-aside for transfer students.
- 2) Propose to the State the establishment of a matching grant program for institutional aid to transfer students.
- 3) Encourage the USM institutions to establish or enhance dual admissions programs such as the UMUC *Alliance Agreements*, and the HBCU *Connect* programs which in part serve to provide timely information about financial aid opportunities.

## ***VI. Graduate/Professional Student Financial Aid***

Although there has been some increase in the State's funding for financial aid programs, funding for the State's Professional and Graduate Scholarships program has been significantly reduced in recent years. This resulted in awards to only 188 students in FY 2005, as compared to 462 in FY 2002. Since this is the only State grant program directed specifically to professional and graduate students, this trend is of significant concern.

Federal assistance has also been substantially reduced under Title VII. This will exacerbate health-care shortages since these programs provide aid to: a) reduce racial and ethnic disparities in the health-care professions, and b) to assist health professionals who serve the underrepresented. In addition, there is a particularly acute faculty shortage in high demand health programs. Student applications for many health-care areas have increased substantially in response to recruitment and outreach efforts, but there is a critical capacity issue because of the faculty shortage.

### **Recommendations:**

In recognition of the high debt burden of graduate and professional students and the very limited amount of State scholarship support available,

- 1) Propose that the State:
  - a) modify the Loan Assistance Repayment Program (LARP) and Nursing scholarship program statute and/or regulations to provide more flexibility and effective utilization of these programs, and to address critical faculty workforce shortage areas, and
  - b) consider increasing funds for the LARP, Nursing, and Graduate and Professional Scholarships programs.
  
- 2) Direct institutions to allocate a portion of Perkins Loans to graduate/professional students.

### ***VII. Administrative Processes***

Consistent with the USM Strategic Plan and the Financial Aid Task Force Guiding Principles, the Task Force examined efficiencies in institutional and State financial aid administrative processes, and education outreach to students and their families to ensure that the USM continues its effective and efficient stewardship of its resources to achieve its strategic goals.

### **Recommendations:**

- 1) Develop web content to assist students in understanding the implications and management of debt and to provide information regarding alternative funding sources such as private sector or foundation scholarships, state scholarships and grants, and institutional awards.
- 2) Direct institutions to:
  - a) take all necessary steps to ensure that e-mail is the standard form of communication for financial aid matters,
  - b) consider implementation of document imaging and workflow systems,
  - c) provide document and award tracking via the Internet, and
  - d) consider establishing or enhancing institutionally funded work programs using funds already budgeted for appropriate part-time positions.
- 3) Propose to the Maryland Higher Education Commission (MHEC) the establishment of a process to support institutional packaging for State Educational Assistance Grants (EAG). Under such a process, MHEC would:
  - a) provide, in January of each year, detailed information on the formula used to calculate EAG awards along with information on student eligibility that is considered by the Office of Student Financial Assistance (OSFA),

- b) provide information on the Expected Family Contribution (EFC) cut-off for initial EAG awards for the prior three years and the funding level for the EAG program included in the Governor's budget request submitted to the General Assembly, and
- c) work with institutions and segments in developing this process to ensure that estimates can be calculated with a high degree of accuracy.

*Through the leadership of the Task Force chairperson, a proposed recommendation of the Administrative Processes Working Group was implemented. Agreements were reached with the State Comptroller's Office to streamline to the extent possible the processing of student aid refund checks. The process has in the past taken from two weeks to six weeks for students to receive their refunds. Three options that will speed this process and contain human and fiscal resources are now available to the institutions, a) institutions may fax the signed check requests, followed by the "hard copy" allowing the comptroller's office to begin processing when the fax is received, b) institutions may offer their students the option of receiving their refunds through direct deposit, and c) institutions may apply to the State to establish a zero balance working fund to process refund checks at the institution.*

### **VIII. Increasing Financial Aid Funding**

The need for sufficient funding to implement the recommendations considered by the Task Force naturally led to the development of creative strategies to achieve these goals. Federal, state, and institutional/private funds were examined within the context of the need to collaboratively develop new strategies that would leverage the resources of the federal government, the State and the USM.

#### **Recommendations:**

- 1) Increase the monitoring of federal legislative developments, the dissemination of information, and the facilitation of meetings among appropriate institutional groups to formulate effective strategies to affect legislation at the federal level (Appendix G).
- 2) Conduct a cost/benefit analysis of increasing federal work-study funds by establishing an electronic clearinghouse for off-campus employment (Appendix H).
- 3) Propose to the State:
  - a) a matching grant program to leverage private giving, and
  - b) the allocation of surplus property sales revenue to establish an endowment for institutional financial aid matching grants.
- 4) Explore the efficacy of increasing private giving by:



- a) the establishment of a pilot program to develop a marketing and fund raising campaign, using unrestricted funds donated to the USM, to focus increased private giving to support institutional financial aid, and
- b) establishing alliances with business and industry to develop a matching grant program, especially in areas of high workforce demand.

### ***IX. Alternative Tuition Model***

The innovative tuition model implemented by the Miami University of Ohio was considered by the Goals working group as part of the environmental scan of promising practices. The model provides grants to residents of Ohio and to students in high workforce demand areas to decrease the total cost of tuition (see Appendix I).

#### **Recommendation:**

By Fall 2005, conduct a cost/benefit analysis of piloting the Miami University of Ohio model at one of the University System of Maryland institutions.

### ***X. Additional Analyses for Continuous Improvement***

Recognizing that policy and the economic outlook changes at the federal, state and institutional level will require ongoing analysis of the effect of these changes, the Task Force determined that additional analyses is necessary to the process of continuous improvement.

#### **Recommendation:**

- 1) Propose that MHEC conduct a comprehensive analysis using student financial aid data to determine if federal, state, and institutional aid programs are ensuring student access and success.
- 2) Require the USM institutions to undertake a regular affordability analysis to determine if average student debt burden exceeds a reasonable portion of expected post-graduation earnings.

### ***XI. Board of Regents and Institutional Financial Aid Policies***

Revisions to Board of Regents Policies on Financial Aid will be recommended appropriate to the final recommendations of the Task Force and endorsement of the Board. Institutional policies will be aligned.

#### **Recommendation:**

Direct institutions to provide to the Board an annual assessment of actions taken to increase need-based financial aid funds, lower student loan debt burden for students with high need, and streamline administrative processes to enhance student services.

## **Appendices**

## **Appendix A: Membership of the USM Financial Aid Task Force**

Nancy Kopp, Maryland State Treasurer, Chair of the Task Force

David Buchanan, Provost, Salisbury University

Dominic Cirincione, Jr., SGA President, University of Maryland, Baltimore County

Vince Conti, Sr. Vice President and Chief Financial Officer, University of Maryland University College

Janice Doyle, Assistant Secretary for Finance Policy, Maryland Higher Education Commission

Patricia Florestano, Member, USM Board of Regents

Rachel Hise, Principal Policy Analyst, Maryland Department of Legislative Services

Senator P. J. Hogan, Maryland General Assembly

Jeremy Horine, USM Student Regent, Towson University

Angela Hovatter, Director of Financial Aid, Frostburg State University

Richard Hug, Member, USM Board of Regents

Earl Jenkins, Vice President for Student Affairs, Coppin State University

Donald Kiah, Assistant Vice President for Enrollment Management, Bowie State University

Barbara Klein, Associate Vice President for Government and Community Affairs, University of Maryland, Baltimore

Andrea Mansfield, Director, Office of Student Financial Assistance, Maryland Higher Education Commission

Barbara Miller, Director of Financial Aid, University of Baltimore

C. D. Mote, President, University of Maryland, College Park

Vince Pecora, Director of Financial Aid, Towson University

Delegate James E. Proctor, Jr., Maryland General Assembly

Thelma Thompson, President, University of Maryland, Eastern Shore

### Task Force and Working Group Resource Staff

Joe Bryce, Associate Vice Chancellor for Governmental Relations

Charles T. Gordon, Administrative Director, Student Financial Aid, University of Maryland, Baltimore

Theresa Hollander, Assistant Vice Chancellor for Academic Affairs, University System of Maryland

William McLean, Associate Vice President, Academic Affairs and Interim Director of Financial Aid, University of Maryland, College Park

## **Appendix B: Charge to the USM Financial Aid Task Force**

### Rationale

In its November 2003 report to the Board of Regents, the USM Tuition Task Force recommended the establishment of a financial aid task force to "... review issues related to institutional financial aid and the role it would play in maintaining and expanding access in times of rapidly rising tuition levels." In response to this recommendation, the impending Reauthorization of the Higher Education Act, and the challenge of increasing the availability of funds for meritorious students with demonstrated financial need, it is imperative that the USM move expeditiously to conduct a comprehensive review of all USM financial aid processes, programs, and national best practices. Financial aid is the most important tool available to address access and affordability. The USM needs to re-examine how to use this tool for optimal impact and effectiveness.

### Guiding Principles

1. As tuition rises, the USM should commit to holding need-based aid recipients harmless.
2. Policies and practices at USM institutions should emphasize financial aid grants over student loans.
3. Future growth in all financial aid programs should target aid based on need.
4. Through a spirit of collaboration at the federal, state and institutional levels, the USM can address the challenges and provide affordable access to a remarkable system of higher education.
5. Efficiencies in processes translate to better service to students and possible savings that can be redirected to financial aid.
6. Creative strategies for enhancing financial aid resources must be developed to meet the surging enrollments at USM institutions, and the workforce needs of the State.

### Charge

The Task Force is charged to consider undergraduate, graduate, and professional school financial aid issues as broadly as possible and make such recommendations that it deems necessary to ensure that USM institutions remain affordable and accessible to qualified students. In particular, the Task Force should a) conduct an environmental scan of best financial aid practices at peer institutions, b) review current financial aid policies and practices at System institutions, c) consider ways to improve the efficiency of financial aid operations, d) develop creative strategies for enhancing financial aid resources, and e) recommend policies that will insure USM institutions meet their obligations to access and affordability for all qualified students..

### Timeline

The Task Force shall submit its preliminary report to the Chancellor by mid-September 2004. Following review by the Presidents and other constituent groups, the report and recommendations will be submitted for review by the BOR Committees on Education Policy and Finance prior to action by the USM Board of Regents in December 2004.

## **Appendix C: Charge to the Administrative Processes and Goals Working Groups**

### Administrative Processes Working Group

- ✓ Review current USM institutional administrative/operational processes and practices (e.g., financial aid packaging, notification, loan processing)
- ✓ Review current USM institutional financial aid policies
- ✓ Review “best practices” within the USM, state, and nationally (beginning with current and aspirational peers)
- ✓ Develop recommendations to improve processes, policies and practices that might result in greater effectiveness in use of resources, and student service.

### Goals Working Group

- ✓ Review current USM BOR Financial Aid Policies
- ✓ Review other state systems of higher education financial aid policies that articulate principles for the awarding, administration and accountability of financial aid programs
- ✓ Explore opportunities for fundraising and other alternative strategies to enhance financial aid resources
- ✓ Identify the major goals i.e., where we want to be in the context of the guiding principles as stated in the Charge to the Task Force
- ✓ Develop recommendations to implement strategies to attain the goals

## Appendix D: Average Debt Burden

### USM & PERFORMANCE PEERS

University	ST	In-State Tuition & Fees 2003-04 (*02-03)	Out-of-State Tuition & Fees 2003-04 (*02-03)	% of UG Applied FA 2002-03	% of FA Applicants w/Need	% Full Need Met	Avg. % of Need Met	Avg. Need-based Loan 2002-03	Debt Burden On Average Class of 2002	Proportion Who Borrowed Class of 2002
Bowie State U.	MD	\$4,853	\$12,465	82%	61%	15%	64%	\$3,630	\$10,842	34%
Columbus State U.	GA	*1,233	*4,248	78%	62%	52%	67%		\$11,859	70%
Georgia C. & State U.	GA	\$3,596	\$12,602	N/A	N/A	N/A	N/A	\$4,787	\$14,053	51%
Prairie View A & M U.	TX	*1,912	*9,772	N/A	N/A	N/A	N/A	N/A	\$20,000	75%
Sul Ross State U.	TX	\$3,402	\$10,482	82%	75%	13%	86%	\$4,880		
Virginia State U.	VA	\$3,750	\$10,610	94%	86%		75%	\$4,705	\$18,500	86%
Western New Mexico U.	NM	\$2,472	\$9,347	91%	70%	26%	83%	\$2,598		
Coppin State U.	MD	\$4,240	\$10,062	45%	40%	9%	60%	\$3,310	\$14,100	96%
Alabama State U.	AL	\$3,600	\$7,200	95%	86%	21%	74%	\$3,234	\$34,430	72%
Alcorn State U.	MS	*3,459	*7,965	97%	96%	92%	76%	\$5,500		
Chicago State U.	IL									
Columbus State U.	GA	*1,233	*4,248	78%	62%	52%	67%	\$3,515	\$11,859	70%
New Mexico Highlands U.	NM	\$2278	\$9776	89%	81%	12%	71%	\$3,446	\$8,792	54%
North Carolina, U. of, Pembroke	NC	\$2495	\$11414	81%	66%	26%	77%	\$3,069	\$9,732	55%
Sul Ross State U.	TX	\$3402	\$10482	82%	75%	13%	86%	\$4,880		
Western New Mexico U.	NM	\$2472	\$9347	91%	70%	26%	83%	\$2,598		

**SOURCE:** U.S. News & World Report, *Ultimate College Directory*

Notes: 1) In State and Out of State Tuition and fees as reported in U.S. News & World Report. 2) % of Full Need Met and Avg. % of Need Met includes only those who received need-based aid. 3) Average Need-based Loan excludes PLUS or other private loans. 4) Peer institutions for which data was not available are excluded.

University	ST	In-State Tuition & Fees 2003-04 (*02-03)	Out-of-State Tuition & Fees 2003-04 (*02-03)	% of UG Applied FA 2002-03	% of FA Applicants w/Need	% Full Need Met	Avg. % of Need Met	Avg. Need-based Loan 2002-03	Debt Burden On Average Class of 2002	Proportion Who Borrowed Class of 2002
Frostburg State U.	MD	\$5,342	\$12,242	73%	50%	37%	80%	\$3,117	\$14,150	58%
East Stroudsburg U. of Penn.	PA	*5,402	*11,970	75%	53%	80%	90%	\$3,447	N/A	N/A
Massachusetts, U. of, Dartmouth	MA	\$ 6129	\$ 12811	72%	57%	70%	85%	\$3,950	\$14,900	63%
Sonoma State U.	CA	\$ 2804	\$ 11264	59%	34%	48%	47%	\$3,928	\$15,000	85%
SUNY, C. at Oneonta	NY	\$ 4306	\$ 9206	81%	62%	19%	71%	\$4,085	\$16,065	76%
SUNY, C. at Plattsburgh	NY	\$ 5213	\$ 11163	76%	58%	43%	93%	\$5,046	\$15,076	71%
SUNY, C. at Potsdam	NY	\$ 5190	\$ 11140	83%	68%	88%	89%	\$3,901	\$16,611	84%
Western Carolina U.	NC	\$ 3076	\$ 11991	68%	46%	45%	73%	\$3,280	\$15,433	43%
Winthrop U.	SC	*5,600	*10,310	72%	54%	34%	70%	\$3,850	\$16,600	60%
Salisbury U.	MD	\$5,564	\$12,452	61%	40%	26%	66%	\$3,485	\$14,773	54%
Central Washington U.	WA	\$4,023	*11,781						\$22,382	62%
Eastern Illinois U.	IL	\$4,982	\$ 12,346	80%	63%	60%	18%	\$2,877	\$13,073	57%
Humboldt State U.	CA	\$2,539	\$ 4922	72%	58%	22%	82%	\$4,975		
Massachusetts, U. of, Dartmouth	MA	\$ 6,129	\$ 12,811	72%	57%	70%	85%	\$3,950	\$14,900	63%
North Carolina, U. of, Wilmington	NC	\$3,362	*12,193	55%	35%	62%	88%	\$3,893	\$13,583	83%
Northern Michigan U.	MI	\$5,210	\$ 8,278	92%	57%	15%	82%	\$3,479	\$14,012	71%
Sonoma State U.	CA	\$3,010	\$ 11,264	59%	34%	48%	47%	\$3,928	\$15,000	85%
SUNY, C. at Oswego	NY	\$ 5,176	\$ 9,084	85%	67%	39%	88%	\$4,382	\$17,236	80%
SUNY, C. at Plattsburgh	NY	\$5,200	\$ 11,163	76%	58%	43%	93%	\$5,046	\$15,076	71%
Western Oregon U.	OR	\$4,305	\$12,570	76%	62%	13%	71%	\$3,689	\$16,051	91%

SOURCE: U.S. News & World Report, *Ultimate College Directory*

Notes: 1) In State and Out of State Tuition and fees as reported in U.S. News & World Report. 2) % of Full Need Met and Avg. % of Need Met includes only those who received need-based aid. 3) Average Need-based Loan excludes PLUS or other private loans. 4) Peer institutions for which data was not available are excluded.

University	ST	In-State Tuition & Fees 2003-04 (*02-03)	Out-of-State Tuition & Fees 2003-04 (*02-03)	% of UG Applied FA 2002-03	% of FA Applicants w/Need	% Full Need Met	Avg. % of Need Met	Avg. Need-based Loan 2002-03	Debt Burden On Average Class of 2002	Proportion Who Borrowed Class of 2002
Towson U.	MD	\$6,226	\$14,298	58%	41%	46%	81%	\$4,125	\$15,530	48%
California State U., Fresno	CA	\$2,704	\$9,104	69%	60%	19%	22%	\$3,492	\$14,963	49%
California State U., Sacramento	CA	\$2,506	\$7,235	60%	50%	14%	73%	\$3,579	\$10,370	37%
Eastern Illinois U.	IL	\$5,221	\$12,346	80%	63%	60%	18%	\$2,877	\$13,073	57%
Montclair State U.	NJ	*5,773	*8,525	64%	50%	42%	82%	\$3,266	\$15,751	51%
North Carolina, U. of, Charlotte	NC	\$3,100	\$12,800	56%	44%	29%	79%	\$3,339	\$17,144	54%
Southwest Texas State U.	TX	\$4,016	\$11,096	59%	48%	19%	72%	\$6,420	\$14,496	55%
Western Illinois U.	IL	\$4,766	\$8,231	86%	53%	40%	71%	\$3,298	\$13,360	61%
Western Kentucky U.	KY	\$3,713	\$8,561	71%	52%	38%	39%	\$2,921	\$10,105	55%
Maryland, U. of, Baltimore County	MD	\$7,388	\$14,290	80%	67%	72%	61%	\$4,277	\$14,500	32%
Arkansas, U. of, Main	AR	\$4,768	\$11,518	58%	45%	35%	75%	\$4,155	\$14,029	58%
California, U. of, Riverside	CA	\$5,078	\$18,558	71%	59%	31%	86%	\$4,473	\$13,216	71%
California, U. of, Santa Cruz	CA	\$5,283	\$18,763	51%	42%	20%	90%	\$4,264	\$13,282	55%
Clemson U.	SC	\$6,934	\$14,532	50%	37%	40%	75%	\$4,168	\$14,347	46%
Delaware, U. of	DE	\$6,498	\$16,028	56%	37%	53%	82%	\$4,390	\$13,610	33%
Mississippi State U.	MS	\$3,874	\$8,780	87%	64%	41%	67%	\$2,836	\$15,081	46%
Oklahoma State U., Main	OK	\$3,898	\$10,324	78%	46%	27%	82%	\$3,697	\$15,580	55%
Rhode Island, U. of	RI	*5,854	*15,324	73%	73%	78%	68%	\$5,334	\$14,000	64%
SUNY, Albany	NY	\$4,820	\$9,720	71%	53%	21%	71%	\$4,075	\$15,108	70%
Wyoming, U. of	WY	*2,997	*8,661	70%	48%	68%	75%	\$5,474	\$18,311	57%

SOURCE: U.S. News & World Report, *Ultimate College Directory*

Notes: 1) In State and Out of State Tuition and fees as reported in U.S. News & World Report. 2) % of Full Need Met and Avg. % of Need Met includes only those who received need-based aid. 3) Average Need-based Loan excludes PLUS or other private loans. 4) Peer institutions for which data was not available are excluded.



University		In-State Tuition & Fees 2003-04 (*02-03)	Out-of-State Tuition & Fees 2003-04 (*02-03)	% of UG Applied FA 2002-03	% of FA Applicants w/Need	% Full Need Met	Avg. % of Need Met	Avg. Need-based Loan 2002-03	Debt Burden On Average Class of 2002	Proportion Who Borrowed Class of 2002
Maryland, U. of, College Park	MD	\$6,759	\$17,433	69%	41%	24%	69%	\$3,783	\$15,566	37%
California, U. of, Berkeley	CA	\$4,895	\$18,375	59%	46%	52%	90%	\$4,566	\$14,990	36%
California, U. of, Los Angeles	CA	\$4,878	\$17,257	64%	51%	47%	82%	\$4,708	\$12,775	44%
Illinois, U. of, Urbana-Champaign	IL	\$8,452	\$18,046	56%	39%	54%	87%	\$4,026	\$14,791	41%
Michigan, U. of, Ann Arbor	MI	\$8,650	\$25,733	51%	38%	90%	90%	\$4,026	\$16,825	38%
North Carolina, U. of, Chapel Hill	NC	\$4,165	\$16,606	59%	30%	81%	100%	\$3,419	\$12,314	24%
Maryland, U. of, Eastern Shore	MD	\$5,105	\$10,440	97%	77%	86%	85%	\$3,651	\$12,000	80%
Alcorn State U.	MS	*3,459	\$7,965	97%	96%	92%	76%	\$5,500		
North Carolina, U. of, Pembroke	NC	\$2,495	\$11,414	81%	66%	26%	77%	\$3,069	\$9,732	55%
Prairie View A & M U.	TX	\$1,912	\$9,772	N/A	N/A	N/A	N/A	N/A	\$20,000	75%
Virginia State U.	VA	\$3,750	\$10,610	94%	86%		75%	\$4,705	\$18,500	86%

SOURCE: U.S. News & World Report, *Ultimate College Directory*

Notes: 1) In State and Out of State Tuition and fees as reported in U.S. News & World Report. 2) % of Full Need Met and Avg. % of Need Met includes only those who received need-based aid. 3) Average Need-based Loan excludes PLUS or other private loans. 4) Peer institutions for which data was not available are excluded.

## Appendix E: *Maryland Pathways*



OFFICE OF STUDENT FINANCIAL AID

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## Article I. **Maryland Pathways**

### **Background**

The University of Maryland has maintained a long tradition of providing high quality undergraduate education to academically talented students from the State of Maryland. However, access, affordability, and choice have become critical issues as recent economic conditions have made it harder than ever for families of modest means to afford the rising costs of education. Increasingly, families with limited resources have had to assume debt to defray these costs. To assist low-income families in these circumstances, the University of Maryland has created a new financial assistance program: **Maryland Pathways** that reduces the debt component and increases the grant component of the student's financial aid package. The Maryland Higher Education Commission's Office of Student Financial Assistance has also agreed to partner with the University of Maryland by funding a portion of the program.

Maryland Pathways will be available to eligible Maryland resident students starting with the Fall 2004 entering freshman class.

### **The Programs**

Maryland Pathways consists of two programs. The first is a Work/Grant program, that offers our most financially at risk students a University of Maryland Pathways Grant and a few hours of campus employment in place of loans and holds them harmless from debt. The second program, the Pell Grant Supplement Program, provides a University of Maryland Pathways Grant to students who would have qualified for a Pell Grant, had they not earned income in support of their everyday living expenses.

#### **(a) Work/Grant Program**

The work/grant program is for students of families that have no financial resources to pay for college, as determined by the Free Application for Federal Student Aid (FAFSA). Maryland resident students qualifying for the Pathways program will be awarded Federal Work Study and required to work part-time on campus 8 to 10 hours per week to contribute to their "Cost of Attendance" (tuition, fees, room and board, etc.). After Federal awards, the remaining cost will be met with a combination of State of Maryland Guaranteed Access Grant, and University of Maryland Pathways Grant.

#### **(b) Pell Grant Supplement Program**

Pell Grant requirements significantly reduce the amount for which low-income working students are eligible. For that reason, all University of Maryland undergraduate students meeting the criteria will be awarded a University of Maryland Pathways Grant equal to the Pell Grant amount they would have received had they not worked.

April 2004

## Appendix F: Decreasing Debt Burden

*Proposed Guideline A* – Establish a goal to decrease the debt burden for all undergraduate students, particularly those in the highest need range, by increasing institutional grants. [Evaluation of the potential institutional cost must be completed before finalizing the target range.] “Highest need” is defined as students whose Expected Family Contribution (EFC) falls within 25 percent of the cost of attendance (COA), defined by the institutions, averaged over the previous three years. A preliminary analysis of USM institutions shows that this percentage closely approximates the maximum Pell eligible EFC. For example:

Academic Year	Cost of Education
2002	\$15,000
2003	\$16,000
2004	\$17,000

*Average COA is \$16,000 x 25% = 4,000 EFC.*

Within this defined range of high student need, the average debt burden of students is higher than the average debt burden for all students at the institution. The objective is to reduce the debt burden for low-income students and consequently, reduce the overall debt burden for all students at USM institutions. Once the average debt burden above the institutional average is determined, that amount can be multiplied by the number of students within the declared EFC range. This will help to determine the amount of additional institutional grant money required to reduce the average student debt.

Since high need students typically receive a disproportionate amount of Perkins loan dollars, replacing a portion of award amounts with institutional grant funds would allow institutions to reallocate the loan dollars to students with less need and/or to graduate students.

It is recommended that the implementation would begin with incoming students who are “Pell-eligible” (currently defined as EFC of \$0 - \$3,750) with the goal of including students whose EFC falls within at least 25 percent of the COA. The maximum “acceptable” loan debt burden would be set at a level below the average at peer institutions. An annual review of student debt level and corresponding institutional grant dollars would be required to gauge the impact on institutional resources. Any substantial increase in institutional grant dollars must be accomplished over a realistic time frame.

## Appendix G: Federal Advocacy Efforts

Federal policy decisions can significantly affect access of students to higher education programs. Recent years have been marked by increasing erosion of both Pell grants and Perkins loans, which adversely affect low-income students. Additionally, the federal government is relying increasingly on tax incentives to help provide some subsidy toward the cost of attending an institution of higher education. Some targeted aid programs, such as Title VII and VIII Health Programs (Public Health Service Act) have suffered reductions, which will exacerbate shortages in the health care sectors.

Because of the increasing complexity of federal policies that affect access to an affordable higher education, it is desirable that USM focus more advocacy efforts at the federal level. This requires increased monitoring of Federal legislative developments, the dissemination of information, and the facilitation of meetings among appropriate institutional groups to formulate effective strategies to affect the outcome of federal legislation. The following is a list of topics which merit advocacy efforts by USM institutions in order to increase access to an affordable higher education for our students and address critical workforce shortages in Maryland.

- Pell Grant: Erosion of Pell grant is a particular problem for low income students. The maximum Pell grant has been raised recently, but it continues to be more than a \$1000 below the currently authorized level. The maximum Pell grant equates to 68% of the average price of attending a 2-year public college, 34% of a 4-year public college, and 13% at a private 4-year college. In 76-77, the maximum Pell covered 94%, 72%, and 35%, respectively. Pell grants for 2000-1 totaled almost \$8 billion. Pell grants are targeted to the lowest income undergraduate student---the average family income level is \$17,000 for 3.9 million students.
- Perkins Loans: Also eroding—reduced by 60%. These loans are decentralized -- the federal government is the source of capital and the school is the loan originator; match from institution equal to at least 1/3 of federal capital contribution. Only for students who demonstrate financial need and schools must service Perkins loans. Perkins represents only 3% of total borrowing; 700,000 students borrowing 41.2 billion.
- “School as Lender Program”: Informal advice is that this opportunity may be eliminated. UMB generated \$300,000 in the first year (and anticipates over \$750,000 in the second year) by implementing this program. The monies are dedicated to student financial aid. And the students do not pay an origination fee on loans. This program needs to be protected as an option for USM campuses to pursue.

- Consolidate and Simplify Tax Incentives: Most families require a tax preparer to determine the benefit, because the system is so complicated. More low income may be able to use if the tax relief was simplified
- Title VII and VIII Health Programs (Public Health Service Act): Aid has been substantially reduced under Title VII. This will exacerbate health-care shortages since these programs provide aid to health professionals who serve the underrepresented and improve racial and ethnic disparities in the health-care professions.
- Expand Programs for Faculty Development in High Demand Occupations—there are critical faculty shortages in a number of shortage areas and this limits the ability of institutions to enroll more students in these fields. Programs are needed to encourage individuals to become faculty in high demand occupations.
- Graduate Scholarships: Should be fully exempt from federal income tax as they were until 1986. Exemption is limited to tuition and required fees; room and board are excluded. However, room and board paid from a tuition savings account are exempt. This is an equity issue.
- Federal Tax Credits: These need to be made “refundable” so that low-income students get the full benefit, as do middle income students.

Note: Based on a 2002 GAO report, during the past decade the Congress has increasingly relied on the tax code (IRC) for financial aid. Costs rose from \$.0056 billion in 1996 to \$7.6 billion in 2002 (80% of the total is HOPE Credits and Lifelong Learning Tax Credits). Many recent federal initiatives (including HOPE Credits and Lifelong Learning Tax Credits) do not significantly benefit low-income students. Federal aid has increasingly focused on middle and upper income families rather than on families with greatest financial need. Since the 70’s, borrowing and loan levels have grown much more rapidly than have increases in grant aid.

## Appendix H: Off-campus Employment Clearinghouse Proposal

### Goal:

Create a University System of Maryland (USM) sponsored clearinghouse for student employment that can provide instructional support to K-5 and K-9 students who are at risk in the area of reading and mathematics, respectively.

### Why:

- The need exists throughout the State of Maryland.
- Most college students use part-time employment to help meet their educational expenses.
- Using earnings to meet college expenses can reduce student loan indebtedness.
- The U.S. Department of Education requires schools to use 7 percent of their Federal Work-Study Program (FWS) allocations to provide jobs that benefit the public. Meeting this requirement is a difficult challenge for schools throughout Maryland because there is currently no centralized mechanism to provide assistance.
- Pay rates for off-campus FWS jobs are commensurate with skill and competitive with similar jobs in the community. These jobs typically pay more than on-campus jobs that often require only basic office skills, and therefore may be more attractive to students.
- Students from various academic majors, including education, have a proven interest in off-campus K-9 employment.
- Expanding off-campus FWS job opportunities need not limit the number of students available to work on-campus. In fact, working off-campus would have greater appeal to students who already prefer to work off-campus.
- A USM sponsored clearinghouse will demonstrate USM leadership in meeting the needs of the state and young people.

### Funding Opportunities:

- During the 2002 fiscal year, Maryland schools received approximately \$9,000,000 in FWS allocations of which 7% must be used for community service. Many colleges have difficulty spending FWS funds, because so many eligible students prefer to work in local businesses and organizations off-campus. If these students were made aware of job opportunities related to the “No Child Left Behind” initiative, schools might commit FWS funds well in excess of the minimum 7 percent.
- The estimated amount of Maryland FWS funds available for this project in fiscal year 2005 is approximately \$700,000. Every dollar earned in a regular on-campus FWS job contains 25 cents in institutional matching funds. One advantage of using off-campus FWS jobs to assist in areas of reading and math is that 100

percent of every dollar earned by students comes from the postsecondary school's federal allocation. No institutional or community match is required. This provides another advantage to the institution and to the employing off-campus agency.

- Every year schools throughout the nation de-obligate millions of unused FWS dollars to the U.S. Department of Education. The U.S. Department of Education then reallocates these funds to schools that request additional funds and have shown an ability to use all of their past allocations. Maryland schools could be among them.
- Federal grants are currently available for projects that support the "No Child Left Behind" initiative, with priority to state programs.
- Other states fund programs to support student employment. This initiative would represent an innovative best practice by working collaboratively with MHEC, MSDE, legislators, secondary education administrators, and the businesses community to support this initiative philosophically and financially.

The role of USM:

- Leadership.
- Creating a Clearinghouse to identify demand and supply.
- Require that the student employee's institution retain responsibility for all payroll, federal and state regulatory compliance, and operational functions.
- Require participating universities and colleges to provide orientation and training to all student workers.
- Assist in promoting this opportunity to elementary schools, institutions of higher education, and students.
- Continue to be instrumental in identifying and acquiring federal, state, institutional and private funding.

## **Appendix I: Miami University of Ohio Alternative Tuition Model**

*A progressive tuition model that embraces the best practices of private-sector universities while fully meeting Miami's responsibilities as a state-assisted public university of Ohio*

Implemented in Fall 2004, this program makes Miami University more affordable to moderate-income families in Ohio by giving the university more flexibility in the disbursement of state subsidy dollars. It allows Miami—considered a "Public Ivy"—the same pricing flexibility as its private-university competitors.

- Miami follows the private university model of listing a single tuition, rather than separate fees for in-state and out-of-state students.
- All accepted Ohio students receive a sizeable Ohio Resident Scholarship. This is the same amount for every Ohio student, and the amount is guaranteed to equal or exceed the state-funded appropriation per student.
- All Ohio students also receive an additional Ohio Leader Scholarship, which will vary according to financial need, extraordinary ability, or intent to major in subjects key to the state's economic development.
- In Fall 2004, the combined total of these scholarships is a minimum of \$10,000 for each Ohio resident.

### **Specifics of the Plan**

"The tuition program is an innovative concept in public higher education that not only benefits Ohio citizens struggling with soaring college costs, but also enhances the value of a Miami degree," said President James C. Garland.

The tuition plan is directly tied to the goals of Miami University's Vision 2009: By its 200th birthday, Miami University will be the leader in the nation among public universities having a primary emphasis on undergraduate education and also having significant graduate and research programs.

The goal of the tuition program is to help Ohio's smartest, best students stay in state for their higher education. With pricing flexibility similar to our private-school competitors, Miami can better meet strategic goals while better serving Ohio families.

"Our goal is to make a Miami education more accessible to families," said Miami President James C. Garland. "We want to improve the ability of Ohioans to afford Miami and encourage more top Ohio students to stay in Ohio."

### **Key Benefits of the Program**

A Miami education is now more affordable for many moderate-income Ohioans.



Miami has greater flexibility to compete with private universities and colleges for students of extraordinary ability.

More flexibility in our distribution of dollars allows us to broaden the socioeconomic, academic, and racial diversity of the Miami student body.

By aligning Miami's tuition with its perceived value, the program enhances Miami's national reputation and prestige.

### **Undergraduates at Oxford Campus**

Under this tuition and scholarship program, in-state and out-of-state students are charged the same tuition, but all in-state students will automatically receive a \$5,000 Ohio Resident Scholarship as well as a sizable Ohio Leader Scholarship. The amount of the Ohio Leader Scholarship for freshmen is based upon need, ability, and talents, with special emphasis on helping low- and middle-income families, especially those earning \$90,000 a year or less. See the table below.

<b>Costs for Ohio freshmen enrolling fall 2004</b>	
Tuition	\$19,642
Ohio Resident Scholarship	\$(5,000)
Ohio Leader Scholarship	\$(5,000,- 6,200)
Net Ohio resident cost	\$8,442,-\$9,642

- Other features of the new tuition model: To be eligible for the higher-level (above the minimum) Ohio Leader Scholarships, families must file the Free Application for Federal Student Aid (FAFSA).
- Scholarships will be renewable until graduation, up to six years.

### **Graduate Students**

The tuition restructuring plan has **no impact** on graduate studies.

### **Regional Campus Students**

The tuition and scholarship program has **no impact** on tuition at Miami's campuses in Hamilton and Middletown.

## Appendix J: Graduation Productivity

### Table Seventeen

Graduation Productivity Ratios for Undergraduates at  
Four-Year and Private Colleges, by States, 1993 to 1997

States	Ratio		Percent Above/Below National Average		States	Ratio		Percent Above/Below National Average	
	Public	Private	Public	Private		Public	Private	Public	Private
WA	4.2	5.1	+29	+ 7	DE	6.1	6.5	- 3	-18
MI	4.4	6.9	+25	-25	CO	6.2	5.7	- 5	- 4
CA	4.6	4.9	+22	+11	MO	6.3	5.7	- 7	- 4
IL	4.8	5.3	+19	+ 4	MN	6.4	4.8	- 8	+13
FL	5.0	5.4	+15	+ 2	ND	6.4	5.4	- 8	+ 2
HI	5.2	8.5	+12	-55	GA	6.5	6.4	-10	-16
MD	5.2	5.5	+12	0	MA	6.5	5.4	-10	+ 2
VA	5.2	5.9	+12	- 7	NY	6.5	5.6	-10	- 2
WY	5.2	N.A.	+12	N.A.	OH	6.5	5.8	-10	- 5
AZ	5.3	7.9	+10	-44	NE	6.7	5.3	-13	+ 4
IA	5.3	5.2	+10	+ 5	NM	6.7	5.5	-13	0
OR	5.3	4.5	+10	+18	MT	6.9	7.0	-17	-27
NC	5.5	5.5	+ 7	0	TN	6.9	5.6	-17	- 2
MS	5.6	5.2	+ 5	+ 5	NV	7.2	12.5	-22	-56
RI	5.6	5.2	+ 5	+ 5	IN	7.4	5.6	-25	- 2
SC	5.6	6.0	+ 5	- 9	KY	7.4	7.4	-25	-35
KS	5.8	4.6	+ 2	+16	SD	7.4	8.0	-25	-45
AL	5.9	5.8	0	- 5	AR	7.6	6.2	-29	-13
CT	5.9	5.6	0	- 2	WV	7.7	7.6	-30	-38
NJ	5.9	6.0	0	- 9	ME	8.1	5.6	-37	- 2
TX	5.9	5.2	0	+ 5	LA	8.4	6.4	-42	-16
WI	5.9	5.7	0	- 4	ID	8.6	5.1	-46	+ 7
NH	6.0	4.9	- 2	+11	UT	8.7	4.7	-47	+15
PA	6.0	5.3	- 2	+ 4	DC	15.6	5.4	-62	+ 2
OK	6.0	5.9	- 2	- 7	AK	19.1	8.6	-69	-56
VT	6.0	5.6	- 2	- 2					

Source: Lumina Foundation/ USA Group Foundation, New Agenda Series, Volume 3, No. 1, November 2000, p. 47.

NOTE: Graduation Productivity Ratio = number of students to produce 1 baccalaureate recipient. National average equals 5.9.

## Appendix K: Current USM Financial Aid Policies



### VIII-2.41 POLICY ON INSTITUTIONAL STUDENT FINANCIAL AID FOR UNDERGRADUATE STUDENTS

(Approved by the Board of Regents, February 10, 1995)

#### I. Purpose

The Regents of the University of Maryland System (UMS) recognize that financial support of deserving students is an important means of enhancing the human capital of the State of Maryland and enriching the learning environments of the System's institutions. Therefore, each institution of the System is encouraged, to the extent feasible and prudent, to use institutional financial resources to supplement federal, state, and private financial resources in aiding students of all types who, in the absence of such support, may be unable to enroll in the institution. Institutional financial aid should also support the institution's particular mission and student clientele.

This policy is applicable only to institutional student financial aid provided to undergraduate students.

#### II. Definitions

Institutional student financial aid is financial assistance provided from state-supported unrestricted funds, i.e., those general state funds and tuition and fee revenues that are not specifically restricted as to the purpose(s) for which the funds may be expended.

Tuition waivers that are not a part of UMS employee benefits (e.g., employee, spouse, and dependent tuition waivers) are a form of institutional student financial aid. Such tuition waivers shall be accounted for and reported at the face value of the tuition being waived.

Work-study payments to students from state-supported unrestricted funds on the basis of need, merit, or a combination of both are a form of institutional student financial aid. Intra-institutional student employment for which job-related skills are the only requirement is not a form of institutional student financial aid, since it is not different from comparable extra-institutional employment.

The definitions of "financial need," "cost of attendance," and "family contribution" are the currently applicable definitions of these terms adopted by the State Scholarship Administration. The total amount of institutional student financial aid awarded any individual undergraduate student shall not exceed the cost of attendance for that student.

#### III. Policy

- A. Each institution of the University of Maryland that enrolls undergraduate students shall develop policy guidelines for the award of institutional financial aid to undergraduate students. These policy guidelines should explicitly include the following elements:
1. Criteria for awards to state-resident and to non-state-resident students based on need, on merit (including special talent--academic, artistic, musical, and/or athletic), or a combination of need and merit.
  2. Criteria for awards to full-time students and to part-time students.
  3. Criteria for awards to students who transfer from Maryland community colleges, from other UMS institutions, from other Maryland public four-year institutions, and from non-Maryland institutions.
  4. Criteria for the inclusion of mission related awards.

- B. The policy guidelines should include targets or other characterization of the intended apportionment of state-supported unrestricted funds among the various elements and student categories listed in Paragraph A above.
- C. Each institution shall include with its annual request to the Regents for increases in undergraduate tuitions an indication of the proportion of new undergraduate tuition revenues that will be allocated to institutional student financial aid.
- D. Institutional policy guidelines developed in response to this Regents' policy shall be approved by the institution's president and submitted to the Chancellor no later than June 30, 1995, for implementation starting with the 1996-97 academic year. The Chancellor shall report to the Regents on the institutional policy guidelines no later than December, 1995. Thereafter, any changes in institutional policy guidelines shall be reported to the Chancellor no later than June 30 of the relevant year.
- E. To provide the necessary accountability to the Regents and to the State, each president shall submit a report to the Regents by October 1 of each year, in a format prescribed by the Chancellor. The report shall include the amount and proportion of institutional student aid funds awarded in each of the student categories specified in the various elements listed in Paragraph A above, and the number of students aided in each category. The report shall be accompanied by a copy of the currently applicable institutional policy guidelines.

This policy replaces the Board of Regents Policy on Waiver of Tuition for Meritorious Undergraduate Students (BOR VIII-2.40)

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126.0 V-3.00-POLICY ON STUDENT FINANCIAL AID

Approved by the Board of Regents on January 11, 1990)

Each President shall be responsible for administering student financial aid at the institution in accordance with pertinent State or federal law and any requirements of the fund sources.

Each President shall submit reports on student financial aid at the institution, at the time and in the format requested by the Chancellor.

Based on Senate Bill 459, Section 12-109(E) (7)