

TESTIMONY

House Appropriations Committee

HB 328 – Higher Education – Financial Aid Reductions - Notice

Tina Bjarekull, President

February 12, 2019

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Thank you for the opportunity to submit testimony in opposition to *HB 328 Higher Education – Financial Aid Reductions – Notice*. This bill requires public senior and private nonprofit higher education institutions to provide a notice to every student accepted for enrollment within 30 days of the student's acceptance and before a student's institutional gift aid is reduced on: (1) whether a student's acceptance of additional gift aid may result in a reduction of institutional gift aid; and (2) how much gift aid a student may accept before institutional gift aid is reduced.

The 30-day notice requirement for all students who are accepted for enrollment is particularly burdensome and impractical. Students apply to multiple institutions. A fraction of the students accepted for enrollment at an institution will enroll. Nevertheless, the bill requires institutions to calculate how much gift aid a student may accept before institutional gift aid may be reduced for every student accepted to the institution and to provide the information within 30 days of acceptance.

Calculating how much gift aid a student may accept before institutional gift aid is reduced within 30 days of acceptance would be specious at best. The calculations would be based on many assumptions and most likely would be inaccurate. Many students do not apply for financial aid until much later in the process. Even if a student has applied for State and federal financial aid, award eligibility and grant amounts may not be known for months after acceptance.

Most Maryland nonprofit institutions, public and private, practice need-blind admissions policies. Students are accepted to the institution without consideration of the students' financial situation. At this point, most institutions do not know the Expected Family Contributions (EFC) of the accepted students. EFC is a key factor in determining State and federal financial aid.

Furthermore, institutions accept students prior to knowing a student's Cost of Attendance (COA). A student's COA depends on decisions the student makes much later in the process. Prior to calculating COA, the student

must select an academic program of study, decide on the number of credit hours, and make decisions concerning on- or off-campus housing.

Estimating State financial aid awards is particularly problematic. Unlike federal Pell Grants, the Expected Family Contribution (EFC) cutoff for State need-based financial aid varies widely from year to year. It is not possible for Maryland's colleges and universities to accurately predict how much State financial aid, if any, a student may receive.

Institutions of higher education are required by the U.S. Department of Education to displace student aid under certain circumstances to avoid over awarding. Over awarding may occur when a student's aid package exceeds his or her EFC or exceeds his or her COA. If an institution regularly over awards student financial aid, the institution may lose its eligibility to participate in federal Title IV programs, which would be devastating for students and the institution.

The missions and financial aid policies of independent institutions of higher education are established by their governing boards and often reflect innovative strategies to promote student success and/or expand access. For example, an institution may require students to participate in work study programs, because these programs have proven to be very effective, particularly for at-risk students. Students who participate in work study programs have higher retention, persistence, and graduation rates than students who do not participate in work study experiences. College administrators are actively involved with work study students and provide support services, mentoring, and advising services to these students. Moreover, work study programs allow students to earn money to pay for college, while gaining valuable work experiences and learning important job skills. As a result, work study opportunities help students obtain employment after college. Another institution may require all students to have "skin in the game," believing that students who help pay for their education place a greater value on that education.

Every MICUA member institution that reduces institutional aid under any circumstances provides notice to students about its policy at the time institutional aid is offered or before. A better policy would be to require colleges and universities to have clearly understood policies concerning award displacement and to require institutions to share this policy with students within a timely period.

MICUA opposes HB 328, because it will not help students make more informed choices about college, will bring financial considerations into the college acceptance process, and will slow down the financial aid packaging process resulting in a significant delay to students receiving accurate financial aid award packages.

MICUA respectfully requests an unfavorable report for HB 936.