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Testimony before the Appropriations Committee

In OPPOSITION to House Bill 41- Student Debt Relief Act of 2019

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Thank you for the opportunity to provide testimony on House Bill 41-Student Debt Relief Act of 2019. Advocates for Children and Youth (ACY) opposes this bill.

As a “last-dollar”¹ scholarship program, the Student Debt Relief Act of 2019 has the potential to fill critical financial assistance gaps for low-income Marylanders. Countless models exist to demonstrate the effectiveness of last-dollar scholarships in higher education for low-income students, including Bridging the Gap, offered at Rutgers University and the Machen Florida Opportunity Scholarship, offered at the University of Florida. Unfortunately, HB 41 will not be effective in this regard. Several factors interact to limit the benefits felt by low-income students:

Re-Application Requirement is Too Confusing: A blanket mandate requiring scholarship recipients to re-apply presents unnecessary obstacles to high-need students. Typically, scholarship programs make an eligibility determination at intake and monitors student progress to ensure that they remain qualified for their award. It would make significantly more sense for the Higher Education Commission (MHEC) to communicate with the Comptroller's Office to verify students' income and geographic eligibility. Similarly, MHEC should utilize its existing relationships with public higher education institutions across the state to verify recipients' enrollment status. Establishing a process at the administrative level will result in fewer instances of user error and students losing scholarships they qualify for due to an arbitrary technicality.

Income Eligibility Threshold is Too High: The income eligibility threshold of \$100,000 annual income for singles and \$150,000 for married students or students with two cohabitating parents does not specifically target high-need populations. The federal poverty guideline is \$12,140 for singles and \$20,780 for a family of three (assuming either dependents or two parents and a student). This aspect of the bill, even when combined with a provision that grants initial awards according to demonstrated need, limits the program's overall effectiveness. HB 41

¹ A scholarship which is only applied after all other forms of financial assistance (with the exception of loans) are applied to a student's balance

acknowledges that a waiting list for eligible applicants will be created, but doesn't take preventative measures to eradicate the possibility that **someone earning \$95,000 a year could benefit from the program while someone earning \$27,000 might be waitlisted**. That is inequitable.

Full-Time Status Requirement is Too Restrictive: HB 41 would only cover the cost of tuition. This means that living expenses like rent, grocery, insurance, travel costs, childcare, and others remain the burden of the student. For working students, students with dependents, and students with disabilities that prevent them from taking on a 12-credit course load, the value of this scholarship program is negated. **It makes no sense for a scholarship program aimed at low-income Marylanders to impose enrollment status requirements that could also place those students in a position where they are forced to choose between their education and the ability to have their basic needs met**. As long as a student is enrolled and progressing towards their degree, they should remain eligible for scholarship funds.

A Universalist Policy with Gendered and Racialized Impacts: Poverty has increased by nearly 20% in Maryland since 1990, but women and people of color continue to feel its impacts the most. 14.7% of Black households, 14% of Latino households, and 19% of female-headed households are at or below the federal poverty line.² Of all Marylanders living in poverty, about half (47.9%) live in deep poverty.³ For them, the bill's title is a misnomer. Debt relief, to the layperson, implies financial assistance in resolving a debt that has already accumulated. HB 41 does nothing to assist Marylanders who have already taken on debt to pursue higher education. Rather, **the bill establishes a conditional scholarship program which may convert the scholarship to a loan if the recipient fails to fulfil certain residency and employment criteria**. HB 41 follows a model similar to the federal TEACH Grant program, the failure of which can be demonstrated in the fact that the Department of Education expects at least 75% of the "grants" to be converted to loans. High-need female students and students of color deserve significantly better odds than that.

As drafted, HB 41 creates an inherently regressive financial aid policy that will fail to provide student debt relief to high-need Marylanders while drawing them into a program that would compound their financial burdens while exacerbating inequity. However, we do appreciate the intent behind the legislation and would be happy to work with the committee on amendments that would help the legislation truly accomplish its goals. For the reasons above, **ACY strongly urges an unfavorable report on this bill unless amended**.

² Maryland Alliance for the Poor. 2018 Poverty Profiles.

³ Income is less than 50% of the poverty line--\$5,940 for an individual.



