

Open Work Session
Economic Impact Scholarship Program
June 15, 2016

Mr. Bob Culver, County Executive, Mr. Wayne Strausburg, Director of Administration, and Dr. Ray Hoy, President of Wor-Wic Community College, came before Council. Mr. Cannon said, at the last Council meeting, it was decided to move the funds for the Economic Impact Scholarship Program from the Economic Development category in the budget to Contingency until Council has an opportunity to meet with everyone to discuss the particulars of the program. Mr. Cannon said he received an email regarding the household income, and it was suggested that the household income could be maxed out at \$150,000 a year. He said the question is, is the County going in the right direction based on those parameters. He said he is concerned about the household income as he thinks it is excessively high. Mr. Cannon further said that he read through the communication and power point presentation that was presented and a lot of it references free and reduced meal students, FARM students, and those calculations, so he thought the County was trying to target that income level of families. He said that is primarily the reason for the work session, but other council members may have concerns regarding the project as a whole. Mr. Hall asked if anything has changed in the Economic Impact Scholarship Program proposal dated February 2, 2016. Has it been refined? Has it moved in another other direction? Dr. Hoy responded, not really, but they have done some internal work to make sure they can process the students through the specific requirements in the documents, but nothing that would change the specifications of the program. Mr. Hall then asked if anything that was presented in the power point presentation has changed, to which Dr. Hoy responded, no. Mr. Hall then clarified that nothing has changed in regards to the Economic Impact Scholarship Program from Wor-Wic Community College's standpoint, to which Dr. Hoy responded, correct. Dr. Hoy said he did respond with some information that Mr. Cannon asked for regarding the income levels and number of students in the program as well as back up material to the studies that were done through the Lumen Foundation. Dr. Hoy said they have not made any changes to the program because, frankly, he does not know what to change. Dr. Hoy said, in speaking on the income levels, in prior discussion it was mentioned that \$150,000 is an arbitrary number. Dr. Hoy said, frankly, any number is an arbitrary number. Dr. Hoy continued he said any cap confuses the message. He cannot say this is an opportunity for anybody and everybody in Wicomico County to go to college. He said any criteria change like that confuses the message, however, it can be dealt with. In the other programs in Maryland, there is no income level cap. This program is very closely modeled to Garrett County's model, but they did make changes to it because some of the things Garrett County was doing or added over the years, such as part-time students and noncredit students, are not part of the Economic Scholarship Program. Dr. Hoy said they looked

at what Garret County was doing and said those things were going to cost more money. Our program should be kept at the basic level where Garrett County's program began. This program does follow very closely to the Delaware Seed Program. They do, however, have a 2.5 grade point average entry and continuation. This program has a 2.0 grade point average. Dr. Hoy said most of the models that he has seen is at that level and that is what it takes to graduation from college. Dr. Hoy said they have not implemented any changes to the program as they have been waiting for any feedback that would suggest that they would need to make changes. Mr. Kilmer said the ball is in Council's court if it wants to implement changes. Mr. Kilmer then said if Council is going to authorize the program in the form that it was before, in that case, what was the point of taking the money out of the Economic Development category in the budget. Mr. Kilmer asked Mr. Cannon what sort of changes would he like to see made in the proposed program. Mr. Cannon said he has concerns about the \$150,000 income range as he thinks that is being loose with tax payers dollars. He said it is hard to tell someone out on the street that a particular family is making \$150,000 a year and their child is getting free tuition at Wor-Wic Community College. He said he thinks there should be some other benchmarks in place. Mr. Cannon said that Dr. Hoy said the numbers have to be arbitrary, but he does not think that it does. When you look at the free and reduce meals, there is a formula to decide who qualifies for the free and reduce meals. Dr. Hoy said it is 185% of the poverty level. Mr. Cannon said, in what was presented to Council, it showed a family that was earning about \$44,865, which is 185% of the poverty level. Mr. Cannon then asked if the formula for Pell Grants is 150% to 185% of the poverty level. Dr. Hoy said that is not even within the realm of a possibility to determine because there are some many different factors that go into the estimated family contribution (EFC). It includes how many children a person has in college, assets, there are many things that go into figuring out the EFC. They looked at using the EFC as part of the calculation, but it did not really make sense to them. He said if you are going to establish an income it (a) confuses the message (b) if one of the goals of the program is to reduce the brain drain, this is an opportunity for the people to stay locally. If people come to Wor-Wic, they are more likely to stay in the community upon graduation and completion of advanced degrees such as bachelors, masters, doctorate, and law degrees. Mr. Matt Maciarelo and Ella Disharoon are perfect examples. They went to Wor-Wic, then to Salisbury University, then to law school and then came back to our community. Dr. Hoy asked why would we want to turn away those types of people. Mr. Cannon said we do not want to turn them away. We do not know what their family incomes are. Dr. Hoy said he does know the family income of those that are applying for financial aid that come to Wor-Wic. Every student that applies for this program will have to complete a financial aid application and that information is part of the process. Dr. Hoy said he wants to point out that some of the people with the higher incomes are not necessary going to start at Wor-Wic Community College. Mr. Cannon said it could be someone in the \$200,000 range, we do not know.

Dr. Hoy said they are probably paying more taxes than someone making \$50,000. Mr. Cannon said the purpose is not to reimburse a family that is paying a lot of taxes. The idea is to have the scholarship available for the people that need the money, not for the people who are paying the taxes. This is supposed to be for the people that are paying little, if any, taxes that are trying to get through the system. Dr. Hoy said there is already a program in place for the most economically disadvantaged, which is the Pell Grant and most of the free and reduced meal students are probably going to qualify for the Pell Grant. Dr. Hoy said we are talking about the lower middle class that will benefit from this program. They are the people who struggle in this economy and struggle to go to college. They are the ones that have so much debt they go back home to live with their moms and dads. They are the ones that cannot afford to buy cars and homes and, in many cases, do not complete college. Dr. Hoy said we want them to have discretionary incomes. We want them to be able to pay off loans so they can be good contributors to our economy. Mr. Kilmer said Mr. Cannon is speaking about the lower middle class and \$150,000 is not lower middle class. Dr. Hoy said they have gone back and looked at the numbers and, if a number is what Council really wants, \$125,000 is something Wor-Wic can live with. Dr. Hoy said when he looks at the analysis of who is applying for financial aid and what they are applying for, \$125,000 is a good number. If you drop down to \$100,000, you are getting into the realm of why have the scholarship program in terms of numbers of who would benefit from it. Mr. Kilmer clarified that Dr. Hoy is talking about \$100,000 for a household income in Wicomico County. Dr. Hoy said that family could have five kids. Mr. Kilmer said he has looked at the financial aid form as he filled them out himself 20 years ago. Mr. Kilmer said the household income information is on the financial aid application. He then asked is there a way to base this off the FAFSA form say twice what the Pell Grant qualifications are. Mr. Kilmer said the FAFSA form seems to take into account the things that Dr. Hoy mentioned. Dr. Hoy said they had someone who applied for financial aid whose EFC was \$450,000 per year. Dr. Hoy explained that is not their income that is how much they can afford to pay for college. He said why that person decided to apply for financial aid is a really good question. This person is attending Wor-Wic but there are not many in that category. As we look at the student body. You are talking about a small group of people above the \$125,000 range, but you are looking at a big number if you drop it below the \$125,000. Mr. Cannon said if you put this in the range of \$125,000, but he would rather see it at \$75,000, you are covering 75% of the families in Wicomico County that would qualify and that is a huge number. Mr. Cannon said that is a fact from the Census Bureau. Dr. Hoy said they would be knocking out about 16 to 20 people if you move it from \$100,000 to \$125,000. He said below \$75,000 is a waste of time as it will not have enough impact in the community to really make a difference because you will drop down to the people that will receive the Pell Grant. The goal is to get people to believe that there is an opportunity here for them to go to college. More people will apply to college and will find out that they are eligible for financial

aid. Dr. Hoy said, if you look at some of the data from Garrett College, they talk about how they are leveraging federal funds because of the people who are applying for financial aid that did not apply in the past. The marketing value of a program like this brings those people to the college as well. Mr. Strausburg asked, if the intent is to raise the education attainment level in Wicomico County, then should the perspective be how many people do we want to qualify rather than the number of how many people we want to disqualify. Mr. Cannon said the intent is for the County to make sure that tax payer dollars are given to the people that need it. Mr. Strausburg asked how many wealthy people do you think are going to take advantage of Wor-Wic Community College. Mr. Kilmer said they may take advantage of this program. Mr. Cannon said initially it was for the free and reduced meal students. Mr. Strausburg and Dr. Hoy said that was not mentioned before. Mr. Cannon said the power point presentation had a slide specifically that showed the dollar amount for those students. Mr. Strausburg and Dr. Hoy explained that dollar amount was to indicate the poverty level in the community. Mr. Cannon said the presentation led him to believe that was the income level the County is targeting. Then it was mentioned that it is last dollar funding, and it was described as people falling through the cracks with the Pell Grants. He thought the scholarship funding was for the people who are in need for some reason; needy people who are falling through the cracks. Dr. Hoy said there has been a misunderstanding of his comments, and he apologizes if he led Council down the wrong path because that was not the intent of the comments. Dr. Hoy said his intent was to share with Council that we have an economically disadvantage community. We have a high percentage in our schools on free and reduce meals and a program like this can improve that situation. He is not making a direct correlation between this program and the dollars for those individual students. He is talking about the impact of a program like this for a more educated community. Mr. Kilmer asked, does the County have to provide a program for wealthy residents that are in need too. He said it seems to him that if the County wants to target free and reduce meal students, and he agrees that there are some that are eligible for college that do not go, there is a more cost effective way to let those people know that essentially they can get a free college education, rather than implement this program. Mr. Kilmer further said there are other programs for the people who live in poverty that attend Wor-Wic that may have other barrier besides tuition, and it may be more effective to target those people who want to invest in programs like that. He said he thinks we share the goal with the free and reduce meal people, and the people in poverty and the issue with education attainment. He then asked is this program the most cost effective way to address those problems. He said that is what we are talking around and it is a good discussion to have. Mr. Kilmer further said we can do this quickly or we can do this right. He said he thinks if we are going to talk about the educational attainment in our community, this program needs to be done right. Mr. Strausburg said the County appropriates on an annual basis and this discussion will happen each year at budget time. He said what we are talking about

right now is making an initial investment of \$252,000, which he thinks is the number. He then asked if they could agree on some income level. He said Dr. Hoy is suggesting \$125,000. Would it be appropriate to revisit that number in the coming fiscal year and look at the census of the people who applied and received grants. He said then you are dealing with empirical data. We would be looking at what was the impact, and who the impact was on. Mr. Strausburg said he looks at it as an investment of \$252,000 this year to get the program off the ground and see how it behaves in the coming fiscal year. Mr. Cannon said he thinks the majority of the Council wants to see this program get off the ground. It always comes back to what is fair or unfair to the tax payers as well as to create an economic development incentive. He said all Council can do is go to the charts that exist, whether it is looking at how Pell Grants are decided or looking at different poverty levels. According to the Department of Health and Human Services, they categorize above 200% of the poverty level, it would take a family of eight earning \$81,780. If it is a family of four, and they are living above the 200% poverty level, that is \$48,500. Mr. Cannon said if we move the household income level to \$100,000, we are not going to miss too many people. Dr. Hoy said the federal government does not want to increase the number that is considered poverty level because then more people would be in poverty. If you say the poverty level is really \$40,000, then that is why we have the 185% or 200%. Dr. Hoy said he served on the hospital board for 13 years. For determination for charity care at the hospital, it is 200% of the poverty level. If your family comes in and you do not have insurance, so you cannot pay, you will receive charity care at 200% of the poverty level. He said what that tells him is that the 200% of poverty level is the true poverty level or 185% in Maryland for public schools is the true poverty level. You can forget the other number because it is a fantasy; it is just a fabrication; it is just there because we do not want to admit how many people are in poverty in our country. The University of Maryland, School of Social Work, did a study and they tried to determine what would happen to a family to go to a community college in Maryland to get an education. They found that even with all the Pell resources, the individuals who were in the lower economic strata still need 30% of their family income to apply after all Pell money. They do not have any discretionary income so, in many cases, they do not complete college. Dr. Hoy said this goes beyond that level of an individual, up to the next level of individual, which this program can help assist. What is that number? Dr. Hoy said Mr. Cannon thinks it is \$75,000, however, he thinks it would be better at \$125,000. Dr. Hoy said Council can pick the number, and the college will tell you if it will be worthwhile to implement a scholarship program like this with the audience they know, they have seen historically, and what they expect from the program. Mr. Cannon said, if you look at the charts, 400% above the poverty level is about \$97,000. He then suggested that the number be \$100,000 and to track to see if there are any people falling through the cracks. Mr. Strausburg said the last time he looked at the stats, the median household income in Wicomico County is a little bit under \$55,000. Dr. Hoy would like \$125,000, Mr. Cannon

just said \$100,000. If you take the \$55,000 and increase it by one magnitude, you are at \$110,000. Mr. Strausburg said the County should make the investment and set some reasonable income level that we are collectively comfortable with and measure it at the end of the year to see if it needs to be adjusted. Mr. Cannon asked if it could be stated in the plan that individuals may be considered on an individual basis. He said in the proposal it currently states under extreme circumstances exceptions can be granted by Wor-Wic's Vice-President for Enrollment Management and Student Services. Mr. Cannon then asked what does extreme circumstances mean. Dr. Hoy explained that is in place for people who may have medical emergencies, such as a heart attack or if a person is in a car accident. He said they understand that there is gray in the world and there will be some circumstances that will make sense for the exception. Mr. Cannon asked, if extreme circumstances occur, if they could let the County know, to which Dr. Hoy said they will make it part of the annual report that says these exceptions were made because of XYZ, without personally identifiable information. Dr. Hoy said they want to be accountable. Mr. Hall clarified that at \$125,000 you are talking about 10 to 20 students. He then asked at the \$110,000 are we talking about 40 students. Dr. Hoy said this is historic data, and it is not on people who applied for the program because the program did not exist. Mr. Strausburg said let us start the program, measure it, and come back and see what really happened. Dr. Hoy said between \$110,000 to \$125,000, you lose about 10 people. Mr. Hall then asked Dr. Hoy what he meant when he said these funds could be used to leverage federal funds. Dr. Hoy said the program could be used to leverage federal funds, as there are other opportunities. He said the grant program was announced this week, and they have their grants director looking to see if there are some opportunities for us, but he does not have any details that he can provide yet. Mr. Hall confirmed that there will be opportunities, to which Dr. Hoy said it has already provided opportunities. They had three different entities that have gone to them because of the proposed scholarship program that have said that they want to participate and have indicated how they want to contribute. It was not direct dollars to give to the program, but dollars for book funding and the noncredit, short-term training. Dr. Hoy said, if these come to fruition, it is because of the dialogue that is taking place about the Economic Scholarship Program. Mr. Joe Holloway asked Dr. Hoy if they will be looking at net worth as people could have a low income but a high net worth. Dr. Hoy said Mr. Joe Holloway is correct. They have a lot of legacy farm families that own a lot of land, but the federal government would say they have the ability to sell their property, but they may not have any income after they do that because that is how they made their income. When you consider those assets, sometimes it does not make sense in terms of how a college student is going to get an education. Mr. Joe Holloway asked, if you have people with all these assets, are they going to expect the tax payers to pay for their children's education, to which Dr. Hoy responded that is a way to look at it. Mr. Joe Holloway said that is the way this program is drawn out. Dr. Hoy said philosophy he is going to

disagree. Mr. Joe Holloway asked if the money is coming from the tax payers, to which Dr. Hoy responded, yes, and the people with the assets are paying taxes and there may be beneficiaries. Mr. Cannon asked how will they determine the criteria for the \$110,000. Dr. Hoy said they will use the adjusted family income or individual income for the independent students. Dr. Hoy said most of the students will be using the adjusted family income but, if Council would like, it can also set the individual income as well for the program. Mr. Cannon said he still thinks the \$110,000 is way too high, but it is not just his decision. Mr. Kilmer agreed that \$110,000 is very high for Wicomico County. Mr. Joe Holloway said a farmer down the road said it is not what you make, it is what you can keep from what you make. The people that are making \$110,000 may be very well off and some people making \$110,000 may be poor. Dr. Hoy said a very good friend of his said you can spend up to your level of income and usually beyond it. Mr. Strausburg asked how many are graduating this year from the public high schools, to which Dr. Hoy responded he is not sure, but it is 1500 of the three counties and Wicomico County has the largest share. People in the audience said it is about 1,000. Mr. Strausburg said you are talking about a 1,000 high school graduates and, according to Dr. Hoy, we may be disqualifying 25 people. If we are seriously trying to raise the attainment level, worrying about 25 students out of a 1,000, is something he does not understand. Mr. Joe Holloway said there was a reference made at one of the meetings where it was talked about Worcester County and Somerset County not participating, but Senator Mathias and Delegate Otto are going to look to the state to see if they could get help for Somerset County. Dr. Hoy said, if the Economic Scholarship Program is established, Senator Mathias and Delegate Otto have shared with him that they are willing to go to the state to participate. Dr. Hoy said the state already pays half the tuition rate for Somerset County students. Mr. Joe Holloway asked why are we not asking the state to do that for Wicomico County students, to which Dr. Hoy responded the state might come back and say Wicomico County has a community college, but Somerset County does not. Dr. Hoy said Wor-Wic does serve Somerset County, but Somerset County is the only county in Maryland that does not have a community college. Mr. Joe Holloway then asked if Worcester County has a community college, to which Dr. Hoy responded, yes, they are Wor-Wic. He explained that Worcester County and Wicomico County are participants in the college. There is special legislation that says if there is any district in the State of Maryland that does not have its own community college, the State of Maryland will pay half of the out-of-county tuition rate, and the county has to pay the other half. Somerset County is paying half of the out-of-county tuition rate and the state is paying the other half. The state also pays the tuition for students going to Chesapeake College but, at low tide, Chesapeake is a contiguous community; Dorchester and Somerset are considered contiguous. Mr. Cannon said since this is the first year, he would like to see in the annual report the number of people who did not qualify and the reasons they did not qualify. Dr. Hoy said some people may not apply if they know that they are not going to meet the criteria for the program. Mr. Cannon

said he knows that there are various scholarships available for students. He said Mr. Dodd previously mentioned that the Board of Education has a binder full of scholarships that students can apply for, and he is aware of three scholarships offered through the Community Foundation. He then asked Dr. Hoy if the students would be required to apply for those scholarships first. Dr. Hoy said any scholarships the students earn, including the Pell Grant, are applied towards tuition first. Dr. Hoy explained the organizations that award the scholarships send the check to the college in the student's name. Mr. Cannon asked what if a student did not apply for a scholarship. The program indicates that the students must apply for all other funding first. Dr. Hoy explained they are required to apply for federal student aid funding first. If the student received a Delegate or Senatorial scholarship, those funds would be used towards tuition first. Mr. Joe Holloway asked, if that is the case, and you are using historical numbers, how do you know those numbers are correct. Dr. Hoy said he knows those people applied for financial aid and that is all he knows about them. He said people apply for scholarships individually, and they work with their high school counselors. Mr. Joe Holloway then asked Dr. Hoy if he would be able to tell if the students had applied for all available scholarships. Dr. Hoy said, in order to be eligible, they have to apply for federal financial aid, but there is no way to tell if the students have applied for scholarships. Mr. Joe Holloway asked if it would be easier for the students to just apply for federal funds and not worry about the other scholarships if they know they are going to get this money, to which Dr. Hoy responded, yes, but it is not the best thing to do. For example, with the Senatorial Scholarship, you can apply as a high school senior and continue to receive that money through graduate school in some cases. He said there are a number of scholarships that follow the students and some that are just one-time scholarships. He said some students might decide, if they get enough scholarship money, to not go into the program. Mr. Joe Holloway said his wife worked for a non-profit, and they had problems giving the money away and all the students had to do was write a letter justifying why they needed the money. Dr. Hoy said DEF was created to catalog all the scholarships, but they are closing down which is unfortunate. Dr. Hoy said it is not information that everybody has and it would be nice if everybody applied for everything that is available, but he cannot guarantee that they will. Mr. Joe Holloway said when this program was first presented, it was implied that the students were going to be required to apply for everything else first, but now Council is finding out that is not the situation. Dr. Hoy said he never said that. Dr. Hoy said the point he will make today is that the students are required to file for federal financial aid and all scholarship money comes first. Mr. Strausburg said he met with Erica at the Community Foundation and, interestingly, she said they never have enough annual funding to cover all the applications they receive. He said the County can certainly ensure that it is coordinating with Erica and BJ Summers to ensure that scholarships from existing funds at the Community Foundation are made available to students who qualify. He said it is a coordination effort that they are going to have to make, but they are fully prepared

to work with the County; he has that commitment. Mr. Cannon said part of this meeting is to fine-tune a resolution to get from here to there. He clarified that they will be using a Community Foundation Agency fund for the most flexibility. Mr. Strausburg said he would find out from Erica at the Community Foundation so the resolution can be drafted appropriately. Mr. Cannon said he thinks it is important that the resolution mention that specific fund. Mr. Kilmer asked if the resolution will be on the agenda for this next meeting, to which Mr. Cannon responded, yes. Mr. Kilmer then asked if Council will authorize the program every year by resolution rather than through the budget. He would like to authorize the program by resolution every year before the budget and look at the criteria and go from there. Mr. Cannon said he thinks there has to be a three year commitment for the first class coming in, but he thinks the resolution can be amended at any time. He recommends after two years that the program be revisited. Mr. Kilmer said the County is not doing this as an experiment for the first class as in the second year another class will join. Mr. Strausburg said he thinks Mr. Kilmer is suggesting that before the budget is in place next year that the County will have the metrics in place and it will understand how the program is working and whether or not collectively we are satisfied, and then that triggers either modifications to the program or to decide if the County is going to carry the scholarship program forward. Dr. Hoy said the County is not going to have data until the end of next year which is after that cycle. Dr. Hoy said the County will not have the information, but it may decide that it wants to do something different. Dr. Hoy said the program may have to go through a full cycle and into the second cycle before it will have real data to make a determination on whether to continue the program. Mr. Strausburg said the County should be able to know what the incomes are for the incoming class, which is what he thinks the principal concern is. Dr. Hoy said they would have that information available. Mr. Kilmer said we are not going to know what the graduation rate and things of that nature, so the County is making a long-term commitment. Mr. Strausburg said Council could determine not to put the funding in place next year. Mr. Joe Holloway clarified that 90% of the students graduate from Wor-Wic, to which Dr. Hoy said 90% of the students that come to Wor-Wic continue to stay in the community. Mr. Joe Holloway then asked if that is for full-time enrollment, to which Dr. Hoy said that is for all students. Mr. Joe Holloway asked what is the number for full time students, to which Dr. Hoy said he does not know that number. Mr. Joe Holloway then clarified that the program is just for full time enrollment, to which Dr. Hoy responded, yes, it is. Mr. Cannon said the resolution should only provide funding for the first year. Mr. Cannon said the purpose of the meeting today was to get to a realistic number for household income and it came to \$110,000, but he cannot say that when the Council deliberates on Tuesday that the number will not change. Mr. Cannon said the resolution will not be in the brief book yet, but it will be emailed out to everyone once it is put together.

**Open Work Session
Economic Impact Scholarship Program
June 15, 2016**



John T. Cannon, President



Matt Holloway, Vice President



Ernest F. Davis, District 1



Marc Kilmer, District 2



Larry W. Dodd, District 3



John B. Hall, District 4



Joe Holloway, District 5



Matthew E. Creamer, Council Administrator