

Department of Legislative Services  
Maryland General Assembly  
2019 Session

FISCAL AND POLICY NOTE  
Enrolled - Revised

Senate Bill 260

(Senator Pinsky, *et al.*)

Education, Health, and Environmental Affairs

Appropriations

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Community Colleges - Maryland Community College Promise Scholarships -  
Revisions

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This emergency bill alters the eligibility requirements for the Maryland Community College Promise Scholarship (MCCPS) program such that (1) an applicant must attend the applicant's local community college except under specified circumstances; (2) an applicant may enroll in credit or noncredit courses that lead to licensure or certification; (3) an applicant may participate in a registered apprenticeship; and (4) an eligible applicant who does not receive an award due to insufficient funding remains eligible for the program the following year. The bill also alters the service obligation and grade point average (GPA) requirements as specified.

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Fiscal Summary

**State Effect:** General fund expenditures increase by a total of \$180,000 in FY 2019 and/or early FY 2020 for one-time contractual costs associated with updating the State scholarship system. The FY 2020 State budget authorizes the use of up to \$125,000 of the MCCPS appropriation to update the system so that initial awards can be made. Altering the *eligibility* requirements for the scholarship does not require additional scholarship spending. Revenues are not affected.

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** Specifically, an applicant must enroll at the applicant's local community college (including a regional college) unless the local community college does not offer the degree or certification program in which the applicant wants to enroll. In that case, an applicant may enroll at any community college in the State that offers the program. In addition, there is an exception to allow an applicant to use the scholarship at a community college in the State that has an on-campus residential facility for students.

The bill clarifies that the scholarship may be used for a vocational certificate or certificate by specifying that an applicant may enroll in a sequence of credit or noncredit courses that lead to licensure or certification rather than restricting the scholarship to semester credits.

In addition to allowing the scholarship to be used for a registered apprenticeship program, the bill makes conforming changes related to this use.

The bill specifies that the scholarship may not be used for costs associated with the parts of a registered apprenticeship that take place at a location that is not at a community college or any fees for room and board that are related to an on-campus residential facility for students. An applicant's *cumulative* grade point average must have been 2.3 on a 4.0 scale or its equivalent *at the end of the first semester of the senior year in high school*.

A recipient may delay the service obligation until the completion of a baccalaureate degree if the recipient has attained at least 48 credits at the community college and transferred to a four-year institution.

The bill also expands the reporting requirements of the Maryland Higher Education Commission (MHEC) regarding the MCCPS program to include (1) the number of scholarship recipients who received a baccalaureate degree after transferring to a four-year institution in the State and (2) the number of scholarship awards for which the service obligation was deferred, waived, or converted into a student loan.

**Current Law/Background:** In 2018, Chapter 554 created a scholarship program in Maryland to provide tuition assistance to students who attend a community college in the State and meet specified eligibility criteria including an income limitation. The MCCPS program is a "last dollar" award, applied to eligible recipients after all nonloan aid has been applied, not to exceed \$5,000 annually or actual tuition, whichever is less. For the scholarship, "tuition" includes all mandatory fees. The program starts in fiscal 2020 (2019-2020 academic year), and the State budget includes \$15 million for the program.

In addition to other requirements, to be eligible for the MCCPS program an applicant must enroll as a candidate for a vocational certificate, a certificate, or an associate's degree at a

community college in the State within two years after graduating from high school or successfully completing a GED in the State. Further, an applicant must be enrolled in and complete at least 12 credits per semester at the community college. However, many vocational certificate and certificate programs operated by community colleges are noncredit programs; therefore, under current law many of these programs are not technically eligible for the MCCPS program scholarship.

A MCCPS program award may be made only if a recipient signs an agreement at the time of the initial award to (1) use an address in the State on the recipient's State income tax return and commence full-time employment in the State within one year after completion of the certificate (vocational or other) or associate's degree; (2) continue to use an address in the State on the recipient's State income tax return and maintain employment in the State for at least one year for each year that the scholarship was awarded; and (3) have the scholarship award converted into a student loan payable to the State if the recipient fails to fulfill the service obligation required by the first two requirements.

If the recipient does not perform the required service obligation, the scholarship award must be converted into a student loan. MHEC may waive or defer repayment of the student loan if the recipient provides satisfactory evidence of extenuating circumstances that prevent the recipient from fulfilling the service obligation.

Additional eligibility requirements of the MCCPS program are discussed in greater detail in the **Appendix – College Affordability Programs**.

**State Fiscal Effect:** General fund expenditures increase by a total of \$180,000 in fiscal 2019 and/or early fiscal 2020 for one-time contractual costs associated with enhancements to MHEC's scholarship system, known as Maryland College Aid Processing System (MDCAPS), necessitated by the bill. MHEC advises that the scholarship system must be upgraded to allow applicants to receive the award as required by the bill. MHEC estimates that it will take a minimum of three months to incorporate noncredit courses and registered apprenticeship training programs into MDCAPS; thus, work must begin in fiscal 2019. The current framework of MDCAPS is not designed to make awards to students enrolled in noncredit courses or registered apprenticeship training programs.

Supplemental Budget Number 1 of the fiscal 2020 State budget provided additional funding for MHEC to make upgrades to MDCAPS to implement recent legislation, including \$371,467 as a deficiency appropriation and \$273,503 for fiscal 2020; however, changes related to this bill are not part of the cost estimate. The General Assembly authorized the use of up to \$125,000 of the fiscal 2020 appropriation for MCCPS (\$15 million) to be transferred to the General Administration budget within MHEC to be used only to modify MDCAPS to incorporate MCCPS eligibility changes so that initial awards can be made for the 2019-2020 academic year.

MHEC also advises that it needs three additional full-time staff at a total annual cost of approximately \$200,000 to (1) administer the MCCPS program; (2) identify noncredit courses eligible for the MCCPS program; and (3) monitor and track the student's placed into repayment for failure to adhere to the service requirements. However, the Department of Legislative Services (DLS) advises that these duties and, therefore, the costs are not due to the bill; rather they are primarily related to the original legislation, Chapter 554 of 2018. In the fiscal and policy note for Chapter 554, DLS advised that two positions were required to administer the program; however, MHEC did not receive those positions. MHEC did receive one position in fiscal 2019, as proposed by the Governor as a deficiency appropriation to support scholarship programs in general.

MHEC further advises that it has not yet identified noncredit courses that lead to licensure or certification. Since the current Workforce Development Sequence Scholarship program also allows for recipients to be enrolled in noncredit courses that lead to job preparation and employment, DLS assumes that MHEC can use that list of courses for the MCCPS program.

According to MHEC, the application for the 2019-2020 award year will be available after April 15, 2019, and altering the GPA requirement to be based on an applicant's cumulative GPA at the end of the first semester of the senior year in high school will enable awards for the 2019-2020 academic year to occur in August.

Finally, the bill makes the service obligation requirements less stringent; therefore, DLS advises that monitoring and tracking costs related to the requirements are likely not greater under the bill.

#### *Baltimore City Community College*

Baltimore City Community College (BCCC) advises that under the bill its enrollment decreases because as a State-operated community college, BCCC has only two levels of tuition and fees, in-state and out-of-state. However, this analysis assumes that the distribution of students among community colleges is not significantly impacted by the requirement that students attend their local community college. Thus, BCCC revenues and expenditures are not materially affected.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Higher Education Commission; Baltimore City Community College; Department of Legislative Services

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## Appendix – College Affordability Programs

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### *The Promise of Free Community College*

Free community college promise scholarship programs, which generally cover all tuition and fees regardless of income at community colleges, have become popular nationwide. According to the University of Pennsylvania's Alliance for Higher Education and Democracy, as of October 2018, 238 programs exist in various forms across 44 states. One of the most studied has been Tennessee Promise, which launched in fall 2014 for students pursuing associate's degrees and workforce training. In fall 2017, New York launched its own statewide promise program, called the Excelsior Scholarship, which covers tuition for any student whose expected family income is no more than \$100,000. This will increase to \$125,000 by fall 2019. What makes Excelsior different is that students may use it to attend any undergraduate program, including public four-year institutions.

### *Maryland Community College Promise Scholarship Program*

In 2018, Chapter 554 created a scholarship program in Maryland to provide tuition assistance to students who attend a community college in the State and meet specified eligibility criteria including an income limitation. The Maryland Community College Promise Scholarship Program is a last dollar award, applied to eligible recipients after all nonloan aid has been applied, not to exceed \$5,000 annually or actual tuition, whichever is less. To be eligible for the program, a student must be eligible for in-state tuition, enroll at a community college within two years after graduating from high school or successfully completing a GED in the State, have earned at least a 2.3 high school grade point average (GPA), and have a gross adjusted income of not more than \$100,000 if the applicant is single or resides in a single-parent household or \$150,000 if married or resides in a two-parent household.

The program starts in fiscal 2020, and the Governor must appropriate at least \$15.0 million annually for the program. As required, the Governor's proposed fiscal 2020 State budget includes \$15.0 million for the program.

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

by the community college. The Promise Scholarship includes a service obligation of one year of work in the State per year of award. If the service obligation is not completed, the scholarship converts to a loan.

### *Local Promise Programs in Maryland*

In addition to the new statewide program, several promise-like programs already existed in Allegany, Garrett, and Wicomico counties for attendance at community colleges. Additionally, beginning in fall 2017, Somerset County received State funding to launch its own program for residents attending Wor-Wic Community College. Also, after recent legislation created the Task Force to Study a Promise Scholarship Program in Prince George's County (Chapter 647 of 2016), Prince George's Community College launched a promise scholarship in fall 2017.

Finally, for the fall 2018 semester, promise-like programs were implemented in Baltimore City and Baltimore County. The Baltimore County scholarship is for eligible residents from households with an adjusted gross household income of \$69,000 or less. The Mayor's Scholars Program implemented by Baltimore City and Baltimore City Community College (BCCC) is available to any Baltimore City public school graduate, regardless of GPA or income level. The inaugural year produced 542 Baltimore City public school graduates who attended BCCC for the fall 2018 semester. In 2017, Coppin State University (CSU) announced a complementary program called "Finish 4 Free" to allow Baltimore City public school graduates who also graduate from BCCC (beginning in June 2018) to attend CSU tuition free.

### *Initiatives Implemented from the College Affordability Act of 2016*

The College Affordability Act (Chapters 689 and 690 of 2016) established several initiatives to improve access and success in higher education in Maryland. These included an income tax credit for student loan debt, financial aid incentives to complete 30 credits per year, and a State match program for college savings.

### *Student Loan Debt Relief Tax Credit*

The Student Loan Debt Relief Tax Credit established a refundable tax credit of up to \$5,000 for qualified student loans to Maryland residents beginning in tax year 2017. Qualifying taxpayers must have had at least \$20,000 in total undergraduate student loan debt and have a remaining balance of at least \$5,000, and recipients must use the credit within two years to pay down the student loan. The Maryland Higher Education Commission (MHEC) was initially authorized to approve \$5.0 million of tax credits annually. Chapter 382 of 2018 expanded the types of qualifying debt to include debt incurred for graduate school, and

Chapter 419 of 2018 increased the total amount of credits that can be awarded to \$9.0 million annually.

In the first year of the program, tax year 2017, MHEC received 4,988 applications, of which 4,422 qualified for the program. MHEC awarded a tax credit of \$1,201 to each of 2,881 applicants who qualified for in-state tuition and a tax credit of \$1,000 to the other 1,541 applicants. For the second year of the program, MHEC received 10,113 applications, which is more than double the number of applications from the previous year. MHEC awarded a tax credit of \$1,000 to each of the 5,231 applicants who qualified for in-state tuition and a tax credit of \$883 to the other 4,259 qualified applicants. MHEC did not award a tax credit in 2018 to any individual who received the tax credit in 2017.

### *State Financial Aid Programs Provide Incentives for On-time Graduation*

The College Affordability Act encouraged students receiving aid through the Educational Excellence Awards (EEA), the State's largest need-based financial aid program, to stay on track for on-time graduation through financial aid incentives based on annual credit completion requirements. Beginning in academic year 2018-2019 (fiscal 2019), a student receiving an EEA award in their third year of enrollment, and thereafter, must have successfully completed 30 credit hours in the prior academic year in order to receive the full amount of the grant.

EEA grant recipients who completed at least 24 credit hours but less than 30 hours in the prior academic year will have their award prorated, and those who do not complete 24 credits are ineligible for the EEA grant. Students whose award was prorated or who were deemed ineligible for the EEA grant can regain eligibility in the fourth year if they met the credit completion requirement at the end of their third year. According to a report on the impact of the credit requirement on the EEA awards, out of the 16,211 EEA grant recipients required to meet the credit levels, 33% (5,394) completed less than 24 credits, 31% (4,983) completed at least 24 credits but less than 30 credits, and 36% (5,834) completed at least 30 credits.

### *State Match for College Savings*

To help students and families before and during college, Maryland 529 (formerly the College Savings Plan of Maryland) is managing the new Save4College State Contribution Program. For applicants within certain income limitations, this program required the State to make a matching contribution of \$250 to a college savings investment account. For the first year of implementation in fiscal 2018, the Governor was required to appropriate at least \$5.0 million, increasing to \$7.0 million in fiscal 2019 and \$10.0 million in fiscal 2020 and thereafter. For fiscal 2018, Maryland 529 received a total of 3,084 applications, of which 1,901 eligible applications were received resulting in \$475,250 in matching funds

from the State. Due to the lower than expected interest in the program, Chapter 10 of 2018 reduced the minimum amount of funding that the Governor must provide for the State matching contributions to \$3.0 million annually. The State match was also raised from \$250 to \$500 for certain income ranges in an attempt to increase enrollment.

For the second year of the program, the Save4College Program received 14,393 applications, of which 13,381 were eligible to receive matching funds from the State. This total represents a 367% increase in the number of applications received and an increase of over 600% in the number of eligible applications when compared to the previous year. Thus, 11,925 applications are due to receive the \$500 match, while 1,456 are due to receive the \$250 match. The funds necessary from the State to meet these completed applications would total \$6.33 million, or \$3.33 million over the minimum amount that the Governor must provide for the State matching contributions program for the current fiscal year. The Governor's proposed fiscal 2020 budget includes a \$3.33 million deficiency for fiscal 2019, and \$6.33 million for the program for fiscal 2020.

Marketing strategies developed to reach low-income families across the State proved to be effective. Increased response from the lowest income category, joint filers who had taxable income of \$74,999 or less and single filers with \$49,999 or less, represented 41% of the total applications received, up from 21% in the prior year. Additionally, applications from Baltimore City reached 39%, a significant increase from 8% in the previous year, also indicating that the targeted market population was being reached. The Eastern Shore and Western counties of Maryland remain a statistically insignificant source of applications received, potentially indicating a new area of focus for the upcoming marketing cycle.

#### *Next Generation Scholars of Maryland*

The Next Generation Scholars program (Chapter 33 of 2016) is jointly administered by MHEC and the Maryland State Department of Education. The program makes funding available to nonprofit organizations to provide guidance and services to assist low-income Maryland high school students to successfully make progress to complete a degree. These students prequalify for MHEC's Guaranteed Access grant which, when combined with the federal Pell grant, covers up to 100% of the cost of attendance. In fiscal 2018, the maximum award was \$18,400, and grants totaling \$4.7 million were distributed to nonprofit organizations serving eligible students in eight local jurisdictions. In fiscal 2019, \$4.7 million was provided to continue funding of the program. A report is required by December 2020 on the implementation of the program.