

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 517

(Senator A. Washington)

Education, Energy, and the Environment

Appropriations

**Next Generation Scholars of Maryland Program - Program Administrator -
 Alterations**

This bill transfers primary responsibility for the administration of the Next Generation Scholars of Maryland Program (NGS) from the Maryland State Department of Education (MSDE) to the Maryland Higher Education Commission (MHEC). Even so, MSDE must assist MHEC with the review of applications, and MHEC must work in collaboration with MSDE to publicize the program, as specified. The bill also establishes that MSDE remains responsible for identifying eligible school systems and clarifies what constitutes financial aid literacy assistance. The bill is applicable beginning in fiscal 2026.

Fiscal Summary

State Effect: Special fund revenues and expenditures associated with NGS transfer from MSDE to MHEC beginning in FY 2026 (for no net effect). Assuming NGS special funds are not spent on administrative costs, MHEC general fund expenditures increase by \$223,700 in FY 2026 (\$60,000 for one-time contractual costs and \$163,700 for ongoing staffing costs) to administer the program, as discussed below. MSDE can assist MHEC with the review of applications and collaborate on NGS publicity using existing resources.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$0	\$0	\$0	\$0	\$0
GF Expenditure	\$0	\$223,700	\$157,600	\$164,500	\$171,800
SF Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$0	(\$223,700)	(\$157,600)	(\$164,500)	(\$171,800)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: MHEC must still collaborate with MSDE, local boards of education, local superintendents, and institutions of higher education in administering the program. The transfer includes all aspects of NGS, including general program responsibilities already outlined in statute, administration of the Next Generation Scholars of Maryland Program Fund, and the authority to adopt regulations to implement the program.

The bill also specifies certain continued roles for MSDE to assist in program administration after the transfer. MSDE must assist MHEC with the review of applications and the selection of nonprofit organizations to administer the program in local school systems. Regarding publicization of the program, MHEC must publicize the program *in collaboration with MSDE* through community outreach and marketing materials. Such publicization must, under the bill, include posting of lists of the nonprofit organizations selected to provide services and the local school systems and cities in which the program is located.

The bill also establishes that MSDE remains responsible for identifying local school systems at which at least 50% of the students as a percentage of full-time equivalent students are eligible to receive a free lunch under the National School Lunch Program in the 2015-2016 school year. Under the bill, “financial aid literary assistance” includes informing students of available sources of financial aid and how to leverage federal, State, and institutional aid at specified institutions to make education affordable.

Current Law: MSDE, in collaboration with MHEC, the local boards of education, local superintendents, and institutions of higher education, must administer NGS.

The program must provide guidance and services to students who qualify for a Guaranteed Access Grant and students who qualify to receive free or reduced-price lunch under the National School Lunch Program to assist the students in successfully (1) completing a college preparatory curriculum; (2) graduating from high school; (3) matriculating at an institution of higher education; and (4) making timely progress to complete a degree program. Under Chapter 23 of 2022, NGS may continue to provide services to students when they attend an institution of higher education.

To administer NGS, MSDE must:

- publicize the program through community outreach and marketing materials;
- award grants to nonprofit organizations to administer the program;
- solicit applications from nonprofit organizations to administer the program in local school systems; and

- give priority to applications from Maryland-based nonprofit organizations and that include businesses and institutions of higher education partners.

The following guidance and services must be provided to students participating in the program:

- a high school graduation plan;
- summer work or internship opportunities;
- financial aid literacy assistance;
- career interest assessments;
- mentorship and one-on-one counseling;
- visits to college campuses and workplaces;
- an intensive summer bridge program for students entering an institution of higher education directly from high school or a matriculation assistance program; and
- a plan to matriculate and graduate from an institution of higher education.

The Governor must include in the annual budget bill an appropriation of \$5.0 million for the program. MSDE must use the mandated funding to distribute grants to nonprofit organizations that are selected in accordance with specified priorities to administer the program in local school systems in which at least 50% of the students are eligible to receive a free lunch under the National School Lunch Program in the 2015-2016 school year.

The Next Generation Scholars of Maryland Program Fund, administered by MSDE, is a special, nonlapsing fund that consists of (1) money appropriated in the State budget; (2) interest earnings; and (3) any other money from any other source given to the fund. The fund may only be used to administer the program, and expenditures from the fund may be only in accordance with the State budget. Any investment earnings of the fund must be credited to the fund.

On or before December 1 each year, MHEC and MSDE must report to the Governor and the General Assembly on the implementation of the program with information on implementation metrics and recommendations as specified.

State Expenditures: The fiscal 2025 budget as introduced includes a \$5.0 million appropriation for NGS. Given the bill is applicable beginning in fiscal 2026, this analysis reflects that funding for the Next Generation Scholars of Maryland Program Fund remaining budgeted through MSDE in fiscal 2025 and transferring to MHEC in fiscal 2026.

MSDE advises that the program is currently administered by one employee who splits their time across NGS and other MSDE grant programs. Therefore, this analysis assumes no employees transfer from MSDE to MHEC because of the program transfer. MSDE further

advises that currently none of the \$5.0 million annual appropriation is used to cover administrative costs of the program. MHEC advises that its current staff has no additional capacity to take on program administration. To administer the NGS program, MHEC, therefore, advises that it would require three additional regular, full-time positions to oversee the NGS program. However, the Department of Legislative Services advises that MHEC can likely administer the program with fewer additional employees as MSDE currently administers NGS using time from only one program administrator. Therefore, this analysis assumes that one full-time program administrator plus one part-time administrative assistant to account for MHEC’s smaller bench of support staff are needed to properly administer NGS.

Accordingly, general fund expenditures increase by \$223,747 in fiscal 2026, which accounts for new staff beginning July 1, 2025, in accordance with the bill’s uncodified language specifying that the bill’s changes apply beginning in fiscal 2026. This estimate reflects the cost of hiring (1) one regular, full-time program manager to run the program, coordinate with eligible nonprofits, and adhere to yearly reporting requirements and (2) one regular half-time research analyst to maintain data for State reporting purposes and provide administrative support as needed to run the program. It includes salaries, fringe benefits, one-time start-up costs, ongoing operating expenses, and system enhancements needed to the Maryland College Aid Processing System (MDCAPS) to incorporate tracking and reporting of NGS funds.

Positions	1.5
Salaries and Fringe Benefits	\$149,218
MDCAPS Upgrade Costs	60,000
Operating Expenses	<u>14,529</u>
Total FY 2026 MHEC Administrative Expenditures	\$223,747

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. To the extent MHEC uses NGS special fund dollars for program administration, the general fund impact is offset, but the number or amount of funding provided to NGS grantees may be reduced. However, this analysis assumes that 100% of special funds continue to be used for NGS grants with general funds continuing to cover administrative costs.

MSDE advises that its existing NGS staff person can, after the program transfer, continue to provide support to MHEC for the review of applications and publicization of the program without the need for additional expenditures.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 624 (Delegate Barnes) - Appropriations.

Information Source(s): Department of Budget and Management; Maryland State Department of Education; Maryland Higher Education Commission; Department of Legislative Services

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