

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 183 (Senator Hogan. *et al.*)

Economic and Environmental Affairs

**Higher Education - Computer Science, Information and Biotechnology -
Scholarships**

This bill establishes the Technology Workforce Scholarship and Technology Workforce Matching Scholarship Programs. The eligibility criteria for both programs include the requirements that the student must: (1) enroll in a degree program at a Maryland institution in the field of computer science, information technology, data systems engineering, or biotechnology designated by the Maryland Higher Education Commission (MHEC) as having a significant shortage of qualified graduates or labor (“eligible field”); (2) have a grade point average of at least 3.0 on a 4.0 scale; (3) be selected based on financial need and competitive academic criteria established by MHEC; and (4) either work in the State for two years in an eligible field after graduation or repay the funds received plus interest. The amount of a Technology Workforce Scholarship is \$3,000 per year. Under the Technology Workforce Matching Scholarship Program, the State will annually match up to the first \$1,000 of a scholarship awarded to the student by a commercial business. A scholarship under either program may be renewed on an annual basis if the recipient continues to meet the eligibility criteria and makes satisfactory progress toward a degree. Funds for these programs are to be provided by the Governor in the annual budget of MHEC.

The bill takes effect July 1, 1998.

Fiscal Summary

State Effect: A general fund allocation of \$145,000 is included in the proposed FY 1999 budget for program administration for the Administration’s Maryland Science and Technology Scholarship Program bill (SB 174), which is not contingent upon enactment of the bill. General fund expenditures could increase by at least \$1.34 million in FY 2000, of which \$1.26 million represents scholarship awards. Future year expenditures increase with the number of high school graduates, scholarship renewals, and inflation. An indeterminate

amount of these expenditures could be recaptured in later years to the extent that students repay scholarship monies due to failure to fulfill the work requirements of the program.

(in millions)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	--	--	--	--	--
GF Expenditures	\$0.15	\$1.34	\$1.72	\$2.12	\$2.52
Net Effect	(\$0.15)	(\$1.34)	(\$1.72)	(\$2.12)	(\$2.52)

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Fiscal Analysis

State Expenditures:

Scholarship Program Grants

Attachment 1 illustrates the estimated scholarship program expenditures from fiscal 2000 to 2003. Fiscal 2000 general fund expenditures would increase by \$1.3 million (for 379 students), while fiscal 2003 expenditures would increase by \$2.4 million (for 734 students). These estimates reflect the following assumptions:

- (1) The numbers of high school graduates will be 50,680, 51,210, 52,100, and 52,940 in fiscal 2000, 2001, 2002, and 2003, respectively;
- (2) 55% of Maryland high school graduates will attend college;
- (3) Of the high school graduates enrolling in college, 70% will attend a Maryland institution;
- (4) 12% of freshman students enrolled full-time in Maryland public and private institutions will pursue a degree in an eligible field;
- (5) The need-based criteria for the program will be a family income of under \$60,000;
- (6) 17% of students who enter a degree program in an eligible field had a high school GPA of 3.0 or better and family income under \$60,000;

(7) 30% of students in an eligible field have at least a 3.0 GPA at the end of freshman year;

(8) If a student has a 3.0 GPA at the end of the freshman year, the student will maintain that average throughout college;

(9) The bill does not preclude students from being eligible for both a Technology Workforce Scholarship and a Technology Workforce Matching Scholarship;

(10) 50% of the students who receive a Technology Workforce Scholarship also receive a Technology Workforce Matching Scholarship; and

(11) No community college students will receive a Technology Workforce Matching Scholarship, because the \$3,000 from the Technology Workforce Scholarship would cover the tuition and fees at all community colleges in Maryland.

The estimates contained in **Attachment 1** do not reflect any incentive effect that the program itself could generate which might alter the underlying assumptions. For example, the possibility that the percentage of students choosing to attend in-state (versus out-of-state) institutions might increase as a result of students wanting to take advantage of the program has not been factored in. The possibility that more students might choose majors in an eligible field because of the program has not been included, either. In addition, it is possible that implementation of the program could put pressure on high school teachers and college faculty to inflate student grades. The existence of the program could also result in the achievement of higher grades by students who study harder due to self-imposed or parentally-imposed pressure to qualify for the program. Therefore, the estimates reflected on **Attachment 1** could be conservative.

Conversely, to the extent that recipients of these scholarships do not receive other State financial aid that they would have otherwise received, the State could experience savings and/or additional students will be able to receive financial aid.

Scholarship Program Administrative Expenses

The proposed Higher Education Commission fiscal 1999 budget includes \$144,995 for the Maryland Science and Technology Scholarship Program. It is assumed that these funds could be used for the Technology Workforce Scholarship Program and the Technology Workforce Matching Scholarship Program. The funds will be used to hire two positions for program administration (one Program Specialist and one contractual Program Assistant who would work six months out of the year). These employees would evaluate applicants,

administer the program and follow up with recipients to ensure compliance with the service/repayment requirement. The \$144,995 appropriation includes salaries, fringe benefits, start-up costs (computer system enhancements, office equipment), supplies, and consumer information and marketing. The salary estimate for the permanent position reflects a 90-day start-up delay, while the other expenditure estimates reflect the bill's July 1 effective date.

Salaries and Fringe Benefits	\$37,075
Computer system enhancement	60,000
Office equipment and supplies	4,920
Consumer information/marketing	<u>43,000</u>

Total FY 1999 Budgeted Expenditures \$144,995

The Department of Legislative Services has recommended in the Maryland Higher Education Commission fiscal 1999 budget analysis that this appropriation should be made contingent upon enactment of either the Administration's Maryland Science and Technology Scholarship Program bill (SB 174) or this bill. The Department of Legislative Services has also recommended that the fiscal 1999 Program Specialist position not be added, and that the functions of that position could be performed with existing resources.

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

An indeterminate amount of program expenditures could be recaptured in later years to the extent that students repay scholarship monies due to failure to fulfill the work requirements of the program.

Small Business Effect: Small science and technology businesses would benefit to the extent that this bill increases Maryland's supply of skilled workers in the fields of computer science, information technology, data systems engineering, and biotechnology.

Information Source(s): Maryland Higher Education Commission, Department of Legislative Services

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Attachment 1

TECHNOLOGY WORKFORCE AND MATCHING SCHOLARSHIP PROGRAM GRANTS

		FY 2000	FY 2001	FY 2002	FY 2003
<i>Estimated number of high school graduates meeting Science and Technology program criteria</i>		379	383	390	396
State Colleges and Universities					
% Distribution of students	47.80%				
Estimated number of new awards		181	183	186	189
Estimated number of renewal awards			53	107	162
Estimated number of students		181	236	293	351
Grant amount (at \$3,000 each)		\$543,000	\$708,000	\$879,000	\$1,053,000
Matching grant (at \$1,000 each)		\$91,000	\$118,000	\$147,000	\$176,000
Subtotal Estimated Cost		\$634,000	\$826,000	\$1,026,000	\$1,229,000
Community Colleges					
% Distribution of students	37.70%				
Estimated number of new awards		143	144	147	149
Estimated number of renewal awards			42	84	127
Estimated number of students		143	186	231	276
Grant amount (at \$3,000 each)		\$429,000	\$558,000	\$693,000	\$828,000
Subtotal Estimated Cost		\$429,000	\$558,000	\$693,000	\$828,000
Independent Colleges and Universities					
% Distribution of students	14.50%				
Estimated number of new awards		55	56	57	57
Estimated number of renewal awards			16	33	50
Estimated number of students		55	72	90	107
Grant amount (at \$3,000 each)		\$165,000	\$216,000	\$270,000	\$321,000
Matching grant (at \$1,000 each)		\$28,000	\$36,000	\$45,000	\$54,000
Subtotal Estimated Cost		\$193,000	\$252,000	\$315,000	\$375,000
TOTAL ESTIMATED COST		\$1,256,000	\$1,636,000	\$2,034,000	\$2,432,000
Total number of awards		379	494	614	734
Total number of matching awards		119	154	186	230

