

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 703 (Senator Trotter)  
Economic and Environmental Affairs

Teacher Education Scholarship Program

This bill establishes a scholarship program for Maryland students who: (1) graduate from an accredited high school; (2) pledge to teach in a public elementary or secondary school in any county with an overall teacher retention rate of 10% or less upon completion of their studies for a period of at least 10 years; and (3) satisfy whatever other criteria the Administration and the State Board of Education establish. If the teaching requirements are not fulfilled, the scholarship money must be repaid (on a prorated basis in the case of partial fulfillment). The scholarship amount may not exceed the annual tuition and fees of a full-time resident undergraduate student at the University of Maryland, College Park. A student may receive the scholarship as long as the student maintains an overall grade point average of at least 2.5 on a 4.0 scale, until completion of a master's degree in education.

The bill takes effect July 1, 1998.

Fiscal Summary

**State Effect: None**, because there are currently no jurisdictions with a teacher retention rate of 10% or less. However, assuming there were jurisdictions with a teacher retention rate of 10% or less that could hire all of the eligible scholarship recipients, general fund expenditures would increase by approximately \$150,000 in FY 1999 for program administration. General fund expenditures could increase by at least \$36.4 million in FY 2000, of which \$36.2 million represents scholarship awards. Future year expenditures reflect increasing numbers of students 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	\$0	\$0	\$0	\$0	\$0
GF Expenditures	0.15	36.4	39.2	42.4	45.9
Net Effect	(\$.15)	(\$36.4)	(\$39.2)	(\$42.4)	(\$45.9)

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

**Local Effect:** None.

**Small Business Effect:** None.

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## 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 \$36.2 million (for 8,517 students), while fiscal 2003 expenditures would increase by \$45.7 million (for 9,475 students). These estimates reflect the following assumptions:

- (1) the number of students at Maryland four-year institutions in teacher training programs will be 7,249 in fiscal 2000, increasing annually by 2.4%;
- (2) the number of students at Maryland community colleges in teacher training programs will be 2,203 in fiscal 2000, increasing annually by 1%;
- (3) the number of students in master's degree education programs will be 1,299 in fiscal 2000, increasing annually by 11.8%;
- (4) 71% of students at Maryland four-year institutions are State residents;
- (5) 94% of students at Maryland community colleges are State residents;
- (6) 69% of students pursuing master's degrees at Maryland institutions are State residents;
- (7) the estimated grant amount for students at four-year institutions and students pursuing master's degrees will be \$4,887 in fiscal 2000, increasing by 4% annually (master's programs are more expensive, but the bill limits the award amount to undergraduate tuition and fees at University of Maryland, College Park); and
- (8) the estimated grant amount for students at community colleges will be \$2,274 in fiscal 2000, increasing by 3% annually.

This analysis does not make any assumptions regarding any additional criteria that could be established for this program by the Administration and the State Board of Education.

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 included. The possibility that more students might choose to major in education because of the program has not been included, either. In addition, it is possible that implementation of the program could put pressure on 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.

*Scholarship Program Administrative Expenses*

\$144,995 in administrative expenses would be incurred in fiscal 1999. These funds would 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 requirement. The estimate includes salaries, fringe benefits, start-up costs (computer system enhancements, office equipment), supplies and consumer information and marketing. The salary estimate for the Program Specialist position reflects a 90-day start-up delay, while the other expenditure estimates reflect the July 1, 1998 effective date.

Two new Staff Specialists would be needed in fiscal 2000, for a combined salary and fringe benefit expense of \$69,281. Total fiscal 2000 administrative expenditures would equal \$160,318 for the four positions and associated operating expenses. Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

	<u>FY 1999</u>	<u>FY 2000</u>
Salaries and fringe benefits	\$37,075	\$115,004
Computer system enhancements	60,000	0
Office equipment and supplies	4,920	9,964
Consumer information/marketing	<u>43,000</u>	<u>35,350</u>
<b>Total</b>	<b>\$144,995</b>	<b>\$160,318</b>

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.

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

**Fiscal Note History:** First Reader - March 8, 1998  
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**Attachment 1**  
**Teacher Education Scholarship Program**

	FY 2000	FY 2001	FY 2002	FY 2003
<b>Four-Year Institutions</b>				
Estimated number of awards	5,147	5,270	5,397	5,526
Estimated grant amount	<u>\$4,887</u>	<u>\$5,082</u>	<u>\$5,285</u>	<u>\$5,497</u>
Subtotal	\$25,153,389	\$26,782,140	\$28,523,145	\$30,376,422
<b>Community Colleges</b>				
Estimated number of awards	2,071	2,092	2,113	2,134
Estimated grant amount	<u>\$2,274</u>	<u>\$2,342</u>	<u>\$2,412</u>	<u>\$2,508</u>
Subtotal	\$4,709,454	\$4,899,464	\$5,096,556	\$5,352,072
<b>Master's Programs</b>				
Estimated number of awards	1,299	1,452	1,623	1,815
Estimated grant amount	<u>\$4,887</u>	<u>\$5,082</u>	<u>\$5,285</u>	<u>\$5,497</u>
Subtotal	\$6,348,213	\$7,379,064	\$8,577,555	\$9,977,055
<b>Total Estimated Cost</b>	<b>\$36,211,056</b>	<b>\$39,060,668</b>	<b>\$42,197,256</b>	<b>\$45,705,549</b>
Total number of awards	8,517	8,814	9,133	9,475

*Prepared by: Department of Legislative Services, March 1998*  
*Source: Higher Education Commission*