

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

House Bill 189 (The Speaker. *et al.*)
(Administration)

Ways and Means

Higher Education - Maryland Teacher Scholarships - Maryland HOPE Scholarships

This Administration bill establishes the Maryland Teacher Scholarship Program. To qualify for a scholarship under this program, a student must: (1) be a Maryland resident; (2) be accepted for admission as a full-time student or be currently enrolled at a State institution of higher education as a full-time student pursuing a course of study leading to a Maryland professional teacher's certificate; (3) have earned a grade point average (GPA) of at least 3.0 on a 4.0 scale; and (4) agree to either work as an elementary or secondary school teacher in a State public school after graduation for one year for each year that the scholarship was awarded or repay the funds received plus interest. The scholarship amount is \$1,000 per year for community college students and \$3,000 per year for students at 4-year institutions.

The bill also establishes the Maryland HOPE Scholarship Program. To be eligible to receive a scholarship under this program, a student must: (1) be accepted for admission in an undergraduate program at a State institution of higher education; (2) be a Maryland resident; (3) earn a GPA of at least 3.0 on a 4.0 scale; (4) begin attending an eligible institution within two years of completing high school or provide evidence of extenuating circumstances; (5) enroll as a full-time student at an eligible institution; (6) have an annual total family income of \$80,000 or below; and (7) agree to either work in the State after graduation for one year for each year that the scholarship was awarded or repay the funds received plus interest. The scholarship amount is \$1,000 per year for community college students and \$3,000 per year for students at 4-year institutions.

The bill also requires the Maryland Higher Education Commission (MHEC) to draft a plan to administer the HOPE Scholarship Program. MHEC's plan must include a 3-year schedule, beginning July 1, 2000, for the progressive implementation of the program, and a priority list

of applicable fields of study. MHEC must submit the plan to the Governor and General Assembly by October 30, 2000.

Funds for both scholarship programs are to be as provided by the Governor in the annual budget. The Teacher Scholarship Program takes effect July 1, 1999, and the HOPE Scholarship Program takes effect October 1, 2000.

Fiscal Summary

State Effect: General fund expenditures would increase by \$125,000 in FY 1999 for program administration and by \$7.4 million in FY 2000, of which \$7.1 million represents scholarship awards. Future year expenditures increase with increasing enrollment rates, scholarship renewals, the addition of eligible majors for the HOPE Scholarship Program, and inflation. The FY 2000 budget includes an appropriation of \$1.5 million for FY 2000 for the Maryland Teacher Scholarship Program, contingent upon the enactment of this bill, and states that it is the intent of the General Assembly that the HOPE scholarship program for prospective teachers be funded in the fiscal 2001 budget.

(in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	\$7.4	\$10.7	\$16.2	\$27.0	\$32.6
Net Effect	(\$7.4)	(\$10.7)	(\$16.2)	(\$27.0)	(\$32.6)

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

Local Effect: No direct effect on local expenditures or revenues.

Small Business Effect: The Administration has determined that this bill has a meaningful impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Fiscal Analysis

State Expenditures:

Scholarship Awards - Maryland Teacher Scholarship Program

Exhibit 1 shows the estimated scholarship expenditures for the Maryland Teacher Scholarship Program for fiscal 2000 through fiscal 2004. Fiscal 2000 general fund expenditures would increase by \$7.1 million (for 3,576 students), while fiscal 2004 expenditures would increase by \$7.5 million (for 3,755 students). These estimates are based upon the following assumptions:

Undergraduate Awards

- (1) 57.4% of recent Maryland high school graduates enroll in college;
- (2) 70% of recent Maryland high school graduates enrolling in college attend Maryland institutions;
- (3) 10% of college freshmen will enroll in teacher education programs in fiscal 2001. The percentage is increased by .5% annually to reflect the observed trend of increasing numbers of students enrolling in teacher education programs and the anticipated incentive effect of this program;
- (4) 63.9% of students enrolling in teacher education programs have a high school GPA of 3.0 or better;
- (5) 41.2% of freshmen enrolling in teacher education programs who have a high school GPA of 3.0 or better attend 4-year public institutions, 56.2% of such students attend community colleges, and 2.6% attend independent institutions;
- (6) 45.8% of teacher education students in public 4-year institutions, 37.6% of teacher education students in community colleges, and 42.9% of teacher education students in independent institutions maintain at least a 3.0 GPA at the end of freshman year; and
- (7) Incoming freshmen will compose 45.45% of the total awards each year, sophomores 18.53%, juniors 18.09%, and seniors 17.92%.

Graduate Awards

- (1) Because most full-time graduate teacher programs take approximately one year to complete, students are eligible for a one-time, one year award;
- (2) The total number of students enrolling full-time in graduate teacher programs at State public and private institutions in fiscal 2000 will be 353 (based on fall 1998 actual enrollments);
- (3) All students maintained at least a 3.0 average as undergraduates; and
- (4) Enrollment increases by 1% annually.

Administrative Expenses - Maryland Teacher Scholarship Program

Administrative expenses for the program are estimated at \$125,000 for fiscal 1999. A portion of these funds would be used to hire one full-time program specialist and contractual support personnel to assist with the initial phase of the program. The \$125,000 includes salaries, fringe benefits, computer system enhancements, office equipment, supplies, and consumer information and marketing.

Two additional program specialists would be needed in fiscal 2000. These employees would evaluate applicants, administer the program, and follow up with recipients to ensure compliance with the service requirement. Total fiscal 2000 administrative expenditures are estimated at \$109,626 for the three positions and associated operating expenses. 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.

	<u>FY 1999</u>	<u>FY 2000</u>
Salaries and fringe benefits	\$25,500	\$90,286
Computer system enhancement	60,000	0
Office equipment and supplies	4,500	9,000
Consumer information/marketing	<u>35,000</u>	<u>10,340</u>
Total	\$125,000	\$109,626

The fiscal 2000 budget includes an appropriation of \$1.5 million for the Maryland Teacher Scholarship Program, contingent upon the enactment of this bill, and states that it is the intent of the General Assembly that the HOPE scholarship program for prospective teachers be funded in the fiscal 2001 budget.

MHEC advises that it expects to be able to fully implement the Teacher Scholarship Program in fiscal 2000, despite the short time frame available. If full implementation cannot in fact be achieved by fiscal 2000, however, costs for the program in fiscal 2000 would be lower than estimated.

Scholarship Awards - Maryland HOPE Scholarship Program

Exhibit 2 shows the estimated scholarship expenditures for the Maryland HOPE Scholarship Program for fiscal 2001 through fiscal 2004. Fiscal 2001 general fund expenditures would

increase by \$3.37 million (for 1,508 students), while fiscal 2004 expenditures would increase by \$24.94 million (for 10,706 students). These estimates are based upon the following assumptions:

- (1) 57.4% of recent Maryland high school graduates enroll in college;
- (2) 70% of recent Maryland high school graduates enrolling in college attend Maryland institutions;
- (3) 63.9% of students enrolling in Maryland colleges and universities have a high school GPA of 3.0 or better;
- (4) 36.2% of freshman scholarship recipients maintain a 3.0 GPA after freshman year;
- (5) 48.57% of scholarship recipients enroll in public 4-year institutions, 38.1% enroll in community colleges, and 13.33% enroll in independent institutions;
- (6) 60% of the students who would otherwise qualify for a scholarship have an annual family income of \$80,000 or less; and
- (7) The phase-in distribution of majors eligible to receive a scholarship is as shown below. It is assumed that the majors in the fastest growing occupations and industries would be included in the first year. Science and technology and teacher education programs, which represent approximately 25% of all majors, are excluded.

<u>Year</u>	<u>Title</u>	<u>% of Distribution</u>
FY 2001	Health Professions	17%
	Biological Sciences	
	Architecture & Environmental Resources	
	Physical Sciences	
	Mathematics	
	Public Affairs	
FY 2002	Social Science	21%
	Fine & Applied Arts	
	Foreign Languages	
	Psychology	
	Communications	
	Letters	

FY 2003

Agriculture & Natural Resources
Law
Business & Management
Home Economics 36%
Theology
Area Studies
Interdisciplinary

An “incentive effect” has not been calculated into the estimates contained in **Exhibit 2**, due to the difficulty of predicting the magnitude of any such effect. Factors such as more students achieving 3.0 averages and more students attending college as a result of the program could cause actual costs to be higher than estimated.

Administrative Expenses - Maryland HOPE Scholarship Program

Administrative expenses for the program are estimated at \$142,000 for fiscal 2000. A portion of these funds would be used to hire one program specialist to implement and administer the program. The \$142,000 includes salary, fringe benefits, computer system enhancements, office equipment, supplies, consumer information and marketing, and other annual operating costs.

Total fiscal 2001 administrative expenses are estimated at \$67,314 for the program specialist position and associated operating expenses. Future year expenditures reflect (1) full salary with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

	<u>FY 2000</u>	<u>FY 2001</u>
Salary and fringe benefits	\$27,533	\$28,497
Computer system enhancement	72,097	0
Office equipment and supplies	7,370	2,942
Consumer information/marketing	<u>35,000</u>	<u>35,875</u>
Total	\$142,000	\$67,314

It is expected that MHEC could prepare the required implementation report using existing resources.

Total Costs for Both Programs

Exhibit 3 summarizes the total estimated costs to implement the bill.

The administrative costs for the programs have been estimated as if each program were independently implemented. If both programs are implemented simultaneously, administrative functions could be consolidated and savings could be realized. Savings could also be realized to the extent that recipients of these scholarships do not obtain other State financial aid that they would have otherwise received (except for a Distinguished Scholar award, a recipient of a Maryland Teacher Scholarship or Maryland HOPE Scholarship may not hold any other State scholarship).

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 requirements of the program.

Local Effect: The bill would not have a direct effect on local government expenditures or revenues. There would be indirect effects, however, in that the bill is expected to increase the State's supply of public school teachers and other skilled workers in future years.

Small Business Effect: Small businesses would benefit to the extent that the bill increases Maryland's supply of college-educated workers.

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

Fiscal Note History: First Reader - February 9, 1999
nncsjr Revised - Small Business Impact Statement Received -
February 16, 1999
Revised - House Third Reader - March 26, 1999
Revised - Enrolled Bill - May 5, 1999

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Exhibit 1
HB 189
MARYLAND TEACHER SCHOLARSHIP PROGRAM GRANTS - SUMMARY

FY 2000	FY 2001	FY 2002	FY
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Four-year Institutions				
Estimated number of students	1,412	1,425	1,434	
Grant amount	\$3,000	\$3,000	\$3,000	\$
Subtotal Estimated Cost	\$4,236,000	\$4,275,000	\$4,302,000	\$4,41
Community Colleges				
Estimated number of students	1,811	1,828	1,841	
Grant amount	\$1,000	\$1,000	\$1,000	\$
Subtotal Estimated Cost	\$1,811,000	\$1,828,000	\$1,841,000	\$1,88
Graduate Institutions				
Estimated number of students	353	356	359	
Grant amount	\$3,000	\$3,000	\$3,000	\$
Subtotal Estimate Cost	\$1,059,000	\$1,068,000	\$1,077,000	\$1,08
TOTAL ESTIMATED COST	\$7,106,000	\$7,171,000	\$7,220,000	\$7,39
Total number of awards	3,576	3,609	3,634	

Prepared by: Department of Legislative Services, March 1999
Source: Maryland Higher Education Commission

**Exhibit 2
HB 189
MARYLAND HOPE SCHOLARSHIP PROGRAM GRANTS - SUMMARY**

	FY 2001	FY 2002	FY 2003	FY 2004
Four-year Institutions				
Estimated number of new awards	933	2,102	4,257	4,290
Estimated number of renewal awards*	-	338	1,182	2,827
Subtotal number of students	933	2,440	5,439	7,117
Grant amount	\$3,000	\$3,000	\$3,000	\$3,000
Subtotal Estimated Cost	\$2,799,000	\$7,320,000	\$16,317,000	\$21,351,000
Community Colleges				
Estimated number of new awards	575	1,293	2,620	2,641
Estimated number of renewal awards	-	208	468	948
Subtotal number of students	575	1,501	3,088	3,589
Grant amount	\$1,000	\$1,000	\$1,000	\$1,000
Subtotal Estimated Cost	\$575,000	\$1,501,000	\$3,088,000	\$3,589,000
TOTAL ESTIMATED COST	\$3,374,000	\$8,821,000	\$19,405,000	\$24,940,000
Total number of awards	1,508	3,941	8,527	10,706

*Includes awards to community college transfer students

Prepared by: Department of Legislative Services, February 1999
Source: Maryland Higher Education Commission

**Exhibit 3
HB 189
SUMMARY OF TOTAL ESTIMATED COSTS**

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Maryland Teacher Scholarship Program						
Grants		\$7,106,000	\$7,171,000	\$7,220,000	\$7,394,000	\$7,457,000
Administrative Expenses	\$125,000	\$109,626	\$106,211	\$105,384	\$104,519	\$105,465
Total	\$125,000	\$7,215,626	\$7,277,211	\$7,325,384	\$7,498,519	\$7,562,465
HOPE Scholarship Program						
Grants			\$3,374,000	\$8,821,000	\$19,405,000	\$24,940,000
Administrative Expenses		\$142,000	\$67,314	\$69,282	\$71,308	\$73,395
Total		\$142,000	\$3,441,314	\$8,890,282	\$19,476,308	\$25,013,395
GRAND TOTAL	\$125,000	\$7,357,626	\$10,718,525	\$16,215,666	\$26,974,827	\$32,575,860

Prepared by: Department of Legislative Services, March 1999
Source: Maryland Higher Education Commission