

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 1391
Ways and Means

Delegate Healey)

Higher Education - Maryland HOPE Scholarships - Expanding Eligibility

This bill reduces the minimum grade point average needed to qualify for a Maryland HOPE Scholarship from 3.0 to 2.5 on a 4.0 scale. The grade point average needed to renew an award is also reduced from 3.0 to 2.5.

The bill is effective June 1, 2001.

Fiscal Summary

State Effect: General fund expenditures could increase by an estimated \$309,600 in FY 2002 to provide scholarships to a greater number of eligible individuals. Future year expenditures reflect projections for increased program participation. No effect on revenues.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	309,600	936,100	1,420,100	1,788,700	2,086,000
Net Effect	(\$309,600)	(\$936,100)	(\$1,420,100)	(\$1,788,700)	(\$2,086,000)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: To qualify for a Maryland HOPE Scholarship, a high school student must have a 3.0 grade point average on a 4.0 scale in core curriculum courses as calculated and

indicated on the student's high school transcript after the first semester of the student's senior year of high school. In addition to the grade point average requirement, scholarship recipients must: (1) be accepted for admission at a Maryland institution of higher education; (2) be a State resident; (3) begin attending college within two years of completing high school; (4) be a full-time student; and (5) have an annual family income of \$80,000 or less.

A scholarship may be held for up to five years if the recipient maintains a 3.0 grade point average in college or, failing to do so, provides evidence satisfactory to the State Scholarship Administration of extenuating circumstances. In order to renew the scholarship, a recipient must also: (1) continue to be a Maryland resident; (2) continue to be a full-time student at a Maryland institution; (3) make satisfactory progress towards a degree; and (4) maintain the standards of the institution.

The annual award is \$1,000 for a student enrolled in a two-year institution or \$3,000 for a student enrolled in a four-year institution. After graduation, a Maryland HOPE Scholarship recipient must work in the State for one year for each year that the scholarship was received, or repay the awards plus interest.

Background: The Maryland HOPE Scholarship Program began distributing awards in fiscal 2001. It is an extension of the Maryland Science and Technology Scholarship and the Maryland Teacher Scholarship programs which provide scholarships to high-performing students who are studying in workforce shortage areas and who pledge to work in the State following graduation. Beginning in fiscal 2002, HOPE Transfer Scholarships will be awarded to students transferring from two-year institutions to four-year institutions. **Exhibit 1** shows the phase-in schedule for academic majors eligible to receive Maryland HOPE Scholarships.

Exhibit 1
Schedule for Adding New Academic Majors to Maryland HOPE Scholarship Eligibility

<u>Fiscal Year</u>	<u>New Academic Majors Eligible for HOPE Scholarships</u>
2001	health professions, business and management, and public affairs
2002	social sciences, fine and applied arts, foreign languages, letters, psychology, communications, agriculture and natural resources, and home economics
2003	interdisciplinary, theology, area studies, legal studies, architecture and environmental resources

State Expenditures: Approximately 178 HOPE scholarships have been awarded in fiscal 2001. The Maryland Higher Education Commission (MHEC) estimates that, if students with grade point averages of 2.5 or greater had been eligible for awards, 55 additional students would have received awards, a 31% increase. This is based on an estimated 2,000 students who would otherwise have been eligible but had grade point averages between 2.5 and 3.0.

For fiscal 2002, the number of HOPE Scholarship awards is estimated at 407. Assuming that the same percentage increase in the number of awards could be applied to fiscal 2002 projections, the number of awards would increase by 126. Assuming the average award amount is stable, general fund expenditures would increase by approximately \$309,600 in fiscal 2002.

The original fiscal 2001 projection for awards through the Maryland HOPE Scholarship Program was 1,064. If the more modest fiscal 2002 projection is high again, expanding the program's eligibility may not require additional program funding at the level shown here. The Governor's proposed fiscal 2002 budget includes \$1 million for Maryland HOPE Scholarships, enough for 407 scholarships at the fiscal 2001 average award amount.

MHEC projects fairly rapid expansion of the Maryland HOPE Scholarship Program beginning in fiscal 2003. **Exhibit 2** shows the MHEC award projections and the anticipated participation increases stemming from this bill, assuming a consistent 31% increase to the number of awards.

Exhibit 2
Projected Maryland HOPE Scholarships, FY 2002 to FY 2006

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Current Law Projected Awards ¹	407	1,230	1,866	2,347	2,739
Average Award	\$2,457	\$2,457	\$2,457	\$2,457	\$2,457
Cost	\$999,999	\$3,022,110	\$4,584,762	\$5,766,579	\$6,729,723
HB 1391 Projected Awards (+31%)	533	1,611	2,444	3,075	3,588
Average Award	\$2,457	\$2,457	\$2,457	\$2,457	\$2,457
Cost	\$1,309,581	\$3,958,227	\$6,004,908	\$7,555,275	\$8,815,716
HB 1391 Cost	\$309,582	\$936,117	\$1,420,146	\$1,788,696	\$2,085,993

¹ Source: Maryland Higher Education Commission

Additional Information

Prior Introductions: None.

Cross File: None.

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

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