

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

Senate Bill 895 (Senator Mitchell)
 Economic and Environmental Affairs and Budget and Taxation

Higher Education - Guaranteed Access Grant Program

This bill makes changes to the Educational Excellence Awards Program and requires that full funding be provided for all students who are eligible for Guaranteed Access Grants awarded under the program.

The bill is effective June 1, 2001.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated \$18.3 million in FY 2002 to fund additional grants at higher award amounts, hire additional administrative staff, and provide grants to local school systems for additional personnel. Future year expenditures reflect an increased number of awards, increased award amounts, increased salaries, and inflation. No effect on revenues.

(\$ in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	18.3	23.6	26.1	28.1	30.2
Net Effect	(\$18.3)	(\$23.6)	(\$26.1)	(\$28.1)	(\$30.2)

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

Local Effect: Local school system grant revenues and expenditures would increase. It is assumed that the full cost of additional teachers, teacher stipends, and administrative staff required by the bill would be funded by the State.

Small Business Effect: None.

Analysis

Bill Summary: This bill requires the State Scholarship Administration (SSA) to notify all public and private school students in grades six through ten of the availability of the Guaranteed Access Grants. A student in ninth or tenth grade who qualifies for the program based on financial need qualifies in advance for the grant if the student agrees to specified terms, including regular meetings with mentors and the avoidance of substance abuse. Each public secondary school must designate at least one program contact person and a program mentor. SSA must designate personnel to coordinate tracking of students who qualify in advance for grants and must provide staff development for local contact persons and mentors. Grants received by secondary school students apply at the time of enrollment in an institution of higher education.

The bill expands eligibility for the Guaranteed Access Grants to include students who: (1) have a grade point of 2.0 or higher; (2) begin college within three years of completing high school; and (3) are of any age.

The maximum award amount for Educational Excellence Awards, including Guaranteed Access Grants, is increased to equal the annual expenses of a full-time resident undergraduate at any public institution of higher education in the State. The length of time a recipient may hold the award is increased from five to six years. Furthermore, if a higher education student provides evidence satisfactory to SSA that there are extenuating circumstances, SSA may renew the award even if the institution does not judge that the student is making satisfactory progress towards a degree.

The bill authorizes SSA to set aside funds to sustain an award for an applicant through the student's graduation. The bill requires all annual grants to be awarded on the basis of need and requires SSA to consider other grants and scholarships received by an applicant when determining awards. The bill requires that funds provided for the Educational Excellence Award Program include funds for the operation of student mentoring programs established by the bill. The bill authorizes the Maryland Higher Education Commission (MHEC) to use money in the Educational Excellence Fund to provide for outreach, professional development, and the establishment and operation of mentoring programs and contact persons defined in the bill.

Current Law: The Program of Educational Excellence Awards presents higher education students with Guaranteed Access Grants, which are awarded to the neediest students to ensure that 100% of educational costs are paid, and Educational Assistance Grants, which are awarded to low and moderate income students to assist in paying educational costs. A recipient of either grant must: (1) be accepted for admission at a four-year institution or enrolled in an associate degree program; (2) be a Maryland

resident; and (3) demonstrate a financial need. A recipient of a Guaranteed Access Grant must: (1) have a high school grade point average of at least 2.5; (2) begin college within one year of completing high school; (3) be under the age of 22 at the time the first grant is awarded; (4) have successfully completed a college preparatory program in high school; and (5) enroll in college as a full-time student.

SSA determines grant amounts based on financial need. The amount of the Guaranteed Access Grant is equal to 100% of the student's financial need, but may not exceed the equivalent annual expenses of a full-time resident undergraduate at the University of Maryland, College Park. Grants may be used to pay tuition and fees and room and board. Grants may be received for up to five years if eligibility criteria are met.

SSA must rank applicants by financial need, and annual initial grants must be awarded on the basis of financial need. If funds are insufficient to satisfy awards for all eligible students, the amount paid to each recipient must be a percentage of the full award. Funds for the Educational Excellence Award Program are as provided in the State budget.

Background: The proposed fiscal 2002 budget includes \$38.8 million for Educational Excellence Awards. In fiscal 2000, 89% of program funding was awarded through Educational Assistance Grants, and 11% was used for Guaranteed Access Grants. In fiscal 2002, an estimated 750 Guaranteed Access Grants will be awarded with an average award amount of \$6,000.

State Expenditures: State expenditures would increase by an estimated \$18.3 million in fiscal 2002 to: (1) pay for additional scholarships, provide higher award amounts, and cover administrative costs (\$9.3 million); and (2) establish the high school student mentoring programs (\$9 million). The estimated costs are detailed below.

Additional Scholarships

The expansion of the scholarship program and the requirement that all eligible students receive full awards would result in increased expenditures estimated at \$9.3 million in fiscal 2002. This estimate includes funding increases for: (1) full funding of Guaranteed Access Grants (\$8.9 million); and (2) administrative expenses at the Maryland Higher Education Commission (MHEC) (\$420,000).

Full Funding of the Guaranteed Access Grants Program

MHEC estimates that 1,574 current high school seniors would be eligible for Guaranteed Access Grants in fiscal 2002 and estimates that 1,354 (86%) would participate in the program. In addition, there are students who have received the award in the past and who

would renew the award, bringing the total number of awards to 1,719 in fiscal 2002. Based on educational costs at four-year colleges and assuming participating students receive an average Pell Grant award of \$2,500 to offset some of the costs, the average award is estimated at nearly \$8,000. The total amount awarded through the grant program is estimated at \$13.4 million. The proposed fiscal 2002 budget includes \$4.5 million for Guaranteed Access Grants; therefore, the increase is estimated at \$8.9 million for fiscal 2002.

The number of grants awarded in future years would increase due to a greater number of renewals, which result from an increase in the number of initial awards. In addition, as high school students who have participated in the student mentoring program begin to attend college, the number of grants would further increase. By fiscal 2006, an estimated 2,420 students would participate in the grant program.

Grant award amounts would increase with increases in educational costs. By fiscal 2006, the average award is estimated at \$9,840 and the total amount for all access grants is estimated at \$23.8 million, an increase of \$19.3 million over the assumed \$4.5 million current law allocation.

Maryland Higher Education Commission Administrative Costs

To process additional grant applications and coordinate the marketing of the grants to high school students, MHEC advises that three additional administrative specialists would be required. It is assumed that the staff could be assembled in time to coordinate mailings during the 2001-2002 school year. The cost for the three positions (\$105,212), plus operating expenses (\$15,114) and printing and postage costs (\$300,000) is estimated at \$420,326. Future year expenditures reflect salary increases and inflation.

High School Student Mentoring Programs

The estimated cost for the high school student mentoring program established in the bill is \$9 million in fiscal 2002. This estimate reflects the cost of hiring new teachers to act as high school contact persons (\$6.4 million), stipends for teachers who act as student mentors (\$1.7 million), local administration of the program (\$740,000), and State personnel to provide staff development and program oversight (\$200,000). Future year cost projections reflect increased salaries, increased teachers' retirement payments, and ongoing operating expenses.

High School Contact Persons

There were approximately 42,100 high school students in the 1999-2000 school year who were eligible to receive free or reduced meals, a rough estimate of the number of students who could qualify in advance for Guaranteed Access Grants. Each high school in the State would require at least one teacher or guidance counselor to act as the program contact person and at least one teacher to act as a mentor for high school students qualifying for the program. Of the 221 high schools in the State, it is estimated that about half would require an additional teacher to carry out the duties assigned to a school contact person. The average salary for a teacher in fiscal 2000 was \$43,720. Assuming this amount would increase by 5% annually in fiscal 2001 and 2002 due to the Teacher Salary Challenge Program, teacher salaries will average \$48,200 in fiscal 2002. Assuming a fringe benefits rate of 20% (not including teachers retirement which is discussed below), each additional teacher would cost \$57,842 in fiscal 2002. To fund 110 new teachers who would act as contact persons for the Guaranteed Access Grants program, State expenditures would increase by an estimated \$6.4 million in fiscal 2002. Future year expenditures would reflect projected increases in teachers' salaries.

The State is responsible for paying teachers' retirement benefits. Since the State payments are based on teachers' salary base in the second prior year, State retirement expenditures under this bill would not increase until fiscal 2004. Due to a 9.35% employer contribution rate and an increased salary base of \$5.3 million in fiscal 2002, State expenditures for teachers' retirement would increase by \$495,750 in fiscal 2004. Future year expenditures would reflect projected increases in teachers' salaries.

Student Mentors

It is assumed that program mentors could be recruited from among existing teachers with the use of stipends. Assuming that half of all high schools would require two mentors and the other half would only need one, approximately 330 mentors would be needed. If a mentor receives an annual stipend of \$5,000, approximately \$1.65 million annually would be required for mentor stipends.

Local Administration

To oversee the individual school contact persons, each local school system would need a system contact person who would be responsible for coordinating the program and tracking school contacts and eligible students. It is assumed that a total of 12 system contacts could serve the 24 school districts, with larger systems having a full contact person and smaller systems sharing a contact person. Assuming a salary and fringe benefits rate similar to that of a teacher, 12 local system contacts would cost

approximately \$740,400 in fiscal 2002. Future year expenditures would reflect projected salary increases.

State Administration and Professional Development Program

SSA would be required to provide staff development for program contacts and mentors and to oversee grants to local school systems. To meet this requirement, MHEC estimates that three staff specialists at an estimated fiscal 2002 cost of \$201,273 would be needed. This estimate assumes that the program could be operating by the start of the 2001-2002 school year. The estimated cost includes salaries and fringe benefits totaling \$172,559, and operating expenses of \$28,714. Future year expenditures reflect salary increases and ongoing travel and instructional materials costs.

Local Fiscal Effect: Local school systems would receive grants from MHEC to hire teachers to act as student mentor program contacts, to employ local system contact persons, and to provide teacher stipends for student mentors.

Additional Information

Prior Introductions: None.

Cross File: HB 1445 (Delegate Rawlings) – Ways and Means.

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

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