

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 568

(Senators Pinsky and Lawlah)

Education, Health, and Environmental Affairs & Budget and Taxation Appropriations

Higher Education - Educational Excellence Awards - Funding

This bill requires the Maryland Higher Education Commission (MHEC) to transfer at least \$2 million from the scholarship funds that are unspent and retained by MHEC each year to Maryland institutions of higher education. The institutions must use the funds to provide Educational Excellence Awards to students who otherwise meet the requirements for the awards but apply after the deadline or have other extenuating circumstances.

The bill takes effect July 1, 2003.

Fiscal Summary

State Effect: Using a portion of the scholarship funds that are carried forward each year for Educational Excellence Awards would not materially affect the total amount provided for scholarships.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: If State funds are made available for the purpose, Maryland institutions of higher education may provide Educational Excellence Awards to students who otherwise meet the requirements for the awards but apply after the deadline or have other extenuating circumstances.

State funds that are appropriated for scholarship programs and are not used by the end of a fiscal year do not revert to the State Treasury. Instead, the funds must be used to make awards in subsequent fiscal years under five need-based financial aid programs: the Educational Excellence Awards Program, the additional need-based grant available to nursing scholarship recipients, the Part-time Grant Program, the Loan Assistance Repayment Program, and the Graduate and Professional Scholarship Program.

Background: The Educational Excellence Awards Program is the primary source of need-based financial aid offered by the State. The program is comprised of two separate types of awards, the Guaranteed Access Grant and the Educational Assistance Grant. The Guaranteed Access Grant is the largest component, and an award under the program covers 100% of financial need when combined with a federal Pell Grant. Educational Assistance Grants are provided to students from families with low to moderate incomes, and annual award amounts range from \$400 to \$2,700. The proposed fiscal 2004 State budget includes \$39.1 million for Educational Excellence Awards, the same amount provided in fiscal 2003. This allowance makes up nearly 50% of all scholarship funds proposed in the fiscal 2004 budget.

The College Readiness for Disadvantaged and Capable Students Act of 2002 (Chapters 315 and 429) provided for the decentralization of a portion of Educational Excellence Awards if State funds are available for the initiative. The decentralization allows institutions of higher education, rather than the Office of Student Financial Assistance (OSFA), to distribute a portion of the Educational Excellence Awards to students who are late in applying for financial aid. These students, who are usually unable to afford college without assistance, would normally receive awards only if State funds remain after initial awards are made. To date, no funds have been decentralized in fiscal 2003.

Chapter 291 of 2001 required scholarship funds that remain unexpended at the end of a fiscal year to “carry forward” to subsequent fiscal years for use towards need-based financial aid awards. Although the practice is relatively new (fiscal 2002 was the first year funds were retained), the annual funding that will be carried forward has been estimated at up to \$4 million.

State Fiscal Effect: Although decentralizing a portion of the Educational Excellence Awards would not impact overall funding for scholarship programs, it is assumed that it would reduce the number of need-based grants awarded by OSFA under the five programs that may be funded with retained scholarship appropriations. At least \$2 million annually would instead be allocated to Maryland institutions of higher education so the institutions could grant Education Excellence Awards to eligible students who did not receive awards from OSFA.

Additional Information

Prior Introductions: None.

Cross File: HB 774 (Delegate Griffith, *et al.*) – Appropriations.

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

Fiscal Note History: First Reader - February 20, 2003
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