

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 440
 Ways and Means

(Delegate King, *et al.*)

Budget and Taxation

Higher Education - Student Financial Assistance Fund

This bill establishes a Student Financial Assistance Fund in the Office of Student Financial Assistance. The continuing, nonlapsing fund consists of repayment obligations that are incurred by recipients of student financial assistance, scholarships, or grants and paid to the State. Expenditures from the fund must be used to award student financial assistance, scholarships, and grants provided through the Maryland Teacher Scholarship, Sharon Christa McAuliffe Memorial Teacher Education Award, and Distinguished Scholar Teacher Award programs. Appropriations from the fund must be made through the annual State budget or by an approved budget amendment. The bill applies to repayments received by the Maryland Higher Education Commission (MHEC) beginning in fiscal 2006.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: General fund revenues would decrease by an estimated \$618,800 in FY 2006 and Student Financial Assistance Fund revenues and expenditures would increase by an equal amount. Future year estimates reflect a projected decline in repayments to the State.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	\$0	(\$618,800)	(\$556,900)	(\$501,200)	(\$451,100)
SF Revenue	0	618,800	556,900	501,200	451,100
SF Expenditure	0	618,800	556,900	501,200	451,100
Net Effect	\$0	(\$618,800)	(\$556,900)	(\$501,200)	(\$451,100)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Repayment obligations incurred by recipients of student financial assistance, scholarships, and grants are paid into the State general fund.

Background: A number of Maryland scholarship and grant programs, most notably the Hope Scholarship Program, require recipients of awards from the State to perform a service obligation upon completion of a college degree. The obligation usually requires the award recipient to work for one year in the State in a specific field or occupation for each year that the scholarship or grant was received. In general, the occupations that awards are tied to are chosen based on workforce shortages in the State. Some examples include teachers, nurses, child care workers, and physical and occupational therapists. If a service obligation is not fulfilled, the total value of the awards plus interest must be repaid.

State Revenues: Revenues from repayment obligations would move from the general fund to a special fund beginning in fiscal 2006. MHEC tracks the repayments and estimates that the State will be receiving a total of \$687,500 in fiscal 2004. A similar amount is projected for fiscal 2005, but after fiscal 2005, the repayments are expected to decline by approximately 10% annually due to recent reductions in the number of Hope scholarships granted each year. In fiscal 2006, the first year the Student Financial Assistance Fund would receive money, revenues for the fund would be an estimated \$618,800.

State Expenditures: It is assumed that funding for the State's three teacher scholarship programs from the Student Financial Assistance Fund would be in addition to general funds appropriated for the programs.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 22, 2004
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