

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 984 (Delegates Zirkin and Quinter)
 Ways and Means

**Juvenile Services Scholarship and Loan Assistance Repayment Program -
 Establishment and Regulation**

This bill establishes a Juvenile Services Scholarship and Loan Assistance Repayment Program to be administered by the Office of Student Financial Assistance (OSFA) within the Maryland Higher Education Commission (MHEC). The program provides: (1) scholarships to qualifying students who agree to work in the State for one year for each year that the scholarship is received; and (2) higher education loan repayment assistance to individuals working with low-income or underserved juveniles. By October 30, 2005 OSFA must submit plans for the implementation of the program. Funding for the program is as provided in the annual State budget.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: General fund expenditures could increase by \$202,700 in FY 2006 to provide scholarships and loan repayment assistance to eligible applicants and administer the new program. Future year expenditure estimates reflect an increasing number of scholarship recipients, a stable number of loan assistance awards, and annualization and inflation for the administrative costs. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	202,700	300,200	403,100	506,200	509,500
Net Effect	(\$202,700)	(\$300,200)	(\$403,100)	(\$506,200)	(\$509,500)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: To qualify for a Juvenile Services Scholarship, an applicant must: (1) be accepted for admission in a regular undergraduate program at an institution of higher education in the State; (2) be a Maryland resident; (3) begin attending an eligible institution within two years of graduating from high school, or provide evidence of extenuating circumstances; and (4) enroll as a full-time student. At the time of the initial award, a recipient must sign an agreement to work in the State for one year for each year that the scholarship is received. An award may be held for up to five years of full-time study.

The scholarship award amount is \$1,000 for a student enrolled in a community college or \$3,000 for a student enrolled in a four-year institution and may be used to pay tuition and mandatory fees. By May 1 of each year, OSFA must send each Senator and Delegate a list of the Juvenile Services Scholarship recipients in each legislative district.

OSFA must also provide higher education loan repayment assistance to individuals who are employed by organizations that work with low-income or underserved juveniles and are exempt from taxation, including the State and local governments. To qualify for loan assistance, an applicant must: (1) receive a graduate, professional, or undergraduate degree from a college or university in Maryland or a school of social work; and (2) receive an income that is less than the maximum eligible total income levels established by OSFA. OSFA must also establish regulations for the loan assistance program that prioritize applicants and provide for an annual review of recipients' eligibility.

Current Law: The Juvenile Services Scholarship and Loan Assistance Repayment Program would be a new State program. OSFA manages approximately 25 student financial assistance programs, including the Developmental Disabilities, Mental Health, Child Welfare, and Juvenile Justice Workforce Tuition Assistance Program and the Janet L. Hoffman Loan Assistance Repayment Program.

Background: Funding for scholarships in the proposed fiscal 2006 State budget increases by \$8.7 million, or 10%, over the fiscal 2005 level. The majority of the increase is the result of enhancements for the need-based aid programs, which are up by \$13.3 million. The HOPE scholarship programs, which address workforce needs, are being phased out and are scheduled to end after fiscal 2007. The Governor has signaled his intent to further increase funding for need-based awards by proposing in budget

reconciliation legislation (SB 127/HB 148) to eliminate legislative scholarships and redirect the funding into need-based financial assistance programs.

The proposed fiscal 2006 State budget includes \$832,500 for the Developmental Disabilities, Mental Health, Child Welfare, and Juvenile Justice Workforce Tuition Assistance Program, the same amount that is provided in fiscal 2005. MHEC advises that this amount is being used to fund 520 awards, and there are an additional 256 eligible applicants on the waiting list.

The Janet L. Hoffman Loan Assistance Repayment Program provides higher education loan repayment assistance for individuals employed in a number of eligible fields, including social work. OSFA reports that 78 social workers are receiving loan repayment awards this year. The proposed fiscal 2006 State budget includes \$2.0 million in general funds for the program, an increase of approximately \$470,000 over the fiscal 2005 amount.

State Expenditures: The bill states that funding for the program is as provided in the annual State budget. To establish a reasonable program, general fund expenditures would increase by an estimated \$202,665 in fiscal 2006, which includes \$100,000 for scholarship awards, \$54,880 for loan repayment assistance, and \$47,785 for OSFA administrative costs. The following information and assumptions were used in calculating this estimate.

- Approximately 50 Juvenile Services Scholarships would be awarded in fiscal 2006. Assuming half of the recipients would be community college students and half would be students at four-year institutions, the average award amount would be \$2,000. Because students may hold more than one State scholarship, the awards would not reduce expenditures for other similar scholarship programs.
- Approximately 20 eligible individuals would receive higher education loan repayment assistance. The average award for the existing loan assistance program is \$2,744, and it is assumed that the loan repayment program that would be established by this bill would have a similar award level.
- OSFA would require one additional administrative specialist to draft a plan to administer the program and manage the new program. The estimated expenditures, \$47,785 in fiscal 2006, assume a 90-day start-up delay following the bill's July 1, 2005 effective date. A salary, fringe benefits, contractual services to upgrade the existing MHEC financial assistance database, other one-time start-up costs, and ongoing operating expenses are included in the estimate.

	<u>FY 2006</u>
Juvenile Services Scholarships	\$100,000
Higher Education Loan Repayment Assistance	54,880
Salaries and Fringe Benefits	32,648
One-time Database Upgrade – Contractual Services	10,000
Other Start-up and Operating Expenses	<u>5,137</u>
Total State Expenditures	\$202,665

Future year expenditures reflect: (1) 50 additional scholarships awarded each year until a level of 200 scholarships per year is reached; (2) 20 loan repayment assistance awards annually; (3) full salaries with 4.6% annual increases and 3% employee turnover; and (4) 1% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Independent College and University Association, Maryland Higher Education Commission, Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2005
mam/rhh

Analysis by: Mark W. Collins

Direct Inquiries to:
(410) 946-5510
(301) 970-5510