

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

Senate Bill 344 (Senator Brochin, *et al.*)
 Education, Health, and Environmental Affairs

Education - General Assembly Scholarships - Modification of Programs

This bill transfers authority for awarding Senatorial and Delegate scholarships from State legislators to the Office of Student Financial Assistance (OSFA) within the Maryland Higher Education Commission (MHEC).

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated \$58,800 to provide for the administration of modified Senatorial and Delegate scholarship programs. Future year expenditures reflect annualization, regular salary increases, and inflation. 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	58,800	45,300	48,200	51,300	54,700
Net Effect	(\$58,800)	(\$45,300)	(\$48,200)	(\$51,300)	(\$54,700)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill requires OSFA to award Senatorial and Delegate scholarships for each legislative district. OSFA must ensure that awards are distributed among full-time students, part-time students, community college and proprietary school students, four-year college undergraduate students, and graduate students. In addition to the existing eligibility criteria for Senatorial and Delegate scholarships, OSFA must adopt guidelines to identify and assist students who do not satisfy the criteria but merit consideration for awards because of special, unforeseen, or changing individual or family circumstances. Scholarship funding for a legislative district that is not used by the end of a fiscal year is retained by MHEC for use in the legislative district in future years.

A current recipient of a Senatorial or Delegate scholarship may continue to receive the award for the duration of the recipient's eligibility period. Beginning in fiscal 2006, any funding that is not used to make an award to a current recipient is retained by MHEC to make awards to other students in the legislative district.

Current Law: Each Senator may award \$138,000 in scholarship funds each year. To qualify for an award, an individual must be a resident of Maryland and demonstrate a definite financial need. An award under the program ranges from \$400 to \$2,000 per year and may be held for up to four years of full-time study or eight years of part-time study. In total, a recipient may not receive more than \$8,000 in awards for undergraduate, graduate, or professional study. A scholarship award may be used to pay educational expenses at a Maryland institution of postsecondary education or, when the desired program of study or appropriate accommodations are not available in Maryland, an out-of-state institution. A Senator must award scholarships prior to September 1 of each year. Any funding that a Senator has not awarded by the September 1 deadline is distributed by MHEC to eligible applicants from the Senator's district.

During a term in office, each Delegate may award the equivalent of four four-year full-time scholarships. Delegates may select scholarship recipients on any basis they consider appropriate. The annual amount of a scholarship for any one recipient may not exceed the tuition and mandatory fees at the University System of Maryland institution with highest annual tuition and fees, not including the University of Maryland University College and the University of Maryland, Baltimore. A scholarship award may be used to pay tuition and mandatory fees at a Maryland institution of postsecondary education or, when the desired program of study or appropriate accommodations are not available in Maryland, an out-of-state institution. Instead of awarding the scholarships themselves, Delegates may authorize MHEC to award funding to eligible applicants under the Educational Excellence Awards program.

Background: The proposed fiscal 2006 State budget includes a total of \$11.3 million for Senatorial and Delegate scholarships, \$6.5 million for Senatorial scholarships and \$4.8 million for Delegate scholarships. However, the Budget Reconciliation Act of 2005 proposed by the Administration would eliminate the legislative scholarship programs and move the funding for the programs into the Educational Excellence Awards Program, which is administered by OSFA and provides awards based on financial need.

The proposed fiscal 2006 State budget includes an increase of approximately \$10 million in State support for Educational Excellence Awards. If the Administration's proposal to eliminate the Senatorial and Delegate scholarship programs is adopted, State funding for Educational Excellence Awards would total \$72.4 million in fiscal 2006, an increase of \$21.4 million or 42%.

State Expenditures: General fund expenditures would increase by an estimated \$58,776 in fiscal 2006, which assumes a new position would be added at MHEC by July 1, 2005 to help with the expanded role of OSFA in awarding Senatorial and Delegate scholarships. The estimate reflects the cost of hiring an additional administrative specialist to enable OSFA to revise current guidelines for the programs, update program applications, process applications, and ensure a balanced approach to awarding Senatorial and Delegate scholarships as prescribed by the bill. A salary, fringe benefits, fiscal 2006 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. The information and assumptions used in calculating this estimate are stated below.

- Under the bill, Senatorial scholarships would be easier to award than Delegate scholarships because financial need would be used as the primary determinant of an award. MHEC's financial assistance database currently has the ability to sort applications and make awards based on need. Thus, the additional administrative costs would be due primarily to the proposed changes in the Delegate Scholarship Program.
- Contractual services to enhance the financial assistance database would enable the system to sort and allocate awards among full-time students, part-time students, community college and proprietary school students, four-year college undergraduate students, and graduate students.

	<u>FY 2006</u>	<u>FY 2007</u>
Salaries and Fringe Benefits	\$43,531	\$44,887
One-time Database Upgrade – Contractual Services	10,000	0
Other Start-up and Operating Expenses	<u>5,245</u>	<u>440</u>
Total State Expenditures	\$58,776	\$45,327

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: HB 993 (Delegate Trueschler) – Ways and Means.

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

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ncs/rhh

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