

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 612

(Delegate Healey, *et al.*)

Ways and Means

**Higher Education - Senatorial and Delegate Scholarships - Transfer of Unspent
Funds to the Janet L. Hoffman Loan Assistance Repayment Program**

This bill requires any funds from the Senatorial and Delegate scholarship programs that have not been spent by the end of Senators' and Delegates' terms to transfer to the Office of Student Financial Assistance (OSFA). OSFA must use the transferred funds to support the Janet L. Hoffman Loan Assistance Repayment Program (LARP).

Fiscal Summary

State Effect: The bill would not impact overall State funding for scholarships. Unused scholarship funds eligible to be retained by OSFA would increase.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Unspent funding for Senatorial and Delegate scholarships is retained for disbursement by individual Senators and Delegates. Most other funding appropriated to State scholarship programs that is not used by the end of the fiscal year is retained to make awards in subsequent fiscal years under one of the State's need-based financial assistance programs, including LARP.

LARP provides funding for the repayment of commercial college loans. To qualify for a LARP award, an individual must work for an organization, institution, association,

society, or corporation in Maryland that is exempt from taxation and must earn an income that is below \$60,000 if the individual is single, or \$130,000 combined with a spouse's earnings if the individual is married.

Background: The proposed fiscal 2007 State budget includes \$6.5 million for Senatorial Scholarships, \$5.1 million for Delegate Scholarships, and \$2.9 million for LARP. In total, the allowance provides \$113.1 million for scholarships, a \$17.7 million increase over the fiscal 2006 appropriation. The majority of the increase is in the Educational Excellence Awards program, the State's primary need-based financial assistance program.

State Fiscal Effect: The bill would not impact overall State funding for scholarships. Most unspent scholarship funds are currently retained by OSFA and may be used to fund need-based financial assistance grants, including LARP, in subsequent fiscal years. The bill would require that unspent funds from the Senatorial and Delegate scholarship programs also be retained and transferred specifically to LARP.

OSFA advises that an average of \$3.3 million has been carried forward in the Senatorial and Delegate scholarship programs the last two years. Under the bill, the funding that is not spent in fiscal 2007 will be transferred to LARP as the terms of Senators and Delegates end. If the funding transferred is similar to the levels carried forward the last two years and ongoing funding for LARP continues at its present level, fiscal 2008 funding for LARP could more than double from its \$2.9 million proposed appropriation in fiscal 2007. Alternatively, the fiscal 2008 State budget could exclude funding for LARP, relying instead on the transferred funds to support the program.

According to OSFA, the average award under LARP is about \$2,600, so \$3.3 million would enable OSFA to make approximately 1,270 awards. OSFA advises that, if the bill is enacted, it will attempt to establish an awarding structure that maintains a stable funding level for LARP.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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