

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE
 Revised

House Bill 3

(The Speaker, *et al.*)

Ways and Means and Health and
 Government Operations

Education, Health, and Environmental Affairs and
 Budget and Taxation

Veterans Advocacy and Education Act of 2006

This bill establishes a Veterans of the Afghanistan and Iraq Conflicts Scholarship and requires the Maryland Department of Veterans Affairs (MDVA) to develop and implement an outreach and advocacy program. In addition, the bill extends the public safety officer death benefit to Maryland residents who are killed in the Afghanistan or Iraq conflicts. A Task Force to Study State Assistance to Veterans is established and must submit an interim report by December 1, 2006 and a final report by December 1, 2007. Finally, the bill expands eligibility for the Edward T. Conroy Memorial Scholarship Program.

The bill takes effect June 1, 2006.

Fiscal Summary

State Effect: General fund expenditures could increase by an estimated \$5.3 million in FY 2007 to support scholarships and death benefits and to hire additional personnel at the Maryland Higher Education Commission (MHEC) and MDVA. Future year expenditure estimates are based on increased costs for scholarship programs, decreasing death benefits payments, regular salary increases, and inflation. Revenues would not be affected.

(\$ in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	5.3	3.5	4.3	5.1	5.7
Net Effect	(\$5.3)	(\$3.5)	(\$4.3)	(\$5.1)	(\$5.7)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary:

Veterans of the Afghanistan and Iraq Conflicts Scholarship

The bill establishes the Veterans of the Afghanistan and Iraq Conflicts Scholarship Program. Veterans of the conflicts, active duty members of the armed forces who served in Afghanistan and Iraq, and members of the reserve or Maryland National Guard who were activated as a result of the conflicts are eligible for the scholarships, as are their children and spouses. To qualify, an applicant must also be a Maryland resident and must be accepted for admission or enrolled in a regular undergraduate program at a Maryland institution of higher education or a two-year terminal certificate program in which the course work is eligible for transfer into a baccalaureate program at a Maryland institution of higher education. Applicants must file for federal and State financial aid annually. Scholarship recipients must maintain a grade point average of at least 2.5 on a 4.0 scale and may hold the scholarship for up to five years of full-time study or eight years of part-time study.

A Veterans of the Afghanistan and Iraq Conflicts Scholarship supplements federal education benefits for which an applicant is eligible and may be used to pay for educational expenses, including tuition and mandatory fees and room and board. The annual amount of a scholarship may not exceed 50% of the equivalent annual tuition, mandatory fees, and room and board at the University System of Maryland institution with the highest annual expenses for full-time resident undergraduates, excluding the University of Maryland University College and University of Maryland, Baltimore. The Office of Student Financial Assistance (OSFA) may not award an initial scholarship under the program after June 30, 2012, although scholarships may be renewed after that date.

Funding for the scholarship program is as provided in the annual State budget. In addition, senators and delegates may authorize OSFA to award their senatorial and delegate scholarship funds to eligible recipients of the scholarships. A Veterans of the Afghanistan and Iraq Conflicts Scholarship Fund is also established, and MHEC may accept gifts or grants for the fund. MHEC must report annually on the status of the fund.

Outreach and Advocacy Program

The bill establishes an outreach and advocacy program within MDVA to ensure that veterans are informed of available federal and State services, benefits, and assistance and to bring issues related to veterans' needs to the attention of the Governor and the General Assembly. The program must help veterans and their dependents access benefits. A director for the program must be appointed by the Secretary of Veterans Affairs to administer and coordinate the program. The director must develop mechanisms for outreach, and MDVA must develop and maintain a database of Maryland veterans.

MDVA must report annually on the outreach and advocacy program, the benefits that have been requested and received by veterans and their families, the status of various veterans programs, and the estimated impact of the current military actions on the needs of veterans in the future.

Death Benefits

The bill extends the public safety death benefit to a Maryland resident who was a member of the uniform services of the United States and was killed in Afghanistan or Iraq. The benefit applies retroactively to uniformed services members serving in Afghanistan on or after October 24, 2001 and to uniformed services members serving in Iraq on or after March 19, 2003.

Task Force to Study State Assistance to Veterans

The bill establishes a Task Force to Study State Assistance to Veterans to be appointed by July 1, 2006. The task force must make recommendations on the availability and accessibility of services for veterans, the efficiency of existing services, the feasibility of establishing new services for veterans, and the potential impact of an increased number of veterans returning from military service. The task force must submit an interim report by December 1, 2006 and a final report by December 1, 2007. The Department of Legislative Services must provide staffing for the task force. The task force terminates December 1, 2007.

Edward T. Conroy Memorial Scholarship

The bill expands eligibility for the Edward T. Conroy Memorial Scholarship to include the child of an armed forces veteran who suffered a service-connected 100% permanent disability, whether or not the veteran was a Maryland resident at the time.

Current Law: There are no scholarship programs specifically for veterans of the Afghanistan and Iraq conflicts. However, the Edward T. Conroy Memorial Scholarship is available to veterans with service-related disabilities and the children of deceased

veterans and veterans who were Maryland residents when they became totally and permanently disabled as a result of military service.

State death benefits are paid to the families of law enforcement officers, correctional officers, volunteer or career firefighters and rescue squad members, and sworn members of the office of the State Fire Marshal who die in the performance of their duties. Death benefits include a payment that increases annually with inflation and funeral expenses of up to \$10,000.

Background: CNN.com reports that the War in Iraq has claimed the lives of 2,479 coalition soldiers, including 2,276 Americans and 33 Maryland residents. The Conflict in Afghanistan has resulted in 337 coalition deaths, including 272 American soldiers and four State residents. Although some reports suggest that as many as one million U.S. troops have served in Iraq and Afghanistan, MDVA advises that this number may include multiple deployments by some troops. Based on the current number of active duty members of the armed forces and National Guard, the number of individuals who have served or are serving in Iraq and Afghanistan may be closer to 500,000. Using the percentage of American casualties suffered by Maryland residents, it is estimated that a total of 7,000 to 9,000 State residents have served or are currently serving in Iraq and Afghanistan.

State Expenditures: General fund expenditures could increase by an estimated \$5.3 million in fiscal 2007 to:

- provide approximately 330 scholarships to veterans of the Iraq and Afghanistan conflicts (\$1.5 million);
- pay the death benefits for 37 soldiers who have died in the conflicts (\$2.6 million) and any additional Maryland casualties that may be suffered in fiscal 2007 (\$576,500);
- provide additional funding for the Conroy scholarship program (\$384,400); and
- support new personnel and administrative costs at MHEC (\$62,000) and MDVA (\$158,500).

Based on the assumptions detailed below, total costs could increase to an estimated \$5.7 million by fiscal 2011.

Veterans of the Afghanistan and Iraq Conflicts Scholarship Program

The bill states that funding for the scholarships is as provided in the annual State budget. Assuming that MHEC would have sufficient funding to distribute scholarships to eligible applicants, general fund expenditures for the scholarships could total \$1.5 million in fiscal 2007 under the following set of assumptions.

- An estimated 4.2% of the eligible veterans and active duty members, approximately 330 individuals, will receive an initial scholarship award in each of the six years initial scholarships are being offered. Over the six-year period, a total of 25% of eligible individuals will be involved with the program.
- Veterans of the Afghanistan and Iraq Conflicts Scholarship recipients are eligible to receive up to 50% of the maximum scholarship amount distributed by MHEC. In the 2005-2006 school year, the maximum award amount is \$17,800. In fiscal 2007, 50% of the maximum award amount is likely to exceed \$9,000. It is estimated that the average fiscal 2007 scholarship amount for the new scholarship program will be approximately \$4,500. This assumes that some of the students will be attending less expensive colleges and universities, will be attending colleges part-time, or will receive other federal and State benefits that offset some of the costs.

Expenditures for the scholarships will increase in each of the next four fiscal years, as scholarship recipients renew their awards and new veterans apply for scholarships. By fiscal 2011, expenditures for the program could total \$5.0 million under the following assumptions.

- Approximately 70% of the scholarships would be renewed annually. This estimate is based on the renewal rate for the HOPE scholarship programs.
- An estimated 330 additional veterans would apply for new awards each year.
- The average award amount would increase by 5% per year due to projected increases in tuition and fees.

The estimated number of awards, average award amount, and total cost of the program for each of the next five years are shown below.

	<u>Number of Awards</u>	<u>Average Award Amount</u>	<u>Cost (\$ in Millions)</u>
FY 2007	330	\$4,500	\$1.5
FY 2008	561	4,725	2.7
FY 2009	723	4,961	3.6
FY 2010	836	5,209	4.4
FY 2011	915	5,469	5.0

In addition to scholarship expenditures, program administrative costs will amount to an estimated \$61,969 in fiscal 2007 to hire an administrative specialist at MHEC to oversee the new scholarship program. The estimate assumes that the new position will begin on

July 1, 2007, in time for scholarships to be awarded for the 2006-2007 academic year. In addition to the salary and fringe benefits, a one-time cost of \$10,000 to add the new scholarship program to the existing MHEC financial assistance database, other one-time start-up costs, and ongoing operating expenses are included in the estimate.

	<u>FY 2007</u>	<u>FY 2008</u>
Salaries and Fringe Benefits	\$46,654	\$48,008
One-time Database Update – Contractual Services	10,000	0
Start-up and Ongoing Operating Expenses	<u>5,315</u>	<u>444</u>
State Expenditures – Program Administration	\$61,969	\$48,452

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

Death Benefits

General fund expenditures will increase by an estimated \$3.2 million in fiscal 2007 to pay death benefits to the families of soldiers who have died in Afghanistan and Iraq. This estimate assumes that the benefits for the 37 soldiers who have already died will be paid in fiscal 2007, along with the benefits for approximately eight additional Maryland service members who could die prior to the end of fiscal 2007. The fiscal 2006 death benefit is approximately \$59,900, plus up to \$10,000 for funeral costs. Future years estimates include the annual inflator and assume fewer Maryland soldiers will die in the coming years as the conflicts subside or end.

Edward T. Conroy Memorial Scholarship Program

Funding for the Conroy scholarship program is as provided in the annual State budget, so expanding the eligibility for the program will not necessarily result in additional funding for the program. However, to ensure sufficient funding to provide scholarships to newly eligible applicants, general fund expenditures could increase by an estimated \$384,400 in fiscal 2007. This estimate was calculated using the following information and assumptions.

- In fiscal 2006, approximately 100 students are receiving Conroy scholarships at a total State cost of approximately \$480,500.
- MDVA reports that there were approximately 4,000 veterans in Maryland receiving compensation for 100% disabilities in 2004. Many of these veterans, and the children of many of these veterans, may already be eligible for Conroy scholarships.

- If 5% of the 4,000 100% disabled veterans (or their children) qualify for a Conroy scholarship as a result of the eligibility expansion in this bill, program eligibility would increase by 200 students.
- However, it is assumed that the addition of the new Veterans of the Afghanistan and Iraq Conflicts Scholarship will offset more than half of the new candidates. In total, an estimated 80 additional students will apply and qualify for Conroy scholarships as a result of the bill.

In future years, the additional amount will increase by an estimated 5% per year to account for growth in award amounts due to tuition increases. If eligibility for the Conroy scholarship program is expanded without additional funding, applicants could be placed on a waiting list or OSFA could be more selective when choosing from eligible applicants.

Maryland Department of Veterans Affairs Enhancements

General fund expenditures could increase by an estimated \$158,524 in fiscal 2007 to fund additional personnel and expenses at MDVA. This estimate assumes a 90-day start-up delay following the bill’s June 1, 2006 effective date and reflects the cost of hiring an administrator to manage the required veterans outreach program and an administrative aide to support the program. In addition to salaries and related expenses, the estimate includes \$50,000 to contract for: enhancements to MDVA’s web site; the development and dissemination of a pamphlet detailing veterans’ benefits; the production of a stand-alone display to use at veteran outreach events; and the development of a veteran database.

	<u>FY 2007</u>	<u>FY 2008</u>
Salaries and Fringe Benefits	\$95,239	\$117,766
Contractual Services	50,000	0
Operating Expenses	<u>13,285</u>	<u>4,929</u>
State Expenditures	\$158,524	\$122,695

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

Program Totals

Projected totals for each initiative over the next five years are estimated in **Exhibit 1**. It is assumed that the Department of Legislative Services could staff the task force with existing personnel and resources.

Exhibit 1
Veterans Advocacy and Education Act
Fiscal 2007 to 2011
(\$ in Thousands)

<u>Program</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Veterans Scholarships	\$1,485	\$2,651	\$3,587	\$4,355	\$5,004
Death Benefits	3,163	295	151	77	0
Conroy Scholarships	384	404	424	445	467
MHEC Administration	62	48	51	55	58
MDVA Administration	<u>159</u>	<u>123</u>	<u>130</u>	<u>137</u>	<u>145</u>
Total	\$5,253	\$3,521	\$4,343	\$5,068	\$5,674

Additional Information

Prior Introductions: A similar bill was introduced last year as HB 3. The House passed the bill, but the Senate Education, Health, and Environmental Affairs Committee took no action on it.

Cross File: SB 305 (Senator Garagiola, *et al.*) – Education, Health, and Environmental Affairs.

Information Source(s): Department of Veterans Affairs, Department of Health and Mental Hygiene, Maryland Higher Education Commission, CNN.com, Department of Legislative Services

Fiscal Note History: First Reader - February 22, 2006
ncs/rhh Revised - House Third Reader - April 4, 2006
Revised - Enrolled Bill - May 2, 2006

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