

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 483 (Senator Schrader, *et al.*)
 Education, Health, and Environmental Affairs

Robert Kittleman Scholarship Reform Act

This bill eliminates the existing Senatorial and Delegate scholarship programs and replaces them with a new Legislative Scholarship Program. Scholarship funds of \$138,000 for each Senator and \$31,000 for each Delegate are available for distribution in each legislative district. Each legislator must distribute 30% of the total scholarship funds to applicants using any criteria the legislator chooses, and the Maryland Higher Education Commission (MHEC) must award the rest of the funds to applicants in the legislative district based on financial need. Alternatively, a legislator may contribute all of the funds to a different scholarship program or have MHEC distribute all of the funds based on need.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: General fund expenditures would decrease by \$682,700 in FY 2007 due to a reduction in the amount of scholarship funds each Delegate could award. Future year expenditures reflect the elimination of inflationary increases in the Delegate Scholarship Program. MHEC could oversee the program with personnel currently managing the Senatorial and Delegate scholarship programs. 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	(.7)	(.9)	(1.2)	(1.5)	(1.8)
Net Effect	\$.7	\$.9	\$1.2	\$1.5	\$1.8

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: To qualify for a legislative scholarship, an applicant must be a resident of the legislative district from which an award is sought and must be accepted for admission in a regular undergraduate, graduate, or professional program in an institution of higher education or enrolled in a two-year terminal certificate program in which the course work is acceptable for transfer into a baccalaureate program in Maryland. A recipient who applies by April 1 is eligible to receive additional scholarship funds for summer school courses. MHEC must notify legislators of the legislative scholarship recipients in their districts.

A legislative scholarship may be awarded in increments of \$100, but may not be less than \$400 or more than \$2,000 for any one recipient. A scholarship may only be used to pay for educational expenses at an institution of higher education in Maryland unless the applicant's program of study is not available in a Maryland institution or appropriate accommodations for the applicant are not available in Maryland. Legislators must award their share of scholarship funds before September 1 of each year. If a legislator fails to award all of the funds by September 1, MHEC must award the rest of the funds to applicants in the legislator's district based on the financial need of the applicants. Any funds for a legislative district that are not used at the end of a fiscal year must be retained by MHEC for use in the district in future years.

A recipient of a Senatorial or Delegate scholarship award made prior to July 1, 2006 may continue to receive the award for the duration of the recipient's eligibility period.

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. Delegate scholarships increase annually with increases in tuition and mandatory fees. 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 the 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 2007 State budget includes a total of \$11.5 million for Senatorial and Delegate scholarships, \$6.5 million for Senatorial scholarships and \$5.0 million for Delegate scholarships. Last year, the Administration proposed eliminating the legislative scholarship programs and moving the funding for the programs into the Educational Excellence Awards Program, which is administered by the Office of Student Financial Assistance and provides awards based on financial need. The proposal was ultimately rejected, and funding for Senatorial and Delegate scholarships was included in the fiscal 2007 budget proposed by the Administration. In addition, the proposed budget provides an increase of \$17.4 million in Educational Excellence Awards.

State Expenditures: The amount the bill provides annually per Senator, \$138,000 or a total of \$6.5 million for the 47 Senators, matches the level of funding for the existing Senatorial Scholarship Program.

General fund expenditures will decrease by \$682,703 in fiscal 2007 due to a reduction in scholarship funding for Delegates. The annual cost per Delegate proposed in the bill is \$31,000, which totals to \$4.37 million for the 141 Delegates. The proposed fiscal 2007 State budget includes \$5.05 million for Delegate scholarships. If this bill is enacted, the fiscal 2007 budget could be reduced by the difference.

Under current law, Delegate scholarships also increase annually with increases to tuition and fees. The bill, however, provides for an annual amount per Delegate that is not subject to inflation. Assuming expenditures for the current Delegate Scholarship Program would increase by 5% annually, the bill will result in a general fund savings of approximately \$935,388 in fiscal 2008 and \$1.8 million by fiscal 2011.

In addition, the legislation would presumably result in an increase in need-based financial assistance. Currently, Senatorial scholarships contain a need component, and Delegate

scholarships do not. Therefore, at least \$6.5 million of the \$11.5 million in the fiscal 2007 allowance for the current Senatorial and Delegate scholarship programs must be distributed based on financial need. This bill will authorize Senators and Delegates to distribute up to 30% of their scholarship funds using any criteria they choose, with MHEC distributing the other 70%, \$7.6 million of the proposed \$10.9 million program, based on financial need. This represents a \$1.1 million increase in need-based financial aid. This figure assumes, however, that Delegates are not currently awarding scholarships based on financial need and that Senators and Delegates will not choose, under this bill, to divert their funds to other scholarship programs that are not based on need.

MHEC advises that it could operate the new Legislative Scholarship Program with personnel who currently administer the Senatorial and Delegate scholarship programs. In addition, MHEC's existing financial assistance database is equipped to make awards based on financial need and could do so for the funds it would allocate under the new program.

Additional Information

Prior Introductions: This bill was introduced last year as SB 547. The Senate Education, Health, and Environmental Affairs Committee took no action on the bill.

Cross File: None.

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

Fiscal Note History: First Reader - February 27, 2006
ncs/rhh

Analysis by: Mark W. Collins

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