

**Department of Legislative Services**  
 Maryland General Assembly  
 2007 Session

**FISCAL AND POLICY NOTE**

House Bill 895 (Delegate James, *et al.*)  
 Ways and Means

**Higher Education - Scholarship Program for Youth at Risk of Joining a Criminal Gang**

This bill establishes a Scholarship Program for Youth At-risk of Joining a Criminal Gang. The Maryland Higher Education Commission (MHEC) must adopt regulations to identify at-risk youth with input from local law enforcement agencies, school personnel, and local boards of education. Scholarship award amounts range from \$400 to \$3,000 and must be used for educational expenses. The Office of Student Financial Assistance (OSFA) must determine the amount of each scholarship based on the financial needs of the applicants. Funds for the program are as provided in the annual State budget.

**Fiscal Summary**

**State Effect:** General fund expenditures could increase by an estimated \$91,700 in FY 2008 to prepare for implementation of the new scholarship program in FY 2009. Future year expenditure estimates reflect the awarding of at-risk scholarships beginning in FY 2009, regular salary increases, and inflation. Expenditure increases could be offset by decreases in costs for other scholarship programs. Revenues would not be affected.

(\$ in millions)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	.1	1.3	2.3	3.0	3.7
Net Effect	(\$.1)	(\$1.3)	(\$2.3)	(\$3.0)	(\$3.7)

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

**Local Effect:** Local school systems and local law enforcement agencies could collaborate with MHEC without incurring additional expenses.

**Small Business Effect:** Minimal.

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## **Analysis**

**Bill Summary:** To be eligible for a scholarship for at-risk youth, an applicant must:

- be a Maryland resident;
- demonstrate a definite financial need;
- have attained a grade point average of at least 2.5 on a 4.0 scale or its equivalent in high school or, on the recommendation of the applicant's principal, provide evidence of extenuating circumstances;
- have completed a college preparatory program in high school;
- be accepted for admission in the regular undergraduate program at a public institution of higher education in Maryland;
- enroll in college as a full-time student;
- begin college within one year of completing high school, or provide evidence of extenuating circumstances;
- be under the age of 22 at the time of the first award; and
- accept any other conditions or satisfy any additional criteria MHEC establishes.

A high school student may prequalify for a scholarship to be used at the time of enrollment in a public institution of higher education in Maryland by agreeing in writing as a secondary and undergraduate student to:

- satisfy the attendance and behavior policies of the applicable school;
- refrain from substance abuse and from becoming a member of a criminal gang or participating in the activities of a gang;
- complete and file on a timely basis an application for federal student aid for each year that the student plans to enroll in postsecondary education; and
- satisfy any other program requirements.

A scholarship recipient may hold an award for up to five years of study in a baccalaureate program or three years of study in an associate degree program as long as the recipient maintains eligibility for the program. OSFA must annually send a list to each State Senator and Delegate of the scholarship recipients from each legislative district.

If the funds appropriated for the Scholarship Program for Youth At-risk of Joining a Criminal Gang are insufficient to fund the awards, the amount of each award must be reduced in accordance with regulations adopted by MHEC. Funds for the program that

remain unspent at the end of the fiscal year are retained by the program for use in future fiscal years but may not be used for administrative expenses. The bill also establishes a Scholarship for At-risk Youth Fund in MHEC that may accept gifts and grants to be used for the program.

The bill authorizes OSFA to enter into reciprocal scholarship agreements with other states, giving priority to contiguous and nearby states. If scholarships are provided to students for use in public institutions of higher education in other states, no more than 10% of the total funds budgeted for the program may be awarded to students attending out-of-state institutions.

MHEC must publicize and report annually on the Scholarship Program for Youth At-risk of Joining a Criminal Gang.

**Current Law:** MHEC oversees approximately 15 student financial aid programs. Although there are no programs that specifically target at-risk youth, a number of the programs contain a financial need component, including the State's largest student financial aid program, Educational Excellence Awards. Guaranteed access grants, which are one component of Educational Excellence Awards, allow high school students in grades 9 and 10 to prequalify for grants to be used at Maryland institutions of higher education under the College Readiness Outreach Program.

**Background:** The reported proliferation of gang activity in Maryland has prompted several initiatives designed to address the problem.

In May 2006, the U.S. Attorney General provided \$30 million in grants to the states through its Project Safe Neighborhoods (PSN) program to support anti-gang efforts nationwide and requested that U.S. Attorneys throughout the nation host local gang prevention summits. A Maryland Gang Summit was held in June 2006. At the summit, the Governor announced the establishment of a coordinating committee to create a statewide database of gang activity in order to adequately assess the extent of the gang problem. Maryland has secured \$2 million in federal funds to create a statewide anti-gang initiative.

The Governor's Office of Crime Control and Prevention and the Maryland U.S. Attorney's Office offered \$15,000 grants for counties to assess local gang-related problems and develop strategies to address them. Thus far, 12 counties and Baltimore City have applied for the grants.

The proposed fiscal 2008 State budget includes \$110.9 million for student financial assistance. **Exhibit 1** shows that State support for student financial aid has increased by

\$31.7 million since fiscal 2003 and has been refocused to direct more aid on the basis of applicants' needs.

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**Exhibit 1**  
**Student Financial Aid**  
**Fiscal 2003 and 2008**

	<b>FY 2003</b>	<b>FY 2008</b>		
	<b><u>Appropriation</u></b>	<b><u>Allowance</u></b>	<b><u>\$ Change</u></b>	<b><u>% Change</u></b>
Need-based Aid	\$43,267	\$86,558	\$43,291	100.1%
Merit-based Aid	4,222	4,200	(22)	-0.5%
Career-Based Aid	22,701	7,456	(15,245)	-67.2%
Legislative Scholarships	8,610	11,349	2,739	31.8%
Unique Populations	<u>456</u>	<u>1,348</u>	<u>892</u>	195.6%
<b>Total Student Aid</b>	<b>\$79,256</b>	<b>\$110,911</b>	<b>\$31,655</b>	<b>39.9%</b>

Source: Maryland Higher Education Commission

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**State Expenditures:** Assuming the first scholarships from the new program would not be awarded until fiscal 2009, general fund expenditures could increase by an estimated \$91,663 in fiscal 2008 to begin preparing for the program. This estimate accounts for the bill's October 1, 2007 effective date and reflects the cost of hiring a staff specialist and an administrative specialist for OSFA to work with law enforcement agencies and local school systems to set up eligibility criteria for the program, establish guidelines for the program, and market the program to high schools around the State. Salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses are included in the estimate.

In addition to ongoing administrative expenses, general fund expenditures would increase in fiscal 2009 in accordance with funding provided in the State budget for the new scholarship program. Based on the information and assumptions described below, expenditures for the scholarships could increase by an estimated \$1.2 million in fiscal 2009 and by \$3.5 million in fiscal 2012.

- It is assumed that approximately 500 at-risk applicants entering college would qualify for scholarships under the new program in fiscal 2009 and in each succeeding year. This represents a little less than 1% of the annual high school graduates from Maryland public schools.

- MHEC estimates that approximately 80% of the awardees would renew their awards in subsequent fiscal years.
- MHEC projects an average award for the program of \$2,385. This estimate is equivalent to the average award amount for educational assistance grants, which have a similar award structure to the one established for the at-risk scholarships.

Projected administrative and scholarship expenditures for the program are detailed in the table below.

	<u><b>FY 2008</b></u>	<u><b>FY 2009</b></u>
Contractual Salary and Fringe Benefits	\$82,080	\$111,842
Scholarships for At-risk Youth	0	1,192,500
Administrative Operating Expenses	<u>9,583</u>	<u>1,788</u>
<b>Total State Expenditures</b>	<b>\$91,663</b>	<b>\$1,306,130</b>

Future year expenditures reflect: (1) an increasing number of scholarship recipients; (2) full salaries with 4.5% annual increases and 3% employee turnover; and (3) 1% annual increases in ongoing operating expenses.

Eligibility criteria for the Scholarship Program for Youth At-risk of Joining a Criminal Gang are similar to the criteria for educational assistance grants. Expenditures for the at-risk scholarships could, therefore, be offset by a reduction in the costs for educational assistance grants.

**Local Fiscal Effect:** To effectively market the Scholarship Program for Youth At-risk of Joining a Criminal Gang to eligible high school students, MHEC would need the cooperation of the local school systems. It is assumed that local school systems could collaborate with MHEC when necessary with available personnel and resources and without impacting local school system budgets.

Local law enforcement agencies could help MHEC develop eligibility criteria for the scholarship program with existing personnel and resources.

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

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