HB 1430

Department of Legislative Services

Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1430 (Delegate Manno, *et al.*)
Ways and Means

Higher Education - Maryland Biotechnology Scholarship Program

This bill establishes a Maryland Biotechnology Scholarship Program for students who demonstrate outstanding potential for and pledge to pursue a career in a biotechnology-related field. To be eligible for a scholarship, an applicant must be a Maryland resident, demonstrate a financial need, and be accepted for admission or enrolled as a full-time student at a Maryland institution of higher education that prepares individuals for careers in biotechnology-related fields. The recipient of an award must agree to work full-time in a biotechnology field for two years for each year that a scholarship is received, and recipients who remain eligible may hold scholarships for up to four years. The annual scholarship amount equals the cost of tuition and mandatory fees at the recipient's institution, but may not exceed the cost for a full-time resident student at the University System of Maryland institution with the highest annual tuition and fees.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated $29,900 in FY 2009 to begin preparation for the implementation of the new scholarship program. Future year expenditure estimates reflect 150 initial participants in the scholarship program in FY 2010, increasing numbers and amounts of awards in future years, and administrative costs associated with operating the program. Revenues would not be affected.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	$0	$0	$0	$0	$0
GF Expenditure	29,900	1,082,000	2,005,600	2,883,800	3,590,300
Net Effect	($29,900)	($1,082,000)	($2,005,600)	($2,883,800)	($3,590,300)

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

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: The recipient of a Maryland Biotechnology Scholarship must sign a letter of intent to work in the State in a biotechnology-related field upon completion of the student's required studies. Performance of this service obligation may not begin before the recipient's graduation and must begin within one year after completion of the recipient's educational program. An award has to be repaid if the recipient does not complete the degree requirements or does not perform the service obligation for two years for each year that the scholarship is received.

The Office of Student Financial Assistance (OSFA) must determine the amount of each award based on financial need, the strength of the each application, and any other criteria established by the Maryland Higher Education Commission. In granting and distributing awards, OSFA must consider providing awards to the maximum number of eligible applicants possible. MHEC must report annually on the Maryland Biotechnology Scholarship Program.

The bill also establishes a Maryland Biotechnology Scholarship Fund in MHEC. MHEC may accept gifts and grants for the fund, and money from the fund may only be used to award Maryland Biotechnology Scholarships.

Finally, the bill states that it is the intent of the General Assembly that Maryland institutions of higher education that prepare students for careers in biotechnology-related fields form relationships with employers in the State's biotechnology sector in order to provide students with professional opportunities, strengthen the State's biotechnology workforce, and promote growth in the biotechnology sector.

Current Law: The Maryland Biotechnology Scholarship Program would be a new scholarship program. OSFA administers close to 20 State scholarship programs. One of these programs, the Workforce Shortage Student Assistance Grant Program, provides financial aid to students who agree to work in Maryland in designated critical shortage fields upon completion of their studies. An Advisory Council on Workforce Shortage makes recommendations to MHEC about the inclusion of additional employment fields in the scholarship program.

Background: Maryland supports a biosciences industry of 370 firms with $450 million in State investment in addition to $12.2 billion in federal funds. The State's Technology Development Corporation (TEDCO) has recently been recognized as the most active early/seed stage investor in the nation by a national business magazine.

The Student Financial Assistance Reform Act of 2005 (Chapter 429) required MHEC to establish a workgroup to study the consolidation of work-based shortage grants into a single grant program. The workgroup submitted a report in December 2005 that recommended a structure and process for consolidating many of the programs. Chapter 367 of 2006 then implemented the workgroup's recommendations, consolidating seven workforce shortage financial assistance programs into the Workforce Shortage Student Assistance Grant Program and establishing an Advisory Council on Workforce Shortage to recommend additional fields for inclusion in the program. MHEC advises that biomedical engineers, along with other professions, have recently been recommended for inclusion in the existing grant program.

The proposed tuition and mandatory fee rates for fall 2008 for resident undergraduate students at University System of Maryland institutions range from $5,140 at Coppin State University to $8,780 at the University of Maryland, Baltimore County, the highest of the USM institutions, excluding the University of Maryland, Baltimore.

State Expenditures: General fund expenditures could increase by an estimated $29,856 in fiscal 2009, which accounts for the bill's October 1, 2008 effective date and a 90-day start-up delay. This estimate reflects the cost of hiring an administrative specialist at MHEC in January 2009 to begin reviewing applications for the Maryland Biotechnology Scholarship Program and to track scholarship recipients once awards have been made. A full-time salary, fringe benefits, one-time start-up costs, and ongoing operating expenses are included in the estimate.

In fiscal 2010, MHEC would begin awarding the new scholarships. The first-year cost of the scholarships is estimated at $1,030,000, which assumes that 150 applicants would receive awards the first year. The information and assumptions used in calculating this estimate are stated below.

- According to MHEC, the HOPE Science and Technology Scholarship Program (which is no longer operating) made 743 awards totaling $2.1 million in its first year. However, the scholarship program established by this bill has a more narrow focus and a financial need requirement. It is assumed that 150 eligible applicants would receive awards in fiscal 2010, approximately 20% of the first-year total for the HOPE Science and Technology Scholarship Program.

- The bill specifies that award amounts are equal to the cost of tuition and mandatory fees. Average award amounts are estimated at $7,000 for students attending four-year institutions and $3,000 for community college students.
- MHEC advises that only 3% of the HOPE Science and Technology Scholarship recipients were community college students. It is assumed that a similar percentage of Maryland Biotechnology Scholarship recipients would be community college students.
- Maryland Biotechnology Scholarships for approximately 145 students at four-year universities would total an estimated $1,015,000 and scholarships for five community college students would total an estimated $15,000.

Estimates of future year scholarship costs reflect an 80% award renewal rate, 150 new awardees each year, and 5% annual increases in the average award amount. By fiscal 2013, an estimated $3.6 million could be awarded under the Maryland Biotechnology Scholarship Program.

	FY 2009	**FY 2010**	**FY 2011**
Scholarships		$1,030,000	$1,950,900
Salaries and Fringe Benefits	$25,236	51,475	54,131
Start-up and Operating Expenses	4,620	520	531
Total State Expenditures	**$29,856**	**$1,081,995**	**$2,005,562**

Future year expenditures reflect • increases in the number of scholarships awarded each year; • 5% increases in the average award amounts; • a salary with 4.4% annual increases and 3% employee turnover; and • 2% annual increases in ongoing operating expenses.

Small Business Effect: Small biotechnology firms could benefit from improved recruitment opportunities if the scholarship program enables additional students to pursue and complete higher education degrees that prepare them for careers in biotechnology.

Additional Information

Prior Introductions: None.

Cross File: SB 888 (Senator Lenett, *et al.*) – Education, Health, and Environmental Affairs.

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

Fiscal Note History: First Reader - March 10, 2008
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