

**Department of Legislative Services**  
 Maryland General Assembly  
 2011 Session

**FISCAL AND POLICY NOTE**

Senate Bill 229 (Senator Brochin, *et al.*)  
 Education, Health, and Environmental Affairs

**Education - General Assembly Scholarships - Modification of Programs**

This bill transfers authority for awarding senatorial and delegate scholarships from State legislators to the Office of Student Financial Assistance (OSFA) within the Maryland Higher Education Commission (MHEC).

The bill takes effect July 1, 2011.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$121,400 in FY 2012 for MHEC to hire a full-time administrative specialist. Future years reflect the elimination of one-time costs after FY 2012, annualization, regular salary increases, and inflation. Revenues are not affected.

| (in dollars)   | FY 2012     | FY 2013    | FY 2014    | FY 2015    | FY 2016    |
|----------------|-------------|------------|------------|------------|------------|
| Revenues       | \$0         | \$0        | \$0        | \$0        | \$0        |
| GF Expenditure | 121,400     | 50,600     | 53,300     | 56,200     | 59,300     |
| Net Effect     | (\$121,400) | (\$50,600) | (\$53,300) | (\$56,200) | (\$59,300) |

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The bill requires OSFA to award senatorial and delegate scholarships for each legislative district. OSFA must ensure that awards are distributed among full-time students, part-time students, community college and proprietary school students, four-year college undergraduate students, and graduate students. In addition to the existing eligibility criteria for senatorial and delegate scholarships, OSFA must adopt guidelines to identify and assist students who do not satisfy the criteria but merit consideration for awards because of special, unforeseen, or changing individual or family circumstances. Scholarship funding for a legislative district that is not used by the end of a fiscal year is retained by MHEC for use in the legislative district in future years.

A current recipient of a senatorial or delegate scholarship including new or increased awards in fiscal 2012, may continue to receive the award for the duration of the recipient's eligibility period. Beginning in fiscal 2012, any funding that is not used to make an award to a current recipient is retained by MHEC to make awards to other students in the legislative district.

**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. Each senator must consider an applicant's financial need. An award under the program may not be lower than \$400 and may not exceed the tuition and mandatory fees at the University System of Maryland (USM) institution with the highest annual tuition and fees, not including the University of Maryland University College (UMUC) and the University of Maryland, Baltimore (UMB). The scholarships may be held for up to four years of full-time study or eight years of part-time 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 or two part-time scholarships for each full-time scholarship available. 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 USM institution with the highest annual tuition and fees, not including UMUC and UMB. 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 Delegate Howard P. Rawlings Educational Excellence Awards program.

**Background:** As early as 1924, some version of senatorial scholarships appeared in Maryland statutes. At that time, scholarship recipients were appointed by local boards of school commissioners (*i.e.*, school boards), with the advice and consent of the local senators. Scholarship recipients were required to teach in Maryland for two years after their college graduation. Although the specific requirements have changed over time, eligibility for a senatorial scholarship has always included a financial need component.

Delegate scholarships were established later, and by 1959 each delegate was authorized to grant a scholarship for the University of Maryland, College Park (UMCP) to one resident of the delegate's district. Although students who received delegate scholarships initially had to demonstrate a financial need, that part of scholarship eligibility was later removed. By the mid-1970s, the use of delegate scholarships was no longer limited to UMCP.

Only relatively minor changes have been made to legislative scholarships in the last 16 years. The Governor's proposed fiscal 2012 budget includes \$6.5 million for senatorial scholarships (\$138,000 per senator) and \$5.2 million for delegate scholarships (\$36,851 per delegate). MHEC reports that legislators awarded approximately 13,750 scholarships in fiscal 2010.

MHEC reports that its new financial aid processing system, known as Maryland College Aid Processing System (MD CAPS), will be fully operational for the fiscal 2012 award cycle that begins in March 2011. MD CAPS includes a legislative portal designed under current statute and guidelines for the legislative scholarships. Under the new system for fiscal 2012 and beyond, MD CAPS will allow each legislator or legislative staff to solicit applications, select eligible recipients, and enter their awards directly into MD CAPS via a secure web portal. Institutions will be able to view the awards and follow established procedures to verify the eligibility of the recipient and authorize OSFA to make payment directly to the institution. OSFA's role under current law will be to provide minimal support to legislators and institutions.

Historically, some legislators have requested that OSFA award their scholarships, and MD CAPS was developed so OSFA could comply. The awarding system was designed so that the system will select students by legislative district that have completed a Free Application for Federal Student Aid (FAFSA) by March 1 of the award year. The system will then calculate the financial need for each student and rank the students according to need. Beginning with students with the most need, MD CAPS is capable of making awards of up to \$1,000 to as many students as possible. The amount of the award is

prorated based on the number of credits a student is taking, and a student with a need of greater than \$1,000 may only receive a maximum award of \$1,000.

**State Expenditures:** In order to implement the bill, MHEC will need additional staff as well as one-time costs to reprogram MD CAPS. General fund expenditures increase by \$121,433 in fiscal 2012, which accounts for a 90-day start-up delay and reflects the cost of hiring an administrative specialist to revise current program guidelines, update program applications, process applications, evaluate applicants with special circumstances, and provide the necessary applicant support. A full-time salary, fringe benefits, start-up costs, and ongoing operating expenses, as well as one-time contractual costs associated with changing MD CAPS to meet the new awarding requirements, are included in the estimate. The information and assumptions used in calculating the estimate are stated below.

- The manner in which MD CAPS makes awards will need to be modified to meet the requirements of the bill. MD CAPS is unable to identify students who may not satisfy the specific criteria for an award but, because of special, unforeseen, or changing individual or family circumstances, merit consideration for an award. In addition, the current system does not attempt to evenly distribute scholarships among the different types of institutions. Currently, the system can only make awards based on the FAFSA information.
- An additional full-time staff person is necessary to support applicants and evaluate applicants with special circumstances each award cycle.

|                                 | <u><b>FY 2012</b></u> | <u><b>FY 2013</b></u> |
|---------------------------------|-----------------------|-----------------------|
| New Position                    | 1                     |                       |
| Salary and Fringe Benefits      | \$36,715              | \$50,068              |
| MD CAPS Development             | 80,000                |                       |
| Operating Expenses              | 383                   | 515                   |
| Start-up Costs                  | <u>4,335</u>          | <u>0</u>              |
| <b>Total State Expenditures</b> | <b>\$121,433</b>      | <b>\$50,583</b>       |

Future year expenditures reflect a time salary with 4.4% annual increase and 3% employee turnover; as well as 1% annual increases in ongoing operating expenses.

MHEC advises that MD CAPS will not be able to be modified in time to meet the September 1, 2011 award deadline for senatorial scholarships.

## **Additional Information**

**Prior Introductions:** SB 344 of 2005 received a hearing in the Senate Education, Health, and Environment Committee, but no further action was taken. Its cross file, HB 344, received an unfavorable report from the House Ways and Means Committee.

**Cross File:** HB 871 (Delegate Frank) – Ways and Means.

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

**Fiscal Note History:** First Reader - February 14, 2011  
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