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FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 1170

(Senator Conway, *et al.*)

Education, Health, and Environmental Affairs

Ways and Means

Next Generation Scholars of Maryland

This bill reestablishes the College Readiness Outreach Program as the Next Generation Scholars of Maryland Program to (1) allow eligible students in grades 7 and 8 (and specified students in grade 9) to prequalify for a Guaranteed Access (GA) Grant; (2) require students to agree in writing to meet specified qualifications; and (3) require that specified services be provided to students participating in the program. For each year from fiscal 2018 through 2023, the Governor must include \$5.0 million in general funds for the program to be administered in school systems in which at least 50% of the students are eligible to receive a free lunch under the National School Lunch Program (NSLP) in the 2015-2016 school year. The bill also establishes a Next Generation Scholars of Maryland Program Fund.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: From FY 2018 through 2023, general fund expenditures increase by at least \$5.0 million, reflecting the mandated appropriation; to implement the program more broadly throughout the State, additional funding is required. Special fund revenues and expenditures increase correspondingly. Beginning in FY 2022, additional funds from the Educational Excellence Award (EEA) Program may be obligated for the GA grant portion of the scholarship program. Revenues are not affected. **This bill establishes a mandated appropriation from FY 2018 through 2023.**

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	\$0	\$5.0	\$5.0	\$5.0	\$5.0
GF Expenditure	\$0	\$5.0	\$5.0	\$5.0	\$5.0
SF Expenditure	\$0	\$5.0	\$5.0	\$5.0	\$5.0
Net Effect	\$0.0	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)

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

Local Effect: No direct fiscal impact, although eligible students in eight school systems qualify to participate in the mandated funding.

Small Business Effect: Minimal for small businesses. However, the bill may have a meaningful impact on nonprofit organizations that may qualify to administer the program in one or all of the pilot school systems.

Analysis

Bill Summary/Current Law: Chapters 315 and 429 of 2002 codified the recommendations of the Task Force to Study College Readiness for Disadvantaged and Capable Students, including establishing the College Readiness Outreach Program. The program allows a ninth or tenth grade student to prequalify on the basis of financial need for a GA grant, to be awarded at the time of enrollment in an institution of higher education, and established a mentoring and guidance program for those students. However, the program has never received State funding; thus, no high school students have prequalified for a GA grant or received counseling or mentoring services through the program.

Prequalification for a Guaranteed Access Grant

Under the bill, a student in grades 7 or 8, rather than in grades 9 or 10, who applies and qualifies for a GA grant on the basis of financial need as established by the Maryland Higher Education Commission (MHEC) must prequalify for a GA grant to be used at the time of enrollment in an institution of higher education if the student otherwise meets the conditions for the program as detailed below. However, for academic years 2017-2018 and 2018-2019, a student in grade 9 may still qualify for a GA grant.

In addition to current requirements, a student prequalifies for a GA grant by agreeing in writing to do the following as a high school and undergraduate student:

- apply for admission to an institution of higher education during the student's senior year of high school;
- participate in the Next Generation Scholars of Maryland Program; and
- maintain a cumulative grade point average of at least 2.5.

Administration of the Next Generation Scholars of Maryland Program

The Maryland State Department of Education (MSDE), in collaboration with MHEC, the local boards of education, local superintendents, and institutions of higher education, must administer the Next Generation Scholars of Maryland Program. The College Readiness Outreach Program is administered jointly by MHEC and MSDE, in collaboration with the local boards of education, local superintendents, and institutions of higher education.

In addition to current requirements, the program must provide guidance and services to students who qualify for a GA grant in grades 7 or 8 (and grade 9 for the 2017-2018 and 2018-2019 academic years) to assist the students in successfully making timely progress to complete a degree program.

Unlike the College Readiness Outreach Program, the Next Generation Scholars of Maryland Program is not required to have statewide and regional coordinators, rather it awards grants to nonprofit organizations to administer the program.

To administer the Next Generation Scholars of Maryland Program, MSDE must:

- publicize the program through community outreach and marketing materials;
- award grants to nonprofit organizations to administer the program;
- solicit applications from nonprofit organizations to administer the program in local school systems; and
- give priority to applications from Maryland-based nonprofit organizations and that include business and institution of higher education partners.

Guidance and Services to Be Provided to Students Participating in the Program

The following guidance and services must be provided to students participating in the program:

- a high school graduation plan;
- summer work or internship opportunities;
- financial aid literacy assistance;
- career interest assessments;
- mentorship and one-on-one counseling;
- visits to college campuses and workplaces;
- an intensive summer bridge program for students entering an institution of higher education directly from high school; and
- a plan to matriculate and graduate from an institution of higher education.

A nonprofit organization that receives a grant to provide the required guidance and services may utilize postsecondary students receiving work-study assistance at Maryland institutions of higher education as well as high school students in grades 11 and 12 who are successfully completing high school.

Funding for Next Generation Scholars of Maryland Program

Except for the mandated funding for the program for fiscal 2018 through 2023, funds for the program must be as provided in the State budget. The cost-sharing provisions for the College Readiness Outreach Program are repealed. MSDE must use the mandated funding to distribute grants to nonprofit organizations that are selected in accordance with the priorities in the bill to administer the program in local school systems in which at least 50% of the students are eligible to receive a free lunch under NSLP in the 2015-2016 school year.

Establishment of a Next Generation Scholars of Maryland Program Fund

The bill establishes the Next Generation Scholars of Maryland Program Fund to provide funds to administer the program. MSDE must administer the fund. The Next Generation Scholars of Maryland Program Fund is a special, nonlapsing fund that consists of (1) money appropriated in the State budget; (2) interest earnings; and (3) any other money from any other source given to the fund. The fund may only be used to administer the program, and expenditures from the fund may be only in accordance with the State budget. Any investment earnings of the fund must be credited to the fund, and the bill exempts the fund from provisions of current law that require investment earnings and interest to accrue to the general fund.

Reporting Requirements

By December 1, 2020, and by December 1, 2022, MHEC and MSDE must report to the Governor and the General Assembly on the implementation of the program including:

- the number of students from each local school system who were prequalified for the GA grant each year of the program;
- the race, disability status, and English language learner status of each participating student who prequalified for the GA grant each year of the program;
- the progress of each participating student through the program, including high school graduation, institution of higher education matriculation and retention rates, and, if applicable, institution of higher education graduation rates;

- the amount and quality of services provided by nonprofit organizations to participating students, including the use of college work-study students and high school students as mentors and counselors;
- the nonprofit organizations that received grants under the program, including any other entities that provided services such as institutions of higher education, the business community, and local school systems;
- the amount of financial aid, in addition to the GA grant, that participating students received each year that the students were enrolled in an institution of higher education; and
- findings and recommendations on the success of the program and whether funding for the program should be continued or expanded.

Delegate Howard P. Rawlings Educational Excellence Award Program

The Delegate Howard P. Rawlings EEA Program consists of two types of awards: (1) GA grants that are awarded to the neediest students to ensure that 100% of educational costs are paid; and (2) Educational Assistance (EA) grants that are awarded to low- and moderate-income students to assist in paying educational costs.

The GA grant is a need- and merit-based scholarship intended to meet 100% of financial need for full-time undergraduates from low-income households. MHEC extended the income limits for renewals to 150% of the federal poverty level to prevent a student who may work in the summertime from exceeding the original 130% income cap.

The GA grant when combined with a federal Pell grant covers 100% of need for the State's lowest income students. The maximum award is capped at the cost of education at the highest cost four-year University System of Maryland institution, excluding the University of Maryland, Baltimore and the University of Maryland University College. The maximum award in fiscal 2015 was \$16,500, and the maximum award in fiscal 2016 is \$17,500. Students that meet all program criteria, such as enrolling directly from high school and having certain family income limits, are guaranteed funding.

Qualified applicants must have a cumulative high school grade point average of at least 2.5 on a 4.0 scale. In addition, a recipient must be age 22 or younger at the time of receiving the first award, have successfully completed a college preparatory program in high school, enroll in college as a full-time student, and meet any additional criteria established by MHEC.

The fiscal 2017 State budget includes \$80.0 million for the Delegate Howard P. Rawlings EEA Program. According to the *Managing for Results* document, in fiscal 2015, the Office of Student Financial Aid within MHEC awarded 1,492 GA grants, totaling \$18.2 million. There were 3,329 applicants for GA grants, and 294 awards were declined or canceled.

College Outreach

Chapter 201 of 2015 established the MHEC Outreach and College Access Pilot Program, which requires MHEC to target college information to low-income Maryland high school students to promote high school completion and college enrollment. This is broad based and could include promotion of existing State financial aid programs, like the GA grant, online resources, like MDGo4It, or entirely new initiatives. MHEC was also required to establish a grant to obtain matching funds from nonprofit organizations and determine, after two years, whether its efforts have a significant impact.

In its response to the 2015 *Joint Chairmen's Report (JCR)* titled College Access Outreach Plan, MHEC indicated that it annually provides outreach to more than 12,000 students using existing resources and federal grants. For example, the federal College Access Challenge Grant is budgeted for \$1.0 million in fiscal 2017, but it expires that fiscal year. MHEC also receives \$0.4 million in GEAR-UP funding from MSDE administrative costs for raising college awareness among a cohort of students who graduate from high school in fiscal 2021. In 2021, MHEC will disburse nonbudgeted federal funds, currently in a trust, for financial aid for this cohort. MHEC has about \$250,000 in new general funds for outreach projects to support new efforts. However, MHEC does not currently have a communications staff member in a full-time position, and one of its current personnel vacancies is the director of grants management position.

The MHEC response to the 2015 JCR advises that it focused on services available to Baltimore City high schools. MHEC reported that it provides brochures and YouTube videos to all such schools and that financial aid presentations are made at more than half of high schools where 75% or more students are eligible for free and reduced-price meals (FRPM).

The Maryland Independent College and University Association advises that its institutions partner with numerous organizations focused on college-bound students who can benefit from the information disseminated through outreach programs, including College Bound and First Generation College Bound.

National School Lunch Program

NSLP is one of the federal programs for FRPM in schools. To be eligible for free meals, a child must be from a family with an annual income at 130% or less than the federal poverty guidelines, which is \$31,525 for a child from a family of four for the 2015-2016 school year. To be eligible for reduced-priced meals, a child must be from a family with an annual income at 185% or less than the federal poverty guidelines, or \$44,863 for a child from a family of four for the 2015-2016 school year.

The following eight local school systems meet the qualifications for the \$5.0 million mandated appropriation from fiscal 2018 through 2023 for the Next Generation Scholars of Maryland Program to be administered in the school system due to having at least 50% of their students eligible to receive *free* lunch under NSLP during the 2015-2016 school year:

- Allegany County Public Schools;
- Baltimore City Public Schools;
- Caroline County Public Schools;
- Dorchester County Board of Education;
- Kent County Board of Education;
- Prince George's County Public School System;
- Somerset County Public School System; and
- Wicomico County Board of Education.

Background: Research suggests that low-income high school students may opt out of preparing for college because they believe a postsecondary education is more than they or their parents can afford. In response to this research, a variety of programs such as the privately funded “I Have A Dream” project and Indiana’s “Twenty-first Century Scholars” program were established and became known as “early commitment” programs. Early commitment financial aid programs provide the promise of financial aid to students from low-income families, who are less likely to pursue higher education and complete a degree program, combined with counseling and support services to assist these students in graduating from high school prepared for college, and matriculating in and graduating from college. Three states currently have early commitment programs: Indiana, Oklahoma, and Washington State. Students participating in early commitment programs typically have higher high school graduation rates and higher college matriculation rates than low-income students who do not participate in the programs.

State Expenditures: From fiscal 2018 through 2023, general fund expenditures increase by at least \$5.0 million. The mandated appropriation, which is specifically to be used to fund the Next Generation Scholars of Maryland Program in local school systems that had at least 50% of their students eligible to receive *free* lunch under NSLP during the 2015-2016 school year, is set at \$5.0 million. Additional funding may be provided to fund the program more broadly statewide; any such funding has not been included in this estimate.

Special fund revenues to the new fund established by the bill and expenditures from the fund increase correspondingly. This analysis does not reflect any additional special fund revenues that may accrue to the fund from investment earnings or from other sources. Any unused funds and investment earnings may be retained in the special fund for use in future years. This analysis assumes that the full mandated appropriation of \$5.0 million is spent each year.

The mandated appropriation includes funding for MSDE to hire a full-time education program specialist to oversee the program and approximately \$4.9 million for awards to nonprofit organizations to operate the program in eight local school systems. Beginning in fiscal 2022, additional funds from the EEA Program may be obligated for the GA grant portion of the scholarship program as the first ninth graders in the Next Generation Scholars of Maryland Program matriculate at higher education institutions. The following information and assumptions are used in this estimate.

- The bill mandates that \$5.0 million be appropriated for the Next Generation Scholars of Maryland Program for six years. The new special fund consists of money appropriated to the program, and the purpose of the fund is to provide funds for the administration of the program. Thus, a portion of the mandated appropriation is used by MSDE to hire a full-time education program specialist to oversee the program and the remainder is awarded to nonprofit organizations to operate the program in local school systems.
- Beginning in fiscal 2018, it will cost approximately \$100,000 per year for MSDE to hire a full-time education program specialist. This estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.
- Approximately \$4.9 million annually from the \$5.0 million mandated appropriation will be available for grants for nonprofit organizations to operate the Next Generation Scholars of Maryland Program in the eight qualified local school systems (*i.e.*, Allegany, Caroline, Dorchester, Kent, Prince George's, Somerset, and Wicomico counties and Baltimore City).

- To award grant funds to nonprofit organizations to operate the Next Generation Scholars of Maryland Program in the other 16 counties, or to continue the program beyond fiscal 2023 in the 7 counties and Baltimore City, additional funding will be required. Any such funding is discretionary, however, and has not been included in this estimate
- Due to additional students in grades 7, 8, and 9 prequalifying for the GA grant program during the 2017-2018 school year (fiscal 2018) (and beyond), additional funds from the EEA Program may be obligated for the GA grant portion of the scholarship program beginning in fiscal 2022 when those ninth grade students enroll in college in the 2021-2022 academic year. The EEA Program, which includes the GA grants and EA grants, receives a single appropriation. Since the GA grant program is an entitlement, students eligible for the GA grant program receive funding from the EEA appropriation before EA awards are made. Thus, additional funding will not be required; however, additional funding may be required to fund the EA grant at the same level.

Additional Information

Prior Introductions: None.

Cross File: HB 1403 (Delegate McIntosh, *et al.*) - Ways and Means.

Information Source(s): Maryland State Department of Education, Maryland Higher Education Commission, Department of Budget and Management, Maryland Independent College and University Association, University of Southern California Rossier School of Education, Department of Legislative Services

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