

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 281 (Delegate Smith, *et al.*)
 Ways and Means

Edward T. and Mary A. Conroy Memorial Scholarship Program - Eligibility

This bill expands the eligibility requirements for the Edward T. and Mary A. Conroy Memorial Scholarship programs to include veterans and members of the armed forces who have completed active duty after serving for at least four years or are currently on active duty and have been serving for at least four years, as well as their spouses and children.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: Using one set of assumptions (as explained below), general fund expenditures increase by an estimated \$24.2 million per year beginning in FY 2018, when the Maryland Higher Education Commission (MHEC) is required to reimburse postsecondary institutions in the State for scholarships awarded in FY 2017. Postsecondary institutions in the State must award the scholarships to all eligible individuals and bear the cost of the scholarship until they are reimbursed by MHEC; thus, higher education expenditures increase beginning in FY 2017, with revenues increasing from reimbursement beginning in FY 2018. Otherwise, it is assumed that public four-year institutions of higher education and Baltimore City Community College can administer the scholarship with existing resources and that MHEC can update scholarship guidelines using existing resources. **This bill expands an entitlement program, with a mandated appropriation beginning in FY 2018.**

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Higher Ed Rev.	\$0	-	-	-	-
GF Expenditure	\$0	\$24.2	\$24.2	\$24.2	\$24.2
Higher Ed Exp.	-	-	-	-	-
Net Effect	\$0.0	(\$24.2)	(\$24.2)	(\$24.2)	(\$24.2)

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

Local Effect: Expenditures and revenues increase at local community colleges as a result of awarding more scholarships and subsequently receiving more State reimbursements. Colleges with a large number of scholarship recipients attending may face cash flow problems while waiting for reimbursement from MHEC. It is assumed that colleges can administer the scholarship with existing resources. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The bill repeals the cap of 15 on the number of recipients who may receive a scholarship due to having a service-connected disability of 25% or greater and exhausting or no longer being eligible for federal veterans' educational benefits. Finally, the bill provides that a scholarship for specified veterans or members of the U.S. Armed Forces and their spouses and children cannot exceed the maximum Conroy scholarship amount when *combined* with any other scholarship received due to the recipient's status as a veteran or member of the U.S. Armed Forces or the spouse or child of a veteran or member of the U.S. Armed Forces.

Current Law: The Edward T. and Mary A. Conroy Memorial Scholarship programs award postsecondary education financial assistance to several categories of students. Specifically, the following categories of students are eligible for a Conroy scholarship:

- the child or surviving spouse of a member of the U.S. Armed Forces who died or suffered a service-connected 100% permanent disability;
- the child of a member of the U.S. Armed Forces who was declared to be a prisoner of war or missing in action as a result of the Vietnam conflict;
- an individual who was a prisoner of war as a result of the Vietnam conflict;
- the child a State or local public safety employee who was killed in the line of duty or who suffered an injury in the line of duty resulting in 100% disability;
- a public safety employee who is disabled;
- a veteran who suffers a service-related disability of 25% or greater and has exhausted all federal veterans' educational benefits; and
- the child or surviving spouse of a victim of the September 11, 2001 terrorist attacks.

The Jean B. Cryor Memorial Scholarship Program, which is not altered by this bill, makes the same type of financial assistance available to the child or surviving spouse of a public or nonpublic school employee who, as a result of an act of violence, died in the line of duty

or is 100% disabled due to an injury sustained in the line of duty. Individuals eligible for either scholarship may be awarded up to \$3,000 annually to attend a postsecondary institution in the State for five years of full-time study or eight years of part-time study.

Postsecondary institutions include public, private nonprofit, and for-profit institutions of higher education as well as private career schools. Postsecondary institutions verify eligibility and award scholarships to eligible students. In October and February of each year, each postsecondary institution must report to MHEC the number of students eligible for an Edward T. and Mary A. Conroy Memorial Scholarship or a Jean B. Cryor Memorial Scholarship. After verifying the number of eligible students for both programs, MHEC must allocate the funds for awards to the postsecondary institutions. If funds cannot be allocated in the fiscal year in which awards are made, priority must be given to allocating funds for those awards in the following fiscal year.

An applicant must be a resident of Maryland or have been a resident of the State at the time of the event that made the applicant primarily eligible for the scholarship. Likewise, an applicant must be accepted for admission or enrolled in the regular undergraduate, graduate, or professional program at an eligible institution or be enrolled in a two-year terminal certificate program in which the course work is acceptable for transfer credit for an accredited baccalaureate program.

Awards may not exceed tuition and mandatory fees of a full-time undergraduate Maryland resident at a four-year institution within the University System of Maryland, other than the University of Maryland University College and the University of Maryland, Baltimore, with the highest annual expenses for a full-time resident undergraduate. Awards also may not be less than \$3,000 or the equivalent annual tuition and mandatory fees of the institution attended by the recipient of the scholarship, whichever is the least. Scholarships may be used at private or public four-year institutions or community colleges, and they may be used for undergraduate or graduate study.

A “veteran” is defined as an individual who served on active duty in the U.S. Armed Forces, other than for training, and was discharged or release under conditions other than dishonorable.

Veterans of the Afghanistan and Iraq Conflicts Scholarship

Veterans and active-duty members of the U.S. Armed Forces who served in Afghanistan and Iraq, and members of the reserve or Maryland National Guard who were activated as a result of the conflicts, are eligible for the scholarships, as are their children and spouses. To qualify, an applicant must also be a Maryland resident and must be accepted for admission or enrolled in a regular undergraduate program at a Maryland institution of higher education or a two-year terminal certificate program in which the course work is

eligible for transfer into a baccalaureate program at a Maryland institution of higher education. Applicants must file for federal and State financial aid annually. Scholarship recipients must maintain a grade point average of at least 2.5 on a 4.0 scale and may hold the scholarship for up to five years of full-time study or eight years of part-time study.

A Veterans of the Afghanistan and Iraq Conflicts Scholarship supplements federal education benefits for which an applicant is eligible and may be used to pay for educational expenses, including tuition and mandatory fees and room and board. The annual amount of a scholarship may not exceed 50% of the equivalent annual tuition, mandatory fees, and room and board at the University System of Maryland institution with the highest annual expenses for full-time resident undergraduates, excluding the University of Maryland University College and University of Maryland, Baltimore. The Office of Student Financial Assistance (OSFA) in MHEC may not award an initial scholarship under the program after June 30, 2020, although scholarships may be renewed after that date.

Funding for the scholarship program is as provided in the annual State budget. In addition, senators and delegates may authorize OSFA to award their senatorial and delegate scholarship funds to eligible recipients of the scholarships. A Veterans of the Afghanistan and Iraq Conflicts Scholarship Fund is also established, and MHEC may accept gifts or grants for the fund. MHEC must report annually on the status of the fund.

Post-9/11 GI Bill

In 2008, the U.S. Congress created the Post-9/11 GI Bill, which provides enhanced federal educational aid for veterans serving after 9/11. Veterans who meet eligibility requirements for this program receive a housing allowance, a stipend for books and supplies, and funds to support the cost of attendance, up to the cost of in-state tuition for the most expensive undergraduate program of study at a public university. The Post-9/11 GI Bill marked a significant increase in federal educational support for those serving in the U.S. Armed Forces after 9/11.

Under the Post-9/11 GI Bill, a veteran who has served or committed to serve in the U.S. Armed Forces for at least 10 years may transfer GI benefits to children and spouses. Once that benchmark is met, an eligible active-duty military individual may transfer any unused benefits or the entire 36 months, if the member has used none.

The Post-9/11 Veterans Educational Assistance Improvements Act of 2010 changes the way federal Post-9/11 veterans' benefits are applied. Effective August 2011, institutional and State financial aid awarded through the program will be applied to the cost of tuition first, followed by federal veterans' benefits – making the federal government the last payer of aid.

Other Scholarship and Grant Programs for Veterans

In addition, there are other scholarship and grant programs for veterans, including the Yellow Ribbon Program and the federal Iraq & Afghanistan Service Grant.

Background: Under federal law, specified veterans of the U.S. Armed Forces are entitled to Veterans Education Benefits (known as GI Bill benefits) from the federal government under the Post-9/11 GI Bill and the Montgomery GI Bill. Under certain circumstances, veterans may transfer their benefits to their dependents. In addition, a child of a person who died in the line of duty after September 11, 2001, while serving on active duty as a member of the U.S. Armed Forces is entitled to Veterans Education Benefits. Veterans and their dependents using GI Bill benefits are entitled to pay in-state tuition under most circumstances.

An active-duty member of the U.S. Armed Forces and his or her spouse and financially dependent children are exempt from nonresident tuition charges if the member is stationed in Maryland, resides in Maryland, or is domiciled in Maryland. If the member ceases to be stationed in Maryland, reside in Maryland, or be domiciled in Maryland, the spouse and/or children of the member remain qualified for resident tuition if the spouse and/or children are continuously enrolled at a public institution of higher education

According to the *Managing for Results* document, in fiscal 2015, there were 162 Conroy scholarships awarded and the total award amount was \$984,589, or an average award of \$6,077.

State Fiscal Effect: Using one set of assumptions (as explained below), general fund expenditures increase by an estimated \$24.2 million per year beginning in fiscal 2018, when MHEC is required to reimburse postsecondary institutions in the State for scholarships granted in fiscal 2017. Postsecondary institutions in the State must grant the scholarships to all eligible individuals and bear the cost of the scholarship until they are reimbursed by MHEC, which may lead to cash flow problems at institutions with a large number of scholarship recipients. It is assumed that postsecondary institutions can administer the scholarship with existing resources. MHEC can update scholarship guidelines using existing resources. The following information and assumptions were used in this estimate.

- According to the U.S. Department of Veterans Affairs, 437,762 veterans lived in Maryland in 2014. It is assumed that 100% served for at least four years for the purposes of this estimate. Based on the percentage of veterans nationwide of various ages provided by the U.S. Census Bureau, an estimated 144,899 veterans are between 18 and 54 years old. However, 35% of veterans in Maryland already have a bachelor's degree; thus, an estimated 94,184 veterans could use the scholarship.

- According to the U.S. Department of Veterans Affairs, there are 380,135 male veterans and 57,627 female veterans living in Maryland; 66.5% of male veterans are married and 47.3% of female veterans are married. Thus, there are an estimated 280,048 married veterans living in Maryland. Of those, based on the percentage of veterans nationwide of various ages provided by the U.S. Census Bureau, an estimated 92,696 are between 18 and 54 years old. It is assumed that all of the estimated 92,696 spouses are eligible for the scholarship. Since 38% of nonveterans in Maryland already have a bachelor's degree, it is assumed that 57,472 spouses could use the scholarship.
- According to the U.S. Census Bureau, families in Maryland (with or without children) have an average of 0.88 children. For the purposes of this estimate, it is assumed that only married veterans between 35 and 54 years of age have children eligible for the scholarship. Therefore, it is assumed that 60,871 children of veterans are eligible for the scholarship.
- In 2014, according to the Defense Manpower Data Center Active Duty Military Personnel Master File, approximately 28,100 active-duty members of the U.S. Armed Forces live in Maryland. Since the majority (86.1%) of active-duty members are age 40 or younger, it is assumed that all active-duty members and their spouses could use the scholarship. According to the same data source, 51.4% of active-duty service members are married; thus, approximately 14,443 active-duty members who live in Maryland have a spouse. Since the majority of these spouses are younger, it is assumed that all of active-duty spouses are eligible; however, this may slightly over estimate the number eligible.
- According to the U.S. Census Bureau, families in Maryland (with or without children) have an average of 0.88 children. For the purposes of this estimate, it is assumed that only married active-duty members older than 36 have children eligible for the scholarship. Therefore, it is assumed that 3,076 children of active-duty service members are eligible for the scholarship.
- Thus, an estimated 258,146 additional individuals may be eligible for the Conroy scholarship under the bill. According to the Maryland Longitudinal Data Center, approximately 78% of students who graduate from a Maryland high school eventually attend college. Thus, it is assumed that 201,354 of those eligible will attend college.

- For the purposes of this estimate it is assumed only 2% of eligible individuals take advantage of the scholarship each year. Thus, an estimated 4,000 individuals apply for the scholarship each year. Based on the average scholarship amount in fiscal 2015, it is assumed that \$6,000 scholarships are awarded. Thus, general fund expenditures increase by an estimated \$24.2 million annually beginning in fiscal 2018 when the first reimbursements are made.
- This estimate does not factor in the cumulative impact of individuals who receive an award for more than one year (which could result in a doubling of expenditures to \$48.3 million in fiscal 2019, a tripling to \$72.5 million in fiscal 2020, and so on for at least five years – since recipients may hold the award for five years of full-time study). Rather, it assumes only 2% of all eligible individuals receive an award each year.
- To the extent that eligible individuals under the bill also receive federal veterans' education benefits, a portion of the increased cost of the scholarships will be offset. The amount or frequency of such an offset cannot be determined.
- According to the U.S. Census Bureau data, at least 9% of veterans have a service-connected disability of 30% or greater. Therefore, based on the number of veterans in Maryland, more than 35,280 veterans have a service-connected disability of 30% or greater. It is unknown how many of these individuals have exhausted their federal benefits. However, it is assumed that the majority of these individuals are eligible as veterans who have met the service requirements; thus, they are not counted in the estimate.

Actual expenditures depend on the number of eligible individuals who apply for the scholarship each year, whether they hold the scholarship for multiple years, and the amount of the scholarship.

Expenditures and revenues for public four-year institutions and Baltimore City Community College increase due to awarding additional scholarships and receiving reimbursement from MHEC. Institutions with a large number of scholarship recipients attending may face cash flow problems while waiting for reimbursement from MHEC.

Local Fiscal Effect: Expenditures and revenues increase at local community colleges as a result of awarding more scholarships and subsequently receiving more State reimbursements. Local community colleges with a large number of scholarship recipients attending may face cash flow problems while waiting for reimbursement from MHEC. Local community colleges are particularly likely to face such problems due to their reliance on tuition and fees and since the scholarship considerably lowers the cost of attendance.

Additional Comments: Expenditures and revenues for private, nonprofit, and for-profit institutions also increase to the extent that eligible individuals attend their institutions and apply for the scholarship. Institutions with a large number of scholarship recipients may face cash flow problems while waiting for reimbursement from MHEC.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, Baltimore City Community College, Department of Veterans Affairs, U.S. Census Bureau, Defense Manpower Data Center, Department of Legislative Services

Fiscal Note History: First Reader - February 10, 2016
md/rhh

Analysis by: Caroline L. Boice

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