

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 464

(Senator Madaleno, *et al.*)

Education, Health, and Environmental Affairs

Ways and Means

Higher Education - College Admissions Outreach Program for High-Achieving Students - Establishment

This bill establishes the College Admissions Outreach Program for High-Achieving Students. The purpose of the program is to encourage more low-income, high-achieving students to enroll in an institution of higher education that is a good academic and financial fit for the student. The Maryland Higher Education Commission (MHEC) and the Maryland State Department of Education (MSDE), in collaboration with local boards of education, local superintendents, and institutions of higher education, must jointly administer the program, including a grant program for public and private, nonprofit four-year institutions that enroll and graduate eligible students through an approved admissions program.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: General fund expenditures increase by \$70,700 in FY 2017 for MHEC to implement the College Admissions Outreach Program for High-Achieving Students. Future years reflect elimination of one-time costs, ongoing expenses, annualization, and inflation; beginning in FY 2021 at the earliest, general fund expenditures also increase by \$606,000 for the grant program for institutions under the assumptions discussed below. Higher education revenues increase at public four-year institutions of higher education that decide to implement an approved admissions program for eligible students for each eligible student that graduates, but not until FY 2021 at the earliest.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Higher Ed Rev.	\$0	\$0	\$0	\$0	-
GF Expenditure	\$70,700	\$57,300	\$58,800	\$60,300	\$667,900
Net Effect	(\$70,700)	(\$57,300)	(\$58,800)	(\$60,300)	(\$667,900)

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

Local Effect: Local school systems can administer the program using existing resources.

Small Business Effect: None.

Analysis

Bill Summary: An academically high-achieving student in grade 10, 11, or 12 at a high school in the State who has an annual family income below a poverty index determined by MHEC is eligible for the program. The program must provide the following information to each eligible student at no cost to the student: (1) information on college admissions and college application fee waivers; and (2) material encouraging students to apply to at least four institutions of higher education during the student's application process. The program must also collaborate with the College Board, local boards of education, and local superintendents to identify students eligible for the program and make the contact information of eligible students available to the institutions of higher education that agree to develop and implement an admissions program as described below.

A public or private, nonprofit institution of higher education in the State that does not allow open access to its institution may access the list of eligible students compiled by MHEC if the institution agrees to submit to and have approved by MHEC a promotion plan that (1) admits eligible students without an application or (2) markets directly to eligible students to encourage these students to apply to an institution of higher education and describes in detail the institution's streamlined application process for eligible students.

Finally, the program must establish a grant program that makes an award to an institution of higher education for each eligible student who enrolls in the institution using one of the admissions processes described above and who graduates from the institution.

MHEC and MSDE must adopt regulations to define a "high-achieving student" and may adopt any other regulations necessary to implement the bill. Funds for the program are as provided in the State budget.

By November 1, 2016, MHEC must submit a report to the Senate Education, Health, and Environmental Affairs Committee and the House Committee on Ways and Means on MHEC's plan, developed in collaboration with each of the four-year institutions of higher education in the State, to inform students who attend public high schools in which at least 75% of the student population is enrolled in the National School Lunch Program (NSLP) about the College Admissions Outreach Program for High-Achieving Students.

Current Law/Background: The Guaranteed Access (GA) grant is a component of the Delegate Howard P. Rawlings Educational Excellence Awards program that covers 100%

of need when combined with a federal Pell grant 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.

MHEC recently 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 for new awards. Almost all students receiving aid through this program have expected family contributions of \$3,850 or less.

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.

To prequalify for a GA grant, an eligible student must agree to (1) satisfy the attendance policy at the school the student is attending; (2) refrain from substance abuse; (3) file for federal financial aid each year that the student plans to enroll in postsecondary education; and (4) participate in the College Readiness Outreach Program until graduating from high school and matriculating at an institution of higher education.

If funded, the College Readiness Outreach Program would provide guidance to students who qualify for GA grants while in ninth or tenth grades to help them graduate from high school and matriculate at institutions of higher education. Under the program, MHEC and MSDE must designate statewide and regional program coordinators who will publicize the program and work with local school systems to provide professional guidance and one-on-one mentoring to participating students. MHEC and MSDE may use existing organizations to provide counseling and mentoring and may supplement professional mentors with postsecondary students receiving work-study assistance and eleventh and

twelfth grade students who are successfully completing their high school graduation requirements.

To the extent that funds are provided, the State must provide 50% of the costs associated with the local administration and one-on-one mentoring components of the program or 75% of the cost in “One Maryland” jurisdictions.

The law declared that it was the intent of the General Assembly that the College Readiness Outreach Program be implemented over a five-year period beginning in fiscal 2004.

The Governor’s fiscal 2017 proposed budget includes \$80.0 million for the Delegate Howard P. Rawlings Educational Excellence Award 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.

NSLP is one of the federal programs for free and reduced-price meals (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 Healthy, Hunger Free Kids Act of 2010, in part, amended the federal National School Lunch Act to provide an alternative to household applications for FRPM in high-poverty local educational agencies (LEAs) and schools. This alternative is referred to as Community Eligibility Provision (CEP). To be eligible, LEAs and schools must meet a minimum level of students directly certified for free meals (40% of enrollment) in the year prior to implementing the option; agree to serve free lunches and breakfasts to *all* students; and agree to cover with nonfederal funds any costs of providing free meals to all students above amounts provided in federal assistance.

Reimbursement is based on claiming percentages derived from the percentage of students directly certified as increased by use of a multiplier, which is currently set at 1.6 but may range from 1.3 to 1.6 in subsequent years (as determined by U.S. Department of Agriculture). The claiming percentages established for a school in the first year are guaranteed for a period of four school years and may be increased if direct certification percentages rise for that school. An LEA may participate in CEP for all schools in an LEA or only some schools, depending on the eligibility of the individual schools and financial considerations based on the anticipated level of federal reimbursement and other nonfederal support that may be available.

Schools and school systems that qualify for CEP (by matching 40% or more of their student population as eligible for free meals by direct certification) and that opt in to the CEP program can use an alternative method, involving a predetermined multiplier, to establish the number of FRPM-eligible students. By doing so, however, the school or school system may realize a decrease in the rate of return of household income applications because parents will no longer be required to complete the application to secure FRPMs for their children. CEP participation may also reduce schools, and school systems, recorded FRPMs participation rate.

As of the 2015-2016 school year, there are 40 public high schools in which at least 75% of the student population is enrolled in the FRPM program. Of those, 38 are in Baltimore City and 2 are in Prince George's County; however, 2 of those high schools (1 each in Baltimore City and Prince George's County) are life skills programs for students with special needs. There are approximately 15,800 students enrolled in those high schools. In the entire State, there are over 96,800 high school students enrolled in the FRPM program.

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 (CACG) 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 of students are eligible for 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.

State Revenues: Higher education revenues increase at public four-year institutions of higher education that decide to implement an approved admissions program from grants – beginning in fiscal 2021 at the earliest – for eligible students who enroll and graduate from the institution. The actual increase in revenues depends on the number of students MHEC determines are eligible, the number of eligible students who enroll using approved admissions programs, and the number of those students who graduate. For the purposes of this estimate, as described below, it is assumed that an institution receives \$1,000 for each eligible student admitted to the institution using an approved program who graduates from the institution.

State Expenditures: MHEC reports that current outreach efforts for the general student population are funded by the federal CACG, which will expire September 30, 2016. Thus, to implement the College Admissions Outreach Program for High-Achieving Students, MHEC needs to hire a part-time outreach specialist and increase funding for communications and travel.

Currently, MSDE's college outreach efforts focus on the general student population and are supported by existing staff members. There is no specific focus on high-achieving students by MSDE staff. MSDE advises it needs an additional full-time staff member to fully support the program. The Department of Legislative Services advises that, since MHEC has a current GA grant outreach program (although it is not targeted to high-achieving students) and administers the GA grant, it is logical for MHEC to lead the effort for the outreach program under the bill. Thus, MSDE does not require additional staff under the bill; however, a more extensive outreach program could require additional MSDE staff. MSDE can provide local school system contact information using existing resources.

General fund expenditures increase by \$30,182 in fiscal 2017 to hire a half-time outreach specialist at MHEC to implement the College Admissions Outreach Program for High-Achieving Students. This estimate assumes an October 1, 2016 start date following a 90-day start-up delay; final expenditures for the CACG positions on September 30, 2016; and a half-time salary, fringe benefits, and ongoing expenses. In addition, MHEC general fund expenditures in fiscal 2017 increase to design and print two posters for each high school in the State (\$13,000) and to produce short-form videos suitable for social media (\$7,000). Ongoing expenses include postage for direct mailing to all eligible high-achieving students in grades 10, 11, and 12; travel for the outreach specialist to visit

each high school in the State; and an estimated \$606,000 in grant funds for institutions that graduate eligible students (as described below).

	<u>FY 2017</u>	<u>FY 2018</u>
Position	0.5	
Salary and Fringe Benefits	\$25,593	\$34,398
Poster Design and Printing	13,000	-
Video Production	7,000	-
Travel	6,000	8,080
Postage	14,526	14,526
Operating Expenses	226	305
Start-up Costs	<u>4,363</u>	<u>0</u>
Total State Expenditures	\$70,708	\$57,309

Beginning in fiscal 2021 at the earliest, general fund expenditures increase by an estimated \$606,000 per year to provide grants to qualifying public and private, nonprofit institutions of higher education in the State as established by the bill, under the assumptions below.

- For the purposes of this estimate, it is assumed that MHEC determines that students enrolled in the FRPM program are eligible for the program.
- During the 2015-2016 school year, there are 96,835 high school students in the State enrolled in the FRPM program. Thus, there are approximately 72,627 students in grades 10, 11, and 12 enrolled in the FRPM program.
- For the purposes of this estimate, it is assumed that MHEC defines the top 20% of students as “high-achieving.” Thus, it is assumed that 14,526 students in grades 10, 11, and 12 receive direct mail from MHEC, and 4,842 students in grade 12 are eligible for the program.
- It is assumed that 25% of eligible students (*i.e.*, 1,211) enroll in a public or private, nonprofit institution of higher education eligible for the grant program. It is assumed that the other eligible students enroll in institutions without an eligible admissions program (*e.g.*, community colleges, out-of-state institutions, for-profit institutions), do not enroll through an approved admissions process, or choose not to enroll in any institution.
- Approximately 47.3% of students eligible for a federal Pell grant, which is for low-income students, graduate within six years according to MHEC’s latest published data. It is assumed that “high-achieving” students graduate at a higher

rate; thus, it is assumed that 50% of students (606 students) graduate from the qualifying institution within four years.

- For the purposes of this estimate, it is assumed that an institution is awarded \$1,000 for each eligible student who enrolls using an admissions process approved by MHEC and graduates. It is assumed the first class of eligible students enrolls using an approved admissions process in fall 2017, and that the first students graduate in spring 2021. Although students may take longer than four years to graduate, for the purposes of this estimate, it is assumed that the funds for the program are included in the budget four years following the enrollment of students eligible for the program (fiscal 2021, *i.e.*, after spring 2021 graduation). Thus, it is assumed that, as early as fiscal 2021, general fund expenditures increase by \$606,000 per year.
- The actual increase in expenditures depends on the number of students MHEC determines are eligible, the number of admissions programs at institutions approved by MHEC, the number of eligible students who enroll using approved admissions programs, the number of those students who graduate, and the amount of the award for each student who graduates.

Future year expenditures reflect elimination of one-time expenses after fiscal 2017, an annualized half-time salary with annual increases in employee turnover, as well as annual increases in ongoing operating expenses and the continuation of \$1,000 grants to institutions for eligible students who graduate.

Additional Information

Prior Introductions: Similar legislation was considered in 2015 and 2014. SB 534 of 2015 passed the Senate and received a hearing in the House Ways and Means Committee, but no further action was taken. Its cross file, HB 364, received a hearing in the House Ways and Means Committee, but no further action was taken. HB 854 of 2014 received a hearing in the House Ways and Means Committee, but no further action was taken. Its cross file, SB 766, received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee.

Cross File: None.

Information Source(s): Maryland State Department of Education, Maryland Higher Education Commission, Baltimore City Community College, University System of Maryland, Morgan State University, St. Mary's College of Maryland, Maryland Independent College and University Association, Department of Legislative Services

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min/rhh

Analysis by: Caroline L. Boice

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