

**Department of Legislative Services**  
 Maryland General Assembly  
 2016 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 639 (Senator Guzzone, *et al.*)  
 Education, Health, and Environmental Affairs

**Task Force to Study a Promise Scholarship Program in Maryland**

This bill establishes the Task Force to Study a Promise Scholarship Program in Maryland to study the feasibility of creating a scholarship to pay for tuition and mandatory fees not covered by federal or State financial aid programs for graduates of public high schools in the State who enroll in community colleges in the State. The Maryland Higher Education Commission (MHEC), in conjunction with the Maryland Association of Community Colleges (MACC), must provide staff for the task force. By January 1, 2017, the task force must report its findings and recommendations.

The bill takes effect June 1, 2016, and terminates May 31, 2017.

**Fiscal Summary**

**State Effect:** No effect in FY 2016. General fund expenditures increase by \$21,200 in FY 2017 only for MHEC to hire a half-time contractual administrative specialist to staff the task force. Revenues are not affected.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	21,200	0	0	0
Net Effect	\$0	(\$21,200)	\$0	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The task force must make recommendations regarding:

- the feasibility of creating a Promise Scholarship Program;
- academic and financial eligibility requirements for a Promise Scholarship Program;
- funding sources for a Promise Scholarship Program; and
- academic and social supports to help students succeed in a Promise Scholarship Program.

The task force includes two members of the Senate and two members of the House of Delegates. The Governor must designate the chair of the task force. A member of the task force may not receive compensation but is entitled to reimbursement for standard travel expenses.

**Background:** Nationwide there has been much attention on the cost of college and student loan debt. In 2014, the Tennessee General Assembly passed legislation establishing a program, beginning with the class of 2015, offering two years of tuition-free education at 1 of the state's 13 community colleges or 27 technical schools. The program, known as Tennessee Promise, is a last-dollar scholarship, meaning it covers costs of tuition and mandatory fees not met by federal Pell scholarships, the Tennessee HOPE scholarship, or the Tennessee Student Assistance Award Program. To be eligible, a student must meet a number of requirements, including complete the federal Free Application for Federal Student Aid, enroll in a college full time for up to five consecutive semesters, maintain a 2.0 grade point average, and complete eight hours of community service per semester. To pay for the program, the state created an endowment of \$361.1 million using state lottery reserves; it was estimated to cost about \$34 million the first year.

The full impact of the Tennessee Promise is still unknown. About 58,000 students or 90% of Tennessee's high school graduating class applied for the program in the first year – exceeding expectations by thousands of students. Tennessee Promise estimates that between 16,000 and 18,000 students completed the requirements to enroll in the program during its first semester (fall 2015). An article in *The Atlantic* reported that, even with free tuition, some of the poorest students are still finding attending community college a challenge because they need to work 30 to 40 hours a week to afford books and meet basic living expenses, which can cost between \$5,000 to \$10,000 per year.

The Tennessee Promise program was based on a smaller program at Pellissippi State College, known as Knox Achieves. According to Knox Achieves' program data, matriculation rates at Pellissippi State College increased by 11.5% due to the program. The

high matriculation rate is thought to be due, at least in part, to the associated mentoring program.

In 2015, President Obama proposed a similar program to make two years of community college tuition free. Under President Obama's plan, the offer of free tuition would extend to all students if they attend classes at least half time and maintain a grade point average of 2.5 or better. The federal government would cover up to 75% of the costs of the initiative, while states would pick up the remaining quarter. President Obama reiterated his support for such a program during his 2016 State of the Union address.

As shown in **Exhibit 1**, the average statewide in-county tuition and fees for Maryland's community colleges was \$4,094 in fall 2015. However, tuition and fees are only part of the costs associated with attending a community college. For example, students must obtain books and other educational materials in addition to room and board.

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**Exhibit 1**  
**In-county Tuition and Fees at Community Colleges**  
**Based on 30 Credit Hours per Year**  
**Fall 2015**

<u>College</u>	<u>In-county</u>
Allegany	\$3,835
Anne Arundel	3,920
Baltimore City	2,980
Baltimore County	4,252
Carroll	4,524
Cecil	3,390
Chesapeake	4,520
College of Southern Maryland	4,428
Frederick	4,165
Garrett	3,890
Hagerstown	3,930
Harford	4,176
Howard	4,623
Montgomery	4,728
Prince George's	4,550
Wor-Wic	3,600
<b>Statewide</b>	<b>\$4,094</b>

Source: Maryland Association of Community Colleges

For the 2015-2016 academic year, the maximum federal Pell grant for the most financially needy students is \$5,775, and the minimum is \$577. The Pell grant amount depends on the cost of attendance (including tuition and fees, room and board, books, etc.) at the institution and the expected family contribution, which results in a student's financial need. The State also provides financial assistance to students, totaling \$105.1 million in fiscal 2016 and \$105.2 million in the proposed fiscal 2017 budget. Most of the aid is distributed based on financial need through the Educational Excellence Awards program. Students receiving Pell grants are also eligible for State financial aid, such as the Guaranteed Access (GA) grant.

The 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 in fiscal 2014 was \$16,100, and the maximum award in fiscal 2015 was \$16,500. Students who meet all program criteria, such as enrolling full time directly from high school and family income limits, are guaranteed funding. Students who do not qualify for the GA grant may be eligible to receive an Educational Access grant, which provides up to \$3,000 per year to students attending a Maryland higher education institution full time.

**State Expenditures:** General fund expenditures increase by \$21,244 in fiscal 2017, which assumes a July 1, 2016 start date for the task force (following the bill's June 1, 2016 effective date) and a May 31, 2017 termination date. This estimate reflects the cost for MHEC to hire a half-time administrative specialist to staff the task force. It includes a salary, fringe benefits, one-time start-up costs, and other operating expenses. Reimbursement for task force members is assumed to be minimal and absorbable within existing budgeted resources. MACC can provide additional staff support at no cost to the State.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1295 (Delegate A. Washington, *et al.*) - Ways and Means.

**Information Source(s):** Maryland Higher Education Commission, *The Atlantic*, tennessean.com, Department of Legislative Services

**Fiscal Note History:** First Reader - March 1, 2016  
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