

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1172 (Delegate Hill)
 Appropriations

Higher Education – Pay It Forward Program and Pay It Forward Fund –
 Established

This bill establishes a Pay It Forward Program to encourage and facilitate foundations and other organizations in partnering with the Maryland Higher Education Commission (MHEC) and historically black colleges and universities (HBCUs) to pay tuition and fees of students enrolled in HBCUs, with the promise of repayment from the students’ gross income after graduation. To that end, the bill establishes a special, nonlapsing Pay It Forward Fund to be administered by MHEC. The purpose of the fund is to facilitate the (1) payment of tuition and fees of students enrolled in HBCUs and (2) repayment by students of the amount of tuition and fees paid on their behalf. By July 1, 2022, and each July 1 thereafter, MHEC must report on the implementation of the program. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: General fund expenditures increase by \$74,800 in FY 2022 to hire staff to administer the program and fund; out-year expenditures reflect annualization and regular salary increases. As early as FY 2022, special fund revenues and expenditures increase due to implementation of the program, as discussed below.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	-	-	-	-	-
GF Expenditure	\$74,800	\$88,600	\$91,300	\$94,500	\$97,900
SF Expenditure	-	-	-	-	-
Net Effect	(\$74,800)	(\$88,600)	(\$91,300)	(\$94,500)	(\$97,900)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The Pay It Forward Program established by the bill is for students at the four HBCUs: Bowie State University; Coppin State University; Morgan State University; and the University of Maryland Eastern Shore.

MHEC must establish and implement the Pay It Forward Program. MHEC must administer the program by establishing specified eligibility criteria and procedures. MHEC must encourage foundations and other organizations to participate; however, a foundation that participates in the program may not be considered an affiliated foundation, such as one that operates an endowment foundation affiliated with the institution.

The fund consists of (1) money appropriated in the State budget to the fund; (2) money from students, foundations, and other organizations that are participating in the fund; (3) interest earnings; and (4) any other money accepted for the fund's benefit. Interest earnings must be credited to the fund. Money expended from the fund is supplemental to and not intended to take the place of funding that otherwise would be appropriated for MHEC or the HBCUs.

The fund may be used to (1) pay the tuition and fees of students enrolled in HBCUs; (2) retain the amount of tuition and fees repaid by students; and (3) reimburse foundations and other organizations that deposited money into the fund.

Current Law: MHEC does not operate any Pay It Forward Programs.

State Fiscal Effect: MHEC advises four full-time staff are required to administer the Pay It Forward Program and related fund established by the bill. The Department of Legislative Services advises that, at least in the initial years of administration, one full-time program officer should be sufficient to operate the program. However, if the program succeeds in attracting foundations and other organizations to contribute to the program and is popular with eligible students, additional staff may be required in future years.

Thus, general fund expenditures increase by \$74,791 in fiscal 2022 for MHEC to hire a full-time program officer to administer the program and the fund established by the bill. The estimate assumes a 90-day start-up delay following the bill's July 1, 2021 effective date. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$69,210
Operating Expenses	<u>5,581</u>
Total FY 2022 State Administrative Expenditures	\$74,791

Future year estimates reflect a full salary with annual increases and employee turnover and ongoing operating expenses.

Beginning as early as fiscal 2022, special fund revenues and expenditures increase if MHEC is successful in attracting foundations and other donors to partner with MHEC and the HBCUs to implement a Pay It Forward Program as specified. The amount of revenues and expenditures depend on the program developed and the interest in the program from donors and students. Thus, special fund revenues and expenditures cannot be reliably estimated.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Higher Education Commission; University System of Maryland; Morgan State University; Department of Legislative Services

Fiscal Note History: First Reader - March 9, 2021
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