

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 904

(Senator Benson)

Budget and Taxation

Rules and Executive Nominations

Maryland Higher Education Commission - Returning Youth Grant Program -
 Established

This bill establishes the Returning Youth Grant Program to provide formerly incarcerated eligible students who receive federal Pell Grants with matching State funds to support such students in attending an institution of postsecondary education in the State. The Office of Student Financial Assistance (OSFA) *must* award a grant under the program to *each* eligible student who applies and receives a federal Pell Grant. Grants must be equal to the amount of the Pell Grant that the eligible student received but not more than \$3,000, and recipients remain eligible for subsequent grants for up to three years provided the student remains in good standing with the institution of postsecondary education. The Division of Parole and Probation (DPP) within the Department of Public Safety and Correctional Services (DPSCS) and the Department of Juvenile Services (DJS) must periodically provide information about the program and grant application process to individuals who may be eligible for a grant through the program. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: *Under one set of assumptions*, general fund expenditures increase by more than \$1.2 million in FY 2023 to hire staff, for one-time programing costs, and to make awards; the FY 2023 operating budget includes \$1.2 million for the program. Future years reflect annualization, inflation, and ongoing costs. However, annual award amounts could be \$23.2 million or more, as explained below. DPP and DJS can provide information about the program to eligible individuals with existing resources. Revenues are not affected. **This bill establishes an entitlement program beginning in FY 2024.**

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	1.24	1.23	1.23	1.23	1.23
Net Effect	(\$1.24)	(\$1.23)	(\$1.23)	(\$1.23)	(\$1.23)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: To be eligible to receive a grant under the program, an individual must be a resident of the State younger than age 26 who (1) has been incarcerated or is incarcerated at the time of application but will be released from incarceration within six months and (2) certifies that they will be eligible for and will apply for a federal Pell Grant in the year of application. OSFA must administer the program.

The recipient of a grant under the program may use the grant *only* for the tuition and mandatory fees and room and board for on-campus housing at an institution of postsecondary education in the State. OSFA must distribute a grant awarded under the program to the institution of postsecondary education in which the student who receives the grant is enrolled at the same time as funds for Pell Grants are distributed.

The Maryland Higher Education Commission (MHEC) must adopt regulations to implement the program.

Current Law:

Pell Grants

Federal Pell Grants usually are awarded only to undergraduate students who display exceptional financial need and have not earned a bachelor's, graduate, or professional degree. Awards are based solely on financial need, which is determined by an institution's cost of attendance, the student's expected family contribution, and a student's enrollment status (full-time or part-time). Generally, an incarcerated individual is not eligible for federal student loans or federal Pell Grants while incarcerated in a federal or state penal institution. However, once released, most formerly incarcerated individuals are eligible for any federal student loans or Pell Grants. The maximum federal Pell Grant award is \$6,495 for the 2022-2023 award year (July 1, 2022, to June 30, 2023).

Second Chance Pell Program

Incarcerated individuals in DPSCS facilities who have earned a GED or high school diploma are given an extended opportunity to access support for postsecondary education through the Second Chance Pell Program, overseen by DPSCS. The program allows incarcerated individuals to receive federal funding to enroll in postsecondary programs

offered by local colleges and universities or distance learning providers. Maryland has several higher education institutions providing services to the incarcerated population and is working on expanding the Second Chance Pell Program throughout the State. Both Bowie State University and the University of Maryland Eastern Shore were selected to participate in the federal Second Chance Pell experiment.

Another postsecondary program, the Goucher College Prison Education Partnership, offers college courses to individuals at certain DPSCS facilities, and approximately 130 students enroll each year with Goucher College; over the years, students have pursued nearly 200 classes.

Institution of Postsecondary Education

“Institution of postsecondary education” is defined as a school or other institution that offers an educational program in the State for individuals who are at least 16 years old and who have graduated or left elementary or secondary school. It does not include any adult education, evening high school, or high school equivalence program conducted by a public school system or any apprenticeship or on-the-job training program subject to approval by the Maryland Apprenticeship and Training Council.

The definition includes public and private four-year institutions, community colleges, and private career schools.

State Expenditures: *Under one set of assumptions*, general fund expenditures increase by more than \$1.2 million in fiscal 2023 for the program to be able to award grants to eligible individuals. This estimate includes one full-time staff, one-time programing costs, awards, and ongoing costs. Most of this funding, \$1.2 million, is included in the fiscal 2023 operating budget. This estimate is based on the following information and assumptions.

The number of eligible individuals who may apply to the program is unknown. However, according to the [U.S. Bureau of Justice Statistics](#), approximately 2.7% of males and 0.2% of females ages 18 to 24 have *ever* been incarcerated in a state or federal prison, and according to the U.S. Census Bureau, there are approximately 267,622 males and 256,922 females age 18 to 24 in Maryland. Thus, it is assumed that approximately 7,740 individuals of traditional postsecondary age are eligible for the grant. This estimate does not reflect 25-year-olds, as that population has a higher incarceration rate. If 5% of likely eligible individuals apply for a grant, then approximately 387 individuals receive a grant. If it is assumed that all recipients receive the maximum grant amount of \$3,000, then general fund expenditures increase by approximately \$1.2 million annually beginning in fiscal 2023 for grant awards alone.

To the extent that more eligible individuals apply, total grant awards are greater. For example, annual awards would total \$23.2 million if all 7,740 potentially eligible individuals were to receive a \$3,000 award (the amount is even greater if more individuals are actually eligible and apply). To the extent that fewer eligible individuals apply, or individuals have Pell Grants of less than \$3,000, grant awards are less. To the extent eligible individuals attend an institution of postsecondary education for fewer than the maximum three years, the number of grant awards may also be reduced. The *total* maximum award over the course of the three-year eligibility period is \$9,000 per eligible individual.

This estimate assumes that the system is ready to accept applications so that the first grant awards are made in fiscal 2023. As noted above, the fiscal 2023 operating budget (specifically Supplemental Budget No. 5) includes \$1.2 million for the “Formerly Incarcerated Youth Grant Program” – the name of the grant program in this bill as introduced.

MHEC advises that existing resources are not sufficient to launch a new grant program given the large pool potential of applicants. Therefore, general fund expenditures increase by \$83,329 in fiscal 2023 for administrative and contractual costs, which accounts for a 90-day start-up delay from the bill’s July 1, 2022 effective date. This estimate reflects the cost of hiring one administrative specialist to implement and oversee the new grant program. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. This estimate also includes a \$26,952 increase in general fund expenditures in fiscal 2023 for one-time contractual costs associated with enhancements to MHEC’s scholarship system, known as the Maryland College Aid Processing System, necessitated by the bill. The system must be upgraded to add the new grant program to it.

Position	1.0
Salary and Fringe Benefits	\$49,034
Contractual Costs	26,952
Grant Awards	1,161,000
One-time Start-up Costs	6,548
Operating Expenses	<u>795</u>
Total FY 2023 State Expenditures	\$1,244,329

Future year expenditures reflect elimination of one-time costs, a full salary with annual increases and employee turnover, as well as annual increases in ongoing operating expenses. For purposes of this estimate, award amounts are assumed to remain constant in future years.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Higher Education Commission; Department of Juvenile Services; Department of Public Safety and Correctional Services; U.S. Bureau of Justice Statistics; U.S. Census Bureau; Department of Legislative Services

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Analysis by: Michael E. Sousane

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