

Department of Legislative Services  
 Maryland General Assembly  
 2006 Session

FISCAL AND POLICY NOTE  
 Revised

House Bill 988

(Delegate Kaiser, *et al.*)

Ways and Means

Education, Health, and Environmental Affairs

Higher Education - Workforce Shortage Student Assistance Grants

This bill consolidates existing workforce shortage scholarship and financial assistance programs into a single Workforce Shortage Student Assistance Grants program. With the advice of an Advisory Council on Workforce Shortage established in the bill, the Maryland Higher Education Commission (MHEC) must identify workforce shortage fields in the State, designate the workforce shortage fields that will be eligible for grants, and remove fields that no longer qualify as workforce shortages. The bill prohibits MHEC from awarding initial scholarships or grants under existing workforce shortage programs after June 30, 2007, although award renewals may be granted.

The bill takes effect July 1, 2006, and initial awards under the new Workforce Shortage Student Assistance Grants may be made in fiscal 2008. Existing workforce shortage financial assistance programs are repealed as of July 1, 2012.

Fiscal Summary

**State Effect:** General fund expenditures would increase by an estimated \$50,000 in FY 2007 to contract for the development of a software package to determine grant awards under the new program. General fund expenditures could decrease beginning in FY 2008 due to administrative efficiencies. General fund expenditures supporting existing programs could be transferred to the new grant program beginning in FY 2008.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	50,000	(-)	(-)	(-)	(-)
Net Effect	(\$50,000)	\$0	\$0	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** The bill establishes a program of Workforce Shortage Student Assistance Grants to provide financial assistance to students in Maryland institutions of higher education and to address the workforce shortage needs of the State. To be eligible to receive a grant, an applicant must:

- be a Maryland resident;
- be selected for a grant by the Office of Student Financial Assistance (OSFA);
- sign a letter of intent to enroll at an institution of higher education in the State in a program that will address a workforce shortage need;
- sign a letter of intent to perform the required service obligation;
- satisfy any other conditions or criteria MHEC establishes; and
- perform the service obligation upon completion of college studies.

Initially, grants must be awarded to individuals whose studies are preparing them for employment as:

- school teachers;
- nurses;
- child care providers;
- developmental disabilities, mental health, child welfare, and juvenile justice providers;
- physical and occupational therapists and assistants; and
- public servants.

The Secretary of Higher Education must appoint an Advisory Council on Workforce Shortage to identify workforce shortage fields in the State and recommend fields to prioritize and remove from the shortage list. Based on the advice of the council, MHEC may remove workforce shortage fields and add others. Each fiscal year, MHEC must determine the number of grants to award in each eligible workforce shortage field based on the priority of the workforce shortage field, the severity of the shortage, and the availability of funds for the grants.

Grant recipients must be selected by MHEC based on academic accomplishment and financial need, and grants may be used to attend an institution of higher education part-time or full-time. Recipients must be undergraduate students unless OSFA determines that the shortage field requires employees with graduate level educations. An award may be renewed up to five times if a recipient continues to meet the qualifications and makes academic progress as determined by the institution the recipient attends. A grant recipient whose workforce shortage field is removed from the grant program may continue to receive award renewals.

An annual grant amount is based on the type of institution a recipient is attending (two-year or four-year) and whether the recipient is attending school part-time or full-time. An award may not exceed 50% of the equivalent annual tuition and mandatory fees of a resident undergraduate student at the University System of Maryland (USM) institution with the highest annual tuition and mandatory fees, excluding the University of Maryland University College (UMUC) and the University of Maryland, Baltimore (UMB). A student may also hold other State scholarships and grants as long as the total grant amount does not exceed the cost of attending the student's institution or the equivalent annual tuition and mandatory fees of a resident undergraduate student at the USM institution with the highest annual tuition and mandatory fees, excluding UMUC and UMB.

Each recipient of a grant must perform a service obligation by working full-time in the recipient's workforce shortage field for one year for each year that a grant is received or by working part-time in the workforce shortage field for two years for each year the grant is received. A recipient must repay the grant amount plus interest if the required studies are not completed or the service obligation is not performed. OSFA may waive or defer repayments in specified cases.

Funding for Workforce Shortage Student Assistance Grants is as provided in the annual State budget. MHEC may also accept gifts and grants from any person or corporation for the program.

**Current Law:** Separate scholarship and student financial assistance programs are established for:

- certain medical professions;
- public school teachers;
- physical and occupational therapists;
- child care workers;
- nurses;

- direct service employees working in developmental disabilities, mental health, juvenile justice, and child welfare fields; and
- public servants.

Each financial assistance program is a little different but basically provides financial support for higher education students who agree to work in the State in their designated fields upon completion of their studies.

**Background:** The Student Financial Assistance Reform Act of 2005 (Chapter 429) required MHEC to establish a workgroup to study the consolidation of work-based shortage grants into a single grant program. As required by the legislation, the workgroup submitted a report in December 2005, and this bill codifies the workgroup’s recommendations.

The report noted that the issue of consolidation has been studied before and that the prior studies concluded that the large number of programs, each with its own standards and requirements, is confusing to students and parents and difficult for OSFA to administer. The report also reviewed evaluations of the State’s nursing and teacher scholarships, which concluded that the scholarships have a positive impact on worker retention.

The eight programs administered by OSFA that would be folded into the new Workforce Shortage Student Assistance Grants and the amounts provided for the programs in the approved fiscal 2007 State budget are shown in **Exhibit 1**. In total, the programs account for \$4.0 million in the budget.

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**Exhibit 1**  
**Existing Workforce Shortage Financial Assistance Programs**  
**Fiscal 2007**

State Nursing Scholarship Program	\$2,116,928
Developmental Disabilities and Mental Health Workforce Grants	832,500
McAuliffe Memorial Teacher Education Program	574,027
Distinguished Scholar-Teacher Education Scholarships	234,000
William Donald Schaefer Scholarship Program	150,000
Child Care Providers	83,250
Physical and Occupational Therapy Program	<u>18,500</u>
<b>Total Fiscal 2007 Funding</b>	<b>\$4,009,205</b>

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**State Expenditures:** General fund expenditures could increase by an estimated \$50,000 in fiscal 2007 for OSFA to contract for the development of a new software package that

will enable OSFA to identify candidates for the new grant program. This estimate assumes the package will be developed in time for use in distributing awards for the 2007-2008 academic year.

It is assumed that expenditures for the programs that are eliminated will be sufficient to make awards under the new Workforce Shortage Student Assistance Grants and that no additional expenditures will be required. To the extent that consolidating existing programs results in administrative efficiencies, OSFA could downsize and annual general fund expenditures for the office could be reduced.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 552 (Senator Pinsky) – Education, Health, and Environmental Affairs.

**Information Source(s):** Maryland State Department of Education, Maryland Higher Education Commission, Department of Legislative Services

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