

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE

Senate Bill 587 (Senator Garagiola, *et al.*)
 Education, Health, and Environmental Affairs

Higher Education - Charles W. Riley Firefighter and Ambulance and Rescue Squad Member Scholarship

This bill establishes the Charles W. Riley Firefighter and Ambulance and Rescue Squad Member Scholarship and, effective October 1, 2015, repeals the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program. The Maryland Higher Education Commission (MHEC) may not accept new applications for the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program after July 1, 2014.

The bill takes effect July 1, 2013, except for the provisions that repeal the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program and modify the distribution of the surcharge to fund the reimbursement program to instead fund the scholarship program, which take effect October 1, 2015.

Fiscal Summary

State Effect: General fund expenditures increase by approximately \$35,000 in FY 2014 for MHEC to modify and test the scholarship web portal. General fund expenditures increase by approximately \$358,000 in FY 2014 through 2016 to fund the scholarship program. Beginning in FY 2017 the scholarship program is instead funded by existing special funds from traffic conviction surcharges. The special funds from the traffic conviction surcharges continue to fund the reimbursement program until FY 2016, after which the reimbursement program will be repealed (having been replaced by the scholarship program). Thus, special fund revenues and expenditures are not affected.

(in dollars)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	393,000	358,000	358,000	0	0
Net Effect	(\$393,000)	(\$358,000)	(\$358,000)	\$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:

Scholarship Program

To be eligible for a scholarship, an actively engaged firefighter, ambulance, or rescue squad member must be a Maryland resident and must be accepted for admission or enrolled in a regular undergraduate program at a Maryland institution of higher education or a two-year terminal certificate program in which the course work is eligible for transfer into a baccalaureate program at a Maryland institution of higher education. Applicants must file for federal and State financial aid annually. Scholarship recipients must maintain a grade point average of at least 2.5 on a 4.0 scale and may hold the scholarship for up to five years of full-time study or eight years of part-time study.

A scholarship may be up to 100% of the equivalent annual tuition and mandatory fees of a resident undergraduate student at the four-year public institution of higher education within the University System of Maryland (USM), other than the University of Maryland University College (UMUC) and the University of Maryland, Baltimore (UMB), with the highest annual expenses for a full-time resident undergraduate for courses credited toward a degree in fire service technology or emergency medical technology. A scholarship may be used for the tuition and mandatory fees at any eligible institution.

A recipient of a Charles W. Riley Firefighter and Ambulance and Rescue Squad Member Scholarship must work for at least one year as a volunteer or career firefighter or ambulance or rescue squad member in an organized fire department or ambulance or rescue squad in the State after completion of an eligible program in an eligible institution.

Funding for the scholarship program is as provided in the annual State budget. In addition, senators and delegates may authorize the Office of Student Financial Assistance (OSFA) to award their senatorial and delegate scholarship funds to eligible recipients of the scholarship. The bill also creates a Charles W. Riley Firefighter and Ambulance and Rescue Squad Member Scholarship Fund – a nonlapsing, special fund – to be administered by MHEC. MHEC may accept gifts or grants for the fund and must report annually on the status of the fund. Any interest from the fund accrues to the general fund.

Phasing Out of Reimbursement Program

OSFA must provide the public with notice of the establishment of the Charles W. Riley Firefighter and Ambulance and Rescue Squad Scholarship as a replacement for the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program, including posting information on the OSFA website and conducting outreach activities to fire departments and ambulance and rescue squads in the State.

Effective October 1, 2015, an amount annually set forth in the State budget from the \$7.50 surcharge on certain traffic convictions must be distributed to the Charles W. Riley Firefighter and Ambulance and Rescue Squad Member Scholarship, rather than the Charles W. Riley Fire and Emergency Medical Services Tuition and Reimbursement Program.

On October 2, 2015, any funds remaining in the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program must be transferred to the Charles W. Riley Firefighter and Ambulance and Rescue Squad Member Scholarship Fund.

Current Law: The Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program requires OSFA to provide, per the State budget, partial or full reimbursement to any career or volunteer firefighter or ambulance or rescue squad member who receives credit for courses toward degrees in fire service technology or emergency medical technology. Firefighters and rescue squad members must be Maryland residents to qualify. Reimbursements may not exceed the cost of resident tuition rates at a four-year public institution of higher education within USM, other than UMUC and UMB, with the highest annual expenses for a full-time resident undergraduate.

A tuition reimbursement application must be filed with OSFA no later than July 1 immediately following the academic year for which tuition reimbursement is sought. Payment must be made one year after successful completion of each academic year. Payment may be made only if the applicant is still employed or actively engaged as a career or volunteer firefighter or ambulance or rescue squad member in an organized fire department or ambulance or rescue squad in the State.

The Budget Reconciliation and Financing Act of 2011 (Chapter 397/HB 72) requires an amount annually set forth in the State budget from the \$7.50 surcharge on certain traffic convictions to be distributed specifically to the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program.

Background: A similar bill, SB 365 of 2012, was vetoed by the Governor due to technical reasons. The Governor wrote in a letter explaining the veto, “In light of the implementation issues, and after consultation with the bill’s sponsors, I believe it is best to veto the bill and revisit the matter next session.” Specifically, under that bill, courses taken during three academic years would not be eligible for either the reimbursement program or the scholarship program, due to not properly phasing out the reimbursement program. The current bill addresses those issues, although to smooth the transition from the tuition reimbursement program to the scholarship program, additional funding will be needed in fiscal 2015 and 2016 and potentially in fiscal 2014.

MHEC reports that an average of 145 firefighters and ambulance and rescue squad personnel received Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursements in each of fiscal 2009 through 2012. The Governor’s proposed fiscal 2014 budget includes \$358,000 in special funds from the moving violation surcharge that would otherwise be distributed to the Volunteer Company Assistance Fund for the tuition reimbursement program. The fiscal 2014 funds will be used to reimburse eligible students, for courses taken during the 2011-2012 academic year, who applied for reimbursement in July 2012. The students serve the required year of service during 2012-2013, and then MHEC reimburses them in early fiscal 2014.

State Expenditures: The bill establishes a scholarship program effective July 1, 2013 (fiscal 2014), and repeals the tuition reimbursement program effective October 1, 2015 (fiscal 2016). Funding currently directed to the reimbursement program from the traffic conviction surcharge will be directed to the scholarship program beginning October 1, 2015, and any funds remaining in the reimbursement program will be transferred to the scholarship program on October 2, 2015.

The scholarship program is authorized to begin making awards in fiscal 2014, for the 2013-2014 academic year. However, it will not receive traffic conviction surcharge monies until October 1, 2015, likely after all the budgeted funds from that year (fiscal 2016) have been used for the reimbursement program. Thus, other funds will be needed in fiscal 2014, 2015, and 2016 to make scholarship awards for the 2013-2014, 2014-2015, and 2015-2016 academic years. It is assumed that the other funding will be general funds for the purpose of this estimate.

The bill allows MHEC to continue to accept applications for the existing reimbursement program until July 1, 2014. Thus, the 2013-2014 academic year will be the last year eligible for the reimbursement program. The traffic conviction surcharge funding appropriated in fiscal 2016 will be used to reimburse students for the courses taken during the 2013-2014 academic year. Delaying the repeal of the reimbursement program allows students who took courses during the 2011-2012 and 2012-2013 academic years anticipating reimbursement to receive reimbursement and allows the 2013-2014

academic year to be a transition year during which MHEC can advertise to affected students the change from a reimbursement program to a scholarship program.

The scholarship program phases in as the reimbursement program phases out. As shown in **Exhibit 1**, if no additional funding is provided for the new scholarship program, courses taken during the 2014-2015 and 2015-2016 academic years will not be eligible for either the reimbursement or the scholarship program. However, if additional funding is appropriated for the scholarship program in fiscal 2015 and 2016, there will be no gap in academic years eligible for either the reimbursement or scholarship program. If additional funding is provided in fiscal 2014, courses taken during the 2013-2014 academic year could be eligible for either the reimbursement or scholarship program.

Exhibit 1
Transition from Reimbursement Program to Scholarship Program
Funding and Academic Years During Which Courses Must be Taken to be Eligible

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Reimbursement Program					
Funding Source	TCS	TCS	TCS		
Courses Eligible	2011-2012	2012-2013	2013-2014		
Scholarship Program					
Funding Source	other monies	other monies	other monies	TCS	TCS
Courses Eligible	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018

TCS: Traffic Conviction Surcharge

Other monies are assumed to be general funds, although they could be from any other source.

Source: Department of Legislative Services

MHEC reports modifying and testing the scholarship web portal known as Maryland College Aid Processing System to add a new scholarship will cost between \$20,000 and \$50,000 or approximately \$35,000.

It is assumed that in fiscal 2014 through 2016, \$358,000 in general funds will be included for the scholarship program to ease the transition as shown in **Exhibit 2**. Beginning in fiscal 2017 the scholarship will receive funding from the traffic conviction surcharge through the State budget; thus, no additional funding will be required to maintain a scholarship program at the same size as the current reimbursement program.

It should be noted that, while the scholarship program requires an individual to work for at least one year as a volunteer or career firefighter or ambulance or rescue squad member in an organized fire department or ambulance or rescue squad in the State after the completion of an eligible program, there is no penalty provision for individuals who fail to give that service. However, it is assumed that individuals who apply for the scholarship and work toward a degree in fire service technology or emergency medical technology intend to work in that field.

Exhibit 2
General Fund Expenditures to Implement the Scholarship Program

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
MD CAPS	\$35,000				
Scholarship	358,000	\$358,000	\$358,000	\$0	\$0
Total	\$393,000	\$358,000	\$358,000	\$0	\$0

Note: Beginning with the fiscal 2017 annual State budget, the scholarship program will receive approximately \$358,000 in special funds from the traffic conviction surcharges. The traffic conviction surcharge funding is directed toward the reimbursement program through the annual State budget until then.

Additional Information

Prior Introductions: A similar bill, SB 365 of 2012, was vetoed by the Governor due to technical reasons.

Cross File: None.

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

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ncs/rhh

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