

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** Senate Bill 1151

**PRINTER NO.** 1556

**AMOUNT**

See Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

April 26, 2024

**PRIME SPONSOR**

Senator Martin

**DESCRIPTION**

Senate Bill 1151 amends Article XX-A (The State System of Higher Education) in the Public School Code by establishing the Grow Pennsylvania Merit Scholarship Program within the Pennsylvania State System of Higher Education (PASSHE) to award merit scholarships to nonresident students in courses of study that lead to in-demand occupations.

The legislation provides for PASSHE to award an eligible student a merit scholarship equal to the difference between tuition for a nonresident and resident student for up to four years beginning with first-time freshmen in the 2025-2026 academic year.

The legislation provides that to be eligible to receive a merit scholarship a student must demonstrate a grade point average of 2.5 on a 4.0 scale, be enrolled in an approved course of study and enter into a written agreement with PHEAA to do the following: (1) satisfy degree and other requirements; (2) commence employment in Pennsylvania within one year after completion of a bachelor's or associate's degree in a field related to the approved course of study for 15 months per academic year that the student received the merit scholarship; and (3) reimburse the Commonwealth for all amounts received, including interest, if the student fails to comply with the provisions of the written agreement.

The legislation requires PHEAA to monitor and verify a student's compliance with the written agreement and enforce repayment of the merit scholarship if the student fails to comply. It also requires PHEAA to postpone work requirements for the student under extenuating circumstances or if the student enrolls full-time in a higher-level degree program.

The legislation provides that money reimbursed to PHEAA must be transferred to PASSHE. It provides that a merit scholarship received by a student shall not be considered taxable income for purposes of the Pennsylvania personal income tax. It also provides for PHEAA to provide assistance to PASSHE as necessary to administer the provisions of the program.

The legislation defines "merit scholarship" as the waiver of an amount equal to the differential between tuition for a resident and nonresident student. It defines an "approved course of study" as a program offered by an institution of higher education

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that provides instruction in agriculture, computer science, criminal justice, business, education, engineering, nursing, trades or other in-demand occupations approved by the agency in consultation with the Independent Fiscal Office (IFO). It also defines "in-demand occupation" as a job that is in demand by employers in this Commonwealth, requires a high level of skill and is likely to provide family-sustaining wages.

Senate Bill 1151 requires PASSHE, in consultation with PHEAA, to prepare and submit a report to the Governor and General Assembly by December 31, 2025, and each year thereafter that includes: (1) a list of the in-demand occupations for which merit scholarships may be sought; (2) the number of merit scholarship applicants; (3) the number of merit scholarships awarded to students; (4) the number of merit scholarships awarded to students by approved course of study; (5) the number of merit scholarships awarded to students by institution of higher education; (6) the average value of a merit scholarship award; (7) the number of grant recipients that are employed and meeting the work requirement; (8) the number of merit scholarship recipients that are employed and meeting the work requirement by occupation; (9) the number of merit scholarship recipients that have not met the work requirement; and (10) the amount of money reimbursed to PASSHE by merit scholarship that have not met the work requirement.

The legislation is scheduled to take effect in 60 days.

### **FISCAL IMPACT:**

Any cost of Senate Bill 1151 will be dependent on the number of merit scholarship recipients that participate in the program. PASSHE estimates that it would need to recruit 284 new nonresident students annually through the Grow Pennsylvania Merit Scholarship Program to generate the revenue necessary to make the program cost neutral.

Using current nonresident student enrollment in courses that lead to in-demand occupations, nonresident tuition rates and typical institutional aid awards to nonresident students, PASSHE estimates the merit scholarship program could result in new scholarship costs of up to \$5.6 million beginning in Fiscal Year 2025-26, growing to \$22.3 million annually after four years.

PHEAA, which is required to provide assistance to PASSHE in the administration of the program, estimates that it will cost between \$400,000 and \$600,000 to implement the Grow Pennsylvania Merit Scholarship Program. Additionally, based on its experience operating similar programs such as the New Economy Technology Scholarship Act (Act 22 of 1999), PHEAA estimates that it will incur annual administrative costs of between 2.5% to 3% of the amount of merit scholarship funds provided to students.