

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 509 (Senator Rosapepe)
 Education, Energy, and the Environment

Higher Education - Workforce Pell Grant Program - Implementation

This bill generally implements the Workforce Pell Grant Program in the State by which federal Pell Grants may be awarded to students enrolled in a short-term program that helps prepare students for careers. The bill establishes a process by which the Governor, in consultation with the Governor’s Workforce Development Board (GWDB) and Maryland Higher Education Commission (MHEC), may approve programs, as well as criteria for and conditions of program approval. MHEC may adopt regulations to carry out the bill and may collect an application fee to complete an evaluation for short-term program approval. The bill also requires institutions of postsecondary education with approved short-term programs to report specified data to MHEC annually by June 30. MHEC must report a summary of the information received from institutions to the General Assembly annually by September 30. **The bill takes effect June 1, 2026.**

Fiscal Summary

State Effect: No effect in FY 2026. General fund expenditures increase by \$130,600 at GWDB and \$137,800 at MHEC beginning in FY 2027 for staff. General fund revenues increase by an indeterminate amount beginning FY 2027 to the extent MHEC collects fees associated with short-term program approval. Higher education revenues and expenditures at public institutions of higher education may be affected to the extent institutions seek approval to participate in the Workforce Pell Grant Program, as discussed below.

| (in dollars) | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| GF Revenue | - | - | - | - | - |
| GF Expenditure | \$268,300 | \$243,100 | \$254,300 | \$265,700 | \$277,300 |
| Net Effect | (\$268,300) | (\$243,100) | (\$254,300) | (\$265,700) | (\$277,300) |

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

Local Effect: Revenues and expenditures at locally-funded community colleges may be affected to the extent they seek approval to participate in the Workforce Pell Grant Program in the same manner as public four-year institutions of higher education.

Small Business Effect: Minimal.

Analysis

Bill Summary: A “short-term program” is a program of study that is at least 150 hours of instruction and eight weeks, less than 600 hours of instruction and 15 weeks, and not a correspondence course as defined in federal regulations.

The Governor, in consultation with GWDB and MHEC must determine whether (1) a short-term program offered at an institution of postsecondary education meets the requirements of the bill and federal law for Workforce Pell Grants and (2) to approve the short-term program as eligible for the Workforce Pell Grants Program.

To disburse Workforce Pell Grant Program funds to a student in the State or to advertise, market, or inform students in the State about the availability of funds for a short-term program, an institution of postsecondary education must obtain (1) approval from the Governor and (2) a determination from the U.S. Secretary of Education that the program meets applicable requirements. For approvals to remain active, programs must provide information verifying compliance with requirements of the bill every two years. The Governor must revoke approval if the Attorney General or court of appropriate jurisdiction finds the institution of postsecondary education engaged in unfair, deceptive, or abusive trade practice related to the Workforce Pell Grant Program.

A short-term program seeking approval must (1) provide an education aligned with the requirements of the federal Carl D. Perkins Career and Technical Education Act or an in-demand industry sector or occupation; (2) meet the hiring requirements of employers in the sectors or occupations identified; (3) lead to a recognized postsecondary credential that is stackable and portable across more than one employer or prepare students for an occupation for which there is only one postsecondary credential, as specified; and (4) prepare students to pursue one or more certificates or degrees at an institution of postsecondary education by ensuring receipt of academic credit applicable towards a certificate or degree requirements, as specified.

The bill establishes a rebuttable presumption that the related technical instruction component of a federally registered or State-registered apprenticeship program offered at an institution of postsecondary education satisfies the enumerated requirements for approval.

An institution of postsecondary education seeking approval for a short-term program under the bill must provide any information requested by MHEC to verify compliance and documentation verifying the short-term program (1) has been offered for at least 12 months; (2) has a completion rate of at least 70% within 150% of normal time for completion for each federal aid award year; (3) has a job placement rate of at least 70% after 180 days of completion for each federal aid award year; and (4) charges tuition and fees in compliance with the requirements of the Workforce Pell Grant Program.

The bill prohibits institutions of postsecondary education that run approved short-term programs from (1) partnering, contracting, or affiliating with an entity other than a joint apprenticeship committee to offer instruction that is not accredited as specified; (2) partnering or affiliated with an entity offering student loans, lines of credit, or income sharing agreements for the short-term program (unless the loan carries 0% interest); (3) charging tuition and fees to any student that exceed the maximum amount of Pell Grant funds available for enrolled students as specified; and (4) offering the program using non-credit-bearing courses unless those courses transfer to at least one institution of postsecondary education regardless of program completion.

Current Law:

Pell Grants

The federal Pell Grant Program, authorized by Title IV of the Higher Education Act of 1965, as amended, is the single largest source of federal grant aid supporting postsecondary education students. 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). The maximum federal Pell Grant award is \$7,395 for the 2026-2027 award year (July 1, 2026, to June 30, 2027).

To continue receiving a Pell Grant, a student must (1) maintain [basic eligibility criteria](#) for financial aid; (2) fill out the Free Application for Federal Student Aid annually; (3) make satisfactory academic progress for financial aid as determined by the institution; and (4) maintain enrollment in an eligible course of study. A student may receive a Pell Grant for up to 12 terms.

Workforce Pell Grants

On March 6, 2026, the U.S. Department of Education issued a [notice of proposed rulemaking](#) to alter thresholds of income for Pell Grant Eligibility and establish the Workforce Pell Grant Program as authorized under the federal One Big Beautiful Bill Act.

The notice specifies that implementation of Workforce Pell Grants allow students to receive Pell Grants for eligible workforce programs that are 150-599 clock hours in length or an equivalent number of credit hours and that take at least 8 weeks but less than 15 weeks of instructional time to complete. The proposed regulations establish additional eligibility requirements for Workforce Pell Grants, including (among other things) requiring program approval by a Governor and the Secretary via specified processes, setting limitations on program tuitions, and requiring annual outcome metrics.

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 Fiscal Effect: Although Workforce Pell Grants are authorized under federal law, State participation in the program requires a written process to approve programs, as noted above. As the bill essentially effectuates State participation in the program, the costs associated with implementing the program are due to the bill, not the federal authorization.

Administrative Costs

The bill requires the Governor, in consultation with GWDB and MHEC, to approve short-term programs for participation in the Workforce Pell Grant Program. The approval process requires extensive review of applications from postsecondary institutions and ongoing monitoring of program compliance. Both GWDB and MHEC require additional staff to carry out these functions.

Therefore, general fund expenditures increase by \$130,575 for GWDB and \$137,755 for MHEC in fiscal 2027, which accounts for a 30-day start-up delay from the bill’s June 1, 2026 effective date. This estimate reflects the cost of hiring one program manager at MHEC to lead coordination with the Governor on program approval and reporting processes in the State and one performance analyst at GWDB to lead coordination on performance auditing of approved programs necessary for approval. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

| | <u>GWDB</u> | <u>MHEC</u> | <u>Total</u> |
|-----------------------------------|------------------|------------------|------------------|
| Positions | 1.0 | 1.0 | 2.0 |
| Salaries and Fringe Benefits | \$120,740 | \$127,920 | \$248,660 |
| Operating Expenses | <u>9,835</u> | <u>9,835</u> | <u>19,670</u> |
| FY 2027 State Expenditures | \$130,575 | \$137,755 | \$268,330 |

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Fees

At least some of these administrative costs are likely offset by additional general fund revenue from program approval fees levied by MHEC beginning as early as fiscal 2027. An estimate of revenues from program fees is not feasible at this time as the number of likely applicants and the amount of the fee MHEC may charge are both unknown.

Institutions of Postsecondary Education

Revenues may decrease at institutions of postsecondary education (which potentially includes public four-year institutions of higher education and Baltimore City Community College) that choose to seek Workforce Pell Grant Program approval for short-term programs in accordance with the bill's provisions limiting tuition in approved programs. Expenditures at such institutions may increase to comply with annual reporting requirements and to pay any fees charged by MHEC. However, any revenue decrease or expenditure increase is a result of an institution's voluntary decision to seek approval for the Workforce Pell Grant Program, not a mandate by the bill on such institutions. Higher education revenues also increase to the extent short-term program approval allows additional students to enroll with Workforce Pell Grant funding.

Attorney General

The Office of the Attorney General advises that it can likely absorb any additional complaints generated by the bill with existing resources in its Consumer Protection Division.

Local Fiscal Effect: Revenues may decrease at institutions of postsecondary education (which potentially includes locally-funded community colleges) that choose to seek Workforce Pell Grant Program approval for short-term programs in accordance with the bill's provisions limiting tuition in approved programs. Expenditures at such institutions may increase to comply with annual reporting requirements and to pay any fees charged by MHEC. However, any revenue decrease or expenditure increase is a result of an institution's voluntary decision to seek approval for the Workforce Pell Grant Program, not

a mandate by the bill on such institutions. Revenues may also increase to the extent short-term program approval allows additional students to enroll with Workforce Pell Grant funding.

Additional Comments: The Maryland Department of Labor (MD Labor) advises that, although the bill creates a rebuttable presumption that registered programs meet the requirements of Workforce Pell, MD Labor only oversees State-approved workforce development programs and may be unable to determine if a *federally-registered* programs meet the same quality standards.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Baltimore City Community College; Department of Social and Economic Mobility; Maryland Department of Labor; Maryland Higher Education Commission; Maryland Independent College and University Association; Office of the Attorney General; Judiciary (Administrative Office of the Courts); University System of Maryland; Department of Legislative Services

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me/clb

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