

House Bill 1176 creates an income tax credit of up to \$1,500 for tuition and related expenses that are required for enrollment in an approved program that provides training in skills that are in short supply and critical to Maryland's economic development strategy. The credit against the personal income tax is 30% of up to \$5,000 in qualified expenses, subject to an income cap. The Secretary of the Maryland Higher Education Commission (MHEC) is required to identify and designate work-related skills that are in short supply and establish a list of approved programs that qualify for the tax credit.

Addressing the shortage of critical skills in Maryland's workforce has been an ongoing priority for my Administration. In 1998, we worked with the General Assembly to establish the Maryland Science and Technology Scholarship Program which grants scholarships to students who maintain a 3.0 average in fields such as computer science, engineering and technology-related disciplines where qualified applicants are in short supply. To retain the scholarship, recipients must agree to work in their fields in Maryland after finishing their degrees. This past legislative session, I proposed and the General Assembly enacted the Maryland Teacher Scholarship Program to address the State's critical teacher shortage. The Legislature also enacted House Bill 9, which provides income tax credits and other incentives to attract and retain qualified educators. This incentive program is expected to cost approximately \$25 million when fully phased-in. Additionally, starting in fiscal year 2001, we will begin phasing-in other disciplines under the HOPE Scholarship Program, concentrating first on those academic fields with shortages of employees with critical skills.

While I support the intentions behind House Bill 1176, I have profound concerns with the legislation as enacted. First, the tax credit program could be prohibitively expensive, easily costing over \$50 million annually if implemented consistent with the bill's intent. While the State would determine what skills and occupations are eligible, it would have little control over the number of programs and participants involved. It is certainly reasonable to expect that a list of skills and occupations in short supply will include fields already targeted in the above mentioned scholarship programs, as well as nursing, agriculture, tourism and a host of work-related skills such as electronics repair and software development. MHEC has identified 65,700 students, for example, who are enrolled in colleges, universities and private career schools in the fields of nursing, teacher education and science and technology, many of who could be eligible for the tax credit.

My second concern is that the tax credit program overlaps with, and to a certain extent devaluates, the Science and Technology, Teacher and HOPE Scholarship programs. Under House Bill 1176, a student studying computer science can receive a \$3,000 Science and Technology Scholarship to cover tuition and fees and receive an additional \$600 tax credit for the remaining \$2,000 in tuition costs. If the student falls under a "B" average, he or she would no longer be eligible for the scholarship, but would instead receive a \$1,500 tax credit based on the entire \$5,000 tuition payment. The recent scholarship programs were specifically designed to maximize the benefits of the federal education tax credit. I question whether students receiving these scholarships should receive alternative State education assistance through a tax credit.