

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

House Bill 335 (Delegate Rudolph)
 Ways and Means

Higher Education - Maryland Teacher Loan and Loan-Forgiveness Program

This bill establishes the Maryland Teacher Loan and Loan-Forgiveness Program, effective June 1, 2002.

The Maryland Higher Education Commission must draft a plan by October 31, 2001 and submit the plan to the Governor and the Legislative Policy Committee of the General Assembly. The plan must include a three-year progressive implementation schedule that begins July 1, 2002. This section of the bill is effective June 1, 2001 and sunsets October 31, 2001.

Fiscal Summary

State Effect: Assuming the progressive implementation plan allows all interested, eligible students to eventually participate, general fund expenditures could increase by \$1.88 million in FY 2003. Beginning in FY 2004, general fund revenues increase due to the repayment of student loans.

(\$ in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
GF Revenue	\$0	\$0	\$0.04	\$0.13	\$0.31
GF Expenditure	0	1.88	3.72	5.55	5.55
Net Effect	\$0	(\$1.88)	(\$3.67)	(\$5.42)	(\$5.24)

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

Local Effect: No direct impact on local finances.

Small Business Effect: None.

Analysis

Bill Summary: The Maryland Teacher Loan and Loan-Forgiveness Program provides loans to full-time third-year and fourth-year undergraduate students and full-time graduate students who pledge to work for five consecutive years as certified teachers in Maryland public elementary and secondary schools. Loan awards are \$5,000 and must be used towards tuition and fees or room and board at a four-year Maryland institution of higher education. Third-year undergraduate loan recipients may renew the loan if they continue as full-time students and are making satisfactory progress. All recipients must be pursuing a course of study leading to a Maryland Professional Teacher's Certificate. Individuals already holding a Maryland Professional Teacher's Certificate are not eligible to receive a loan.

The State Scholarship Administration (SSA) must publicize the program and must annually select eligible program applicants and offer them a loan. For each year that a recipient fulfills the service obligation, one-fifth of the total loan amount is forgiven. A loan recipient must repay the loan, at a rate set by the Maryland Higher Education Commission (MHEC), if the recipient does not achieve the required academic degree, does not perform the service obligation, or does not become professionally certified to teach in Maryland within the time frame set by MHEC. SSA must forgive two-fifths of the loan if a recipient takes the teacher certification exam two years in a row but fails to pass the exam within the established time limit.

Current Law: There is no Maryland Teacher Loan and Loan-Forgiveness Program.

Background: The *Maryland Teacher Staffing Report, 2000 - 2002* notes that the State Board of Education projected a shortage of certified teachers for all 24 of Maryland's school systems. The board also acknowledged a shortage of male teachers and minority teachers and recognized several fields -- including art, computer science, mathematics, science, and special education -- as critical shortage areas. Several State initiatives are designed to attract and retain more qualified teachers, including a low-interest mortgage program for teachers, stipends for teachers who earn certification from the National Board for Professional Teaching Standards, signing bonuses for teachers who graduate in the top 10% of their class, tuition tax credits for teachers who attend graduate school, exemption from earnings limitations for retired teachers reemployed in schools, and teacher mentoring programs.

In addition, there are currently three State scholarship programs specifically targeted to education students: the Maryland Teacher Scholarship Program, the Sharon Christa McAuliffe Memorial Teacher Education Tuition Assistance Program, and a special component of the Distinguished Scholar Program. All these programs target high-

achieving students who are residents of Maryland and all require a one-year service commitment for each year that a scholarship is received.

State Fiscal Effect: General fund expenditures could increase by \$1.9 million in fiscal 2003 to provide loan funds to approximately 366 students and to hire an administrative specialist to oversee the loan program. This estimate reflects the following assumptions:

- The three-year progressive implementation plan will allow for the provision of loans to one-third of all eligible students in fiscal 2003, two-thirds of all eligible students in fiscal 2004, and 100% of all eligible students in fiscal 2005 and beyond.
- Undergraduate and graduate enrollment in teacher education programs will remain relatively constant. There were 3,767 juniors and seniors and 923 graduate students enrolled in education programs in Maryland institutions during the 1999-2000 school year.
- Recipients of scholarships through the existing teacher scholarship programs will not be interested in the loan program. In fiscal 2001, 629 undergraduate teacher scholarships and 258 graduate teacher scholarships have been awarded.
- The number of awards made through the Maryland Teacher Scholarship Program will increase by about 1,800 from fiscal 2001 to fiscal 2003. As in fiscal 2001, 40% of these awards (720) will go to juniors, seniors, and graduate students. The number of Maryland Teacher Scholarships will level off after fiscal 2003.
- The number of McAuliffe and Distinguished Scholar awards will remain relatively stable.
- 35% of eligible undergraduate students will accept a loan.
- 40% of eligible graduate students will accept a loan.

Based on these assumptions, there would be approximately 366 education students (one-third of the estimated 1,100 who would be interested and eligible) who would accept a loan in fiscal 2003, costing the State a total of \$1.83 million. This number would double in fiscal 2004 and triple in fiscal 2005 as the three-year schedule is implemented. Future years would reflect the estimated annual participation level of 1,100 students.

In addition to loan payments, general fund expenditures would increase by an estimated \$47,795 in fiscal 2003 due to the costs associated with hiring one administrative

specialist to coordinate the loan program. This estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Loan Payments	\$1,830,000
Salary and Fringe Benefits	42,753
Operating Expenses	<u>5,042</u>
Total FY 2003 State Expenditures	\$1,877,795

Future year expenditures reflect: (1) full salaries with a 6.5% increase in fiscal 2003 and a 4.5% increase each year thereafter, with 3% employee turnover; (2) 1% annual increases in ongoing operating expenses; and (3) student loans.

Starting in fiscal 2004, it is estimated that 12% of loan recipients will begin repaying their loans annually. Because loan recipients who do not fulfill the program requirements are required to pay one-fifth of the loan (\$1,000) per year, the first fiscal year following the program's implementation would result in an estimated \$44,000 increase in general fund revenues. This amount would build for the first seven fiscal years after the implementation year, increasing to \$132,000 in fiscal 2005 and to \$308,000 by fiscal 2006. The estimated loan repayments would plateau at \$660,000 by fiscal 2010.

MHEC could produce and submit a plan for implementation of the Maryland Teacher Loan and Loan-Forgiveness Program by October 31, 2001 with resources budgeted for fiscal 2001 and fiscal 2002.

Local Fiscal Effect: The bill would not have a direct effect on local government expenditures or revenues. Local governments would benefit indirectly, however, if the bill results in increases to the number of available school teachers and to the number of service obligation years.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ef/jr

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