

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 387
Appropriations

(Delegates Rosenberg and Niemann)

State Personnel - Student Loan Repayment Program

This bill authorizes the head of a principal department in the Executive Branch to establish a Student Loan Repayment Program to recruit or retain highly qualified employees. The department may repay a student loan previously taken out by the employee up to \$6,000 for any one employee in a calendar year and a total of \$40,000 for any one employee. Special appointees and management and executive service employees would not be eligible. The bill requires the Secretary of Budget and Management to report to the Governor and the General Assembly by September 1 of each year on the number of employees selected to receive loans, the employees' position classifications, and the cost of the program.

Fiscal Summary

State Effect: Agency expenditures for student loan payments would increase, depending on the level and scope of participation by departments and employees. The amount of such expenditures cannot be reliably estimated at this time, but could be significant. The bill states an intent that participating departments make the payments from existing resources. To comply with this intent, the additional costs incurred by participating departments would likely have to be offset by corresponding expenditure reductions.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: Skilled and professional service employees of the State Personnel Management System (SPMS) and comparable employees of independent personnel systems would be eligible for student loans under the bill. Judicial and Legislative Branch employees would not be eligible. The bill defines a student loan as one made by the State or federal government and provided to a student to pay expenses related to attending an institution of higher education.

Payments under this program cannot exceed \$6,000 for any one employee in a calendar year or a total of \$40,000 for any one employee nor can they be made to reimburse an employee for payments made on the employee's student loan. The bill states that agencies must use existing resources for this program. To receive a loan, an employee must agree in writing to remain in service for at least three years (unless involuntarily separated) and to repay the amount of the loan if he or she is separated from service voluntarily or involuntarily before the time specified in the agreement.

If an employee fails to repay any amount owed to the State, the State may recover the outstanding debt by subtracting it from accrued compensation, retirement benefits, or any other amount owed to the employee and any other method provided by law. The head of the agency may waive the State's right to recover, in whole or part, if it would be inequitable or against public policy.

An employee is not eligible for continued benefits under the program if he or she separates from the agency providing the benefits or does not maintain an acceptable performance level as determined by procedures and standards established by the agency. Benefits provided under the program must be in addition to the salary and other compensation payable to the employee.

Current Law: State law defines a higher education institution as a postsecondary education that limits enrollment to graduates of secondary schools and awards degrees at the associate, baccalaureate, or graduate level. An institution of postsecondary education means a school or other institution that offers an educational program in the State for individuals who are least 16 years old and have graduated from or have left elementary or secondary school; it does not include adult education, evening high school, or high school equivalence programs, apprenticeships, or on-the-job training programs.

In addition to SPMS, there are five independent State personnel systems – the University System of Maryland (USM), St. Mary's College, Morgan State University, Baltimore City Community College (BCCC), and the Maryland Department of Transportation (MDOT).

State law does not provide for any program to repay employee's student loan expenses. However, the Department of Budget and Management (DBM) authorizes \$232 per credit for undergraduate courses and \$349 for graduate courses for members of SPMS. Agencies such as MDOT have adopted regulations or policies to assist employees with tuition expenses, subject to certain requirements. Full-time MDOT employees can be reimbursed for up to 18 credits per calendar year for job-related courses; an employee must be rated as "meeting standards" on his or her most recent performance appraisal and achieve certain grades. USM offers tuition remission (up to eight credits per semester) for full- and part-time employees and their children. It also has a reciprocal policy for employees of Morgan State, BCCC, and St. Mary's College. USM reports that 2,074 employees received tuition remission in fiscal 2003 at a cost of \$4.2 million.

Background: The bill is closely modeled on federal law, which allows federal agencies to provide similar amounts of student loan payments as a recruiting tool. The federal law imposes similar or identical requirements for repayment and reporting and contains the same cap on payments per employee. According to the federal Office of Personnel Management, 16 agencies provided more than \$3.1 million in student loan repayments for 690 federal employees. Agencies reported lack of funding as the most common barrier to using the repayment program; the agencies also recommended certain changes, such as reducing the statutory three-year service requirements in exchange for student loan repayment.

A few states have created programs that allow agencies to pay employee's student loans to meet shortages in certain employment areas. Florida established the Critical Teacher Shortage Student Loan Forgiveness Program that provided up to \$2,500 annually for up to four years of college preparation if related to teaching.

State Effect: The bill authorizes each department to repay student loans but does not require them to do so. It also directs them to only use existing resources. However, under current budget constraints, the Department of Legislative Services (DLS) advises that most Executive Branch agencies have limited or no existing resources to administer this program.

DLS observes that the number of employees who might participate in the program and the amount of payment per employee cannot be estimated at this time. Expenditures for participating departments will also depend on the criteria that are established by the regulations. If the student loan must pertain to job-related education, for example, costs will be lower. Examples of the potential impact by personnel system is described below:

SPMS: If 10% to 15% of all SPMS skilled and professional service employees (36,319) request and receive a loan payment, general and special fund expenditures would increase by \$21.8 to \$32.7 million in one year, assuming a full \$6,000 payment for each employee.

Higher Education: The institutions surveyed by USM did not expect the bill to have a significant impact because they either do not hire many entry-level employees who would have student loans or do not have the resources to participate. There are nearly 22,000 employees at the universities and colleges covered by the bill.

MDOT: MDOT advises that 609 of its 7,787 employees are traditional college and graduate school ages (20-30). If 10% of these employees received the full \$6,000 payment, Transportation Trust Fund expenditures would increase by \$366,000 in one calendar year. However, employees in other age brackets are also likely seek to an undergraduate or graduate degree or may have long-term loans.

Additional Comments: DBM's response to a request for information was not received in time for this fiscal note.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Transportation, University System of Maryland, U.S. Office of Personnel Management, Department of Legislative Services

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