

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 730 (Senators Jennings and Middleton)
 Education, Health, and Environmental Affairs

Ways and Means

Higher Education - Maryland Loan Assistance Repayment Program - Farmers

This bill establishes the Maryland Loan Assistance Repayment Program for Farmers (Farmer LARP) to assist in the repayment of specified higher education loans for undergraduate or graduate study leading to a degree in agriculture or an agriculture-related field, including farming, for eligible farmers who have been farmers for at least 5 years and no more than 10 years. Funds for the program must be provided on an annual basis in the State budget. The Office of Student Financial Assistance (OSFA), in consultation with the Maryland Department of Agriculture (MDA) must adopt specified regulations related to the administration of the Farmer LARP. OSFA must include specified information regarding implementation of the Farmer LARP in the annual report of the Janet L. Hoffman Loan Assistance Repayment Program due January 1 of each year.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: General fund expenditures increase by \$38,000 in FY 2018 for one-time contractual costs associated with updating the Maryland Higher Education Commission (MHEC) scholarship system. The actual cost per award depends on the regulations developed by OSFA and the total student loan debt of a recipient; however, based on average borrowing debt and one set of assumptions, one three-year award increases general fund expenditures by \$9,000. Revenues are not affected.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	38,000	-	-	-	-
Net Effect	(\$38,000)	(-)	(-)	(-)	(-)

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

Local Effect: None.

Small Business Effect: Potential meaningful. Small business owners who are farmers and meet the bill's eligibility criteria may benefit.

Analysis

Bill Summary:

Eligible Individuals

OSFA must assist in the repayment of a specified higher education loan owed by a farmer who:

- has received an undergraduate or graduate degree in agriculture or an agriculture-related field from a public or private nonprofit institution of higher education located in the State;
- has been a farmer for at least 5 years but not more than 10 years since obtaining the degree;
- receives an income that is less than the maximum eligible total income levels established by OSFA, in consultation with MDA, including any additional sources of income; and
- satisfies any other criteria established by OSFA.

OSFA, in consultation with MDA, must adopt regulations to establish the maximum starting income and the maximum total income, including any additional sources of income for eligibility in the Farmer LARP. In addition, regulations must be adopted to establish that *priority* for participation in the Farmer LARP must be given to a farmer who (1) graduated from an institution of higher education in the State in the last 10 years; (2) is employed as a farmer on a full-time basis; and (3) as determined by MDA, uses sustainable agricultural techniques and demonstrates environmental stewardship.

Award Amount

OSFA, in consultation with MDA, must adopt regulations to establish a limit on the total amount of assistance provided by OFSA in repaying the higher education loan of a farmer, based on the farmer's total income and outstanding higher education loan balance. In addition, regulations must be adopted to establish a procedure and schedule for the payment of the amount of loan assistance provided by OFSA. There must be an annual review of the eligibility of each farmer participating in the Farmer LARP.

Current Law:

Loan Assistance Repayment Program

LARP provides loan repayment assistance in exchange for certain service commitments to help ensure that underserved areas of the State have sufficient numbers of primary care physicians, physician assistants, dentists, lawyers, and other professionals serving underserved areas of the State or low-income families. The program is subdivided into the Janet L. Hoffman LARP, the Maryland Dent-Care LARP, and the Maryland LARP for Physicians and Physician Assistants. Individuals must have received a graduate, professional, or undergraduate degree from a college or university in the State or a school of law, or have received a resident teacher certificate from the Maryland State Department of Education after completing an approved alternative teaching preparation program. They must also be employed full time in State or local government or in a nonprofit organization that assists low-income, underserved residents or underserved areas in the State.

Janet L. Hoffman Loan Assistance Repayment Program

Eligible employment fields include lawyers, degree- or diploma-holding registered nurses, licensed clinical therapists, physical and occupational therapists, social workers, speech pathologists, and teachers. Chapter 496 of 2012 established the Nancy Grasmick Teacher Award within Janet L. Hoffman LARP for Maryland public school teachers who have taught in Maryland for at least two years in (1) science, technology, engineering, or math subjects or (2) a school in which at least 75% of the students are enrolled in the free and reduced-price meal program. A teacher must also have received the highest performance evaluation rating for the most recent year available.

Exhibit 1 shows the awards and applications received by the Janet L. Hoffman LARP in fiscal 2016.

The fiscal 2018 State budget contains \$1.4 million for LARP, including \$75,000 in special funds from out-of-state attorney fees.

For the 2016-2017 award cycle, OSFA set the award amounts for the Janet L. Hoffman LARP at the amounts shown in **Exhibit 2**. For the Janet L. Hoffman LARP, awards are determined by an applicant's overall reported educational debt at the time of application, and they lock in to an award level that contains set award amounts. Award fund are distributed annually over a three-year period as long as the recipient remains eligible and continues to submit the required annual employment, lender, and tax documentation by the deadline.

Exhibit 1
Applications Received and Awards Made by the
Janet L. Hoffman LARP in Fiscal 2016
According to Profession

Field	Total Number of Applicants	Number of Eligible Applicants	Number of Awards Made	Percentage of Total Awards Made¹
Law	21	15	11	8%
Social Work	159	143	56	39%
Teaching	121	107	48	33%
Nancy Grasmick Teacher	6	6	4	3%
Nursing	32	27	16	11 %
LCC	12	7	1	1%
OTPT	1	1	0	0%
Speech Pathology	16	16	8	6%
Nurse Faculty	2	1	0	0%
Total	370	323	144	100%

LCC: licensed clinical counseling

OTPT: occupational and physical therapy

¹Numbers may not sum to 100% due to rounding.

Source: Maryland Higher Education Commission; Office of Student Financial Assistance

Exhibit 2
Janet L. Hoffman LARP Award Amounts Schedule
2016-2017 Award Cycle

<u>Total Debt</u>	<u>Overall Award Limit</u>	<u>Yearly Payment</u>
\$75,001 or More	\$30,000	\$10,000
\$40,001-\$75,000	\$18,000	\$6,000
\$15,001-\$40,000	\$9,000	\$3,000
\$15,000 or Less	\$4,500*	\$1,500*

* Payment amount cannot exceed total debt; amount will be adjusted

Source: Maryland Higher Education Commission

Background: According to the Project on Student Debt, about 7 in 10 (68%) college seniors who graduated from public and private nonprofit colleges in 2015 had student loan debt. These borrowers owed an average of \$30,100 nationwide. Maryland graduates from the same class owed an average of \$27,672. About one-fifth of (19%) of the class of 2015's debt comprised private loans, which are more costly and provide fewer consumer protections and repayment options than federal loans.

Approximately 350,000 people are employed in some aspect of agriculture, making it the largest commercial industry in Maryland. In 2015, some 12,200 Maryland farms averaged 166 acres each. In 2014, net farm income in Maryland was more than \$590 million, while income per farm averaged \$47,580. The market value of all agricultural products totaled more than \$2.4 billion. Maryland's top agricultural products are broiler chickens, greenhouse/nursery plants, corn, soybeans, and dairy products. According to MDA, 100 farms and over 7,679 acres are certified organic in Maryland.

According to the U.S. Department of Agriculture, in 2012, there were approximately 6,000 individuals in Maryland who were principal operators of a farm whose primary occupation was farming. In addition, approximately 6,200 additional principal farm operators have another primary occupation. These numbers do not include farmers who are not principal operators of a farm.

In the 2015-2016 academic year, 314 students graduated from the University System of Maryland (USM) with an undergraduate (254), master's (43), or doctorate (17) degree in agriculture or natural resources.

State Expenditures: General fund expenditures increase by \$38,000 in fiscal 2018 for one-time contractual costs associated with updating MHEC's scholarship system. The actual cost per award depends on the total eligible student loan debt of a recipient; however, *for illustrative purposes only*, based on average borrowing debt and one set of assumptions, one three-year award increases general fund expenditures by \$9,000. MHEC can likely process applications related to the award using existing resources.

- MHEC reports modifying and testing the scholarship web portal (known as the Maryland College Aid Processing System) to add a new loan repayment grant costs approximately \$38,000.
- For the purposes of this estimate, it is assumed that OSFA sets the award amount schedule for Farmer LARP at the same as the Janet L. Hoffman LARP. Based on the average loan debt of Maryland graduates from the class of 2015, which is \$27,672 according to the Project on Student Debt, the average award amount would be \$3,000 annually for three years, a total of \$9,000. However, keeping all other assumptions the same, an individual who had borrowed significantly more (more

than \$75,000) would receive significantly more – \$10,000 annually for three years, a total of \$30,000.

- It is unknown how the student loan debt for farmers who practice sustainable farming compares to the Maryland average. It is also unknown what award schedule OSFA will set for the Farmer LARP.
- It is unknown how many farmers would be eligible for the award; however, in 2012 there were approximately 6,000 principal farm operators whose primary occupation was farming. This number does not include full-time farmers who are not principal operators of a farm. It is unknown how many of them have an undergraduate or graduate degree in agriculture or a related field and received it within the past 10 years, although approximately 300 students a year receive an undergraduate or graduate degree in agriculture or natural resources from USM each year.
- MHEC advises an additional administrative specialist is needed to meet the requirements of the bill. The Department of Legislative Services advises that, if the number of applicants is modest, then MHEC can make the awards using existing resources. However, if the number of applicants is large, *e.g.*, more than 30 applicants annually, then MHEC may need to hire a half-time administrative specialist to make awards at a cost of over \$40,000 annually.
- Finally, actual awards depend on the funds appropriated to the program.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission; Maryland Department of Agriculture; Project on Student Debt; U.S. Department of Agriculture; Department of Legislative Services

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