

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 397 (Delegate Zirkin)

Ways and Means

Education - College Loan Payment - Maryland Student Service Corporation

This bill establishes a nonprofit corporation known as the Maryland Student Service Corporation (MSSC). The purpose of MSSC is to assist college graduates in repaying their educational loans in exchange for the graduates' participation in community service programs approved by MSSC. MSSC is governed by a 12-member board of directors. Board members serve without compensation, but are entitled to expense reimbursements. MSSC may make contracts with the federal government, any state or local government, or any private agency, for the purpose of receiving funds or services.

To participate in the program, one must:

- be an adult;
- be a U.S. citizen or permanent resident alien; and
- have graduated from any Maryland high school and any accredited college or have graduated from any Maryland college.

A participant who is involved in an approved program, either full-time or part-time, for a 10-month period shall receive a monetary award to be used for the repayment of a college loan ("education award"). A participant may not remain enrolled in the program for more than 24 months. For a full-time participant, MSSC is also required to:

- pay any interest on the participant's college loans that accrues while the participant is in the approved program;
- offer health insurance if the participant does not otherwise have access to health insurance; and
- pay a modest living allowance.

MSSC shall submit an annual report to the Governor and General Assembly.

State Effect: Potential significant increase in expenditures.

Local Effect: Potential significant increase in expenditures.

Small Business Effect: Potential minimal.

Fiscal Analysis

State Expenditures: MSSC is patterned after AmeriCorps, the federal program that offers community service in exchange for education awards. AmeriCorps members receive education awards worth up to \$4,725 to help pay for college or pay back student loans. AmeriCorps members may receive a subsistence stipend or living allowance (in fiscal 1997, \$4,000 or \$8,000), room and board, and benefits. The total fiscal 1999 federal budget allowance for AmeriCorps programs was approximately \$350.8 million.

To date, more than 2,000 Maryland residents have qualified for AmeriCorps education grants totaling \$7.1 million. It is estimated that more than 1,700 Maryland residents will participate in AmeriCorps in 1999.

The number of people who would participate in MSSC cannot be estimated at this time. To the extent that the State would contribute funds to the program, State expenditures would increase. The total amount of such expenditures cannot be determined at this time.

The Maryland Higher Education Commission advises that approximately 75,319 students in Maryland were the recipients of financial aid in the 1997-98 academic year. The total amount of loans awarded during that year was \$464.9 million. The average award per recipient was \$5,187 for undergraduate students and \$11,824 for graduate students.

Local Expenditures: To the extent that local governments would contribute funds to MSSC, local government expenditures would increase. The total amount of such expenditures cannot be determined at this time.

Small Business Effect: To the extent that small businesses would contribute funds to MSSC, small business expenditures would increase. The total amount of such expenditures cannot be determined at this time.

Information Source(s): Maryland Higher Education Commission, Corporation for National Service, Department of Legislative Services

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