

**Department of Legislative Services**  
Maryland General Assembly  
2000 Session

**FISCAL NOTE**

House Bill 878 (Delegate Gladden)

Ways and Means

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**Higher Education - Lawyers - Student Financial Assistance**

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This bill makes a graduate of a law school who agrees to provide legal services to low income residents in the State for at least two years eligible for the Loan Assistance Repayment Program. Seven percent of the Clients' Security Trust Fund must be transferred to the Loan Assistance Repayment Program for distribution to participating lawyers. Any unspent funds transferred from the Clients' Security Trust Fund must remain in the Loan Assistance Repayment Program to assist participating lawyers in future years, instead of reverting to the general fund.

The bill takes effect July 1, 2000.

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**Fiscal Summary**

**State Effect:** Based on the trust fund's balance on June 30, 1999, special fund revenues and expenditures for the Maryland Higher Education Commission (MHEC) could increase by \$221,500 in FY 2001. Out-year estimates would depend on the trust fund's balance in future years which cannot be reliably estimated at this time.

**Local Effect:** None.

**Small Business Effect:** Meaningful impact on one nonprofit entity. The fund balance of the Clients' Security Trust Fund would decrease by 7% annually.

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**Analysis**

**Current Law:** Priority for participation in the Loan Assistance Repayment Program must be given to an individual who:

- graduated from an institution of higher education in the last three years;
- is a resident of the State;
- is employed on a full-time basis; and
- provides, as the principal part of the individual's employment, legal services to low income residents in the State who cannot afford legal services, nursing services in nursing shortage areas in the State, or other services in an eligible field of employment in which there is a shortage of qualified practitioners to low income or underserved residents or areas of the State.

**Background:**

*Loan Assistance Repayment Program*

The Loan Assistance Repayment Program is designed to help Maryland residents who work for the State or a local government or a nonprofit agency to pay back college loans. The program is funded with State general funds. Pursuant to State Scholarship Administration guidelines, the Loan Assistance Repayment Program is currently open to: (1) lawyers who provide legal services to low income residents; (2) nurses in nursing shortage areas; (3) occupational and physical therapists; and (4) social workers with a bachelor's or master's degree in social work. A participant must not exceed certain income limitations.

For fiscal 1999, the State Scholarship Administration received 325 eligible applications for the Loan Assistance Repayment Program. Of these applicants, 39 received awards for a total amount of \$189,548.

The State Scholarship Administration also separately administers a Loan Assistance Repayment Program for physicians and medical residents who agree to provide primary care services to underserved areas and populations in the State. This program is funded through medical licensing fees, federal funds provided by the National Health Service Corps State Loan Repayment Program, and State general funds. Eight physicians received awards in fiscal 1999. \$814,270 in total funds were awarded under the program in fiscal 1999 (\$654,270 in State funds and \$160,000 in federal funds). All eligible applicants received funding.

The Governor's proposed fiscal 2001 budget includes a total of \$1,180,000 for the two programs, which is composed of \$670,000 in general funds, \$350,000 in special funds, and \$160,000 in federal funds.

In fiscal 1999, 24 lawyers qualified for the Loan Assistance Repayment Program, but only nine awards were made to lawyers due to funding limitations. The total amount of money awarded to these nine lawyers was \$60,994.

### *Clients' Security Trust Fund*

The Clients' Security Trust Fund of the Bar of Maryland is a nonprofit organization that reimburses clients for losses caused by misuse of funds by attorneys. The fund's main source of income is a \$20 annual mandatory assessment levied upon members of the bar.

In fiscal 1999, the fund received \$557,698 in revenues from attorney assessments and paid out \$252,841 to clients. As of June 30, 1999, the fund balance was \$3,163,992. There were 28,230 members of the State bar as of June 30, 1999.

**State Fiscal Effect:** Assuming that the 7% transfer portion would be applied to the fund balance, it is estimated that approximately \$221,500 would be transferred to the Loan Assistance Repayment Program to supplement awards to lawyers for fiscal 2001.

Because the bill provides that the 7% transfer is to be effected before funds from the Clients' Security Trust Fund are allocated to defrauded clients, the bill would significantly reduce the amount of money available to reimburse defrauded clients (assuming that assessment amounts are not increased as a result of the bill).

MHEC could administer the bill's changes using existing budgeted resources.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Higher Education Commission, Clients' Security Trust Fund, Department of Legislative Services

**Fiscal Note History:** First Reader - February 22, 2000  
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Analysis by: Claire E. Rooney

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510

(301) 970-5510