

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 397 Delegate Gladden, et al.)

Ways and Means

Economic and Environmental Affairs

Higher Education - Lawyers - Student Financial Assistance

This bill expands the eligibility for the Loan Assistance Repayment Program by adding graduates from a school of law outside of Maryland. Program participants must provide, as the principal part of their employment, legal services to low-income residents of the State who cannot afford legal services.

The bill is effective July 1, 2001.

Fiscal Summary

State Effect: General fund expenditures could increase by an estimated \$77,800 annually to provide loan repayment assistance to additional law school graduates. No effect on revenues.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	77,800	77,800	77,800	77,800	77,800
Net Effect	(\$77,800)	(\$77,800)	(\$77,800)	(\$77,800)	(\$77,800)

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

Local Effect: None.

Small Business Effect: Potential minimal for some nonprofits providing legal services to low-income residents.

Analysis

Current Law: Eligibility for the Loan Assistance Repayment Program (LARP) is limited to graduates of Maryland institutions of higher education and graduates of schools of medicine. In addition, program participants must reside in Maryland, obtain employment in specified shortage areas, and earn a salary that does not exceed \$40,000 if single or \$100,000 if married.

Background: In fiscal 1999, 12 lawyers were chosen to participate in LARP, six who worked for the State or a local government and six who worked for a nonprofit organization. In fiscal 2000 nine lawyers participated, six who worked in government and three who worked for nonprofit organizations. The awards averaged about \$5,800 in fiscal 1999 and \$6,800 in fiscal 2000. In each of those years, less than half of the eligible lawyer applicants received awards due to a lack of program funds. In fiscal 2001, all 20 eligible lawyers who applied for assistance received awards through the program, including nine who received awards with funds initially appropriated for the program and 11 who received awards following a budget amendment that transferred funds into LARP. The average fiscal 2001 award was \$4,860.

The Governor's fiscal 2002 budget proposal includes \$1.51 million for LARP, including \$1 million in general funds, \$350,000 from health care professional license fees, and \$160,000 in federal funds.

State Expenditures: From fiscal 1999 to fiscal 2001, an average of 27 eligible lawyers have applied annually for assistance from LARP, and an average of 14 per year have received awards under the program. It is assumed that the number of eligible lawyers applying for assistance would double if lawyers graduating from out-of-State law schools could apply. This would increase the annual number of eligible lawyers applying for LARP assistance by 27.

The average LARP award received by lawyers from fiscal 1999 to fiscal 2001 was \$5,557. Assuming that 14 additional law school graduates would receive awards annually at the average award rate, State general fund expenditures would increase by approximately \$77,800.

If the program is fully funded in fiscal 2002 and all eligible law school graduates were to receive awards, an estimated 27 lawyers from out-of-State schools could receive awards at a total cost of approximately \$150,000.

Additional Information

Prior Introductions: HB 878 of 2000 would have expanded LARP eligibility to include lawyers from out-of-State law schools and would have required that a portion of the Clients' Security Trust Fund be used to fund LARP. The bill received an unfavorable report from the House Ways and Means Committee.

Cross File: None.

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

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