

**Department of Legislative Services**  
 Maryland General Assembly  
 2001 Session

**FISCAL NOTE**

House Bill 1099 (Delegate Rosenberg)  
 Ways and Means

**Higher Education - Loan Assistance Repayment Program - Eligibility**

This bill expands the eligibility for the Loan Assistance Repayment Program to include an individual who: (1) is within one year of completing a graduate, professional, or undergraduate degree from a college or university in Maryland; or (2) received a degree leading to a Maryland Professional Teacher’s Certificate from an out-of-State institution and teaches or commits to teach in a Maryland public school. If loan assistance is received prior to the completion of a degree, the recipient of the assistance must commit to obtain employment with a nonprofit or governmental entity in Maryland within one year of receiving a degree.

The bill is effective June 1, 2001.

**Fiscal Summary**

**State Effect:** General fund expenditures would increase by an estimated \$423,200 in FY 2002 to fund additional loan repayment awards and to add one administrative position at the Maryland Higher Education Commission. If the program is fully funded, the costs would be higher. Future year expenditures reflect ongoing awards, annualization, salary increases, ongoing operating expenses, and inflation.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	423,200	430,600	433,000	436,600	438,400
Net Effect	(\$423,200)	(\$430,600)	(\$433,000)	(\$436,600)	(\$438,400)

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

**Local Effect:** No direct impact on local government finances.

**Small Business Effect:** None.

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## **Analysis**

**Current Law:** Only individuals who received their degrees from Maryland colleges and universities or individuals who received their degrees from schools of medicine are eligible for the Loan Assistance Repayment Program (LARP). Loan assistance recipients must reside in Maryland, obtain full-time employment with nonprofit or governmental entities in specified shortage areas, and earn an income under \$40,000 if single or \$100,00 if married.

Teachers working in declared areas of critical teacher shortage (such as art, music, mathematics, computer science, English for speakers of other languages, physical and general science, and special education) who graduated from a Maryland institution of higher education are eligible to participate in LARP.

**Background:** From fiscal 1998 to fiscal 2000, 783 eligible candidates applied for LARP assistance, and 341 LARP awards were made at a total cost of \$1.1 million. The awards were made to 173 social workers, 58 nurses, 55 teachers, 41 lawyers, and 14 individuals working in other professions. In fiscal 1998 and 1999, 24% and 12% of eligible candidates respectively received LARP awards. In fiscal 2000 all 252 eligible candidates received assistance, including 39 who received awards with funds initially appropriated for the program and 213 who received awards following a budget amendment that transferred funds into LARP.

**State Expenditures:** Assuming general funds would be used to fund additional loan assistance recipients, general fund expenditures could increase by an estimated \$423,152 in fiscal 2002 due to the costs associated with: (1) expanding LARP to include students in their final year of college; (2) expanding LARP to include teachers who attended out-of-State colleges and universities; and (3) adding one additional administrative position at the Maryland Higher Education Commission to track and manage additional applications and awards.

### *Awards for Students In Their Final Year of College*

The Maryland Higher Education Commission estimates that the number of loan assistance applicants and recipients could double if students in their final year of college are eligible for loan assistance awards. Based on three-year averages for the program, this would mean an additional 261 eligible applicants and an additional 114 recipients

annually. With an average award of \$3,242, general fund expenditures would increase by approximately \$370,000 annually.

If the program is fully funded and all 261 additional candidates receive awards, expenditures would increase by an estimated \$846,200 annually.

*Awards for Teachers Trained at Out-of-State Universities*

From fiscal 1998 to fiscal 2000, an average of 28 eligible teachers per year applied for assistance from LARP and 18 teachers received LARP awards. It is estimated that one-quarter of Maryland public school teachers are trained in out-of-State institutions; therefore, the number of teachers applying for LARP awards would increase by about nine and the number receiving LARP awards would increase by six. Based on the three-year average LARP award granted to teachers of \$2,900, expenditures would increase by \$17,400 annually to fund six additional awards.

If the program is fully funded and nine additional awards are made annually, expenditures would increase by \$26,100.

*Administrative Costs for the Maryland Higher Education Commission*

One additional employee would be needed in order to meet the increased administrative demands that the legislation would impose on the commission. To fund this position, general fund expenditures would increase by an estimated \$35,752 in fiscal 2002, which accounts for a 120-day start-up delay and the bill's June 1, 2001 effective date. The estimate reflects the cost of hiring one administrative specialist to review additional LARP applications and to track LARP recipients. The estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salary and Fringe Benefits	\$30,821
One-time Costs and Ongoing Operating Expenses	<u>4,931</u>
<b>Total FY 2002 State Personnel Expenditures</b>	<b>\$35,752</b>

Future year expenditures reflect: (1) a full salary with a 6.5% increase in fiscal 2003 and a 4.5% increase each year thereafter, with 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

**Local Fiscal Effect:** The bill would not have a direct effect on local government expenditures or revenues. Local governments would benefit indirectly, however, if the

bill helps to attract more teachers to Maryland's public schools and increases teacher service obligations.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader – February 22, 2001  
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