

**Department of Legislative Services**  
 Maryland General Assembly  
 2002 Session

**FISCAL NOTE**

House Bill 1031 (Delegate Rudolph)  
 Ways and Means

**Education - Maryland Teacher Loan Repayment Assistance Program -  
 Establishment**

This bill establishes the Maryland Teacher Loan Repayment Assistance Program to aid teachers in repaying higher education loans. To qualify for participation in the program, a teacher must: (1) have received a degree from a college or university in Maryland; (2) obtain employment as a teacher in a Title I school, a school under State or local reconstitution, or in a subject area that has been identified as a critical shortage area; and (3) receive an income that is below the maximum eligible salary set by the State Scholarship Administration (SSA). The maximum award under the program is 10% per year of the total higher education loans owed by a recipient, or \$8,000 in aggregate awards. A recipient may not receive loan repayment assistance for more than four years. SSA must adopt regulations that give priority for participation in the program to individuals who graduated within the last three years and are employed on a full-time basis. Funding for the program must be provided in the annual State budget.

The bill is effective July 1, 2002.

**Fiscal Summary**

**State Effect:** General fund expenditures would increase by an estimated \$82,200 in FY 2003 to provide loan repayment assistance to teachers and to administer the new program. Future year expenditures reflect an increased number of awards, annualization, salary increases, ongoing operating expenses, and inflation. No effect on revenues.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	82,200	111,500	147,200	199,900	277,900
Net Effect	(\$82,200)	(\$111,500)	(\$147,200)	(\$199,900)	(\$277,900)

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

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Current Law:** There is no existing State program specifically designed to aid teachers in repaying colleges loans. However, the Janet L. Hoffman Loan Assistance Repayment Program (LARP) provides assistance to individuals working for State or local governments and individuals working for nonprofit organizations. Program participants must reside in Maryland, obtain employment in specified shortage areas, and earn a salary that does not exceed \$50,000 if single or \$110,000 if married. Public school teachers are eligible to participate in the program.

The Sharon Christa McAuliffe Scholarship Program provides scholarships to teacher education students who agree to work after graduation in academic fields or geographic areas experiencing teacher shortages. The State Superintendent of Schools is required to certify annually the fields and regions that are experiencing teacher shortages.

**Background:** The *Maryland Teacher Staffing Report, 2001 - 2003* notes that the State Board of Education projects a shortage of certified teachers for all 24 of Maryland's school systems. The board also acknowledges a shortage of male teachers and minority teachers and recognizes several fields -- including technology education, computer science, mathematics, science, and special education -- as critical shortage areas. The State has implemented several programs and policies to combat the shortages, including teacher scholarships, signing bonuses, salary stipends, and tax exemptions.

As seen in **Exhibit 1**, there are 103 schools in Maryland under State or local reconstitution. The State Board of Education decides what schools to reconstitute based on student and school performance data. Schools under local reconstitution receive additional funding and additional technical assistance from the State. The schools are also required to develop improvement plans and are monitored by the State to see how the plans are implemented. After several years, the State board may place a school under State reconstitution if student performance does not improve. Only four schools have been placed under State reconstitution. Three of them were reconstituted before the 2000-2001 school year and are being operated by Edison Schools, Inc. The fourth school is in its first year under management by Victory Schools, Inc.

**Exhibit 1**  
**Number of Schools Placed Under State and Local Reconstitution**  
**2001-2002 School Year**

<b>School System</b>	<b>Local Reconstitution</b>	<b>State Reconstitution</b>
Anne Arundel	1	0
Baltimore City	82	4
Baltimore County	1	0
Prince George's	15	0
<b>State Totals</b>	<b>99</b>	<b>4</b>

Source: Maryland State Department of Education

**State Expenditures:** General fund expenditures would increase by an estimated \$82,169 in fiscal 2003 to provide loan repayment assistance to approximately 16 additional teachers and to hire an administrative assistant to oversee the loan program at the Maryland Higher Education Commission (MHEC). By fiscal 2007, costs for the program would increase to an estimated \$277,921. These estimates are based on the following information and assumptions:

- There are 40 teachers receiving LARP funding to repay higher education loans in fiscal 2002. It is assumed that a portion of the teachers who receive LARP awards would instead apply and qualify for awards under the Maryland Teacher Loan Repayment Assistance Program beginning in fiscal 2003. Assuming the average award amounts for the two programs would be similar, this transfer of teachers from LARP to a new loan repayment program would not affect total State expenditures.
- An additional 52 teachers applied for LARP assistance in fiscal 2002 but were ineligible for the program because: (1) more than three years had passed since their graduation (27 applicants); (2) their debt level was below the minimum award (16 applicants); (3) their certification was not in a critical shortage area (7 applicants); or (4) their annual earnings exceeded the maximum level established for the program (2 applicants). With the exception of the minimum debt level, all of these criteria are also present in the program established by the bill. Assuming these numbers are relatively stable, an estimated 16 applicants could be eligible for the Maryland Teacher Loan Repayment Assistance Program in fiscal 2003. It is not known, however, how many of these teachers work in Title I schools, reconstituted schools, or critical shortage areas.
- Assuming that 16 teachers qualify for an award in fiscal 2003 and assuming the award amount is similar to the average LARP award for teachers of approximately

\$2,800, the fiscal 2003 cost for awards under the Maryland Teacher Loan Repayment Assistance Program would be \$44,800.

- Assuming that MHEC and the Maryland State Department of Education would market the program to teachers working in Title I schools, reconstituted schools, and critical shortage areas, the number of teachers applying and qualifying for assistance under the program would increase by 50% annually from fiscal 2004 to 2007. It is assumed that the average annual award would remain relatively stable at \$2,800. Based on these assumptions, an estimated 81 teachers would receive awards in fiscal 2007 at a total State cost of \$226,800.

In addition to loan payments, general fund expenditures would increase by an estimated \$49,811 in fiscal 2003 to hire one administrative specialist to coordinate the loan program. This estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Loan Repayment Awards	\$44,800
Salaries and Fringe Benefits	32,358
Operating Expenses	<u>5,011</u>
<b>Total FY 2003 State Expenditures</b>	<b>\$82,169</b>

Future year expenditures reflect: (1) 50% annual increases in the number of teachers receiving loan repayment assistance; (2) a full salary with 3.5% annual increases and 3% employee turnover; and (3) 1% annual increases in ongoing operating expenses.

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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 21, 2002  
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