

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 308
Appropriations

(Delegate Rosenberg, *et al.*)

Finance

State Personnel - Student Loan Repayment Pilot Program

This bill authorizes the Department of Budget and Management (DBM), the Department of Legislative Services (DLS), and the Department of Juvenile Services (DJS) to establish a student loan repayment pilot program for a skilled or professional employee. The Secretaries of Budget and Management and Juvenile Services each must submit an annual report to the Governor and the General Assembly detailing the number of employees selected to participate in the program, including the position classifications of each and the cost of providing the benefits.

The bill terminates September 30, 2009.

Fiscal Summary

State Effect: No net increase in expenditures. If a loan repayment program is established by DBM, DLS, or DJS expenditures for student loan payments could increase, depending on the level and scope of participation by departments and employees. The amount of such expenditures would not exceed \$125,000 annually. The bill requires that participating departments make the payments from existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill authorizes the head of DBM, DLS, or DJS to establish a student loan repayment pilot program in order to recruit or retain highly qualified personnel. The participating department agrees to repay loans previously taken out by an employee through direct payments made on behalf of an employee. Loans made by the State or federal government for the employee's higher education expenses are eligible for repayment. Benefits provided to an employee under the program shall be in addition to the salary and any other compensation payable to the employee.

Program Limitations

The bill requires that payments under the program be made from the existing resources of the participating department. All terms, limitations, and conditions are to be mutually agreed to by the participating department and employee. Funds disbursed under the program are limited to \$125,000 annually and may not be made to reimburse an employee for payments already made on a student loan.

Eligibility Requirements

A participating employee must agree in writing that:

- unless the employee is involuntarily separated from service, the employee will remain in the service of the participating department for the period specified in the agreement, but not less than three years; and
- the employee will repay to the State the amount of any benefits received if the employee is separated from service voluntarily or involuntarily due to misconduct, before the time specified in the agreement.

An employee is ineligible for continued benefits if the employee separates from the participating department or does not maintain an acceptable level of performance as determined under standards and procedures established by the participating department.

Repayment

An employee who voluntarily transfers from a participating department to another unit of State government before the date specified in the agreement may not be required to repay benefits to the State unless, before the effective date of the transfer, the head of the participating department providing the benefits notifies the employee that repayment is required. If an employee fails to repay any amount owed to the State, the State may

recover the amount outstanding by: (1) setoff against accrued compensation, retirement benefits, or any other amount owed to the employee by the State; and (2) any other method provided by law. The head of a participating department has the discretion to waive the department's right of recovery in whole or in part, if recovery would be inequitable or against public policy.

The Secretary of Budget and Management must adopt regulations establishing standards, requirements, and procedures that the Secretary considers necessary to provide reasonable uniformity among repayment programs after consultation with the Executive Director of Legislative Services and the Secretary of Juvenile Services.

Current Law: The Office of Student Financial Assistance within the Maryland Higher Education Commission (MHEC) administers various scholarship and loan assistance programs established by State law. The Janet L. Hoffman Loan Assistance Repayment Program (LARP) is available to individuals who work in State or local government or the nonprofit sector in Maryland in eligible employment fields. Eligible employment fields include lawyers, nurses, physical and occupational therapists, social workers, speech pathologists, physician assistants, and teachers in certain shortage areas. An individual may receive a maximum of \$7,500 annually under the program.

Background: Federal law allows federal agencies to provide similar amounts of student loan payments as a recruiting tool. The federal law imposes similar requirements for repayment and reporting. According to the federal Office of Personnel Management, as of January 2004, 16 agencies provided more than \$3.1 million in student loan repayments for 690 federal employees.

A few states have created programs that allow agencies to pay employees' student loans to meet shortages in certain employment areas. Florida established the Critical Teacher Shortage Student Loan Forgiveness Program that provides up to \$2,500 annually for up to four years of college preparation if related to teaching.

The Governor's fiscal 2006 allowance includes \$2.8 million for LARP. So far in fiscal 2005, MHEC has awarded 521 individuals an average \$2,400 for loan repayment. The average reported loan debt for this group is \$33,800, and the average annual loan debt is \$3,100.

State Fiscal Effect: The bill authorizes DBM, DLS, and DJS to repay student loans but does not require them to do so. It also directs them to only use existing resources and limits annual expenditures for the program to \$125,000. As of September 2004, DLS committed \$142,000 for staff training and tuition assistance in fiscal 2005. Any expenditures under the repayment program contemplated by the bill could divert funds

available for staff training and tuition assistance. DBM advises that there are approximately 230 skilled and professional service employees on staff at the agency, but no information is available regarding what portion of these individuals have eligible unpaid student loans. DJS advises that there are 1,831 skilled and professional service employees on staff, but it is not known how many have outstanding student loans.

Additional Information

Prior Introductions: HB 387 of 2004 would have established a repayment program for all State employees in the Executive Branch. The bill received an unfavorable report from the House Appropriations Committee.

Cross File: None.

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

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