

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1132
Ways and Means

(Delegate Rosenberg)

Higher Education - Janet L. Hoffman Loan Assistance Repayment Program -
Eligibility and Administration

This bill expands eligibility for the Janet L. Hoffman Loan Assistance Repayment Program (LARP) by allowing an individual working part time in an eligible field of employment to qualify for an award. The Office of Student Financial Assistance (OSFA) must establish a procedure for calculating awards for part-time workers and must also use spousal academic debt and family size in the determination of award amounts under LARP. In addition, OSFA must review the maximum income eligibility level for LARP each year. Finally, the bill repeals the requirement that priority for program participation be given to individuals who have graduated within the last three years.

Fiscal Summary

State Effect: Expanding eligibility for LARP would not require additional spending. However, in order for awards to be made to all applicants currently on the LARP waiting list and new applicants working part time, general fund expenditures would have to increase by at least \$2.6 million annually beginning in FY 2009. Revenues would not be affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Individuals working for public or nonprofit organizations are eligible for participation in LARP. There is no statutory prohibition against part-time workers receiving LARP awards, but OSFA's eligibility guidelines specify that individuals must work full time to receive LARP awards. Priority for participation in LARP is given to individuals who • graduated from institutions of higher education within the last three years; • are residents of the State; • are employed full time; and • provide legal services to low-income Marylanders, provide nursing services in nursing shortage areas, or provide other services to low-income or underserved populations in eligible employment fields. LARP award amounts are determined by OSFA and are based on the academic debt of awardees. OSFA sets the income eligibility limits for LARP, although it is not specifically required to review the eligible income levels annually.

There are two additional branches of LARP: LARP-Primary Care Services (LARP-PCS) for primary care physicians and Maryland Dent-Care LARP (MDC-LARP) for dentists. These programs have no income eligibility requirements, and award recipients are selected by DHMH instead of OSFA.

Background: The proposed fiscal 2009 State budget includes a total of \$2.9 million for LARP, LARP-PCS, and MDC-LARP. Of this amount, \$2.0 million is general funds that are used for LARP and MDC-LARP, and \$850,000 is generated from special and reimbursable federal funds and is used for LARP-PSC. The maximum annual awards are \$10,000 for LARP, \$23,000 for MDC-LARP, and \$30,000 for LARP-PCS.

The Maryland Higher Education Commission estimates that 422 individuals will receive LARP awards averaging \$4,330 in fiscal 2008 for a total cost of \$1.8 million. In addition, there are more than 500 eligible applicants on the waitlist for the program.

State Expenditures: The annual funding level for LARP is determined by the State budget, and therefore any additional expenditures for the program resulting from an expansion of the program would only be incurred if the budget includes new funding to make additional awards.

Current law requires OSFA to prioritize awards for individuals who are employed full time, and the bill does not change this. If eligibility for the program is expanded to include individuals working part time in eligible employment fields, these individuals would not receive awards until all eligible applicants working full time have received awards. In fiscal 2008, awards from LARP total \$1.8 million and an estimated \$2.2 million would be needed to support awards for individuals on the waitlist. Assuming this pattern continues in future years, general fund expenditures would have to

increase by \$2.2 million before OSFA could consider making awards to part-time workers. Any awards for part-time workers would also represent an additional cost. MHEC estimates that, in addition to the \$2.2 million needed to support waitlisted applicants, it would need another \$400,000 in fiscal 2009 to make LARP awards to part-time workers. In total, general fund expenditures would need to increase by at least \$2.6 million to implement the expansion authorized by this bill.

If eligibility for LARP is expanded without additional funding, additional eligible applicants could be added to a waiting list for the program or other criteria, like the maximum income level, could be adjusted by OSFA to reduce the number of eligible applicants.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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Analysis by: Mark W. Collins

Direct Inquiries to:
(410) 946-5510
(301) 970-5510