

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1397

(Chair, Ways and Means Committee)(By Request -
Departmental - State Police)

Ways and Means

**Student Loan Repayment Pilot Program - Participation by Department of State
Police**

This departmental bill authorizes the Department of State Police (DSP) to participate in the Student Loan Repayment Pilot Program. DSP may offer its sworn members tuition reimbursement benefits, provided that funds for this purpose are available in the department's budget.

Fiscal Summary

State Effect: No net increase in expenditures. Allowing DSP to participate in the loan repayment program results in an increase in expenditures, depending on the level and scope of participation by the department and its employees. However, the amount of such expenditures may not exceed \$125,000 annually and current law requires participating departments to make payments from existing resources.

Local Effect: None.

Small Business Effect: DSP has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: The Student Loan Repayment Pilot Program allows the head of the Department of Budget and Management, the Department of Legislative Services, or the Department of Juvenile Services to repay loans previously taken out by an employee through payments made on behalf of an employee to a lender, or through direct payments

to 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 are in addition to the salary and any other compensation payable to the employee.

Program Limitations

Payments under the program must 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 is inequitable or against public policy.

The authorization for the Student Loan Repayment Pilot Program terminates on September 30, 2011.

Background: Several states have created programs that allow agencies to pay employees' student loans to meet shortages in certain employment areas. For instance, 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 Office of Student Financial Assistance within the Maryland Higher Education Commission 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, primary care physicians, medical residents, dentists, physician assistants, and teachers in certain shortage areas. An individual may receive a maximum of \$7,500 annually under the program. The Governor's proposed fiscal 2010 budget includes \$2.7 million for LARP.

DSP advises that the labor-management representative of the Governor and the collective bargaining representative of the State Law Enforcement Officers Labor Alliance agreed to allow the introduction of this bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management, Department of State Police, Department of Legislative Services

Fiscal Note History: First Reader - March 18, 2009
mcp/rhh

Analysis by: Michael T. Vorgetts

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

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Student Loan Repayment Pilot Program – Participation by Department of State Police

BILL NUMBER: HB 1397

PREPARED BY: State Police

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.