

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 703 (Delegate Rosenberg, *et al.*)
Ways and Means and Judiciary

Maryland Lawyer Loan Assistance Repayment Program

This bill alters eligibility for the Janet L. Hoffman Loan Assistance Repayment Program (LARP) by removing lawyers from the regular LARP program and establishing a separate Maryland Lawyer Loan Assistance Repayment Program (MLLARP). The bill also creates a Maryland Lawyer Loan Assistance Repayment Program Fund consisting of revenue generated through an annual fee charged to lawyers. The new special fund must be used by the Office of Student Financial Assistance (OSFA) to administer the program.

Fiscal Summary

State Effect: General fund expenditures increase \$136,900 in FY 2011 for OSFA to hire a program specialist and to reprogram the financial aid web portal. Future year general fund expenditures reflect annualization, regular salary increases, inflation, and the termination of one-time contractual costs in FY 2012. Special fund revenues increase by an estimated \$1.7 million beginning in FY 2011 due to the \$50 per lawyer fee. Special fund expenditures increase to make loan repayment awards to eligible lawyers.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
SF Revenue	\$1,725,000	\$1,725,000	\$1,725,000	\$1,725,000	\$1,725,000
GF Expenditure	\$136,900	\$71,700	\$75,100	\$78,800	\$82,600
SF Expenditure	\$1,725,000	\$1,725,000	\$1,725,000	\$1,725,000	\$1,725,000
Net Effect	(\$136,900)	(\$71,700)	(\$75,100)	(\$78,800)	(\$82,600)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: In order to practice law in Maryland a lawyer is required to pay an annual fee of \$50 to the Maryland Lawyer Loan Assistance Repayment Program Fund. All fees collected are required to be used to make grants under MLLARP.

By August 31 of each year, OSFA must provide a list of lawyers who have paid the annual fee to the Court of Appeals. The list must be provided free of charge and include, for each person on the list, the name and mailing address of the person.

The purpose of the fund is to maintain the integrity of the legal profession by assisting nonprofit and governmental legal service providers in the recruitment and retention of qualified employees.

The fund consists of revenue generated from the fees and any other money accepted for the benefit of the fund. Expenditures from the fund may be made only in accordance with the State budget. The money in the fund must be used by OSFA to administer the program. Any unspent portions of the money that is collected from fees may not be transferred or revert to the general fund but must remain in the fund to administer the program.

OSFA must assist in the repayment of the amount of education loans owed by a lawyer who practices in an eligible field of employment. OSFA must adopt regulations to implement the bill, including establishing the maximum number of participants in the program each year and establishing the minimum and maximum amount of a loan awarded.

Current Law/Background: LARP provides loan repayment assistance in exchange for certain service commitments to help ensure that underserved areas of the State have sufficient numbers of primary care physicians, dentists, and professionals serving underserved areas of the State or low-income families. The program is subdivided into LARP, MDC-LARP, and MLARP. Individuals must be employed full time in State or local government or in a nonprofit organization that assists low-income, underserved residents or underserved areas in the State.

LARP

Eligible employment fields include lawyers, nurses, nurse faculty members, physical and occupational therapists, social workers, speech pathologists, physician assistants, and certain teachers.

In fiscal 2010, under the current LARP program, OSFA received 71 applications from lawyers. OSFA was able to grant 29 awards, with an average award of approximately \$9,000. MHEC reports that approximately 34,500 licensed attorneys currently practice law in Maryland.

MDC-LARP

Practicing dentists can qualify for loan repayment for each year of obligated service and also receive a supplement to help defray associated tax liability. Individuals must agree to remain employed full time as a dentist with Medicaid recipients comprising at least 30% of the patient population. MDC-LARP has no income eligibility requirements, and award recipients are selected by the Department of Health and Mental Hygiene instead of OSFA.

MLARP

Primary care physicians were eligible for a subdivision of LARP known as LARP-PCS, until the 2009 session, when Chapter 575 of 2009 established a separate Maryland Loan Assistance Repayment Program for primary care physicians. For MLARP, OSFA makes financial aid awards to assist in repaying loans owed by a physician who practices primary care for a nonprofit organization or government entity in an area of the State that has been federally designated as having a shortage of primary care or mental health providers. Likewise, OSFA makes financial aid awards to assist in repaying loans owed by a medical resident specializing in primary care who agrees to practice for at least two years as a primary care physician for a nonprofit organization or government agency in a geographic area of the State that has been federally designated. Chapter 575 also created a Maryland Loan Assistance Repayment Program Fund, consisting of revenue generated through an increase to the rate structure of all hospitals in the State and any other money – including \$250,000 in federal State Loan Repayment Program funds to administer the program.

State Revenues: Assuming that the new fee for lawyers will be paid beginning in fiscal 2011, special fund revenues increase approximately \$1.7 million. This is based on the assumption that the \$50 fee will be collected from approximately 34,500 lawyers. Future years assume a steady number of lawyers who are required to pay the fee.

State Expenditures: The bill specifies that money in the new fund must be used by OSFA to administer the program. It is unclear whether “administer” encompasses administrative costs or just the awards under the expanded program because the bill also says that all fees must be used to make grants under the program.

Thus, general fund expenditures increase by \$56,888 in fiscal 2011 for OSFA to hire one additional program specialist to help select award recipients and to administer the program. The estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

	<u>FY 2011</u>	<u>FY 2012</u>
New Position	1	
Salary and Fringe Benefits	\$52,450	\$71,140
Start-up and Operating Costs	4,438	515
One-time Programming Cost	80,000	
Total	<u>\$136,888</u>	<u>\$71,655</u>

Future year expenditures reflect a full salary with 4.4% annual increases, 3% employee turnover, and 1% increases in ongoing operating expenses.

The Maryland Higher Education Commission (MHEC) reports that the financial aid web portal known as Maryland College Aid Processing System will need to be reprogrammed to add a new grant. The one-time modifications and testing will increase general fund expenditures by approximately \$80,000 in fiscal 2011. The web portal is used by students to apply for financial aid and to track the funds once they have been awarded.

The number of and size of the grants made from the new special fund will depend on the total amount of the special fee revenues collected, the eligibility criteria established by MHEC, and the number of eligible applicants who apply for the loan repayment program.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, Judiciary (Administrative Office of the Courts), Department of Legislative Services

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