

**Department of Legislative Services**  
Maryland General Assembly  
2012 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 364 (Senator Ferguson)

Education, Health, and Environmental Affairs

Ways and Means

**Loan Assistance Repayment Program - Nancy Grasmick Teacher Scholars**

This bill establishes the Nancy Grasmick Teacher Award within the Janet L. Hoffman Loan Assistance Repayment Program (LARP) for Maryland public school teachers who have taught in Maryland for at least two years in (1) science, technology, engineering, or math (STEM) subjects; or (2) a school in which at least 75% of the students are enrolled in the free and reduced price meal program. A teacher must also have received the highest performance evaluation rating for the most recent year available.

The bill takes effect July 1, 2012.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by approximately \$20,000 in FY 2013 for one-time programming costs. Using the average of two sets of assumptions, general fund expenditures also increase by \$358,000 for awards beginning in FY 2013. Future years reflect 45 award recipients per year, increasing the amounts of awards in future years, the elimination of one-time costs, and inflation. Revenues are not affected.

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	378,000	359,300	360,700	362,000	363,400
Net Effect	(\$378,000)	(\$359,300)	(\$360,700)	(\$362,000)	(\$363,400)

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The Office of Student Financial Assistance (OSFA) within the Maryland Higher Education Commission (MHEC) must assist in the repayment of any higher education loan owed by a public school teacher in the State who meets the specified eligibility requirements.

For teacher applicants only, priority must be given to an individual who qualifies for a Nancy Grasmick Teacher Award. However, OSFA may not approve more than 50% of the total number of awards for teacher applicants to Nancy Grasmick Teacher Scholars.

**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, Maryland Dent Care Loan Assistance Repayment Program (MDC-LARP), and Maryland Loan Assistance Repayment Program (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 teachers who have received a resident teacher certificate from the Maryland State Department of Education (MSDE) after completing an approved alternative teaching preparation program.

According to statute, OSFA may adopt regulations to establish the maximum starting income for eligibility, the maximum total income for eligibility, and the limit on the total amount of assistance provided.

Priority is given to individuals who have graduated from an institution of higher education in the last three years. Priority employment fields established by law are legal services and nursing. Priority for awarding is also given to applicants who are employed as nurse faculty members or applicants who teach in schools designated as federal Title I, Schools Identified for Improvement by MSDE, or who teach in designated critical shortage subject fields. Awards are capped at \$10,000 per year.

### *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 MLARP 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. Awards are capped at \$35,000 per year. 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 MLARP 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.

The Governor's proposed fiscal 2013 budget includes \$1.5 million in general funds for LARP. MHEC reports that, in fiscal 2011, 211 awards totaling \$1.2 million were made, and the average award amount was \$5,814. In fiscal 2011, 182 applicants were placed on the waiting list due to lack of funds.

### *Nancy Grasmick*

Dr. Nancy Grasmick was the Maryland Superintendent of Schools from 1991 through 2011. Her 20-year tenure made her the nation's longest serving state superintendent. During her tenure, *Education Week* ranked Maryland's public school system the best in the nation three years in a row. She also received numerous awards, including the Harold W. McGraw Jr. Prize in Education and the College Board's first President's Award for K-12 Leadership. Dr. Grasmick began her education career as a teacher of deaf children at the William S. Baer School in Baltimore County. She went on to serve as a classroom and resource teacher, principal, supervisor, assistant superintendent, and associate superintendent.

**State Expenditures:** MHEC reports that there will be one-time contractual costs between \$10,000 and \$30,000 associated with changing its financial aid processing system, known as Maryland College Aid Processing System (MD CAPS) in fiscal 2013. This estimate assumes that it will cost \$20,000 to update MD CAPS.

MHEC could also begin granting the new award in fiscal 2013. Increasing eligibility for LARP does not increase expenditures; however, there is a waiting list for LARP of currently eligible individuals. Therefore, to continue to make awards to currently eligible individuals and individuals made eligible by the bill, general fund expenditures for the program must increase. To the extent that additional funds are not provided for the program, the waiting list for LARP will increase. The first-year cost of the scholarships is estimated at \$266,008 to \$450,000, based on two sets of assumptions. The information and assumptions used in calculating this estimate are stated below.

- During the 2011-2012 school year there were approximately 59,300 public school teachers in the State. Of those, approximately 6,500 teachers taught in a school that had at least 75% of students enrolled in the free and reduced price meal program.
- There are approximately 400 middle and high schools in the State. If it is assumed that each of those schools has an average of one STEM teacher for each grade, then there are approximately 1,400 STEM teachers in the State, not including any elementary teachers who will qualify as STEM teachers.
- It is assumed that approximately one-third of teachers receive the highest performance evaluation rating for the most recent year. Therefore, it is assumed that approximately 2,600 teachers will meet this criterion for eligibility under the program.
- Approximately 32% of beginning teachers attended an in-state institution of higher education. Therefore it is assumed that approximately 840 teachers will meet all of the eligibility requirements.
- In Maryland, over half (54%) of undergraduate students graduated with a bachelor's degree and some debt in 2010, and the average student loan debt among graduating seniors was \$21,750. Therefore, it is assumed that approximately 450 qualified teachers will have qualified student loan debt and the average qualifying debt when applying for the loan repayment program will be \$21,750.
- Assuming that about 10% of qualified teachers (approximately 45) apply for the loan repayment program each year and awards are capped at \$10,000 per recipient

(as they are under current LARP), then general fund expenditures for loan repayment assistance increase by \$450,000 beginning in fiscal 2013.

	<u><b>FY 2013</b></u>	<u><b>FY 2014</b></u>	<u><b>FY 2015</b></u>	<u><b>FY 2016</b></u>
Awards	\$450,000	\$450,000	\$450,000	\$450,000
One-time Contractual Expenditures	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total State Expenditures</b>	<b>\$470,000</b>	<b>\$450,000</b>	<b>\$450,000</b>	<b>\$450,000</b>

Future year expenditures reflect the elimination of one-time contractual expenditures in fiscal 2014 and 45 new awardees each year.

- However, if it is assumed that the average award per recipient in fiscal 2013 is limited to \$5,872 based on the current LARP program average award amounts, then expenditures for awards increase by only \$266,008 in fiscal 2013.

	<u><b>FY 2013</b></u>	<u><b>FY 2014</b></u>	<u><b>FY 2015</b></u>	<u><b>FY 2016</b></u>
Awards	\$266,008	\$268,668	\$271,355	\$274,068
One-time Contractual Expenditures	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total State Expenditures</b>	<b>\$286,008</b>	<b>\$268,668</b>	<b>\$271,355</b>	<b>\$274,068</b>

Future year expenditures reflect the elimination of one-time contractual expenditures in fiscal 2014, 45 new awardees each year, and an annual increase in award amounts.

It is assumed that limiting the Nancy Grasmick Teacher Scholars Award to 50% of the total number of awards for teacher applicants will have no effect on expenditures for the award.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None designated; however, HB 613 (Delegate Rosenberg, *et al.* – Ways and Means) is identical.

**Information Source(s):** Maryland Higher Education Commission, Maryland Independent College and University Association, Morgan State University, University System of Maryland, Department of Legislative Services

**Fiscal Note History:** First Reader - February 8, 2012  
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