

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 918 (Delegate Amprey)
 Appropriations

Higher Education - Maryland Loan Assistance Repayment Program -
 Underrepresented Teachers

This bill establishes the Maryland Loan Assistance Repayment Program for Underrepresented Teachers (Underrepresented Teachers LARP) to assist in the repayment of specified higher education loans for undergraduate or graduate study. To be eligible, an individual must meet specified requirements, including being a member of a group historically underrepresented in the teaching field, teaching in a school that meets specified requirements, and participating in specified additional community activities. Funds for the program are as provided on an annual basis in the State budget. The Office of Student Financial Assistance (OSFA) must adopt specified regulations related to the administration of the Underrepresented Teachers LARP. By January 1 each year, OSFA must report on the implementation of the program as specified. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: General fund expenditures increase by \$50,000 in FY 2022 for one-time contractual costs associated with updating the Maryland Higher Education Commission (MHEC) scholarship/aid processing system. *Under one set of assumptions shown below*, general fund expenditures increase by \$380,000 annually for each new cohort of LARP awards beginning in fiscal 2023; if the awards are held for four years each, the cumulative impact escalates to \$1.5 million in fiscal 2026 and annually thereafter. Revenues are not affected.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	50,000	380,000	760,000	1,140,000	1,520,000
Net Effect	(\$50,000)	(\$380,000)	(\$760,000)	(\$1,140,000)	(\$1,520,000)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary:

Eligible Individuals

To be eligible for an Underrepresented Teacher LARP, an individual must be Black, Latino, male, or a member of another group historically underrepresented in the teaching field and have an outstanding higher education loan.

OSFA must assist in the repayment of the amount of any higher education loan owed by an eligible individual who:

- receives a graduate, professional, or undergraduate degree from a college or university in the State or a resident teacher certificate from the Maryland State Department of Education (MSDE) after completing an alternative teaching preparation program approved by the State Superintendent of Schools;
- is employed and has been employed during the immediately preceding two years as a teacher in a public school in the State that is low-performing, has a high concentration of students living in poverty, or has large achievement gaps between subpopulations of students *and* has received a positive performance evaluation rating for the most recent year available in the county in which the teacher taught;
- participates in extracurricular, mentoring, or tutoring program at the school in which the individual teaches or in the immediately surrounding community;
- receives an income that is less than the maximum eligible total income levels established by OSFA, including any additional sources of income; and
- satisfies any other criteria established by OSFA.

OSFA must adopt regulations to establish the maximum starting income and the maximum total income, including any additional sources of income for eligibility in the Underrepresented Teachers LARP. In addition, regulations must be adopted to establish that priority for participation in Underrepresented Teachers LARP must be given to a teacher who (1) graduated from an institution of higher education in the last three years; (2) is a resident of the State; and (3) is employed on a full-time basis.

The regulations must also limit the total amount of assistance provided by OSFA in repaying the loan of an eligible individual, based on the individual's total income, outstanding higher education loan balance, and receipt of any other loan repayment assistance. A procedure and schedule for the monthly or annual payment of the amount of loan assistance provided by OSFA to the eligible individual, as appropriate to assist an eligible individual in meeting loan forgiveness program requirements, must be included in the regulations.

Further, the regulations must include a requirements that an individual (1) apply to federal loan forgiveness programs for which the individual may qualify and (2) notify OSFA if the individual receives other loan repayment assistance. Finally, the regulations must establish an annual review of the eligibility of each individual participating in the program.

Award Amount

OSFA must determine the annual amount of assistance to be provided to an eligible individual. The amount must be at least equal to 12.5% of the individual's higher education loan that is attributable to tuition, fees, or books and materials for undergraduate or graduate study. OSFA may not provide higher education loan repayment assistance to an eligible individual under the program established by the bill for more than four years. An applicant for assistance in the repayment of a commercial loan must demonstrate to OSFA that the commercial loan was used for tuition or educational expenses for graduate or undergraduate study.

Reporting Requirements

By January 1 each year, OSFA must report on the implementation of the program, including (1) the amount of money allocated for the program; (2) the number of awards made and amounts of the awards; and (3) the number of applicants denied an award.

Current Law:

Loan Assistance Repayment Program – Generally

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, physician assistants, dentists, lawyers, and other professionals serving those areas or low-income families. The program is subdivided into the Janet L. Hoffman LARP, the Maryland Dent-Care LARP, and the Maryland LARP for Physicians and Physician Assistants. Individuals must have received a graduate, professional, or undergraduate degree from a college or university in the State or a school of law or have received a resident teacher certificate from MSDE after completing an approved alternative teaching

preparation program. They must also 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.

Janet L. Hoffman Loan Assistance Repayment Program

Eligible employment fields include lawyers, degree- or diploma-holding registered nurses, licensed clinical therapists, physical and occupational therapists, social workers, speech pathologists, and teachers. Chapter 496 of 2012 established the Nancy Grasmick Teacher Award within Janet L. Hoffman LARP for Maryland public school teachers who have taught in Maryland for at least two years in (1) science, technology, engineering, or math 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.

For the Janet L. Hoffman LARP, awards are determined by an applicant's overall reported educational debt at the time of application and they lock into an award level that contains set award amounts. Award funds are distributed annually over a three-year period as long as the recipient remains eligible and continues to submit the required annual employment, lender, and tax documentation by the deadline.

State Expenditures: General fund expenditures increase by \$50,000 in fiscal 2022 for one-time contractual costs associated with updating MHEC's scholarship/aid processing system. The actual cost per award depends on the regulations developed by MHEC and total eligible student loan debt of a recipient, as discussed below. However, *under one set of assumptions*, based on average borrowing debt, one four-year award increases general fund expenditures by \$15,200. Thus, if 100 teachers newly qualify for an award each year at the average level of debt, general fund expenditures increase by \$380,000 annually for that cohort beginning in fiscal 2023; general fund expenditures escalate to \$1.5 million in fiscal 2026 and annually thereafter due to the cumulative effect of holding an award for four years. MHEC can likely process applications related to the award using existing resources. As explained below, MSDE can likely assist MHEC in determining eligibility for the Underrepresented Teachers LARP using existing resources.

- For the purposes of this estimate, it is assumed that OSFA sets the award amount schedule for the Underrepresented Teachers LARP at 12.5% of an individual's total loan debt, the minimum amount required by the bill. Based on the average loan debt of Maryland graduates from the class of 2019, which is \$30,303 according to the Project on Student Debt, the average award amount would be \$3,788 annually for four years, a total of \$15,152. However, the statewide average does not account for differences in debt load by race, ethnicity, or gender. Keeping all other assumptions the same, an individual who had borrowed significantly more (such as double the

average, \$60,606) would receive significantly more – \$7,576 annually for four years, a total of \$30,304; if 100 teachers newly qualify for an award each year at the higher threshold of debt, expenditures increase by \$757,600 annually for that cohort beginning in fiscal 2023. (At this level of award, expenditures escalate to \$3.0 million in fiscal 2026 and annually thereafter due to the cumulative effect of holding the award for four years.)

- It is unknown how the student loan debt for individuals who qualify for the Underrepresented Teacher LARP compares to the Maryland average. It is also unknown what award schedule OSFA will set for the Underrepresented Teacher LARP.
- It is unknown how many teachers would be eligible for the award; however, in 2019 there were approximately 17,000 Black, 7,400 individuals who listed a race other than Black or white, and 18,200 male public school teachers in the State. It is unknown how many of them would qualify for the award by teaching at a qualifying school, receiving a positive evaluation, and participating in qualifying community activities.
- MSDE advises that, given the complexity of the eligibility requirements, to develop a file that lists all of the schools that meet the criteria costs \$60,000: \$25,000 in programming costs and \$35,000 in consultant fees. The Department of Legislative Services advises that, while definitions will need to be established by MHEC, given the data available in the Maryland Report Card, MHEC and MSDE can likely develop definitions and identify eligible schools using existing resources.
- Finally, actual awards depend on the funds appropriated to the program.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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