

**Department of Legislative Services**  
 Maryland General Assembly  
 2023 Session

**FISCAL AND POLICY NOTE**  
**Enrolled - Revised**

House Bill 982  
 Appropriations

(The Speaker)

Education, Energy, and the Environment and  
 Budget and Taxation

**State Employees – Programs and Scholarships for Human Services Careers and Probation Agents and State Contributions to Supplemental Retirement Plans**

This bill (1) establishes the Pilot Program for Human Services Careers; (2) establishes a companion Pilot Program Human Services Careers Scholarship; (3) expands both the Maryland Loan Assistance Repayment Program (LARP) for Police Officers and the Maryland Police Officers Scholarship Program to include parole and probation agents and related personnel; and (4) requires the State to provide a matching contribution to employees participating in the State supplemental retirement plans under certain circumstances. **The bill takes effect July 1, 2023.**

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$13.5 million beginning in FY 2024 for staff, one-time costs, the new scholarship and stipends, and general fund portion of the State supplemental retirement plan matching contributions. The FY 2024 budget, as passed by the General Assembly and contingent on this bill, includes \$13.0 million in general funds for those purposes and redirects \$3.5 million from the police scholarship program to the LARP. Special and federal fund expenditures increase due to State matching contributions, as explained below. General fund expenditures increase by a further indeterminate, but likely minimal, amount for mentors. Special fund revenues increase due to fees on supplemental retirement accounts beginning in FY 2024. **This bill reduces and increases two mandated appropriations by offsetting amounts beginning in FY 2025.**

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	-	-	-	-	-
GF Expenditure	\$13.5	\$13.5	\$13.5	\$13.5	\$13.5
SF Expenditure	\$4.1	\$4.1	\$4.1	\$4.1	\$4.1
FF Expenditure	\$4.1	\$4.1	\$4.1	\$4.1	\$4.1
Net Effect	(\$21.8)	(\$21.7)	(\$21.7)	(\$21.7)	(\$21.7)

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

**Local Effect:** Local school system expenditures in Baltimore City, Baltimore County, and Prince George’s County may increase to participate in the pilot program, as discussed below. Local revenues are not affected.

**Small Business Effect:** None.

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## Analysis

### Bill Summary:

#### *Pilot Program for Human Services Careers*

The stated purposes of the Pilot Program for Human Services Careers are to encourage collaboration between the Department of Human Services (DHS) and eligible local school systems to assist students in establishing careers in targeted positions within DHS and assist current DHS employees and employees in targeted DHS positions to establish careers in targeted positions. For the purposes of the pilot program, “career” means an occupation that provides opportunities for upward mobility and professional progress. “Targeted position” includes social workers, child support specialists, family investment specialists, family support workers, and family ‘SVS’ caseworkers. Eligible counties and local school systems therein are Baltimore City, Baltimore County, and Prince George’s County.

Nothing in the bill pertaining to the pilot program may be construed to alter the minimum qualifications for any targeted position.

*Department of Human Services Responsibilities:* DHS must provide information (including qualifications, salary range, and contact information) regarding the career opportunities available in targeted positions to its employees and other interested individuals outside DHS.

In hiring for targeted positions, DHS must prioritize applicants who graduated from a high school in an eligible local school system and participated in the pilot program either through the local school system or as an employee of the department. If an applicant who participated in the program and graduated from an eligible local school system is hired to fill a targeted position in DHS, DHS must award a one-time stipend of \$500 to the employee. Similarly, if an employee obtains a necessary credential or degree to work in a targeted position, DHS must award a one-time stipend of \$500 to the employee.

Also, if an applicant who participated in the program and graduated from an eligible local school system is hired to fill a targeted position in DHS, DHS must assign to that new employee a mentor within DHS. Accordingly, DHS must solicit applications from

employees to serve as mentors and select those who are qualified to do so, based on criteria determined by DHS. The mentor must serve as an expert resource for the new employee and be compensated by DHS for serving as a mentor based on rates negotiated with each exclusive representative. DHS must create a support system network for the employees who want to participate in the pilot program.

DHS must, by December 1, 2028, submit a report to the General Assembly on the effectiveness of the pilot program in accomplishing its goals to increase employment in targeted positions in DHS.

*Eligible Local School System Responsibilities:* Each eligible local school system must enter into a memorandum of understanding (MOU) with DHS that must include clear goals for the program and a commitment to publicize the pilot program, including specified information on stipends and scholarships. Further, each eligible school system, with the assistance of DHS, must:

- identify students who may be interested in working for the State after high school graduation;
- publicize the pilot program;
- work with DHS to develop internship opportunities at the department for credit;
- schedule at least one career day each semester for representatives of DHS to present specified information to students;
- work with DHS to identify the knowledge and skills necessary for targeted positions and incorporate the knowledge and skills into the curriculum of a required course; and
- include the discussion of career opportunities at DHS as part of individualized career counseling services in the Career Counseling Program for Middle and High School Students.

Beginning December 1, 2024, DHS must collaborate with each eligible local school system to annually submit a report to the General Assembly on the Pilot Program for Human Services Careers, including the activities conducted by the local school systems, the number of individuals participating, and the number of individuals awarded a scholarship from the Pilot Program for Human Services Careers Scholarship.

#### *Pilot Program for Human Services Careers Scholarship*

The Pilot Program for Human Services Careers Scholarship provides assistance to students enrolled in a program at a public higher education institution in Maryland that will enable the student to obtain a credential or degree necessary to work in or further a career in a targeted position in DHS, which by definition is for specified positions in Baltimore City,

Baltimore County, and Prince George's County. A recipient of the Pilot Program for Human Services Careers Scholarship must (1) be a Maryland resident or a graduate of a Maryland high school; (2) be accepted for admission or currently enrolled at a public higher education institution (either a community college or a senior institution) in the State in a program that will enable the recipient to obtain a credential or degree that is necessary to work in or further a career in a targeted position within the department; (3) sign a letter of intent to perform the service obligation (defined as working in a targeted position for at least five years during the eight-year period immediately following high school graduation) on completion of the recipient's required studies (though the service obligation may include work in a targeted position while a student is attending an eligible institution); (4) maintain a cumulative grade point average of at least 2.5 on a 4.0 scale or its equivalent; and (5) satisfy any additional criteria established by the Office of Student Financial Assistance (OSFA) within the Maryland Higher Education Commission (MHEC) or DHS.

OSFA and DHS must publicize the availability of the scholarship, including providing information on it to every employee in a targeted position. DHS must identify and select eligible applicants, prioritizing applicants who participated in the Pilot Program for Human Services Careers. DHS must also determine the amount of scholarship awards even though the bill specifies that the annual scholarship must be 100% of the equivalent annual tuition and mandatory fees at the eligible institution. OSFA must award scholarships to applicants selected by DHS in the amounts determined and provide oversight related to the service obligation of the scholarship. Also, the bill specifies that funding for the scholarship is as provided in the State budget.

As part of the Pilot Program for Human Services Careers, DHS must work in collaboration with a scholarship recipient to develop a work schedule that enables the recipient to maintain a course load consistent with the intent of the pilot program. A scholarship recipient must repay scholarship funds to OSFA if the recipient does not satisfy the degree requirements of the eligible course of study or perform the service obligation after graduation.

In fiscal 2024, MHEC must work with DHS to award scholarships and may not delay making scholarship awards because of required updates to the Maryland College Aid Processing System (MDCAPS). Further, MHEC must consider the use of paper applications to make scholarship awards in fiscal 2024.

#### *Expansion of the Maryland Loan Assistance Repayment Program for Police Officers*

The bill generally allows parole and probation agents, including supervisors or regional administrators for the Department of Public Safety and Correctional Services (DPSCS), to qualify for the LARP with eligible employment of at least two years in such a position. The bill also renames the Maryland LARP for Police Officers to be the Maryland LARP

for Police Officers *and Probation Agents*. The mandated appropriation for the LARP increases by \$3.5 million annually, from \$1.5 million to \$5.0 million.

#### *Expansion of the Maryland Police Officers Scholarship Program*

The bill expands eligibility for the Maryland Police Officers Scholarship Program to include parole and probation agents, including supervisors or regional administrators for DPSCS. The bill also renames the Maryland Police Officers Scholarship Program to be the Maryland Police Officers *and Probation Agents* Scholarship Program.

The bill makes other conforming changes to allow parole and probation officers to be included in the program. For example, the bill repeals language specifying that certain eligibility requirements must relate to a program participant's career in law enforcement; instead, it specifies that the degree program must simply further students' careers broadly as police officers or probation agents (as defined in the bill).

The bill reduces the mandated appropriation for the scholarship program by \$3.5 million; accordingly, the Governor must include \$5.0 million, instead of \$8.5 million, in the annual budget to MHEC for the scholarship program. The bill further reallocates the mandated appropriation such that \$2.5 million must be used for scholarships to students intending to become police officers or probation agents after graduation and \$2.5 million must be used for existing police officers or probation agents to attend an eligible institution and remain a police officer or probation agent after graduation.

#### *State Contribution to State Supplemental Retirement Plans*

The State must provide employees participating in the State supplemental retirement plans a contribution equal to the lesser of the participating employee's contributions or \$600 per fiscal year. A participating employee who makes student loan payments and provides documentation to the State of such a payment may also receive a matching contribution of \$600 or up to the amount of the higher education loan payments per fiscal year, whichever is less. An individual may not receive a matching contribution for both student loan payments and regular employee retirement plan contributions.

#### **Current Law:**

##### *Maryland Loan Assistance Repayment Program for Police Officers*

Chapter 59 of 2021, the Maryland Police Accountability Act of 2021, established the Maryland LARP for Police Officers to assist in the repayment of a higher education loan owed by a police officer who meets specified requirements. OSFA must distribute funds from the program to assist in the repayment of a "higher education loan" owed by a police

officer who (1) receives a graduate, professional, or undergraduate degree from a public college or university in the State; (2) obtains “eligible employment”; and (3) satisfies any other criteria established by the office. OSFA must (1) adopt regulations to implement the program, which must include a limit on the total amount of assistance provided by the office in repaying the loan of an eligible individual, based on the individual’s total income and outstanding higher education loan balance and (2) by January 1 each year, report to the General Assembly on the implementation of the program. The Governor must include an annual appropriation of at least \$1.5 million in the State budget for the program.

For the Maryland LARP for Police Officers, “eligible employment” means to work as a police officer in the State for at least two years. “Higher education loan” means a loan that is obtained for tuition for undergraduate study leading to a degree in criminal law, criminology, or criminal justice.

### *Maryland Police Officers Scholarship Program*

Chapter 59 of 2021 also established the Maryland Police Officers Scholarship Program to provide tuition assistance for students (1) attending a degree program that would further the student’s career in law enforcement at an “eligible institution” with the intent to be a police officer after graduation or (2) who are currently police officers attending a degree program that would further the police officer’s career in law enforcement at an eligible institution. OSFA must (1) publicize the availability of the scholarship; (2) annually select eligible students and offer a scholarship to each student selected to be used at an eligible institution of the student’s choice; and (3) to the extent practicable, award scholarships under the program in a manner that reflects ethnic, gender, racial, and geographic diversity.

A recipient of a scholarship must (1) be a Maryland resident or have graduated from a Maryland high school; (2) be accepted for admission or currently enrolled at an eligible institution as a full-time or part-time undergraduate or graduate student, as specified; (3) sign a letter of intent to perform the service obligation on completion of the recipient’s required studies; and (4) satisfy any additional criteria MHEC may establish. A current police officer that meets the eligibility criteria is also eligible for a scholarship. A recipient of a scholarship must repay MHEC the funds received if the recipient does not (1) satisfy the degree requirements of the course of study or program or fulfill other specified requirements or (2) perform the service obligation to work as a police officer for at least five years during the eight-year period after graduation.

The annual scholarship award must be 50% of the equivalent annual tuition and mandatory fees of a resident undergraduate student at the eligible institution. The Governor must annually include in the budget bill an appropriation of at least \$8.5 million to MHEC to award scholarships, and MHEC must use (1) \$6.0 million for scholarships to students intending to become police officers after graduation and (2) \$2.5 million for scholarships

to existing police officers to attend an eligible institution and remain a police officer after graduation.

For the Maryland Police Officers Scholarship Program, “eligible institution” means a public senior (four-year) higher education institution in the State.

#### *State Contribution to State Supplemental Retirement Plans*

State employees who participate in defined contribution plans and who are members of the Employees’ Pension System were entitled to receive an employer matching contribution of up to \$600 per year until the State match was suspended for one year in fiscal 2010 and then again in fiscal 2011 onward. Prior to fiscal 2011, the State match was suspended in fiscal 2004 and 2005 for budgetary reasons and was reinstated for fiscal 2006 with a cap of \$400 per employee. The match was restored to its maximum level of \$600 in fiscal 2007, 2008, and 2009.

#### **State Fiscal Effect:**

##### *Mandated Appropriations*

Net mandated appropriations are not affected as they continue to total \$10.0 million. The bill increases the mandated appropriation for the expanded Maryland LARP for Police Officers and Probation Agents by \$3.5 million annually, from \$1.5 million to \$5.0 million. The bill also reduces the mandated appropriation for the expanded Maryland Police Officers and Probation Agents Scholarship Program by \$3.5 million, from \$8.5 million to \$5.0 million (with the reduction applied to the scholarships for individuals intending to become police officers or probation agents after graduation). Beginning in fiscal 2025, the Governor must include appropriations of these amounts in the budget. However, enactment of the bill effectuates these changes in fiscal 2024 as well. Specifically, as passed by the General Assembly and contingent on enactment of House Bill 982, the fiscal 2024 budget (1) reduces the general fund appropriation for the Maryland Police Officers and Probation Agents Scholarship Program by \$3.5 million, from \$8.5 million to \$5.0 million and (2) increases the general fund appropriation for the Maryland LARP for Police Officers and Probation Agents by \$3.5 million, from \$1.5 million to \$5.0 million. Thus, the bill essentially results in the redirection of general funds from the scholarship program to the LARP beginning in fiscal 2024.

##### *Pilot Program for Human Services Careers*

DHS can likely enter into MOUs with the three eligible local school systems, alter hiring and work authorization practices as specified, provide information to outside parties, create

internship opportunities, create a support network for employees, submit required reports on program efficacy, and generally administer the pilot program using existing resources.

However, DHS must provide stipends of \$500 to specified program participants, and DHS estimates that it will need to award stipends to approximately 100 students and employees, resulting in approximately \$50,000 in general fund expenditures annually. The fiscal 2024 budget as passed by the General Assembly includes a \$50,000 general fund appropriation to DHS for stipends under the pilot program, contingent on enactment of House Bill 982; this analysis assumes a continued \$50,000 general fund appropriation in fiscal 2025 and beyond for stipends. DHS expenditures increase further by an indeterminate, but likely minimal, amount to compensate mentors in accordance with negotiated rates. *For illustrative purposes only* and assuming mentors are compensated similarly to program participants and receive a set \$500 stipend in exchange for agreeing to be mentors, total costs to retain 33 mentors (such that each individual mentors three program participants) could mean DHS incurs an additional \$16,500 in stipend costs.

#### *Pilot Program for Human Services Careers Scholarship*

For the scholarship, individuals must be a resident of Maryland or a graduate of a Maryland high school and eligible institutions are public institutions of higher education in the State. Therefore, to the extent additional individuals receive scholarships under the new pilot program, expenditures increase by the tuition and fees at the eligible institutions that students choose to attend – which depends significantly on whether students attend community college or a senior institution. On average, undergraduate in-state tuition and fees at University System of Maryland institutions in fiscal 2024 are approximately \$10,100; whereas the statewide average for tuition and fees at community colleges (including the Baltimore City Community College) is much lower (less than one-half that amount for fall 2022, or \$4,773, for a service-area resident). As discussed above, DHS advises that it expects to provide stipends to 100 students and employees participating in the program. Should 100 students also receive a scholarship, general fund expenditures for MHEC awards could increase by approximately \$1.0 million if all students attend senior institutions. The fiscal 2024 budget as passed by the General Assembly includes \$1.0 million for Pilot Program for Human Services Careers Scholarship awards, contingent on enactment of House Bill 982; this analysis assumes continued appropriations at that level in fiscal 2025 and beyond.

However, given the service obligation requirement to work in a targeted position for a five-year period within eight years of high school graduation, many students who participate in the pilot program will likely enroll in community college programs as such programs may require fewer than four years to complete or allow students to study on a part-time basis while working in the targeted position. Therefore, if most students instead attend community colleges, such funding likely allows for more than double that number



of students to receive awards each year – which allows for ongoing awards to initial recipients and new awards to be made. As the program is limited to targeted positions in the three jurisdictions, it is unclear whether the available funding will be fully subscribed – particularly in the first year or two – with sufficient numbers of applicants. The bill requires a scholarship recipient to repay OSFA funds received if the recipient does not satisfy the degree requirements or fulfill other requirements or perform the service obligation after graduation. This analysis does not account for repayment of scholarships.

*Maryland Higher Education Commission Administrative Expenditures*

General fund expenditures increase by \$45,000 in fiscal 2024 for changes to OSFA’s MDCAPS – most of this amount (\$35,000) is related to establishing the Pilot Program Human Services Careers Scholarship; the balance is split equally for changes related to the Maryland LARP for Police Officers and Probation Agents and the Maryland Police Officer and Probation Agents Scholarship.

MHEC advises that, to develop an application process, ensure regulatory compliance, complete reports related to the program, award applicants, review required documents, and track completion of service obligations, OSFA requires one additional regular administrative specialist beginning in fiscal 2024. Accordingly, personnel expenditures increase by \$75,723 in fiscal 2024. This estimate reflects hiring one administrative specialist to staff the new scholarship program concurrent with the program’s July 1, 2023 effective date and consistent with the bill’s directive that MHEC work without delay to award scholarships in partnership with DHS. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses; the one-time contractual expenses for MDCAPS changes described above bring total administrative expenditures for MHEC to \$120,723 in fiscal 2024.

Position	1.0
Salary and Fringe Benefits	\$68,049
MDCAPS Expenses	45,000
Operating Expenses	<u>7,674</u>
<b>Total MHEC FY 2024 Administrative Expenditures</b>	<b>\$120,723</b>

Future year expenditures reflect annual salary increases and employee turnover as well as annual increases in ongoing operating expenses.

Using existing resources and the new position described above, MHEC can meet the bill’s directives for fiscal 2024 related to the Pilot Program for Human Services Careers Scholarship to (1) coordinate with DHS to award scholarships; (2) ensure no delays occur in making awards because of required updates to MDCAPS; and (3) consider/make use of paper applications as necessary to make those awards in fiscal 2024.

### *State Contribution to State Supplemental Retirement Plans*

State expenditures increase by an estimated \$20.6 million annually beginning in fiscal 2024 with the requirement that the State provide a \$600 matching contribution to State employees' supplemental defined contribution retirement plans. This estimate is based on an estimated 46,851 eligible members of the Employees' Pension System and a per person allocation of \$440, accounting for the fact that not all eligible members participate in defined contributions plans. The cost is assumed to be allocated 60% general funds, 20% special funds, and 20% federal funds. In fiscal 2009, when the match was suspended, the program was budgeted to cost roughly \$23 million annually, and program participation has not substantially changed since the end of the match. The fiscal 2024 budget as passed by the General Assembly includes \$12.0 million in general funds, contingent on enactment of House Bill 982, for the provision of up to \$600 in State matching contributions, which is likely sufficient to cover most of the general fund portion of State matching contributions estimated above for fiscal 2024 (\$12.4 million).

The Federal Reserve Bank of New York estimates that, as of the fourth quarter of 2021, there were approximately 864,700 student loan borrowers in the State with a combined balance owed of \$36.8 billion. The U.S. Census Bureau estimates that, as of July 1, 2021, the total resident population of the State was 6.2 million individuals, meaning approximately 14% of all residents of the State are student loan borrowers. Assuming a similar fraction of State employees are student loan borrowers, approximately 6,550 individuals may be able to claim a State match for student loan payments. An exact estimate of the number of individuals who ultimately will claim a State match for student loan payments is unknown. The exact cost for student loan payment matches is, therefore, also unknown and depends on the fraction of State employee student loan borrowers who have a supplemental defined contribution account, make student loan payments in a given year, provide the State with evidence of student loan payment, and do not otherwise make contributions to and receive a match for a supplemental defined contribution retirement plan. To the extent eligible student loan borrowers receive a State match, State expenditures increase further.

The Maryland Supplemental Retirement Plans (MSRP) advises that, to the extent the State match for supplemental defined contribution retirement plans increases total assets under management, MSRP special fund revenues minimally increase. To the extent eligible State employee student loan borrowers do not already participate in optional defined contribution programs in the State, additional State employees may open new accounts, further increasing total assets under management and fee revenues for MSRP. MSRP finances operations through a fee imposed on members' accounts based on a percentage of assets in the plans and a flat-rate monthly charge.

**Local Expenditures:** Local school systems in Baltimore City, Baltimore County, and Prince George’s County must work with DHS to implement the pilot program. Local school systems are likely able to implement much of the pilot program using existing resources, including (1) identifying students; (2) publicizing the program; (3) scheduling career days as specified; (4) working with DHS to develop internship opportunities for credit; and (5) submitting required reports on program activities, participation, and scholarships. However, local school system expenditures may increase to work with DHS to identify knowledge and skills necessary for targeted positions and incorporate that knowledge and skills into the curriculum of a required course. The exact cost to incorporate new material into curriculum is unknown and depends on the specific knowledge and skills identified by DHS and the local school systems.

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### **Additional Information**

**Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Baltimore City; Baltimore City Public Schools; Baltimore and Prince George’s counties; Maryland State Department of Education; Maryland Higher Education Commission; University System of Maryland; Department of Budget and Management; Maryland Department of Health; Department of Human Services; Department of Public Safety and Correctional Services; Department of State Police; Maryland Supplemental Retirement Plans; Federal Reserve Bank of New York; U.S. Census Bureau; Department of Legislative Services

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