

Department of Legislative Services  
 Maryland General Assembly  
 2023 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1133  
 Appropriations

(Delegate Lehman, *et al.*)

**Agriculture – Veterinary Practitioners – Student Loan Forgiveness Program**

This bill establishes the Veterinary Practitioner Student Loan Forgiveness Program. The program is administered by the Secretary of Agriculture and requires participants to complete a service obligation in the State for at least two years, with priority given to participants serving in high-need areas. For each year that a veterinary practitioner participating in the program meets the service obligation, the Secretary must make an annual disbursement directly to the practitioner of \$20,000 or the balance of the participant’s qualified educational loans, whichever is less. Disbursements may be paid to a participant for up to five years. For fiscal 2025 and each fiscal year thereafter, the Governor must include in the annual budget bill an appropriation of \$2.0 million to the program. **The bill takes effect July 1, 2023.**

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$2.0 million annually beginning in FY 2024, although funding is discretionary in FY 2024. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2025.**

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Net Effect	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)

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

**Local Effect:** The bill does not directly affect local government finances.

**Small Business Effect:** Potential meaningful.

## Analysis

**Bill Summary:** The purpose of the program is to provide qualified educational loan forgiveness for veterinary practitioners in the State. To be eligible for the program, an individual must (1) be a veterinary practitioner who has at least \$40,000 in outstanding educational loans from veterinary school at the time of submitting an application and (2) submit an application to the Secretary in the form and manner prescribed.

An individual selected to participate in the program must sign a contract agreeing to complete a service obligation to practice as a veterinarian in the State for at least two years.

Each fiscal year, the Secretary may select eligible applicants for participation in the program within the limits of available funding. The Secretary must select participants based on (1) experience; (2) training; and (3) availability to practice in high-need areas. High-need areas include (1) rural areas; (2) low-income areas; (3) emergency practices; (4) nonprofit shelters; (5) municipal shelters; and (6) other underserved areas as determined by the Secretary. The Secretary must prioritize administering grants to individuals serving high-need areas.

For each year that a participating veterinary practitioner meets the service obligation, the Secretary must make an annual disbursement directly to the practitioner of \$20,000 or the balance of the individual's qualified educational loans, whichever is less. Disbursements may be paid to an individual for a maximum of five years and are subject to applicable laws on local, State, and federal taxation.

The Secretary may waive a veterinary practitioner's service obligation if emergency circumstances prevent the practitioner's fulfillment of the service obligation, including (1) death; (2) total and permanent disability; or (3) temporary disability lasting more than two years.

If a participating veterinary practitioner fails to complete a full year of the service obligation, the Secretary may prorate the loan forgiveness payment for that service year.

Beginning in fiscal 2025, the Governor must include in the annual budget bill an appropriation of \$2.0 million to the program. The appropriation must only be used for (1) providing loan forgiveness under the program and (2) administering the program.

**Current Law:** There are several existing State loan assistance repayment programs for specified individuals/occupations:

- *Janet L. Hoffman Loan Assistance Repayment Program* – provides up to \$30,000 over a three-year period for the educational debt of individuals employed by the

State, a local government, or a nonprofit, and in certain cases serving specified functions and/or populations, as (1) lawyers; (2) nurses; (3) nurse faculty; (4) licensed clinical counselors; (5) physical and occupational therapists; (6) social workers; (7) speech pathologists; and (8) teachers.

- *Maryland Loan Assistance Repayment Program for Police Officers* – provides up to \$30,000 over a three-year period to police officers who have received a graduate, professional, or undergraduate degree from a public college or university in the State and have been working as a police officer in the State for at least two years.
- *Maryland Loan Assistance Repayment Program for Foster Care Recipients* – provides up to the lesser of 10% of an individual’s total educational loan debt, or \$5,000, for each year the individual qualifies, for up to three years, to individuals who were formerly in foster care that are employed by the State, or a county or municipality, and have received a graduate or undergraduate degree from an institution of higher education in the State.
- *Maryland Loan Repayment Programs (State and Federal funding) – Maryland Department of Health* – provide varying levels of assistance (up to \$100,000 in most cases) of higher education loan repayment assistance to health professionals, including physicians, physician assistants, medical residents, nurses, and nursing support staff practicing in areas of healthcare professional shortages.
- *Maryland Dent-Care Loan Assistance Repayment Program* – provides up to a maximum amount, set each year based on available funding and other factors (currently listed as \$23,740 per year), for up to three years to full-time practicing dentists in Maryland for whom at least 30% of their patients are Maryland Medical Assistance Program recipients.

**State Expenditures:** The bill establishes a mandated appropriation of \$2.0 million for the program for each fiscal year beginning in fiscal 2025. Although funding for the program is discretionary in fiscal 2024, this analysis assumes that \$2.0 million is also provided in that year. Accordingly, general fund expenditures increase by \$2.0 million annually beginning in fiscal 2024.

The bill explicitly states that the mandated funding may be used for administering the program. Therefore, this analysis assumes that, in any given year, any remaining funding after MDA’s administrative costs is disbursed to veterinary practitioners. In fiscal 2024, MDA’s administrative expenditures total \$113,786, which accounts for a 90-day start-up delay. This estimate reflects the cost of (1) hiring a program coordinator to create program materials and receive, process, and evaluate applications and (2) setting up an online portal to accept applications for the program. It includes a salary, fringe benefits, one-time

start-up costs, and ongoing operating expenses. MDA indicates that it does not have existing staff that can absorb the responsibilities of administering the program. The remainder of the \$2.0 million in funding (nearly \$1.9 million) is used for disbursements to participating veterinary practitioners.

Position	1.0
Salary and Fringe Benefits	\$74,377
Disbursements to Veterinary Practitioners	1,886,214
Online Portal	30,000
Other Operating Expenses	<u>9,409</u>
<b>Total FY 2024 State Expenditures</b>	<b>\$2,000,000</b>

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

**Small Business Effect:** The bill may have a meaningful effect on small business veterinary clinics, particularly those in high-need areas, to the extent the bill increases the number of veterinarians available to be hired.

**Additional Comments:** For context, according to the State Board of Veterinary Medical Examiners, there are approximately 3,100 licensed veterinary practitioners currently in Maryland, though it is not known how many might be eligible for the program.

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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):** Comptroller's Office; Maryland Department of Agriculture; Department of Budget and Management; Department of Legislative Services

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