

**Department of Legislative Services**  
Maryland General Assembly  
2026 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 19  
Appropriations

(Delegate Toles)

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**Higher Education - Maryland Public Service Loan Forgiveness Program -  
Establishment**

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This bill establishes the Maryland Public Service Loan Forgiveness Program (MPSLF) to attract, recruit and retain State employees by assisting in the repayment of higher education loans owed by eligible employees, as specified. The Department of Budget and Management must provide information about the program to State employees. The Office of Student Financial Assistance (OSFA) within the Maryland Higher Education Commission (MHEC) must adopt regulations to implement the program and establish priority for participation for certain eligible employees. OSFA must report to the General Assembly on the implementation of the program and any effects the program has on State employee retention annually by January 1.

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**Fiscal Summary**

**State Effect:** General fund expenditures significantly increase, potentially by millions of dollars annually, beginning as early as FY 2027 to provide loan repayment assistance to State employees under MPSLF and for MHEC to establish and administer the program, as discussed below. The program likely acts as an additional incentive for State employee recruitment and retention efforts, helping to reduce vacancies in the State. Revenues are not affected.

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** OSFA must distribute funds from the program to assist in the repayment of higher education loans owed by an eligible employee who (1) received an undergraduate, graduate, or professional degree from an accredited college or university in the State; (2) has been employed by the State for at least 10 cumulative years; and (3) satisfies any other criteria established by OSFA.

Eligible employees under the bill are individuals employed by the State in the Executive, Legislative, or Judicial Branch. Higher education loan means any loan for undergraduate or graduate study that is obtained for tuition, educational expenses, or living expenses from (1) a college or university, government, or commercial source or (2) a nonprofit (exempt from taxation under §501(c)(3) or (4) of the Internal Revenue Code of 1986) organization, institution, association, society, or corporation.

Subject to the availability of funds, the award amount under the program must be 100% of the eligible employee's remaining total higher education loan debt. An award under the program must be used only for repayment of higher education loans owed by the eligible employee.

Regulations adopted by OSFA must include priority participation for employees who graduated from (1) and institution within the University System of Maryland or (2) an institution of higher education where at least 40% of enrolled students are eligible to receive federal Pell Grants.

### **Current Law:**

#### *Federal Public Service Loan Forgiveness Program*

The Federal Public Service Loan Forgiveness Program (FPSLF) is intended to encourage individuals to enter and continue to work full time in public service jobs. Under the program, an individual may qualify for forgiveness on the remaining balance due on the William D. Ford Federal Direct Loan Program (known as the Direct Loan Program) loans after making 120 monthly payments on those loans while employed full time by qualified public service employers. Each of the 120 qualifying payments must be made for the full scheduled monthly installment amount; however, the 120 required payments do not need to be made consecutively.

Qualifying employment for FPSLF includes employment with U.S.-based government organizations at any level (federal, state, local, or tribal), including the U.S. military, not-for-profit organizations that are tax-exempt under section 501 (c)(3) of the Internal Revenue Code, and other not-for-profit organizations that devote a majority of their

full-time equivalent employees to providing certain qualifying public services. In October 2025, the U.S. Department of Education released final [updates to FPSLF regulations](#) that are set to go into effect July 1, 2026. The new rule alters the definition of qualifying employer to exclude organizations that engage in unlawful activities, as specified, and establishes a process for U.S. Secretary of Education to determine when an employer should be excluded on such grounds.

For FPSLF, individuals are generally considered to work full time if they work for a qualifying employer(s) for a weekly average (alone or when combined) of at least 30 hours during the period being certified (or throughout a contractual employment period of at least eight months in a year). For nontenure track employment at a higher education institution, the hours worked are determined by multiplying each credit or contact hour taught per week by at least 3.35 hours.

Employment can be certified by an official who has access to an individual's employment or service records and is authorized by an employer to certify employment. This is often someone in the human resources department, though in some cases supervisors or other individuals may be authorized to certify employment. If an individual does not submit the FPSLF form annually, then at the time that individual applies for forgiveness, the individual is required to submit employment certification for each employer while making the required 120 qualifying monthly payments.

Under Chapter 324 of 2025, a public service employer must (1) adopt a policy calculating hours worked with a method that maximizes the amount of time for which an employee can be considered full time and (2) consider an employee as full time if the employee satisfies, or satisfied, the minimum amount of time to qualify as such. Chapter 324 also (1) establishes procedures for certifying employment of adjunct or tenured professors in institutions of higher education that are also public service employers under PSLF and (2) more generally prevents a public service employer from unreasonably delaying the certification of the employment of a current or former employee.

### *Student Loan Ombudsman*

Statutory provisions require the Office of the Commissioner of Financial Regulation (OCFR) to designate an individual to serve as [Student Loan Ombudsman](#). Among other things, the ombudsman must monitor student loan servicing activity in Maryland, receive and process complaints about student education loan servicing, and may refer any matter that is abusive, unfair, deceptive, or fraudulent to the Office of the Attorney General for civil enforcement or criminal prosecution.

In addition, the ombudsman is charged with helping student loan borrowers understand their rights and responsibilities under the terms of their student education loans. The

ombudsman gathers information about the state of student loan servicing in Maryland to inform the public and the State legislature about student loan issues and trends. That information is provided to the public, and complaint data and any recommendations are provided to the General Assembly in the ombudsman's [annual report](#). Chapter 324 also requires the ombudsman to develop, and update as necessary, materials designed to promote awareness of and increase participation in FPSLF. The materials must include a standardized letter, detailed fact sheet, and a frequently-asked-questions document. In September 2025, the ombudsman published [Guidance on Public Service Loan Forgiveness](#), which includes links to standardized letters for use by FPSLF employers.

### *State Loan Assistance Repayment Programs – Generally*

Although the bill designates MPSLF as a loan *forgiveness* program, the program functions similarly in practice to other loan *assistance repayment programs* (LARPs) operated by the State.

The LARPs operated by the State of Maryland provide loan repayment assistance in exchange for specific service commitments – mostly to ensure underserved areas and populations in the State have access to essential professionals. These programs include the Janet L. Hoffman LARP, Maryland Dent-Care LARP, Maryland LARP for Physicians and Physician Assistants, Maryland LARP for Nurses and Nursing Support Staff, and Maryland LARP for Police Officers and Probation Agents. There is also a program for farmers that has not received funding.

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 the Maryland State Department of Education after completing an approved alternative teaching preparation program. Some programs have more stringent education requirements. Except for the Maryland LARP for Police Officers and Probation Agents and the Maryland LARP for Farmers, they must also be employed in State or local government or in a nonprofit organization. For the Janet L. Hoffman LARP, the Maryland Dent-Care LARP, and the Maryland LARP for Physicians and Physician Assistants, employment must also assist low-income, underserved residents or underserved areas in the State. For the Maryland LARP for Police Officers and Probation Agents, individuals must obtain employment as a police officer or probation agent in the State for at least 2 years. For the Maryland LARP for Farmers, individuals must have been a farmer for at least 5 years, but not more than 10 years since obtaining the degree.

The State's LARP for Foster Care Recipients provides loan assistance repayment that is not based on any specific professional designation. Instead, the program assists in the repayment of higher education loans owed by foster care recipients with the goal of increasing higher education access.

## **State Expenditures:**

### *Student Loan Repayments*

The Student Loan Ombudsman's 2025 annual report notes that the State has approximately 847,000 student loan borrowers who collectively owe \$37.1 billion, with an average debt amount of \$43,781. The exact amount of debt owed *by State employees* is unknown but is likely significant. According to the Bureau of Labor Statistic's Current Employment Statistics Program, which estimates employment by place of work based on a monthly survey of employers, for December 2025 (seasonally adjusted data and the latest preliminary data available at time of writing), the State had an estimated 2.8 million nonfarm jobs. An estimated 126,600 of those jobs were State government positions. *For illustrative purposes only*, if a similar 4.5% of all outstanding student debt in the State were held by State employees, the total amount potentially subject to repayment under the MPSLF program would be \$1.7 billion.

The exact proportion of total outstanding student loan debt that ultimately receives forgiveness (loan repayment) under the bill is unknown and depends on the number of State employees who choose to take advantage of the program (or the number of individuals who choose State employment with the goal of becoming eligible, some of whom may relocate from out of State to do so). Not all State employees will necessarily meet the 10 years of State employment to qualify under MPSLF and it is unclear whether the 10 cumulative years of employment will apply retroactively to service rendered before the effective date of the bill. Should current State employees have service retroactively counted, expenditure increases associated with the program could begin as early as fiscal 2027, assuming funding is provided in the budget for this purpose.

Importantly, State employees may already be eligible for FPSLF upon completion 120 qualifying payments. Thus, LARP from the State through MPSLF may be redundant for many State employee borrowers. Nonetheless, the federal program requires 120 *qualifying payments* to be eligible such that the LARP-like structure of repayment assistance following 10 *years of employment* regardless of qualifying payments may provide more flexibility, making a State program more attractive compared to FPSLF. Additionally, FPSLF generally requires an individual to hold a federal direct loan to be eligible for forgiveness. The MPSLF program would provide loan assistance repayment to loans from sources other than the federal government, also potentially making the State program a more attractive option.

Some State employees may already be eligible for other State assistance with less stringent eligibility requirements compared to the proposed MPSLF. For example, State-employed police officers may be eligible for LARP after just two years of service under the Maryland LARP for Police Officers and Probation Agents, though that LARP is subject to limits

based on an individual's income and outstanding loan balances whereas MPSLF, subject to the availability of funds, must be 100% of the eligible employee's remaining total higher education loan debt.

Even considering redundant program eligibility, the total size of outstanding debt potentially owed by State employees (both current and those potentially attracted to State employment by MPSLF) is such that annual expenditures to operate a program to offer LARP at 100% of an eligible individual's outstanding loan balance remains significant. At an average student loan debt amount of \$43,781 in the State, providing full loan assistance repayment to just 23 State employees each year likely means the program exceeds \$1.0 million dollars in general fund expenditures annually.

### *Staffing and Program Administration*

General fund administrative expenditures for MHEC increase by \$185,737 in fiscal 2027, which accounts for the bill's October 1, 2026 effective date. This estimate reflects the cost of hiring two program staff (one administrative officer and one administrative specialist) to establish and administer MPSLF. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. It also includes \$50,000 in programming costs to update MHEC systems for a new application with integrated eligibility rules and award calculations.

Positions	2.0
Salaries and Fringe Benefits	\$117,455
Programming Expenses	50,000
Ongoing Operating Expenses	<u>18,282</u>
<b>FY 2027 Administrative Expenditures</b>	<b>\$185,737</b>

Future year expenditures include a reduction in needed programming costs to \$5,000 annually, full salaries with annual increases, and employee turnover as well as annual increases in ongoing operating expenses.

This analysis assumes that the Department of Budget and Management can provide information on the program to State employees as necessary with existing resources.

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## **Additional Information**

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

**Designated Cross File:** None.

**Information Source(s):** Department of Budget and Management; Judiciary (Administrative Office of the Courts); Maryland Higher Education Commission; Maryland Department of Labor; Department of Legislative Services

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