

Department of Legislative Services
 Maryland General Assembly
 2014 Session

FISCAL AND POLICY NOTE

Senate Bill 976 (Senator Klausmeier)
 Education, Health, and Environmental Affairs

Higher Education - Loan Repayment Program for Home Buyers in Distressed Areas - Establishment

This bill establishes the Loan Repayment Program for Home Buyers in Distressed Areas to assist in the repayment of higher education loans. The Office of Student Financial Assistance (OSFA) within the Maryland Higher Education Commission (MHEC) must assist in the repayment of the amount of any higher education loan owed by an individual who (1) is a participant in the Janet L. Hoffman Loan Assistance Repayment Program (LARP); (2) has bought a home in a distressed area of the State; and (3) satisfies any other criteria established by OSFA. Any loan repayment assistance given to a participant under this program is separate from any assistance given under LARP. Beginning in fiscal 2016 and each fiscal year thereafter, the Governor must include in the annual budget bill an appropriation of \$150,000 for the program. OSFA must report annually by January 1 on the implementation of the program.

Fiscal Summary

State Effect: General fund expenditures increase by at least \$150,000 annually beginning in FY 2016 for the Loan Repayment Program for Home Buyers in Distressed Areas. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2016.**

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	150,000	150,000	150,000	150,000
Net Effect	\$0	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: “Distressed area” is defined as an area where at least 51% of the population qualifies as low and moderate income as defined by the U.S. Department of Housing and Urban Development (HUD).

OSFA must adopt regulations to establish (1) the maximum number of participants in the program each year; (2) the minimum and maximum amount of loan repayment assistance for a participant under the program; and (3) an annual review of the eligibility of each participant in the program. OSFA must adopt any other regulations necessary to implement the bill.

Current Law/Background: HUD defines low and moderate income as a household that is at or below 80% of the median income for the area. These income guidelines are adjusted annually.

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, the Maryland Dent Care Loan Assistance Repayment Program, and the Maryland Loan Assistance Repayment Program for Physicians. Generally, 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

Under 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 awards 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 designated critical shortage subject fields. Awards are capped at \$10,000 per year.

The Governor's proposed fiscal 2015 budget includes \$1.5 million in general funds for LARP. MHEC reports that, in fiscal 2013, 124 awards were made, and the average award amount was \$6,143. In fiscal 2013, 164 applicants were placed on the wait list due to lack of funds.

State Expenditures: General fund expenditures increase by \$150,000 annually beginning in fiscal 2016 for the Loan Repayment Program for Home Buyers in Distressed Areas. MHEC reports that it will need approximately \$13,500 to develop, test, and deploy an online application process integrated with the Hoffman LARP application. It is assumed that this one-time expense is included in the \$150,000 mandated appropriation for fiscal 2016. This estimate assumes funding is not provided until mandated in fiscal 2016, after regulations have been developed. Otherwise, MHEC advises that it can implement the bill with its complement of existing staff.

Additional Information

Prior Introductions: None.

Cross File: HB 393 (Delegate Stein, *et al.*) - Ways and Means.

Information Source(s): Department of Budget and Management, Department of Housing and Community Development, Maryland Higher Education Commission, Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2014
ncs/rhh

Analysis by: Caroline L. Boice

Direct Inquiries to:
(410) 946-5510
(301) 970-5510