

**Department of Legislative Services**  
 Maryland General Assembly  
 2019 Session

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

Senate Bill 1028 (Senators Hershey and Eckardt)  
 Education, Health, and Environmental Affairs

**Rural Health Care Scholarship and Grant Program - Established**

This bill establishes the Rural Health Care Scholarship and Grant Program with the purpose of increasing the availability of primary health care in rural areas of the State by providing financial assistance to (1) undergraduate students who are studying to provide health-related services in rural areas of the State and (2) health care professionals who provide health-related services in rural areas of the State. For each year that a recipient receives a scholarship or grant, the recipient must provide one year of health-related services in a rural area of the State or else the scholarship or grant converts to a loan. The Office of Student Financial Assistance (OSFA) within the Maryland Higher Education Commission (MHEC) must administer the program. Funding for the program is as provided in the annual budget of MHEC by the Governor. **The bill takes effect July 1, 2019.**

**Fiscal Summary**

**State Effect:** General fund expenditures increase by an estimated \$70,000 in FY 2020 for one-time contractual costs associated with updating MHEC’s scholarship system. *Under one set of assumptions*, funding is assumed to be phased in until general fund expenditures increase by more than \$1.0 million annually for staff and scholarship and grant awards beginning in FY 2023, as explained below.

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0.40	0.63	0.92	1.05	1.05
Net Effect	(\$0.40)	(\$0.63)	(\$0.92)	(\$1.05)	(\$1.05)

*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:** The bill defines “health-related service” as the provision of any type of health care. It includes medical services, dental services, and behavioral and mental health services.

An individual may apply to OSFA for a scholarship or grant. OSFA must set a date on or before which applications must be submitted in order to participate in the program. OSFA must adopt regulations to carry out the bill.

### *Scholarships*

A scholarship award may be used at any institution of higher education in the State to pay for education expenses as defined by OSFA, including tuition and mandatory fees and room and board. To be eligible to receive a scholarship, an individual must (1) be enrolled at an institution of higher education in the State; (2) demonstrate good standing with the institution; (3) agree to, beginning within one year after graduating from the institution, provide health-related services in a rural area of the State for one year for each year funding was received from the program; and (4) complete a scholarship application in the manner required by OSFA.

### *Grants*

A grant award may be used to pay for educational expenses, including loan repayments associated with the recipient’s education to provide health-related services and health-related continuing education courses. To be eligible to receive grant funds from the program, an individual must (1) demonstrate that the individual provides health-related services in a rural area of the State and (2) agree to provide health-related services in a rural area of the State for one year for each year funding was received from the program.

## **Current Law:**

### *Workforce Shortage Assistance Grants*

The Workforce Shortage Student Assistance Grants provide financial aid to students who agree to work in Maryland in designated critical shortage fields upon completion of their studies. The program requires grant recipients to work for one year in Maryland in workforce shortage fields for each year that they receive the grants. The following workforce shortage fields must be included in the grant program, unless MHEC decides that the field no longer qualifies as a workforce shortage field: (1) school teachers (the grant to be known as the Sharon Christa McAuliffe Memorial Teacher Scholarship); (2) social workers (the grant to be known as the Ruth M. Kirk Public Social Work

Scholarship); (3) nurses; (4) child care providers (the grant to be known as the Hattie N. Harrison Memorial Scholarship); (5) developmental disabilities, mental health, child welfare, and juvenile justice providers (the grant to be known as the Ida G. and L. Leonard Ruben Scholarship); (6) physical and occupational therapists and assistants; and (7) public servants (the grant to be known as the William Donald Schaefer Scholarship and the grant to be known as the Parren J. Mitchell Public Service Scholarship). Within the Parren J. Mitchell Public Service Scholarship, MHEC must annually select eligible students and offer grants to students who plan to pursue a career in public service and assist in providing (1) social work services to low-income residents in the State; (2) nursing services in nursing shortage areas in the State; or (3) other services in the public or nonprofit sectors in which there is a shortage of qualified practitioners to low-income or underserved residents or areas of the State.

Annual grant awards fall within a range, starting at a low of at least \$1,000, up to 12.5% of the cost of attendance for a part-time student attending an eligible two-year institution and increasing to a high of \$4,000, or 50% of the cost of attendance for a full-time student attending an eligible four-year institution. Each year MHEC determines the number of grants to be awarded in eligible workforce shortage fields based on the priority of the shortage field, the severity of the shortage, and the availability of funds.

The Governor's proposed fiscal 2020 budget contains \$1.2 million for the Workforce Shortage Assistance Grant. In fiscal 2018, a total of 320 Workforce Shortage Assistance Grant awards were made, and the average award amount was \$3,171.

#### *Loan Assistance Repayment Program*

The Loan Assistance Repayment Program (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 underserved areas of the State 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 the Maryland State Department of Education 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.

The Governor’s proposed fiscal 2020 budget contains \$1.5 million for Janet L. Hoffman LARP, including \$199,089 in special funds from out-of-state attorney fees. In fiscal 2018, a total of 151 Janet L. Hoffman LARP awards were made, and the average award amount was \$6,190.

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. For the 2018-2019 award cycle, OSFA set the award amounts for the Janet L. Hoffman LARP at the amounts shown in **Exhibit 1**.

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**Exhibit 1**  
**Janet L. Hoffman LARP Award Amounts Schedule**  
**2018-2019 Award Cycle**

<u>Total Debt</u>	<u>Overall Award Limit</u>	<u>Yearly Payment</u>
\$75,001 or More	\$30,000	\$10,000
\$40,001-\$75,000	\$18,000	\$6,000
\$15,001-\$40,000	\$9,000	\$3,000
\$15,000 or Less	\$4,500*	\$1,500*

*\*Payment amount cannot exceed total debt; amount will be adjusted.*

Source: Maryland Higher Education Commission

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*Maryland Dent-Care LARP:* Chapters 536 and 537 of 2000 established the Maryland Dent-Care Program to increase access to oral health services for underserved Maryland Medicaid recipients by increasing the number of dentists who treat that population.

To be eligible for a grant, an applicant must (1) be licensed to practice in Maryland by the State Board of Dental Examiners; (2) demonstrate financial need; (3) be employed full-time as a dentist; (4) agree to have at least 30% of patient population be Maryland

Medicaid recipients; and (5) meet any other criteria established by OSFA. A recipient may hold the grant for up to three years if the recipient continues to be employed full time as a dentist and continues to treat Medicaid recipients as at least 30% of all patients.

In fiscal 2018, 14 awards were made which is an average award of \$21,479. According to MHEC's published requirements for the program, dentists may receive up to \$23,740 per year for each year of obligated service up to a maximum of three years of service.

*Maryland LARP for Physicians and Physician Assistants:* Chapters 575 and 576 of 2009 established the Maryland LARP for Physicians and Physician Assistants, which is operated in conjunction with the federal State Loan Repayment Program (SLRP) for physicians and physician assistants. The federal SLRP is for physicians and physician assistants who choose to serve for two years in a health professional shortage area (HPSA) or medically underserved area (MUA), either in primary care or mental health. To receive federal funds for the SLRP, the State must provide one to one matching funds.

Generally, the Maryland LARP for Physicians and Physician Assistants provides educational loan repayment funds to physicians, physician assistants, and medical residents who must serve a two year obligation in a HPSA or MUA or State designed health professional shortage area.

“Primary care” is defined to include primary care, family medicine, internal medicine, obstetrics, pediatrics, geriatrics, emergency medicine, women's health, and psychiatry.

OSFA has to prioritize funding for loan repayment in the following order: (1) physicians or medical residents that meet eligibility criteria due to practicing in a federally designated shortage area and practicing at a nonprofit organization as specified or for the State or local government; (2) physicians practicing primary care in a geographic area where the Maryland Department of Health (MDH) has identified a shortage of primary care physicians; and (3) physicians practicing a medical specialty other than primary care in a geographic area where MDH has identified a shortage of that specialty. OSFA, in collaboration with MDH, has to adopt regulations establishing the maximum number of program participants each year in each priority area and the minimum and maximum amount of an award in each priority area.

The Governor's proposed fiscal 2020 budget includes a total of \$790,000 for the program, \$390,000 in special funds from the health care professional license fees, and \$400,000 in reimbursable funds from MDH. In fiscal 2018, when \$1.7 million was appropriated for the program 76 awards were made, which is an average award of \$22,576. According to MHEC's published requirements for the program a recipient may receive up to \$50,000 per year for a two-year service obligation.

**Background:** Approximately 80% of Maryland’s land area is “rural” and about 25% of Maryland’s people live in a rural area. According to the definition of “rural” used by the [2018 Maryland Rural Health Plan](#), 18 of Maryland’s 24 local jurisdictions are considered “rural.” This definition excludes Baltimore City and Anne Arundel, Baltimore, Howard, Montgomery, and Prince George’s counties. However, this definition does not align with the federal definition of “rural” used to designate HPSAs. According to the U.S. Department of Health and Human Services, parts of Caroline, Dorchester, Garrett, Queen Anne’s, and Talbot counties are rural HPSAs in at least one type of service (*i.e.*, primary care, dental health, or mental health).

According to the Project on Student Debt, about 56% of the Class of 2017 who graduated from public and private nonprofit colleges in Maryland had student loan debt. These borrowers owed an average of \$29,314. However, this data is incomplete; there is only usable data from 64% of graduates at Maryland schools.

**State Expenditures:** General fund expenditures increase by \$70,000 in fiscal 2020 for one-time contractual costs associated with enhancements to MHEC’s scholarship system, known as Maryland College Aid Processing System, necessitated by the bill. MHEC advises that the scholarship system must be upgraded to allow awards to be distributed in the manner described by the bill. These changes are required regardless of the amount appropriated for the scholarship and grant program.

Based on the set of assumptions discussed below, general fund expenditures increase by more than \$1.0 million annually when the program is fully phased in. In the first three years, less funding will be required based on these assumptions. The actual cost for scholarships and grants awarded under the program depends on the amount of funds provided for the program by the Governor each year.

- Similar existing State funded scholarship and grant programs are appropriated between \$790,000 and \$1.2 million annually. As discussed above, average awards per recipient for similar programs are between \$3,171 and \$22,576 annually.
- Based on the bill’s requirements and similar scholarship and grant programs, this analysis assumes that scholarship recipients receive \$5,000 annually for four years and grant recipients receive \$10,000 annually for three years. The award amounts are assumed to be different because (1) the award amounts for similar programs are different and (2) the scholarship is for undergraduates whereas the grant program is for trained professionals.
- When fully phased in and subscribed, approximately \$500,000 is needed for scholarships and approximately \$510,000 is needed for grants – this is likely the

smallest appropriation required to support each award program established by the bill.

- With a \$500,000 annual appropriation and awards of \$5,000 for the scholarship program, an annual cohort of 25 recipients each receives \$5,000 annually for four years. Under that scenario, a scholarship recipient would agree to provide four years of health care services in a rural area for \$20,000. The bill does not limit the scholarship award to four years; however, it is assumed that a student will be enrolled in an undergraduate program for four years. Under this cohort approach, in the first three years, less funding would be necessary.
- Assuming a \$510,000 annual appropriation and awards of \$10,000 for the grant program, an annual cohort of 17 recipients each receives \$10,000 annually for three years. Under that scenario, a grant recipient would agree to provide three years of health care services in a rural area for approximately \$30,000. The bill does not limit the grant award to three years. Three years is used in this estimate because that is the term for similar existing LARPs for medical professionals. Under this cohort approach, in the first two years, less funding would be necessary.
- Actual scholarship and grant award amounts depend on the regulations and requirements developed by MHEC for the program. The appropriate funding level for the program may depend partly on how “rural” is interpreted to be defined. As explained above, the State and federal governments use different definitions of rural in regard to health care.
- It is assumed that a half-time program administrator is required to administer a scholarship and grant program of this size and complexity; thus, general fund expenditures increase an estimated \$32,444 in fiscal 2020, which assumes a 90-day start-up delay following the bill’s July 1, 2019 effective date. This estimate reflects the cost of hiring a half-time program administrator to administer the scholarship and grant program. The estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses; future year expenditures reflect a full salary with annual increases and employee turnover as well as ongoing operating expenses associated with the program administrator.

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**Exhibit 2**  
**Estimated Costs Under the Bill**

	<u><b>FY 2020</b></u>	<u><b>FY 2021</b></u>	<u><b>FY 2022</b></u>	<u><b>FY 2023</b></u>
New Position	0.5			
Salary and Fringe Benefits	\$27,319	\$36,707	\$37,923	\$39,256
Scholarship Awards	125,000	250,000	375,000	500,000
Grant Awards	170,000	340,000	510,000	510,000
MDCAPS Computer Programing	70,000	0	0	0
One-time Start-up Expenses	4,890	0	0	0
Ongoing Operating Expenses	<u>235</u>	<u>313</u>	<u>313</u>	<u>313</u>
<b>Total General Fund Expenditures</b>	<b>\$397,444</b>	<b>\$627,020</b>	<b>\$923,236</b>	<b>\$1,049,569</b>

MDCAPS: Maryland College Aid Processing System

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Future years reflect ongoing funding for awards at \$500,000 and \$510,000 as well as personnel costs.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Higher Education Commission; Maryland Department of Health; U.S. Department of Health and Human Services; Project on Student Debt; Department of Legislative Services

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