



Senate

General Assembly

File No. 187

February Session, 2002

Substitute Senate Bill No. 39

Senate, March 27, 2002

The Committee on Education reported through SEN. GAFFEY of the 13th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE STUDENT LOAN FOUNDATION AND OCCUPATIONAL LICENSING.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2002*) (a) For purposes of this
2 section, (1) "state licensing agency" means any state agency,
3 department, board or commission that is responsible for issuing
4 licenses or certificates to practice or engage in a profession, occupation
5 or trade; and (2) "default" means the failure of a borrower and
6 endorser, if any, or joint borrowers, to make an installment payment
7 when due, or to meet other terms of the promissory note, provided this
8 failure persists for (A) two hundred seventy days for a loan repayable
9 in monthly installments; or (B) three hundred thirty days for a loan
10 repayable in less frequent installments.

11 (b) Notwithstanding any provision of the general statutes, no state
12 licensing agency shall renew a license or certificate if such licensing
13 agency has been notified by the Connecticut Student Loan Foundation

14 pursuant to this section that the applicant for such renewal is in default
15 of a student loan made or guaranteed by the foundation, except as
16 provided in subsection (d) of this section. The state licensing agency
17 shall afford a person denied renewal of a license or certificate pursuant
18 to this section all rights provided under state law and regulations
19 relating to the licensure of such person's profession, occupation or
20 trade, including a right to appeal any such decision. A person denied
21 renewal of a license or certificate pursuant to this section who
22 subsequently presents to the appropriate state licensing agency a
23 certificate setting forth an acceptable repayment agreement, in
24 accordance with subsection (d) of this section, shall have their license
25 or certificate renewed in accordance with the procedures set forth for
26 renewal of such license or certificate in the general statutes.

27 (c) The Connecticut Student Loan Foundation shall (1) periodically
28 identify persons in default on student loans made or guaranteed by the
29 foundation, (2) subject to the provisions of subsection (d) of this
30 section, provide a list of such persons to each state licensing agency,
31 and (3) in the case of a person in default who holds a license or
32 certificate, notify such person, at the time the list is provided to the
33 state licensing agency, that the license or certificate is subject to
34 nonrenewal pursuant to this section.

35 (d) A person in default of a student loan made or guaranteed by the
36 Connecticut Student Loan Foundation may enter into an agreement
37 with the foundation for repayment of such loan. The foundation shall
38 provide such person with a certificate stating that such person has
39 entered into a repayment agreement that is acceptable to the
40 foundation and such person. A person who presents such certificate to
41 a state licensing agency shall not be denied renewal of a license or
42 certificate based on default of such loan unless such person fails to
43 make the payments required under the agreement. The foundation
44 shall not include such person's name on the list issued after such
45 agreement is entered into or on any subsequent list if such person
46 continues to make the payments required under such agreement. If a
47 person fails to make the payments required under the agreement, the

48 foundation may include the person's name on the list. Such person
49 may enter into another such repayment agreement and be issued
50 another such certificate for presentation to the state licensing agency.

51 (e) The Connecticut Student Loan Foundation shall provide written
52 notice of the provisions of this section to each resident of this state who
53 is in default on a loan made or guaranteed by the foundation.

54 (f) The commissioner of each state licensing agency and the
55 president of the Connecticut Student Loan Foundation shall enter an
56 agreement that shall include procedures for the foundation to (1)
57 notify the commissioner of a default and the amount of the default, (2)
58 reimburse the state licensing agency for any costs incurred by the state
59 licensing agency in carrying out the provisions of this section, and (3)
60 implement the provisions of this section.

This act shall take effect as follows:	
Section 1	October 1, 2002

ED *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Fund-Type	Agency Affected	Current FY \$	FY 03 \$	FY 04 \$
GF - Cost	Public Health, Dept.	-	207,630	213,859
GF - Revenue Loss	Public Health, Dept.	-	Indeterminate	Indeterminate

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill prohibits state licensing agencies¹ that issue professional, trade or occupational licenses or certificates from renewing such licenses or certificates for anyone who has defaulted on a student loan made or guaranteed by the Connecticut Student Loan Foundation (CSLF).² Because the bill requires the CSLF to identify the defaulters and notify the licensing agencies, it is anticipated that the majority of these agencies can administer responsibilities under the bill within current budgetary resources. Furthermore, the bill specifies that all costs incurred by state license agencies in carrying out the provisions herein will be reimbursed by CSLF.

It is anticipated that the number of persons in default who hold licenses issued by the Department of Public Health will be significant. The state will incur annual costs of \$207,630 (including fringe benefits)

¹ Licensing agencies include the departments of Insurance, Banking, Public Health, Consumer Protection, Education, Environmental Protection and the Office of the Secretary of the State.

² The Connecticut Student Loan Foundation is a non-profit agency, which administers, guarantees, services and purchases student loans made under Title IV of

to support the salaries of 1 Office Assistant, 1 Special Investigator, and 1 Administrative Hearings Attorney. These costs also include other expenses and equipment costs necessary to allow the agency to investigate and litigate these matters, compare listings of persons in default against licensure databases, notify persons of their ineligibility to renew their licenses, and refund fees paid by persons subsequently identified for non-renewal.

Finally, to the extent some of the estimated 29,000 defaulters cannot renew their licenses, a minimal revenue loss may occur. The degree of the revenue loss is indeterminate since it is contingent on the number of licensees who are in default on certain student loans.

the Higher Education Act of 1965, as amended. The Foundation receives no state support.

OLR Bill Analysis

sSB 39

AN ACT CONCERNING THE STUDENT LOAN FOUNDATION AND OCCUPATIONAL LICENSING**SUMMARY:**

This bill bars state licensing agencies from renewing the occupational, trade, or professional license or certificate of anyone who has defaulted on a student loan made or guaranteed by the Connecticut Student Loan Foundation (CSLF), as long as CSLF notifies the agency of the default. The licensing agency must give anyone whose license is not renewed because of a student loan default the same rights as other licensees in the same occupation, trade or profession, including the right to appeal the nonrenewal decision.

A defaulter whose license is not renewed can obtain renewal according to the agency's regular statutory renewal procedures by presenting a certificate from the CSLF showing that he has made a repayment agreement.

The CSLF must notify each Connecticut resident who is a student loan defaulter of the bill's provisions.

Under the bill, a borrower is in default when his payment is 270 days overdue if his loan is payable monthly, or 330 days overdue if payable in less frequent installments.

EFFECTIVE DATE: October 1, 2002

DEFAULTER LIST

The bill requires CSLF to periodically identify student loan defaulters and provide a list to each state licensing agency. If a defaulter holds a state occupational license or certificate, CSLF must also, when it notifies the agency, notify the defaulter that his license or certificate is subject to nonrenewal.

PAYMENT AGREEMENTS

The CSLF must give any defaulter who makes a repayment agreement a certificate to that effect. A person who gives the licensing agency such a certificate cannot be denied license renewal based on the student loan default unless he fails to make the payments the agreement requires. The bill bars the CSLF from including the name of anyone who makes and keeps a payment agreement on any subsequent defaulter list sent to licensing agencies. But, if the person fails to make the required payments, he must be included on subsequent lists until he makes and keeps another payment agreement.

CSLF-LICENSING AGENCY AGREEMENTS

The bill requires the CSLF president and the head of each state licensing agency to make an agreement that includes procedures for CSLF to (1) notify the agency of defaults and default amounts, (2) reimburse the agency for its costs in carrying out the bill, and (3) implement the bill.

COMMITTEE ACTION

Education Committee

Joint Favorable Substitute

Yea 28 Nay 0