

## **Student Loan Forgiveness and Repayment Programs**

By: Jessica Callahan, Legislative Analyst I  
January 31, 2019 | 2019-R-0053

### **Issue**

This report describes student loan forgiveness and repayment programs in current state law, along with their current funding status. The report also describes examples of programs offered by other states, including Maine's "Opportunity Maine" tax credit program, and by the federal government.

### **Summary**

According to the National Conference of State Legislatures (NCSL), at least 35 states, including Connecticut, have at least one education loan forgiveness or repayment program. Connecticut has seven such programs in statute; only one (the Minority Teacher Incentive Program) is currently being funded. Additionally, the federal government offers programs that provide borrowers with student loan debt relief.

Typically, these programs require borrowers to (1) live and work in a certain region or (2) work in a specific field or industry in order to receive loan forgiveness or payments on qualifying loans. States often use these programs to offer incentives to graduates to work in underserved areas or to fight population losses. These programs provide assistance in various forms, including (1) grants to borrowers to help pay their qualifying loans, (2) direct payments to loan servicers on the borrowers' behalf, or (3) tax credits the borrowers can apply to their state income tax, such as the "Opportunity Maine" program.

# Connecticut Student Loan Forgiveness and Repayment Programs

Connecticut has seven student loan forgiveness and reimbursement incentive programs in statute. These programs generally offer certain borrowers with reimbursement grants or loan forgiveness as an incentive to work and live in Connecticut. According to the Office of Fiscal Analysis, only the Minority Teacher Incentive Program is currently funded. Table 1 below describes each program.

**Table 1: Student Loan Forgiveness Programs in Current Law**

<i>Program Name</i>	<i>Brief Description</i>
Connecticut Green Technology, Life Science, and Health Information Technology Loan Reimbursement Program (CGS § 10a-19i)	Reimburses federal and state loans of (1) up to \$2,500 per year or 5% of the amount of such loans, whichever is less, for up to four years for individuals with a bachelor's degree in these fields and (2) up to \$2,500 per year or 5% of the amount of such loans, whichever is less, for up to two years for individuals with an associate degree in these fields. . To qualify, individuals must have graduated on or after May 1, 2010 and have been employed in Connecticut for at least two years after graduation. Additionally, an adjusted gross income limit of \$150,000 also applies for the year prior to the first year of reimbursement.
“Engineering Connecticut” Loan Reimbursement Grant Program (CGS § 10a-19e)	Provides student loan reimbursement grants to individuals who graduated from higher education institutions with undergraduate or graduate degrees in engineering, are employed in Connecticut as engineers, and satisfy certain other eligibility requirements. Qualifying individuals receive annual reimbursement grants for qualifying student loan payments in an amount determined by the Office of Higher Education (OHE) executive director.
English Language Learner Educator Incentive Program (CGS § 10a-19j)	Provides eligible program participants pursuing an endorsement in bilingual education or the teaching of English to speakers of other languages with grants of up to \$5,000 per year in their junior and senior years. If the student goes on to teach in a Connecticut public school after graduation in a position that requires one of these endorsements, then he or she may also receive \$2,500 per year for four years in loan reimbursements.
Information Technology Loan Reimbursement Pilot Program (CGS § 10a-169b)	Provides a student loan reimbursement grant for those who attended a Connecticut college or university; majored in an information technology related field; are newly employed by a Connecticut company in an information technology related position on or after January 1, 2001; and meet the eligibility requirements for the state’s information technology scholarship program (CGS § 10a-169a).

	Eligible students are reimbursed for up to \$2,500 annually for a total of two years for qualifying student loans. The student must be employed by a qualifying company when he or she applies for the reimbursement.
Minority Teacher Incentive Program (CGS § 10a-168a)	Awards grants of up to \$5,000 per year for minority college students in their junior and senior years in Connecticut undergraduate teacher preparation programs. Those program participants who become teachers at Connecticut public schools are also eligible for loan reimbursement grants of up to \$2,500 a year for up to four years.
Nursing Education Loan Forgiveness Program (CGS § 10a-162a)	Provides loan forgiveness for Connecticut residents enrolled in nursing education in the state. "Nursing education" includes any program of study and courses taken to enter or advance in the profession or upgrade knowledge and skills. If a resident remains in the nursing field in Connecticut for five years, his or her loans are forgiven.
"You Belong" Loan Reimbursement Grant Program (CGS § 10a-19f)	Provides student loan reimbursements to doctoral program graduates employed in Connecticut in economically valuable fields, as determined by the Department of Economic and Community Development. Eligible individuals receive annual reimbursement grants for qualifying student loan payments in an amount determined by the OHE executive director. The person must be employed in Connecticut by a qualifying company or in research at a higher education institution in an economically valuable field.

## Student Loan Forgiveness and Repayment Programs in Other States

Table 2 below provides examples of other states' student loan forgiveness and repayment programs.

**Table 2: Examples of Other States' Student Loan Forgiveness and Repayment Programs**

<i>State</i>	<i>Program Name</i>	<i>Brief Description</i>
Kansas	<a href="#">Kansas Rural Opportunity Zone Program</a>	Designed to retain college graduates in the state and partners with rural counties that fund loan repayments up to \$15,000 (\$3,000 per year)
Maine	<a href="#">Opportunity Maine</a>	A tax credit program that reimburses student loan payments for qualified borrowers who live and work in Maine ((see below for more information)
Maryland	<a href="#">Student Loan Debt Relief Tax</a>	Provides a tax credit to certain Maryland residents

	<a href="#">Credit</a>	who incurred at least \$20,000 in debt while earning an undergraduate or graduate degree and still have at least \$5,000 of outstanding debt. Priority given to borrowers with higher debt-to-income ratios and graduates of Maryland higher public education institutions.
Massachusetts	<a href="#">Massachusetts Loan Repayment Program for Health Professionals</a>	Provides educational loan repayments (up to \$50,000 for a two-year contract) as an incentive for health professionals to practice in communities where significant shortages of health care providers and barriers to access have been identified.
New York	<a href="#">Get On Your Feet Program</a>	Makes full monthly payments for up to two years to certain college graduates with an adjusted gross income of less than \$50,000 who are enrolled in a federal income-based repayment program.
Rhode Island	<a href="#">Rhode Island Commerce Corporation Wavemaker Fellowship</a>	Provides qualifying graduates pursuing employment in Rhode Island in a STEM field with a tax credit certificate equal to annual eligible loan repayment expenses for up to four years (value of the tax credit is capped at certain amounts, and varies based on highest degree earned).

Sources: [Higher Education Legislation in 2016](#), NCSL (December 2016); [Hot Topics in Higher Education: Student Loan Debt](#), NCSL (October 2015); program websites

### ***“Opportunity Maine” Tax Credit Program***

As noted above, the [Opportunity Maine](#) program reimburses qualified borrowers who live and work in Maine via a tax credit. The program began in 2008 as an incentive for Maine college graduates to remain in-state by providing them tax credits for their student loan payments. The program was opened up to graduates from out-of-state higher education institutions in 2016.

According to the [Maine Department of Revenue Services](#), the tax credit is available to Maine residents who work and pay taxes in Maine after graduating and who have obtained (1) an associate or bachelor’s degree from a Maine college or university after 2007 but before 2016, (2) an associate degree or bachelor’s degree from an accredited Maine or non-Maine college or university after 2015, or (3) a graduate degree from an accredited Maine college or university after 2015. The tax credit is also available to Maine employers of qualified graduates.

The money graduates pay towards their student loan debt is deducted from their state income taxes, up to a benchmark amount. The monthly benchmark amount ranges from \$72 to \$377 depending on the year the employee graduated and the degree earned. If the degree is in a STEM field or is an associate degree in any field, program participants may be eligible for a refund if their yearly loan payments exceed their taxes. Participants may carry forward unused portions of the nonrefundable credit for up to 10 years.

Employers can claim the opportunity tax credit when they make student loan payments directly to the lending institution on behalf of their qualifying employees; payments made directly to the employee are not eligible for the credit. The employer credit is not refundable.

The Opportunity Maine program is marketed by [Live and Work in Maine](#), a private-sector initiative developed to encourage young graduates to move to the region by promoting career opportunities. According to the initiative, more than 9,000 borrowers received approximately \$17 million in tax credits through the Opportunity Maine program in 2018.

## **Federal Student Loan Forgiveness and Repayment Programs**

A 2018 report by the Congressional Research Service (CRS), "[Federal Student Loan Forgiveness and Loan Repayment Programs](#)," describes all such federal programs (see pages 113-127 of the CRS report for a list of programs organized by profession and borrower's financial circumstances). According to the report, there are over 50 loan forgiveness and repayment programs authorized at the federal level, with approximately 30 programs in operation as of October 1, 2017. Most programs (1) support specific public service or workforce needs, (2) are available to borrowers working in certain geographic regions, serving in specific occupations, or employed by certain federal agencies, or (3) are distinguished by the types of loans that qualify for forgiveness or repayment.

Among the programs listed in the report is the [Public Service Loan Forgiveness](#) (PSLF) program, which forgives the remaining balance on certain federal loans after 120 qualifying monthly payments made under a qualifying repayment plan while working full-time for a qualifying employer. Eligible borrowers could qualify for loan forgiveness under the program beginning in October 2017. According to the [U.S. Department of Education](#), as of June 30, 2018, more than 70% of applications for loan forgiveness under this program were denied due to not meeting program requirements, and an additional 28% of applications were denied due to missing or incomplete information on the form.

Also listed is the [Teacher Loan Forgiveness Program](#), which forgives up to \$17,500 on certain federal loans after a borrower has taught for five complete and consecutive academic years in a low-income school or educational service agency. The maximum benefit is \$17,500 for special education teachers and high school science or mathematics teachers, and \$5,000 for teachers of other subjects.

JC:sd