OFFICE OF LEGISLATIVE RESEARCH
Objective Research for Connecticut's Legislature

ResearchReport

Student Loan Debt Legislation in Connecticut and Other States

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Issue

This report describes recent student loan debt legislation in Connecticut and other states.

Summary

Many states, including Connecticut, have enacted legislation aimed at helping residents with student loan debts. This legislation has:

1. created loan forgiveness and repayment programs for certain residents (e.g., those who live in a certain region or work in a specific field or industry);
2. required state agencies and higher education institutions to provide students with additional information about their loans, including estimated payoff amounts and available loan forgiveness and repayment programs;
3. created programs to help students refinance their loans at more affordable rates;
4. appointed student loan ombudsmen to, among other things, review and resolve complaints from student loan borrowers; and
5. provided income tax deductions or credits for student loan payments.

Student Loan Debt Legislation

Student Loan Forgiveness and Repayment Programs

Connecticut has seven student loan forgiveness and reimbursement incentive programs in statute.

However, according to the Office of Fiscal Analysis, the Minority Teacher Incentive Program is the only program currently funded (CGS § 10a-168a). This program provides both in-school grants and post-graduation loan forgiveness to minority students in undergraduate or graduate teacher preparation programs. It also provides grants to students in the alternative route to certification program. Students can receive grants of up to $5,000 per year for their last two years of college. If they go on to teach at a Connecticut public school they may also receive up to $2,500 in annual loan reimbursements for their federal or state loans. The Office of Higher Education administers this program within available appropriations.

New York's Get on Your Feet Program makes full monthly payments for up to two years to certain college graduates enrolled in a federal income-based repayment program. Eligible applicants must, among other things:

1. be a legal New York state resident who resided in-state for 12 consecutive months,
2. have graduated from a New York State high school,
3. have earned an undergraduate degree from a New York state college or university on or after December 2014, and
4. have an adjusted gross income under $50,000.

Informing Students

This year, Colorado passed legislation requiring the state administrative department to develop and help distribute federal student loan repayment materials to state employees and certain other public employees (CO SB19-057). The informational material must detail student loan repayment and forgiveness programs for which state employees may be eligible. The department must also distribute the informational materials to the secretary of state for distribution to nonprofit public service organizations.

In 2018, Pennsylvania enacted legislation requiring higher education institutions to provide students receiving student loans with (1) estimates of the student's total loans, total payoff amount, and corresponding monthly payments, including principal and interest, and (2) how the student can access online repayment calculators (PA Act No. 121 (2018)).

Student Loan Refinancing

In Connecticut, the Connecticut Higher Education Supplemental Loan Authority (CHESLA) provides financing programs and information resources to help Connecticut students, alumni, and their families finance the cost of higher education. It provides students with (1) supplemental educational loans, (2) need-based scholarships, (3) refinancing of CHESLA loans, and (4) college planning and financial literacy resources. For more information, see OLR Report [2019-R-0016](#).

California established the California Student Loan Refinancing Program in 2014 to help eligible college graduates refinance their student loan debt ([Cal. Educ. Code §§ 94157-94165](#)). The California Educational Facilities Authority (CEFA), which administers the program, contracts with financial institutions and establishes loss reserve accounts to cover any losses these institutions sustain on enrolled qualified loans. CEFA administers programs that provide tax-exempt, low-cost financing to private, non-profit higher education facilities.

Student Loan Ombudsman

Connecticut passed legislation in 2015 requiring the banking commissioner to create a student loan ombudsman position, within available appropriations ([PA 15-162](#)). The ombudsman's duties include, among other things, (1) receiving and reviewing complaints from borrowers, (2) attempting to resolve complaints in collaboration with higher education institutions and student loan servicers, and (3) helping borrowers understand their rights and responsibilities under student loan terms. To date, this position remains unfunded and unfilled.

In 2018, Maryland enacted the Financial Consumer Protection Act, which requires the Commissioner of Financial Regulation to designate a Student Loan Ombudsman ([Md Code: Financial Institutions § 2-104.1](#)). The ombudsman must serve as a liaison between student loan borrowers and student loan servicers operating in Maryland, review complaints from student loan borrowers, and attempt to resolve those complaints. The act also requires Maryland student loan servicers to (1) designate someone to represent the servicer in communications with the ombudsman and (2) provide the designee's contact information to the ombudsman.

Tax Deductions and Credits

[Massachusetts](#) allows two tax deductions for student loan interest paid: the federal student loan interest deduction for both undergraduate and graduate education, and a Massachusetts undergraduate student loan interest deduction. For the Massachusetts deduction, the loan must be (1) administered by the financial aid office of a two or four-year college that the taxpayer (or a qualified dependent) attended as an undergraduate student, (2) secured through a state or federal loan program or a commercial lender, and (3) spent solely on tuition or other school enrollment expenses. Graduates can deduct the full amount of interest paid on loans used to earn an undergraduate degree as long as they do not claim the same interest payments for the federal deduction.

The Opportunity Maine program reimburses qualified borrowers who live and work in Maine via a tax credit. The credit is available to certain Maine residents who work and pay taxes in Maine after graduating and 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. Participants may carry forward unused portions of the nonrefundable credit for up to 10 years. The program is marketed by a private sector-initiative developed to encourage young graduates to move to the region by promoting career opportunities.

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