



House of Representatives

File No. 698

General Assembly

January Session, 2021

(Reprint of File No. 64)

House Bill No. 5610
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 20, 2021

**AN ACT REQUIRING A STUDY BY THE CONNECTICUT HIGHER
EDUCATION SUPPLEMENTAL LOAN AUTHORITY, ESTABLISHING A
WORKING GROUP TO STUDY CERTAIN ISSUES CONCERNING
FINANCING FOR POST-SECONDARY EDUCATION AND
ESTABLISHING THE ALLIANCE DISTRICT TEACHER LOAN SUBSIDY
PROGRAM.**

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

- 1 Section 1. (*Effective from passage*) The Connecticut Higher Education
2 Supplemental Loan Authority shall study (1) the feasibility and
3 implications of expanding access to its loan programs to student loan
4 borrowers including, but not limited to, persons who have a high debt-
5 to-income ratio, low credit score or insufficient credit history and
6 persons who have been previously denied a loan, (2) the underwriting
7 standards used by other student loan lenders for public and private
8 student loan products, and (3) the differences between the interest rates
9 and pricing of such student loan products and the student loan products
10 offered by the Connecticut Higher Education Supplemental Loan

11 Authority. Not later than January 1, 2022, the Connecticut Higher
12 Education Supplemental Loan Authority shall, in consultation with the
13 working group established pursuant to section 2 of this act, submit a
14 report, in accordance with the provisions of section 11-4a of the general
15 statutes, to the joint standing committee of the General Assembly
16 having cognizance of matters relating to banking concerning the
17 findings of such study.

18 Sec. 2. (*Effective from passage*) (a) There is established a working group
19 to (1) assist in the production of the report described in section 1 of this
20 act, and (2) study and make recommendations to improve access to and
21 equity in education financing for post-secondary education.

22 (b) The working group shall consist of the following members:

23 (1) The chairpersons and ranking members of the joint standing
24 committee of the General Assembly having cognizance of matters
25 relating to banking;

26 (2) The Banking Commissioner, or the commissioner's designee;

27 (3) The executive director of the Connecticut Higher Education
28 Supplemental Loan Authority, or the executive director's designee;

29 (4) One appointed by the speaker of the House of Representatives,
30 who shall represent the interests of student loan borrowers;

31 (5) One appointed by the president pro tempore of the Senate, who
32 shall be a representative of a Connecticut bank;

33 (6) One appointed by the majority leader of the House of
34 Representatives, who shall be a representative of a Connecticut credit
35 union;

36 (7) One appointed by the majority leader of the Senate, who shall
37 represent the interests of student loan borrowers;

38 (8) One appointed by the minority leader of the House of

39 Representatives, who shall be a representative of an institution of higher
40 education in this state; and

41 (9) One appointed by the minority leader of the Senate, who shall be
42 a representative of an institution of higher education in this state.

43 (c) All initial appointments to the working group shall be made not
44 later than thirty days after the effective date of this section and any
45 vacancy shall be filled by the appointing authority.

46 (d) The speaker of the House of Representatives and the president
47 pro tempore of the Senate shall select the chairpersons of the working
48 group from among the members of the working group. Such
49 chairpersons shall schedule the first meeting of the working group,
50 which shall be held not later than sixty days after the effective date of
51 this section.

52 (e) The administrative staff of the joint standing committee of the
53 General Assembly having cognizance of matters relating to banking
54 shall serve as administrative staff of the working group.

55 (f) Not later than January 1, 2022, the working group shall (1) assist
56 the Connecticut Higher Education Supplemental Loan Authority with
57 the production of the report described in section 1 of this act, and (2)
58 submit a report, in accordance with the provisions of section 11-4a of the
59 general statutes, to the joint standing committee of the General
60 Assembly having cognizance of matters relating to banking concerning
61 its findings and recommendations. The working group shall terminate
62 on January 1, 2022.

63 Sec. 3. (NEW) (*Effective July 1, 2021*) (a) The Connecticut Higher
64 Education Supplemental Loan Authority shall establish, subject to
65 available funding pursuant to section 4 of this act, an Alliance District
66 Teacher Loan Subsidy Program for the purpose of subsidizing interest
67 rates on authority loans, as defined in section 10a-223 of the general
68 statutes, as amended by this act, to teachers who are employed in a
69 district designated as an alliance district pursuant to section 10-262u of

70 the general statutes and who meet the eligibility criteria as established
71 by the authority and the Commissioner of Education.

72 (b) The authority shall enter into a memorandum of agreement with
73 the Commissioner of Education to establish the eligibility criteria and
74 administrative guidelines for the Alliance District Teacher Loan Subsidy
75 Program. Such eligibility criteria and guidelines shall include, but need
76 not be limited to, (1) applicant eligibility, (2) interest rate subsidies and
77 principal limits on authority loans subject to the Alliance District
78 Teacher Loan Subsidy Program, (3) the process for verifying the
79 employment of applicants, and (4) the requirement that an interest rate
80 subsidy through the Alliance District Teacher Loan Subsidy Program
81 shall terminate for any subsidy recipient who ceases to meet the
82 employment requirements of such program during the term of such
83 recipient's loan from the authority.

84 Sec. 4. (NEW) (*Effective July 1, 2021*) The Connecticut Higher
85 Education Supplemental Loan Authority shall maintain a separate,
86 nonlapsing account to hold funds for the Alliance District Teacher Loan
87 Subsidy Program established pursuant to section 3 of this act. The
88 account shall contain any moneys required by law to be deposited in the
89 account, including, but not limited to, any state appropriation or the
90 proceeds from the sale of bonds issued for the purpose of section 3 of
91 this act. Moneys in the account shall be used (1) for the purposes of the
92 Alliance District Teacher Loan Subsidy Program and for reasonable and
93 necessary expenses for the administration of such program, (2) for the
94 issuance of authority loans to refinance one or more eligible loans, and
95 (3) to maintain a reserve held by the authority to cover any losses
96 incurred by the authority from the issuance of such authority loans. For
97 the purposes of this section, "authority loans" and "eligible loans" have
98 the same meaning as provided in section 10a-223 of the general statutes,
99 as amended by this act.

100 Sec. 5. Subdivision (18) of section 10a-223 of the general statutes is
101 repealed and the following is substituted in lieu thereof (*Effective July 1,*
102 *2021*):

103 (18) "Education assistance program" means a program to assist in
 104 financing the costs of education through education loans, [or] education
 105 grants [, or both] or any other form of financial assistance;

106 Sec. 6. Subdivision (7) of section 10a-225 of the general statutes is
 107 repealed and the following is substituted in lieu thereof (*Effective July 1,*
 108 *2021*):

109 (7) To establish guidelines, criteria and procedures not in conflict
 110 with existing statutes with respect to authority loans, education [grants,
 111 education loans] assistance programs and education loan series
 112 portfolios. Such guidelines, criteria and procedures shall not be
 113 construed as regulations within the scope of chapter 54.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>July 1, 2021</i>	New section
Sec. 4	<i>July 1, 2021</i>	New section
Sec. 5	<i>July 1, 2021</i>	10a-223(18)
Sec. 6	<i>July 1, 2021</i>	10a-225(7)

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
Connecticut Higher Education Supplemental Loan Authority (CHESLA)	Resources of CHESLA - See Below	See Below	See Below

Municipal Impact: None

Explanation

The bill establishes the Alliance District Teacher Loan Subsidy Program, to be administered by the Connecticut Higher Education Supplemental Loan Authority (CHESLA). To the extent funds are provided for the program and eligibility criteria are established, CHESLA would incur the administrative costs of the program using the resources provided to the fund.

Background: sSB 887, the FY 22 and FY 23 Bond Bill, as favorably reported by the Finance, Revenue and Bonding Committee, authorizes \$7 million of General Obligation bonds in FY 22 for this purpose.

House "A" eliminates the original bill and its associated fiscal impact and results in the impact described above.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future contingent upon resources being made available to the program.

OLR Bill Analysis**HB 5610 (as amended by House "A")******AN ACT CONCERNING A STUDY BY THE CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY.*****SUMMARY**

This bill requires the Connecticut Higher Education Supplemental Loan Authority (CHESLA) to establish an Alliance District Teacher Loan Subsidy Program to subsidize interest rates on CHESLA loans to teachers employed in alliance districts (see BACKGROUND), subject to available funding. It establishes a separate account to hold program funds.

Additionally, the bill expands the types of education assistance programs that CHESLA may offer to include other forms of financial assistance, in addition to grants and loans as under current law. It also makes a conforming change to a provision on CHESLA's authority to establish guidelines, criteria, and procedures for its education assistance program.

It requires CHESLA to study (1) how and whether to expand access to its loan programs to additional student loan borrowers, including those who have been previously denied a loan, and (2) how its student loans compare in certain respects to those of other lenders.

The bill establishes a 12-member post-secondary education financing working group to (1) assist CHESLA in preparing the report described above and (2) study and recommend ways to improve access to and equity in education financing for post-secondary education.

Lastly, the bill also makes other conforming changes.

*House Amendment "A" adds the provisions (1) establishing the Alliance District Teacher Loan Subsidy Program and related account, (2) expanding the types of assistance programs CHESLA may offer, and (3)

establishing the working group. It also makes minor changes to the CHESLA study provisions.

EFFECTIVE DATE: July 1, 2021, except the loan study and working group provisions are effective upon passage.

§§ 3 & 4 — ALLIANCE DISTRICT TEACHER LOAN SUBSIDY PROGRAM

Under the bill, CHESLA must enter into a memorandum of agreement with the education commissioner to establish the program's eligibility criteria and administrative guidelines. The authority must also establish a separate, non-lapsing account to hold program funds required by law to be deposited there, including any state appropriation or bond sale proceeds.

The bill establishes requirements for the program's eligibility criteria, administrative guidelines, and account expenditure.

Eligibility Criteria and Administrative Guidelines

The bill requires the loan subsidy program eligibility criteria and guidelines to include at least the following:

1. applicant eligibility,
2. interest rate subsidies and principal limits on authority loans subject to the Alliance District Teacher Loan Subsidy Program,
3. the process for verifying applicants' employment, and
4. the requirement that an interest rate subsidy through the program terminate for a subsidy recipient who no longer meets the program's employment requirements during the loan's term.

Account Expenditure Guidelines

The bill requires CHESLA to use the funds in the program's account to subsidize loans under the program. In addition, CHESLA must spend account funds to cover reasonable and necessary expenses for the program's administration, the issuance of authority loans to refinance one or more eligible loans, and maintenance of a reserve to cover any losses from issuing authority loans.

Under the bill and existing law, “authority loans” are education loans by CHESLA or CHESLA loans from the proceeds of bonds to fund education loans. “Eligible loans” are loans in repayment that were issued by (1) CHESLA or (2) another private or governmental lender to finance college or university attendance.

§ 1 — CHESLA LOAN STUDY

The bill requires CHESLA to study:

1. the feasibility and implications of expanding access to its loan programs to additional student loan borrowers, including those with a high debt-to-income ratio, low credit score, or insufficient credit history or who have been previously denied a loan; and
2. the underwriting standards used by other student loan lenders for public and private student loans, and any difference in pricing and interest rates between these other student loan products and those CHESLA offers.

In consultation with the working group described below, CHESLA must report its findings to the Banking Committee by January 1, 2022.

§ 2 — POST-SECONDARY EDUCATION FINANCING WORKING GROUP

Under the bill, in addition to assisting CHESLA in preparing the report described above, the working group must study and recommend ways to improve access to and equity in education financing for post-secondary education. The working group must report its findings and recommendations to the Banking Committee by January 1, 2022, when it terminates.

The working group consists of:

1. the chairpersons and ranking members of the Banking Committee;
2. the banking commissioner or his designee;

3. the CHESLA executive director or her designee;
4. one each appointed by the House speaker and Senate majority leader, both of whom must represent student loan borrowers;
5. one appointed by the Senate president pro tempore, who represents a Connecticut bank;
6. one appointed by the House majority leader, who represents a Connecticut credit union; and
7. one each appointed by the House and Senate minority leaders, both of whom must represent an in-state higher education institution.

Appointing authorities must (1) make their initial appointments within 30 days after the bill's passage and (2) fill any vacancies.

The House speaker and the Senate president pro tempore pick the working group's chairpersons. The chairpersons must schedule the first meeting, which must be held within 60 days after the bill passes.

The bill requires the Banking Committee's administrative staff to serve as the working group's staff.

BACKGROUND

Alliance Districts

Alliance districts are the 30 school districts that have the lowest achievement, as rated by the state's accountability index, plus the three districts that were previously among the lowest 30 when the program started in FY 13 (CGS § 10-262u).

For FYs 18-22, the alliance districts are: Ansonia, Bloomfield, Bridgeport, Bristol, Danbury, Derby, East Hartford, East Haven, East Windsor, Groton, Hamden, Hartford, Killingly, Manchester, Meriden, Middletown, Naugatuck, New Britain, New Haven, New London, Norwalk, Norwich, Putnam, Stamford, Thompson, Torrington, Vernon, Waterbury, West Haven, Winchester, Windham, Windsor, and Windsor

Locks.

COMMITTEE ACTION

Banking Committee

Joint Favorable

Yea 18 Nay 0 (03/09/2021)