



PA 21-62—HB 5610

Banking Committee

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

SUMMARY: This act 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 eligible teachers employed in alliance districts (see BACKGROUND), subject to available funding. The act establishes a separate account to hold program funds.

Additionally, it 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 prior law. The act 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 act also 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, financing post-secondary education.

It also makes conforming changes.

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 act, 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 act establishes requirements for the program's eligibility criteria, administrative guidelines, and account expenditures.

Eligibility Criteria and Administrative Guidelines

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The act requires the loan subsidy program eligibility criteria and guidelines to address at least the following:

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

Account Expenditure Guidelines

The act 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.

By law and unchanged by the act, "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 act 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, 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 act, 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 the following members:

1. the chairpersons and ranking members of the Banking Committee;

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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 act's passage and (2) fill any vacancies.

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

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