OLR Bill Analysis

sSB 8

AN ACT CONCERNING HIGHER EDUCATION AFFORDABILITY AND GRADUATE RETENTION.

SUMMARY

This bill helps certain students and taxpayers with higher education costs. It does so by:

1. expanding the state's debt-free community college program eligibility to returning students and increasing the minimum program award amounts (§ 1);

2. reallocating federal American Rescue Plan Act (ARPA) funds under the Roberta B. Willis Scholarship program from the regional community-technical colleges to the Connecticut State University System (CSUS) (§ 2);

3. authorizing $7 million in bonding and requiring the Connecticut Higher Education Supplemental Loan Authority (CHESLA) to use bond proceeds to establish a student loan subsidy program to subsidize interest rates on authority loans to people employed in certain high-demand professions (§§ 3-5); and

4. establishing a state income tax deduction for taxpayers for student loans interest during the taxable year (§§ 6-7).

EFFECTIVE DATE: July 1, 2023, except that the student loan interest tax deduction takes effect on January 1, 2024, and is applicable to taxable years beginning on or after January 1, 2024.

§ 1 — DEBT-FREE COMMUNITY COLLEGE

Eligibility Expansion

Under current law, the state's debt-free community college program allows eligible Connecticut high school graduates who enroll as first-time community-technical college students to receive awards on a semester basis.

The bill removes requirements that (1) a qualifying student must be a first-time enrollee at a regional community-technical college, thus extending program eligibility to returning students and (2) awards must be applied during a student's first 48 consecutive months of community college attendance, allowing them to receive the award as long as they meet all other eligibility requirements. As under existing law, an award is available to a qualifying student for the first 72 credit hours they earn.

The bill also makes conforming changes by eliminating provisions for separate eligibility requirements for qualifying students who take a medical or personal leave of absence or are called to active duty in the armed forces while enrolled in a community college.

Award Increase

Currently, funds awarded to eligible students under the debt-free community college program (1) cover the unpaid portion of the institutional costs (i.e., tuition and fees minus scholarships; grants; and federal, state, and institutional aid awarded to the student excluding loans) or (2) provide a minimum award of $250 for a full-time student or $150 for a part-time student, whichever is greater.

The bill increases the minimum awards, from $250 to $1,000 for a full-time student, and $150 to $600 for a part-time student.

§ 2 — ROBERTA B. WILLIS SCHOLARSHIP PROGRAM

By law, the Roberta B. Willis Scholarship program provides merit- and need-based financial assistance to Connecticut residents who attend an in-state public or private higher education institution.

The bill requires any amount allocated from federal ARPA funding to the regional community-technical colleges under the Roberta B. Willis Scholarship program for FY 2024 to be reallocated to the CSUS to expend as grants under the scholarship program.

§§ 3-5 — CHESLA STUDENT LOAN SUBSIDY PROGRAM

Under the bill, the State Bond Commission has the power to authorize up to $7 million in bonds annually. These bonds may be issued in one or more series and in principal amounts not to exceed this amount. The bill also requires CHESLA to use the proceeds to fund the student loan subsidy program the bill establishes. The bonds are subject to standard statutory bond issuance procedures and repayment requirements. (The bill does not impose an aggregate bond cap or specify the number of years for which CHESLA can issue these bonds. In practice, both of these limits are necessary for debt certification.)

The bill requires CHESLA, subject to available funding, to establish the Student Loan Subsidy Program to subsidize interest rates on authority loans to people employed in certain high-demand professions and who meet established eligibility criteria.

By September 1, 2023, the Chief Workforce Officer must identify and annually update professions that are in high demand by Connecticut employers to qualify people employed in these professions for the program.

Under existing law, "authority loans" are education loans by CHESLA or CHESLA loans from the proceeds of bonds to fund education loans (CGS § 10a-223(3)).

Eligibility Criteria and Administrative Guidelines

Under the bill, CHESLA and the Office of Workforce Strategy must jointly establish the eligibility criteria and administrative guidelines for the program. The criteria and guidelines must include:

1. applicant eligibility;
2. interest rate subsidies and principal limits on authority loans subject to the program;
3. the process for verifying an applicant's 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

Under the bill, CHESLA must maintain 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 requires the authority to use the funds in the account for the program's purposes and to cover reasonable and necessary expenses for the program's administration.

§§ 6-7 — TAX DEDUCTION ON STUDENT LOAN INTEREST

The bill establishes a state income tax deduction for taxpayers who paid interest on their student loans during the taxable year. It allows taxpayers to deduct these costs from their Connecticut adjusted gross income (AGI), equal to the amount of student loan interest paid on a qualified loan of up to $2,500 for each taxpayer, to the extent not deductible in determining federal AGI.

STUDENT LOAN DEDUCTIONS

The bill allows taxpayers to deduct student loan interest from their AGI as long as they meet the following requirements:

1. their filing status is any except married filing separately;
2. they have a modified federal AGI below $75,000 (for single, head of household, or qualifying widow or widower filers) or $150,000 (for joint filers);
3. they were not claimed as an exemption on anyone else's return;
4. they are legally obligated to pay interest on a qualified student loan; and
5. they paid interest on a qualified student loan.

Under the bill, the deductions apply to "qualified student loans," which the bill defines as loans taken out solely to pay for qualified education expenses that:

1. are for the taxpayer, taxpayer's spouse, or the taxpayer's dependent at the time the loan was taken out;

2. have been paid or incurred within a reasonable period of time before or after the taxpayer took out the loan;

3. are from a private or governmental lender; and

4. are for education provided during an academic period for an eligible student (i.e., a student who is or was enrolled at least part-time in a certificate or degree program at an eligible higher education institution).

The bill defines "qualified education expenses" as the total costs of attending an eligible higher education institution (i.e., any higher education institution that is eligible to participate in a student aid program administered by the U.S. Department of Education), including graduate school, and includes amounts paid for the following:

1. tuition and fees;

2. room and board, provided the cost of room and board qualifies only to the extent that it is not more than the greater of the (a) allowance for room and board, as determined by the eligible higher education institution, that was included in the cost of attending a particular academic period and living arrangement of the student or (b) actual amount charged if the student is residing in housing owned or operated by the institution;

3. books, supplies, and equipment; and

4. other necessary expenses, including transportation.

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable
Yea 21 Nay 1 (03/07/2023)