

OFFICE OF FISCAL ANALYSIS

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sHB-6690

AN ACT CONCERNING A STUDENT LOAN REGISTRY, AN OFFICE OF THE STUDENT LOAN OMBUDSMAN AND STUDENT LOAN SERVICERS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$
Banking Dept.	BF - Cost	295,247	505,341
UConn Health Ctr.	Various - Potential Cost	See Below	See Below
Board of Regents for Higher Education	Various - Potential Cost	See Below	See Below
Banking Dept.	BF - Potential Revenue Gain	See Below	See Below

Note: BF=Banking Fund; Various=Various

Municipal Impact: None

Explanation

The bill establishes a registry of private education lenders and loan creditors and establishes an Office of the Student Loan Ombudsman within the Department of Banking, resulting in the various costs, potential costs, and potential revenue gains described below.

Costs:

To perform all functions and responsibilities that the bill requires of the new office, the department will need to increase its staff by one Banking Department Manager and one Financial Examiner not later than October 1, 2023, and one Banking Education Coordinator not later than October 1, 2024, resulting in a cost of \$295,247 in FY 24 and \$505,341 in FY 25.

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Reviewer: ME

3/22/23

The estimate reflects annual starting salaries totaling \$243,375, with corresponding fringe benefits totaling \$251,674.^{1,2} The operating expenses of the new office, the largest of which being the maintenance of the student loan borrower education course, are not anticipated to exceed \$30,000 annually. Additionally, there are one-time costs of \$10,000 in FY 24 and \$5,000 in FY 25 for training and equipment.

Potential Costs:

The bill allows the Banking Commissioner to prescribe alternate registration processes and fee structures for private education lenders and nonprofit postsecondary educational institutions. This could result in a potential cost to the University of Connecticut Health Center and to Southern Connecticut State University, as the public institutions of higher education that directly offer student loans. The potential cost is dependent on: (1) whether the banking department creates a registration process with an associated fee, and if so, (2) the fee amount.

Potential Revenue Gains:

The bill allows the Banking Commissioner to establish a fee structure for the registry, resulting in a potential revenue gain depending on the amount of such fees and number of registrants.

It also allows the commissioner to impose a civil penalty of up to \$100,000 for any violation of the provisions of this bill, resulting in another potential revenue gain.

¹ The fringe benefit costs for employees funded out of other appropriated funds are budgeted within the fringe benefit account of those funds, as opposed to the fringe benefit accounts within the Office of the State Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes for other appropriated fund employees is 103.41% of payroll in FY 24.

² The estimated costs also reflect nine months of employment in the starting fiscal year for each position to account for the effective dates of the bill.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the fees and penalties imposed, as well as inflation.

Sources: Department of Administrative Services website