



Legislative
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FISCAL NOTE

Drafting Number:	LLS 20-0536	Date:	February 12, 2020
Prime Sponsors:	Sen. Fenberg Rep. Herod; McCluskie	Bill Status:	Senate Finance
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Bill Topic: POSTSECONDARY EDUCATION LOAN REPAYMENT ASSISTANCE

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill creates the Get on Your Feet Student Loan Repayment Assistance Program in the Department of Higher Education. The bill increases state expenditures on an ongoing basis.

Appropriation Summary: For FY 2020-21, the bill requires an appropriation of \$3.5 million to the Department of Higher Education.

Fiscal Note Status: This fiscal note reflects the introduced bill.

**Table 1
State Fiscal Impacts Under SB 20-004**

		FY 2020-21	FY 2021-22	FY 2022-23
Revenue		-	-	
Expenditures	General Fund	\$3,456,258	\$6,608,083	\$6,553,347
	Centrally Appropriated	\$31,648	\$41,021	\$20,255
	Total	\$3,487,906	\$6,649,104	\$6,573,602
	Total FTE	2.4 FTE	3.0 FTE	3.0 FTE
Transfers		-	-	
TABOR Refund		-	-	

Summary of Legislation

The bill creates the Get on Your Feet Loan Repayment Assistance Program in the Department of Higher Education (DHE). The program provides up to 24 monthly payments on a qualified student loan on behalf of an eligible recipient.

Eligibility. To be eligible for student loan repayments, a person must:

- earn an associate's or bachelor's degree from an institution of higher education in Colorado on or after January 25, 2021, and apply no later than two years after earning the degree;
- have a qualified loan and be enrolled in a federal income-driven repayment plan;
- have resided in Colorado for at least 12 continuous months, unless the person is a military member on active duty residing in Colorado;
- have a primary work location in Colorado; and
- be in compliance with conditions imposed by state or federal student loans, and state financial aid policies.

A person is not eligible if their monthly income-driven repayment amount is zero, or if the loan is in forbearance or deferment status.

Repayments. Award amounts are 100 percent of the recipient's monthly federal income-driven repayment amount. DHE may not make more than 24 payments, which are made directly to the federal loan administrator on behalf of the recipient.

Administration. DHE must administer the program, including reviewing and accepting applications, making monthly payments to the federal loan administrator, and annually verifying eligibility. The Colorado Commission on Higher Education (CCHE) must create guidelines for the administration of the program. Recipients must submit to DHE any changes in eligibility or their monthly repayment amount. The bill establishes procedures for terminating or suspending an award, and for requiring a recipient to reimburse a payment if eligibility requirements are not met.

Background and Assumptions

Budget request. In its budget request (DHE BA-01), DHE requested funding for a three-year student loan repayment program. The request includes funding to cover 24 months of payments for two cohorts of participants, and 12 months of payments for a third cohort. The budget request includes a \$14.1 million appropriation in FY 2020-21, to be spent over FY 2020-21, FY 2021-22, and FY 2022-23.

Participation. Based on the most recent data available, there is expected to be 45,526 graduates in FY 2020-21, and 46,108 graduates in FY 2021-22, including resident and non-resident students from two- and four- year institutions, graduates from Colorado private institutions, and graduates from schools regulated by the Division of Private Occupational Schools. Of those graduates, the fiscal note assumes that 2,094 in FY 2020-21, and 2,120 in FY 2021-22 will participate in the program, based on the following assumptions:

- 42 percent of graduates from two-year institutions, 55 percent of graduates from four-year institutions, and 60 percent of private and occupational school graduates have federal student loan debt after graduation;

- 29 percent of students with federal debt are on an income-driven repayment program; and
- 30 percent of eligible students will participate in the program.

Repayment Amounts. Based on the repayment amounts in a similar program in New York, the fiscal note assumes that monthly payments will average \$125 per month. This corresponds to \$1,500 per year, or \$3,000 over the course of the maximum 24 months identified in the bill.

State Expenditures

The bill increases state General Fund expenditures in DHE by \$3.5 million in FY 2020-21, \$6.6 million in FY 2021-22 and future years.

Table 2
Expenditures Under SB 20-004

	FY 2020-21	FY 2021-22	FY 2022-23
Department of Higher Education			
Personal Services	\$193,636	\$258,180	\$126,273
Operating Expenses	\$3,240	\$4,050	\$2,025
Capital Outlay Costs	\$18,600	-	-
Data System	\$100,000	\$25,000	\$25,000
Loan Repayment Awards	\$3,140,782	\$6,320,853	\$6,400,049
Centrally Appropriated Costs*	\$31,648	\$41,021	\$20,255
Total Cost	\$3,487,906	\$6,649,104	\$6,573,602
Total FTE	2.4 FTE	3.0 FTE	1.5 FTE

* Centrally appropriated costs are not included in the bill's appropriation.

Administrative costs. DHE requires 3.0 FTE in FY 2020-21 and FY 2021-22 to implement and administer the program; this amount is prorated for the General Fund paydate shift and a September 1, 2019 start date in FY 2020-21. Staff includes 1.0 FTE for a program manager to develop procedures, review applications, conduct outreach and marketing, and handle questions; 1.0 FTE for a data manager to manage and implement data submittal and verification processes; and 1.0 FTE for an accountant to work with loan administrators and process payments. In FY 2022-23 and beyond, the required FTE drops to 1.5 FTE, including the program manager and 0.5 FTE for an accountant.

DHE will also incur costs to purchase and maintain data system with a web application for participant application, documentation, and payment processes. Based on similar systems purchased, \$100,000 is required in FY 2020-21 to purchase the system, and \$25,000 per year is required for ongoing maintenance.

Loan repayments. Table 3 includes the number of assumed recipients in each year and the total amount required for repayments. Payments are assumed to be \$1,500 per participant per year.

Table 3
Estimated Loan Repayments

	FY 2020-21	FY 2021-22	FY 2022-23
Assumed Participants	2,094	4,214	4,267
Loan Repayments	\$3,140,782	\$6,320,853	\$6,400,049

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$31,648 in FY 2020-21, \$41,021 in FY 2021-22, and \$20,255 in FY 2022-23.

Technical Note

In its budget request (DHE BA-01), DHE requested \$14.1 million over three years to implement the student loan forgiveness program. Because this is a new program driven by changes to statute, rather than an adjustment to an existing program, it is assumed that funding should be appropriated in this bill, rather than the FY 2020-21 Long Bill. For comparison purposes, the fiscal note identifies a \$16.6 million appropriation for the first three years of the program. Funding above the initial amount, and funding for future years, will be requested through the annual budget process.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2020-21, the bill requires a General Fund appropriation of \$3,456,258 to the Department of Higher Education, and 2.4 FTE.

State and Local Government Contacts

Higher Education Law