Date of Hearing: April 18, 2017

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Jose Medina, Chair
AB 379 (Gomez) – As Amended April 4, 2017

SUBJECT: California Kickstart My Future Loan Forgiveness Program.

SUMMARY: Establishes the California Kickstart My Future Loan Forgiveness Program. Specifically, **this bill**:

1) Authorizes the California Student Aid Commission (CSAC) to administer the California Kickstart My Future Loan Forgiveness Program, as established in this measure.

2) Specifies the program is to provide grants to eligible applicants in order to assist in alleviating the burden of federal student loan debt for recent California state college graduates.

3) Requires CSAC to develop an application process for the program and authorizes CSAC to adopt rules and regulations for the implementation of the program.

4) Specifies that subject to an available and sufficient appropriation, an eligible applicant shall be eligible for a student loan forgiveness award equal to 100 percent of his or her monthly federal income-driven repayment plan payments for 24 months of repayment under the federal program.

5) Requires that an award granted shall be deferred for a recipient who has been granted a deferment or forbearance under the federal income-driven repayment plan; and, specifies that upon completion of the deferment or forbearance period, the recipient shall be eligible to receive an award for the remaining time period, as specified.

6) Requires, as condition of eligibility, an applicant meet all of the following requirements:

   a) Be a California resident, as specified;

   b) Have graduated and obtained an undergraduate degree from a college or university with its headquarters located in California on or after the 2016-17 academic year;

   c) Applied to the program within two years of obtaining a degree;

   d) Be a participant in a federal income-driven repayment plan whose payment amount is generally 10 percent of discretionary income;

   e) Have income of less than $50,000;

   f) Work in California, if employed;

   g) Is not in default in the repayment of any state or federal loan; and,

   h) Has not failed to comply with the terms of any service or repayment condition by an award made, as specified.

7) Requires a recipient who no longer meets program requirements at the time any payment is made to refund those payments to the state.

8) Authorizes the California Franchise Tax Board to recover payments owed in accordance with rules and regulations adopted by CSAC.

9) Defines the following terms for purposes of this measure:

   a) "Commission" means the CSAC;

   b) "Eligible applicant" means one who meets the requirements as specified;

   c) "Income" means the total adjusted gross income of the applicant and the applicant's spouse, if applicable; and,

   d) "Program" means the California Kickstart My Future Loan Forgiveness Program.

EXISTING LAW:

1) Establishes the CSAC for the purpose of administering specified student financial aid programs (Education Code (EC) Section 69510, et seq.).

2) Establishes the California Educational Facilities Authority (CEFA) to administer programs that provide tax-exempt, low-cost financing to private, non-profit higher educational facilities. Outlines the following purposes of the CEFA: a) to provide private institutions of higher education within the state an additional means by which to finance and refinance existing higher education facilities; b) to provide private and public institutions of higher education with an additional means to assist students in financing their costs of attendance; c) to develop student, faculty and staff housing on or near institutions of higher education; and, d) to make grants to private institutions of higher education to assist students in preparation for an entrance to higher education.

3) Establishes the California Student Loan Refinancing Program (CSLRP) under the administration CEFA, with the goal of helping eligible college graduates refinance student loan debt at favorable rates by creating a revolving fund so that additional refinancing may occur to help more qualified borrowers, as defined, through the creation of a loss reserve account. Under the program, CEFA is authorized to contract with any financial institution for the purpose participation in the program.

4) Grants the CEFA various powers relative to student loans, including the authority to hold or invest in student loans, create pools of student loans, and sell bonds bearing interest on a taxable or tax-exempt basis or other interests backed by pools of student loans (Education Code Sections 94100-94163).

FISCAL EFFECT: Unknown.

COMMENTS: *Current loan debt averages of California students*. According to The Institute for College Access and Success (TICAS) October 2016 report, "Student Debt and the Class of 2015, 68 percent of seniors who graduated from public and nonprofit colleges in 2015 had student loan debt, with an average nationally of $30,100 per borrower. TICAS found that the share of graduates with debt rose modestly over the last decade (from 65 percent to 69 percent). Additionally, TICAS found that average debt in California is $22,191 at public and private non-profit colleges and that about 54 percent of students graduate with debt, ranking California 48th and 42nd nationally, respectively.

To note, TICAS found that better data on student loan debt is urgently needed. The total debt at graduation – including both federal and private loans – remains unavailable for every college. Additionally, the debt for each type of credential offered by a given school also remains unavailable.

Need for this measure. According to the author, most loans come with a six-month grace period, following graduation before loan payments must commence. The author contends that six months is not a sufficient amount of time for a recent graduate to, "plan to buy a home, to explore their options for their career, or plan any major life event." The author states that, "Most graduates will be concerned about making their loan repayments and take the opportunity to work any job, even if it means working out of their area of study."

The author argues that, "AB 379 is needed because we need to invest in our graduates and ensure they are on the right path to achieve their next goal after graduation and not be burdened with debt."

Student loan defaults. Based on new data released by the U. S. Department of Education, there were more than 1.1 million federal loan defaults through 2016. Additionally, as of the end of 2016, 42.4 million Americans owed $1.3 trillion in federal student loans. To note, these figures exclude borrowing through private student loans, credit cards, and home equity loans to finance the growing costs of college. The Federal Reserve System places total outstanding student loans at $1.4 trillion, which includes federal and private loans, but excludes other loans used to finance higher education.

Student loan servicers, which are the companies paid to collect loan payments, are responsible for enrolling borrowers in repayment plans to help borrowers avoid default.

Federal income-driven repayment plans. If a federal student loan payment is high compared to a graduate's income, one may decide to repay the loan(s) under an income-driven repayment plan. Most federal student loans are eligible for at least one such plan.

An income-driven repayment plan sets a monthly student loan payment at an amount that is meant to be affordable based on income and family size. The chart below lists the four types of these plans and each amount associated:

Income-Driven Repayment Plan	Payment Amount
Revised Pay-As-You Earn Repayment Plan	Generally 10 percent of discretionary income
Pay As-You-Earn Repayment Plan	Generally 10 percent of discretionary income, but never more than the 10-year Standard Repayment Plan amount
Income-Based Repayment Plan	Generally 10 percent of discretionary income if one is a new borrower on or after July 1, 2014, if the borrower had no outstanding balance on a William D. Ford Federal Direct Loan Program loan or a Federal Family Education Loan Program loan
Income-Contingent Repayment Plan	The lesser of the following: • 20 percent of discretionary income or • What one would pay on a repayment plan with a fixed payment over the course of 12 years, adjusted according to one's income

Get on Your Feet Loan Forgiveness Program. The loan forgiveness program, called "Get on Your Feet" established by the New York State administration, aims to assist recent college graduates in paying their loans, based on eligibility. Recent graduates are eligible if they meet certain requirements, including, but limited to, the following: a) be a legal resident of the state and have resided in the state for 12 continuous months; b) be a U. S. citizen or eligible non-citizen; c) have graduated from a New York State high school or received a state high school equivalency diploma; d) have earned an undergraduate degree from a college or university located in the state on or after December 2014; and, e) be enrolled in a federal income based repayment plan at 10 percent discretionary income.

Policy considerations. Committee staff understands that CSAC has been trying to track down and compile data on graduates that presumably would meet the eligibility requirements as outlined in this measure. However, to date, Committee staff understands that confusion exists as to how exactly to ascertain the data on potentially eligible graduates.

Moving forward, *Committee staff recommends* that the author continue to work with CSAC in determining the appropriate scope of potential eligible borrowers and how best to ascertain said data.

Additionally, Committee staff understands that CSAC continues to move forward with its new Grant Delivery System Modernization Project; this new delivery system, which will not be operational for three years, will allow CSAC access to other agencies and pertinent student data, such as that which would be needed for this program.

While the need may exist for the state to assist recent graduates in paying their loans, as noted above, it is presently unclear as to how CSAC will obtain relevant data. Committee staff understands that CSAC's new grant delivery system more than likely will have the capabilities of obtaining the data as called for in this measure.

The Committee may wish to determine whether it should align the establishment of new programs to be administered by CSAC, with CSAC's ability to implement such programs when its new delivery system is fully in place.

Committee staff recommends this measure be amended: to specify that the provisions of this bill will not go into effect until after CSAC certifies that its new Grant Delivery System Modernization Project is fully operational.

Related legislation. SB 647 (Allen), which is pending a hearing in the Senate Banking and Financial Institutions Committee, in part, modifies CSLRP and establishes the California Student Loan Refinancing Fund for purposes of administering the program and makes an appropriation to that fund.

REGISTERED SUPPORT / OPPOSITION:

Support

National Association of Social Workers

Opposition

None on file

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