

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4085-01
Bill No.: HB 1467
Subject: Education, Higher; Credit and Bankruptcy; Boards, Commissions, Committees, Councils
Type: Original
Date: February 10, 2012

Bill Summary: This proposal requires the Missouri Higher Education Loan Authority (MOHELA) to forgive loans when the Missouri state unemployment rate exceeds a certain level in the previous calendar year.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** state this proposal will have no fiscal impact on their agency.

Officials from the **Joint Committee on Administrative Rules (JCAR)** stated this proposed legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state this proposed legislation should not result in additional costs or savings to BAP. This proposal's requirement that MOHELA reserve \$30 million of its assets for loan forgiveness in years following a year when the Missouri unemployment rate exceeds 7.5% may impede MOHELA's ability to fulfill other commitments.

Officials from the **Department of Higher Education (DHE)** assume this proposed legislation would create a state program by which Missouri Higher Education Loan Authority (MOHELA) assets would be utilized in certain circumstances to provide loan forgiveness for loans held by the group. Administering a program of this nature would require marketing the program, communicating with borrowers, reviewing individual requests, determining student eligibility and other administrative tasks associated with changes in loan amounts or terms from forgiveness fostered under the program. While the proposal does not address under which agency (MOHELA or MDE) these duties would fall, the addition of these duties to whichever agency takes them on would indeed have some negative impact unable to be determined at this time. Whether or not the proposal would have a cost to the MDE would depend on to which agency duties associated with the program were assigned.

ASSUMPTION (continued)

Oversight assumes costs related to this proposal would be borne by MOHELA. The proposed legislation only states that DHE will work with MOHELA to promulgate rules establishing priorities for forgiveness.

Officials from the **Missouri Higher Education Loan Authority (MOHELA)** stated MOHELA would be unable to fund the loan forgiveness program described in this proposed legislation. Essentially all of the student loans owned by MOHELA are pledged as collateral to bond resolution trust estates. Under the terms of the bond indentures that created these trust estates, MOHELA has no authority to forgive the student loans that are pledged as collateral except as expressly permitted under the bond documents for certain tax related reasons. As to those relatively few student loans owned outright by MOHELA from time to time, they represent a portion of MOHELA's net assets that are necessary to fund ongoing operations.

Oversight assumes MOHELA is an independent statutory authority and will show no fiscal impact to state, federal, or local government funds.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

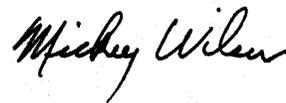
FISCAL DESCRIPTION

This proposed legislation appears to have no fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Higher Education
Office of Administration
 Division of Budget and Planning
Department of Insurance, Financial Institutions and Professional Registration
Joint Committee on Administrative Rules
Office of Secretary of State
 Administrative Rules Division
Missouri Higher Education Loan Authority



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Director
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