

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 2950-01  
BILL NO.: HB 1161  
SUBJECT: Education, Higher: Professional Licenses  
TYPE: Original  
DATE: January 18, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Missouri Lottery Commission, Office of Administration - Administrative Hearing Commission, Department of Revenue and Department of Economic Development** assume the proposal would result in no fiscal impact to the agencies.

Officials from the **Office of State Courts Administrator** assume the proposal would result in no fiscal impact to the courts.

Officials from the **Attorney General's Office** assume costs from the proposal are indeterminate. The AGO does not know how many licensure cases could arise from defaults on student loans.

Based on a response to a similar proposal from the prior year (HB 523), officials from the **Department of Insurance (INS)** assume the fiscal impact upon new license application and renewal processing should be minimal assuming the State Board of Education would send INS an electronic file of delinquencies containing at least Social Security number, date of birth, last name, first name, and middle initial. INS would then automate the matching process. If the State Board of Education could not provide the information electronically, then additional resources would be needed by the Licensing Section to process the matching manually. Additional time would also be required by the Legal Section to represent appeals before the Administrative Hearing Commission and by the Investigation Sections. It is unknown how many cases would be appealed or need to be investigated. It is anticipated that current appropriations and staff would be able to absorb the work for implementation of this single proposal. However, if additional proposals are approved during the legislative session, the Department may need to request an increase in appropriations due to the combined effect of multiple proposals.

Officials from the **Coordinating Board For Higher Education (CBHE)** assume they could satisfy the provisions of the proposal with resources currently available to the department through the Missouri Student Assistance Resource Services (MOSTARS). However, MOSTARS can only provide default status on individuals whose loans are guaranteed through that agency. It does not affect loans guaranteed by private, non-profit loan programs, other state guaranty agencies that guarantee loans in Missouri, or the federal government through the Ford Direct Loans Program. The Missouri Student Loan program guarantees only 30% of all federal loans made at Missouri higher education institutions. If this legislation were approved, borrowers in the Missouri Student Loan Program would lose a professional license should they default on their loan whereas they would not lose their license if they defaulted on a loan guaranteed by another entity. The bill would also require the department to promulgate by rule a procedure for determining when a person in default on a student loan has made satisfactory arrangements to ensure repayment of the loan and to provide a hearing for appeals made by the

ASSUMPTION (continued)

person aggrieved by a decision of the department. The current contractual rate for MOSTAR's administrative hearing officer is \$75 per hour for an attorney, approximately \$40 per case for copying, faxing, and other administrative costs, and \$25 per hour for a law clerk or paralegal. MOSTARS has no data to estimate the time or cost involved to prepare for and hold a hearing of the type described in the bill. CBHE officials assume the cost of such hearings would be assessed either to the agency withholding the license or the individual appealing the decision. Regardless, because this would be a state rather than federal regulation, the state guaranty student loan fund and the personnel whose salaries come from that fund, in all likelihood, could not be used to pay for hearing expenses. Based information from CBHE from a similar proposal in the prior year (HB 523), CBHE officials assume the proposal would not significantly impact collections on defaulted student loans because they already garnish wages and tax refunds.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the proposal would require additional work for the Teacher Certification section in DESE.

For in-state licensees, DESE anticipates 90-100 defaults per year. From out-of-state applicants, DESE also anticipates about 90-100 defaults from among the estimated 10,000 out-of-state applications received. Also, each hearing costs the department about \$350. DESE would need approximately \$70,000 to pay for the hearings (\$350 per hearing cost X 200 hearings = \$70,000).

DESE officials three additional program specialists would be needed to handle the additional workload (\$30,060 each): one additional program specialist would be needed to handle in-state licensees; two additional program specialists will be needed to handle out-of-state licensee.

DESE officials also believed that fees for this information would be imposed by out-of-state agencies and loan-processing agencies. It is estimated that \$100,000 would be needed annually for these costs.

The **Oversight Division** assumes the individual appealing the decision would pay for the hearing.

The **Oversight Division** assumes that using computer cross-referencing with the Coordinating Board For Higher Education, the Department of Elementary and Secondary Education and Department of Insurance could meet the requirements of the proposed legislation with existing resources. Oversight also assumes that even though the proposal could result in higher collections on student loans, the administrative costs saved based on less defaulted loans would be offset by the administrative costs for MOSTARS of notifying agencies of the borrowers' default status. Since MOSTARS is an agency acting on behalf of the federal government, the state would only benefit from less defaults from an administrative position.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0
<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0
<u>FISCAL IMPACT - Small Business</u>			

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

#### DESCRIPTION

The proposal would require the State Board of Education and Department of Economic Development, Division of Professional Registration, to refuse to grant any license or license renewal to any person if that person is in default on the repayment of any student loan guaranteed by the Department of Higher Education and has not made satisfactory arrangements to ensure voluntary repayment.

Within sixty days of the determination, the proposal would require the Department of Higher Education to provide the director of the Division of Professional Registration, State Board of Education, Clerk of the Supreme Court and director of the Department of Insurance the name of any person in default on the repayment of any student loan issued by the Department of Higher Education and who has not made satisfactory arrangements to ensure repayment.

The Department of Higher Education would be required to promulgate rules for determining when a person in default on a student loan has made satisfactory arrangements to ensure repayment of the loan. The Department of Higher Education would be authorized to garnish any state payment to a person in default on the repayment of a student loan.

Any attorney or counselor at law could be suspended from practice for avoiding in bad faith the repayment of any student loan administered by the Department of Higher Education.

The director of the Division of Professional Registration would be required to notify each board and commission in the division the names of every person regulated by such board or commission. The director would also be required to maintain a special indicator showing the status of the licensee with regard to repayment of student loans.

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DESCRIPTION (Continued)

No board or commission in the Division of Professional Registration could grant or renew any license to a person in default on the repayment of a student loan, if satisfactory arrangements had not been made to ensure repayment.

The proposal would prohibit the Clerk of the Supreme Court from permitting any person from taking the bar examination, would prohibit a person from being admitted to the Missouri Bar and would prohibit an attorney from paying annual enrollment fees to renew a license to practice law, if the person is in default on a student loan.

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 Elementary and Secondary Education  
Coordinating Board For Higher Education  
Office of State Courts Administrator  
Department of Economic Development  
Department of Insurance  
Missouri Lottery Commission  
Department of Revenue  
Office of Administration  
Attorney General's Office



Jeanne Jarrett, CPA  
Director  
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