# LEGISLATIVE FISCAL ESTIMATE

ASSEMBLY COMMITTEE SUBSTITUTE FOR

# ASSEMBLY, No. 2687

# STATE OF NEW JERSEY
# 219th LEGISLATURE

DATED: JUNE 21, 2021

## SUMMARY

**Synopsis:** Establishes loan redemption program for teachers in certain fields to redeem loan amounts received under New Jersey College Loans to Assist State Students Loan Program through employment in certain low performing schools.

**Type of Impact:** Annual revenue loss to the Higher Education Student Assistance Authority

**Agencies Affected:** Higher Education Student Assistance Authority

**Office of Legislative Services Estimate**

| Fiscal Impact | Annual |
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| **Revenue Loss – Higher Education Student Assistance Authority** | Indeterminate |

- The Office of Legislative Services (OLS) concludes that the bill will lead to an indeterminate annual loss of revenue for the Higher Education Student Assistance Authority (HESAA).

- The bill caps State appropriations for the program at $1 million annually.

- Factors that would determine the total revenue loss include the number of teachers hired to teach in a high-need field in a chronically failing school after the bill's effective date, the number of years these individuals continue to teach in a high-need field in a chronically failing school, and the outstanding balance of any undergraduate loans obtained through the New Jersey College Loans to Assist State Students (NJCLASS) Loan Program.

- The OLS notes that, based on State assessments administered in the 2016-2017 and 2017-2018 school years, approximately 292 schools in 164 districts satisfy the bill's criteria to be designated a chronically failing school.

## BILL DESCRIPTION

The bill establishes a loan redemption program for certain individuals who have loans under the NJCLASS Loan Program. Individuals who are hired after the bill's effective date to teach in

a high-need field in a chronically failing school would be eligible to have any outstanding undergraduate loans taken under the NJCLASS Loan Program redeemed. The bill redeems 15 percent of an individual's outstanding principal and interest for each of the first two years of employment, 20 percent for each of the third and fourth years of employment, and 30 percent would be redeemed for the fifth year of employment. The annual State appropriation for the program may not exceed $1,000,000.

The bill defines a chronically failing school as one in which either: 1) in the prior two school years, the sum of the percent of students scoring in the not yet meeting expectations and partially meeting expectations categories in both the language arts and mathematics subject areas exceeded 40 percent, or 2) in the prior two school years, the sum of the percent of students scoring in the not yet meeting expectations and partially meeting expectations categories in either the language arts or mathematics subject areas exceeded 65 percent. The Department of Education (DOE) would be responsible for determining the high-need fields that would qualify an individual for loan redemption under this bill.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

None received.

### *OFFICE OF LEGISLATIVE SERVICES*

The OLS concludes that the bill will lead to an annual loss in revenue received by HESAA in the form of reduced principal and interest payments from individuals who qualify for loan redemption under the bill. Factors that would determine the total revenue loss include the number of individuals who would be eligible for the loan redemption program and the amount of loans taken under the NJCLASS Loan Program. The OLS notes that, based on State assessments administered in the 2016-2017 and 2017-2018 school years, approximately 292 schools in 164 districts satisfy the bill's criteria to be designated a chronically failing school. The bill limits the State appropriations for the program to $1 million annually.

According to data included in the FY 2022 budget recommendation, the projected number of outstanding NJCLASS loans for FY 2022 is 110,183 and the projected value of all outstanding loans for FY 2022 is $1.51 billion. Based on this information, the projected average of outstanding NJCLASS loans for FY 2022 is approximately $13,665. The potential revenue loss that HESAA would experience for each individual who qualifies for loan redemption under the bill would likely be higher for two reasons. First, the $13,665 figure does not include interest payments that would also be forgiven under the bill. Second, the figure includes individuals who are currently in college and may increase their loan balance prior to graduation, as well as individuals who have repaid a portion of their loan balance prior to graduation. It is likely that most of the people who would participate in the loan redemption program are recent graduates who have yet to repay their loans.

The bill requires the DOE to identify high-need fields and to revisit the designation every five years. While not specifically required under the bill's provisions, it is reasonable to assume that the department would designate the same subject areas as high-need fields as those that are classified as having a statewide teacher shortage under the provisions of federal law that allow for

the Federal Perkins loans to be forgiven. Currently, the following subject areas are included for the 2020-2021 school year in New Jersey: bilingual education, English as a second language, world languages, mathematics, science, special education, and career and technical education.

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| *Section:* | *Education* |
| *Analyst:* | *Adrian Crook*<br>*Lead Research Analyst* |
| *Approved:* | *Thomas Koenig*<br>*Legislative Budget and Finance Officer* |

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).