

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 969

STATE OF NEW JERSEY  
219th LEGISLATURE

DATED: JANUARY 12, 2022

SUMMARY

- Synopsis:** Establishes loan redemption program for certain teachers to redeem loan amounts received under New Jersey College Loans to Assist State Students Loan Program through employment in certain schools; makes annual appropriation of \$1 million.
- 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                                                | Year 1            | Annually Thereafter |
|--------------------------------------------------------------|-------------------|---------------------|
| Revenue Loss – Higher Education Student Assistance Authority | Up to \$1 million | Indeterminate       |

- The Office of Legislative Services (OLS) notes that this bill will lead to a loss in revenue stemming from the redemption of certain loan amounts under the New Jersey College Loans to Assist State Students (NJCLASS) Loan Program, up to \$1 million in FY 2022.
- 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 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 25 percent of an individual's outstanding principal and interest, up to \$5,000 annually, in return for up to four one-year periods of service in a low performing school. The total amount of NJCLASS loan amounts that may be redeemed under the program, for four full years of service, would not exceed \$20,000. The bill provides for an annual appropriation of \$1 million, and caps the annual State appropriation at \$1 million.

The bill defines a low performing 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 notes that this bill will lead to a loss in revenue stemming from the redemption of certain loan amounts under the NJCLASS Loan Program, up to \$1 million in FY 2022. The annual loss in revenue incurred by HESAA would be 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 2021-2022 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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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.).