

  
*Colorado Legislative Council Staff Fiscal Note*  
**STATE**  
**FISCAL IMPACT**

**Drafting Number:** LLS 10-0530  
**Prime Sponsor(s):** Rep. Middleton  
 Sen. Romer

**Date:** May 3, 2010  
**Bill Status:** House Education  
**Fiscal Analyst:** Josh Abram (303-866-3561)

**TITLE:** CONCERNING STUDENT LOANS.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
<b>State Revenue</b> Cash Funds Colorado CollegeInvest Scholarship Trust Fund Financial Need Scholarship Fund  Trust Fund and Scholarship Fund	< \$10.0 million > \$15.0 million  potential gifts, grants, and donations	
<b>State Transfers</b> Transfer from the Colorado CollegeInvest Scholarship Trust Fund to the Financial Need Scholarship Fund to the Job Retraining Cash Fund	< (\$10.0 million) (100,000*)	
<b>State Expenditures</b> General Fund Cash Funds Colorado CollegeInvest Scholarship Trust Fund Financial Need Scholarship Fund	(possible reduction)  < \$10.0 million increase	
<b>FTE Position Change</b>		
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature. Section 19 of the bill takes effect only if SB10-202 becomes law.		
<b>Appropriation Summary for FY 2010-2011:</b> None required; see State Appropriations section.		
<b>Local Government Impact:</b> None.		

\* The bill transfers \$100,000 to the Job Retraining Cash Fund **only** if SB10-202 becomes law.

**Summary of Legislation**

This bill repeals the authority of the student loan division (CollegeInvest) in the Colorado Department of Higher Education (DHE), to originate, issue, or guarantee any new student loans after July 1, 2010. The DHE must prepare a restructuring plan to deal with changes in administering student loans.

If the state's interest in existing student loans is sold, this bill instructs the department to distribute the funds in the following amounts:

- ▶ Up to \$10.0 million shall remain in the Colorado CollegeInvest Scholarship Trust Fund (Trust Fund) to pay for the repurchase of student loans, when necessary, and to pay expenses associated with the transition and wind-down of the student loan program. Any money remaining from these expenses as of January 1, 2011, is transferred to the Financial Need Scholarship Fund (Scholarship Fund).
- ▶ Up to \$15.0 million of the remaining proceeds are transferred directly to the Scholarship Fund.
- ▶ Any additional proceeds are transferred to the Scholarship Fund, which amounts may be used to reduce General Fund appropriations to the DHE for need-based grants.
- ▶ If SB10-202 becomes law, and after this bill's other requirements have been satisfied, up to \$100,000 of remaining proceeds shall be transferred to the Job Retraining Cash Fund.

The bill permits the DHE to seek and accept gifts, grants, or donations for the Trust Fund and for the Scholarship Fund. Any money in these funds is subject to annual appropriation by the General Assembly.

The Colorado CollegeInvest Scholarship Program is transferred from CollegeInvest to the DHE. Beginning FY 2010-11, DHE shall administer scholarships under the program. The bill will not affect CollegeInvest's 529 plans, CollegeAssist, or CollegeInColorado.

## **Background**

CollegeInvest, a division of the Department of Higher Education, was established by the General Assembly to increase students' access to higher education by:

- ▶ issuing bonds, whose proceeds are used for originating and/or purchasing student loans;
- ▶ administering the state's federal College Savings Plans (529 plans); and
- ▶ administering various scholarship and loan forgiveness programs.

CollegeInvest does not receive appropriations from the General Assembly; it pays for its operations through profits earned on its student loans, administrative fees received for managing 529 plans, and investment income.

### **State Revenue**

The bill authorizes the DHE to accept gifts, grants, or donations for the affected funds. No amount of this revenue has been identified.

The bill specifies how net proceeds from a sale of the state's interest in student loans are to be disbursed. The state is currently in negotiations to sell its student loan portfolio, estimated at \$1.5 billion in value, to Nelnet, Inc. Terms of this agreement require the bulk of loans to be sold by June 30, 2010. If finalized and executed, the sale of DHE's student loan portfolio is anticipated to generate between \$25.0 and \$30.0 million.

### **State Transfers**

The bill transfers the unspent remnant of \$10.0 million, originally deposited directly into the Trust Fund from the sale proceeds, to the Scholarship Fund. The bill also transfers \$100,000 to the Job Retraining Cash Fund if SB10-202 becomes law.

### **State Expenditures**

Once the proceeds are disbursed, up to \$10.0 million in the Trust Fund will be spent to repurchase student loans sold by the division if a guarantee agency refuses to honor a claim, and to transition the Colorado CollegeInvest Scholarship Program from CollegeInvest to the DHE. Money in the Scholarship Fund will be used to provide scholarships, and for the direct and indirect costs of administering the scholarship program.

Removing the authority of CollegeInvest to originate loans and transferring the loan and scholarship activities of the division to the DHE is anticipated to reduce overall FTE and administrative expenses for the department. No estimate of this reduction is available; however, the bill requires that the DHE report to the General Assembly a plan for this eventual restructuring.

### **State Appropriations**

No appropriation is required. This bill provides direction for the DHE in allocating the proceeds of a yet unmade sale of the state's interests in student loans. Since moneys in the affected funds are subject to annual appropriations by the General Assembly, the Department of Higher Education will seek spending authority for the proceeds of any future sale during the annual budget setting process.

### **Departments Contacted**

Higher Education