

Fiscal Estimate Narratives

UWS 7/6/2015

LRB Number	15-0263/2	Introduction Number	AB-0272	Estimate Type	Original
Description Student loans, the individual income tax subtract modification for tuition and student fees, creating an authority to be known as the Wisconsin Student Loan Refinancing Authority, granting rule-making authority, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

Overview

Assembly Bill 272 creates the Wisconsin Student Loan Refinancing Authority (WSLRA) in Chapter 239 of state statute. WSLRA must implement a loan program under which Wisconsin residents may refinance their student loans. WSLRA must provide loans at the lowest possible interest rate that is sufficient to cover the expenses of the program. No funding is provided for the initial costs of the authority or to start the loan refinancing program (Section 32).

The Department of Financial Institutions (DFI) would be required to maintain a list of private lending institutions that provide the lowest rates and best repayment options on student loans. DFI must also compile a list of the ten best private lending institutions.

Institutions of higher education in the state, with the exception of for-profit institutions, must provide prospective and newly-accepted students and their parents information on the cost of attendance and financial aid (Section 35). It is unclear why for-profit institutions are excluded.

Additionally, before a student enters into a student loan agreement, the institution of higher education must provide students with counseling (Section 36). For-profit institutions are not required to provide counseling. Lenders may not accept an application for a private student loan unless an institution certifies that counseling has occurred. When a student leaves the institution for any reason, the institution must provide the student with loan repayment information. The bill authorizes institutions to assess a lender a fee of up to \$50 to defray required counseling costs.

The bill also expands the individual income tax subtraction for educational expenses.

The Higher Educational Aids Board (HEAB) would be required to submit an annual report to the Joint Committee on Finance regarding resident undergraduate student loan debt

This estimate focuses on the financial impact of the sections related to the University of Wisconsin System.

Section 34 – Student Loan Debt Reports

The bill requires the University of Wisconsin to annually provide HEAB with the average amount of student loan debt incurred in the previous year by resident undergraduate students enrolled in each institution within the system by January 1. HEAB is not required to report this information for for-profit institutions.

The University of Wisconsin System currently collects this information and can provide the information at the requested time. This provision of the bill can be satisfied at minimal cost.

Section 35 – Student Lending Transparency

This bill requires each institution or college campus within the University of Wisconsin System to provide prospective or newly accepted students and their parents easy-to-understand information in the following areas:

1. The total cost of attendance;
2. The approximate or, if known, actual financial aid the student would receive from the institution;
3. The approximate or, if known, the actual total student loan debt that the student would accumulate over four years; and
4. Student loan rates, repayment plans, default rates, and the actual monthly payment that would be required for the total student loan debt accumulated over four years.

Each UW institution must also provide a link on its website to the DFI loan information.

It is unclear whether this portion of the bill is intended to apply only to undergraduate students, or to both undergraduate and graduate students. This uncertainty arises from language providing two opposing interpretations. In 39.54(1), the language addresses institutions which award "an associate degree or higher". This implies that it applies to both undergraduate and graduate students. However, in 39.54(2), the language addresses the total student debt that would be accumulated "over 4 years". This implies that this section of the bill is specifically addressing undergraduate education.

Assuming that this bill is intended to only apply to undergraduate students, one way in which this information can be provided to prospective and accepted students and their parents is through institutional websites. This is the primary method of communication with prospective students, accepted students, or their parents. UW institutions already have information on average financial aid that students may receive. The UW could create an online calculator which could convey average financial aid and student loan debt that students could expect based on factors such as expected family contribution, income, and whether they expect to work while enrolled as a student.

A significant amount of staff time would be needed to develop the initial calculator.

Because this information could be conveyed as part of pre-existing communications for prospective or newly accepted students and their parents, it can be incorporated by institutions at minimal cost.

Section 36 - Loan Counseling

This bill requires each institution or college campus within the University of Wisconsin System to provide entrance and exit counseling to students.

Entrance counseling. Entrance counseling provides the student with comprehensive and detailed information on the terms and conditions of a loan and the responsibilities the student has with respect to the loan. A student must receive entrance counseling before they can enter into a student loan agreement with an institution of higher learning, a private lender, or any student loan recommended to a student by an institution of higher learning.

Federally funded, insured, or guaranteed loans for which counseling is required by 20 USC 1092 are not subject to this provision of the bill.

Institutions must provide the information during a counseling session conducted in person, on a written form provided to the students that the student signs and returns, or online with the student acknowledging receipt of the information.

The following language in the bill creates some uncertainty as to the legislative intent:

1. A lender may not accept a final and complete application for a private student loan from an applicant, or assess any fees upon an applicant, without first receiving certification from the applicant's institution of higher education that the applicant has received counseling from the institution under pars. (a) and (b) and that the counseling was conducted in person, unless the certification specified that the applicant elected to receive the counseling in a manner other than in person. [39.56(3)(c)(1)]

2. The certification required by subd. 1. shall be signed by the applicant and the institutional counselor, and shall include the date of the counseling and the name, address, and telephone number of both the counselor and the applicant. [39.56(3)(c)(2)]

These sections imply that in-person counseling is to be the primary mode of counseling, with paper, and online counseling being permissible only if requested by the student.

However, this language from earlier in the bill appears to be at odds with this interpretation of the legislative intent:

(a). Before a student enters into a student loan agreement, an institution of higher education shall provide the student with comprehensive information on the terms and conditions of a loan and the responsibilities the student has with respect to the loan. The institution shall provide the information during a counseling session conducted in person, on a written form provided to the student that the student signs and returns, or online, with the student acknowledging receipt of the information. [39.56(3)(a)]

This language permits the university to offer counseling in person, in writing, or online, provided there is student acknowledgement [39.56(3)(a)]. The language of 39.56(3)(a) suggests more flexibility in the choice of method of counseling than the language in 39.56(3)(c)(1) and (2). This language of 39.56(3)(c)(1) and

(2) appears to suggest that the student must receive in-person counseling unless the student elects to receive counseling in another format. If this is the case and if a significant number of students elect to receive in-person counseling, the workload cannot be absorbed by existing staff. This would result in a substantially different fiscal estimate. This fiscal estimate assumes that there is the flexibility suggested by section 39.56(3)(a).

Further, it is unclear how a counselor would provide a signature that certifies that the student participated in a written or online form of counseling.

It is also unclear whether this is intended to apply only to undergraduate students or to both undergraduate and graduate students.

It is also unclear whether the bill would require students to be re-counseled if they had to take out an additional loan, or whether students who already have federal loans would have to receive counseling before they can receive private loans.

One method the University of Wisconsin System could use to fulfill the entrance counseling requirement is through the offering of an online course. Given the standardized nature of the information required to be provided to all students, the University of Wisconsin System would be able to effectively convey the required information in an online course format, where student acknowledgement can be tracked. Through a Massive Open Online Course (MOOC), students can self-enroll to receive the information required by the bill. The information can be conveyed in a course delivery method, with content and information available "on demand" and use a quizzing tool to assess the students grasp of the material.

The University of Wisconsin System is currently licensed to use the Desire2Learn (D2L) learning management system which would support such a course. Assuming the MOOC meets certain criteria under the current licensing agreement, it could be implemented without additional licensing costs. If the counseling MOOC meets the requirements under the current licensing agreement, the cost of implementation would be limited to the cost of developing the content of the program, along with ongoing maintenance and support. The cost for course development is dependent upon the complexity of the course design, but based on a basic estimation, the cost is expected to fall in the range of \$2,000-\$5000.

Maintenance and support costs would ensure the MOOC remains functional, provide a means of addressing problems as they arise and updating the content as changes occur, as well as ensure compliance with student data retention policies. Maintenance and support costs are too variable to determine at this stage without knowing what will be required of the MOOC.

Exit Counseling: This bill requires each UW institution to provide students with loan repayment information as close as practicable to the date of graduation, transfer, withdrawal, or completion of their program of study. The required information addresses areas such as repayment plans, debt management strategies, consolidation, defaulting, tax implications, and loan forgiveness. If the student leaves without knowledge of the institution, the institution shall attempt to provide the information in writing.

One way the University of Wisconsin System could fulfill the exit counseling requirement is through existing communications it has with exiting students. This could be provided as part of exit information given to students when they apply for graduation, stop registering for classes prior to graduation, or otherwise stop attending the institution. The content of the information provided under this section is consistent throughout the student population. Due to the standardized information provided to all students, this information could be effectively conveyed through a website or by electronic mail. Both these methods of communication are already used for exiting students, and could thus be incorporated with a minimal cost.

Fee. UW institutions may assess a reasonable fee to the lender to defray the cost of counseling, not to exceed \$50. HEAB and DFI will promulgate rules to administer the fee.

The UW System currently has 10,146 undergraduate students who are receiving private loans. If we assume that the student population is evenly spread out by year and that all students graduate in 4 years, this would mean that 2535 students per year have private loans. Assuming that UW assessed the full \$50 on each loan, it would account for \$126,750 a year.

If the bill is intended to prioritize in-person counselling, and if a significant number of students do not elect to receive counseling online, these funds would be insufficient to support the additional staff and resources required to counsel these students in-person at each UW institution or college campus.

Long-Range Fiscal Implications

Costs other than initial content creation would be ongoing.