

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5247-01
Bill No.: HB 2432
Subject: Education, Higher; Banks and Financial Institutions
Type: Original
Date: March 7, 2016

Bill Summary: This proposal allows the Department of Higher Education to issue loans to certain borrowers to refinance certain public or private student loans.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Higher Education Refinancing Loan Revolving Fund	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials at the **Office of Administration's Division of Budget and Planning** assume this will have no fiscal impact on the Division. This will have no direct fiscal impact on Total State Revenue as bond proceeds and loan repayments are excluded from Total State Revenue.

Officials at the **Missouri Higher Education Loan Authority (MOHELA)** state they are a public instrumentality and body politic and corporate of the State of Missouri, established pursuant to §173.350 - §173.445. This proposal would require MOHELA to service the loans issued under the bill based on guidelines, criteria, and procedures for issuing loans and selling bonds established by the Department of Higher Education. The fiscal impact to MOHELA can't be determined with certainty until the rules related to the loan program are finalized. MOHELA anticipates the net impact to be minimal, as we are assuming that we would be paid a servicing fee sufficient to offset our costs. Some examples of expenses incurred by MOHELA in servicing student loans include in part the following:

- 1) Loan program system set-up and programming costs,
- 2) On-going monthly servicing system costs,
- 3) Program related webpage development and maintenance,
- 4) Banking fees,
- 5) Expenses relative to regulatory and legal compliance,
- 6) Postage, paper and other related costs to send letters, bills and other correspondence to borrowers and other appropriate parties,
- 7) Telephone costs related to calling borrowers and other appropriate parties,
- 8) Skip-tracing costs, and
- 9) Personnel cost to hire additional staff to support the new program.

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

Officials at the **State Treasurer's Office** cannot provide an estimate for this proposal at this time.

ASSUMPTION (continued)

Without a response from Department of Higher Education (DHE), Oversight will reflect an unknown amount of:

Income from	bond sales proceeds; and loan repayments			
Costs of	loans for refinancing; loans for current students; and to MOHELA for loan servicing fees			
<u>FISCAL IMPACT - State Government</u>		FY 2017 (10 Mo.)	FY 2018	FY 2019
HIGHER EDUCATION REFINANCING LOAN REVOLVING FUND				
Income - DHE - Proceeds from Bond Sales/Issuances		Unknown	Unknown	Unknown
<u>Income</u> - DHE - Loan repayments		Unknown	Unknown	Unknown
<u>Cost</u> - DHE - Refinancing loans		(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - DHE - Original loans to current students		(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - DHE - to MOHELA for loan servicing fees		<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE HIGHER EDUCATION REFINANCING LOAN REVOLVING FUND		<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal allows the Department of Higher Education, beginning January 1, 2017, to issue loans to eligible borrowers to refinance eligible public or private student loans.

This proposal creates the "Higher Education Refinancing Loan Revolving Fund," which will be used to fund such loans and to pay loan servicing fees to the Missouri Higher Education Loan Authority.

This proposal specifies who qualifies as a borrower eligible for refinancing, what constitutes an eligible public or private loan, and how new and refinanced loans are to be repaid.

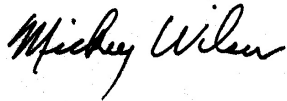
This proposal further specifies terms for issuance of serial and term bonds, as determined by the coordinating board of higher education.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Joint Committee on Administrative Rules
Missouri Higher Education Loan Authority
Office of Administration
Division of Budget and Planning
State Treasurer's Office



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March 7, 2016

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March 7, 2016