



**State Fiscal Note for Bill  
Number: 2017-H-5169**

**Date of State Budget Office Approval:**

**Date Requested:** Tuesday, April 11, 2017

**Date Due:** Friday, April 21, 2017

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2017	\$0	FY 2017	\$0
FY 2018	\$11,789,424	FY 2018	\$0
FY 2019	\$23,578,848	FY 2019	\$0

**Explanation by State  
Budget Office:**

This Act sets forth new RIGL Chapter 16-62.2, entitled "The Get on Your Feet Loan Forgiveness Program". This program provides two years of last-dollar, state-subsidized student loan forgiveness for students graduating from a Rhode Island institution of higher education. Major eligibility requirements include a student's participation in the Federal "Pay as You Earn" loan repayment program (PAYE), attendance at the Rhode Island-based school for a minimum of two years prior to graduation, continued residency in the State for at least two years post-graduation, and gross earnings of less than \$50,000 per annum in the corresponding years of program eligibility.

The program shall be administered by the Rhode Island Student Loan Authority (RISLA), which maintains full control over the initial application, review, and approval process, subject to program rules and regulations promulgated under the authority granted in Section 16-62.2-6, entitled "Regulations".

**Comments on  
Sources of Funds:**

The bill does not explicitly designate a source of funds in support of this program, simply stating that "the State of Rhode Island will pay the difference between what the federal government covers and the individual's total loan payment." Given this context, and no other identifiable fund source, it is assumed that the program will be financed entirely via appropriations of general revenue.

**Summary of Facts  
and Assumptions:**

Assuming enactment of this bill not before July 1, 2017, no fiscal impact is presumed in FY 2017. Utilizing data obtained by the Budget Office from RISLA and statistics culled from the Integrated Postsecondary Education Data System (IPEDS), the FY 2018 and FY 2019 fiscal impact is predicated on the following assumptions:

(1) The fiscal impact described herein assumes an annual cohort of 5,300 program participants in each year (the combined population of undergraduates receiving federal student loans during the 2014-2015 school year was approximately 35,700 throughout Rhode Island's eligible institutions).

(2) Based on Federal PAYE program guidelines, monthly loan repayment amounts are estimated under the assumption of an average post-graduation student debt obligation of \$30,000 (principal) within three distinct post-graduation income tranches: \$30,000, \$40,000, and \$50,000. The reported aggregate fiscal impact is based on an unweighted average of the annual repayment schedule assigned for these three income levels, assuming all beneficiaries are PAYE participants (as mandated by 16-62.2-4).

Prepared by:

Daniel Orgel / 4012222329 / Daniel.Orgel@budget.ri.gov

Friday, April 28, 2017

Page 1 of 2

(3) The following annual repayments amounts, based on PAYE guidelines for a \$30,000 student debt liability (at level debt service), are as follows:

- (a) \$30,000 annual income = \$1,224 repayment per year
- (b) \$40,000 annual income = \$2,220 repayment per year
- (c) \$50,000 annual income = \$3,228 repayment per year
- (d) Average Repayment = \$2,224 per year

(4) Based on the foregoing assumptions, assigning 1,767 graduates to each of the three income tiers, the FY 2018 fiscal impact is determined as follows:  $1,767 \times (\$1,224 + \$2,220 + \$3,228) = \$11,789,424$ . [Equivalently,  $\$2,224 \times 5,300$ ].

Note that the fiscal impact is linearly scalable to the beneficiary population, i.e., should the population double, the fiscal impact also doubles (or trebles, etc.). Thus, the fiscal impact in FY 2019 (and thereafter, ceteris paribus) totals \$23,578,848.

*Summary of Fiscal  
Impact:*

FY 2017: \$0  
FY 2018: \$11,789,424  
FY 2019: \$23,578,848

Budget Office Signature: \_\_\_\_\_

*Thomas A. McEllaney*

Fiscal Advisor Signature: \_\_\_\_\_

*See attached  
Comments*

**House Fiscal Advisor Comments H 5169:**

As drafted, the fiscal note assumes all graduates from Rhode Island colleges stay in the state after graduation; therefore, the estimate should be viewed as the maximum impact.

