

# OFFICE OF FISCAL ANALYSIS

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sHB-5318

AN ACT ESTABLISHING A STUDENT LOAN REGISTRY.

## **OFA Fiscal Note**

### **State Impact:**

Agency Affected	Fund-Effect	FY 23 \$	FY 24 \$
Banking Dept.	BF - Cost	146,668	145,919
Banking Dept.	BF - Revenue Gain	Potential	Potential
UConn Health Ctr.	Various - Potential Cost	See Below	See Below
Board of Regents for Higher Education	Various - Potential Cost	See Below	See Below

Note: BF=Banking Fund; Various=Various

**Municipal Impact:** None

### **Explanation**

The bill requires the Department of Banking (DOB), starting on October 1, 2022, to establish a student loan registry for private education lenders and requires these lenders to register before making a private education loan to a Connecticut resident. This is anticipated to result in a cost to the state of up to \$146,668 in FY 23 and up to \$145,919 in FY 24.

The cost to the state includes personnel cost to DOB of approximately \$70,930 in FY 23 and \$73,058 in FY 24 associated with hiring one Financial Examiner, as DOB does not currently have the staff to meet the requirements contained in the bill. In addition to the personnel cost, corresponding fringe benefits costs of \$70,738 in FY 23 and \$72,861 in FY 24 would also be charged to the Banking Fund<sup>1</sup>. Additionally, there

<sup>1</sup> The fringe benefit costs for employees funded out of other appropriated funds are budgeted within the fringe benefit account of those funds, rather than the fringe

would be a one-time cost of \$5,000 for equipment and training in FY 23.

The bill also allows the DOB Commissioner: 1) to establish a fee structure for the registration but does not specify the amount of such a fee and, 2) to enforce violations of the bill's requirements under existing authority for banking law violations. The amount of revenue associated with the fee cannot be determined until the fee is established. Additionally, the potential revenue from any fines would be dependent on the number of violations and the fines charged.

Finally, the bill allows the DOB Commissioner to prescribe alternate registration processes and fee structures for private education lenders and nonprofit postsecondary educational institutions. This could result in a potential cost to the University of Connecticut Health Center and to Southern Connecticut State University, as the public institutions of higher education that directly offer student loans. The potential cost is dependent on: (1) whether the banking department creates a registration process with an associated fee, and if so, (2) the fee amount.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

*Sources: Core-CT Financial Accounting System*

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benefit accounts within the Office of the State Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes for other appropriated fund employees is 99.73% of payroll in FY 23.