The Alliance
Voice of Community Nonprofits

Date: February 22, 2022
To: Higher Education & Employment Advancement Committee
From: Ben Shaiken, Director of Government Relations
Re: **H.B. 5130 An Act Concerning Student Loan Forgiveness for Nonprofit Employees.**

Good morning, Senator Slap, Representative Elliott, Senator Witkos, Representative Haines and members of the Higher Education and Employment Advancement Committee:

My name is Ben Shaiken, Director of Government Relations for the CT Community Nonprofit Alliance. The Alliance is the statewide organization representing the nonprofit sector. Community nonprofits provide essential services to over half a million individuals and families in Connecticut every year and employ 115,000 Connecticut workers, improving the quality of life in communities across the State.

Thank you for the opportunity to testify **in support of H.B. 5130 An Act Concerning Student Loan Forgiveness for Nonprofit Employees.** We appreciate the Committee raising this important bill. Student loan debt is a significant burden on hundreds of thousands of Connecticut residents, including many employees of Connecticut's nonprofits.

While we support the bill as drafted, we would urge the Committee to modify the proposal so that the programs it would create are not established "withing available appropriations." Without this modification, since there is not already a dedicated appropriation for these programs, the bill would have limited impact.

H.B. 5130 would do two things: First, it would establish a "Nonprofit Employee Loan Reimbursement Program" and fund at the Office of Higher Education (OHE), which would provide student loan reimbursement grants of no more than $5,000 per year for up to three years to people who attended college in Connecticut and worked at least 2 ½ years or for 5,000 hours at a nonprofit organization in Connecticut.

Second, the bill would establish a separate "Nonprofit Health Care Employee Loan Reimbursement Program" at OHE, which would provide a one-time loan reimbursement grant of up to $5,000 for anyone who attended college in Connecticut and worked as a health care provider or in a health care supporting role for a nonprofit organization during the COVID-19 Public Health Emergency and for one year after it.

In 2016, Connecticut residents had the highest average student loan debt among the states; now its average student loan debt per borrower is slightly higher than the national average.

- **$17.1 billion** in student loan debt belongs to state residents.

- **$35,448** is the average student loan debt.
- **482,400** student borrowers live in Connecticut.
- **58%** of them are under the age of 35.
- **13% of state residents** have student loan debt.
- Among the state's indebted student borrowers, **only 13% owe less than $5,000**.[1]

Starting May 1, 10% of Connecticut residents will resume payment on student loans that will no longer be in forbearance due to the public health emergency. If every borrower resumes making payments on their loans on May 1, up to $178 million per month will be taken out of circulation in our economy.

Meanwhile, Connecticut's nonprofits are facing a workforce crisis after two years of the COVID-19 pandemic. According to a survey The Alliance released in January, nearly one in five (18%) nonprofit jobs are unfilled across Connecticut. The nationwide exodus from the healthcare industry has been well-documented, but it has hit Connecticut's nonprofits acutely. Staff are leaving for higher paying jobs in private industry and private practice, where they can deliver behavioral health services remotely from their homes, and school districts are hiring clinical staff away from community-based nonprofit providers. The four percent Cost of Living Adjustment in last year's state budget, while appreciated, has been completely enveloped by six percent inflation. And unlike Amazon or Starbucks, nonprofits are paid for their services by the State and cannot unilaterally raise their prices to meet rising costs.

The federal government recognizes that dedicating your career to public service should be rewarded with forgiving student loan debt. The federally operated Public Student Loan Forgiveness (PSLF) program, passed by Congress in 2007, allows nonprofit employees who have worked for ten years for qualifying employers while paying their loans to apply for student loan forgiveness. But ten years is too long for most people to commit to lower-than-market salaries for the work they do. H.B. 5130 would be an effective bridge until federal eligibility for nonprofit employees to stay in the field as they become more experienced.

The federal program is also much too restrictive, leaving many otherwise qualified nonprofit employees ineligible for forgiveness. Only federal Direct Subsidized Loans, Direct Unsubsidized Loans and Graduate PLUS Loans qualify, and only when the borrower has made payments under certain conditions[2]. H.B. 5130 is less restrictive than the federal PSLF program and, as proposed, would be open to more borrowers.

Thank you for the opportunity to testify on this important issue. We look forward to engaging with the Committee to refine this bill in concert with similar proposals in H.B. 5001 and H.B. 5040.

[1] https://educationdata.org/student-loan-debt-by-state#connecticut.

[2] The qualifying payment provision is currently temporarily suspended.