SUBJECT: Requiring notice to public employees about a debt forgiveness program

COMMITTEE: Government Transparency and Operation — favorable, without amendment

VOTE: 5 ayes — Elkins, Capriglione, Gonzales, Lucio, Uresti

2 nays — Shaheen, Tinderholt

WITNESSES: For — Garrett Groves, Center for Public Policy Priorities; (*Registered, but did not testify*: Glenn Scott, Left Up To Us; Dwight Harris, Texas AFT; Harrison Hiner and Tyler Sheldon, Texas State Employees Union)

Against — None

BACKGROUND: 34 CFR 685.219 establishes the U.S. Department of Education's Public Service Loan Forgiveness Program. The program forgives the remaining balance of a student's direct loans after the student has made 120 qualifying monthly payments under a repayment plan while working full-time for a qualifying employer, which includes local, state, or federal government employees, and employees of higher education, school districts, or 501(c)(3) non-profit organizations.

DIGEST: HB 2750 would require public employers to provide a written notice to new employees within five days of the employee's start date and provide notice to existing employees 10 days from the effective date of the bill about their potential eligibility to participate in the federal Public Service Loan Forgiveness Program.

The bill would take effect September, 1, 2017.

SUPPORTERS SAY: HB 2750 would help reduce the student loan debt burden many Texans face by requiring public sector employers to inform their employees about the federal Public Service Loan Forgiveness (PSLF) Program. The average student with debt in Texas graduates with about $27,000 in loans. Some choose to become teachers or dedicate their lives to other forms of public service. Informing these public workers about the PSLF program could save them tens of thousands of dollars each on their school loan repayments. Individuals who receive debt forgiveness could use the money that would otherwise have gone to pay off loans for other purposes that would contribute to the state's overall economy.

The majority of the nearly 2 million public employees in Texas are unaware of the PSLF program. The bill would resolve this problem by requiring public employers, such as state or county agencies or school districts and public higher education institutions, to inform their employees of the program by simply providing them with written notice explaining it. The bill would not have a significant fiscal impact to the state or cost public employers.

The bill would benefit Texas public employees who served their state and fulfilled their responsibility of repaying their loans for a 10-year period. It also would incentivize recent graduates or individuals with a college education to pursue public sector careers, which typically have less lucrative financial incentives than private sector careers. The public sector also tends to have a high turnover rate, and participating in the PSLF program could incentivize public sector employees to pursue a long-term career. The bill would promote government transparency on the opportunities for loan forgiveness and could be especially beneficial for low-income or minority communities that may fewer opportunities to access higher education.

Texas's default rates for student loan debt are higher than the national average. Student loan default can lead to administrative wage garnishment, withholding of tax returns, collection costs, withholding of professional license renewal, and reporting to credit bureaus, among other consequences. The bill could reduce school loan default rates and incentivize a specific path for public employees to pay off their student loan debt.

Concerns about providing details to public employers on the process and mechanism for notifying employees or the time allotted to transmit information on the PSLF program could be addressed with an amendment.

OPPONENTS SAY:

HB 2750 would promote access to the Public Service Loan Forgiveness (PSLF) program, which has received criticism from some of those attempting to satisfy qualifications set by the federal government and receive the assured loan debt forgiveness. The state should not endorse a federal program that has not yet proven itself to be effective or capable of fulfilling its mandate to forgive loan debt for qualifying participants. The bill also would not provide enough detail or give specific direction on how employers should notify public employees on their potential eligibility for the PSLF program.

OTHER OPPONENTS SAY:

Providing notification about federal or other loan forgiveness programs, as would be required under HB 2750, is not the proper role of government. It is the responsibility of individuals to seek out information on loan debt forgiveness programs. The bill also could increase the use of a federal loan forgiveness program, thereby reducing federal revenue and, in effect, increasing use of a taxpayer subsidy. The state should not be incentivizing citizens to work in the public sector if they happen to have more to offer in the private sector.

NOTES:

A companion bill, SB 1060 by West, was left pending following a public hearing in the Senate Business and Commerce Committee on April 11.

The author of the bill plans to offer a floor amendment that would revise the time allotted for transmitting information on the PSLF program from five to 30 days and allow the employer to deliver the written notice by hand delivery, mail, email, or other form of electronic communication.