

DRAFT

Bill A

Colorado Legislative Council Staff

STATE FISCAL IMPACT

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Prime Rep. Tochtrop Bill Status: Health Care Needs Task Force
Sponsor(s): Sen. Hagedorn Fiscal Analyst: Geoff Barsch (303-866-4102)

TITLE: CONCERNING THE CREATION OF A LOAN PROGRAM FOR NURSES.

Table with 3 columns: Fiscal Impact Summary, FY 2002/2003, FY 2003/2004. Rows include State Revenues (Nursing Student Loan Cash Fund), State Expenditures (General Fund - Colorado Nursing Scholarship Program, General Fund - Nursing Student Loan Program), FTE Position Change, Other State Impact (TABOR refund from General Fund*), Effective Date (Upon signature of the Governor), Appropriation Summary for FY 2001/2002, and Local Government Impact (None).

* Under current law, the state is required to refund 105 percent of the amount estimated to be refunded by the six-tier sales tax refund mechanism. TABOR refunds will be affected beginning in FY 2004-05.

Summary of Legislation

This bill requires the Colorado Commission on Higher Education (CCHE) to issue new student loans for students enrolled in qualified nursing programs and repeals the existing Colorado Nursing Scholarship Program. The bill limits the amount of the nursing loans and specifies repayment requirements. Students may repay their loan by practicing nursing in Colorado for one year for each year a loan is received. If the student does not practice nursing in the state, the bill specifies the terms of cash repayment. All repayment proceeds are to be deposited in the Nursing Student Loan Cash Fund. The CCHE is authorized to use loan proceeds to make new loans.

Background

The bill states the General Assembly's intent to establish a nursing loan program to encourage students to practice nursing in Colorado, while repealing the current nursing scholarship program. The current nursing program is administered according to policies and procedures established by the CCHE. Key similarities and differences between the current and the proposed program are shown below.

Table 1. Key Features of Current and Proposed Nursing Programs		
Feature	Current Program	Proposed Program
Eligibility Criteria	Must be a Colorado resident; students committed to nursing in shortage areas with documented financial need are funded first.	Must be a Colorado resident committed to nursing in Colorado and have a documented financial need.
Maximum Award	Actual tuition and fees.	\$1,000 per year; \$2,000 total.
Service Repayment	Allows for service repayment for students who practice nursing in designated shortage areas in Colorado.	Allows for service repayment for students who practice nursing anywhere in Colorado.
Cash Repayment	Students who do not practice nursing are required to pay back program funds with interest over five years.	Students who do not practice nursing are required to pay back program funds with interest over one or two years. Students who complete their academic program are required to pay back 125% of program funds.
Repaid loan funds	Revert to the General Fund	Stay in the Nursing Student Loan Cash Fund for future loans.

Funding for the current program has been relatively stable, including appropriation amounts of \$220,800 from FY 1992-93 through FY 1997-98, \$238,800 from FY 1998-99 through FY 2000-01, and \$335,856 in FY 2001-02 (the 2001 Long Bill included a footnote directing the \$97,056 increase in funding in the nursing scholarship program to go to nursing students attending rural programs). This fiscal note assumes the same level of funding for FY 2002-03.

State Revenues

Beginning in FY 2003-04, loan recipients who do not complete their nursing program will be required to repay 100 percent of their loan amount. Beginning in FY 2004-05, recipients who complete their program but do not practice nursing in Colorado, will be required to repay 125 percent of their loan amount. Terms of repayment include the calculation of interest beginning upon the completion of the academic program and a repayment period equal to the period for which the loan was made. It is

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estimated that 90 percent of students will complete their program, and that 75 percent of students will practice in Colorado.

This fiscal note assumes that \$335,000 will be lent in FY 2002-03. The total amount of loan principal to be repaid in FY 2003-04 is estimated to be \$33,500 (10% x \$335,000). State Central Collections reports a historical collection rate of approximately 45 percent on higher education debts. Therefore, it is estimated that \$15,377 (45% of \$33,500 plus interest) will be collected in FY 2003-04. Table 2 shows the estimated revenue collected through FY 2005-06. Moneys collected will be deposited into the newly-created Nursing Student Loan Cash Fund for making future nursing student loans.

Table 2. Estimated Nursing Student Loan Revenue				
	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
Amount available for loans ¹	\$335,000	\$350,377	\$372,705	\$392,841
Cash repayment - Students leaving their program (100% of principal)	0	33,500	35,038	37,271
Cash repayment - Students not practicing (125% of principal)	0	0	75,375	66,616
Total amount due (including interest)	0	34,170	83,790	128,535
Total amount collected	0	15,377	37,705	57,841

¹ Assumes continuing General Fund appropriation of \$335,000.

State Expenditures

This bill creates a Nursing Student Loan Program and repeals the existing Colorado Nursing Scholarship Program. This fiscal note assumes that the General Fund appropriation for the current program will be redirected to the new program. The current Colorado Nursing Scholarship Program appropriation is \$335,856.

The bill limits the loan amount for individual students to \$1,000 per student per year, and \$2,000 in total. The current program is limited to tuition and fee charges, which are generally higher than \$1,000. For FY 2000-01, 147 students were awarded an average of \$1,600. Although the proposed program will make awards to an estimated 335 students, any additional workload can be absorbed within the current CCHE resources.

State Appropriations

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This fiscal note indicates that the Department of Higher Education will require a General Fund appropriation of \$335,856 to the Nursing Student Loan Program, and a General Fund appropriation reduction to the Colorado Nursing Scholarship Program of the same amount for FY 2002-03.

Departments Contacted

Higher Education Treasury

Omissions and Technical or Mechanical Defects

The bill includes an effective date of July 1, but does not specify which year. This fiscal note assumes the bill will take effect upon signature of the Governor, and will be implemented July 1, 2002.