



Summary Analysis of Amended Bill

Author: Cervantes & Rodriguez Sponsor: Bill Number: AB 1767
Analyst: Janet Jennings Phone: (916) 845-3495 Amended: February 22, 2018
Attorney: Bruce Langston Related Bills: See Prior Analysis

Subject: California Kickstart My Future Loan Forgiveness Program/FTB May Recover Payments Made to Recipients No Longer Eligible for Program

Summary

This bill would, under the Education Code, establish the California Kickstart My Future Loan Forgiveness Program (program) under the administration of the California Student Aid Commission (CSAC), and allow the Franchise Tax Board (FTB) to recover payments owed to the program.

This analysis only addresses the provisions of the bill that impact the department's programs and operations.

Summary of Amendments

The February 22, 2018, amendments made a technical correction and modified the eligibility requirements for an applicant to participate in the program that would be administered by the CSAC. These amendments do not affect the FTB, thus the FTB's analysis of the bill as introduced January 4, 2018, still applies. The "This Bill," "Implementation Concerns," "Fiscal Impact," "Economic Impact," and "Policy Concerns" sections have been restated for convenience.

Recommendation – No position.

THIS BILL

This bill would, under the administration of the CSAC, establish the program. Under the program, subject to available and sufficient appropriations, eligible applicants, as defined, would be eligible for a student loan forgiveness award equal to 100 percent of the eligible applicant's monthly federal income-driven repayment, as specified.

Recipients that no longer meet the requirements of Education Code section 69822 at the time that any payment is made under the program would be required to refund those payments to the state. The FTB would be allowed to recover these payments in accordance with rules and regulations adopted by the CSAC.

IMPLEMENTATION CONSIDERATIONS

The FTB staff have identified the following implementation considerations for purposes of a high-level discussion; additional concerns may be identified as the bill moves through the legislative process. The FTB staff is available to work with the author's office to resolve these and other concerns that may be identified.

The bill is silent on when amounts required to be refunded to the program would be referred to the FTB for collection, the information that the program would be required to share with the FTB to allow for accurate matching of the debtor to their taxpayer account, and the authority to disclose such information.

The bill lacks language that would allow the FTB to utilize the remedies and information sources available for collecting PIT debts. If this is contrary to the author's intent, the bill should be amended.

This bill is anticipated to significantly impact the FTB programs and operations. Specifically, the FTB would need to develop a new automated collection system. Once the system is established, the FTB would have a better understanding of the resources that would be needed to establish the collection program and could develop an implementation plan.

The bill is silent as to funding for the collection of the debt by the FTB. Historically, concern has arisen when the FTB contracts for a percentage of collection to cover costs because the possibility exists that the percentage may not cover the costs of the program in any given year and monies from the General Fund may be needed to cover any difference. The bill should be amended to provide for funding for the collection of the debt by the FTB. Absent a cost reimbursement the FTB would be unable to collect on these debts.

The bill fails to specify the collection priority for amounts referred under the program in instances where the taxpayer owes more than one debt collected by the FTB. Revenue and Taxation Code section 19533 should be amended to add the priority to the existing statute.

Fiscal Impact

The FTB costs cannot be determined until the implementation concerns are resolved, but are anticipated to be significant. The scope, roles, and duties of each agency must be determined before a complete analysis of this bill's impact to the FTB can be ascertained. As this bill moves through the legislative process, the CSAC and the FTB would need to develop an implementation plan that establishes the scope of each agency's roles and duties.

Economic Impact

This bill would not impact the state's income tax revenue.

Policy Concern

This bill lacks a sunset date. Sunset dates generally are provided to allow periodic review of the effectiveness of the bill by the Legislature.

Legislative Staff Contact

Janet Jennings
Legislative Analyst, FTB
(916) 845-3495
janet.jennings@ftb.ca.gov

Jame Eiserman
Revenue Manager, FTB
(916) 845-7484
jame.eiserman@ftb.ca.gov

Diane Deatherage
Legislative Director, FTB
(916) 845-6333
diane.deatherage@ftb.ca.gov