



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

HB1311

by Rep. Jack D. Franks

SYNOPSIS AS INTRODUCED:

New Act
30 ILCS 105/5.866 new

Creates the Pay It Forward, Pay It Back Act and amends the State Finance Act. Establishes, for 5 academic years, a program to provide loans to 400 eligible students per academic year to attend a public community college or university, to be repaid, in part, according to the income of the student borrowers. Provides that the Department of Revenue shall implement and administer the program. Creates the Pay It Forward, Pay It Back Program Fund as a special fund in the State treasury, with moneys used for the sole purpose of awarding program loans under the Act. Sets forth provisions governing the application process and loan repayment. Requires the Department to submit progress reports to the General Assembly. Effective immediately.

LRB099 05946 NHT 25995 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning education.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the Pay It
5 Forward, Pay It Back Act.

6 Section 5. Definitions. As used in this Act:

7 "Borrower" means a person who has been awarded and accepts
8 a program loan under this Act.

9 "Covered tuition" means the total sum charged for the
10 credits required for attendance at an institution of higher
11 learning for a full-time undergraduate academic period.
12 "Covered tuition" includes fees and other charges customarily
13 imposed on all students, but does not include charges for room
14 and board, books, or supplies.

15 "Department" means the Department of Revenue.

16 "Eligible student" means a person who is a resident of this
17 State and has been accepted to or enrolled in an institution of
18 higher learning and whose household income is below the top 20%
19 of household incomes in this State.

20 "Fund" means the Pay It Forward, Pay It Back Program Fund.

21 "Institution of higher learning" means a public community
22 college or public university located in this State.

23 "Program" means the Pay It Forward, Pay It Back Pilot

1 Program established under this Act.

2 "Program loan" means a loan awarded by the Department to an
3 eligible student under the program.

4 Section 10. Pay It Forward, Pay It Back Pilot Program.

5 (a) The Pay It Forward, Pay It Back Pilot Program is
6 established for 5 academic years to provide loans to 400
7 eligible students per academic year under this Act. The
8 Department shall conduct a lottery to determine which qualified
9 applicants are to be awarded program loans in accordance with
10 this Act. These program loans are to be repaid, in part,
11 according to the income of the borrowers. The Department shall
12 implement and administer the program.

13 (b) The Pay It Forward, Pay It Back Program Fund is created
14 as a special fund in the State treasury. All money in the Fund
15 shall be used, subject to appropriation, by the Department for
16 the sole purpose of awarding program loans under this Act. The
17 Fund shall consist of the repayment of program loans, interest
18 earned on the moneys in the Fund, and other funds appropriated
19 or made available to the Fund.

20 (c) An eligible student must complete the Free Application
21 for Federal Student Aid in order to apply for a program loan.
22 An eligible student shall submit an application to the
23 Department for a program loan, which must be made in
24 conjunction with completion of the Free Application for Federal
25 Student Aid. Loans may be issued only from available funds. The

1 program loan application shall be in such form as required by
2 the Department and shall include household income and such
3 other information as required by the Department. The Department
4 shall review the application and, if satisfied that the
5 applicant is an eligible student and is not ineligible for loan
6 assistance under subsections (a) and (b) of Section 35 of the
7 Higher Education Student Assistance Act, shall award a program
8 loan to the applicant if selected by lottery.

9 (d) The amount of a program loan shall be equal to 100% of
10 covered tuition.

11 (e) The Department may not charge interest on a program
12 loan, but may charge interest as provided in paragraph (6) of
13 subsection (f) of this Section.

14 (f) By accepting a program loan, an eligible student shall
15 agree to repay the amount of the program loan, plus a default
16 insurance premium amount to be determined by the Department,
17 subject to the following:

18 (1) Repayment shall commence not later than one year
19 after the eligible student graduates from the institution
20 of higher learning or becomes employed full-time,
21 whichever occurs first. The one-year period may be extended
22 by the Department if the borrower can demonstrate to the
23 satisfaction of the Department that the borrower has made a
24 good faith effort to obtain full-time employment but has
25 been unable to do so. The duration of the extension shall
26 be determined at the sole discretion of the Department.

1 (2) The monthly amount required to be repaid shall be
2 based on a repayment schedule that the Department shall by
3 rule develop and shall be based on a percentage of the
4 borrower's adjusted gross income. The percentage for a
5 borrower who has attended a public community college shall
6 be less than the percentage for a borrower who has attended
7 a public university, with borrowers who attended a public
8 community college but transferred to a public university
9 paying the community college percentage for that portion
10 borrowed for community college attendance and the
11 university percentage for the remainder.

12 (3) If at any time during the repayment period the
13 borrower leaves the work force, except in the case of a
14 disability, the monthly amount required to be repaid shall
15 be based on one-half of the estimated annual taxable income
16 of the borrower that is reportable to the Department,
17 subject to the limitation specified in item (2) of this
18 subsection (f).

19 (4) Monthly payments shall continue until the borrower
20 has fully paid the amount of the program loan and the
21 default insurance premium amount.

22 (5) The Department may defer repayment during any time
23 period that the borrower is enrolled full-time or part-time
24 in a postgraduate degree program.

25 (6) Award recipients who either leave or are dismissed
26 from the institution of higher learning prior to graduation

1 shall pay to the State the amount borrowed under the
2 program, together with interest on that amount at a rate as
3 determined by the Department.

4 (g) To administer the program, the Department may exercise
5 the same powers of collection as otherwise authorized by law.

6 (h) The Department shall forgive the repayment of a program
7 loan if the borrower dies or becomes disabled.

8 (i) The Department may establish and administer, or
9 contract with a third party to do so, a default insurance plan
10 for program loans in which eligible students have defaulted on
11 repayment of their program loans.

12 Section 15. Progress reports. The Department shall submit a
13 progress report to the General Assembly 2 years after
14 implementation of the program and 4 years after implementation
15 of the program. The report shall describe the financial
16 stability of the Fund and student success metrics utilized,
17 both for initial loan awards and loan continuances within the
18 program.

19 Section 90. Rules. The Department may adopt any rules
20 necessary to carry out its responsibilities under this Act.

21 Section 100. The State Finance Act is amended by adding
22 Section 5.866 as follows:

1 (30 ILCS 105/5.866 new)

2 Sec. 5.866. The Pay It Forward, Pay It Back Program Fund.

3 Section 999. Effective date. This Act takes effect upon
4 becoming law.