



MONTANA LEGISLATIVE BRANCH

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DATE: September 18, 2009
TO: Legislative Finance Committee Members
FROM: Pamela Joehler, Senior Fiscal Analyst
RE: SJ 9 – Student Loan Study

Senate Joint Resolution 9 was introduced at the request of the Legislative Finance Committee in response to student loan related issues that surfaced in Montana in 2007-08 and legislative interest in student assistance financial aid programs and the relationship to state funding and student tuition rates.

The following study topics requested in SJ 9 are summarized below:

1. The availability and amount of all sources of financial aid to Montana students
2. An analysis of the student loan system in Montana, comparing the Federal Family Education Loan Program (FFELP) business model currently used in Montana to the Federal Direct Student Loan Program (DL), an alternative program authorized by Congress in 1993 and used by one of the Montana University System educational units in the mid-1990's
3. An analysis of loan default rates and options for identifying manageable levels of student debt load for Montana resident students in order to identify appropriate funding benchmarks for student financial assistance and tuition
4. The policy options related to state funding of need-based financial aid versus merit-based financial aid for Montana resident students
5. Governance structure of student financial assistance programs in Montana

The first four study topics were included in the original bill draft requested by the Legislative Finance Committee and the fifth study topic was added to the bill by legislative amendment.

Update:

The U.S. House of Representatives passed H.R. 3221, the Student Aid and Fiscal Responsibility Act of 2009 on September 17, 2009 which eliminates the FFELP student loan program on July 1, 2010, leaving the Federal Direct Loan Program as the sole federal program for issuing student loans. This legislation also increases the federal Pell grants for low-income students; and increases funding for community colleges, early-learning programs, and programs to address college access and completion rates. The U.S. Senate has yet to act on similar legislation. If Congress passes a bill similar to H.R. 3221, the Legislative Finance Committee may want to analyze the impact of this legislation on educational services and student financial assistance in Montana.