

## Student Debt Relief



### Federal Student Debt Relief

On August 24, 2022, the Biden Administration [announced](#) a program to provide up to \$20,000 in student debt cancellation. Generally, borrowers with individual annual income of less than \$125,000 (or \$250,000 in household income) will be eligible for debt cancellation of up to (1) \$20,000 for Pell Grant recipients with loans held by the federal Department of Education and (2) \$10,000 for non-Pell Grant recipients. The relief amount is capped at the amount owed.

The application for debt cancellation is [closed](#), pending the outcome of litigation.

### *Litigation*

Several lawsuits have been filed seeking to prevent the federal Department of Education from administering the program, and the Supreme Court has recently rejected at least two of these. The most prominent pending cases are *State of Nebraska, et al. v. Biden* and *Brown, et al. v. U.S. Department of Education*. In *Nebraska*, a group of six states are arguing, among other things, that the Higher Education Relief Opportunities for Students (HEROES) Act, which allows the department to grant student loan relief to students during national emergencies, does not provide for the type of broad student debt relief program recently announced. On October 21, an injunction was granted, and debt discharge is paused pending the outcome. In *Brown*, two individuals ineligible for full debt relief are contending that the program violates the Administrative Procedure Act's procedural requirements and the HEROES Act's authority. On November 10, a federal judge ruled the program was an unconstitutionally broad use of the HEROES Act.

### Additional Federal Action

In addition to debt cancellation, the [federal program](#) also (1) extends the pause on federal student loan repayments, (2) caps monthly payments at 5% of a borrower's discretionary income, and (3) increases eligibility for the public service loan forgiveness (PSLF) program. The details of these programs have not yet been established in federal rules.

### By the Numbers: Connecticut Federal Student Debt

**\$19.5 billion**

in student debt belonging to state residents

**\$36,000**

approximate average student loan debt for Connecticut residents with student loans

**454,200**

total Connecticut borrowers eligible for federal student debt relief

Sources: [The White House](#) and [Federal Reserve of New York, 2022 Student Loan Update](#), p. 11

## The Connecticut Higher Education Supplemental Loan Authority (CHESLA)

Established by PA 82-313, the Connecticut Higher Education Supplemental Loan Authority (CHESLA) is a quasi-public agency that provides financing programs and information resources to help Connecticut students, alumni, and their families finance the cost of higher education ([CGS § 10a-221 et. seq.](#)).

Among other things, CHESLA provides in-school education loans, education refinancing loans, and need-based scholarships.

## By the Numbers: Connecticut Student Debt From State Loans

**9,550** outstanding CHESLA loans (in-school loans and refinance loans)

**\$124.5 million** in total outstanding CHESLA loans

Data Source: CHESLA  
Image Source: [Free Vector Maps](#)

## Recent Connecticut Student Loan Legislation

Regardless of the outcome of federal litigation, the state has authority over CHESLA and the loans it issues. In the last few years, the legislature has enacted the following two primary changes to CHESLA in response to the student loan crisis:

- [PA 19-86](#), as amended by [PA 22-118](#), § 419, establishes a state corporation business and insurance premium tax credit for businesses that make payments on qualified employees' eligible student loans. The credit, which took effect beginning with in 2022, equals 50% of the payments made on the outstanding principal balance of an eligible employee's CHESLA-issued loan, up to a maximum credit of \$2,625 per employee per year. Qualified small businesses may apply to the Department of Revenue Services to exchange the credit for a refund.
- [PA 21-62](#), [PA 21-2, June Special Session](#), §§ 273 & 274, and [PA 22-41](#) generally expand the types of assistance CHESLA can provide, including by allowing CHESLA to support students in approved, high-value certificate programs.

The legislature has also proposed several changes to CHESLA that did not become law, including:

- [SB 271](#) (2022), which would have required CHESLA to establish a Hero Loan Subsidy Program for licensed nurses, social workers, police officers, and others. The bill was favorably reported out of the Banking Committee, and referred to the Finance, Revenue, and Bonding Committee, which took no action.
- [sSB 932](#) (2021), which would have required CHESLA to establish an Alliance District Teacher Loan Subsidy Program to subsidize interest rates on loans to teachers employed in alliance districts. (Alliance Districts are generally the 33 school districts with the lowest achievement rating, plus three districts previously designated districts.) The bill was favorably reported out of the Higher Education and Employment Advancement Committee and referred to the Finance, Revenue, and Bonding Committee, which took no action.

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OLR Report [2021-R-0044](#), "Student Loan Forgiveness and Repayment Programs"

OLR Report [2019-R-0016](#), "Issue Brief, the Connecticut Higher Education Supplemental Loan Authority"



OFFICE OF LEGISLATIVE RESEARCH

Analyst: Alex Reger  
Connecticut General Assembly  
860-240-8400 | [www.cga.ct.gov/olr](http://www.cga.ct.gov/olr)