

ASSEMBLY, No. 1119

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblymen LANCE and ROCCO

1 AN ACT concerning lottery prizes and the repayment of student loans
2 and supplementing Title 5 of the Revised Statutes.

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4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

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7 1. The Director of the Division of the State Lottery in the
8 Department of the Treasury and the Executive Director of the Office
9 of Student Assistance in, but not of, the Department of Treasury shall
10 initiate an ongoing data exchange in the Office of Telecommunications
11 and Information Systems in the Department of the Treasury before a
12 payment is made of a State lottery prize in excess of \$1,000.

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14 2. The Executive Director of the Office of Student Assistance shall
15 periodically supply the Office of Telecommunications and Information
16 Systems with a list of those individuals in default of student loan
17 repayments to the Office of Student Assistance.

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19 3. The Director of the Division of the State Lottery shall promptly
20 provide the Office of Telecommunications and Information Systems
21 with a prize winners list, which shall include the prize claimant's name,
22 address and social security number and the amount of the pending
23 payment.

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25 4. The Office of Telecommunications and Information Systems
26 shall cross check the lottery list with the data supplied by the
27 Executive Director of the Office of Student Assistance for a social
28 security number match. If a match is made, the Office of
29 Telecommunications and Information Systems shall notify the Office
30 of Student Assistance.

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32 5. If a lottery prize claimant is on the list of individuals in default
33 of a student loan as reported pursuant to section 2 of P.L. ,c. (C.)
34 (now pending before the Legislature as this bill), the Office of Student
35 Assistance shall promptly notify the Department of the Treasury and

1 the Division of the State Lottery of the claimant's name, address,
2 social security number and the outstanding amount of the student loan.
3 The Department of the Treasury shall withhold this amount from the
4 pending lottery payment and transmit same to the Office of Student
5 Assistance. If the amount of the student loan outstanding is greater
6 than the amount available from the lottery payment, the entire amount
7 available shall be transmitted to the Office of Student Assistance.

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9 6. Any of the claimant's lottery prize funds remaining after
10 withholding pursuant to section 5 of P.L. ,c. (C.)(now pending
11 before the Legislature as this bill) shall be paid to the claimant in
12 accordance with lottery procedures.

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14 7. The State Treasurer, in consultation with the Office of Student
15 Assistance, shall promulgate, pursuant to the "Administrative
16 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), such rules and
17 regulations as may be necessary to effectuate the purposes of this act
18 including, but not limited to, regulations providing for prompt notice
19 to any prize winner from whose award the Department of the Treasury
20 seeks to withhold funds, of the amount to be withheld and the reason
21 therefor and providing the prize winners with the opportunity for a
22 hearing upon request prior to the disposition of any funds. For the
23 purposes of this act, "prompt notice" shall mean notice within 14 days
24 or less.

25 The State Treasurer shall also provide by regulation, safeguards
26 against the disclosure or inappropriate use of any personally
27 identifiable information regarding any person obtained pursuant to this
28 act.

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30 8. This act shall take effect on the 90th day after enactment.

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33 STATEMENT

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35 This bill establishes procedures to ensure that persons who win
36 State lottery prizes in excess of \$1,000 and who have failed to make
37 scheduled payments to the Office of Student Assistance on any note
38 held by the Office of Student Assistance will have the proceeds of their
39 lottery winnings automatically applied against the outstanding balance
40 of their defaulted student loan.

41 The bill directs the State Lottery and the Office of Student
42 Assistance to institute an ongoing computer data exchange to identify
43 these lottery prize claimants and withhold the amount of the student
44 loan repayment in default.

45 Currently, defaults on repayment of student loans nationally
46 continue to be a cause for concern. Nationally, the default rate on

1 federally guaranteed student loans is 15% for FY92 (the most recent
2 statistic available). In New Jersey, the Office of Student Assistance
3 and financial institutions that have lent money in cooperation with the
4 Office of Student Assistance have loaned over \$5 billion to students
5 since the inception of the Office of Student Assistance in the 1960s.
6 Although the net default rate in New Jersey for federal guaranteed
7 student loans is 6.4% and for State student loans (the NJCLASS
8 program) is .34%, defaults on these loans do have an impact when
9 they occur. The State loan program will have less to lend to students
10 if it has to use bond proceeds to cover the costs of defaults. The
11 federal government has to budget greater amounts to cover loan
12 defaults, thus increasing federal spending. The federal government has
13 also recently attempted to burden States by requiring them to share the
14 costs of student loan defaults.

15 The national trend on both federal and State levels is to reduce the
16 cost of collecting defaulted student loans by promoting such
17 alternatives to litigation as wage garnishment, federal and State
18 income tax refund offset (e.g., SOIL), and lottery offset. This State
19 has endorsed this trend. Rather than have one State agency incur
20 costs to collect on amounts another State agency is paying out, New
21 Jersey collects \$2 million annually by offsetting State income tax
22 refunds to cover student loan defaults. Also, since 1992, New Jersey
23 has a lottery offset program to address overdue child support
24 payments.

25 The bill seeks to expand the State lottery offset program to
26 minimize the debt created by defaulted student loans.

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31 Provides that State lottery prizes over \$1,000 will be used to offset
32 defaulted guaranteed student loans.