

SB 3273 / HB 4736 – ENACTED - 110 ILCS 998/10

Workforce Development Through Charitable Loan Repayment

SB3273 - Sens. Villanueva, Faraci, Halpin, Castro, Johnson, S. Turner, Villa, Villivalam, Cunningham, Koehler, Edly-Allen, Collins, Toro; **HB4736** - Reps. Stuart – Manley – Spain, Vella, Hoffman, Benton, Hammond, Johnson, Olickal, Gonzalez, Chung, E. Hernandez, Croke, Mason, Avelar, West, Moeller, LaPointe, Walsh, Buckner, Gill, Hirschauer, Faver Dias, Morgan, Nichols, Fritts, Yednock

SUMMARY

- Private sector solution for Illinois workforce needs + Illinois resident student debt
- Targets workforce gaps by matching charitable loan repayment with locally needed workers
- Private charitable donations made to eligible Community Foundations are used to directly repay student debt for workers that agree to live and work in a target geography + industry for a certain amount of time
- SB3273/HB4736 subtracts such charitable loan repayment from state income tax for eligible workers beginning tax year 2026
- Administered by IL Student Assistance Commission with support from IDOR and community foundations

EQUITY NOTE

- Eligibility geographies are an [Enterprise Zone](#), [Opportunity Zone](#), [Underserved Area](#), [Distressed Area](#) OR areas with a bachelor's degree attainment rate that is below state or national average
- Eligible jobs are at a [Qualified new business venture](#), [Targeted Growth Industry](#), a [Business Enterprise for Minorities, Women, and Persons with Disabilities](#), OR Not-For-Profit Corporation
- Black students are more likely to borrow to pay for college (90%) compared to White students (68%); More than a decade after graduation, 66% percent of Black borrowers hold more student loan debt than the amount they originally borrowed (Equity Research Collaborative)
- 50%+ Black households holding student loan debt have a zero or negative net worth, compared to 32% of non-Black households (Brookings)
- Program requires community foundations to prioritize applicants with lower net wealth

RATIONALE AND BACKGROUND

- 13.2% of IL population has federal student loans; student loans are 8.5% of personal income; the average borrower has \$38,473 in debt; 18% of borrowers are enrolled in income-driven repayment plans (Pew)
- According to January 2024 survey, 5% of Community Foundations currently support such programs, while up to 80% report being interested in creating a program once charitable loan repayment is not taxed
- This proposal implements the public-private partnership that was called for in [HR26 \(2021\)](#)

GENERAL REVENUE FUND IMPACT

- Charitable loan repayment is not occurring in IL now; thus, no net impact to general fund
- When charitable loan repayment ramps up as a result of this legislation, the Illinois economy will benefit because workers' income that would otherwise be spent on debt service will begin circulating in the local economy instead

"The very rural nature of Southern IL means that many have to travel 45 minutes or more, or leave the state to find basic dental, counselling and medical services. If communities could provide charitable loan repayment, they would have a better chance of attracting providers to live in more rural areas."

– Southern Illinois Community Foundation

"We have a number of donors with ... deep roots in DeKalb County, who care immensely about our quality of life and want to attract our youth 'back' to DeKalb County (a.k.a. reverse 'brain drain'). They need ... the grant/scholarship to be 'charitable' for the recipient."

– DeKalb County Community Foundation