# Legislative Analysis

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## TEACHER LOAN-FORGIVENESS PROGRAM

**House Bill 4129**
**Sponsor: Rep. Leslie Mortimer**

**House Bill 5210**
**Sponsor: Rep. Glenn Steil, Jr.**
**Committee: Higher Education**

**Complete to 10-17-05**

**A SUMMARY OF HOUSE BILL 4129 AS INTRODUCED 2-1-05 AND HOUSE BILL 5210 AS INTRODUCED 9-22-05**

House Bill 4129 would create a new law, the "Excellence in Public Education Act," to establish a student loan forgiveness program for new teachers in at-risk schools. The bill defines "at risk school" to mean a public elementary or secondary school in which at least 50 percent of the students meet the income eligibility criteria for free breakfast, lunch, or milk in the preceding state fiscal year (as determined under the National School Lunch Act), and at least eight percent of the teachers at the school teach a subject area or in a grade level for which they are not endorsed or certified.

House Bill 5210 would amend the Executive Organization Act (MCL 16.400) to require the Department of Education to notify each college or university that offers a teacher preparation program of the availability of the teacher loan forgiveness program. House Bill 5210 is tie-barred to House Bill 4129.

Under House Bill 4129, the teacher loan forgiveness program would be administered by the Michigan Higher Education Assistance Authority. The authority would do all of the following:

- Award grants to eligible teachers;
- Develop an application form and process for teachers to apply for grants;
- Publicize the program; and,
- Promulgate any rules necessary to implement the program.

The authority could award a grant to any individual who met all of the following eligibility criteria:

- Had graduated in the top 25 percent of his or her high school class;
- Was a legal resident of Michigan;
- Had not previously defaulted, and was not currently in default, on a student loan made by the state;

- Had obtained and continued employment as a full-time teacher in an at-risk school after the effective date of the act;
- Had submitted a grant application to the authority (including a certification that the applicant had applied for all state and federal loan repayment programs for which he or she was eligible at the time of the application); and
- Had met any other requirements established by the authority.

The bill specifies that the authority would award a grant, with the maximum amount equal to the individual's eligible debt. The authority would award a portion of the grant in an amount equal to 10 percent of that eligible debt in each consecutive year teaching in an at-risk school (for up to 10 consecutive years) and apply the award to the individual's debt. However, any grant would be reduced by amounts the individual was entitled to receive from any state or federal loan repayment program for which he or she qualified at the time of the grant application. In any year where an individual was eligible for a grant, the authority would not charge interest on the debt, and the individual would not be required to make any payments of principal and interest on the eligible debt.

A Teachers Loan Forgiveness Fund would be created in the state treasury, to be administered by the Department of Treasury. The department could accept money for the fund from any source, and the state treasurer would deposit that money and credit the amount to the fund. Further, the state treasurer would direct the investment of the fund money, and credit earnings to the fund. Money in the fund at the end of the fiscal year would not revert to the General Fund, but be carried over to the next fiscal year. The fund could be used by the authority only for grants awarded under the program.

Under the bill, "eligible debt" would be defined to mean the total principal amount of all state loans obtained by an individual during his or her first five years of enrollment in a teacher education program at a public or private college or university or community college and unpaid at the time the individual begins teaching at an at-risk school.

**FISCAL IMPACT:**

Because the loan forgiveness program created under House Bill 4129 appears to apply only to student loans obtained through state programs, the costs of forgiving loans under the program would be relatively small. (The vast majority of student loans are obtained through federal programs.) A more detailed analysis of these costs is in progress.

Additionally, the Department of Treasury would incur costs associated with administering the program, and the Department of Education would incur costs in notifying colleges and universities about the availability of the program under House Bill 5210. The amounts of these costs are currently indeterminate.

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