Legislative Analysis

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AT-RISK TEACHER LOAN FORGIVENESS PROGRAM

House Bill 4129 (Substitute H-1)
Sponsor: Rep. Leslie Mortimer

House Bill 5210 (Substitute H-1)
Sponsor: Rep. Glenn Steil, Jr.
Committee: Higher Education and Career Preparation

First Analysis (11-7-05)

BRIEF SUMMARY: The bills would create the "Excellence in Public Education Act" to establish a student loan forgiveness program for new teachers in at-risk schools, and 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.

FISCAL IMPACT: A preliminary analysis indicates that annual, long-run costs to the state would be in the range of $500,000 to $1.5 million. Presumably, these costs would require an annual state appropriation from the General Fund, or some other state revenue source.

THE APPARENT PROBLEM:

Among education policymakers, talk of an "at risk" school customarily means that the school runs the risk of failing to make adequate yearly progress on student achievement, as measured by the students' aggregate standardized test results (in reading and math). Generally although not always, that 'at risk' school is a school that serves the children of parents with low incomes—incomes so low that the school-age youngster comes to school without having eaten breakfast, and unable to afford the mid-day milk break, or the school lunch. These children are eligible to receive free or reduced-cost meals at school. Consequently, in many research studies of underachieving schools, the variable called "percent free and reduced lunch" has come to stand as a proxy for the overall poverty level of a school community.

How many Michigan schools are "at risk"—that is to say, in how many schools are a majority of the students eligible for federally-funded free (or reduced cost) breakfast and lunch? According to committee testimony, there are 839 school buildings (about 25 percent of all schools) that are defined as "at risk" schools. They are located in 206 of the state's more than 700 school districts and charter schools, and they serve an estimated 239,000 poor students.

It is well-known that often children from low income families perform more poorly on standardized tests than their peers who come from more affluent homes. And, educating the children of the poor is often more challenging work than is educating children of the middle class—since the kinds of literacy and numeracy skills that schools value, teach, and test are more frequently a part of a young middleclass student's home-life, than they are a young poor child's home-life. Indeed, research on the effect of socio-economic status (or SES) on student achievement indicates that there tends to be a significant achievement gap when students first enter school, and that many disadvantaged children fall further and further behind with each year of schooling. Some recent research indicates that high quality teachers can stall the gap—prevent it from growing wider (although high quality teaching cannot, by itself, overcome the gap). Research also demonstrates that higher poverty students—many of them minorities—often are taught by novice teachers who are deployed to teach courses outside their field of expertise, consequently by teachers having less subject matter content knowledge than teachers who serve more affluent students.

In order to attract quality teachers to "at risk" schools, the federal government forgives the student loans that pre-service educators incur when they earn their degrees at universities—degrees that are necessary in order to qualify for teaching credentials. Under the No Child Left Behind Act, "highly qualified teachers" are eligible for up to $5,000 in loan forgiveness, while those who are "highly qualified" in mathematics, science, or special education are eligible for up to $17,5000 in loan forgiveness.

In Michigan, some college students receive a MI-Loan, or Michigan Alternative Student Loan—a program for students who attend Michigan colleges and universities. See Background Information below. Legislation has been proposed that would forgive a teacher's MI-Loan debt—either in whole or in part—if that teacher taught in an "at risk" school for up to 10 years.

THE CONTENT OF THE BILLS:

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 or nonpublic elementary or secondary school where at least 50 percent of students at the school 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.

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, and each at-risk school (as defined above), of the availability of the teacher loan forgiveness program. House Bill 5210 is tie-barred to House Bill 4129, meaning it could not become law unless House Bill 4129 also were enacted.

Under House Bill 4129, the teacher loan forgiveness program would be administered by the Michigan Higher Education Assistance Authority. Subject to appropriation, 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; 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 eligible debt at the time of application;
- 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 accepted an offer of employment, or would continue to teach in an at-risk school (in the school's academic year that began on or after the first July 1 following the date of the application);
- Had submitted a grant application to the authority by July 1 (including a certification that the applicant met the eligibility criteria, and 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 authority would award a grant, subject to adjustment, with the maximum aggregate amount equal to the individual's eligible debt. Before each consecutive year of continuous teaching in any at-risk school, for up to 10 consecutive years, the authority would award a partial grant in the amount equal to 10 percent of that eligible debt. The authority would apply a partial grant to an individual's eligible debt as a prepayment in that amount. 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 state fiscal year the authority could adjust the amount of each partial grant on a pro rata basis, based upon its determination of money available from the fund, and from appropriations in that fiscal year. If an adjustment were made, the authority would be required to notify each grant recipient of his or her obligation to continue to make payments of principal and interest on the eligible debt, in the manner described in the state student loan documents.

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 unpaid amount of all of an individual's unpaid Michigan alternative student loans, calculated at the time the individual first begins teaching at an at-risk school. "Michigan alternative student loan" would be defined to mean a loan made to an individual by the authority under the Michigan Alternative Student Loan Program authorized under Section 4a of the Higher Education Loan Authority Act, 1975 PA 222, MCL 390.1154a, and described in R 390.1621 to 390.1636 of the Michigan Administrative Act.

BACKGROUND INFORMATION:

For more information about the Michigan Alternative Student Loan (MI-Loan) Program, visit the program's website at http://www.michigan.gov/mistudentaid/0,1607,7-128-1728_1934-6217--,00.html

FISCAL INFORMATION:

Because the loan forgiveness program created under House Bill 4129 applies only to student loans obtained through the state MI-LOAN program, the costs of forgiving loans under the program would be relatively small. (The vast majority of student loans are obtained through federal programs.) A preliminary analysis indicates that annual, long-run costs to the state would be in the range of $500,000 to $1.5 million. Presumably, these costs would require an annual state appropriation from the General Fund, or some other state revenue source.

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

ARGUMENTS:

For:

There is an urgent need to recruit and retain teachers in at-risk schools to ensure all Michigan children are receiving a quality education. These bills help relieve some of the economic strain facing many teachers who work in at-risk schools. The grants only would be given for loans issued by the state—the MI-Loan program—and would complement the federal teacher loan-forgiveness program for teachers in at-risk schools. To meet requirements, at-risk schools would have to have a student population where at least 50 percent of the students met income eligibility criteria for free breakfast, lunch, or milk. Under this legislation, teachers who served in impoverished, or at-risk, schools would be awarded grants to help them pay their outstanding loan balances.

Against:

Although this proposed policy has merit, funding for the program has not been included in the current state budget. It is estimated that the loan forgiveness program would cost between $500,000 and $1.5 million each year.

POSITIONS:

The Michigan Department of Treasury opposes the bills. (11-1-05)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.