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FUTURE TEACHERS EDUCATION LOAN ACT

House Bill 4916
Committee: Education

House Bill 4917
Committee: Appropriations

Sponsor: Rep. Keith Stallworth

Complete to 10-4-99

A SUMMARY OF HOUSE BILLS 4916 and 4917 AS INTRODUCED 9-29-99

House Bill 4916 would create a new act to establish the Further Teachers Education Loan program, and House Bill 4917 would appropriate \$1 million from the general fund to create the Future Teachers Education Loan Fund. Qualifying school districts would participate in the program, and under the bill “qualifying school district” would be defined to mean a school district that had one of the following pupil memberships on the most recent pupil membership count day: a pupil membership of more than 120,000; or, a pupil membership of more than 75 and less than 2,400. House Bills 4916 and 4917 are tie-barred to each other so that neither could become law unless the other also was enacted.

The Future Teachers Education Loan Authority. House Bill 4916 would create the Future Teachers Education Loan Program, to be administered by an authority created under the act. The authority would be required to do all of the following:

- make loans to students;
- accept money from a qualifying school district to fund that district’s obligation to provide loan money under the act;
- develop a loan agreement specifying the terms and obligations of the three parties to the agreement: the loan recipient, the authority, and the qualifying school district;
- collect loan repayments, and direct reimbursements from the fund to qualifying school districts;
- conduct periodic audits of loan recipients to ensure compliance with the terms of the loan agreement, and to take necessary steps to enforce the terms of the loan agreement;
- publicize the Future Teachers Education Loan Program, and recruit qualifying students to participate; and,

-promulgate rules, as necessary to implement the act, including rules relating to payments by or to a qualifying school district, and standards of eligibility to ensure that a loan recipient has demonstrated superior scholarship in high school and potential for superior academic performance in a teacher education program. Criteria would include an applicant's grade point average, standardized college admission test scores, and extracurricular activities.

Student Eligibility Criteria. Specifically, under House Bill 4916, the authority could award a loan to an individual who:

- was a United States citizen or permanent resident of the United States;
- had resided continuously in Michigan for the 12 months preceding the date of application;
- was not in default on an educational loan made or guaranteed by the state;
- was enrolled or had been accepted into a teacher education program approved by the State Board of Education at a college or university located in Michigan;
- had demonstrated superior scholarship;
- had signed a written loan agreement stating the intention to pursue teaching as a career and to teach in the qualifying school district for a period of not less than six years;
- was in compliance with the act and rules promulgated under it; and,
- had met all other standards established in rules promulgated by the Department of Treasury.

Maximum Loan Amount. The maximum amount of a loan made under the act would be \$2,500 per academic year for not more than four years in a teacher education program. One half of each loan would be funded by the qualifying school district, and that qualifying district would be entitled to one-half of all principal and interest payments made by the loan recipient under his or her agreement.

Loan Payments and Notice of Payments between the Authority, Universities and Qualifying Districts. Under the bill, the authority would be required to pay the amount of a loan made under the act directly to the college or university in which the loan recipient was enrolled, to be applied to the recipient's account with the college or university; and then to notify the qualifying school district of the payment. Within 60 days of receiving notice of a loan payment, the district would be required to reimburse the Department of Treasury for one-half of the loan payment, which the department would be required to deposit in the fund.

Loan and Loan Repayment Conditions. A loan made under the act would be subject to conditions specified in the bill, to include the requirement that the loan bear interest and be repayable on the same terms as other educational loans made by the authority at the time the loan is awarded; forgive the loan recipient's obligation to repay interest on the loan, and require payments only of

principal, if a loan recipient completes a teacher education program within five years, is employed as a teacher by the qualifying school district within one year after completing the program; and is employed by the district as a teacher for not less than six consecutive years. (Under the bill, a loan recipient is considered to be employed during a period that he or she is on a parental, educational, or disability leave of absence approved by the employing school district.)

However, under the bill, the authority would be prohibited from forgiving interest on a loan and would be required to have the loan recipient begin repaying the principal and interest if the loan recipient: left the teacher education program before completing it; failed to complete the teacher education program within five years; was not employed as a teacher by the qualifying school district within one year of completing the program; or, was employed as a teacher by the qualifying school district for less than six years.

House Bill 4916 also specifies that the loan, in combination with other scholarships, work-study funds, or grant awards received by a loan recipient in an academic year, could not exceed the amount of the loan recipient's financial need, as determined by uniform criteria of need as defined by the authority.

Future Teachers Education Loan Fund. Under the bill, a separate fund would be created in the state treasury, and administered by the Department of Treasury. The department could accept money for the fund from any source, and the state treasurer would be required to deposit that money, all payments from qualifying school districts, and any amounts repaid on loans, and to credit those amounts to the fund. The department could use the fund only to provide money to the authority for loans, and to pay a qualifying school district. Under the bill, the state treasurer would direct the investment of the fund money, and credit earnings to the fund. At the end of a fiscal year, the money in the fund would not revert to the general fund, but would be carried over in the fund to the next fiscal year.

House Bill 4917 specifies that the sum of \$1 million would be appropriated from the general fund to the Future Teachers Education Loan Fund.

Analyst: J. Hunault

■ 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.