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SFA BILL ANALYSIS

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Senate Bill 459 (Substitute S-1 as reported)
Sponsor: Senator Glenn D. Steil
Committee: Education

CONTENT

The bill would create the "Teachers Loan Forgiveness Act" to establish a Teachers Loan Forgiveness Program for eligible new teachers in at-risk schools or schools with a teacher shortage; require the Michigan Higher Education Assistance Authority to administer the program; and establish a loan forgiveness fund.

A teacher eligible for the program would have to meet the following criteria:

-- Have obtained employment as a full-time teacher in an at-risk school or shortage area after the bill's effective date.
-- Have submitted a grant application to the Authority. The grant application would have to include 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.
-- Have met any other requirements established by the Authority.

The bill would define "at-risk school" as a public elementary or secondary school in which at least 50% of the students met the income eligibility criteria for free breakfast, lunch, or milk in the immediately preceding State fiscal year.

An eligible teacher would be awarded $3,000 or the remaining principal balance of his or her eligible debt, whichever was less, after teaching full-time in an at-risk school or shortage area for two years. Eligible teachers could continue to apply, after completing four, six, and eight years of employment, for a $3,000 grant or the remaining principal balance of their debt, whichever was less.

A grant under the bill would be reduced by an amount equal to the amount the teacher was entitled to receive from any State or Federal loan repayment program for which he or she was qualified at the time of the grant application.

Legislative Analyst: C. Layman

FISCAL IMPACT

The fiscal impact on the State would depend upon the number of individuals meeting the eligibility criteria defined in the bill and the amount of "eligible debt" these individuals owe. The bill would provide up to $3,000 after two, four, six, and eight years of teaching in an "at-risk school" or "shortage area". Therefore, the maximum grant paid to a qualifying individual would be $12,000, if the individual taught for at least eight years in these environments. The estimated Statewide fiscal impact rests on several data discussed below.

Out of 3,445 school buildings, 924 would have been classified as "at-risk schools" using 1999-2000 free and reduced lunch data (i.e., 50% of pupils enrolled qualified for free lunch). However, there are an unknown number of "shortage areas", as would be defined by the Department of Education under the legislation. According to National Center for Education Statistics data, Michigan has approximately 3,000 new teachers hired per year, with one-third of these teachers obtaining employment in at-risk type schools. A recent study of attrition rates for teachers found that 20% of teachers left the teaching profession within four years of entering. Another recent study using the *Baccalaureate and Beyond Longitudinal Study* (and follow-up interviews) found that 51% of graduates borrowed to finance their education at an average of $10,500 total debt. Within four years, 33% of graduates still owed $7,100.

Using the information cited above, the maximum estimated State fiscal impact of the bill is $2.5 million per year. This was determined by applying the percentage of at-risk schools out of the total number of buildings (rounded to 27%) to the 3,000 new teachers per year to calculate the estimated proportion of new teachers who would be hired by at-risk schools. To determine the number of new teachers hired by at-risk schools who would have eligible debt, 810 was multiplied by 51%, with a result of 413. Within two years, 10% of teachers would be lost to the profession through attrition, leaving 372 who could apply for a maximum of $3,000 each. After the next two years, another 10% would be lost to attrition, leaving 335 who could apply for another $3,000 apiece. By this time, their average debt would be reduced from $7,100 after four years without the grant program, to $1,100 with the grant program. Therefore, by six years, the average debt burden would be at most $1,100.

Date Completed: 10-31-01 Fiscal Analyst: K. Summers-Coty