

# HOUSE BILL No. 5043

July 12, 2001, Introduced by Reps. Thomas, Kilpatrick, Daniels, McConico, Godchaux and Pumford and referred to the Committee on Appropriations.

A bill to establish an educational loan program for employees of certain school districts studying to become teachers; to prescribe conditions for repayment and forgiveness of the loans; to establish a school employee teaching career loan fund and to provide for its administration; and to prescribe powers and duties of certain state officers, agencies, and departments.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 1. This act shall be known and may be cited as the  
2 "school employee teaching career loan act".

3       Sec. 2. As used in this act:

4       (a) "Department" means the department of education.

5       (b) "Eligible costs" means tuition and fees charged by a  
6 teacher education program and related costs for books and  
7 supplies.

1 (c) "Fund" means the school employee teaching career loan  
2 fund created in section 6.

3 (d) "Program" means the school employee teaching career loan  
4 program created in section 3.

5 (e) "School district" means either of the following:

6 (i) A school district as that term is defined in section 6  
7 of the revised school code, 1976 PA 451, MCL 380.6.

8 (ii) A local act school district as that term is defined in  
9 section 5 of the revised school code, 1976 PA 451, MCL 380.5.

10 (f) "Teacher shortage district" means a school district that  
11 meets 1 of the following:

12 (i) Eight percent or more of the teachers in the district  
13 are not certified or endorsed, as applicable, by this state to  
14 teach at the level or in the subject area they teach.

15 (ii) The district is designated as a teacher shortage dis-  
16 trict by the superintendent of public instruction for the calen-  
17 dar year in which a loan is applied for under this act.

18 Sec. 3. The school employee teaching career loan program is  
19 created, to be administered by the department. The department  
20 shall do all of the following:

21 (a) Make loans to students pursuant to this act.

22 (b) Develop a loan agreement to be entered into by a loan  
23 recipient and the department that contains the terms of a loan  
24 made under this act and the rights and obligations of the loan  
25 recipient and the department.

26 (c) Collect repayment of loans pursuant to this act.

1 (d) Conduct periodic audits of loan recipients to ensure  
2 compliance with the terms of the loan agreement and take  
3 necessary steps to enforce the terms of the loan agreement.

4 (e) Publicize the program.

5 (f) Administer the fund.

6 (g) Promulgate rules, as necessary to implement this act, in  
7 accordance with the administrative procedures act of 1969, 1969  
8 PA 306, MCL 24.201 to 24.328.

9 Sec. 4. The department may award a loan under this act to  
10 an individual determined by the department to meet all of the  
11 following eligibility criteria at the time of application:

12 (a) Is a United States citizen or permanent resident of the  
13 United States.

14 (b) Has resided continuously in this state for the 12 months  
15 immediately preceding his or her application and is not a resi-  
16 dent of any other state.

17 (c) Has not previously defaulted and is not currently in  
18 default on a student loan made or guaranteed by this state.

19 (d) Is enrolled in or has been accepted into a teacher edu-  
20 cation program approved by the state board of education at a col-  
21 lege or university located in this state.

22 (e) Is a full- or part-time employee of a teacher shortage  
23 district.

24 (f) Does not hold a current teaching certificate issued by  
25 this state.

1 (g) Has been selected or approved in writing for  
2 participation in the program by the teacher shortage district  
3 that employs him or her.

4 (h) Has signed a written loan agreement with the department  
5 stating the individual's intention to pursue teaching as a career  
6 and to teach in the teacher shortage district that employs him or  
7 her, for a period of not less than 5 years after receipt of a  
8 teaching certificate from this state.

9 (i) Has complied with this act and the rules promulgated  
10 under this act.

11 (j) Meets all other standards established by department  
12 rule.

13 Sec. 5. (1) The maximum amount of a loan made under this  
14 act shall be \$4,000.00 per academic year for a total of not more  
15 than 4 academic years in a teacher education program. The 4 aca-  
16 demic years need not be continuous, but must be within the 6 aca-  
17 demic years immediately following the initial loan application.  
18 A loan made under this act shall be used only to pay for eligible  
19 costs.

20 (2) The department shall pay the amount of a loan made under  
21 this act directly to the college or university in which the loan  
22 recipient is enrolled, to be applied to the loan recipient's  
23 account.

24 (3) A loan made under this act is subject to the following  
25 conditions:

1 (a) The loan is repayable according to the same terms as  
2 other student loans made or guaranteed by this state at the time  
3 the loan is awarded, except as follows:

4 (i) The loan is subject to subdivision (b).

5 (ii) The loan recipient shall repay the loan in 5 equal  
6 annual installments of principal and interest, with the first  
7 installment due 1 year after the earliest to occur of the  
8 following:

9 (A) The loan recipient's graduation from a teacher education  
10 program.

11 (B) Issuance of a teaching certificate to the loan recipient  
12 by this state.

13 (C) The loan applicant's withdrawal or dismissal from the  
14 teacher education program in which he or she was enrolled.

15 (D) The seventh anniversary of the receipt by the department  
16 of the loan recipient's initial loan application.

17 (iii) The interest on the loan is the prime rate plus 2 per-  
18 centage points, as determined by the department, beginning 1 year  
19 after the first loan under this act.

20 (b) If a loan recipient successfully completes a teacher  
21 education program approved by the state board of education at a  
22 college or university located in this state and is employed as a  
23 teacher by the teacher shortage district that selected or  
24 approved of the loan recipient's participation in the program, or  
25 by another school district if the teacher shortage district does  
26 not offer a teaching position to the loan recipient, the  
27 department shall forgive all or part of the obligation under

1 subdivision (a) to repay the loan. The amount of loan  
2 forgiveness shall be determined according to subsection (4).

3 (4) The department shall develop a method for calculating  
4 the amount of a loan repayment obligation to be forgiven that  
5 will result in forgiveness of 1 of the 5 equal annual install-  
6 ments described in subsection (3)(a)(ii) at the end of each of  
7 the first 5 school years that the loan recipient is employed as a  
8 full-time teacher by the teacher shortage district or other  
9 school district described in subsection (3)(b), and shall forgive  
10 all or part of the loan repayment obligation for a loan recipient  
11 qualifying under subsection (3)(b) using that calculation.

12 Sec. 6. (1) There is created the school employee teaching  
13 career loan fund as a separate fund in the state treasury, to be  
14 administered by the department. The department may accept money  
15 from any source and shall deposit that money and amounts repaid  
16 on loans made under this act with the state treasurer, who shall  
17 credit the amounts to the fund. The fund shall be used only to  
18 provide money for loans made under this act.

19 (2) The state treasurer shall direct the investment of the  
20 fund money and shall credit earnings to the fund.

21 (3) Money in the fund at the end of a fiscal year shall not  
22 revert to the general fund but shall be carried over in the fund  
23 to the next fiscal year.