



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

February 7, 2018

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Higher Educational Aids Board: Section 13.10 for GPR Funding for Teacher Education Loans -- Agenda Item I

### REQUEST

The Higher Educational Aids Board (HEAB) requests an increase of \$49,000 GPR in 2017-18 for the HEAB teacher loan program appropriation [s. 20.235(1)(ct)].

### BACKGROUND

The teacher loan program was created by 2015 Act 55 and provides loans of up to \$10,000 annually to resident students enrolled in programs leading to a teacher's license in a teacher shortage area identified for this state by the U.S. Department of Education. To be eligible, a student must be enrolled at least half-time as a sophomore, junior, or senior at an institution of higher education and have a grade point average of at least a 3.0 on a 4.0-scale or the equivalent. Loan recipients may have 25% of the loan forgiven for each year that the recipient teaches full-time at a public school or private school in the City of Milwaukee or in a school district in a rural county. A rural county means a county that satisfies all of the following: (a) does not include any urbanized area, which is a geographic area with a population of 50,000 or more; (b) less than 25% of the population residing in the county are employed in a county that includes an urbanized area; and (c) less than 25% of persons employed in the county reside in another county that includes an urbanized area.

To receive loan forgiveness, loan recipients must teach in the high demand area that they studied and receive a rating of proficient or distinguished on the educator effectiveness system or the equivalent in a school that does not use the educator effectiveness system. Students may receive loans of up to \$30,000 through the program. Loan recipients who do not qualify for loan forgiveness must repay their loans at an interest rate of 5%.

In the 2015-17 biennium, \$272,200 GPR annually was appropriated for this program. No expenditures were made from this appropriation in 2015-16 and \$98,300 GPR was expended in 2016-17. Under the provisions of 2017 Act 59 (the 2017-19 budget), funding for the program was reduced by \$125,000 to \$147,200 GPR annually. Act 59 requires HEAB, in preparing its agency budget request for the 2019-21 biennial budget, to submit information concerning the appropriation for this program as though the total amount appropriated for the program in 2018-19 was \$272,200, so that the annual funding reduction of \$125,000 would only apply to the 2017-19 biennium.

## **ANALYSIS**

Prior to the passage of the budget in September, 2017, HEAB began awarding loans under the program in June of 2017, assuming that the 2016-17 appropriation level would continue to apply in 2017-18. This assumption was based on s. 20.002 (1) of the statutes, which specifies that at the start of each biennium "existing appropriations provided for the previous fiscal year shall be in effect in the new fiscal year and all subsequent years until amended or eliminated by the legislature". HEAB moved forward in June so that students would know their financial aid package for the 2017-18 academic year in a timely manner. HEAB has approved 22 loans with a total commitment of \$196,200 to students. This exceeds the amount finally appropriated in Act 59 by \$49,000.

HEAB makes two disbursements for these loans, one each for the fall and spring semesters. If additional funding is not provided, HEAB could pay students in order of the date of approval of their loans, so that around half of the students would receive the full amount expected in the spring and half would not receive any additional loan amounts.

To avoid having students receive less financial aid than expected, the Committee may wish to transfer funding to HEAB's teacher loan program appropriation. One option would be for the Committee to transfer funds from the unreserved amount in the Committee's appropriation (\$133,600 GPR annually) to the HEAB appropriation. This would not affect any other programs, but would expend 37% of the Committee unreserved GPR amount for 2017-18.

A second option would be to transfer funds from a current HEAB appropriation where program demand appears to require less funding than the amount appropriated in 2017-18. HEAB has a separate appropriation for the minority teacher loan program with \$134,500 GPR of annual funding. The minority teacher loan program provides loans on similar terms and with similar requirements to the teacher loan program, except the program provides loans to minority resident students, with forgiveness for each year that the recipient teaches full-time at a public school or private school in the City of Milwaukee. Similar to the teacher loan program, funding for the minority teacher loan program was reduced by \$125,000 annually and HEAB is required, in preparing its agency budget request for the 2019-21 biennial budget, to submit information concerning the appropriation for this program as though the total amount appropriated for the program in 2018-19 was \$259,500, so that the annual funding reduction of \$125,000 would only apply to the 2017-19 biennium.

Demand for the minority teacher loan program has been limited, with expenditures of \$15,000 in 2015-16 and \$21,080 in 2016-17. Staff from HEAB indicate that one loan for \$10,000 has been made in 2017-18. As a result, it does not appear that transferring \$49,000 from the minority teacher loan program to the teacher loan program in 2017-18 would affect potential borrowers, since \$75,500 would remain available in the minority teacher loan appropriation even after such a transfer.

## **ALTERNATIVES**

1. Approve the transfer of \$49,000 GPR in 2017-18 from the unreserved amount of \$133,600 GPR in the Joint Committee on Finance's supplemental appropriation [s. 20.865(4)(a)] to the HEAB teacher loan program appropriation [s. 20.235(1)(ct)].
2. Approve the transfer of \$49,000 GPR in 2017-18 from the HEAB minority teacher loan appropriation [s. 20.235(1)(cr)] to the HEAB teacher loan program appropriation [s. 20.235(1)(ct)].
3. Deny the request, which would result in HEAB prorating loan amounts for the spring semester already awarded under the teacher loan program.

Prepared by: Dave Loppnow