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November 21, 2016

Legislative Reference Library  
645 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, Minnesota 55155

Re: In The Matter of the Proposed Rules Governing Teacher Shortage Loan Forgiveness Program, Minnesota Rules, Chapter 4830.9100-4830.9130; Revisor's ID Number RD4373

Dear Librarian:

The Minnesota Office of Higher Education intends to adopt rules governing the Teacher Shortage Loan Forgiveness Program. We plan to publish a Notice of Intent to Adopt Rules without a Public Hearing in the November 28, 2016 State Register.

The Office of Higher Education has prepared a Statement of Need and Reasonableness. As required by *Minnesota Statutes*, sections 14.131 and 14.23, the Office is sending the Library an electronic copy of the Statement of Need and Reasonableness at the same time we are mailing our Notice of Intent to Adopt Rules.

If you have questions, please contact me at 651 259-3962.

Yours very truly,

Alexandra Djurovich  
Senior Data Analyst

A handwritten signature in black ink that reads "Alexandra Djurovich".

Enclosure: Statement of Need and Reasonableness

## **Minnesota Office of Higher Education**

### **STATEMENT OF NEED AND REASONABLENESS**

#### **Proposed Rules Governing Teacher Shortage Loan Forgiveness Program, Minnesota Rules, Chapter 4830.9100-4830.9130; Revisor's ID Number RD4373**

### **INTRODUCTION**

The Teacher Shortage Loan Forgiveness Program was newly enacted during the 2015 legislative session, effective August 1, 2015, [Minnesota Statutes 136A.1791](#). The Teacher Shortage Loan Forgiveness Program is designed to provide student loan debt relief to teachers working in identified shortage areas established by the Minnesota Department of Education Commissioner's "Teacher Supply and Demand Report." This report identifies the teacher licensure fields and economic development regions that are experiencing teacher shortages.

The loan forgiveness program was created as an incentive to encourage qualified licensed teachers to work in identified teacher shortage area classrooms and to reduce the number of school districts that are unable to hire fully licensed teachers in particular license fields. The statute establishes the maximum amount of loan forgiveness a teacher can receive, how many awards they can receive, how the award will be disbursed to eligible participants, and any penalties if a teacher submits a false or misleading application.

*Minnesota Statutes 136A.1791 Subd. 10* also stated the Commissioner of the Office of Higher Education shall adopt rules to administer the program. Thus, during fall 2015, the Office drafted proposed rules to clarify who is eligible to participate, how to apply for a loan, the maximum award amount an approved applicant can receive, and how appropriated funds would be used to fulfill the programs mandate. The Office used other loan forgiveness programs administered through the Office and the U.S. Department of Education as guides for writing proposed rules to administer application processing and disbursement of funds for the teacher loan forgiveness program.

The Office elected not use an advisory committee or use public meetings to draft the proposed rules because it determined the proposed rules were limited in scope given the prescriptiveness of [Minnesota Statutes 136A.1791](#). The Request for Comments period began on December 21, 2015 and closed upon filing of the Notice of Intent to Adopt Rules Without A Public Hearing, November 9, 2016.

### **ALTERNATIVE FORMAT**

Upon request, this information can be made available in an alternative format, such as large print, braille, or audio. To make a request, contact Betsy Talbot at Minnesota Office of Higher Education, 1450 Energy Park Drive, Suite 350, St. Paul, MN 55108, phone at 651-259-3965, and fax at 651-642-0675.

## STATUTORY AUTHORITY

The Teacher Shortage Loan Forgiveness Program was enacted August 1, 2015. The Office is within the 18-month time limit on the use of new statutory authority, per *Minnesota Statutes*, section 14.125. The Office's statutory authority to adopt the rules is stated in *Minnesota Statutes* section 136A.791 Subd. 10, which provides: "The commissioner shall adopt rules under chapter 14 to administer this section." Under *Minnesota Statutes* 136A.791 Subd. 10, the Office has the necessary statutory authority to adopt the proposed rules.

## REGULATORY ANALYSIS

**“(1) a description of the classes of persons who probably will be affected by the proposed rule, including classes that will bear the costs of the proposed rule and classes that will benefit from the proposed rule”**

The Teacher Shortage Loan Forgiveness Program is a repayment award program that uses state dollars to pay down the student loan debt of teachers that are working in teacher shortage areas as identified by the Minnesota Department of Education. The statute defines a "teacher" as an individual holding a teaching license issued by the licensing division in the Department of Education on behalf of the Board of Teaching who is employed by a school district to provide classroom instruction in a teacher shortage area. The proposed rules provide additional clarity on eligibility requirements and how participants will be awarded. Therefore, the proposed rule impacts any teacher with any student loan debt that teaches in a shortage area identified by the Minnesota Department of Education. These populations can be further classified as individuals that will benefit from the proposed rules and the populations that will not benefit from the proposed rules.

### **Individual Teachers**

The proposed rules identify specific loan types that are not qualified to be repaid by the loan forgiveness program that were not included in the statutory definition of a "qualified education loan." Loan types not eligible include federal Parent PLUS loans paid to parents of dependent undergraduates, federal Direct Consolidation Loans repaid by a federal Parent PLUS loan, or any student loans in default. As a result, teachers with student loans of these types or student loans in default will be negatively impacted by this rule.

The proposed rules include a funds availability provision that prioritizes applications in the event there are more eligible applicants than there are funds. The prioritization includes evaluating the financial need of the applicant by considering the applicant's income, household size, and total amount of qualified educational loans. Qualified teachers with a higher income and lower household sizes will be negatively impacted by this proposed rule, but qualified teachers with lower incomes and higher household sizes will be positively impacted.

In addition, the prioritization outlined in the proposed rules prioritizes awards to teachers that fulfill more than one shortage area. Thus, qualified teachers who fulfill more than one shortage area will be positively impacted at higher rates than those that only fulfill one shortage area.

## **School Districts**

School districts will also be impacted by the proposed rules. School districts employing teachers with a higher priority in eligibility will benefit more than the school districts that have teachers with a lower priority in eligibility.

There are no direct costs associated with the proposed rules on affected parties as the rules outline how impacted persons qualify, apply, and receive the repayment award funds.

### **“(2) the probable costs to the agency and to any other agency of the implementation and enforcement of the proposed rule and any anticipated effect on state revenues”**

The Office estimates the proposed rules do not increase the cost of implementing or enforcing the Teacher Shortage Loan Forgiveness Program. The Teacher Shortage Loan Forgiveness Program is funded through an appropriation and the proposed rules do not have any anticipated effect on state revenues.

### **“(3) a determination of whether there are less costly methods or less intrusive methods for achieving the purpose of the proposed rule”**

The proposed rules states several criteria on how the Office would prioritize awards to eligible participants as there will in all likelihood be more applicants than award funds. One of the criteria proposed to prioritize awards is the financial need of the applicant. Therefore applicants must provide documents verifying their income to determine their financial need. This requires applicants to document their income and family size using federal tax documents, which could be considered as an “intrusive” requirement. The Office determined since federal tax documents are used to initially apply for student loans and federal tax documents are also built into the verification process through the Internal Revenue Service to receive student loans, requiring applicants to provide their tax documents was necessary and reasonable. The cost for students to include federal tax documents with their application is negligible.

As there are few costs associated with the proposed rules for the applicant, alternate proposed rules for administering the Teacher Shortage Loan Forgiveness Program would not likely cost less or would be less intrusive.

### **“(4) a description of any alternative methods for achieving the purpose of the proposed rule that were seriously considered by the agency and the reasons why they were rejected in favor of the proposed rule”**

The Office drafted the proposed rules for Teacher Shortage Loan Forgiveness Program to be consistent with other student loan forgiveness loans administered through the Office and the U.S. Department of Education. Other student loan forgiveness programs determine an applicant’s financial need to prioritize funds and exclude defaulted student loans. Those programs include the Federal Public Service Loan Forgiveness program, Federal Teacher Loan Forgiveness Program, and the Federal John R Justice Student Loan Repayment Program.

Other methods the Office considered in establishing applicant priority included processing applications on a “rolling” basis whereby priority is given to applicants applying first and prorating available funds to all applicants. The Office rejected processing applications using these methods as they do not fulfill the purposes of the loan forgiveness program which is to provide loan forgiveness based on teachers working in defined teacher shortage fields and economic development regions. If applicants were awarded funding on a rolling basis, the funds may not be evenly distributed across the different shortage areas including the distribution by economic development region in the state.

Prorating funds for all applicants may not have a meaningful financial impact on recipients. According to the Minnesota Department of Education there are over 55,000 full-time-equivalent teachers providing classroom instruction in the state. By establishing criteria on who would be eligible to receive loan forgiveness based on financial need will give recipients the most financial relief, especially since the statute states the maximum annual loan forgiveness amount is \$1,000 and can only be awarded for no more than five years. The Office anticipated that even if only a small percentage of teachers in Minnesota applied, the awards would have been very small per recipient based on the amount appropriated for this program and the number of teachers who would be eligible. According to data from the Office, nearly 75 percent of all graduates with a bachelor’s degree graduate with student loan debt of nearly \$27,000. The amount is nearly \$35,000 for those with master’s degrees and may be higher for individuals who accumulated debt for a bachelor’s plus a master’s degree; or even higher for a doctorate degree. The recipients of this program are eligible to receive loan forgiveness of any eligible loans for any level of education related to a teacher’s preparation or further education.

**“(5) the probable costs of complying with the proposed rule, including the portion of the total costs that will be borne by identifiable categories of affected parties, such as separate classes of governmental units, businesses, or individuals”**

The proposed rules do not require or request businesses or cities to take any action and the proposed rules do not place any regulatory burden expectations on cities or businesses. The proposed rules may impact small cities, but only as a financial benefit as the program can be used as a recruitment tool to assist in retaining or hiring teachers in shortage areas. Small cities located within small school districts are more likely to fall into shortage areas.

The proposed rules may have a small cost to individuals through the cost to supply the additional documentation needed to validate financial need. The application for the loan forgiveness program includes an application supplied by the Office, an employment verification form, verification of student loan debt, and verification of the applicant’s income and household size. The Office will be requesting verification of income and household size based on the applicant’s prior year’s tax documents (1040 or other shorter form and all attached forms and worksheets). It is likely there will be little or no cost in supplying the tax documents as most individuals retain these documents or can, at little or no cost, obtain copies of these documents from a tax preparer or the Internal Revenue Service. There may be a cost to applicants for copying and mailing these documents to the Office however the Office will provide a means by which they can provide the documents electronically or by fax.

**“(6) the probable costs or consequences of not adopting the proposed rule, including those costs or consequences borne by identifiable categories of affected parties, such as separate classes of government units, businesses, or individuals”**

The Office anticipates it will receive more applications from eligible teachers working in shortage areas than funds available to disperse to all applicants as mentioned previously. If the proposed rules are not adopted, the Office will have to either prorate the repayment award or find an arbitrary method of prioritizing applications. If the loan payments are prioritized or applications are not given a meaningful prioritization, the program will lose its financial value to teachers working in shortage areas since the amount of loan forgiveness will be too small or a token amount to encourage teachers to work in shortage fields. Some of the shortage fields, such as special education require education beyond a bachelor’s degree which can increase the amount of loans teachers accrue.

Additionally, the program can be used as a recruitment tool for school districts to encourage teachers to work in identified shortage areas or consider relocating to economically disadvantaged school districts. School districts will lose any financial incentive to fulfill teacher shortages if the Office is not able to create transparent and functional application prioritization rules.

Costs of not adopting the rules to fulfill the administration of the program with some type of applicant criteria or prioritization cannot be quantified.

**“(7) an assessment of any differences between the proposed rule and existing federal regulations and a specific analysis of the need for and reasonableness of each difference”**

There are no differences to evaluate between the proposed rules and existing federal regulations. The Teacher Shortage Loan Forgiveness Program is distinct to Minnesota with no overlap of regulation with existing federal regulations.

**“(8) an assessment of the cumulative effect of the rule with other federal and state regulations related to the specific purpose of the rule. . . . ‘[C]umulative effect’ means the impact that results from incremental impact of the proposed rule in addition to other rules, regardless of what state or federal agency has adopted the other rules. Cumulative effects can result from individually minor but collectively significant rules adopted over a period of time.”**

The primary objective of this rulemaking is to streamline an administrative process for distributing funds to eligible applicants. The Teacher Shortage Loan Forgiveness Program is a program unique to Minnesota to provide debt relief for teachers working in areas meeting the needs of students and school districts. The Teacher Shortage Loan Forgiveness Program itself has a cumulative effect with other federal regulations and programs, but the proposed rules do not have a cumulative effect with other federal regulations and programs.

There are two federal student loan programs for which teachers that are eligible for Minnesota’s Teacher Shortage Loan Forgiveness program may also be eligible. First, the Public Service Loan

Forgiveness Program. The Public Service Loan Forgiveness Program forgives the remaining balance on federal student loans (one of the types of qualifying student loan debt under Minnesota's Teacher Shortage Loan Forgiveness Program) after a borrower has made 120 qualifying monthly payments under a qualifying repayment plan while working full-time for a qualifying employer. The program is designed to provide debt relief as incentive for individuals who have had to take lower pay to work in government or non-profit industries. Minnesota's Teacher Shortage Loan Forgiveness Program functions as the same incentive, but instead of impacting monthly payments, the program reduces the loan balance in one lump payment.

The prioritization of applications proposed in the rules does have a cumulative effect with the Public Service Loan Forgiveness Program. The proposed rules include a needs analysis that is based on income which is similar to the Public Service Loan Forgiveness program; teachers with lower incomes are likelier to benefit from the two programs.

The second program for which teachers that are eligible for Minnesota's Teacher Shortage Loan Forgiveness program may also be eligible is the Federal Teacher Loan Forgiveness program. Teachers who participate in this federal program can receive up to \$17,500 in federal student loan forgiveness if they teach full-time for five complete and consecutive academic years in qualifying schools or educational service agencies. Teachers apply for the loan forgiveness after completing the five years of teaching service. Like Minnesota's Teacher Shortage Loan Forgiveness Program, this loan forgiveness program provides payments on a teacher's student loans. Unlike the Minnesota program, the federal program can only be used for loan forgiveness on federal student loans.

## **PERFORMANCE-BASED RULES**

As the proposed rules were developed, the Office made every effort to ensure to develop rules that were clear and practical for eligible applicants and other interested parties that resulted in an efficient and effective process of awarding eligible teachers and positively impacting the identified teacher shortages throughout the state.

## **ADDITIONAL NOTICE**

The Office's Notice Plan includes giving notice required by statute and additional notice the Office determined was necessary to broadly reach all impacted and affected parties. The Office's notice plan included the following notice actions:

- (1) Emailing to the Office's general official rulemaking emailing list under *Minnesota Statutes*, section 14.14, subd.1a;
- (2) Posting on the Office's rulemaking website;
- (3) Notifying the Minnesota Legislature under *Minnesota Statutes*, section 14.116; and
- (4) The Office developed an email list in consultation with the Minnesota Department of Education and the Minnesota Board of Teaching. To reach currently employed teachers working

in Minnesota, Education Minnesota was sent the proposed rules and instructed to forward to their active teacher list. In addition, the Minnesota Department of Education forwarded the proposed rules within their organization.

(5) Emailing to the presidents of postsecondary institutions in Minnesota with teacher preparation programs.

(6) Other organizations included Minnesota Rural Education Association, Minnesota Association of Financial Aid Administrators, and college/university student associations.

The Office intends to provide the “Notice of Intent to Adopt Rules Without a Public Hearing Unless 25 or More Persons Request a Hearing” to the same interested or affected parties noted above.

Our Notice Plan did not include notifying the Commissioner of Agriculture because the rules do not affect farming operations per *Minnesota Statutes*, section 14.111.

## **CONSULTATION WITH MMB ON LOCAL GOVERNMENT IMPACT**

As required by *Minnesota Statutes*, section 14.131, the Office will consult with Minnesota Management and Budget (MMB). We will do this by sending MMB copies of the documents that we send to the Governor’s Office for review and approval on the same day we send them to the Governor’s Office. We will do this before the Office’s publishing the Notice of Intent to Adopt. The documents will include: the Governor’s Office Proposed Rule and SONAR Form; the proposed rules; and the SONAR. The Office will submit a copy of the cover correspondence and any response received from Minnesota Management and Budget to OAH at the hearing or with the documents it submits for ALJ review.

## **DETERMINATION ABOUT RULES REQUIRING LOCAL IMPLEMENTATION**

As required by *Minnesota Statutes*, section 14.128, subdivision 1, the Office has considered whether these proposed rules will require a local government to adopt or amend any ordinance or other regulation in order to comply with these rules. The Office has determined that they do not because the rules pertain to a program that impacts teachers with student loans and includes no new or extra requirements on local governmental entities.

## **COST OF COMPLYING FOR SMALL BUSINESS OR CITY**

### **Agency Determination of Cost**

As required by *Minnesota Statutes*, section 14.127, the Office has considered whether the cost of complying with the proposed rules in the first year after the rules take effect will exceed \$25,000 for any small business or small city. The Office has determined that the cost of complying with the proposed rules in the first year after the rules take effect will not exceed \$25,000 for any small business or small city.



The Office has made this determination based on the probable costs of complying with the proposed rule, as described in the Regulatory Analysis section of this SONAR on pages 2 to 6. The proposed rules do not require or request businesses or cities to take any action or the proposed rules do not place any regulatory burdens expectations on cities or businesses. The proposed rules may impact small cities, but only as a financial benefit as the program can be used as a recruitment tool to assist in retaining or hiring teachers in shortage areas.

## **LIST OF WITNESSES**

If these rules go to a public hearing, the Office anticipates having the following witnesses testify in support of the need for and reasonableness of the rules:

Megan FitzGibbon, State Financial Aid Manager, Minnesota Office of Higher Education will testify about the prioritization of applications, including how this compares to other programs, and why the prioritization process proposed is necessary and reasonable.

## **RULE-BY-RULE ANALYSIS**

### **4830.9110 DEFINITIONS.**

**Subpart 1. Scope. For the purposes of parts 4830.9120 and 4830.9130, the terms defined in this part or in *Minnesota Statutes*, section 136A.1791, have the meanings given them.**

Subpart 1 is included because the Office wanted to assure that the definitions used in *Minnesota Statutes*, section 136A.1791, were consistently used in the proposed rule.

**Subp. 2. Employed. "Employed" means an individual currently providing classroom instruction.**

This definition is necessary to clarify that eligible teachers are exclusively those providing classroom instruction as opposed to fully licensed teachers who may have administrative or other non-instructional assignments. It also clarifies that other school staff and licensed non-educators like School Counselors, Speech-Language Pathologists, School Psychologists, and other related service professionals are not eligible because they do not provide classroom instruction.

This definition is parallel to *Minnesota Statutes*, section 136A.1791, subdivision 1, subsection (d) stating that a teacher is providing classroom instruction.

*"Teacher" means an individual holding a teaching license issued by the licensing division in the Department of Education on behalf of the Board of Teaching who is employed by a school district to provide classroom instruction in a teacher shortage area.*

**Subp. 3. Qualified educational loan. "Qualified educational loan" means a loan, as defined in *Minnesota Statutes*, section 136A.1791, subdivision 1, that is not one of the following:**

**A. PLUS loans made under the Federal Family Education Loan (FFEL) program or Federal Direct Loan programs to parents of dependent undergraduate students;**

**B. Federal Consolidation Loans or Federal Direct Consolidation Loans that repaid a parent PLUS loan; or**

**C. federal, state, commercial, or foundation loans that are in default.**

This proposed rule clarifies the federal student loan types not considered qualified education loans for this program. Parent PLUS loans are loans taken out by parents to pay for their dependent child's costs of related undergraduate education. In addition, parents with outstanding Parent PLUS loans can obtain a Federal Consolidation Loan to combine their Parent PLUS loans with any of their own outstanding students loans. The Office decided to exclude both of these types of loans from qualified education loans because the statute states qualified education loans are those that paid for costs related to the teacher's preparation or further education. *Minnesota Statutes*, section 136A.1791, Subd. 5 states that recipients must secure their own qualified educational loans. Teachers who graduate from an approved teacher preparation program or teachers who add a licensure field, consistent with the teacher shortage requirements of this section, are eligible to apply for the loan forgiveness program. In addition the annual disbursements of the teacher loan forgiveness amount is to be given directly to the participant of the amount for which a participant is eligible. This would not be their parent who borrowed under the Parent PLUS program. Even if someone with a Federal Consolidation Loan included outstanding balance on loans used to pay for the costs related to the teacher's preparation or further education, there is no method for borrowers to make lump sum payments only to balances not associated with a Parent PLUS loan.

The proposed rule also excludes defaulted student loans from being considered qualified student loans. Defaulted student loans typically have high collection fees and charges that many lenders will reduce if the loan goes through a process called rehabilitation, typically six to nine months of on-time payments. Impacted borrowers should go through the rehabilitation process to avoid loan forgiveness award funds being used to pay these collection fees as the statute intends an award be used to pay principal and interest of qualified educational loans according to *Minnesota Statutes*, section 136A.1791, subdivision 5.

**Subp. 4. Teacher shortage area. "Teacher shortage area" means a licensure field, economic development region, or other shortage area identified by the Minnesota Department of Education.**

This proposed rule is necessary to clarify the definition of a teacher shortage area is identified by the Minnesota Department of Education. It also clarifies that teacher shortage areas include teacher licensure fields, economic development regions or other shortage areas as identified by the Minnesota Department of Education. The important factor in this proposed rule is the word 'or' because it clarifies a teacher does not have to be teaching in a licensure field and economic

development region that are both considered a teacher shortage area to be eligible for this program.

#### **4830.9120 ELIGIBLE PARTICIPANTS.**

##### **To be an eligible participant, an individual must:**

This proposed rule clarifies the minimum eligibility requirements for the program. Each of the requirements are included in the statute but in various subdivisions and not clearly defined as eligibility requirements. This proposed rule compiles them into one clearly defined list of eligibility requirements.

**A. hold a teaching license issued by the licensing division in the Minnesota Department of Education on behalf of the Board of Teaching;**

**B. be employed by a school district to provide classroom instruction in a teacher shortage area;**

These proposed rules (A and B) are included in *Minnesota Statutes* 136A.1791 Subd. 1(d) as the definition of the word “teacher”.

**C. not have received five annual awards from this program;**

This proposed rule is included in *Minnesota Statutes* 136A.1791 Subd. 5(c) in describing the amount of loan forgiveness.

**D. provide a completed application;**

This proposed rule is included in *Minnesota Statutes* 136A.1791 Subd. 4 and clarifies the application must be complete.

**E. have outstanding qualified educational loan debt;**

This proposed rule is included in *Minnesota Statutes* 136A.1791 Subd. 5 in the description of the amount of loan forgiveness which is the lesser of the applicant’s qualified student loan debt and the maximum award amount. This proposed rule clarifies that if an applicant has \$0 qualified loan debt the applicant is not eligible.

**F. not submit false or misleading information on any application to this program; and**

This proposed rule is included in *Minnesota Statutes* 136A.1791 Subd. 7 in the description of the penalties the commissioner may impose on applicants. The proposed rule clarifies that any applicant who, at any time, submitted false or misleading information is not eligible.

**G. provide verification of the application of previously awarded funds toward eligible qualified educational loans, if the applicant has previously received an award.**

This proposed rule is included in *Minnesota Statutes* 136A.1791 Subd. 6 in the description of how disbursements to recipients shall be issued and the verification of payment to qualified loans that must be provided. The proposed rule clarifies that previous recipients who do not provided the required verification are not eligible.

#### **4830.9130 APPLICATION AND DISBURSEMENT OF FUNDS.**

**Subpart 1. Completed application. A completed application must include the following:**

- A. a completed application form;**
- B. an employment verification form completed by a school district representative;**
- C. verification of the applicant's qualified educational loans; and**
- D. verification of the applicant's income and household size.**

This proposed rule fulfills the statutory requirement in *Minnesota Statutes* 136A.1791 Subd. 4 stating what applicants must to submit to the Office and allows the Office to list any additional information required of the applicant.

Verification of qualified education loans includes statements or other similar documents from student loan lenders or servicers that list the current outstanding balance and the type of loan. An applicant's income and household size is verified using his or hers previous year's federal tax form 1040 (or other shorter form) and all attached forms or worksheets.

**Subp. 2. Award amount. The amount of an eligible participant's annual award shall not exceed \$1,000 or the cumulative balance of the applicant's qualified educational loans, including principal and interest, whichever amount is less.**

This proposed rule is included in *Minnesota Statutes* 136A.1791 Subd. 5 in the description of the Amount of Loan Forgiveness. The proposed rule clarifies a repayment award is paid directly to a selected applicant who would then apply this to their loan as opposed to forgiving a loan in whole or part.

**Subp. 3. Funds availability. If there are insufficient funds to provide an award to all eligible participants, the commissioner shall not prorate each award. The commissioner shall prioritize the awards to eligible participants based on:**

This proposed rule describes how the Office will select from all eligible applicants when there are insufficient funds to award all eligible applicants in a given year. *Minnesota Statutes* 136A.1791 only states that the Office shall make annual disbursements directly to the participants; it doesn't specify how the Office shall make determinations based on the number of applicants who apply for an award. After consideration, the Office determined that a prorated award of less than the statutory maximum of \$1,000 would likely not have a meaningful impact on eligible teachers. The Office concluded that prioritizing awards at the maximum award amount of \$1,000 would have the most beneficial financial impact for eligible applicants and help school districts recruit and retain needed teachers.

**A. the financial need of an applicant, considering the applicant's income, household size, and total qualified educational loan;**

This proposed rule is necessary to clarify how the Office will be defining financial need. The Office will use the federal tax information provided by the applicant to determine the applicant's income not including any income from a spouse, if applicable. The household size will be determined using the number of exemptions on the federal tax forms. In addition, the total qualified education loan will be determined using documents provided by the applicant.

The Office determined since federal tax documents are used to initially apply for student loans and federal tax documents are also built into the verification process through the Internal Revenue Service to receive student loans, requiring applicants to provide their tax documents was necessary and reasonable. In addition, other student loan forgiveness programs determine an applicant's financial need to prioritize funds. Those programs include the Federal Public Service Loan Forgiveness program, Federal Teacher Loan Forgiveness Program, and the Federal John R Justice Student Loan Repayment Program.

**B. previous awards to the applicant from the teacher shortage loan forgiveness**

This proposed rule is necessary to clarify that applicants who have previously received an award will be given priority when selecting applicants in subsequent years. The statute did not require a service agreement or time commitment of a teacher to receive an award thus there is no guarantee that a previous recipient will automatically receive an award if he or she applies in a subsequent year.

The statute allows teachers to receive no more than five annual awards of \$1,000 annually. So any teacher would at most receive \$5,000 for student loan debt relief.

**C. whether the applicant is employed in an economic development region that is a teacher shortage area;**

**D. whether the applicant is employed in a teacher shortage area within the applicant's economic development region;**

**E. whether the applicant is employed in a statewide teacher shortage area; and**

These proposed rule sections (C, D and E) are necessary to clarify that eligible applicants who fulfill more than one identified type of shortage area with the same service will be given priority in the awarding process. *Minnesota Statutes* 136A.1791 Subd. 3 requires the Commissioner of the Minnesota Department of Education to use the teacher supply and demand report, described in *Minnesota Statutes* 127A.05 Subd. 6, to identify licensure fields and economic development regions experiencing teacher shortages. Using data from this report, the Minnesota Department of Education is able to identify these three types of shortage areas. First, the economic development regions experiencing a teacher shortage, regardless of license field. Second, local license field needs within economic development regions. Third, and finally, license fields experiencing a shortage at a statewide level.

Listing the three teacher shortage types separately will give additional priority to applicants based on each of the shortage area types they fulfill with their current teaching assignment.

#### **F. the statewide distribution of funds.**

This proposed rule indicates that the Office will consider statewide distribution in its annual allotment of funds when prioritizing applications from eligible applicants and selecting eligible applicants to receive awards. The Office plans to separate applications from eligible applicants by economic development region and then rank the applications based on the criteria stated in Subparts A through E. This will ensure that, to the extent there are eligible applications available, an proportional number of recipients will be selected from each of Minnesota's 11 economic development regions.

#### **CONCLUSION**

Based on the foregoing, the proposed rules are both needed and reasonable.



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11/10/2016

Lawrence J. Pogemiller  
Commissioner