

State of South Dakota

SEVENTY-FOURTH SESSION
LEGISLATIVE ASSEMBLY, 1999

911C0167

HOUSE ENGROSSED NO. **HB1218** - 2/23/99

Introduced by: Representatives Richter, Brown (Richard), Clark, Duniphan, Fiegen, Haley, Lucas, Smidt, and Waltman and Senators Duxbury, Brosz, Frederick, Olson, and Paisley

1 FOR AN ACT ENTITLED, An Act to create a postsecondary education loan program and to
2 make an appropriation therefor.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 Section 1. There is hereby created the South Dakota first education loan program to provide
5 postsecondary education loans for eligible students of state-supported universities who are South
6 Dakota high school graduates.

7 Section 2. Terms used in this Act mean:

8 (1) "Board," the South Dakota Board of Regents;

9 (2) "Eligible student," any South Dakota high school graduate who:

10 (a) Has graduated with a cumulative grade point average of at least 3.0 on a 4.0
11 scale;

12 (b) Has completed a college preparatory curriculum that includes four years of
13 English, four years of social science, three years of advanced mathematics
14 beginning at the level of algebra and becoming progressively more difficult,
15 three years of laboratory science, and at least one course in

- 1 computer/information technology;
- 2 (c) Has scored twenty-five or higher on the American College Testing
- 3 examination, or its equivalent;
- 4 (d) Has indicated an intent to live and work in South Dakota following
- 5 postsecondary education;
- 6 (e) Maintains satisfactory academic progress as determined by the board;
- 7 (3) "Fund," the South Dakota first education loan program fund;
- 8 (4) "Loan," a South Dakota first education loan pursuant to this Act;
- 9 (5) "Program," the South Dakota first education loan program;
- 10 (6) "South Dakota high school graduate," any graduate of a public or private high school
- 11 in South Dakota, or a South Dakota resident who graduated from a high school in a
- 12 neighboring state where the student had attended high school pursuant to a contract
- 13 according to chapter 13-15, if the student graduated in the academic year immediately
- 14 preceding the initial award of the loan; and
- 15 (7) "Eligible institution," a public university under the control of the South Dakota Board
- 16 of Regents.

17 Section 3. There is hereby created in the state treasury the South Dakota first education loan
18 program fund into which shall be deposited any appropriations, private donations, grants, and
19 other funds provided to the board for loans pursuant to this Act. All revenues generated by loan
20 repayments and any penalties received pursuant to this Act shall also be deposited in the fund.
21 Expenditures from the fund shall be in the ratio of one general fund dollar to every four dollars
22 from other sources.

23 Section 4. The Board of Regents shall oversee the fund created in this Act and make loans
24 to eligible students as funds are available based upon recommendations from one of the eligible
25 institutions.

1 Section 5. No loan made pursuant to this Act may exceed the cost of tuition and mandatory
2 fees for a full-time student as defined by the Board of Regents.

3 Section 6. The Board of Regents shall promulgate rules, pursuant to chapter 1-26, to process
4 loan applications, to determine a means of selecting eligible students to receive loans if
5 applications exceed available money in the fund, and to govern satisfactory progress and
6 conditions under which an eligible student may enroll at less than a full-time basis, including
7 conditions under which a student may withdraw from an institution without penalty.

8 Section 7. Any student selected for a loan pursuant to this Act shall sign a contract agreeing
9 to comply with the rules promulgated by the board. The written contract shall contain:

- 10 (1) The terms and conditions under which the loan is made, and the requirements for
11 repayment of the loan by the student;
- 12 (2) A stipulation that no interest may be assessed on any loan through the program while
13 the student is enrolled full-time, or enrolled part-time with approval of the board, and
14 meets the eligibility requirements of the board;
- 15 (3) The terms and conditions for qualifying for forgiveness of the loan principal and
16 interest;
- 17 (4) A provision that any financial obligations arising from the contract, and any
18 obligations of the eligible student that are conditioned thereon, are contingent upon
19 appropriations to the fund; and
- 20 (5) The amount of the penalties assessed, if repayment of the loan by the student is not
21 made in accordance with the contract, or the student fails to maintain eligibility or
22 other requirements of the program.

23 Section 8. An eligible student may participate in the program for up to ten semesters,
24 whether consecutive or not. No student may participate in the program for more than seven years
25 after commencing participation, whether consecutive or not. Any student who receives a loan

1 and who fails to maintain satisfactory academic progress is ineligible for continued participation
2 and is ineligible for forgiveness of any loan received.

3 Section 9. An eligible student shall repay the full value of the loan plus interest equivalent to
4 the lowest rate assessed on federally guaranteed student loans at the time the loan reaches
5 repayment, except as provided in section 10 of this Act. Any eligible student who fails to
6 maintain satisfactory progress toward a degree as promulgated by the board shall repay the loan
7 according to this section.

8 Section 10. An eligible student who complies with the program requirements as promulgated
9 by the board may qualify for forgiveness of a loan or loans received through the program. To
10 qualify for loan forgiveness, an eligible student who has received a South Dakota first education
11 loan and who has graduated shall satisfy one of the following:

12 (1) For each year following graduation from an eligible institution that the student lives
13 and works in South Dakota, one tenth of the loan principal balance and its interest is
14 forgiven;

15 (2) For each year following graduation from an eligible institution that the student lives
16 and works outside of South Dakota for a South Dakota company with its corporate
17 offices in South Dakota, or a company with a substantial presence in South Dakota
18 as defined by the board, one tenth of the loan principal balance and its interest is
19 forgiven;

20 (3) For each year following graduation from an eligible institution that the student is a
21 member of the armed services or a participant in a federal service program such as
22 Volunteers in Service to America (VISTA) or the Peace Corps, or their successor
23 organizations, as approved by the board, one-tenth of the loan principal balance and
24 its interest is forgiven; and

25 (4) For each year following graduation from an eligible institution that the student lives

1 and works in South Dakota, even if the student has lived and worked outside of South
2 Dakota for a time and then returned to South Dakota to establish permanent
3 residence, one-tenth of the loan principal balance and its interest is forgiven.

4 Section 11. There is hereby appropriated from the general fund the sum of two hundred four
5 thousand dollars (\$204,000), or so much thereof as may be necessary, to the Board of Regents
6 for deposit in the South Dakota first education loan program fund to make loans pursuant to this
7 Act.

8 Section 12. There is hereby appropriated the sum of one hundred thirty-six thousand dollars
9 (\$136,000) of other fund expenditure authority to the Board of Regents to make loans pursuant
10 to this Act.

11 Section 13. The Board of Regents shall annually determine, based upon each university's
12 percentage share of the most recent system total of full-time equivalent student fall enrollment,
13 the total amount of loans which may be allocated to each eligible institution. If an eligible
14 institution does not participate in the program, its share of the amount available for loans shall
15 be redistributed to the participating eligible institutions.

16 Section 14. The executive director of the Board of Regents shall approve vouchers and the
17 state auditor shall draw warrants to pay expenditures authorized by this Act.

18 Section 15. Any amounts appropriated in this Act not lawfully expended or obligated by
19 June 30, 2000, shall revert in accordance with § 4-8-21.

20 Section 16. The Board of Regents shall annually provide the state treasurer a report
21 indicating the recipients of loans pursuant to this Act, and copies of contracts.

22 Section 17. The state treasurer shall promulgate rules, pursuant to chapter 1-26, to establish:
23 procedures for notifying contract violators; collection procedures; forgiveness or deferment
24 procedures and special circumstances; and repayment schedules.

25 Section 18. The state treasurer is directed to transfer to the state general fund the sum of two

- 1 hundred four thousand dollars (\$204,000) from the private activity bond fees fund, created in
- 2 § 1-7-10, for the purposes of this Act.

1 **BILL HISTORY**

2 1/27/99 First read in House and referred to committee assignment waived. H.J. 216

3 1/28/99 Referred to State Affairs. H.J. 240

4 2/1/99 House of Representatives Referred to Appropriations.

5 2/12/99 Scheduled for Committee hearing on this date.

6 2/12/99 Appropriations Deferred to another day.

7 2/17/99 Scheduled for Committee hearing on this date.

8 2/18/99 Scheduled for Committee hearing on this date.

9 2/18/99 Appropriations Do Pass Amended, Passed, AYES 9, NAYS 0. H.J. 594

10 2/19/99 House of Representatives Placed on Calendar. H.J. 645

11 2/22/99 Motion to Amend, Passed. H.J. 680

12 2/22/99 House of Representatives Do Pass Amended, Passed, AYES 54, NAYS 16. H.J. 681