

State of South Dakota

SEVENTY-FOURTH SESSION
LEGISLATIVE ASSEMBLY, 1999

911C0167

HOUSE BILL NO. 1218

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.

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

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

6 Section 2. Terms used in this Act mean:

7 (1) "Board," the South Dakota first education loan program board of directors;

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

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

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

16 (c) Has scored twenty-five or higher on the American College Testing

1 examination, or its equivalent;

2 (d) Has indicated an intent to live and work in South Dakota following
3 postsecondary education;

4 (e) Maintains satisfactory academic progress as determined by the board;

5 (3) "Fund," the South Dakota first education loan program fund;

6 (4) "Loan," a South Dakota first education loan pursuant to this Act;

7 (5) "Program," the South Dakota first education loan program;

8 (6) "South Dakota high school graduate," any graduate of a public or private high school
9 in South Dakota, or a South Dakota resident who graduated from a high school in a
10 neighboring state where the student had attended high school pursuant to a contract
11 according to chapter 13-15, if the student graduated in the academic year immediately
12 preceding the initial award of the loan; and

13 (7) "Eligible institution," a public university under the control of the South Dakota Board
14 of Regents.

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

21 Section 4. There is hereby created the South Dakota first education loan fund board of
22 directors. The board shall consist of four members appointed to four-year terms, two appointed
23 by the Governor and two appointed by the Board of Regents. Not all members of the board may
24 be of the same political party. The board shall oversee the fund and make loans to eligible
25 students as funds are available based upon recommendations from one of the eligible institutions.

1 Board members appointed by the Governor shall represent among them the interests of the state
2 of South Dakota and private business in South Dakota. The board shall promulgate rules,
3 pursuant to chapter 1-26, to govern its proceedings.

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

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

11 Section 7. The board shall enter into a contract with each eligible student who qualifies for
12 participation in the program according to the rules promulgated by the board. The written
13 contract shall contain:

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

1 other requirements of the program.

2 Section 8. An eligible student may participate in the program for up to ten semesters,
3 whether consecutive or not. No student may participate in the program for more than seven years
4 after commencing participation, whether consecutive or not. Any student who receives a loan
5 and who fails to maintain satisfactory academic progress is ineligible for continued participation
6 and is ineligible for forgiveness of any loan received.

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

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

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

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

24 (3) For each year following graduation from an eligible institution that the student is a
25 member of the armed services or a participant in a federal service program such as

1 Volunteers in Service to America (VISTA) or the Peace Corps, or their successor
2 organizations, as approved by the board of directors, the loan repayment and interest
3 shall be deferred until such time as the obligation to the federal government is
4 complete.