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## FISCAL IMPACT REPORT

SPONSOR: Garcia DATE TYPED: 03/8/01 HB 600/aHEC  
 SHORT TITLE: Teacher Loan for Service Act SB \_\_\_\_\_  
 ANALYST: Fernandez

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
	\$ 1,200.0			Recurring	Tobacco Settlement Program Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB68, SB187 and HB76

### SOURCES OF INFORMATION

State Department of Public Education (SDE)  
 Commission on Higher Education (CHE)

### SUMMARY

#### Synopsis of HEC Amendment

The House Education Committee amendment strikes language from the original bill requiring a loan to bear interest at 8 percent per year and replaces it with language requiring a loan to bear interest at the rate of 18 percent and no portion of the loan is forgiven if the loan recipient completes his teacher preparation program but does not complete the service requirement.

The amendment sets forth a schedule for loan repayment if the teacher serves less than the five year service commitment.

The amendment also inserts new language to allow the CHE to assess a penalty of up to 3 times the principal due, plus 18 percent interest if a loan recipient completes the teacher preparation program and does not serve in a qualifying public school, unless the CHE finds extenuating circumstances. If the CHE does not find acceptable extenuating circumstances that prevent the loan recipient from serving, the commission shall require immediate repayment of the unpaid loan principal plus interest plus penalties.

CHE indicates that requiring penalties and a higher rate of interest may serve to discourage students from accepting a loan and then defaulting on the service commitment.

Synopsis of Bill

House Bill 600 creates the Teacher Loan for Service Act and appropriates \$1,200.0 each fiscal year from the tobacco settlement program fund for purposes of making loans pursuant to the act. The purpose of the Teacher Loan for Service Act is to address the teacher shortage by providing students with the financial resources to complete their post-secondary teacher preparation education. This bill provides for the forgiveness of student loans and interest provided the recipients teach in a qualifying New Mexico public school for five consecutive years.

Significant Issues

Recipients must teach in a public school in New Mexico in which either 80 percent or more of the students are receiving federal assistance under the National School Lunch Act or 70 percent or more of the student population is Hispanic, African-American, Native American or Asian.

SDE indicates that the definition of “student” in the bill does not recognize persons who hold a degree but wish to complete a non-degree teacher preparation program. This language results in the elimination of potential teachers who may be pursuing a second career in teaching by completing a non-degree teacher preparation program.

**FISCAL IMPLICATIONS**

The appropriation of \$1,200.0 contained in this bill is a recurring expense to the tobacco settlement program fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

Continuing Appropriations

This bill creates a new fund and provides for continuing appropriations. The LFC objects to including continuing appropriation language in the statutory provisions for newly created funds. Earmarking reduces the ability of the legislature to establish spending priorities.

**ADMINISTRATIVE IMPLICATIONS**

The CHE is required to adopt and promulgate rules to implement provisions of the repayment terms. The CHE indicates additional staff time would be required to administer this program. CHE suggests an amendment to the bill which would allow the agency to use up to 3 percent of the money in the fund for administration.

**CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP**

Relates to HB68, HB76 and SB187.

**TECHNICAL ISSUES**

CHE suggests in order to discourage students from defaulting on the service commitment, House Bill 600 should impose a larger rate of interest and no loan forgiveness if the student completes a teacher preparation program but does not fulfill the service requirement.

**OTHER SUBSTANTIVE ISSUES**

According to SDE, New Mexico is facing a shortage of approximately 1,500 teachers per year. New Mexico's colleges of education only prepare approximately 1,300 students per year.

According to CHE, this program expands the current loan for service program administered by CHE. The purpose of this program is to increase the number of ethnic minority and physically disabled teachers in the southeast region of the state.

CTF/ar/njw