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FISCAL IMPACT REPORT

ORIGINAL DATE 02/16/06

SPONSOR McSorley LAST UPDATED _____ HB _____

SHORT TITLE Public Service Law Loan Repayment Provisions SB 257

ANALYST Williams

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$400.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act for student financial aid programs, including Public Service Law Loan Repayment Program

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	\$400.0		Recurring	Public service law loan repay- ment fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Administrative Office of the Courts (AOC)

Office of the Attorney General (OAG)

Higher Education Department (HED)

SUMMARY

Synopsis of Bill

Senate Bill 257 appropriates \$400 thousand from the General Fund to the Public service Law Loan Repayment Fund to carry out the provisions of the Public Service Law Loan Repayment Act. The bill authorizes five percent of the appropriation to be used for administrative expenses.

FISCAL IMPLICATIONS

The appropriation of \$400.0 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of the fiscal year would not revert. The bill authorizes five percent of the appropriation, or \$20,000, to be used for administrative expenses.

Note student financial aid programs are typically funded via appropriations to the student financial aid program of the Higher Education Department through the General Appropriation Act. Similarly, costs to administer state student financial aid programs are typically appropriated to the policy development and institutional financial oversight program of the Higher Education Department through the General Appropriation Act.

This bill provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

AOC notes: “In 2005 the Public Service Law Loan Repayment Act was enacted, but was not funded. This Act allows attorneys who work for 501(c)(3) corporations, the district attorney, and public defender and who earn less than \$45,000 a year to apply to have some of their educational loan debt paid by the Fund. Participating attorneys agree to work for a designated public service employer for a minimum of three years. In exchange, attorneys receive loan repayment assistance (about \$460 a month), which is paid directly to the lender.

The average starting salary for public interest attorneys is \$32,800, and the average debt load for UNM law school graduates is \$43,165. Starting salaries in private practice range from \$45,000 to \$70,000.

The New Mexico Supreme Court's Access to Justice Commission supports funding for this program. Reducing the debt of public service attorneys will make it financially feasible for more attorneys to work in public service jobs that provide legal services to low income New Mexicans.”

PERFORMANCE IMPLICATIONS

AOC notes: “Due to the limited number of attorneys who are available to provide legal assistance to the poor, self-represented (pro se) litigants are more and more common in New Mexico’s courts. Self-represented litigants require more court time, more staff assistance, and are more likely to make an error that requires additional hearings. Making it possible for more attorneys to take public interest legal positions will help the courts run more efficiently”

OTHER SUBSTANTIVE ISSUES

HED notes the agency “has administrative responsibilities of establishing eligibility guidelines, award criteria, and administering the program. The Act stipulates that the participant may be employed by a tax exempt civil legal service organization that provides civil legal services to indigent clients. In addition, applicants must show proof of application to all other available loan re-

payment programs offered by the applicant's law school and must not accept a position paying more than \$45,000 per year. As a condition of the law loan repayment program, participating attorneys must be obligated to serve at least three years as an attorney in agencies identified as service need areas. The minimum credit per year of service is not to exceed \$7,200.

Preference is given to applicants:

- who have graduated from the University of New Mexico Law School
- have the greatest financial need based on legal education indebtedness
- salary
- have declared an intent to work in public service employment that have the lowest salary”

POSSIBLE QUESTIONS

1. What performance outcomes will be utilized to determine the effectiveness of this program?

AW/yr