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## FISCAL IMPACT REPORT

ORIGINAL DATE 1-30-2007

SPONSOR Rodella LAST UPDATED \_\_\_\_\_ HB 242

SHORT TITLE Dental Hygienist Student Loan for Service Act SB \_\_\_\_\_

ANALYST Dearing

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$0.0	NA	None

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates SB560  
Relates to Appropriation in the General Appropriation Act

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Higher Education Department (HED)

### SUMMARY

#### Synopsis of Bill

House Bill 242 enacts the Dental Hygienist Student Loan for Service. House Bill 242 creates the Dental Hygienist Loan fund, establishes framework for hygienists' loans for service provided to the underserved areas in the state of New Mexico, mandates annual reporting of the program's status to the Executive and Legislature, and provides penalties for service loans in default.

### FISCAL IMPLICATIONS

House Bill 242 carries no appropriation.

This bill creates a new fund and 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

The Health Professional Loan Repayment Act, Section 21-22D-2 provides repayment of education debt for many health care providers including primary care physicians, optometrists, podiatrists, physician's assistants, dentists, and nurses.

The significant difference between the existing Repayment Act and this proposed *Loan for Service Act* is that students participating in the existing program are provided repayment for service *after* the debt is incurred. Under the Loan program, upon certification and entry into service a dental hygiene education program, principle and accrued interest of loans taken out to fund participating students' education are incrementally retired or repaid with successive years of service. The interest on Loan for Service loans accrues at 7 percent while in the hygienist preparation program and 18 percent if in non-compliance with the terms and (contract) default occurs. Only New Mexico residents entering an approved program can receive loans. Students can attend any accredited dental hygiene education program and receive a program loan for the service provided they identify their intentions to serve underserved area.

The proposed legislation would provide loan repayment for service. In the event that a participant fails to comply with the terms of the agreement including a failure to select an underserved area, a maximum penalty of up to 3 times the principle plus 18 percent interest could be assessed.

House Bill 242 as written would make it easier to recruit hygienists from schools outside the state, as well as positioning them in underserved rural areas.

Other loan or repayments for service programs include the following programs.

- Medical Student Loans, 21-22-1 through 21-22-10
- Osteopathic Medical Student Loans, 21-22A-1 through 21-22A-10
- Nursing Student Loans, 21-22B-1 through 21-22B-10
- Allied Health Student Loan for Service, 21-22C-1 through 21-22C-10
- Health Professional Loan Repayment, 21-22D-1 through 21-22D-10
- Public Service Law Loan for Service Act, 21-22F-1 through 21-22F-11

While the terms of these existing programs vary, the Nursing Student program has penalties and contract terms similar to the proposed program. Many existing programs have clauses specifying participants' graduation or enrollment from New Mexico postsecondary institutions the Dental Hygienist Student Loan for Service Act has no such provision but stipulates participants must be New Mexico residents. If enacted, the legislation could promote an increased number of dental hygienists practicing in the state, and allows them to be directed to where they are most needed.

## PERFORMANCE IMPLICATIONS

The department will make annual reports to the governor and to the legislature regarding loans amounts, current information on participants, and the status of participants in practice having graduated from their programs.