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FISCAL IMPACT REPORT

ORIGINAL DATE 2-24-2007

SPONSOR Ortiz y Pino LAST UPDATED _____ HB _____

SHORT TITLE Social Worker Loan for Service Act SB 1114

ANALYST Dearing

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	*NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

Department of Health (DOH)

SUMMARY

Synopsis of Bill

Senate Bill 1114 enacts the Social Worker Loan for Service Act. Senate Bill 1114 creates the Social Worker Loan for Service fund, establishes a framework for social worker' loans for services to be 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

Senate Bill 1114 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 other types of 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 a social worker 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 social worker 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 social work education program located in-state 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.

Senate Bill 1114 as written would make it easier to retain social workers from New Mexico postsecondary institutions, 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

The Higher Education department administers this Allied Health Loan-for-Service Program, which provides loans to students in the following fields of study:

- Physical Therapy
- Respiratory Care
- Occupational Therapy
- Laboratory Technology
- Speech Language Pathology
- Mental Health Services
- Audiology
- Emergency Medical Services
- Pharmacy
- Nutrition

The Social Work program is currently considered to fall under Mental Health Services; however,

in 2006 no Social Work students applied for the loan-for-service. A total of 12 loans were made, totaling \$108,000. Half of the loans were made to Pharmacy students, as they constituted a majority of those that applied. The average award was \$10,000 per student.

If the program were promoted to Social Work students, it is likely they could benefit from the program.

While the terms of these existing programs vary, the Nursing Student program has penalties and contract terms similar to the proposed program. If enacted, the legislation could promote an increased number of social worker 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.

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