

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: CS/HB 241

50th Legislature, 1st Session, 2011

Tracking Number: .185566.1

Short Title: Teacher Loan Repayment Act

Sponsor(s): Representative Sheryl Williams Stapleton and Others

Analyst: Ally Hudson

Date: March 1, 2011

**HOUSE EDUCATION COMMITTEE SUBSTITUTE FOR
HOUSE BILL 241**

Bill Summary:

CS/HB 241 adds a new section to higher education provisions in law to create the *Teacher Loan Repayment Act* and the non-reverting Teacher Loan Repayment Fund in the State Treasury, to be administered by the Higher Education Department (HED).

CS/HB 241 begins with a review of the purpose of the act:

- The purpose of the *Teacher Loan Repayment Act* is to increase the number of teachers in designated high-risk teacher positions in public schools through an educational loan repayment program. The act provides for repayment of the principal and reasonable interest accrued on loans obtained from the federal government or a commercial lender for teacher education purposes.

The bill also defines three terms that are central to the program:

- *department* means HED;
- *designated high-risk teacher positions* means teacher positions in specific public schools that have been designated by the Public Education Department (PED) as schools with a high percentage of students that are not meeting acceptable academic proficiency levels and are located in areas with a high rate of poverty; and
- *loan* means a grant of money to defray the costs incidental to a teacher education, under a contract between the federal government or a commercial lender and a teacher, requiring repayment of principal and interest.

Among its other provisions, CS/HB 241 describes HED's powers and duties as well as participant eligibility and qualifications, including:

- provisions for HED to grant an award to repay loans obtained for educational expenses of a teacher upon such terms and conditions as may be imposed by rules of the department;
- a requirement that applicants be licensed New Mexico teachers and citizens and residents of the United States and of New Mexico;

- a condition that applicants declare their intent to practice as teachers in designated high-risk teacher positions in the state; and
- provisions for HED and PED to jointly make a thorough investigation of the ability and qualifications of each program applicant.

The bill also prescribes award criteria:

- the need for the teacher position, as determined by PED, and the applicant's total teacher education indebtedness;
- preference to individuals who have graduated from a New Mexico public postsecondary educational institution;
- recruitment awards to eligible participants who agree to accept a designated high-risk teacher position;
- modification of award amounts based upon available funding or other special circumstances; and
- an award amount not to exceed the total teacher education indebtedness of a participant.

CS/HB 241 further outlines the contract terms and payment, including:

- provisions indicating that the following teacher education debts are not eligible for repayment:
 - amounts incurred as a result of participation in-state loan-for-service programs;
 - scholarships that have a service component or obligation;
 - personal loans from friends or relatives; and
 - loans that exceed individual standard school expense levels;
- a condition that the loan repayment award be evidenced by a contract between the teacher and HED acting on behalf of the state;
- a requirement that recipients serve a complete school year in order to receive credit for that year;
- provisions stating that the contract between a teacher and the department provide that, if the teacher does not comply with the terms of the contract, the teacher shall reimburse the department for all loan repayments made on the teacher's behalf, plus reasonable interest at a rate to be determined by HED, unless the department finds acceptable extenuating circumstances; and
- a requirement that HED, after consulting with PED, adopt rules to implement the provisions of the act, including:
 - a procedure for determining the amount of a loan that will be repaid for each year of service in a designated high-risk teacher position; and
 - the disbursement of loan repayment awards to a teacher's creditors in annual or other periodic installments.

The bill also describes the contract and enforcement:

- The required contract shall be prepared and approved by the Attorney General, and each contract shall be signed by the teacher and the designated representative of the department on behalf of the state.

- HED is vested with full and complete authority and power to sue in its own name for any balance due the state from a teacher under contract.

Finally, CS/HB 241 describes the processes for cancellation and reporting, including:

- a provision for HED to cancel any contract made between it and a teacher for any reasonable cause deemed sufficient by the department;
- a requirement for HED to make annual reports to the Governor and the Legislature, prior to each regular session, including:
 - its activities;
 - the loan repayment awards granted;
 - the names and addresses of loan repayment award recipients;
 - the names and locations of the positions filled by those teachers and the name of each loan repayment award recipient who is not serving in a designated high-risk teacher position;
 - the reason the person is not serving;
 - the amount owed and paid on the loan; and
 - loan repayment award.

Fiscal Impact:

CS/HB 241 does not contain an appropriation.

Fiscal Issues:

According to an analysis by PED, “the amount of money appropriated into this new non-reverting fund would likely drive teacher participation.” However, the fiscal impact is currently unknown.

Substantive Issues:

According to the PED analysis:

- It is not clear if a licensed teacher whose duties include “curriculum development, peer intervention, peer coaching or mentoring or serving as a resource teacher for other teachers” would qualify for a loan repayment under the act.
- Similarly, in 2004 the Legislature removed school librarian from the definition of “instructional support providers” in the *Public School Code*. Therefore, it is not clear whether a librarian seeking to serve in a high-risk area would qualify for the loan repayment program.
- Finally, CS/HB 241 puts PED into a debtor/creditor relationship if the teacher breaches the contract and refuses to reimburse the department for amounts repaid. In this case, PED would have to bring litigation against the teacher.

According to an analysis by HED:

- Many other states have similar programs to the one outlined in CS/HB 241 that are successful in placing teachers in the neediest areas.
- Many of the calls received on HED's 1-800 line pertain to teachers looking for loan repayment, because they have incurred loan debt.
- The department's largest loan repayment program is the Health Professional Loan Repayment Program wherein loan repayment services are an effective retention tool:
 - from 2007-2009, 94 percent of the program participants completed their two-year service obligation; and
 - in the last 20 years of the program, less than 1.0 percent of participants did not complete their 24-month obligation.

HED's analysis further notes that:

- loan repayment programs serve as a cost-effective tool to meet work force needs and attract quality professionals to the state;
- both in-state and out-of-state workers respond to the incentive and provide a direct benefit by serving in shortage areas; and
- New Mexico receives an immediate return on investment.

Related Bills:

None as of March 1, 2011.