

AN ACT

RELATING TO EDUCATION; ENACTING THE TEACHER LOAN FOR SERVICE ACT; PRESCRIBING POWERS AND DUTIES; PROVIDING FOR CONTRACTS AND THEIR ENFORCEMENT; CREATING A FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. SHORT TITLE. -- This act may be cited as the "Teacher Loan for Service Act".

Section 2. PURPOSE. -- The purpose of the Teacher Loan for Service Act is to proactively address New Mexico's looming teacher shortage by providing students with the financial means to complete or enhance their post-secondary teacher preparation education.

Section 3. DEFINITIONS. -- As used in the Teacher Loan for Service Act:

A. "commission" means the commission on higher education;

B. "loan" means a payment of money under contract between the commission and a student that defrays the costs incidental to a teacher preparation program offered in a regionally accredited post-secondary educational institution in New Mexico and that requires repayment in services;

C. "student" means a United States citizen who is enrolled in or accepted by an undergraduate or graduate teacher preparation program at a regionally accredited post-

secondary educational institution in New Mexico; and

D. "teacher preparation program" means one that has been formally approved as meeting the requirements of the New Mexico state board of education and leads to initial licensure or to additional licensure endorsements.

Section 4. TEACHER STUDENT LOANS AUTHORIZED--
QUALIFICATIONS.--

A. The commission may grant a loan to a student deemed qualified by the commission upon such terms and conditions as may be imposed by rule of the commission.

B. The commission shall only receive, pass upon and allow or disallow an application for a loan made by a student who declares his intent to serve as a public school teacher in a designated teacher shortage area of New Mexico. Teacher shortage areas may be either geographic or discipline specific.

C. The commission shall make a full and careful investigation of the ability and qualifications of each applicant to become a recipient of a loan. The commission shall give preference to qualified applicants who demonstrate financial need.

D. The commission and the state department of public education shall arrange for loan recipients to receive assistance in locating employment with public schools in New Mexico.

Section 5. DELEGATION OF DUTIES TO OTHER STATE AGENCIES. --The commission may arrange with other agencies for the performance of services required by the provisions of Section 4 of the Teacher Loan for Service Act.

Section 6. TEACHER LOANS--CONTRACT TERMS--REPAYMENT. --

A. Each applicant who is approved for a loan by the commission may be granted a loan in such amounts and for such periods as the commission determines. The loan shall not exceed the necessary expenses incurred while attending a teacher preparation program

B. A loan shall bear interest at the rate of:

(1) eighteen percent per year if the loan recipient completes his teacher preparation program and no portion of the principal and interest is forgiven pursuant to Subsection E of this section; or

(2) seven percent per year in all other cases.

C. The loan shall be evidenced by a contract between the loan recipient and the commission acting on behalf of the state. The contract shall provide for the payment by the state of a stated sum covering the costs of a teacher preparation program and shall be conditioned on the repayment of the loan to the state, together with interest, over a period established by the commission after the completion of the teacher preparation program and any

postgraduate study or internship required to complete the loan recipient's education. The contract shall further provide that immediately upon completion or termination of the loan recipient's education, all interest then accrued shall be capitalized.

D. A loan made to a recipient who fails to complete his teacher preparation program shall become due, together with interest, immediately upon termination of his teacher preparation program. The commission, in consultation with the loan recipient, shall establish terms of repayment, alternate service or cancellation terms.

E. The contract shall provide that the commission shall forgive a portion of the loan principal and interest for each year that the loan recipient practices his profession as a licensed teacher in New Mexico. Loan principal and interest shall be forgiven as follows:

(1) loan terms of one year shall require one year of practice. Upon completion of service, one hundred percent of the principal plus accrued interest shall be forgiven;

(2) loan terms of two years shall require one year of practice for each year of the loan. Upon completion of the first year of service, fifty percent of the principal plus accrued interest shall be forgiven. Upon completion of the second year of service, the remainder of

the principal plus accrued interest shall be forgiven; and

(3) for loan terms of three years or more, forty percent of the principal plus accrued interest shall be forgiven upon completion of the first year of service, thirty percent of the principal plus accrued interest shall be forgiven upon completion of the second year of service and the remainder of the principal plus accrued interest shall be forgiven upon completion of the third year of service.

F. A loan recipient shall serve a complete contract year in order to receive credit for that year. The minimum credit for a year shall be established by the commission.

G. If a loan recipient completes his teacher preparation program and does not serve in a New Mexico public school, the commission shall assess a penalty of up to three times the principal due, plus eighteen percent interest, unless the commission finds acceptable extenuating circumstances that prevent the loan recipient from serving. If the commission does not find acceptable extenuating circumstances for the loan recipient's failure to carry out his declared intent to serve, the commission shall require immediate repayment of the unpaid principal amount of the loan plus accrued interest owed the state plus the amount of any penalty assessed pursuant to this section.

H. The commission shall adopt and promulgate

rules to implement the provisions of this section. The rules may provide for the repayment of loans in annual or other periodic installments.

Section 7. CONTRACTS--LEGAL ASSISTANCE--ENFORCEMENT.--

The general form of the contract shall be prepared and approved by the attorney general and signed by the loan recipient and a designee of the commission on behalf of the state. The commission is vested with full and complete authority and power to sue in its own name for any balance due the state from a loan recipient on a contract.

Section 8. FUND CREATED--METHOD OF PAYMENT.--The

"teacher loan for service fund" is created in the state treasury. Money appropriated for loans pursuant to the Teacher Loan for Service Act; earnings from investment of the fund; gifts, grants and donations to the fund; and all payments of principal and interest on loans made pursuant to that act shall be deposited in the fund. Money in the fund shall not revert at the end of a fiscal year. The fund shall be administered by the commission. All payments of money for loans shall be made on warrants drawn by the secretary of finance and administration pursuant to vouchers signed by the commission's designated representative.

Section 9. CANCELLATION.--The commission may cancel a

contract between it and a loan recipient for any reasonable cause deemed sufficient by the commission.

