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SENATE BILL 214

46TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2003

INTRODUCED BY

Linda M. Lopez

AN ACT

RELATING TO THE PRACTICE OF MEDICINE; AMENDING THE MEDICAL
STUDENT LOAN FOR SERVICE ACT TO PROVIDE FOR LOANS TO MEDICAL
STUDENTS SPECIALIZING IN CERTAIN FIELDS WHO AGREE TO PRACTICE
IN NEW MEXICO; PROVIDING AN INCOME TAX EXEMPTION FOR STIPENDS
RECEIVED PURSUANT TO THE HEALTH SERVICE CORPS ACT; MAKING AN
APPROPRIATION.

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

Section 1. A new section of the Income Tax Act is enacted
to read:

" [NEW MATERIAL] EXEMPTION-- STIPENDS RECEIVED PURSUANT TO
THE HEALTH SERVICE CORPS ACT. --Stipends received from the New
Mexico health service corps pursuant to the Health Service
Corps Act are exempt from taxation. "

Section 2. Section 21-1-26.8 NMSA 1978 (being Laws 1995,
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1 Chapter 144, Section 1) is amended to read:

2 "21-1-26. 8. HEALTH PROFESSION ADVISORY COMMITTEE--
3 CREATED--DUTIES. --

4 A. The "health profession advisory committee" is
5 created to advise the commission on higher education on matters
6 relating to the administration of student loan programs for
7 health professionals. [~~The health profession advisory
8 committee replaces the medical shortage area committee.~~]

9 B. The health profession advisory committee shall
10 be composed of a representative of the department of health; a
11 representative of the New Mexico health policy commission; and
12 representatives of public post-secondary health and medical
13 training programs, underserved health and medical area
14 providers, recruiting and placement organizations and
15 professional health and medical associations. Members shall be
16 appointed by the commission on higher education pursuant to the
17 policies and procedures of the commission.

18 C. The health profession advisory committee shall:

19 (1) designate health professional shortage
20 areas of the state;

21 (2) designate those fields of specialization
22 within the practice of medicine in which the state is suffering
23 an acute shortage;

24 [~~(2)~~] (3) make recommendations to the
25 commission on higher education on applicants for medical,

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1 osteopathic, nursing and allied health loan for service
2 programs and loan repayment programs; and

3 [~~(3)~~] (4) give advice or other assistance to
4 the commission as requested. "

5 Section 3. Section 21-22-2 NMSA 1978 (being Laws 1975,
6 Chapter 244, Section 2, as amended) is amended to read:

7 "21-22-2. [~~PURPOSE--COMMITTEE~~] PURPOSES. -- The [~~purpose~~]
8 purposes of the Medical Student Loan for Service Act [~~is~~] are:

9 A. to meet the emergency currently existing
10 resulting from the shortage of medical doctors and physician
11 assistants in the less populated areas of the state by
12 [~~increasing the number of practitioners in rural areas through~~
13 ~~a program of loans for medical and physician assistant~~
14 ~~students. The program shall require as a condition of each~~
15 ~~loan that the student declare his intent that after licensure~~
16 ~~he will commence his~~] providing loans to medical and physician
17 assistant students who declare that, after licensure, they will
18 commence the practice of medicine within one of [the] those
19 areas of the state designated by the health profession advisory
20 committee; and

21 B. to meet the current emergency resulting from the
22 acute shortage of certain medical specialists throughout the
23 state by providing loans to those students who declare that,
24 after licensure, they will commence the practice of medicine
25 within New Mexico and specialize in one of the fields of

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1 medicine in which an acute shortage has been designated by the
2 health profession advisory committee. "

3 Section 4. Section 21-22-4 NMSA 1978 (being Laws 1975,
4 Chapter 244, Section 4, as amended) is amended to read:

5 "21-22-4. MEDICAL STUDENT LOANS--COMMISSION [~~ON-HIGHER~~
6 ~~EDUCATION]~~ AUTHORIZED--QUALIFICATIONS. --

7 A. The commission is authorized to grant a loan to
8 defray the expenses of the medical education of a student
9 deemed qualified by the commission to receive the medical
10 education, upon such terms and conditions as may be imposed by
11 regulations of the commission.

12 B. The commission shall only receive, pass upon and
13 allow or disallow those applications for loans made by those
14 students enrolled or accepted by colleges of medicine who are
15 bona fide citizens and residents of the United States and of
16 New Mexico and who declare their intent to practice as
17 physicians within designated areas of the state.

18 C. The commission shall make a full and careful
19 investigation of the ability, character and qualifications of
20 each applicant and determine his fitness to become a recipient
21 of a student loan. The investigation of each applicant shall
22 include an investigation of the ability of the applicant and
23 his parents or guardians to pay the applicant's expenses for a
24 medical education. The commission shall give preference to
25 qualified applicants who are unable, or whose parents or

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1 guardians are unable, to pay the applicant's expenses in
2 obtaining a medical education.

3 D. The loan agreement shall provide that the
4 commission shall arrange for loan recipients to receive
5 assistance in locating, planning and implementing the
6 establishment and maintenance of a medical practice [in a
7 designated underserved area]. "

8 Section 5. Section 21-22-6 NMSA 1978 (being Laws 1975,
9 Chapter 244, Section 6, as amended) is amended to read:

10 "21-22-6. MEDICAL STUDENT LOANS--CONTRACT TERMS--
11 REPAYMENT. --

12 A. [~~Each~~] An applicant who is approved for a loan
13 by the commission may be granted a loan, in such amounts and
14 for such periods as determined by the commission, with which to
15 defray expenses incurred in obtaining a medical education at
16 any reputable and accredited medical school in the United
17 States if the applicant files with the commission a declaration
18 of his intent:

19 (1) to practice his profession as a licensed
20 physician or physician assistant in areas of New Mexico
21 designated as not being adequately served by medical
22 practitioners; or

23 (2) to practice medicine within New Mexico and
24 specialize in one of the fields of medicine in which an acute
25 shortage has been designated by the health profession advisory

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1 committee.

2 B. The [~~loans~~] loan shall not exceed the necessary
3 expenses incurred while attending a medical school or college
4 and shall bear interest at the rate of:

5 (1) eighteen percent per year if the student
6 completes his medical education and no portion of the principal
7 and interest is forgiven pursuant to Subsection E or F of this
8 section; and

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

10 C. The loan shall be evidenced by a contract
11 between the student and the commission acting on behalf of the
12 state. The contract shall provide for the payment by the state
13 of a stated sum covering the costs of a medical education and
14 shall be conditioned upon the repayment of the loan to the
15 state, together with interest, over a period established by the
16 commission in consultation with the student after completion of
17 medical school and any period of internship or residency
18 required to complete the student's education. The contract
19 shall further provide that, immediately upon completion or
20 termination of the student's medical education, all interest
21 then accrued shall be capitalized.

22 D. Loans made to students who fail to complete
23 their medical education as agreed to in the contract shall
24 become due, together with interest, immediately upon
25 termination of their medical education. The commission, in

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1 consultation with the student, shall establish terms of
2 repayment, alternate service or cancellation [~~terms~~].

3 E. For recipients who agree to practice in a
4 designated health professional shortage area, the contract
5 shall provide that the commission shall forgive a portion of
6 the loan principal and interest for each year that a loan
7 recipient practices his profession as a licensed physician or
8 physician assistant in areas approved by the health profession
9 advisory committee as not being adequately served by medical
10 practitioners. Loan principal and interest shall be forgiven
11 as follows:

12 (1) loan terms of one year shall require one
13 year of practice in a designated health professional shortage
14 area. Upon completion of service, one hundred percent of the
15 principal plus accrued interest shall be forgiven;

16 (2) loan terms of two years shall require one
17 year of practice in a designated health professional shortage
18 area for each year of the loan. Upon completion of the first
19 year of service, fifty percent of the principal plus accrued
20 interest shall be forgiven. Upon completion of the second year
21 of service, the remainder of the principal plus accrued
22 interest shall be forgiven; and

23 (3) for loan terms of three years or more,
24 forty percent of the principal plus accrued interest shall be
25 forgiven upon completion of the first year of service in a

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1 designated health professional shortage area, thirty percent of
2 the principal plus accrued interest shall be forgiven upon
3 completion of the second year of service and the remainder of
4 the principal plus accrued interest shall be forgiven upon
5 completion of the third year of service.

6 F. For recipients who agree to specialize in one of
7 the fields of medicine in which an acute shortage has been
8 designated by the health profession advisory committee, the
9 contract shall specify the number of years that the recipient
10 agrees to practice in New Mexico, provided that the specified
11 number of years shall not be less than two. The contract shall
12 also provide that the commission shall forgive the loan
13 principal and interest as follows:

14 (1) loan terms of two years shall require two
15 years of practice in New Mexico, specializing in one of the
16 fields of medicine in which an acute shortage has been
17 designated. Upon completion of service, one hundred percent of
18 the principal plus accrued interest shall be forgiven; and

19 (2) loan terms of three years or more shall
20 require that a proportionate amount of the principal and
21 accrued interest shall be forgiven for each year of practice in
22 New Mexico, specializing in one of the fields of medicine in
23 which an acute shortage has been designated, provided that no
24 principal or interest shall be forgiven if the recipient
25 practices less than two years.

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1 ~~[F-]~~ G. Recipients shall serve a complete year in
2 order to receive credit for that year. The minimum credit for
3 a year shall be established by the commission.

4 ~~[G-]~~ H. If a loan recipient completes his
5 professional education and does not serve ~~[in a health~~
6 ~~professional shortage area]~~ pursuant to the terms of the
7 contract, the commission shall assess a penalty of up to three
8 times the principal due, plus eighteen percent interest, unless
9 the commission finds acceptable extenuating circumstances for
10 why the student cannot serve. If the commission does not find
11 acceptable extenuating circumstances for the student's failure
12 to carry out his declared intent to serve ~~[in a health~~
13 ~~professional shortage area in the state]~~ pursuant to the terms
14 of the contract, the commission shall require immediate
15 repayment of the unpaid principal amount of the loan plus
16 accrued interest owed the state plus the amount of any penalty
17 assessed pursuant to this subsection.

18 ~~[H-]~~ I. The commission shall adopt regulations to
19 implement the provisions of this section. The regulations may
20 provide for the repayment of medical student loans in annual or
21 other periodic installments. "

22 Section 6. APPROPRIATION. -- Five hundred thousand dollars
23 (\$500,000) is appropriated from the general fund to the medical
24 student loan for service fund for expenditure in fiscal year
25 2004 for the purpose of making loans pursuant to the Medical

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1 Student Loan for Service Act to students who agree to practice
2 in New Mexico and specialize in one of the fields of medicine
3 in which an acute shortage has been designated. Any unexpended
4 or unencumbered balance remaining at the end of fiscal year
5 2004 shall revert to the general fund.

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