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FISCAL IMPACT REPORT

SPONSOR: Varela DATE TYPED: 03/02/03 HB 851

SHORT TITLE: Student Loan Payback Provisions SB _____

ANALYST: Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	Revenue Increase		Recurring	Federal Funds

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
Commission on Higher Education (CHE)

SUMMARY

Synopsis of Bill

The bill changes the names of the state loan-for-service student financial aid programs, along with corresponding fund names, as follows:

- Minority Doctoral Assistance Loan for Service Program to *Minority Doctoral Assistance Service Program*
- Medical Student Loan for Service Program to *Medical Student Service Program*
- Osteopathic Medical Student Loan for Service Program to *Osteopathic Medical Student Service Program*
- Nursing Student Loan for Service Program to *Nursing Student Service Program*
- Allied Health Student Loan for Service Program to *Allied Health Student Service Program*
- Teacher Loan for Service Program to *Teacher Service Program*

For all New Mexico student financial aid programs, including the Western Interstate Commission on Higher Education (WICHE), the interest rate applied to student loans is changed to 7

percent. For medical students, osteopathic medical students, nursing students, allied health students and teaching students, the penalty for noncompliance with the service requirement is reduced to up to two times the principal plus seven percent interest, down from the current penalty of up to three times principal plus eighteen percent interest.

New language would apply to nursing students in non-compliance; these borrowers would be assessed a penalty of up to two times principal plus seven percent interest with total loan, interest and penalty immediately due unless CHE finds acceptable extenuating circumstances.

FISCAL IMPLICATIONS

No appropriation is included in the bill; however, CHE notes the potential for an increase in federal matching funds resulting from the name changes.

ADMINISTRATIVE IMPLICATIONS

CHE notes the bill would require modifications to the loan tracking system.

OTHER SUBSTANTIVE ISSUES

These programs seek to increase the number of professionals in shortage areas of the state by providing educational loans to qualifying students. As a condition of the loan, the student must practice in a designated shortage area in the state. Penalties apply for failure to provide reciprocating service.

CHE notes a downward trend in participation in these programs for five fiscal years; however, in the current year, the programs posted a five percent increase in participation. This uptick could be indicative of the national pattern of significant increases in enrollment applications in many fields, due in part to the national economic downturn.

POSSIBLE QUESTIONS

1. What is the intent of the Legislature with respect to the type of extenuating circumstances for nursing students by which non-compliance penalties could be waived?

AW/sb