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FISCAL IMPACT REPORT

SPONSOR: Stewart DATE TYPED: 3/7/03 HB HJR 5

SHORT TITLE: Loans for Teacher Preparation Programs, CA SB _____

ANALYST: Chavez

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
NFI	NFI		\$32.0	Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HJR 6

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

Commission on Higher Education (CHE)
 State Department of Education (SDE)
 LFC Files

SUMMARY

Synopsis of Bill

House Joint Resolution 5 amends Article 9, Section 14 of the New Mexico Constitution to permit the state to establish a Teachers' Loan-for-Service program for students enrolled in teacher preparation programs at regionally accredited postsecondary education institutions in New Mexico. In exchange for being granted loans, candidates completing the preparation programs would commit to the state to work as teachers for a number of years and within areas of the state to be designated by law.

Significant Issues

The Commission on Higher Education (CHE) was authorized by a statute enacted in the 2001 legislative session to establish and administer the Teachers' Loan-for-Service Program. Section 21-22E-1 through 21-22E-10 NMSA 1978 establishes the Teacher Loan for Service Act.

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Section 21-22E-2 in the Teacher Loan for Service Act states “*the purpose of the 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.*”

Pursuant to statutory authority CHE has funded the following participants: in FY02, 18 participants and in FY03, 46 participants. CHE states that awards are dependent upon the relative need of the student, but may not exceed \$4,000 per academic year for five consecutive years (maximum of \$20,000).

Section 21-22E-6 of the Act states that loan principal and interest shall be forgiven as follows:

1. Loan terms of 1 year shall require 1 year of practice. Upon completion of service, 100% of the principal plus accrued interest shall be forgiven;
2. Loan terms of 2 years shall require 2 years of practice. Upon completion of the 1st year 50% of the principal plus accrued interest shall be forgiven; Upon completion of the 2nd year, the remainder shall be forgiven; and
3. Loan terms of 3 years or more; 40% of the principal plus accrued interest shall be forgiven upon the completion of the 1st year of service, 30% shall be forgiven upon completion of the 2nd year and the remainder shall be forgiven upon completion of the 3rd year of service.

It remains unclear whether the existing program can be continued without constitutional authority. This amendment to the constitution would provide the authority for the continuation of the loan program, since a constitutional amendment is necessary in order to authorize expenditure of public funds to private individuals. Article 9, Section 14 of the New Mexico Constitution states “*Neither the state nor any county, school district or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person, association. . .*”

This is one of several strategies being introduced to address the teacher shortage in New Mexico.

New Mexico faces an increasingly critical teacher shortage. Recent research by CHE and SDE indicates:

- More than 2100 teachers in New Mexico are on waivers, are teaching out of their field, or are long-term substitutes.
- More than 1600 teachers resigned between the 1999-2000 school year and the 2000-2001 school year. This does not include the more than 400 teachers who retired during that same time.
- New Mexico's school districts had over 60 percent more vacancies at the beginning of the 2000-2001 school year than they had at the beginning of the 1999-2000 school year.
- Over 600 new teachers (in their first three years of teaching) left between the 1999-2000 school year and the 2000-2001 school year.
- Despite a significant increase in 2001, New Mexico teacher salaries are among the lowest in the nation.
- New teachers are more likely to experience success and stay in the profession when they participate in effective mentoring programs.

This legislation was endorsed by the Legislative Education Study Committee.

FISCAL IMPLICATIONS

The Teachers' Loan-for-Service Program is funded from the general fund to CHE in its Financial Aid Program budget. This program for FY04 was funded at \$99.8, the same as the FY03 budget. There was a fund balance increase of 36% and there was a 24.5% increase in the budget recommendation. The impact to the general fund would be a continuance of the money which has been appropriated to CHE in the past fiscal years.

An estimated non-recurring cost to the general fund of \$32.0 is also expected because of the cost to the Secretary of State for advertising and printing to place an item on the ballot. This non-recurring cost will likely be realized in FY05 since the next general election is in November of 2004, unless a special election is called prior to the general election for this purpose.

ADMINISTRATIVE IMPLICATIONS

CHE indicates that since the Teachers' Loan-for-Service is already in place, there will be no additional administrative impact on CHE.

RELATIONSHIP

House Joint Resolution 5 is related to HJR6 which amends the New Mexico Constitution to permit the state to establish a Teacher Loan Repayment Program for persons who are licensed or certified as elementary or secondary teachers.

TECHNICAL ISSUES

It was suggested by the State Department of Education (SDE) that on line 1, page 3, the term "graduate" be replaced with "post baccalaureate." The SDE states that graduate level teacher preparation programs could mean earning a masters or doctorate in education, whereas many people will be working just toward teacher licensure by taking undergraduate level coursework, even at community colleges in alternative licensure programs, even though they already hold a bachelors degree. SDE suggests that the better terminology would be to specify a loan program for undergraduates and post baccalaureate students in teacher preparation programs. SDE believes that otherwise the voters might think they are being asked to help pay for advanced education degrees such as doctorates.

FC/yr:sb