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FISCAL IMPACT REPORT

ORIGINAL DATE 2/05/06

SPONSOR Powdrell-Culbert LAST UPDATED 2/09/06 HB 449/aHEC

SHORT TITLE Info Technology Student Loan for Service Act SB _____

ANALYST Williams

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$80.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	\$80.0		Recurring	Information Technology Student Loan for Service Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Office of the Attorney General (AG)
 State Personnel Office (SPO)
 Higher Education Department (HED)
 Public Education Department (PED)

SUMMARY

Synopsis of HEC Amendment

The House Education Committee amendment provides a purpose for the new student financial aid program for information technology (IT) students: “The purpose of the Information Technology Student Loan for Service Act is to proactively address the shortage of state employees proficient in information technology by providing students with the financial means to complete or enhance their postgraduate education in information technology.”

The amendment restricts the program to public, post-secondary institutions. Finally, the amendment renumbers sections and section references as appropriate.

Synopsis of Original Bill

House Bill 449 authorizes a new state student financial aid program for information technology (IT) students. The loan-for-service program for postgraduate program students would provide loans to students who agree to work in New Mexico state government IT jobs for a designated period after graduation. Loan forgiveness would be according to the following schedule:

- one year loan term: one year of loan principal for one year of qualifying state government employment;
- two year loan term: one year of service for one year of the loan, with the remainder plus accrued interest after completion of the second year of service.

HED would establish eligibility terms and conditions. HED is authorized to investigate the ability, character and qualifications of each applicant to determine eligibility, including a review of the applicants ability to pay the expenses of an IT program, with preference provided to qualified applicants who are unable to pay. HED is authorized to promulgate rules on repayment and may require annual or other periodic installments. HED is also authorized to cancel any contract for “reasonable cause.” HED must report annually to the governor and biannually to the legislature on: Activities, student loans granted, names and addresses of participating students, names and job sites for students engaged in service.

Students would enter into a contract prepared by the attorney general and signed by HED. Students who do not graduate must pay the loan plus 7 percent interest immediately upon program termination. HED is authorized to determine repayment terms, alternate service or cancellation terms. For students who graduate, but do not complete the state government service component, HED shall assess a penalty of up to three times the principal due, plus eighteen percent interest, unless there are “acceptable extenuating circumstances”. Payment would be due immediately.

The bill creates the information technology student loan for service fund, to which repayments are made and appropriates \$80 thousand dollars from the general fund to the information technology student loan to initiate the program.

FISCAL IMPLICATIONS

The appropriation of \$80.0 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2007 shall **not** revert to the general fund.

Continuing Appropriations language

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

The Attorney General notes the bill “would likely be found unconstitutional as violative of Article IX, Section 14 of the New Mexico Constitution (the antidonation clause) because, unless the loan recipients will be working for the state for free, forgiving the loan would likely constitute a donation. It should be noted that the Medical Student Loan for Service Act was enacted in 1975 following voter approval of an amendment to the antidonation clause that authorized that type of loan program.”

The Office of the Attorney General also notes: “To the extent this loan program would be used to pay a student’s expenses at a sectarian (religious) school, this bill might also run afoul of the First Amendment to the U.S. Constitution. See AG Op. 79-7 (1979).”

SPO notes “The recruitment and retention of qualified information technology staff is an ongoing issue in state government and within the private sector. SPO continues to use Alternative Pay Bands to compete with the surrounding job market in attracting a qualified pool of information technology professionals for state government.”

ADMINISTRATIVE IMPLICATIONS

The Office of the Attorney General notes the bill would result in additional cost to the agency.

HED notes implementation of the new program would require one additional staff person.

OTHER SUBSTANTIVE ISSUES

The bill is modeled on the Medical Student Loan for Service program.

HED notes “this request was not in the list of priority projects recommended by the New Mexico Higher Education Department for FY07. It was not part of the Department’s recommendations.”

HED notes “Information Technology Association of America (ITAA) concluded that there are about 190,000 unfilled information technology (IT) jobs in the United States today due to a shortage of qualified workers. In another study, conducted by Coopers and Lybrand, nearly half the CEOs of Americas fastest growing companies reported that they had inadequate numbers of information technology workers to staff their operations.”

POSSIBLE QUESTIONS

1. What performance measures would be utilized to assess program outcomes?

AW/yr