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**SENATE BILL 187**

**45TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2001**

**INTRODUCED BY**

**Joseph J. Carraro**

**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; MAKING AN  
APPROPRIATION.**

**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 qualified students with the  
financial means to complete their post-secondary teacher  
preparation education.

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

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

3           B. "loan" means a payment of money under contract  
4 between the commission and a student that defrays the costs  
5 incidental to a state board of education-approved teacher  
6 preparation program offered in a regionally accredited post-  
7 secondary educational institution in New Mexico and that  
8 requires repayment in services;

9           C. "loan recipient" means an applicant approved  
10 for a loan pursuant to the provisions for the Teacher Loan for  
11 Service Act; and

12           D. "student" means a United States citizen who is  
13 enrolled in or accepted by an undergraduate or graduate state  
14 board of education-approved teacher preparation program in a  
15 regionally accredited post-secondary educational institution  
16 in New Mexico.

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

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

22           B. The commission shall only receive, pass upon  
23 and allow or disallow an application for a loan made by a  
24 student who declares his intent to serve as a public school  
25 teacher in New Mexico.

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

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

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

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

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

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

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

25                   (2) seven percent per year in all other

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1 cases.

2 C. The loan shall be evidenced by a contract  
3 between the loan recipient and the commission acting on behalf  
4 of the state. The contract shall provide for the payment by  
5 the state of a stated sum covering the costs of a teacher  
6 preparation program and shall be conditioned on the repayment  
7 of the loan to the state, together with interest, over a  
8 period established by the commission after the completion of  
9 the teacher preparation program and any postgraduate study or  
10 internship required to complete the loan recipient's  
11 education. The contract shall further provide that  
12 immediately upon completion or termination of the loan  
13 recipient's education, all interest then accrued shall be  
14 capitalized.

15 D. A loan made to a loan recipient who fails to  
16 complete his teacher preparation program shall become due,  
17 together with interest, immediately upon termination of his  
18 teacher preparation program. The contract shall provide that  
19 the loan recipient shall immediately notify the commission of  
20 his failure to complete his teacher program. The commission,  
21 in consultation with the loan recipient, shall establish terms  
22 of repayment, alternate service or cancellation terms.

23 E. The contract shall provide that the commission  
24 shall forgive a portion of the loan principal and interest for  
25 each year that the loan recipient practices his profession as

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1 a licensed teacher in New Mexico. Loan principal and interest  
2 shall be forgiven as follows:

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

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

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

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

24 G. If a loan recipient completes his teacher  
25 preparation program and does not serve in a New Mexico public

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1 school, the commission shall assess a penalty of up to three  
2 times the principal due, plus eighteen percent interest,  
3 unless the commission finds acceptable extenuating  
4 circumstances that prevent the loan recipient from serving.  
5 If the commission does not find acceptable extenuating  
6 circumstances for the loan recipient's failure to carry out  
7 his declared intent to serve, the commission shall require  
8 immediate repayment of the unpaid principal amount of the loan  
9 plus accrued interest owed the state plus the amount of any  
10 penalty assessed pursuant to this section.

11 H. The commission shall adopt and promulgate rules  
12 to implement the provisions of this section. The rules may  
13 provide for the repayment of loans in annual or other periodic  
14 installments.

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

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

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

23 "teacher loan for service fund" is created in the state  
24 treasury. Money appropriated for loans pursuant to the  
25 Teacher Loan for Service Act; earnings from investment of the

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1 fund; gifts, grants and donations to the fund; and all  
2 payments of principal and interest on loans made pursuant to  
3 that act shall be deposited in the fund. Money in the fund  
4 shall not revert at the end of a fiscal year. The fund shall  
5 be administered by the commission. All payments of money for  
6 loans shall be made on warrants drawn by the secretary of  
7 finance and administration pursuant to vouchers signed by the  
8 commission's designated representative.

9 Section 9. CANCELLATION. --The commission may cancel a  
10 contract between it and a loan recipient for any reasonable  
11 cause deemed sufficient by the commission.

12 Section 10. REPORTS. --The commission shall report  
13 annually by January 1 to the governor and the legislature on  
14 its activities pursuant to the Teacher Loan for Service Act,  
15 including the loans granted, the names of loan recipients, the  
16 teacher preparation programs loan recipients are attending and  
17 the names and locations of practice of loan recipients who  
18 have completed their teacher preparation education and are  
19 teaching.

20 Section 11. APPROPRIATION. --Six hundred thousand dollars  
21 (\$600,000) is appropriated from the general fund to the  
22 teacher loan for service fund for expenditure in fiscal year  
23 2002 and subsequent fiscal years to carry out the purposes of  
24 the Teacher Loan for Service Act. Any unexpended or  
25 unencumbered balance at the end of a fiscal year shall not

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1 revert to the general fund.

2 Section 12. EFFECTIVE DATE. -- The effective date of the  
3 provisions of this act is July 1, 2001.

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