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HOUSE BILL 306

52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016

INTRODUCED BY

John L. Zimmerman

AN ACT

RELATING TO HIGHER EDUCATION; EXPANDING STUDENT LOAN FOR
SERVICE ELIGIBILITY TO NEW MEXICO RESIDENTS WHO ARE ENROLLED IN
A SCHOOL OR COLLEGE OF OSTEOPATHIC MEDICINE AND WHO DECLARE AN
INTENTION TO PRACTICE WITHIN A DESIGNATED HEALTH PROFESSIONAL
SHORTAGE AREA.

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

SECTION 1. Section 21-22-1 NMSA 1978 (being Laws 1975,
Chapter 244, Section 1, as amended) is amended to read:

"21-22-1. SHORT TITLE.--Chapter 21, Article 22 NMSA 1978
may be cited as the "Medical and Osteopathic Student Loan for
Service Act"."

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

"21-22-2. PURPOSE.--The purpose of the Medical and

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1 Osteopathic Student Loan for Service Act is to meet the
2 emergency currently existing resulting from the shortage of
3 medical doctors, osteopathic physicians and physician
4 assistants in the less populated areas of the state by
5 increasing the number of practitioners in rural areas through a
6 program of loans for medical, osteopathic and physician
7 assistant students. The program shall require as a condition
8 of each loan that the student declare [~~his~~] the intent that
9 after licensure [~~he~~] the student will commence [~~his~~] the
10 practice of medicine or osteopathic medicine within one of the
11 areas of the state designated by the [~~commission~~] department."

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

14 "21-22-3. DEFINITIONS.--As used in the Medical and
15 Osteopathic Student Loan for Service Act:

16 A. [~~"commission"~~] "department" means the
17 [~~commission on~~] higher education department;

18 B. "loan" means a grant of funds to defray the
19 costs incidental to a medical or osteopathic education, under a
20 contract between the [~~commission~~] department and a [~~medical~~]
21 student, requiring either repayment with interest or repayment
22 in services; [~~and~~]

23 C. "physician assistant" means a person licensed
24 pursuant to the provisions of the Physician Assistant Act or
25 the Osteopathic Physicians' Assistants Act; and

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1 [~~G-~~] D. "student" means a resident of New Mexico
2 who is a student enrolled in a school or college of medicine or
3 osteopathic medicine."

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

6 "21-22-4. MEDICAL AND OSTEOPATHIC STUDENT LOANS--
7 [COMMISSION ON HIGHER EDUCATION] DEPARTMENT AUTHORIZED--
8 QUALIFICATIONS.--

9 A. The [~~commission~~] department is authorized to
10 grant a loan to defray the expenses of the medical or
11 osteopathic education of a student deemed qualified by the
12 [~~commission~~] department to receive the medical or osteopathic
13 education, upon such terms and conditions as may be imposed by
14 regulations of the [~~commission~~] department.

15 B. The [~~commission~~] department shall only receive,
16 pass upon and allow or disallow those applications for loans
17 made by those students enrolled or accepted by schools or
18 colleges of medicine or osteopathic medicine who are bona fide
19 citizens and residents of the United States and of New Mexico
20 and who declare their intent to practice as physicians,
21 osteopathic physicians or physician assistants within
22 designated areas of the state.

23 C. The [~~commission~~] department shall make a full
24 and careful investigation of the ability, character and
25 qualifications of each applicant and determine [~~his~~] the

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1 applicant's fitness to become a recipient of a student loan.
2 The investigation of each applicant shall include an
3 investigation of the ability of the applicant and [~~his~~] the
4 applicant's parents or guardians to pay the applicant's
5 expenses for a medical or osteopathic education. The
6 [~~commission~~] department shall give preference to qualified
7 applicants who are unable, or whose parents or guardians are
8 unable, to pay the applicant's expenses in obtaining a medical
9 or osteopathic education.

10 D. The [~~commission~~] department shall arrange for
11 loan recipients to receive assistance in locating, planning and
12 implementing the establishment and maintenance of a medical or
13 osteopathic practice in a designated underserved area."

14 SECTION 5. Section 21-22-6 NMSA 1978 (being Laws 1975,
15 Chapter 244, Section 6, as amended by Laws 2005, Chapter 321,
16 Section 2 and by Laws 2005, Chapter 323, Section 1) is amended
17 to read:

18 "21-22-6. MEDICAL AND OSTEOPATHIC STUDENT LOANS--CONTRACT
19 TERMS--REPAYMENT.--

20 A. Each applicant who is approved for a loan by the
21 [~~commission~~] department may be granted a loan, in such amounts
22 and for such periods as determined by the [~~commission~~]
23 department, with which to defray expenses incurred in obtaining
24 a medical or osteopathic education at any reputable and
25 accredited [~~medical school~~] school or college of medicine or

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1 osteopathic medicine in the United States if the applicant
2 files with the [~~commission~~] department a declaration of [~~his~~]
3 intent to practice [~~his profession~~] as a licensed physician,
4 osteopathic physician or physician assistant in [~~areas~~] an area
5 of New Mexico designated as [~~not being adequately served by~~
6 ~~medical practitioners~~] a health professional shortage area.

7 B. The loans shall not exceed the necessary
8 expenses incurred while attending a medical school or college
9 of osteopathic medicine and shall bear interest at the rate of:

10 (1) eighteen percent per year if the student
11 completes [~~his~~] the student's medical or osteopathic education
12 and no portion of the principal and interest is forgiven
13 pursuant to Subsection F of this section; and

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

15 C. Loans made pursuant to the Medical and
16 Osteopathic Student Loan for Service Act shall not accrue
17 interest until the department:

18 (1) [~~the commission~~] determines the loan
19 recipient has terminated the recipient's medical or osteopathic
20 education prior to completion;

21 (2) [~~the commission~~] determines the loan
22 recipient has failed to fulfill the recipient's obligation to
23 serve in a health professional shortage area; or

24 (3) [~~the commission~~] cancels a contract
25 between a student and the [~~commission~~] department pursuant to

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1 Section 21-22-9 NMSA 1978.

2 D. The loan shall be evidenced by a contract
3 between the student and the [~~commission~~] department acting on
4 behalf of the state. The contract shall provide for the
5 payment by the state of a stated sum covering the costs of a
6 medical or osteopathic education and shall be conditioned upon
7 the repayment of the loan to the state over a period
8 established by the [~~commission~~] department in consultation with
9 the student after completion of the student's medical [~~school~~
10 ~~and~~] or osteopathic education, including any period of
11 internship or residency required to complete the student's
12 education.

13 E. Loans made to students who fail to complete
14 their medical or osteopathic education shall become due
15 immediately upon termination of their medical or osteopathic
16 education. The [~~commission~~] department, in consultation with
17 the student, shall establish terms of repayment, alternate
18 service or cancellation terms.

19 F. The contract shall provide that the [~~commission~~]
20 department shall forgive a portion of the loan for each year
21 that a loan recipient practices [~~his profession~~] as a licensed
22 physician, osteopathic physician or physician assistant in
23 areas approved by the [~~commission~~] department as [~~not being~~
24 ~~adequately served by medical practitioners~~] health professional
25 shortage areas. The loan shall be forgiven as follows:

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1 (1) loan terms of one year shall require one
2 year of practice in a designated health professional shortage
3 area. Upon completion of service, one hundred percent of the
4 loan shall be forgiven;

5 (2) loan terms of two years shall require one
6 year of practice in a designated health professional shortage
7 area for each year of the loan. Upon completion of the first
8 year of service, fifty percent of the loan shall be forgiven.
9 Upon completion of the second year of service, the remainder of
10 the loan shall be forgiven; and

11 (3) for loan terms of three years or more,
12 forty percent of the loan shall be forgiven upon completion of
13 the first year of service in a designated health professional
14 shortage area, thirty percent of the loan shall be forgiven
15 upon completion of the second year of service and the remainder
16 of the loan shall be forgiven upon completion of the third year
17 of service.

18 G. Recipients shall serve a complete year in order
19 to receive credit for that year. The minimum credit for a year
20 shall be established by the [~~commission~~] department.

21 H. If a loan recipient completes [~~his~~] the
22 recipient's professional education and does not serve in a
23 health professional shortage area, the [~~commission~~] department
24 shall assess a penalty of up to three times the principal due,
25 plus eighteen percent interest, unless the [~~commission~~]

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1 department finds acceptable extenuating circumstances for why
2 the student cannot serve. If the [~~commission~~] department does
3 not find acceptable extenuating circumstances for the student's
4 failure to carry out [~~his~~] the declared intent to serve in a
5 health professional shortage area in the state, the
6 [~~commission~~] department shall require immediate repayment of
7 the loan plus the amount of any interest and penalty assessed
8 pursuant to this subsection.

9 I. The [~~commission~~] department shall adopt
10 [~~regulations~~] rules to implement the provisions of this
11 section. The [~~regulations~~] rules may provide for the repayment
12 of medical and osteopathic student loans in annual or other
13 periodic installments."

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

16 "21-22-8. FUND CREATED--METHOD OF PAYMENT.--There is
17 created in the state treasury the "medical and osteopathic
18 student loan for service fund". All money appropriated for
19 loans to medical and osteopathic students under the Medical and
20 Osteopathic Student Loan for Service Act shall be credited to
21 the fund. All payments of principal and interest on loans made
22 pursuant to that act received by the [~~commission~~] department
23 shall be deposited with the state treasurer to the credit of
24 the fund. All payments of funds for loans shall be made upon
25 vouchers signed by the designated representatives of the

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1 ~~[commission]~~ department."

2 **SECTION 7.** Section 21-22-10 NMSA 1978 (being Laws 1975,
3 Chapter 244, Section 10, as amended) is amended to read:

4 "21-22-10. REPORTS.--The ~~[commission]~~ department shall
5 make annual reports to the governor and to the legislature,
6 prior to each regular session, of its activities, the loans
7 granted, the names and addresses of persons to whom loans were
8 granted and the ~~[medical]~~ schools or colleges of medicine or
9 osteopathic medicine attended by those receiving the loans,
10 together with a list of the names and locations of practice of
11 those students who have completed their education and have
12 become licensed physicians, osteopathic physicians or physician
13 assistants in New Mexico as a result of a student loan pursuant
14 to the Medical and Osteopathic Student Loan for Service Act."

15 **SECTION 8.** EFFECTIVE DATE.--The effective date of the
16 provisions of this act is July 1, 2016.