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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 1/25/19  
**LAST UPDATED** 3/11/19     **HB** 275/HAFCS/aSFI#1

**SPONSOR** HAFC

**SHORT TITLE** College of Education Affordability     **SB** \_\_\_\_\_

**ANALYST** Fischer/Valenzuela

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		See Fiscal Implications				

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

#### SOURCES OF INFORMATION

LFC, HED Files  
 LFC FY20 Appropriation Recommendation

Responses Received From  
 Higher Education Department (HED)

#### SUMMARY

##### Synopsis of SFI#1 Amendment

The Senate Floor amendment to the House Appropriations & Finance Committee substitute for House Bill 275 (HB275) increases the maximum scholarship and loan repayment per teacher, per year from \$4,000 to \$6,000 under the Teacher Preparation Affordability Act.

If the teacher loan repayment fund transfers of House Bill 2 are enacted, then the teacher loan repayment fund would receive a \$12.5 million appropriation in FY19. Assuming 5 percent annual investment earnings, the fund would support loan repayment awards for 127 teachers annually at the new \$6,000 maximum level (for a total annual disbursement of \$760 thousand) while keeping the principal of the fund stable. The same is true for the teacher preparation/college of education affordability scholarship fund where, at 5 percent earnings, the fund could support 127, \$6,000 scholarships annually.

##### Synopsis of Original Bill

The House Appropriations & Finance Committee substitute for HB275 creates new scholarship

and loan opportunities to attract and retain teachers in New Mexico.

HB275 amends the **Teacher Loan Repayment Act** in three ways:

- 1) It defines qualified applicants as teachers that have taught in New Mexico for at least three years.
- 2) It directs HED to prioritize loan repayment awards to those teachers that fill “high-need” positions. It defines high-need teacher positions that are
  - a. for teachers that are endorsed and teach bilingual education, early education, special education, science, technology, engineering, mathematics, or career technical education;
  - b. for teachers who are minorities; and
  - c. in a public school that is low-performing or serves a high percentage of economically disadvantaged students.
- 3) It caps loan repayment awards to \$4,000 per year for a maximum of eight years (\$32 thousand maximum total award per teacher.)

In addition to teacher loan repayment, HB275 establishes a new scholarship fund for a **teacher preparation affordability scholarship**. The scholarship is directed to students at PED-approved teacher preparation programs at public and tribal New Mexico colleges and universities. Scholarships are to be in amounts of no more than \$4,000 per year per student for a maximum of five years. HED will administer the teacher preparation affordability scholarship fund, allocating scholarship funds to colleges and universities based on a formula that accounts for student need, the total number of students enrolled in each school’s teacher preparation program, and the percentage of returning adults enrolled in each school’s teacher preparation program. Colleges and universities are directed to prioritize scholarship awards to students who are English language learners, are minority students, or who have declared an intent to teach in a high-need teacher position. The scholarships would not require a service commitment or repayment.

## **FISCAL IMPLICATIONS**

Currently, the Teacher Loan Repayment program provides for \$6,000 of loan repayment per teacher, per year. HB275 reduces the amount to \$4,000 per year. Under current appropriation levels, HED data granted loan forgiveness awards of \$12 thousand each for eight and 12 students annually between academic years 2015 and 2019 (for a maximum annual expenditure of \$144 thousand annually). Applicants ranged in number between 67 and 171 over those years. It is unclear how many of those applicants would be eligible under the new HB275 criteria.

While this HB275 has no appropriation, House Bill 2 includes a \$25 million appropriation to the teacher loan repayment fund, of which \$12.5 million is to be transferred to the college of education affordability scholarship fund, contingent on enactment of HB275 or similar legislation. The introduced version of HB275 called the teacher preparation affordability scholarship by a different name—the college of education affordability scholarship. House Bill 2 will likely need to be amended to reflect the change in name of that scholarship and its associated fund.

If the teacher loan repayment fund appropriations of House Bill 2 are enacted, then the teacher loan repayment fund would receive a \$12.5 million appropriation in FY19. Assuming 5 percent annual investment earnings, the fund would support loan repayment awards for 190 teachers annually at the \$4,000 maximum level (for a total annual disbursement of \$760 thousand) while

keeping the principal of the fund stable. The same is true for the teacher preparation/college of education affordability scholarship fund where, at 5 percent earnings, the fund could support 190, \$4,000 scholarships annually.

### **SIGNIFICANT ISSUES**

Data from PED and HED indicate that between FY09 and FY18, 67 percent of students receiving loans under the teacher loan for service program defaulted – meaning students in teacher preparation program could not pay back their loan to HED. Due in part to these persistently high default rates, a 2015 LFC Evaluation recommended the Legislature consider repealing the Teacher Loan for Service Act and transfer any cash balances to the teacher loan repayment fund.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Relates to House Bill 120 which makes appropriations and continues the teacher loan for service program, specifically for students pursuing a career as bilingual educators.

### **OTHER SUBSTANTIVE ISSUES**

Federal Loan Forgiveness Impacts: HB275 creates potential substitution of state loan repayment with existing federal teacher loan repayment programs as a result of this bill. After five years of service, the federal teacher loan forgiveness program provides up to \$17.5 thousand of loan forgiveness for special education teachers at low-income schools. HED restricts state teacher loan repayment program participants from applying for the federal teacher loan forgiveness program until the completion of their service obligations to New Mexico. If HED forgives the loans of a borrower who could instead participate in the federal teacher loan forgiveness program, it may be substituting state expenditures for federal expenditures.

### **ALTERNATIVES**

House Bill 127 amends the College Affordability Act to increase the maximum amount of need-based scholarships to each eligible student from \$1 thousand per semester in an academic year to \$1,500. House Bill 2 includes a \$25 million appropriation to replenish the college affordability fund. As College Affordability Act scholarships are used to award need-based scholarships to students who do not qualify for other state grants, if both HB127 and HB275 are enacted, low-income students in teacher education preparatory programs would likely qualify for both the college affordability scholarship and the teacher preparation affordability scholarship.

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