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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/5/19

SPONSOR Ely LAST UPDATED \_\_\_\_\_ HB 336

SHORT TITLE Law Student Loan Maximum Annual Payment SB \_\_\_\_\_

ANALYST Valenzuela

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	None		

(Parenthesis ( ) Indicate Expenditure Decreases)

### 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				Public Service Law Loan Repayment Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Higher Education Department (NMHED)

### SUMMARY

#### Synopsis of Bill

House Bill 336 amends the Public Service Law Loan Repayment Act to eliminate the maximum cap of \$7,200.00 per year of service for participants in the system. The bill would require HED to determine the level of repayment for program participants.

Throughout HB336 all references to NMHED as the “commission” are changed to “department”.

## FISCAL IMPLICATIONS

Enactment of HB336 is not expected to have a fiscal impact, beyond the annual appropriation that is made to HED. Each year, the Legislature appropriates to HED more than \$22.2 million for student financial aid programs, such as the Public Service Law Loan Repayment Program (LRAP). The unexpended funds do not revert at the end of the year and HED has discretion on the allocation to specific programs.

HED has allocated \$281,200 for LRAP in the past as shown in the table below, which details the annual allocation and the demand. The unused appropriation is used for other student financial aid programs within HED’s purview.

	FY14	FY15	FY16	FY17	FY18
State Appropriation	\$281,200.00	\$281,200.00	\$281,200.00	\$223,667.00	\$170,000.00
Repayments (expenses)	(\$109,725.00)	(\$164,750.00)	(\$133,400.00)	(\$76,550.00)	(\$45,550.00)
Unused appropriation	\$171,475.00	\$116,450.00	\$147,800.00	\$147,117.00	\$124,450.00
					Source: LFC Files

The availability of the program to assist public service attorneys has been limited in the past because of the low ceiling on income eligibility requirements. According to HED, the appropriation supported 10 lawyers in FY18 and 24 lawyers in FY19. The increase spawned from the legislative change in 2018 to allow HED the discretion to increase the maximum allowable salary for a participant from \$55 thousand to \$75 thousand.

## SIGNIFICANT ISSUES

The program provides loan repayment assistance for legal education expenses of participating attorneys who meet employment eligibility: (1) employed at a non-profit organization that provides legal services for indigent persons in New Mexico; or (2) employed at the public defender department; or (3) employed at a district attorney's office. The salary for the participant may not be higher than \$75 thousand annually.

## PERFORMANCE IMPLICATIONS

Participants may receive repayment assistance for three years. Each year, HED verifies the participant has completed a full year of service and complies with program rules, prior to paying off \$7,200 of student loans for each participant. Participant are eligible to reapply for new 3-year contracts if eligibility is maintained.

## ADMINISTRATIVE IMPLICATIONS

HED administers the program. The change would require HED to make the determination on the annual award levels.

MFV/al