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SENATE BILL 38

**44TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION,
2000**

INTRODUCED BY
Cynthia Nava

FOR THE LEGISLATIVE EDUCATION STUDY COMMITTEE

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 teacher
education candidates with the financial means to complete
their post-secondary teacher preparation education.

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

A. "commission" means the commission on higher

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1 education;

2 B. "loan" means a payment of money under contract
3 between the commission and a student to defray the costs
4 incidental to a teacher preparation program offered in a New
5 Mexico institution of higher education and that requires
6 repayment in services; and

7 C. "student" means a United States citizen who is
8 enrolled in an undergraduate or graduate degree teacher
9 preparation program at a regionally accredited post-secondary
10 educational institution in New Mexico.

11 Section 4. TEACHER STUDENT LOANS AUTHORIZED--
12 QUALIFICATIONS.--

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

16 B. The commission shall only receive, pass upon
17 and allow or disallow an application for a loan made by a
18 student enrolled in or accepted by a teacher preparation
19 program approved by the state board of education and who
20 declares his intent to serve as a public school teacher in
21 New Mexico.

22 C. The commission shall make a full and careful
23 investigation of the ability and qualifications of each
24 applicant to become a recipient of a loan. The commission
25 shall give preference to qualified applicants who demonstrate
financial need.

D. The commission and the state department of

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1 public education shall arrange for loan recipients to receive
2 assistance in locating employment with a public school in New
3 Mexico.

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

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

9 A. Each applicant who is approved for a loan by
10 the commission may be granted a loan in such amounts and for
11 such periods as the commission determines. The loan shall
12 not exceed the necessary expenses incurred while attending a
13 teacher preparation program.

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

15 (1) eighteen percent per year if the student
16 completes his teacher preparation program and no portion of
17 the principal and interest is forgiven pursuant to Subsection
18 E of this section; or

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

21 C. The loan shall be evidenced by a contract
22 between the student and the commission acting on behalf of
23 the state. The contract shall provide for the payment by the
24 state of a stated sum covering the costs of a teacher
25 preparation program and shall be conditioned on the repayment
of the loan to the state, together with interest, over a
period established by the commission after the completion of

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1 the teacher preparation program and any postgraduate study or
2 internship required to complete the student's education. The
3 contract shall further provide that immediately upon
4 completion or termination of the student's education, all
5 interest then accrued shall be capitalized.

6 D. A loan made to a student who fails to complete
7 his teacher preparation program shall become due, together
8 with interest, immediately upon termination of his teacher
9 preparation education. The commission, in consultation with
10 the student, shall establish terms of repayment, alternate
11 service or cancellation terms.

12 E. The contract shall provide that the commission
13 shall forgive a portion of the loan principal and interest
14 for each year that the loan recipient practices his
15 profession as a licensed teacher in New Mexico. Loan
16 principal and interest shall be forgiven as follows:

17 (1) loan terms of one year shall require one
18 year of practice. Upon completion of service, one hundred
19 percent of the principal plus accrued interest shall be
20 forgiven;

21 (2) loan terms of two years shall require
22 one year of practice for each year of the loan. Upon
23 completion of the first year of service, fifty percent of the
24 principal plus accrued interest shall be forgiven. Upon
25 completion of the second year of service, the remainder of
the principal plus accrued interest shall be forgiven; and

(3) for loan terms of three years or more,

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1 forty percent of the principal plus accrued interest shall be
2 forgiven upon completion of the first year of service, thirty
3 percent of the principal plus accrued interest shall be
4 forgiven upon completion of the second year of service and
5 the remainder of the principal plus accrued interest shall be
6 forgiven upon completion of the third year of service.

7 F. A recipient shall serve a complete contract
8 year in order to receive credit for that year. The minimum
9 credit for a year shall be established by the commission.

10 G. If a loan recipient completes his professional
11 education and does not serve in a New Mexico public school,
12 the commission shall assess a penalty of up to three times
13 the principal due, plus eighteen percent interest, unless the
14 commission finds acceptable extenuating circumstances that
15 prevent the student from serving. If the commission does not
16 find acceptable extenuating circumstances for the student's
17 failure to carry out his declared intent to serve, the
18 commission shall require immediate repayment of the unpaid
19 principal amount of the loan plus accrued interest owed the
20 state plus the amount of any penalty assessed pursuant to
21 this section.

22 H. The commission shall adopt and promulgate rules
23 to implement the provisions of this section. The rules may
24 provide for the repayment of teacher student loans in annual
25 or other periodic installments.

Section 7. CONTRACTS--LEGAL ASSISTANCE--ENFORCEMENT.--
The general form of the contract shall be prepared and

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1 approved by the attorney general and signed by the student
2 and a designee of the commission on behalf of the state. The
3 commission is vested with full and complete authority and
4 power to sue in its own name for any balance due the state
5 from a student on a contract.

6 Section 8. FUND CREATED--METHOD OF PAYMENT.--The
7 "teacher loan for service fund" is created in the state
8 treasury. Money appropriated for loans to teachers pursuant
9 to the Teacher Loan for Service Act; earnings from investment
10 of the fund; gifts, grants and donations to the fund; and all
11 payments of principal and interest on loans made pursuant to
12 that act shall be deposited in the fund. Money in the fund
13 shall not revert at the end of a fiscal year. The fund shall
14 be administered by the commission. All payments of money for
15 loans shall be made on warrants drawn by the secretary of
16 finance and administration pursuant to vouchers signed by the
17 commission's designated representative.

18 Section 9. CANCELLATION.--The commission may cancel a
19 contract between it and a student for any reasonable cause
20 deemed sufficient by the commission.

21 Section 10. REPORTS.--The commission shall report
22 annually by January 1 to the governor and the legislature on
23 its activities pursuant to the Teacher Loan for Service Act,
24 including the loans granted, the names and addresses of loan
25 recipients, the teacher preparation programs they are
attending and the names and locations of practice of loan
recipients who have completed their teacher preparation

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1 education and are teaching.

2 Section 11. APPROPRIATION.--Three hundred thousand
3 dollars (\$300,000) is appropriated from the general fund to
4 the teacher loan for service fund for expenditure in fiscal
5 year 2001 and subsequent fiscal years to carry out the
6 purposes of the Teacher Loan for Service Act. Any unexpended
7 or unencumbered balance at the end of any fiscal year shall
8 not revert to the general fund.

9 Section 12. EFFECTIVE DATE.--The effective date of the
10 provisions of this act is July 1, 2000.

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