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HOUSE BILL 68

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

INTRODUCED BY

Di anne Hami l ton

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 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 teacher preparation program offered in a
6 regionally accredited post-secondary educational institution
7 in New Mexico and that requires repayment in services; and

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

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

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

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

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

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1 D. The commission and the state department of
2 public education shall arrange for loan recipients to receive
3 assistance in locating employment with public schools in New
4 Mexico.

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

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

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

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

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

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

22 C. The loan shall be evidenced by a contract
23 between the loan recipient and the commission acting on behalf
24 of the state. The contract shall provide for the payment by
25 the state of a stated sum covering the costs of a teacher

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1 preparation program and shall be conditioned on the repayment
2 of the loan to the state, together with interest, over a
3 period established by the commission after the completion of
4 the teacher preparation program and any postgraduate study or
5 internship required to complete the loan recipient's
6 education. The contract shall further provide that
7 immediately upon completion or termination of the loan
8 recipient's education, all interest then accrued shall be
9 capitalized.

10 D. A loan made to a recipient who fails to
11 complete his teacher preparation program shall become due,
12 together with interest, immediately upon termination of his
13 teacher preparation program. The commission, in consultation
14 with the loan recipient, shall establish terms of repayment,
15 alternate service or cancellation terms.

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

21 (1) loan terms of one year shall require one
22 year of practice. Upon completion of service, one hundred
23 percent of the principal plus accrued interest shall be
24 forgiven;

25 (2) loan terms of two years shall require one

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1 year of practice for each year of the loan. Upon completion
2 of the first year of service, fifty percent of the principal
3 plus accrued interest shall be forgiven. Upon completion of
4 the second year of service, the remainder of the principal
5 plus accrued interest shall be forgiven; and

6 (3) for loan terms of three years or more,
7 forty percent of the principal plus accrued interest shall be
8 forgiven upon completion of the first year of service, thirty
9 percent of the principal plus accrued interest shall be
10 forgiven upon completion of the second year of service and the
11 remainder of the principal plus accrued interest shall be
12 forgiven upon completion of the third year of service.

13 F. A loan recipient shall serve a complete
14 contract year in order to receive credit for that year. The
15 minimum credit for a year shall be established by the
16 commission.

17 G. If a loan recipient completes his teacher
18 preparation program and does not serve in a New Mexico public
19 school, the commission shall assess a penalty of up to three
20 times the principal due, plus eighteen percent interest,
21 unless the commission finds acceptable extenuating
22 circumstances that prevent the loan recipient from serving.
23 If the commission does not find acceptable extenuating
24 circumstances for the loan recipient's failure to carry out
25 his declared intent to serve, the commission shall require

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1 immediate repayment of the unpaid principal amount of the loan
2 plus accrued interest owed the state plus the amount of any
3 penalty assessed pursuant to this section.

4 H. The commission shall adopt and promulgate rules
5 to implement the provisions of this section. The rules may
6 provide for the repayment of loans in annual or other periodic
7 installments.

8 Section 7. CONTRACTS--LEGAL ASSISTANCE--ENFORCEMENT.--
9 The general form of the contract shall be prepared and
10 approved by the attorney general and signed by the loan
11 recipient and a designee of the commission on behalf of the
12 state. The commission is vested with full and complete
13 authority and power to sue in its own name for any balance due
14 the state from a loan recipient on a contract.

15 Section 8. FUND CREATED--METHOD OF PAYMENT.--The
16 "teacher loan for service fund" is created in the state
17 treasury. Money appropriated for loans pursuant to the
18 Teacher Loan for Service Act; earnings from investment of the
19 fund; gifts, grants and donations to the fund; and all
20 payments of principal and interest on loans made pursuant to
21 that act shall be deposited in the fund. Money in the fund
22 shall not revert at the end of a fiscal year. The fund shall
23 be administered by the commission. All payments of money for
24 loans shall be made on warrants drawn by the secretary of
25 finance and administration pursuant to vouchers signed by the

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1 commission's designated representative.

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

5 Section 10. REPORTS.--The commission shall report
6 annually by January 1 to the governor and the legislature on
7 its activities pursuant to the Teacher Loan for Service Act,
8 including the loans granted, the names and addresses of loan
9 recipients, the teacher preparation programs loan recipients
10 are attending and the names and locations of practice of loan
11 recipients who have completed their teacher preparation
12 education and are teaching.

13 Section 11. APPROPRIATION.--Six hundred thousand dollars
14 (\$600,000) is appropriated from the general fund to the
15 teacher loan for service fund for expenditure in fiscal year
16 2002 and subsequent fiscal years to carry out the purposes of
17 the Teacher Loan for Service Act. Any unexpended or
18 unencumbered balance at the end of a fiscal year shall not
19 revert to the general fund.

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

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