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## FISCAL IMPACT REPORT

SPONSOR Ruiloba ORIGINAL DATE 3/2/15  
LAST UPDATED \_\_\_\_\_ HJM 13

SHORT TITLE Study Student Loan Forgiveness Program SB \_\_\_\_\_

ANALYST Peterson

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
N/A	N/A	N/A	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public Education Department (PED)

Higher Education Department (HED)

### SUMMARY

#### Synopsis of Bill

House Joint Memorial 13 directs HED and PED to study the feasibility of implementing a student loan forgiveness program for postsecondary students who provide tutoring services to kindergarten through eighth grade public school students. Departments would report their finding and recommendations to the Legislative Education Study Committee (LESC), the Legislative Finance Committee (LFC), and the governor's office and present a file copy to the Legislative Council Service library. There is no timeline specified in the bill.

### FISCAL IMPLICATIONS

According to HED, there will be no direct funding associated with this bill, however there will be a commitment of the staffing resources and there may be related travel costs of the two departments assigned to carry out the provisions of this memorial.

However, a major issue for the study will be paying for a student loan forgiveness program.

### SIGNIFICANT ISSUES

PED gives the following information:

Mentoring students has a rich but complex tradition within evidence-based academic interventions. For example, a Big Brothers Big Sisters style mentoring program that is not specifically focused on academic outcomes can exhibit some positive effects. A 2011 longitudinal study found that “relative to the control group, mentored youth performed better academically, had more positive perceptions of their own academic abilities, and were more likely to report having a “special adult” in their lives. However, they did not show improvements in classroom effort, global self-worth, and relationships with parents, teachers or peers, or rates of problem behavior. Academic improvements were also not sustained into the second school year.”

Some evidence suggests that mentors need to receive particular training in order to effect sustained academic change. A recent longitudinal study of middle school interventions found that small to medium effect sizes resulted when mentors were training and delivered self-regulated learning strategies, but that those effects were mostly limited to self-efficacy outcomes, as opposed to academic outcomes.

Any mentoring program that places adults into secondary schools would require background checks and other assurances of safety. Mentors would need to be trained and oversight would be required. An alternative program might have to be developed for students who do not qualify to be in secondary schools or who are limited due to disability.

Many programs already exist to help mitigate the high costs of postsecondary education. Perhaps the most significant for New Mexicans is the lottery scholarship. Since 1996, more than 90,000 students from across the state have attended New Mexico public colleges, universities and technical colleges with the help of Legislative Lottery Scholarships. The New Mexico Legislative Lottery Scholarship encourages New Mexico high school graduates and New Mexico General Education Diploma (GED) recipients to enroll full time and complete a 2 year degree within 4 semesters or a 4 year degree within 8 semesters. It provides financial support by paying a portion of the cost of tuition at any New Mexico public post-secondary institution. This scholarship is not awarded on the basis of financial need. The lottery scholarship allows many New Mexican to graduate college without student loan debt, and for those who do borrow; it reduces the amount necessary.

For students who do borrow, a variety of programs exist to help reduce debt and payments. At the federal level, the Public Service Loan Forgiveness Program forgives a portion of loans based upon work in the Public Service sector, i.e. Teachers, Nurses, Firefighters and others who work for non-profits. Income-driven repayment plans make student loan debt more manageable by reducing the monthly payment amount, and in some cases eliminating a portion of the loan. Within New Mexico, Teachers for Tomorrow, Nurses for New Mexico, and MDs for New Mexico programs allow borrowers who work in New Mexico to receive 0 percent interest.

These and similar student loan modification programs reduce the debt burden for individual students by transferring that fiscal obligation to taxpayers. A taskforce of HED and PED staff directed to consider granting loan forgiveness to New Mexico postsecondary students who deliver mentoring would need to consider the efficacy and administration costs of the proposed mentoring program and weigh that against a loan forgiveness program’s costs to New Mexico taxpayers.

**PERFORMANCE IMPLICATIONS**

PED points out that some students might be encouraged to attend and/or persist in postsecondary education based upon reduced student loan burden. Secondary students might benefit from a mentoring relationship with recipient postsecondary students that was evidence based and wherein the postsecondary students were well-trained.

**ADMINISTRATIVE IMPLICATIONS**

HED raises the point that this study, as described by the memorial will require support staff time contributed by the two lead agencies.

**OTHER SUBSTANTIVE ISSUES**

Additionally, in 2007, Congress created a Public Service Loan Forgiveness (PSLF) to encourage individuals to enter or continue in public service. The US Department of Education’s PSLF program provides incentives to work for a public service organization as a method of lowering educational debts.

The US Department of Education defines “Public Service” employer as a 501(c) (3) organizations and state, local, federal or tribal government employers. Eligible federal loans qualify after the borrower has made 120 payments on those loans under certain repayment plans while employed full-time.

The New Mexico Higher Education Department currently offers a Health Loan Repayment and Public Law Loan Repayment program for those professionals within the health care field and for certain public law occupations such as legal aid, public defenders and prosecutors.

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