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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/02/16

SPONSOR Campos LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Student Loan Repayment for Some Students SB 132

ANALYST Daly

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

|              | FY16 | FY17   | FY18    | 3 Year<br>Total Cost | Recurring or<br>Nonrecurring | Fund<br>Affected |
|--------------|------|--------|---------|----------------------|------------------------------|------------------|
| <b>Total</b> |      | \$75.0 | \$100.0 | \$175.0              | Recurring                    | General<br>Fund  |

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Higher Education Department (HED)  
 Northern New Mexico College (NNMC)  
 Western New Mexico University (WNMU)  
 University of New Mexico (UNM)

### SUMMARY

#### Synopsis of Bill

Senate Bill 132 replaces the existing Minority Doctoral Loan for Service Act with the Minority Doctoral Loan Repayment Assistance Act. The new Act shifts financial assistance from a pre-hire, pre-doctoral loan in exchange for service program to one providing for post-hire, post-doctoral loan repayments for women and under-represented minority faculty at New Mexico public post-secondary institutions. The recipient must already be hired for a full-time, tenure-track faculty position. As consideration for HED's payment to the recipient's lender of up to \$25 thousand per year for up to four years, the recipient must teach in a full-time faculty position at one of the state's public post-secondary institutions for each year assistance is awarded.

### FISCAL IMPLICATIONS

HED reports that its Financial Aid Division (FAD) has budgeted \$90 thousand for the existing minority doctoral loan for service program in FY16. Under the new program, FAD would set the maximum annual award based on demand and its annual budget for the program.

HED anticipates that the demand for this new minority doctoral loan repayment assistance program will be substantially greater than that for the current loan for service program. It calculates additional budget impact based on existing appropriation levels (\$90 thousand); and increases to \$165 thousand in FY17 and \$190 thousand in FY18 (as shown in the operating budget impact table above). In addition, HED advises it may request additional appropriations for the program in future budget cycles.

## **SIGNIFICANT ISSUES**

HED reports this legislation is a priority of the department for FY 17. The purpose of the current loan for service program is to increase the number of women and under-represented minority faculty at New Mexico's public postsecondary institutions. Currently, statute directs FAD provide loan assistance to students who are currently pursuing their doctoral degrees, and requires a sponsoring institution to commit to hiring these students into full-time faculty positions prior to completion of their doctorates. SB 132 provides for repayment assistance after the candidate has been hired by an institution in a full-time faculty position.

HED explains the current program is flawed because the structure of graduate studies and the hiring of faculty make it extremely difficult for students and institutions to make an employment commitment prior to completion of the doctoral degree. Many disciplines, such as those in science, technology, engineering and math (STEM) fields, require a lengthy period of post-doctoral work before the candidate is considered qualified for a faculty position. Consequently the number of students taking advantage of the current loan for service program is under-utilized: FAD is supporting only six doctoral candidates in FY16. Moreover, any student who fails to complete the student's doctoral degree is faced with significant repayment penalties on any loans disbursed by HED.

This bill removes the tenuous hiring commitment required from both the student and an institution, and delays the providing of assistance until after a student has obtained a doctorate and has been hired in a full-time faculty position. HED notes that this restructuring provides a recruitment incentive for New Mexico's public institutions of higher education to hire new faculty without committing prior to the hire demonstrating qualifications to be a faculty member.

HED points out that although this new program would require doctoral students to find other means of financial support until they complete their studies, many doctoral programs provide substantial financial assistance through research or teaching assistantships. Doctoral students may seek federal or private loans to complete their studies, which loans would qualify for repayment assistance under this new program. It anticipates that the demand for assistance will be substantially greater under the new program than under the existing one.

NNMC believes this new program will provide an opportunity for small colleges to recruit faculty in areas of need by providing an incentive when salaries are limited by the institution's budget and cannot match those available in areas that traditionally pay more. It notes that paying off student debt will incentivize applicants with doctoral degrees and the accompanying debt to accept positions in New Mexico institutions of higher learning.

UNM points out two differences between the SB 132 program and other HED loan payment programs: 1) Section 4(C) requires a recipient to be a U.S. citizen, while other programs allow permanent residents to apply; and 2) private education loans may be repaid, while such loans are ineligible under those other programs.

### **TECHNICAL ISSUES**

Although HED is expressly authorized to file suit in its own name for any violation of a contract entered into under this legislation (Section 5(D)), the rule-making authority granted HED in Section 6 does not clearly include the power to monitor compliance, annually or otherwise, with assistance grants once they are awarded.

### **OTHER SUBSTANTIVE ISSUES**

HED notes that a Council of Graduate Schools 2008 report showed that, while the number of doctoral degrees in science and engineering earned by underrepresented minorities doubled in the last two decades, these degrees comprise about 10 percent of the total STEM doctorates awarded to U.S. citizens. To improve access of minority students to graduate schools, the report offered several recommendations, including creating incentives for all students to pursue a graduate program in critical fields through competitive fellowships and loan forgiveness, and increasing inclusiveness within graduate programs by providing students with the support and resources they need to graduate.

MD/jle/jo