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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
53rd Legislature, 2nd Session, 2018

Bill Number	<u>SB143</u>	Sponsor	<u>Ortiz y Pino</u>
Tracking Number	<u>.209691.1</u>	Committee Referrals	<u>SCC/SEC/SJC</u>
Short Title	<u>Public Service Law Loan Repayment Cap</u>		
Analyst	<u>Terrazas</u>	Original Date	<u>1/26/18</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

Senate Bill 143 (SB143) amends the Student Loan Act by removing the earnings cap for eligibility for the Public Service Law Loan Repayment Program that provides loan repayment assistance to certain attorneys in public service employment. The purpose of the program is to improve access to the justice system in New Mexico by increasing the number of attorneys in public service.

FISCAL IMPACT

SB143 does not contain an appropriation.

SUBSTANTIVE ISSUES

The Public Service Loan Repayment Program as it currently exists provides educational loan repayment assistance to individuals providing public service in state or local government or the nonprofit sector in New Mexico to low income or underserved residents. Recipients may be awarded up to \$7,200 a year. To be eligible, an applicant's annual salary cannot exceed \$55 thousand. SB143 would remove this earnings cap. An applicant must be licensed to practice in New Mexico as an attorney and declare intent to practice as an attorney in New Mexico; have student loans obtained for legal education expenses that are not in default; have applied to all available legal educational loan repayment programs offered by the applicant's law school for which the applicant qualifies; and be employed as an attorney at an eligible employment site or have an official job offer. A three-year commitment to work in public service law is required, unless recipients exceed the salary cap, in which case they are released from the program. Past program participants may be eligible for renewal.

In past years, the Higher Education Department (HED) apportioned \$280 thousand per fiscal year from their Student Financial Aid appropriation to the program. In FY17 HED expended a total of \$75,500 to support 11 participants. In FY16 HED expended \$133,600 to support 26 participants. The program has experienced a decrease in applications due to the salary cap of \$55 thousand. According to HED, the average debt held by 2018 applicants was \$108,431.

FY13 – FY17 Public Service Loan Repayment Program Participants

	FY13	FY14	FY15	FY16	FY17
Participants	23	34	34	26	11
Participants Released for Reaching Earnings Cap	-	-	4	9	8

- Data not available.

Source: Higher Education Department

Preference is given to applicants who graduate from the University of New Mexico (UNM) School of Law. According to HED, in FY16 10 of the 12 new awards were given to UNM School of Law graduates. In FY15, nine of the 14 new awards were given to UNM School of Law graduates. In FY14, all 14 of the new awards were given to UNM School of Law graduates. According to the US News & World Report, 88 percent of 2016 graduates incurred law school debt at the UNM School of Law. The average indebtedness of those graduates was \$75,277.

The 2017 enrollment at the UNM School of Law was 360. Female students comprise 57 percent and minority students comprise 46.67 percent. The median age of students is 25. The 2017-2018 academic year in-state resident cost of attendance was \$16,597.92 (see Attachment 1). Ninety-eight of the 113 graduates of the class of 2016 secured employment as of March 15, 2017. Two of the graduates not employed were enrolled in full-time graduate degree programs. According to UNM, the average reported income for the 98 graduates who secured employment was \$57,438. The average reported income for 42 graduates employed in the public sector was \$53,148. The average reported income for 13 graduates working in government was \$48,719, and 17 graduates working for the public interest reported an average income of \$52,701. In a 2017 study commissioned by the State Bar of New Mexico, 25 percent of 650 respondents said they “strongly agreed” or “agreed” New Mexico is a good place to practice law in terms of compensation, 20 percent “neither agreed nor disagreed,” and 51 percent “somewhat disagreed” or “strongly disagreed.”

According to the Law Offices of the Public Defender FY16 Classification Description, the annual salary for an assistant trial attorney ranges from \$42,931.20 to \$78,374.40. For an associate trial attorney it ranges from \$47,444.80 to \$86,590.40. For a trial attorney it ranges from \$52,416 to \$95,680. Based on these annual salary ranges, the midpoint salary for an assistant trial attorney, an associate trial attorney, and a trial attorney is \$60,652.80, \$67,017.60, and \$74,048, respectively. The midpoint salaries for each position exceed the earnings cap set in statute for the program.

According to the New Mexico District Attorney Classification Hierarchy and Salary Schedule effective July 2017, the annual salary for an assistant trial attorney is from \$48,980 to \$78,364. For a trial attorney it ranges from \$54,122 to \$86,592. For a senior trial attorney it ranges from \$59,802 to \$95,682. Based on these annual salary ranges, the midpoint salary for an assistant trial attorney, a trial attorney, and senior trial attorney is \$61,225, \$67,652, and \$74,753, respectively. The midpoint salaries for each position exceed the earnings cap in statute for the program.

Other Loan Repayment and Loan Forgiveness Programs. Certain attorneys may also qualify for the John R. Justice Loan Repayment Program, which provides educational loan repayment assistance for eligible student loans to certain prosecutors and public defenders in New Mexico. The purpose of the program is to encourage qualified attorneys to choose careers as prosecutors and public defenders and continue in that service. Recipients may be awarded up to \$8,300 and cannot receive more than \$60 thousand in total lifetime awards. An applicant must be employed full-time by the state from which the applicant receives program funding, continually licensed to

practice law, and must not be in default on repayment of any federal student loans. A two-year commitment to work as a prosecutor or public defender is required.

UNM School of Law students who have federal student loan debt can choose from a number of loan repayment plans (see Attachment 2). Eligibility for repayment plans is determined by the type or types of student loans students have, when they borrowed, and how much they borrowed. Students can choose a repayment plan based on what they can afford to pay each month and can change their plan if necessary.

The Federal Public Service Loan Forgiveness program is available for graduates who go into public service employment. It is available to borrowers who have full-time employment in certain public service jobs, have eligible loan type(s), make 120 qualifying payments under an eligible repayment plan, and maintain full-time employment while working for a qualifying public service organization.

OTHER SIGNIFICANT ISSUES

The earnings cap for eligibility was raised in 2013 from \$45 thousand to \$55 thousand.

ALTERNATIVES

The sponsor may consider raising the earnings cap for eligibility.

SOURCES OF INFORMATION

- LESC Files

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**University of New Mexico School of Law Cost of Attendance
for the 2017-2018 Academic Year**

In-State Resident Tuition

Per Credit Hour	Per Semester (12-18 credits)	Per Academic Year
\$691.58	\$8,298.96	\$16,597.92

Additional Required Fees

Semester	Curricular Fee	Graduate and Professional School Association Fees
Fall and Spring	\$250.00	\$175.00
Summer	\$25.00	-

Estimated Cost of Living

	Academic Year	One Semester
Room and Board	\$9,662.00	\$4,831.00
Books and Supplies	\$1,232.00	\$616.00
Transportation	\$1,854.00	\$927.00
Miscellaneous	\$3,402.00	\$1,701.00
Total	\$16,150.00*	\$8,075.00*

*This amount is in addition to tuition and required University of New Mexico and Law School fees.

Loan Repayment Plans

Repayment Plan	Repayment Time Frame	Monthly Payment
Standard	Up to 10 years	Payments are a fixed amount.
Graduated	Up to 10 years	Payments are lower at first then increase, usually every two years.
Extended	Up to 25 years	Payments may be fixed or graduated.
Income-Based (IBR)	Up to 25 years	Generally 15% of you discretionary income, but never more than the 10-year Standard Repayment Plan amount. Payments will change as your income changes.
Income-Based (IBR) (New Borrowers on/after July 1, 2014)	Up to 20 years	Generally 10% of you discretionary income, but never more than the 10-year Standard Repayment Plan amount. Payments will change as your income changes.
Pay As You Earn (PAYE)	Up to 20 years	Generally 10% of you discretionary income, but never more than the 10-year Standard Repayment Plan amount. Payments will change as your income changes.
Revised Pay As You Earn (REPAYE)	Undergraduate: Up to 20 years Graduate: Up to 25 years	Generally 10% of you discretionary income. Payments will change as your income changes.
Income-Contingent	Up to 25 years	Based on adjusted gross income (AGI), family size, and DL debt amount. Payments will change as your income changes.
Income-Sensitive	Up to 10 years	Based on your annual income. Payments will change as your income changes.

Discretionary Income is the difference between your adjusted gross income and 150 percent of the poverty guideline for your family size and state of residence.

Source: UNM School of Law