FISCAL IMPACT REPORT

LAST UPDATED
SPONSOR Cates **ORIGINAL DATE** 2/3/2025
SHORT TITLE Professional Recruitment & Retention Act **BILL NUMBER** House Bill 118
ANALYST Gygi

APPROPRIATION*
(dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
$0	$5,000.0	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
DFA	**$0**	**$109.13**	**$106.0**	**$214.13**	Recurring	**General Fund**
NMMFA	**$0**	**$300.0**	**Indeterminate**	**$300.0**	Nonrecurring	**General Fund**
Total	**$0**	**$409.13**	**$106.0**	**$515.13**	Recurring	**General Fund**

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Relates to LFC recommendation for FY26 fund transfers.

Sources of Information

LFC Files

Agency Analysis Received From
Executive Housing Office (HOA)
Department of Finance and Administration (DFA)
Health Care Authority (HCA)
New Mexico Mortgage Finance Authority (NMMFA)

SUMMARY

Synopsis of House Bill 118

House Bill 118 (HB118), the Professional Recruitment and Retention Act, appropriates $5 million from the general fund to the Department of Finance and Administration (DFA) to establish a professional recruitment and retention housing loan-for-service program within the New Mexico Mortgage Finance Authority. Loans may be made for downpayments or closing costs for purchase of a home in New Mexico by a licensed health care provider in exchange for 10 years of service in the state at 75 percent or more full-time employment.

The program includes the following key requirements:

- Loans cannot exceed 10 percent of the total home purchase price limit, as determined by the authority.
- The loan will act as a lien on the property for 10 years. If the recipient fulfills the 10-year work requirement as a licensed professional, the lien will be removed, and the loan obligations will be considered met.
- A loan recipient who leaves the state before completing 10 years of service must pay back the loan as follows: 0-5 years – 100 percent, 5-7 years – 50 percent, 7-10 years – 25 percent. All incur a 5.5 percent interest charge.
- Each professional may only receive one loan in a 10-year period.

The bill defines qualified professionals under Section D as individuals licensed in New Mexico under the following categories:

- Registered nurse licensed pursuant to the Nursing Practice Act
- Dentist or dental hygienist licensed pursuant to the Dental Health Care Act
- Physician licensed pursuant to the Medical Practice Act
- Physician assistant licensed pursuant to the Physician Assistant Act
- Anesthesiologist assistant licensed pursuant to the Anesthesiologist Assistants Act
- Psychologist licensed pursuant to the Professional Psychologist Act
- Pharmacist licensed pursuant to the Pharmacy Act
- Occupational therapist licensed pursuant to the Occupational Therapy Act
- Physical therapist licensed pursuant to the Physical Therapy Act
- Respiratory care practitioner licensed pursuant to the Respiratory Care Act
- Speech-language pathologist or audiologist licensed pursuant to the Speech-Language Pathology, Audiology and Hearing Aid Dispensing Practices Act
- Social worker licensed pursuant to the Social Work Practice Act

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

The appropriation of $5 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY26 shall revert to the general fund. Although HB118 does not specify future appropriations, establishing a new loan-for-service program creates an expectation that the program will continue in future fiscal years; therefore, this cost is assumed to be recurring.

New Mexico Mortgage Finance Authority (NMMFA) estimates the program would reach about 1,000 households. This estimate is based on the purchase price limit for NMMFA's first mortgage program for middle-income earners, which is about $568 thousand, and HB118's loan limit of 10 percent of purchase price, or $56.8 thousand per borrower. Further, the agency would still need to meet its statutorily required leverage ratio of 3:1.

HB118 assigns NMMFA responsibility for rulemaking, program management, and reporting. DFA will monitor the contract with NMMFA, manage fund distribution, monitor statutory requirements, and track expenditures. The bill does not include an administrative fee allocation for DFA or NMMFA, which will require additional staff and resources to implement, manage, and oversee the program. DFA estimates a recurring annual cost for one program coordinator at approximately $109 thousand. NMMFA estimates the operational cost of creating a new downpayment assistance program at approximately $300 thousand, due to significant staff time to conduct software implementation and train lenders.

SIGNIFICANT ISSUES

According to the executive's Office of Housing, New Mexico is facing both a shortage of licensed professionals and a rapidly rising cost of housing. This affordability crisis especially effects the ability of lower-income licensed professionals to move to New Mexico or continue practicing in the state. DFA notes that offering housing loan assistance could alleviate financial barriers and incentivize professionals to commit to practicing in the state, which is crucial for maintaining and strengthening public health and safety systems in underserved areas.

According to NMMFA, the proposed downpayment assistance program aligns with the authority's downpayment assistance and mortgage programs for second home purchases. However, the new program has different forgiveness terms and a higher area median income (AMI) limit. NMMFA's first home program is funded with tax exempt bonds, so eligibility is restricted to 120 percent AMI.

The Health Care Authority (HCA) states there will be no impact on Medicaid, although presumably the recruited health care professionals would become Medicaid providers.

A 2008 LFC program evaluation of financial aid programs concluded that loan-for-service programs are less cost-effective compared with loan repayment programs. Loan-for-service programs:

- have greater administrative costs since program administrators need to track borrowers over many years;
- create greater financial risk for the state which must claw back the money should the recipient not complete the terms of service; and
- generate less demand than loan repayment programs.

The same LFC evaluation found other states are transitioning away from loan-for-service programs and moving toward loan repayment programs.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The LFC's recommendation for FY26 fund transfers includes $50 million to the New Mexico housing trust fund of the Mortgage Finance Authority to expand housing services, transitional housing, and support those with behavioral health needs. These monies can be used for downpayment assistance.

ALTERNATIVES

The executive Office of Housing suggests: 1) utilizing existing NMMFA and local government downpayment assistance resources to serve these groups and strengthen outreach to targeted licensed professionals and 2) expanding other recruitment programs like the educational loan forgiveness programs to include non-clinical licensed social workers.

OTHER SUBSTANTIVE ISSUES

DFA notes that professionals who fail to meet the loan terms (e.g., leaving the state early, reduced employment) must repay the loan at specified prorated penalties, which could deter some participants. HB118 does allow loan forgiveness for extenuating circumstances such as serious illness or incapacitation.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

There will not be an earmarked housing loan assistance program to recruit and retain health care professionals to New Mexico.

KG/SR/hj