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FISCAL IMPACT REPORT

SPONSOR Romero **ORIGINAL DATE** 1/17/19
LAST UPDATED 2/24/19 **HB** 127/aHAFC

SHORT TITLE College Affordability Act Changes **SB** _____

ANALYST Valenzuela

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See fiscal implications				

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Senate Bill 81
Relates to an Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

House Bill 2 includes \$25 million for this purpose

Responses Received From

Higher Education Department (HED)
Independent Community Colleges (NMICC)
New Mexico Institute of Mining and Technology (NMIMT)
New Mexico State University (NMSU)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriation and Finance Committee (HAFC) amendment to House Bill 127 strikes the appropriation. House Bill 2 includes \$25 million for the college affordability fund. The fund could provide the \$3 million distribution for 11 years, if the fund earned a 6.5 percent annual return.

Synopsis of Bill

House Bill 127 appropriates \$50 million from the general fund to the college affordability endowment fund in FY20. The unexpended balance in FY20 shall not revert to the general fund.

House Bill 127 amends the College Affordability Act to increase the maximum amount of need-based scholarships to each eligible student from \$1,000 per semester in an academic year to

\$1,500 per semester in an academic year. The bill also increases the annual distribution from the endowment fund to the scholarship fund from \$2 million per year to \$3 million per year.

FISCAL IMPLICATIONS

The FY20 LFC Budget Recommendation includes \$50 million for the College Affordability Endowment Fund; the FY20 Executive Recommendation includes \$25 million for the same purpose.

Increased Annual Distributions: The College Affordability Endowment Fund provides annual distributions to HED for student scholarships. The need-based scholarship is determined by the institution's financial aid officer based on student eligibility requirements, including (1) the student is not a recent high school graduate (students who receive a high school equivalency credential are immediately eligible); (2) the student is a New Mexico resident; (3) the student is enrolled in at least 6 credit hours per semester; and (4) the student is not eligible for any other state aid, except work study.

Currently, if the Endowment Fund has a sufficient fund balance, the annual distribution is \$2 million. HB 127 would increase the distribution to \$3 million annually.

Increase Scholarship Amounts: The College Affordability Endowment Fund, which is used to award need-based scholarships to students who do not qualify for other state grants or scholarship programs, provides scholarships of up to \$1,000 per semester for one academic year. The scholarship may be renewed annually until the student graduates from an eligible institution. HB127 increases the grant to a maximum of \$1,500 per semester.

According to HED, the appropriation in HB127 will support 2,500 to 3,000 scholarships per academic year. As a comparison, in FY18, the scholarship funded 2,272 awards totaling \$1.3 million.

SIGNIFICANT ISSUES

The goal of the College Affordability Act is to grow an endowment fund to \$250 million, so that annual distributions can provide consistency for students, who meet eligibility for the program. In 2007, fund had \$95 million. However, the Great Recession impacted the college endowment fund, which was swept to bolster the state budget. In 2010, \$68 million dollars was transferred from the endowment fund to the state's general fund; then in 2012, \$19.5 million was transferred and in FY17, another \$5 million was transferred.

HED reports the balance in the fund has declined to almost zero as the department has continued to make annual distributions to assist students throughout New Mexico. The FY19 balance is \$103 thousand, which will be used entirely in FY19.

From an investment perspective, if the fund earned 6.5 percent annually with a \$50 million appropriation, it could maintain annual distributions of \$3 million. The Endowment Fund is invested by the State Investment Council.