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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
56th Legislature, 1st Session, 2023

Bill Number	<u>SB481</u>	Sponsor	<u>Sharer/Burt/Diamond</u>
Tracking Number	<u>.225249.1</u>	Committee Referrals	<u>SEC/SFC</u>
Short Title	<u>Opportunity Scholarship as Forgivable Loan</u>		
Analyst	<u>Hathaway</u>	Original Date	<u>2/20/23</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

Senate Bill 481 (SB481) amends the Opportunity Scholarship Act to convert scholarships awarded pursuant to the Opportunity Scholarship Act to forgivable loans. SB481 amends the definition of scholarship within the Opportunity Scholarship Act to define a scholarship as a forgivable loan that may be subject to repayment given certain criteria. Criteria that could make the award subject to repayment include if a student withdraws from a postsecondary education, fails to remain enrolled in at least six credit hours per semester, fails to achieve satisfactory academic progress, or otherwise demonstrates “substantial noncompliance” with the Opportunity Scholarship Act or rules promulgated pursuant to the act. The bill also charges the Higher Education Department (HED) with promulgation of rules to determine requirements for forgiving awards and administration of the loans pursuant to SB481. Finally, SB481 changes reporting requirements and would require HED to annually report the number of scholarships forgiven.

FISCAL IMPACT

SB481 does not contain an appropriation.

HED notes revenue that would be collected from loans due pursuant to the proposed changes in SB481 is indeterminate. The number of scholarships currently awarded via the Opportunity Scholarship Act vary from semester to semester by student and institution. The number of students that may become non-compliant with the proposed changes in SB481 is unknown.

SUBSTANTIVE ISSUES

SB481 converts the Opportunity Scholarship to a forgivable loan and charges HED with promulgating rules to enforce collection of the loan when students fail to maintain eligibility for the scholarship, as well as with requirements to forgive scholarship awards.

History of Opportunity Scholarship. The Opportunity Scholarship was created in 2022. It allows students to receive scholarships up to the amount of tuition and fees for state public higher

education institutions and tribal colleges. When the Opportunity Scholarship and its corresponding fund were created, it also rolled two existing scholarship programs—the college affordability grant fund and the Legislative Endowment Scholarship Program—into the opportunity scholarship fund.

Eligibility for the Opportunity Scholarship. Eligibility for the Opportunity Scholarship is limited to New Mexico residents who have not earned a bachelor’s degree and who are enrolled at least-half time (with half-time defined as enrollment in at least six credit hours). In its analysis of *HB107, the New Mexico Independent Community Colleges (NMICC) report the Opportunity Scholarship may be awarded for only one credit bearing certificate, one associate degree, or one bachelor degree. Scholarships for students earning credit bearing certificates may only be awarded when data indicates the certificate is in high demand by New Mexico employers. Students with special needs or other mitigating circumstances may petition for a waiver of eligibility on a per semester basis.

Opportunity Scholarship Awards and Postsecondary Enrollment. In October 2022, HED reported 34 thousand students received the Opportunity Scholarship in fall 2022. Although the Opportunity Scholarship is not the only scholarship funded by the state of New Mexico, in its first year of operation, New Mexico’s postsecondary institutions all saw enrollment growth in fall 2022. Across all postsecondary institutions, enrollment increased by 4.1 percent in fall 2022.

Branch community college campuses and independent community colleges saw the largest growth with enrollment increases of 6.8 percent and 5.2 percent, respectively. Enrollment at comprehensive four-year colleges grew by 4.5 percent and at research universities by 1.8 percent.

Table 1: New Mexico Postsecondary Headcount Enrollment

Institution Type/Name	2019 Headcount	2020 Headcount	2021 Headcount	2022 Headcount	Percentage Change 2019 to 2022	Percentage Change 2021 to 2022
Research Universities	38,903	38,157	37,380	38,051	-2.2%	1.8%
Comprehensive Universities	12,909	12,182	11,772	12,321	-4.6%	4.5%
Branch Community Colleges	20,319	16,719	16,371	17,562	-13.6%	6.8%
Independent Community Colleges	44,373	37,361	34,741	36,637	-17.4%	5.2%
Formula Funded Total	116,504	104,419	100,264	104,571	-10.2%	4.1%

Source: LESC Analysis of HED Data

ADMINISTRATIVE IMPLICATIONS

HED notes a forgivable loan would necessitate a contract between the student and either HED or the public postsecondary institution where the student has enrolled. HED notes additional resources such as administrative staff and new software systems may be required to maintain the number of student contracts, which would grow over time.

HED further notes SB481 does not stipulate the form of the contract or administration of the loan and thus, this would be established by rule promulgated by HED. HED notes that loan details such as interest rates, terms of repayment, and discharge in case of events such as death or disability, are not specified by the legislation and would thus be established by rule promulgated by the department. HED would promulgate new administrative rules within 5.7.37 NMAC to carry out the provisions of SB481.

New Mexico State University (NMSU), in its analysis of SB481 notes there may be additional costs to NMSU depending on the reporting requirements that HED establishes. NMSU notes the additional reporting requirements to HED would require additional personnel within its Office of Financial Aid.

OTHER SIGNIFICANT ISSUES

HED, in its analysis of SB481, cites a 2021 study by the University Professional and Continuing Education Association (UPCEA) that found finances are the primary reason students drop out of college. HED reports that according to the study, about two in five (42 percent) college dropouts cited financial reasons for leaving school, outweighing the percentage of students who left for other reasons like family commitments (32 percent) and health reasons (15 percent).

RELATED BILLS

Relates to *HB107, Repeal Opportunity Scholarship Act, which proposes to repeal the Opportunity Scholarship Act.

SOURCES OF INFORMATION

- LESC Files
- Higher Education Department (HED)
- New Mexico State University (NMSU)

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