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FISCAL IMPACT REPORT

SPONSOR <u>Pope</u>	LAST UPDATED _____
	ORIGINAL DATE <u>1/27/2023</u>
SHORT TITLE <u>Graduate Scholarship Act Changes</u>	BILL NUMBER <u>Senate Bill 151</u>
	ANALYST <u>Jorgensen</u>

APPROPRIATION* (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
	\$5,000.0	Nonrecurring	General

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

Relates to LFC appropriation recommendations for graduate scholarships.

Sources of Information

LFC Files

Responses Received From

Eastern New Mexico University (ENMU)
Higher Education Department (HED)
New Mexico State University (NMSU)
University of New Mexico (UNM)

SUMMARY

Senate Bill 151 (SB151) amends the Graduate Scholarship Act in the following ways:

1. Specifies recipients must have earned a bachelor’s degree from a New Mexico state university and adds a requirement to have an undergraduate grade point average (GPA) of 3.0 or to hold a paid teaching or research support position;
2. Requires participants to enroll for 6 credit hours per semester rather than “full-time”;
3. Requires participants to maintain a 2.5 GPA;
4. Excludes participation of those who have already received a professional or graduate degree or who have received the graduate scholarship four times;
5. Removes the previous cap of \$7,200 per year and sets the amount of the scholarship to no more than 100 percent of the cost of tuition and fees;
6. Requires scholarship recipients to sign a contract with the Higher Education Department committing to being employed in New Mexico in the field in which they received the scholarship for 1 year;
7. Breach of contract will result in scholarship funding awarded being converted to a loan which must be repaid at an interest rate matching the treasury rate at the time of first award, plus 2 percent.

SB151 would not cover tuition costs for degrees in medicine, law, or nursing.

SB151 appropriates \$5 million from the general fund the Higher Education Department for the purpose of providing scholarships to New Mexico resident graduate students. Unspent funds shall revert at the end of FY24.

The effective date of this bill is July 1, 2023.

FISCAL IMPLICATIONS

The appropriation of \$5 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY24 shall revert to the general fund.

None of the responding institutions were able to provide an estimate of the potential interest in the proposed scholarship given the changes in the statute. Additionally, tuition varies by institution and program making it difficult to determine how many students may benefit from the scholarship.

SIGNIFICANT ISSUES

HED reports the FY22 budget for graduate scholarships was \$488,300 and supported 68 students. The appropriation in SB151 could support approximately 865 students in FY24. The FY23 average per-semester, tuition and fees for New Mexico institutions offering graduate programs is \$5,765.

SB151 includes a requirement that scholarship recipients remain in New Mexico and work in the field in which they received their degree for one year. If this condition is not met, the award would be converted to a loan and must be repaid with interest. The employment requirement may be problematic and could result in scholarship recipients breaking their contract with HED as the result of an unanticipated job loss.

UNM reports:

UNM Graduate Studies voices considerable concern about the new language that requires employment in the field for at least a year under the penalty of transferring the scholarship to a loan amount and making the student subject to litigation. UNM Graduate Studies also voices considerable objection that doctoral students, who tend to already hold a master's degree, are not eligible for the award as the current language of Section 3.B indicates.

ADMINISTRATIVE IMPLICATIONS

SB151 would require the Higher Education Department to verify a scholarship recipient's residency and employment status after graduation. This could lead to increased need for staff.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The LFC recommendation includes a \$5 million special appropriation to provide up to \$7,200 per year for New Mexico residents pursuing a master's degree in a science, technology, mathematics, or health care field. Additionally, the LFC recommendation includes \$20 million to create an endowment to provide recurring funding for scholarships for master's-level social work students. These recommendations are currently under consideration for inclusion in the General Appropriation Act.

TECHNICAL ISSUES

Section 3 A(2) includes a requirement that a recipient student “remain in good academic standing as determined by the institution and maintains a grade point average of 2.5 on a 4.0 scale”. UNM notes this creates a possible conflict between the institution's definition of academic standing, a 3.0 GPA, and the statute definition, a 2.5 GPA.

CJ/rl/ne