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FISCAL IMPACT REPORT

ORIGINAL DATE 2/06/06

SPONSOR Robinson LAST UPDATED _____ HB _____

SHORT TITLE Resident Tuition for Certain Students SB 658

ANALYST Williams

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---------------|---|----------------------|--|
| FY06 | FY07 | | |
| | Roughly \$206.0 in FY09 and escalates over time; see text | Recurring | General Fund - Higher education funding formula |
| | Roughly \$933.0 in FY09 and escalates over time; see text | Recurring | General Fund -Cost of tuition waiver (difference between resident and non-resident tuition for each student) |

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Non-Rec | Fund Affected |
|-------------------|---------------------------|------|----------------------|---|
| FY06 | FY07 | FY08 | | |
| | Roughly \$410.0; see text | | | Other State Funds ---- institutional receipts of tuition payments |
| | | | | |

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB77, which appropriates \$50,000 to UNM to pay for an inter-American cooperation and development program.

Relates to House Bill 2 funding for the University of New Mexico, research and public service projects, Ibero-American education consortium and UNM instruction and general funding

SOURCES OF INFORMATION

LFC Files

Responses Received From
Higher Education Department (HED)
University of New Mexico (UNM)

SUMMARY

Synopsis of Bill

Senate Bill 658 authorizes resident tuition and fees be charged to citizens of Mexico and other Latin American countries participating in the Organization of American States educational portal.

FISCAL IMPLICATIONS

The bill does not contain an appropriation; however, the general fund fiscal impact would have two components: 1) general fund cost of student credit hours under the higher education funding formula and 2) general fund cost of each student receiving a non-resident tuition waiver. The number of new students who can be recruited under this program is not clear, but based on an assumption of 100 new students, the potential general fund cost would be:

Preliminary estimated formula cost:

100 students
roughly \$1,560 per semester or \$3,120 per year
Total: \$312,000
Less credits at about 33 percent
Total: \$206,000

This general fund fiscal impact would not occur until at least FY09 due to the lag in the funding formula. Further, the increase in general fund cost would occur only if institution is out of the band on enrollment growth.

Estimated General Fund cost of waiver:

100 students
Resident tuition: \$2,054 per semester
Non-resident tuition: \$6,719 per semester
Difference: \$4,665 per semester
General Fund cost: $\$466,500 * 2 = \$933,000$

This general fund fiscal impact would not occur until at least FY09 due to the lag in the funding formula.

Costs would be higher if these students are graduate students.

Note in the case of a non-resident tuition waiver, the general fund bears the burden of the difference between resident and non-resident tuition rates for every student (as is the case for all current tuition waiver programs). This fiscal cost occurs because of the interpretation of the CHE for similar statutory provisions offering non-resident tuition waivers contained within 21-1-3 NMSA 1978, such as Texas 135-mile, athletics and graduate assistants. All students attending a post-secondary institution are also captured under the student credit hours reported for the higher education funding formula.

If these students began attending in Fall 2007, then UNM would receive an incremental \$410.0 thousand of tuition revenue classified as other state funds.

OTHER SUBSTANTIVE ISSUES

HED notes: OASEP was launched in 1991 under the Inter-American Agency for Cooperation and Development (IACD). The main objectives of the Portal are to promote new educational methods, such as distance learning, and to disseminate training opportunities of high academic quality. The portal promotes continuing education for students of all ages as well as the professional development of teachers, and to facilitate training and education of remote communities, as well as traditionally underserved populations such as women and children, rural areas, indigenous communities and those with disabilities.

...the universities and institutions participating in the Portal may charge tuition and fees to register in the courses themselves.

ALTERNATIVES

It should be noted this legislation extends a higher education entitlement program; thus, potential cost would be driven by the number of qualified applicants each year. The legislature might consider explicit language to authorize a specific amount of funding for qualified applicants as a mechanism to cap annual costs. Then, the cap could be evaluated on the basis of the demand and funding availability.

POSSIBLE QUESTIONS

1. Under the provision of the legislation, is it the Legislature's intent to authorize a non-resident tuition waiver for the group identified in this bill, for which the general fund bears the cost of the difference between resident and non-resident tuition for each eligible student?
2. Is there the possibility of establishing a tuition reciprocity agreement approach to achieve the sponsor's intent in which a cap on numbers of eligible students would be in place for students coming to New Mexico and a cap on numbers of reciprocal eligible students for New Mexico students to attend out-of-state institutions? (This is a more common approach to tuition waiver programs between states, and several existing New Mexico programs could serve as models.)

AW/yr