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FISCAL IMPACT REPORT

ORIGINAL DATE 1/29/08

SPONSOR Carraro LAST UPDATED _____ HB _____

SHORT TITLE Graduate Student Loan Act SB 297

ANALYST Wilson

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	\$2,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	\$2,000.0		Recurring	Graduate Student Loan Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY08	FY09	FY10	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$0.1	\$0.1	\$0.1	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Higher Education Department (HED)

SUMMARY

Synopsis of Bill

Senate Bill 297 appropriates \$ 2,000,000 from the general fund to the graduate student loan fund for expenditure in fiscal year 2009 and subsequent fiscal years to provide loans to eligible and qualified graduate students.

This bill establishes a graduate student loan program to provide low interest loans at 3% a year on the principal amount. The loan may be up to \$1,000 per semester for no more than six semesters provided the loan does not exceed the cost of tuition and fees for the semester in which the loan occurs.

The graduate student loan will be offered to eligible and qualified graduate students to help defray the education-related costs of attending graduate school. This loan will be administered by the HED.

FISCAL IMPLICATIONS

The appropriation of \$ 2,000,000 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2009 shall not revert to the general fund.

This request was not submitted to the New Mexico Higher Education Department for review and is not included in their legislative recommendation for FY09.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

HED states additional staffing may be required to support this program.

SIGNIFICANT ISSUES

HED provided the following:

In the 2006-2007 academic year, 3,113 graduate students were enrolled in New Mexico's four-year universities with the largest numbers in the fields of education, math, science and engineering; business and health related professions.

The median age for graduate students statewide was 41 years old. National debt averages for graduate students, according to the U.S. Department of Education are below:

Graduate & Professional Degree Programs	Graduate Education Debt		All Education Debt (Grad & Undergrad)	
	Percent Borrowing	Cumulative Debt	Percent Borrowing	Cumulative Debt
Total	60.1%	\$37,067	70.1%	\$42,406
Master's Degree	58.4%	\$26,895	69.3%	\$32,858
Doctoral Degree	51.0%	\$49,007	58.3%	\$53,405
Professional Degree	86.5%	\$82,688	88.4%	\$93,134
MBA	53.0%	\$35,525	63.6%	\$41,687
MSW	76.5%	\$27,136	81.0%	\$37,029
PhD	40.0%	\$36,917	46.8%	\$41,540
EdD	53.4%	\$49,050	65.7%	\$47,725
Law (LLB or JD)	87.7%	\$70,933	89.7%	\$80,754
Medicine	95.0%	\$113,661	95.0%	\$125,81

A low interest rate program at \$1,000 loan per semester may alleviate some financial burdens for a student facing financial barriers in obtaining their graduate degrees.

ADMINISTRATIVE IMPLICATIONS

HED shall collect all interest and principal payments made by the student under the terms of the contract and shall deposit the payments in the graduate student loan fund.

HED will be the administrator for these funds involving receipt, disbursement, and tracking to the educational institutions. They may need additional staffing to support this program.

OTHER SUBSTANTIVE ISSUES

HED noted graduate students attending one of New Mexico’s four year institutions experience less than national average tuition rates as indicated below.

Tuition rates for graduate students:

Residents:	
NM Tech:	\$4,232
New Mexico State University:	\$4,781
University of New Mexico:	\$5,023
Eastern New Mexico University:	\$3,516
New Mexico Highlands University:	\$2,642
Western New Mexico University:	\$3,391

Non-Residents:	
NM Tech:	\$12,432
New Mexico State University:	\$14,558
University of New Mexico:	\$15,361
Eastern New Mexico University:	\$9,060
New Mexico Highlands University:	\$3,978
Western New Mexico University:	\$12,079

HED currently offers 20 financial aid programs including the Graduate Scholarship. It was created to increase graduate enrollment at public postsecondary institutions and targeted at New Mexico’s under-represented groups. To be eligible, a student must be a New Mexico resident, must be a graduate student enrolled at a New Mexico 4-year public postsecondary institution. Preference will be given to students en-rolled in business, engineering, computer science, mathematics, or agriculture and to American Indian graduate students. Awards are up to \$7,200 per year and must serve 10 hours per week in an unpaid internship or assistantship.

DW/bb