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FISCAL IMPACT REPORT

ORIGINAL DATE 01/28/09
LAST UPDATED 02/19/09 **HB** _____

SPONSOR Garcia, M. J.

SHORT TITLE Certain College Scholarships Based on Need **SB** 28/aSEC

ANALYST Williams

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

- Higher Education Department (HED)
- New Mexico Independent Community Colleges (ICC)
- Council of University Presidents (CUP)
- Department of Finance and Administration (DFA)

SUMMARY

Synopsis of SEC Amendment

The Senate Education Committee amendment changes the proportion of three percent scholarships awarded based on financial need. For academic year 2010-2011, a minimum of 50 percent of these scholarship funds would be awarded based on need. Beginning academic year 2011-2012, a minimum of 2/3 of these funding awards would be based on need.

Synopsis of Original Bill

Senate Bill 28 changes the distribution of gratis scholarships, commonly known as three percent scholarships, at public, post-secondary institutions to be based entirely on student financial need. The current requirement is that 33.3 percent of these scholarship funds must be awarded based on need. The bill removes New Mexico Junior College from the institutions designated in 21-1-2 NMSA 1978. The bill makes other technical changes to update names of institutions and reference governing boards of two-year colleges.

FISCAL IMPLICATIONS

Senate Bill 28 has no fiscal impact, but could potentially alter the distribution to students of scholarship funds. The total scholarship amount is based on three percent of the preceding fall semester enrollment at each institution. In FY10, a total of \$9.9 million will be appropriated to public, post-secondary institutions for these scholarships in the instruction and general category of the General Appropriation Act, based on funding formula calculations.

SIGNIFICANT ISSUES

Student financial aid can be identified as loan aid, grant or scholarship aid, work-study and loan programs for workforce needs. Aid can be awarded to students on the basis of academic or other merit, based on financial need or a combination. The recent Measuring Up 2008 ranking in which New Mexico received an F in affordability. Among the indicators used to determine this ranking is the extent of need-based student financial aid.

The October 2008 Review of HED Financial Aid Programs prepared by the LFC Performance Audit Review Team recommends an expansion of need-based student financial aid. The report indicates “one approach that should be considered is requiring more of the three percent scholarships to be need based.”

Some respondents consider this the “most flexible source of state-funded scholarship dollars”. HED notes these scholarships are “to be awarded to the fullest extent possible before Legislative Lottery Scholarships are granted.”

The Independent Community Colleges note institutional financial aid officers currently use professional judgment in awarding these scholarship funds. Further, “while community colleges typically award a very large percentage of these funds to students with financial need”, they express concerns about “the ability to address the needs of other deserving students ...who do not always meet federal financial need criteria.”

Council of University Presidents (CUP) indicates universities utilize these funds for a variety of scholarship programs, including need-based student financial aid and bridge scholarships for tuition for the qualifying semester of the lottery success scholarship program. CUP notes “applying a one hundred percent restriction of the three percent scholarship program to need-based qualifiers will require institutions to find other substantial recurring funding sources to support scholarship programs.”

HED notes this legislation is among its legislative priorities.

RELATIONSHIP

HED plans to require colleges and universities to report their expenditures of the student financial aid funds through its existing data collection system.

TECHNICAL ISSUES

HED reports New Mexico Junior College would continue to participate in the three percent scholarship program as an independent community college.

OTHER SUBSTANTIVE ISSUES

Council of University Presidents and Independent Community Colleges indicate the amendment allows institutions to address FY10 budget concerns and administrative discretion over these scholarship awards, while phasing in the need-based award requirement.

In New Mexico, HED reports 50 percent of students at public two-year and 80 percent of students at four-year institutions receive some form of financial aid. For these students, almost fifty percent borrow more than \$5,000 per year to address the cost of attendance. In 2007, 40 percent of New Mexico students who received need-based financial aid were from families with combined incomes of \$10,000 or less. HED reports “the average cost of attendance at a four-year institution is \$17,000, after a student receives his or her financial aid package.” The agency does not have a fully accurate account of institutional practices in awarding three percent scholarships; however, a few institutions are reserving over 90 percent for need-based awards.

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