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FISCAL IMPACT REPORT

ORIGINAL DATE 03/09/09
LAST UPDATED 03/12/09 **HB** _____

SPONSOR SEC _____

SHORT TITLE In-State Tuition For Veterans **SB** CS/136/aHEC

ANALYST Haug & Williams

APPROPRIATION (dollars in thousands)

Appropriation			Recurring or Non-Rec	Fund Affected
FY10	FY11	FY12		
\$0.1 (minimal due to incentive in this bill and new federal program)	\$0.1 (minimal due to incentive in this bill and new federal program)	\$0.1 (minimal due to incentive in this bill and new federal program)	Recurring Impact Beginning in FY10	Other State Funds --- College and University Tuition Revenue
		\$2 to \$15.5 million	Significant Recurring Impact begins in FY12 (see below)	General Fund --- Higher Education Funding formula --- tuition revenue credit
		\$2 to \$13.5 million	Significant Recurring Impact begins in FY12 (see below)	General Fund --- Higher Education Funding formula --- instruction and general

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HB 259 as amended

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

Department of Veterans Services (VSD)

SUMMARY

Synopsis of HEC Amendment

The House Education Committee Amendment replaces the reference to a veteran as an “out of state resident” with a veteran “who is not a resident of New Mexico” and substitutes for the continuously enrolled in the same degree or certificate program requirement that the veteran be

enrolled in any degree or certificate program. The amendment deletes the qualifying language that “continuously enrolled” does not include summer sessions. The amendment conforms this bill with House Bill 259 as amended.

Synopsis of Original Bill

The Senate Education Committee substitute for Senate Bill 136 would amend 21-1-4.5 NMSA 1978 to provide resident tuition eligibility for veterans, with any type of discharge other than dishonorable, who meet the following requirements:

- the veteran is eligible for veterans’ education benefits under federal law; and
- the veteran uses the veteran’s federal educational benefits at a state public post-secondary institution.

A qualifying veteran would be entitled to resident tuition for any subsequent term or semester provided the veteran is continuously enrolled in the same degree or certificate program. A qualifying veteran is not required to enroll in a summer term to meet the continuously enrolled requirement.

FISCAL IMPLICATIONS

The Senate Education Committee Substitute for Senate Bill 136 does not contain an appropriation; however, there are several fiscal impacts discussed below. The extent and timing of veterans using this benefit to enroll in the state’s higher education institutions is unclear, but the following provides some scenarios to understand potential impacts on the general fund. The key fiscal impacts are:

- 1) the reduction of tuition could result in a loss of tuition revenue by institutions, but only to the extent the availability of resident tuition and the new GI bill would not have incentivized the student to enroll. As such, this impact is expected to be relatively small.
- 2) a general fund cost due to the tuition revenue credit calculation in the higher education funding formula through which the general fund essentially picks up the difference between the tuition rates for all tuition waiver programs at each college and university. Under several scenarios, this cost is estimated to range from \$2 million to \$15.5 million for this legislation.
- 3) a general fund cost due to the higher education funding formula instruction and general calculations based on student credit hours, which could range from \$2 million to \$13.5 million.

The New Mexico Higher Education Department has not estimated the number of veterans which may utilize the new GI bill benefits for education in New Mexico or the associated fiscal impacts or the fiscal impacts of this bill. In addition, the number or cost of the current tuition waiver programs is not available from the Department. While the magnitude and timing of veterans enrollment is uncertain, the critical drivers are the size and timing of veteran enrollments, type of institute selected, the mix of enrollments at two-year versus four-year institutions and the type of courses and degree programs selected.

The following analysis is based on data from the New Mexico Department of Veterans Services and also relies on assumptions and conclusions from a recent California Postsecondary Education Commission study.

Key Assumptions

Beginning Fall 2009, veterans will be eligible for enhanced education benefits under the Post-9/11 Veterans Educational Assistance Act of 2008 (see significant issues). This federal legislation essentially doubled educational benefits for veterans. The total number of Americans serving in Iraq or Afghanistan is 1.6 million (The Fund for Veterans' Education Facts and Figures).

Several analyses indicate significant population shifts are not expected due to the new federal program. According to the federal Department of Veterans Affairs and the Iraq and Afghanistan Veterans of America, there are significant disparities between states in preliminary payment estimates under the resident tuition approach. Given these disparities, it is unlikely New Mexico would see disproportionate enrollments. New Mexico's population is 0.6 percent of the nation's total. Under this assumption, up to 10,000 veterans might enroll in New Mexico. According to the New Mexico Department of Veterans Services, 39,246 New Mexicans are wartime veterans of the Gulf War, Iraq and Afghanistan.

According to federal Department of Veteran Affairs data, 2,904 students attended New Mexico public and private post-secondary institutions using federal veteran, family and guard/reserve benefits in 2008. The California Postsecondary Education Commission projected a doubling of higher education enrollments due to the new GI bill; this assumption could result in a doubling of students using veteran education benefits in New Mexico, or an additional 3,000 students. New Mexico Department of Veterans Services staff expect the new enrollment level to be relatively modest at an additional 260 to 500 students, even after considering the resident tuition proposal in this legislation. This analysis uses multiple scenarios of enrollment increases from 500 to 3,000 students in the first year.

The timing of the new enrollments is also uncertain. Qualifying veterans have 15 years to use the new benefit. Similar to California, the New Mexico enrollment increase is projected to build over several years "as information spreads and veterans and active duty personnel ... begin to use the new benefits and make plans to enroll in college." For planning purposes, this analysis assumes the full impact begins in the first year.

The choice of institutions is an important consideration. Currently, 60 percent of the nation's veterans are using their educational benefit at a community college or a for-profit institution. Nineteen 19 of current veterans education benefits recipients select for-profit institutions, compared to only 6 percent of all college students selecting for-profit institutions. The average recipient attends college for 17 out of 36 months of eligibility, indicating an emphasis on two-year degrees ("Cost, Convenience Drive Veterans' College Choices", *Chronicle of Higher Education*, July 25, 2008). There is anecdotal evidence of a preference for programs with veteran-oriented support services, academic credit for military experience and online classes.

The impact on the four-year university sector is not clear. The university impact is expected to be relatively modest because of the significant education opportunities available in the military as well as trends for current veterans to attend community colleges and private institutions due to convenience and availability of job-related curricula. Yet, the new program provides tuition up to the rates for the most expensive public university in each state. As such, there is a significant incentive for these veterans to pursue a four-year degree. The federal Department of Veterans Affairs does not track the number of veterans transferring from a community college to a four-year institution or the extent of credits earned while serving in the military.

This analysis assumed 20 percent of potential New Mexico higher education enrollments would attend a private, for-profit institution, reflecting national trends. The remaining enrollment mix was assumed to be either 85%/15% for community colleges/universities or 65%/35% for community colleges/universities. Veterans and active duty personnel overwhelmingly attend community colleges due to affordability, location and course offerings. Therefore, the enrollment increases are expected to be concentrated in the two-year sector, which along with other factors will push these colleges above the 3 percent enrollment band.

General Fund Higher Education Funding Formula Costs

For the general fund cost due to the tuition revenue credit picking up the difference between tuition rates, the key impact is the size of the enrollment increase and whether enrollment is at a two- or four-year college. This is particularly evident when considering the large gap between resident and non-resident tuition at the state's most expensive universities. At the lower level of the enrollment growth range, the general fund impact from the tuition waiver could be \$2.0 to \$2.5 million. At the upper end of the enrollment growth range, the general fund impact from the tuition waiver could be \$12.0 to \$15.5 million.

General fund formula funding costs for instruction and general purposes could range from \$2 million to \$13.5 million in the first year, driven by the size of the enrollment increase and the mix of degree programs and courses taken. The analysis included assumptions and adjustments to reflect a general interest by many veterans across the nation in taking technical curriculum, including technology, trades, medical, nursing and aviation courses.

The recurring costs would grow over time. These veterans will also be eligible to apply for other forms of federal and state student financial aid.

SIGNIFICANT ISSUES

Enhanced veterans educational benefits are provided to individuals who served on active duty on or after September 11, 2001. The Post-9/11 Veterans Educational Assistance Act of 2008 and Veterans Administration implementation plan provides full resident tuition and fees up to the level of the most expensive public institutions in the state, plus \$1,000 for fees, books and supplies annually, and funds for tutorial assistance and professional-licensing costs. Monthly stipends are also available at a national average of \$1,250 per month. To attend a private institution, the federal government will pay tuition up to the highest public rate in a given state and match any funds provided by the private college to the veteran. Veterans who study half-time or less would not be eligible for the housing subsidy. Students must attend a degree granting institution. Benefits are available beginning August 2009. The benefit is available for fifteen years after service. Current benefits authorized under the Montgomery GI Bill of 1985 will also continue to be available ---- service members must opt in to one of the two programs.

VSD states that according to the data provided by the VA, educational expenditures for New Mexico for FY 07 totaled just over \$33 million. If New Mexico were to offer in state tuition for all veterans using their Montgomery GI Bill or the New Post 9/11 GI Bill educational benefit, this amount would increase by attracting veterans to the state's colleges and universities. Under current regulations, soldiers who are discharged out of Kirtland Air Force Base, Cannon Air Force Base, Holloman Air Force Base, White Sands Military Reserve, or Ft. Bliss in El Paso need to establish residency in New Mexico for one year before they can take advantage of in state tuition. Most veterans will return to their state of residence instead of waiting for 1 year before going to school.

The VSD notes further that with the increase of soldiers leaving the military and wanting to take advantage of their federal educational benefits, this legislation could serve as an incentive for these soldiers to stay in New Mexico and use these federal dollars at the state's colleges and universities. With these additional dollars, and the dollars in housing allowance allowed under the new Post 9/11 GI Bill, it would benefit the local economy by bringing in millions of federal dollars into the local economy.

HED states that HB259 is consistent with agency priorities and strategic plan. The Department supports HB259 as a legislative priority for the New Mexico Department of Veteran's Services.

DUPLICATION

Senate Education Committee substitute for Senate Bill 136 duplicates House Bill 259.

GH/svb:mc