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FISCAL IMPACT REPORT

ORIGINAL DATE 2/22/2015

SPONSOR Romero LAST UPDATED 2/25/2015 HB 401

SHORT TITLE College Affordability Endowment Fund SB _____

ANALYST Hartzler

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$1,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$1,000.0	\$1,000.0	\$2,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Appropriation in the General Appropriation Act, Section 4J, Higher Education Department, Student Financial Aid

Duplicates SB 488, College Affordability Endowment Fund

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

House Bill 401 appropriates \$1 million from the general fund to the College Affordability Endowment Fund (endowment fund), a fund that supports the College Affordability Scholarship program.

FISCAL IMPLICATIONS

The appropriation of \$1 million contained in this bill is a recurring expense to the general fund.

Any unexpended or unencumbered balance remaining at the end of fiscal year shall not revert to the general fund. The endowment fund is a nonreverting fund in the state treasury.

While the endowment fund has maintained a corpus as high as \$95 million in FY07, HED reported a FY14 year-end balance of nearly \$10.7 million. Pursuant to Section 21-21L-8 NMSA 1978, in FY15, the General Appropriation Act included an appropriation of \$2 million to the College Affordability Scholarship Fund (scholarship fund) to support College Affordability Scholarships. (When the fund balance is less than \$250 million, Section 21-21L-8 requires an annual \$2 million distribution from the endowment fund to the scholarship fund.) The fund will have an estimated FY15 year-end balance of \$8 million. As in prior years, HB 2 includes a \$2 million appropriation from the endowment fund to the scholarship fund for FY16. If HB 401 and HB 2 are enacted, the fund would have an estimated FY16 year-end balance of \$7.7 million.

Both DFA and HED report that adding \$1 million to the endowment fund will build the endowment fund's corpus so that \$2 million can continue to be appropriated annually for scholarships.

SIGNIFICANT ISSUES

The purpose of the College Affordability Act, Section 21-21L NMSA 1978, is to encourage New Mexico students with financial need to attend and complete educational programs at public post-secondary educational institutions in New Mexico. According to HED,

The College Affordability Grant allows New Mexico students with financial need who do not qualify for other state grants and scholarships (including the Legislative Lottery Scholarship) to attend and complete educational programs at a New Mexico public college or university. The grant is for a period of one year and may be renewed on an annual basis or until the student graduates with a bachelor's degree from an eligible institution. The award is for up to \$1,000 per semester depending on financial need.

ADMINISTRATIVE IMPLICATIONS

Currently, HED distributes scholarship funds to public, post-secondary institutions to administer the scholarship program. Eligibility is determined by institutional financial aid directors consistent with statute and rules implementing the program.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The GAA includes an appropriation of endowment funds to the scholarship fund. For FY15, the appropriation was \$2 million. HB 2 includes a \$2 million appropriation.

TECHNICAL ISSUES

As drafted, HB 401 would not increase distributions from the scholarship fund. Additional language may be needed if the sponsor's intent is to increase the amount of scholarship funds available from \$2 million to \$3 million.

TH/bb