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FISCAL IMPACT REPORT

SPONSOR Espinoza ORIGINAL DATE 2/27/15
LAST UPDATED 3/19/15 HB 481
SHORT TITLE Resident Tuition For Certain Students & Study SB _____
ANALYST Chavez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

Council of University Presidents (CUP)

New Mexico Tech (NMTech)

Western New Mexico University (WNMU)

SUMMARY

Synopsis of Bill

House Bill 481 provides reduced, in-state tuition and fee rates for international and non-resident undergraduate students seeking a bachelor's degree in science, computer science, health, information technology, engineering, mathematics, or business (the "eligible programs") from the University of New Mexico (UNM), New Mexico State University (NMSU), New Mexico Highlands University (NMHU), Eastern New Mexico University (ENMU), Western New Mexico University (WNMU), and the New Mexico Institute of Mining and Technology (NMTech). Students are eligible for reduced tuition and fees if (1) a university determines the student merits the award, (2) the student resides in NM while enrolled, and (3) the student signs a statement indicating an interest in working or starting a business in NM after graduation. The bill limits the number of waivers to five percent of the university's full-time-equivalent undergraduate enrollment for the previous year.

FISCAL IMPLICATIONS

This bill does not contain an appropriation.

There would be a potential loss of tuition revenue for participating institutions who grant in-state tuition to students who would otherwise be paying out-of-state tuition. HED the differential between in-state and out-of-state tuition ranges from \$6,000 to \$7,000 per semester at research institutions and from \$2,000 to \$4,500 per semester at comprehensive institutions.

HED provided the following information estimating the potential cost of lost revenue:

The HED looked at student enrollment for fall 2013. There were 1,074 undergraduate international students in total. 774 of them were majoring in science, computer science, health, information technology, engineering, mathematics or business. Of those, 540 currently don't have a tuition waiver. If all of these students were granted a waiver, then the amount of lost tuition revenue could be as high as \$6.8 million per year.

In addition, there were a total of 6,700 non-resident undergraduate students who aren't international. Of these, 3,037 are majoring in science, computer science, health, information technology, engineering, mathematics or business. Of those, 673 don't have a tuition waiver. If all of these students were granted a waiver, then the amount of lost tuition revenue could be an additional \$7.4 million per year.

Consequently, total tuition revenue lost for FY14 under the provisions of the bill could have been as high as \$14.2 million. Given flat or declining enrollment at institutions of higher education in recent years, LFC staff estimate lost revenues for FY16 would be similar to those for FY14.

However, declining enrollment in recent years has also led to loss of potential tuition revenue from all students. This bill may increase enrollment to New Mexico institutions by providing incentives for non-resident students to attend. However, CUP analysis notes that "currently, flat to slightly declining enrollment associated with economic recovery has resulted in another round of belt tightening due to the loss of tuition revenue. It would be difficult for universities to enroll international students with an understanding of waiving nonresident tuition in anticipation of reimbursement without first seeing that an appropriation has been made and reimbursement is likely."

HED analysis notes that the higher education funding formula provides institutions with additional funding for completed student credit hours and for degrees granted, so increased enrollment and increased degrees would also generate additional funding for the universities, although HED adds it may take a few years for the enrollment to grow and for the students affected by this bill to complete their programs.

Additionally, LFC analysis from a related bill from a previous legislative session cited a 2012 report by the Institute of International Education which showed that international students have a generally positive economic impact on New Mexico by spending approximately \$72.3 million annually regardless of entrepreneurial activity. This bill could have a positive effect on the New Mexico economy as a whole by increasing the number of international and non-resident students in the state.

SIGNIFICANT ISSUES

CUP notes that since FY12, the funding of higher education institutions through a performance-based formula rather than an expenditure-based formula has resulted in decreasing funding for

enrollment. CUP adds this makes any decreases in tuition revenue a serious matter to the universities, as enrollment is essentially funded at approximately 22.5 percent of initial enrollment. For this reason CUP states it is important that this legislation remain permissive and allow, rather than obligate, a university to grant a nonresident tuition waiver. CUP adds that funding intended to cover lost tuition revenue should be made available.

HED notes the international students referred to by this legislation are foreign students studying under a “student visa” (F-1 visa). HED analysis notes that according to the U.S. Citizenship and Immigration Services, in April 2012, approximately 23,000 foreign nationals were enrolled under an F-1 visa in STEM (science, technology, engineering, and math) courses at American colleges and universities. Various national organizations advocate that foreign STEM students should be retained in the American workforce rather than forced to return to the counties of origin.

Generally, holders of student visas must obtain them with “non-immigrant intent.” The bill’s stipulation that “the eligible student signs a statement indicating an interest in working or starting a business in New Mexico after graduation” (page 3, line 5) is in direct conflict with this requirement. However, it should be noted that there is movement at the federal level to revise this requirement in a manner that may resolve this concern. Moreover, in response to concerns of “brain drain” of non-citizen graduates the federal Citizenship and Immigration Service initiated the Entrepreneurs in Residency program to assist non-citizens in identifying potential visa opportunities and pathways to permanent residency in 2011.

NMTech notes because the potential allocation in HB 481 is tied to the proportionate increase in enrollment of international students as opposed to actual waived revenue, the bill provides limited assurance that the University will be reimbursed for the lost revenue.

PERFORMANCE IMPLICATIONS

HED notes if HB 481 were enacted, it would be important to monitor the success of the program over time, although HED notes it could be difficult to track international students who enter the workforce.

CUP states that, as academic centers intended to expand the body of knowledge while supporting diversity and tolerance, universities and resident students benefit from the enrollment of international students.

ADMINISTRATIVE IMPLICATIONS

HED notes that while new procedures and reporting requirements would need to be developed by each participating university, the impact would be minimal.

TECHNICAL ISSUES

Although the name of the act in this bill is the Entrepreneurial International Student Tuition Act, the definition of eligible student includes all students who are not a resident of New Mexico. The Legislature may wish to change the name of the act to reflect all eligible students. In fall 2014 there are an additional 673 nonresident undergraduate students without an existing waiver (there are 2,364 such students who already have a waiver) studying in one of the fields identified in this act.

WNMU notes that Section 3(A) of the bill indicates that it applies to all nonresident students who meet the eligibility requirements, while Section 5(A) of the bill indicates that funding would be allocated only in support of eligible students who are not citizens of the United States.

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