

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 1/21/19
LAST UPDATED 3/5/19 **HB** _____

SPONSOR Kernan

SHORT TITLE Increase Certain Scholarship Amounts **SB** 81/aSFC

ANALYST Valenzuela

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See fiscal implications				

(Parenthesis () Indicate Expenditure Decreases)

Duplicates House Bill 127
 Duplicates Appropriation in the General Appropriation Act
 LFC FY20 Budget Recommendation includes \$50 million for this purpose

SOURCES OF INFORMATION

Responses Received From
 New Mexico Higher Education Department (HED)
 New Mexico Independent Community Colleges (NMICC)
 New Mexico Institute of Mining and Technology (NMIMT)
 New Mexico State University (NMSU)

SUMMARY

Synopsis of the SFC Amendment

The Senate Finance Committee (SFC) amendment to Senate Bill 81 removes the \$50 million appropriation from the bill. Currently, HB2 contains a \$25 million appropriation for the college affordability fund.

Synopsis of Original Bill

Senate Bill 81 appropriates \$50 million from the general fund to the college affordability endowment fund in FY20. The unexpended balance in FY20 shall not revert to the general fund.

Senate Bill 81 amends the College Affordability Act to increase the maximum amount of need-based scholarships to each eligible student from \$1,000 per semester in an academic year to \$1,500 per semester in an academic year. The bill also increases the annual distribution from the endowment fund to the scholarship fund from \$2 million per year to \$3 million per year.

FISCAL IMPLICATIONS

The FY20 LFC Budget Recommendation includes \$50 million for the College Affordability Endowment Fund; the FY20 Executive Recommendation includes \$25 million for the same purpose.

Increased Annual Distributions: The College Affordability Endowment Fund provides annual distributions to HED for student scholarships. The need-based scholarship is determined by the institution's financial aid officer based on student eligibility requirements, including (1) the student is not a recent high school graduate (students who receive a high school equivalency credential are immediately eligible); (2) the student is a New Mexico resident; (3) the student is enrolled in at least 6 credit hours per semester; and (4) the student is not eligible for any other state aid, except work study.

Currently, if the Endowment Fund has a sufficient fund balance, the annual distribution is \$2 million. SB81 would increase the distribution to \$3 million annually.

Increase Scholarship Amounts: The College Affordability Endowment Fund, which is used to award need-based scholarships to students who do not qualify for other state grants or scholarship programs, provides scholarships of up to \$1,000 per semester for one academic year. The scholarship may be renewed annually until the student graduates from an eligible institution. SB81 increases the grant to a maximum of \$1,500 per semester.

According to HED, the appropriation in SB81 will support 2,500 to 3,000 scholarships per academic year. As a comparison, in FY18, the scholarship funded 2,272 awards totaling \$1.3 million.

SIGNIFICANT ISSUES

The goal of the College Affordability Act is to grow an endowment fund to \$250 million, so that annual distributions can provide consistency for students, who meet eligibility for the program. In 2007, fund had \$95 million. However, the Great Recession impacted the college endowment fund, which was swept to bolster the state budget. In 2010, \$68 million dollars was transferred from the endowment fund to the state's general fund; then in 2012, \$19.5 million was transferred and in FY17, another \$5 million was transferred.

HED reports the balance in the fund has declined to almost zero as the department has continued to make annual distributions to assist students throughout New Mexico. The FY19 balance is \$103 thousand, which will be used entirely in FY19.

From an investment perspective, if the fund earned 6.5 percent annually with a \$50 million appropriation, it could maintain annual distributions of \$3 million. The Endowment Fund is invested by the State Investment Council.

MFV/al/gb/al