

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 1/28/15
 SPONSOR Candelaria LAST UPDATED 2/9/15 HB _____
 SHORT TITLE Scholarship For National Merit Scholars SB 11/aSEC
 ANALYST Chavez

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|-------------------|---------|------|------------------------------|--|
| FY15 | FY16 | FY17 | | |
| | Unknown | | Recurring | Institutions of Higher Education Operating Budgets |

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico State University (NMSU)

SUMMARY

Synopsis of SEC amendment

The Senate Education Committee amendment TO Senate Bill 11 removes language that would limit the number of national merit scholarships to the same number as those for athletic scholarships pursuant to Section 21-1-2 NMSA 1978. However, the bill still only includes schools that give athletic scholarships as able to award national merit scholarships, which excludes some institutions of higher education including New Mexico Tech (NMTech).

Synopsis of Original Bill

Senate Bill 11 authorizes the board of regents at the University of New Mexico (UNM), New Mexico State University (NMSU), New Mexico Highlands University (NMHU), Eastern New Mexico University (ENMU), and Western New Mexico University (WNMU), the governing board of New Mexico Junior College (NMJC), and the branch campuses of the above to establish and grant national merit scholarships for tuition in fees equal in number to athletic scholarships as provided for in Section 21-1-2D NMSA 1978. No more than 75 percent of the scholarships may be awarded to students from out of state. Scholarships are renewable for 4 years of full time enrollment for students earning a GPA of 2.5 or higher.

The bill also replaces “Section 21-1-4.3 NMSA 1978” with “the Legislative Lottery Tuition Scholarship Act”, in alignment with changes made to the program during the 2014 legislative session.

FISCAL IMPLICATIONS

This bill does not include an appropriation. The bill provides that the institutions listed above may grant merit scholarships through a mechanism similar to athletic scholarships currently established in statute, but it is unclear what, if any, financial support the state would give for these institutions. This analysis assumes that institutions would be responsible for the financial obligations incurred through granting these scholarships. By granting additional scholarships, institutions may lose revenue earned through tuition and fees not collected from scholarship recipients in accordance with how many scholarships institutions elected to award.

However, a number of institutions currently offer scholarships to national merit finalists, so those institutions that currently offer merit scholarships may be less affected by the bill, especially as the incentives offered by institutionally-offered scholarships are higher than those outlined in the bill. However, GPA requirements to obtain those scholarships provided by institutions are slightly higher, so more national merit scholars may be eligible for scholarships under the provisions of the bill. LFC estimates this additional impact to be minimal.

SIGNIFICANT ISSUES

According to the National Merit Scholarship Corporation (NMSC) website, of the 1.5 million students annually entered into the National Merit® Scholarship Program, 15 thousand become finalists. To participate in the National Merit® Scholarship Program, a student must:

- Take the PSAT/NMSQT® in the specified year of the high school program and no later than the third year in grades 9 through 12, regardless of grade classification or educational pattern;
- Be enrolled as a high school student (traditional or homeschooled), progressing normally toward graduation or completion of high school, and planning to enroll full time in college no later than the fall following completion of high school; and
- Be a citizen of the United States; or be a U.S. lawful permanent resident (or have applied for permanent residence, the application for which has not been denied) and intend to become a U.S. citizen at the earliest opportunity allowed by law.

Semifinalists are designated on a state-representational basis and are the highest scoring entrants in each state, and advance to finalist standing by meeting high academic standards and other requirements as outlined by the NMSC.

The bill requires that each recipient of a national merit scholarship be designated as a national merit finalist by the NMSC and that the recipients enroll in one of the listed institutions of higher education within one year of completing high school or receiving a graduate equivalent diploma. National merit scholarships may be renewed each semester for four consecutive years, provided that the scholarship recipient is a full time student and has maintained a grade point average of 2.5 or more. The bill does not define whether summer semesters are included in the scholarship or what is meant by “full time”.

UNM currently offers scholarships to national merit finalists through their UNM National Scholars program; the tuition portion of the award is funded by the Legislative Lottery Scholarship. According to the UNM website, awards to national merit finalists are currently \$17,285 per year and include an iPad. Requirements under UNM’s scholarship program are more stringent than those in the bill; UNM National Scholars must maintain a 3.3 GPA, rather than 2.5 as required in the bill, and a minimum of 15 credit hours per semester.

NMTech also offers scholarships to National Merit Finalists; according to the NMTech website, these “Gold” scholarship recipients receive \$6 thousand per year up to four years. They are required to have received at least a 3.5 high school GPA and maintain a 3.25 GPA and a minimum enrollment of 12 credit hours per semester. The office of financial aid at NMTech has stated there are currently 11 national merit scholar “gold” recipients enrolled at NMTech. For the 2014-2015 academic year, one student did not meet the criteria required to maintain the scholarship. However, as mentioned above, NMTech is not included in this bill’s authorization of national merit scholarships.

According to the NMSU financial aid office, that institution stopped funding national merit finalists under a specific scholarship program a few years ago. There is currently one student designated as a national merit finalist in attendance. However, NMSU is currently engaged in a recruitment process to attract national merit finalists and will establish a special scholarship for them beginning in the fall of 2015.

PERFORMANCE IMPLICATIONS

NMSU states that if this scholarship were funded by the state, it could improve graduation rates by encouraging high-achieving students to enroll in New Mexico universities. Without state funding, NMSU notes this program would pull scholarship dollars from other sources.

ADMINISTRATIVE IMPLICATIONS

NMSU notes institutions would need to understand state expectations regarding reporting for the new scholarship.

TECHNICAL ISSUES

The bill allows a recipient of a national merit scholarship to enroll within one year of completing high school; however, in order to be considered a national merit finalist, the National Merit Scholarship Corporation requires candidates to be planning to enroll full time in college no later than the fall following completion of high school.

Per Subsection D of Section 1 of the bill, NMTech, Northern New Mexico University (NNMU), and independent community colleges are not included as eligible to award national merit scholarships.

OTHER SUBSTANTIVE ISSUES

NMSU notes only one of the programs offered by the National Merit Scholarship organization is included in this bill and suggests that this program be extended to semi-finalists and other students recognized under the National Achievement Scholarship Program or the National

Senate Bill 11 – Page 4

Hispanic Recognition Program

KC/bb/aml/je