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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/01/18

SPONSOR HEC LAST UPDATED \_\_\_\_\_ HB 68/HECS

SHORT TITLE NMMI Opportunity Scholarship SB \_\_\_\_\_

ANALYST Daly

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY18	FY19		
	Up to \$500.0	Recurring	NMMI Operating Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20		
	Up to \$1,000.0	Up to \$1,000.0	Recurring	Luciano "Lucky" Varela Opportunity Scholarship Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		(Up to \$500.0)	(Up to \$500.0)	(Up to \$1,000.0)	Recurring	Legislative Scholarship Fund
		(Up to \$500.0)	(Up to \$500.0)	(Up to \$1,000.0)	Recurring	NMMI Operating Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Higher Education Department (HED)

New Mexico Military Institute (NMMI)

## SUMMARY

### Synopsis of Bill

The House Education Committee Substitute for House Bill 68 creates the Luciano “Lucky” Varela Opportunity Scholarship at the New Mexico Military Institute (NMMI). This needs-based scholarship, the criteria for which will be established by NMMI, may cover up to the total cost of attendance. Subject to HED approval, up to \$500 thousand is appropriated from the institute’s budget balances, including existing scholarship endowments, to the fund established in this bill for this scholarship program. The bill also authorizes another transfer of up to \$500 thousand annually to the new fund from the existing legislative scholarship fund.

The effective date of this bill is July 1, 2018.

## FISCAL IMPLICATIONS

The appropriation of up to \$500 thousand contained in this bill is a recurring expense to the institute’s budget balances. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert.

### Continuing Appropriations

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

To establish the Luciano “Lucky” Varela Opportunity Scholarship, this bill authorizes NMMI, with HED’s approval, to transfer each fiscal year up to \$500 thousand of the institute’s budget balances, including existing scholarship endowments, to the opportunity scholarship fund. An additional amount up to \$500 thousand annually may be transferred from the legislative scholarship fund to the Luciano “Lucky” Varela opportunity scholarship fund.

HED advises its reporting manual recommends that each institution maintain at least three percent of the ending fund balance for use in reserves. NMMI’s FY 17 ending operational budget balance was \$12,158 thousand, excluding endowment funds.

HED also notes that NMMI’s primary source of revenue stems from New Mexico’s Land and Permanent fund.

## SIGNIFICANT ISSUES

The new scholarship created in this bill is named in honor of the late Santa Fe legislator Luciano “Lucky” Varela. NMMI comments this bill creates the opportunity for NMMI to utilize its own funds for the benefit of underprivileged New Mexico high school students. This scholarship provides New Mexico children who meet the admissions standard the opportunity to enroll at NMMI, including students who otherwise might be unable to attend due to financial hardship.

Currently, HED reports, NMMI provides 112 scholarships to New Mexico students from each legislative district based on criteria applicable to the General Richard T. Knowles Legislative Scholarship program. The Knowles scholarships are based on state legislator nominations, and

are funded by recurring general fund appropriations; the FY18 appropriation is \$1,284.7 thousand. NMMI reports a student who meets the criteria for a Knowles scholarship is awarded between 50 to 60 percent of the student's cost of attendance. NMMI reports the total first year cost of attendance for 2017-2018 is \$12,373. The new Varela scholarship would allow NMMI to cover the remaining cost of attendance for those who suffer financial hardship. Additionally, NMMI notes, the new scholarship provides accessibility to more New Mexico students than the Knowles scholarship, which has stringent criteria. NMMI advises that high school students are not eligible for federal financial aid or lottery scholarships.

HED calls attention to the language of Section 5 allowing transfer of existing Legislative (Knowles) Scholarship endowment funds into the Varela Opportunity Scholarship Fund. HED points out that that language may conflict with the legislative intent of the Knowles Scholarship as outlined in Section 21-12-12 NMSA 1978. Under that section, each legislator may nominate up to four candidates from within the legislator's district, and makes provision for a nomination outside a district if no suitable candidates are found within the district. HED maintains that transferring appropriations from the Knowles scholarship fund into the Varela Opportunity Scholarship fund could shift nominating authority from the legislature to the NMMI Board of Regents.

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