

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 FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

	1/30/06		
	ORIGINAL DATE	2/13/06	
SPONSOR	Sanchez, M.	LAST UPDATED	HB
SHORT TITLE	College Affordability Grant Eligibility		SB 158/aSFI#1
		ANALYST	Williams

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	Indeterminate	Recurring	College Affordability Scholarship Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Senate Bill 43, House Bill 207, House Bill 105, Senate Bill 274

Relates to Appropriation in the General Appropriation Act for \$49 million in non-recurring funds to the college affordability endowment fund (Section 5); included in LFC and Executive budget recommendations at \$50 million.

SOURCES OF INFORMATION

LFC Files

New Mexico Association of Community Colleges (NMACC)

Responses Received From

Public Education Department (PED)

Higher Education Department (HED)

SUMMARY

Synopsis of SFI#1 Amendment

Senate Floor Amendment #1 provides for a new section of statute which provides eligibility criteria for students with disabilities under the College Affordability program. For these student, HED may consult with the student and institutional office for students with disabilities to review and adjust consecutive semesters of eligibility as appropriate for each student. Under this section, total eligibility would be capped at fourteen consecutive semesters.

Synopsis of Original Bill

Senate Bill 158 makes several changes to the College Affordability Act:

- Changes the awards from scholarships to grants;

- Expands certain eligibility criteria from at least half-time student status to three credit hours;
- Would no longer restrict eligibility to eight consecutive semesters, but would permit students to come in and out of the program; however, eligibility would be capped at eight semesters or until graduation, whichever is first;
- Specifies that students receiving lottery tuition scholarships are not eligible for this new form of student financial aid; and
 - Makes technical changes to update references from Commission on Higher Education to Higher Education Department and also to the Secretary of the HED.

FISCAL IMPLICATIONS

The fiscal impact of this legislation is indeterminate. The change in eligibility from at least half-time to three credit hours may have two impacts: 1) the change broadens the base of eligible students who could increase demands on the fund for awards (although distributions would be capped by availability of funding) and 2) the change could reduce total funding awarded under the program for each student who drops from at least half-time to only three credit hour status. Further, the bill also proposes to broaden the semester eligibility demands on the fund, which would also increase funding pressures.

SIGNIFICANT ISSUES

Note grants from the College Affordability Act could be used to address expenses, such as room, board, books and supplies as well as tuition.

HED notes “the word “scholarship” which connotes merit-based awards is changed to “grant” to signify need-based funding.”

PERFORMANCE IMPLICATIONS

HED notes the program will demonstrate “increased college participation and completion, especially among low-income and first-generation college students and students in Adult Basic Education.”

However, a recent report by the United States General Accounting Office found part-time, adult students tend to exhibit weaker persistence and graduation rates.

OTHER SUBSTANTIVE ISSUES

PED notes the bill could increase the adult literacy rate because more New Mexicans may enroll in post-secondary education.

PED notes “given that SB 158 increases the number of potential students seeking a grant, some system for prioritizing or providing for a “first come-first serve” may need to be addressed.”

Currently, the state’s two largest need-based student financial aid programs are the student incentive grant and work study program with total amounts awarded in 2004-2005 of \$11.8 million and \$6.5 million, respectively.

HED notes:

“According to *Student Success: Statewide P-16 Systems* by State Higher Education Executive Officers (SHEEO), "Financial barriers are generally much more prevalent for low-income, underrepresented, and first-generation students than for others, and the amount of tuition and the availability of financial aid are more important factors for these groups than for students in other income levels in deciding not only where to go to college but if they can go to college." As stated in *The Student Debt Dilemma: Debt Aversion as a Barrier to College Access* (Oregon Center for Studies in Higher Education 2005), students from low-income backgrounds often fear borrowing money and may not seriously consider the benefits of higher education. If they do enroll, they may pursue money-saving strategies such as attending part-time, working more than 20 hours a week, or attending two-year rather than four-year institutions.”

New Mexico Association of Community Colleges notes 40 percent of community college students carry less than a six credit hour load per semester, and 50 percent of community college students work 20 hours or more.

POSSIBLE QUESTIONS

1. Given the wide range of student eligibility and expense eligibility under the College Affordability program, is there a plan to prioritize needs?
2. How many students would receive scholarships/grants in the first year of the program if the \$50 million appropriation to the endowment fund recommendation of the LFC and the Executive is enacted?
3. How will additional funds for the endowment fund be obtained? What is the target amount of funding for the endowment fund?
4. How will performance outcomes of the new program be measured?
5. Who would evaluate student eligibility to determine awards ---- HED or the institutions?
6. How would HED and institutions administer the provisions of the bill?
7. Would students who are **not** degree seeking be eligible for awards under the College Affordability program? If yes, would this conflict with criteria to apply for Pell awards and thus impact the eligibility base?

AW/mt:yr