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FISCAL IMPACT REPORT

ORIGINAL DATE 1/26/08

SPONSOR Beffort LAST UPDATED _____ HB _____

SHORT TITLE Health Insurance in College Scholarships SB 40

ANALYST Dearing

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY08	FY09	FY10	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		*\$680.0	*\$680.0	*\$1,360.0	Recurring	College Affordability Scholarship Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to General Appropriations Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Health Policy Commission

Higher Education Department (HED)

SUMMARY

Synopsis of Bill

Senate Bill 40 carries no appropriation. If enacted, Senate Bill 40 would mandate that awardees of College Affordability Scholarship grants be provided additional funds for health insurance policies.

FISCAL IMPLICATIONS

Distributions to the College Affordability Scholarship fund from the College Affordability Endowment fund are statutorily capped at 50 percent of annual interest earned in the endowment. Although Senate Bill 40 carries no appropriation for health insurance policies for grant awardees, the service capacity to provide need-based scholarships from annual interest earnings of the endowment will be reduced by the costs of providing health policies. The FY09 LFC budget recommendation includes an appropriation of \$4 million from the endowment fund, based on earnings estimates, to the scholarship fund for \$1,000 grants. The \$4 million LFC recommendation would provide scholarships for approximately 2,000-4,000 students without an

insurance provision. Of this appropriation, individual students can receive up to two (2), \$1,000 grants in any academic year; up to 4,000 students can receive single grants from this appropriation, 2,000 awardees in the event that grants are bi-annual. Most likely, there will be a mix of awardees receiving grants annually or bi-annually.

Information provided by the New Mexico State University on standard policies offered to both undergraduate and graduate students indicates standard student health policies cost approximately \$1,000.¹ Total New Mexico uninsured rates show a statewide number of 420 thousand or 22 percent of the state population.²

Senate Bill 40 carries a provision such that those recipient students with existing coverage would not receive the mandatory policy. It should be noted that there is strong potential that a higher percentage of students eligible for the College Affordability grants will be uninsured as this is a need-based scholarship and health coverage correlates with income levels. For instance, a 2005 survey by the Texas Department of Insurance³ found average uninsured rates of approximately 29.1 percent of selected Texas Institutions. Using a higher uninsured rate of 35 percent due to the need-based eligibility component and based on the NMSU provided average prices, providing health policies to 35 percent of scholarship awardees would reduce the overall number of FY09 bi-annual award recipients by approximately 340 students.⁴

PERFORMANCE IMPLICATIONS

The HAFC FY09 GAA recommendation includes a \$4 million special appropriation to the College Affordability Endowment fund to increase the endowment value as well as language requiring an accountability plan from higher education institutions prior to distribution.

ADMINISTRATIVE IMPLICATIONS

Higher Education Institutions or the Higher Education department will need to ensure that award recipients do not already have health insurance coverage prior to grant awards being allotted.

RELATIONSHIP

Senate Bill 40 relates to the General Appropriation Act. LFC and HAFC recommendation for the FY09 GAA includes a \$4 million appropriation to the College Affordability Scholarship fund from the College Affordability Endowment fund. The HAFC recommendation for the FY09 GAA also includes a \$4 million special appropriation to the College Affordability Endowment fund to increase the endowment value.

PD/bb

¹ \$971 based on policy NMSU offers to graduate students; United Healthcare offers Spring/Summer 1/15/2008 - 8/21/2008 \$594.00 (215/365=59% of year or approximately \$1006.78 for an annual policy). <https://www.uhcsr.com/SelfServiceSupport/students/ole/SelectBasic-Coverage.aspx>

² Kaiser Family Foundation, State Health Facts <http://www.statehealthfacts.org/profileind.jsp?ind=125&cat=3&rgn=33>

³ Texas Department of Insurance, *Insurance Options for College Students in Texas: A Study of Student Health Insurance Plans*, <http://www.tdi.state.tx.us/reports/life/documents/spg2CollegeIns.pdf>

⁴ (estimated # of Bi-annual awardees = 2,000; 2,000 x 35% = 700, 700 x \$971 = \$680 thousand, ((700 x \$2,000=\$1.4 million) + (700 x \$971 = \$680 thousand*))=\$2.08 million (\$2.08 million -\$4 million appropriation = \$1.92 million/\$2,000 = 960 +700) = 1660 versus 2000 recipients without legislation.