

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill No: SB 28a

49th Legislature, 1st Session, 2009

Short Title: Certain College Scholarships Based on Need

Sponsor(s): Senator Mary Jane M. García

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AS AMENDED

The Senate Education Committee amendment phases in changes to the proportion of gratis scholarships awarded by each postsecondary institution based on need from a minimum of one-third to a minimum of one-half beginning in fall 2010 and a minimum of two-thirds beginning in fall 2011.

Original Bill Summary:

- SB 28 provides that 100 percent, rather than one-third, of “President’s Scholarships” awarded by New Mexico public postsecondary institutions shall be granted based on financial need.
- SB 28 also makes technical amendments, changing a reference to the “Board of Regents” of New Mexico Junior College to its “governing board,” the correct term for an institution organized under the *Community College Act*, and striking the name of the college from a list of constitutionally created institutions required to charge certain minimum fees.

Fiscal Impact:

SB 28 makes no appropriation.

Fiscal Issues:

According to the Higher Education Department (HED), in FY 08 over \$9.3 million was awarded to New Mexico residents in President’s Scholarships. Although institutions do not report what percentage of their President’s Scholarships are awarded based on financial need, HED states it has information to indicate that some two-year institutions make over 90 percent of these awards based on need. HED states it does not have enough information to state how SB 28 would change the total amount of need-based state-funded financial aid.

Amended Issues:

The Senate Education Committee amendment increases the minimum proportion of President’s Scholarships that must be awarded based on financial need from one-third to two-thirds over two years, but would allow public postsecondary institutions the discretion to award the remaining one-third without taking financial need into account.

The provisions of SB 28 would apply to 24 state postsecondary institutions¹: research institutions, comprehensive universities, community colleges, and branch community colleges.

By statute, public postsecondary institutions in New Mexico are authorized to establish and grant scholarships known as “President’s Scholarships” or “3% Scholarships” to New Mexico residents. The law provides that:

- a President’s Scholarship may not exceed the amount of an institution’s tuition and fees;
- recipients may not exceed 3.0 percent of the institution’s total enrollment in the preceding fall semester;
- the institution’s president must select and recommend recipients of good moral character, satisfactory initiative, scholastic standing, and personality to the Board of Regents or governing board;
- the scholarships are to be made before Legislative Lottery Scholarships² are granted;
- the scholarships may not be used for summer sessions; and
- at least one-third of the scholarships must be granted each year on the basis of financial need.

According to data for academic year 2007-2008 from *Measuring Up*, an annual report from the National Center for Public Policy and Higher Education, the cost of higher education in New Mexico represents a larger potential share of family income, and causing students to borrow more on average than in many other states, although in dollar terms those costs are among the lowest in the nation. The report notes:

- annual tuition at two-year public institutions in New Mexico was \$1,316, the second lowest in the nation, and at four-year institutions tuition was \$4,135, seventh lowest; however,
- New Mexico has the third highest poverty rate in the nation;
- state-funded need-based financial aid is low, at approximately 20 cents on the dollar relative to federal Pell Grant aid to students, compared to an average of 38 cents on the federal dollar in all states; and
- as a result, New Mexico students borrow more in federal student loans to pay for college than students from almost any other state—an average of \$5,201 in academic year 2006-2007, the second highest amount in the nation, up from \$2,595 in 1995.

The Legislative Finance Committee (LFC) concluded, in an October 2008 program evaluation of HED financial aid programs, that “New Mexico’s financial aid investment strategy would benefit from an increased focus on need based aid, particularly given the high rate of poverty in the state.” According to the LFC:

- growth in tuition has outpaced that of need-based aid, in New Mexico as around the nation;
- enrollment and persistence patterns of low-income students are much more price-sensitive than those of high income students, and financial barriers to enrollment for low income students tend to perpetuate economic disparities from generation to generation;
- in academic year 2006-2007, New Mexico provided approximately half as much need-based aid, \$17.4 million, as merit-based aid through the Legislative Lottery Scholarship alone; and
- available research shows that need-based aid is the ideal policy lever to address college participation rates of low income students—more than tuition levels or non-need-based aid—and such aid also has been shown to have a positive impact on high school graduation rates.

¹ The language in statute, currently and as amended by SB 28, authorizes New Mexico Military Institute (NMMI) to award President’s Scholarships. However, HED states that NMMI does not do so and has not “for many years.”

²Created in statute in 1996, and subsequently amended, to use the income from the state lottery tuition fund to provide scholarships for tuition assistance for qualifying New Mexico students who attend a public postsecondary institution.

The Project on Student Debt states that affordability affects both enrollment and completion time, and federal data show that New Mexico has one of the highest proportions of part-time students in the nation. Regarding debt, the LFC report, the national Project on Student Debt, and other sources note that reluctance to borrow for college is a barrier to enrollment for some students and families; undergraduate debt prevents many graduates from pursuing graduate school; students who must drop out for financial or other reasons have a particularly difficult time repaying college debt; and over 40 percent of college students carry significant credit card debt from month to month.

Related Bill:

HB 73 *College Affordability Endowment Distribution*