

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: HB 401

52nd Legislature, 1st Session, 2015

Tracking Number: .199853.1

Short Title: College Affordability Endowment Fund

Sponsor(s): Representative G. Andres Romero

Analyst: Travis Dulany

Date: February 25, 2015

Bill Summary:

HB 401 makes an appropriation to carry out the purposes of the College Affordability Endowment Fund.

Fiscal Impact:

\$1.0 million is appropriated from the General Fund to the College Affordability Endowment Fund for expenditure in FY 16 and subsequent fiscal years. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the General Fund.

Fiscal Issues:

According to the Higher Education Department (HED), although the goal for the corpus of the fund is \$250 million (see “Background,” below), the maximum amount in the fund was \$95 million in 2007. HED reports that the corpus of the fund currently stands at just under \$10 million.

HED further reports that, with the current valuation of the College Affordability Endowment Fund and annual earnings and appreciation less than \$2.0 million (see “Background,” below), the appropriation in HB 401 will extend the life of the program. HED also notes that, through November 30, 2014 (five months into the fiscal year), income and capital appreciation on the account is approximately \$100,000, which is 5.0 percent of what is required to ensure the corpus remains stable.

Substantive Issues:

Provisions in current law outline the *College Affordability Act*:

- The purpose of the act is to encourage students with financial need to attend and complete educational programs at public postsecondary educational institutions in New Mexico.
- Scholarships may be awarded to an eligible student – one who is enrolled at least half-time in a public postsecondary educational institution or tribal college at any time later than 120 days following high school graduation or award of a high school equivalency credential – who has:

- not earned a baccalaureate degree at the time the scholarship is awarded;
- has demonstrated financial need consistent with the criteria promulgated by HED; and
- has complied with other rules promulgated by HED to carry out the provisions of the *College Affordability Act*.

Background:

Qualifications for the scholarship are determined by HED rule, which specifies:

- each grant is for a period of one year and not to exceed \$1,000 per semester;
- the grant may be renewed on an annual basis or until the student graduates with a bachelor’s degree from an eligible institution;
- summer grants may be provided, if the amount awarded would not cause the two semester cumulative limit of \$2,000 to be exceeded;
- transferability from institution to institution is subject to available funding;
- a leave of absence may be approved by the student’s postsecondary educational institution for a period not to exceed one year if extenuating circumstances exist;
- part-time awards are pro-rated:
 - grants offered to students enrolled three-quarters time may not exceed \$750 per semester; and
 - grants offered to students enrolled half-time may not exceed \$500 per semester;
- college affordability grants may be provided to an individual who:
 - is a resident of New Mexico or is eligible for a nondiscrimination waiver;¹
 - is enrolled at least half-time as an undergraduate student at a New Mexico public college or university or tribal college;
 - has demonstrated financial need as determined by the eligible college or university; and
 - has received a high school diploma or high school equivalency credential;
- students demonstrating financial need:
 - must complete a Free Application for Federal Student Aid;
 - have unmet need after all other financial aid has been awarded; and
 - may not be receiving any other state grants or scholarships;
- college affordability grants may be renewed for an individual who:
 - maintains “satisfactory academic progress”;
 - remains enrolled at least half-time; and
 - continues to demonstrate financial need as determined by the college or university.

¹ As defined in HED rule, the nondiscrimination principle specifies, “Any tuition or state-funded financial aid that is granted to residents of New Mexico shall also be granted on the same terms to all persons, regardless of immigration status, who have attended a secondary educational institution in New Mexico for at least one year and who have either graduated from a New Mexico high school or received a general educational development certificate in New Mexico. State-funded financial aid programs with an employment component may require U.S. citizenship or eligible non-citizen status.”

The *College Affordability Act* creates two funds:

- the College Affordability Endowment Fund consists of appropriations; unspecified gifts, grants, and donations to the fund; and income from investment of the fund;
- the College Affordability Scholarship Fund consists of investment of the fund and any specified distributions, appropriations, gifts, grants, and donations to the fund; money in the scholarship fund is appropriated to HED for scholarship awards, and expenditures from the scholarship fund shall be by warrant of the Secretary of Finance and Administration pursuant to vouchers signed by the Secretary of Higher Education; and
- the following language describes the management of these two funds:

“Until fifty percent of the annual income from investment of the college affordability endowment fund is equal to or exceeds two million dollars (\$2,000,000), an annual distribution of two million dollars (\$2,000,000) shall be made from the college affordability endowment fund to the college affordability scholarship fund. Thereafter, until the corpus of the endowment fund is two hundred fifty million dollars (\$250,000,000), fifty percent of the income from investment of the fund shall be applied to the corpus of the fund and fifty percent shall be distributed annually to the scholarship fund. After the corpus of the endowment fund is two hundred fifty million dollars (\$250,000,000), all of the income from investment of the fund shall be distributed to the college affordability scholarship fund.”

Committee Referrals:

HEC/HAFC

Related Bills:

HB 334 *ENMU Nursing Program*
HB 375 *Branch Colleges in Tuition Scholarship*
HB 429 *Lottery Scholarships for Home School*
HB 460 *Study Lottery Tuition Recipient Mentoring*
SB 11a *Scholarship for National Merit Scholars*
SB 286 *Forfeited Lottery Prizes to Tuition Fund*
SB 357 *High School Equivalency Credentials*
SB 388 *ENMU Nursing Program*
SB 488 *College Affordability Endowment Fund (Identical)*
SB 521 *Lottery Scholarships for Home School*
SB 657 *Lottery Scholarship as Full Scholarship*
SB 658 *Military Combat Veteran Scholarship Act*