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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 1/30/18  
**LAST UPDATED** 2/09/18      **HB** 23/aHLELC

**SPONSOR** Gentry/Ivey-Soto

**SHORT TITLE** Additional Graduation Requirements      **SB** \_\_\_\_\_

**ANALYST** Liu

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

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		NFI				Public School Budgets
<b>Total</b>		Indeterminate				Post-secondary Institutions

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

- Higher Education Department (HED)
- New Mexico Institute of Mining and Technology (NMIMT)
- New Mexico School for the Blind and Visually Impaired (NMSBVI)
- New Mexico State University (NMSU)
- Regional Education Cooperatives Association (RECA)
- Public Education Department (PED)
- University of New Mexico (UNM)

### SUMMARY

#### Synopsis of HLELC Amendment

The House Local Government, Elections, Land Grants and Cultural Affairs Committee (HLELC) amendment to House Bill 23 replaces references about ‘committing’ to a specific pathway with references about ‘applying’ to a specific pathway instead. Additionally, the HLELC amendment includes “employment” as a pathway option after graduation.

#### Synopsis of Original Bill

House Bill 23 amends graduation requirements under Section 22-13-1.1 NMSA 1978, requiring students in 11<sup>th</sup> grade to file an application with a college or commit to an internship, apprenticeship, or military service as part of their final next-step plan. The bill strikes the phrase,

“or a job”, within the definition of a final next-step plan and defines “college” as a trade or vocational program, community college, college, or university. The bill requires the PED secretary to promulgate rules for this provision and local school boards to reasonably inform high school students about the financial benefits of graduating from college and the availability of financial aid. These provisions will take effect for students entering the 11<sup>th</sup> grade beginning in the 2018-2019 school year.

## **FISCAL IMPLICATIONS**

The bill does not include an appropriation. Given existing requirements of public schools to file final next-step plans for students, no significant additional fiscal implications are currently expected for school districts or charter schools regarding final next-step plans. Applications to colleges, internships, apprenticeships, and military institutions may increase as a result of this bill; however, the impact will depend on rules promulgated by PED. A majority of New Mexico high school students choose to enroll in colleges, so additional enrollment is expected to be marginal given current data. Regarding the HLELC amendment, HED indicates students may choose to apply to college as part of their final next-step plan because it would be the least binding option of those available to them.

PED notes provisions of the bill are an unfunded mandate, but will not impact funding at the department. However, there may be additional support and resources required of local education agencies in order to support bill implementation.

## **SIGNIFICANT ISSUES**

Language in Section 22-13-1.1 NMSA 1978 currently defines a “final next-step plan” as a “plan that shows the student has committed or intends to commit in the near future to a four-year college or university, a two-year college, a trade or vocational program, an internship or apprenticeship, military service or a job.” As such, provisions of this bill do not add new pathways for the final next-step plan. Rather, the bill strikes language allowing students to show intent to commit in the near future to their selected pathway, effectively requiring a commitment to the pathway chosen in the plan. Additionally, the bill strikes language allowing students to use a “job” to meet the plan’s pathway requirement. Statewide data on the number of 11<sup>th</sup> graders with “intent to commit” to these pathways and the number that used “a job” to meet this requirement is currently not available. As such, estimated impacts of this bill are difficult to determine. The HLELC amendment adds back the ability for students to use a job to meet this pathway requirement.

Data from HED shows in 2017 about 63.2 percent of the 52 thousand high school graduates from New Mexico school districts enrolled in a post-secondary higher education institution. About 29 thousand high school graduates, or 55.7 percent, enrolled at New Mexico higher education institutions, and 3,918 graduates, or 7.5 percent, enrolled out-of-state. Data from PED shows 15 percent of non-graduates remained enrolled in school, 4 percent exited out, less than 2 percent received a certificate, and 16 percent were unknown.

According to the U.S. Bureau of Labor Statistics, the 2016 labor force participation rate for New Mexico civilians between the ages of 16 and 24 was approximately 24.8 percent, with an error range between 15.1 percent and 31.3 percent. It is unclear how many of these civilians were attending high school and using their job to meet current requirements in the final next-step plan.

## ADMINISTRATIVE IMPLICATIONS

The bill requires the PED secretary to promulgate rules requiring students to file an application with a college or commit to an internship, apprenticeship, or military service. As such, any additional administrative burden will depend on how PED qualifies “commitment” as it relates to students committing to internships, apprenticeships, or military services. The HLELC amendment changes this to ‘applied,’ which clarifies the requirement.

According to PED, oversight of student fulfillment of graduation requirements will remain the purview of local education agencies (LEA). Additional systemic support may be required of the department to support LEA administrators and counselors in implementation and tracking these additional next step plan requirements.

NMSU notes the bill will create a larger applicant pool, which will require colleges to dedicate additional resources for admissions, financial aid, and communication functions. Current data on student intent is unavailable to determine if post-secondary institutions will receive a significantly larger applicant pool; however, available data suggests that most New Mexico high school graduates choose to enroll in a college within 16 months after high school, so potential increases may be marginal. Some higher education institutions in New Mexico charge an application fee, while other open enrollment institutions may charge a registration fee to cover the costs of processing applications.

UNM notes the bill does not place responsibility on the verification and enforcement of these provisions on a specific entity, which could be substantial as more student applications would need to be vetted through university admissions. UNM suggests an automatic admission strategy based on student high school work may alleviate burdens of application verification and submission.

HED notes students will likely choose to apply to college as part of their final next-step plan because it would be the least binding option of those available to them. It is likely applications received by New Mexico’s public higher education institutions would increase, especially those that do not have an application fee. It is unknown if an increase in applications will result in an increase in matriculation. If there is an increase in matriculation, the number of students eligible for the legislative lottery scholarship may also increase.

## OTHER SUBSTANTIVE ISSUES

According to the Education Commission of the States, in 2017, at least 31 states required students to develop an individual high school education plan or post-high school plan or both. These plans require students to outline and pursue academic and career goals. For example, Oregon requires students to identify and complete specific career-related learning experiences, such as apprenticeship programs or service learning programs. Iowa requires students to complete relevant activities to meet their stated postsecondary goals, which may include completing admissions examinations or entrance applications.

A 2015 Southern Regional Education Board (SREB) analysis of New Mexico students found most ninth graders will likely not earn an advanced postsecondary credential or degree. According to SREB, “of 100 students entering ninth grade, 30 will not graduate on time. Of the 70 that do graduate on time, 52 will immediately enroll in some form of postsecondary

education. Of these, less than half will obtain a bachelor’s degree in six years, and just seven will acquire an associate degree in three years. As these analyses show, by their mid-twenties, between 50 and 60 percent of New Mexico’s young adults will not hold a postsecondary certificate, credential or degree, or an industry credential of value in the workplace.”

The SREB analysis also found few New Mexico high schools were offering career pathways or programs of study at a level that led to industry-recognized certificates and degrees. Statewide, less than 20 percent of career and technical education (CTE) programs offered three or more courses tied to a specific career pathway, with the most popular pathways being automotive, culinary arts, agriculture, carpentry, and welding programs.

NMSBVI notes students who are blind often require additional time to be ready for post-graduate placements. Students who are blind need time to learn compensatory skills, which increase the likelihood they will be successful in college or apprenticeships. NMT notes students that have no current intentions to commit to further schooling or military service or both after high school may refuse to comply and be at risk of not graduating. The stringency of meeting this requirement will depend on rules promulgated by PED, as provided in the bill, so rates of noncompliance cannot be determined at this time. The HLELC amendment changes this to ‘applied,’ which clarifies the requirement.

According to PED, prior research has shown that an educational and career plan is an important indicator of later postsecondary student success. PED cites a study by the Georgetown Center for Workforce Development, which claims almost twice as many jobs today as 40 years ago require a post-secondary education. Other scholars estimate that by 2025 two-thirds of all jobs in the United States will require education beyond high school. Recent data show only 34.6 percent of New Mexicans between the ages of 25 and 64 hold an associate's degree or higher and only an additional 9 percent hold a postsecondary credential.

## **AMENDMENTS**

The following analysis and recommendations are provided by PED on the original bill. The HLELC amendment changes references of ‘committed’ to ‘applied,’ which addresses the following concerns noted in the original analysis:

Subsection B of HB23 states, “For students entering the eleventh grade beginning in the 2018 2019 school year, the secretary shall promulgate rules to provide that the plan shall require a student to file an application with a college or show that the student has committed to an internship or apprenticeship or military service.”

The word “commit” in this statement may be problematic, as the term is not defined or operationalized within the context of the bill. For a cleaner reading, the term “commit” should be defined. Alternately, the language could be changed from “commit” to “apply,” which would be more in-line with the proposed college application requirement in the bill, but this would be a broader interpretation of the requirement.

In subsection P.6. HB23 defines a next step plan as:

"final next-step plan" means a next step plan that shows that the student

has committed [~~or intends to commit in the near future~~] to a four-year college or university, a two-year college, a trade or vocational program, an internship or apprenticeship or military service [~~or a job~~];

Removing the text “*or intends to commit in the near future*” contradicts the proposed changes to the next step plan. The proposed changes state that the students “*will either submit a college application to a secondary educational institution or commit to an internship, apprenticeship or military service prior to graduation*”. An application to a college is not a commitment to attend that postsecondary institution. The language should be kept consistent throughout the bill. The PED recommends that the language in subsection P.6 be amended to read:

"final next-step plan" means a next step plan that shows that the student has applied ~~committed~~ [~~or intends to commit in the near future~~] to a four-year college or university, a two-year college, a trade or vocational program, or committed to an internship or apprenticeship or military service [~~or a job~~];

PED indicates the HLELC amendment does not address the following concerns noted in the original analysis:

Under subsection D.4 the bill states that the next step plan should now include, “the financial benefits of graduating from a college and the availability of financial aid.” Research shows that the benefits of graduating from college vary greatly between majors and degrees obtained; in addition a key component of a successfully completed final Next Step Plan is that a student identifies a career goal. The PED recommends that section D.4 be amended to the following:

D.4 an analysis of the availability of financial aid and the cost of degree completion and

D.5 the financial benefits of graduating from a college with a degree in the student’s area of career interest.

The implied and explicit educational outcome of HB23 is to increase the number of New Mexico graduates with concrete steps taken towards plans for additional post high school training, a major component of which is increasing the number of students enrolling in postsecondary programs. Not addressed in the current iteration of the HB23 bill is the low completion rates of the Free Application for Federal Financial Aid (FAFSA) in New Mexico; a major benchmark of eventual postsecondary enrollment for all students and in particularly low-income students. Research has documented the effect of FAFSA completion on not only initial college enrollment but also on college persistence. Despite the need and importance of the FAFSA in the college going process many students fail to complete this step. A 2006 study by the American Council on Education Center for Policy Analysis found that over 67% of low-income students do not complete the FAFSA.

By not addressing this key post-secondary enrollment benchmark it is unlikely that HB23 will produce the desired increases in postsecondary enrollment. The

current iteration of HB23 alludes to the financial aid component under subsection D.4. The PED proposes more explicitly stating this requirement by amending HB23 to include FAFSA submission as part of the revised next step plan graduation requirements. The following revised language under subsection B is proposed:

For students entering the eleventh grade beginning in the 2018-2019 school year, the secretary shall promulgate rules to provide that the plan shall require a student to submit the Free Application for Federal Financial AID (FAFSA) and file an application with a college or show that the student has committed to an internship or apprenticeship or military service.

#### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

RECA notes students are already required to complete an interim next-step plan at the end of their eighth grade year and a final next-step plan during their senior year prior to graduation. Without enactment of this bill, students will continue to be allowed to file an “intent to commit in the near future” to a four-year college or university, a two-year college, a trade or vocational program, an internship or apprenticeship, military service or a job in their final next-step plan.

SL/sb/jle