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FISCAL IMPACT REPORT

ORIGINAL DATE 1/30/2020
 SPONSOR HEC LAST UPDATED 2/04/2020 HB CS/17/aHSEIC
 SHORT TITLE Disclosure Requirements for Private Colleges SB _____
 ANALYST Hawker

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications	See Fiscal Implications			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

SUMMARY

Synopsis of HSEIC Amendment

The House Government, Elections & Indian Affairs Committee amendment to House Education Committee Substitute to House Bill 17 amends two components of the required disclosure. The private post-secondary institution is to disclose the “average” combined loan debt for federal loans and the “average” earnings at ten years. Previously the disclosures were to include the “median” debt and earning.

Synopsis of Original Bill

The House Education Committee Substitute to House Bill 17 amends 21-23-3 NMSA 1978, the Postsecondary Education Institution Act, adding definitions for:

- “enrollment agreement,” an agreement, instrument or note executed before a person begins coursework that creates a binding obligation between the individual and the post-secondary institution.
- “private post-secondary educational institution,” a no publicly funded post-secondary institution that provides post-secondary education to the general public for a fee.
- “prospective student,” a person who demonstrates interest in signing an enrollment agreement with a post-secondary educational institution.

HB17/HECS creates a new section of the Postsecondary Education Act, providing for private post-secondary institution disclosure requirements. Private post-secondary institutions will be required to disclose to every prospective student prior to enrollment the total estimated cost of attendance for the prospective student's program, including:

- Tuition and fees assessed for the same academic workload to include the costs for equipment (rental or purchase), materials or supplies required for all students in the same program.
- For students attending at least half-time, an allowance for books, supplies, transportation, miscellaneous personal expenses including documented rental or purchase of a personal computer.
- Room and board costs calculated for: (1) a student without dependents who reside in the institution's housing; (2) a student who lives in military housing.
- For students attending less than half-time, an allowance for books, supplies, transportation, room and board.
- For a New Mexico student taking a program via correspondence in New Mexico, only tuition, fees, required books, required supplies, any travel and room costs if residential training is a required component of the program.
- For an incarcerated student, only tuition, fees, and required books and required supplies.
- For study abroad students who will be earning credit at the student's home private post-secondary institution, reasonable costs associated with the study abroad.
- For students with a disability, costs for providing accessibility services for which the student is responsible and will not be provided for by other assisting agencies are to be included.
- For a New Mexico student receiving all or part of their instruction via telecommunications within New Mexico, there shall be no distinction made with respect to the mode of instruction in determining costs.
- The private post-secondary institution may include the cost of obtaining first professional credentials.

Every private post-secondary institution shall disclose to all prospective students:

- The length in semesters of the program and the number of required credit hours.
- The institution's cancellation and refund policy.
- The completion rates for full-time and part-time students in the selected program.
- The withdrawal rates of the selected programs.
- The median combined loan debt for loans certified by the private post-secondary institute for all students who completed the selected program during the most recently completed award year.
- If required by the institution's accrediting agency, the programmatic or institutional placement rate, or both.
- Whether the selected program satisfies the applicable educational prerequisites for professional licensure or certification in New Mexico.
- If available, the median earnings at 10 years after entering the private post-secondary institution of former students who received federal financial aid.

The disclosure information is to be transmitted to HED and prominently displayed. Student disclosures cannot contain information about programs other than the program(s) for which the student has requested information or any other substantive information. The private post-secondary institution must post disclosure information on their publically available website.

The private post-secondary institution must maintain records of their efforts to provide the required disclosures to a prospective student for at least five years after the student enrolls at the institution.

The effective date of the provisions in HB17/HECS is January 1, 2021.

FISCAL IMPLICATIONS

HB17/HECS requires all private postsecondary institutions to disclose detailed information to prospective students. HED is charged with the oversight of private post-secondary education institutions operating in New Mexico, 21-23-5 NMSA 1978. Some modification or amendment of New Mexico Administrative Code may be required.

SIGNIFICANT ISSUES

Disclosing detailed information about total cost of attendance as well a potential earning data is important for any student. It will assist the student in making the most cost efficient enrollment decisions.

Private institutions include nonprofit and for-profit institutions. Nonprofit institutions are owned and operated by nonprofit organizations whose net earnings do not benefit any shareholder or individual. For-profit institutions are privately owned or owned by a publically traded company and whose net earnings can benefit a shareholder or individual.

In 2010 the Government Accounting Office (GAO) studied for-profit colleges. The GAO found instances of exaggerated potential salary after graduation and underestimated cost of attendance. The complete report can be found here: <https://files.eric.ed.gov/fulltext/ED511120.pdf>

VKH/sb/al