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FISCAL IMPACT REPORT

SPONSOR Block **LAST UPDATED** _____
ORIGINAL DATE 1/30/2023
BILL
SHORT TITLE Repeal Opportunity Scholarship Act **NUMBER** House Bill 107/ec
ANALYST Jorgensen

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		(\$152,851.3)	(\$152,851.3)	(\$305,702.6)	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to appropriation in the General Appropriation Act

Sources of Information

LFC Files

Responses Received From

Eastern New Mexico University

Higher Education Department

New Mexico State University

Independent Community Colleges

SUMMARY

House Bill 107 repeals the Opportunity Scholarship Act and directs higher education institutions not to make opportunity scholarship awards the semester after the act is repealed. Any unexpended or unencumbered balance in the opportunity scholarship fund shall revert to the general fund.

This bill contains an emergency clause and would become effective immediately on signature by the governor.

FISCAL IMPLICATIONS

The annual cost to fully fund the Opportunity Scholarship is projected to be \$152.8 million in FY24. The estimated additional operating budget impact table assumes general fund savings equal to the full projected cost of the scholarship in FY24 and FY25 and that tuition, fees, and enrollment are held flat. Given these assumptions, repealing the Opportunity Scholarship Act would create \$305.7 million in savings to the general fund over the next two years.

SIGNIFICANT ISSUES

The Opportunity Scholarship was estimated to cost approximately \$93 million in June 2022. This estimate increased to \$152.7 million when actual costs were available in December 2022. The dramatic increase in the cost estimate is likely due to higher-than-anticipated enrollment of new students, tuition and fee increases, and the use of the Opportunity Scholarship to pay tuition and fee costs of first-year students who would receive the lottery scholarship in the second and subsequent semesters.

HED notes:

In fall 2022, 36,622 students benefited from the Opportunity Scholarship. Not only did the scholarship make up the difference between other institutional and state awards to fully cover tuition and fees, it also made other forms of financial aid available to those students, such as Pell Grants, to help cover the other expenses of going to college, such as books, materials, transportation, and food.

HED further notes that the number of students enrolled increased by 4.3 percent in fall 2022 with first-time freshmen enrollment increasing 9.8 percent statewide.

Higher education institutions increased tuition and fees substantially.

FY23 Tuition and Fee Increases by Institution Type

4-Year Institutions	Increase	Branch Colleges	Increase	Independent	Increase
NMIMT	7.5%	ENMU - Roswell	0.0%	Central New Mexico CC	10.3%
NMSU	4.5%	ENMU - Ruidoso	0.0%	Clovis CC	7.0%
UNM	17.9%	NMSU - Alamogordo	3.5%	Luna CC	11.9%
ENMU	3.2%	NMSU - Dona Ana	3.7%	Mesalands CC	0.0%
NMHU	3.9%	NMSU - Grants	3.5%	New Mexico JC	0.0%
NNMCC	46.8%	UNM - Gallup	0.0%	San Juan C	6.2%
WNMU	29.7%	UNM - Los Alamos	0.0%	Santa Fe CC	0.0%
		UNM - Taos	5.4%	Southeast NM CC	0.0%
		UNM - Valencia	0.0%		

Source: HED

PERFORMANCE IMPLICATIONS

Higher education institutions across the state reported the first enrollment increases in the past decade in the fall 2022 semester.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The 2022 General Appropriation Act contains \$12 million in recurring funding for the Opportunity Scholarship and the FY24 LFC recommendation includes \$22 million in recurring

funding for the Opportunity Scholarship and an additional \$60 million in nonrecurring funding.

TECHNICAL ISSUES

Two existing scholarship programs, the College Affordability Grant and the Legislative Endowment Scholarship Program, were rolled into the new Opportunity Scholarship in 2022. There is no provision in HB107 to restore these programs.

OTHER SUBSTANTIVE ISSUES

Per Section 21-21R2 NMSA 1978 an opportunity scholarship eligible student is:

- A New Mexico resident who has not earned a bachelor's degree;
- Who is enrolled or is enrolling in at least 6 credit hours in a New Mexico public postsecondary institution or tribal college located in New Mexico following high school graduation or has received a high school equivalency credential and who maintains a 2.5 grade point average.

The opportunity scholarship may be awarded for only one credit bearing certificate, one associate degree and one bachelor's degree. The opportunity scholarship for credit bearing certificates may only be awarded when data indicates the certificate is in high demand by New Mexico employers.

Students with special needs or other mitigating circumstances may petition for a waiver of eligibility on a per semester basis.

CJ/rl/ne/mg