

LESC bill analyses are available on the New Mexico Legislature website (www.nmlegis.gov). Bill analyses are prepared by LESC staff for standing education committees of the New Mexico Legislature. LESC does not assume any responsibility for the accuracy of these reports if they are used for other purposes.

LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
56th Legislature, 2nd Session, 2024

| | | | |
|------------------------|---|----------------------------|-------------------------------------|
| Bill Number | <u>HB100</u> | Sponsor | <u>Castellano/Sanchez/Hernandez</u> |
| Tracking Number | <u>.226954.1</u> | Committee Referrals | <u>HEC/HAFC</u> |
| Short Title | <u>Adult Online Learner Scholarship Act</u> | | |
| Analyst | <u>Hathaway</u> | Original Date | <u>1/29/2024</u> |
| | | Last Updated | <u></u> |

BILL SUMMARY

Synopsis of Bill

House Bill 100 (HB100) creates the Adult Online Learner Scholarship Act and the corresponding “adult online learner scholarship program,” a new postsecondary educational scholarship program. This proposed program would be administered by the Higher Education Department (HED) and would offer scholarships for adults ages 26 and older to earn degrees and certificates online. HB100 also establishes definitions, criteria to receive the scholarship, criteria for termination of the scholarship, reporting requirements, and the creation of corresponding funds to finance the proposed scholarship program.

FISCAL IMPACT

The bill appropriates \$5 million from the general fund to the proposed adult online learner endowment fund in FY24 to endow the program; no portion of the appropriation shall revert to the general fund. The bill also appropriates \$2 million from the general fund to the proposed adult online learner scholarship fund for expenditure in FY25 and subsequent fiscal years to provide scholarships to eligible students. Any unexpended or unencumbered balance remaining at the end of FY25 shall not revert to the general fund.

HB100 creates two funds: the “adult online learner endowment fund” and the “adult online learner scholarship fund.”

- The “adult online learner endowment fund” is a nonreverting fund created in the state treasury consisting of appropriations, gifts, grants, donations, and income from investment of the scholarship fund.
- The “adult online learner scholarship fund” is a nonreverting fund created in the state treasury consisting of appropriations, gifts, grants, donations, and income from investment of the scholarship fund. Money in the scholarship fund is subject to appropriation by the Legislature for scholarship awards.

HB100 also contains provisions regarding distributions from the endowment fund until it reaches a certain corpus amount (set at \$40 million). The bill notes that:

- Until 50 percent of the annual income from investment of the endowment fund is equal to, or exceeds, \$2 million, an annual distribution of \$2 million shall be made from the proposed endowment fund to the scholarship fund.
- Until the corpus of the endowment fund is \$40 million, 50 percent of the income from investment of the endowment fund shall be applied to the corpus of the endowment fund, and 50 percent shall be distributed annually to the scholarship fund.
- After the corpus of the endowment fund reaches \$40 million or more, all of the income from the investment of the endowment fund shall be distributed to the scholarship fund.

In other words, this provision (set out in Subsection C of Section 6 of HB100), appears to both grow the corpus of the endowment fund while simultaneously making distributions to the scholarship fund so the proposed program can be funded while the endowment fund continues to grow in its amount as the funds in it are invested.

SUBSTANTIVE ISSUES

Proposed Programs and Eligibility. HB100 proposes a program that would offer scholarships for adult learners—ages 26 and older—who are seeking scholarships for online programs that align with “critical workforce needs” in New Mexico. In creating the proposed program, HB100 establishes the following key definitions:

- ***Eligible Institutions:*** Defined as a “New Mexico public post-secondary educational institution, tribal college, or nonprofit post-secondary educational institution established by New Mexico in cooperation with other western states that offers online courses of instruction leading to a vocational certificate or an associate’s, baccalaureate, master’s or doctoral degree in a field of study that results in qualification in a profession or occupation on the critical workforce need list.”
- ***Eligible Student:*** Defined as a New Mexico resident who: 1) is at least 26 years of age; 2) has not received a terminal certificate or degree in a profession or occupation on the critical workforce need list; 3) demonstrates financial need consistent with criteria promulgated by HED; and 4) is enrolled, or enrolling, at least half-time at an eligible institution in an online postsecondary degree program or vocational certificate program in a field of study on the “critical workforce need list.”
- ***Critical Workforce Need List:*** Defined as the list of public- or private-sector professions and occupations for which New Mexico has a critical shortage of residents qualified to fill positions. HB100, in addition to defining this list notes HED, in conjunction with other cabinet departments, shall develop and update annually this proposed “critical workforce need list.”

HB100 proposes that once eligibility is met, HED shall pay tuition and fees for each eligible student to the eligible institution for: 1) each semester, if the institution measures advancement by semesters; or 2) each course, if the institution measures advancement by competency.

Further, Subsection I of Section 3 of HB100 includes language that in accepting a scholarship, an eligible student agrees to work in New Mexico in a profession or occupation on the critical workforce need list for at least two years after receiving a certificate or degree pursuant to the proposed act. HB100 leaves responsibility for tracking students who complete their programs to the administering agency to promulgate by rule (HED). It is not clear, however, if there would be

consequences for recipients of funding if they did not meet the two year work requirement proposed by HB100.

While agency analysis of HB100 from HED indicates that the proposed bill duplicates the Opportunity Scholarship and services already provided by HED’s Financial Aid Division, it appears there is a distinction between the proposed program and the current Opportunity Scholarship in that HB100 would open up scholarships for *non-credit*, online programs of study. One critique of the Opportunity Scholarship raised in recent years is that funding cannot be used for trade or professional learning programs that may be in demand, but that are not credit bearing.

Non-Credit Programs or Certificates. Nationally, non-credit certificates or programs refer to a set, or sequence, of classes that provide students with development and competencies in a specific subject area, but that do not award college credit for those courses. Non-credit certificates or programs are often utilized by working adults or professionals that allow for a student to earn a credential in a shorter amount of time than a traditional program at a postsecondary institution.

LESC staff analysis of New Mexico higher education institution course offerings found that courses that are non-credit bearing cover professions such as paralegal services, cybersecurity, data science, supply chain management, project management, and automotive and aviation technology, among many others.

History of the Opportunity Scholarship. The Opportunity Scholarship was created in 2022. It allows students to receive scholarships up to the amount of tuition and fees for state public higher education institutions and tribal colleges. When the Opportunity Scholarship and its corresponding fund were created, it also rolled two existing scholarship programs—the College Affordability Grant Fund and the Legislative Endowment Scholarship Program—into the opportunity scholarship fund.

Eligibility for the Opportunity Scholarship. Eligibility for the Opportunity Scholarship is limited to New Mexico residents who have not earned a bachelor’s degree and who are enrolled at least-half time (with half-time defined as enrollment in at least six credit hours). The Opportunity Scholarship may be awarded for only one credit bearing certificate, one associate degree, or one bachelor’s degree. Scholarships for students earning credit bearing certificates may be awarded only 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.

HED notes most New Mexico public postsecondary institutions of higher learning continue to offer a wide variety of online degrees and certificates. Eligible students could cover their tuition and required fees with the New Mexico Opportunity Scholarship, which is funded by general fund appropriations. Despite this, eligibility for the Opportunity Scholarship is only allowed for credit bearing certificates or degrees, although both HB100 and the Opportunity Scholarship include language aligning eligibility to “high demand” or “critical need” careers.

ADMINISTRATIVE IMPLICATIONS

As proposed in HB100, HED would be responsible for administering the program, promulgating corresponding rules in alignment with the proposed revisions of HB100, and for reporting annually to the governor and Legislature on program efficacy. Reporting, as noted in HB100, would include the number of scholarship recipients, average award amounts, program outcomes, and number of

businesses benefiting from scholarship grantees. HED, in its agency analysis of HB100, notes its Financial Aid Division would administer the program and the proposed funds, and the department anticipates a need for two full-time employees to administer the program: one programmatic specialist and one financial analyst. The department expresses concern that funding included in the bill does not include funding for staff at HED to administer this program.

HED also reports the sponsors did not submit this request to HED for possible incorporation into its higher education comprehensive funding recommendation. HED notes it has a formal process for reviewing earmarked budget requests for higher education institutions when developing its funding recommendation. HED also reports it submitted its higher education funding recommendation to the Department of Finance and Administration and the Legislative Finance Committee on November 1, as required by statute.

OTHER SIGNIFICANT ISSUES

In its analysis of HB100, HED notes the proposed act uses “public funding in a way that may incentivize New Mexico residents to attend nonprofit online colleges that may not have adequate levels of accreditation, rigor, and state oversight. The bill states that only nonprofit colleges established by New Mexico in cooperation with other western states would be eligible for the benefits afforded by this bill, yet the number of colleges that fit these criteria is very small.”

The New Mexico Independent Community Colleges (NMICC) echoes this concern, stating that “the only nonprofit post-secondary institution that meets this definition is the Western Governors University (WGU).” NMICC also notes HB100 “raises the policy question of the use of New Mexico taxpayer funds in supporting private postsecondary education.”

RELATED BILLS

Related to Senate Bill 86, Graduate Scholarship Act, which amends eligibility for an existing scholarship program for graduate students and includes eligibility related to serving the eligible institution as a condition for the scholarship.

Related to Senate Bill 233, Graduate Scholarship Eligibility, which also amends eligibility for an existing scholarship program for graduate students but does not include service to the institution as a condition for the scholarship.

SOURCES OF INFORMATION

- LESC Files
- Higher Education Department (HED)
- New Mexico Independent Community Colleges (NMICC)

JKH/mca/js