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FISCAL IMPACT REPORT

LAST UPDATED _____

SPONSOR Castellano/Sanchez/Hernandez **ORIGINAL DATE** 1/30/24

SHORT TITLE Adult Online Learner Scholarship Act **BILL NUMBER** House Bill 100

ANALYST Jorgensen

APPROPRIATION* (dollars in thousands)

| FY24 | FY25 | Recurring or Nonrecurring | Fund Affected |
|-----------|-----------|---------------------------|---------------|
| \$5,000.0 | \$2,000.0 | Nonrecurring | General Fund |

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

REVENUE* (dollars in thousands)

| Type | FY24 | FY25 | FY26 | FY27 | FY28 | Recurring or Nonrecurring | Fund Affected |
|----------------------|------------------|-----------|-----------|---------|-----------|---------------------------|------------------|
| Endowment Fund Dist. | No fiscal impact | \$2,000.0 | \$2,000.0 | \$2,000 | \$1,772.5 | Recurring | Scholarship Fund |

Parentheses () indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

| Agency/Program | FY24 | FY25 | FY26 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|----------------|------------------|---------|---------|-------------------|---------------------------|---------------|
| HED | No fiscal impact | \$214.0 | \$214.0 | \$428.0 | Recurring | General Fund |

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
Higher Education Department (HED)
New Mexico Independent Community Colleges (NMICC)

SUMMARY

Synopsis of House Bill 100

House Bill 100 (HB100) creates the adult online learner scholarship program administered by the Higher Education Department (HED). The bill requires HED to develop and update a list of

critical workforce needs and provide scholarships to students to enroll in certificate or degree programs aligned with these shortage areas. To be eligible, a student must be New Mexico resident, aged 26 years or older, has not received a terminal certificate or degree in a defined critical workforce shortage area, be enrolled at least half-time in an eligible online program, maintain a minimum 2.0 grade point average, and remain in the New Mexico for two years following program completion. Eligible institutions include public postsecondary New Mexico institutions, tribal colleges, or a “nonprofit postsecondary education institution established by New Mexico with cooperation with other western states that offers online courses of instruction[...].”

HB100 requires HED to create rules defining the application process, amount of the scholarship, and priorities for allocating money in the scholarship fund. HED is required to report annually to the governor and appropriate legislative interim committees on the program.

HB100 creates and appropriates \$5 million from the general fund to the online learner endowment fund in FY24 and an additional \$2 million in FY25 to the adult online learner scholarship fund to pay for scholarship awards. The bill states that a minimum of \$2 million per year shall be distributed from the endowment fund to the scholarship fund.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

FISCAL IMPLICATIONS

The appropriation table shows a nonrecurring appropriation of \$5 million in FY24 to the adult online learner endowment fund and another nonrecurring appropriation of \$2 million in FY25 to the adult online learner scholarship fund to pay scholarship costs.

HB100 states that a minimum of \$2 million per year will be transferred from the endowment fund to the scholarship fund to pay for scholarship costs. LFC analysis assumes annual spending of \$2 million and investment earnings of 5 percent per year for the endowment fund. Based on these assumptions, the endowment fund will transfer \$2 million per year to the scholarship fund between FY25 and FY27. In FY28, there will be \$1.77 million available for transfer to the scholarship fund and the endowment fund will be depleted at the close of FY28 assuming no additional appropriations are made. This is shown in the revenue table.

The estimated additional operating budget impact table shows the estimated cost to HED for program administration. HED estimates administration of this program will cost \$214 thousand per year to hire two additional staff.

SIGNIFICANT ISSUES

HB100 creates a new scholarship program specifically for online programs. While many of the eligibility requirements are to be determined by HED, the requirement for students to maintain a 2.0 grade point average differs from the existing eligibility requirements for the lottery and opportunity scholarships, which both require a 2.5 grade point average. This disparity may create a situation where a student could lose the opportunity scholarship and qualify for coverage under the adult online learner scholarship program.

Because distributions to the endowment fund are likely to deplete the fund within four years, it is likely that the fund manager would have to create an investment policy that prioritizes availability of funds, thus driving down the investment return.

HB100 does not stipulate consequences if the eligible student does not fulfill the work requirement.

ADMINISTRATIVE IMPLICATIONS

The Financial Aid Division of HED will administer these funds and expects to need two full-time employees to administer the program.

CJ/rl/hg/ss