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FISCAL IMPACT REPORT

ORIGINAL DATE 01/31/06

SPONSOR Miera LAST UPDATED _____ HB 207

SHORT TITLE College Affordability Endowment Fund SB _____

ANALYST Williams

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$50,000.0	Non-Recurring*	General Fund

(Parenthesis () Indicate Expenditure Decreases)

* Expected to be a multi-year commitment to establish a trust fund of \$250 million.

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	\$50,000.0		Non-Recurring	College Affordability Endowment Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Senate Bill 43

Relates to House Bill 207, House Bill 105, Senate Bill 274

Relates to Appropriation in the General Appropriation Act for \$50 million in non-recurring funds to the college affordability endowment fund (Section 5); included in LFC and Executive budget recommendations.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 207 appropriates \$50 million from the general fund to the college affordability endowment fund for the purpose of initiating funding for the College Affordability student financial aid program.

FISCAL IMPLICATIONS

The appropriation of \$50 million contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2007 shall **not** revert to the general fund.

The college affordability endowment fund as well as the college affordability scholarship fund were established in Laws of 2005, Chapter 192 (Senate Bill 669). Until the corpus of the endowment fund reaches \$250 million, the act authorizes an equal split of income generated by the fund between the corpus and the scholarship fund.

SIGNIFICANT ISSUES

Laws of 2005, Chapter 192 (Senate Bill 669) established the College Affordability Act to “encourage New Mexico students with financial need to attend and complete educational programs at public post-secondary educational institutions in New Mexico.” Provisions would apply to resident students of the state attending a public, post-secondary institution. Student eligibility for the new scholarship program would include:

- Has not earned a baccalaureate
- Enrolled at least half-time in a degree program
- Demonstrated financial need

Students could utilize awards for tuition, fees, books and course supplies.

HED notes the College Affordability Act will follow the federal eligibility requirements established for Pell grants to determine student need. Further, HED notes rising cost of college, and adults returning to college are not eligible for the lottery tuition scholarship program.

TECHNICAL ISSUES

The sponsor may wish to consider an amendment to the bill to require the fund be invested by the State Investment Council pursuant to the provisions of 6-8-7G NMSA 1978.

OTHER SUBSTANTIVE ISSUES

Currently, the state’s two largest need-based student financial aid programs are the student incentive grant and work study program with total amounts awarded in 2004-2005 of \$11.8 million and \$6.5 million, respectively.

A 2003 report of the General Accounting Office found part-time, adult students tend to exhibit weaker persistence and graduation rates.

POSSIBLE QUESTIONS

1. Given the wide range of student eligibility and expense eligibility under the College Affordability program, is there a plan to prioritize needs?
2. How many students would receive scholarships/grants in the first year of the program if the \$50 million appropriation to the endowment fund recommendation of the LFC and the Executive is enacted?
3. How will additional funds for the endowment fund be obtained? What is the target amount of funding for the endowment fund?
4. How will performance outcomes of the new program be measured?
5. Who would evaluate student eligibility to determine awards ---- HED or the institutions?
6. How would HED and institutions administer the provisions of the bill?

AW/mt:yr