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FISCAL IMPACT REPORT

ORIGINAL DATE 02/09/06

SPONSOR Nava LAST UPDATED _____ HB _____

SHORT TITLE College Affordability Endowment Fund SB 43

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)

* Potential for continued requests until college affordability endowment fund corpus reaches \$250 million.

Relates to Appropriation in HB 2, Section 5 of \$49 million.

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	\$50,000.0		Non-recurring	College af- fordability en- dowment fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

Public Education Department (PED)

New Mexico Association of Community Colleges (NMACC)

SUMMARY

Synopsis of Bill

Endorsed by the Legislative Education Study Committee.

Senate Bill 43 appropriates \$50 million from the general fund to the college affordability endowment fund for the purpose of initiating the College Affordability Act.

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.

SIGNIFICANT ISSUES

Note awards under the College Affordability program could be used to address expenses, such as room, board, books and supplies as well as tuition.

PED notes the bill “may encourage New Mexico students who have financial needs to enroll in and complete educational programs at public postsecondary educational institutions in New Mexico.”

PERFORMANCE IMPLICATIONS

HED notes the program will demonstrate “increased college participation and completion, especially among low-income and first-generation college students and students in Adult Basic Education.”

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

ADMINISTRATIVE IMPLICATIONS

HED notes the program will follow the federal eligibility requirements established for Pell grants to determine student need.

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.

NMACC notes “according to an ECS (Education Commission of the States) report, Bridging the Gap, about 37 of 100 9th grade students attend college, but only 14 of 100 from low income families. Further, a CCSSE (Community College Survey of Student Engagement) report cites that financial burden is the biggest barrier (among barriers faced by students) for students to remain in college to obtain a credential or degree.”

NMACC notes awards under the College Affordability program would be capped at \$1,000 per student per semester.

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/yr