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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/05/13  
 SPONSOR HEC LAST UPDATED 02/23/13 HB 280/HECS  
 SHORT TITLE Gen. Richard T. Knowles Scholarship Program SB \_\_\_\_\_  
 ANALYST Roberts

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$500.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates Appropriation in the General Appropriation Act, Higher Education Department, Student Financial Aid

Duplicates 100/SECS, General Richard Knowles Scholarship Program

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Military Institute (NMMI)

Higher Education Department (HED)

### SUMMARY

#### Synopsis of Bill

House Bill 280 appropriates \$500 thousand from the general fund to the legislative scholarship fund for the purpose of implementing the General Richard T. Knowles Scholarship program.

### FISCAL IMPLICATIONS

The Knowles Legislative Scholarship Program receives general fund appropriations through a specific provision in the General Appropriation Act to the New Mexico Military Institute. For FY13, the Knowles Legislative Scholarship received \$792.8 thousand in general fund appropriations. For FY14, HB 2 included a general fund appropriation of \$842.7 thousand for this program -- a \$50 thousand, or 6.3 percent increase, over the FY13 level. If HB 2, as passed by the House, and HB 280 are enacted, the Knowles Legislative Scholarship Program's general fund appropriation would total more than \$1.3 million.

## **House Bill 280/HECS Page 2**

The NMMI summarizes funding for this program. In FY 2006, the Legislature began funding the scholarship with \$463.8 thousand from general fund appropriations. Since then, the Legislature has provided varying yearly amounts to fund the scholarship, with appropriations decreasing over 13 percent from a high of \$912,700 in FY08 to \$792,800 in FY13.

The appropriation of \$500 thousand contained in this bill is a recurring expense to the general fund. As stated in HB 280 and language included in Section 4 of the General Appropriation Act, any unexpended or unencumbered balance in the scholarship fund remaining at the end fiscal year 2014 shall not revert to the general fund.

### **SIGNIFICANT ISSUES**

The Military Institute reports that Legislative members and NMMI award on average 180 scholarships annually to New Mexico students. With NMMI enrollment increasing, we estimate that approximately 250 scholarship recipients will enroll at NMMI during a school year, based on a maximum annual award of 112 new scholarships. The total cost of awards is estimated at \$1,267,250. Given the current unpredictable funding approach, our best estimate has us unable to meet the estimated growth in scholarship awards. Future scholarship success requires an established, predictable funding stream. The minimum estimated annual appropriation necessary to sustain the scholarship award is \$1.2 Million.

This scholarship is awarded only to New Mexico students. For the majority of students offered this scholarship, this award is the determining factor as to whether or not they will choose to attend NMMI, and as such this scholarship has a great impact on the school and the success of the student. NMMI has a proven record of graduating high school classes that have average ACT composite scores that exceed New Mexico and national averages.

### **PERFORMANCE IMPLICATIONS**

It has been determined that 84 percent of NMMI cadets have enrolled in higher education institutions subsequent to their experience at NMMI. The Military Institute states that this program offers students of New Mexico a financial opportunity to attend NMMI which ultimately results in contributing to the global workforce demands.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Adequate funding is necessary to increase the number of awards and to maintain the ability to award a minimum of 40 percent of the cost of attendance for each scholarship recipient.

MIR/blm