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## FISCAL IMPACT REPORT

SPONSOR Tallman/ Hochman-Vigil ORIGINAL DATE 1/28/19 LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_  
 SHORT TITLE New Mexico Reconnect Scholarship Act SB 89  
 ANALYST Valenzuela

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	\$5,800.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

FY20 LFC Budget Recommendation, Policy Analysis, Volume 1, pages 32 – 37  
*2018 LFC Performance Evaluation of the Higher Education Funding Formula*

#### Responses Received From

New Mexico Higher Education Department (NMHED)  
 New Mexico State University (NMSU)  
 San Juan College (SJC)  
 New Mexico Independent Community Colleges (NMICC)  
 Eastern New Mexico University (ENMU)  
 Central New Mexico Community College (CNMCC)

### SUMMARY

#### Synopsis of Bill

Senate Bill 89 establishes a new scholarship program, called the New Mexico Reconnect Scholarship Act, aimed at providing student aid to non-traditional students attending a public two-year college in New Mexico. The bill establishes student eligibility and termination criteria, intending the scholarship to be gap funding to cover tuition and fees, after other student financial aid is exhausted. The scholarship, according to the bill, is awarded each semester, but for no more than four consecutive semesters.

The scholarship program would be administered by the Higher Education Department (HED), which would promulgate rules on the processes to administer the fund. SB89 allows HED to use

up to \$75 thousand of the appropriation to cover administrative expenses.

**FISCAL IMPLICATIONS**

Community colleges have several different types of students: (1) degree-seeking college students, (2) non-degree workforce training students, (3) non-degree seeking senior citizens and community members; and (4) high school dual credit students. Senate Bill 89 would apply to degree-seeking students. HED reports 47 percent of the student population at community colleges are ages 24 or older, and pay \$14.4 million in tuition and fees. The \$5.8 million appropriation contained in the bill would be sufficient to provide tuition support for at least 40 percent of the target population.

The appropriation of \$5.8 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY20 shall revert to the general fund. HED administers more than 20 student financial aid programs for New Mexico students; none of the funds reverts unexpended balances to the general fund.

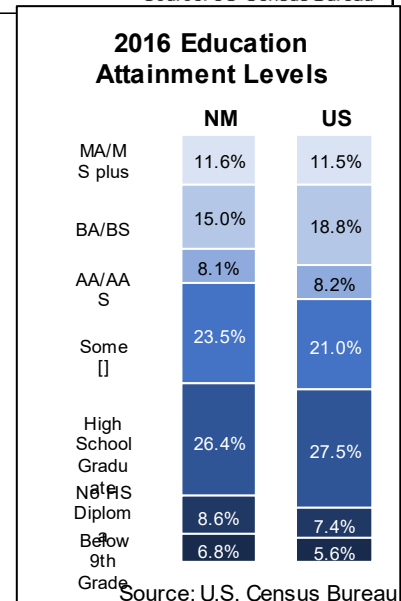
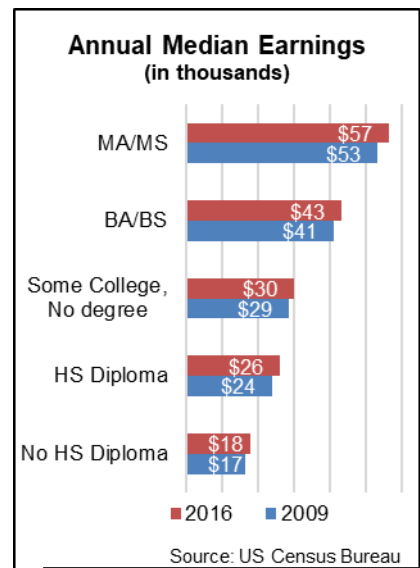
This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

**SIGNIFICANT ISSUES**

The benefits of a higher education credential, from technical certification to a postgraduate degree, are well established. People with higher levels of education earn more and earnings increase with each level of attainment. The opposite is also true: Those without educational credentials face substantial challenges to upward mobility. Recognizing higher wages benefit not just the individual but the state as a whole, New Mexico has made higher education a funding priority, spending more on higher education per capita than most states and focusing that funding on degree attainment.

New Mexico educational attainment has improved from 2009 to 2016 but still trails our peers. The Higher Education Department’s “Route-to-66” initiative seeks to have 66 percent of New Mexicans ages 25 to 64 with a higher education credential by the year 2030. Twenty-six percent of adults in New Mexico have earned a bachelor’s degree or higher compared with 31.5 percent in the region and 30.3 percent in the nation. New Mexico also has a higher proportion of adults without a high school diploma: 15.4 percent compared with 14.4 percent regionally and 13 percent nationally. Attainment has lagged particularly among men ages 25 to 34, with the number of young men with a high school diploma but no college degree growing 10 percent from 2009 to 2016.

The number of degrees and certificates awarded has increased since 2012. Students have earned a total of 160,109 degrees and



certificates, a 22 percent increase from academic year 2012 to academic year 2018.

As a 2018 LFC evaluation uncovered, however, the number of subbaccalaureate certificates earned are increasing faster than the number of college degrees earned. Importantly, the U.S. Bureau of Labor Statistics reports wages for individuals holding short-term certificates are about equal to those with only a high-school diploma or equivalency, but a worker with an associate's degree earns 20 percent or more.

Access to higher education can be challenging for adult learners, who may need to earn a high school equivalency to become college ready. The cost of attending college, while comparatively low in New Mexico, is a constraint for many. Adult learners are not eligible for lottery scholarship.

### **TECHNICAL ISSUES**

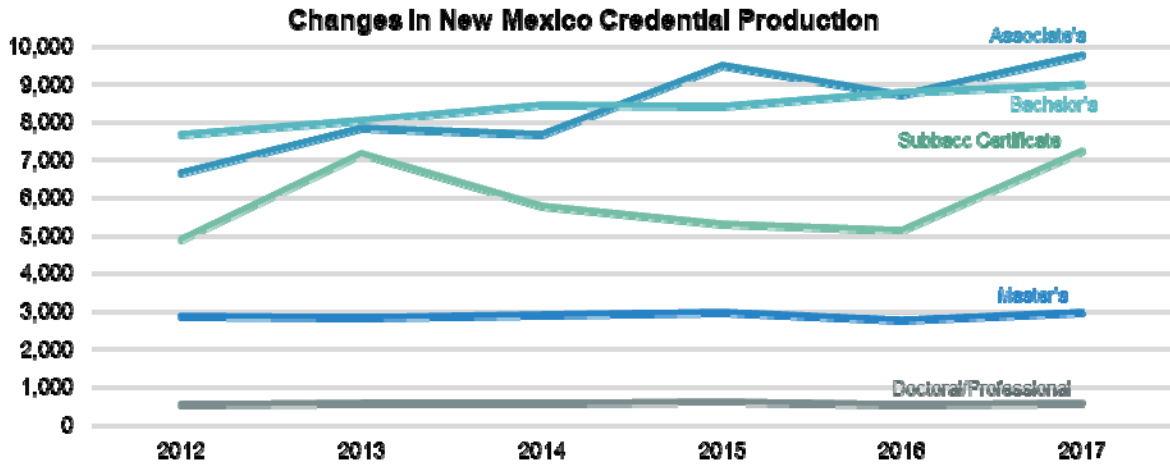
The bill is not explicit for the definition of degree-seeking student. Under Section 6, language reads, as a cause for terminating the scholarship, “failure to maintain continuous enrollment in classes leading to an associate’s degree or certificate” and in Section 7 line 7, the bill uses the language “all students for coursework leading to the completion of the eligible program of study”. To ensure consistency, it may be useful to define student eligibility as a “student who is enrolled or will enroll in a program of study leading to an associate’s degree or certificate”.

HED points out, Section 7 stipulates that scholarships shall be awarded “less all other aid provided to students, which aid shall be credited first to tuition and mandatory fees” (page 5, lines 9-10). Students who opt to take out student loans or enter work-study programs thus may not be eligible for Reconnect scholarships. The Legislature may wish to articulate whether “all other aid” is to include student loans and/or work study, or be limited to grants and other scholarships.

### **OTHER SUBSTANTIVE ISSUES**

*Excerpt of 2018 LFC Performance Evaluation of the Higher Education Funding Formula.*

Evidence suggests that even the low level of performance funding used in New Mexico’s formula since FY13 has compelled institutions to focus on degree completion. However, most of the increase in degree completion has come from nonspecific, subbaccalaureate certificates and associate’s degrees. Counter to this increase, growth in jobs requiring an associate’s degree or certificate are not projected to be especially large compared with jobs requiring a graduate degree. This indicates that New Mexico may be under emphasizing bachelor’s and graduate degree production.



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