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FISCAL IMPACT REPORT

SPONSOR Pirtle **ORIGINAL DATE** 2/5/21
LAST UPDATED _____ **HB** _____
SHORT TITLE Vocational Training Scholarship Act **SB** 240
ANALYST Fischer

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY21	FY22		
	\$2,550.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriations in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)
 Gallup and Valencia branches of the University of New Mexico
 New Mexico State University
 Santa Fe Community College
 New Mexico Independent Community Colleges

SUMMARY

Synopsis of Bill

Senate Bill 240 appropriates \$2.55 million from the general fund to a new vocational training scholarship fund administered by the Higher Education Department to provide funding to community colleges for tuition scholarships for their students in vocational training programs. The bill authorizes tuition scholarships to students who are New Mexico residents who have completed 10th grade, had a 2.0 or higher GPA, and earned a high school equivalency credential. SB240 also charges HED with calculating the distribution of appropriated funds to New Mexico public community colleges and, in turn, directs the college governing boards to issue tuition scholarships to students enrolled in vocational training programs.

The effective date of this bill is July 1, 2021.

FISCAL IMPLICATIONS

HED reports FY21 tuition rates at New Mexico community colleges range from \$39 per credit hour to \$82 per credit hour. The average rate is \$61 and the rate at Central New Mexico Community College, the state's largest community college, is \$56. Based on a one-year, 24-credit-hour workload at an average cost of \$61 per credit hour (\$1,464 per year), the appropriation in SB240 will support approximately 1,700 scholarships. There were 66,556 students enrolled in community colleges in fall 2019, though not all were enrolled in vocational programs.

The appropriation of \$2.55 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY22 shall not revert to the general fund. Although SB240 does not specify future appropriations, creating a new fund and establishing a new scholarship program could create an expectation the program will continue in future fiscal years, therefore this cost is scored as recurring.

The scholarship program created in SB240 may duplicate existing scholarship opportunities offered to community college students. Those opportunities include

- *New Mexico Opportunity Scholarship:* The New Mexico Opportunity Scholarship program is a financial aid program paying for college tuition and fees for students enrolled in a two-year academic program, who are adults or are eligible for a lottery tuition scholarship. Based on data provided to LFC staff by colleges and universities, more than 4,800 students have been recipients of the opportunity scholarship, totaling almost \$3.7 million for the fall 2020 semester averaging \$769 per award per semester. For FY22, HED requested and LFC recommended a flat amount of \$5 million to continue the Opportunity Scholarship Program.
- *College Affordability Scholarship:* The Legislature established the college affordability endowment fund in 2005 (Laws 2005, Chapter 192; SB669) to provide financial aid grants to low-income students who are otherwise ineligible for state financial aid. State law requires at least an annual \$3 million distribution from the college affordability endowment fund each year for financial aid grants. Students are eligible for college affordability grants if they are a state resident enrolled at least half-time at a state or tribal higher education institution with demonstrated financial need and a high school diploma or equivalency. Eligible students can receive up to \$3,000 per year in college affordability grants and use the funds for total costs of attendance, not just tuition. For FY22, HED requested and LFC recommended a flat amount of \$3 million recurring funding for the college affordability endowment fund, and LFC additionally recommended \$15 million in one-time funding into the fund.
- *Student Incentive Grants:* Students are eligible to receive student incentive grant funding if they are New Mexico residents, taking at least six credit hours, and can demonstrate substantial financial need (5.7.8.11 NMAC). Students can use this grant funding to pay for tuition or any other costs of attendance, such as housing, textbooks, or supplies. HED allocates these appropriations to higher education institutions based on measures of student need and enrollment. Higher education institutions then award incentive grants to eligible students. The LFC recommendation for the student incentive grant program for FY22 is \$7.8 million.

SIGNIFICANT ISSUES

Many responding colleges noted the cost of attendance at a community college consists not only of tuition but also of general fees, books, and other materials, such as tool sets for various trades, housing or room and board, and transportation. Tuition scholarships such as proposed in SB240 do not address these additional costs but may allow students to use other funding sources, such as Pell Grants or the above state scholarship opportunities, for fees, supplies, and other costs associated with their vocational coursework.

ADMINISTRATIVE IMPLICATIONS

HED reports SB240 charges the department with calculating the distribution of the new scholarship fund to each community college. Currently, the taxonomy of vocational, or career-technical education (CTE) courses as identified through the national Classification of Instructional Programs (CIP), is not uniform across community colleges. HED does not maintain a list of CTE CIP codes. However, the Public Education Department maintains a list of CTE career clusters based on guidance from the U.S. Department of Education for purposes of administering Carl Perkins CTE funding. As such, HED reports there will be some administrative impact for the department to implement a uniform CIP code taxonomy to correctly distribute funds based on enrollment in CTE programs.

MF/rl