

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill Number:** HB 586

**51st Legislature, 1st Session, 2013**

**Tracking Number:** .192645.1

**Short Title:** Lottery Scholarship Requirements

**Sponsor(s):** Representative James E. Smith and Senator Timothy M. Keller

**Analyst:** Travis Dulany

**Date:** March 2, 2013

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**Bill Summary:**

HB 586 amends provisions governing the Legislative Lottery Scholarship.

Regarding four-year institutions and their branch campuses, HB 586 provides scholarship eligibility to students who:

- completed a high school curriculum at a public or accredited private New Mexico high school and maintained a grade point average (GPA) of 2.7 or higher while enrolled in the high school, unless the student first attended a two-year public postsecondary educational institution;
- maintain residency in New Mexico; and
- attend the four-year postsecondary institution:
  - immediately upon completion of the high school curriculum;
  - within two years after attending a two-year public postsecondary educational institution in New Mexico, or immediately upon completion of a two-year curriculum at a two-year public postsecondary educational institution in New Mexico<sup>1</sup>, whichever is sooner; or
  - within one year of completion of honorable service or medical discharge from the US Armed Forces, provided that the student began service within 120 days of completion of the high school curriculum.

Regarding community colleges and technical and vocational institutions, HB 586 provides scholarship eligibility to students who:

- received a graduate equivalent diploma or completed a curriculum at a public or accredited private New Mexico high school and maintained a 2.5 GPA or higher while enrolled at the high school;
- maintain residency in New Mexico; and
- immediately upon receipt of a graduate equivalent diploma or completion of the high school curriculum are accepted for entrance to and attend a community college or technical or vocational institution.

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<sup>1</sup> Provided that the student attended the two-year postsecondary educational institution immediately upon completion of the high school curriculum and maintained a 2.7 GPA while in high school.

Furthermore, regarding all two-year and four-year institutions, the bill limits the amount of the scholarship award the student receives based on family income. A student with a family income of:

- \$100,000 or more receives 70 percent of the tuition assistance otherwise available to a full-time resident student;
- \$54,000 to \$100,000 receives 85 percent of the tuition assistance otherwise available to a full-time resident student; and
- less than \$54,000 receives 100 percent of the payment of full or partial tuition assistance, as determined annually by the Higher Education Department (HED).

Finally, the provisions of the bill apply to students enrolling in a public postsecondary educational institution in the fall 2014 semester as their qualifying semester (see “Technical Issues,” below).

**Fiscal Impact:**

HB 586 does not contain an appropriation.

**Fiscal Issues:**

According to the New Mexico Lottery Authority (NMLA), despite “record returns” over the last five years, New Mexico Lottery revenues have not been sufficient to cover the rising expenditures for student awards. Projections provided by the Department of Finance and Administration indicate that, under current circumstances, the Lottery Tuition Fund may be insolvent as early as FY 14.

During the 2011 interim, the Legislative Education Study Committee heard testimony from NMLA staff regarding the status of the scholarship. Alluding to the prior four years, NMLA staff noted that ticket sales had been down, or flat, for a variety of reasons, including:

- the economic recession and prolonged recovery;
- loss of retailers that went out of business; and
- increasing food and gas prices.

Despite these setbacks, NMLA staff emphasized that net revenues for the scholarship program have increased both in dollars and percentage due to strict fiscal discipline and severe cost-cutting. NMLA staff explained that steps were taken to stabilize sales, including a new branding campaign, acquisition of 60 new stores, and the launch of a social media strategy to reach younger players. With these measures taken, based on its FY 12 budget, NMLA anticipated flat gross and net revenues over the next several years, with a sales forecast of \$136.4 million and a revenue forecast of \$41.0 million.

According to the Legislative Finance Committee (LFC) Fiscal Impact Report (FIR):

- in FY 12 the Lottery Tuition Fund paid \$58.2 million in scholarships; and
- under current circumstances, LFC and HED estimate an additional \$5.0 million to \$16.0 million in revenues will be needed in FY 14 to continue to make 100 percent tuition scholarship awards.

Finally, according to the US Census Bureau, the median household income in New Mexico for 2007-2011 was \$44,631<sup>2</sup>.

### **Substantive Issues:**

The FIR indicates that “the bill would impose means-testing for the award, requiring students to complete the Free Application for Federal Student Aid (FASFA) or some form reporting family income tax statements.” Furthermore, the University of New Mexico (UNM) bill analysis suggests the expected family contribution (EFC) as a potential method of determining the amount of the scholarship award for each student because it takes into account factors in addition to family income. In most cases, the EFC is calculated based on a student’s responses to questions on the FASFA.

### **Technical Issues:**

The sponsor may wish to amend page 12, line 23, to read, “...apply to students enrolling in the fall 2014 semester or later . . . .” Otherwise, the bill would seem to limit its provisions to that semester only.

Also, the sponsor may wish to add language clarifying how students will demonstrate family income, whether it be by means of a FASFA or another form.

### **Background:**

Created by legislation enacted in 1996, the Legislative Lottery Scholarship is a renewable, full-tuition award granted to qualifying students beginning in their second semester at a public postsecondary institution in New Mexico. The scholarship covers the cost of tuition only. Students are responsible for additional educational expenses such as student fees, course materials, and housing.

To qualify for the scholarship a student must:

- be a New Mexico resident;
- have graduated from a New Mexico public or accredited private high school or have obtained a New Mexico GED;
- enroll full-time (in at least 12 credit hours) at an eligible New Mexico public college or university, in the first regular semester immediately following high school graduation; and
- obtain and maintain a cumulative GPA of at least 2.5.

State law also provides for specific accommodations with regard to:

- students with disabilities;
- students whose parents are in the military; and
- individuals who either immediately enlist in, or have recently departed from, the US Armed Forces.

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<sup>2</sup> <http://quickfacts.census.gov/qfd/states/35000.html>

**Committee Referrals:**

HEC/HAFC

**Related Bills:**

*CS/HB 27 Expand Lottery Scholarship Eligibility*

*HB 28 Lottery Scholarships at Tribal Colleges*

*\*CS/HB 309 Lottery Scholarship Program Solvency*

*CS/SB 392 Lottery Tuition Fund Distributions*

*SB 451 Lottery Scholarship Requirements & Debt*