

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SM 101

51st Legislature, 1st Session, 2013

Tracking Number: .194211.2

Short Title: Lottery Scholarship Fund Solvency Work Group

Sponsor(s): Senator Michael S. Sanchez

Analyst: Travis Dulany

Date: March 19, 2013

Bill Summary:

SM 101 requests that the Higher Education Department (HED), in cooperation with the Legislative Education Study Committee (LESC), and the Legislative Finance Committee (LFC), form a work group to study the solvency of the Lottery Tuition Fund.

The memorial further specifies that the work group is to be co-chaired by the Secretary of Higher Education and the Director of Institutional Research at the University of New Mexico, and is to comprise:

- two members from the majority party in the House of Representatives or the members' designees;
- two members from the minority party of the House of Representatives or the members' designees;
- two members from the majority party in the Senate or the members' designees;
- two members from the minority party in the Senate or the members' designees;
- five members representing institutions of higher education:
 - three from the Council of University Presidents;
 - one from the New Mexico Association of Community Colleges; and
 - one from the New Mexico Independent Community Colleges;
- six students, from self-nominations and nominations from student government bodies, representing state higher educational institutions:
 - two representing research universities;
 - two representing other universities; and
 - two representing community colleges; and
- the directors of the LESC and the LFC, or their designees.

Staff for the work group is to be provided by HED, LFC, and LESC.

The work group is requested to compile the following student data regarding awards made from the Lottery Tuition Fund if such data have been aggregated per student and provided to HED or LFC:

- grade point average (GPA);
- financial need, as reported on the standardized Free Application for Federal Student Aid (FASFA);
- declared major, if any;
- number of classes and credits taken per semester;
- number of semesters completed at the institution, and any other institution previously or concurrently, and whether the completed semesters were consecutive;
- amount of scholarship awards received to date;
- any other financial aid received, including scholarships, grants, or loans;
- attainment and name of attained degree, if any;
- disenrollment, if any; and
- any other information that the work group deems relevant and appropriate.

If any of the above-mentioned data have not been aggregated per student and provided to HED or LFC, the work group is requested to recommend that the per-student data be provided each semester to HED and LFC by each public higher education institution that receives lottery fund payments.

Among the methods the work group is requested to study are:

- increasing the merit or financial-need qualifications required of recipients;
- allowing one or more gap years before commencement of enrollment and attendance at a public higher educational institution to allow time for maturation and workforce experience;
- providing additional resources of funding for the Legislative Lottery Scholarship;
- reducing the amount of each Legislative Lottery Scholarship award, including tiered awards based on a standardized balancing of recipient qualification criteria; and
- any other measure that the work group deems relevant and appropriate.

Finally, the work group is requested to meet at least three times during the 2013 interim and present its recommendations to the Legislature by December 1, 2013.

Fiscal Impact:

Legislative memorials do not contain an appropriation.

Fiscal Issues:

Memorials requesting state agencies to form work groups and conduct studies are likely to have a fiscal impact in terms of staff time, travel, office supplies, and other items. Also, this memorial would need to consider per diem and travel costs of legislators.

Substantive Issues:

During the 2012 regular legislative session, the Legislature passed a joint memorial, *Study Lottery Tuition Fund Solvency*, which requested HED to convene a task force to study the solvency of the Legislative Lottery Scholarship program. However, no action was taken to convene the task force.

A number of bills seeking to address Lottery Tuition Fund solvency issues have been introduced during the 2013 regular legislative session (see “Related Bills,” below), including legislation that:

- adds additional funding by directing money received from tobacco settlement payments to the Lottery Tuition Fund;
- places certain conditions on the scholarship to require repayment if recipients fail to maintain eligibility;
- requires eligible students to complete a FASFA in order to receive the Legislative Lottery Scholarship;
- subtracts the amount of other scholarships or grants-in-aid received by the student from Legislative Lottery Scholarship awards;
- provides for a sliding scale for scholarship awards based on need or GPA, or both;
- increases eligibility requirements with regard to GPA;
- sets a minimum fund balance on the Lottery Tuition Fund; or
- puts in place a basic scholarship of a specified dollar amount, with language that allows for additional scholarship awards if funding is available in the Lottery Tuition Fund.

According to the LFC Fiscal Impact Report for a related bill:

- 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.

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 LESC 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.

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 General Educational Development certificate;
- 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
- attain 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.

Committee Referrals:

SEC

Related Bills:

CS/HB 27 *Expand Lottery Scholarship Eligibility*
HB 28 *Lottery Scholarships at Tribal Colleges*
*CS/HB 309 *Lottery Scholarship Program Solvency*
HB 586 *Lottery Scholarship Requirements*
HM 94a *Identify Tribal College Exclusions*
HM 101 *Lottery Tuition Fund Solvency Work Group (Identical)*
CS/CS/SB 113 *Tobacco Fund for CYFD Programs*
and CS/SB 392 *Lottery Tuition Fund Distributions*
SB 451 *Lottery Scholarship Requirements & Debt*