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## FISCAL IMPACT REPORT

**SPONSOR** Taylor & Keller      **ORIGINAL DATE** 01/22/14  
**LAST UPDATED** 01/29/14      **HB** 145

**SHORT TITLE** Lottery Scholarship Changes      **SB** \_\_\_\_\_

**ANALYST** Chavez

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		TBD	TBD	TBD	Recurring	Legislative Lottery Tuition Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to SB 44, SB 141, SB 146, SB 150

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Higher Education Department (HED)

### SUMMARY

#### Synopsis of Bill

House Bill 145 expands eligibility of the Legislative Lottery Scholarship Program (LLSP) to include military dependents of New Mexico residents and clarifies that the initial qualifications for the scholarship program are the same at all public post-secondary institutions.

### FISCAL IMPLICATIONS

This bill increases the number of students eligible to receive the LLSP, which could increase lottery expenditures when lottery scholarships are below available revenues. When scholarships are higher than available revenue, as is the case for FY14 and likely for subsequent years, the proportion of lottery funding received by each scholarship recipient could be decreased. The Higher Education Department (HED) reports that they do not have the data to determine fiscal impact at this time.

**SIGNIFICANT ISSUES**

HB 145 amends section 21-1-4.3 (C) and (D) of the NMSA 1978 by removing “completion of a high school curriculum at a public or accredited New Mexico high school” and instead uses the term “graduate equivalent diploma” which is defined in the bill to mean:

- 1) A diploma or, beginning with the 2010-2011 school year, a diploma of excellence earned from New Mexico public high school;
- 2) A diploma from an accredited New Mexico private high school;
- 3) A diploma from an out-of-state high school for which the secretary of public education made supplemental distributions to pay secondary out-of-state tuition of the student because the school facilities were not reasonably available in the New Mexico school district of the student's residence;
- 4) A general educational development certificate, the date of issuance of which shall be considered to be the graduation date;
- 5) An equivalent high school diploma at a high school outside New Mexico if the student is a dependent of and domiciled with a New Mexico resident who is paying New Mexico income taxes but who, as a result of service in the United States armed forces, is stationed outside of New Mexico at the time of graduation.

HED notes that under current law, military dependents who graduate from an out-of-state high school due to military obligations in another state or out of the country are ineligible to participate in the LLSP upon their return. However, a student does have the opportunity to gain a New Mexico GED or transfer high school credits within a district in New Mexico in order to receive a New Mexico high school diploma.

Finally, HB 145 amends Section 21-13-10 NMSA 1978 to include full-time resident students who within 120 days of receiving a graduate equivalent diploma begin service in the United States Armed Forces and within one year of completion of honorable service or medical discharge from the service, attend a community college. This provision exists in the four-year definition of the LLSP but not in the two-year definition. While the same eligibility for military veterans at two-year institutions is implied, this bill clarifies statute. It is not clear if any military veterans have been denied access to the LLSP as a result of this inconsistency.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

SB 44 replaces the term “General Education Development Certificate” with “High School Equivalency Credential”. (See Technical Issues.)

SB 150 also makes changes to the definitions of student eligibility. This bill creates the Legislative Lottery Tuition Scholarship Act and puts all eligible students under the same set of definitions, regardless of the type of institution they attend. The section amended in this bill would be removed in SB 150.

SB 141 creates changes to the solvency of the lottery scholarship by limiting awards to the amount of tuition received in a students’ first semester of receiving the scholarship.

SB 146 makes the same solvency change as SB 141, and in addition increases the minimum number of credit hours to be considered a full-time student from 12 per semester to 15 per semester.

**TECHNICAL ISSUES**

If SB 44 is signed, HB 145 should be amended to replace “General Educational Development Certificate” with the term “High School Equivalency Credential”.

The term “graduate equivalent diploma” to include all high school and equivalent diplomas may be confusing.

The bill states that a student is eligible to receive the LLSP if they have “an equivalent high school diploma at a high school outside New Mexico if the student is a dependent of and domiciled with a New Mexico resident who is paying New Mexico income taxes but who, as a result of service in the United States armed forces, is stationed outside of New Mexico at the time of graduation.” However, active duty income earned by active duty members of the armed forces is exempt from New Mexico’s personal income tax.

KC/ds

**Legislative Lottery Scholarship Program: Proposed Legislation in 2014 Session**

Bill Number	Lottery Program Changes						FY15 Funding				Other Changes
	GPA?	Full Time?	Number of Semesters	Financial Need?	Award Changes	Legacy Provision?	Solvent?	Appropriation?	Sanding Required?	Emerg. Clause?	
<b>HB 145 (Taylor)</b>	2.5	12 SCH	8	No	None	No	No	None	Yes	No	Adds eligibility for dependents of military on active duty outside of NM
<b>HB 254 (Smith, JE)</b>	2.5-3.25	12 SCH	7	Yes	Level of award based on GPA and financial need	Yes - 3 or more semesters by FY15 (unfunded)	Yes	None	Possibly	Yes	Requires application and FAFSA; unfunded legacy provision
<b>HB 263 (Harper)</b>	2.5	12 SCH	7	No	Flat award determined by HED; one award for all institution types, capped at tuition.	No	Yes	None	No	Yes	None
<b>HB 348 (Baldonado)</b>	2.5	12 SCH	7	No	No change to amount; waiver instead of scholarship	Unclear	No	None	Yes	Yes	Scholarship to loan program; students must repay the waiver if they fail to get a degree.
<b>SB 141 (Candelaria)</b>	2.5	12 SCH	8	No	Limits tuition payments to tuition amount of qualifying semester	Unclear	No	None	Yes	No	None
<b>SB 146 (Ingle)</b>	2.5	15 SCH for all higher- ed students	8	No	Limits tuition rates; award amount equals the tuition rate of qualifying semester	Unclear	No	None	Yes	No	None
<b>SB 150 (Smith)</b>	2.75	15 SCH for 4-year inst; 12 CH for 2-year inst.	7	No	Flat awards based on type of institution	Yes - 3 or more semesters by FY15 (unfunded)	Yes	\$8 million recurring; \$2.9 million for legacy students	No	Yes	None
<b>SB 302 (Sanchez)</b>	N/A	N/A	N/A	N/A	N/A	N/A	Yes for FY15; not solvent in the long-term without program changes.	\$3 million monthly through FY18	No	No	Repeals the capital gains deduction from net income and appropriates a portion of savings to the LLSP
<b>SB 303 (Sanchez)</b>	N/A	N/A	N/A	N/A	N/A	N/A	Yes for FY15; not solvent in the long-term without program changes.	\$35 million annually	No	No	Raises motor vehicle excise tax and gives 20 percent of proceeds to the LLSP
<b>SB 327 (Sapien)</b>	2.5	12 SCH	7 at four-year inst.; 4 at two-year inst. + 4 at four-year inst.	No	Award amount based on type of institution and # of semesters w/ scholarship	Yes - 3 or more semesters by FY15	Yes	None	Possibly	Yes	Requires scholarship application and FAFSA; unfunded legacy provision
<b>SB 379 (Payne)</b>	Institutional decision	Institutional decision	Institutional decision	Institutional decision	Institutional decision	Institutional decision	Yes	None	Possibly	Inst. decision	HED distributes agreed-upon amount to institutions by Aug 15; institutions establish criteria.

\*SCH =Student Credit Hour

Source: LFC Files