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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/07/14

SPONSOR Harper and Brandt LAST UPDATED 02/13/14 HB 263/aHEC

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

ANALYST Chavez

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		
	NFI	Recurring	Lottery Tuition Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16		
	NFI	NFI	Recurring	Lottery Tuition Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to HB 2, HB 145, HB 254, HB 348, SB 141, SB 146, SB 150, SB 327, SB 379 (See attachment)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Higher Education Department (HED)  
 University of New Mexico (UNM)  
 New Mexico Tech (NM Tech)  
 Eastern New Mexico University (ENMU)  
 Central New Mexico Community College (CNM)  
 New Mexico Lottery Authority (NMLA)

### SUMMARY

#### Synopsis of House Education Committee Amendment

The House Education Committee Amendment to House Bill 263 duplicates current law by changing the uniform award amounts as provided for in the original bill and instead reducing awards according to a certain percentage based on available revenues, as determined by the Higher Education Department (HED).

The changes provided for in the amendment duplicate HED responsibilities as outlined in Section 21-1-4.4 NMSA 1978. Under current law, HED is required to reduce scholarship amounts by a certain percentage according to available revenues.

### Synopsis of Original Bill

House Bill 263 creates the “Legislative Lottery Scholarship Act” and makes solvency changes to the Legislative Lottery Scholarship Program (LLSP). For FY15, the bill reduces lottery scholarship eligibility length to seven total semesters (three at two-year institutions), maintains the current 2.5 GPA and “full-time” credit hour requirements. The bill also provides for a solvency by requiring HED to determine a uniform award amount, capped at the cost of tuition, by June 1 each year.

The bill also requires the Higher Education Department (HED) to promulgate rules setting forth explicit criteria for student qualification and continuing eligibility, determining award amounts, guidelines for the administration of the LLSP. HED must also report on the scholarship to LFC and DFA by November 1<sup>st</sup> of each year.

The bill repeals Sections 21-1-4.3, 21-1-4.4, and 21-16-10.1 NMSA 1978.

The bill declares an emergency.

### **FISCAL IMPLICATIONS**

The payments of this bill would be a certain percentage of tuition according to available revenue; this is the same as under current statute.

There is no legacy provision with this bill; all LLSP recipients would have their scholarships cut beginning in the 2014-2015 school year.

Savings to the lottery tuition fund would be according to the amount set by HED.

### **SIGNIFICANT ISSUES**

LLSP relies on revenues from lottery ticket sales and prior year fund balance to meet annual scholarship expenses. During the last few fiscal years, lottery scholarship expenses have increased steadily, \$53.3 million in FY11, \$58.2 million in FY12, \$61.9 million in FY13, and a projected \$67.5 million in FY14. As forecasted by the Legislature and executive branch, LLSP will deplete all remaining fund balances in FY14 unless supplemental funding is provided. Lottery revenues are expected to remain flat and insufficient to meet the full cost of funding tuition for all eligible students. Since scholarship expenditures cannot exceed available revenues, significant changes are required to maintain program solvency. Alternatively, Section 21-1-4.4 NMSA 1978 mandates HED to reduce award amounts by a department-determined percentage if expenditures are greater than revenues.

### **RELATIONSHIP**

For related bills, see attachment 1.

**POSSIBLE QUESTIONS**

Under the bill, will LLSP recipients have their scholarships cut for the spring 2014 semester?  
What will be the unforeseen impact with the provisions of the bill have on enrollments at research universities? Comprehensives? Two-year institutions?

KC/jl