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**LEGISLATIVE EDUCATION STUDY COMMITTEE**  
**BILL ANALYSIS**  
**53rd Legislature, 1st Session, 2017**

<b>Bill Number</b>	<u>HB426/HECS</u>	<b>Sponsor</b>	<u>HEC</u>
<b>Tracking Number</b>	<u>.207795.3</u>	<b>Committee Referrals</b>	<u>HEC/HAFC</u>
<b>Short Title</b>	<u>Lottery Scholarship Amount Changes</u>		
<b>Analyst</b>	<u>Rogne</u>	<b>Original Date</b>	<u>3/2/17</u>
		<b>Last Updated</b>	<u>3/9/17</u>

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**BILL SUMMARY**

Synopsis of Bill

The House Education Committee substitute for House Bill 426 (HB426) amends Legislative Lottery Tuition Scholarship award amounts for legacy and qualified students. HB426/HECS maintains the current calculation of funding for legacy students, who are redefined as students who have received one or more program semesters of the scholarship by the end of FY17. For new qualified students, the scholarship award structure is changed to a flat amount based on the type of postsecondary institution. A qualified student would receive an award up to \$3,000 per program semester if enrolled at a research institution; \$2,000 per program semester if enrolled at a comprehensive institution; and \$1,000 per program semester if enrolled at a community college. However, if there is not enough funding to cover these awards, HB426/HECS dictates a proportional distribution (i.e., a 3:2:1 ratio) based on the flat amounts. An award for a legacy student would not be less than an award for a qualified student who attends the same public postsecondary educational institution.

The effective date of HB426/HECS would be July 1, 2017.

**FISCAL IMPACT**

HB426/HECS does not contain an appropriation.

The legacy provisions of HB426/HECS require legacy students to receive an award no lower than the flat award for new students. At current tuition, enrollment and revenue levels, the net effect is that the award levels are the same for both legacy and new students. The following table shows award amounts based on FY16 enrollment.

Cost for Flat Awards Pursuant to HB426 – No Legacy Provision			
Sector	HB426 Maximum Award	FY17 Enrollment	FY18 Full Award Cost
Research Universities	\$3,000	21,699	\$65,097,000
Comprehensive Universities	\$2,000	2,541	\$5,082,000
Community Colleges	\$1,000	5,457	\$2,332,000
Grand Total	-	29,697	\$75,636,000

Source: HED

HB426/HECS allows the Higher Education Department (HED) secretary to reduce the award based on projected enrollment and revenues to the lottery tuition fund, projected as \$41 million for FY18.

**SUBSTANTIVE ISSUES**

HB426/HECS amends the Legislative Lottery Tuition Scholarship Act so that qualified and legacy students, beginning in FY18, would be eligible to receive the lottery scholarship for seven program semesters provided that the student maintains residency in New Mexico; maintains a GPA of 2.5 or higher; and for a student attending a four-year postsecondary institution, completes 15 or more credit hours per program semester; and for a student attending a two-year postsecondary institution, completes 12 or more credit hours per program semester.

The legacy provisions of HB426/HECS require legacy students to receive an award no lower than the flat award for new students. At current tuition, enrollment and revenue levels, the net effect is that the award levels are the same for both legacy and new students. If there were sufficient funding in the future, legacy students may receive more than qualified students.

**Current Status of the Legislative Lottery Tuition Scholarship.** The purpose of the legislative lottery tuition scholarship is to increase access to postsecondary education, reduce financial burden on students, and increase educational attainment in New Mexico. The legislative lottery tuition scholarship is currently funded by 30 percent of lottery ticket sales. Since 2009, the cost of tuition scholarships has outpaced revenues from ticket sales; as a result, the year-end balance of the lottery tuition fund has declined. According to the Legislative Lottery Scholarship Report published by HED in December 2016, the fund paid 90 percent of sector average tuition in FY16. Tuition payments were reduced from the FY14 peak of \$66 million to \$58.2 million in FY16. A summary of the FY16 lottery tuition fund activity can be found below.

FY16 Lottery Tuition Fund Activity Summary	
Cash Balance Beginning FY16	\$3,402,138
NM Lottery Authority Revenues	\$45,936,991
Liquor Excise Tax Revenue	\$14,626,920
TRD Voluntary Contributions, Other Misc. Revenue	\$11,203
<b>Subtotal FY15 Revenues</b>	<b>\$60,575,114</b>
Fall 2014 Lottery Scholarship Payments	(\$26,733,244)
Spring 2015 Lottery Scholarship Payments	(\$31,437,309)
FY15 Delayed Payment	(\$3,587,324)
<b>Subtotal FY16 Expenditures</b>	<b>(\$58,170,533)</b>
<b>Cash Balance Ending FY16</b>	<b>\$2,219,375</b>

Source: SHARE Financials

For FY16 and FY17, 39 percent of the liquor excise tax revenue is directed to the lottery tuition fund, pursuant to subsection C of Section 7-1-6.40 NMSA 1978. However, the lottery tuition fund's liquor excise tax revenue enacted in Laws 2014, Chapter 80 (SB347) will sunset June 30, 2017.

### **ADMINISTRATIVE IMPLICATIONS**

HED would promulgate rule to carry out the directives contained in HB426/HECS. HED noted that student enrollment trends are volatile and difficult to assess in the long term. While the fiscal year budget is determined in advance of the fall semester, enrollment changes in the fall semester may affect the availability of funds for the spring term. In the event the lottery tuition fund balance was insufficient to pay the estimated sector average tuition, HED would be required to request a special/supplemental appropriation as part of its annual budget request to address the shortfall.

Western New Mexico University (WNMU), a comprehensive four-year postsecondary educational institution, expressed concern with the requirement that four-year students take at least 15 credits per program semester, while community college students take at least 12 credits per program semester. According to WNMU, students in their community do not have a live-at-home option for community college and WNMU is in essence the community college. For the same reasons that 12 credit hours is more realistic for beginning freshman in a community college, 12 credit hours is a more realistic enrollment for their students. WNMU is concerned about the financial impact on their students as they do not have the community college reduced expenses, and then must also pay more for required courses, making fewer of their students capable of covering their bill.

The University of New Mexico and New Mexico State University expressed concern that students from four-year postsecondary institutions will have to pay more out of pocket than students at two-year institutions, since a higher percentage of tuition is covered by HB426/HECS for two-year institutions.

### **RELATED BILLS**

Relates to the following bills addressing the lottery scholarship: HB194, HB237/HTRCS, HB250/HBICS/aHLEDC, HB344/aHSIVC, HB425, SB188, SB192/aSFC, SB276, and SB420.

### **SOURCES OF INFORMATION**

- LESC Files
- New Mexico Military Institute
- University of New Mexico
- Western New Mexico University
- Eastern New Mexico University
- Higher Education Department

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