

FACT SHEET

LEGISLATIVE LOTTERY SCHOLARSHIP UPDATE

Created by legislation enacted in 1996, the Legislative Lottery Scholarship is a renewable, full-tuition award¹ 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. **Attachment 1, *Student Count By County, Fall 1997 – Spring 2014***, shows that:

- from the fall semester of 1997 through the spring semester of 2014, a total of 97,137 high school graduate and General Educational Development certificate (GED) recipients have attended college on the Legislative Lottery Scholarship;
- 17,407 are actively enrolled in the Scholarship program as of the 2014 spring semester;
- demand for the Lottery Scholarship almost doubled from more than 10,000 students to more than 17,000 students from the spring semester of 2000 to the spring of 2010; and
- during that same time, the total amount paid out in scholarships more than tripled from \$8.8 million to \$28.6 million per semester.

To qualify for the scholarship a student must:

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

Statute defines “full time” as:

- fifteen or more credit hours each semester of the regular academic year in state educational institutions (4-year colleges and universities),
- twelve or more credit hours each semester of the regular academic year in community colleges; or
- for legacy students² in any program semester.

State law also provides for specific accommodations with regard to:

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

¹ To the extent that the funds are made available by the Legislature from the Fund.

² 21-21N-2, “legacy student” means a full-time resident student who has received for three or more program semesters by the end of FY 14 the legislative lottery scholarship awarded pursuant to the former provisions of Sections 21-1-4.3, 21-13-10 and 21-16-10.1 NMSA 1978, prior to the enactment of the *Legislative Lottery Tuition Scholarship Act*.

2013 Lottery Fund Solvency Work Group

In previous years, the solvency of the Legislative Lottery Scholarship program had been a topic of concern for the Legislature because expenditures had exceeded revenues, resulting in a depletion of the Lottery Tuition Fund. Expenses grew from \$53.3 million in FY 11 to a projected \$67.5 million for FY 14, meanwhile, revenues have remained between \$39.0 million to \$42.0 million.

During the 2013 legislative session, the Senate passed SM 101, *Lottery Scholarship Fund Solvency Work Group*, which requested the Higher Education Department (HED) to form a work group of various stakeholders, including the Director of the Legislative Education Study Committee (LESC) staff, to study the solvency of the Fund and present the work group's recommendations to the Legislature by December 1, 2013. The work group met several times throughout the 2013 interim and considered a number of methods for addressing Fund solvency, including:

- increased requirements for GPA and credit hours;
- front-end or back-end loading of tuition scholarships (e.g. providing full tuition scholarships during the first years of postsecondary education and reducing award amounts during the junior and senior years);
- decoupling the award amounts from tuition;
- limiting the scholarship to seven semesters instead of four consecutive years;
- awarding scholarships based on need; and
- awarding the lottery scholarship only after other scholarships and aid have been awarded.

LESC staff also provided a number of revenue options for the work group's consideration. Although, the work group did not come to a consensus on any particular recommendation, Laws 2014, Ch. 80 incorporated some of the features discussed as possible reforms by the work group. The LESC bill analysis for that law has been included as **Attachment 2**.

ATTACHMENT 1

Student Count By County Fall 1997 — Spring 2014

County	LLS Students	Total Awards	Total Graduates So Far
Bernalillo	29,526	\$ 215,287,391	15,340
Catron	116	\$ 891,968	66
Chaves	3,179	\$ 13,841,389	1,636
Cibola	1,057	\$ 5,204,032	548
Colfax	508	\$ 3,209,839	246
Curry	2,260	\$ 9,304,166	1,139
De Baca	135	\$ 702,022	76
Doña Ana	10,888	\$ 70,321,259	5,576
Eddy	2,590	\$ 12,639,348	1,305
Grant	1,465	\$ 8,819,307	818
Guadalupe	221	\$ 1,190,324	118
Harding	76	\$ 441,969	55
Hidalgo	241	\$ 1,534,908	135
Lea	1,822	\$ 5,762,933	865
Lincoln	918	\$ 5,259,160	476
Los Alamos	1,441	\$ 11,346,265	832
Luna	953	\$ 5,729,108	435
McKinley	2,434	\$ 10,998,299	1,043
Mora	274	\$ 1,367,421	171
Otero	2,730	\$ 15,087,618	1,497
Quay	498	\$ 2,246,005	252
Rio Arriba	2,300	\$ 11,831,355	1,163
Roosevelt	1,229	\$ 5,451,227	588
San Juan	4,657	\$ 18,885,164	2,276
San Miguel	1,484	\$ 7,907,332	867
Sandoval	5,468	\$ 35,846,365	2,574
Santa Fe	5,835	\$ 35,274,046	2,794
Sierra	344	\$ 2,514,686	170
Socorro	626	\$ 4,244,540	337
Taos	1,455	\$ 8,089,058	645
Torrance	668	\$ 4,035,599	353
Union	197	\$ 1,188,164	109
Valencia	3,955	\$ 21,418,271	1,869
Other*	5,397	\$ 11,548,596	2,208
No Response**	190	\$ 796,207	120
Total	97,137	\$ 570,215,341	48,702

* "Other" includes New Mexico students who graduated from a Texas or Arizona high school under a reciprocal agreement with the State Department of Education and Arizona residents on the Navajo Reservation who qualify for Legislative Lottery Scholarships ** "No Response" accounts for students that did not provide county information on their admission forms; this information is requested, but not required

• Source: New Mexico Higher Education Department table represents Legislative Lottery Scholarship (LLS) draws through Spring 2014 • This report was prepared using the institution-supplied student and student financial aid files

• These figures will always differ slightly in different categories because of official reconciliation adjustments between NMHED and the various institutions

• Some students may be counted more than once because of transfers or other factors, according to NMHED • Student count is cumulative and includes all students that were awarded a Legislative Lottery Scholarship or Lottery Disability at anytime.

• Graduates so far: non-graduates may still be enrolled, may no longer be on LLS, or may have left the institution

• Graduates and degrees may include duplicates if a student attained more than one degree — i.e., a student received an associate's degree and continued for a bachelor's degree; degrees include bachelor's, associate's, certificate and professional; several graduate students are also included because their Legislative Lottery Scholarships applied to undergraduate tuition that was part of their simultaneous graduate programs

• \$66,553,850 in Lottery revenues were allocated previously to the Public School Capital Outlay Fund for state-awarded school construction and repair grants. Following action by the New Mexico Legislature, the Lottery's contribution to this fund ended in FY 2001 and the last grants made with Lottery revenues occurred in FY 2002

Legislative Lottery Scholarships Spring Semester 2014

	Spring 2014 LLS Students	Total Students (Fall '97 - Spring '14)	Total LLS Awards (Fall '97 - Spring '14)
Research Universities			
New Mexico Institute of Mining and Technology — Socorro	+ 583	2,439	\$ 19,125,818
New Mexico State University — Las Cruces (Main Campus)	3,736	21,533	\$ 163,204,380
University of New Mexico — Albuquerque (Main Campus)	+ 7,575	38,134	\$ 315,038,297
Comprehensive Universities			
Eastern New Mexico University — Portales (Main Campus)	971	5,810	\$ 24,192,130
New Mexico Highlands University — Las Vegas ⁽¹⁾	273	2,234	\$ 7,420,257
Northern New Mexico College — Española & El Rito	167	1,442	\$ 2,409,520
Western New Mexico University — Silver City	+ 250	1,553	\$ 5,473,799
Two-Year Branch Colleges			
Eastern New Mexico University — Roswell	206	2,225	\$ 2,253,386
Eastern New Mexico University — Ruidoso	62	551	\$ 271,332
New Mexico State University — Alamogordo	74	1,426	\$ 1,899,567
New Mexico State University — Carlsbad	84	1,180	\$ 1,178,000
New Mexico State University — Doña Ana	681	4,821	\$ 6,592,533
New Mexico State University — Grants	34	551	\$ 664,510
University of New Mexico — Gallup	58	1,181	\$ 1,385,107
University of New Mexico — Los Alamos	45	715	\$ 719,686
University of New Mexico — Taos	60	572	\$ 695,643
University of New Mexico — Valencia (Los Lunas)	192	2,081	\$ 2,558,698
Independent Community/Junior Colleges			
Central New Mexico Community College — Albuquerque	1,558	10,705	\$ 8,043,694
Clovis Community College	68	1,337	\$ 914,325
Luna Community College — Las Vegas ⁽¹⁾	51	439	\$ 324,085
Mesalands Community College — Tucumcari	22	318	\$ 454,293
New Mexico Junior College — Hobbs	97	1,494	\$ 782,936
New Mexico Military Institute — Roswell	10	185	\$ 218,168
San Juan College — Farmington	282	3,254	\$ 2,476,030
Santa Fe Community College	+ 268	2,275	\$ 1,919,147
Total Campuses — 25⁽¹⁾			
Total Students Spring 2014 Semester⁽²⁾		17,407	
Total Since Inception Through Spring 2014⁽²⁾⁽³⁾			\$ 570,215,341

(1) Some satellite campuses are reflected in main campus information

(2) Legislative Lottery Scholarship (LLS) debits and student count may be adjusted by New Mexico Higher Education Department (NMHED) in subsequent semesters, pending reviews, audits and/or appeals; these may also reflect minor financial differences due to overall decimal point rounding, and are statistically insignificant

(3) The less than 1 percent discrepancy (0.26%) in total LLS awards stems from the difference in data sources Record-breaking Spring semester LLS enrollment

LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSISBill Number: CS/SB 347aa51st Legislature, 2nd Session, 2014Tracking Number: .196794.4Short Title: Lottery Tuition Scholarship Fund SolvencySponsor(s): Senator Michael S. SanchezAnalyst: Travis DulanyDate: March 3, 2014

SENATE FINANCE COMMITTEE SUBSTITUTE FOR SENATE BILL 347**AS AMENDED****Bill Summary:**

CS/SB 347 adds new material to create the *Legislative Lottery Tuition Scholarship Act*; amends provisions relating to the Lottery Tuition Fund, the Local DWI Grant Fund, and the *Community College Act*; makes an appropriation; and repeals three sections of current law in Chapter 21, *State and Private Education Institutions*. A section-by-section breakdown of the provisions of the bill can be found below.

Short Title

Sections 1 through 6 of the bill may be cited as the *Legislative Lottery Tuition Scholarship Act*.

Definitions

Section 2 of the bill:

- provides distinction between various post-secondary institutions:
 - community colleges are defined as branch community colleges of a state educational institution, community colleges established pursuant to the *Community College Act*, or technical and vocational institutes established pursuant to the *Technical and Vocational Institute Act*;
 - comprehensive institutions include Eastern New Mexico University, Western New Mexico University, New Mexico Highlands University, and Northern New Mexico College;
 - research institutions include the University of New Mexico, New Mexico State University, and the New Mexico Institute of Mining and Technology;
 - state educational institutions include those institutions of higher education enumerated in Article XII, Section 11 of the Constitution of New Mexico;

- defines “legacy student” as a full-time student who has received the Legislative Lottery Scholarship pursuant to the prior provisions of the Legislative Lottery Scholarship for three or more semesters prior to the end of FY 14;
- defines “qualified student” as a full-time student who either graduated from a public or accredited private New Mexico high school or who received a high school equivalency credential while maintaining residency in New Mexico and who:
 - either:
 - immediately upon graduation or receipt of a credential was accepted for entrance to and attended a public post-secondary educational institution; **or**
 - within 120 days of completion of a high school curriculum or receipt of a high school equivalency credential began service in the US Armed Forces and within one year of completion of honorable service or medical discharge from the service, attended a public post-secondary educational institution; **and**
 - successfully completed the first semester at a public-postsecondary educational institution with a grade point average (GPA) of 2.5 or higher during the first semester of full-time enrollment;
- defines “program semester” as those semesters for which a legacy or qualified student may receive a tuition scholarship and excludes the first semester of attendance at a public post-secondary educational institution (See “Substantive Issues,” below);
- defines “full time” as:
 - 15 or more credit hours each semester of the regular academic year in state educational institutions;
 - 12 or more credit hours each semester of the regular academic year in community colleges; and
 - 12 or more credit hours of each semester of the regular academic year for legacy students in any program semester;
- defines “tuition scholarship” as “the scholarship that provides tuition assistance per semester for a qualified student or legacy student attending a public post-secondary educational institution; and
- defines “department” as the Higher Education Department (HED).

Tuition Scholarship Eligibility

Section 3 of the bill:

- requires boards of regents or governing bodies of public post-secondary educational institutions, to the extent that funds are made available by the Legislature from the Lottery Tuition Fund, to award tuition scholarships in HED-approved amounts to qualified and legacy students;

- beginning in FY 15, provides for:
 - a **legacy student** to receive a tuition scholarship until the total number of semesters for which the Legislative Lottery Scholarship was received pursuant to the former provisions of the Legislative Lottery Scholarship reaches eight; provided that the legacy student:
 - maintains residency in New Mexico
 - maintains a GPA of 2.5 or higher; and
 - completes 12 or more credit hours per semesters; and
 - a **qualified student** (not a legacy student) to receive the tuition scholarship for a maximum of seven program semesters *starting the second program semester*, and in an amount determined pursuant to Section 4 of the *Legislative Lottery Tuition Scholarship Act* (outlined below) if the student:
 - maintains residency in New Mexico;
 - maintains a 2.5 GPA; and
 - completes:
 - ✓ 15 or more credit hours if the student is attending a four-year public post-secondary educational institution; and
 - ✓ 12 or more credit hours if the student is attending a two-year post-secondary educational institution;
 - provides for certain exceptions for students with disabilities.

Tuition Scholarship Amount

Section 4 of the bill requires HED to:

- prior to June 1 each year, based on the amount appropriated from the Legislature and on the projected enrollment at all public post-secondary educational institutions:
 - determine the total amount of money available for all tuition scholarships for qualified students;
 - determine the uniform percentage by which to calculate tuition scholarships for qualified students attending any public post-secondary educational institution; and
 - notify all public post-secondary educational institutions of such determinations made by HED; and
- in determining distribution and award amounts for the tuition scholarship program:
 - maintain the minimum fund balance pursuant to Section 5 of the *Legislative Lottery Tuition Scholarship Act* (further outlined below);
 - distribute to all public post-secondary educational institutions an amount not to exceed the remaining balance in the fund; and
 - distribute to each public post-secondary educational institution an amount based on:

- the projected enrollment at each comprehensive, research, or state educational institution of qualified students in their second through eighth program semesters, including qualified students in their fifth through eighth semesters who transferred from a community college;
- the projected enrollment at each community college of qualified students in their second through fourth program semesters; and
- a uniform percentage of the average of in-state tuition costs charged by:
 - ✓ research institutions for each research institution;
 - ✓ comprehensive institutions for each comprehensive institution; and
 - ✓ community colleges for each community college.

Lottery Tuition Fund

Section 5 of the bill:

- requires an annual average balance of \$2.0 million for the Lottery Tuition Fund; and
- specifies that money in the Lottery Tuition Fund shall be appropriated by the Legislature to HED for distribution to New Mexico’s public post-secondary educational institutions to provide tuition assistance for qualified and legacy students as provided in the *Legislative Lottery Tuition Scholarship Act*.

HED Rulemaking and Reporting

Section 6 of the bill requires HED to:

- promulgate rules setting forth explicit criteria in accordance with the *Legislative Lottery Tuition Scholarship Act* for:
 - student qualifications and continuing eligibility; and
 - calculating the tuition scholarship award amount pursuant to Section 4 of the *Legislative Lottery Tuition Scholarship Act* and guidelines for the administration of the tuition scholarship program; and
- report certain data by November 1 of each year to the Legislative Finance Committee (LFC) and the Department of Finance and Administration.

Liquor Excise Tax

Section 7 of the bill requires that, from July 1, 2015 to July 1, 2017, a distribution of 39 percent of the net receipts attributable to the Liquor Excise Tax shall be made to the Lottery Tuition Fund.

Repeal

Sections 8 and 10 of the bill repeal portions or sections of current law:

- parts of the *Community College Act* relating to the Legislative Lottery Scholarship;
- Section 21-1-4.3, *Legislative Lottery Scholarships Authorized; Certain Educational Institutions*;
- Section 21-1-4.4, *Commission on Higher Education [Higher Education Department]; Determination of Tuition Scholarships; Use of Lottery Tuition Fund*; and
- Section 21-16-10.1, *Legislative Lottery Scholarships Authorized*.

Appropriation

Section 9 of the bill makes an appropriation from the Student Financial Aid Fund of HED to the Lottery Tuition Fund.

Fiscal Impact:

\$11.0 million is appropriated from the Student Financial Aid Fund of HED to the Lottery Tuition Fund for expenditure in FY 14 and subsequent fiscal years. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert.

Fiscal Issues:

According to the Fiscal Impact Report from LFC, the distribution from the liquor excise tax is estimated to be \$19.0 million for FY 16. This distribution will result in lower general fund revenues, but will not affect the local DWI grant distribution to local entities.

CS/SB 313a includes the following appropriations for the Legislative Lottery Scholarship:

- \$2.9 million from the General Fund to HED for expenditure in:
 - FY 14, if necessary to address cash management issues with the Lottery Tuition Fund; and
 - FY 15 to ensure that eligible students who have received three or more semesters of the Legislative Lottery Scholarship by the end of FY 14 continue to receive scholarship awards for full tuition costs for FY 15;
- \$11.5 million from the General Fund to the Lottery Tuition Fund for the Legislative Lottery Scholarship program expenditures in FY 15, contingent upon legislation addressing solvency of the Lottery Tuition Fund (i.e., CS/SB 347aa); and
- 11.0 million from the Student Financial Aid Special Programs Fund to the Lottery Tuition Fund to supplement the Legislative Lottery Scholarship program.

Substantive Issues:

The House Floor Amendment to CS/SB 347 may have certain implications for new qualified students – specifically students entering public post-secondary educational institutions in the fall semester of 2014 – that could prevent them from receiving the tuition scholarship until the fall semester of 2015.

The issue at hand revolves around the definition of “program semesters” and tuition scholarship eligibility requirements:

- Section 2 defines “program semesters” as “those semesters for which the legacy or qualified student may receive a tuition scholarship *and excludes the first semester of attendance* at a public post-secondary educational institution” (emphasis added); and
- Section 3 specifies that “a qualified student who is not a legacy student is eligible to receive the tuition scholarship for a maximum of seven program semesters, *starting in the second program semester...*” (emphasis added).

For a student entering a higher education institution in the fall semester of 2014, the result of this language may mean that the second program semester – the semester in which the student becomes eligible for the lottery tuition scholarship – will be the fall semester of 2015, as illustrated in the table below:

Traditional Classification	Semester	Number of Semesters of Attendance	Number of “Program Semesters”	Eligible for the Lottery Scholarship?
Freshman (1st semester)	Fall 2014	1 st	0	No
Freshman (2nd semester)	Spring 2015	2 nd	1	No
Sophomore (1st semester)	Fall 2015	3 rd	2	Yes
Sophomore (2nd semester)	Spring 2016	4 th	3	Yes
Junior (1st semester)	Fall 2016	5 th	4	Yes
Junior (2nd semester)	Spring 2017	6 th	5	Yes
Senior (1st semester)	Fall 2017	7 th	6	Yes
Senior (2nd semester)	Spring 2018	8 th	7	Yes
Senior (3rd semester)	Fall 2018	9 th	8	Yes

As reported by the *Albuquerque Journal* on March 5, 2014, a spokesman from the Governor’s office has stated that the Governor intended to partially veto language in the bill that causes this issue.

Background:

Lottery Scholarship Fund Solvency Work Group

The solvency of the Legislative Lottery Scholarship program has been a topic of concern in recent years. Expenditures have exceeded revenues, resulting in a depletion of the Fund.

Expenses grew from \$53.3 million in FY 11 to a projected \$67.5 million for the current fiscal year, meanwhile revenues have remained between \$39.0 million to \$42.0 million.

During the 2013 legislative session, the Senate passed SM 101, *Lottery Scholarship Fund Solvency Work Group*, which requested HED to form a work group of various stakeholders, including the Director of the Legislative Education Study Committee (LESC) staff, to study the solvency of the Fund and present the work group's recommendations to the Legislature by December 1, 2013. The work group met several times throughout the 2013 interim and considered a number of methods for addressing Fund solvency, including:

- increased requirements for GPA and credit hours;
- front-end or back-end loading of tuition scholarships (e.g. providing full tuition scholarships during the first years of postsecondary education and reducing award amounts during the junior and senior years);
- decoupling the award amounts from tuition;
- limiting the scholarship to seven semesters instead of four consecutive years;
- awarding scholarships based on need; and
- awarding the lottery scholarship only after other scholarships and aid have been awarded.

LESC staff also provided a number of revenue options for the work group's consideration.

Ultimately, the work group did not come to a consensus on any particular recommendations.

Other Related Background

Created by legislation enacted in 1996, the Legislative Lottery Scholarship is a renewable, full-tuition award¹ 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 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
- obtain and maintain a cumulative GPA of at least 2.5.

State law also provides for specific accommodations with regard to:

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

¹ To the extent that funds are made available by the Legislature from the Fund.

Committee Referrals:

SCC/SFC/HAFC

Related Bills:

HB 145 *Lottery Scholarship Changes*

*HB 254a *Lottery Scholarship Solvency*

*HB 263a *Lottery Scholarship Changes*

HB 348 *Legislative Lottery Tuition Waiver Act*

HM 37 *Tribal College Lottery Scholarship Exclusion (Identical to SM 23)*

SB 141 *Limit Lottery Scholarship Tuition Increases*

SB 146 *Lottery Tuition Rates & Definitions*

*SB 150 *Lottery Scholarship Solvency*

*SB 327 *Lottery Tuition Fund Act & Solvency*

*SB 379 *Lottery Tuition Fund Solvency*

SM 23 *Tribal College Lottery Scholarship Exclusion (Identical to HM 37)*