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FISCAL IMPACT REPORT

SPONSOR: Varela DATE TYPED: _____ HB 28
 SHORT TITLE: Lottery Success Scholarship Fund SB _____
 ANALYST: Fernandez

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|------|-----------------------------|------|----------------------|---------------|
| FY01 | FY02 | FY01 | FY02 | | |
| | | NFI | | | |
| | | | | | |

(Parenthesis () Indicate Expenditure Decreases)

Relates to General Appropriation Act - See Narrative

REVENUE

| Estimated Revenue | | Subsequent Years Impact | Recurring or Non-Rec | Fund Affected |
|-------------------|---------------|-------------------------|----------------------|-----------------------------------|
| FY01 | FY02 | | | |
| | \$ (15,000.0) | | Recurring | Public School Capital Outlay Fund |
| | \$ 15,000.0 | | Recurring | Educational Technology Fund |
| | | | | |

(Parenthesis () Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to Related to HB22, HB56 and SB59

SOURCES OF INFORMATION

State Department of Public Education (SDE)
 Commission on Higher Education (CHE)
 New Mexico Lottery Authority
 LFC Files

SUMMARY

Synopsis of Bill

This bill amends the New Mexico Lottery Act to change the name of the Lottery Tuition Fund to the Lottery Success Fund and changes the distribution of funds to allocate 60 percent of net lottery revenue to the Lottery Success Fund and 40 percent to the Educational Technology Fund.

This bill also amends certain sections of Chapter 21, NMSA 1978, to remove language which required the boards of regents at the universities to award scholarships to resident students before lottery tuition scholarships, removes language which required community college boards to use all other scholarship funds before granting lottery tuition scholarships and removes language requiring CHE to prepare guidelines for administration of the program.

In addition, this bill adds a new section to Chapter 21, NMSA 1978, cited as the Lottery Success Scholarship Act which sets forth eligibility criteria and guidelines for administration of the program by CHE.

Significant Issues

Currently, the New Mexico Lottery Act distributes 50 percent of net lottery revenues to the Public School Capital Outlay Fund and 50 percent to the Lottery Tuition Fund. This bill increases the distribution available for lottery tuition scholarships to 60 percent and distributes 40 percent of net lottery revenues to the public school Educational Technology Fund.

Based on legislative appropriations for the lottery success scholarship program, CHE determines the award amount for qualified students, and determines the maximum award amount based on the percentage increase in the tuition credit in the General Appropriation Act for the next academic year.

Awards from the fund shall not exceed the cost of tuition, taking into account any other scholarships prior to awarding lottery funds.

Under the provisions of this bill, part-time students would be eligible. It also eliminates eligibility for students who hold a previous baccalaureate or higher degree from receiving an award.

FISCAL IMPLICATIONS

Projections from CHE indicate that if no changes to the program or current statute are made, the program will run short of the funding needed to provide 100-percent tuition scholarships to students in FY03. The projections are based on an assumption of 9 percent tuition increases at universities and 5 percent at community colleges.

Based on the amount appropriated by the Legislature from the lottery success fund and eligible students, CHE shall establish the award amount.

This bill limits the maximum award to the percentage increase in the tuition credit included in the General Appropriation Act. The LFC recommends a 4 percent tuition credit and the executive recommends a 7 percent tuition credit for the next academic year.

CHE indicates that there may be a significant impact to the fund as a result of awarding lottery scholarships to part-time students.

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According to SDE, the net revenues deposited into the Public School Capital Outlay Fund total approximately \$12-15 million per fiscal year. With passage of this bill, net lottery revenue would be deposited in the public school Educational Technology Fund rather than the Public School Capital Outlay Fund. Other sources of funding for critical capital outlay include supplemental severance tax bonds. House Joint Resolution 3 proposes to amend the constitution to increase the statewide general obligation bonding capacity by 2 percent and dedicating the revenues to the Public School Capital Outlay Council. House Bill 134 implements the Public School Capital Outlay Task Force recommendations which provides additional funding for critical capital outlay.

ADMINISTRATIVE IMPLICATIONS

This bill requires the board of regents or governing board at each eligible institution to determine eligible students, develop a method to notify students of possible eligibility, designate an officer to administer the program, draw down funds from CHE, maintain records for each recipient and provide an annual report to the commission.

TECHNICAL ISSUES

CHE recommends the following amendments:

Page 2, line 6 delete “providing tuition assistance to” and replace with “offsetting the cost of tuition for”

Page 13, line 10, delete “accredited”

Page 13, line 14, after “Mexico” add “accredited by the State Board of Education or an educational accrediting agency approved by the State Board of Education.

RELATIONSHIP

This bill relates to HB22, HB56 and SB59.

CTF/ar