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## FISCAL IMPACT REPORT

**SPONSOR** Williams      **DATE TYPED** 03/03/05      **HB** 138

**SHORT TITLE** Lottery Scholarship Eligibility Duration      **SB** \_\_\_\_\_

**ANALYST** Williams

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			Roughly \$5,170.0 to \$7,750.0	Recurring	Lottery Tuition Fund
			See text	Recurring	General Fund – higher education funding formula

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to numerous student financial aid and lottery tuition scholarship bills

### **SOURCES OF INFORMATION**

LFC Files  
 Commission on Higher Education (CHE)  
 New Mexico Lottery Authority

### **SUMMARY**

#### Synopsis of Bill

Endorsed by the Legislative Education Study Committee.

The bill extends the eligibility period for a full time resident that is accepted to attend a four-year state public, post-secondary institution to five consecutive years beginning the second semester of the recipient's first year of enrollment. The eligibility period is also extended to three consecutive years for those students that attend a two-year public post-secondary education institution.

#### Significant Issues

The bill is consistent with the recommendations of the Governor's Task Force on Higher Educa-

tion.

This legislation may send a contradictory signal to stakeholders on the importance of timely degree completion as measured by student persistence and graduation for all public, post-secondary institutions in the state as required under the Accountability in Government Act.

### **FISCAL IMPLICATIONS**

New Mexico substantially lags behind national averages and leading states in students completing post-secondary studies in a timely fashion. In 2004, only 41 percent of first-time, full-time students in New Mexico completed a bachelor's degree within six years of college entrance. In comparison, top ranking states posted scores on average of 64 percent. Estimating one additional year of cost for the program for six year graduates would be roughly \$5 million in FY06, with the cost growing over time, compared to the one additional year of cost for the program for four year graduates at \$7.75 million.

Further, any incentive to extend time-to-degree could increase general fund costs due to the funding of student credit hours in the higher education funding formula.

The CHE provides three scenarios for estimating the projected costs based on existing students who were on lottery but lost the scholarship, who might continue if given more time; 2) an increase in behavior, estimated at 10 percent and 3) an increase in behavior, estimated at 20 percent. The cost of these scenarios in the CHE analysis ranges from \$5.2 million to \$11.6 million in the first year of implementation.

### **OTHER SUBSTANTIVE ISSUES**

To evaluate impacts of potential changes to the lottery tuition scholarship program, the legislature may wish to consider requiring an annual review and reporting to the Legislative Finance Committee, Legislative Education Study Committee, Department of Finance and Administration and the Office of the Governor by:

- New Mexico Lottery Authority on revenue situation and outlook and
- Commission on Higher Education on
  - expenditure situation and outlook
  - fund balance situation and outlook
  - policy and fiscal impacts of each change to lottery scholarship program enacted by the 2004 legislature

### **POSSIBLE QUESTIONS**

1. What are the potential impacts on student persistence and graduation targets for public, post-secondary institutions?

**ANA/sec**