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FISCAL IMPACT REPORT

SPONSOR Garcia DATE TYPED 2/03/05 HB _____
 SHORT TITLE Lottery Scholarship "Stop Out" Period SB 122
 ANALYST Williams

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			Indeterminate; see fiscal implications	Recurring	Lottery Tuition Scholarship Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to numerous lottery scholarship and student financial aid 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.

Senate Bill 122 expands lottery tuition scholarship program eligibility. The bill permits full-time resident students pursuing a baccalaureate or an associate's degree who suspend their studies for up to two consecutive semesters to maintain eligibility for the lottery scholarship. These students must maintain all other eligibility requirements.

Significant Issues

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

Based on a survey of public, post-secondary institutions, CHE estimates 2.4 percent of lottery recipients that leave in good academic standing return after one semester of absence. The CHE

notes “once they are in the program, students make every effort to remain.” CHE notes “most (students) that “stop out” do so because of health or other extenuating circumstances and may appeal for reinstatement in the program” See “Other Substantive Issues” for additional discussion.

In its bill analysis, CHE assumes a distribution of lottery scholarship recipients by institution. Using their model, CHE projects the fiscal impact of the bill at a cost of approximately \$330 thousand per year for the lottery tuition scholarship fund.

The LFC views the fiscal impact as indeterminate. There are three potential drivers of the fiscal cost associated with this bill. First, in the short-run, to the extent students might be freer to leave college with a formal allowance of a two-semester stop-out period, the overall cost of the lottery scholarship program could be reduced somewhat. Furthermore, in the middle- to long-run, these students may not permanently return to college, which would reduce expenditures from the lottery scholarship fund. The long-run cost effect of this bill would stem from additional students eligible for the lottery scholarship program given that they would maintain eligibility under the provisions of this bill. The later effect could be offset by the first two.

OTHER SUBSTANTIVE ISSUES

CHE notes “most (students) that “stop out” do so because of health or other extenuating circumstances and may appeal for reinstatement in the program” CHE has granted reinstatement to students who make such an appeal during the last two years.”

If the intent of the legislature is to address limited situations, then CHE may already have this authority.

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:

1. New Mexico Lottery Authority on revenue situation and outlook and
2. Commission on Higher Education on
 - a. 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 is the legislative intent regarding the need to address continued lottery scholarship program eligibility? Is the intent to address limited financial, personal and family circumstances or should the context be broader?
2. What are the potential impacts on student persistence and graduation targets for public, post-secondary institutions?