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## FISCAL IMPACT REPORT

SPONSOR Leavell DATE TYPED 2/3/05 HB \_\_\_\_\_

SHORT TITLE Expand Lottery Scholarship Eligibility SB 385

ANALYST Williams

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			Very rough \$0.7 to \$1.2 million, contingent upon additional data	Recurring (with escalation over time; see text)	Lottery Tuition Scholarship Fund – private, post-secondary institutions
			Roughly \$1.2 to \$1.6 million	Recurring (with escalation over time; see text)	Lottery Tuition Scholarship Fund – two year eligibility window

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to numerous lottery and student financial aid

### SOURCES OF INFORMATION

LFC Files

New Mexico Lottery Authority

No bill analysis from Commission on Higher Education; some background data submitted

### SUMMARY

#### Synopsis of Bill

The bill expands eligibility for the lottery tuition scholarship program to private, post-secondary institutions in the state. The amount of the scholarship at these institutions is limited to the amount of tuition charged by the University of New Mexico (UNM). Further, the bill authorizes a two-year gap between graduation from high school (or receipt of a GED) and enrollment in an institution for a qualifying student to maintain eligibility for lottery tuition scholarship funds. The gap extension for lottery tuition scholarship program eligibility would be effective beginning with the class graduating in May 2003.

## FISCAL IMPLICATIONS

The bill has two components of fiscal impact.

**Private, Post-secondary Institutional Eligibility.** The first is the extension of lottery tuition scholarship eligibility to students at private post-secondary institutions. Some students may switch from New Mexico public, post-secondary institutions to these institutions. To the extent that the allowed tuition charge equivalent to UNM tuition is greater than that tuition charge of the student's current school, there would be some increase in lottery tuition scholarship fund charges. This impact is not expected to be large.

The more significant cost to the lottery tuition scholarship fund is the extent to which New Mexico students attending out-of-state institutions remain in-state and attend one of these private institutions. It is difficult to forecast how many students might take advantage of the change. The following attempts to put some parameters around the potential costs of this proposal based on a preliminary analysis.

Information from its website reflects total enrollment at the St. John's College campus in Santa Fe of about 450 to 475 students. Data from the IPEDS Peer Analysis System shows Fall 2002 full time equivalent enrollment of:

College of the Southwest, Hobbs	642
College of the Southwest, Carlsbad	not available
College of Santa Fe	1,192

If 10 percent of these students claimed the lottery scholarship program, then approximately 230 students might be eligible. The current tuition charge at the University of New Mexico is \$1,556 per semester for full time undergraduate in-state students. Thus, a first-year cost under this scenario would be approximately \$715.0 thousand. The multi-year cost would grow as additional cohorts are added.

An alternative scenario could be developing using data for the state's Student Choice student financial aid program. CHE reports 373 students are currently receiving Student Choice awards. The student choice grants are authorized in 21-21C-1 through 21-21C-9 NMSA 1978. These student financial aid awards are targeted at students attending independent institutions. Eligibility for this program is based on student enrollment of at least six semester credit hours in program leading to a degree, satisfactory academic standing, New Mexico resident classification, and the basis of need. If 375 students were eligible for the lottery tuition scholarship program, the potential first-year cost to the lottery scholarship fund would be about \$1.2 million. Again, the multi-year cost would grow as additional cohorts are added.

In comparison, data from WICHE and others show about 24 percent of New Mexico's first-time, full-time freshman attended post-secondary institutions in other states in 2001, or roughly 2,700 students. This rate is one of the highest of the western states.

**Two-year Wait Out.** The second component of the bill with a fiscal impact is a two-year wait out period between high school and college to maintain eligibility for the lottery scholarship program. Based on analyses of similar legislation in 2003 and 2004, based on an LFC/CHE survey of institutions in 2003, the projected fiscal impact is difficult to determine. The following is based on student eligibility and award data compiled by CHE in 2003, with some modifications.

Based on similar legislation from the 2003 and 2004 sessions, this bill would be interpreted by institutions as similar to the current program, such that entering students would not be eligible for lottery tuition scholarship funding until the spring semester. The one semester impact could be about \$1.2 to \$1.6 million. The incremental full year cost would be about \$2.4 to \$3.2 million.

### **ADMINISTRATIVE IMPLICATIONS**

Additional reporting and verification responsibilities would impact post-secondary institutions and the CHE.

### **TECHNICAL ISSUES**

The bill may need to clarify if students wishing to attend part-time may do so during the grace period.

Is the intent of the effective date to be retroactive?

The legislature may wish to consider clarifying that students attending the Santa Fe campus of St. John's College would be eligible for the lottery tuition scholarship program participation. The school also operates a campus in Annapolis, Maryland.

### **OTHER SUBSTANTIVE ISSUES**

Students at private institutions are eligible to receive Student Choice awards. CHE data indicates 373 students at those institutions receiving "student choice" awards; of those 248 (55 percent) had previously attended one or more New Mexico public institutions.

CHE indicates that based on a survey of registrars, there are currently 29 students at St. John's College, College of Santa Fe and College of the Southwest who would meet eligibility requirements for the lottery scholarship program.

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