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FISCAL IMPACT REPORT

ORIGINAL DATE 2/09/06

SPONSOR Jennings LAST UPDATED _____ HB _____

SHORT TITLE Legislative Lottery Graduate Scholarships SB 612

ANALYST Williams

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$2,000.0	Recurring	Legislative Lottery Graduate Scholarships Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to numerous bills regarding lottery tuition scholarships

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	Indeterminate revenue loss		Recurring	Lottery Tuition Fund
	\$2,000.0		Recurring	Legislative Lot- tery Graduate Scholarships Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates, Relates to, Conflicts with, Companion to

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY06	FY07	FY08	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		(\$2,000.0)			Recurring	New Mex- ico Lottery Authority operating budget

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

New Mexico Lottery Authority (NMLA)

SUMMARY

Synopsis of Bill

The bill directs the Higher Education Department to establish the legislative lottery graduate scholarship program. Students would be eligible for funding based on:

- New Mexico residency
- New Mexico high school graduate or receipt of a general equivalency diploma (GED) while a New Mexico resident;
- Accepted or enrolled in a graduate program of study intended to result in a master's or doctoral degree at a public, post-secondary educational institution located in New Mexico or in another state if the student is participating in a program of the Compact for Western Regional Cooperation in Higher Education and meeting other eligibility criteria;

The maximum amount of a scholarship under the new program would be tuition for a full academic year. The award would be renewable.

In the case of out-of-state graduate program study, the student must reside in New Mexico for one year immediately following receipt of the graduate degree or repay the scholarship amount plus interest.

The bill creates a non-reverting fund, the legislative lottery graduate scholarship fund. The bill diverts unclaimed prizes to the legislative lottery graduate scholarship fund. Money in the fund is appropriated to the Higher Education Department for awarding scholarships.

FISCAL IMPLICATIONS

Unclaimed prizes vary significantly, and have ranged from approximately \$2 to \$4 million. The bill diverts unclaimed prizes to the legislative lottery graduate scholarship fund. Money in the fund is appropriated to the Higher Education Department for awarding scholarships.

New Mexico Lottery Authority notes: "Removing unclaimed lottery prizes and re-directing these funds to other programs will have a impact on Instant scratcher sales and ultimately funds for the State and its beneficiary the "lottery success scholarship".

In the past, the authority has used these unclaimed prize funds to increase the percentage of the prize payout, which has resulted in an increase in both sales and return to the State. *Instant sales have increased by 95% from 1999 to 2005. 1999 is the year in which the lottery increased the prize percentage payout, which accounts for the 95% increase in sales. The Unclaimed prize fund applied against prizes in the last few years has been as low as \$2,025,00, and is not a stable source of revenue per year. Unclaimed prizes most likely will also come down, if sales go down.*

The unclaimed prize fund is also used by the lottery to cover unexpected prizes before sales are achieved, as well as to create specialty games which has allowed us to stimulate trial and increase our player base resulting in increased sales

If the unclaimed prizes become unavailable, the end result will be less revenue as the prize percentage will come from revenues without supplanting of unclaimed prize monies or the lottery will have to reduce prize percentage payout which will produce less sales. Eliminating unclaimed prizes will have an impact on the bottom line for the authority. In addition, any unclaimed prizes would not be reflected as a profit to the state, it would give the perception that the lottery is returning less and less each year.”

Continuing Appropriations language

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

TECHNICAL ISSUES

The reference to Compact for Western Regional Cooperation in Higher Education needs clarified.

POSSIBLE QUESTIONS

1. What is the purpose of the program?
2. How many students would be supported?
3. How would program outcomes be measured?

AW/yr