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## FISCAL IMPACT REPORT

ORIGINAL DATE 2-28-2007

SPONSOR HEC LAST UPDATED 3/01/07 HB 209/aHEC

SHORT TITLE Lottery Scholarships for Military Dependents SB \_\_\_\_\_

ANALYST Dearing

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	*(\$0.1)	Recurring	Lottery Scholarship Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		*(\$145.2)	*(\$145.2)	(\$290.4)	Recurring	Lottery Scholarship Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Senate Bill (s): 110, 689, 426, 688, and 686

Relates to House Bill (s): 571, 275, 361 and 740

Duplicates Senate Bill 687

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Higher Education Department (HED)

### SUMMARY

#### Synopsis of HCPAC Amendment

The House Consumer and Public Affairs Committee amends House Bill 73 such that;

- 1.) On page, 1, line 13, after "SCHOOL" insert "OR WHO RECEIVE A GENERAL EDUCATIONAL DEVELOPMENT CERTIFICATE WHILE THEIR PARENTS ARE STATIONED IN NEW MEXICO".

2.) On page 3, line 21, after the first occurrence of “school” insert “or who received a general educational development certificate”, after “and” strike the remainder of the line and insert in lieu thereof “whose” and strike line 22 through “their”.

3.) On page 5, line 17, after “school” insert “or who received a general educational development certificate”, after “and” strike the remainder of the line and insert in lieu thereof “whose” and strike line 18 through “their”.

4.) On page 7, line 1, after the first occurrence of “school” insert “or who received a general educational development certificate”, after “and” strike the remainder of the line and insert in lieu thereof “whose”.

House Education Committee amendments make minor changes to the proposed legislation, thereby clarifying its intention. The intent of the changes are such that there is clarification that students earned a GEDC while in New Mexico.

### Synopsis of Bill

House Bill 209 carries no appropriation. If enacted, House Bill 209 would amend Sections 21-1-4. 3; 21-13-10; and 21-16-10.1 NMSA 1978. House Bill 209 would extend eligibility for the New Mexico Lottery Success Scholarship program such that eligibility for scholarship program would be extended to all military dependents of U.S. service members residing in New Mexico, including those maintaining legal residency outside the State. The bill does not contain a requirement that the service members pay New Mexico taxes, however it includes a requirement that the students graduate from a New Mexico public or private high school. As written, the added Section (e) does not provide for a military dependent who matriculates with a GEDC, whereas other eligible students are afforded this provision.

### **FISCAL IMPLICATIONS**

The fiscal impact would be to the Lottery Tuition Fund. According to data from the Planning and Research division at the New Mexico Higher Education Department, it is estimated that an additional 51 students could become eligible to receive the Lottery Success Scholarship. The fiscal impact would be \$145,200 in FY08. The impact is recurring.

Currently, the number of students enrolled under the nonresident tuition waiver for active duty military or National Guard or dependents who would otherwise be eligible for the lottery is minimal.

### Participants in Military Non-Resident Tuition Waivers:

<u>Year</u>	<u>Students</u>
0001	21
0102	21
0203	23
0304	21
0405	18

Based on projections of college attendance and lottery qualification rates, NMHED estimates that a minimum of 51 students would enter the program. The fiscal impact would be an

estimated \$145,200 in FY08. There would be a recurring impact to the Lottery Success Scholarship fund.

**RELATIONSHIP**

House Bill 209 relates to:

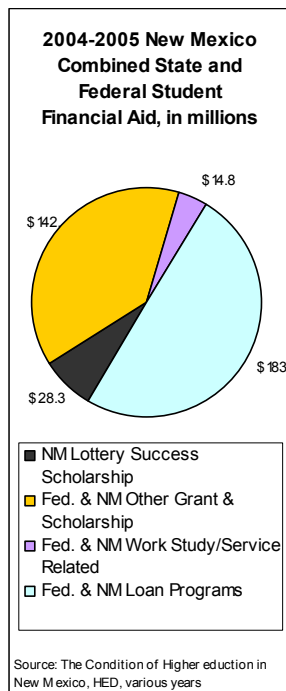
Senate Bill (s): 110, 689, 426, 688 and 686

House Bill (s): 571, 275, 361 and 740

These listed bills create various changes to lottery scholarship eligibility, distributions from the fund, or otherwise change the Lottery Success program framework.

**ALTERNATIVES, OTHER SIGNIFICANT ISSUES**

In the 2005-2006 academic year, approximately \$36.9 million in Lottery Success scholarship funds were distributed to New Mexico students. Payouts to beneficiaries continue to exceed New Mexico Lottery Authority disbursements to the scholarship fund. Recent projections show fund insolvency around 2012-2013. With overall flat high school graduation rates expected over this period, projected increases in expenditures are primarily based on tuition inflation. State student aid dollars from the lottery program comprise an ever larger component of state spending on higher education, increasing from 38 percent to 42 percent over the 2002-2003 academic year with subsequent reductions in work-study and service aid.



Across the country, merit scholarship programs are undergoing similar solvency issues. Underestimated and rapidly increasing demand for merit scholarships and scarce resources have forced other states to pursue alternatives.

The Lottery program is one component among many available federal and state student financial aid sources. Including federal and other state grants, work-study, and loan programs, the Lottery program comprises just about 7.7 % of available student financial aid in NM.

Students excluded from the Lottery Success Scholarship have the option to apply for other state and federal financial aid programs.

**AMENDMENTS, QUESTIONS**

House Bill 209 does not specify the requirement of a *New Mexico* issued GEDC for applicant eligibility.

