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FISCAL IMPACT REPORT

ORIGINAL DATE 02/03/12

SPONSOR Eichenberg LAST UPDATED _____ HB _____

SHORT TITLE Accredited Home School Lottery Scholarships SB 49

ANALYST Hartzler-Toon

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY12	FY13	FY14		
	(*)	(*)	Recurring	Legislative Lottery Scholarship Fund

(Parenthesis () Indicate Revenue Decreases)

- Please See Fiscal Implications.

Companion to HB 217, Legislative Lottery Scholarship for Home Schoolers.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

Public Education Department (PED)

New Mexico Lottery Authority (NMLA)

SUMMARY

Synopsis of Bill

The Accredited Home School Program Legislative Lottery Scholarship bill would extend eligibility for the legislative lottery scholarship program to students who complete a nationally-accredited home-based educational program or who participate in a high school foreign exchange program their senior year. Other program eligibility requirements remain the same.

FISCAL IMPLICATIONS

Legislative lottery scholarship fund solvency remains a concern, and expanding scholarship eligibility without also establishing limits on a scholarship's term or amount amplifies the

concern over fund solvency. Without better demographic data pertaining to the number of students participating in a nationally accredited high school educational program and how many complete such a program, the fiscal impact of expanding eligibility for this group of students cannot be determined.

Pursuant to Sect. 6-24-4 NMSA 1978, the New Mexico Lottery Authority (NMLA) is required to transfer thirty percent of its gross revenues to the legislative lottery scholarship fund (the Fund); approximately \$40 million in lottery revenues have been transferred annually to the legislative lottery fund. In recent years, the HED has supplemented the NMLA's revenue transfers with fund balance from the Fund to meet student participation. Because of this activity, the Fund's principle balance has declined to an estimated \$45 million. For example, in fiscal year 2011, the HED reported that \$53 million was paid to institutions for legislative lottery scholarships -- \$41.5 million from the NMLA revenues and \$11.7 from the Fund's balance. Because of increasing student participation and rising tuition costs since inception of the scholarship program, the Fund has declined significantly raising concern that the Fund is insolvent and will not be able to meet student obligations if the Fund is depleted. At a July 2011 hearing, the Legislative Finance Committee projected that the Fund could be depleted as soon as FY15.

SIGNIFICANT ISSUES

The legislative lottery scholarship program is available to full-time resident students who

- (1) Immediately, upon completion of a high school curriculum at a public or accredited private New Mexico high school or receive a graduate equivalent diploma (GED), and who
- (2) Are accepted for entrance to and attend a New Mexico four-year institution, listed in Sect. 21-1-4.3 NMSA 1978, and who earn a grade point average of 2.5 or higher during the first semester of full-time enrollment; or
- (3) Are accepted for entrance to and attend a New Mexico two-year institution, described in Sect. 21-13-10 NMSA 1978 or Sect. 21-16-10.1 NMSA 1978, and who earn a grade point average of 2.5 or higher during the first semester of full-time enrollment.

Eligibility for the lottery scholarship and participating criteria have been expanded in the past, for students with disabilities (example, Sect. 21-1-4.3(F) NMSA 1978) and veterans (Sect. 21-1-4.3(D) NMSA 1978).

The bill does not state whether a student participating in a foreign exchange program must complete the program or whether such a program aids a student in satisfying the state's graduation requirements listed in 22-13-1.1 NMSA 1978.

Since the legislative lottery scholarship program's creation in 1996, the program has supported more than 75,000 students attending New Mexico's institutions. The HED reports that almost 30,000 lottery scholarship recipients have earned a certificate or degree, and that lottery scholarship recipients graduate at higher rate than students who do not receive this scholarship.

PERFORMANCE IMPLICATIONS

There is consistent institutional data that demonstrates students who receive the legislative lottery scholarship graduate at higher rates than students who do not. At the University of New Mexico, for example, lottery scholarship recipients who started in 2003 and 2004 graduated at a 58 percent rate compared to the university's overall 43.6 percent rate. Further, of lottery scholarship recipients who were eligible for the federal Pell Grant, an income-based, federal

grant program, 48 percent graduated compared to 18 percent of those who were Pell-eligible but did not receive the lottery scholarship.

ADMINISTRATIVE IMPLICATIONS

The HED administers the legislative lottery scholarship program. The department reports that additional staff may be necessary if the program becomes more complex.

Current law governing home school requirements (Sect. 22-1-2.1 NMSA 1978) does not include any specific curricular standards or explicitly allow for a “nationally-accredited home-based high school educational program” that satisfies the state’s standard for a high school diploma. Senate Bill 49 does not define such a program or amend Sect. 22-1-2.1 NMSA 1978 to allow for such a program. Further, the PED may need to establish a process for evaluating and approving a “nationally-accredited home-based high school educational program” and tracking student performance.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 49 is similar to HB 217, a bill to expand legislative lottery scholarship program eligibility to home school students who participate in a PED-registered, home-based educational program. House Bill 217 would allow a New Mexico student who completes an approved home-based educational program to be eligible for the legislative lottery scholarship without having to earn a GED, which is the current practice.

TECHNICAL ISSUES

The PED suggested the bill language be amended to require that a student participating in a foreign exchange program must complete the program to be eligible for the legislative lottery scholarship.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Without this legislation, students who are home-schooled will continue to need to earn a GED to be eligible for the legislative lottery scholarship.

Further, New Mexico students who participate in a foreign exchange program qualify for a New Mexico high school diploma. It is unclear whether there are students who study abroad who do not earn a New Mexico high school diploma and must pursue a GED to maintain eligibility for the legislative lottery scholarship program.

THT/lj