

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: *CS/HB 309

51st Legislature, 1st Session, 2013

Tracking Number: .192210.5

Short Title: Lottery Scholarship Program Solvency

Sponsor(s): Representative James P. White and Others

Analyst: Travis Dulany

Date: March 8, 2013 (revised)

HOUSE EDUCATION COMMITTEE SUBSTITUTE FOR HOUSE BILL 309

Bill Summary:

CS/HB 309 amends current law to address solvency issues for the Legislative Lottery Scholarship.

More specifically, CS/HB 309:

- except for those who have received the scholarship for five or more semesters by fall 2013, reduces the period of time a student may receive the Legislative Lottery Scholarship to seven semesters;
- requires a student wishing to receive the Legislative Lottery Scholarship to:
 - fill out a Free Application for Federal Student Aid; and
 - notify the student's postsecondary institution if the student receives other scholarships or grants-in-aid;
- provides the full amount of in-district, resident tuition for community college students, and sets basic tuition scholarship awards per-semester at:
 - \$1,200 for students at research universities, which include:
 - New Mexico State University (NMSU);
 - the University of New Mexico (UNM); and
 - New Mexico Institute of Mining and Technology (New Mexico Tech); and
 - \$700 for students at comprehensive universities, which include:
 - Eastern New Mexico University (ENMU);
 - Western New Mexico University (WNMU);
 - New Mexico Highlands University (NMHU); and
 - Northern New Mexico College (NNMC);
- provides for supplemental scholarships in the event that the fund balance of the Lottery Tuition Fund remains above \$10.0 million after all basic and needs-based scholarships have been awarded;

- sets a minimum fund balance for the Lottery Tuition Fund;
- requires that Legislative Lottery Scholarship awards be made after subtracting other scholarships or grants received by the student;
- provides additional scholarship awards to juniors (known as a Junior Year Award) and seniors entering their final semester (known as a Graduating Semester Award) who demonstrate financial need, in the amounts of:
 - \$1,000 for students at research universities;
 - \$600 for students at comprehensive universities; and
 - \$600 or the cost of attendance for community college students, whichever is less;
- defines *full time* to mean “a range of 12 to 15 credit hours each semester of the regular academic year” (see “Technical Issues,” below); and
- requires the Higher Education Department (HED) to:
 - review both the definition of “full time” and the maximum number of consecutive semesters of eligibility and adjust either as deemed reasonable and appropriate based on individual student disability needs, provided that “full time” is not to be defined as fewer than six credit hours; and
 - report by November 1 of each year to the Governor and the Legislature the status of:
 - the Lottery Tuition Fund;
 - the student participation in the scholarship program;
 - the distribution of scholarships;
 - the distribution of Junior and Graduating Semester awards broken down by institution; and
 - any other information the Legislature or Governor have sought since the last report or that HED determines should be reported.

*CS/HB 309 contains an emergency clause.

Fiscal Impact:

CS/HB 309 does not contain an appropriation.

Fiscal Issues:

When compared to current tuition rates, basic Legislative Lottery Scholarship awards under the provisions of CS/HB 309 would fund approximately half of the per-semester tuition for most students enrolled in the research and comprehensive universities (see “Tables,” below):

Research University	Tuition per Semester (without fees)	Basic Legislative Lottery Scholarship Award	Remaining Tuition Cost to Student
NMSU	\$2,383.20	\$1,200	\$1,183.20
UNM	\$2,412.92	\$1,200	\$1,212.92
New Mexico Tech	\$2,414.16	\$1,200	\$1,214.16

Comprehensive University	Tuition Per Semester (without fees)	Basic Legislative Lottery Scholarship Award	Remaining Tuition Cost to Student
ENMU	\$1,462.20	\$700	\$762.20
WNMU	\$1,922.00	\$700	\$1,222.00
NMHU	\$1,326.72	\$700	\$626.72
NNMC	\$1,205.40	\$700	\$505.40

It may be important to note that, in the event the Lottery Tuition Fund balance remains above \$10.0 million, additional tuition awards may be made available to students. In this case, the remaining tuition cost to students may be less than indicated in the tables above.

Substantive Issues:

Under provisions in current law:

- the Legislative Lottery Scholarship award amount may vary depending upon the amount of funds received by the Lottery Tuition Fund and the number of eligible recipients;
- prior to June 1 of each year, HED is required to determine the amount of money available for tuition scholarships at state public postsecondary educational institutions and establish the percentage of tuition that will be awarded for qualified New Mexico students; and
- the percentage of tuition awarded is to be the same for each institution, regardless of the actual cost of tuition at each institutions.

Technical Issues:

Page 2, lines 16 and 17 of the bill, defines *full time* as enrollment in 12 to 15 credit hours per semester. Colleges and universities, particularly those offering four-year degrees, commonly consider full time to mean enrollment in 12 to 18 credit hours per semester. CS/HB 309 may therefore make those students who enroll in additional credit hours beyond 15 ineligible for the scholarship. The sponsor may wish to consider amending the bill to define “full time” as “12 hours or more.”

Background:

During the 2012 regular legislative session, the Legislature passed HJM 14, *Study Lottery Tuition Fund Solvency*, which requested HED to convene a task force to study the solvency of the Legislative Lottery Scholarship program. However, no action was taken to convene the task force.

According to the New Mexico Lottery Authority (NMLA), despite “record returns” over the last five years, New Mexico Lottery revenues have not been sufficient to cover the rising expenditures for student awards. Projections provided by the Department of Finance and Administration indicate that, under current circumstances, the Lottery Tuition Fund may be insolvent as early as FY 14.

During the 2011 interim, the Legislative Education Study Committee heard testimony from NMLA staff regarding the status of the scholarship. Alluding to the prior four years, NMLA staff noted that ticket sales had been down, or flat, for a variety of reasons, including:

- the economic recession and prolonged recovery;
- loss of retailers that went out of business; and
- increasing food and gas prices.

Despite these setbacks, NMLA staff emphasized that net revenues for the scholarship program have increased both in dollars and percentage due to strict fiscal discipline and severe cost-cutting. NMLA staff explained that steps were taken to stabilize sales, including a new branding campaign, acquisition of 60 new stores, and the launch of a social media strategy to reach younger players. With these measures taken, based on its FY 12 budget, NMLA anticipated flat gross and net revenues over the next several years, with a sales forecast of \$136.4 million and a revenue forecast of \$41.0 million.

According to the Fiscal Impact Report (FIR) from the Legislative Finance Committee (LFC), in FY 12, the Lottery Tuition Fund paid \$58.1 million in scholarships. The FIR for a related bill indicates that, under current circumstances, LFC and HED estimate an additional \$5.0 million to \$16.0 million in revenues will be needed in FY 14 to continue to make 100 percent tuition scholarship awards.

Created by legislation enacted in 1996, the Legislative Lottery Scholarship is a renewable, full-tuition award granted to qualifying students beginning in their second semester at a public postsecondary institution in New Mexico. The scholarship covers the cost of tuition only. Students are responsible for additional educational expenses such as student fees, course materials, and housing.

To qualify for the scholarship a student must:

- be a New Mexico resident;
- have graduated from a New Mexico public or accredited private school or have obtained a New Mexico General Educational Development;
- enroll full-time (in at least 12 credit hours) at an eligible New Mexico public college or university, in the first regular semester immediately following high school graduation; and
- obtain and maintain a cumulative grade point average of at least 2.5.

State law also provides for specific accommodations with regard to:

- students with disabilities;
- students whose parents are in the military; and
- individuals who either immediately enlist in, or have recently departed from, the US Armed Forces.

Committee Referrals:

HEC/HAFC/SEC/SFC

Related Bills:

CS/HB 27 *Expand Lottery Scholarship Eligibility*

HB 28 *Lottery Scholarships at Tribal Colleges*

CS/SB 392 *Lottery Tuition Fund Distributions*

SB 451 *Lottery Scholarship Requirements & Debt*