

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: CS/SB 613

51st Legislature, 1st Session, 2013

Tracking Number: .193745.2

Short Title: Lottery Scholarship Requirements

Sponsor(s): Senator William H. Payne

Analyst: Travis Dulany

Date: March 13, 2013

Bill Summary:

CS/SB 613 adds a new section to higher education law to:

- require the Higher Education Department (HED) to determine by June 1 of each year the amount of money available for the Legislative Lottery Scholarships based on the amount appropriated by the Legislature and the projected enrollment at all public postsecondary educational institutions;
- provide scholarships, beginning with the 2013-2014 academic year, after subtracting other scholarships and grants-in-aid received by the student:
 - up to the full amount of in-district resident tuition charged at community colleges; and
 - on a sliding scale for tuition at state educational institutions based on the student's grade point average (GPA) as follows:
 - 60 percent for a student with a GPA of 2.5 to 3.0;
 - 65 percent for a student with a GPA of 3.0 to 3.5; and
 - 70 percent for a student with a GPA of 3.5 or greater; and
- provide for the reduction or increase of tuition scholarship awards depending on the balance of the Lottery Tuition Fund.

The bill furthermore amends statute to:

- reduce the amount of time an eligible student may receive the scholarship from four years to seven semesters;
- define *full time* to mean 15 credit hours per semester; and
- require a school district from which a scholarship recipient graduated to reimburse the postsecondary institution for the cost of tuition associated with required remedial courses completed by the student at the postsecondary institution – with the exception of the student's first semester at the postsecondary institution.

Fiscal Impact:

CS/SB 613 does not contain an appropriation.

Fiscal Issues:

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 Legislative Finance Committee (LFC) Fiscal Impact Report for a related bill:

- in FY 12, the Lottery Tuition Fund paid \$58.2 million in scholarships; and
- 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.

Substantive Issues:

HED notes that CS/SB 613 would require local school districts to reimburse the institutions for remedial courses taken by their former, graduated students; however, the districts would not be responsible for reimbursing the institutions for remedial classes taken by former students who received a General Educational Development (GED) certificate.

HED also reports the bill would result in significant system programming involvement for HED and the postsecondary institutions in order to enable the adequate monitoring of the reimbursements for remedial courses.

CS/SB 613 requires school districts to reimburse postsecondary educational institutions for the cost of tuition associated with required remedial courses completed by Legislative Lottery Scholarship recipients. As a potential alternative, the sponsor may consider amending the bill to require the reimbursement of the cost associated with required remedial courses to be made to the Lottery Tuition Fund in order to help maintain the solvency of the fund.

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.

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 high school or have obtained a New Mexico GED;
- 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
- attain and maintain a cumulative GPA 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:

SEC/SFC

Related Bills:

CS/SB 392 *Lottery Tuition Fund Distributions*
SB 451 *Lottery Scholarship Requirements & Debt*
CS/HB 27 *Expand Lottery Scholarship Eligibility*
HB 28 *Lottery Scholarships at Tribal Colleges*
*CS/HB 309 *Lottery Scholarship Program Solvency*