LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS

Bill Number: CS/SB 632   **51st Legislature, 1st Session, 2013**

Tracking Number: .194272.1

Short Title: Lottery Scholarship Funding

Sponsor(s): Senator Michael S. Sanchez

Analyst: Travis Dulany   **Date: March 19, 2013**

SENATE JUDICIARY COMMITTEE SUBSTITUTE FOR SENATE BILL 632

Bill Summary:

CS/SB 632 makes an appropriation to provide ongoing funding for the Legislative Lottery Scholarship to eligible New Mexico students.

Fiscal Impact:

$10.0 million is appropriated from the General Fund Operating Reserve to the Lottery Tuition Fund for FY 14 and subsequent fiscal years. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert.

Fiscal Issues:

According to a December 2012 consensus revenue estimate, the estimated FY 13 ending balance for the General Fund Operating Reserve is $320.2 million.[1]

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. In FY 12, the Lottery Tuition Fund paid $58.2 million in scholarships; meanwhile net annual lottery revenue hovers around $41.0 million.

According to the Fiscal Impact Report (FIR) from the Legislative Finance Committee, the $10.0 million contained in CS/SB 632 may result in full funding of Legislative Lottery Scholarship awards for FY 14. The FIR also notes, however, that the Higher Education Department (HED) estimates an additional $16.0 million to $20.0 million is needed to fully satisfy the projected demand in FY 14.

Substantive Issues:

During the 2012 regular legislative session, the Legislature passed a joint memorial, *Study Lottery Tuition Fund Solvency*, which requested HED to convene a task force to study the

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[1] *Report of the Legislative Finance Committee to the Fifty-first Legislature, First Session.*

solvency of the Legislative Lottery Scholarship program. However, no action was taken to convene the task force.

A number of bills seeking to address Lottery Tuition Fund solvency issues have been introduced during the 2013 regular legislative session (see "Related Bills," below), including legislation that:

- adds additional funding by directing money received from tobacco settlement payments to the Lottery Tuition Fund;
- places certain conditions on the scholarship to require repayment if recipients fail to maintain eligibility;
- requires eligible students to complete a Free Application for Student Financial Aid in order to receive the Legislative Lottery Scholarship;
- subtracts the amount of other scholarships or grants-in-aid received by the student from Legislative Lottery Scholarship awards;
- provides for a sliding scale for scholarship awards based on need or grade point average (GPA), or both;
- increases eligibility requirements with regard to GPA;
- sets a minimum fund balance on the Lottery Tuition Fund; or
- puts in place a basic scholarship of a specified dollar amount, with language that allows for additional scholarship awards if funding is available in the Lottery Tuition Fund.

Background:

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.

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 General Educational Development certificate;
- 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:

SFC

Related Bills:

CS/CS/SB 113 *Tobacco Fund for CYFD Programs*
  and CS/SB 392 *Lottery Tuition Fund Distributions*
SB 451 *Lottery Scholarship Requirements & Debt*
SM 101 *Lottery Scholarship Fund Solvency Work Group* (Identical to HM 101)
CS/HB 27 *Expand Lottery Scholarship Eligibility*
HB 28 *Lottery Scholarships at Tribal Colleges*
*CS/HB 309 *Lottery Scholarship Program Solvency*
HB 586 *Lottery Scholarship Requirements*
HM 94a *Identify Tribal College Exclusions*
HM 101 *Lottery Tuition Fund Solvency Work Group* (Identical to SM 101)