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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 02/09/13  
**LAST UPDATED** 03/04/13    **HB** 27/HECS

**SPONSOR**    HEC

**SHORT TITLE**    Expand Lottery Scholarship Eligibility    **SB** \_\_\_\_\_

**ANALYST**    Hartzler-Toon

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$5,249.2	Recurring	Lottery Tuition Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act, Higher Education Department, Student Financial Aid, Other State Funds

### SOURCES OF INFORMATION

LFC Files

Responses to Original Bill Received From  
 Higher Education Department (HED)  
 New Mexico Lottery Authority (NMLA)  
 Department of Finance and Administration (DFA)

### SUMMARY

#### Synopsis of Bill

The House Education Committee substitute for House Bill 27 (HB 27) expands eligibility requirements for the Legislative Lottery Scholarship. The bill amends Sections 21-1-2.3, 21-16-10.1, and 21-13-10 NMSA 1978. The bill allows students up to two years after

- (1) completing high school or earning a graduate equivalent diploma (GED) to enroll full-time at two-year branch institutions to receive the scholarship,
- (2) being a veteran honorably or medical discharged to enroll full-time at either a four-year institution or one of its branches to receive the scholarship,
- (3) completing high school or earning a “high school equivalency diploma” to enroll full-time at an independent community college or vocational or technical school to receive the scholarship.

The substitute adds the adjective “qualified” to students with disabilities who may receive the scholarship if attending any of the four-year institutions or one of its branches. This description is not applied to disabled students attending independent community colleges or vocational or technical schools.

## **FISCAL IMPLICATIONS**

The Higher Education Department (HED) estimates that the expanded eligibility would generate a 10 percent increase in recipients per academic year. If there were no other restrictions on the total amount awarded in legislative lottery scholarships, the HED estimates that this 10 percent increase would total \$12.1 million between FY14 and FY16.

Under Sections 21-1-4.3, 21-13-10, and 21-16-10.1 NMSA 1978, the HED has the authority to set legislative lottery tuition awards. The Department is required to reduce scholarship amounts if projected total scholarship costs would exceed revenues. The HED, the Department of Finance and Administration (DFA), and the Legislative Finance Committee (LFC) have reported that, for FY14, the lottery tuition fund will not have sufficient lottery revenues and fund balance reserves to authorize full tuition scholarships. The estimated revenue shortfall for FY14 ranges from the LFC’s estimate of \$5 million to \$10 million to the HED’s estimate of \$16 million.

Expanding the number of eligible of students would further stress the legislative lottery scholarship program, resulting in lower individual award amounts than projected for those eligible under current law. The HED estimates that HB 27 will increase scholarship demand an average of 10 percent annually, with increased costs to the lottery tuition fund projected at \$5.2 million in FY14 and \$6.8 million in FY15.

## **SIGNIFICANT ISSUES**

As New Mexico’s largest state-funded student financial aid program, the Legislative Lottery Program has traditionally provided full amount, tuition-only scholarships for recent high school graduates or completers who maintained a 2.5 grade point average as a full-time student during their freshmen year and for up to eight semesters. Data shows that slightly over 40 percent of students who received the legislative lottery scholarship for successive semesters graduated with a degree within four years; the graduation rate is higher for students who had received the scholarship at some time during their college careers but graduated without it during their last semester.

Importantly, an average of 25 percent of freshmen who receive the scholarship their spring semester lose the scholarship by their sophomore fall semester; another twenty percent lose their scholarship before entering their junior year. HB 27 may help address some aspects of this retention issue by admitting students who are better able to adjust and complete postsecondary work.

## **RELATIONSHIP**

HB 27 relates to the following bills:

- HB 28, Lottery Scholarships at Tribal Colleges
- HB 309, Legislative Lottery Solvency

- HB 586, Legislative Lottery Eligibility
- SB 392/SFCS, Lottery Tuition Fund Distributions
- SB 451, Lottery Scholarship Requirements and Debt

### **TECHNICAL ISSUES**

The bill provision amending Section 21-1-2.3(F) NMSA 1978 conditions the scholarship for disabled students, stating that “qualified students with disabilities” may receive the scholarship. The bill does not define “qualified,” and the use of “qualified” in Section 21-1-2.3(A) does not appear to apply the same standards as “qualified” in Section 21-1-2.3(F) pertaining to disabled students.

Further, the same phrasing “qualified students with disabilities” in the amended Section 21-1-2.3(F) is not included in the same sections pertaining to students with disabilities attending colleges under Sections 21-13-10 and 21-16-10.1 NMSA 1978. It seems the phrasing should be consistent.

The bill eliminates the residency requirement for students attending four-year institutions or any one of their branches. The residency requirement remains for students attending independent community colleges and vocational or technical schools.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

The legislative lottery scholarship program will continue to be generally limited to recent high school graduates.

THT/svb:blm