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FISCAL IMPACT REPORT

ORIGINAL DATE 03/13/13

SPONSOR SJC LAST UPDATED _____ HB _____

Public Peace, Health, Safety – Legislative Lottery

SHORT TITLE Scholarship Program SB 632/SJCS

ANALYST Hartzler-Toon

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$10,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
	\$10,000.0	\$10,000.0	Recurring	Lottery Tuition Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates, Relates to, Conflicts with, Companion to

- HB 27, Expanding Lottery Scholarship Eligibility
- HB 28, Lottery Scholarships at Tribal Colleges
- HB 309, Lottery Scholarship Solvency
- HB 586, Lottery Scholarship Requirements
- SB 113, Tobacco Fund for CYFD Programs (SB 392 included)
- SB 451, Lottery Scholarship Requirements and Debt
- SB 613/SCONCS, Public Peace, Health, Safety and Welfare (Lottery Scholarship Program)

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

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

Senate Bill 632 appropriates \$10 million from the general fund to the lottery tuition fund for the purpose of providing ongoing funding to eligible New Mexico students. Funding in the lottery tuition fund does not revert.

FISCAL IMPLICATIONS

The appropriation of \$10 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY14 shall not revert.

Assuming historic demand levels and without additional revenues or changes to current law, the Higher Education Department (HED) will reduce all legislative lottery scholarship amounts for FY14 pursuant to NMAC 5.7.20.10. Based on LFC estimates of revenues and scholarship demand, the \$10 million included in SB 632 may result in full-funding of lottery scholarships for FY14. However, the HED estimates that an additional \$16 million to \$20 million is needed to fully satisfy projected demand in FY14.

SIGNIFICANT ISSUES

The legislative lottery scholarship fund relies on revenues from lottery sales and increasingly on fund balance to meet annual scholarship expenses. During the last few fiscal years, lottery scholarship expenses have increased steadily, \$47.2 million in FY10, \$53.3 million in FY11, \$58.2 million in FY12, and an estimated \$59 million in FY13. The Legislative Finance Committee (LFC) and HED projects that in FY14, without any changes to the scholarship program or additional revenues, lottery revenues and fund balance would be not sufficient to meet total scholarship expenses in FY14. The LFC and HED estimate an additional \$5 million to \$20 million in revenues would be needed to meet 100 percent of tuition scholarships in FY14.

During the last two legislative sessions, the Legislative Education Study Committee (LESC) and the LFC have held many hearings on the legislative lottery scholarship program, options for improving program solvency, and the impacts of possible options on the recipient pool. The scholarship program is merit-based and does not consider an eligible student's financial need, though some scholarship recipients receive additional federal, state, institutional, or other merit-based and need-based aid to meet college costs. The Legislature, the HED, institutions, and others have considered program changes such as raising eligibility requirements, including higher grade point averages, heavier semester course loads, and means-testing; reducing the maximum number of scholarship semesters; and reducing the scholarship amount. Most of these options reduce the pool of eligible students, particularly disadvantaged students. The Legislature and others have studied additional revenue options; however, no additional single revenue sources keep pace with increasing tuition costs.

ADMINISTRATIVE IMPLICATIONS

Under 5.7.20.10 NMAC, the HED will determine the scholarship levels for FY14 (academic year 2013-2014) in May 2013.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 632 relates to the following bills:

- HB 27, Expanding Lottery Scholarship Eligibility
- HB 28, Lottery Scholarships at Tribal Colleges
- HB 309, Lottery Scholarship Solvency
- HB 586, Lottery Scholarship Requirements
- SB 113, Tobacco Fund for CYFD Programs (SB 392 included)
- SB 451, Lottery Scholarship Requirements and Debt
- SB 613/SCONCS, Public Peace, Health, Safety and Welfare (Lottery Scholarship Program)

The bill also relates to HB 2, which budgets \$44.2 million in interagency transfer funds to the Higher Education Department for the lottery tuition fund. (See page 144, HB 2, as amended by the Senate.)

ALTERNATIVES

A number of the pending bills related to the Legislative Lottery Scholarship Program would limit the pool of eligible students, limit scholarship amount, or do both. These approaches would reduce expenditures from the lottery tuition fund and reduce the pressure on using all or part of the \$10 million general fund appropriation in SB 632 in FY14.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Scholarship amounts will be reduced for FY14 under current law.

THT/blm