

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: *HB 348

51st Legislature, 2nd Session, 2014

Tracking Number: .196145.1

Short Title: Legislative Lottery Tuition Waiver Act

Sponsor(s): Representative Alonzo Baldonado

Analyst: Travis Dulany

Date: February 14, 2014

Bill Summary:

HB 348 adds new material to current law to create the *Legislative Lottery Tuition Waiver Act*; amends provisions relating to the Lottery Tuition Fund (Fund) and the *Community College Act*; and repeals three sections of current law in Chapter 21, *State and Private Education Institutions*.

Among its provisions, the bill:

- provides a distinction between the various postsecondary educational institutions:
 - community colleges are defined as branch community colleges of a state educational institution, community colleges established pursuant to the *Community College Act* or technical and vocational institutes established pursuant to the *Technical and Vocational Institute Act*;
 - comprehensive institutions include Eastern New Mexico University, Western New Mexico University, New Mexico Highlands University, and Northern New Mexico College;
 - research institutions include the University of New Mexico, New Mexico State University, and the New Mexico Institute of Mining and Technology; and
 - state educational institutions include those institutions enumerated in Article XII, Section 11 of the Constitution of New Mexico;¹
- defines “qualified student” as one who within 30 months of graduation from a public or accredited private New Mexico high school, completion of a home school program in the state, or receipt of a high school equivalency credential in the state:
 - was accepted for entrance to and attended a public postsecondary educational institution; or
 - began service in the US Armed Forces and within one year of completion of honorable service or medical discharge from the service attended a public postsecondary educational institution;

¹Includes the University of New Mexico, New Mexico State University, New Mexico Highlands University, Western New Mexico University, Eastern New Mexico University, New Mexico Institute of Mining and Technology, New Mexico Military Institute, New Mexico School for the Blind and Visually Impaired, New Mexico School for the Visually Handicapped, New Mexico School for the Deaf, and Northern New Mexico State School.

- allows for Legislative Lottery Tuition Waivers to qualified students:
 - after completion of the first semester of full-time enrollment with a grade point average (GPA) of 2.5 or higher;
 - for up to seven semesters, which may be completed within five academic years, at comprehensive, research, and state educational institutions or three semesters at community colleges followed by four semesters of attendance at comprehensive, research, or state educational institutions, which also may be completed within five academic years; and
 - who for each semester:
 - maintain residency in New Mexico and a 2.5 GPA or higher;
 - complete 12 credit hours or more; and
 - meet additional eligibility requirements established by Higher Education Department (HED) rule;
- requires that a qualified student who receives a Legislative Lottery Tuition Waiver sign a contract:
 - acknowledging that the Legislative Lottery Tuition Waiver is conditioned upon the student's attainment of a Bachelor of Science or Bachelor of Arts degree within five academic years of initial enrollment at a public postsecondary institution; and
 - agreeing to the terms of repayment in the event the student fails to earn a Bachelor of Science or Bachelor of Arts degree within two years after the last date of enrollment at a public postsecondary educational institution;
- sets forth the specifications for said contract:
 - in the event the student fails to meet the completion requirements noted above, the amount waived pursuant to the *Legislative Lottery Tuition Waiver Act* shall become payable:
 - as a loan with principal-bearing interest at a rate of 7.0 percent per year;
 - two years after the last date of enrollment at a public postsecondary institution;
 - in monthly increments in the amount and for the term set by HED in each contract; and
 - with such other provisions and conditions as determined by HED and contained in the contract;
- amends statute relating to the Fund to reflect the changes in the *Legislative Lottery Tuition Waiver Act*; and
- provides for certain exceptions for students with disabilities.

Finally, HB 348 repeals the following sections of current law:

- Section 21-1-4.3, *Legislative Lottery Scholarships Authorized; Certain Educational Institutions*;
- Section 21-1-4.4, *Commission on Higher Education [Higher Education Department]; Determination of Tuition Scholarships; Use of Lottery Tuition Fund*; and
- Section 21-16-10.1, *Legislative Lottery Scholarships Authorized*.

*HB 348 contains an emergency clause.

Fiscal Impact:

HB 348 does not contain an appropriation.

Fiscal Issues:

The Fiscal Impact Report from the Legislative Finance Committee (LFC) points out that:

- Section 3 of the bill limits the total amount of funding available for the Legislative Lottery Tuition Waiver program to funds available in the Fund;
- with no additional revenues, the amount available for each tuition waiver would vary;
- HB 348 does not specify whether student repayments would be directed to the Fund or HED's Student Financial Aid – Special Programs Fund; and
- LFC staff estimate that HED would incur an additional \$150,000 in operational expenses to administer the program and implement a thorough repayment and collections program.

The New Mexico Lottery Authority states that passage of HB 348 should help to lessen the gap between lottery revenues and expenditures for the Legislative Lottery Scholarship and help the Lottery Tuition Fund achieve solvency.

Substantive Issues:

The contract required to receive a Lottery Tuition Waiver stipulates that the student attain to the degree of Bachelor of Science or Bachelor of Arts. Some institutions, however, list bachelor-level degrees under a different name, such as a Bachelor of Social Work, Bachelor of Individualized Studies, Bachelor of Fine Arts, Bachelor of Accountancy, Bachelor of Business Administration, or Bachelor of Music Education.

The sponsor may wish to amend the bill to include language allowing other bachelor-level degrees to be included in Legislative Lottery Tuition Waiver contracts.

Central New Mexico Community College notes that students seeking only an associate-level degree would not be eligible to receive a waiver under the provisions of HB 348.

The HED bill analysis notes that:

- it is unclear how HB 348 would affect students currently receiving the Legislative Lottery Scholarship; and
- HB 348 would provide a strong incentive for students to complete their degrees within five years.

Based on information from HED for related legislation, among those students who received the Legislative Lottery Scholarship in spring of 2009, approximately 40 percent were still receiving the award in their seventh semester.

Other conditional loan programs currently exist in statute, such as the *Osteopathic Medical Student Loan for Service Act*, the *Nursing Student Loan for Service Act*, and the *Teacher Loan*

for Service Act. These programs are conditioned upon service requirements in specified fields and some bear interest rates of 7.0 to 18 percent, depending upon the conditions met by the participant.

Background:

Lottery Scholarship Fund Solvency Work Group

The solvency of the Legislative Lottery Scholarship program has been a topic of concern in recent years. Expenditures have exceeded revenues, resulting in a depletion of the Fund. Expenses grew from \$53.3 million in FY 11 to a projected \$67.5 million for the current fiscal year, meanwhile revenues have remained between \$39.0 million and \$42.0 million.

During the 2013 legislative session, the Senate passed SM 101, *Lottery Scholarship Fund Solvency Work Group*, which requested HED to form a work group of various stakeholders, including the Director of the Legislative Education Study Committee (LESC) staff, to study the solvency of the Fund and present the work group's recommendations to the Legislature by December 1, 2013. The work group met several times throughout the 2013 interim and considered a number of methods for addressing Fund solvency, including:

- increased requirements for GPA and credit hours;
- front-end or back-end loading of tuition scholarships (e.g. providing full tuition scholarships during the first years of postsecondary education and reducing award amounts during the junior and senior years);
- decoupling the award amounts from tuition;
- limiting the scholarship to seven semesters instead of four consecutive years;
- awarding scholarships based on need; and
- awarding the lottery scholarship only after other scholarships and aid have been awarded.

LESC staff also provided a number of revenue options for the work group's consideration.

Ultimately, the work group did not come to a consensus on any particular recommendations.

Other Related Background

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 graduate equivalent diploma;
- 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 GPA of at least 2.5.

State law also provides for specific accommodations with regard to:

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

Committee Referrals:

HEC/HAFC

Related Bills:

HB 145 *Lottery Scholarship Changes*

*HB 254 *Lottery Scholarship Solvency*

*HB 263a *Lottery Scholarship Changes*

HM 37 *Tribal College Lottery Scholarship Exclusion* (Identical to SM 23)

SB 141 *Limit Lottery Scholarship Tuition Increases*

SB 146 *Lottery Tuition Rates & Definitions*

*SB 150 *Lottery Scholarship Solvency*

SB 302 *Repeal Capital Gains Deduction*

SB 303 *Motor Vehicle Tax to Lottery Tuition*

*SB 327 *Lottery Tuition Fund Act & Solvency*

*SB 379 *Lottery Tuition Fund Solvency*

SM 23 *Tribal College Lottery Scholarship Exclusion* (Identical to HM 37)