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FISCAL IMPACT REPORT

ORIGINAL DATE 02/09/14

SPONSOR Payne **LAST UPDATED** _____ **HB** _____

SHORT TITLE Lottery Tuition Fund Solvency **SB** 379

ANALYST Chavez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Unknown	Unknown	Unknown	Recurring	Institutional Operating Budgets
		(\$100.0)	(\$100.0)	(\$200.0)	Recurring	HED/General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 2, HB 145, HB 254, HB 263, HB 348, SB 141, SB 146, SB 150, SB 327 (See attachment)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Central New Mexico Community College (CNM)

New Mexico Lottery Authority (NMLA)

SUMMARY

Synopsis of Bill

Senate Bill 379 creates the Legislative Lottery Scholarship Act and establishes a process for allocating available money in the lottery tuition fund to award scholarships to qualified students. In the bill, the Higher Education Department would, by May 1st, determine the amount of money available for lottery tuition scholarships. The department would then, in consultation with institutions, establish by rule an equitable distribution to each public post-secondary institution by August 1st of each year and distribute the money by August 15th.

The governing body of each institution would then determine how many legislative lottery scholarships it may award to its qualified students.

A “qualified student” is one who meets the eligibility requirements under the act and department rules, who graduated with a diploma from a public or accredited private New Mexico high school or received a high school equivalency credential in New Mexico and who either:

- (1) Immediately upon graduation or receipt of the credential was accepted for entrance to and attended a public post-secondary educational institution; or
- (2) Within 120 days of graduation or receipt of the credential began service in the United States armed forces and within one year of completion of honorable service or medical discharge attended a post-secondary educational institution.

The bill does not contain any reporting requirements for HED

The bill does not contain an appropriation.

The bill declares an emergency.

The bill repeals Sections 21-1-4.3, 21-1-4.4, and 21-16-10.1 NMSA 1978. (Check on statute)

FISCAL IMPLICATIONS

SB 379 would distribute available lottery tuition fund money to institutions, and the institutions would have the responsibility of determining how they wish to spend the lottery tuition fund. Under the bill, the Legislative Lottery Scholarship would be solvent because all available money would be allocated at the beginning of the year, and institutions would be able to choose how to award the money. However, there is no way to determine how the lottery tuition fund money would be spent.

LFC staff estimate HED and institutions will likely incur additional operational costs to administer this program.

SIGNIFICANT ISSUES

The LLSP relies on revenues from lottery ticket sales and prior year fund balance to meet annual scholarship expenses. During the last few fiscal years, lottery scholarship expenses have increased steadily, \$53.3 million in FY11, \$58.2 million in FY12, \$61.9 million in FY13, and a projected \$67.5 million in FY14. As forecasted by the Legislature and executive branch, the LLSP will deplete all remaining fund balances in FY14 unless supplemental funding is provided. Lottery revenues are expected to remain flat and insufficient to meet the full cost of funding tuition for all eligible students in FY14. Since scholarship expenditures cannot exceed available revenues, significant changes are required to maintain program solvency. Section 21-1-4.4 NMSA 1978 mandates HED to reduce award amounts by a department-determined percentage if expenditures would be greater than revenues.

The lottery solution as presented in this bill requires institutions to come to an agreement over how lottery funds will be distributed among them.

PERFORMANCE IMPLICATIONS

This bill does not contain performance measures or other accountability measures for institutions as they decide on award parameters and distribute awards.

It may be difficult for students to transfer from one institution to another when institutions have different award plans in place.

ADMINISTRATIVE IMPLICATIONS

CNM notes that most higher education institutions award aid for student by March 1 for the following fall term. HED is required to determine the level of funding available for the following year by May 1, and the amount allocated to each institution is not available until August 1st. This is too late for institutions to consider the lottery scholarship along with other grants and aid.

There are no performance measures or other accountability measures to ensure institutions spend the lottery tuition fund money on scholarships and not for other purposes. HED would have to find a system by which the fund money could be tracked and accounted for.

RELATIONSHIP

See Attachment 1 for related lottery bills.

ALTERNATIVES

Have HED establish rules with guidelines for how institutions must distribute awards.

POSSIBLE QUESTIONS

- Would a student have difficulty transferring from one school to another, especially from a two-year school and four-year school, with different lottery scholarship programs at each school?
- Would having a different lottery scholarship at each institution create an administrative burden for HED?
- Is August 1st too late of a deadline for students and institutions to find out what their scholarship for the coming year will be?
- Would institutions have a difficult time collaborating with the department to determine an equitable division of the lottery tuition fund? If no agreement were reached, how would the money be distributed?
- What accountability measures does the bill put in place to ensure that institutions spend the money on lottery tuition scholarships and not other purposes?

Legislative Lottery Scholarship Program: Proposed Legislation in 2014 Session

Bill Number	Lottery Program Changes						FY15 Funding				Other Changes
	GPA?	Full Time?	Number of Semesters	Financial Need?	Award Changes	Legacy Provision?	Solvent?	Appropriation?	Sanding Required?	Emerg. Clause?	
HB 145 (Taylor)	2.5	12 SCH	8	No	None	No	No	None	Yes	No	Adds eligibility for dependents of military on active duty outside of NM
HB 254 (Smith, JE)	2.5-3.25	12 SCH	7	Yes	Level of award based on GPA and financial need	Yes - 3 or more semesters by FY15 (unfunded)	Yes	None	Possibly	Yes	Requires application and FAFSA; unfunded legacy provision
HB 263 (Harper)	2.5	12 SCH	7	No	Flat award determined by HED; one award for all institution types, capped at tuition.	No	Yes	None	No	Yes	None
HB 348 (Baldonado)	2.5	12 SCH	7	No	No change to amount; waiver instead of scholarship	Unclear	No	None	Yes	Yes	Scholarship to loan program; students must repay the waiver if they fail to get a degree.
SB 141 (Candelaria)	2.5	12 SCH	8	No	Limits tuition payments to tuition amount of qualifying semester	Unclear	No	None	Yes	No	None
SB 146 (Ingle)	2.5	15 SCH for all higher- ed students	8	No	Limits tuition rates; award amount equals the tuition rate of qualifying semester	Unclear	No	None	Yes	No	None
SB 150 (Smith)	2.75	15 SCH for 4-year inst; 12 CH for 2-year inst.	7	No	Flat awards based on type of institution	Yes - 3 or more semesters by FY15 (unfunded)	Yes	\$8 million recurring; \$2.9 million for legacy students	No	Yes	None
SB 302 (Sanchez)	N/A	N/A	N/A	N/A	N/A	N/A	Yes for FY15; not solvent in the long-term without program changes.	\$3 million monthly through FY18	No	No	Repeals the capital gains deduction from net income and appropriates a portion of savings to the LLSP
SB 303 (Sanchez)	N/A	N/A	N/A	N/A	N/A	N/A	Yes for FY15; not solvent in the long-term without program changes.	\$35 million annually	No	No	Raises motor vehicle excise tax and gives 20 percent of proceeds to the LLSP
SB 327 (Sapien)	2.5	12 SCH	7 at four-year inst.; 4 at two-year inst. + 4 at four-year inst.	No	Award amount based on type of institution and # of semesters w/ scholarship	Yes - 3 or more semesters by FY15	Yes	None	Possibly	Yes	Requires scholarship application and FAFSA; unfunded legacy provision
SB 379 (Payne)	Institutional decision	Institutional decision	Institutional decision	Institutional decision	Institutional decision	Institutional decision	Yes	None	Possibly	Inst. decision	HED distributes agreed-upon amount to institutions by Aug 15; institutions establish criteria.

*SCH =Student Credit Hour

Source: LFC Files