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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
53rd Legislature, 1st Session, 2017

Bill Number	<u>SB420</u>	Sponsor	<u>Soules</u>
Tracking Number	<u>.205312.1</u>	Committee Referrals	<u>SEC/SFC</u>
Short Title	<u>Lottery Scholarship Grace Period</u>		
Analyst	<u>Rogne</u>	Original Date	<u>2/17/17</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

Senate Bill 420 (SB420) would extend the eligibility period for students to qualify for the legislative lottery tuition scholarship from immediately upon graduation to 16 months after high school graduation or within one year of discharge from the United States armed forces. The Legislative Lottery Tuition Scholarship Act is also amended to allow students to qualify for the scholarship if they begin service in the armed forces within four months of high school graduation.

FISCAL IMPACT

This bill does not contain an appropriation.

If enacted, SB420 will affect the lottery tuition fund. The fiscal impact on the fund is unknown at the time of this analysis.

SUBSTANTIVE ISSUES

The purpose of the legislative lottery tuition scholarship is to increase access to postsecondary education, reduce financial burden on students, and increase educational attainment in New Mexico. Under current law, a student must enroll the semester immediately following high school graduation, receipt of a high school equivalency credential, or completion of their military service. SB420 would extend this period to 16 months to allow for a “gap year” between high school or completion of military service and matriculation into college. It further extends scholarship eligibility to students who enlist in the military and begin service within four months of graduation.

Studies on the effects of a gap year on college readiness are limited and often anecdotal. The most rigorous study to date published in the *Journal of Higher Education* followed a cohort of Texas high school graduates and compared students who matriculated immediately after high school to students who took one or more “gap years” before college enrollment. The study

noted: “Consistent with prior research, Texas students who postponed college enrollment were more disadvantaged economically and averaged lower academic achievement than on-time enrollees, but there was also considerable socioeconomic and academic differentiation among students who delayed. Students who delayed one semester or one year were more similar to each other than either group was to students who postponed two or more years. Still, among students who delayed enrollment, *those who postponed by one year were the most advantaged based on family background and academic achievement* (emphasis added). For example, 41 percent of one-year delayers had college-educated parents, compared with one-third of students who delayed two and three or more years. One-year delayers averaged SAT scores of 912, compared with 890 for those who postponed by one-semester. Among students who postponed postsecondary enrollment, those who delayed by one year also surpassed all others in their AP course taking, which is a strong predictor of college intentions.” This counters the notion that delaying enrollment by a year adversely affects college readiness and/or completion, though the study indicated that delays longer than one year do have a negative impact on college success.

While the effect of allowing a gap year on the lottery tuition fund is unknown, the study cited above seems to indicate that students who may take advantage of a gap year are likely to be more socioeconomically advantaged. According to the Higher Education Department (HED), these students would predominately enroll at New Mexico’s research institutions and would be the most likely to persist through the full seven semesters of support the legislative lottery scholarship provides. The number of students who currently forgo the lottery scholarship in order to take a “gap year” is unknown. Allowing for a “gap year” will impact the lottery tuition fund to some degree. However, tuition rates and total revenues into the fund would continue to have much greater influence on the overall solvency of the fund.

Current Status of the Legislative Lottery Scholarship. The legislative lottery tuition scholarship is currently funded by 30 percent of lottery ticket sales. Since 2009, the cost of tuition scholarships has outpaced revenues from ticket sales; as a result, the year-end balance of the lottery tuition fund has declined. According to the Legislative Lottery Scholarship Report published by HED in December 2016, the fund paid 90 percent of sector average tuition in FY16. Tuition payments were reduced from the FY14 peak of \$66 million to \$58.2 million in FY16.

The lottery tuition scholarship fund has experienced strain due to an increase in students claiming the scholarship. In FY16 there was a total of 29,143 lottery scholarship recipients compared with 16,168 in FY00.

For FY16 and FY17, 39 percent of the liquor excise tax revenue is directed to the lottery tuition fund, pursuant to subsection C of 7-1-6.40 NMSA 1978. However, the lottery tuition fund’s liquor excise tax revenue enacted in Laws 2014, Chapter 80 (SB347) will sunset June 30, 2017.

Laws 2014, Chapter 80 also made changes to student eligibility criteria. Some of these changes were explicitly specified within the legislation, and some in additional rules promulgated by HED and published in 5.7.20 NMAC. Current eligibility criteria are summarized below:

- Students must maintain continuous enrollment, not including summer semesters, and maintain a 2.5 cumulative GPA on a 4.0 scale;
- For students who have less than three semesters of scholarship award at the end of FY14 (non-legacy students), the credit hour requirement has changed from 12 credit hours per semester to 15 credit hours;

- Students may receive a maximum of three semesters of the scholarship at a two-year institution, and a maximum of seven semesters if enrolled at a research or comprehensive institution. Students with documented disabilities may maintain eligibility with a reduced course load of a minimum of six credit hours per semester.
- For these students the maximum number of award semesters is increased to seven semesters at a two-year institution and fourteen semesters at a four-year institution; and
- Qualified students with exceptional mitigating circumstances may be allowed a probationary semester, as determined by the institution's financial aid officer.

ADMINISTRATIVE IMPLICATIONS

HED noted that financial aid officers at the public postsecondary institutions would need to verify that students have enrolled within the 16- month period prescribed by SB420.

The Department of the Attorney General noted that because medical discharge is included as an acceptable form of discharge from the armed services, the extension allows more time for recovery for an injured or disabled veteran. It would also promote more opportunities for youth whose economic or other obstacles might lead to delay in applying to college.

RELATED BILLS

Relates to HB194, HB344, and SB188, which amend the definition of qualified student.

Relates to HB237, HB250, SB192, and HB426, which address revenues to the lottery tuition fund.

Relates to SB276, which differentiates tuition award levels based on program semester.

SOURCES OF INFORMATION

- LESC Files
- Office of the Attorney General
- Higher Education Department
- Journal of Higher Education

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