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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/11/18

SPONSOR Smith/Montoya LAST UPDATED \_\_\_\_\_ HB 270

SHORT TITLE Lottery Scholarship Awards & Tuition Costs SB \_\_\_\_\_

ANALYST Dulany

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		See Fiscal Implications				Lottery Tuition Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Conflicts with HB 178

Similar to SB 140

Relates to appropriation in the General Appropriation Act, Section 5, Special Appropriations

### SOURCES OF INFORMATION

LFC Files

New Mexico State University (NMSU)

### Responses Received From

University of New Mexico (UNM)

Higher Education Department (HED)

New Mexico Institute of Mining and Technology

### SUMMARY

#### Synopsis of Bill

House Bill 270 amends the Legislative Lottery Tuition Scholarship Act to set flat award amounts depending on the sector of institution a student attends:

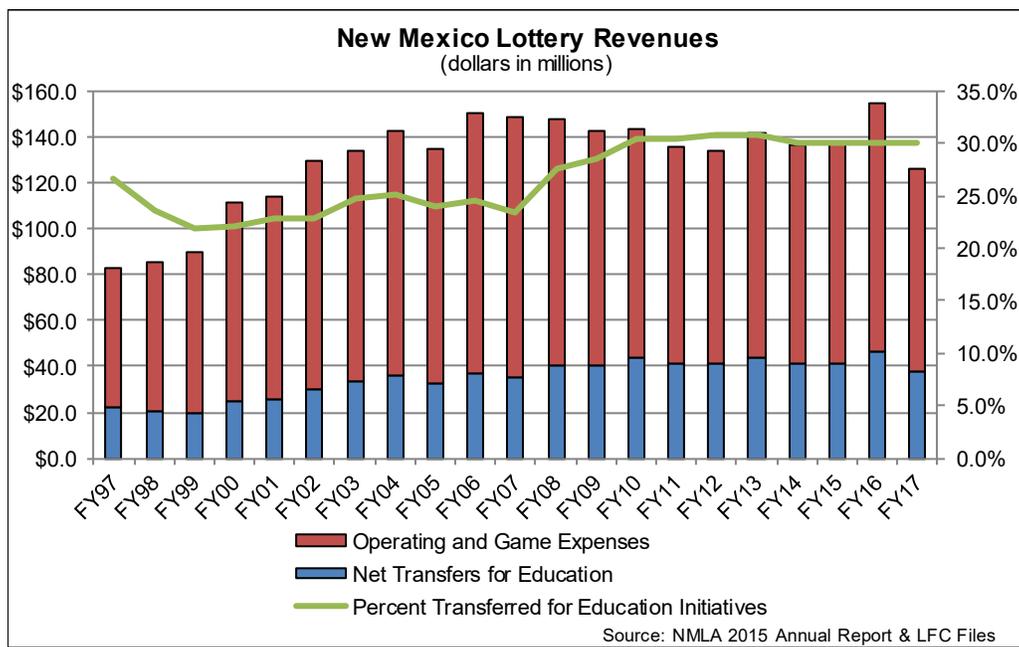
- \$1,500 per semester for students attending research institutions
- \$1,020 per semester for students attending comprehensive institutions
- \$380 per semester for students attending community colleges.

The bill requires HED to reduce or increase scholarship award amounts, depending on available revenues, in a manner that maintains the distribution in the same proportions of the amounts noted above. The bill would take effect at the beginning of FY19.

**FISCAL IMPLICATIONS**

Under current law, the Legislative Lottery Tuition Scholarship provides awards to cover a percent of tuition based on average tuition rates charged in each sector of institution (i.e. research university, comprehensive institution, or community college). In FY18, the scholarship covers 60 percent of these average rates. HB 270 decouples the award amount from the tuition rates charged at higher education institutions, instead providing awards fixed to the amounts listed under the Summary section of this report.

Transfers from the lottery tuition fund to cover scholarships have experienced volatility in recent years. In FY16, the New Mexico Lottery Authority transferred \$46.3 million, thanks in part to a run-up of large prize pool games such as Powerball. However, a year later revenues dropped 18.2 percent to \$37.8 million.



HB 270 sets a reasonably safe floor for scholarship award amounts. Based on the most recently available scholarship participation data, the cost to provide the flat amounts enumerated in HB 270 totals \$35.7 million, \$2.1 million below the 10-year low for lottery transfers. Assuming the 10-year average of \$41 million in lottery revenues, the scholarship would cover about 114.7 percent of the flat amounts contemplated in HB 270. Column C of Attachment 1 illustrates the percent covered under the base amounts, while column F demonstrates the percent covered assuming of \$41 million in revenues.

NMSU notes in analysis for a similar bill that this legislation would maintain the existing sector average proportions, meaning the amounts paid under HB 270 cover roughly the same percentage of average tuition in each sector (see the average percent of tuition covered on lines 5, 11, and 31 of Attachment 1). As a result, HB 270 would have little short-term effect. HED notes that under HB 270 students would be unaffected by changes in tuition across the higher education system. Instead, students would only be affected by tuition changes at their respective institution. Over time, scholarship awards for students attending institutions increasing tuition at higher rates than others will receive a lower percent of tuition covered. This occurs because the

bill anchors scholarship awards to amounts based on current award proportions, rather than a moving average of tuition rates at multiple institutions. Attachment 2 demonstrates how tuition increases at different rates among New Mexico's colleges and universities.

HED, NMSU, and UNM note legislation like HB 270 would provide some consistency and help students plan academic expenses; however, because the bill allows for adjustments to the flat award amounts based on available revenues, the percent and amount of tuition covered by the scholarship would still change each year. The department and both universities highlight that the scholarship previously covered a higher amount of tuition, but a leveling-out of lottery revenues and increased participation drained the lottery tuition fund balance. The Legislature temporarily supplemented the scholarship with a portion of liquor excise tax revenues, providing about \$19 million per year, but those provisions expired at the end of FY17.

### **CONFLICT, RELATIONSHIP**

HB 270 is similar to SB 140 in that the bill sets flat scholarship amounts based on existing sector average proportions (see Fiscal Implications). While the proportions are the same, the flat award amount covered under HB 270 is higher for each sector. HB 270 conflicts with HB 178, which would change the proportions and cover a higher percent of tuition at less expensive community colleges.

TD/jle

Legislative Lottery Tuition Scholarship  
Percent Covered Under Flat Award Scenario, FY18

Sector	A FY18 Tuition Per Semester	B Base Amount Covered	C Percent Covered Under Base Amount	D Estimated Cost of Base Amount	E Scholarship Amount Based on Additional Revenue (Base Amount x 114.7%)	F Percent Covered Based on Available Revenue	G Estimated Cost Based on Additional Available Revenue
<b>Four Year Institutions</b>							
1 Research							
2 NMIMT	\$3,066.48	\$1,500.00	48.9%	\$1,635,000.0	\$1,720.08	56.1%	\$1,874,888.9
3 NMSU	\$2,850.00	\$1,500.00	52.6%	\$9,418,500.0	\$1,720.08	60.4%	\$10,800,392.3
4 UNM	\$2,689.52	\$1,500.00	55.8%	\$20,155,596.2	\$1,720.08	64.0%	\$23,112,846.7
5 <b>Average/Total</b>			<b>52.3%</b>	<b>\$31,209,096.2</b>		<b>60.0%</b>	<b>\$35,788,127.9</b>
<b>Four Year Institutions</b>							
6 Comprehensive							
7 Eastern NM University	\$1,830.48	\$1,020.00	55.7%	\$1,471,860.0	\$1,169.66	63.9%	\$1,687,812.9
8 NM Highlands University	\$2,124.00	\$1,020.00	48.0%	\$489,600.0	\$1,169.66	55.1%	\$561,434.6
9 Northern NM College	\$1,630.20	\$1,020.00	62.6%	\$223,380.0	\$1,169.66	71.7%	\$256,154.6
10 Western NM University	\$2,209.00	\$1,020.00	46.2%	\$306,000.0	\$1,169.66	52.9%	\$350,896.6
11 <b>Average/Total</b>			<b>52.4%</b>	<b>\$2,490,840.0</b>		<b>60.0%</b>	<b>\$2,856,298.7</b>
<b>Two Year Institutions</b>							
12 Branches							
13 ENMU Roswell	\$936.00	\$380.00	40.6%	\$106,400.0	\$435.75	46.6%	\$122,011.1
14 ENMU Ruidoso	\$540.00	\$380.00	70.4%	\$23,940.0	\$435.75	80.7%	\$27,452.5
15 NMSU Alamogordo	\$936.00	\$380.00	40.6%	\$30,780.0	\$435.75	46.6%	\$35,296.1
16 NMSU Carlsbad	\$492.00	\$380.00	77.2%	\$33,820.0	\$435.75	88.6%	\$38,782.1
17 NMSU Dona Ana	\$768.00	\$380.00	49.5%	\$370,120.0	\$435.75	56.7%	\$424,424.4
18 NMSU Grants	\$936.00	\$380.00	40.6%	\$11,780.0	\$435.75	46.6%	\$13,508.4
19 UNM Gallup	\$841.20	\$380.00	45.2%	\$38,917.2	\$435.75	51.8%	\$44,627.2
20 UNM Los Alamos	\$984.00	\$380.00	38.6%	\$37,110.8	\$435.75	44.3%	\$42,555.7
21 UNM Taos	\$900.00	\$380.00	42.2%	\$38,531.2	\$435.75	48.4%	\$44,184.6
22 UNM Valencia	\$894.00	\$380.00	42.5%	\$111,075.1	\$435.75	48.7%	\$127,372.2
23 CNM	\$648.00	\$380.00	58.6%	\$733,400.0	\$435.75	67.2%	\$841,005.2
24 CCC	\$528.00	\$380.00	72.0%	\$34,200.0	\$435.75	82.5%	\$39,217.9
25 LCC	\$456.00	\$380.00	83.3%	\$30,400.0	\$435.75	95.6%	\$34,860.3
26 MCC	\$696.00	\$380.00	54.6%	\$27,360.0	\$435.75	62.6%	\$31,374.3
27 NMJC	\$444.00	\$380.00	85.6%	\$76,000.0	\$435.75	98.1%	\$87,150.8
28 SJC	\$552.00	\$380.00	68.8%	\$182,020.0	\$435.75	78.9%	\$208,726.2
29 SFCC	\$576.00	\$380.00	66.0%	\$125,400.0	\$435.75	75.7%	\$143,798.8
30 NMMI	\$857.50	\$380.00	44.3%	\$19,000.00	\$435.75	50.8%	\$21,787.70
31 <b>Average/Total</b>			<b>52.7%</b>	<b>\$2,030,254.3</b>		<b>60.4%</b>	<b>\$2,328,135.4</b>
32 <b>Total Cost</b>				<b>\$35,730,190.57</b>			<b>\$40,972,562.00</b>
33 <b>Estimated Revenue</b>				<b>\$40,972,562.00</b>			<b>\$40,972,562.00</b>
34 <b>Percent of Revenue Available</b>				<b>114.7%</b>			

Source: CUP, HED, LFC Files

Tuition Credit History - Resident Undergraduate Tuition Percent Increases

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
	Resident Undergrad.									
<b>4-Year Institutions</b>										
NMIMT	6.4%	5.9%	7.2%	8.0%	4.0%	4.5%	5.0%	5.0%	5.0%	5.0%
NMSU	6.4%	5.0%	8.0%	10.3%	4.7%	3.0%	4.9%	3.1%	0.0%	7.4%
UNM	5.4%	5.5%	7.9%	7.0%	3.8%	3.8%	0.0%	3.0%	2.5%	0.0%
ENMU	5.6%	6.3%	9.8%	5.6%	3.0%	0.0%	4.8%	6.5%	5.0%	6.8%
NMHU	6.4%	2.0%	7.7%	8.6%	5.0%	9.9%	9.4%	5.0%	17.9%	3.7%
NMCCC	(2.2%)	29.2%	(3.5%)	128.2%	0.0%	14.0%	0.0%	8.9%	4.3%	4.5%
WNMU	6.1%	4.6%	6.2%	7.6%	5.0%	5.0%	6.0%	5.0%	0.0%	5.0%
<b>4-Year Average Tuition</b>	<b>4.9%</b>	<b>8.4%</b>	<b>6.2%</b>	<b>25.0%</b>	<b>3.6%</b>	<b>5.7%</b>	<b>4.3%</b>	<b>5.2%</b>	<b>4.9%</b>	<b>4.6%</b>
<b>4-Year Tuition Credit</b>	<b>2.0%</b>	<b>2.5%</b>	<b>5.0%</b>	<b>3.1%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>2-Year Institutions</b>										
ENMU-Roswell	5.7%	6.8%	8.1%	24.1%	(7.6%)	0.0%	0.0%	10.3%	7.8%	13.0%
ENMU-Ruidoso	5.1%	0.0%	8.5%	6.5%	5.0%	9.7%	2.6%	5.1%	4.9%	4.7%
NMSU-Alamogordo	6.7%	5.0%	9.5%	10.8%	4.2%	1.3%	2.6%	0.0%	0.0%	0.0%
NMSU-Carlsbad	(34.9%)	0.0%	0.0%	9.1%	0.0%	2.8%	0.0%	16.7%	0.0%	5.1%
NMSU-Dona Ana	4.0%	6.0%	7.5%	10.0%	3.6%	1.8%	3.4%	0.0%	0.0%	6.7%
NMSU-Grants	9.1%	5.5%	6.9%	11.7%	4.9%	0.0%	6.8%	0.0%	0.0%	4.0%
UNM-Gallup	1.6%	0.0%	3.9%	0.0%	0.0%	0.0%	0.0%	7.1%	8.0%	0.0%
UNM-Los Alamos	3.8%	2.9%	8.4%	12.2%	4.2%	2.0%	8.6%	6.9%	6.8%	3.8%
UNM-Taos	1.8%	2.2%	8.6%	12.0%	2.9%	5.9%	0.0%	4.2%	0.0%	0.0%
UNM-Valencia	5.5%	0.0%	8.6%	9.5%	0.0%	0.0%	0.0%	7.3%	8.7%	4.2%
CNM	(0.9%)	6.8%	6.3%	9.7%	0.0%	2.6%	1.0%	2.0%	2.0%	3.8%
CCC	0.0%	3.3%	9.5%	18.2%	0.0%	0.0%	0.0%	0.0%	0.0%	12.8%
LCC	0.0%	3.3%	9.7%	9.4%	0.0%	0.0%	0.0%	0.0%	8.6%	0.0%
MCC	1.4%	1.9%	10.8%	9.1%	0.0%	0.0%	0.0%	4.2%	10.0%	5.5%
NMJC	2.3%	0.0%	6.8%	3.1%	0.0%	6.1%	0.0%	0.0%	0.0%	5.7%
SJC	0.0%	6.7%	18.8%	28.1%	0.0%	0.0%	0.0%	12.2%	0.0%	0.0%
SFCC	0.0%	0.0%	10.0%	9.7%	0.0%	0.0%	0.0%	12.7%	5.6%	2.1%
<b>2-Year Average Tuition</b>	<b>0.7%</b>	<b>3.0%</b>	<b>8.3%</b>	<b>11.4%</b>	<b>1.0%</b>	<b>1.9%</b>	<b>1.5%</b>	<b>5.2%</b>	<b>3.1%</b>	<b>4.2%</b>
<b>2-Year Tuition Credit</b>	<b>2.0%</b>	<b>2.0%</b>	<b>9.0%</b>	<b>9.5%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
New Mexico Military Institute	0.0%	0.0%	15.3%	5.0%	3.6%	0.0%	0.0%	0.0%	7.0%	2.0%

Source: LFC Files, FY18 HEI OpBuds

Notes:  
 Credit for tuition has not been taken since performance funding was introduced to the higher education funding formula in FY12.  
 Calculated averages may differ from some published averages in CHE/HEd annual report.  
 FY12 Four-year tuition average excludes NNMC (tuition grew because the institution transitioned from two-year rates to four-year rates).  
 As of FY14, several institutions charge lower tuition rates for students taking 15 credit hours or more. Wherever applicable, the lower tuition rate is applied in this table.