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FISCAL IMPACT REPORT

ORIGINAL DATE 2/4/19

SPONSOR Candelaria **LAST UPDATED** _____ **HB** _____

SHORT TITLE Community Colleges to Offer B.S. of Nursing **SB** 286

ANALYST Valenzuela

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	Indeterminate	Indeterminate	Recurring	Tuition Revenue

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$5,400.0	\$5,400.0	\$10,800.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Senate Bill 137, which would allocate \$360,000 to the UNM HSC to support the New Mexico Nursing Education Consortium (NMNEC).

SOURCES OF INFORMATION

LFC Files
FY20 LFC Appropriation Recommendation

Responses Received From

University of New Mexico (UNM) Health Sciences Center (HSC)
New Mexico State University (NMSU)
Central New Mexico Community College (CNM)
New Mexico Council of University Presidents (CUP)
New Mexico Independent Community Colleges (NMICC)
Several community colleges and universities submitted similar analysis

SUMMARY

Synopsis of Bill

Senate Bill 286 amends the Community College Act and the Technical and Vocational Institute Act to allow community colleges to offer a bachelor of science degree for nursing (BSN), with approval by the Higher Education Department (HED).

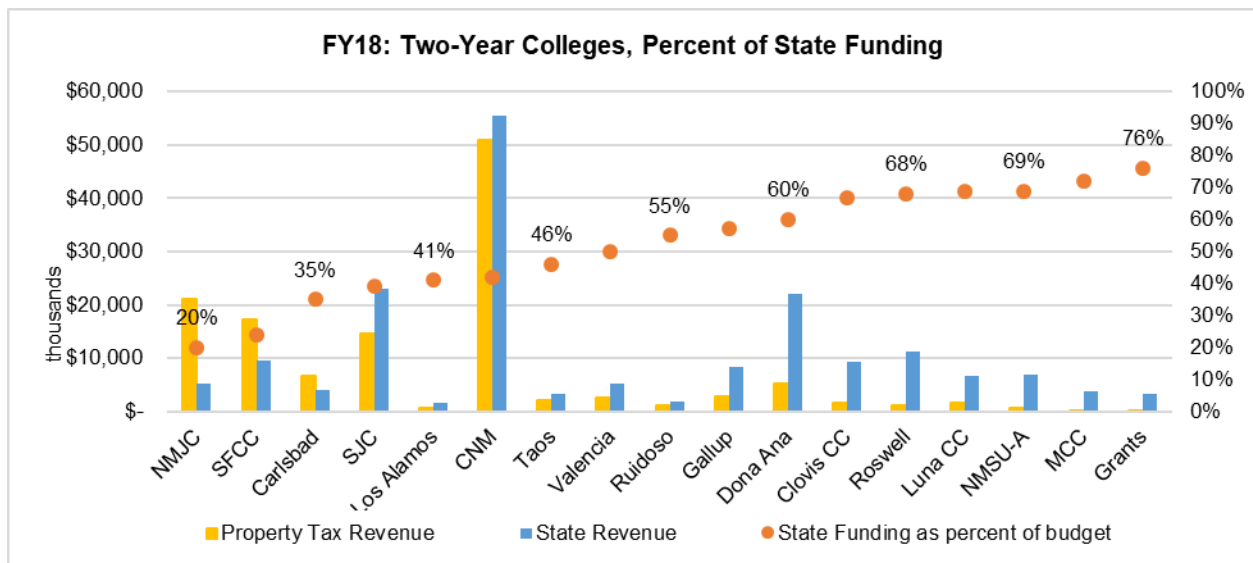
FISCAL IMPLICATIONS

Senate Bill 286 does not contain an appropriation.

Because of the method for funding community colleges in New Mexico, enactment of SB286 will have an impact on the state general fund.

As an example, the UNM College of Nursing (which offers a BSN) FY19 operating budget is \$12.5 million for instruction, compared with nursing programs at ten community colleges with combined budgets of \$9.5 million. The estimated fiscal impact could be \$12 million annually, if each of the community colleges choose to offer a BSN. The estimate assumes the nursing programs would double its current costs for instruction.

To offset the cost, community colleges would earn increased tuition and fee revenue, although the revenue is not expected to cover the majority of the cost of the program. Tuition at two-year college is affordable and low, compared with the tuition at a four-year university. Community colleges collect local property tax revenues, which would cover some of the additional cost. However, for most of the community colleges in New Mexico, the general fund appropriation provides substantial support for instruction. Typically, the general fund appropriation to community colleges supports 45 percent of the instructional budget, on average. Therefore, the impact to the general fund could be \$5.4 million, annually.



SIGNIFICANT ISSUES

Like many states, New Mexico has a critical nursing shortage in the rural areas. Currently, four-year institutions partner with two-year institutions offering Associate's Degree in Nursing (ADN) and Registered Nurse (RN) degrees to ensure accessibility and seamless transition to BSN programs via the New Mexico Nursing Education Consortium (NMNEC). Associate degree nursing graduates and bachelor's degree nursing graduates take the same licensure exam, and ADN-licensed nurses, when they complete a BSN, are not required to retake the licensure examination. The most common educational pathway for new nurses is an associate's degree, accounting for 54 percent of graduates and 46 percent of the total RN workforce in 2016.

According to the 2018 New Mexico Health Care Workforce Committee Report, more than 18 thousand RNs are practicing in New Mexico, or 8.7 RNs per 1,000 population, which is above the national ratio. However, several counties in New Mexico are below the national ratio, such as Valencia, Sandoval, Doña Ana, Lea and Otero. As an example, these counties would require 1,517 RNs to achieve benchmark ratios.

OTHER SUBSTANTIVE ISSUES

According to UNM HSC, professional standards in nursing are changing. Based on recommendations by the Institute of Medicine and supported by the Robert Wood Johnson Foundation, the nursing profession has called for 80 percent of nurses to be bachelor-prepared. Most hospitals in New Mexico, including the UNM Hospital and the Presbyterian Hospital system, now require nurses working in those hospitals to have the BSN or higher. This is the case for Presbyterian hospitals in rural communities as well as in the Albuquerque metro area. While students in associate's degree nursing programs remain qualified to work in doctor's offices, they no longer meet minimum requirements to work in many of our state's hospitals.

MFV/al

NEW MEXICO LOTTERY AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Lottery Act, Section 6-24-1 through 6-24-34 NMSA 1978, created the New Mexico Lottery Authority (NMLA) to establish and provide a fair and honest state lottery for entertainment of the public and to provide tuition assistance for undergraduates attending New Mexico postsecondary institutions. The authority is governed by a seven-member board, appointed by the governor with the advice and consent of the Senate. The act requires the board to appoint a chief executive officer to manage and direct the operation of the lottery and all administrative and technical activities of the authority, among other duties.

The New Mexico Lottery Act requires NMLA to present its budget to the Department of Finance and Administration and to the Legislative Finance Committee (LFC) by December 1. The lottery is not a state agency, and the act provides that LFC has oversight over the operations of NMLA. The act also requires LFC to periodically review and evaluate NMLA accomplishments and operations. LFC is authorized to conduct an independent audit or investigation of the lottery or NMLA.

MISSION:

The mission of the New Mexico Lottery Authority is to maximize revenues for tuition assistance for New Mexico undergraduates by conducting a fair and honest lottery for the entertainment of the public.

BUDGET ISSUES:

Lotteries nationally have had difficulty attracting new consumers to participate at the levels seen before the Great Recession. Prior to 2009, average annual sales were \$146 million. After 2009, average annual sales dropped by \$8 million, to \$138 million. In FY16, revenues peaked at \$154 million, reflecting the increased sales triggered by unusually large jackpots for the Powerball.

According to the National Conference of State Legislatures (NCSL), the nationwide decline results in part from consumer fatigue with lottery games and from consumers delaying participation until jackpots increase to astounding levels. Powerball revenues in FY06 were \$54.8 million; and in FY18, revenues dropped to \$29 million. Powerball sales swing up and down substantially from year-to-year in concert with the size of the Powerball jackpots. For instance, on January 13, 2016, the Powerball jackpot reached its all-time high of \$1.56 billion and sales increased by 56.3 percent in FY2016. The following year, sales decreased 39.2 percent.

Taking a longer view, the downward 13-year trend on sales for national draw games, like Powerball, is clear, where consumer behavior has resisted increased participation unless jackpots are increasingly large. As a consequence, the national program has developed new games, such as Mega Millions, which started in 2010.

NMLA has little, if any, control over the revenue volatility of the national lottery games. However, it can mitigate the impact of these revenue swings with its management of local instant ticket sales, which represent more than 50 percent of sales revenue. Compared with FY17, during which ticket sales declined 28.3 percent from the prior year, ticket sales from the New Mexico lottery rebounded in FY18 by \$7.98 million, or 6.3 percent. Fiscal year 2017 represented the lowest gross ticket sales in the past decade. In contrast, instant ticket sales continued a decades-long slide, declining to \$72 million in FY18, down from the high in FY07 of \$91 million. NMLA maintains declines in instant ticket sales are related to uncompetitive prize payouts, a result of the requirement for the NMLA to transfer 30 percent of its gross monthly revenues to the lottery tuition fund.

NMLA reports this requirement strains its ability to operate effectively and meet its statutory requirements, asserting New Mexico is one of a few states requiring a mandatory transfer of revenue. NMLA believes it can achieve higher year-over-year instant ticket sales by implementing higher prize payouts in instant games and points to the Oklahoma lottery, which increased sales by 47 percent in FY18 after removing the requirement to transfer gross revenues. According to NMLA, instant ticket sales should be the foundation for year-over-year sales growth, given the volatility of revenues for national draw games. The data support this strategic view. However, the Lottery Authority has not demonstrated how eliminating the 30 percent requirement would be effective in increasing sales. In fact, given the consumer behavior tied to national draw games, like Powerball, it seems that enticing consumers with increased jackpots may have the opposite effect of increasing sales.

To combat weak revenues, states are turning to alternative strategies to jump-start sales, including online ticket sales in Illinois and Georgia; restructuring prizes, as Oklahoma has done by repealing mandated transfer requirements to lottery beneficiaries; and boosting awareness through additional promotion and marketing practices.

	2018 Consolidated Original Annual Budget	2018 Consolidated Income Statement	2019 Consolidated Original Annual Budget
OPERATING REVENUES			
Instant ticket sales	\$ 70,104,500	\$ 72,291,175	\$ 72,344,000
Pow erball sales	27,999,500	29,611,869	28,499,000
Mega Millions sales	9,499,500	13,159,344	10,499,500
Roadrunner Cash sales	6,699,500	7,652,785	6,999,500
Hot Lotto sales	1,999,500	1,973,815	-
Lotto America sales	1,999,500	2,810,197	3,999,500
Pick 3 sales	5,099,500	5,624,439	4,499,500
Pick 4 Sales	599,500	-	1,800,000
Lucky Numbers Bingo sales	99,500	119,920	119,500
Quickster sales	399,500	785,565	739,500
Net ticket sales	<u>124,500,000</u>	<u>134,029,109</u>	<u>129,500,000</u>
Instant game gift card commissions	-	-	-
Retailer fees	12,000	18,725	12,000
Bad debts	(24,000)	(24,000)	(24,000)
Total operating revenues	<u>124,488,000</u>	<u>134,023,834</u>	<u>129,488,000</u>
NON-OPERATING REVENUES			
Interest income	12,000	18,662	12,000
Other income	-	12,760	-
Total non-operating revenues	<u>12,000</u>	<u>31,422</u>	<u>12,000</u>
GROSS REVENUES	<u>124,500,000</u>	<u>134,055,256</u>	<u>129,500,000</u>
GAME EXPENSES			
Prize expense	66,147,000	73,142,478	68,738,000
Retailer commissions	8,292,000	8,693,661	8,600,000
On-line vendor fees	4,566,000	4,863,896	4,721,000
Advertising	2,200,000	1,768,393	2,350,000
Ticket vendor fees	1,293,000	1,246,929	1,250,000
Promotions	190,000	301,705	187,000
Retailer equipment	182,000	95,114	179,000
Shipping and postage	325,000	82,067	336,000
Responsible gaming	75,000	70,750	75,000
Game membership	116,000	42,645	87,000
Total game expenses	<u>83,386,000</u>	<u>90,307,638</u>	<u>86,523,000</u>
OPERATING EXPENSES			
Salaries, wages and benefits	2,679,000	2,453,339	2,942,000
Leases and insurance	123,000	238,869	120,000
Utilities and maintenance	289,000	196,580	335,000
Depreciation and amortization	208,000	114,425	241,000
Professional fees	200,000	109,552	180,000
Other	102,000	60,638	92,000
Materials and supplies	79,000	55,016	66,000
Travel	54,000	9,080	136,000
Operational reserve fund	-	268,000	-
Total operating expenses	<u>3,734,000</u>	<u>3,505,499</u>	<u>4,112,000</u>
OPERATING INCOME	<u>37,368,000</u>	<u>40,210,697</u>	<u>38,853,000</u>
NON-OPERATING EXPENSE			
Interest expense	26,000	23,136	15,000
Total non-operating expenses	<u>26,000</u>	<u>23,136</u>	<u>15,000</u>
NET INCOME	<u>\$ 37,354,000</u>	<u>\$ 40,218,983</u>	<u>\$ 38,850,000</u>
	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>

Source: NMLA