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ISSUES FOR HEARING

Higher Education Department and Institutions

TUITION RATES

- Demand for financial aid to attend college has increased significantly over the last few years as enrollments climb due to high unemployment rates.
- With increased enrollments, particularly at two-year colleges, and declining state appropriations for higher education, institutions increase tuition revenues in order to provide services.
- Tuition rates have risen significantly above the rates of inflation at all institutions – private non-profit and public four-year and two-year colleges. Nationally, tuition and fees at public four-year institutions increased an average of 5.6% annually, or a growth rate of 22% from 2000-01 to 2010-11.
- For 2010-11, New Mexico tuition rates for in-state, undergraduate students will increase an average of 6.8% at research institutions, 7.5% at comprehensive colleges, and 10.6% at all community colleges. Prior year tuition increases averaged 5% (+/- .5%) for all sectors.

FINANCIAL AID and LEGISLATIVE LOTTERY SCHOLARSHIP

- The state provides need-based financial aid (individual student demonstrates financial need) and merit-based aid (no financial need is required) to individuals.
- In 2009-10, the state awarded \$94.9 million in all financial aid, or

○ Grants and Scholarships	\$ 85,153,529,000.00
○ Loan Programs	\$ 795,210.00
○ Work & Service-Related Programs	\$ 7,954,159.00

- In 2009-10, the largest need-based aid program was the State Student Incentive Grant, which awarded 15,212 students for a total \$12.4 million (average award \$813.00). This program represents approximately 15% of all state financial aid.
- In 2009-10, the largest merit-based program was the Legislative Lottery Scholarship Program, which awarded 19,722 recipients a total \$47.1 million. This program represents approximately 60% of all state financial aid.
- Since the Legislative Lottery Program’s inception, more than 68,000 students have received a scholarship, and more than 29,000 students have graduated from either a two-year or four-year college.
- Between 1997-98 and 2008-09, the following institutions had the highest number of lottery scholarship recipients

University of New Mexico, Main	21,679 recipients	\$131.6 million
New Mexico State University, Main	13,306 recipients	\$70.4 million
Central N.M. Community College	4,605 recipients	\$2.8 million
NMSU – Dona Ana C.C.	2,045 recipients	\$2.1 million

- LFC forecasts that, due to population projections and increasing tuition rates, the Lottery Scholarship Fund will be depleted by FY2014 if no policy changes are made or the HED fails to exercise its authority to reduce lottery awards to less than full tuition.

Questions to Ask

- What specific changes should the Legislature and institutions consider to protect Lottery Fund solvency and college access?
- How can the state reform its financial aid policies to improve access and affordability and to facilitate student persistence and graduation?

LFC HEARING BRIEF

AGENCY: Higher Education Department, N.M. Lottery Authority

DATE: 7/15/2011

PURPOSE OF HEARING:
Report on Financial Aid and N.M. Legislative Lottery Scholarship Program

WITNESSES: Anne Sturtevant, Director, Enrollment and Access Programs, The College Board; Karen Kennedy, Financial Aid Director, HED; Tom Romero, Director, N.M. Lottery Authority; Brian Malone, Director Financial Aid, University of New Mexico.

PREPARED BY: Tracy Hartzler-Toon, Leila Burrows

EXPECTED OUTCOME:
Legislative Direction to Maintain Goals of the Legislative Lottery Program and Fund Solvency for FY2013 and Beyond

BACKGROUND INFORMATION

At this time, state and institutional leaders are working to revise the state's higher education funding formula to focus on and incentivize improving student and institutional outcomes. A June 2011 Legislative Finance Committee (LFC) hearing highlighted the importance of directing state funding towards increasing student persistence and completion rates among other goals.

When considering changes to state appropriations to institutions, national and regional policy makers recommend that state leaders and policymakers review tuition policies and state financial aid programs concurrently. While state leaders recognize the relationship between declining state funding and increasing tuition levels over the last few years, neither the legislature or the New Mexico Higher Education Department (HED) is focusing on a statewide tuition policy. However, legislators and policy makers are reviewing the state's financial aid programs to determine the degree to which current programs promote student access, persistence, and completion and whether programs can be improved to help students and institutions achieve improved outcomes.

This hearing continues the LFC's focus on reviewing how the state can best provide access to higher education by all New Mexicans. In 1997, LFC reviewed and recommended changes to state financial aid policies to help the state and families and individuals benefit from both state aid programs, including the Legislative Lottery Scholarship, and the federal HOPE tax credit. Policies were not changed, and lottery scholarship students still cannot benefit from current federal tax credits and deductions. More recently, the LFC's 2008 *Program Evaluation: HED's Financial Aid Programs* recommended that HED develop a comprehensive plan for the higher education community to improve student persistence and completion, expand need-based aid programs to improve affordability, and change existing state loan programs reduce loan risks and better address workforce needs.

At this hearing, panelists will

- (1) present an overview of federal financial aid and recent trends in financial aid and college costs – which frequently drives increases in need-based aid,
- (2) provide an update on the status of New Mexico's largest student aid program – the Legislative Lottery Scholarship Program – and the New Mexico Lottery Fund, and
- (3) highlight the role of Legislative Lottery Scholarship recipients

Common Financial Aid Definitions

Grant aid: includes grants, scholarships, and other such gift aid.

Need-based aid – recipients must meet some standard of need using such measures as “estimated family contribution”, remaining costs, or maximum income to be eligible for an award.

Non-need based aid – recipients are selected in whole or in part on the basis of test, performance, class rank, grade point average, or such criteria of achievement.

Source: National Ass'n of State Student Grant & Aid Programs

at the institutional level and possible impacts on student outcomes should the program criteria and level of awards change.

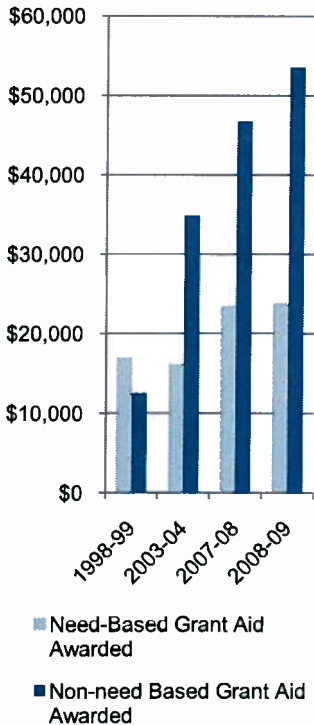
FINANCIAL AID IN NEW MEXICO

Generally. Traditionally, college financial aid has focused on students who demonstrate financial need or those who, without assistance, would not otherwise pursue a postsecondary degree. Federal programs are based on this policy, with more than \$25 billion in need-based grant aid distributed in 2008-09 and an estimated \$41.3 billion awarded in 2009-10. In addition to grants in aid, the federal government provides low-interest loans and work-study aid to eligible students. Further, many federal tax policies recognize and encourage families and individual students to account for annual college tuition payments, related educational expenses, and educational loan interest.

While states and institutions provide significant need-based aid to students, non-need-based aid or merit-based aid programs – those programs that recognize academic performance -- have rapidly grown in number and funding levels. Reasons for this increase in programs and funding vary, but states frequently cite the need to focus resources on those most likely to persist and complete degree programs and to provide a strong incentive for residents to attend in-state institutions. Nationally, state funding for non-need-based aid increased 11% in 1988-99 to 19% in 1998-99, 26% in 2003-04, and 28% in 2008-09. In New Mexico, the state’s largest aid program is a non-need based program -- the New Mexico Legislative Lottery Scholarship Program, and this program’s growth far outpaces funding for the state’s primary need-based program.

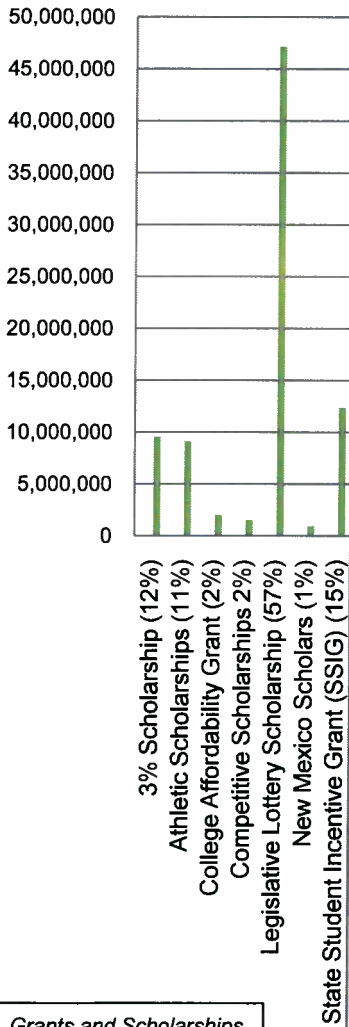
New Mexico provides many forms of financial assistance to individuals attending colleges and universities. Students receive direct funding from the state in the form of grants, scholarships, work-study awards, or loans. Students also receive indirect assistance in the form of tuition waivers (where institutions charge a lesser tuition rate than it could otherwise charge lawfully) and other support that allows institutions to discount tuition and fees. From 1998-99 to 2008-09, New Mexico awarded more student aid grant funding, but the increase in merit-based grant aid (328.6%) over that decade dwarfed the increase in need-based grant aid (40.5%) during the same time. Though institutions provide additional aid to students, a brief summary of the state’s financial aid programs, as administered by HED, follow.

New Mexico Grant Aid Awarded 1998-98 through 2008-09



Source: National Ass'n of State Student Grant and Aid Programs, 2008-09 Academic Year, Tables 4,5.

**State Grant & Scholarship Aid
 All Students
 Attending NM
 Institutions, 2009-10**



Grants and Scholarships that are less than 1% of the total have been excluded.

Source: HED 2010 Annual Report

Need-based aid programs.

State Student Incentive Grant. The state's largest need-based grant program provides funding to resident students who demonstrate substantial financial need and attend state public colleges or universities, private non-profit institutions or tribally-controlled institutions. Individual awards can range from \$200 to \$2,500 annually, pro-rated for part-time students, working towards an undergraduate degree.

College Affordability Grant. This program provides funding to resident students attending public institutions who have demonstrated need but do not receive other state grants or scholarships. The maximum award is \$1,000 per semester, renewable for up to eight semesters upon maintaining satisfactory academic progress.

Student Choice Grant. This program provides aid to students who demonstrate substantial financial need and who attend the College of Santa Fe, St. John's College, or the College of the Southwest. Awards vary as determined by the institution.

Education Trust Board Pathways Scholarship. These scholarships are available to academically-successful New Mexico high school graduates who have demonstrated financial need attend an in-state or out-of-state institution as a first-year student. Award is \$1,000 for a one-time scholarship to a first-time freshman with a high school GPA of 3.50/4.0 scale and \$0 estimated family contribution on the federal Student Aid Report.

Legislative Endowment Scholarship. This program provides aid to New Mexico residents with substantial financial need who attend public post-secondary institutions in New Mexico. Award varies by type of institution: up to \$2,500 per academic year for four-year institutions and up to \$1,000 per academic year for two-year institutions. Undergraduate awards are renewable if student maintains satisfactory academic progress and satisfied other requirements.

New Mexico Scholars. This comprehensive scholarship program is available to academically-successful New Mexico high school graduates to attend, on a full-time basis, New Mexico public institutions, St. John's College, or College of the Southwest. The award covers full undergraduate tuition, fees, and books (capped at in-state public tuition amount), renewable for eight semesters if students meet continuing eligibility requirements. Initial eligibility requires high school graduation in top 5% of their class, ACT score 25 or above, and able to attend college by end of 21st birthday. Awarded by institutions.

Recommended Policy Changes to Improve Access and Success in Postsecondary Education:

* Set amount of a student's lottery scholarship on a basis other than "tuition rates" to ensure students and families retain full eligibility for federal student and tuition tax credits

*expand lottery scholarship eligibility to include certain currently uncovered groups of students: students who achieve lottery eligibility after first semester of college and re-enroll for the second semester, students attending in-state tribally-controlled colleges, students who complete an associate's degree and transfer to a bachelor's degree at a state institution.

* create a new financial aid trust fund to provide need-based aid to students with unmet financial need

* expand part-time work study and other employment opportunities to give students greater choice between borrowing and work.

Source: *Improving Student Success in Postsecondary Education in New Mexico: Building an Integrated Financing Strategy* (Oct. 15, 2004), commissioned paper by N.M. Comm'n Higher Education.

New Mexico Work Study Program. Combined with federal work study funds, the state's program provides funding for employment opportunities to qualified resident students attending state public colleges or universities, private non-profit institutions and tribally-controlled colleges. Awards vary depending on student financial need and availability of funds, and are available to qualified undergraduate or graduate students attending college at least half-time during a semester.

Non-need-based aid programs.

Legislative Lottery Scholarship Program. New Mexico's largest merit-based grant program is available to recent high school graduates and GED recipients who earned a minimum high school 2.0 GPA and have been accepted to a state institution. The award is for full tuition, beginning the second semester of enrollment at a state institution, and is renewable for up to eight semesters if continued academic requirements are met.

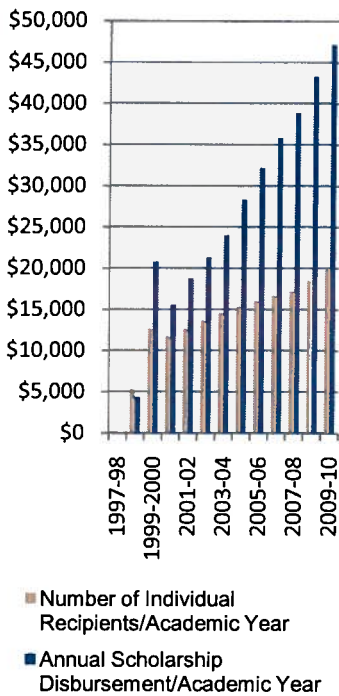
Competitive Scholarship. This program encourages out-of-state students, who have demonstrated high academic achievement in high school, to enroll full-time in public four-year universities in New Mexico. Award is \$100 in scholarship funds and eligibility for in-state, undergraduate tuition and fees; renewable for up to 8 semesters.

Vietnam Veterans' Scholarship Program. This program makes aid available to honorably discharged, Vietnam veterans who have met an in-state residency requirement and are undergraduate and graduate students attending New Mexico public post-secondary institutions, St. John's College, or College of the Southwest. An award is full tuition and required fees and books (capped at in-state, public tuition rates), renewable provided individual maintains academic progress.

Loan-for-Service Programs. The state administers many loan programs for individuals who agree to provide the state with services as teachers, physicians, nurses, and other health professionals. These loan programs generally require a commitment to serve or practice in the state upon graduation. For every year of service, a portion of the loan is forgiven and penalties are assessed if service is not provided. Most of the programs have maximum forgiveness amounts. The programs also combine federal, state, and other funds to maximize participation.

Loan Repayment Program. The state combines federal and state funds to offer a health loan repayment program. College graduates who are qualified health professionals can apply for loan forgiveness

**NM Lottery
Scholarship Annual
Number of Recipients
& Annual Total**



Source: HED Lottery Records Since Inception, 1997-98 to 2009-10.

upon agreeing to provide health services in high-need areas.

LOTTERY SCHOLARSHIP PROGRAMS

Overview of State Lottery Scholarship Programs. Many states use lottery revenues to fund education-related programs, and seven states use such revenues to fund college financial aid programs: Arkansas, Florida, Georgia, New Mexico, North Carolina, South Carolina, and Tennessee.

Arkansas. Many types of students – recent high school graduates, first-time college students, or those re-enrolling after a period away from college -- are eligible for Arkansas’ lottery-funded Academic Challenge Scholarship (ACS). While the scholarship is merit-based, the state requires applicants to complete the Free Application for Federal Student Aid (FAFSA) and subtracts any federal aid received from a scholarship award. The program includes requirements for maintaining the scholarship, including a community service component, and can only be renewed to fund up to 130 credit hours in eight semesters. In 2010, ACS maximum awards changed from a maximum amount of \$11,750 over four academic years to a full scholarship amount for four-year institutions and half that amount for two-year colleges. While all recent high school graduates meeting the scholarship requirements are eligible full awards under the law, renewal scholarships for traditional and nontraditional students may be rationed according to priorities if lottery revenues fall below scholarship demand. Regulations set forth priorities for renewing scholarships, and state administrators assess renewal applications on whether the student is making progress towards a degree, the student’s GPA, student’s course of studies (science, technology, engineering or math), or student’s efforts to meet critical workforce needs.

Florida. Since 1988, Florida had dedicated lottery revenues to education, but, in 1997, the state followed Georgia’s lead, creating the Bright Futures Scholarship Program (Bright Futures). Originally, Bright Futures provided three scholarships for tuition and related-college costs, where higher college entrance scores resulted in larger scholarship amounts. The scholarships were not dependent on a student’s financial need. Since the program began, both legislative and administrative requirements were added, including a public service component (with volunteer hours connected to level of aid award), and existing requirements changed, raising test scores for eligible students and limiting funds for tuition only. Importantly, the 2011 Legislature adopted a provision that requires all applicants and those renewing their scholarship to file the FAFSA. Data from this

"State grant policies differ considerably across the nation. In Georgia, where almost all state grant aid is based on academic qualifications, [in 2007-08] average aid to students from households with high incomes (\$104,000 and above) is higher than aid to lower- (\$30,800 and below) and middle-income (below \$61,400) students."

Source: College Board, *Trends in Student Aid*, 2010, p. 25.

**Policy Changes
Made by States to
Lottery-Funded Scholarship
Programs
to Protect Solvency & Access**

- Raising academic eligibility requirements (GPA, ACT or SAT scores) for merit-only scholarships
- Limiting funds available for awards to lottery's net income only; awards cannot be distributed from fund itself
- Capping scholarship award amounts to a percentage of tuition
- Setting different award caps for 4-year and 2-year colleges
- Cap scholarship by specific number of credit hours instead of number of semesters
- De-coupling scholarship award amounts from tuition levels
- Adding need-based component to determine eligibility
- Prioritizing eligible applicants based on policy or workforce needs
- Funding only tuition and not books, fees, or other education-related expenses

federal form will help policymakers evaluate who benefits from Bright Futures and collect institutional data on scholarship recipients.

Georgia. Founded in 1993, Georgia's lottery-funded Helping Outstanding Pupils Educationally (HOPE) Scholarship Programs have provided over \$5.8 billion in aid to over 1.4 million students. As originally enacted, the programs provided many types of merit-based scholarships and grants to high-achieving high school students and those who have earned their GED. Eligible students must meet specific minimum GPA requirements or college entrance exam scores to receive an award, and then renew the award annually. Renewal awards are available up to 127 credits or earning a bachelor's degree or certificate. Award amounts vary, depending on type of school attended (public and non-profit private institutions) and number of enrolled credit hours.

Given the significant number of eligible HOPE recipients, flat lottery revenues, and increasing tuitions, the 2011 Legislature enacted significant changes to the programs to protect lottery fund solvency and the program's policy priorities. These changes included limiting the majority of HOPE awards to 90% of tuition, but maintaining 100% tuition for the highest-achieving scholarship recipients; eliminating funding for fees or books; and increasing the minimum GPA needed to maintain the HOPE award. Most importantly, the HOPE programs are now tied to lottery revenues and will not increase as tuition rates increase.

North Carolina. A recently-created scholarship program, the North Carolina Education Lottery Scholarship (NCELS) award scholarships to students with demonstrated financial need to attend in-state public and private non-profit colleges. The only need-based lottery scholarship program in the country, NCELS awards grants that, when combined with a student's federal Pell Grant, reach a minimum annual grant level. In 2009-10, nearly 32,000 students received a NCELS, and the maximum award for that year was \$3,400, with the average award at \$1,212.

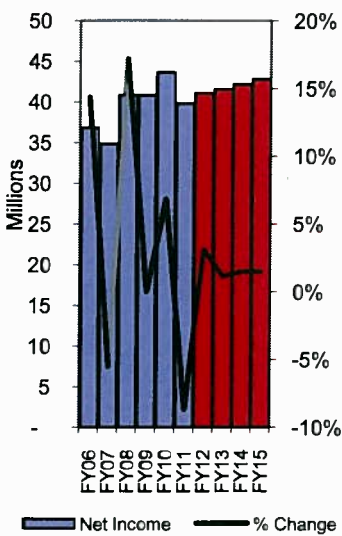
South Carolina. Among many other state merit-based programs, the South Carolina HOPE Scholarship is funded by lottery revenues. If a student does not receive other merit-based scholarships, the student may be eligible for lottery-funded assistance. Awards are available only for the first year if the student attends a four-year college (maximum award is \$2,800, including a book allowance) and for many terms if the student attends a two-year institution (maximum award is \$1,872 for full-time or \$78/credit hour for part-time enrollment). Funding for the Hope Scholarship is limited to available

**LESC Lottery Study Committee
Policy Considerations to Protect Lottery Fund Solvency**

- Increase requirements for scholarship eligibility, including higher high school GPA, higher scores on college entrance exams, or setting a maximum age on eligible GED-recipients.
- Increase academic year credit hour requirements, from 24 to 30 credit hours per year.
- Increase minimum GPA to maintain satisfactory academic progress while in college.
- Cap lottery scholarship amount instead of allowing awards to include change in tuition rates.

Source: LESC Staff Reports, Legislative Lottery Scholarship, June 15, 2010 and December 13, 2010.

Lottery Net Income: LFC Forecast



Source: LFC forecast

lottery revenues, and recently up to 26% of lottery revenues to date have been designated for K-12 education and other community-based educational purposes and 76% for the HOPE Scholarship.

Tennessee. The Tennessee Education Lottery Scholarship (TELS) Program, started in 2004, has grown into a collection of combination need and merit-based and merit-only scholarship and grant programs that relies on both lottery and non-recurring state revenues. To increase the number of Tennesseans in college, the TELS programs serve both traditional, recent high school graduates, and non-traditional age students, including veterans, first-time adult students, and returning, re-enrolling students. Awards range from \$10,000 total for five years at a community college or \$20,000 total for five years or up to 120 credits at a four-year institution. In 2008-09, more than 88,000 students received TELS grants or scholarships that totaled nearly \$260 million.

States change lottery programs to address increasing demand and flat lottery revenues. Generally, lottery programs laws or regulations provide for adjustments to scholarship awards as a response to the status of lottery revenues and increasing tuition rates. The states allow for capping the awards per academic year, limiting awards for renewal scholarships, or adjusting scholarship awards after calculating student need. To better direct limited aid funds to those students are more likely to succeed upon receiving aid, state legislatures have also changed eligibility requirements – raising minimum GPAs, stating high school curriculum preferences, or increasing college entrance test score averages. As merit-based lottery scholarships come under greater scrutiny, some states require applicants to complete cursory financial information or the FAFSA as a means to collect data for policymakers. Should New Mexico legislators consider amending the Legislative Lottery Scholarship Program to address lottery fund solvency issues, many states provide a guide to do so.

New Mexico's Lottery Scholarship Program and Revenues.

Generally. Following Georgia's HOPE model, New Mexico's Legislative Lottery Scholarship Program was enacted in 1996, with its first class of recipients in 1997-98. The scholarship – full tuition at a state college or university for up to eight semesters or earning a bachelor's degree – is available to New Mexico residents who are recent high school graduates or GED recipients, who enroll in college full-time (at least 12 credits/semester), and obtain and maintain a 2.5 GPA/4.0 scale after the first semester. Veterans and disabled students are also eligible for the scholarship and received additional considerations. Because the lottery scholarship is available for the second semester of a student's first year, colleges and universities

To date, more than 68,000 students have received a New Mexico Legislative Lottery Scholarship, and 29,335 scholarship recipients have graduated from either a two-year or four-year college.

Source: New Mexico Lottery Authority, HED

**Lottery Revenues:
LFC FORECAST**

Year	Net Income (000s)	% Change
FY03	33,093	11.8%
FY04	35,939	8.6%
FY05	32,231	-10.3%
FY06	36,856	14.3%
FY07	34,830	-5.5%
FY08	40,810	17.2%
FY09	40,814	0.0%
FY10	43,609	6.8%
FY11	39,819	-8.7%
FY12	41,060	3.1%
FY13	41,534	1.2%
FY14	42,157	1.5%
FY15	42,789	1.5%
FY16	43,431	1.5%

Source: LFC forecast July 2011
Distributions were increased to 27% July 2007 and to 30% in January 2009.

offer “bridge” scholarships to lottery scholarship recipients for the first semester.

New Mexico Lottery Revenues. Lottery scholarship revenue declined by an estimated 8.6 percent to \$39.8 million for FY2011. LFC projects that both gross revenues and expenses declined by approximately 8 percent. This enabled the lottery to meet its requirement to distribute 30 percent of gross revenue to the scholarship fund. However, the HED awarded an estimated \$53 million in lottery scholarships for 2010-11 – or \$13 million more than the lottery fund transferred for scholarships.

FY2011 Results. The New Mexico Lottery Authority (NMLA) projects \$133.0 million in revenues in FY2011, \$13.3 million less than the projection in the original FY2011 budget. Gaming expenses and operating expenses were decreased by \$9.3 million so that the net revenue could meet the required 30 percent distribution rate. Net income, which goes to the Legislative Lottery Scholarship Program was \$39.8 million, or \$4.0 million (9.1%) less than originally projected. Net income was 30 percent of total revenue. The NMLA’s FY2011 budget and protected actuals are compared in Table 1.

Table 1

(Dollars in Millions)	FY11 Budget	FY11 Prelim Actuals	Variance in \$	Variance in %
Revenues	\$146.00	\$132.70	-\$13.3	-9.1%
Non-Operating Income	\$0.1	\$0.0	\$0.0	-60.0%
Total Income	\$146.1	\$132.7	-\$13.3	-9.1%
Game Expenses	\$96.3	\$87.6	-\$8.7	-9.0%
Operating Expenses	\$6.0	\$5.3	-\$0.6	-10.6%
Total Expenses	\$102.2	\$92.9	-\$9.3	-9.1%
Net Income	\$43.8	\$39.8	-\$4.0	-9.1%
As % of Revenue	30.0%	30.0%		

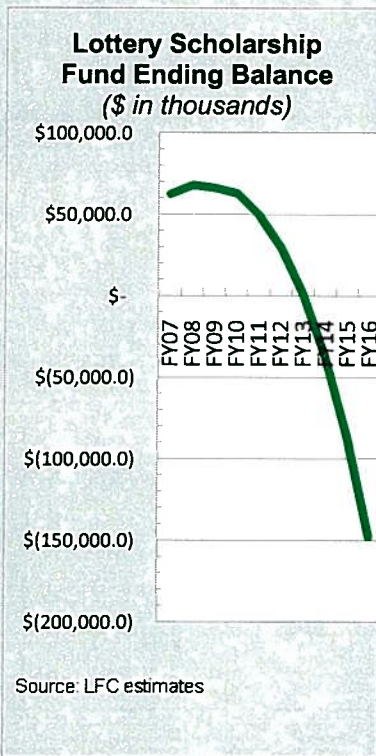
Source: NM Lottery Authority Unaudited Financials

FY2012 Budget. The NMLA FY2012 budget projects a 4.9 percent increase in net revenue distributions to the scholarship fund. The NMLA expects a 3.1 percent increase in gross revenue, but a 2.7 percent increase in expenses. The NMLA’s FY2012 budget is summarized below.

Table 2

<i>(Dollars in Millions)</i>	FY11 Prelim Actuals	FY12 NMLA Budget	Variance in \$	Variance in %
Revenues	\$132.70	\$136.40	\$3.7	2.8%
Non-Operating Income	\$0.0	\$0.1	\$0.1	166.7%
Total Income	\$132.7	\$136.5	\$3.8	2.8%
Game Expenses	\$87.6	\$90.0	\$2.4	2.7%
Operating Expenses	\$5.3	\$5.5	\$0.1	2.1%
Total Expenses	\$92.9	\$95.4	\$2.5	2.7%
Net Income	\$39.8	\$41.1	\$1.2	3.1%
As % of Revenue	30.0%	30.1%		

Source: NM Lottery Authority Unaudited Financials



LFC Forecast. The NMLA has estimated a 3.1 percent increase in net revenue distributions to the scholarship fund in FY2012. Monthly distribution data suggest FY2011 revenues will be slightly higher than estimated by NMLA, resulting in a more modest increase in FY2012. Gross revenue is assumed to grow at a modest rate of 1.5 percent beginning in FY2013 and continuing through FY2016. Gaming expenses are projected to grow at 2 percent annually, while annual operating expenses are estimated as 3.5 percent of gross revenue, consistent with historical patterns.

Lottery Scholarship Fund Finances. As reported by LFC staff in prior years, “the Scholarship, as currently structured, is successful but not sustainable.” Lottery fund expenses, which are the function of rising tuition costs and an increasing number of recipients, have risen rapidly. The HED staff report that, on average, 2010-11 tuition rates for in-state, undergraduate students will increase an average of 10 percent at two-year colleges and 7 percent at four-year colleges. Since FY2009, lottery expenditures annually exceed lottery income and result withdrawing funds from the Lottery Fund principal. The LFC staff has estimated the growth in scholarship expenditures based on a five-year average of growth in awards of 5 percent. At this rate, the lottery scholarship fund is projected to be exhausted in FY2014, at which point either the number of awards or the award level will have to be evaluated.

**Policy Changes
Made by States to
Lottery-Funded Scholarship
Programs
to Protect Solvency & Access**

- Raising academic eligibility requirements (GPA, ACT or SAT scores) for merit-only scholarships
- Limiting funds available for awards to lottery's net income only; awards cannot be distributed from fund itself
- Capping scholarship award amounts to a percentage of tuition
- Setting different award caps for 4-year and 2-year colleges
- Cap scholarship by specific number of credit hours instead of number of semesters
- De-coupling scholarship award amounts from tuition levels
- Adding need-based component to determine eligibility
- Prioritizing eligible applicants based on policy or workforce needs
- Funding only tuition and not books, fees, or other education-related expenses

QUESTIONS

What processes do institutions and governing boards use to change tuition policy and rates? What considerations are given to the impact a tuition increase will have on enrollment and associated expenditures?

How can institutions best facilitate students' ability to maximize all financial aid? For example, if students complete the Free Application for Student Financial Aid (FAFSA) and are deemed eligible for federal aid, how does this impact the levels of state and institutional aid available for that individual student and all students collectively?

What are options for improving financial aid programs – to increase access to institutions? To facilitate student persistence and graduation? To address the achievement gap?

What options are the best options to improve solvency of the Legislative Lottery Scholarship Program?

THT & LB/amm