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FISCAL IMPACT REPORT

SPONSOR: Romero DATE TYPED: 03/14/01 HB _____
 SHORT TITLE: Reduced Lottery Tuition Scholarships SB 590
 ANALYST: Fernandez

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
			Indeterminate	Recurring	Lottery Tuition Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to CSHB22 & 28, HB56, SB59 and SB304

SOURCES OF INFORMATION

Commission on Higher Education (CHE)

SUMMARY

Synopsis of Bill

Senate Bill 590 would require that a student who qualifies for a Lottery Tuition Scholarship and whose family has or will claim a federal Hope Scholarship or Lifetime Learning Tax Credit, shall be eligible for a reduced Lottery Tuition Scholarship.

Significant Issues

According to CHE, the Hope Scholarship is a tax credit which is subtracted from the tax a family owes instead of subtracting it from taxable income like a tax deduction. For the Hope Scholarship a family may claim a tax credit up to \$1,500 for each eligible dependent for up to two tax years (e.g., a family may claim up to 100% of the first \$1,000 of eligible expenses and 50% of the next \$1,000 for a maximum credit of \$1,500). The amount of the Hope credit depends on a family's income, the amount of qualified tuition and fees paid, the amount of scholarships and allowances subtracted from tuition, and the number of eligible dependents in a family.

The Lifetime Learning Tax Credit is also a tax credit. A family may claim a tax credit up to \$1,000 per tax year (until January 1, 2003) and up to \$2,000 (after that date) for an unlimited number of

years. The actual amount of the credit depends on family income, the amount of qualified tuition and fees paid, and the amount of certain scholarships and allowances subtracted from tuition. This credit is family-based (e.g., \$1,000 per family) rather than based on the number of dependents in a family like the Hope credit.

FISCAL IMPLICATIONS

CHE cannot determine the savings this bill would have on the Lottery Tuition Fund as there is no process in place to estimate the number of families claiming the Hope Scholarship and Lifetime Learning tax credits.

ADMINISTRATIVE IMPLICATIONS

CHE indicates that the administrative oversight for CHE and the institutions would be significant. Since the current Lottery Success Scholarship is not a need-based program, tax information is not collected.

CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP

CSHB22 & 28, HB56, SB59 and SB304. All bill proposed amendments to the current Lottery Success Scholarship Act.

OTHER SUBSTANTIVE ISSUES

CHE indicates that students applying for state or federal need-based financial aid are required to complete a Free Application for Federal Student Aid (FAFSA). The FAFSA requires students to submit copies of the prior year federal tax returns. However, the Lottery Success Scholarship is not based on need; therefore, students are not required to provide this information.

CTF/njw