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FISCAL IMPACT REPORT

SPONSOR <u>Harper/McQueen</u> SHORT TITLE <u>Replace Lottery Scholar. with Legis. Scholar.</u>	LAST UPDATED _____ ORIGINAL DATE <u>2/16/23</u> BILL NUMBER <u>House Bill 369</u> ANALYST <u>Jorgensen</u>
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APPROPRIATION* (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
	\$46,000.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent version of this legislation.

REVENUE* (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25		
	\$46,000.0	\$46,000.0	Recurring	General Fund Transfer to Tuition Scholarship Fund
	(\$41,700.0)	(\$41,700.0)	Recurring	Lottery Revenue to Scholarship Fund

Parentheses () indicate revenue increases.
 *Amounts reflect most recent version of this legislation.

Sources of Information

LFC Files

Responses Received From
 Higher Education Department (HED)
 New Mexico Lottery Authority (NMLA)

SUMMARY

Synopsis of House Bill 369

House Bill 369 abolishes the New Mexico state lottery and renames the Legislative Lottery Scholarship the Legislative Tuition Scholarship. HB369 appropriates \$46 million from the general fund to the legislative tuition scholarship fund to pay scholarship program costs.

The effective date of this bill is July 1, 2023.

FISCAL IMPLICATIONS

The appropriation of \$46 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY24 shall remain with the legislative tuition scholarship fund. HB369 provides for continuing appropriations. LFC has concerns with including continuing appropriation language in the statutory provisions because earmarking reduces the ability of the Legislature to establish spending priorities.

HB369 would increase spending from the general fund by \$46 million per year to offset the loss of lottery revenue which the Higher Education Department states has averaged \$41.7 million per year from FY18 through FY22 as shown in the revenue table.

SIGNIFICANT ISSUES

The FY22 lottery scholarship report noted a total student headcount of 104.8 thousand, of which 20.7 thousand, or 19.8 percent, were lottery scholarship recipients. The lottery tuition fund ended FY22 with a cash balance of \$12.6 million.

HED reports:

HB369 appropriates \$46 million from the general fund on a recurring basis for the purposes of the Legislative Scholarship. Revenues into the lottery tuition fund averaged \$41.7 million per year in FY18 through FY22. However, fund balances and revenues have not been able to fully support the total cost of tuition since 2014. The full cost of tuition for FY23 is estimated at \$64 million.

The Legislature has made several appropriations to the lottery tuition fund since 2014 to supplement lottery revenues and increase the level of tuition support. The most recent appropriation in 2022 House Bill 2 (Laws 2022, Chapter 54) transferred \$130 million of federal appropriations from the American Rescue Plan Act of 2021. Funds from this transfer and the appropriation in HB269 should support full tuition through FY28. Changes in enrollment and tuition rates may affect the level of tuition support during this time frame and beyond.