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FISCAL IMPACT REPORT

SPONSOR: Sandoval DATE TYPED: 03/03/03 HB 885

SHORT TITLE: Lottery Scholarship Eligibility SB _____

ANALYST: Williams

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			Fiscal impacts begin in FY05; see text	Recurring (with escalation over time)	Lottery Tuition

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB 27, SB 77, SB 217, SB 277, SB 373

Relates to HB 32, HB 81/a, HB 125, HB 171/a, HB 807, HB 885

SOURCES OF INFORMATION

LFC Files
 Commission on Higher Education (CHE)
 New Mexico Lottery Authority

SUMMARY

Synopsis of Bill

House Bill 885 authorizes a two-year window between graduation (or receipt of a GED) and enrollment in a public, post-secondary educational institution for a qualifying student to maintain eligibility for a lottery tuition scholarship.

FISCAL IMPLICATIONS

According to a CHE survey of institutions, the projected fiscal impact is difficult to determine. The following is based on student eligibility data and award data compiled by CHE, with some modifications.

A recurring, incremental fiscal impact from the two-year window for maintaining eligibility would begin to impact the lottery tuition fund in FY05. According to financial aid officers at

two institutions, this bill would be interpreted similar to the current program, such that entering students would not be eligible for lottery tuition scholarship funding until the second semester. For example, even if May 2003 graduates began attending the post-secondary institution in Spring 2004, these students would not be eligible for lottery tuition scholarship funding during the Spring 2004 semester. The earliest fiscal impact for this cohort would be Fall 2004, or FY 05.

Most of the fiscal impact would occur in FY06 because students starting in Spring 2004, Fall 2004, Spring 2005 and Fall 2005, would receive funding for one or two semesters, based on eligibility criteria, in FY06. According to national studies, the longer a student waits to enroll in college, the less likely the student will enroll on a full-time basis. As such, the recurring fiscal impact is considered to be roughly 1.5 times the impact for a one-year window. As such, FY05 impacts would be small, perhaps about \$175.0, with a full impact in FY06 of about \$2,100.0.

Increases in resident tuition rates as well as underlying scholarship eligibility and demographics would influence out-year fiscal impacts for this bill as well as the existing program.

TECHNICAL ISSUES

An applicability clause would address any potential questions about which high school graduating class would be entitled to the two-year window of eligibility.

OTHER SUBSTANTIVE ISSUES

According to a recent budget analysis of the Lottery Success Scholarship Program, fund balances are expected to increase through FY08, and the fund will support current eligibility guidelines and demographic projections through 2013. However, recurring expenditure growth is projected by CHE to exceed recurring revenue growth in FY09. The CHE does not support changes to the Lottery Success Scholarship program.

AW/sb