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FISCAL IMPACT REPORT

SPONSOR HEC **DATE TYPED** 02/15/04 **HB** 109 & 426/HECS

SHORT TITLE Tuition Scholarships for Certain Students **SB** _____

ANALYST Williams/Baca

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
			Roughly \$1,000.0	Recurring (in FY06, with escalation over time; see text)	12 month window - Lottery Tuition Scholarship Fund
			\$360.0	Recurring	Additional Semester at 2-year institutions - Lottery Tuition Scholarship Fund
			Could be significant if bill is not amended to provide fiscal safeguards	Recurring	NM Resident at Texas HS - Lottery Tuition Scholarship Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 109, HB 179, HB 226, HB 426, SB 98, SB 145, SB 274, SB 331

SOURCES OF INFORMATION

LFC Files
Public Education Department
Commission on Higher Education

SUMMARY

Synopsis of Bill

House Education Committee Substitute for House Bill 109 and House Bill 426 authorizes a gap of one year between graduation from high school (or receipt of a GED) and enrollment in a public, post-secondary institution for a qualifying student to maintain eligibility for a lottery tuition scholarship funds. Further, the bill authorizes an additional semester of eligibility at two-year

institutions and extends eligibility for lottery tuition scholarships to high school graduates who, while being residents of New Mexico, complete their studies at a public high school located within 100 miles of the state border. The lottery tuition scholarship program changes would be effective beginning with the class graduating in May 2004.

Significant Issues

The latest revenue and expenditure projections for the lottery tuition scholarship fund are attached. Fund balances are projected to continue to grow and reach \$85 million in FY09, then fall through FY14.

The CHE generally does not support changes to the Lottery Success Scholarship Program. However, at its February 2004 meeting, the CHE adopted a staff recommendation that the 2004 legislature provide incremental funding for existing, state-level, needs-based student financial aid programs in the amount of \$2 million from lottery tuition fund balances. The Governor's budget recommendation includes a transfer of \$2.3 million for a similar purpose. At the February 2004 meeting, CHE directed staff to engage in "a comprehensive study of the Lottery Success Scholarship Program, all other Student Financial Aid programs, and revenue sources to fund use programs."

FISCAL IMPLICATIONS

Based on an LFC/CHE survey of institutions in 2003, the projected fiscal impact is difficult to determine. The following is based on student eligibility data and award data compiled by CHE in 2003, with some modifications.

The recurring, incremental fiscal impact for the eligibility window would begin to impact the lottery tuition fund in FY06 due to the applicability language. Currently, a May 2004 graduate is required to go directly from high school to a post-secondary institution in Fall 2004, with that first semester, Fall 2004, being the "bridge semester". Under the provision to extend eligibility to within eighteen months of completing graduation, that student would be able to wait until Spring 2006 to enter a post-secondary institution and still be eligible for lottery tuition scholarship.

While some students might choose to enter in Spring 2004, this analysis assumes most of the impact would occur during the 2005-2006 academic year, i.e. FY06. Based on similar legislation from the 2003 session, this bill would be interpreted by institutions as similar to the current program, such that entering students would not be eligible for lottery tuition scholarship funding until the spring semester. The one semester impact could be about \$1 million. The incremental full year cost would be about \$2 million.

The significantly large potential fiscal cost for out-of-state high school graduates stems from the possibility of large metropolitan areas, such as El Paso, Texas, falling into the expanded geographic region of eligibility.

There is an FY05 recurring, incremental fiscal impact for the additional semester of eligibility at two-year institutions, estimated at about \$360.0 thousand.

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

ADMINISTRATIVE IMPLICATIONS

Additional reporting and verification responsibilities would impact post-secondary institutions and the CHE.

TECHNICAL ISSUES

The bill may need to address clarifying the eligibility window, consistent with the academic year as well as clarifying if students wishing to attend part-time may do so during the grace period.

AW/LB:yr:lg

Attachment