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## FISCAL IMPACT REPORT

SPONSOR Gonzales DATE TYPED 03/15/05 HB 119/aHEC/aHAFC/aHF1#1/aHF1#2  
 Lottery Scholarship Eligibility  
 SHORT TITLE Expansion SB \_\_\_\_\_  
 ANALYST Williams

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			\$1,200.0 - \$1,600.0	Recurring (with escalation over time)	Lottery Tuition Scholarship Fund – two year eligibility window
			\$89.4 - \$837.0 * see text	Recurring (with escalation over time)	Lottery Tuition Scholarship Fund - expansion to NM regionally accredited tribal colleges
			Minimal	Recurring (with escalation over time)	Lottery Tuition Scholarship Fund – resident United States Armed forces temporarily assigned out-of-state
			Minimal	Recurring (with escalation over time)	Lottery Tuition Scholarship Fund – resident federal and state employees temporarily assigned out-of-state
			Minimal	Recurring (with escalation over time)	Lottery Tuition Scholarship Fund – resident tribal employee temporarily assigned out-of-state

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to numerous student financial aid and lottery scholarship bills

### SOURCES OF INFORMATION

LFC Files

**House Bill 119/aHEC/aHAFC/aHFI#1/aHFI#2**

New Mexico Lottery Authority  
Commission on Higher Education (CHE)

**SUMMARY**

House Floor Amendment #2

The House Floor Amendment #2 makes significant expansions to eligibility for the lottery tuition scholarship program.

- Expand eligibility for eligible students attending regionally accredited tribal colleges located in New Mexico (related to House Bill 551)
- Expand eligibility for lottery tuition scholarships to include qualifying students who are dependents of New Mexico residents stationed outside of New Mexico due to service in the United States armed forces. These students may qualify by completing a high school curriculum at any public or private accredited high school or receiving a graduate equivalent diploma, then attending a qualifying New Mexico educational institution. The bill limits the authorization to eligible New Mexico residents paying New Mexico income taxes (related to House Bill 554);
- Expand eligibility to students whose parents are employed by state and federal government and are temporarily working out-of-state, but New Mexico residency is maintained and the family continues to file New Mexico personal income tax;
- Expand eligibility to students whose parents are employed by tribal government and are temporarily working out-of-state, but New Mexico residency is maintained and the family continues to file New Mexico personal income tax (see significant issues);
  - In each of these cases, the students completed high school out-of-state because of the parent's work assignment.

House Floor Amendment #1

The House Floor Amendment #1 removes the House Appropriations and Finance Committee amendment and the first House Education Committee amendment. Further, the House Floor Amendment #1 restores a 24 month eligibility window between high school graduation (or GED receipt) and enrollment in a qualifying post-secondary institution.

Summary of HAFC Amendment

The House Appropriations and Finance Committee amendment strikes the House Education Committee amendment and changes the windows of eligibility for a lottery tuition scholarship to post-secondary enrollment within 18 months of high school graduation (or GED receipt).

Summary of HEC Amendment

The House Education Committee amendment makes a clarifying statutory change to authorize the two-year eligibility window.

Synopsis of Original Bill

Endorsed by the Legislative Education Study Committee.

**House Bill 119/aHEC/aHAFC/aHFI#1/aHFI#2**

House Bill 119 authorizes a two-year gap between graduation from high school (or receipt of a GED) and enrollment in an institution for a qualifying student to maintain eligibility for lottery tuition scholarship funds.

Significant Issues

The bill is consistent with several recommendations of the Governor's Task Force on Higher Education.

Currently, all qualified students enrolled in a two- or four-year public post-secondary institution may receive a Lottery Success Scholarship. Other public and private non-profit institutions such as the College of Santa Fe, St. John's College, and College of the Southwest and tribal colleges are not eligible to receive lottery funds.

High school students graduating from a school in New Mexico operated by the Bureau of Indian Affairs and out-of-state members of the Navajo tribe, who reside on the Navajo reservation, as certified by the Navajo Department of Higher Education, are eligible for lottery tuition scholarships if they attend a public post-secondary institution.

Two- and four-year post secondary institutions created by an Indian nation, tribe or pueblo or federal government which may be eligible to participate include the following: Dine College, Institute of American Indian Arts (IAIA), Southwest Indian Polytechnic Institute (SWIPI) and Crownpoint Institute of Technology (CIT). Currently, CIT is not accredited; therefore, it does not receive state funding. According to the Higher Learning Commission (HLC), the HLC board validated the initial candidacy of CIT in the accreditation process in October 2003.

According to information from the Office of Indian Affairs, enrollments at tribal colleges are rising because Native Americans are choosing to attend institutions which are tailored to their educational choices, rising tuition costs at non-tribal schools and also to be closer to their homes.

Note that New Mexico residents residing on tribal lands and enrolled as a member of the tribe are not required to file personal income tax.

**FISCAL IMPLICATIONS**

**Two-Year Eligibility Gap.** Based on analyses of similar legislation in 2003 and 2004 as well as an LFC/CHE survey of institutions in 2003, the projected fiscal impact is difficult to determine. The following is based on student eligibility and award data compiled by CHE in 2003, with some modifications.

Also based on similar legislation from the 2003 and 2004 sessions, 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 \$1.2 to \$1.6 million. The incremental full year cost would be about \$2.4 to \$3.2 million.

A 2005 CHE bill analysis shows a fiscal impact of \$1,262.2 thousand in FY06, rising to \$6,950.0 thousand after four years.

**Expansion to Regionally Accredited Tribal Colleges Located in New Mexico.** Tribal institutions are not currently required to provide student data to CHE. Various scenarios were analyzed over the last few years and are summarized below. The costs below are for one full year, and would escalate as additional cohorts are added.

In its 2005 analysis, CHE estimates the cost at \$20.3 thousand in the first year, with a cost in four years of \$69.3 thousand.

Based on data provided to CHE in 2003 by Dine, IAIA, SWIPI and CIT regarding potential eligibility and annual tuition, the following awards were estimated:

Dine College	\$40.8
IAIA	\$45.6
SIPI	No tuition *
CIT	\$3.0 **
Total	\$89.4

However, at a 2003 legislative hearing, tribal college representatives testified the bill would have a potential fiscal impact of approximately \$350.0 thousand. An analysis of similar legislation from the 2002 session (HB 252) reflected potential fiscal impact of \$837.0 thousand based on a CHE analysis of financial aid data, including student enrollment and annual tuition.

*Notes:*

\* *SWIPI does not charge tuition. Books and room and board are also provided free of charge to members of federally recognized Indian tribes.*

\*\* *Upon receipt of accreditation status from the North Central Association Higher Learning Commission, the fiscal cost to include CIT could range from \$3.0 to \$648.0 thousand. The potential timing of a decision regarding the institution's candidacy is currently not certain.*

**New Mexico Residents - United States Armed Forces Temporarily Assigned to Work Out-of-State.** The projected fiscal impact is expected to be minimal.

**New Mexico Residents – Federal and State Government Employees Temporarily Assigned To Work Out-of-state.** The projected fiscal impact is expected to be minimal.

**New Mexico Residents - Tribal Government Employees Temporarily Assigned To Work Out-of-State.** The projected fiscal impact is expected to be minimal.

**TECHNICAL ISSUES**

The bill does not include an effective date.

**OTHER SUBSTANTIVE ISSUES**

To evaluate impacts of potential changes to the lottery tuition scholarship program, the legislature may wish to consider requiring an annual review and reporting to the Legislative

**House Bill 119/aHEC/aHAFC/aHFI#1/aHFI#2**

Finance Committee, Legislative Education Study Committee, Department of Finance and Administration and the Office of the Governor by:

- New Mexico Lottery Authority on revenue situation and outlook and
- Commission on Higher Education on
  - expenditure situation and outlook
  - fund balance situation and outlook
  - policy and fiscal impacts of each change to lottery scholarship program enacted by the 2004 legislature

**AW/yr**