

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Williams DATE TYPED 03/03/05 HB 140

SHORT TITLE Lottery Scholarships for Associate Degrees SB _____

ANALYST Williams

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			\$8,000.0	Recurring; reflects 2 cohorts; escalates over time	Lottery Tuition Scholarship Fund – first year eligibility
			See text	Recurring	General Fund – higher education formula funding

(Parenthesis () Indicate Expenditure Decreases)

Relates to numerous student financial aid bills and lottery tuition scholarship bills

SOURCES OF INFORMATION

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

SUMMARY

Synopsis of Bill

Endorsed by the Legislative Education Study Committee.

The bill authorizes a two-year window to maintain lottery tuition scholarship eligibility for full-time students attending a two-year public post-secondary institution, then pursuing a bachelor's degree. The extension of eligibility would apply for four additional, consecutive semesters, providing other lottery tuition scholarship program eligibility requirements are maintained.

Significant Issues

The bill is related to recommendations of the Governor's Task Force on Higher Education and

the recommendation of the Commission on Higher Education (CHE).

PERFORMANCE IMPLICATIONS

CHE notes the bill is designed to encourage community college associate degree holders to continue studies at a university. The legislation would increase the rate of transfer for community college students and continued undergraduate persistence.

FISCAL IMPLICATIONS

The first year cost would reflect two-years of eligible cohorts participating in the lottery scholarship program expansion. The second year cost would include the first group as well as an entering new cohort of eligible students.

According to *Meeting Our Mission, 2003-2004* from the New Mexico Association of Community Colleges, there is significant variation for two-year colleges in the extent to which students intend to transfer to a four-year institution. Data on student intent to transfer ranges from 9 percent at Northern New Mexico Community College to 46 percent at University of New Mexico Valencia. One might approximate that 25 percent of two-year students intend to continue on to a four-year institution. In Fall 2002, total enrollments at two-year institutions were 113,650. As such, 28,413 students might be interested in continuing on to a four-year institution.

However, the bill maintains the current statutory requirement that a student must attend a post-secondary institution immediately after high school graduation to be eligible for the lottery tuition scholarship program. Currently, the number of two-year students receiving lottery tuition scholarships is as follows:

	<i>Fall 2003</i>	<i>Spring 2004</i>	<i>Fall 2004</i>
Two-year Branches	663	985	632
Two-Year Independents	689	1,237	710

Source: Lottery Success Scholarship Draws, CHE, February 18, 2005.

One might assume half of these students continue on to four-year institutions with average tuition rates of roughly \$1,120 per semester or \$2,240 per year. As such, the cost of one-year of graduates would be just over \$4 million. However, the first year impact would include two years of community college graduates due to the two-year window authorized in the bill. Under the assumptions of this scenario, the first year cost would then double to roughly \$8 million.

Note that the incremental cost of the expansion would be limited to four consecutive semesters, or two years.

CHE estimates the potential impact of the expansion at \$4.0 million in the first year of implementation and estimates the program would provide access to approximately 1,708 potential baccalaureate students by the fourth year of implementation.

Further, any incentive to extend time-to-degree could increase general fund costs due to the funding of student credit hours in the higher education funding formula.

TECHNICAL ISSUES

Would the bridge semester be applicable when these students continue pursuit of a bachelor's degree?

OTHER SUBSTANTIVE ISSUES

CHE notes the median student age was 26, with the average of 30 at two-year colleges. The average age of those attaining an associate degree in the most recent data is almost 33 years old. CHE notes excluding those who were too old or previously participated in the lottery reduces the graduating class to 955 students. CHE notes previous research indicates as many as 23.6 percent of associate degree holders continue on to a university without lottery assistance.

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 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

POSSIBLE QUESTIONS

1. What are the potential impacts on student persistence and graduation targets for public, post-secondary institutions?

ANA/sec