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FISCAL IMPACT REPORT

SPONSOR Salazar DATE TYPED 03/03/05 HB 620

SHORT TITLE Lottery Scholarships for Tribal Colleges SB _____

ANALYST Williams

APPROPRIATION

Appropriation Contained		Estimated Additional Impact *		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			\$89.4 - \$837.0 *See Text	Recurring; escalates over time	Lottery Tuition Scholarship Fund – tribal colleges
			Very rough \$0.7 to \$1.2 million, contingent upon additional data	Recurring (with escalation over time; see text)	Lottery Tuition Scholarship Fund – private, post-secondary institutions

(Parenthesis () Indicate Expenditure Decreases)

* Does not reflect the possibility of the fiscal impacts of decoupling; see text.

Relates to numerous student financial aid and lottery tuition scholarship bills

SOURCES OF INFORMATION

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

SUMMARY

Synopsis of Bill

House Bill 620 has two significant components. The bill expands eligibility for lottery tuition scholarships to include students attending regionally accredited tribal colleges located in New Mexico. Further, the bill expands eligibility for the lottery tuition scholarship program to private, post-secondary institutions in the state. The bill directs CHE to develop rules for tuition scholarship eligibility and associated requirements for students attending these institutions. Each year, CHE would determine the amount of funding available for tuition scholarships based on

projected numbers of student applicants. CHE is authorized to establish fixed tuition payment amounts which are not to exceed tuition scholarships at similar public institutions.

The bill makes technical clean-up changes to reflect that the public school capital outlay fund no longer receives net income from lottery sales. As well, the bill includes an effective date of July 1, 2005.

Significant Issues

The bill is consistent with the 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 (SIPI) and Crownpoint Institute of Technology (CIT). Currently, CIT is not accredited. 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.

FISCAL IMPLICATIONS

The bill has two components of fiscal impact. It is unclear whether the language authorizing CHE to establish fixed amount tuition scholarships applies to all post-secondary educational institutions, and might be interpreted as an approach to decoupling. Decoupling would add an additional fiscal cost, but is not included in this analysis. Clearly, the lack of data is a significant barrier in preparing the fiscal cost estimate. CHE staff estimate the total cost of the bill at just under \$80.0 in the first year.

Tribal College Eligibility. 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:

* SIPI 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.

Private, Post-secondary Institutional Eligibility. The second component of fiscal cost is the extension of lottery tuition scholarship eligibility to students at private post-secondary institutions. Some students may switch from New Mexico public, post-secondary institutions to these institutions. To the extent that the allowed tuition charge might be greater than the tuition charge of the student's current school, there would be some increase in lottery tuition scholarship fund costs. This impact is not expected to be large.

The more significant cost to the lottery tuition scholarship fund is the extent to which New Mexico students attending out-of-state institutions remain in-state and attend one of these private institutions. It is difficult to forecast how many students might take advantage of the change. The following attempts to put some parameters around the potential costs of this proposal based on a preliminary analysis.

Information from its website reflects total enrollment at the St. John's College campus in Santa Fe of about 450 to 475 students. Data from the Integrated Postsecondary Education Data System (IPEDS) Peer Analysis System shows Fall 2002 full time equivalent enrollment of:

College of the Southwest, Hobbs	642
College of the Southwest, Carlsbad	not available
College of Santa Fe	1,192

If 10 percent of these students claimed the lottery scholarship program, then approximately 230 students might be eligible. Utilizing a tuition cost of \$1,556 per semester for full time undergraduate students, a first-year cost under this scenario would be approximately \$715.0 thousand. The multi-year cost would grow as additional cohorts are added.

An alternative scenario could be developing using data for the state's Student Choice student financial aid program. CHE reports 373 students are currently receiving Student Choice awards. The student choice grants are authorized in 21-21C-1 through 21-21C-9 NMSA 1978. These student financial aid awards are targeted at students attending independent institutions. Eligibility for this program is based on student enrollment of at least six semester credit hours in program leading to a degree, satisfactory academic standing, New Mexico resident classification, and the basis of need. If 375 students were eligible for the lottery tuition scholarship program, the potential first-year cost to the lottery scholarship fund would be about \$1.2 million. Again, the multi-year cost would grow as additional cohorts are added.

In comparison, data from Western Interstate Commission for Higher Education (WICHE) and others show about 24 percent of New Mexico's first-time, full-time freshman attended post-secondary institutions in other states in 2001, or roughly 2,700 students. This rate is one of the highest of the western states.

ADMINISTRATIVE IMPLICATIONS

Tribal institution financial aid officers would be required to certify high school graduation dates/location and train in lottery draw down procedures. Further, data reporting by tribal institutions would be needed.

TECHNICAL ISSUES

The language authorizing CHE to establish fixed amount tuition scholarships applies for all post-secondary educational institutions, and might be interpreted as an approach to decoupling.

The legislature may want to consider specifying the tribal colleges which would be eligible for student participation in the lottery success scholarship program; clarify the number of semesters of eligibility for a lottery tuition scholarship, including attendance at both a two-year and a four-year institution.

The bill may need to clarify if students wishing to attend part-time may do so during the bridge semester.

OTHER SUBSTANTIVE ISSUES

The bill may be in conflict with Article 12, Section 3 of the New Mexico Constitution which specifies "The schools, colleges, universities and other educational institutions provided for by this constitution shall forever remain under the exclusive control of the state, and no part of the proceeds arising from the sale or disposal of any lands granted to the state by congress, or any other funds appropriated, levied or collected for educational purposes, shall be used for the support of any sectarian, denominational or private school, college or university." Further, there may be considerations of the anti-donation clause in Article 9, Section 14 of the New Mexico Constitution.

The tribal institutions would be required to provide student data, which is not currently reported to CHE.

In prior years, CHE reported that in academic year 2001-2002, Native American students in New

Mexico received approximately \$4.8 million in tribal aid not available to non-Native American students. Native American students are also eligible to receive State Student Incentive Grants (SSIG), State and Federal work-study grants, Pell and other federal grants.

Students at private institutions are eligible to receive Student Choice awards. The Student Choice grant program provides cost of attendance awards to undergraduate students with substantial financial need who are attending the following selected private non-profit post-secondary institutions in New Mexico: College of Santa Fe, St. John's College in Santa Fe or the College of the Southwest. CHE data indicates 373 students at those institutions receiving "student choice" awards; of those 248 (55 percent) had previously attended one or more New Mexico public institutions.

CHE indicates that based on a survey of registrars, there are currently 29 students at St. John's College, College of Santa Fe and College of the Southwest who would meet eligibility requirements for the lottery scholarship program.

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. Is the bill in conflict with Article 12, Section 3 of the New Mexico Constitution regarding state control of institutions or with Article IX, Section 14, the anti-donation clause?
2. If Crownpoint Institute of Technology is successful in its application for accreditation, when would the evaluation process conclude and the designation occur?
3. Is it the legislature's intent to utilize this language to implement decoupling?

AW/njw