

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill No: SB 110

48th Legislature, 1st Session, 2007

Short Title: Lottery Scholarship Tuition Increases

Sponsor(s): Senators Stuart Ingle, Michael S. Sanchez, and Timothy Z. Jennings

Analyst: David Harrell

Date: January 30, 2007

Bill Summary:

SB 110 amends statute to require that, for students receiving a lottery tuition scholarship, the tuition rate in effect when the student first qualifies remain in effect during the rest of the semesters in which the student receives the scholarship.

Fiscal Impact:

SB 110 makes no appropriation.

According to the analysis by the New Mexico Lottery Authority, SB 110 will have no impact on lottery sales or revenue.

The analysis by the Higher Education Department (HED) indicates that the fiscal impact would be upon the Lottery Tuition Fund, which the department administers. "It is plausible," the analysis says, "that freezing the tuition rate at the time of college entrance would extend the longevity of the fund, but the impact is undetermined."

Issues:

The Legislature created the Lottery Success Scholarship program to encourage New Mexico high school graduates to pursue postsecondary education at public state institutions of higher education. When the *New Mexico Lottery Act* was first enacted in 1995, provisions in the law required that 60 percent of all net lottery proceeds be credited to the Public School Capital Outlay Fund to be distributed according to provisions of the *Public School Capital Outlay Act*. The remaining 40 percent of the net proceeds was credited to the Lottery Tuition Fund for the Lottery Success Scholarship for qualifying students. Since that time, however, the Legislature has enacted major changes in the way New Mexico funds school district capital outlay needs. As a result, the 2001 Legislature amended the *New Mexico Lottery Act* to require that 100 percent of all net lottery proceeds be used for the Lottery Success Scholarship.

According to the analysis from HED, the Lottery Success Scholarship has provided full-tuition scholarships to more than 43,000 students attending public postsecondary institutions in New Mexico. However, if lottery revenues remain level and tuition continues to increase at a rate of 6.0 to 8.0 percent per year, the Lottery Tuition Fund will be depleted by 2013.

Tuition increases, especially for lottery scholarship recipients, were one of the issues addressed during the 2005 interim by the Lottery Tuition Scholarship Study Subcommittee, formed in response to Senate Joint Memorial 74 from the 2005 session. Of particular concern was the

appearance that some universities were using lottery funds to shift costs from fees to tuition so that more expenses are covered by the lottery scholarship, which covers tuition but not fees. As a case in point, the subcommittee heard testimony that two universities, New Mexico Institute of Mining and Technology (NM Tech) and New Mexico Highlands University (NMHU), “showed striking shifts between tuition and fees: for the 2005-2006 academic year, NM Tech increased its tuition by 36.8 percent and decreased its fees by 46.8 percent, and NMHU increased tuition by 30.9 percent and decreased fees by 77.8.” To address these concerns, this subcommittee endorsed legislation that was enacted in 2006 to define the terms “tuition” and “general fee.”

Finally, the analysis from HED suggests that managing separate tuition rates may create an administrative burden for postsecondary institutions. Separate tuition rates may also affect students who do not receive the lottery scholarship, especially if postsecondary institutions feel inclined to increase their tuition rates to compensate for the fixed rate applicable to scholarship recipients.

Related Bills:

- SB 364 *Lottery Board & Fund Distribution*
- HB 104 *Transfer Student Lottery Scholarships*
- HB 209 *Lottery Scholarships for Military Dependents*
- HB 275 *Tribal College Lottery Scholarships*
- HB 282 *Military Veteran Lottery Scholarships*
- HB 361 *Lottery Scholarships for Military Dependents*