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## FISCAL IMPACT REPORT

ORIGINAL DATE 2-22-2007

SPONSOR Begaye LAST UPDATED \_\_\_\_\_ HB 104

SHORT TITLE Transfer Student Lottery Scholarships SB \_\_\_\_\_

ANALYST Dearing

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		\$1,722.0	\$1,722.0	\$3,444.0	Recurring	Lottery Scholarship Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Higher Education Department (HED)

Public Education Department (PED)

### SUMMARY

#### Synopsis of Bill

House Bill 104 carries no appropriation. House Bill 104 amends Sections 21-1-4.3; 21-13-10; and 21-16-10.1 NMSA 1978 such that recipients of awards would be required to maintain a 2.5 grade point average for the entire time that they receive the scholarship. House Bill 104 would allow New Mexico resident students returning from both 2-year and 4-year out-of-state institutions the opportunity to receive a lottery scholarship for 7 consecutive semesters, provided that they are otherwise eligible, have completed at least one (1) semester at the out-of-state school, and have transferred in to a NM institution within 120 days of their last attendance at the out-of-state school.

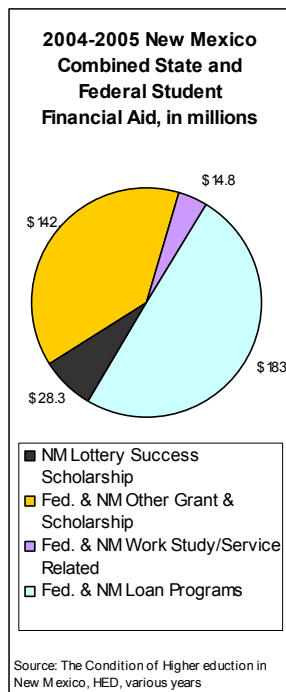
### FISCAL IMPLICATIONS

The fiscal impact would be to the Lottery Tuition Fund. According to data submitted to the New Mexico Higher Education Department, it is estimated that 513 resident students transfer to New Mexico public colleges and universities after spending the beginning of their postsecondary education outside the state of New Mexico. If all met the eligibility requirements to receive the Lottery Success Scholarship, the increased liability to the lottery fund from House Bill 104

would be approximately \$1,722,000 in FY08.

**ALTERNATIVES, OTHER SUBSTANTIVE ISSUES**

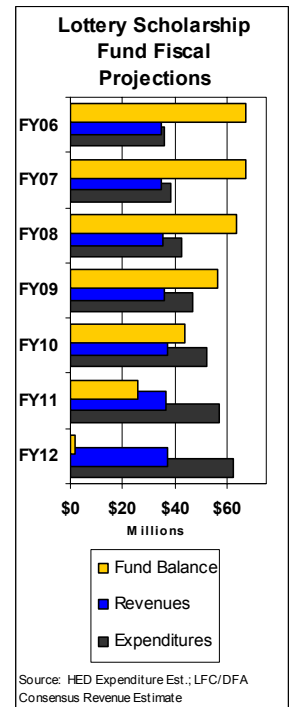
In the 2005-2006 academic year, approximately \$36.9 million in Lottery Success scholarship funds were distributed to New Mexico students. Payouts to beneficiaries continue to exceed New Mexico Lottery Authority disbursements to the scholarship fund. Recent projections show fund insolvency around 2012-2013. With overall flat high school graduation rates expected over this period, projected increases in expenditures are primarily based on tuition inflation. State student aid dollars from the lottery program comprise an ever larger component of state spending on higher education, increasing from 38 percent to 42 percent over the 2002-2003 academic year with subsequent reductions in work-study and service aid.



Across the country, merit scholarship programs are undergoing similar solvency issues. Underestimated and rapidly increasing demand for merit scholarships and scarce resources has forced other states to pursue alternatives.

The Lottery program is one component among many available federal and state student financial aid sources. Including federal and other state grants, work-study, and loan programs, the Lottery program comprises just about 7.7 % of available student financial aid in NM.

Students excluded from the Lottery Success Scholarship have the option to apply for other state and federal financial aid programs.



**RELATIONSHIP**

House Bill 104 relates to:

- Senate Bill (s): 110, 689, 426, 686,
- House Bill (s): 275, 571, 209, 275, 361, and 740

These listed bills create various changes to lottery scholarship eligibility, distributions from the fund, or otherwise change the Lottery Success program framework.

PD/nt