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FISCAL IMPACT REPORT

ORIGINAL DATE 2-18-2007

SPONSOR Carraro LAST UPDATED _____ HB _____

SHORT TITLE Lottery Scholarship Eligibility Times SB 686

ANALYST Dearing

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	*(\$0.1)	Recurring	Lottery Scholarship Fund
	*Please see narrative		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		*(\$852.0)	*(\$852.0)	*(\$1,704.0)	Recurring	Lottery Scholarship Fund

(Parenthesis () Indicate Expenditure Decreases)

*Potential exists that fiscal impact is significantly higher than \$1.7 million over three years; please see narrative.

Relates to Senate Bill (s): 110, 689, 426, 686, 687, and 688

Relates to House Bill (s): 571, 209, 275, 361, and 740

SOURCES OF INFORMATION

LFC Files

Responses Received From

No agency responses received as of 2-18-2007; response received for Senate Bill 688, a similar legislative proposal.

SUMMARY

Synopsis of Bill

Senate Bill 686 carries no appropriation. If enacted, Senate Bill 686 would amend Sections 21-1-4. 3; 21-13-10; and 21-16-10.1 NMSA 1978. Senate Bill 686 would extend eligibility for the

New Mexico Lottery Success Scholarship program such that eligibility for scholarship program would be available for all New Mexico resident high school graduates and those earning general education development certificates (GEDC). Specifically, there would no longer be a time-window of eligibility, the scholarships would be available indefinitely for these groups. Additionally, the amendment strikes current language limiting returning military members' eligibility; it is inferred that eligibility for these individuals would fall under the indefinite extension of eligibility as provided to graduates and general education development certificate holders, provided the veterans fall into one of these two groups as well.¹

FISCAL IMPLICATIONS

*No appropriation. If enacted, Senate Bill 686 would indefinitely extend the amount of time that an applicant retains eligibility to scholarships through the Lottery Success program. Under the current framework, an individual has until the 120th day following the attainment of a GEDC or high school graduation date to enter and enroll into a program.

In current statute, in the case of those entering the military, provided they have entered a branch of service prior to 120th day following the attainment of a GEDC or high school graduation date, and enter and enroll into a program within the 120th day of exiting the military, the veteran is eligible for the program. In the Senate Bill 686 proposal, a NM graduate or GEDC holder would remain indefinitely eligible, provided that they maintain state residency.

There would be an overall negative recurring impact incurred by the Lottery Tuition Fund. A current projection from the Higher Education department forecasts an additional 322 students would qualify in FY08, decreasing the Lottery Tuition Fund by \$852,100. The forecast is based on an aggregate 2400 New Mexico high school graduates enrolling later than the first post-secondary semester following high school graduation. The department's forecast relies on only 13.4% of these students obtaining a 2.5 GPA in their first college semester to qualify for the Lottery Success Scholarship.

***If the actual percentage obtaining a 2.5 G.P.A in their first semester is higher than the department's forecast, a potential negative impact to the Lottery Tuition fund exists of up to \$6.3 million.²**

TECHNICAL

Senate Bill 686 strikes Section 21-1-4.3 (c) NMSA 1978 (re. 4-Year Schools). The subsection specified applicability of the Lottery program to students transferring from 2-year to 4-year schools, and provided for a two year lottery eligibility upon transferring to one of the 6 large four-year institutions.

The bill does not alter or strike similar transfer language in Section 21-16-10.1 (re. tech & voc.) Section 21-13-10 (re comm. colleges) is not amended significantly, however, 21-13-10 does not originally contain language specifying scholarship eligibility upon transfer to a 4-year school, whereas 21-16-10.1 does. Because the general transfer language in Section 21-1-4.3 (c) NMSA

¹ In the existing legislation, the veteran must have entered into service within 120 days of graduation from a New Mexico high school or acquisition of general equivalency degree certificate.

²(322/2400) = 13.4% = \$852 thousand; (((\$852,000/322) * (2400)) = \$6.3 million.

1978 is stricken, it is unknown whether students transferring from a community college to a 4-year institution would remain eligible under Senate Bill 686.

RELATIONSHIP

Senate Bill 686 relates to:

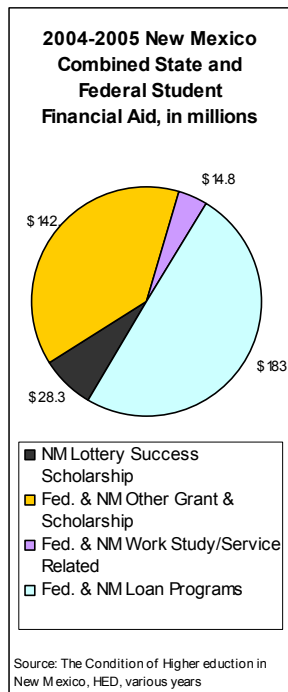
Senate Bill (s): 110, 689, 426, 686, 687, and 688

House Bill (s): 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.

ALTERNATIVES, OTHER SIGNIFICANT ISSUES

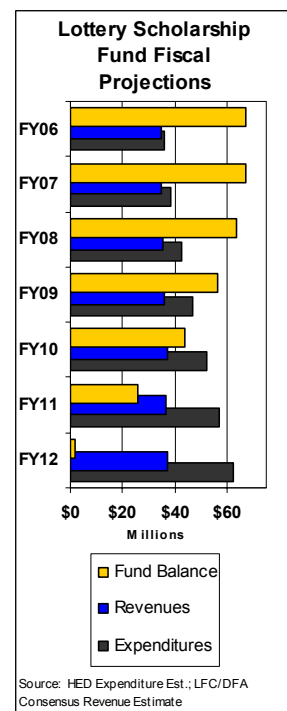
In the 2005-2006 academic year, approximately \$36.9 million in Lottery Success scholarship funds were distributed to New Mexico students. Payouts to beneficiaries continue to exceed New Mexico Lottery Authority disbursements to the scholarship fund. Recent projections show fund insolvency around 2012-2013. 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 have 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.



AMENDMENTS, QUESTIONS

Senate Bill does not specify whether the proposed provisions shall apply only to future graduates or GED receivers, or whether it will apply to current diploma and GEDC holders. Are these provisions applicable for all past NM high school graduates?

Senate Bill 686 does not specify the requirement of a *New Mexico* issued GEDC for applicant eligibility.

PD/csd