

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SB 21

49th Legislature, 2nd Session, 2010

Tracking Number: .180159.1

Short Title: Graduate Student Lottery Tuition

Sponsor(s): Senator Tim Keller

Analyst: Ally Hudson

Date: February 18, 2010

Bill Summary:

Senate Bill 21 amends the New Mexico Lottery Act to create the Graduate Student Lottery Tuition Loan Fund in the State Treasury as a non-reverting fund and appropriates 5.0 percent of lottery proceeds into this fund. The appropriated money is transferred from the Lottery Tuition Fund, which is administered by the New Mexico Higher Education Department (HED). The funding would be used to provide loans to graduate students in fields that do not have a loan-for-service program. HED may give priority to loans for professions where there is a demonstrated need. The department may further require a loan recipient to serve in an underserved area.

SB 21 requires that eligible students must:

- be a New Mexico resident;
- have graduated from a New Mexico high school;
- hold a bachelor's degree from a New Mexico college; and
- commit to working in New Mexico for at least three years.

If a student chooses not to practice his or her profession in New Mexico after graduate school, loan repayment would be at 18 percent interest, plus a penalty. If some service occurs, the repayment is at 7.0 percent interest.

Pursuant to SB 21, HED will be required to provide annual reports to the Governor and the Legislature illustrating the number and amounts of loans granted. The reports will also request:

- names and addresses of students to whom loans were granted;
- educational institutions attended by those receiving the loans; and
- names and locations of practice of those persons who have completed their graduate education and are practicing in New Mexico as a result of a student loan pursuant to the Graduate Student Lottery Tuition Loan Act.

Students who have completed their graduate education but have not yet started to work in New Mexico and those who have paid their graduate student loan in lieu of working in New Mexico are required to report their names and addresses as well.

Finally, SB 21 also requires HED to:

- conduct an investigation of the ability, character, and qualifications of each applicant to determine suitability to become a loan recipient;
- adopt rules to implement the provisions of the bill; and
- make an annual report to the governor and the legislature prior to each regular legislative session.

Fiscal Impact:

SB 21 makes no appropriation; however the bill does appropriate 5 percent of annual lottery revenues into the newly created Graduate Student Lottery Tuition Loan Fund. Unexpended or unencumbered funds do not revert to the fund.

According to the HED analysis, when compared to FY 10 lottery proceeds, 5.0 percent of annual lottery revenues would generate approximately \$3.3 million for the bill’s purpose.

Substantive Issues:

Current projections by HED show a depletion of lottery funds due to increased enrollment, tuition hikes, and flat lottery sales. Expecting a 6.0 percent tuition increase at public colleges and universities, expenditures will exceed revenues by fiscal year FY 11.

According to the HED analysis, the administration of an additional loan for service program might require additional staff to track applications, committee decisions, service status, reporting, inquiries, and loan forgiveness.

PED states that the option of a graduate student loan might encourage high school students to graduate from high school and pursue postsecondary education continuing into graduate school. However, if the amount of undergraduate lottery tuition assistance is decreased by 5.0 percent, some high school students may become discouraged by having to pay more for their undergraduate degree. The PED analysis also notes that loan interest rates are significantly higher than federal (currently averaging approximately 5.0 percent, with a cap of 9.0 percent) and private (maximum 15 percent) student loans.

Background:

Originally enacted in 1996, the Legislative Lottery Scholarship pays 100 percent of the tuition for New Mexico high school graduates (or GED recipients) who want to attend a New Mexico public college or university. The eligibility is determined in the student’s first semester. The Legislative Lottery Scholarship is a renewable full-tuition award, which may be received for up to eight consecutive semesters, beginning in the student’s second semester in college.

To qualify for the Legislative Lottery Scholarship under current law:

- students must be a New Mexico resident;
- must have graduated from a New Mexico public or accredited private school or have obtained a New Mexico GED;

- must be enrolled full-time (12 credit hours) at an eligible New Mexico public college or university, in the first regular semester immediately following high school graduation; and
- must obtain and maintain at least a cumulative 2.5 GPA.

For students with disabilities who may require special accommodations, state law specifies that:

“the higher education department, in consultation with the student and the office at the institution that serves students with disabilities, shall review both the definition of ‘full time’ and the maximum number of consecutive semesters of eligibility and adjust either or both as deemed reasonable and appropriate, based on the student’s disability needs. In no case, however, shall ‘full time’ mean fewer than six credit hours per semester and in no case shall eligibility extend beyond fourteen consecutive semesters.”

In 2007, the Legislature passed SB 687 *Lottery Scholarships for Military Dependents* which enacted a new section of the *Public School Code* to allow a resident New Mexican high school student whose military parents are transferred out of state to receive a New Mexico high school diploma, under certain conditions, and thereby become eligible for state-funded financial aid.

Finally, as noted above, the scholarship may also be awarded to full-time resident students who, within 120 days of completing a high school curriculum at a public or accredited private high school or receiving a GED, begin service in the US armed forces.

Related Bills:

HB 102 *Lottery Scholarships for Tribal Colleges*
SB 134 *Military Veteran Lottery Scholarships*