

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SB 292

50th Legislature, 1st Session, 2011

Tracking Number: .184250.1

Short Title: Limit Tuition Increase for Lottery Recipients

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

Analyst: Ally Hudson

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Bill Summary:

SB 292 amends higher education provisions in current law to provide that the tuition rate in effect when a student first qualifies for the Legislative Lottery Scholarship remain in effect during the remainder of the semesters in which the student receives the scholarship.

Fiscal Impact:

SB 292 does not contain an appropriation.

Fiscal Issues:

According to the New Mexico Lottery Authority:

- while the state's lottery had a record return of \$43.5 million in FY 10, proceeds to the Lottery Tuition Fund for the first six months of FY 11 total \$20.2 million – a decrease from the \$21.2 million in FY 10;
- sales have been declining in the past four years, and “FY 11 year-to-date sales are tracking approximately \$3.6 million behind sales last year at this time;”
- projections from the Department of Finance and Administration (DFA) indicate that the Lottery Tuition Fund “will be in the red by FY 14, with the expenditures far surpassing revenues;” and
- SB 292 could minimize this potential and sustain the fund for a longer period of time.

Likewise, the analysis by Central New Mexico Community College (CNM) says that the bill would have a positive impact on the fund by reducing the rate of increased expenditures.

The CNM analysis, however, also notes a negative impact on the institution:

- In determining the level of state appropriations for higher education institutions, the higher education funding formula makes certain assumptions about tuition revenues available to support those institutions through a “tuition credit.”
- Freezing the tuition rate of students receiving the lottery scholarship limits the tuition revenue available to support higher education institutions.

- This revenue could potentially be accounted for through the calculation of the formula tuition credit. If the formula reflected this change for CNM, the analysis estimates a General Fund (GF) impact of approximately \$200,000 for FY 12¹. Without this adjustment to the formula tuition credit, CNM would have to absorb the \$200,000 loss of revenue.
- Finally, the CNM analysis explains that the estimated dollar impact would increase as the gap between the tuition rate charged to the individual lottery scholarship recipient and the rate charged to other students' increases.

Related to issue of “freezing” tuition, an analysis by the Higher Education Department (HED) suggests that the practice “has the potential [to preserve] the Lottery Tuition Fund and [create] less of a financial burden against it.”

Substantive Issues:

According to an analysis by HED:

- tuition increases have averaged 39.9 percent at four-year institutions, and 13.4 percent at two-year institutions, from academic year (AY) 2008-2009 to AY 2010-2011;
- a student who enrolled in a four-year institution in AY 2008-2009 would pay approximately 40 percent more in tuition than a student who enrolled at the same institution in AY 2004-2005; and
- current projections from the Lottery Study Committee indicate that “a 5-7 percent increase in tuition has the potential of severely depleting the Lottery Tuition Fund over the next several fiscal years.”

Regarding the administrative impact of SB 292, the CNM analysis explains that the “bill would require institutions using the software system Banner to develop baseline changes to software in order to establish varying tuition rates for individual students. This would require programming at the time of implementation, and then additional programming each time there is an upgrade to a newer version of Banner.” To conclude, the CNM analysis identifies a number of questions that are left unaddressed by the legislation, among them the tuition rates that would apply to students transferring between two-year and four-year institutions.

Background:

Created by legislation enacted in 1996, the Legislative Lottery Scholarship is a renewable, full-tuition award granted to qualifying students beginning in their second semester at a public postsecondary institution in New Mexico and continuing for seven more consecutive semesters. The scholarship covers the cost of tuition only. Students are responsible for additional educational expenses such as student fees, course materials, and housing.

¹ This amount was calculated by determining the actual tuition revenue received by current lottery scholarship recipients at CNM and assumed a 9.5 percent tuition increase, as proposed in the Legislative Finance Committee FY 12 budget recommendation. The \$200,000 reflects the revenue lost by not applying the tuition increase to scholarship recipients.

To qualify for the Legislative Lottery Scholarship a student must:

- be a New Mexico resident;
- have graduated from a New Mexico public or accredited private school or have obtained a New Mexico GED;
- enroll full-time (in at least 12 credit hours) at an eligible New Mexico public college or university, in the first regular semester immediately following high school graduation; and
- obtain and maintain a cumulative GPA of at least 2.5.

State law also provides for specific accommodations with regard to:

- students with disabilities, clarifying that in no case shall “full time” mean fewer than six credit hours per semester and in no case shall eligibility extend beyond 14 consecutive semesters;
- students whose parents are in the military, allowing a New Mexico resident 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; and
- individuals that either immediately enlist in, or have recently departed from, the US Armed Forces.

In a report to the Legislative Education Study Committee in December 2010, testimony indicated that, since its inception, the New Mexico Lottery has raised \$459 million for education, and more than 68,000 students have attended college on lottery scholarships.

In 2010, HED formed a Lottery Study Committee to consider strategies to address the status of the Lottery Tuition Fund, increasing enrollments at the state’s public postsecondary institutions, and rising tuition. Because the fund is expending more money than the annual revenues currently provide, HED’s analysis indicates that the Lottery Study Committee is working to analyze data from two- and four-year institutions to determine whether changes to the Legislative Lottery Scholarship eligibility criteria should be made.

Related Bills:

- SB 226 Enact “Legislative Lottery Tuition Act”*
- HB 62 Extend Lottery Scholarship Application Time*
- HB 92 Lottery Scholarships for Tribal Colleges*
- HB 359 Lottery Scholarship Recipient Additions*