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FISCAL IMPACT REPORT

ORIGINAL DATE 01/30/12
LAST UPDATED _____ **HB** 217
SPONSOR Espinoza
SHORT TITLE Lottery Scholarships for Home Schooling **SB** _____
ANALYST Hartzler-Toon

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY12	FY13	FY14		
	(*)	(*)	Recurring	Legislative Lottery Scholarship Fund

(Parenthesis () Indicate Revenue Decreases)

*See Fiscal Implications

Companion to SB 49, Accredited Home School Lottery Scholarships

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

New Mexico Lottery Authority (NMLA)

Response Not Received From

Public Education Department (PED)

SUMMARY

Synopsis of Bill

The Lottery Scholarships for Home Schoolers bill expands lottery scholarship eligibility to students who complete a qualified home-based educational program and who are accepted by state four-year and two-year institutions. The bill specifies a “home-based educational program” as a home study program of instruction operated by a parent of a school-age person that provides a basic academic educational program, including reading, language arts, mathematics, social studies and science, and that is registered with the public education department pursuant to Sect. 22-1-2.1 NMSA 1978.

FISCAL IMPLICATIONS

The legislative lottery scholarship program is available to full-time resident students who

- (1) Immediately, upon completion of a high school curriculum at a public or accredited private New Mexico high school or receive a graduate equivalent diploma (GED), and who
- (2) Are accepted for entrance to and attend a New Mexico four-year institution, listed in Sect. 21-1-4.3 NMSA 1978, and who earn a grade point average of 2.5 or higher during the first semester of full-time enrollment; or
- (3) Are accepted for entrance to and attend a New Mexico two-year institution, described in Sect. 21-13-10 NMSA 1978 or Sect. 21-16-10.1 NMSA 1978, and who earn a grade point average of 2.5 or higher during the first semester of full-time enrollment.

Eligibility for the lottery scholarship and participating criteria have been expanded in the past, for students with disabilities (example, Sect. 21-1-4.3(F) NMSA 1978) and veterans (Sect. 21-1-4.3(D) NMSA 1978).

Since the legislative lottery scholarship program's creation in 1996, the program has supported more than 75,000 students attending New Mexico's institutions. The HED reports that almost 30,000 lottery scholarship recipients have earned a certificate or degree, and that lottery scholarship recipients graduate at higher rate than students who do not receive this scholarship.

Pursuant to Sect. 6-24-4 NMSA 1978, the New Mexico Lottery Authority is required to transfer thirty percent of its gross revenues to the legislative lottery scholarship fund (the Fund). In recent years, the HED has supplemented the NMLA's annual contribution to the Fund with some of the Fund's principle to meet student participation. Because of this activity, the Fund's principle balance has declined. In FY11, the HED reported that \$53 million was paid to institutions for legislative lottery scholarships -- \$41.5 million from the NMLA revenues and \$11.7 from the Fund's balance. Because of increasing student participation and rising tuition costs since inception of the scholarship program, the Fund has declined significantly raising concern that the Fund is insolvent and will not be able to meet student obligations if the Fund is depleted. At a July 2011 hearing, the Legislative Finance Committee projected that the Fund could be depleted as soon as FY15.

Because the PED collects grade-level data on individual students participating in home-study educational programs, one cannot precisely determine the costs to the lottery fund of expanding eligibility for these students. However, according to www.homeschooling.com, it is estimated that New Mexico has approximately 9,234 homeschoolers. Since most home-schooled students tend to be in lower and middle grades, there may be fewer qualified high school age or otherwise eligible students who meet the bill's eligibility criteria. Further, home-schooled students interested in the legislative lottery scholarship currently seek a GED, there may be a small number of home school student affected by changes proposed by this bill. No matter the actual number of students made eligible under this bill, making more students eligible for the scholarship will increase depletion of the scholarship fund.

SIGNIFICANT ISSUES

Legislative lottery scholarship fund solvency remains a concern, and expanding scholarship eligibility without also establishing limits on a scholarship's term or amount amplifies the

concern over fund solvency. Without better demographic data pertaining to the number of high school-age home school students, the fiscal impact of expanding eligibility for this group of students cannot be determined.

PERFORMANCE IMPLICATIONS

There is consistent institutional data that demonstrates students who receive the legislative lottery scholarship graduate at higher rates than students who do not. At the University of New Mexico, for example, lottery scholarship recipients who started in 2003 and 2004 graduated at a 58 percent rate compared to the university's overall 43.6 percent rate. Further, of lottery scholarship recipients who were eligible for the federal Pell Grant, an income-based, federal grant program, 48 percent graduated compared to 18 percent of those who were Pell-eligible but did not receive the lottery scholarship.

ADMINISTRATIVE IMPLICATIONS

The HED administers the legislative lottery scholarship program. The department reports that additional staff may be necessary if the program becomes more complex.

Current law governing home school requirements (Sect. 22-1-2.1 NMSA 1978) does not include any specific curricular standards. HB 217 would amend Sect. 22-1-2.1 by adding a new paragraph, defining a home-based educational program as one that "provides a basic academic educational program, including reading, language arts, mathematics, social studies and science." The PED may need to establish an academic standard for home-study program.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 217 is similar to SB 49, a bill to expand legislative lottery scholarship program eligibility to home school students who participate in a "nationally accredited home-based high school educational program." The Senate bill would classify a New Mexico high school student participating in a foreign exchange program during the student's senior year of high school as a graduate of a New Mexico high school for purposes of the legislative lottery scholarship program.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Without this legislation, students who are home-schooled will continue to need to earn a GED to be eligible for the legislative lottery scholarship.

THT/svb