

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill Number:** SB 451

**51st Legislature, 1st Session, 2013**

**Tracking Number:** .191621.4

**Short Title:** Lottery Scholarship Requirements & Debt

**Sponsor(s):** Senator William H. Payne

**Analyst:** Travis Dulany

**Date:** February 14, 2013

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**Bill Summary:**

SB 451 amends higher education provisions in current law for Legislative Lottery Scholarship recipients at four-year institutions, community colleges, and technical and vocational institutions.

More specifically, the bill:

- raises or otherwise adds eligibility requirements to receive the Legislative Lottery Scholarship and authorizes scholarships for full-time students who:
  - maintain a grade point average (GPA) of 2.75 or higher on a 4.0 scale;
  - maintain residency in New Mexico;
  - score a 21 or higher on the ACT or a 1550 or higher on the SAT;
  - while attending a four-year higher education institution are enrolled in 12 credit hours per semester of nonremedial courses (see “Technical Issues,” below);
  - attend one of the state educational institutions identified in the bill:
    - immediately upon completion of a high school curriculum at a public or accredited private New Mexico high school or upon receiving a graduate equivalent diploma;
    - within two years after attending a two-year public postsecondary educational institution in New Mexico or upon completion of a two-year curriculum at a two-year public postsecondary institution in New Mexico, whichever is sooner; provided that the student attended the two-year institution immediately upon completion of a high school curriculum or receipt of a graduate equivalent diploma; or
    - within one year of completion of honorable service or medical discharge from service in the US Armed Forces; provided that the student began service within 120 days of completion of a high school curriculum or receipt of a graduate equivalent diploma;
  - adds provisions:
    - providing for an application process for the Legislative Lottery Scholarship;
    - establishing a contract between the student receiving the scholarship and the Higher Education Department (HED);

- requiring the repayment of funds received from the Legislative Lottery Scholarship if the student fails to maintain academic and other eligibility requirements and graduate within the allowable semesters;
- requiring the amount of tuition assistance provided for the first two semesters to be repaid if the student fails to complete the student's education within six years; and
- requiring HED to establish procedures for collecting debts owed for repayment of scholarships received by students who fail to maintain eligibility or students who fail to meet the degree or certificate completion requirements of the bill.

**Fiscal Impact:**

SB 451 makes no appropriation.

**Fiscal Issues:**

The bill states that HED, in consultation with the student, shall establish terms of repayment of debt, including interest at the prime rate published in the eastern print edition of the *Wall Street Journal*; the current published prime rate is 3.25 percent.

According to the New Mexico Lottery Authority (NMLA), despite “record returns” over the last five years, New Mexico Lottery revenues have not been sufficient to cover the rising expenditures for student awards. Projections provided by the Department of Finance and Administration indicate that, under current circumstances, the Lottery Tuition Fund may be insolvent as early as FY 14.

During the 2011 interim, the Legislative Education Study Committee heard testimony from Mr. Tom Romero, Chief Executive Officer, NMLA. Alluding to the prior four years, Mr. Romero noted that ticket sales have been down, or flat, for a variety of reasons, including:

- the economic recession and prolonged recovery;
- loss of retailers that went out of business; and
- increasing food and gas prices.

Despite these setbacks, Mr. Romero emphasized that net revenues for the scholarship program have increased both in dollars and percentage due to strict fiscal discipline and severe cost-cutting. Mr. Romero explained that steps were taken to stabilize sales, including a new branding campaign, acquisition of 60 new stores, and the launch of a social media strategy to reach younger players. With these measures taken, based on its FY 12 budget, NMLA anticipated flat gross and net revenues over the next several years, with a sales forecast of \$136.4 million and a revenue forecast of \$41.0 million. According to a Fiscal Impact Report for a related bill, in FY 12 the Lottery Tuition Fund paid \$58.3 million in scholarships.

**Substantive Issues:**

According to ACT and The College Board, the New Mexico average composite scores for the ACT and the SAT for 2012 were 19.9 and 1625, respectively.

### **Technical Issues:**

Page two, lines 20 and 21 require students to be enrolled in 12 credit hours per semester of nonremedial courses. The sponsor may wish to consider amending the bill to read, “are enrolled in no fewer than 12 credit hours per semester of nonremedial courses.”

### **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.

To qualify for the 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;
- students whose parents are in the military; and
- individuals who either immediately enlist in, or have recently departed from, the US Armed Forces.

### **Committee Referrals:**

SEC/SJC/SFC

### **Related Bills:**

SB 392 *Lottery Tuition Fund Distributions*  
HB 27 *Expand Lottery Scholarship Eligibility*  
HB 28 *Lottery Scholarships at Tribal Colleges*  
HB 309 *Lottery Scholarship Program Solvency*