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FISCAL IMPACT REPORT

SPONSOR Dow ORIGINAL DATE 3/3/17
LAST UPDATED 3/9/17 HB 426/HECS

SHORT TITLE Lottery Scholarship Amount Changes SB _____

ANALYST Dulany

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$0.0	\$0.0	\$0.0	Recurring	Lottery Tuition Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 194, HB 237, HB 344, SB 188, SB 192, & SB 420

Conflicts with HB 425 & SB 276

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)
Western New Mexico University (WNMU)
New Mexico Military Institute (NMMI)
University of New Mexico (UNM)
Eastern New Mexico University (ENMU)
New Mexico State University (NMSU)

SUMMARY

Synopsis of Bill

The House Education Committee Substitute for House Bill 426 amends the Legislative Lottery Tuition Scholarship Act to establish a maximum award amount for qualified students of \$3,000 per semester for a student enrolled at a research institution, \$2,000 per semester for a student enrolled at a comprehensive institution, and \$1,000 per semester for a student enrolled at a community college.

The bill differentiates qualified students, who are limited to the scholarship amounts noted above, from legacy students, defined as those who have received the scholarship for one or more program semesters prior to the end of FY17. Legacy students continue to receive the scholarship for a maximum of seven semesters based on a uniform percentage of the average of in-state

tuition costs charged by each sector of higher education, similar to the methodology in current statute. Legacy students are required to complete 15 credit hours per semester for a student at a four-year institution and 12 credit hours per semester for students at a two-year institution.

Although the methodology identified in the bill is different when calculating scholarship amounts for legacy students and qualified students, HB 426/HECS requires “an award for a legacy student issued pursuant to the Legislative Lottery Tuition Scholarship Act shall not be less than an award for a qualified student...who attends the same public post-secondary educational institution.”

The bill would become effective July 1, 2017.

FISCAL IMPLICATIONS

Assuming revenues of \$41 million per year, which is consistent with historical revenues generated from lottery ticket sales, HED estimates the following scholarship amounts per semester under HB 426/HECS:

HB 426/HECS Lottery Scholarship Award Scenario

HB 426/HECS Maximum Award	Lottery Tuition Scholarship at 100% Award Level	HB 426/HECS adjusted award
\$3,000	\$65,097,000	\$1,626
\$2,000	\$5,082,000	\$1,084
\$1,000	\$2,332,000	\$542
\$1,000	\$3,125,000	\$542
Total	\$75,636,000	\$41,000,000

Source: HED

Because the committee substitute for HB 426 requires a legacy student’s award cannot be lower than a qualified student, HED indicates the award for both legacy and qualified students would be the same (see “Technical Issues”).

As shown in the attachment, award amounts for some students at community colleges exceed the tuition charged by the institution. The Legislative Lottery Tuition Scholarship Act defines “tuition scholarship” as “the scholarship that provides tuition assistance per program semester for a qualified or legacy student attending a public post-secondary educational institution.” As a result, it is assumed any award amount above the tuition level would be used to increase award amounts at all institutions; however, LFC staff estimate the total excess funds would have minimal impact on scholarship amounts.

SIGNIFICANT ISSUES

NMMI previously reported it anticipates this bill would have minimal effect on the institution due to its low number of scholarship recipients.

UNM asserts the distribution methodology in HB 426/HECS is inequitable and favors community colleges over four-year institutions because the scholarship would cover a higher portion of tuition for community college students. ENMU echoed these concerns in a previous analysis.

TECHNICAL ISSUES

HB 426/HECS requires HED to award scholarships to legacy students, defined as those who received the scholarship for one or more program semesters before the end of FY17, based on a uniform percentage. However, the department indicates provisions in the bill, specifically Section 4, Subsection E, would require HED to allocate scholarship award amounts to legacy students equal to those amounts awarded to qualified students. As shown in column E of the attachment, this eliminates the uniform percentage for legacy students required by the bill. NMSU suggests this issue removes the need to distinguish between qualified and legacy students.

TD/sb/al

Effect on Estimated FY18 Scholarship Amounts Based on FY17 Tuition Rates				
A	B	C	D	E
Per Semester	Full Time/Per Semester			Percent Covered by the Scholarship
Four Year Institutions Research	FY17 Resident In District Tuition Rate	HB 426 Scaled Award (Qualified Students) Over/(Under)	Legacy Student Over/(Under)	
1 NMIMT	\$2,920.43	(\$1,294.43)	(\$1,294.43)	55.7%
2 NMSU	\$2,653.50	(\$1,027.50)	(\$1,027.50)	61.3%
3 UNM	\$2,643.00	(\$1,017.00)	(\$1,017.00)	61.5%
4 Four Year Institutions Comprehensive				
5 ENMU	\$1,713.60	(\$629.60)	(\$629.60)	63.3%
6 NMHU	\$1,975.00	(\$891.00)	(\$891.00)	54.9%
7 NNMC	\$1,560.00	(\$476.00)	(\$476.00)	69.5%
8 WNMU	\$1,870.08	(\$786.08)	(\$786.08)	58.0%
9 Two Year Institutions Branches				
10 ENMU-Roswell	\$828.00	(\$286.00)	(\$286.00)	65.5%
11 ENMU-Ruidoso	\$516.00	\$26.00	\$26.00	105.0%
12 NMSU-Alamogordo	\$936.00	(\$394.00)	(\$394.00)	57.9%
13 NMSU-Carlsbad	\$468.00	\$74.00	\$74.00	115.8%
14 NMSU-Dona Ana	\$720.00	(\$178.00)	(\$178.00)	75.3%
15 NMSU-Grants	\$900.00	(\$358.00)	(\$358.00)	60.2%
16 UNM-Gallup	\$841.20	(\$299.20)	(\$299.20)	64.4%
17 UNM-Los Alamos	\$948.00	(\$406.00)	(\$406.00)	57.2%
18 UNM-Taos	\$900.00	(\$358.00)	(\$358.00)	60.2%
19 UNM-Valencia	\$858.00	(\$316.00)	(\$316.00)	63.2%
20 Two Year Institutions Independent				
21 CNM	\$624.00	(\$82.00)	(\$82.00)	86.9%
22 CCC	\$468.00	\$74.00	\$74.00	115.8%
23 LCC	\$456.00	\$86.00	\$86.00	118.9%
24 MCC	\$660.00	(\$118.00)	(\$118.00)	82.1%
25 NMJC	\$420.00	\$122.00	\$122.00	129.0%
26 SJC	\$552.00	(\$10.00)	(\$10.00)	98.2%
27 SFCC	\$564.00	(\$22.00)	(\$22.00)	96.1%
28 Special Schools				
29 NMMI	\$840.50	(\$298.50)	(\$298.50)	64.5%

Source: HED and LFC Files