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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
53rd Legislature, 2nd Session, 2018

Bill Number HB270 **Sponsor** Smith/Montoya

Tracking Number .209917.2 **Committee Referrals** HEC/HJC

Short Title Lottery Scholarship Awards & Tuition Costs

Analyst Rogne **Original Date** 2/12/18
Last Updated _____

BILL SUMMARY

Synopsis of Bill

House Bill 270 (HB270) removes language in the Legislative Lottery Tuition Scholarship Act directing scholarships to be calculated based on sector average tuition rates, effectively decoupling award amounts from tuition. The tuition-decoupled awards of \$1,500 research, \$1,020 comprehensive, and \$380 community college scholarships are granted to qualified students on a per semester basis. HB270 directs the Higher Education Department (HED) to raise or lower scholarships based on enrollment and available funding while holding the sector awards proportional to the amounts outlined in the legislation. The effective date of this bill is July 1, 2018.

FISCAL IMPACT

This bill does not contain an appropriation.

The following table shows the cost of tuition awards as directed by HB270, based on estimated FY19 revenue of \$38.5 million:

Sector	HB270 Proportional Award Per Semester	FY18 Average Tuition Per Semester	FY18 Estimated Enrollment*	Cost	FY19 Estimated Award
Research Universities	\$1,500	\$2,869	20,806	\$31,209,096	\$1,616
Comprehensive Universities	\$1,020	\$1,949	2,442	\$2,490,840	\$1,099
Community Colleges	\$380	\$713	5,343	\$2,030,254	\$409
Grand Total	-		28,591	\$37,658,250	-

* HED has not received the Spring 2018 lottery scholarship actuals at the time of this analysis.

Source: HED

SUBSTANTIVE ISSUES

The legislative lottery tuition scholarship is intended to increase access to postsecondary education, reduce financial burden on students, and increase educational attainment in New Mexico. The lottery scholarship is funded by 30 percent of lottery ticket sales. Since 2009, the cost of tuition scholarships has outpaced revenues from ticket sales; consequently, the balance of the lottery tuition fund has declined significantly in recent years.

By decoupling lottery scholarship award amounts from tuition, awards are based solely on enrollment and revenues. Decoupling awards from tuition amounts may discourage colleges from raising tuition. In addition, the flat awards based on the type of postsecondary institution may provide for some planning consistency for students and families, as they will be more certain of their award amount and cost of attendance from year to year.

Current Status of the Legislative Lottery Tuition Fund. According to the Legislative Lottery Scholarship Report published by HED in December 2017, in FY16 and FY17, the lottery scholarship covered 90 percent of sector average tuition. However, the lottery tuition fund has been shrinking because of a drop in revenues and rising tuition costs. For FY16 and FY17, Laws 2014, Chapter 80, directed a portion of the liquor excise tax to the lottery tuition fund, about \$19 million a year. With the sunset of the liquor excise tax revenue at the end of FY17, the tuition percentage was reduced in FY18 to 60 percent of sector average tuition. A summary of the FY17 lottery tuition fund activity can be found below.

FY17 Lottery Tuition Fund Activity Summary	
Cash Balance Beginning FY17	\$2,219,375
NM Lottery Authority Revenues	\$38,240,313
Liquor Excise Tax Revenue	\$19,419,756
Interest, Voluntary Contributions, Other Misc. Revenue	\$234,161
Subtotal FY17 Revenues + Carry Forward Balance	\$60,113,605
Fall 2016 Lottery Scholarship Payments	(\$26,876,909)
Spring 2017 Lottery Scholarship Payments	(\$31,045,363)
UNM Nursing Summer Payment	(\$130,494)
Subtotal FY17 Expenditures	(\$58,052,766)
Cash Balance Ending FY17	\$2,060,839
	Source: SHARE Financials

To be eligible for the lottery scholarship, students must attend postsecondary full-time up to (1) 16 months after high school graduation or receiving a high school equivalency credential; or (2) 16 months after military service begun within four months of high school graduation or receiving a high school equivalency credential. Qualified students must be residents of New Mexico. Statute defines full-time attendance as 15 or more credit hours per semester for students attending four-year postsecondary institutions, and 12 credit hours for students attending two-year institutions. Pursuant to current statute and rules set forth in 5.7.20 NMAC, students do not receive the lottery scholarship in their first semester of enrollment but instead have an initial qualifying semester supported by other institutional funds (the Bridge scholarship). Students must complete their first semester with a grade point average (GPA) of 2.5 or better, and maintain a 2.5 GPA or better, to receive the lottery scholarship.

In FY17, there were a total of 28,710 lottery scholarship recipients distributed by sector as follows:

- 20,916 recipients at the research institutions;
- 2,455 recipients at the four-year comprehensive colleges and;
- 5,339 recipients at the two-year independent and branch community colleges.

See Attachment 1 for FY17 student headcount and lottery scholarship recipients by postsecondary educational institution.

ADMINISTRATIVE IMPLICATIONS

The Financial Aid Division at HED administers the legislative lottery scholarship.

OTHER SIGNIFICANT ISSUES

According to FY18 general fund HED recommendation, New Mexico universities and community colleges have had their state support decreased by 7.4 percent from FY16.

RELATED BILLS

Related to HB147, Transmitting of Lottery Funds, which eliminates the requirement for the Lottery Authority to transfer at least 30 percent of the gross revenues from the sale of lottery tickets to the lottery tuition fund each month.

Conflicts with HB178, Lottery Scholarship Changes, which sets different decoupled tuition awards for comprehensive and community colleges and amends language regarding the fund balance required in the lottery tuition fund.

Conflicts with SB140, Lottery Scholarship Awards & Tuition Costs, which sets different decoupled tuition awards.

SOURCES OF INFORMATION

- LESC Files
- New Mexico Institute of Mining and Technology
- University of New Mexico
- Higher Education Department

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FY17 Student Headcount and Lottery Scholarship Recipients

Institution	Total Student Headcount	Lottery Scholarship Recipients	Scholarship Recipients as Percentages of Total Students
NM Tech	2,920	1,059	36.3%
NMSU	21,068	6,119	29.0%
UNM	36,848	13,738	37.3%
Research Sector Total	60,836	20,916	34.4%
ENMU	6,624	1,443	21.8%
NMHU	3,465	480	13.9%
NNMC	1,556	214	13.8%
WNMU	3,328	318	9.6%
Comprehensive Sector Total	14,972	2,455	16.4%
ENMU-RO	3,423	257	7.5%
ENMU-RU	653	26	4.0%
NMSU-AL	1,779	150	8.4%
NMSU-CA	2,011	140	7.0%
NMSU-DA	9,985	1,042	10.4%
NMSU-GR	848	44	5.2%
UNM-GA	3,153	93	3.0%
UNM-LA	932	90	9.7%
UNM-VA	2,363	297	12.6%
CNM	31,066	1,938	6.2%
CCC	3,494	69	2.0%
LCC	1,535	71	4.6%
MCC	803	39	4.9%
NMJC	3,621	190	5.2%
SJC	9,763	466	4.8%
SFCC	5,718	319	5.6%
NMMI	954	12	1.3%
Community College Sector Total	83,639	5,339	6.4%
Grand Total All Sectors	159,447	28,710	18.0%

Source: HED