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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Munoz/Correa Hemphill</u>	<b>LAST UPDATED</b> <u>2/13/2024</u>
	<b>ORIGINAL DATE</b> <u>2/1/2024</u>
<b>SHORT TITLE</b> <u>Lottery Scholarship Changes</u>	<b>BILL NUMBER</b> <u>Senate Bill 239/aHEC</u>
	<b>ANALYST</b> <u>Jorgensen</u>

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Lottery Scholarship	No Fiscal Impact	Indeterminate, Negative	Indeterminate, Negative	Indeterminate, Negative	Recurring	General Fund
Opportunity Scholarship	No Fiscal Impact	Indeterminate, Positive	Indeterminate, Positive	Indeterminate, Positive	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent analysis of this legislation.

### Sources of Information

LFC Files

Agency Analysis Received From (Original Bill):

- Higher Education Department (HED)
- New Mexico Independent Community Colleges (NMICC)
- New Mexico Institute of Mining and Technology (NM Tech)
- New Mexico State University (NMSU)

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

## SUMMARY

### Synopsis of HEC Amendment to Senate Bill 239

The House Education Committee amendment to Senate Bill 239 lowers the number of required credit hours for fall and spring semesters for lottery scholarship eligibility from 15 to 12 and requires students receiving the lottery scholarship to complete 30 credit hours per academic year, including summer semester.

The original bill imposes a cap on tuition rate increases, the HEC amendment changes the cap from permanent to temporary, lasting through FY28.

## **Synopsis of Original Senate Bill 239**

Senate Bill 239 (SB239) changes the definition of “full-time” for the purposes of determining eligibility for the lottery scholarship from a student taking 15 credit hours at a four-year college and 12 credit hours at a community college in both the fall and spring semesters to 30 credit hours at a four-year college and 24 credit hours at a community college per academic year. The bill also changes the definition of “program semesters” to include the summer semester which are currently ineligible for coverage under the lottery scholarship. SB239 also states that a student must take 12 credit hours and maintain a 2.5 grade point average in their first semester to qualify for the lottery scholarship. The current first semester requirement is “full-time” enrollment, or 15 hours at a four-year college or 12 credit hours at a community college.

SB239 requires the Higher Education Department to determine the maximum distribution of the opportunity scholarship “based on the annual increase in the higher education price index for the mountain region.”

HB239 states that any college credit received by a high school student (dual credit) shall not count towards the credit hour caps of the opportunity scholarship. Currently, the opportunity scholarship will pay tuition and fees for up to 90 credit hours for students seeking an associate degree and 160 credit hours for students seeking a bachelor's degree.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

## **FISCAL IMPLICATIONS**

Making summer semesters eligible for tuition coverage under the lottery scholarship will increase the cost to the lottery scholarship program. However, lottery students who take summer courses are currently eligible for tuition and fee coverage under the opportunity scholarship which will likely reduce the costs to the opportunity scholarship program. Therefore, the cost to the state general fund, which provides the majority of funding for these programs, would likely not change. Reducing the required credit hour threshold for lottery scholarship students may result in fewer students losing the scholarship due to low grades or insufficient credit hours to maintain eligibility, increasing overall lottery scholarship costs. The estimated additional operating budget impact table shows indeterminate negative impacts to the lottery scholarship fund and indeterminate positive impacts to the opportunity scholarship fund to illustrate the offsetting effect of covering summer semesters with lottery scholarship.

Removing dual credit courses from the cap on the number of credit hours eligible for coverage under the opportunity scholarship will likely increase costs to the opportunity scholarship fund, however there is currently no data showing how this may impact student behavior. For this reason, the fiscal impact is unknown.

## **SIGNIFICANT ISSUES**

SB239 states that a student may receive the lottery scholarship for up to seven fall and spring semesters and adds eligibility for up to three summer semesters for a total of 10 semesters covered by the scholarship. If summer semesters are included, a typical four-year degree would

take 12 semesters to complete and SB239 would make 10 of those semesters eligible to be covered by the lottery scholarship.

HED is responsible for determining the distribution of opportunity scholarship funding to individual higher education institutions (HEI) based on the available balance in the opportunity scholarship fund and the projected enrollment of each HEI. SB239 adds a requirement that HED “shall determine the maximum distribution to each public post-secondary education institution and tribal college based on the annual increase in the higher education price index for the mountain region.” Tuition and fees are set by the boards of regents for each HEI without a state-imposed cap on tuition rates. This resulted in widely varying tuition rates across similar institutions. For example, full-time tuition and fees at Western New Mexico University are \$4,917 while full-time tuition and fees are \$2,532 at Northern New Mexico College. If reimbursable tuition increases were to be capped based on a price index, it would not be possible to increase tuition in excess of the price index without a statutory change.

## PERFORMANCE IMPLICATIONS

NMSU reports:

Removing credits earned through dual credit will greatly assist students who enroll at NMSU. We currently have over 200 dual credit students on the NMSU-Las Cruces campus. Many of them will exceed the 160-credit limit before they reach graduation. This will allow them to use the tuition scholarship until their graduation.

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