

<b>LFC Requester:</b>	LFC
-----------------------	-----

**AGENCY BILL ANALYSIS  
2026 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:**

[LFC@NMLEGIS.GOV](mailto:LFC@NMLEGIS.GOV)

*and*

[DFA@STATE.NM.US](mailto:DFA@STATE.NM.US)

*{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

*Click all that apply:*

**Original**  **Amendment**   
**Correction**  **Substitute**

**Date Prepared:** 2026-02-05  
**Bill No:** SB309

**Sponsor:** J **Agency Name and Code** NMHED  
Gonzales, Roberto "Bobby" **Number:** \_\_\_\_\_  
**Short Title:** LOTTERY DEPOSITS INTO TUITION FUND **Person Writing:** Romero, Heather  
**Title:** \_\_\_\_\_ **Phone:** 5053653198 **Email:** heather.romero@hed.nm.gov

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
N/A	N/A	N/A	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue	Recurring	Fund Affected

FY26	FY27	FY28	or Nonrecurring	
N/A	\$43,000.0	\$43,000.0	Lottery Tuition Fund	Lottery Tuition Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	N/A	N/A	N/A	N/A	N/A	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act:

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Senate Bill 309 (SB309) amends Section 6-24-21 NMSA 1978 to authorize the New Mexico Lottery Authority (NMLA) to require monthly net receipts from the sale of lottery games to be deposited into the Lottery Tuition Fund. The bill provides that, if the minimum annual deposit is not realized, deposits shall revert to thirty percent (30%) of gross revenue each month.

The New Mexico Higher Education Department's (NMHED's) analysis of this bill focuses on the higher education implications of the proposed legislation. Additional insight may be obtained from other agencies' analyses.

**FISCAL IMPLICATIONS**

SB309 would require monthly net revenue, after prizes and operating expenses, to be deposited into the Lottery Tuition Fund.

For FY27 through FY29, if annual deposits fall below forty-three million dollars (\$43,000,000) for two consecutive fiscal years, the deposit method would revert to thirty percent (30%) of gross monthly revenue.

Beginning in FY30, the annual threshold increases to forty-five million dollars (\$45,000,000). If this threshold is met, the net revenue deposit method continues; if not, the law automatically reverts to the gross revenue model.

In FY25, NMHED received a total of forty-four million six hundred eighty-eight thousand four hundred sixty-five dollars (\$44,688,465) in transfers to the Lottery Tuition Fund. From FY24 to FY25, NMHED experienced a significant decrease in Lottery transfers of six million three hundred thousand dollars (\$6,300,000).

Fiscal Year	Revenue Transfer
FY23	\$ 50,559,019
FY24	\$ 51,048,059
FY25	\$ 44,688,465
Average Transfer	\$ 48,765,181

## SIGNIFICANT ISSUES

The purpose of the New Mexico Legislative Lottery Scholarship is to provide tuition assistance for qualified students pursuant to the Legislative Lottery Tuition Scholarship Act. A portion of lottery ticket sales proceeds is deposited into the Lottery Tuition Fund to support the scholarship. Since 2009, the cost of tuition scholarships has outpaced revenues from lottery ticket sales. As a result, the year-end balance of the Lottery Tuition Fund has declined significantly in recent years, requiring special appropriations to sustain the program. Following statutory changes enacted in 2023 that allow greater flexibility over the academic year and permit summer enrollment, the Legislative Lottery Scholarship has experienced an increase in first-time freshman enrollment.

Senate Bill 309 amends Section 6-24-24 NMSA 1978 to change how lottery revenues are transferred to the Lottery Tuition Fund. The bill replaces the current fixed monthly transfer based on a percentage of gross revenue with a transfer based on net revenue, while establishing minimum annual deposit thresholds that trigger a reversion to the gross-revenue model if those thresholds are not met.

This proposal shifts lottery transfers to the Lottery Tuition Fund from a fixed thirty percent (30%) of gross monthly revenue to a net-revenue model, creating potential upside while introducing additional risk. If lottery sales increase and operating expenses are effectively managed, net-revenue deposits could exceed amounts generated under the current gross-percentage model, potentially increasing long-term funding for the Lottery Tuition Fund. The change also provides the New Mexico Lottery Authority with greater operational flexibility to adjust prize structures, marketing strategies, and other expenditures without the constraint of a fixed gross transfer, which may support sales growth over time. However, this flexibility introduces greater variability, as higher expenses or prize payouts could reduce net transfers in the short term, making funding levels less predictable despite the bill's long-term safeguards.

Because the reversion mechanism is triggered only after two consecutive years of underperformance, reduced funding levels could persist for multiple fiscal years before the statutory safeguard takes effect. During this period, NMHED's funding for the Legislative Lottery Scholarship could remain below historical levels. In the absence of additional appropriations, the Legislative Lottery Scholarship Act requires NMHED to distribute funds as follows:

- One thousand five hundred dollars (\$1,500) per scholarship per program semester for a student enrolled at a research institution;

- One thousand twenty dollars (\$1,020) per scholarship per program semester for a student enrolled at a comprehensive institution; and
- Three hundred eighty dollars (\$380) per scholarship per program semester for a student enrolled at a community college.

Over the past three consecutive years, NMHED has supported one hundred percent (100%) of tuition assistance for eligible students attending postsecondary institutions in New Mexico. In fall 2025, NMHED supported more than eleven thousand (11,000) eligible students. Since the inception of the Legislative Lottery Scholarship, the program has supported more than one hundred sixty-one thousand (161,000) students and distributed more than one million two hundred thousand dollars (\$1,200,000) in scholarship funding. During FY25 alone, more than fifteen thousand seven hundred (15,700) students received tuition support.

#### PERFORMANCE IMPLICATIONS

SB309 represents a shift from a fixed, predictable funding model to a performance-based revenue approach. The bill introduces the potential for increased Lottery Tuition Fund transfers under certain revenue conditions, while also increasing short-term volatility and forecasting uncertainty. Although minimum annual deposit thresholds are included to limit long-term risk, funding levels for the Legislative Lottery Scholarship may vary during the transition period.

#### ADMINISTRATIVE IMPLICATIONS

NMHED administers compliance for the Legislative Lottery Scholarship and the Lottery Tuition Fund, including projecting net revenue, calculating transfers, and conducting annual performance monitoring with multi-year analysis of enrollment trends and institutional tuition levels.

#### CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A

#### TECHNICAL ISSUES

N/A

#### OTHER SUBSTANTIVE ISSUES

N/A

#### ALTERNATIVES

N/A

#### WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

N/A

#### AMENDMENTS

N/A

