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December 13, 2010

MEMORANDUM

TO: Legislative Education Study Committee

FR: Ally Hudson

RE: STAFF REPORT: LOTTERY STUDY COMMITTEE: UPDATE

INTRODUCTION

In June 2010, a staff report to the Legislative Education Study Committee (LESC) noted a number of issues with the Legislative Lottery Scholarship, among them dissemination of information about the scholarship, demographic characteristics of scholarship recipients, educational outcomes of recipients, and the status of the Lottery Tuition Fund. In response to some of these issues – the status of the Lottery Tuition Fund in particular – and with the intent of considering strategies to address such other issues as rising tuition and increasing enrollments, the Higher Education Department (HED) convened the Lottery Study Committee in late summer 2010. Intended to provide broad representation, the membership comprises:

- representatives of two-year and four-year postsecondary institutions, including financial aid directors;
- the Director of Financial Aid at HED;
- other HED staff;
- the Chief Executive Officer of the New Mexico Lottery;
- Department of Finance and Administration staff; and
- LESC staff.

This staff report:

- summarizes the composition and deliberations of the Lottery Study Committee; and
- provides a brief background about the Legislative Lottery Scholarship.

THE COMPOSITION AND DELIBERATIONS OF THE LOTTERY STUDY COMMITTEE

The work group met three times during the 2010 interim, in addition to communication via email. Through the course of their deliberations, the Lottery Study Committee members identified three issues that merit further discussion:

- whether the lottery scholarship should pay for remedial coursework;
- how to clarify whether a student has earned a high school diploma, which is one of the eligibility criteria, or merely a certificate of completion; and
- the challenges encountered by students with disabilities as they try to complete degrees.

Regarding remedial coursework, HED has explained that, under current provisions, a student may be enrolled in one or more remedial classes (for which no grade is earned) and still qualify for the lottery scholarship as long as the student maintains a 2.5 GPA in college-level classes. The committee has questioned whether the original intent of the scholarship was to subsidize remedial studies.

The confusion surrounding a student's receipt of a diploma vs. a certificate of completion stems from a statute cited in the June 2010 LESC staff report: "if a student exits from the school system at the end of grade 12 without having passed a state graduation examination, the student shall receive an appropriate state certificate." This certificate, commonly referred to as a certificate of completion, is not equivalent to a high school diploma. According to the Public Education Department (PED), a student's official high school transcript should clarify if he or she received a diploma or a certificate of completion. However, both HED and a number of postsecondary institutions have reported that transcripts do not contain this information. Consequently, decisions regarding acceptance into the college and scholarship eligibility can be difficult. For those institutions that are not open-enrollment, a certificate would not be sufficient for college acceptance. Furthermore, a certificate would not qualify a student for bridge or lottery funds.

As reported earlier in this interim, in 2007 LESC-endorsed legislation was enacted to amend the definition of the term "full time" and the maximum number of consecutive semesters of eligibility for students with disabilities to provide that "full time" means at least six credit hours per semester and that eligibility extends up to 14 consecutive semesters. Through the course of its discussions, however, the Lottery Study Committee identified two issues regarding students with disabilities who receive the lottery scholarship:

- like other students, many students with disabilities receive a high school certificate of completion, as opposed to a diploma, therefore calling into question their scholarship eligibility; and
- according to observations from postsecondary faculty and administration, some of these students are struggling to complete credits toward a degree.

Through their analyses of these particular issues and the solvency of the Lottery Tuition Fund, the members of the study committee have considered a range of ideas. Some of these ideas would increase the requirements of qualifying for or maintaining the lottery scholarship:

- Require a high school cumulative GPA of 2.0, or an American College Testing (ACT) composite score of 17 or above.
 - **Issue:** According to the Lottery Study Committee, this recommendation would affect two-year community colleges more significantly than four-year institutions. Additionally, the committee indicated that this recommendation would have a minimal fiscal impact.
- In FY 12, increase the number of required credit hours from 12 per semester to 27 per year; and, by FY 14, phase in a requirement for 30 credit hours per year.
 - **Note:** The Lottery Study Committee has indicated that students will still be required to maintain full-time status, or a minimum of 12 credit hours, for both the fall and spring semesters.
- Increase the required cumulative GPA from 2.5 to 2.75.

Other ideas that the study committee discussed would revise the conditions required or allowed:

- restrict lottery scholarship coverage to six credit hours of remedial coursework;
- cap lottery scholarship coverage at 18 credit hours per semester;
- limit General Educational Development (GED) eligibility to no older than 24 years of age;
- allow for year-round lottery scholarship coverage for those students who want to take summer coursework or are in programs that require year-round enrollment; and
- request that PED clarify the difference among a diploma, GED certificate, and certificate of completion on a student's high school transcript.

Finally, the Lottery Study Committee was made aware of a provision in HED's administrative code that allows individuals to move to New Mexico and qualify for the lottery scholarship prior to establishing residency, which is another eligibility criterion in state law. According to an HED representative, "rules provide an exception to the 12-month [residential] requirement for a person, the person's spouse and dependents if the person can provide evidence of a permanent full-time position, conducting business or practicing a profession" in New Mexico. Consequently, the Lottery Study Committee questioned whether this exception should be reviewed in terms of its impact on the Legislative Lottery Scholarship.

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 Legislative Lottery 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 that either immediately enlist in, or have recently departed from, the US Armed Forces.

Since its inception, the New Mexico Lottery has raised \$459 million for education, and more than 68,000 students have attended college on lottery scholarships.