

**Minutes  
of the  
Second Meeting  
of the  
Lottery Tuition Scholarship Study Subcommittee  
July 28, 2005 ★ Room 307, State Capitol**

The second meeting of the lottery tuition scholarship study subcommittee was called to order by Senator Michael S. Sanchez, chairman, at 10:25 a.m. on July 28, 2005 in Room 307, State Capitol.

**Present were:**

Sen. Michael S. Sanchez, chairman  
Rep. W. Ken Martinez, vice chairman  
Sen. Timothy Z. Jennings  
Rep. James Roger Madalena  
Rep. Rick Miera  
Sen. John Arthur Smith  
Rep. Jeannette O. Wallace

**Absent were:**

Sen. Stuart Ingle  
Rep. Terry T. Marquardt  
Sen. Leonard Lee Rawson

**Advisory members:**

Rep. William "Ed" Boykin  
Rep. Donald E. Bratton  
Sen. Kent L. Cravens  
Sen. Joseph A. Fidel  
Rep. Ben Lujan

Rep. Irvin Harrison  
Sen. Lidio G. Rainaldi  
Rep. Teresa A. Zanetti

**Staff:** Paula Tackett, Lisa Barsumian

**Guests:** The guest list is in the meeting file.

Copies of written testimony and handouts are in the meeting file.

The chairman welcomed subcommittee members and guests to the meeting. The minutes of the first meeting were approved as submitted.

***Lottery Tuition Scholarship Program History, Structure and Participation — Katherine Cantrell, Higher Education Department***

Ms. Cantrell, acting secretary of higher education, presented written testimony on these topics. Following her presentation and in response to questions, Ms. Cantrell explained that a student does not have a second chance to qualify for a lottery tuition scholarship if the student fails to qualify during the student's first semester of college; program rules give each institution discretion regarding reinstatement of a student who fails to remain qualified after the second semester. Senator Jennings cited a case in which a student lost her chance for a scholarship

because she dropped a course during her first semester, thereby not meeting the courseload requirement. Ms. Cantrell agreed that the department needs to work with advisors so that students are informed about the requirements, but added that students are getting strategic about qualifying for scholarships. Senator Jennings pointed out that if a student only takes 12 credit hours each semester and the scholarship only pays for eight semesters, that the scholarship will run out before that student completes his degree. Senator Cravens inquired whether probation consists of one semester, to which Ms. Cantrell responded that the student remains on probation until the student re-qualifies. Representative Bratton asked if students are given credit for work-study and internships, to which Ms. Cantrell responded that they do. Chairman Sanchez asked about the situation regarding bridge scholarships, citing that UNM previously gave them "carte blanche" but now requires applications, as does NMSU. Carlos Rey Romero, representing UNM, responded that UNM does not require applications.

★ Chairman Sanchez requested Mr. Romero to find out if UNM branches are aware that bridge scholarships do not require applications.

A student government representative of NMSU stated that that university does not require applications but acknowledged that there have been some problems with these scholarships. Chairman Sanchez asked about rulemaking authority given to the department by the legislature in terms of reinstatement. Ms. Cantrell explained that in 2003, program rules were changed to allow reinstatement. Maria Martinez, director of financial aid for the department, clarified that the rules give schools discretion for all semesters, including the first semester. If a student appeals a school decision to the department, documentation of a valid reason is needed for failing to qualify. Medical reports following a car accident would be considered valid, but guilt over failure to make the required GPA due to excessive partying would not be considered valid. Dave Lepre, director of the council of university presidents, stated that all six public universities provide bridge scholarships.

★ Chairman Sanchez asked that Mr. Lepre provide information on how high schools are informed about these scholarships.

★ Chairman Sanchez also requested information about how many students remain in school if they fail to qualify for lottery tuition scholarships during the first semester and how many students continue in school after they lose their tuition scholarships. He also asked if the department notifies school districts if students require remedial education once they enter college.

Ms. Cantrell explained the high school initiative, which began as a result of the fall 2004 New Mexico First town hall meeting. This initiative collects post-secondary college retention data by high schools. It is a collaborative project between the public education department and the state colleges to improve the rigor of the high school curriculum. Chairman Sanchez mentioned that some high school students are taking college courses while still in high school and expressed his interest in allowing lottery tuition scholarships to apply in this situation. Representative Miera said the legislature had passed a law to improve coordination between high

schools and universities by aligning high school curricula and end-of-course tests with the state post-secondary schools' placement tests. He added that some students drop out of school, get a GED and then start college early. Chairman Sanchez agreed that juniors and seniors in high school are taking college courses and expressed amazement that some counselors fail to inform students of the lottery tuition scholarships, so some students are unaware of it. Ms. Cantrell acknowledged that "getting the word out" is a top department priority and, due to the small size of her staff, the department is collaborating with other entities such as the education trust board, New Mexico lottery authority and office on African-American affairs to access their networks to publicize the scholarship. Senator Smith expressed interest in seeing data that addresses cost efficiencies versus success rates.

With regard to participation and enrollment, Ms. Cantrell said she would like to improve the percentage of Native Americans who receive scholarships. The percentage of male and female recipients tracks overall college enrollment, as do the ethnic percentages. Chairman Sanchez asked about the department's efforts to notify Native Americans about the scholarships. Ms. Cantrell explained that with the creation of the higher education department, the memorandum of understanding with the state's tribal entities needs to be updated, that dissemination of scholarship information to the pueblos has been poor and Navajo chapter houses have been used as points of dissemination. Chairman Sanchez suggested that the department check with legislators who represent Native American constituents and ask for their advice. Representative Madalena discussed Native American schools, their tuition rates and enrollment. Representative Martinez asked which schools serve the most Native American students. Senator Jennings noted that Navajos attend NMHU tuition-free.

★ A request was made for information on the graduation rates of lottery tuition scholarship students, tuition rates in surrounding states and the graduation rates for schools before and after the discontinuation of open enrollment.

***Lottery Tuition Fund Revenue and Outlook—Tom Shaheen, New Mexico Lottery Authority***

Mr. Shaheen provided an overview of the New Mexico lottery and lottery tuition fund revenues. Chairman Sanchez asked how much money the authority carries over, to which Mr. Shaheen answered that the authority is only allowed to carry over \$50,000 from one year to the next. Representative Madalena inquired about the cross-promotion with the Santa Ana casino, which was canceled at the behest of Governor Richardson. Mr. Shaheen explained that the lottery game in question would have been the first scratch-off game collaboration with a casino and there had been plans to expand to other casinos. The authority anticipated the game would have generated approximately \$500,000. In response to a question about why the game was canceled, Mr. Shaheen explained that the governor felt it was an expansion of Class 3 gaming. Representative Madalena commented that the partnership would have been beneficial. Senator Smith questioned whether the game would actually have been an expansion of Class 3 gaming since the intent of the legislature had been to give the authority flexibility when it was created.

Mr. Shaheen went on to compare New Mexico's lottery to other state lotteries. Georgia's program is the most similar; however, because of program expansions, the state now has more

students than available funds. In its second year, the Florida lottery decided to use only lottery funds for education and has encountered problems. The challenge facing the New Mexico lottery is sustaining revenue, which means either encouraging existing lottery players to spend more money or finding new players. New Mexico lottery players prefer either scratch-off games or Power Ball. A discussion ensued about Power Ball.

★ Mr. Shaheen was asked to provide information on the effect of the Hobbs racino on lottery ticket sales in that part of the state.

Chairman Sanchez asked if non-Indian casinos have been asked to contribute money to lottery scholarships. Senator Smith noted that these casinos pay a 26 percent tax to the state, which generates about \$38 million annually, and the establishment of the Hobbs racino is expected to raise that amount to \$61 million.

***Lottery Tuition Scholarship Program Expenditures, Balances and Projections — Higher Education Department***

Ms. Cantrell made the second half of her presentation, which was accompanied by a handout. She pointed out that the lottery tuition scholarship fund balance is projected to increase until 2007-2008, and by 2011, the fund is expected to end up short of meeting the ability to pay 100 percent tuition costs for eligible students. She explained that the projections are based on certain assumptions and any changes in the program and the current assumptions would affect the projections. Ms. Cantrell demonstrated the model the department uses in its forecasting. She noted that sales of lottery tickets are leveling off, but New Mexico has been luckier than some other states in sustaining lottery revenue over a period of time.

There being no further business, Chairman Sanchez adjourned the subcommittee meeting at 2:15 p.m.

The next meeting of the subcommittee is August 26 in Room 307, State Capitol.