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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/26/11

SPONSOR O'Neill LAST UPDATED \_\_\_\_\_ HB 62

SHORT TITLE Extend Lottery Scholarship Application Time SB \_\_\_\_\_

ANALYST Aguilar

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	(\$1,000.0)	(\$1,000.0)	Recurring	Lottery Scholarship Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Independent Community Colleges (NMICC)  
Higher Education Department (HED)  
Public Education Department (PED)

#### Responses Not Received

New Mexico Lottery Authority

### SUMMARY

#### Synopsis of Bill

House Bill 62 extends to 16 months the period of time following high school graduation or receipt of a GED that New Mexico students must enroll in a public postsecondary institution to become eligible to receive the New Mexico Legislative Lottery Scholarship.

### FISCAL IMPLICATIONS

Although current data on fiscal implications are not available, an analysis of an identical bill, HB-74 in 2007, noted that there would be an overall negative recurring impact incurred by the Lottery Tuition Fund. A projection received from the Higher Education Department in 2007 forecast an increase of about 322 students additional for FY08, decreasing the Lottery Tuition Fund by \$852 thousand. Enrollment data from FY09 and FY10 indicates enrollment at the

state's two-year institutions has increased by about 14 percent and at four-year institutions by 9.5 percent, suggesting this amount will grow significantly in FY12, continuing to put pressure on the lottery fund.

## **SIGNIFICANT ISSUES**

For FY09, lottery expenditures of about \$43.3 million exceeded lottery income of about \$41.5 million and lottery fund balances declined, leaving a smaller pool from which to earn interest. This continued in FY10 where the corpus of the fund was tapped in order to reimburse the public postsecondary institutions.

An LFC performance evaluation of the University of New Mexico and New Mexico State University reports that in the current fiscal climate, general fund support will likely continue to be reduced causing institutions to consider raising tuition. Assuming an average tuition increase over the next few years of 7 percent and interest earned on the lottery fund of about 1.5 percent, the projected FY12 lottery fund balance of about \$34 million will be about half of what it was in FY09 and is expected to zero out in FY14. While these projections could be viewed as worst case, even best case scenarios raise concerns. Assuming a 5 percent tuition increase, slower growth in the number of recipients, and moderate increases in revenues, the fund will have a negative balance in FY15.

Currently, the Legislative Lottery Study Committee is working on analyzing data from the two- and four-year institutions to determine whether changes should be made to eligibility requirements as the fund is currently expending more than the annual revenues provide

In 2009, Achieve, Inc. compiled the following data for New Mexico to demonstrate the need for higher education:

- 77% of New Mexico jobs require at least some postsecondary training.
- 36% of New Mexicans hold an Associate Degree or higher.

The Higher Education Department (HED) formed a Lottery Study Committee in 2010. This Committee identified a lack of data as a barrier to determine the true cost and effectiveness of the Lottery Scholarship.

It is unknown how many high school graduates/GED recipients wait one to two semesters before attending college. Therefore, it is not possible to identify how many students would be affected by this bill.

Since its inception, the New Mexico Lottery has raised \$417 million for education, and more than 61,000 students have attended college on lottery scholarships.

Total lottery disbursements have increased from \$76,901 in 1997 to \$43,236,870 in 2008.

## **TECHNICAL ISSUES**

On page 1, line 24: The correct name of Northern New Mexico College for statutory purposes as contained in the constitution is "Northern New Mexico State School." Although the school

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chooses to use the “college” descriptor, LCS notes “state school” is the correct terminology that should be used in statutes.

HJA/mew:bym