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FISCAL IMPACT REPORT

ORIGINAL DATE 02/04/11

SPONSOR Begaye LAST UPDATED _____ HB 92

SHORT TITLE Lottery Scholarships for Tribal Colleges SB _____

ANALYST Aguilar

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	\$0.0	\$260.0	\$260.0	\$520.0	Recurring	Lottery Tuition Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 62, SB 226

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)
 New Mexico Lottery Authority (NMLA)
 State Investment Council (SIC)
 Office of Education Accountability (OEA)
 Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 92 provides for students attending tribal colleges to receive lottery tuition scholarships under the same criteria as students attending public post secondary institutions and makes technical corrections to existing statute.

The bill defines “tribal colleges and prescribes eligibility requirements.

FISCAL IMPLICATIONS

An analysis conducted by the financial aid division of the higher education department indicates that approximately 27 percent of undergraduate students who attend four-year postsecondary institutions receive the Legislative Lottery scholarship. Using similar assumptions and current

membership and tuition rates, it is estimated that the added number of eligible students would have an impact of approximately \$260 thousand annually to the Legislative Lottery Scholarship 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

According to the higher education department, during the 2008-2009 academic year, 16,306 Native American students attended New Mexico public postsecondary institutions and approximately 2,400 students attended New Mexico's four tribal institutions.

Dine College	539*
Institute of American Indian and Alaska Native Culture	332
Navajo Technical College	692
Southwestern Indian Polytechnic Institute	799

*Dine headcount is based on an AY2006 figure; request for headcount information from Dine for AY2008 was not received. Total headcount is therefore an estimate.

Of the four institutions, Southwestern Indian Polytechnic Institute (SIPI) students do not pay tuition because it is federally funded and only accepts students who meet its tribal affiliation criteria. Since the lottery scholarship is to be used for tuition only, it is unclear if this institution should be included in the definition of eligible institutions.

PESD notes that in New Mexico, American Indian students, who make up 11% of the student population, have the largest achievement gap of any subgroup as measured by the New Mexico Standards Based Assessment (NMSBA).

American Indian students graduate from high school at a lower rate than any subgroup as measured by the PED four-year cohort graduation rate (For the class of 2009: 58 percent for American Indian vs. 66 percent for all students).

According to a 2005 report on trends of American Indian students published by the National Center for Education Statistics, more than 50 percent of those who transfer from Tribal colleges to four-year public postsecondary institutions do graduate.

American Indian students from New Mexico who choose to begin their college career at a tribal college and later transfer to a New Mexico public college or university are currently not eligible for the lottery scholarship.

PERFORMANCE IMPLICATIONS

Performance measures will need to be created by HED to measure the fiscal impact to the Legislative Lottery Scholarship. In order to adequately track the effectiveness of the lottery scholarships, tribal institutions will be required to report student enrollment information to HED on a semester basis. This would be a significant change in practice since currently no tribal institutions that report its student enrollment information to the department.

TECHNICAL ISSUES

It is unclear if HB-92 has constitutional implications relating to the anti-donation clause. In an October 1996 letter, the New Mexico Attorney General expressed the opinion that tribally controlled high schools were not private schools within the meaning of the anti-donation clause, and thus could receive appropriations from the General Fund for capital projects. It is unclear if this would apply to lottery scholarships.

HJA/svb