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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/21/11

SPONSOR    SEC \_\_\_\_\_ LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE    Enact "Legislative Lottery Tuition Act"    SB 226/SECS \_\_\_\_\_

ANALYST    Haug \_\_\_\_\_

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

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		NFI	NFI			

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

### SUMMARY

#### Synopsis of Bill

Senate Education Committee Substitute for Senate Bill 226, with the emergency clause, would create a Lottery Study Group to study the solvency of the Legislative Lottery Scholarship.

The Lottery Study Group would meet annually relating to the solvency of the Lottery Tuition Fund. The group would be required to report annually to the Governor, the Legislative Education Study Committee (LESC) and the Legislative Finance Committee (LFC).

The study group would be staffed by the HED and chaired by the Secretary of Higher Education. At a minimum the Study Group would include: participants:

- (1) the secretary of the HED;
- (2) the presidents of two research universities or their designees;
- (3) the presidents of two comprehensive universities or their designees;
- (4) the presidents of two independent community colleges or their designees;
- (5) the president or the president's designee of one branch college;
- (6) a student representative selected from a college or university student organization;
- (7) a member of the LESG appointed by the committee chair;

- (8) a member of the LFC appointed by the committee chair;
- (9) a representative of the New Mexico Lottery Authority appointed by the Authority's chair;  
and
- (10) a representative of the Department of Finance and Administration (DFA) appointed by the Secretary of Finance and Administration.

### **FISCAL IMPLICATIONS**

The HED states that it has convened a Lottery Study Committee as of September 2010 to look at the solvency of the Lottery Tuition Fund. It was an informal group that met only three times and began to collect data from the institutions. Since the Department is already convening meetings to study the solvency of the fund, this legislation will add no additional administrative burden. HED reported no additional financial impact.

### **SIGNIFICANT ISSUES**

The HED comments:

The Lottery Tuition Fund has been modeled many times with different variables. The consensus is that based on current demand against the fund and the parameters in place now, the fund could expire in FY14 or FY15 based on 5% or less tuition increases. The Lottery Tuition Fund this year lost 6% of revenues and funding is expected to remain flat. Since its inception the Legislative Lottery Scholarship has helped more than 61,000 students for a total over \$330,000,000.

Last spring 2010, with the help of the data modeled by NMHED, it was clear that the Department needed to be proactive and start coming up with possible solutions to the looming financial crisis. Thus a committee was put together to begin the discussion.

The Lottery Study Committee has met with representatives of the Lottery Authority, financial aid directors around the state and representatives of the institutions of higher education, as well as the LESC, DFA, and other NMHED staff. After the last meeting in December 2010, NMHED sent out a memo to the institutions of higher education that participate in the program and had them return data on different Grade Point Average points and increasing credit hours from twelve hours to fifteen hours. The Committee had determined this was the first group of variables to be addressed and analyzed how these changes might affect students. The data was due to NMHED by January 10, 2011. At the time of this analysis, NMHED has received the data from most of the institutions and is currently compiling the data for use at the next meeting. There are many other ideas to be explored, as this is not an easy task. The Committee has determined that some solutions seem to hinder two-year institutions or conversely four-year institutions. Once the analysis is complete, NMHED will have a good idea of the actions that will be needed to preserve the Lottery Tuition Fund.

### **TECHNICAL ISSUES**

The HED suggests that the Secretary or Secretary's designee be permitted to serve as the chair.

GH/bym