

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SB 49

50th Legislature, 2nd Session, 2012

Tracking Number: .187143.3

Short Title: Accredited Home School Lottery Scholarships

Sponsor(s): Senator Tim Eichenberg

Analyst: Travis Dulany

Date: February 2, 2012

Bill Summary:

SB 49 extends the Legislative Lottery Scholarship to New Mexico students who complete a nationally accredited home-based high school educational program; or in the student's senior year, participate in a high school foreign exchange program.

Fiscal Impact:

SB 49 does not contain an appropriation.

Fiscal Issues:

It is unclear what effect SB 49 would have on the Legislative Lottery Scholarship, as the Public Education Department (PED) does not maintain information on:

- the number of home-schooled students who participate in or complete a nationally accredited high school educational program;
- the number of home-schooled students who obtain a GED, a vehicle through which they may be eligible for the Legislative Lottery Scholarship if they so choose; or
- the number of students who participate in a foreign exchange program during their senior year.

According to the New Mexico Lottery Authority (NMLA):

- the undetermined liability from SB 49 could accelerate insolvency for the lottery scholarship fund;
- projections provided by the Department of Finance and Administration (DFA) indicate that the Legislative Lottery Scholarship Fund may be insolvent as early as FY 14.

Technical Issues:

SB 49 states that, "A New Mexico high school student who participates in the high school's foreign exchange program and attends a foreign high school in the student's senior year is considered a graduate of the student's New Mexico high school for purposes of the legislative lottery scholarship program." The bill's sponsor may wish to specify that the senior must demonstrate the *completion* of the foreign exchange program, as well as the fulfillment of all New Mexico graduation requirements, rather than just participation.

Background:

The Legislative Lottery Scholarship

New Mexico law requires the NMLA to distribute at least 50 percent of lottery proceeds to players in the form of prizes. Additional funds are allocated to cover the cost of lottery products, as well as retailer commission and administrative costs. Once these expenses have been paid, the New Mexico Lottery delivers all net proceeds to the State of New Mexico to fund the Legislative Lottery Scholarship. For FY 11, these net proceeds resulted in \$41.3 million, or 30.5 percent of total gross revenue, while \$53.0 million was expended to cover scholarships throughout the state.

Higher Education Department (HED) data show that students attending college on the Legislative Lottery Scholarship have an average graduation rate of 60 percent compared to an overall graduation rate of 42 percent for all New Mexico students completing a bachelor's degree within six years.

NMLA Forecast

During the 2011 interim, the LESC heard testimony from Mr. Tom Romero, Chief Executive Officer, NMLA. Alluding to the past four years, Mr. Romero noted that ticket sales have been down, or flat, for a variety of reasons, including:

- the economic recession and prolonged recovery;
- loss of retailers that went out of business; and
- increasing food and gas prices.

Despite these setbacks, Mr. Romero emphasized that net revenues for the scholarship program have increased both in dollars and percentage due to strict fiscal discipline and severe cost-cutting. Mr. Romero explained that steps were taken in the past two fiscal years to stabilize sales, including a new branding campaign, acquisition of 60 new stores, and the launch of a social media strategy to reach younger players. With these measures taken, based on its FY 12 budget, NMLA anticipates flat gross and net revenues over the next five years, with a sales forecast of \$136.4 million and a revenue forecast of \$41.0 million.

Additional fiscal concerns stem from institutional tuition increases. HED data show that, between FY 11 and FY 12, the average statewide tuition increase for an undergraduate New Mexico resident was 10 percent. FY13 budget recommendations from both the Legislative Finance Committee and the Executive offer fewer cuts to higher education institutions than in previous years.

Related Bills:

CS/SJM 3 *Create Interim Higher Education Committee*

SJM 27 *Study Solvency of Lottery Tuition Fund* (Identical to HJM 14a)

HB 217 *Lottery Scholarships for Home Schooling*

HJM 14a *Study Solvency of Lottery Tuition Fund Solvency* (Identical to SJM 27)