

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 2/7/19

SPONSOR Sariñana **LAST UPDATED** _____ **HB** 146

SHORT TITLE Full Lottery Scholarship Based on Need **SB** _____

ANALYST Valenzuela

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	(\$1,000.0 - \$21,000.0)	(\$1,000.0 - \$21,000.0)	Recurring	Tuition revenues at colleges and Universities

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See fiscal implications				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Central New Mexico Community College
 New Mexico State University
 San Juan College
 University of New Mexico
 New Mexico Higher Education Department (HED)

SUMMARY

Synopsis of Bill

House Bill 146 amends the Legislative Lottery Tuition Scholarship Act: (1) Adds financial need as a qualification for the scholarship, requiring a student's expected family contribution (EFC) to fall below 150% of the cost of attendance (COA) at the public postsecondary institution they attend; (2) Increases the number of semesters a student may receive scholarships from seven to eight semesters; (3) Directs NMHED to promulgate rules to carry out the directives of HB146;

and (4) Requires a student to submit a Free Application for Federal Student Aid (FAFSA) and a Lottery Tuition Scholarship Application Form developed by the public post-secondary institution or NMHED.

FISCAL IMPLICATIONS

HB146 does not contain an appropriation and would not impact the amount of revenue in the lottery tuition fund available for scholarships. The fiscal impact would be on those students who would lose eligibility and potentially on colleges and universities who may lose enrollment from ineligible students who choose to pursue postsecondary education out-of-state.

In the FY20 LFC appropriation recommendation, lottery scholarships are expected to be funded approximately at 65 percent of tuition cost. According the HED, 11.1 percent of current lottery recipients would become ineligible for the lottery scholarship under this bill. If HB146 is enacted, the scholarship amount distributed to remaining eligible students will increase to 77 percent of tuition cost, on average.

Lottery Tuition Fund. Its enactment would distribute the savings generated from ineligible students to eligible students. Evaluating the impact for students, the bill would shift lottery scholarships:

	<u>Ineligible Student</u>	<u>Eligible Student</u>
Research University	Loses \$3,900/annually	Gains \$255/annually
Comprehensive University	Loses \$2,652/annually	Gains \$173/annually
Community College	Loses \$ 988/annually	Gains \$ 65/annually

Impact to Tuition Revenues at Colleges and Universities. HB146 could have one of several impacts on ineligible students: (1) students, who become ineligible for not filing a FASFA, may complete the form if the student perceives attaining eligibility, or (2) the ineligible student may stay enrolled in their institution, absorbing the additional cost through student loans or family contributions, or (3) the student may choose other educational opportunities at a school that is lower cost, or (4) the student may seek a postsecondary education out-of-state.

It is difficult to predict how a student or their family would react to losing eligibility for the lottery scholarship. As such, the assumption below assumes those students who become ineligible leave the state for education. The analysis provides a range for the impact depending on the amount of students who might make that choice.

The table below provides data on the number of lottery recipients by institution with lottery awards for FY18. It also includes the estimated 150 percent of expected family contribution (EFC) for each institution.

Several colleges and universities have indicated there could be direct fiscal impact to colleges and universities if students who become ineligible choose to leave the institution, taking with them tuition, fees and other revenues. Using the data in the table below to estimate the impact, the institutions could lose up to \$21 million based on FY19 tuition and fees, if 100 percent of the ineligible students leave. If 15 percent of the ineligible students leave, the impact would be \$3.2 million.

Percent of Eligible Students and Estimated Tuition Revenue Impact							
Institution	Estimated 150% EFC/COA threshold	FY2018 recipient count	Eligible under Threshold	Percent Eligible under Threshold	FY19 Stated Resident Tuition & Fees (annual)	Estimated tuition revenue loss, annually	Estimated tuition revenue loss, annually
						If 100% of ineligible students go out of state for college	If 15% of ineligible students go out of state for college
NMIMT	\$33,200	1059	919	87%	\$7,769.54	(\$1,089,456)	(\$163,418)
NMSU	\$33,100	6,119	5,410	88%	\$7,368.00	(\$5,227,469)	(\$784,120)
UNM	\$35,600	13,738	12,038	88%	\$7,322.40	(\$12,445,951)	(\$1,866,893)
ENMU	\$22,200	1,443	1,228	85%	\$6,206.64	(\$1,333,950)	(\$200,093)
NMHU	\$26,600	480	460	96%	\$6,000.00	(\$122,638)	(\$18,396)
NNMC	\$28,000	214	203	95%	\$4,765.20	(\$50,248)	(\$7,537)
WNMU	\$26,700	318	299	94%	\$6,824.26	(\$128,740)	(\$19,311)
ENMU-Roswell	\$22,100	257	248	96%	\$2,256.00	(\$21,081)	(\$3,162)
ENMU-Ruisoao	\$21,700	26	26	100%	\$1,180.00	(\$0)	(\$0)
NMSU-Alamogordo	\$23,300	150	139	93%	\$2,064.00	(\$23,043)	(\$3,456)
NMSU-Carlsbad	\$23,300	140	130	93%	\$1,276.00	(\$12,812)	(\$1,922)
NMSU-Dona Ana CC	\$23,300	1,042	1,007	97%	\$1,776.00	(\$61,296)	(\$9,194)
NMSU-Grants	\$23,300	44	42	95%	\$2,064.00	(\$4,521)	(\$678)
UNM-Gallup	\$25,500	93	93	100%	\$1,932.00	(\$0)	(\$0)
UNM-Los Alamos	\$25,800	90	76	85%	\$2,092.00	(\$28,870)	(\$4,330)
UNM-Taos	\$25,400	96	92	96%	\$1,902.00	(\$6,778)	(\$1,017)
UNM-Valencia	\$25,400	297	278	93%	\$1,878.00	(\$36,326)	(\$5,449)
Central NM CC	\$27,800	1,938	1,820	94%	\$1,626.00	(\$191,134)	(\$28,670)
Clovis CC	\$24,900	69	63	92%	\$1,376.00	(\$8,065)	(\$1,210)
Luna CC	\$18,500	71	67	94%	\$968.00	(\$4,214)	(\$632)
Mesalands CC	\$22,300	39	39	100%	\$1,812.00	\$0	\$0
NM Junior College	\$14,300	190	161	85%	\$1,344.00	(\$38,609)	(\$5,791)
San Juan College	\$20,200	466	368	79%	\$1,840.00	(\$180,758)	(\$27,114)
Santa Fe CC	\$34,300	319	306	96%	\$1,467.00	(\$19,071)	(\$2,861)
Totals		28,698	25,512	88.9%		(\$21,035,033)	(\$3,155,255)

Source: HED & LFC Files

Colleges and universities in surrounding states have been deploying strategies to entice New Mexico college-bound students by offering them scholarships to equalize the cost of in-state tuition to a comparable level in New Mexico. The offers are generally aimed at students with higher aptitude and test scores.

According to the colleges and universities, to compensate for losses, the institutions could raise tuition and fees. Increasing tuition and fees could have two effects: (1) the value of the lottery scholarship would decrease, and (2) enrollments may decrease as New Mexico students choose to attend colleges out of state. As an example, a one percent decline in enrollment at UNM equals a \$1.2 million loss of tuition revenue. UNM’s enrollment has declined by 7 percent for the current academic year

SIGNIFICANT ISSUES

Current state law is silent on important definitions to determine need-based eligibility; HB146 does not provide definitions for the primary controlling variables: (1) **cost of attendance (COA)** and (2) **expected family contribution (EFC)**. Federal law, however, does define these terms for its federal student financial aid program. Presumably, these definitions would be used to determine eligibility under HB146.

The **cost of attendance** is not the bill students receive for their college or university. COA is the total cost to attend college each year including living expenses. The COA includes tuition and fees; on-campus room and board (or a housing and food allowance for off-campus students); and allowances for books, supplies, transportation, loan fees, and, if applicable, dependent care. It can also include other expenses like an allowance for the rental or purchase of a personal computer, costs related to a disability, or costs for eligible study-abroad programs. The **expected family contribution** is a measure of student's family financial strength and is calculated according to a formula established by federal law and includes a family's taxed and untaxed income, assets, and benefits (such as unemployment or Social Security). The formula also includes the number of household members attending college and the size of the family.

Cost of attendance is determined by the institution. EFC is determined by a family's household wealth.

ADMINISTRATIVE IMPLICATIONS

The enactment of HB146 would increase the administrative burden for colleges and universities, who would be required to process lottery tuition applications. The student financial aid offices manage these processes and should not have difficulty bringing a new application into its existing processes.

TECHNICAL ISSUES

According to several colleges and universities, the bill may create unintended consequences. New Mexico State University (NMSU) reports:

This bill takes into account a population of legacy students that no longer exist. Students who received one or more program semester of lottery by the end of fiscal year 2014 would have exhausted their eligibility by the ending of fiscal year 2017.

This bill does not take into account the gap year amendment that was passed during the 2017 Legislative session. The gap year amendment allows students to wait 16 months after graduating high school to begin attending college. Students who graduated between December 2017 to December 2018 and are taking advantage of the gap year with the expectation that their eligibility for the Lottery should not be affected. These students would not be viewed as legacy students because a legacy student must have received the Lottery scholarship for at least one program semester by the ending of fiscal year 2019.

This bill does not take into account the students who have graduated in December

2018 and immediately started attending college in spring 2019. These students started college in spring 2019 with the expectation of earning their Lottery eligibility based on the current regulations but this bill will change the rules in the middle of their qualifying semester.

MFV/al