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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
56th Legislature, 1st Session, 2023

Bill Number	<u>HB369</u>	Sponsor	<u>Harper/McQueen</u>
Tracking Number	<u>.224528.1</u>	Committee Referrals	<u>HEC/HAFC</u>
Short Title	<u>Replace Lottery Scholar. With Legis. Scholar.</u>		
Analyst	<u>Hathaway</u>	Original Date	<u>2/16/23</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

House Bill 369 (HB369) abolishes the New Mexico Lottery Scholarship, replacing it with the Legislative Tuition Scholarship. The bill also repeals Sections 6-24-1 through 6-24-22 NMSA 1978, and Sections 6-24-24 through 6-24-34 NMSA 1978, which detail the New Mexico Lottery Act. It also repeals Section 7-9-87 NMSA 1978 and Section 7-27-5.21 NMSA 1978, which relate to lottery gross receipts and revenue bonds, respectively. Repealing these sections of law would eliminate the lottery in New Mexico.

HB369 replaces revenues for the current Legislative Lottery Tuition Scholarship with appropriations from the general fund.

FISCAL IMPACT

HB369 appropriates \$46 million from the general fund to the legislative tuition scholarship fund for expenditure in FY24 and subsequent fiscal years to provide tuition scholarships pursuant to the Legislative Tuition Scholarship Act. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

In its analysis of HB369, the Higher Education Department (HED) reports that annual revenue into the lottery tuition fund averaged \$41.7 million per year from FY18 through FY22. If the \$46 million appropriation recurs annually, it would replace these annual revenues. Currently, and as proposed in HB369, appropriations to the legislative tuition scholarship fund do not revert to the general fund at the end of each fiscal year.

SUBSTANTIVE ISSUES

HB369 makes no changes to the structure or administration of the lottery scholarship, but replaces references within the Legislative Lottery Tuition Scholarship Act as follows:

- “legislative lottery scholarship” becomes “legislative scholarship”

- “lottery tuition fund” is replaced with “legislative tuition scholarship fund”
- “Legislative Lottery Tuition Scholarship Act” becomes “Legislative Tuition Scholarship Act

LESC staff estimate that, if funding persists annually, HB369 will not have a significant impact on the number of students who take advantage of the scholarship.

About the New Mexico Lottery Scholarship. The New Mexico Legislative Lottery Scholarship, often called the legislative lottery scholarship, was created in 1996. Over 139 thousand students have attended New Mexico public colleges with the help of a legislative lottery scholarship since 1996. In FY22, LESC analysis of HED data indicates 20,576 students received a legislative lottery scholarship. See **Table 1: FY22 Student Headcount and Lottery Scholarship Recipients.**

Table 1: FY22 Student Headcount and Lottery Scholarship Recipients

Higher Education Institution	Total Student Headcount	Lottery Scholarship Recipients	Scholarship Recipients as Percentages of Total Students
Research Sector Total	37,014	15,631	42.2%
New Mexico Institute of Mining & Technology	1,733	1,037	59.8%
New Mexico State University	13,938	5,989	43.0%
University of New Mexico	21,343	8,605	40.3%
Comprehensive Sector Total	11,990	1,727	14.4%
Eastern New Mexico University	5,078	971	19.1%
New Mexico Highlands University	2,677	371	13.9%
Northern New Mexico College	1,135	113	10.0%
Western New Mexico University	3,100	272	8.8%
Community College Sector Total	53,107	3,169	6.0%
Eastern New Mexico University-Roswell	1,628	195	12.0%
Eastern New Mexico University-Ruidoso	666	30	4.5%
New Mexico State University-Alamogordo	957	71	7.4%
New Mexico State University-Carlsbad	1,574	83	5.3%
New Mexico State University-Doña Ana	6,465	770	11.9%
New Mexico State University -Grants	726	20	2.8%
University of New Mexico-Gallup	2,090	83	4.0%
University of New Mexico-Los Alamos	903	54	6.0%
University of New Mexico-Taos	1,323	39	2.9%
University of New Mexico-Valencia	2,030	148	7.3%
Central New Mexico Community College	18,586	964	5.2%
Clovis Community College	2,362	69	2.9%
Luna Community College	819	107	13.1%
Mesalands Community College	745	19	2.6%
New Mexico Junior College	1,884	246	13.1%
San Juan College	5,846	139	2.4%
Santa Fe Community College	4,027	113	2.8%
New Mexico Military Institute	476	19	4.0%
Tribal College Sector Total	2,085	49	2.4%
Institute of American Indian Arts	809	22	2.7%
Navajo Technical University	1,276	27	2.1%
Grand Totals	104,196	20,576	19.7%

The scholarship is available to fund up to 100 percent of tuition (up to an undergraduate degree) for all New Mexico students who have graduated from a public or accredited New Mexico high school, completed requirements as a registered home-school student, or received a high school equivalency credential recognized by the state of New Mexico. Residency in New Mexico is also required. LFC reports that, while the scholarship is not available during a student’s first semester, most New Mexico colleges offer “bridge” scholarships to incoming freshman to offset the cost of the first semester.

Students have up to 16 months after they complete high school, or discharge from military service, to qualify for the New Mexico Legislative Lottery Scholarship. Other eligibility requirements to receive the scholarship including maintaining a 2.5 grade point average, enrolling in at least 15 credit hours a semester at a four-year college, or 12 credit hours at a two-year college.

New Mexico Legislative Lottery Scholarship Amounts. Once equal to 100 percent of tuition costs, the value of the lottery scholarship now depends on where a student attends school. As tuition costs have increased and demand for the scholarship has increased, revenues from the lottery have not always been sufficient revenues to fully fund scholarship amounts at 100 percent of tuition costs. Since 2009, the New Mexico Lottery Authority has been required to transfer 30 percent of proceeds from the lottery to the scholarship fund—despite this requirement, the Legislature has supplemented the program with non-lottery revenue in recent years.

The award for the scholarship is now a minimum of \$1,500 a semester at four-year comprehensive universities, or \$380 a semester at a two-year community college or branch campus of a four-year school. Award amounts can increase if subsidized with other state revenue. HED reports the Legislature has made several appropriations to the lottery tuition fund since 2014 to supplement lottery revenues and increase the level of tuition support. HED, in its analysis of HB369, reports fund balances and revenues have not been able to fully support the total cost of tuition since 2014 without subsidizing the fund with other state revenue.

The most recent appropriation in the General Appropriation Act (GAA) of 2022 transferred \$130 million of federal appropriations from the American Rescue Plan Act of 2021. In its analysis of HB369, HED reports federal funds from this transfer and the \$46 million appropriation in HB369 is anticipated to cover 100 percent of tuition through FY28, though changes in enrollment and tuition rates may affect the actual level of tuition support.

ADMINISTRATIVE IMPLICATIONS

HED administers the legislative lottery scholarship. The department reports both HED and public postsecondary institutions will incur administrative costs associated with publishing new marketing, outreach and informational materials and informing the public about the transition from the Lottery Scholarship to the Legislative Scholarship. HED also notes it would need to promulgate new administrative rules for the scholarship under 5.7.20 NMAC.

OTHER SIGNIFICANT ISSUES

While specific systems differ among states, 45 states offer lotteries. There are five states that do not have lotteries or sell lottery tickets: Alabama, Alaska, Hawaii, Nevada, and Utah.

RELATED BILLS

Relates to HB145, NMMI Legislative Scholarship Program, which amends existing law to remove the scholarship term limit of four years for the General R.T. Knowles Legislative Scholarship.

Relates to SB149, Study Free Tuition for Certain Programs, which makes an appropriation to the Higher Education Department (HED) to conduct a study to determine the feasibility of providing free tuition to graduate students in psychology, psychiatric nursing, social work, and counseling programs in exchange for students making a commitment to practice in New Mexico for at least four years following graduation.

Relates to SB151, Graduate Scholarship Act Changes, which amends the Graduate Scholarship Act.

Relates to SB307, Licensed Teacher Prep Affordability, which expands eligibility of the Teacher Preparation Affordability Scholarship to include a licensed teacher who is pursuing a graduate degree.

SOURCES OF INFORMATION

- LESC Files
- Higher Education Department (HED)

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