

NEW MEXICO HIGHER EDUCATION DEPARTMENT



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Legislative Lottery Scholarship Report For the period ending June 30, 2017 (Fiscal Year 2017)

INTRODUCTION

The purpose of the Legislative Lottery Tuition Scholarship (commonly called the Lottery Scholarship) is to provide tuition assistance for higher education students pursuant to the Legislative Lottery Tuition Scholarship Act. In accordance with changes to the Act enacted in 2014 through Senate Bill 347, the Higher Education Department (HED, or “the Department”) reports each year to the Legislative Finance Committee (LFC) and the Department of Finance and Administration (DFA) on the status of the Legislative Lottery Tuition Fund and the Tuition Scholarship program.

A portion of proceeds from lottery ticket sales are deposited in the Lottery Tuition Fund to support the Scholarship. Since 2009, the cost of tuition scholarships has outpaced revenues from ticket sales; consequently, the year-end fund balance of the Lottery Tuition fund has declined significantly in recent years. In 2014, the Legislature made the following additional appropriations to address the revenue disparity:

- 1) A transfer of \$11 million from the New Mexico Higher Education (NMHED) Financial Aid Special Programs Fund;
- 2) A \$2.9 million appropriation from the General Fund; and
- 3) An appropriation of \$5.28 million from the Tobacco Settlement Fund.

As a result, the fund was able to support 100% of sector average tuition (the average tuition rates for the research universities; 4-year comprehensive colleges; and community colleges) in FY14. In FY15 an additional \$11.5M appropriation was made to the Lottery Tuition Fund in accordance with Senate Bill 313 (Laws 2014). This supplemental appropriation allowed NMHED to fund 100% of sector average tuition in the Fall 2014 semester, and 95% of the sector average tuition in Spring 2015.

For FY16 and FY17, SB347 (Laws 2014) directed a portion of liquor excise tax revenue to the Lottery Tuition Fund, estimated at \$19 million per year. However, the fund was not able to support full tuition in FY16 and beyond. Moreover, SB347 directed NMHED to maintain a \$2 million average annual fund balance in the Lottery Tuition Fund.

The HED Cabinet Secretary sets the tuition percentage prior to each academic year based on projected revenues. In FY16 and FY17, the fund paid 90% of sector average tuition. With the expiration of liquor excise tax revenue at the end of FY17, the tuition percentage was reduced for Fiscal Year 2018 to 60% of sector average.

As directed by statute, HED presents this report covering the status of the Fund as well as Lottery Scholarship program participation data as of the end of Fiscal Year 2017 (FY17, the period ending June 30, 2017).

1. STATUS OF THE LOTTERY TUITION FUND

At the close of FY16, the Lottery Tuition Fund had an ending balance of \$2.2M. Revenues totaled \$57.9M while total Lottery Scholarship tuition payments totaled \$58.1M. The Lottery Tuition Fund ended FY17 with \$2.0M in cash reserves. Table 1 summarizes FY17 Lottery Tuition Fund revenues and expenditures.

Table 1: FY17 Lottery Tuition Fund Activity Summary	
Source: SHARE Financials	
Cash Balance Beginning FY17¹	\$2,219,375
NM Lottery Authority Revenues	\$38,240,313
Liquor Excise Tax Revenue	\$19,419,756
Interest, Voluntary Contributions, Other Misc. Revenue	\$234,161
Subtotal FY17 Revenues + Carry Forward Balance	\$60,113,605
Fall 2016 Lottery Scholarship Payments	(\$26,876,909)
Spring 2017 Lottery Scholarship Payments	(\$31,045,363)
UNM Nursing Summer Payment	(\$130,494)
Subtotal FY17 Expenditures	(\$58,052,766)
Cash Balance Ending FY17	\$2,060,839

The fund paid 90% of sector average tuition in FY17. Tuition payments were reduced from the FY14 peak of \$66 million to \$58.4 million. Tuition increases or changes in enrollment may reduce savings to the Lottery Tuition Fund in future years.

2. TUITION SCHOLARSHIP PROGRAM PARTICIPATION DATA

In accordance with 2014 Senate Bill 347 (being Laws 2014, Chapter 80), HED has compiled the following student data for the purpose of reporting to LFC and DFA.

a. Number of qualified and legacy students who received tuition scholarships in the prior twelve-month period.

As directed by Laws 2014 Chapter 80 and rule 5.7.20.7 NMAC, a “legacy student” is defined as a full time resident student who has received three or more semesters of Lottery Scholarship awards by the end of Fiscal Year 2014. A “qualified student” is a full-time student who entered a public higher education institution either immediately after earning a high school diploma or equivalency or within one year after completing U.S. military service that immediately followed high school, and who has successfully completed the first semester of higher education with a grade point average of 2.5 or better.

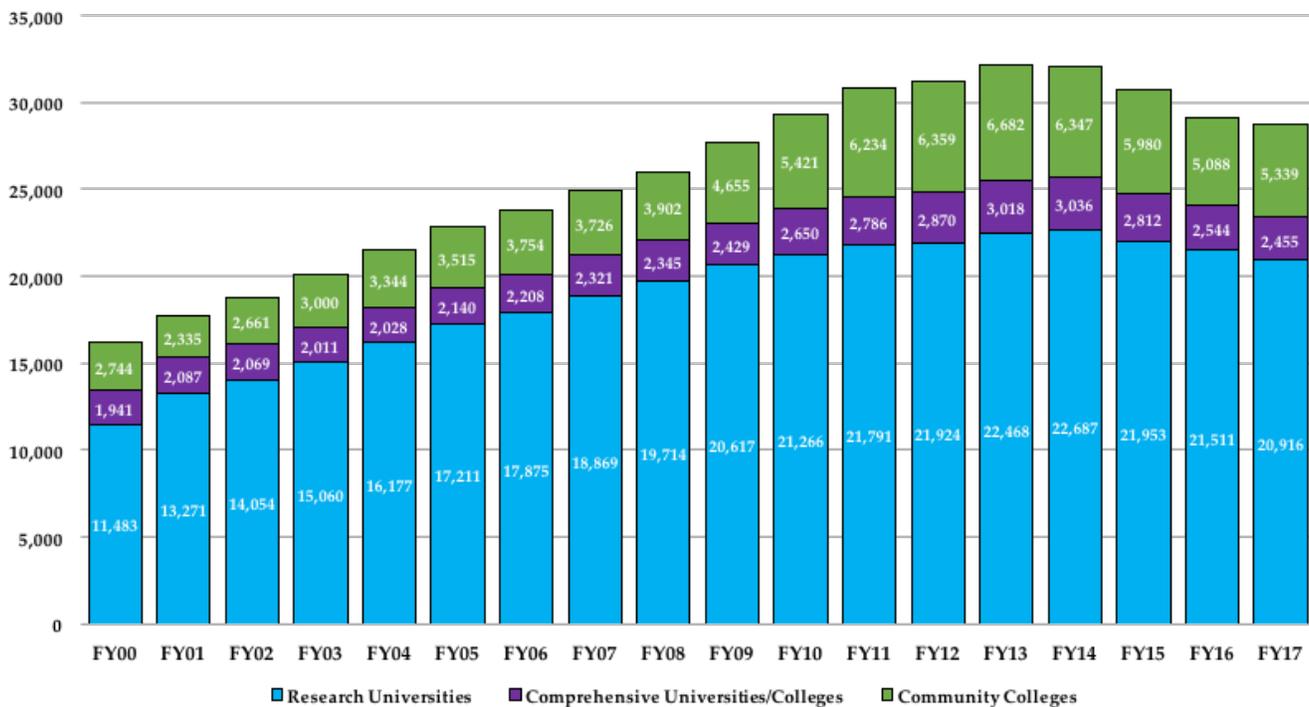
¹ Monthly lottery revenues are received one month in arrears; fund balance does not reflect spendable cash as reported in SHARE.

The purpose of distinguishing qualified and legacy students is to observe the effect of changes in eligibility requirements enacted by Laws 2014 Chapter 80 (including a change in credit hour requirements from 12 to 15 for students at Research and Comprehensive institutions). For this and future reporting cycles there is no distinction between qualified and legacy students, as the original cohort of legacy students have exited the program.

In FY17, there were a total of 28,710 Lottery Scholarship recipients distributed by sector as follows:

- 20,916 recipients at the research institutions;
- 2,455 recipients at the four-year comprehensive colleges; and
- 5,339 recipients at the two-year independent and branch community colleges.

Figure 1, below, plots the distribution of Lottery Scholarship recipients for fiscal years 2000 through 2017. Since 2000, there has been a nearly two-fold increase in the number of Lottery Scholarship recipients; however, enrollment at the public higher education institutions has decreased slightly, consistent with overall enrollment trends at the public postsecondary institutions.



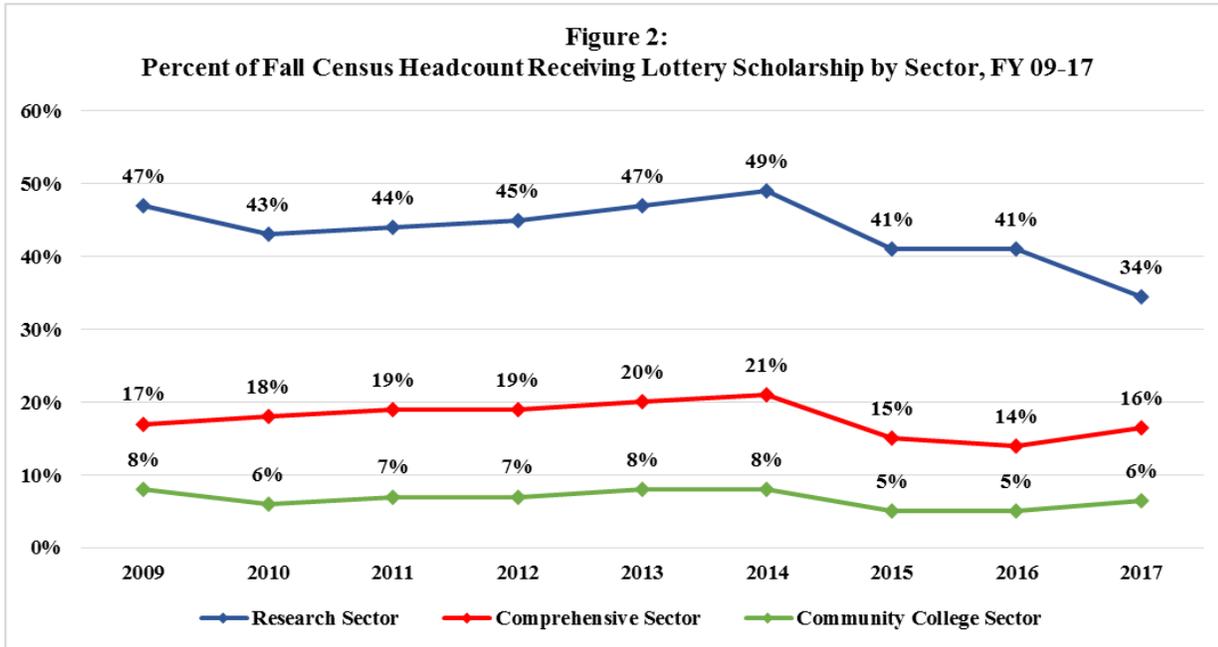
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b. Total number of students, including qualified students and legacy students, enrolled in the prior twelve-month period.

Table 2 depicts FY17 enrollment data and the number of lottery recipients for each institution (grouped by sector, below):

Table 2: FY17 Student Headcount and Lottery Scholarship Recipients (Source: HED eDEAR reporting system)			
Institution	Total Student Headcount	Lottery Scholarship Recipients	Scholarship Recipients as Percentages of Total Students
NM Tech	2,920	1,059	36.3%
NMSU	21,068	6,119	29.0%
UNM	36,848	13,738	37.3%
RESEARCH SECTOR TOTAL	60,836	20,916	34.4%
ENMU	6,624	1,443	21.8%
NMHU	3,465	480	13.9%
NNMC	1,556	214	13.8%
WNMU	3,328	318	9.6%
COMPREHENSIVE SECTOR TOTAL	14,972	2,455	16.4%
ENMU-RO	3,423	257	7.5%
ENMU-RU	653	26	4.0%
NMSU-AL	1,779	150	8.4%
NMSU-CA	2,011	140	7.0%
NMSU-DA	9,985	1,042	10.4%
NMSU-GR	848	44	5.2%
UNM-GA	3,153	93	3.0%
UNM-LA	932	90	9.7%
UNM-TA	1,540	96	6.2%
UNM-VA	2,363	297	12.6%
CNM	31,066	1,938	6.2%
CCC	3,494	69	2.0%
LCC	1,535	71	4.6%
MCC	803	39	4.9%
NMJC	3,621	190	5.2%
SJC	9,763	466	4.8%
SFCC	5,718	319	5.6%
NMMI	954	12	1.3%
COMMUNITY COLLEGE SECTOR TOTAL	83,639	5,339	6.4%
GRAND TOTAL ALL SECTORS	159,447	28,710	18.0%

The percentage of Lottery Scholarship recipients is highest at the Research institutions, followed by the Comprehensive universities, with the lowest percentage of students receiving Lottery Scholarships within the Community College sector (two-year institutions). **Figure 2**, below, shows students receiving Lottery Scholarships distributed by sector from FY09 through FY17.



c. For each semester, the amount of Tuition Scholarships funded and the amount of tuition costs that were not offset by the Tuition Scholarship.

For FY17, the HED Cabinet Secretary determined that the Fund would support 90% of sector average tuition rates for the Fall 2016 and Spring 2016 semesters. The Fund ended FY17 with \$2.06M; Laws 2014 Chapter 80 requires the Lottery Tuition Fund to maintain an annual average balance of \$2M.

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Table 3, below, shows the distribution of Lottery Tuition Fund dollars, by semester and institution, in FY17.

Table 3: FY17 Lottery Scholarship Distributions by Institution*		
Institution	Fall 16	Spring 17
NM Tech	\$1,189,841	\$1,419,598
NMSU	\$7,224,197	\$7,668,466
UNM	\$15,752,135	\$17,602,934
ENMU	\$1,023,401	\$1,339,488
NMHU	\$341,074	\$449,231
NNMC	\$158,980	\$162,128
WNMU	\$224,484	\$299,265
ENMU-Roswell	\$50,615	\$108,019
ENMU-Ruidoso	\$2,985	\$11,044
NMSU-Alamogordo	\$26,185	\$45,597
NMSU-Carlsbad	\$19,730	\$39,357
NMSU-Dona Ana	\$175,924	\$426,066
NMSU-Grants	\$7,453	\$13,579
UNM-Gallup	\$18,518	\$39,504
UNM-Los Alamos	\$16,049	\$40,056
UNM-Taos	\$20,837	\$40,430
UNM-Valencia	\$64,487	\$118,387
Central NM CC	\$376,733	\$758,573
Clovis CC	\$10,512	\$22,428
Luna CC	\$9,604	\$26,159
Mesalands CC	\$6,170	\$17,893
NMJC	\$19,179	\$61,043
San Juan College	\$82,691	\$198,947
Santa Fe CC	\$53,892	\$130,999
NMMI	\$1,236	\$6,171
FY17 Grand Total	\$57,922,271	

* NOTE: Table 3 distribution does not include UNM Summer Nursing Payment

Table 4, below, displays the sector average tuition support; tuition rates by institution; and the per-semester cost to students, where applicable.

Table 4: Spring 2017 Tuition Support and Student Impact by Institution			
Institution	Spring 2017 Tuition Support - 90% Sector Average	Spring 2017 Tuition	Student Tuition Cost - Spring 2017
NM Tech	\$2,465	\$2,920	\$455
NMSU		\$2,654	\$189
UNM		\$2,643	\$178
ENMU	\$1,643	\$1,738	\$95
NMHU		\$1,901	\$258
NNMC		\$1,560	\$0
WNMU		\$2,104	\$461
ENMU-Roswell	\$617	\$828	\$211
ENMU-Ruidoso		\$516	\$0
NMSU-Alamogordo		\$936	\$319
NMSU-Carlsbad		\$468	\$0
NMSU-Dona Ana		\$720	\$103
NMSU-Grants		\$900	\$283
UNM-Gallup		\$841	\$224
UNM-Los Alamos		\$948	\$331
UNM-Taos		\$900	\$283
UNM-Valencia		\$858	\$241
Central NM CC		\$624	\$7
Clovis CC		\$468	\$0
Luna CC		\$456	\$0
Mesalands CC		\$660	\$43
NMJC		\$420	\$0
San Juan College		\$552	\$0
Santa Fe CC		\$564	\$0
NMMI		\$841	\$224

d. Number of qualified students and legacy students who graduated with degrees and, for each qualified student, the number of consecutive semesters and nonconsecutive semesters attended prior to graduation.

Table 5 presents the distribution of degree awardees by the number of semesters of Lottery Scholarship assistance received from AY2000 through AY2016.

Table 5: Distribution of Lottery Scholarship Recipient Degree Awardees AY00-AY16					
Total Number of Semesters Receiving Lottery Scholarship	No Degrees Awarded	Degrees or Certificates Awarded	Total	Percent with Award	Average Number of Semesters from Lottery Scholarship to Award
1	23,069	6,563	29,632	22.1%	10.3
2	8,181	5,370	13,551	39.6%	9.4
3	8,880	5,626	14,506	38.8%	7.9
4	2,845	5,932	8,777	67.6%	7.8
5	3,797	3,633	7,430	48.9%	8.3
6	1,090	4,093	5,183	79.0%	8.6
7	1,841	14,805	16,646	88.9%	7.9
8	827	16,185	17,012	95.1%	9.4

Recalling that the majority of Lottery Scholarship recipients are attending the four-year Comprehensive and Research institutions, the data in Table 5 suggest that recipients who receive six or more semesters of the Scholarship are relatively successful, with 79% or more receiving a degree or certificate. The percentage of students with four or fewer semesters receiving a degree should be viewed with some caution, as some of these students enrolled have not had adequate time to complete their degrees or certificates.

The purpose of reporting on the number of consecutive and nonconsecutive semesters attended prior to graduation is to gauge the effects of changes in student eligibility as enacted in 2014 Senate Bill 347; the number of scholarship-eligible degree recipients in FY14 serves as the baseline. With the changes in eligibility requirements enacted in 2014's Senate Bill 347 and 5.7.20 NMAC, a shift in enrollment trends was observed in FY15 that has continued through FY17.

Tables 6a and 6b, on the following page, shows the distribution of continuously vs. non-continuously enrolled awardees that received degrees in FY14 and FY17 (not including summer semesters). In FY14, 68% of Lottery Scholarship recipients received degrees even when they were not enrolled for at least one fall or spring semester. In FY17 only 57% of degree recipients were not continuously enrolled. This is in part due to the stricter scholarship requirements, as students are allowed only a single probationary semester before they lose scholarship eligibility.

**Table 6a: Distribution of FY14 Degree Recipients,
Continuously v. Non-Continuously Enrolled**

Degree Description	Total Awardees	# Cont. Enrolled	Percent Cont. Enrolled	# Non-Cont. Enrolled	Percent Non-Cont. Enrolled
Awards of less than 1 academic year	204	46	23%	158	77%
Awards of at least 1 year but less than 2 years	371	98	26%	273	74%
Associate's Degree (2 year degree)	1,397	265	19%	1,132	81%
Awards of at least 2 years but less than 4 years	26	6	23%	20	77%
Bachelor's Degree	3,517	1,398	40%	2,119	60%
Grand Total FY15	5,515	1,813	32%	3,702	68%

**Table 6b: Distribution of FY17 Degree Recipients,
Continuously v. Non-Continuously Enrolled**

Degree Description	Total Awardees	# Cont. Enrolled	Percent Cont. Enrolled	# Non-Cont. Enrolled	Percent Non-Cont. Enrolled
Awards of less than 1 academic year	139	12	9%	127	91%
Awards of at least 1 year but less than 2 years	332	25	8%	307	92%
Associate's Degree (2 year degree)	1,524	213	14%	1,311	86%
Awards of at least 2 years but less than 4 years	17	0	0%	17	100%
Bachelor's Degree	3,532	2,157	61%	1,375	39%
Grand Total FY16	5,544	2,407	43%	3,137	57%

Note that while the total number of awards has remained fairly constant at just over 5,500 awards, the total number of scholarships awarded has decreased from 32,685 in FY14 to 28,710 in FY17, a 13.8% decrease. This suggests that while fewer students are taking advantage of the Lottery Scholarship (mainly due to general enrollment trends at the institutions), there has been an increase in overall degree productivity from students who receive the scholarship.

3. LEGISLATIVE LOTTERY SCHOLARSHIP IN FY18 AND BEYOND

In the 2017 Legislative Session only one bill related to Lottery Scholarship was enacted into law. Prior to FY18, a student was required to enroll in the semester immediately following graduation, receipt of a high school equivalency credential, or completion of their military service to receive the scholarship. Senate Bill 420 extended this period to sixteen months to allow for a “gap year” between high school or completion of military service and matriculation into college. It further requires a student who enlists in the military to begin their service within four months of graduation to maintain scholarship eligibility upon discharge. The effect on how the gap year legislation may affect enrollment trends is presently unknown.

With the expiration of liquor excise tax revenue in June 2017, the Lottery Tuition Fund revenues have been reduced by about a third for FY18 and beyond. As a result, the FY18 tuition sector average has been set by the HED Cabinet Secretary at 60% of sector average. At the time of this publication the projected FY19 tuition sector average is predicted to be 55-60% of sector average tuition, depending on tuition rates, enrollment trends and actual revenues. The HED Cabinet Secretary will set the FY19 sector average on or before June 1, 2019.

Cumulatively, the Legislative Lottery Scholarship has provided over \$800 million of tuition support to more than 135,000 students from every county in New Mexico. The Higher Education Department remains committed to student success and its stewardship of the scholarship for the benefit of its students and all of New Mexico.