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2021 AGENCY REPORT

New Mexico Legislative Lottery Scholarship Report

*For the period ending June 30, 2021
(Fiscal Year 2020)*

NEW MEXICO
HIGHER EDUCATION
DEPARTMENT



Fostering Student Success from Cradle to Career

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.

Laws 2018 Chapter 70 involved the decoupling of tuition rates from the award calculation beginning in FY19. Instead, a flat award based on the type of institution attended is determined based on enrollment and revenue. In the 2018 Legislative Session only one bill related to Lottery Scholarship was enacted into law. Senate Bill 140 changed the computation of tuition support from a tuition award based on sector averages to a flat, “decoupled” award based on sector and available revenues. Laws 2018 Chapter 70 directs the Department to pay tuition based on projected revenues and enrollment and scaled by the following amounts:

- \$1,500 per semester for students at research universities;
- \$1,020 per semester for students at comprehensive colleges; and
- \$380 per semester for students at community colleges.

The legislation further directs that the Department increase or decrease awards that maintains the ratio of the tuition distribution. Based upon projected enrollment, available fund balance and statutory requirements, the Department thus determined the following actual awards in FY21:

- \$2,265 for the research sector;
- \$1,540 for the comprehensive 4-year sector and tribal colleges; and
- \$574 for the community college sector.

The most recent change to the scholarship expands scholarship eligibility to tribal college students. Laws 2019 Chapter 54 allows qualified students at tribal colleges access to the scholarship beginning in FY20.

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 2021 (FY21, the period ending June 30, 2021).

STATUS OF THE LOTTERY TUITION FUND

At the close of FY21, the Lottery Tuition Fund had an ending balance of \$30.1 million. This balance was the result of reduced scholarship demand in FY20, higher than projected lottery revenues and special legislative appropriations booked in FY21 but intended for expenditure in FY22. Table 1 summarizes FY21 Lottery Tuition Fund revenues and expenditures.

Table 1: FY21 Lottery Tuition Fund Activity Summary <i>Source: SHARE Financials – some rounding errors may be present</i>	
Cash Balance Beginning FY21 ¹	\$ 1,763,168
NM Lottery Authority Revenues	\$ 46,637,226
FY21 Legislative Special Appropriation (Laws 2020 Chapter 83)	\$ 9,700,000
FY22 Legislative Special Appropriations (Laws 2021 Chapter 137) ²	\$ 15,600,000
Taxation and Revenue Department Transfers	\$ 15,012
General Fund Investment Pool, Other Misc. Transfers	\$ 1,898
Subtotal FY20 Revenues + Carry Forward Balance	\$71,954,137
Fall 2020 Lottery Scholarship Payments	(\$ 19,466,293)
Spring 2021 Lottery Scholarship Payments	(\$ 24,111,319)
Subtotal FY21 Expenditures	(\$ 43,577,612)
Cash Balance Ending FY21 / Beginning FY22	\$30,139,692

¹ Monthly lottery revenues are received one month in arrears; fund balance reflected in audited financial statements does not reflect spendable cash as reported in SHARE and this report.

² FY22 Special Appropriations were recorded in SHARE in late FY21

Tuition payments were reduced from the FY14 peak of \$66 million to \$43.6 million. Enrollment estimates are provided by the institutions to the Department in advance of the fiscal year for purposes of estimating the scholarship award. The special appropriations authorized by the Legislature for expenditure in FY22 but booked in FY21 resulted in the large cash balance observed at the end of FY21. Statute requires that the Lottery Tuition Fund maintain a minimum \$2 million average balance at the end of the fiscal year.

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.

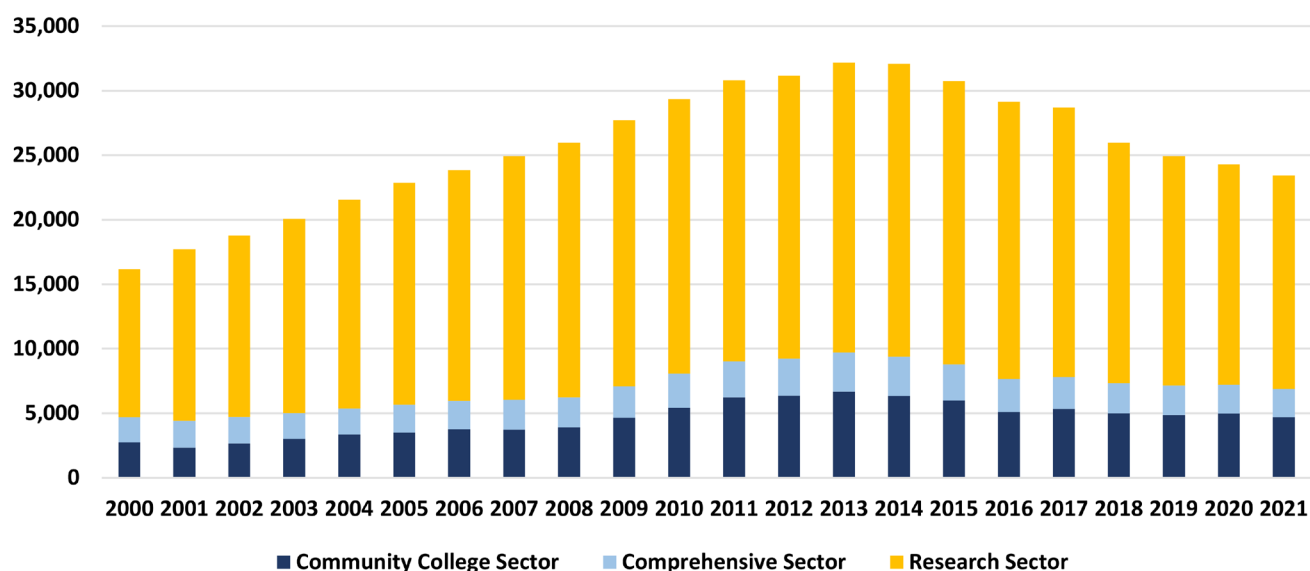
The purpose of distinguishing qualified and legacy students was to observe the effect of changes in eligibility requirements enacted by Laws 2014 Chapter 80 (including a change in credit hour requirements from 12 to 15 for students at Research and Comprehensive institutions). There is no longer a distinction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

In FY21, there were a total of 23,581 Lottery Scholarships distributed by sector as follows:

- 16,558 at the research institutions;
- 2,199 at the four-year comprehensive colleges and tribal colleges; and
- 4,150 at the two-year independent and branch community colleges

Figure 1, below, plots the distribution of Lottery Scholarship recipients for fiscal years 2000 through 2021. 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 post-secondary institutions. 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.

Figure 1: Distribution of Lottery Scholarship Recipients, 2000-2021



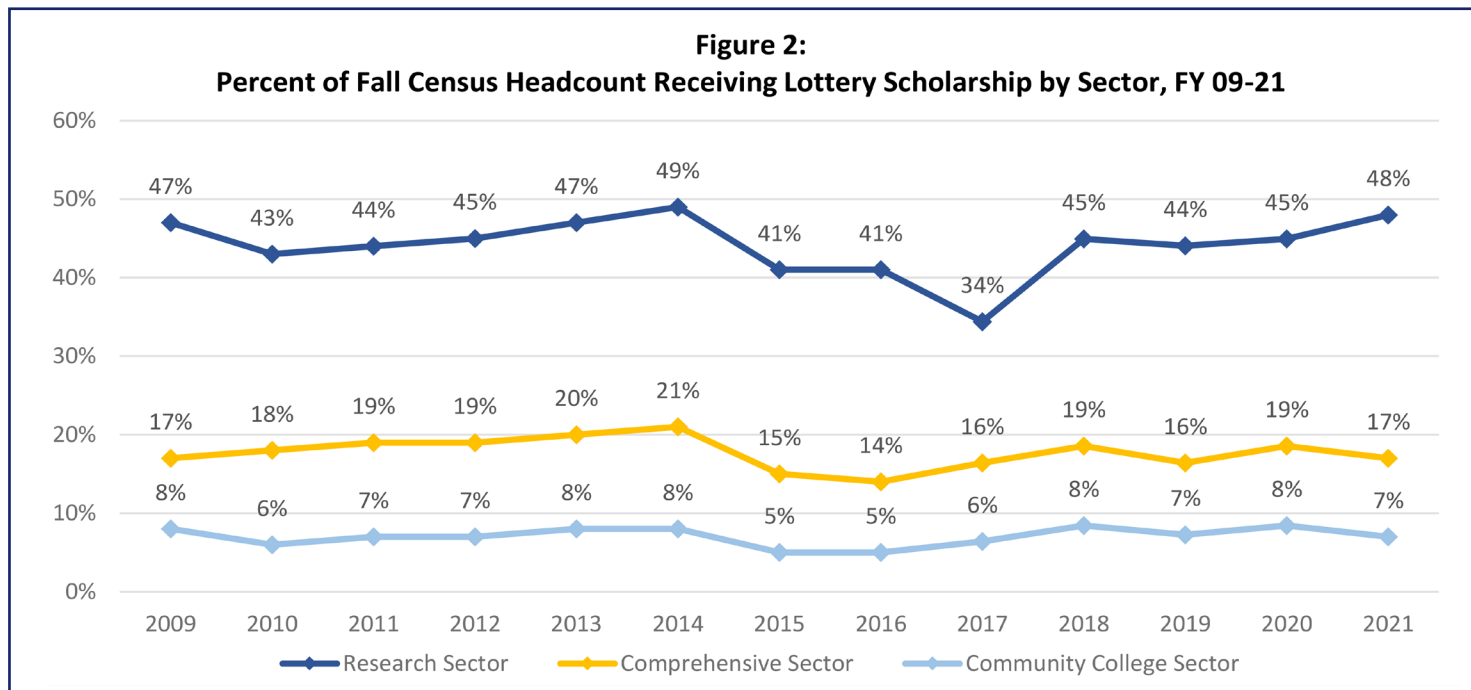
As part of its response to the COVID-19 public health emergency, the Department issued guidance to institutions to exercise broad discretion for students impacted by the pandemic. Students may document mitigating circumstances related to the affects that the pandemic may have had on their eligibility for the Lottery Scholarship and other state aid. As observed in Figure 1 there has been a 2.8% decrease in the number of scholarships awarded in FY21. However, it is unknown if this reduction is due to the pandemic or a consequence of general enrollment trends at higher education institutions.

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

Table 2 depicts FY21 enrollment data and the number of lottery recipients for each institution (grouped by sector, below):

Table 2: FY21 Student Headcount and Lottery Scholarship Recipients <i>Source: HED eDEAR reporting system</i>			
Institution	Total Student Headcount	Lottery Scholarship Recipients	Recipients as Percentages of Total Students
NM Tech	1,734	989	57.0%
NMSU	13,904	6,316	45.4%
UNM	21,209	9,253	43.6%
RESEARCH SECTOR TOTAL	36,847	16,558	44.9%
ENMU	4,990	1,181	23.7%
NMHU	2,658	510	19.2%
NNMC	1,111	181	16.3%
WNMU	3,013	313	10.4%
COMPREHENSIVE SECTOR TOTAL	11,772	2,185	18.6%
ENMU-RO	1,601	119	7.4%
ENMU-RU	605	34	5.6%
NMSU-AL	946	81	8.6%
NMSU-CA	1,361	89	6.5%
NMSU-DA	6,454	1,018	15.8%
NMSU-GR	692	47	6.8%
UNM-GA	1,546	100	6.5%
UNM-LA	340	93	27.4%
UNM-TA	731	55	7.5%
UNM-VA	1,186	168	14.2%
CNM	18,642	1,389	7.5%
CCC	2,309	97	4.2%
LCC	818	109	13.3%
MCC	541	23	4.3%
NMJC	1,891	203	10.7%
SJC	5,350	311	83.2%
SFCC	3,829	214	4.0%
NMMI	374	-	
COMMUNITY COLLEGE SECTOR TOTAL	49,216	4,150	8.4%
IAIA	808	14	1.7%
NTUJ	1,399	2	0.1%
TRIBAL COLLEGE SECTOR TOTAL	808	14	1.7%
GRAND TOTAL ALL SECTORS	97,835	22,907	23.4%

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 FY21.



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

Table 3 below shows the distribution of Lottery Tuition Fund dollars, by semester and institution, in FY21.

Table 3: FY21 Lottery Scholarship Distributions by Institution* <i>Source: HED eDEAR reporting system</i>		
Institution	Fall	Spring
New Mexico Tech	\$ 939,885	\$ 1,297,442
New Mexico State University	\$ 6,268,991	\$ 8,067,702
University of New Mexico	\$ 10,003,538	\$ 11,139,382
Eastern New Mexico University	\$ 824,362	\$ 987,514
New Mexico Highlands University	\$ 375,760	\$ 409,640
Northern New Mexico College	\$ 137,060	\$ 147,840
Western New Mexico University	\$ 207,900	\$ 274,120
ENMU-Roswell	\$ 25,830	\$ 60,270
ENMU-Ruidoso	\$ 8,036	\$ 11,277
NMSU-Alamogordo	\$ 21,706	\$ 27,415
NMSU-Carlsbad	\$ 17,343	\$ 36,482
NMSU-Dona Ana	\$ 214,819	\$ 361,676
NMSU-Grants	\$ 11,733	\$ 15,546
UNM-Gallup	\$ 25,256	\$ 32,718
UNM-Los Alamos	\$ 19,516	\$ 35,014
UNM-Taos	\$ 15,498	\$ 16,972
UNM-Valencia	\$ 36,736	\$ 60,717
Central NM Community College	\$ 312,774	\$ 542,633
Clovis Community College	\$ 17,746	\$ 34,440
Luna Community College	\$ 14,500	\$ 46,698
Mesalands Community College	\$ 5,750	\$ 7,462
New Mexico Junior College	\$ 37,310	\$ 67,618
San Juan College	\$ 63,714	\$ 114,800
Santa Fe Community College	\$ 48,580	\$ 71,771
New Mexico Military Institute	\$ 5,400	\$ 9,400
Navajo Technical University	\$ -	\$ 5,900
Institute of American Indian Arts	\$ 16,940	\$ 18,480
Total	\$19,676,684	\$ 23,900,928
FY21 GRAND TOTAL	\$	43,577,612

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

Table 4: FY21 Tuition Support and Impact by Institution			
Institution	FY21 Tuition Support Per Semester	FY21 Tuition	FY21 Student Tuition Cost
New Mexico Tech	\$2,265	\$3,515	\$1,250
New Mexico State University		\$3,235	\$970
University of New Mexico		\$3,370	\$1,105
Eastern New Mexico University	\$1,540	\$1,998	\$458
New Mexico Highlands University		\$2,304	\$764
Northern New Mexico College		\$1,630	\$90
Western New Mexico University		\$2,461	\$921
ENMU-Roswell	\$574	\$936	\$362
ENMU-Ruidoso		\$636	\$62
NMSU-Alamogordo		\$936	\$362
NMSU-Carlsbad		\$492	\$0
NMSU-Dona Ana		\$888	\$314
NMSU-Grants		\$936	\$362
UNM-Gallup		\$966	\$392
UNM-Los Alamos		\$984	\$410
UNM-Taos		\$936	\$362
UNM-Valencia		\$894	\$320
Central NM Community College		\$672	\$98
Clovis Community College		\$528	\$0
Luna Community College		\$456	\$0
Mesalands Community College		\$756	\$182
New Mexico Junior College		\$570	\$0
San Juan College		\$735	\$161
Santa Fe Community College		\$720	\$146
New Mexico Military Institute		\$936	\$362

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 AY2021.

Table 5: Distribution of Lottery Scholarship Recipient Degree Awards <i>AY 00 - AY 21</i>					
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	33,337	1,046	34,383	3.0%	10.2
2	16,238	1,257	17,495	7.2%	9.4
3	14,883	2,623	17,506	15.0%	7.8
4	7,839	2,281	10,120	22.5%	8.3
5	7,569	1,687	9,256	18.2%	8.5
6	8,289	3,691	11,980	30.8%	8.6
7	9,448	9,893	19,341	51.2%	8.4
8	4,896	10,898	15,794	69.0%	9.5

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 successful, with 69% 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 FY15 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 FY21.

Tables 6a and 6b show the distribution of continuously vs. non-continuously enrolled awardees that received degrees in FY15 and FY21 (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 FY21 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 FY15 Degree Recipients,
Continuously vs. 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 FY21 Degree Recipients,
Continuously vs. 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	162	89	55%	73	45%
Awards of at least 1 year but less than 2 years	501	212	42%	289	58%
Associate's Degree (2 year degree)	1390	462	33%	928	67%
Awards of at least 2 years but less than 4 years	16	10	63%	6	38%
Bachelor's Degree	3045	150	5%	2895	95%
Grand Total FY21	5,114	923	18%	4,191	82%

While the total number of awards has decreased slightly, from 5,514 awards in FY14 to 5,114 in FY21, the total number of scholarships awarded has decreased from 32,685 in FY14 to 23,907 in FY18, a 30% decrease. This suggests that while fewer students are taking advantage of the Lottery Scholarship (primarily due to general enrollment trends at the institutions), there has been an increase in overall degree productivity from students who receive the scholarship. The large proportion of non-continuously enrolled students in FY21 is unusual and concentrated in bachelor's degree recipients, indicating that a larger proportion of degree recipients do not complete without a break in enrollment at some point.

3. LOTTERY SCHOLARSHIPS IN FY22

As noted above, revenues and special appropriations to the Lottery Tuition Fund for FY22 resulted in a \$30 million fund balance entering FY22. Based on projected enrollment and revenues, the Department has determined that the fund can support 100 percent of tuition for all institutions in the 2021-22 academic year with no need to compute a per-sector tuition award as in prior years.

Cumulatively since its inception, the Legislative Lottery Scholarship has provided over \$907 million of tuition support to more than 175,000 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.