



2022 AGENCY REPORT

New Mexico Lottery Scholarship Report

*For the period ending June 30, 2022
(Fiscal Year 2022)*

NEW MEXICO
HIGHER EDUCATION
DEPARTMENT



Fostering Student Success from Cradle to Career

2022 Agency Report

New Mexico Higher Education Department

Lottery Scholarship Report

For the period ending June 30, 2022 (Fiscal Year 2022)

Introduction

The purpose of the Legislative Lottery Tuition Scholarship, commonly referred to as 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 New Mexico Higher Education Department (NMHED or “the Department”) reports each year to the New Mexico Department of Finance and Administration (DFA) and the New Mexico Legislative Finance Committee (LFC) on the status of the Legislative Lottery Tuition Fund and the Legislative Lottery Tuition Scholarship program.

A portion of proceeds from lottery ticket sales are deposited in the Legislative Lottery Tuition Fund to support the Lottery Scholarship. Since 2009, the cost of tuition scholarships has outpaced revenues from ticket sales; consequently, the year-end fund balance of the Legislative 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 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 percent of sector average tuition (the average tuition rates for the research universities, four-year comprehensive colleges, and community colleges) in FY14. In FY15, an additional \$11.5 million appropriation was made to the Legislative Lottery Tuition Fund in accordance with Senate Bill 313 (Laws 2014). This supplemental appropriation allowed NMHED to fund 100 percent of sector average tuition in the Fall 2014 semester, and 95 percent of the sector average tuition in Spring 2015.

For FY16 and FY17, Senate Bill 347 (Laws 2014) directed a portion of liquor excise tax revenue to the Legislative Lottery Tuition Fund, estimated at \$19 million per year. However, the fund was not able to support full tuition in FY16 and beyond. Moreover, Senate Bill 347 directed NMHED to maintain a \$2 million average annual fund balance in the Legislative Lottery Tuition Fund.

The cabinet secretary of the Department sets the tuition percentage prior to each academic year based on projected revenues. In FY16 and FY17, the fund paid 90 percent of sector average tuition. With the

expiration of liquor excise tax revenue at the end of FY17, the tuition percentage was reduced for FY18 to 60 percent 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 higher education 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 NMHED 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, NMHED thus determined the following *actual* awards in FY21:

- \$2,265 for research universities;
- \$1,540 for comprehensive and tribal colleges; and
- \$574 for community colleges.

The most recent change to the Lottery 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. Tribal colleges in New Mexico include Diné College, Institute of American Indian Arts, Navajo Technical University, and Southwestern Indian Polytechnic Institute.

In the 2020 legislative session, \$9.7 million was appropriated to the Legislative Lottery Tuition Fund, however, it did not cover full tuition for awardees in Academic Year 2020-2021. In the 2021 legislative session, \$15 million was appropriated to the Legislative Lottery Tuition Fund, allowing the Lottery Scholarship to cover 100 percent of tuition for the first time since 2015.

As directed by statute, NMHED presents this report covering the status of the Fund as well as Lottery Scholarship program participation data as of the end of FY21 (period ending June 30, 2021).

1. Status of the Legislative Lottery Tuition Fund

At the close of FY22, the Legislative Lottery Tuition Fund had an ending balance of \$12.6 million after paying 100 percent of tuition in the fiscal year for all eligible students. **Table 1** summarizes FY22 Lottery Tuition Fund revenues and expenditures.

Table 1: FY22 Legislative Lottery Tuition Fund Activity Summary	
<i>Source: SHARE Financials – some rounding error may be present</i>	
Cash Balance Beginning FY22¹	\$30,139,692
NM Lottery Authority Revenues	\$41,075,875
TRD Liquor Excise Tax Revenue, Voluntary Contributions	\$14,426
Interest, Other Misc. Revenue	\$71,017
Subtotal FY22 Revenues + Carry Forward Balance	\$71,301,065
Fall 2021 Lottery Scholarship Payments	(\$25,713,416)
Spring 2022 Lottery Scholarship Payments	(\$32,963,739)
Subtotal FY18 Expenditures	(\$58,677,214)
Cash Balance Ending FY22/Beginning FY23	\$12,623,851

Tuition payments were reduced from the FY14 peak of \$66 million to \$43.6 million. Enrollment estimates are provided by the higher education 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 Legislative Lottery Tuition Fund maintain a minimum \$2 million average balance at the end of the fiscal year.

2. Tuition Scholarship Program Participation Data

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

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

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.

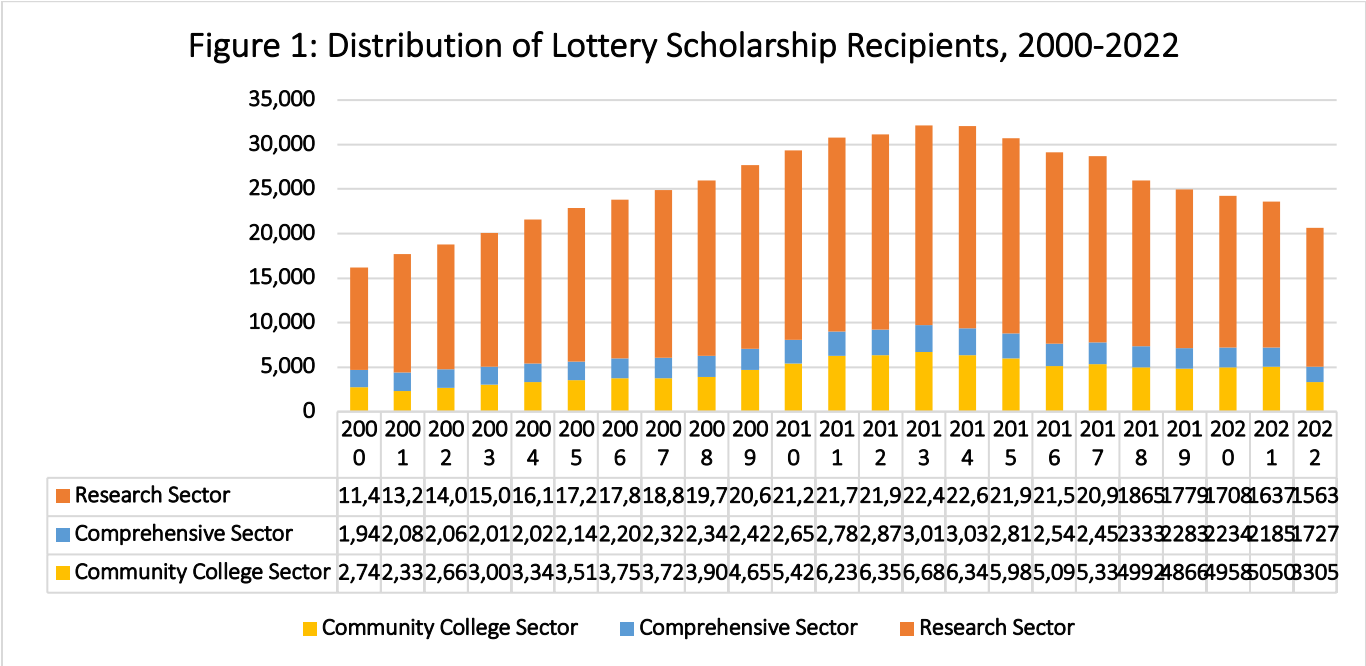
As directed by Laws 2014 Chapter 80 and rule 5.7.20.7 NMAC, a “legacy student” is defined as a full-time resident student who has received three or more semesters of Lottery Scholarship awards by the end of Fiscal Year 2014. A “qualified student” is a full-time student who entered a public higher education 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 universities and four-year comprehensive colleges). There is no longer a distinction between qualified and legacy students as the original cohort of legacy students have exited the program.

In FY22, there were a total of 20,663 Lottery Scholarships distributed by sector as follows:

- 15,631 at the research universities;
- 1,727 at the four-year comprehensive colleges and tribal colleges; and
- 3,305 at the two-year independent and branch community colleges.

Figure 1, below, plots the distribution of Lottery Scholarship recipients for fiscal years 2000 through 2022. 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 decreased slightly, consistent with overall state and national enrollment trends at the public postsecondary institutions.



As part of its response to the COVID-19 public health emergency, the Department issued guidance to higher education 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 4.5 percent decrease in the number of scholarships awarded in FY22. 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.

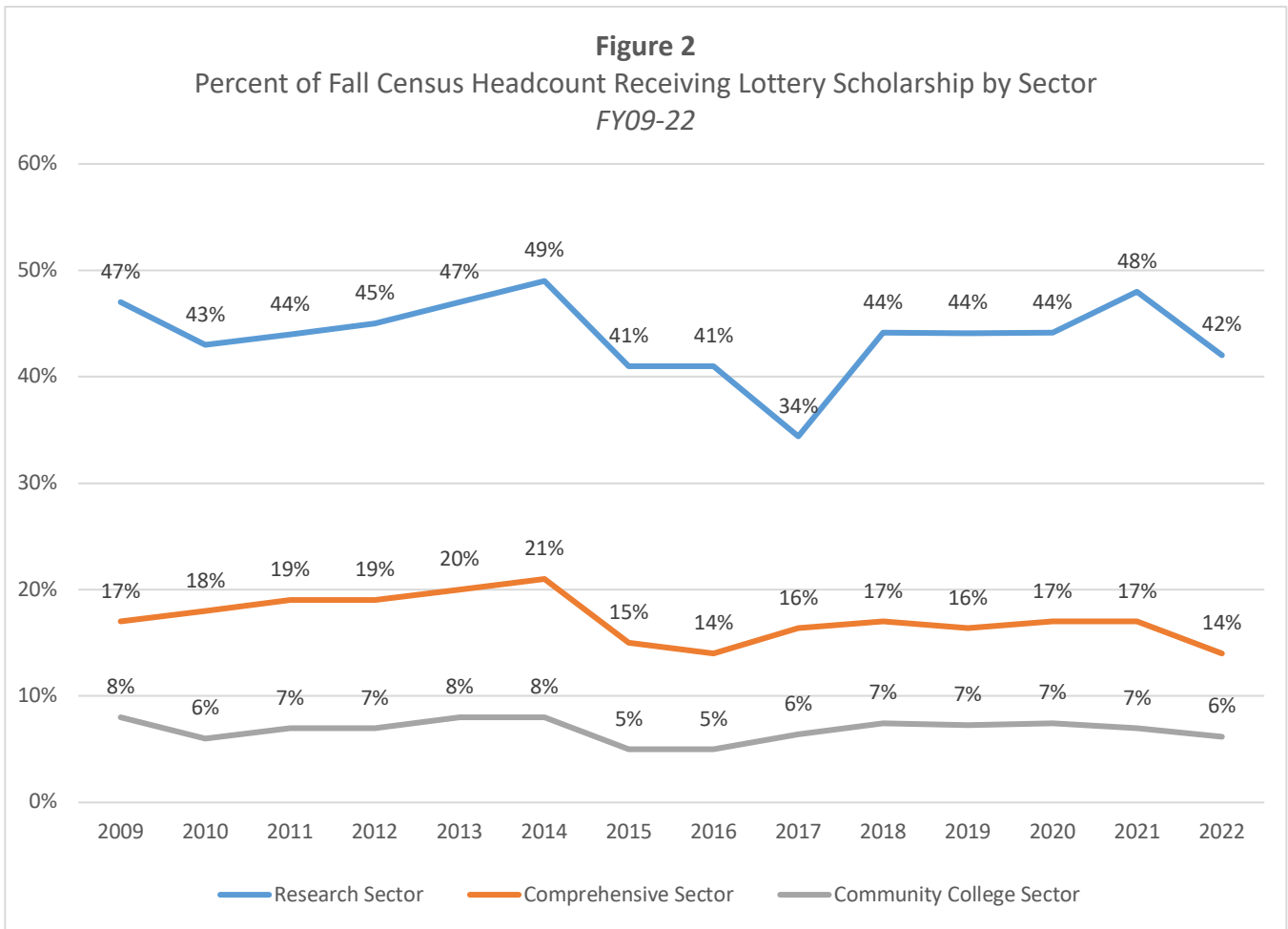
Table 2, page six, depicts FY22 enrollment data and the number of Lottery Scholarship recipients for each higher education institution (grouped by sector) below:

Table 2: FY22 Student Headcount and Lottery Scholarship Recipients

Source: NMHED eDEAR Reporting System

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	3,305	6.2%
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 ²	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	8.2%
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	2,672	49	1.8%
Institute of American Indian Arts	809	22	2.7%
Navajo Technical University	1,276	27	2.1%
GRAND TOTAL ALL SECTORS	104,783	20,712	19.8%

² New Mexico State University-Carlsbad transitioned to Southeast New Mexico College in 2022.



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**, above, shows students receiving Lottery Scholarships distributed by sector from FY09 through FY22.

- 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 FY22.

Table 3: FY22 Distributions by Semester		
Higher Education Institution	Fall	Spring
NM Tech	\$ 1,559,119	\$ 2,120,732
NM State University	\$ 8,696,089	\$ 10,600,771
University of NM	\$ 12,969,004	\$ 16,562,247
Eastern NM University	\$ 868,663	\$ 1,099,371
NM Highlands University	\$ 423,264	\$ 451,614
Northern NM College	\$ 96,039	\$ 87,887
Western NM University	\$ 275,510	\$ 337,984
ENMU-Roswell	\$ 42,792	\$ 102,264
ENMU-Ruidoso	\$ 8,031	\$ 14,615
NMSU-Alamogordo	\$ 18,954	\$ 63,359
NMSU-Carlsbad	\$ 19,384	\$ 39,333
NMSU-Doña Ana	\$ 234,940	\$ 443,772
NMSU-Grants	\$ 4,869	\$ 13,510
UNM-Gallup	\$ 20,185	\$ 49,621
UNM-Los Alamos	\$ 25,494	\$ 35,168
UNM-Taos	\$ 10,800	\$ 24,300
UNM-Valencia	\$ 42,690	\$ 89,847
Central NM Community College	\$ 218,139	\$ 428,925
Clovis Community College	\$ 13,920	\$ 24,432
Luna Community College	\$ 16,795	\$ 40,829
Mesalands Community College	\$ 5,985	\$ 12,474
NM Junior College	\$ 29,770	\$ 67,860
San Juan College	\$ 52,780	\$ 121,920
Santa Fe Community College	\$ 28,108	\$ 54,181
NM Military Institute	\$ 6,200	\$ 21,200
Navajo Technical University	\$ -	\$ 5,900
Institute of American Indian Arts	\$ 16,940	\$ 18,480
Total	\$25,712,476	\$ 32,964,738
FY22 Grand Total	\$58,677,214	

Table 4, below, displays the sector tuition support and tuition rates by higher education institution.

Table 4: FY21 Tuition Support and Student Impact by Institution		
Higher Education Institution	FY22 Tuition Support per Semester	FY22 Tuition
NM Tech	100%	\$3,515
NM State University		\$3,235
University of NM		\$3,370
Eastern NM University	100%	\$2,037
NM Highlands University		\$2,304
Northern NM College		\$1,630
Western NM University		\$2,485
ENMU-Roswell	100%	\$936
ENMU-Ruidoso		\$636
NMSU-Alamogordo		\$936
NMSU-Carlsbad		\$492
NMSU-Doña Ana		\$789
NMSU-Grants		\$936
UNM-Gallup		\$841
UNM-Los Alamos		\$984
UNM-Taos		\$900
UNM-Valencia		\$894
Central NM Community College		\$672
Clovis Community College		\$528
Luna Community College		\$480
Mesalands Community College		\$756
NM Junior College		\$585
San Juan College		\$780
Santa Fe Community College		\$735
NM Military Institute		\$937

- 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 Academic Year 2000 (AY00) through Academic Year 2021 (AY21)

Table 5: Distribution of Lottery Scholarship Recipient Degree Awardees AY00-AY18					
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	24,483	10,143	34,626	29.3%	11.8
2	9,611	8,229	17,840	46.1%	10.6
3	8,241	9,994	18,235	54.8%	8.7
4	3,004	7,304	10,308	70.9%	9.0
5	3,437	5,378	8,815	61.0%	9.4
6	1,061	6,635	7,696	86.2%	9.8
7	1,547	24,325	25,872	94.0%	9.3
8	412	16,727	17,139	97.6%	9.9

Recalling that most Lottery Scholarship recipients attend the four-year comprehensive and research higher education institutions, the data in **Table 5** suggest that recipients who receive six or more semesters of the Lottery Scholarship are successful, with 86 percent or more receiving a degree or certificate. The percentage of students with four or fewer semesters receiving a degree should be reviewed with some caution, as some of these enrolled students 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 Senate Bill 347 (2014); the number of scholarship-eligible degree recipients in FY14 serves as the baseline. With the changes in eligibility requirements enacted in Senate Bill 347 and 5.7.20 NMAC, a shift in enrollment trends was observed in FY15 that has continued through FY22.

Table 6a and **Table 6b** shows the distribution of continuously vs. non-continuously enrolled awardees that received degrees in FY14 and FY18 (not including summer semesters). In FY14, 68 percent of Lottery Scholarship recipients received degrees even when they were not enrolled for at least one fall or spring semester. In FY17, only 57 percent 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 <i>Continuously v. Non-Continuously Enrolled</i>					
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 FY22 Degree Recipients <i>Continuously v. Non-Continuously Enrolled</i>					
Degree Description	Total Awardees	# Cont. Enrolled	Percent Cont. Enrolled	# Non-Cont. Enrolled	Percent Non-Cont. Enrolled
Awards of less than 1 academic year	145	16	11%	129	89%
Awards of at least 1 year but less than 2 years	445	74	16%	371	84%
Associate's Degree (2 year degree)	1253	208	17%	1045	83%
Awards of at least 2 years but less than 4 years	27	6	22%	21	78%
Bachelor's Degree	2717	35	13%	2682	87%
Grand Total FY18	4,587	339	Average 14%	4,248	Average 86%

While the total number of awards has decreased slightly, from 5,514 awards in FY14 to 4,587 in FY22, the total number of scholarships awarded has decreased from 32,685 in FY14 to 23,907 in FY18, a 30 percent decrease. This suggests that while fewer students are taking advantage of the Lottery Scholarship (primarily due to general enrollment trends at the higher education 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 FY22 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. Much of the increase is likely attributable to enrollment disruptions during the COVID-19 pandemic.

3. Lottery Scholarships in FY23

As noted above, revenues and special appropriations to the Legislative Lottery Tuition Fund for FY22 resulted in a \$13 million fund balance entering FY22. During the 2022 legislative session the Legislature appropriated \$130 million to the Legislative Lottery Tuition Fund for expenditure over the next several fiscal years. Based on projected enrollment and revenues, the fund can support 100 percent of tuition for all higher education institutions in Academic Year 2022-2023 with no need to compute a per-sector tuition award as in prior years.

Cumulatively since its inception, the Lottery Scholarship has provided over \$966 million of tuition support to more than 190,000 students from every county in New Mexico. The Department remains committed to student success and its stewardship of the Legislative Lottery Scholarship for the benefit of its students and all of New Mexico.