

# NEW MEXICO HIGHER EDUCATION DEPARTMENT



## Legislative Lottery Scholarship Report For the period ending June 30, 2020 (Fiscal Year 2020)

### 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 FY20:

- **\$2,291** per semester for students at research universities;
- **\$1,558** per semester for students at comprehensive colleges; and
- **\$580** per semester for students at community colleges.

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 2020 (FY20, the period ending June 30, 2020).

## 1. STATUS OF THE LOTTERY TUITION FUND

At the close of FY20, the Lottery Tuition Fund had an ending balance of \$8.51 million. This balance was the result of reduced scholarship demand in FY19 and a \$4 million special legislative appropriation that carried into FY20. In FY20 Lottery and interest revenues totaled \$38.1M and total Lottery Scholarship tuition payments totaled \$44.9M. The Lottery Tuition Fund ended FY20 with \$1.76M in cash reserves. Table 1 summarizes FY20 Lottery Tuition Fund revenues and expenditures.

<b>Table 1: FY18 Lottery Tuition Fund Activity Summary</b>	
Source: SHARE Financials – some rounding error may be present	
<b>Cash Balance Beginning FY20<sup>1</sup></b>	<b>\$8,506,818</b>
NM Lottery Authority Revenues	\$37,736,343
TRD Liquor Excise Tax Revenue, Voluntary Contributions	\$8,576

<sup>1</sup> 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.

Interest, Other Misc. Revenue	\$386,214
<b>Subtotal FY20 Revenues + Carry Forward Balance</b>	<b>\$46,637,650</b>
Fall 2016 Lottery Scholarship Payments	(\$19,654,589)
Spring 2017 Lottery Scholarship Payments	(\$25,219,894)
<b>Subtotal FY18 Expenditures</b>	<b>(\$44,874,482)</b>
<b>Cash Balance Ending FY19 / Beginning FY20</b>	<b>\$1,763,168</b>

Tuition payments were reduced from the FY14 peak of \$66 million to \$46.6 million. Enrollment estimates are provided by the institutions to the Department in advance of the fiscal year for purposes of estimating the scholarship award. Actual enrollment compared to projected estimates were down by roughly 10 percent, thus reducing payments by \$4.2 million below the original estimate of \$41 million for FY18. This reduction in combination with the \$4 million special appropriation authorized by the Legislature for expenditure in FY19 resulted in the large cash balance observed at the end of FY19. Statute requires that the 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 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.

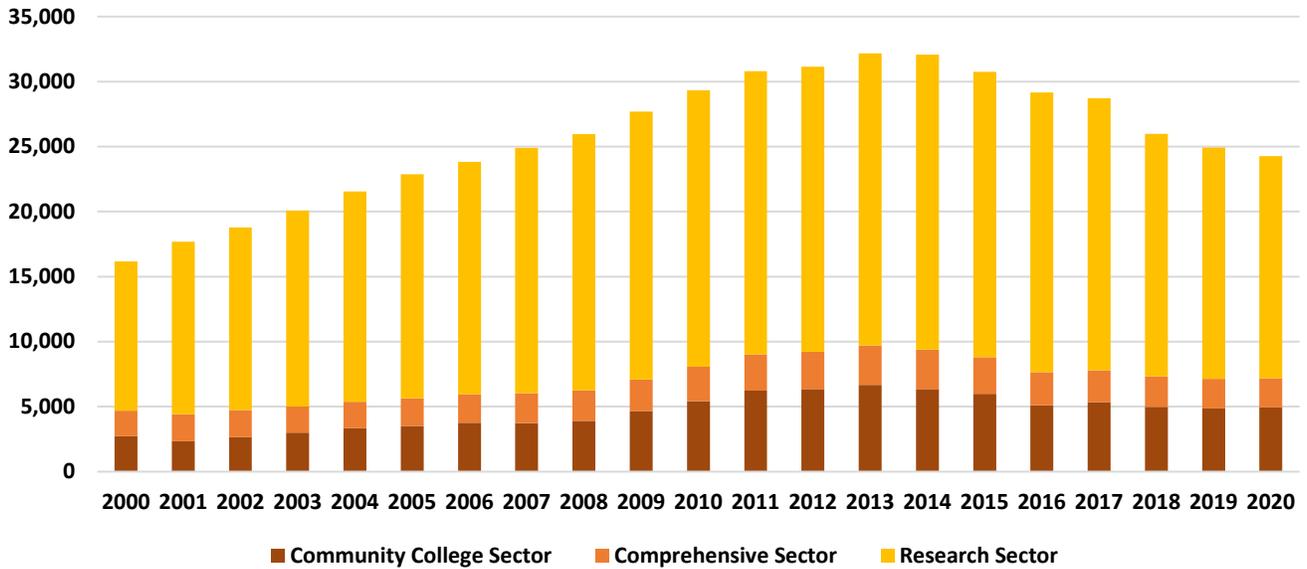
The purpose of distinguishing qualified and legacy students was to observe the effect of changes in eligibility requirements enacted by Laws 2014 Chapter 80 (including a change in credit hour requirements from 12 to 15 for students at Research and Comprehensive institutions). There is no longer a distinction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

In FY20, there were a total of 24,274 Lottery Scholarships distributed by sector as follows:

- 17,082 at the research institutions;
- 2,252 at the four-year comprehensive colleges and tribal colleges; and
- 4,940 at the two-year independent and branch community colleges.

**Figure 1**, below, plots the distribution of Lottery Scholarship recipients for fiscal years 2000 through 2020. 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, 2000-2020**



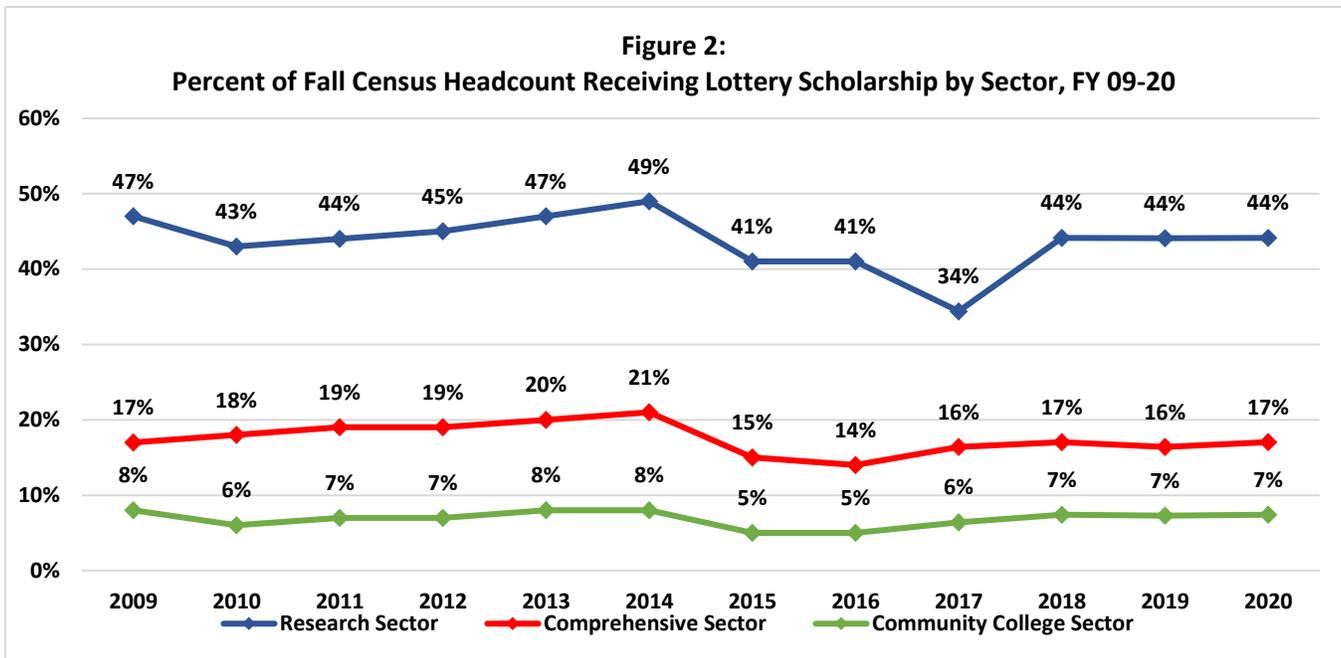
**b. Total number of students, including qualified students and legacy students, enrolled in the prior twelve-month period.**

Table 2 depicts FY20 enrollment data and the number of lottery recipients for each institution (grouped by sector, below):

<b>Institution</b>	<b>Total Student Headcount</b>	<b>Lottery Scholarship Recipients</b>	<b>Scholarship Recipients as Percentages of Total Students</b>
NM Tech	1,827	956	52.3%
NMSU	14,274	5,904	41.4%
UNM	22,602	10,222	45.2%
<b>RESEARCH SECTOR TOTAL</b>	<b>38,703</b>	<b>17,082</b>	<b>44.1%</b>
ENMU	5,783	1,225	21.2%
NMHU	2,891	485	16.8%
NNMC	1,112	209	18.8%

WNMU	3,332	315	9.5%
<b>COMPREHENSIVE AND TRIBAL SECTOR TOTAL</b>	<b>13,118</b>	<b>2,234</b>	<b>17.0%</b>
ENMU-RO	2,254	346	15.4%
ENMU-RU	691	25	3.6%
NMSU-AL	1,597	83	5.2%
NMSU-CA	2,045	78	3.8%
NMSU-DA	8,069	992	12.3%
NMSU-GR	863	45	5.2%
UNM-GA	2,507	138	5.5%
UNM-LA	980	78	8.0%
UNM-TA	1,254	75	6.0%
UNM-VA	2,390	203	8.5%
CNM	23,202	1,763	7.6%
CCC	3,247	89	2.7%
LCC	1,173	102	8.7%
MCC	877	35	4.0%
NMJC	2,329	208	8.9%
SJC	7,142	386	79.9%
SFCC	5453	294	4.1%
NMMI	483	-	-
<b>COMMUNITY COLLEGE SECTOR TOTAL</b>	<b>66,556</b>	<b>4,940</b>	<b>7.4%</b>
<b>GRAND TOTAL ALL SECTORS</b>	<b>118,377</b>	<b>24,256</b>	<b>20.5%</b>

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 FY20.



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

Table 3, below, shows the distribution of Lottery Tuition Fund dollars, by semester and institution, in FY20.

<b>Table 3: FY20 Lottery Scholarship Distributions by Institution*</b>		
<b>Institution</b>	<b>Fall 19</b>	<b>Spring 20</b>
NM Tech	\$922,006	\$1,265,723
NMSU	\$5,722,669	\$7,691,613
UNM	\$10,337,598	\$12,631,855*
ENMU	\$825,122	\$1,075,975
NMHU	\$308,404	\$461,168
NNMC	\$151,515	\$172,158
WNMU	\$196,308	\$293,839
ENMU-Roswell	\$46,400	\$78,880
ENMU-Ruidoso	\$2,320	\$12,180

NMSU-Alamogordo	\$18,676	\$39,781
NMSU-Carlsbad	\$14,642	\$34,113
NMSU-Dona Ana	\$196,098	\$403,233
NMSU-Grants	\$9,377	\$21,002
UNM-Gallup	\$29,000	\$50,460
UNM-Los Alamos	\$14,500	\$30,626
UNM-Taos	\$13,920	\$29,001
UNM-Valencia	\$41,760	\$75,412
Central NM CC	\$328,888	\$687,436
Clovis CC	\$16,308	\$31,776
Luna CC	\$16,660	\$29,508
Mesalands CC	\$5,800	\$14,500
NMJC	\$27,866	\$81,672
San Juan College	\$73,080	\$151,380
Santa Fe CC	\$60,896	\$104,892
NMMI	\$4674	\$-
IAIA	\$-	\$21,812
<b>FY20 Grand Total</b>	<b>\$44,874,482</b>	

\* NOTE: UNM Spring payment includes adjustments totaling \$239,477 for prior-year corrections and Summer Nursing students.

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

<b>Table 4: FY20 Tuition Support and Student Impact by Institution</b>			
<b>Institution</b>	<b>FY20 Tuition Support per Semester</b>	<b>FY20 Tuition</b>	<b>Student Tuition Cost – FY20</b>
NM Tech	<b>\$2,291</b>	\$3,413	\$1,122
NMSU		\$3,148	\$857
UNM		\$2,793	\$502
ENMU	<b>\$1,558</b>	\$1,998	\$440
NMHU		\$2,220	\$662
NNMC		\$1,630	\$72
WNMU		\$2,344	\$786
ENMU-Roswell	<b>\$580</b>	\$1,128	\$548
ENMU-Ruidoso		\$600	\$20
NMSU-Alamogordo		\$936	\$356
NMSU-Carlsbad		\$492	\$0

NMSU-Dona Ana		\$789	\$209
NMSU-Grants		\$936	\$356
UNM-Gallup		\$841	\$261
UNM-Los Alamos		\$984	\$404
UNM-Taos		\$900	\$320
UNM-Valencia		\$894	\$314
Central NM CC		\$672	\$92
Clovis CC		\$528	\$0
Luna CC		\$459	\$0
Mesalands CC		\$696	\$116
NMJC		\$456	\$0
San Juan College		\$588	\$8
Santa Fe CC		\$576	\$0
NMMI		\$892	\$312

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.

<b>Table 5: Distribution of Lottery Scholarship Recipient Degree Awardees AY00-AY18</b>					
<b>Total Number of Semesters Receiving Lottery Scholarship</b>	<b>No Degrees Awarded</b>	<b>Degrees or Certificates Awarded</b>	<b>Total</b>	<b>Percent with Award</b>	<b>Average Number of Semesters from Lottery Scholarship to Award</b>
1	24,620	8,801	33,421	26.3%	11.4
2	8,928	7,177	16,105	44.6%	10.2
3	8,514	8,529	17,043	50.0%	8.5
4	2,906	6,772	9,678	70.0%	8.7
5	3,545	4,727	8,272	57.1%	9.1
6	1,054	5,625	6,679	84.2%	9.5
7	1,595	20,833	22,428	92.9%	9.0
8	435	16,680	17,115	97.5%	9.8

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 84% 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 FY20.

**Tables 6a and 6b**, on the following page, shows the distribution of continuously vs. non-continuously enrolled awardees that received degrees in FY14 and FY18 (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.

<b>Table 6a: Distribution of FY14 Degree Recipients, Continuously v. Non-Continuously Enrolled</b>					
<b>Degree Description</b>	<b>Total Awardees</b>	<b># Cont. Enrolled</b>	<b>Percent Cont. Enrolled</b>	<b># Non-Cont. Enrolled</b>	<b>Percent Non-Cont. Enrolled</b>
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%
<b>Grand Total FY15</b>	<b>5,515</b>	<b>1,813</b>	<b>32%</b>	<b>3,702</b>	<b>68%</b>
<b>Table 6b: Distribution of FY20 Degree Recipients, Continuously v. Non-Continuously Enrolled</b>					
<b>Degree Description</b>	<b>Total Awardees</b>	<b># Cont. Enrolled</b>	<b>Percent Cont. Enrolled</b>	<b># Non-Cont. Enrolled</b>	<b>Percent Non-Cont. Enrolled</b>
Awards of less than 1 academic year	140	17	12%	123	88%
Awards of at least 1 year but less than 2 years	557	145	26%	412	74%
Associate's Degree (2 year degree)	1475	274	19%	1201	81%
Awards of at least 2 years but less than 4 years	22	9	41%	13	59%
Bachelor's Degree	3107	29	1%	3078	99%
<b>Grand Total FY18</b>	<b>5,301</b>	<b>474</b>	<b>9%</b>	<b>4,827</b>	<b>91%</b>

While the total number of awards has increased slightly, from 5,514 awards in FY14 to 5,515 in FY18, the total number of scholarships awarded has decreased from 32,685 in FY14 to 24,274 in FY18, a 26% 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 FY20 is unusual and is 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 FY21

Based on projected enrollment and revenues, the Department has set FY21 tuition awards at the following amounts:

- \$2,265 for the research sector;

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

These tuition awards represent approximately 70% of tuition though actual percentages vary by institution.

As part of its response to the COVID-19 public health emergency, the Department has 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. An analysis of the effects of the public health emergency on students receiving the Lottery Scholarship will accompany the FY21 report.

Cumulatively since its inception, the Legislative Lottery Scholarship has provided over \$860 million of tuition support to more than 150,000 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.