



Legislative Lottery Scholarship Program

Legislative Lottery Scholarship Work Group Meeting October 11, 2013

New Mexico Higher Education Department

If the legislature does not act.....



- Lottery payments will be reduced in 2014
- The percentage of the award will decline to 50% of tuition by FY18.
- If a new revenue stream is enacted into law it will be only a matter of time before the solvency issue arises again



Under Current Law

New Mexico Higher Education Department
Option O: Single Reimbursement Rate (Established Under Current Law)

09/19/13

Assumptions	Rate
Lottery Revenue Growth Factor	0.00%
Tuition Rate Growth	6.4%
Growth In New Students	0.0%

Assumption Summary:
Under this scenario, lottery payments increase by a set percentage increase per year but Revenues remain constant. No change in eligibility except that students who first earned LIS is FY12-13 or later will only have 7 semesters. This affects costs starting in Spring 16 with biggest effect starting in Fall 16.



Methods to Solvency



- Increasing merit qualifications
- Increasing financial-need qualifications
- Allowing one or more gap years before commencement of enrollment
- Reducing the amount of each, or certain legislative scholarship awards
- Providing additional source of funding



Re-cap of September 6th Meeting

10/11/13

SM 101 Work Groups



Group A

Representative Rick Miera

Senator Gay Kernan

David Abbey

Dr. Steven Gamble

Jeremy Witte

Dylan Dinkle

Group B

Representative Tomas Salazar

Senator Stuart Ingle

Dr. Bernadette Montoya

Isaac Romero

Dan Chadborn

Group C

Representative James White

Senator Michael Sanchez

Andy Burke

Malcolm Lockett

Marisa Chavez

Group D

Representative Dennis Roch

Senator John Arthur Smith

Frances Maestas

Dr. Terry Babbitt

Dr. Eugene Padilla

Miranda Martinez

Work Group A Re-cap



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- Award based on fixed payment amount
 - Increase GPA to 2.75
 - Increase credit hours to 15
 - Eliminate 8th semester
 - Most popular solution – find new money

Work Group B Re-cap



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- Award based on combination of EFC-GPA
 - Award based on EFC or Alternative
 - No change to credit hours
 - No change to GPA
 - Requested more data on cost-benefit of back loading vs. front loading

Work Group C Re-cap



- Award based on fixed amount with higher awards during earlier semesters
- Needs-base and merit approach
- Establish 30 credit hour annual requirement
- Lottery as last resort for payment
- Eliminate 8th semester

Work Group D Re-cap



- Award based on average tuition (5-year)
- Increase credit hours to 15 for four-year colleges
- Eliminate remedial courses
- Eliminate 7th and 8th semesters
- Not opposed to front or back loading award



Brief State Comparisons

10/11/13

State Comparisons



State	Tennessee	Arkansas	Florida	Georgia	Kentucky	New Mexico	South Carolina	West Virginia
Maximum Award Amount	\$6,000 (4-yr) \$3,000 (2-yr)	\$4,500 (4-yr) \$2,250 (2-yr)	\$125 (4-yr) per credit \$77 (2-yr) per credit	\$70-210/hour (public) \$1,800/semester (private)	\$2,500 MAX	Tuition Only	\$5,000 (LIFE)	\$4,750.00
Year Limit	5-yr	4-yr	5-yr	No Limit	4-yr	4-yr	4-yr	4-yr
Credit Hour Cap	120 semester hours	130 semester hours	120 semester hours	127 semester hours	8 semesters	8 semesters	No Limit	8 semesters
Enroll Immediately after High School	Within 16-months	Yes	Within 3-yrs	No Limit	Within 5-yrs	Yes	No Limit	Within 2-yrs
Type of Application Required	FAFSA	FAFSA	FAFSA & State Application	FAFSA & State Application	-	-	-	FAFSA & State Application
Allows Home-Schooled Students	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Allows Full-time and Part-time students	No	Yes	No	No Limit	No	Yes	Yes	Yes
GPA Renewal Requirements	1st yr 2.75 2nd yr 2.75 3rd yr and after 3.0	2.50	1st yr 2.75 - 3.0 2nd yr 2.75 - 3.0 3rd yr and after 2.75 - 3.0	3.00	1st yr 3.0 100% award or 2.50 at 50% award 2nd yr 3.0 100% award or 2.50 at 50% award 3rd yr and after 3.0 100% award or 2.50 50% award	2.50	3.00	1st yr 2.75 2nd yr 3.0 3rd yr and after 3.0

Relevant Issues



- Decoupling the award as a percentage of tuition
- Eliminate semester 8
- Requiring 15 credit-bearing hours per semester

Balanced Approach GPA and Needs-based



- This approach combines grade point average (GPA) and unmet financial needs
- Student award depends on both grade point average and financial need
- High flexibility in determining relative value of GPA and financial need

Balanced Approach

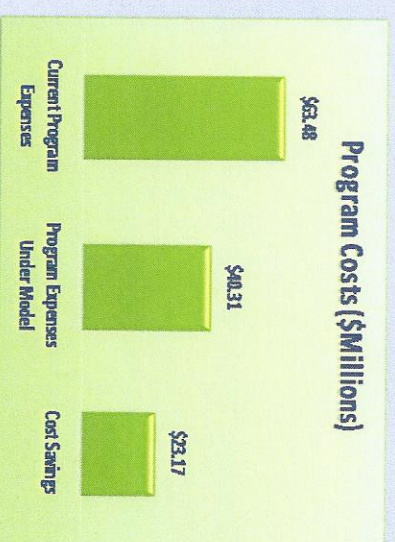


New Mexico Higher Education Department
Legislative Lottery Program: GPA by UnMet Need Fixed Rate Reimbursement Model
9/19/2013



This model looks at the affect on the Lottery Scholarship Fund of reimbursing students by a fixed payment amount that is tied to their ability to pay (as measured, for example, by Expected Family Contribution (EFC) and by their Grade Point Average (GPA) performance in college. They would receive either this amount, or tuition, whichever is lower.

College GPA	UnMet Need (Cost - EFC - All Fed and Non-Lottery State Grants and Scholarships)					
	01 > \$7,000 UnMet	02 > \$6,000, <= \$7,000	03 > \$4,000, <= \$6,000	04 > \$0, <= \$4,000	05 All Need Met	
	Reimbursement Amount	2,000	1,800	1,600	1,000	0
2.50 - 2.74	0	2,000	1,800	1,600	1,000	0
2.75 - 2.99	100	2,100	1,900	1,700	1,100	0
3.00 - 3.24	200	2,200	2,000	1,800	1,200	0
Over 3.25	500	2,500	2,300	2,100	1,500	0



Single Flat Rate at Current Revenue



- This would set a single flat rate for all students each year
- The first rate would be about \$1280 per semester or full tuition (whichever is lower)
- Tuition increases will have no effect on the rate but number of eligible students will

Single Flat Rate



New Mexico Higher Education Department

Option 1: Flat Rate Model – Voucher (\$1200/Semester)

09/19/13

Assumptions	Rate
Lottery Revenue Growth Factor	0.00%
Tuition Rate Growth	6.4%
Growth In New Students	0.0%

Assumption Summary:

Under this scenario, a flat rate is determined that spends the available dollars. Each student receives either that flat rate, or tuition, whichever is less. No change in eligibility except that students who first earned LLS is FY12-13 or later will only have 7 semesters. This affects costs starting in Spring 16 with biggest effect starting in Fall 16.





Flat Rate by Sector at Current Revenue

- In this model separate rates are established by sector
- Students at research institutions would receive about \$1400 per semester
- Students at comprehensive universities would receive about \$900 per semester
- Students at 2-year institutions would receive about \$500 per semester



Flat Rate by Sector

New Mexico Higher Education Department

09/19/13

Voucher by Sector Model -- Setting a fixed rate for each sector that spends the full amount of available money.

Assumptions	Rate
Lottery Revenue Growth Factor	0.00%
Tuition Rate Growth	6.4%
Growth In New Students	0.0%

Assumption Summary:

Under this scenario, a flat rate is determined that spends the available dollars. Each student receives either that flat rate, or tuition, whichever is less. Rates are set by sector. No change in eligibility except that students who first earned LLS is FY12-13 or later will only have 7 semesters. This affects costs starting in Spring 16 with biggest effect starting in Fall 16.



Tuition Payments:

	FY 13-14	Future Payments
Research	\$2,571	\$1,400
Comprehensive	\$1,483	\$900
Branch 2Yr	\$717	\$500
Independent 2Yr	\$558	\$500
		\$525
		\$550
		\$550
		\$650

Back Loading



- Rates are based on FY13-14 average sector tuition rates per sector
- Awards increase for each year the student stays in school:
 - Year 1 50%
 - Year 2 60%
 - Year 3 70%
 - Year 4 80%

Back Loading - Graph



Percent of Sector Average Tuition to Pay, by Semester with the Lottery Scholarship

	Sem 1	Sem 2	Sem 3	Sem 4	Sem 5	Sem 6	Sem 7
	50.0%	60.0%	60.0%	70.0%	70.0%	80.0%	80.0%
Research	\$1,269	\$1,523	\$1,523	\$1,777	\$1,777	\$2,030	\$2,030
Comp	\$747	\$896	\$896	\$1,046	\$1,046	\$1,195	\$1,195
Branch	\$366	\$440	\$440	\$513	\$513	\$586	\$586
Independent	\$246	\$295	\$295	\$344	\$344	\$394	\$394

Front Loading



- Rates are based on FY13-14 average sector tuition rates per sector
- Awards decrease for each year the student stays in school:
 - Year 1 80%
 - Year 2 70%
 - Year 3 60%
 - Year 4 50%

Front Loading - Graph



Percent of Sector Average Tuition to Pay, by Semester with the Lottery Scholarship

	Sem 1	Sem 2	Sem 3	Sem 4	Sem 5	Sem 6	Sem 7
	80.0%	70.0%	70.0%	60.0%	60.0%	50.0%	50.0%
Research	\$2,030	\$1,777	\$1,777	\$1,523	\$1,523	\$1,269	\$1,269
Comp	\$1,195	\$1,046	\$1,046	\$896	\$896	\$747	\$747
Branch	\$586	\$513	\$513	\$440	\$440	\$366	\$366
Independent	\$394	\$344	\$344	\$295	\$295	\$246	\$246

Percent Back Loading



- Rates are based on FY13-14 average sector tuition rates per sector
- Awards are lower for years 1 and 2, higher for years 3 and 4 and vary by sector:
 - 4-Yr Years 1 & 2 40%
 - 4-Yr Years 3 & 4 85%
 - 2-Yr Years 1 & 2 75%

Percent Back Loading - Graph



Percent of Sector Average Tuition to Pay, by Semester with the Lottery Scholarship

	Sem 1	Sem 2	Sem 3	Sem 4	Sem 5	Sem 6	Sem 7
4-Yr	40.0%	40.0%	40.0%	85.0%	85.0%	85.0%	85.0%
2-Yr	75.0%	75.0%	75.0%	75.0%			
Research	\$1,015	\$1,015	\$1,015	\$2,157	\$2,157	\$2,157	\$2,157
Comp	\$598	\$598	\$598	\$1,270	\$1,270	\$1,270	\$1,270
Branch	\$549	\$549	\$549	\$549	\$0	\$0	\$0
Independent	\$369	\$369	\$369	\$369	\$0	\$0	\$0

Possible Additional Revenue Sources



Open Discussion

Work Group Recommendations





THANK YOU!