

11-27-2012

# The New Mexico Lottery Success Scholarship Forum

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*The Associated Students of UNM*

Presents

The New Mexico Lottery Success  
Scholarship Forum

November 27<sup>th</sup>, 2012

11 AM – 1:30 PM

Lobo Room

UNM Student Union Building

Forum Agenda

Introduction *Caroline Muraida, Associated Students of UNM*  
*Jacob Wellman, UNM Board of Regents*

Overview of Legislative Finance Committee's 2010 program evaluation of Higher Education in NM *Charles Sallee, NM Legislative Finance Committee*

The Lottery Scholarship in the Context of UNM *Terry Babbitt, UNM Enrollment Management*

Who benefits from the Lottery Scholarship? *Melissa Binder, UNM Department of Economics*

Who succeeds at UNM? *Kate Krause, UNM University College*

Panel of Policymakers: Perspectives on the Lottery Success Scholarship

Participant Survey

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## The Lottery Success Scholarship Today

***The New Mexico Lottery Success Scholarship*** provides assistance to New Mexico high school graduates to attend colleges and universities in the state. New Mexico is a national leader in committing its tax effort and spending towards higher education and dedicates about 15% of the State's general fund appropriations for this purpose.

The State of New Mexico funds 25 institutions of higher education including the two largest, New Mexico State University and the University of New Mexico.

***The Lottery Scholarship Fund expends more on student scholarships than is currently generated for this purpose by the New Mexico Lottery Authority***

With a combination of stagnant revenues, increased numbers of students earning the scholarship, and increased tuition at New Mexico's higher education institutions the fund's cash reserves have already been tapped to fund current recipients. If this trend continues, an automatic across-the-board reduction will be required according to state law. Lottery fund revenues are relatively stable; however total gross revenues have slightly declined in four of the last five fiscal years of lottery tickets. The Lottery fund expenses on scholarships, required by a 2007 state law to be funded by 30% of total lottery revenues, are impacted by rising tuition costs and an increasing number of recipients.

## Editorial: College Predictors Will Save Lotto Scholarships

By [Albuquerque Journal Editorial Board](#) on Thu, Oct 4, 2012

In 1995, then-Gov. Gary Johnson signed bipartisan legislation creating the New Mexico Lottery Authority. What made that legislation, and the subsequent 12 years of legalized gambling, more palatable to many New Mexicans is the program's mandated mission of raising money for higher education.

It's time for the Legislature to face fiscal reality and finally focus that law so it goes beyond just handing out college tuition to all comers and instead awards it to students who have a decent shot at graduating.

Currently the program guarantees eight semesters of full tuition for recent N.M. high school grads who maintain a 2.5 grade-point average in a state college or university.

The retooling is necessary because the New Mexico Lottery Success Scholarship fund is on the edge of insolvency — the Legislative Finance Committee is projecting it will be more than \$5 million short in two short years.

Declining ticket sales, skyrocketing tuition and increasing student applications — about 75,300 students have gotten a lotto scholarship — have made it a fiscal victim of its popularity with the looming potential of becoming an empty promise.

And that has the Legislature flipping a coin with two unpopular sides:

1. Either give the scholarship to fewer students, or
2. Find more money.

A 2010 LFC report wisely pushed option No. 1, linking qualifications for the scholarships with predictors for recipients actually graduating in nine semesters. Those included increasing the minimum course load from 12 to 15 hours, setting stricter eligibility requirements for research institutions and four-year colleges compared to two year colleges, setting high school performance standards (GPA, college preparation or class rank), requiring remedial coursework be taken at lower-cost institutions, and excluding remedial courses from the required course load.

Option No. 2 is a non-starter, considering the state-sponsored gambling was sold to the public as a way to get kids through college and especially in this tight economy. LFC members appear reluctant to even go there — a good thing.

Chairman Sen. John Arthur Smith says using general state funds is not an option, and vice chairman Rep. Luciano "Lucky" Varela says "we're trying to balance the budget. We're looking at not trying to divert recurring revenue from the general fund at this point in time."

On the lottery's 10-year anniversary, one of the original sponsors of the enabling legislation, Sen. Stuart Ingle, R-Portales, said "we want (the scholarship program) to where it stays something you can rely on."

If that's going to happen, the 2013 Legislature will need to make adjustments to honor that sentiment, as well as the one about legalized gambling putting students through (not just into) college.

*This editorial first appeared in the Albuquerque Journal. It was written by members of the editorial board and is unsigned as it represents the opinion of the newspaper rather than the writers.*

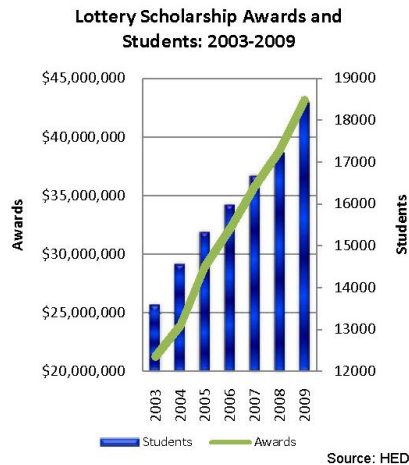
# ASUNM Lottery Success Scholarship Fund Forum

Excerpted from the New Mexico Legislative Finance Committee's 2010 Report on Higher Education

## THE LEGISLATIVE LOTTERY SCHOLARSHIP, AS CURRENTLY STRUCTURED, IS SUCCESSFUL BUT UNSUSTAINABLE.

**Since 1996, more than 61,000 New Mexicans have attended and more than 25,000 have graduated from New Mexico's colleges and universities through the Legislative Lottery Scholarship (LLS).**

The LLS has improved access by making higher education more affordable. In 1992 and prior to the LLS, New Mexico ranked 37<sup>th</sup> in the nation in terms of high school graduates enrolling directly into college. By 2006, the percentage of high school graduates enrollments improved from 50 percent in 1992 to over 70 percent. In 2006, New Mexico's national ranking was 6<sup>th</sup> on this metric.



Students qualify for the Lottery scholarship in their first semester of college immediately following their high school graduation and funding begins in the second college semester. Lottery recipients must have graduated from a New Mexico public high school, an accredited New Mexico private high school, or have obtained a New Mexico GED, but there are no requirements relating to high school curriculum, class rank, or GPA. The design of the program implicitly assumes that a New Mexico high school diploma indicates adequate preparation for success at a research institution. To maintain the scholarship, a student must

complete 12 credit hours per semester and keep a 2.5 cumulative GPA. The Lottery scholarship pays 100 percent of tuition for eight consecutive semesters of eligibility beginning with the second semester of college. In FY09, there were 18,426 Lottery recipients statewide with an average award of about \$2,350 for a total expense of about \$43.3 million.

*A key objective of the scholarship is to encourage students to complete a four-year degree in no more than nine semesters.* New Mexico Administrative Code (NMAC 5.7.20.6) sets degree completion as a goal of the LLS. The objective "is to encourage New Mexico high school students to pursue a postsecondary education in New Mexico to complete a first four-year degree within a maximum of nine (9) semesters." Despite this goal, HED defines full time enrollment as 12 or more student credit hours (SCH) per semester. If a student earned 12 SCH per semester, they would have 108 credits hours after nine semesters, well short of completing a degree as most bachelor's degrees require about 130 credit hours. A requirement of 15 SCH or more per semester is better aligned with the scholarship's goal of timely graduation.

### Lottery Success Scholarship Requirements

Requirements to be "ELIGIBLE" for the scholarship:

A student must

- Be a New Mexico resident,
- Have graduated from a New Mexico public high school, an accredited New Mexico private high school, or obtained a New Mexico GED, and
- Be enrolled full-time and complete 12 credit hours and earn a 2.5 GPA in the first semester immediately following high school graduation (Merit component).

Requirements to "EARN" the scholarship:

To earn the scholarship each semester, a student must

- Be enrolled full-time and complete 12 credit hours, and
- Earn a 2.5 grade point average.

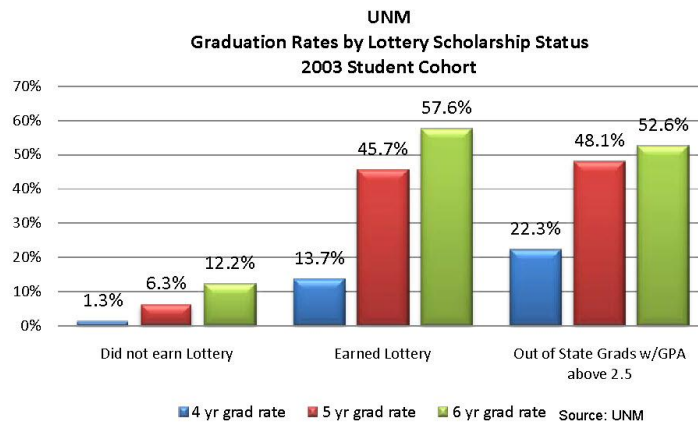
Source: NMSA 21-1-4.3 and NMAC 5.7.20



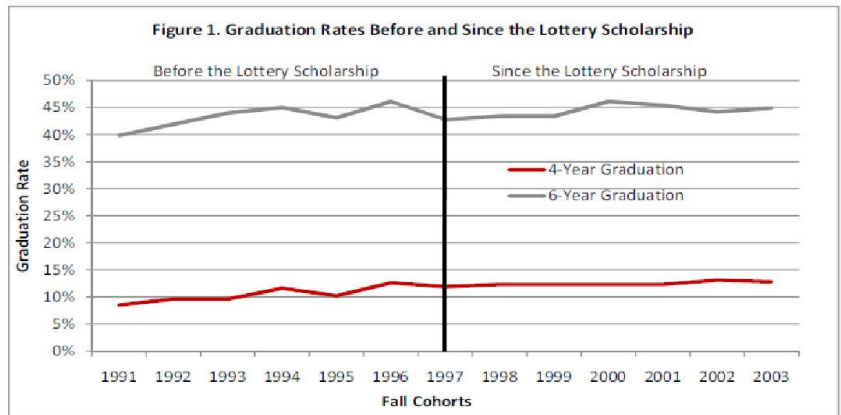
**Students who have the skills and preparation to take at least 12 student credit hours (SCH) and maintain a 2.5 GPA are more likely to graduate than students who do not, regardless of the LLS.**

In general, students who earn scholarships with higher merit components tend to graduate at higher rates. UNM's graduation report indicated that students who received the Prestige scholarship, which has a higher merit component than the lottery, had a six-year graduation rate of 75.7 percent, about 20 percentage points higher than LLS recipients. Lottery recipients graduate at higher rates than in-state students who did not achieve the merit requirements to be eligible for the scholarship. Lottery recipients who maintain the scholarship graduate at higher rates than those who do not. NMSU provided data indicating that students with a stronger high school GPA are able to earn and maintain the scholarship at higher rates than those with lower high school GPA. This data is provided in the appendix.

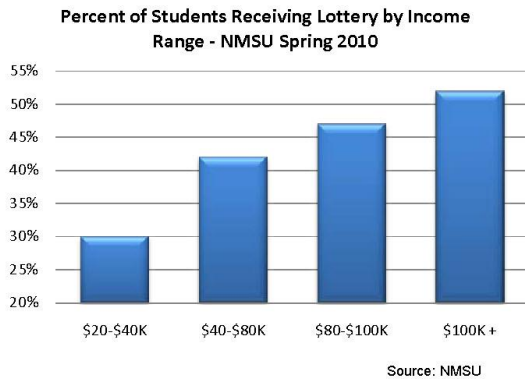
While simply sending people to college has some benefits, the primary return on investment of lottery scholarships is assisting students to complete degrees. UNM reported that six-year graduation rates for lottery recipients are almost 15 percentage points higher than the University as a whole, 58 percent compared to 43 percent. About 42 percent of lottery recipients did not graduate in six years. Some groups of students who did not receive a lottery scholarship graduate in four years at higher rates than lottery recipients. For example, UNM provided data indicating that students who were not eligible for lottery (those who came from out of state or delayed entry into college) and whose first college semester GPA was greater than 2.5 had a four-year graduation rate of over 22 percent compared to a four-year graduation rate of almost 14 percent for lottery recipients. The data suggest that although not every student who receives the LLS is adequately prepared to succeed in college, for those students that do possess the capacity to succeed at college; the LLS makes college attendance more affordable. A change in the LLS program will more likely impact overall college enrollment patterns than it will graduation rates.



*The LLS alone does not appear to ‘cause’ students to graduate, based on an NMSU regression model.* NMSU’s Research, Evaluation, and Assessment staff has taken the initial steps to complete a study on the impacts of the LLS on graduation. NMSU data shows that students with a higher high school GPA are more likely to maintain the LLS for 7 or 8 semesters. NMSU has already developed a logit regression model to assess the impacts of LLS and other variables, including high school GPA, ACT scores, and family income, on graduation. Although the initial model does not account for more than 40 percent of the variance in graduation, NMSU is to be commended for developing the initial model and subsequent models will likely incorporate variables for institutional programs and practices that impact graduation as well. NMSU’s efforts have indicated that while maintaining the LLS is positively correlated with graduation, other factors contribute to student success as well. NMSU provided the graph below.



*Students from higher income brackets tend to earn the LLS at higher rates.* Data provided by NMSU shows that about 30 percent of students from families with incomes between \$20,000 and \$39,999



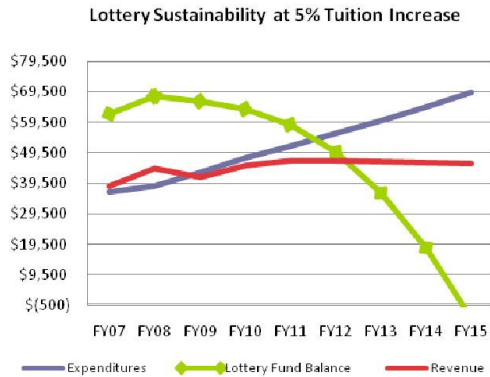
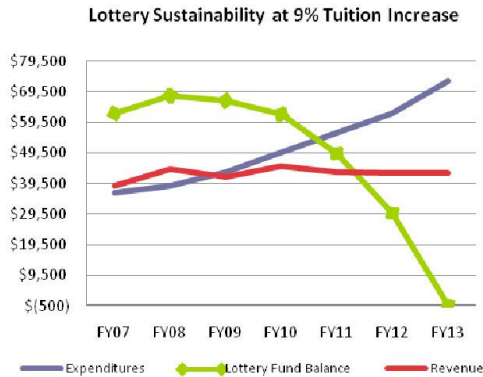
receive the Lottery scholarship while over half of the students from families with income over \$100,000 earn the Lottery. This outcome is a product of New Mexico’s achievement gap whereby economically disadvantaged students are less likely to achieve at the levels required to qualify for, earn, and maintain the Lottery Scholarship.

The solvency of the Lottery fund is vulnerable due to stagnant revenue streams and tuition and enrollment increases. In 2007, the Legislature addressed solvency issues and altered the lottery fund distribution by mandating minimum monthly contributions to the program’s scholarship fund of 30 percent of

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gross revenue from ticket sales. Lottery fund revenues are relatively stable; however total gross revenues have slightly declined in four of the last five fiscal years (FY05-FY09). Lottery fund expenses, which are functions of rising tuition costs and an increasing number of recipients, have risen rapidly. FY09 was the first year that Lottery expenditures of about \$43.2 million exceeded lottery income for education of about \$41.5 million. The fund balance declined from FY08 to FY09 which leaves a smaller pool from which to earn interest. The decreased fund earnings combined with an increasing number of students receiving the scholarship and the increases in tuition form a serious threat to long-term fund sustainability.

***The State must quickly identify ways to extend the solvency of the Lottery fund and take action to reduce lottery fund expenses.*** Given New Mexico's current fiscal situation, it will likely be difficult to maintain the current level of state support to higher education institutions.



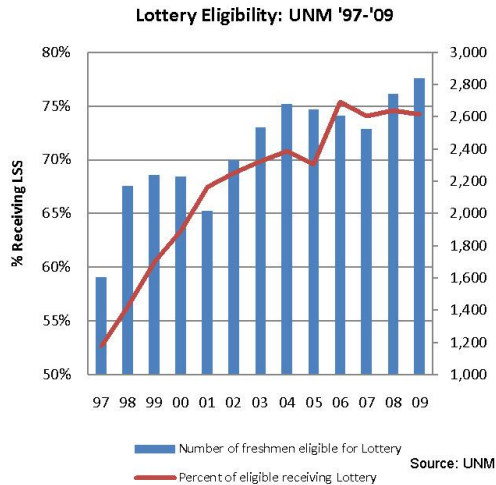
Substantial tuition increases are also likely. UNM recently raised tuition 8.5 percent; NMSU raised tuition 8 percent. Assuming a 9 percent tuition increase, the projected FY12 Lottery balance of about \$29 million will be less than half of what it was in FY09, \$66.5 million, and the balance in FY13 will be negative. While projections indicating that the Lottery fund will be broke in FY13 could be viewed as 'worst case' scenarios, even 'best case' scenarios are concerning. Assuming a 5 percent tuition increase, slower growth in the number of recipients, and moderate increases in lottery revenues, the Lottery fund will have a negative balance in FY15.

***More and more students are eligible for and receive the LLS.*** Since inception of the lottery in 1997, both the percentage of the freshmen class eligible for the lottery and the percentage of eligible students that earn the lottery have been generally increasing. Lottery participation of all UNM students has grown from about 6

percent at its inception to about 30 percent. Currently, over 80 percent of the incoming freshmen class at UNM and about 70 percent of freshmen at NMSU are eligible for the lottery. In the last few years,

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about one third of the students initially eligible for the lottery did not earn it in the first semester, so over half of the incoming freshmen class is on the lottery scholarship by the second semester.

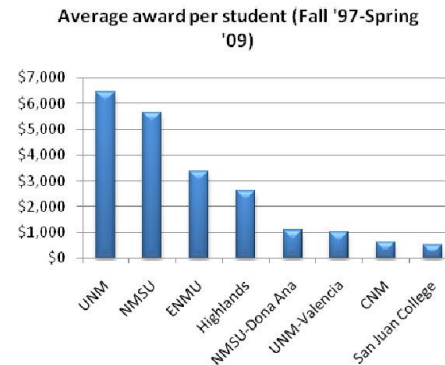


*As the price of tuition rises, the value of the Lottery scholarship also rises.* Receiving a Lottery scholarship does not mean that the recipient attends college for free because the Lottery does not cover the full cost of attendance. The Lottery pays about 20 to 25 percent of total costs of attendance and most lottery recipients take out loans. NMSU reported that of the Fall 2003 cohort, over half of the graduating lottery recipients had debt at graduation. The LLS is worth more to a student attending UNM than Central New Mexico Community College (CNM) as the cost of attending CNM is less than a fourth of the costs to attend the UNM.

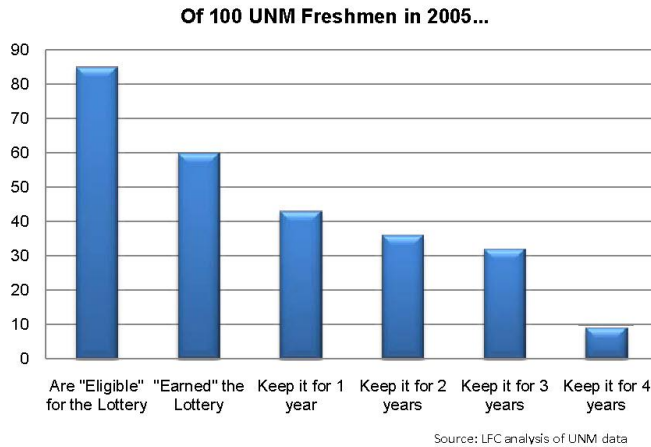
Statutes envision paying less than 100 percent of tuition should funds not be available. However, it is unclear that this is

the optimal course of action. Reducing the amount of tuition the LLS covers does not allow the state to prioritize the use of lottery funds; it is simply an across the board reduction. Other states have raised expectations for student performance by increasing the eligibility requirements for similar programs, such as Georgia's Hope scholarship. The idea is to allocate increasingly limited resources in a way that encourages students to graduate in a timely manner before those resources are gone.

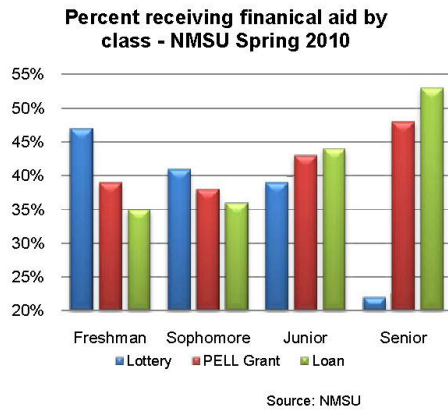
**As students progress through college, many lose their lottery scholarship and take out loans.** Most students lose the lottery because they failed to meet both the GPA and the student credit hours requirements. More students lose the lottery due to the GPA requirements alone than the student credit hour requirements. For spring of 2010, NMSU had a freshmen class of 2,208 students of which 47 percent were on the lottery and a senior class of 3,867 students of which 22 percent were on the lottery. Conversely, 35 percent of the freshmen class took out a loan and 53 percent of the senior class took out a loan.







**Students who received a Bridge scholarship but did not meet the lottery qualifications have a diminished chance for success.** The UNM graduation study reports that only 15 percent of the students who were offered the Bridge but did not qualify for the lottery graduated in six years, whereas 55.5 percent of the students who received both the bridge and the lottery graduated in six years. About 25 to



35 percent of Lottery eligible students received the bridge scholarship but did not actually qualify for the Lottery. The high rate of bridge recipients failing to become lottery recipients raises concerns about the effective use of the Bridge scholarship. UNM and NMSU reported that those who lost their eligibility for lottery in their first college semester had a high school GPA of just over 3.0, whereas those that maintained their eligibility had a high school GPA of about 3.4. The Bridge scholarship only requires a 2.5 high school GPA, and given that the high school GPA of those that lose Lottery eligibility is over 3.0, serious consideration should be given to increasing the GPA requirements to receive a Bridge scholarship to ensure that Bridge scholarship funds are effectively used.

**Recommendations.**

***Higher Education Department***

- HED should immediately convene a task force to develop and recommend changes to be made to preserve the lottery scholarship fund. These recommendations should be presented before the 2011 Legislative Session. Ideas that warrant consideration and analysis include:
  - Increasing the minimum student credit hours requirement from 12 per semester to 15 per semester or 30 per year. This would enhance the merit component of the scholarship and require a course load that leads to degree completion in four years. New Mexico Administrative Code (NMAC) 5.7.20 describes the purpose as encouraging “New Mexico high school students to pursue a postsecondary education in New Mexico to ***complete a first four-year degree within a maximum of nine (9) semesters***”; however the minimum standards set to maintain the scholarship will not result in a degree in nine semesters.
  - Consider separate Lottery eligibility requirements for research institutions, four-year colleges, and two year colleges. Eligibility for research institutions could have a higher merit component than requirements for two year colleges. Students who wish to use the Lottery for more demanding and more expensive institutions should have to demonstrate they have the needed skills and knowledge to succeed.
  - Consider setting high school performance standards (GPA, college preparation, class rank) as the basis for awarding the LLS. Consider requiring coursework in high school that contributes to success in college.
  - Changing the way the Lottery to pays for remedial coursework. Consider requiring that remedial courses be taken at lower cost institutions such as two year institutions or branch campuses. Consider excluding remedial courses as counting toward the minimum credit requirement.
  - Consider establishing a ‘means’ test for Lottery eligibility.

***UNM and NMSU***

- Institutions should analyze the use of Bridge Scholarships to ensure success and explore ways to use the Bridge scholarship more strategically and selectively. Consider awarding the Bridge scholarship to students that are close to graduation and have exhausted the Lottery and other financial aid.
- Institutions should continue to evaluate the impact of the LLS on graduation. Data analysis can identify the traits common to students who are able to maintain the lottery for eight semesters. This information can be revealing and guide decision makers contemplating changes to the LLS.

**Thank You for Investing  
in the Future!**



**Lobo Class of 2018**