Policy Option 2a:

Require ACT and HS GPA for full HOPE and ASPIRE award at 4-yr, otherwise students receive $3K for first two years, then eligible for $6K.

1st Year Savings: $13 M*

Annual Savings: $17 M*

**Ranges can be found in Appendix B*

Scholarship Programs' Enrollment Affected by Loss of Dollars

HOPE	ASPIRE	GAMS	ACCESS	STIPENDS
LOSS	LOSS	N/A	N/A	N/A

KEY POINTS

- Eligibility requirements at 2-year colleges would remain unchanged
- Year 1: 5,257 (22%) fewer HS grads would have qualified for the full $6K TELS award at 4-year institutions in 2010 (would receive $3K) Both amounts include payments for summer.
- After 2 years, students that initially met only one of the criteria and received $3K would be eligible for $6K (both figures include summer benefits) if they meet the renewal criteria
- African American students and students that traditionally attend TBR universities would be disproportionately affected

Impact of Policy on Retention & Graduation Rates

	Retention			Graduation		
	Fall 2009 FTF Cohort	2nd-Year Retention Rate	2nd-Year Renewal Rate w/ TELS Intact	Fall 2005 FTF Cohort	5-yr Grad. Rate	5-yr Grad. Rate w/ TELS Intact
All TELS First-time Freshmen (FTF)	24658	74% (18152)	54% (13347)	19807	51% (10161)	36% (7069)
Students that would receive full scholarship at 4-yr (HOPE & ASPIRE)	12156	77% (9322)	63% (7646)	9934	59% (5891)	54% (5339)
Students that would receive reduced scholarship at 4-yr (HOPE & ASPIRE)	5356	64% (3452)	37%* (1959)	4489	37% (1672)	18%* (807)

* Based on historical academic performance – if this policy is adopted these students will not have a graduation or renewal rate on TELS.

Impact of Policy on Racial, Income, and Sector Distributions

RACE

Distribution of students that would receive reduced award at 4-year institutions by Race

Race	Policy Option	2010 FTF
Black	23%	12%
Other	6%	6%
Unknown	6%	6%
White	65%	76%
Total	100%	100%

INCOME

Distribution of students that would receive reduced award at 4-year institutions by Income (AGI)

AGI	Policy Option	2010 FTF
$12K or less	6%	8%
12K - 24K	8%	11%
24K - 36K	7%	11%
36K – 48K	13%	9%
48K – 60K	10%	9%
60K – 72K	10%	9%
72K - 84K	9%	8%
84K – 96K	8%	7%
above 96000	29%	28%
Total	100%	100%

SYSTEM

Distribution of students that would receive reduced award at 4-year institutions by System

System	Policy Option	2010 FTF
TBR Univ.	60%	45%
TICUA	16%	21%
UT	24%	33%
Total	100%	100%

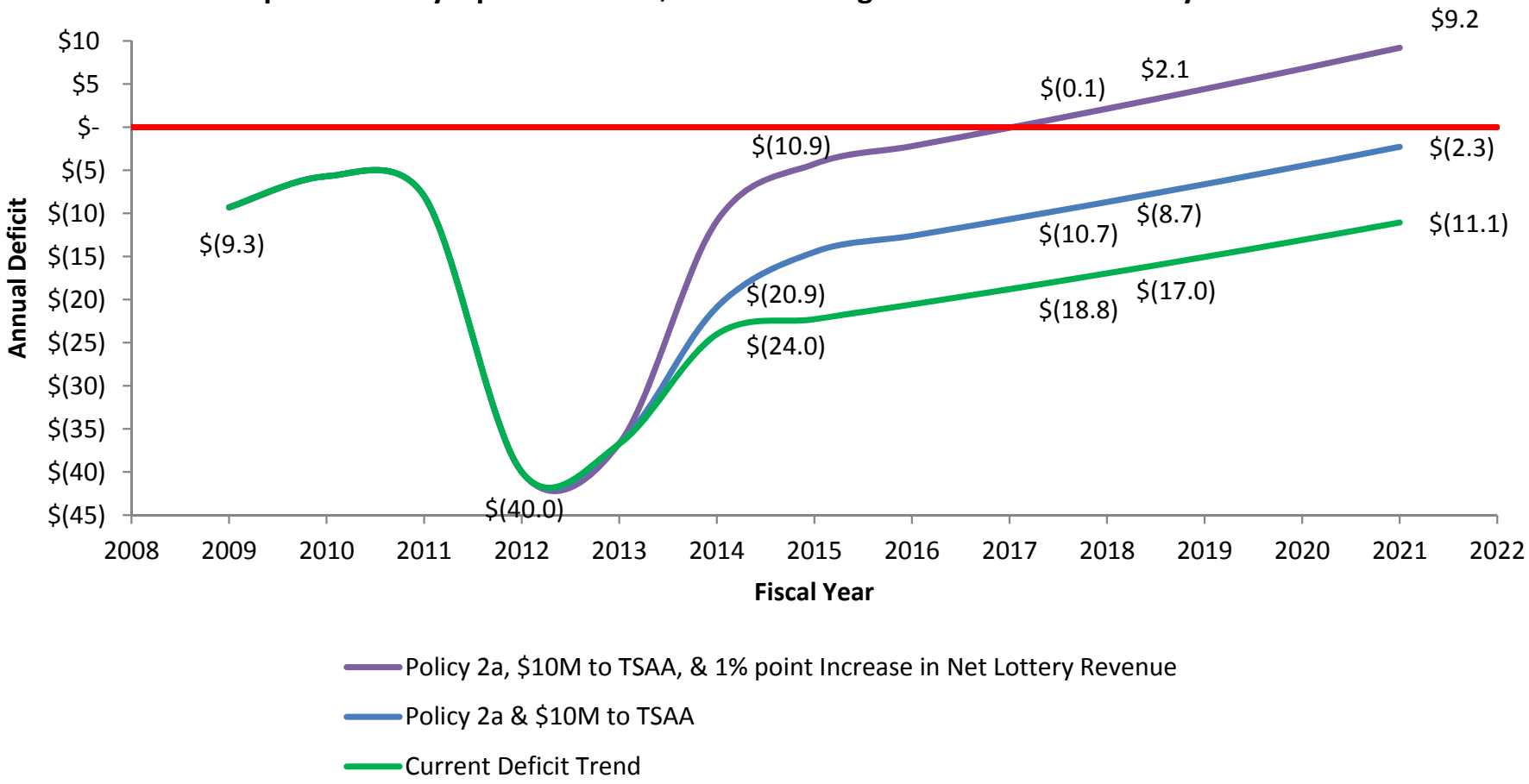
Appendix B

Policy Option 2a:
Range of 1st year and annual cost savings estimates

Cost Savings	Low	Medium	High
	Assumes all students losing eligibility for full scholarship at 4-yr institutions as a result of the policy will attend 4-yr institutions (on the reduced scholarship)	*Assumes 10% of students losing eligibility for full scholarship at 4-yr institutions as a result of the policy will attend community colleges (on scholarship)*	*Assumes 25% of the students losing eligibility for the full scholarship at 4-yr institutions as a result of the policy will attend community colleges (on scholarship)*
1st Year	$13 M*	$13 M	$13 M
Annual	**$17 M***	**$18 M**	**$20 M**

**Same estimates as presented on page 5a*

Figure 1:
Impact of Policy Option 2a and $10M to TSAA grants on Annual Lottery Deficit



Lottery Deficit Projections
($) in millions

	Actual 2008-2009	Actual 2009-2010	Actual 2010-2011	Projected 2011-2012	Projected 2012-2013	Projected 2013-2014	Projected 2014-2015	Projected 2015-2016	Projected 2016-2017	Projected 2017-2018	Projected 2018-2019	Projected 2019-2020	Projected 2020-2021
Revenue													
Net Lottery Proceeds [1]	$ 265.5	$ 276.0	$ 281.8	$ 284.6	$ 287.4	$ 290.3	$ 293.2	$ 296.1	$ 299.1	$ 302.1	$ 305.1	$ 308.2	$ 311.24
Lottery for Education Account - Interest [2]	$ 20.0	$ 17.9	$ 18.4	$ 16.1	$ 6.5	$ 5.8	$ 5.3	$ 5.1	$ 4.8	$ 4.6	$ 4.4	$ 4.3	$ 4.2
SB1529 (Summer Bill)	$ -	$ -	$ -	$ -	$ -	$ 0.5	$ 0.5	$ 0.5	$ 0.5	$ 0.5	$ 0.5	$ 0.5	$ 0.5
A 1% point increase in the percentage of Net Lottery Proceeds [3]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Current Revenue	$ 285.5	$ 293.9	$ 300.2	$ 300.7	$ 293.9	$ 296.5	$ 299.0	$ 301.6	$ 304.3	$ 307.1	$ 310.0	$ 312.9	$ 315.9
Expenditures													
Higher Education Scholarship Base [4]	$ 259.8	$ 289.7	$ 297.6	$ 309.1	$ 309.4	$ 309.8	$ 310.6	$ 311.4	$ 312.1	$ 312.9	$ 313.7	$ 314.5	$ 315.3
Policy Option 2a [5]	$ -	$ -	$ -	$ -	$ -	$ (13.1)	$ (17.8)	$ (17.8)	$ (17.8)	$ (17.8)	$ (17.8)	$ (17.8)	$ (17.8)
TSAA	$ 6.8	$ 6.8	$ 6.8	$ 6.8	$ 6.8	$ 6.8	$ 6.8	$ 6.8	$ 6.8	$ 6.8	$ 6.8	$ 6.8	$ 6.8
Pre-Kindergarten Program	$ 24.4	$ (0.7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Administration	$ 3.8	$ 3.8	$ 3.8	$ 3.8	$ 3.8	$ 3.8	$ 3.8	$ 3.8	$ 3.8	$ 3.8	$ 3.8	$ 3.8	$ 3.8
SB1529 (Summer Bill)	$ -	$ -	$ -	$ 19.9	$ 10.5	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SB2008 (Dual Enrollment/Medical Disability Extension Bill)	$ -	$ -	$ -	$ 1.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1
Pay Down of Reserve for TSAA ($10M/yr until reach $100M in Reserve) [6]	$ -	$ -	$ -	$ -	$ -	$ 10.0	$ 10.0	$ 10.0	$ 10.0	$ 10.0	$ 10.0	$ 10.0	$ 10.0
Total Current Expenditures	$ 294.8	$ 299.6	$ 308.2	$ 340.7	$ 330.6	$ 317.4	$ 313.5	$ 314.3	$ 315.0	$ 315.8	$ 316.6	$ 317.4	$ 318.2
Net Available Current Revenue	$ (9.3)	$ (5.7)	$ (8.0)	$ (40.0)	$ (36.7)	$ (20.9)	$ (14.5)	$ (12.6)	$ (10.7)	$ (8.7)	$ (6.6)	$ (4.5)	$ (2.3)
General Shortfall Reserve	$ 50.0	$ 50.0	$ 50.0	$ 50.0	$ 50.0	$ 50.0	$ 50.0	$ 50.0	$ 50.0	$ 50.0	$ 50.0	$ 50.0	$ 50.0
Lottery for Education Account	$ 321.6	$ 322.8	$ 314.8	$ 274.8	$ 238.1	$ 217.2	$ 202.7	$ 190.1	$ 179.4	$ 170.8	$ 164.1	$ 159.7	$ 157.4
Total Reserve	$ 371.6	$ 372.8	$ 364.8	$ 324.8	$ 288.1	$ 267.2	$ 252.7	$ 240.1	$ 229.4	$ 220.8	$ 214.1	$ 209.7	$ 207.4

Notes & Assumptions:

1.) Lottery Revenue projections (not including interest on revenue) are from Fiscal until FY 2014 then a 1% growth rate is assumed
2.) Interest is based on a 2% return beginning in FY 2013; Please see Maturity Date Schedule on the next page (a combined $162M is maturing this year and next)
3.) In FY10 we received 25.9% of total net revenue. This would increase it to 26.9% and could generate $10M more annually, which would eliminate the annual deficit by FY2018 if change occurred in FY2014
4.) Expense Projections are from CBER until FY 2014 then a 0.25% growth rate is assumed
5.) Assumes Policy Option 2a will be grandfathered in beginning in FY 2014
6.) Once the reserve is paid down to $100M, this expense line would be $0

Lottery Reserve Account Investment Maturity Date Schedule

		Principal	Interest	Total CF
FY	2012	88,610,523.00	10,935,975.00	99,546,498.00
FY	2013	73,682,744.00	11,647,988.00	85,330,732.00
FY	2014	7,779,556.00	8,718,030.00	16,497,586.00
FY	2015	25,540,287.00	7,847,075.00	33,387,362.00
FY	2016	16,536,613.00	7,027,860.00	23,564,473.00
FY	2017	23,639,080.00	6,062,396.00	29,701,476.00
FY	2018	54,223,624.00	3,979,446.00	58,203,070.00
FY	2019	1,113,252.00	1,452,709.00	2,565,961.00
FY	2020	1,004,710.00	1,396,658.00	2,401,368.00
FY	2021	918,314.00	1,342,529.00	2,260,843.00
FY	2022	837,710.00	1,293,941.00	2,131,651.00
FY	2023	678,691.00	1,251,183.00	1,929,874.00
FY	2024	2,373,234.00	1,107,792.00	3,481,026.00
FY	2025	70,178.00	1,092,145.00	1,162,323.00
FY	2026	60,811.00	1,088,875.00	1,149,686.00
FY	2027	52,951.00	1,086,019.00	1,138,970.00
FY	2028	45,442.00	1,084,382.00	1,129,824.00
FY	2029	18,928,509.00	544,777.00	19,473,286.00
FY	2030	31,747.00	5,514.00	37,261.00
FY	2031	25,820.00	4,066.00	29,886.00
FY	2032	20,530.00	2,902.00	23,432.00
FY	2033	15,868.00	1,984.00	17,852.00
FY	2034	11,929.00	1,285.00	13,214.00
FY	2035	8,600.00	769.00	9,369.00
FY	2036	5,829.00	404.00	6,233.00
FY	2037	3,654.00	167.00	3,821.00
FY	2038	1,512.00	26.00	1,538.00
FY	2039	1,286.00	20.00	1,306.00
FY	2040	0	0	0

* Data provided from Treasury 10/14/11

Expenses and Net Lottery Proceeds as a Percent of Total Net Revenue

	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10
Prize Expense	55.2%	57.9%	58.5%	60.3%	60.4%	62.1%	62.4%
Retailer Commissions	7.1%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Vendor Fees	2.3%	2.1%	2.1%	2.1%	2.1%	2.2%	2.1%
Advertising	1.3%	1.9%	1.5%	1.3%	1.2%	1.0%	0.9%
Other Gaming Expenses	0.4%	0.4%	0.4%	0.4%	0.5%	0.3%	0.3%
Operating Expenses	2.5%	2.0%	1.7%	1.5%	1.5%	1.5%	1.4%
Net Lottery Proceeds	31.4%	28.9%	28.9%	27.4%	27.3%	26.0%	25.9%
Total Net Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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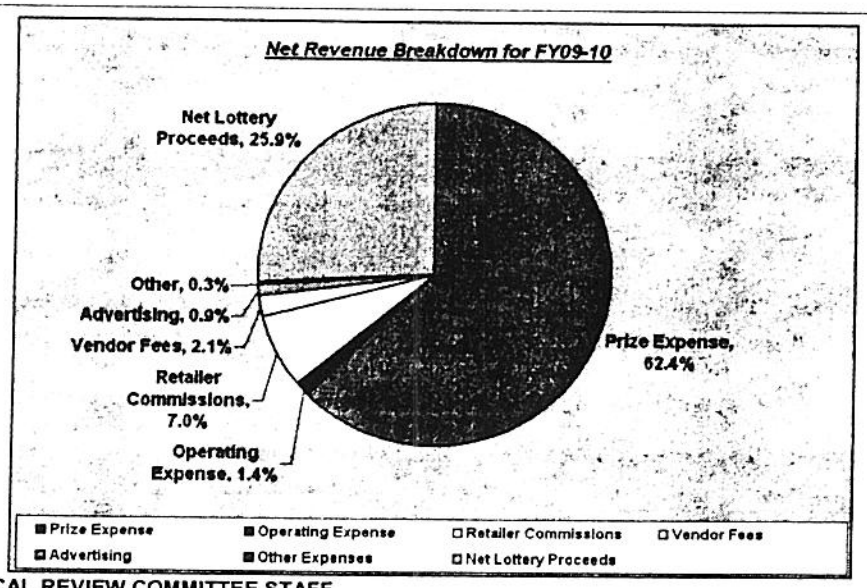
Actual Revenue Breakdown: FY09-10



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