

Hidden provision in lottery bill gambles with scholarship funds

BY KRISTINA FISHER
ASSOCIATE DIRECTOR, THINK NEW MEXICO

Responsible parents would never gamble with their child's college savings account. Yet that is precisely what the New Mexico Lottery is proposing to do with the Lottery Scholarship, which serves as the college fund for many New Mexico students from low- and middle-income families.

The Lottery is attempting to pass Senate Bill 355, which would eliminate the requirement that a minimum of 30 percent of lottery revenues be dedicated to the scholarship fund. This requirement was enacted in 2007, based on a proposal by Think New Mexico.

Prior to that time, there was no minimum percentage that the lottery had to deliver to the scholarship fund. The lottery was required to dedicate at least 50 percent of revenues to prizes, but once that requirement was met, the Lottery paid its operating costs and sent whatever was left over to the scholarship fund.

As a result, scholarships received an average of only 23.76 percent of lottery revenues a year from 1997 to 2007, and that percentage was projected to decline in future years.

Fortunately, the Legislature enacted the 30 percent requirement, and it has resulted in an additional \$9 million a year going to the scholarship fund.

Despite this track record of success, the Lottery has brought Senate Bill 355 to repeal the 30 percent requirement.

Senate Bill 355 is deceptive in that it appears to be about allowing people to purchase lottery tickets with credit cards, but buried inside is language repealing the 30 percent minimum. Neither the title of the bill nor the synopsis in the bill's Fiscal Impact Report mentions this key provision.

If repealing the 30 percent requirement is such a good idea, why is the Lottery trying to hide it?

The Lottery claims that reallocating some percentage of revenues away from scholarships and toward prizes will result in an increase in lottery ticket sales, which will increase total revenues by enough that the scholarship fund will receive more dollars even as its percentage of revenues decreases.

However, if the 30 percent mandate is removed, the actual dollars going to scholarships will likely decrease, rather than increase. If the

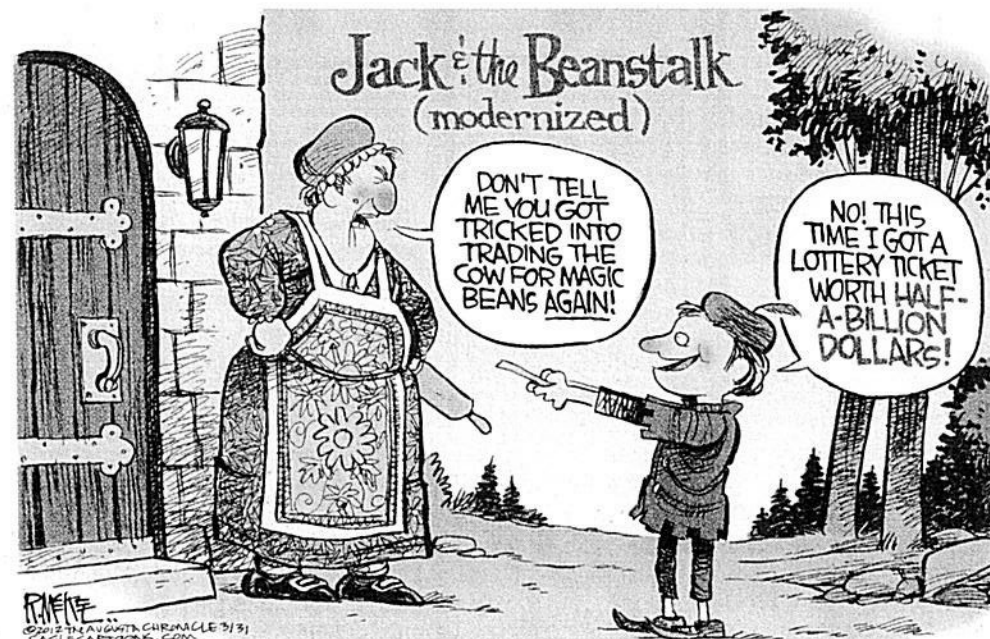
percentage of lottery revenues going to the scholarship fund returned to its pre-2008 average of 23.76 percent, lottery revenues would have to grow from \$141.8 million to \$183.9 million — an increase of 29 percent — in order for the dollars delivered to the scholarship fund to equal what they are today.

In other words, lottery revenues would have to grow by nearly one-third before students would see any benefit, and the scholarship fund stands to lose money if revenues fail to increase by that amount.

The most fundamental problem with Senate Bill 355 is that the students are being asked to bear all the risk. Lottery vendors, retailers and the CEO himself are compensated based on the total revenues raised by the lottery, not the dollars being sent to scholarships.

So if this gamble increases total revenues but fails to deliver more money to students, the vendors, retailers and the CEO all still coming out ahead. Only the students lose.

If the Lottery's CEO is so certain that increasing the dollars to prizes will result in an enormous increase in



revenues, why isn't he asking vendors and retailers to join the students in accepting lower percentages of revenues in order to put that money into prizes?

We believe that if the lottery wishes to increase the dollars available for prizes, it should do so by lowering its relatively high operating costs, not going after the scholarship fund.

The New Mexico Lottery's

statutory mandate is to "provide the maximum amount of revenues" for scholarships at the state's public universities. Retaining the requirement that a minimum of 30 percent of lottery revenues be dedicated to college scholarships is essential to keeping the Lottery true to its purpose.

That is why student governments at the University of New Mexico, New Mexico Tech,

and Highlands University among others, have approved resolutions opposing any legislation that would repeal the 30 percent requirement.

We hope you will stand with them by visiting www.thinknewmexico.org and asking your legislators and the governor to prevent the Lottery from gambling with the college fund of New Mexico's students by voting no on Senate Bill 355.