$16 million deficit predicted for lottery scholarships by 2011

BY KATY WILKINS | WWW.NMWN.COM

The New Mexico Lottery has produced $249.2 million in profits in its first 10 years of existence — money that has helped send nearly 38,000 New Mexico students to college.

But there's reason to think the lottery's luck might be running out, and soon.

The problem is not that the lottery doesn't generate the money. Since its creation in 1996, the state-established revenue producer has steadily increased its sales, growing from $82 million in 1997, its first full fiscal year, to $139.2 million in 2005. After expenses are paid, that money sends New Mexico high school graduates to the state's public colleges; tuition free, as long as they enroll immediately after graduation — where they can stay to finish a degree if they earn a grade point average (GPA) of 2.5 after their first semester, roughly a C average.

The problem is that the program is very, very popular.

Estimates from the Lottery Authority don't predict dramatic growth for its net profits for the scholarship program, which officials expect to fluctuate annually between $32 million and $34 million over the next five years.

Meanwhile, the New Mexico Higher Education Department predicts, from figures produced in January, that the cost of financing the scholarships will climb from $34 million in the 2006 fiscal year to $58 million by 2010.

LOTTERY: Tuition costs, student needs outpacing lottery ticket sales as deficit looms in future years

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A statewide think tank. Fred Nathan, executive director of Think New Mexico, says the lottery spends too much money on its own operating budget.

According to the lottery's 2004 fiscal report, 24 cents of every dollar spent on tickets went to scholarships, with 37 cents spent on prizes and 39 cents on administration. Think New Mexico says the national average is to allocate 32 cents out of every dollar toward scholarships, and New Mexico's Legislature should mandate that the lottery put at least 30 cents of every dollar towards the scholarships.

Tom Romero, interim CEO of the lottery, says he's willing to look at ways to spend less internally, but cautioning it might not be realistic to expect trimming the lottery's internal operations would be enough to avoid a shortfall.

He says the lottery faces stiff competition from other legal forms of gambling in the state, and New Mexico has a smaller population than many other lottery states.

"Our mission is to maximize the revenues, and we're going to look at every opportunity we can to decrease expenses," he says. "We're going to continue marketing the lottery, but that's about all we can do. We do face a lot of competition."

In the meantime, efforts to make lottery scholarships available to more students are probably ill-advised, says Beverlee McClure, New Mexico's secretary of higher education. In the 2006 legislative session, there were six pieces of legislation proposing that more students be made eligible for the scholarships. None passed.

McClure, who also opposes raising the academic standards for the scholarship, says what the state really needs to do is focus on keeping tuition costs down and finding ways to bring more money in to the scholarship fund.

While everyone is quick to say that the projections might never become reality, McClure says a deficit would probably result in a temporary halt.

"I think everyone has their fingers crossed that we don't have to do anything, but we're not going to sit back and not make a plan," she says.

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