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Lottery Scholarships Get Financial Boost

New Law Boosts Program Revenues

BY BARRY MASSEY
The Associated Press

SANTA FE — A lottery-supported college scholarship program for New Mexico students is back on track to long-term financial stability.

A law implemented last year appears to be working as planned and more revenues from New Mexico's lottery are flowing to the scholarship program.

That's good news for future high school graduates and college students because it means that scholarships should continue to cover the full cost of

tuition for years to come.

The financial outlook wasn't always so promising.

Before the new law, the program was projected to face a shortfall as early as 2011. Rising costs of scholarships were expected to outstrip yearly revenues and available cash reserves, potentially forcing the state to look for a new source of money to keep the program financially sound or reduce the amount of the scholarships to less than 100 percent of tuition. However, that's no longer an imminent threat.

Senate Majority Leader Michael Sanchez, who sponsored legislation that established the scholarship program more than a decade ago, says it's critical the state continue to

provide scholarships covering the full cost of college tuition.

"We need to keep the promise that we made to the young people of New Mexico and their parents," says Sanchez, a Belen Democrat who also sponsored last year's measure that forced the lottery to trim its expenses to free up more money for the scholarship program.

The new law required that at least 27 percent of lottery revenues go to the scholarship program starting in July 2007 and then 30 percent beginning in January 2009. The distribution had averaged 24 percent during the past six years.

Tuition increases at colleges and universities have also moderated recently. That's helped improve the program's

finances by slowing the growth of spending for scholarships. The program ended the 2006-07 academic year with a balance of just less than \$60 million, according to the state Department of Higher Education.

With the new law in place, the lottery has generated \$34.6 million for the scholarship program during the first 10 months of the 2008 fiscal year, from July 2007 through April.

That's up about 19 percent from the same period in the previous year, according to figures compiled by the lottery and the Legislative Finance Committee.

The lottery projects it will provide \$38.3 million to the scholarship program this year — the largest amount ever.

"The millions of new dollars that this new law is already generating for the Legislative Lottery Scholarship Fund will go a long way toward making the fund more sustainable and is welcome news to those New Mexico high school students who are staying in school and earning good grades in order to qualify for those scholarships," says Fred Nathan, executive director of Think New Mexico, a think tank that issued a report in 2006 recommending the earmarking of a share of lottery proceeds for the scholarship program.

About 17,500 students will receive lottery tuition scholarships in the current budget year. To qualify, New Mexico students must enroll in a public

college or university in the state the semester, after their high school graduation, attend full time and maintain a 2.5 grade-point average.

To meet the new law's requirements, the lottery trimmed its expenses by 5.5 percent, including cutting the advertising budget by \$1 million or about one-third, eliminating staff positions and bonus incentives for retailers and lottery sales staff.

The lottery also expects to save money in the future — potentially \$35 million over seven years — after it starts using a new vendor to provide computer services and ticket machines for online games. The current vendor's contract expires in November.