

# OPINION

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## EDITORIAL

# Place your bets

## Who should win \$2.6M: NM students or lottery?

So what's the responsible way to ensure the New Mexico Lottery Success Scholarship fund edges closer to solvency:

A. Dedicate unclaimed prizes, around \$2.6 million a year, to the cause?

B. Add video and online gaming in a state where almost half the population is on Medicaid and one in four receives food stamps?

C. Bet that, if you don't require the lottery to put at least 30 percent of its gross revenues into the scholarship fund, it will have more money for prizes, which will get more people to gamble, which will result in higher revenues and thus a higher dollar amount for the scholarships?

The answer is unequivocally "A."

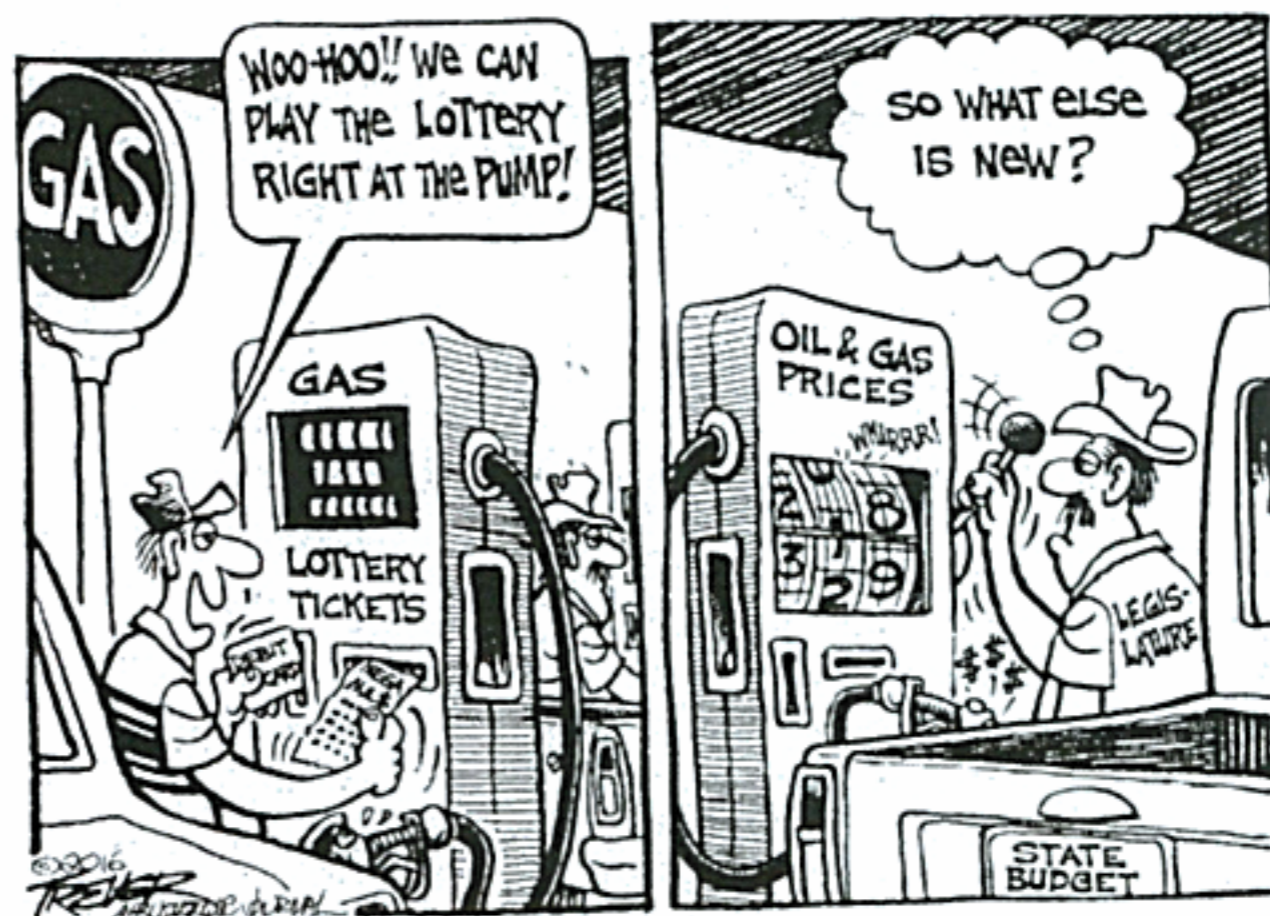
Back in 1996, the lottery scholarship program was sold to New Mexicans as a way to make legalized gambling palatable. Today, there are more than 1,100 lottery retailers across the state and drawings every night of the week that collect the state's most regressive, but voluntary, tax. And that's still not enough to keep the scholarship fund solvent — what was a full tuition ride has been reduced to 90 percent and is on pace to drop to just 60 percent to 71 percent in the coming school year. The reason for the growing imbalance, and routine propping up from re-appropriated alcohol excise taxes and tobacco funds, is simple: There is more demand for the scholarships than the lottery is able to produce; 16,000-plus students currently use the scholarships.

While the Legislature has exhibited a persistent inability to find a permanent solution for the scholarship program's continued slide toward insolvency, House Bill 250 will at least give it an annual push uphill. The bipartisan bill, introduced by Reps. Jason Harper, R-Rio Rancho, and Javier Martinez, D-Albuquerque, would, among other measures, send around \$2.6 million annually to the hemorrhaging scholarship fund by redirecting money from the state lottery's "unclaimed prizes fund."

When lottery winners fail to collect their winnings within the allotted 90 days after a game ends or drawing is held, the money goes into the lottery's unclaimed prize fund. At the end of June, the fund held about \$2.6 million. And, to date, according to an analysis by the Legislative Study Education Committee, the lottery uses that unclaimed prize money to enhance prize payouts for Scratchier games, to pay prizes won before the game has sold enough tickets to cover the prizes, to fund "specialty games" and to meet the statutorily required transfer of money to the lottery scholarship fund.

And that raises the question: Who should be the default winner when lottery winners don't step up — scholarship students or lottery officials?

In addition to the annual scholarship fund infusion, HB 250 would put the skids on video lottery games and online lottery



games, either of which could be viewed by gaming tribes as an illegal expansion of gambling. Although the state lottery hasn't launched any online games, critics note that — despite not having legislative approval — it did launch "Play at the Pump" last summer, allowing motorists using debit cards to add lottery tickets to their gasoline purchase at some gas stations.

There's little question the lottery parsed language and circumvented the Legislature with the gas-pump games, and that casts suspicion on any of its future proposals.

Speaking of which, lottery officials are fighting the unclaimed-prize proposal — saying that, without that cash, they will be unable to meet the 30 percent requirement, will experience cash flow problems, and will have to borrow money to pay prizes and cover other expenses.

Lottery CEO David Barden has also consistently fought the mandated scholarship contribution of at least 30 percent of gross revenues, which was put in place by lawmakers in 2009. This year, Senate Bill 192 aims to replace the 30 percent of gross revenue with 100 percent of net revenue. Barden claims the 30 percent benchmark prevents the lottery from boosting prizes, which could improve sales and increase scholarship contributions.

Meanwhile, HB 250 also addresses the goal of getting more cash into the scholarship fund and lottery officials' hands by tying employee bonuses to the amount going into the scholarship fund instead of sales and revenues.

While HB 250 does not supply, in the words of a gambler, "life-changing money" to the scholarship fund, the changes it provides are responsible ones that have the welfare of New Mexico's students and potential lottery players as the bottom line.