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Lottery Defends Lobbyist Hiring

Attempt To Kill Reforms Denied

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BY CHARLES D. BRUNT
Journal Staff Writer

New Mexico Lottery officials are concerned about a move to earmark at least 30 percent of lottery revenues for scholarships, but they say their hiring of a veteran lobbyist for the upcoming legislative session doesn't mean they're out to kill the bill.

Lobbyist Ed Mahr, who represents clients ranging from

private prisons to horse racing tracks, is being paid \$32,000 to "assist us through the legislative process," Lottery Authority CEO Tom Romero said recently, after the lottery board approved Mahr's nine-month contract. Romero said the lottery has used private lobbyists in the past.

Fred Nathan, executive director of Think New Mexico, which is recommending changes to the lottery, criticized Mahr's hiring.

"Every dollar that they spend on this lobbyist is a dollar less for scholarships," he said.

Because lottery officials

have no plans to introduce any legislation in the upcoming session, Nathan views Mahr's hiring as an attempt to kill the proposed reforms.

Bill supporters want the lottery's operating and administrative costs cut, allowing more money for scholarships. According to a Think New Mexico analysis, less than 25 percent of lottery revenues, on average, has gone to scholarships. A minimum of 50 percent goes to paying winnings, and the rest goes to operating and administration costs.

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State Lottery Requesting Gaming System Proposals

Journal Staff Report

Hoping for "significant cost savings" and more money for college scholarships, state lottery officials have issued requests for proposals for its gaming system and related products and services.

GTECH, which has held the contract since the lottery started in 1996, was paid more than \$7.4 million for its services and products last year,

according to lottery officials.

Lottery chief executive officer Tom Romero said the agency is positioned to increase revenues. "We are no longer a start-up lottery, the cost of the technology necessary for operating a lottery has decreased significantly, and there are more vendors..." Romero said.

The 250-page RFP seeks pro-

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Think Tank Blasts Lottery's Lobbyist Hiring

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Mahr told board members in December that he expects the earmarking bill to surface in the 60-day state legislative session that starts Tuesday.

Nathan said Senate Majority Leader Michael Sanchez, D-Belen, will introduce the earmarking bill in the upcoming 60-day session.

The independent Santa Fe think tank Think New Mexico has taken on lottery reform as one of its goals this year.

Unless the lottery cuts its "disproportionately high operating and administrative costs," the popular college scholarship program it funds could be in the red by 2011, according to Think New Mexico, which in the past has pushed successfully for full-day kindergarten and elimination of the state's food tax.

Since its inception in April 1996, more than \$233 million in lottery revenues have paid tuition for more than 43,000 New Mexico students attending state-funded colleges and universities.

Unlike several other state

lotteries, New Mexico does not specify how much of the lottery's proceeds must go to its beneficiaries which, in New Mexico, is the scholarship fund. However, New Mexico earmarks a minimum of 50 percent of revenues for players' winnings.

Since 1996, an average of 23.4 percent of lottery proceeds have gone toward scholarships, according to Think New Mexico. That has ranged from a low of 21.9 percent in fiscal 1999 to a high of 26.67 percent in 1997. Last year's percentage was 24.6 percent, according to Romero.

Operating costs — which include tickets, cost of product and retailer commissions — along with administrative costs, account for the remainder of lottery revenues.

According to the lottery's annual report for 2006, administrative and operating costs amounted to 21.4 percent of revenues, or about \$33.1 million. Administrative costs, such as salaries and benefits, accounted for \$5 million of that amount.

Think New Mexico contends financial solvency of the schol-

State Lottery Requesting Gaming System Proposals

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posals to provide a new computer gaming system, retailer terminals and related products and services that allow players to purchase and validate lottery tickets at about 1,100 retail

locations statewide.

Greenwich, R.I.-based GTECH was purchased in August by Italian gaming giant Lottomatica SpA for \$4.4 billion. GTECH's contract was renegotiated in 2002, and it expires Nov. 20, 2008.

arship program is at risk and suggests several measures — including the 30 percent earmark — to ensure its health.

The bill will also reserve one seat on the seven-member Lottery Authority Board for a representative of New Mexico higher education who, according to Nathan, "must be an advocate for students."

Sanchez's bill would also eliminate a reserve fund — funded with up to 2 percent of lottery revenues — the Lottery Authority can use "and basically not account for it," Nathan

said. The bill would put that money into the authority's annual line-item budget, and under public scrutiny.

Nathan pointed out that Gov. Bill Richardson — who appoints lottery board members — has said he supports the 30 percent earmark for scholarships.

"The Department of Higher Education projects that the scholarship program will be \$18 million in deficit by 2011. Ironically, we're trying to address that problem — and they are spending money on

lobbyists."

Lottery Authority board chairwoman Reta Jones said the board has made no decision on the 30 percent earmark.

"The board hasn't formally taken a position on that," Jones said. "We support the administration's position on what they think is appropriate. We're just hoping that whatever decision is made considers the long-term benefits of the lottery and that there is nothing that would harm our ability to raise the revenues necessary to get dollars — not percentages, but dollars — to the scholarship fund."

Jones noted that "even a 5 percent change in the return is a potentially huge impact on the lottery."

The bill's other two provisions, Jones predicted, "would not be huge issues" with the board.

Mahr, whose contract began a month after Think New Mexico's study was released, said lottery officials have given him no directives regarding Sanchez's proposed bill.

"I'll just have to await their instructions," he said.

"The Department of Higher Education projects that the scholarship program will be \$18 million in deficit by 2011. Ironically, we're trying to address that problem — and they are spending money on lobbyists."

FRED NATHAN
EXECUTIVE DIRECTOR OF
THINK NEW MEXICO