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## \$16 million deficit predicted for lottery scholarships by 2011

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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

SEE **LOTTERY** | 26

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

FROM PAGE 1

million by FY 2011. Driving up those costs are tuition increases and the continually growing demand for the scholarships.

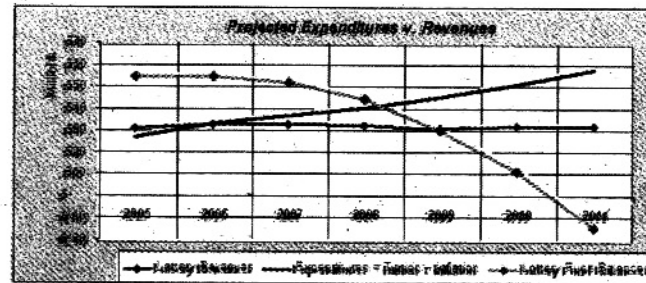
This year, the lottery's reserve fund of \$53 million will be dipped into, and the worry is that the money will be gone if that fund is steadily drawn down over the next five years.

If that happens, the lottery scholarship program will have a shortfall of about \$16 million in 2011.

So what is the answer?

One thing's for sure: The GPA requirements won't be raised as long as New Mexico Senate Majority Leader Michael Sanchez, D-Belen, has anything to say about it. Sanchez chairs the Lottery Tuition Scholarship Study Subcommittee for the Legislature.

"I would never be in favor of that," he says. "That's not what this scholarship is about. It's about



SOURCE: New Mexico Higher Education Department

accessibility and allowing anyone who graduates from high school to continue on to higher education. The only thing I can assure you is that we will look at every avenue to keep the scholarship viable, but we're not going to restrict it in terms of trying to up the GPA."

Sanchez also says he would be opposed to awarding the scholarship based on financial need.

Instead, Sanchez is considering an idea from **Think New Mexico**,

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 57 cents spent on prizes and 19 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 cautions it might not be realistic to expect trimming the lottery's internal operations would be enough to avert 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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