

BET ON EDUCATION

Move more dollars to lottery scholarships with legislation

COMMENTARY

By Fred Nathan

Meet Azucena Miranda, a junior at Capital High School in Santa Fe who is taking three advanced-placement classes, working approximately 20 hours a week, and still earning a 4.0 grade point average.

Azucena's dream is to become a doctor and practice medicine here in New Mexico, but her parents cannot afford the cost of a college degree.

However, thanks to Sens. Michael Sanchez, Stuart Ingle and Tim Jennings and House leaders Rick Miera and Kiki Saavedra, the proceeds of the New Mexico Lottery (after paying for prizes, operating and administrative costs) go to full-tuition college scholarships — for students like Azucena.

They have managed to pass bills in the current legislative session in Santa Fe that, once signed by Gov. Bill Richardson, will reform the state lottery program to direct more money for college scholarships.

The good news is that since 1997, these scholarships, known as Lottery Success Scholarships, have helped 43,000 of New Mexico's best students to attend New Mexico's colleges and public universities.

The bad news is that New Mexico's Higher Education Department predicts the scholarship fund will face an \$18 million shortfall in 2011, when Azucena will be a junior in college. At that time, the cost of the scholarships will exceed lottery proceeds and current cash reserves will be depleted.

When that occurs, the eligibility requirements for the scholarship will have to be restricted so that many deserving students will no longer qualify for the lottery scholarships, or the value of the scholarship will have to be cut for all students, increasing the financial burden on New Mexico families who are already stretched thin.

Breaking the commitment to keeping college affordable would send the wrong message to New Mexico's high school students, many of whom, like Azucena, are working hard. They are staying in school and earning good grades in the hopes of

TODAY'S BYLINE

Nathan is executive director of Think New Mexico, a Santa Fe public interest group.

one day qualifying for a full-tuition scholarship.

Last September, Think New Mexico released a report titled, "Averting the Crisis: Making Lottery Success Scholarships Sustainable." It proposed dedicating 30 percent of lottery revenues to the scholarships, rather than restricting the scholarships' eligibility or value. We found that 11 states already dedicate at least 30 percent of lottery revenues to the beneficiaries of their lotteries.

Currently only about 24 cents of every dollar bet on the New Mexico Lottery actually go to scholarships. Another approximately 21 cents go to pay operating and administrative costs, a higher percentage than all but four of the 43 state lotteries. The remaining 55 cents go back to players in the form of prizes.

Early in this legislative session, Senate Majority Leader Sanchez, Senate Minority Leader Ingle and Sen. Jennings introduced Senate Bill 364, which would require the lottery to dedicate 30 percent of its revenues to scholarships. The bill passed the Senate 39-1, and later sailed through the House 65-0.

It now awaits Richardson signature to become law.

Why so lopsided? The Legislature's budget staff estimates that it will produce an additional \$9 million annually for scholarships, enough to pay for about 2,500 scholarships each year once the law is in full swing.

The bill would require the New Mexico Lottery to abide by the state Procurement Code, which should help the lottery to reduce its relatively high operating and administrative costs.

Think New Mexico's report documented that the New Mexico Lottery's five-year, no-bid contract with GTech, its on-

line vendor, costs the scholarships about \$3 million annually, when compared to what similar states pay for their online contracts. Specifically, New Mexico pays GTech 8.52 percent of online sales, while comparable states pay between 2.16 percent and 5.10 percent.

Every dollar the New Mexico Lottery spends on administrative and operating costs, like its no-bid contract with GTech, is a dollar less to invest in scholarships.

Other state lotteries have successfully cut administrative and operating costs without harming overall revenues. For example, between 1998 and 2004, the Florida Lottery cut costs by 19 percent, yet lottery revenues increased by 48 percent during the same time period.

Similarly, the Minnesota Lottery cut costs by 26.5 percent in 2004, yet realized an increase in sales of 5.5 percent the following year.

Reallocating more of the lottery revenues from overhead to scholarships will strengthen New Mexico's economy. Currently, only one of four New Mexico adults has a college degree, while the Bureau of Labor Statistics predicts that 42 percent of new jobs, by the end of the decade, will require a college degree.

The urgent need to produce more college graduates may explain why the Association of Commerce and Industry, Greater Albuquerque Chamber of Commerce, Albuquerque Hispano Chamber of Commerce and many other business groups from across the state have endorsed the bill.

They joined dozens of other organizations supporting the change, including the students and faculty at the University of New Mexico, New Mexico Conference of Catholic Bishops, the New Mexico Family Council and the Governor's Office.

Ultimately, the bill has presented state policy-makers with a choice: Should more of these lottery proceeds, which come primarily from New Mexicans, be invested in scholarships for the state's deserving high school graduates — like Azucena Miranda — or should it go to out-of-state special interests, like GTech?