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Proposed lottery contract may save millions

*Board selects new
vendor, revamps
gaming lineup*

By David Miles
The New Mexican

ALBUQUERQUE — The New Mexico Lottery expects to save more than \$35 million over the life of a proposed seven-year contract with a new online gaming vendor selected Thursday by the Lottery Authority's board of directors.

"The reduced rate will allow us to return more revenues to the Legislative Lottery Scholarship fund," said Tom Romero, chief executive officer of the lottery.

The lottery board unanimously picked INTRALOT Inc. to run its online gaming system, and the lottery hopes to sign a contract with the company by September. If the contract is signed, INTRALOT will become the lottery's online gaming vendor in November 2008, when the lottery's contract with GTECH, its current vendor, is set to expire.

INTRALOT Inc. has online-gaming contracts with lotteries in Idaho, Montana and Nebraska. It has headquarters in Duluth, Ga., and it is a subsidiary of INTRALOT, a Greek gaming company with more than 3,600 employees in more than 40 countries.

GTECH, which is based in West Greenwich, R.I., has held the contract since the lottery's inception in 1996. Last year, the Santa Fe-based think tank Think New Mexico published a critical report of GTECH, saying other states get much better rates from the company than New Mexico.

"This confirms our belief that the lottery was spending way too much on the GTECH contract, and that they did the right thing by putting the contract out to bid," said Fred Nathan, executive director of Think New Mexico.

Nathan helped push a new law earmarking more lottery revenues to a college scholarship fund through the Legislature this year. He said the proposed contract with INTRALOT would free up more money for the

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Contract: More than 45,000 students received lottery scholarships

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scholarship fund. "This is wonderful news for New Mexico's high-school students who are working hard, staying in school and earning good grades in the hopes of one day qualifying for full-tuition college scholarships," Nathan said.

More than 43,000 students have received Legislative Lottery Scholarships since the lottery's inception in 1996.

Under the current contract, GTECH is paid 8.5 percent of ticket sales from the lottery's online games. It also receives roughly \$14 million a year in fees for maintaining terminals at lottery retailers. GTECH is expected to receive a total of \$6.6 million for the 2007 fiscal year, which ended June 30.

Under the proposed contract with INTRALOT, the company would receive 1.5 percent of total lottery sales, which were roughly \$148 million in the 2007 fiscal year. That means INTRALOT would have received about \$2.2 million in the past year if the proposed contract had been in place — a savings of roughly

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\$4.4 million over GTECH.

GTECH, which was the only other vendor that submitted a bid for the new contract, sought 1.78 percent of lottery revenues under its proposal. INTRALOT will provide new touch-screen terminals and other equipment to lottery retailers, including a scanner that allows players to see if their tickets are winners.

Lottery officials Thursday thanked GTECH for its work. Romero noted GTECH was the only firm that bid on the contract in 1996, and board member Herman Tabet said it was unfair to compare the new proposed contract to the current

one. "If anybody wonders why the numbers were so high, that was then; this is now," Tabet said.

The lottery board also repealed a policy that allowed the lottery to keep a reserve fund of up to 2 percent of its annual revenues. The change was made to comply with the new lottery-reform law, which took effect July 1.

The measure requires at least 27 percent of lottery revenues to go to a college scholarship fund immediately and boosts that amount to 30 percent starting in 2009. Roughly 24 percent of lottery revenues went to the scholarship fund during the

2006 fiscal year.

"During the 2007 legislative session, we made dramatic changes to cut down on lottery administrative costs, increase openness and transparency in the bidding process, in order to keep more funds available for lottery scholarships," Gov. Bill Richardson said in a written statement. "Our success during the session now translates into millions of more dollars being available for college scholarships."

The lottery board also decided Thursday to scrap its 4 This Way! game by the end of the year in favor of a new raffle-style game. The lottery plans to start selling \$10 tickets for the new game in October, with the first drawing scheduled for Dec. 31, Romero said.

Romero said ticket sales for 4 This Way! have declined since the game was launched in 2004, and the raffle-style game should generate more revenue for the lottery.

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WHERE THE MONEY GOES

Of the \$154.6 million the New Mexico Lottery made in ticket sales in the 2006 fiscal year:

- ◆ \$84.6 million (55 percent) paid out in prizes
- ◆ \$36.9 million (24 percent) to scholarship program
- ◆ \$13 million (8 percent) to product costs, including online gaming vendor and advertising
- ◆ \$10.6 million (7 percent) to lottery retailers
- ◆ \$5 million (3 percent) to administrative costs
- ◆ \$4.5 million (3 percent) for cost of tickets

Source: New Mexico Lottery