Two weeks after privatizing the state Lottery as a way of filling the state’s $800-plus million budget was put on the table, the number of those around Lansing who appear to be willing to dig into the idea, is shrinking (See “Privatizing Lottery Is On The Table,” 1/24/07).

Some legislators worry that privatization would lead to more severe financial woes in the future. Under continued state operation, the lottery is expected to generate more than $700 million for the School Aid Fund in Fiscal Year (FY) 2008.

Since its inception in 1972, the lottery has contributed nearly $13 billion to schools.

“We could lose $350 to $400 a student in the future, and what would we do to make it up?” asked Brian WHISTON, director of legislative affairs for Oakland County school districts. “We’re in the position we are today because of one-time fixes.”

Legislators are also worried that the sale could leave holes in future funding.

Rep. Aldo VAGNOZZI (D-Farmington Hills), said he would vote against selling the lottery, the 10th most profitable among the 40 states that operate games of chance.

“Whoever bought it would have to make a profit on it,” Vagnozzi said. “It produces 5 percent of the school budget and even that would be cut into.”

Sen. Gilda JACOBS (D-Huntington Woods) agreed that at some point the amount of lost revenue would outweigh the “quick-fix” selling price.

“We have to look at Michigan’s future,” Jacobs said. “I don’t think it’s a creative way out of the budget problem.”

Don WOTRUBA, director of legislative affairs for the Michigan Association of School Boards, said schools statewide would be at a great disadvantage if revenue were to disappear.

But Michael LAFAIVE, director of fiscal policy of the free-market think tank the Mackinac Center for Public Policy, said privatization should remain an option for balancing the budget. The state could receive a large sum for the lottery that would help to fill budget gaps and finance school employee benefits, he said.

LaFaive pointed to Illinois, which is expecting to sell its state lottery for about $10 billion.

“If Illinois’ experience rings true, they could get $10 billion, and we could, too,” LaFaive said. “It depends on how you structure the deal.”

Indiana and New Jersey are also discussing selling their lotteries.

But Lottery Commissioner Gary PETERS said revenue has been increasing for the last three years.

The lottery contributed more than $688 million to schools in 2005-06, and that number is predicted to grow by $12 million next year.

And as schools face losing more than $200 per student in state aid, Peters said careful deliberation is needed before selling the state’s “cash cow.”

The sale would also be complicated by Proposal 1, which is a 2004 referendum requiring a statewide vote to expand gaming, he said.

“Because of Michigan’s unique circumstances, there’s some question as to whether it would be attractive to a private buyer,” Peters said. “It’s a complex issue and not something that can be done quickly.”

David ZIN of the Senate Fiscal Agency, said privatization is a complex issue and the effect on schools would depend on how the Legislature redistributes the money.

Proceeds from the sale would be restricted by law, meaning that it “basically just takes a vote” by the Legislature to change revenues going into the School Aid Fund.

Zin and LaFaive said the larger problem is not the loss of revenues but the structure of school finances.

“A big part of the debate is whether we have a structural problem,” Zin said. “And one-time fix is putting off a day of reckoning.”

(Contributed by Capital News Service Correspondent Hannah NORTH.)