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THE CENTER FOR  
GOVERNMENT ACCOUNTABILITY

# Rolling the Dice

Procurement failures and vendor transition risks threaten the New Mexico Lottery.

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*“Nothing is so permanent as a temporary government program.”*

— Milton Friedman

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This paper, in its entirety, can be found at <https://southwestpolicy.com/sppi09>

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## INTRODUCTION

The New Mexico Lottery Authority (NMLA) occupies a unique position within the state's public finance and education systems. Established in 1995 under the New Mexico Lottery Act, the Lottery is a self-funding public enterprise whose primary purpose is to generate revenue for higher education through the Legislative Lottery Scholarship program. Since the beginning of lottery operations in 1996, ticket sales have produced nearly \$1 billion in funding for New Mexico students, supporting more than 140,000 scholarship recipients across the state's colleges and universities.

Under state law, the Lottery must return a substantial portion of its revenues to the public in the form of prizes while directing at least 30 percent of gross revenues to the state's Lottery Tuition Fund, which finances scholarships. These statutory requirements reflect the fundamental policy objective behind the Lottery's creation: to maximize the financial benefits delivered to New Mexico students while operating the system in a fiscally responsible and transparent manner.

Although the Lottery is a public institution, it operates through a hybrid public-private model common to lotteries across the United States. The day-to-day technological infrastructure that enables lottery games—central transaction systems, retailer terminals, validation software, ticket logistics, and analytics platforms—is typically provided by large private gaming technology firms operating under long-term contracts with the lottery authority. Companies such as Scientific Games, Intralot, and International Game Technology (IGT) dominate this global industry and operate systems for dozens of government lotteries worldwide.

At the center of this infrastructure is the central gaming system vendor, which functions as the operational backbone of the lottery. Every ticket sold, whether through a retail terminal, vending machine, or draw-game platform, must be processed through this centralized system. The system validates winning tickets, tracks inventory, manages retailer commissions, records financial transactions, and ensures regulatory compliance. If the system ceases to operate, the lottery cannot

sell tickets or validate prizes, effectively halting operations statewide.

Because of this critical role, the procurement and transition of a lottery gaming system vendor represent one of the most complex and consequential technology decisions a lottery authority can undertake. Implementing a new system involves deploying thousands of terminals statewide, integrating financial and security systems, conducting extensive regulatory testing, and coordinating with retailers and vendors across the entire lottery network. These transitions typically require more than a year of planning, deployment, and certification before the new system can fully replace the existing infrastructure.

In 2024, the New Mexico Lottery Authority initiated such a transition by issuing Request for Proposals (RFP) #24-002 to replace its existing gaming system vendor and modernize its technology platform. The procurement attracted bids from several of the world's largest lottery technology providers and ultimately resulted in the [selection of Scientific Games](#) as the Lottery's new full-line technology partner under a ten-year contract. The new arrangement was intended to consolidate multiple services—including gaming systems technology, instant ticket logistics, analytics, and retailer terminals—into a single, integrated platform to improve efficiency and increase scholarship revenue.

However, large-scale technology transitions in the lottery sector pose substantial operational risks if not carefully planned and executed. A successful transition requires precise coordination among the outgoing and incoming vendors, the lottery authority, and hundreds of retail partners across the state. If implementation is delayed or transition planning proves inadequate, the lottery may be forced to extend existing vendor contracts beyond their intended expiration dates to maintain operations.

This report examines the procurement process for the Lottery's 2024 vendor transition and evaluates the governance and operational risks that have arisen from delays in implementing the new system. Evidence gathered through public records, procurement documents, and related materials suggests that the transition process has relied on a series of temporary contractual extensions to keep the existing system operating while the new vendor prepares its rollout. Those extensions are now approaching their limits, raising the possibility that the Lottery could face operational disruption if the replacement system is not deployed in time.

Such a disruption would carry significant implications. Lottery ticket sales

generate tens of millions of dollars annually for the scholarship program, with more than [\\$50 million transferred](#) to the scholarship fund in fiscal year 2023 alone. Any interruption in operations could temporarily halt this revenue stream and create uncertainty for students, retailers, and policymakers who rely on the Lottery's continued functioning.

The purpose of this report is to analyze the procurement and transition process surrounding the Lottery's vendor replacement, identify the structural and governance failures that contributed to the current situation, and provide policy recommendations to reduce the risk of similar failures in future public procurements. While the immediate issue concerns a single technology contract, the broader implications extend to public procurement practices across state government—particularly when mission-critical infrastructure is outsourced to private vendors.

Ensuring transparency, accountability, and operational continuity in such procurements is essential not only to protect public funds but also to maintain public trust in institutions whose operations directly support New Mexico students' educational opportunities.

## PROCUREMENT FAILURES

The 2024 procurement that culminated in the selection of a new “Lottery Solutions” vendor was not a routine IT purchase. It was a once-in-a-decade decision affecting the Lottery's core operational infrastructure: the central transaction engine, retailer equipment, validation and accounting controls, field support, and (depending on solution type) instant ticket production and distribution. In the lottery sector, that backbone is treated as security- and integrity-critical because the system must maintain transaction integrity between retailer terminals and the central gaming system, even when lottery sales are conducted through retailer point-of-sale environments rather than [dedicated gaming terminals](#). In other words, if the system or its cutover fails, the Lottery is not merely inconvenienced; it risks becoming operationally unable to sell or validate tickets at scale.

That reality is why these procurements are structurally high risk and why procurement design choices that might be tolerable in an ordinary services RFP can prove fatal when the deliverable is a statewide gaming network. Gaming system standards reflect this architecture and the sensitivity of the central system's

function. For example, GLI's lottery systems standards emphasize the central system's dedicated role in generating, storing, and transmitting ticket-related data, as well as its operational independence from [player terminals](#). A practical consequence follows: if the central system and its surrounding interfaces are not implemented and tested to a high standard under real-world deployment conditions, the Lottery cannot reliably operate. The vendor transition is therefore not a "software upgrade" but a controlled conversion of an entire regulated transaction ecosystem. Government lottery procurements themselves regularly describe conversions this way, requiring that system components be delivered, installed, implemented, acceptance-tested, and ready for operation by an agreed schedule, with an installed terminal base at the conversion date sufficient to maintain [statewide operations](#).

Against that operational and regulatory backdrop, the New Mexico Lottery Authority launched [RFP #24-002](#) on June 24, 2024. The procurement invited offerors to propose one of three approaches: a gaming system solution, an instant games solution, or a combined integrated solution that bundled all of the above under a single provider. After two formal question-and-answer periods, the Lottery received proposals from four offerors by the September 24, 2024, deadline. The proposal set included the dominant global vendors in this sector: IGT, Scientific Games, and INTRALOT for the gaming system category, and IGT, Scientific Games, and Pollard Banknote in the instant games category, with only IGT and Scientific Games bidding the combined integrated option. This last detail is not a footnote. It mattered because the combined integrated structure—by design—narrows the field, concentrates vendor dependence, and elevates implementation risk, since a single provider is expected to coordinate or own virtually every operational interface the Lottery relies on.

NMLA's evaluation approach further heightened the stakes. The procurement materials show that the pre-cost evaluation of proposal content accounted for 60% of the consensus score, while cost accounted for 40%. That division is not inherently improper, but it becomes dangerous when paired with a cost-scoring methodology that allows the lowest bid to dominate the outcome, even when it is not the strongest technical proposal. In the gaming system category, the committee's pre-cost scoring ranked IGT first (536), followed by Scientific Games (519), and then INTRALOT (485). Yet the cost scoring, based on a percentage of Total Net Sales, dramatically reversed the outcome because Scientific Games proposed a far lower rate than IGT. Scientific Games' 3.1000% rate earned the maximum cost points, while IGT's 6.8485% rate earned substantially fewer. Once price was weighted at 40% of the total score, Scientific Games became the top-

ranked vendor overall for the gaming system solution (919), ahead of INTRALOT (858) and IGT (717). A similar pattern held across solution types, with Scientific Games' pricing strength decisively lifting its overall totals.

This is a classic “procurement design failure” in critical infrastructure contexts: the scoring architecture can inadvertently reward a bidder whose proposal is cheaper on paper while underweighting the single factor that determines whether the Lottery can remain continuously operational—transition readiness. The problem is not simply that cost mattered; cost should matter. The problem is that, for lottery conversions, transition risk is not an abstract consideration but a predictable feature of the work. Public procurements for gaming systems routinely treat implementation schedules, acceptance testing, and conversion planning as substantive deliverables precisely because a conversion is a multi-month undertaking with numerous failure points. In some jurisdictions, procurement and oversight documents go so far as to address aggressive timelines, schedule-enforcement tools, and liquidated damages because system readiness by a specified date is essential to lottery operations. A scoring rubric that can be skewed primarily by the lowest rate, without separately hardening the evaluation of implementation schedule realism, testing methodology, conversion contingencies, and readiness governance, is a framework that can select a vendor who wins the spreadsheet but loses the calendar.

Documentation practices during the 2024 procurement added another layer of vulnerability. The Lottery's Senior Internal Auditor documented that Internal Audit was asked by the CEO, on behalf of the Board Chair, to conduct a high-level review of the RFP process to ensure the Lottery was complying with the New Mexico Procurement Code, the RFP, and internal procurement procedures.

That review checked for procedural elements such as timely posting, established evaluation criteria, appointment of the evaluation committee prior to proposal receipt, time-stamping of proposals, and completeness/compliance review before distribution to evaluators.

Notably, the same memo states that, as of November 13, 2024, the evaluation was still underway and final compliance elements had not yet been reviewed.

Internal Audit's involvement during an active procurement can be read two ways: as prudent governance for a high-value contract, or as recognition that the process was likely to face external scrutiny. Either way, it underscores that the procurement was understood internally as high-stakes and potentially contestable.

The procurement record contains an even more direct warning signal. In an email appended to the materials, the evaluation committee chair stated she had confirmed with all committee members that no notes were taken on the proposals.

In major source selections, “no notes” is not a neutral fact. It is a litigation and accountability risk. Consensus scoring, in particular, is expected to be supported by documented strengths, weaknesses, deficiencies, and risk findings, rather than by mere numerical totals. When procurements are challenged, insufficient documentation is a recurring fault line because it becomes difficult to demonstrate that evaluators applied the published criteria consistently, reached a true “meeting of the minds,” and grounded their ratings in verifiable proposal content. The Lottery may still be able to defend the outcome, but choosing not to retain contemporaneous evaluation documentation is an avoidable self-inflicted wound in a procurement of this magnitude.

By December 2024, the Lottery proceeded to Best and Final Offer (BAFO) negotiations. Scientific Games submitted a BAFO dated December 17, 2024, offering a reduced combined rate, additional equipment concessions, including upgrades and trade-in arrangements for self-service terminals, and a ten-year contract term.

The BAFO itself illustrates another structural tension: in a procurement where price strongly influences scoring, BAFO negotiations can become a tool to shave rates and add “value” through equipment commitments, while the procurement record remains comparatively thin on written evaluation reasoning concerning conversion governance, transition schedule credibility, and contingency planning.

The underlying failure in the 2024 vendor selection, then, was not a single procedural misstep. It was a chain of design and governance choices that collectively created predictable risk. The procurement’s scoring structure allowed pricing to overwhelm technical differentiation in a context where implementation success is the principal determinant of institutional continuity.

The record reflects limited retained documentation of evaluation deliberations at the very moment when documentation matters most: when selecting a vendor to replace the Lottery’s core operational system under a fixed deadline. And the procurement’s emphasis, as captured in the surviving record, appears better suited to selecting the lowest sustainable rate than to selecting the most reliable path to an on-time, interruption-free conversion in a regulated gaming environment

where central-system integrity and secure terminal-to-system traffic are foundational requirements.

The reliance on emergency contract extensions introduces an additional and more serious legal concern. Under the New Mexico Lottery Act, contracts for lottery gaming systems and related services are expressly limited in duration. State law provides that such contracts “shall not exceed ten years” in length, reflecting a legislative intent to prevent indefinite vendor entrenchment and to ensure periodic competition for these high-value public contracts (NMSA 1978, § 6-24-9). While short-term extensions may be permissible to ensure continuity of operations, the repeated use of emergency or sole-source extensions to continue performance beyond the original contract term implies that the Lottery has effectively extended the contract beyond the statutory maximum.

In practical effect, these emergency measures risk converting a time-limited contract into an open-ended arrangement that exceeds the legal boundary established by statute. Even if each individual extension is justified as necessary to maintain operations, the cumulative result may conflict with the Legislature’s clear directive that lottery vendor agreements be capped at ten years. This creates a potential statutory compliance issue, particularly if the extensions functionally allow the incumbent vendor to continue operating the system past the point at which the original contract and any permissible renewals should have expired.

Those deficiencies did not merely weaken the procurement in theory. They set the stage for what followed: a transition timeline that could not tolerate slippage, a dependency on extension mechanisms to keep the legacy system operating, and a governance posture that made the Lottery more vulnerable to public, legal, and operational consequences once implementation delays emerged.

## **VENDOR TRANSITION FAILURES**

Selecting a new vendor for a lottery gaming system is only the first step in a process that ultimately determines whether a lottery can continue operating without disruption. Once a contract is awarded, the most difficult phase begins: converting the existing gaming infrastructure to the new system while the lottery continues selling tickets across thousands of retail locations. Unlike a typical government IT project, a [lottery gaming system conversion](#) affects an entire statewide transaction network that must remain operational every day. The central gaming system records ticket sales, validates winning tickets, manages retailer

transactions, and maintains financial reporting systems that underpin the integrity of lottery operations. Industry security frameworks treat this system as the core operational backbone of the lottery network because it must ensure the secure transmission and validation of all transactions between retailer terminals and the central system. These systems therefore operate under strict integrity and security controls designed to protect the lottery's financial and operational integrity.

Because of the central gaming system's critical role, vendor transitions require extensive planning and testing. Lottery procurements routinely define a "conversion period" between contract award and full deployment of the new system, during which the [incoming vendor](#) installs and tests equipment while the [outgoing vendor](#) continues operating the existing infrastructure. During this period, the vendor must install and configure the new central gaming system, deploy retailer terminals, integrate accounting and communications networks, conduct system security testing, and complete user acceptance testing before the system can be placed into full production. Many lottery RFPs require vendors to conduct detailed integration testing and cooperative acceptance testing with lottery staff prior to [operational deployment](#) in order to verify end-to-end functionality and system reliability. These requirements exist precisely because gaming system conversions are complex projects that involve both hardware deployment and software integration across an entire statewide retail network.

Historical examples illustrate how sensitive these transitions can be. In one audit of a state lottery gaming system procurement, auditors found that aggressive implementation timelines and restrictive conversion schedules created operational risk and limited vendor participation in the bidding process. The audit noted that the winning vendor was required to implement the entire system within approximately six months, including replacing thousands of terminals and installing a new central system, an approach that raised concerns among competing vendors about whether the [schedule was realistically achievable](#). These findings highlight a recurring issue in lottery procurements: system conversions are not only technically demanding but also highly sensitive to schedule assumptions. When implementation timelines prove unrealistic, lotteries may be forced to extend legacy contracts or rely on emergency measures to maintain operations.

The transition following the New Mexico Lottery Authority's 2024 procurement reflects many of these structural risks. The procurement selected a new vendor to provide an integrated set of lottery services, including the central gaming system and associated operational infrastructure. However, the timeline for deploying the

new system overlapped with the expiration of the existing vendor contract, which had operated the lottery's gaming system for nearly a decade. That overlap meant the conversion would have to be completed while the legacy vendor continued operating the existing system under limited contractual authority.

Project records show that as the rollout of the new system progressed, the implementation schedule slipped beyond the expected transition window. As delays accumulated, the Lottery was forced to exercise the remaining extension provisions of the legacy contract in order to maintain operational continuity. Once those contractual extensions were exhausted, the Lottery turned to additional stopgap measures, including issuing a sole-source continuation contract to keep the existing system operational while the new vendor continued deploying its technology platform. These measures were necessary because the legacy vendor remained the only entity capable of maintaining the system that supported ongoing lottery operations.

The need for these emergency arrangements highlights a breakdown in transition planning. Large infrastructure procurements typically include a significant overlap period between the outgoing and incoming vendors to ensure the new system can be deployed and tested without compromising the operational authority of the existing system. This buffer allows agencies to absorb delays caused by hardware deployment issues, integration challenges, certification requirements, or retailer training needs. When that buffer does not exist, the agency becomes dependent on emergency contractual mechanisms simply to keep the existing system operating while the new system remains unfinished.

Evidence in the [project files](#) demonstrates that the New Mexico Lottery attempted to address emerging implementation delays by granting a series of temporary extensions to the legacy vendor contract. The Lottery formally extended the existing gaming system contract to maintain operations during the transition period while the new system was being implemented.

These extensions provided temporary relief but did not solve the underlying problem: the transition timeline had already slipped beyond the point where the original contract structure could comfortably accommodate delays.

As the extensions were consumed, the Lottery's position became increasingly precarious. Because the legacy vendor operated the system that processed every lottery transaction in the state, the Lottery had no practical alternative provider capable of maintaining operations in the short term. The agency, therefore, faced

a classic dependency problem common in large infrastructure transitions. The outgoing vendor possessed the operational knowledge and system access necessary to maintain the legacy platform, while the incoming vendor had not yet completed the deployment of its replacement system. The Lottery effectively became dependent on the continued cooperation of both vendors while the transition remained incomplete.

The operational consequences of this situation extend well beyond the contractual relationship between the Lottery and its technology vendors. The New Mexico Lottery generates tens of millions of dollars each year to support the Legislative Lottery Scholarship program, which provides financial assistance to students attending public colleges and universities in the state. A disruption in lottery operations would immediately halt ticket sales and could interrupt the revenue stream that supports these scholarships. At the same time, retailers that depend on lottery sales for store traffic and commission revenue would incur immediate financial losses if the system were unavailable.

Retail operations add an additional layer of complexity. Lotteries typically rely on thousands of retail locations to sell tickets, each of which must be equipped with operational terminals connected to the central gaming system. During a vendor transition, these terminals must be replaced, upgraded, or reconfigured while maintaining uninterrupted service to the public. Industry discussions of gaming system conversions often describe the process as a “[full-scale gaming conversion](#)” that involves not only new central systems but also new retail equipment, field support infrastructure, and distribution operations. Coordinating these changes across an entire state while maintaining uninterrupted lottery sales is a difficult logistical challenge, even when implementation proceeds on schedule.

The difficulties experienced during the New Mexico Lottery’s vendor transition demonstrate how fragile this process can become when the procurement structure leaves little margin for delay. The agency initially sought to modernize its technology platform through a competitive procurement that promised improved systems and lower operating costs. However, the combination of an aggressive transition schedule, the exhaustion of contractual extension authority, and delays in the new vendor’s rollout produced a situation in which the Lottery’s operational continuity depended on temporary emergency measures.

In practical terms, the Lottery was forced into a position where maintaining operations required a series of short-term contractual solutions while the new system remained under development. Each additional extension reduced the

Lottery's flexibility and increased the risk that the legacy contract authority would expire before the replacement system became operational. Once the agency reached that point, the risk was no longer theoretical. The Lottery faced the possibility that the central gaming system responsible for processing ticket sales statewide could lose its contractual authorization to operate.

The vendor transition represents more than a simple implementation delay. It reveals structural weaknesses in the planning and governance of the procurement itself. When a mission-critical public system is replaced without sufficient contingency planning or transition buffers, even relatively modest delays can create systemic operational risk. The experience of the New Mexico Lottery illustrates how procurement decisions that prioritize cost savings or expedited timelines can ultimately expose public institutions to significant operational and financial vulnerability when the implementation phase does not proceed exactly as planned.

## **CONCLUSION**

The events surrounding the New Mexico Lottery Authority's 2024 vendor procurement and subsequent system rollout illustrate how weaknesses in procurement governance and transition planning can place critical public infrastructure at risk. The procurement process produced competitive proposals and led to the selection of a new vendor promising improved technology and lower operating costs. However, the structure of the evaluation process, the limited documentation of evaluation deliberations, and the compressed timeline for system conversion created conditions that left little room for operational setbacks once implementation began.

When the rollout of the new system fell behind schedule, the Lottery was forced to rely on a series of temporary contractual measures to keep the legacy gaming system operating. These extensions were necessary to prevent a disruption in ticket sales, but they also revealed the fragility of the transition plan. Once the available extension mechanisms were exhausted, the Lottery faced the possibility that the system that processes every lottery transaction in the state could lose the contractual authority needed to continue operating.

The resulting situation demonstrates that the success of a procurement cannot be measured solely by the competitiveness of the bids or the price offered by the winning vendor. In procurements involving mission-critical infrastructure,

implementation readiness and transition planning are as important as price or technical features. Without sufficient contingency planning and operational overlap between vendors, even a procedurally compliant procurement can expose public institutions to avoidable operational risk.

For the New Mexico Lottery, the stakes are particularly high. Lottery revenues support the Legislative Lottery Scholarship program, which helps thousands of students attend college each year. Ensuring the stability of the system that generates those revenues should therefore be treated as a matter of institutional reliability and public trust. The procurement and rollout examined in this report highlight the need for stronger safeguards in future procurements, including clearer documentation of evaluation decisions, more rigorous assessment of implementation risk, and transition plans that ensure uninterrupted operation of essential public systems.





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