Christie Betting That Lottery Can Bail Out Troubled Pensions.

New Jersey Gov. Chris Christie is betting that the lottery is the ticket to shoring up one of the state's most vexing money problems: ever-growing obligations to the pensions for public employees.

The idea of linking the lottery to pensions has been around for years, but legislation backed by the Republican governor was introduced this week to make the lottery the property of the pension system for 30 years.

Analysts and advocates say the deal — an arrangement that would be unique to New Jersey — probably won't hurt, but there's not a consensus on how much it might help.

"Where it does provide tremendous relief is optically," said Lisa Washburn, managing director at Municipal Market Analytics, a firm that analyzes government bonds. "The numbers look better on a whole lot of levels. Whether or not they're truly better is questionable."

Since Christie took office in 2010, the state has contributed more than $6 billion to retirement funds to which past governors have often skimped on payments — or skipped them entirely. Still, the gap between the money expected to be in the funds and that which is owed to retirees has only grown. By any measure, it's among the biggest unfunded pension liabilities in the country.

Trying to solve the problem makes it harder for officials to expand other government services or make major tax cuts.

State Sen. Paul Sarlo, a Democrat sponsoring the legislation, called it an "intriguing" proposal that deserves to be debated. He said there's a long-term benefit under the administration's projections. "The next governor will have the huge benefit after five years of being able to reduce the pension payment," he said.

Here's how the measure that will now be debated by the state's Democratic-controlled Legislature would work:

THE CLEAR BENEFIT — AND COST

There's a consensus that the lottery deal would give the state a guaranteed stream of money coming in to make a portion of its pension contributions.

That income — a projected average of more than $1 billion annually — is a bit more than one-fifth of the $5 billion the state would have to annually contribute to fully fund the pension funds.

Christie's budget proposal for the fiscal year that starts July 1 calls for about $2.5 billion in pension contributions — which would be a record.

But the lottery revenue isn't found money: It is currently used to help pay for institutions including the state's universities, psychiatric hospitals and a home for disabled soldiers. The state would still need to pay for those programs; officials say the move would not increase costs for taxpayers.

ADDRESSING THE UNFUNDED LIABILITY

The state treasurer's office is promoting a second benefit of the lottery deal. This is the part Washburn and others are skeptical about.

Christie's administration says the value of the lottery, assessed at $13.5 billion, could be used to offset the unfunded liabilities in the pension funds.

The administration says that would immediately shrink the gap — which it pegs at $49 billion, but some other calculations say could be as high as $136 billion.

Using the state's evaluation of those unfunded liabilities of $49 billion, that would shrink the gap significantly and immediately. Under accounting rules, it would mean the state could recalculate how much it needs to pay into the fund to meet its obligations. That could mean the state would need to contribute less each year. A better pension position could result in a better bond rating for the state, allowing it to get more favorable borrowing rates.

Hetty Rosenstein, the New Jersey director of Communications Workers of America, the biggest union of state government workers, said she isn't taking a position on the idea because she doubts it would reduce the liability anywhere but on paper. "At the end of the day, you can't pay out pieces of the lottery," she said.

Tom Byrne is a former chairman of the state Democratic State Committee who currently heads the Council on Investment, which oversees investment of pension funds. He says that the move could be helpful, despite the doubts of union leaders.

"Their brows might be a little furrowed," he said. "They're saying, 'It's not cash, so is this real?' From an accounting standpoint, it is."

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