

## THE OKLAHOMA EDUCATION LOTTERY

The Oklahoma Education Lottery was created by SQ 705 and SQ 706 in 2004. Under the terms of these two measures, at least 35 percent of gross revenues are dedicated as net proceeds to the Oklahoma Education Lottery Trust Fund for appropriation by the Legislature. The distribution of lottery net proceeds was specified as follows:

K – 12 funding, including early childhood programs	45%
Higher Education Tuition Assistance	
Capital projects (all levels of education)	
Technology improvement (all levels of education)	45%
Endowed Chair Professorships for Higher Education	
Schools for the Deaf and Blind	
School Consolidation Fund	5%
Teacher's Retirement Fund	5%

The Lottery Trust Fund is a certified fund, meaning that the Legislature can appropriate up to 95 percent of estimated collections for the upcoming fiscal year. If collections exceed the appropriated amount, the surplus is carried over and is available to be appropriated in subsequent years. If lottery revenues come in below the appropriated amount, agencies must either absorb the difference or the Legislature must identify additional funds.

Table 1 presents the revenue and expenditure history of the lottery for its seven years of operation, along with projections for FY '12. For the most part, lottery sales have remained remarkably consistent, regardless of the up and downs of the economy, the addition of new games, and growing competition from tribal casinos and the new state lottery in Arkansas. Total revenue in the lottery's first year, FY '06, was \$191.0 million and grew modestly, by 6.5

percent, to 203.5 million in FY '07, with the addition of Powerball. However, revenues flattened in FY '08 and then declined by 5.5 percent to \$193.3 million in FY '09 before growing by 3.4 percent in FY '10 and dipping by 0.8 percent in FY '11. Revenues in FY '12 are projected to decrease by 6.0 percent.

Net proceeds from lottery revenues to the Oklahoma Education Lottery Trust Fund have totaled \$68.9 million in FY '06, \$69.4 million in FY '07, \$78.4 million in FY '08 (which included carryover funds), \$69.2 million in FY '09, \$70.0 million in FY '10, and \$69.4 million in FY '11. Revenues in FY '07 and FY '08 fell considerably below the certified estimate, creating a shortfall in appropriations to the agencies and programs supported by lottery funds. In FY '11, revenues exceeded projections by \$3.4 million. Net proceeds in FY '12 are projected at \$65.1 million.

Lottery net proceeds are divided between several education agencies as set out by the statutes. For the most part, lottery revenues have been blended with other revenues to support general operating expenses, rather than being dedicated to any distinct, ongoing, and identifiable purpose. Current year (FY '12) appropriations includes \$63.1 million of lottery revenues out of total state appropriations of \$6.5 billion, or 1.0 percent.

Over the past several years, the Lottery Commission has advocated forcefully but unsuccessfully for the Legislature to eliminate or reduce the mandated 35 percent profit percentage and allow for higher prize payouts. The Commission contends this change is needed to boost lottery sales and ultimately generate increased revenue to fund education.

**TABLE 1: Education Lottery Trust Fund Revenues and Appropriations. FY '06 - FY '12 (in \$ millions)**

	FY '06 Actual	FY '07 Actual	FY '08 Actual	FY '09 Actual	FY '10 Actual	FY '11 Actual	FY '12 Estimated
Total Revenues	\$ 191.0	\$ 203.5	\$ 204.6	\$ 193.3	\$ 199.9	\$ 198.3	\$ 186.1
Share of net proceeds/profit	36.1%	34.1%	35.0%	35.8%	35.0%	33.5%	35.0%
Net Proceeds	\$ 68.9	\$ 69.4	\$ 71.6	\$ 69.2	\$ 70.0	\$ 66.5	\$ 65.1
Available Prior-Year Carryover	\$ -	\$ -	\$ 6.8	\$ -	\$ -	\$ -	\$ 6.3
Total Net Proceeds plus Carryover	\$ 68.9	\$ 69.4	\$ 78.4	\$ 69.2	\$ 70.0	\$ 66.5	\$ 71.4
<b>APPROPRIATIONS OF LOTTERY FUNDS</b>							
Common Education	\$ 34.2	\$ 64.8	\$ 48.7	\$ 38.2	\$ 34.9	\$ 33.9	\$ 35.3
Higher Education	\$ 28.0	\$ 46.7	\$ 35.4	\$ 27.3	\$ 25.0	\$ 24.3	\$ 24.3
Career Tech		\$ 6.0	\$ 4.5	\$ 3.8	\$ 3.5	\$ 3.4	\$ 3.5
Rehab Services		\$ 0.3					
Total Appropriations	\$ 62.2	\$ 117.8	\$ 88.6	\$ 69.3	\$ 63.4	\$ 61.6	\$ 63.1
Surplus/Shortfall	\$ 6.7	\$ (48.4)	\$ (10.2)	\$ (0.1)	\$ 6.6	\$ 4.9	-