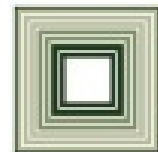


S.L. 2017-57

Appropriations Act of 2017

Impact on North Carolina State Lottery

October 12, 2017



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Substantive Changes

- Allocation of Education Lottery Fund Appropriations
- Creation of Needs Based Public School Capital Fund
- Statutory Appropriation of Future Lottery Proceeds
- Lottery Reserve Minimum Balance Requirement of \$25 million

3 Primary Lottery Funds

State Lottery Fund

- Receives lottery revenue
- Lottery operating expenditures (i.e. prizes, retailer commissions, administrative expenses)
- G.S. 18C-160 statutorily appropriates funds in the State Lottery Fund to the Lottery Commission to operate the State lottery
- Net lottery proceeds (i.e. profit) transferred to Education Lottery Fund

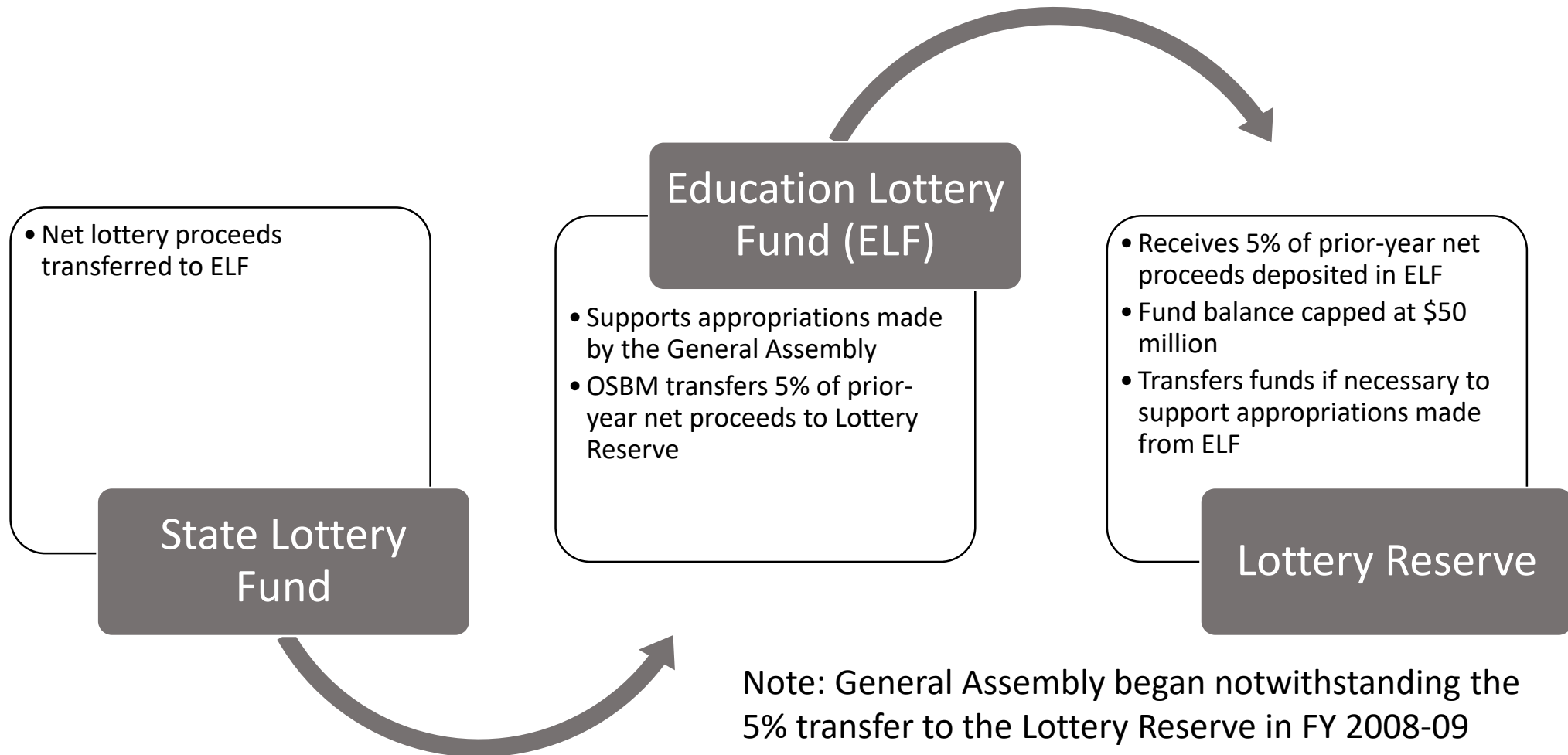
Education Lottery Fund

- Receives lottery proceeds from the State Lottery Fund
- Where appropriations to educational programs are made by the General Assembly

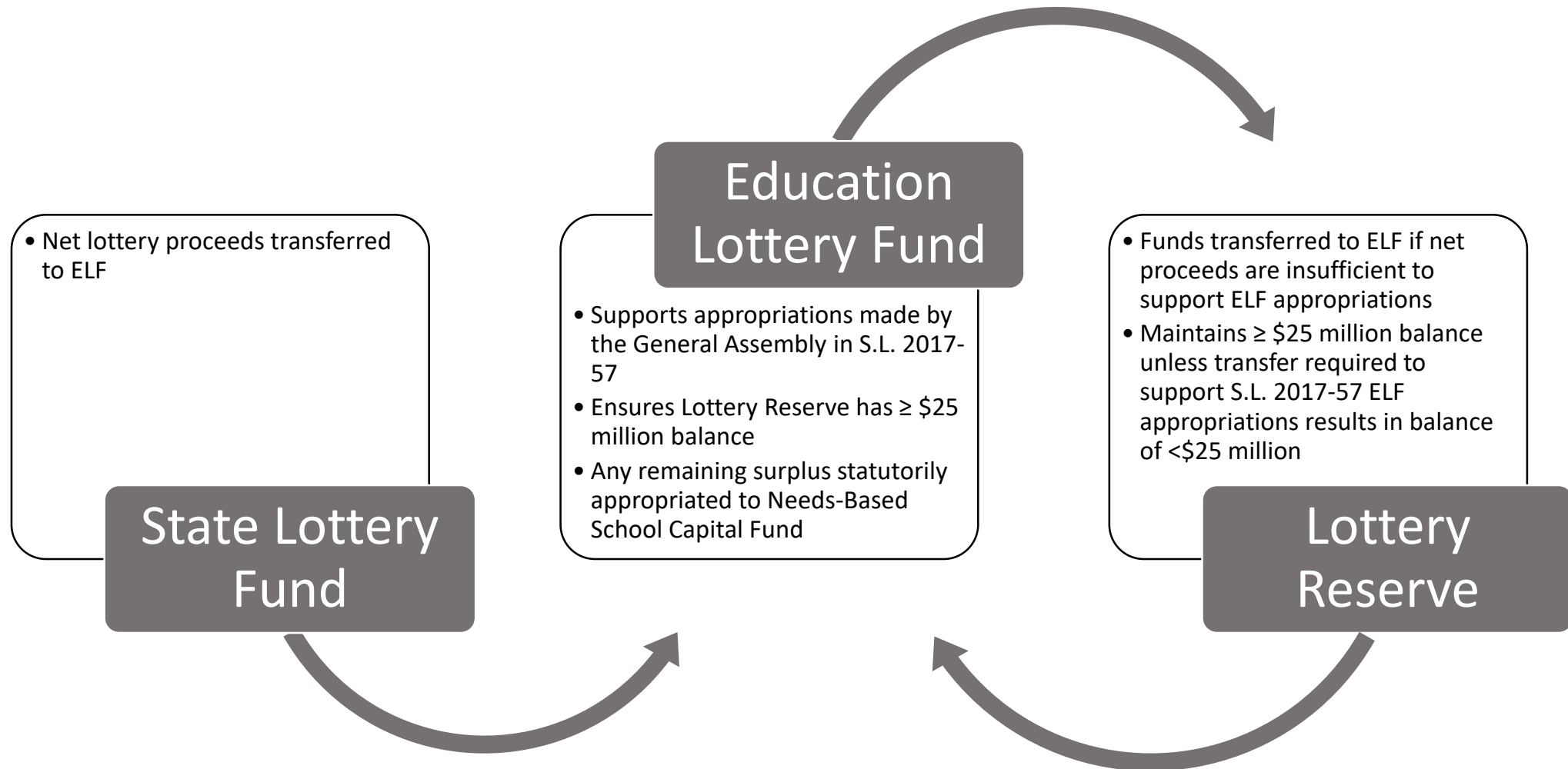
Education Lottery Reserve

- Established to provide a funding source to fill any shortfall between projected lottery proceeds and appropriations made from the Education Lottery Fund
- Fund originally received 5% of net proceeds from prior year up to a \$50 million cap
- Fund was liquidated in FY 2010-11 and had essentially no balance until FY 2016-17

Previous Statutory Fund Flow



New Statutory Fund Flow



Appropriations from Education Lottery Fund (ELF)

Program/Purpose	FY 2016-17	FY 2017-18	FY 2018-19
Noninstructional Support Personnel	\$372,266,860	\$383,888,897	\$385,914,455
NC Pre-K	\$78,252,110	\$78,252,110	\$78,252,110
Public School Capital Fund	\$100,000,000	\$100,000,000	\$100,000,000
Needs-Based Public School Capital Fund	N/A	\$30,000,000	\$75,000,000
Scholarships for Needy Students	\$30,450,000	\$30,450,000	\$30,450,000
UNC Need-Based Financial Aid	\$10,744,733	\$10,744,733	\$10,744,733
LEA Transportation	N/A	\$43,288,192	\$1,386,090
TOTAL ELF APPROPRIATION	\$591,713,703	\$676,612,932	\$681,747,388

Lottery Reserve Balance (as of 6/30/17) - \$110,454,626

Needs-Based Public School Capital Fund

- Grant program administered by the Department of Public Instruction
- Tier 1 counties eligible; Tier 2 counties become eligible in FY 2020-21
- County is ineligible to receive grant if it received >\$8.75 million from Public School Capital Fund between FY 2012-13 and FY 2016-17
- Maximum grant award:
 - Tier 1 - \$15 million
 - Tier 2 - \$10 million
- Local match requirements:
 - Tier 1 - \$1 local for every \$3 from the fund
 - Tier 2 - \$1 local for every \$1 from the fund
- Priority given to:
 - Tier 1 counties
 - Counties with greater need and less ability to generate tax revenue
 - Counties with high debt-to-tax revenue ratios
 - Projects that will address critical deficiencies in adequately serving current and future student populations
- Counties receiving a grant award from the fund are ineligible to receive funding from the Public School Capital Fund for 5 years

Needs-Based Public School Capital Fund

Related legislation subsequent to S.L. 2017-57:

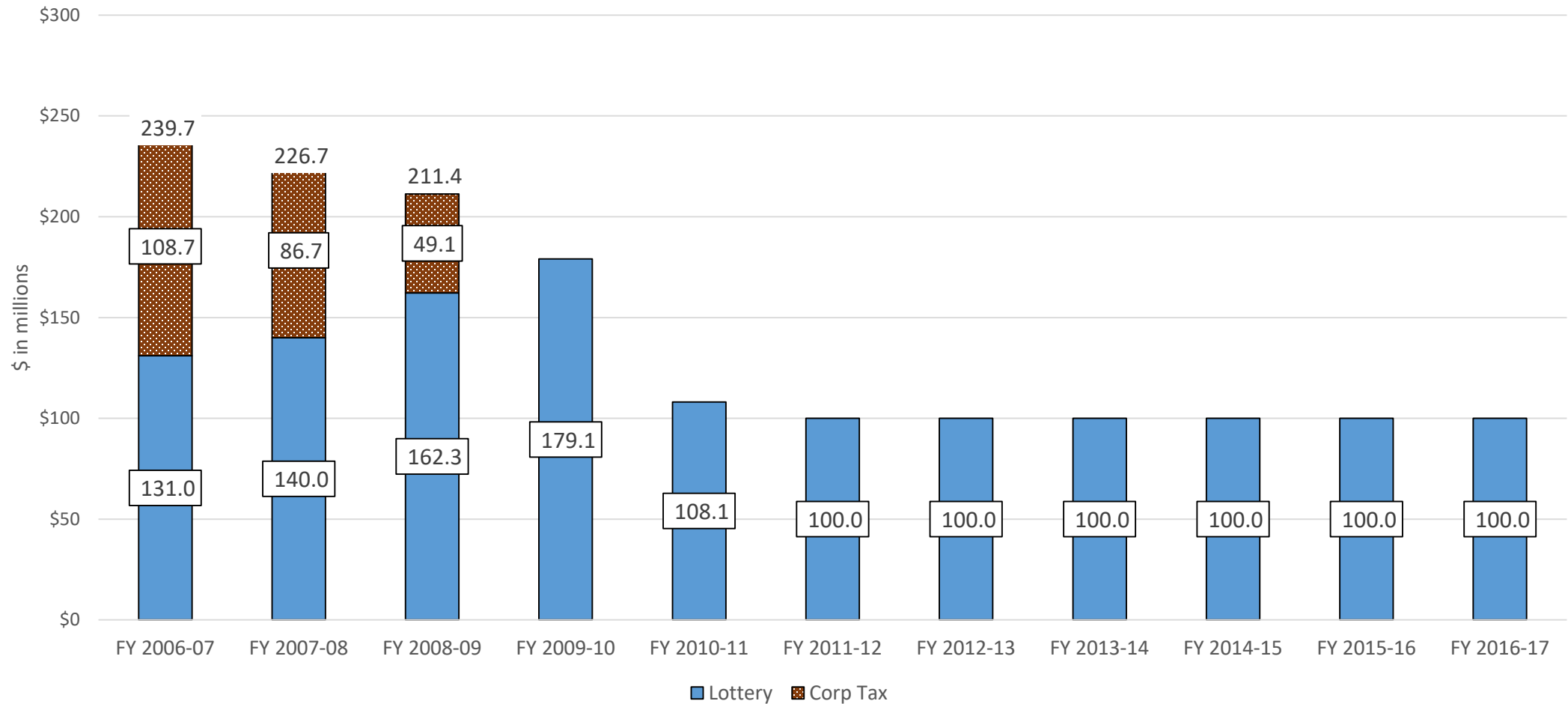
- S.L. 2017-187 – allows grant funds to be awarded to projects that have entered into a pre-development operating lease agreement prior to June 30, 2017
- S.L. 2017-197 – directs the Joint Legislative Commission on Governmental Operations to appoint a committee to study the new program
- S.L. 2017-212 – restricts the uses of grant funds to new construction only

Needs-Based Public School Capital Fund

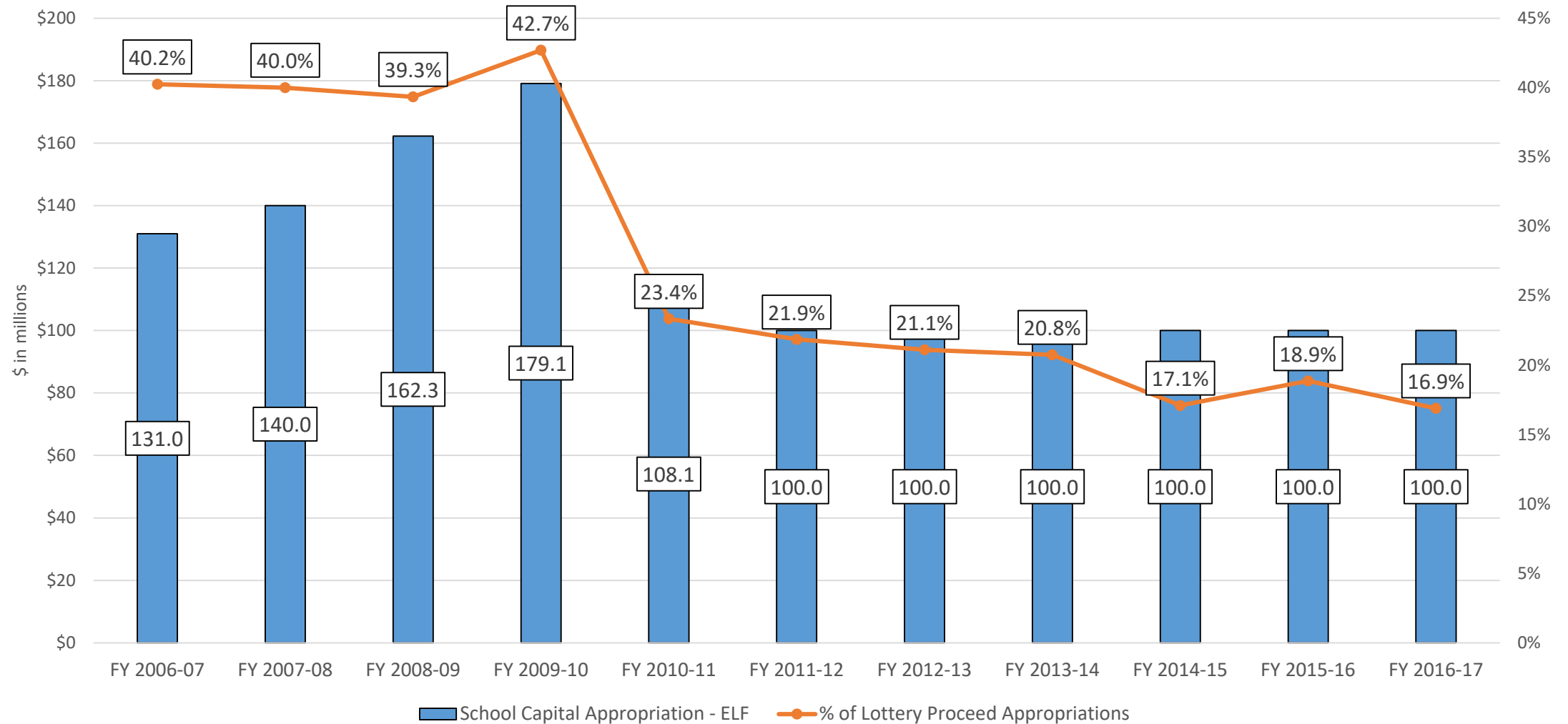
Sec. 5.3(d) of S.L. 2017-57 expresses General Assembly intent to increase the amount of net lottery revenue appropriated to local governments for school capital needs to 40% by FY 2028-29

Historical State Support for Public School Capital

(since lottery inception)

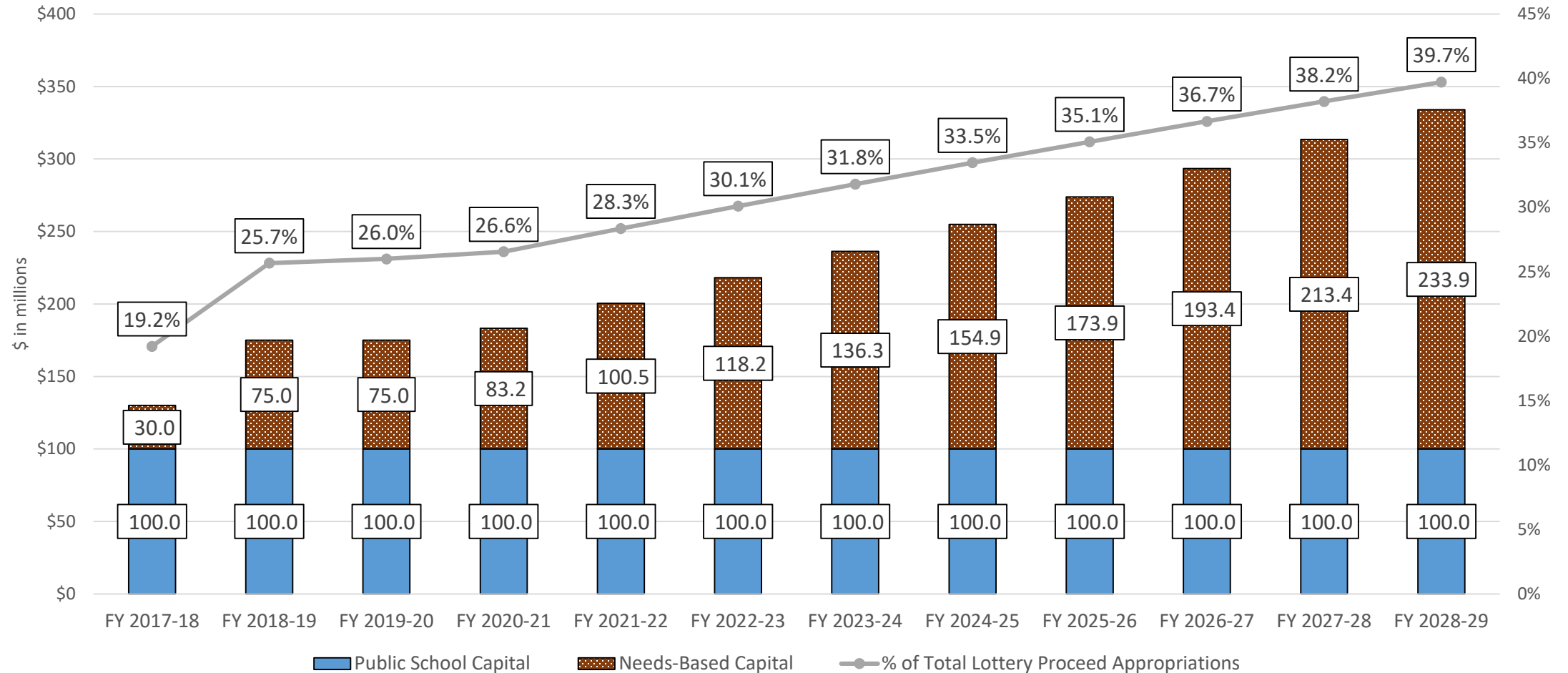


Historical Percentage of Lottery Proceed Appropriations to School Capital



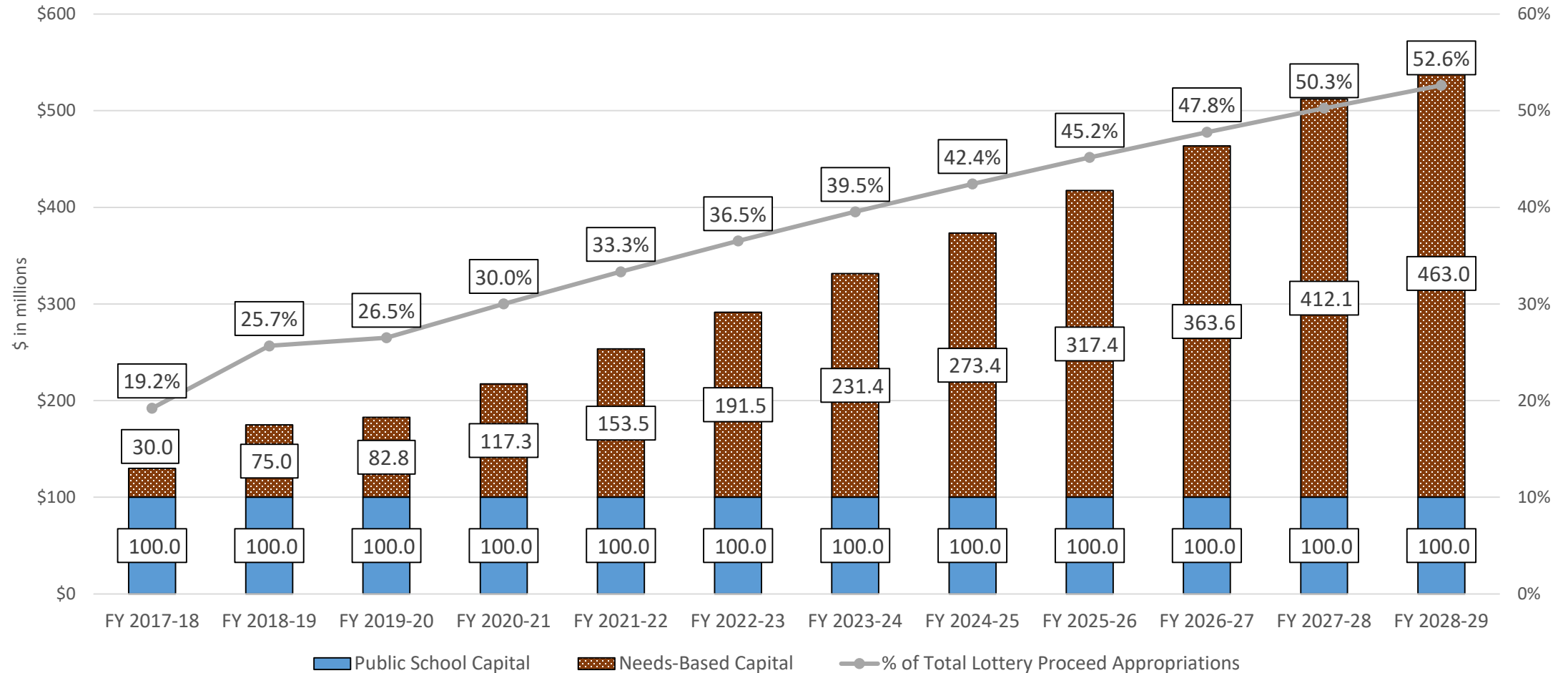
ELF School Capital Appropriation Projections

(2.5% Net Proceed Growth – Under Current Law)



ELF School Capital Appropriation Projections

(5% Net Proceed Growth – Under Current Law)



Questions

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