

SENATE OF VIRGINIA

Senate Finance Committee

Overview of 2008 Session Lottery Actions

April Kees

**Education Subcommittee
January 29, 2009**

Background on the Lottery

2

- Prior to the 2000 Constitutional Amendment, use of lottery funds was set out in the *Code of Virginia* and the Appropriation Act.
- The General Assembly passed legislation in 1999 and 2000 that provided for a state-wide referendum on whether to amend the Constitution of Virginia to dedicate lottery revenues to public education.
- This was approved by a majority of voters in November 2000.
- The Appropriation Act continues to contain the authority over the implementation of the program and the distribution methodology.

Distribution of Funds in the 2006 – 2008 Biennium

3

- There were three parts to the distribution:
 - \$19.5 million off the top for SOQ prevention, intervention, and remediation;
 - approximately 60% of the remaining lottery revenue was used to pay a portion of the state's share of basic aid; and
 - the balance of the lottery revenue was distributed based on a per pupil amount and the composite index (approximately 40%).
- Other stipulations in the Appropriation Act included:
 - the funds had to be used solely for educational purposes,
 - no more than 50% of the funds could be used for recurring costs,
 - no less than 50% of the funds could be used for non-recurring costs, and
 - local governments had to maintain the same level of spending for public school operating programs as they provided in fiscal year 2006.

2008 Session Revisions and the Lottery Proceeds Fund

4

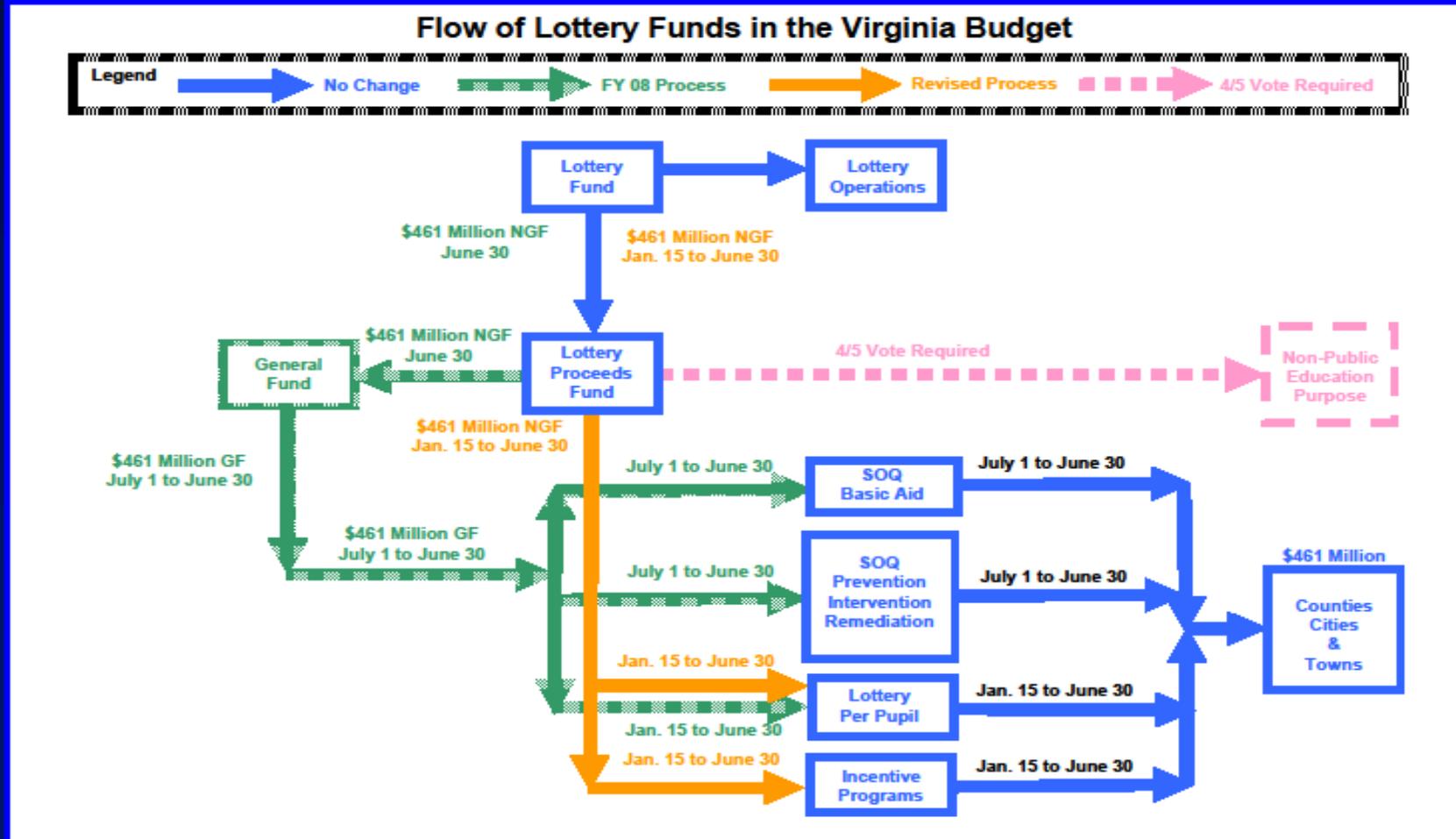
- During the 2008 Session, the constitutionality of the existing method of distributing lottery proceeds for public education was debated.
- House and Senate budget staff worked closely with staff from APA, DLS, DOE, and DPB as well as the Secretary of Finance to come up with a solution.
- Guidance was also received from the Office of the Attorney General.
- The decision was made to make accounting and budgeting changes for the 2008-10 biennium so that the money was deposited into the Lottery Proceeds Fund (as NGF revenue) and then distributed directly to localities.

2008 Session Revisions and the Lottery Proceeds Fund (continued)

5

- The distribution was changed so that lottery proceeds would come to localities through a number of non-SOQ programs.
 - This allowed revenue to build in the Lottery Fund and distributions from the Lottery Proceeds Fund to occur after January 15th of the fiscal year.
- The remaining funds went into a “balancer” program that was distributed to localities on a per pupil basis and the composite index.
 - Additional Support for School Construction and Operating Costs.
 - No more than 50% for recurring costs and no less than 50% of the funds for non-recurring costs.
- These programs were selected based on finding a “best fit” for programs that:
 - could be paid later in the year to fit with the availability of lottery funds and
 - for which all localities could potentially be eligible.

Overview of the Changes in the Flow of Lottery Funds for FY 2009



Lottery Funded Programs

7

- In FY 2009, Lottery funds are being distributed directly to school divisions for 11 programs:
 - Remedial Summer School, Foster Care, Enrollment Loss, At-Risk, VPI, Early Reading Intervention, Mentor Teacher, K-3 Class Size Reduction, School Breakfast, SOL Algebra Readiness, and Additional Support for School Construction and Operating Costs account.
- SB 850, as introduced, proposed changes in the mix of programs to be funded from lottery proceeds in FY 2010.