

**FISCAL IMPACT REPORT**  
2nd Session of the 51<sup>st</sup> Legislature

<b>Bill No.:</b>	<b>SB 1795</b>
<b>Version:</b>	<b>Floor Substitute (11089)</b>
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<b>Date:</b>	<b>April 15, 2008</b>
<b>Analyst:</b>	<b>Nicole Taylor</b>

<b>Impact:</b>	<b>Education Lottery Funds Distribution Modification</b>
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**Potential Impact to School Districts**

Reviewed:	_____ <u>Mark Tygret</u> _____
	House Fiscal Director

**Summary**

The Floor Substitute for SB 1795 contains multiple provisions relating to the Oklahoma Horse Racing Commission and the Oklahoma Education Lottery Trust Fund. The provision relating to the Horse Racing Commission precludes Commission appointments from holding licenses issued by the Commission. Provisions related to the Lottery include modifying distribution frequency of net Education Lottery proceeds by requiring the Lottery Commission to transfer certain portions on a monthly basis, as opposed to quarterly, and modifying distribution calculations of the 45% portion of net proceeds which may be appropriated to kindergarten through twelfth grade public education. This portion of net Lottery proceeds will now be deposited into the newly-created Common Education Lottery Revolving Fund, and will be distributed to every school district on a per capita basis.

**Analysis**

Sections related to the membership of the Horse Racing Commission do not impact the state. Provisions related to the Lottery may impact school districts, but do not impact the state.

Net Lottery proceeds are currently appropriated in the following manner: 45% to kindergarten through twelfth grade, 45% to Higher Ed, Career Tech, and/or other education entities for scholarships and capital needs, 5% to the School Consolidation and Assistance Fund, and 5% to the Teachers' Retirement System Dedicated Revenue Revolving Fund. Changes made in this legislation only affect the two 45% allotments of net Lottery proceeds.

Modifying the frequency of net proceed distribution may impact total dollars available to the Lottery Commission, as the money in the fund will no longer be able to accrue interest for a quarter (three months) before being distributed. However, nothing in the measure precludes appropriated agencies from accruing interest on those funds once received; therefore, this provision should not impact the state.

With regard to the 45% allotment to Common Ed: as the measure modifies distribution of the funds, but does not require additional appropriations, there is no impact to the state. However, such a modification may impact some school districts since these funds were previously appropriated to the State Aid Funding Formula. Formula Funds are distributed to schools on a Weighted Average Daily Membership (WADM) basis as opposed to per capita; therefore a district that counted a high number of student weights may be impacted more than a district with relatively low student weights.

With regard to the 45% allotment to Higher Ed, Career Tech, etc., though the statute currently states that Lottery proceeds shall be allocated on a quarterly basis, the Lottery Commission was already allocating to the Regents for Higher Education on a monthly basis, therefore, this language will not impact either agency.

### **Long Term Considerations**

Multiple sources of state revenue, including Oklahoma Education Lottery Trust Funds, are certified for the fiscal year in which they are actually collected, but may not be distributed until a future month (e.g., June collections count toward that fiscal year, but may not be distributed to the agency until July, which falls in the next fiscal year). Language in the measure related to monthly proceed distribution requires transfer of the previous month's collections by the 9th day of the current month, but does not take effect until FY-09, meaning collections made in July 2008 will be distributed by August. As this practice occurs with multiple revenue sources, House Fiscal Staff interprets the measure to have no impact on FY-08 certification levels, but the Office of State Finance (OSF) interprets the language to impact the FY 2008 certification level of Lottery proceeds by one month by requiring June 2008 collections to "count" toward July. In order to satisfy the true intent of the language, House staff and OSF will continue examining the issue to find a mutually-agreeable solution.