

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: PCS for SB 624
SHORT TITLE: STATE LOTTERY REFERENDUM
SPONSOR(S):

FISCAL IMPACT: **Expenditures:** **Increase (X)** **Decrease ()**
 Revenues: **Increase (X)** **Decrease ()**
 No Impact ()
 No Estimate Available ()

FUND AFFECTED: **General Fund ()** **Highway Fund ()** **Local Govt. ()**
 Other Funds (X)

BILL SUMMARY: Provides that a statewide referendum be held at the earliest practical time on the establishment of a State lottery. The act establishes the N.C. State Lottery Commission and sets forth the conduct governing the following: (1) the operations of the Commission; (2) the number of members to be appointed to the Board by the Governor, President Pro Tempore of the Senate and by the Speaker of the House. Creates the N.C. State Lottery Fund to be held with the State Treasurer and establishes the purposes for which the proceeds from the lottery are to be distributed.

The lottery proceeds are to be distributed in the following manner:

- 50% - Prizes (Minimum Portion)
- 16% - Operations of the State Lottery Commission (Maximum Share)
- 34% -Net Proceeds

The compensation to lottery game retailers is 5% of the retail price of the tickets, with the provision for a 2% incentive bonus for the attainment of a sales volume or other objective established by the Director of the Lottery Commission.

All of the net proceeds of the lottery are earmarked for school building capital needs as follows:

- 80% - Allocated to each county on the basis of average daily membership (student population)
- 20% - Allocated to counties that have significant unmet school facility needs due to either an inability to fund school construction or rapid growth in school-age population .

The legislation does provide that the cumulative amount allocated to a county prior to July 1, 1998 shall not exceed the total amount of unmet school facility needs for all of the school units in the county, as reported to the State Board of Education in 1993. The State Board is required to

develop new maximum cumulative amounts applicable to counties on and after July 1, 1998 after consideration of the long-range plans for meeting facility needs submitted by local boards of education (required by current law).

The funds may be used only for capital outlay projects including construction, repairs, renovation, and land acquisition.

Local units are required to provide \$1 for each \$2 allocated from the lottery fund. Counties may use restricted local sales tax proceeds for their match. Bond proceeds received during the prior 5 years may be used for the local match. The State Board of Education may waive the match requirement if a county can prove that it is unable to provide the match.

EFFECTIVE DATE: Upon ratification.

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:

FISCAL IMPACT

FY FY FY FY FY

(See Attachments)

ASSUMPTIONS AND METHODOLOGY: The estimates of lottery proceeds assume a vote on the lottery in November, 1995 and a March 1, 1996 start-up. The estimate net revenue is based largely, but not exclusively, on the experience since 1988 in Virginia. The estimates of school population were provided by the Department of Public Instruction.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION
733-4910

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APPROVED BY: Tom Covington **TomC**
DATE: April 27, 1995
[FRD#001]



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