

Where does the Lottery Money Go?



Millions of lottery dollars do go to public schools,
but the lottery has been no jackpot
at the end of a rainbow. Find out why.

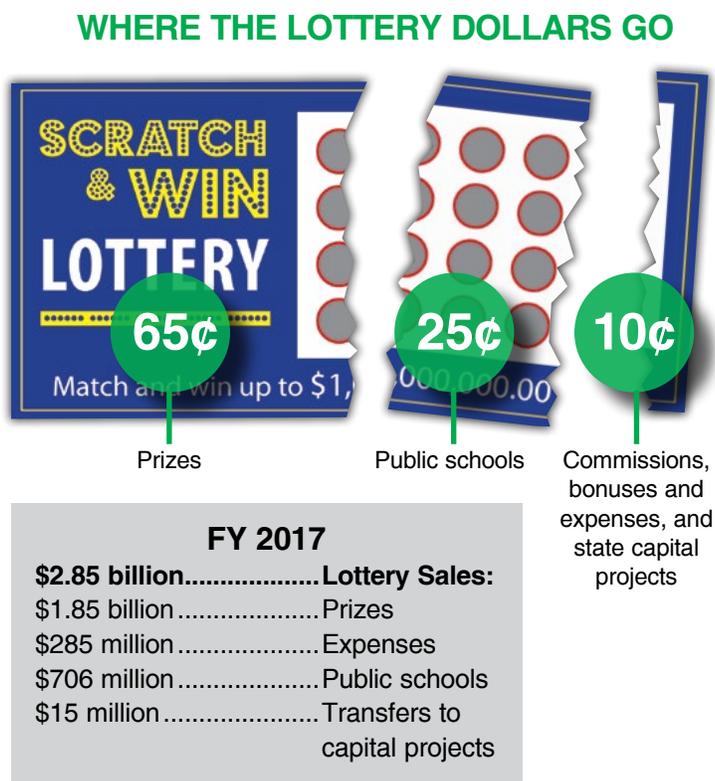
What happens to money from the Illinois State Lottery?

Most of it — 65 cents of each \$1 in revenue — goes for prizes. Another 10 cents is reserved for commissions, bonuses and operating expenses. That leaves 25 cents available for the Common School Fund. Here it is in simple arithmetic:

\$1.00 lottery ticket
 - .65 for prizes
 - .10 for expenses and state capital projects
 = .25 for schools

In FY 2017, the Illinois State Lottery sold \$2.85 billion worth of tickets. From that total, \$1.85 billion went to prizes, and \$285 million covered commissions and expenses, and \$15 million for a Capital Projects Fund. That left \$706 million for the Common School Fund.

Source: *Illinois Tax Handbook for Legislators*, Illinois General Assembly Legislative Research Unit (2018)



If our schools get the lottery profits, why do schools still have financial problems? Why do schools keep asking for more state help?

First, the lottery provides little or no real help for the schools.

Profits from the lottery are small compared to the total needs of the state's 852 public school districts (2017). Although the lottery produced \$706 million last year, it cost \$32.8 billion in state and federal and local revenues to run 3,796 public elementary and secondary schools in 2017.

The state's share represented 36 percent — or \$11.7 billion — of that total cost. Lottery money comprised just 6.1 percent of the state's commitment to public schools.

So where did the rest of the support come from? Most of it, \$17.6 billion — or 54 percent — came from local property taxes. The remaining 11 percent — or \$3.6 billion — were federal dollars.

Second, although lottery profits are deposited in the Common School Fund, that is merely an accounting maneuver that actually reduces the amount of money that schools require from other state sources. Lottery profits themselves provide no additional funds for the schools.

In addition, the amount of lottery funding for schools is a fixed amount. Since March 1, 2010, annual transfers to the Common School Fund are to equal the amount transferred in FY 2009, adjusted for inflation.

Furthermore, even if lottery profits were used to provide additional school funding, the impact would be small.

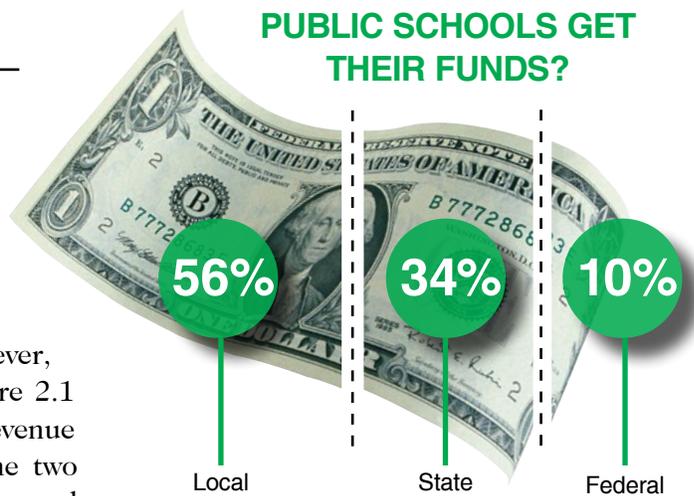
So, does that mean the lottery is not important?

Not at all. The lottery is a helpful source of income for the state of Illinois. Without the lottery, the state would have two choices: raise other taxes or cut more than \$700 million from its annual budget.

As the state's 8th largest revenue source, however, the lottery generated \$706 million, or a mere 2.1 percent of the state's total General Fund revenue of \$40.7 billion in 2017. By comparison, the two largest revenue sources — individual income and sales taxes — produced \$15.4 billion (or 38 percent) and \$9.0 billion (or 22 percent), respectively. Even driver's license and motor vehicle fees produced more revenue (\$1.9 billion) for the General Fund than the lottery.

While the lottery does contribute to the state's coffers, in 2017 lottery profits for schools grew by just \$14.0 million (or 2.0 percent).

WHERE DO ILLINOIS PUBLIC SCHOOLS GET THEIR FUNDS?



FY 2017	
\$17.6 billion	Local property taxes
\$11.7 billion	State funds*
\$3.6 billion	Federal funds
* \$706 million in lottery proceeds represented 6.1 percent of the state's share	

I thought education was a high priority of the state. How much does the state spend on our schools compared to recent years?

There is no question that public education takes a lot of state support. Spending for elementary and secondary education in 2017 took \$9.8 billion, down from \$9.9 billion in 2010, from state General Fund appropriations. With inflation, schools have fallen behind substantially from that modest cut in spending. Compare the 2016-17 state spending to 2009-2010, when \$9.9 billion in General Funds were spent on schools. Adjusted for inflation, that is \$1.3 billion more than was spent last year on schools; however, that's a 13.1 percent decrease from seven years ago.

More demands require more funding. But where will it come from?

The demands on our public schools have grown enormously over the past two decades. That means:

- New services must be provided for students with special needs.
- Higher levels of skills required for the workplace require schools to continually upgrade programs and install new technology.
- State and federal accountability systems push schools to continually demonstrate that they meet all standards — a task that consumes more human energy.

All those demands continue to grow. Our schools must not only educate more effectively, they must do it for a much larger proportion of the student population than ever before and they must be able to prove they are doing it.

School resources have not grown along with these demands. Combined with inflation and a stagnant state funding share, the purchasing power of Illinois schools has increased very little — and for some schools, not at all. To make matters worse, property tax revenues in many districts are “capped” and can only be raised in conjunction with the actual rate of inflation, which is still near historic lows.

The combined effect — limited local taxing power and a decreasing spending power of state funding — makes it harder on some school districts than on others. The net result is obvious: something else must be done to equalize educational opportunities for the two million school children of Illinois.

The lottery was supposed to help the schools. But it appears that the schools have lost rather than gained. So what can be done?

The state lottery, unfortunately, will continue to be used as a smokescreen to make it appear that the state is adequately funding schools when, in fact, that is not the case.

When lottery revenues remain relatively flat, and the state’s share of funding elementary and secondary education remains the same or declines year after year, the bottom line is that local taxpayers will continue to pick up most of the tab.

Until there is a fair and equitable plan that effectively reduces the heavy reliance on local property taxes and distributes costs and resources more equitably among all school districts, the state’s role in this combination will not significantly change or increase.

Share this information with parents, business leaders and local elected officials in your community. And help them to understand what is at stake in this debate.

Sources:

Office of State Comptroller
Illinois State Lottery
Department of Revenue
State Board of Education
Bureau of Labor Statistics

July 2018

