

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

**BILL NUMBER:** SB 11; PCS

**SHORT TITLE:** 1993 Lottery With-Referendum

**SPONSOR(S):** Senator Daniel

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

**FUNDS AFFECTED:** General Fund ( ) Highway Fund ( ) Local Fund ( )  
Other Fund (X) N.C. State Lottery Fund

**BILL SUMMARY:**

The proposed act provides for a statewide referendum to be held 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 following endowment funds are created: (1) Public Schools Technology Fund; (2) Community College Technology Fund; and (3) Universities Technology Fund. The act sets forth the manner in which these endowment funds are to receive and dispense proceeds from the lottery.

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

50% - Prizes  
16% - Operations of the State Lottery Commission  
8% of the 16% - Retailers Compensation  
1% of the 16% - Retailer Bonus  
4% Cap on Advertising  

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66%

The remaining 34% of the proceeds are to be spent in the following manner:

60% - Public School Technology Endowment Fund  
20% - Community College Technology Endowment Fund  
20% - University Technology Endowment Fund

Operations of the State Lottery Commission

Sixteen percent of the gross proceeds from the lottery may be used for payment of expenses of the Commission including at least 8% for retailer compensation and an optional 1% incentive bonus for retailers. If the expenses of the Commission are less than 16% of the total annual revenues, any surplus funds are to be allocated to the benefit of the public purposes set forth in the act. The expenditure for advertising may not exceed 4% of all proceeds from the sale of lottery tickets or shares until the demographic study required by section G.S. 143C-132,

has been reviewed by the General Assembly. Advertising is defined as an expense under G.S. 143C-174.

Public Schools Technology Endowment Fund

Sixty percent of the net revenues are to be placed in the Public Schools Technology Endowment Fund until the principal of the fund equals 20% of the General Fund availability for the year.

The principal of this Fund may not be spent, lent, nor borrowed. However the net earnings from accrued interest, is to be available for grants to local school administrative units. The net revenues from the Fund are to be made available to counties in accordance with their ability to pay, as determined by the State Board of Education.

Under the proposed act, the funds deposited into the Public School Technology Endowment Fund are not to be allocated by the State Board of Education until the General Assembly receives and acts upon an educational technology plan developed by the Commission on School Technology if the Commission on School Technology is created by the General Assembly.

Community College Technology Endowment Fund

Twenty percent of the net revenues are to be placed in the Community College Technology Endowment Fund until the principal of the fund equals 5% of the General Fund availability for the fiscal year.

The principal of this Fund may not be spent, lent, nor borrowed. However the net earnings from accrued interest are to be available to the State Board of Community Colleges to make grants. An individual community college or two or more colleges may submit a joint application for a grant based on the requirements set forth in G.S. 143C-175.2. The State Board shall give priority to grants for educational technology or instructional equipment to be used in programs with high or critical occupational demands.

University Technology Endowment Fund

Twenty percent of the net revenues are to be placed in the University Technology Endowment Fund until the principal of the fund equals 5% of the General Fund availability for the fiscal year.

The principal of this Fund may not be spent, lent, nor borrowed. However the net earnings from accrued interest is to be available to the Board of Governors to make grants. A constituent institution or other affiliated institutions of The University of North Carolina may submit an application to the Board of Governors for a grant based on the requirements set forth in G.S. 143C-175.3. The Board of Governors shall select the applications that are to receive grants from the Fund based on the estimated needs of the various constituent institutions and other affiliated institutions of The University of North Carolina.

**EFFECTIVE DATE:** Upon Ratification

**PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:**  
Department of State Treasurer

**FISCAL IMPACT**

	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
	93-94	94-95	95-96	96-97	
97-98					
<b>REVENUES/RECEIPTS</b>					
<b>RECURRING</b>					
<b>NON-RECURRING</b>					

See Attachment I & II

**ASSUMPTIONS AND METHODOLOGY:**

- (1) The proposed act is ratified by July 1, 1993.
- (2) A referendum is held by November 2, 1993.
- (3) The Commission is appointed and staffed by January 1, 1994.
- (4) The first game is played in May of 1994.
- (5) The revenue from the lottery will grow at least as fast as state personal income, 6.2% annually.

**SOURCES OF DATA:** 1991 Compendium of Lottery Statistics  
Department of State Treasurer

**TECHNICAL CONSIDERATIONS:**

**FISCAL RESEARCH DIVISION**

733-4910

**PREPARED BY:** H. Warren Plonk

**APPROVED BY:** Tom L. Covington **TOMC**

**DATE:** June 1, 1993

[FRD#003]



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