

Lottery Revenue Distribution

Effective July 1, 2012. The monies in the State Lottery Fund will be distributed as follows.

1. An amount equal to the debt service on a state lottery revenue bond shall be deposited into the State Lottery Revenue Bond Debt Service Fund. The debt service shall be paid first from monies that otherwise would have been deposited into the General Fund. JLBC estimates this to be approx. \$37.5 million
2. \$3.5 million to the Arizona Competes Fund, Administered by the ACA.
3. \$10 million to the AZ Game and Fish Heritage Fund.
4. Inflation adjusted Health and Welfare distributions. The revised cap for FY 2013 is \$20,436,200. The Health and Welfare distribution is allocated as follows
 - a. 29.4% to DES for Healthy Families Program.
 - b. 23.5% to ABOR for the AZ Healthy Education Center Program.
 - c. 17.6% to DHS for Teenage Pregnancy Prevention
 - d. 11.8% to DHS for Disease Control Research
 - e. 11.8% to DHS for the Health Start Program
 - f. 5.9% to DHS for the WIC Food Program
5. *\$86 million to the State General Fund. If the lottery director determines that monies available to the State General Fund may not equal \$86 million in a fiscal year, then the director shall not authorize any deposits to the Game and Fish Heritage fund until the deposits to the State General Fund equal \$86 million
6. \$1 million or the remaining amount in the lottery fund, whichever is less, is distributed to DES for grants to NPOs for homeless shelters and emergencies.
7. The difference between the amount allocated for the State General fund thus far and \$96.14 million will be allocated to the state general fund. JLBC estimates that to be \$15.5 million in FY 13. (This is adjusted for fund sweeps and monies allocated to debt service)
8. The remaining funds will be allocated to the University Capital Improvement Least-to-own and Bond Fund, not to exceed 80% of the total annual payments of lease-to-own and bond agreements entered into by ABOR. JBLC estimates this to be \$8.3 million in FY 13.
9. All remaining funds in the State Lottery Fund will be transferred to the State General Fund. JLBC estimates this amount to be \$0.

Two excerpts from JLBC FY 2013 Baseline book are posted below the graphical analysis.

* At the beginning of each year the Commission will establish a revenue estimate and then make payments each month to the different beneficiaries based on the distribution described above and the amount of revenue they expect to take in during the year.

	FY10*	FY11**	FY12***	FY13**
Debt Service	\$ 2.3	\$ 21.4	\$ 20.7	\$ 37.5
ACA-AZ Competes Fund	NA	NA	\$ 3.5	\$ 3.5
Maricopa County Mass Transit	NA	NA	\$ 11.2	\$ 11.3
General Fund-1	\$ 46.6	\$ 65.9	\$ 59.9	\$ 43.1
LTAf II (mass transit)^	\$ 5.1	NA	NA	NA
LTAf^	\$ 12.7	NA	NA	NA
CAF^	\$ 4.2	NA	NA	NA
Heritage	\$ 16.1	\$ 10.0	\$ 10.0	\$ 10.0
Health and Welfare Programs	\$ 18.7	\$ 18.8	\$ 19.6	\$ 20.4
Homeless Shelters	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0
General Fund-2	\$ 15.5	\$ 15.5	\$ 15.5	\$ 15.5
University Capital	\$ -	\$ 6.0	\$ 10.3	\$ 8.3
General Fund-3	\$ 1.4	\$ -	\$ 10.0	\$ -
Economic Development^^	\$ 5.7	\$ 3.2	NA	NA
Total	\$ 129.3	\$ 141.8	\$ 161.7	\$ 150.6

* FY 2012 Appropriations Report; Arizona State Lottery Commission: Table 1 (Page 162)

** FY 2013 Baseline; Arizona State Lottery Commission: Table 1 (231)

*** FY 2012 Arizona State Lottery; Combined Income Statement Summary

^ Eliminated in FY 11

^^Eliminated in FY12

Maricopa County Mass Transit (From FY2013 JLBC Baseline)

A U.S. District Court has recently ruled that the state must spend a certain portion of Lottery revenues annually for mass transit in Maricopa County. This decision restores Lottery distributions for mass transit in Maricopa County based on legislation passed in 1993. Laws 1993, 6th Special Session, Chapter 1 allocated not less than 31.5% of multi-state Powerball revenues to public transportation programs, otherwise known as Local Transportation Assistance Fund (LTAf) II. This allocation was capped at \$18,000,000 and was contingent upon the General Fund receiving \$45,000,000 in Lottery revenues. These monies were allocated to political subdivisions. Maricopa County's share was part of the state's implementation plan to ensure compliance with the federal Clean Air Act. Laws 2010, 7th Special Session, Chapter 12 redirected these monies to the General Fund. In September 2011, the U.S. District Court in the case of Paisley v. Darwin ruled that the Arizona Legislature must restore the distribution of mass transit monies to Maricopa County because the distribution was part of the state implementation plan to ensure compliance with the Clean Air Act. The District Court reinstated the 1993 formula relative to Maricopa County. As a result, the state must calculate Maricopa County's share of 1.5% of statewide Powerball proceeds and distribute those monies to the county. For purposes of this calculation, the dollar level of statewide proceeds is not to exceed \$18,000,000. The Maricopa County distribution is contingent upon the General Fund receiving \$45,000,000 in Lottery revenues. The court order does not restore mass transit funding to any other local entity. The projected annual distribution of Powerball proceeds to the Maricopa Public Transportation Fund is \$11,200,000 in FY 2012 and \$11,310,900 in FY 2013. Adding these distributions is likewise projected to reduce total transfers to the General Fund by \$(3,832,400) in FY 2012 and \$(9,185,600) in FY 2013. The University Capital Improvement (UCI) Fund distribution would absorb the remainder of the impact. These amounts are based upon the Lottery Commission interpreting the court order to have a full year fiscal impact in FY 2012.

State Lottery Revenue Bond Debt Service Payment Fund (From FY2013 JLBC Baseline)

Laws 2010, 6th Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to issue a FY 2013 Baseline 230 Arizona State Lottery Commission 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. The payments are made from Lottery revenues that would have otherwise been deposited into the General Fund. The FY 2011 bond payment was \$21,445,900, which is interest only. The interest-only bond payment in FY 2012 is expected to be \$20,709,600 and the principal and interest payment for FY 2013 is expected to be \$37,499,600. Chapter 4 requires the first Lottery proceeds to be distributed to the State Lottery Revenue Bond Debt Service Payment Fund.

