

The Colorado Scholars Cash Fund is created in the State Treasury. The fund will consist of moneys including most of the net lottery proceeds that would otherwise be transferred to the General Fund pursuant to the state constitution. Moneys in the fund are to be annually appropriated by the General Assembly to provide postsecondary education financial assistance. Interest and income derived from the investment and deposit of moneys in the fund shall be credited to the fund. Unexpended and unencumbered moneys remaining in the fund at the end of a fiscal year shall remain in the fund. The State Treasurer is authorized to make payments pursuant to property sale contracts entered into by the commission.

Of the net lottery proceeds that would otherwise be transferred to the General Fund, the following annual transfers shall apply:

- 10 percent, up to a maximum of \$8 million, shall be credited to the Public School Capital Construction Assistance Fund; and
- 5 percent, up to a maximum of \$3 million, shall be transferred to the Colorado State Veterans Trust Fund.

State Revenue and Expenditures

New lottery games will increase both state revenue and state expenditures, but the exact amount will depend on several factors, including the types of new games conducted. No estimate is provided at this time.

State Revenue. No later than six months after signature by the Governor, the bill requires the Colorado Lottery Commission to begin conducting new lottery games that will generate at least \$100 million of additional net lottery proceeds for allocation to the General Fund during the first 12 months of operation. Under current law, the allocation of net lottery proceeds is as follows: 50 percent to Great Outdoors Colorado (GOCO); 40 percent to the Conservation Trust Fund; and 10 percent to the Colorado Division of Parks and Outdoor Recreation. The distribution to GOCO is capped at \$35 million in 1992 dollars, and adjusted for inflation.

For FY 2008-09 and FY 2009-10, the Colorado Lottery generated sales averaging approximately \$500 million per year. Since distribution to the Conservation Trust Fund and to the Division of Parks is not capped, it is projected that the Lottery Division would need to sell \$1.3 billion in lottery tickets in order to generate \$100 million in new moneys to be credited to the Colorado Scholars Cash Fund.

The bill also provides that up to \$8 million of moneys that would otherwise be transferred to the General Fund shall be transferred to the Public School Capital Construction Assistance Fund, and up to \$3 million shall be transferred to the Colorado State Veterans Trust Fund.

State Expenditures. Cost estimates are not available at this time, however, significant expenditures and FTE will be required by the Lottery Division in order to implement the new lottery games required by the bill. The division will need up-front funding to acquire hardware, consulting

services, and communication infrastructure improvements. Costs will also be necessary for the purchase of additional terminals and communication devices for each new retailer that participates in the new games. New staff will be necessary in the areas of sales, marketing, accounting, information technology, investigators, and licensing staff. Operating expenses for new vehicles, leased space, retailer compensation, and vendor fees will also be necessary to run the new games. While these expenses will be paid before net proceeds are determined, no estimate of annual revenue or expenses has been made at this time.

State Appropriations

One or more appropriations will be necessary for the Department of Revenue once final expenditure estimates have been made.

Departments Contacted

Revenue Higher Education State Treasury Legislative Council Staff