

Resurrected lottery allocation not a game changer for local schools
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Local school divisions next year are being given more freedom in how they spend revenue gained from the Virginia lottery.

For the state's fiscal years 2017-18 biennial budget, the General Assembly allocated a total of \$193.7 million of state lottery profits to a per-pupil supplement for school divisions. The money will be distributed according to the state composite index formula, a calculation that determines a locality's ability to fund its schools.

But even with increased flexibility, local school officials still are not enamored of lottery funds as a revenue source.

The problem, said Jackson Zimmerman, Albemarle County Public Schools' director of finance, is the state relies on lottery profits as an alternative to money generated by tax dollars.

"We would really prefer to have general fund revenues supporting educational programs," he said. "But any money that comes in is better than none."

At the state level, experts lauded the move.

"We're hoping it is going to have a very positive effect," said Tom Smith, legislative liaison for the Virginia Association of School Superintendents. "Since about 2008 or 2009, the money has been used to offset reductions in general fund dollars due to the recession."

Virginia law mandates that localities spend 50 percent of the money on recurring expenses and 50 percent on one-time expenditures. Within that breakdown, though, divisions may use the money as they see fit.

With the per-pupil supplement, Albemarle and Charlottesville will have greater flexibility over the use of \$1.3 million and \$390,000, respectively, that they will be given in lottery proceeds during fiscal years 2017 and 2018, state documents show.

The fiscal year 2017 budget will be the first time in six years that school divisions have had the per-pupil supplement.

In 2011, the state removed the per-pupil allocation, instead directing that the funds be spent on specific existing programs, according to a state report.

After the 2008 financial crisis, said Ed Gillaspie, city schools assistant superintendent, some programs that had been in the general fund moved to being paid for with lottery dollars.

"Items we were already getting as a line item were now called 'lottery funded,'" he said. "They just renamed stuff we were already getting."

Over time, Zimmerman said, money from the state's general fund has been supplanted with money from other sources, such as the lottery.

In 2006, direct aid to the Department of Education accounted for 18 percent of the state budget, the highest percentage of any agency, according to a Virginia Joint Legislative Audit and Review Commission report. By 2015, the DOE accounted for 15 percent of the budget, the second-highest percentage, behind the Department of Medical Assistance Services.

Over the same period, the report showed, general fund appropriations to the schools rose 8 percent. Non-general fund appropriations to the schools, which include lottery money, grew 105 percent.

Some school officials said they are disappointed with the disproportionate spending growth.

"Localities need the money, but at the same time, the lottery as a funding source for operation moneys is not the desired revenue stream," Zimmerman said. "It is not that we don't want money ... it's just hard to go out and say that constant reduction in general funds does not have an effect."

In 2015, Albemarle received about \$3.3 million in lottery proceeds, which it directed to a variety of programs on a line-item list, state records show.

Those programs included remedial summer school, the Virginia Preschool Initiative, school breakfast, Standards of Learning algebra readiness and English as a Second Language.

The amount Charlottesville and Albemarle get from the lottery has experienced several spikes since 2000, but largely has remained steady. Between 2004 and 2008, Albemarle's share hovered between \$ million and \$ million.

In 2008, the county's share jumped to more than \$2 million, and rose steadily until 2012, when it reached \$4.5 million. In 2013, the amount was \$ million, which steadily grew to 2015's \$3.3 million.

Charlottesville rose from \$400,000 in 2004 to \$ million in 2010. In 2012 and in 2015, the city's share of lottery money was about \$2.5 million, records show.

The Virginia State Lottery was created in 1987 by voter referendum, and for the first decade of its existence, proceeds were sent directly to the state's general fund.

In 2000, voters approved an amendment to the Virginia Constitution mandating that the money be used solely for schools.

The funds were split, with 60 percent going to the state's share of school basic aid, and 40 percent set aside for a per-pupil supplemental amount based on each division's local composite index.

The constitutional amendment mandates that the funds be sent to schools, but gives the General Assembly power to decide how the money is appropriated.

As the economy worsened both in Virginia and nationally, the state made changes to the formula, eventually ending the per-pupil allocation altogether.

"The same thing has happened in Virginia as has happened in a lot of states, which is, eventually, it bleeds into the overall funding, and is no longer added-on funding," Gillaspie said. "It replaces funding."

Though Gillaspie said he thinks the change for the next biennium is a positive step, he does not expect the state to reverse course entirely.

"I think it's hard to go back, I really do," he said. "For those who are having to deal with the state budget ... what is embedded as a revenue stream, they can't just undo."

Smith had a sunnier outlook.

"We have been asked to do more with less for years now, so we see this as a positive step," he said. "I am not sure this makes up for all the reductions that the schools experienced over the last five or six year, but it takes time to recoup losses."