

MATH TEST: HOW MUCH DO SCHOOLS GET FROM THE LOTTERY?

Since 1967, New York has embraced gambling to fund schools. But while the state has earned handsomely from gaming, not all of it has made it to classrooms.

[Kate Pastor](#)



National Archives/City Limits

Gov. Nelson Rockefeller and other lottery supporters beat back moral opponents of gaming with the argument that proceeds would fund education. While the lottery has generated billions for schools, much of that money has repaved—rather than augmented—what the state was already spending.

Gambling expansion in New York state is controversial, but the rosy wording that will be used to describe New York's casino expansion plan on the ballot in November has caused a stir all its own.

The amendment's critics — including the plaintiff in a now-dismissed lawsuit against the Board of Elections— say the ballot's claim that up to seven casinos will be for the "purposes of promoting job growth, increasing aid to schools, and permitting local governments to lower property taxes through revenues generated," is advocacy, not fact.

Whether advocacy or fact, the claim that gambling will benefit schools is nothing new.

Before the lottery was approved in New York, proponents defeated moralistic critics by promising targeted education funding, according to "Gambling Politics: State Government and the Business of Betting," a book published in 2004 by Patrick Pierce and Donald Miller.

The Lottery has contributed \$48.43 billion to education since it was initiated in 1967. But critics argue that the money has replaced—rather than augmented—other state funding, and nobody disputes the fact that education spending is not directly tied to what the Lottery brings in.

Over the lottery's 46-year life, Pierce says "In general, it's not been a particularly good bargain for education."

Lottery growth outpaces school spending

The lottery boasts 13 consecutive years of growth, with \$8.9 billion in net earnings for the period ending March 31, 2013—25 percent more than in fiscal 2008. And while revenue increases have resulted in increased earmarks for education, they have not necessarily resulted in an increase in the state's contribution to local school districts.

Since 1995, the state's Lottery revenue has grown faster than state spending on schools (Lottery revenues are up 145.83 percent from 1995 while state spending on schools is up 117.89 percent). Meanwhile, per pupil spending by the state actually declined in recent years.

The State Education Department's Analysis of School Finances in New York State School Districts 2010-11 shows that since 2008/9, state expenditure per enrolled pupil — including STAR (The New York State School Tax Relief Program) that provides homeowners partial exemptions from school property taxes — decreased from \$9,120 to \$8,327 in 2011/12 (though the latter number represents an increase of .7 percent over 2010/2011).

That was true even though statewide enrollment declined over the same period — from 2,691,267 in 2008/9 to 2,670,548 in 2011/2012, according to report cards issued by the state Department of Education.

Not only were there years that per pupil state expenditure decreased as lottery revenue climbed, the lottery is making up an increasingly large portion of state education spending. While there have been fluctuations over the years, State Department of Education documents show that the portion of education spending made up by the lottery is trending upward. Lottery funds made up 5 percent of education revenue in 1999, 13.92 percent in 2008 and 14.45 percent in 2013.

Meanwhile, the lottery itself is moving toward a mix of games that further separates lottery revenues from school funding. The most popular lottery games — instant scratch offs — also are required to contribute the lowest percentage of earnings to education. Schools are guaranteed at least 45 percent of Lotto sales, 35 percent of sales from Take 5, New York's Numbers, Win-4, Mega Millions and Pick 10 and 25 percent from Quick Draw. Only 20 percent of earnings from instants go to education, and instants bring in more than four times as much revenue as any other lottery game.

Funding claims disputed

Though the lottery made more than \$3 billion for the state in 2013, Bruce T. Fraser, executive

director of the Rural Schools Association, which represents about 300 school and regional districts, says districts have seen decreases in state aid.

"At the present time schools across the state are receiving less funding than they did in 2008/2009," he says, while total expenditure per pupil has risen due to an increase in local property taxes.

Morris Peters from the state's Division of Budget cites different numbers that do not include STAR funds and show two consecutive years of state school aid funding growth — an \$805 million increase during school year 2011/12 and a \$1 billion increase in school aid for 2012/13.

But regardless of the data being used, nobody disputes that revenue from the Lottery fund is allocated to districts through the same school-aid formula as other state funds. Despite much boasting on the part of the state about the lottery's role in funding education, it's simply another source of funding for schools and not necessarily additive.

New promises, lingering doubt

Peters is quick to note that since the 2012/13 budget, school aid has been tied to a real economic indicator — statewide personal income. Though Lottery funds are still just another revenue source, he says that would not be the case for casino money to schools if the referendum is passed.

"Casino revenue has to be additive," he says.

But some are still leery of linking casinos to the classroom. In his monthly It's Elementary column, John Yinger — Trustee Professor of Public Administration and Economics who also directs the Education Finance and Accountability Program at Syracuse University — writes that he wasn't planning to address the proposed casino expansion because he didn't think it had anything to do with education. That is, until he saw the ballot language, which holds up the amendment as a "miracle worker" for schools.

He writes that money from casinos to education would be unpredictable and discourage the development of other revenue sources. "Why, state elected officials would ask, should we increase income taxes to aid our public schools if we have all this new revenue from casinos? Elected officials in New York are already backing away from the commitments they made to adequately fund public schools. They do not need any more encouragement."

Fraser's group originally opposed expanded gambling in the state unless its revenues were used in a "wealth-equalizing manner" but lobbying by members in the Catskills and the Southern Tier regions who support new casinos in their areas led the group to reverse its position. Still, the group's support comes with a plea for broader reform of school financing.

"We have a wide disparity in per-pupil expenditure already," Fraser says. "We have instituted a tax cap that will exacerbate those inequalities unless the state gives almost all aid of any new wealth they provide to low-income districts."

This is one of a series of articles on the past, present and future of gambling in New York State. [Click here](#) to read more. The Fund for Investigative Journalism's generous support made this series possible.