



LOTTERY PROCEEDS

Lottery games run by Colorado state government began operating in 1983. Net proceeds are allocated by formula 40 percent to the Conservation Trust Fund for distribution to local governments, 10 percent to State Parks for specific projects and the remaining 50 percent to Great Outdoors Colorado (GOCO).

About \$138 million per year flows into this revenue stream.¹ It is time that citizens and the legislature revisit how the money is spent. Are automatic disbursements for governments to purchase and hold more undeveloped property, and for parks and recreation, the highest and best use for budget funds?

Only today's difficult circumstances could lead to reconsideration. When voters first created the lottery, most expected it would fund what are now current priorities. But at the time the legislature directed at least half of the money into maintaining existing buildings and developing new ones (capital construction). With the GOCO Amendment, voters approved the clause that prohibits substitution of such projects for open space purchases, parks and recreation.

GOCO was enacted in the November 1992 general election for the disbursement of Colorado's lottery proceeds.² The stated purpose of the fund is to "preserve, protect, enhance and manage Colorado's wildlife, park, river, trail and open space heritage."³ Of the half that goes to GOCO, the proceeds are dispersed equally among different categories:

- Wildlife;
- Parks and outdoor recreation;
- Competitive grants for open space; and
- Competitive matching grants to local government for open lands and parks.

The GOCO fund was capped at \$54.3 million for 2009 with the upper limit being adjusted for inflation each year.⁴ The remaining moneys are given to the School Capital Construction Assistance Fund for school facility improvements. In 2009, \$59.6 million was disbursed from lottery revenues, \$5.5 million of which paid for school facility improvements.

UNIQUE IS NOT BETTER IN THIS CASE

Colorado differs notably in where it places its lottery proceeds. Almost all of the 43 other states that conduct lotteries do so for the explicit purpose of generating K-12 education revenues and providing higher education scholarships. The only two states not to use lottery revenues for education are Pennsylvania and Kansas: Pennsylvania assists senior citizens⁵ and Kansas subsidizes businesses and constructs prisons.⁶ Several states fund programs in addition to education. For example, Arizona also spends lottery proceeds on state parks and recreation, county assistance and several other programs.⁷ Minnesota also distributes its funds to environmental protection, natural resources and the state's fish and game agency.⁸ Other states simply reduce their citizens' property tax burden with lottery proceeds.⁹

COGO Trust Fund revenues are collected in addition to the budget for the Depart-

The organization is not run by employees of the Department of Natural Resources reporting up a chain of command to the Governor. Instead it is run by a 17-member Board appointed by the Governor and confirmed by the Senate. Two members are selected from each Congressional district; the representatives from each district must have different political affiliations. Places on the Board are reserved for the Executive Director of the Department of Natural Resources, a representative from the Colorado Board of Parks and Outdoor Recreation, and a representative from the Wildlife Commission.



ment of Natural Resources. For the current fiscal year, the Department is authorized to spend \$224.7 million,¹⁰ including \$39.5 million from the operational account of the Severance Tax Trust Fund.¹¹ The strict separation of COGO proceeds and operational funding of the Department is mandated in the constitutional language that created the program.¹²

ALTERNATE USES

That Colorado's lottery provides revenue for the state from a source other than taxation does not make the revenue any less valuable. Concerns over open space in 1992 when GOCO was started may be surpassed today by more pressing needs. We urge the legislature to offer for public approval the permanent redirection of lottery proceeds to the General Fund. A less desirable, but perhaps more politically palatable, change would allow the legislature to divert funds for other uses only for a certain number of years. Any change would have to amend the state constitution; legislators could only put the question to voters on the 2012 general election ballot. If approved, implementation only could occur after the budget crisis of the 2011-12 fiscal year.

The current allocation of resources is difficult to justify in an environment of budgetary shortfalls. Grants during 2010 were made for a skate park in Northglenn, a dog park in El Paso and an ice rink in Fraser. COGO even funded \$83,900 for renewable energy education for children in Boulder. A total of \$9.3 million was spent for these as well as for more tennis courts, parks and trails.¹³

When COGO purchases subsidized land with lottery moneys, a trade-off is being made. When \$647,000 was spent to purchase KOK ranch in Chaffee for the Trust of Public Land, as happened this year, the State is placing a higher priority during difficult times on maintaining undeveloped spaces than on purchase of school books, human services or public health.¹⁴ While investigating how to improve the structure of the State budget, elected officials and citizens should weigh what investments we put first.

ACKNOWLEDGEMENTS

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The primary research of the facts and figures in this section was conducted by **Eric Wilson**, who also wrote a great deal of the paper. He is a 2010 graduate of the University of Colorado at Denver, with a degree in history. Mr. Wilson worked as an intern at the Independence Institute during the summer 2010. He is preparing for a graduate degree in economic policy at the London School of Economics external studies program.

ENDNOTES

¹ Raegan Robb, Senior Research Assistant, Colorado Legislative Staff, "State Lottery Distributions" memorandum, March 25, 2010.

² Colorado Constitution, Article XXVII.

³ Great Outdoors Colorado, <http://www.goco.org>.

⁴ Legislative Audit Committee, "The State Board of the Great Outdoors Colorado Trust fund". <http://www.scribd.com/doc/20340210/2032-GOCO-June-2009-Rel-Sept-2009>.

⁵ Pennsylvania State Lottery, "Where Does the Money Go", <http://www.palottery.state.pa.us/whobenefits.aspx?id=50936>.

⁶ Kansas State Lottery, "Where the \$ goes," <http://www.kslottery.com/WhereTheMoneyGoes/WhereTheMoneyGoes.htm>.

⁷ Arizona State Lottery, "Beneficiaries," <http://arizonalottery.com/beneficiaries.html>.

⁸ Minnesota State Lottery, "Where the Money Goes," <http://www.lottery.state.mn.us/moneygo.html>.

⁹ South Dakota and Wisconsin are leading examples.

¹⁰ House Bill 10-1376.

¹¹ Colorado Department of Natural Resources, FY 2009-10 Joint Budget Committee Hearing, pg. 1, <http://dnr.state.co.us/NR/rdonlyres/48A8D5E5-6599-4271-B436-C79827D211A/0/DNRHearingAgenda1011DNR.pdf>.

¹² Colorado Constitution, Article XXVII, Section 8.

¹³ Great Outdoors Colorado, "Spring 2010 Grant Awards," <http://goco.org.s57353.gridserver.com/wp-content/uploads/2010/06/June-2010-Grant-Summary-List.pdf>.

¹⁴ Ibid.