

Pioneer Press

Lottery sale no jackpot for schools -- tax group

BY PATRICK CORCORAN | STAFF WRITER

pcorcoran@pioneerlocal.com

June 15, 2006

An estimated \$10 billion windfall from the sale or lease of the Illinois Lottery for state education funding would be short-lived, maintains a new report by the Center for Tax and Budget Accountability, a Chicago-based fiscal policy think tank.

Introduced by Gov. Rod Blagojevich May 23, the proposal calls for funneling \$4 billion in sale proceeds for school construction, text books purchases and new programs, such as full-day kindergarten and a longer school year.

The remaining \$6 billion would be pooled into an investment fund meant to provide \$650 million annually in education fund revenues through 2025.

Officials from the Center for Tax and Budget Accountability (CTBA) point out that, without an alternative funding source in place, once the proceeds from the sale are spent, they are gone forever.

"If the state just kept the lottery, we'd have that revenue growth every year. Selling it means those revenues simply go away. What happens in 2025?" said [Chrissy Mancini](#), director of budget and policy analysis with the CTBA.

Currently, the Illinois Lottery annually provides about \$620 million for the state education budget after paying winners and other costs.

Under Blagojevich's proposal, \$1 billion from the lottery sale would be delivered to state schools in the first year of the program. Proceeds from the sale, coupled with interest, taxes paid by the new lottery owner and other revenue, would pump another \$1.35 billion in education in year two, \$1.65 billion in year three and \$2 billion in year four, a total of \$6 billion in new funding.

In year five, the extra funding would cease, and funding levels would return to normal, about \$650 million annually. That revenue would be generated from the state's investment of the remaining \$6 billion of the lottery's \$10 billion price tag.

But [Mancini](#) said it is impossible to guarantee that the state would get full returns on its \$6 billion investment.

"In order to match those estimated returns, the state would have to lock in a rate higher than the market rate, and that's just to get back the \$650 million a year," she said.

Besides, it's debatable whether \$650 million will be sufficient to fund education in the years to come without taking into account inflation, [Mancini](#) said.

"In all the analyses we've done, tax revenue growth doesn't match inflation, which means there will be no extra money available to put into schools. If [the proposal] passes, which is not likely, where will that new revenue growth come from?" [Mancini](#) said.

In criticizing Blagojevich's plan, the CTBA joins GOP leaders, who doubt that the lottery could garner a buyer willing to pay \$10 billion price tag.

Blagojevich hopes the General Assembly will vote on the privatization deal during the fall veto session.