

Where does Arizona Lottery's revenue go?

Alia Beard Rau and Macaela J Bennett, The Republic | azcentral.com 2:46 p.m. MST July 1, 2016

The Arizona Lottery celebrates its 35th anniversary Friday. And while that has meant 35 years of big dreams, winning tickets and some dashed hopes, it has also meant 35 years of increased revenue flowing into the state coffers.

Since the Arizona Lottery's launch on July 1, 1981, its sales revenue has totaled \$11 billion, with nearly \$3.5 billion of that directed back into state funds and programs. While a majority — and growing — portion of that money has gone into the general fund where the governor and Legislature can spend it as they choose, about \$1.8 billion has been returned to Arizona communities through grants and programs that help people who are homeless, victims of domestic abuse and children in the foster care system.

"Whenever you hear lottery, people always think about jackpots and what they're going to do with the dollars," lottery executive director Gregory Edgar said. "But for us, it's drilling into the numbers and seeing the impact we can have in our community. The investment of \$3.5 billion over 35 years is a pretty significant impact."

Changing agendas



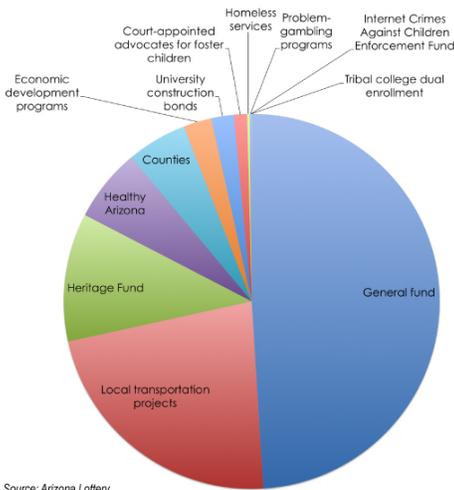
This was the first Arizona Lottery ticket. (Photo: Arizona Lottery)

Arizona voters and the Legislature dictate how lottery revenue is spent. Over the past 35, years, both groups have set conflicting goals. Voters have indicated they want the revenue to fund state parks, transit projects and social service programs. Starting during the Great Recession and continuing once it ended, state leaders have siphoned more and more into the general fund.

- **1980:** Arizona voters approved the creation of the Arizona Lottery by a narrow margin. Ballot literature promised proceeds would "pay for law enforcement, health services, education and other vital programs." But the original proposition wording required only that at least 30 percent of revenue go into the general fund.
- **1990:** Voters required that \$20 million in lottery revenue a year go into heritage funds for Arizona State Parks and the Arizona Game and Fish Department.
- **1993:** Lawmakers required up to \$23 million a year in lottery revenue to be put into a fund for local transit projects and up to \$7.6 million a year to be divided among counties.
- **1996:** Voters required that \$17 million in revenue be spent annually on specific health and social-service programs, including teen-pregnancy prevention, food assistance for infants and mothers, and disease research.
- **2010:** The Legislature borrowed against future lottery revenue, eliminated allocations to the counties and essentially cut in half lottery allocations to both the transportation fund and the heritage funds, sweeping nearly an extra \$30 million a year into the general fund.
- **2015:** The Legislature allocated \$900,000 a year in lottery revenue to the Internet Crimes Against Children Enforcement Fund, \$100,000 to the Victims' Rights Enforcement Fund and up to \$160,000 a year to the tribal college dual enrollment program.

Arizona Lottery revenue

Over the past 35 years, Arizona Lottery revenue has totaled **\$11 billion**. The Lottery has returned **\$3.5 billion** of that to various state programs.



Source: Arizona Lottery

Where the money really goes

An *Arizona Republic* analysis of 35 years of Arizona Lottery revenue and disbursements found that about \$1.8 billion in lottery revenue has gone to the specific programs voters and lawmakers designated.

Local transportation projects got \$782 million; economic development efforts got \$201 million; the Game and Fish Department Heritage Fund, which supports outdoor recreation and protects critical wildlife, got \$384 million; health and welfare programs like teen-pregnancy prevention and food assistance for children and mothers got \$219 million; the Court Appointed Special Advocates program for foster children got \$39 million; homeless shelters got \$8 million; a state program for problem gamblers got \$3.6 million; and a program to help law-enforcement agencies fight internet crimes against children got \$2 million.

"The dollars touch every corner of the state," Edgar said. "My dream as director would be that every time someone puts down that dollar, they've got the thought that I'm having some fun playing a game but also having some impact in our community."

As annual lottery revenue has grown over the years, the money allocated to these programs has remained relatively stagnant due to limits the Legislature and voters set.

Transportation programs got less in 2015 than they did in 1982. Counties for years got \$7.6 million a year, but since 2011 have gotten nothing. The Game and Fish Department Heritage Fund got \$10 million in 2015, compared with the \$20 million a year it got during the 1990s and 2000s. Programs for economic development, health and welfare, foster-care advocates, homeless and gambling addiction have remained stagnant for decades. The real winner in Arizona's lottery game has been the general fund.

Who really controls the money?

The lottery, overseen by a five-member, governor-appointed commission and an executive director, controls the marketing. But it's the Legislature that has taken control of where the revenue is allocated.

As lottery revenue has grown and disbursements to specific programs have shrunk or remained stagnant, the Legislature has directed more money into the state's general fund, where it is impossible to track how specific dollars are spent. That revenue might have gone to schools and public-welfare programs as lawmakers promised and the Lottery markets on its website, or it might have gone to private prisons and lawmaker pensions.

The general fund over the past 35 years has received \$1.7 billion. In fiscal 2015, \$72 million — 9.7 percent of the lottery's \$750 million in annual revenue — went directly to programs touted to voters. Another \$103 million went into the general fund. That compares with 19 percent going to designated programs in both 2005 and 1995.

Before the recession, the general fund received about \$30 million a year. Over the past several years, the annual allocation has topped \$100 million. This year, that trend is expected to continue.

Help for the homeless

About \$1 million from lottery revenue annually goes to the Department of Economic Security, which funnels funds to three Maricopa County groups and one Pima County group that coordinate services for the homeless.

At 12th Avenue and Madison Street in Phoenix, the state's largest homeless shelter provides almost 500 beds, water, dental services and career help.

The goal of Central Arizona Shelter Services is to equip people with the tools to never return to the streets. This encompasses every facet of their services: case managers first focus on diagnosing the root cause of every individual's homelessness; clients are given more desirable sleeping arrangements as they progress with their job searches; and Dr. Kris Volcheck oversees dental procedures that often provide the final confidence boost for a person to move forward. "We have to do comprehensive care, because otherwise what have we done?" said Volcheck, who made this facility into a national standard for homeless shelter dental services.

He often shows the picture of a client whose smile he improved. She began with two teeth and ended with a bright, confident grin. Since then, Volcheck said, she's held down a job and joined him speaking at conferences.

He said she once told an audience, "I'm now marketable and employable, but more so, I'm dateable." "Viewing herself as dateable is what gave her that final bit of self-assurance," Volcheck said.

Funding hope and normalcy

Along with the Center for Shelter Services, A New Leaf in Mesa receives a portion of the lottery revenue from the Department of Economic Security.

A New Leaf houses families and individuals both temporarily and permanently. Many residents there come from domestic-abuse situations, which is one of the major causes for homelessness, Chief Philanthropy Officer Joe Dulin said.

Sarah Anderson, a mother of four, is one of these residents who found stability and support at A New Leaf.

Almost two years ago, Anderson said, her boyfriend cut her leg, leaving a deep wound that landed her in the emergency room. "You couldn't really call it an argument, because there wasn't much talking," she said. "It was a volatile situation."

Anderson took her twin boys and moved into a shelter for people escaping domestic violence. Soon after, she moved into an apartment at A New Leaf. The staff is now helping her find a home. "I hope to move into a house with a front yard and backyard. I want to get the boys a dog," Anderson said. "The people at A New Leaf are helping me make that dream come true."

The campus boasts an after-school program Anderson plans to use for her children in the fall. During that time, she plans to look for jobs and complete a degree to become a pharmacy technician.

The facility also hosts a donation drop-off, career center, Head Start program, gym, community room and splash pad. The Mesa campus is only a year old, with more additions to come, and it aims to foster an environment of normalcy among its residents. "Our goal is to get people into a place they feel comfortable and proud," Dulin said.

A lot of those helped by A New Leaf or other homeless services just need support while they build their lives back up, Dulin said, sharing a story of a woman who took over caring for her grandson with diabetes. She was living paycheck to paycheck when she lost her job because of the time she dedicated to her grandson. They were both homeless.

She was referred to A New Leaf and after a few months of living there, she secured a job, bought a car and was able to afford permanent housing again. "That's the typical story," Dulin said. "People find themselves stuck because of an unexpected situation."

Advocates council courts in foster-care situations

For 25 years, about 30 percent of Arizona's uncollected lottery winnings have gone to a program called Court Appointed Special Advocates, where volunteer advocates help courts decide where to place children in potential foster-care situations. The money pays for coordinators to coach and train the volunteers.

Advocates are assigned to a particular child in the foster-care system, develop a relationship with the child and then report regularly to the caseworker, court and therapists about the child's well-being. They attend court hearings and advocate for children to receive any services they need. Advocates on average spend about 15 to 20 hours a month on a case, and can take on one or more cases.

Peer Coordinator Terry Tyner has helped courts make decisions about 100 children in more than 50 cases. Her role also involves coaching advocates and seeking out more help for a system where the

cases far outnumber available advocates. "It becomes almost an obsession," Tyner said. "I have to do something to mitigate the impact on the child."

She said many people ask her if the job solely involves taking away people's children. She says no, and that the advocacy is based on helping children land in the most stable situation.

The work is rewarding, Tyner said, but it involves encountering many troublesome situations. Advocates must learn how to stay focused on their task of collecting information and making the best recommendation they can, but it's an emotionally tough role, she said. "We experience every emotion there is," Tyner said. "We're not just dealing with children, but also all the external things."

One of Tyner's cases involved a 3-year-old girl whose mother and grandfather locked her in a room for several days with them while they were under the influence of drugs. Afterward, the girl refused to talk for months.

Many therapy sessions failed to persuade the girl to talk, so Tyner suggested trying equine therapy. After meeting her therapy pony "Jay," the girl began talking again.

Tyner was able to help this child, but not every case ends up the way an advocate recommends or feels is best. After investing hours of their time each month into their assigned children, the outcomes remain largely out of the advocates' hands. Regardless, Tyner says it's worth the investment. "Some people feel like they can't leave," Tyner said. "They feel like they leave a part of themselves."