grants." Wilson says the NCAE was not supportive of any of the lottery bills in the 1999–2000 session because they did not commit all of the program revenue to education.

What is the track record of the lottery as a revenue source, and does the reliability or size of the revenue stream depend upon the programs for which the revenue is earmarked?

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The principal (if not the only) reason for instituting a state lottery is to increase revenues to state government. Proponents speak of lotteries as a *painless* source of revenue, provided by citizens who voluntarily choose to play the game as opposed to taxes, which are required to be paid by citizens. How significant are those revenues and how do they vary over time? Revenues from lotteries consist of the money left over after the awarding of prizes, retail sales commissions, and operating revenues. As a fraction of total state budgets, the revenue from lotteries is small, ranging from 0.33 percent ($6.3 million) in Montana to 4.07 percent ($558.5 million) in Georgia. In 1997, total revenues from the 37 lottery states and the District of Columbia amounted to 2.2 percent of the general revenue collected by those states.[17] (See Table 2, p. 18.) Figures developed by the staff of the North Carolina General Assembly suggest that a lottery here would generate approximately $300 million in net revenue for the state the first year, 2.3 percent of the fiscal year 1999–2000 budget of $13.3 billion. Kenneth S. Levenbook, an attorney in the legislature's Bill Drafting Division, says the lottery revenue figure was derived by multiplying the average per capita lottery sales in all lottery states—$155 per year—times North Carolina's 1998 population of approximately 7 million. The resulting $1.08 billion figure was then multiplied by 0.34, the minimum proportion of gross sales required by the pending lottery bills to be used for public purposes. The figure does not account for any erosion of sales tax revenue that may occur if—as some critics suggest—the purchase of non-taxed lottery tickets is substituted for taxed items.

In the 2000 Democratic primary, the Easley campaign has used this $300 million figure as the estimated amount of revenue available for its education platform, which focuses on reducing class size in the public schools and establishing a pre-kindergarten program for at-risk 4-year-olds. The Wicker campaign used a higher figure of

How Does the Lottery Compare as a Revenue Source?

Lottery dollars sound big on first blush, but how does a state lottery compare to other more traditional state revenue sources? Estimates are that a state lottery would produce some $300 million in the first year of operation. That represents 2.3 percent of a state budget of $13.3 billion. But what about taxes? How much would they produce?

According to the legislature's Fiscal Research Division, a 1 cent increase in the state sales tax would produce $761.4 million annually, more than twice the revenue production estimate for a state lottery. On the other hand, a 1 percent surtax applied to every taxpayer's state personal income tax bill would produce only $76.3 million—much less than a lottery.

As for what the lottery revenue could buy, reducing class size in the public schools—as favored by Democratic gubernatorial candidate Mike Easley, could easily swallow every dime. The Fiscal Research Division estimates that to reduce the current student-teacher ratio allotment for grades K–3 in the state's public schools to 15 students per teacher would cost $331 million. Currently, the allotted ratio is one teacher per 19 students for grades K–2 and one teacher per 22.23 students in grade 3. Because all teachers are not deployed in the classroom, the actual student-teacher ratio is higher than the allotted ratio. *—Mike McLaughlin*

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