

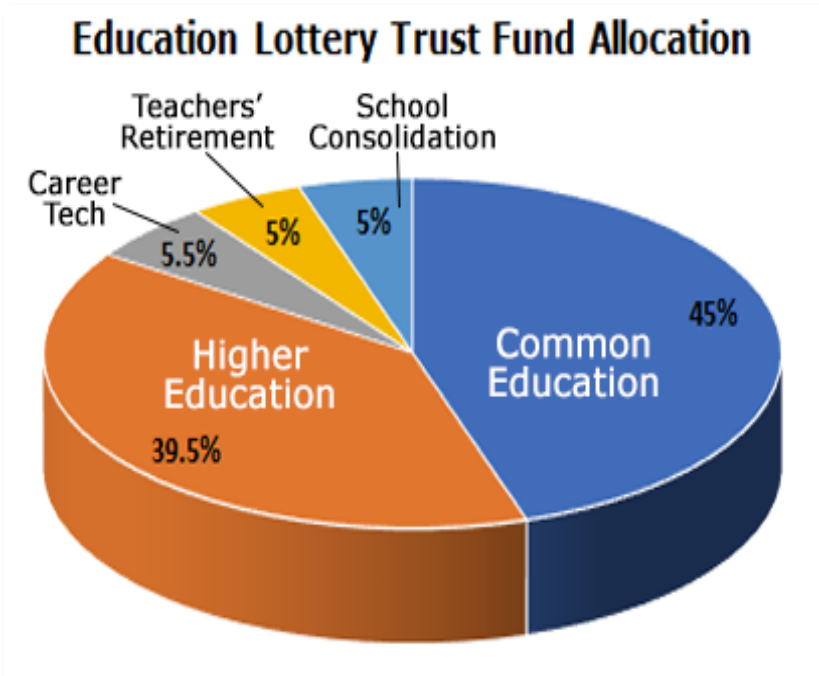


State Auditor & Inspector Cindy Byrd

April 2021

Education Lottery Hits Milestones in 2021

A question we hear a lot is “where is all the lottery money for education?” The short answer is that it’s deposited every month to help fund education. The graphic below has the breakdown of the Education Lottery Trust Fund allocation:



The Oklahoma Education Lottery marked its 16th year in operation by passing the billion-dollar mark with contributions totaling \$1,039,861,645 since approved by 65 percent of voters in November 2004.

Oklahoma Lottery Commission Executive Director Jay Finks notes that’s a billion dollars in education funding over the years that probably would not have been

available if not for the lottery.

“Our team has worked hard to help make a difference for education across the State,” Finks said. “Hitting the one-billion-dollar mark in education contributions was a historic moment for the Oklahoma Lottery; and we are not stopping

there. Fiscal year 2021 will see the Lottery achieve all-time highs in both sales and contributions to education.”

Original projections by lottery proponents projected a lottery could gross anywhere between \$150 to \$300 million annually in Oklahoma.

Actual annual revenues have been less than half the lower side of the estimate. Lottery officials point to lower prizes in the first 14 years and a mandated 35 cents of every dollar spent on lottery tickets directed to education as factors restricting the lottery education funding growth.

In 2017, the legislature removed the 35 percent of all sales funding requirement and replaced it with a net profit model with the opportunity for larger, more attractive payouts.

According to Finks, the change has doubled sales from about \$150 million in FY17 to a projected \$340 million in FY21. Looking at it in terms of profit, the contribution to education is on course to total \$80 million this fiscal year as opposed to \$50 million four years ago.

When that occurs, another milestone will be reached. The previous best year for education funding from the lottery was \$71.6 million in 2008.

The Oklahoma Lottery Commission provides the State Equalization Board with a certified estimate of revenues each year. Finks says they keep it conservative based on previous year’s sales because the legislature does not make up revenue if the lottery underperforms its projections.

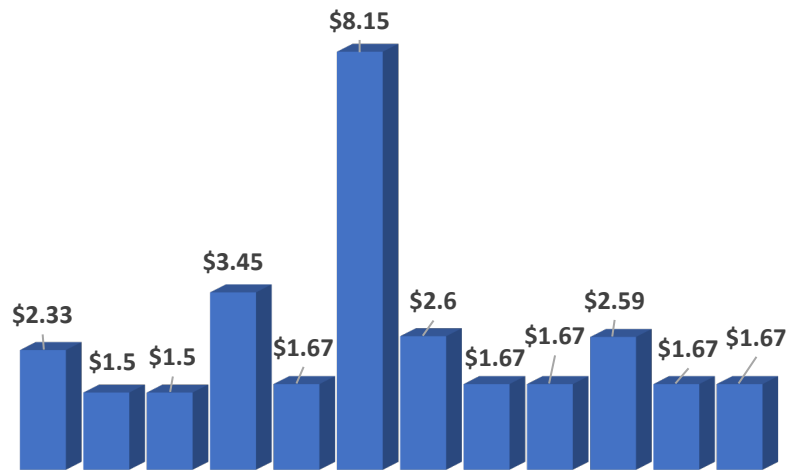
Under its current funding model, a minimum contribution is set per month to the Oklahoma Education Lottery Trust Fund. Each September, after its annual external financial statement audit, the Commission finalizes the total amount due to education in the previous fiscal year. Those additional dollars are deposited into the trust fund just as the new school year is underway.

You can see from the graphic of deposits to the education trust fund for the previous 12 months, a minimum of \$3.7 million was deposited each month in FY21. September 2020 was the notable exception when, following the audit, the lottery deposited more than \$18 million into the education trust fund to finalize its FY20 contribution.



Lottery Common Education Funding April 2020 - March 2021

(in millions)



Historically, annual funding from the lottery to each of Oklahoma's 520 school districts amounts to around \$59,000 per year or roughly the equivalent of one teacher per district.

In FY21, Common Education appropriations totaled \$2.9 billion. Even if the lottery performed as was projected in 2003, it is still only part of the

state's education revenue streams.

Finks says, "We are excited for the future and plan on reaching the next billion dollars even faster than the first."

AUDITOR'S CORNER: County Clerks – Transparent & Accountable



Oklahoma's 77 county clerks play a critical role when it comes to transparency and accountability in the expenditure of county funds.

The county clerk works directly with each county official to ensure all purchasing laws and procedures are followed – including competitive bidding when the cost of an item crosses a certain dollar threshold.

For the past several years, county clerks have also worked with the State Auditor's Office, the OSU Country Training Program, budget makers, and county software providers to establish and implement an electronic Estimate of Needs (EON) for each county.

Spearheading the effort for SAI was County Management Services Manager Cheryl Wilson and Public Audits Administrator Nancy Grantham. The pair have worked tirelessly to bring counties online with the new uniform chart of accounts (finance/budget codes) since 2018. It was past time to replace an antiquated pencil and paper version of the EON with an Excel file that automates the reporting of prior fiscal year financial information.

This matters because, as of July 1, 2021, 75 counties will be using the new system which makes downloading annual financial data into the EON quicker and more accurate. For county budget makers, the task of detailing the county's financial data, budgeted revenue, and estimated expenditures is more transparent and aids in accountability in the receipt and expenditure of county funds. It also shortens the time to conduct a financial statement audit.

Cheryl, Nancy, and I had the opportunity to speak about SAI and to provide updates on the revised EON with many of our county clerks during the *County Clerks School* held April 21-23 at the Stoney Creek Conference Center in Broken Arrow.



The County Clerks and Deputies Association is led by President Troy Cole (Logan County, pictured above), Vice-President Lori Hendricks (Wagoner County), Secretary Michael Willis (Tulsa County), Treasurer Eugina Loudermilk (Coal County) and Past President Tammy Reese (Kay County, pictured below).



From left: Kay County Clerk Tammy Reese, SAI County Management Services Manager Cheryl Wilson, and Major County Clerk Kathy McClure

We appreciate the opportunity to work directly with the county clerks, either at their training meetings or one-on-one. These public servants are on the front line when it comes to both safeguarding and preventing the waste of taxpayer funds.

ARPA – Assisting States, Counties, Municipalities



The American Rescue Plan Act (ARPA) signed by President Joe Biden on March 11, 2021, means additional assistance to help government at every level cover expenses, make up for lost revenue, and diminish the economic impact from the pandemic.

Specifically, \$65.1 billion in direct federal aid will be allocated from the Coronavirus Local Fiscal Recovery fund to all counties based on each county's share of the U.S. population. In Oklahoma, counties and municipalities are looking at sharing an estimated \$1.308 billion in both direct and targeted funds.

Restrictions on the use of these funds may make it difficult for some counties to spend the money. To date, the US Treasury has not released official guidance on eligible uses of funds.

The National Association of Counties (NACO) notes the allowable uses outlined in the bill include (but are not limited to):

- Mitigate/respond to COVID-19 public health emergency or its negative economic impacts
- Providing government services to the extent of the reduction in revenue
- Make necessary investments in water, sewer, or broadband infrastructure
- Providing premium pay to eligible county employees performing essential work during the COVID-19 public health emergency or by providing grants to eligible employers with employees who perform essential work.

NACO has provided information to counties on pre-award requirements with immediate steps counties should take before the first half of funding becomes available on May 10, 2021.

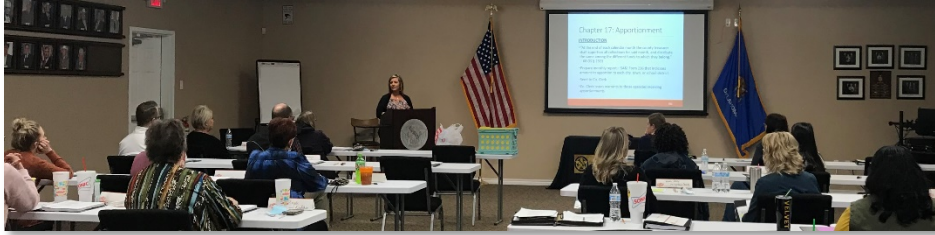
Municipalities in Oklahoma will receive a share of \$45.5 billion for metropolitan cities with a population above 50,000. Meanwhile, the state will distribute a nationwide share of \$19.5 billion to localities with fewer than 50,000 residents.

For the state, ARPA provides a flat \$500 million from the Coronavirus State Fiscal Recovery Fund plus a portion of about \$169 billion based on the state's share of unemployed workers during the last three months of 2020. Overall, our state government will receive an estimated \$2.174 billion.

When you combine state, state capital projects, and local government assistance, ARPA will eventually deposit an estimated \$3.649 billion into the Sooner State.

County Treasurers Attend Training

The County Training Program (CTP) at Oklahoma State University Cooperative Extension Service has been mentioned in other newsletter articles and for good reason. CTP, under the direction of Dr. Notie Lansford, provides county officers, deputies, and other staff with education opportunities on job-related topics.



OSU CTP recently conducted its Treasurers Duties and Responsibilities

course. The group welcomed new instructor Haley Kinney to the line-up of trainers. LeFlore County Treasurer April Caughern also facilitated part of the training.

The Capitol's First Floor Nears Completion



The new first floor rotunda is nearing completion as workers put the final touches on column, wall, and ceiling paint. The marble floors are undergoing buffing and polishing to shine like those in the building's wings.

At the center is a new oculus with a railing where the former seal sat center stage for decades. An oculus has been added so visitors can enjoy the view from the new ground floor to the dome more than six stories above.

The work occurred largely obscured by temporary walls erected between the columns with a single viewing window for Capitol visitors. Months after the work began, the new rotunda will welcome visitors across from the new offices of the Lieutenant Governor which were relocated from the second floor.

The \$250 million Capitol Restoration Project began in 2015. Much has changed or been restored on both the exterior and interior of the more than 100-year old building. The end, as they say, is in sight. The project should wrap up this summer with the official reopening occurring in 2022.