

From: Danny Varat <DannyVarat@scstatehouse.gov>
To: Craig ParksCraigParks@scsenate.gov
Mike ShealyMikeShealy@scsenate.gov
Date: 9/21/2017 9:26:59 AM
Subject: Re: Lottery Scholarships

That's exactly the issue. The constituent is a BJU student, and they received an email from BJU about the delayed reimbursement. I called Schilz, too, and he mentioned the absence of GF to be made up later with lottery proceeds.

I was just curious as to the nuts and bolts of the transition, which you've laid out. You also have refreshed me on the ticking bomb (growing cancer, expanding blob, etc) that this represents. I think it's true, also, that aside from mega jackpot periods, lottery revenue is trending down, right?

Thanks a lot for this.

DV

From: Craig Parks
Sent: Thursday, September 21, 2017 8:56 AM
To: Danny Varat; Mike Shealy
Subject: RE: Lottery Scholarships

DV,

Ahead of your call, and attempting to 'divine' a bit on who your constituent might be (a tech college complaining they haven't received their "LTA disbursement" yet?), here's a bit of background that may be helpful.

1) Attached see 2 charts - the first shows that the state's 3 "merit" scholarships are now funded almost entirely (96%) by the Lottery and NOT the General Fund, so the General Fund is a non-factor and not really in play to "front load" the appropriations (that is, the funds in their entirety aren't available on 7/1 like they would be if they were Gen Funds). The 2nd chart shows another dramatic shift, and that is that now, almost 70% of the lottery goes to pay the 3 merit scholarships...and that's before now having to account for SDE's weakening of the grade point scale (less qualified high schoolers will now get LIFE driving up the cost further, and therefore the share of the lottery that will have to be devoted to these awards will increase over time, etc etc).

2) By law (and proviso) LIFE, Palm Fellows and HOPE are "open ended" and therefore take priority in distribution of funds, with all non-scholarship funds in the lottery being distributed quarterly and not upfront/monthly...

3) Related, since the lottery is cash in, cash out, and not a recurring "base" fund like the GF, we've only received \$81M so far this FY...but the 3 merit scholarships + the LTA grants for tech students total \$335M for the year...couple that realization with LIFE Palm and HOPE taking priority, it's not out of the realm that there would be a bit of delay in reimbursing some of the lottery appropriations, as the funds both accrue and scholarship invoices from the colleges are being tallied.

4) Related, couple that with the fact that we're in Year 1 of this transition to the SDE grade scale change, I could see that slowing things down too.

ALL THAT SAID, lottery sales are on track with estimates and even slightly ahead, so I am 100% confident that whoever your constituent is, even if delayed beyond what they may have experienced in prior years, **they will be FULLY REIMBURSED this semester**...if this constituent is a college, surely they have the cash flow to 'cover' the delay...

If my email is on the mark, GREAT, but if my guess at your issue missed it, Im happy to chase the actual concern

down for you, just let me know!

Hope all is well!

Craig

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From: Danny Varat
Sent: Wednesday, September 20, 2017 4:57 PM
To: Mike Shealy
Cc: Craig Parks
Subject: Re: Lottery Scholarships

Will do. Thanks

From: Mike Shealy
Sent: Wednesday, September 20, 2017 4:28 PM
To: Danny Varat
Cc: Craig Parks
Subject: RE: Lottery Scholarships

Danny - Craig said to call him tomorrow and he will walk you through what he thinks is happening. His number is 212-6672. MS

From: Danny Varat
Sent: Wednesday, September 20, 2017 3:03 PM
To: Mike Shealy <MikeShealy@scsenate.gov>
Subject: Lottery Scholarships

Hey, I've learned, after a constituent call, that there'll be a delay in lottery scholarship reimbursements this year because they weren't prefunded by GF money as, apparently, normally is the case. My question, if this makes sense, is why we did it differently this year.