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# LEGISLATIVE BRIEF

## OVERVIEW OF THE HOPE SCHOLARSHIP IN TENNESSEE

September 2023

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### Introduction

The citizens of Tennessee voted to amend the state constitution and authorize the creation of the Tennessee Lottery in 2002. This vote allowed for significant enhancement of financial aid to students attending Tennessee postsecondary institutions. In 2003, the General Assembly passed legislation authorizing net lottery proceeds to fund five financial aid programs for higher education, including the HOPE scholarship. Since then, the number of financial aid programs that exist in Tennessee law and are currently funded by lottery proceeds has expanded from five to 13.

This report reviews the traditional HOPE Scholarship program that was created in 2003, compiling information on the scholarship’s expenditures and the revenues that finance those expenditures.<sup>A</sup> Trend data on the number of HOPE Scholarship recipients is also included. In addition, the report reviews state laws and Tennessee Student Assistance Corporation (TSAC) rules pertinent to the HOPE Scholarship program.

### Background

Tennessee enacted the HOPE Scholarship 20 years ago to finance a higher education scholarship program similar to one started in Georgia in 1993.<sup>1</sup> Eight other states have lottery-funded financial aid programs for postsecondary education. (See Exhibit 1.)

#### Exhibit 1: Tennessee is one of nine states that have created lottery-funded programs for postsecondary education

Year	State	Name
1993	Georgia	Georgia HOPE Scholarship
1996	New Mexico	New Mexico Legislative Lottery Scholarship
1997	Louisiana	Taylor Opportunity Program for Students
1997	Florida	Florida Bright Futures Scholarship
1998	Kentucky	Kentucky Educational Excellence Scholarship
1998	South Carolina	Legislative Incentives for Future Excellence
1999	West Virginia	PROMISE Scholarship
2002	Tennessee	Tennessee HOPE Scholarship
2009	Arkansas	Arkansas Academic Challenge Scholarship

Source: National Conference of State Legislatures.

The purpose of the HOPE Scholarship is to provide financial aid for Tennessee students who meet specific academic requirements to attend a public or private postsecondary institution in Tennessee. Eligible students must have either an overall high school grade point average (GPA) of at least 3.0 or attain a composite ACT score of at least 21 (or combined SAT score of at least 1060). Students who earn a high school equivalency

#### TCA 49-4-913. HOPE Scholarship – Terminating events.

- (a) ... a student may receive a Tennessee HOPE scholarship until...
- (2) Five years have passed from the date of the student’s initial enrollment at any postsecondary institution.

<sup>A</sup> Sources consulted include Tennessee’s annual budget document, annual comprehensive financial reports (ACFR), and annual general appropriations acts as well as information provided by the Tennessee Student Assistance Corporation. This report focuses on the traditional HOPE scholarship. Other HOPE scholarship programs are mentioned but are not the focus of the report, including the HOPE Access Grant, the Nontraditional HOPE Scholarship, the HOPE Foster Child Tuition Grant, and the HOPE Teacher’s Scholarship (program is now closed). For general information on these other programs, consult the Comptroller of the Treasury’s Education Glossary (<https://comptroller.tn.gov/office-functions/research-and-education-accountability/collections/glossary.html>).

diploma by taking the HiSET® exam may also qualify with a minimum score of 15 on the exam. To continue receiving a HOPE scholarship, a student must maintain a cumulative GPA of at least 2.75 at the 24- and 48-semester hour thresholds and maintain a GPA of at least 3.0 at the 72-semester hour threshold and at any multiple of 24-semester hours thereafter. Students must also complete the FAFSA annually and continue meeting nonacademic requirements to remain eligible for the HOPE Scholarship.<sup>2</sup> The HOPE Scholarship is available to students for five years after the date of the student’s initial enrollment at any postsecondary institution.<sup>3</sup>

The General Assembly created five lottery-funded financial aid programs, including the HOPE Scholarship, in 2003 and has since added 10 programs, though only 13 of the 15 total programs have current students and expenditures. (See Appendix I for more details.)<sup>4</sup> The HOPE Scholarship expended \$314.5 million in fiscal year 2022-23, making this scholarship the largest expenditure for scholarship offerings funded by the Tennessee Education Lottery Account, representing 73.6 percent of the \$427.1 million in Lottery for Education Account expenditures on financial aid programs.

Only the General Assembly can make changes to the value of the HOPE Scholarship.<sup>B</sup> Since the initial scholarship amounts were established in 2003, the General Assembly has increased the scholarship value five times, as detailed in Exhibit 2.

**Exhibit 2: Tennessee has increased the value of the HOPE Scholarship five times since 2003**

<b>Student payment value categories</b>	<b>PC 298 (2003)</b>	<b>PC 481 (2005)</b>	<b>PC 974 (2006)</b>	<b>PC 603 (2007)</b>	<b>PC 900 (2014)</b>	<b>PC 1116 (2022)</b>
4-year institutions freshmen and sophomores	\$3,000 per year	\$3,300 per year	\$3,800 per year	\$4,000 per year	\$1,750 per semester (\$3,500 per year)	\$2,250 per semester (\$4,500 per year)
4-year institutions juniors and seniors	\$3,000 per year	\$3,300 per year	\$3,800 per year	\$4,000 per year	\$2,250 per semester (\$4,500 per year)	\$2,850 per semester (\$5,700 per year)
2-year institutions without on-campus student housing	\$1,500 per year	\$1,650 per year	\$1,900 per year	\$2,000 per year	\$1,500 per semester (\$3,000 per year)	\$1,600 per semester (\$3,200 per year)

Source: Respective public chapters as registered with the Tennessee Secretary of State.

Notes: (1) The term of the scholarship values was changed by law in 2014 from a scholarship with an annual term to a scholarship with a semester term.

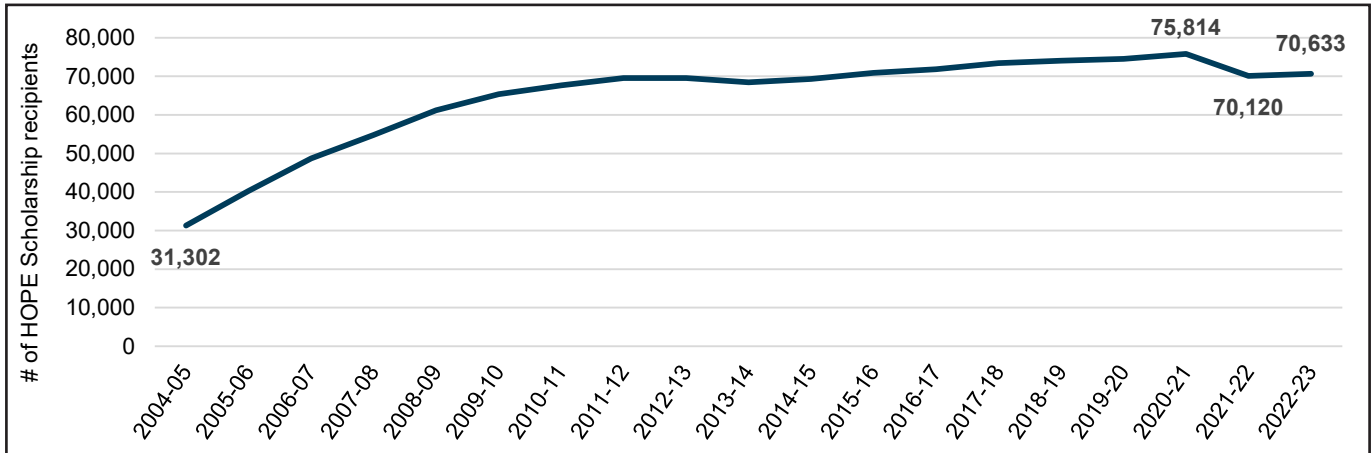
(2) See endnotes 12 and 13 on pg. 13 for additional information on categories of payment values for the student.

**Trends in the number of HOPE Scholarship recipients and financial outlays**

Since the first HOPE Scholarships were awarded in the fall of 2004, the average number of recipients each year has been 64,605. (See Exhibit 3 for 19-year trend.) The number of recipients reached a high of 75,814 in academic year 2020-21.

<sup>B</sup> The value of the HOPE Scholarship is pursuant to TCA 49-4-914 and any change to the value of the scholarship would require the General Assembly to pass legislation. According to compiler’s notes for TCA 49-4-914, the law “shall not be construed to be an appropriation of funds and no funds shall be obligated or expended pursuant to the act, unless such funds are specifically appropriated by the general appropriations act.” The general law and the annual appropriations act work together to allocate funds and then expend those funds on behalf of Tennessee’s qualifying students.

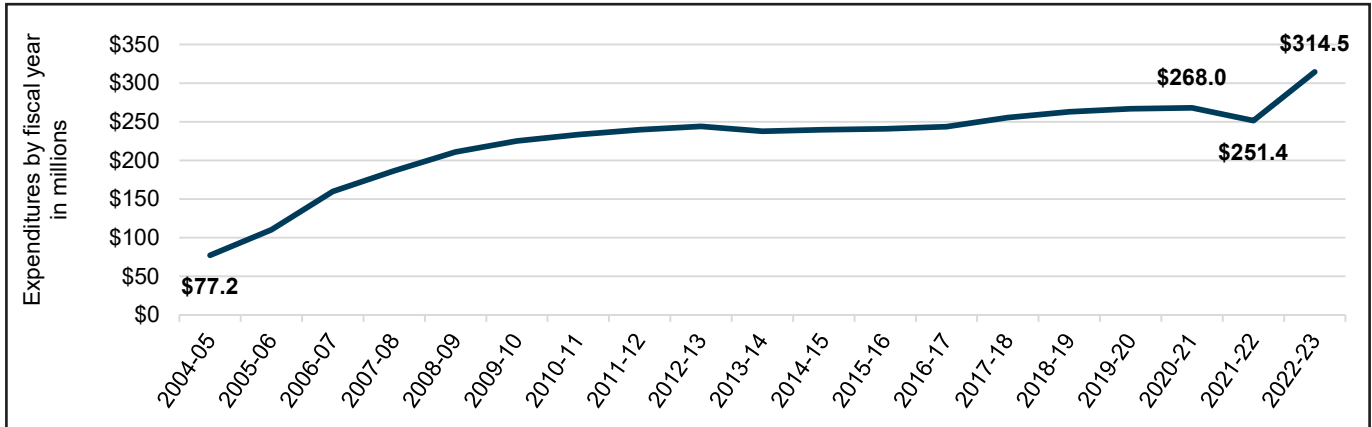
**Exhibit 3: Lottery-funded traditional HOPE Scholarship recipients per year**



Source: Tennessee Student Assistance Corporation, including the Tennessee Education Lottery Scholarship (TELS) Board Reports from 2007 to 2023.

Between \$251 million and \$268 million was expended on HOPE Scholarships annually over the five years prior to the increase in scholarship values adopted by law in 2022. This scholarship value increase resulted in an increase of over \$63 million, or 25 percent growth over the prior year, in program expenditures. (See Exhibit 4.)

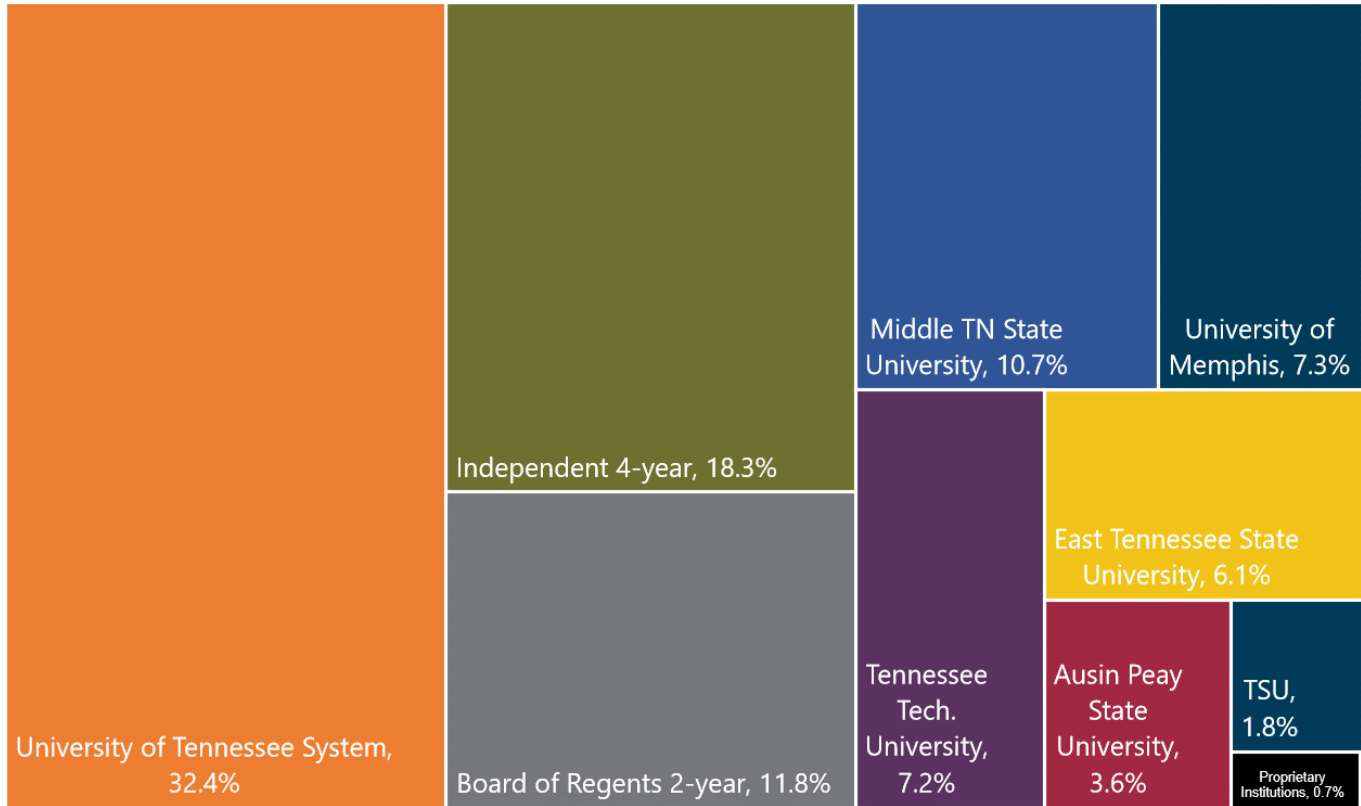
**Exhibit 4: Lottery-funded traditional HOPE expenditures per fiscal year**



Source: Tennessee Student Assistance Corporation, including TELS Board Reports from 2007 to 2023.

The postsecondary institutions attended by scholarship recipients receive HOPE Scholarship funds. The University of Tennessee System received the highest amount of HOPE Scholarship expenditures for the 2022-23 fiscal year, followed by independent four-year universities (e.g., Carson-Newman University, Lipscomb University, and Rhodes College). The third largest share of HOPE Scholarship funds are received by Tennessee Board of Regents (TBR) institutions; students may use the HOPE Scholarship at any of the state’s community colleges.<sup>5</sup>

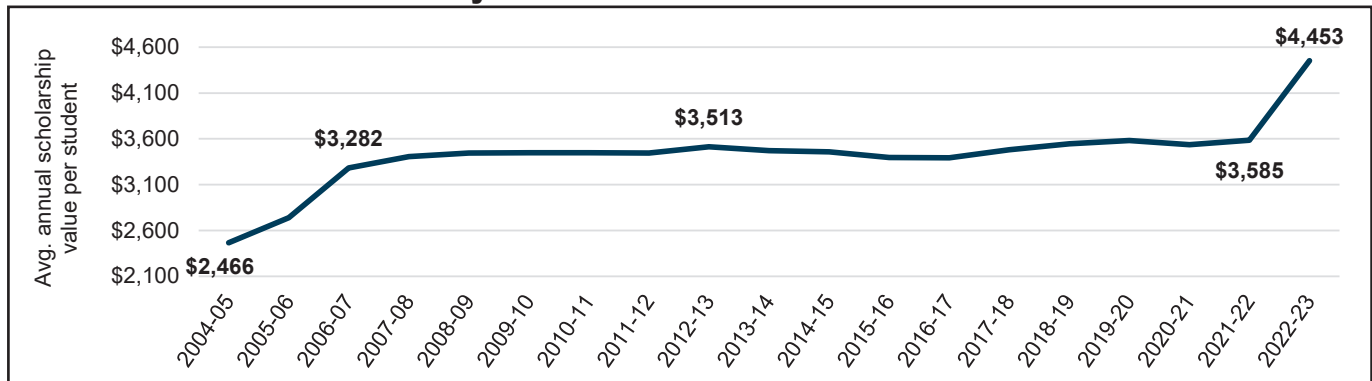
**Exhibit 5: Percentage split of \$314.5 million in lottery-funded traditional HOPE Scholarship expenditures per institutional category | FY 2022-23**



Source: Tennessee Student Assistance Corporation, including the 2023 TELS Board Report.

When combining the three HOPE award levels (freshmen and sophomores at four-year institutions, juniors and seniors at four-year institutions, and attendees at two-year institutions) and their associated values,<sup>6</sup> the annual HOPE Scholarship award per student per year has averaged \$3,426 over the entirety of the scholarship.<sup>C</sup>

**Exhibit 6: The average annual value of the traditional HOPE Scholarship rose to \$4,453 in 2022 after the General Assembly increased the award amount**



Source: Tennessee Student Assistance Corporation, including TELS Board Reports from 2007 to 2023.

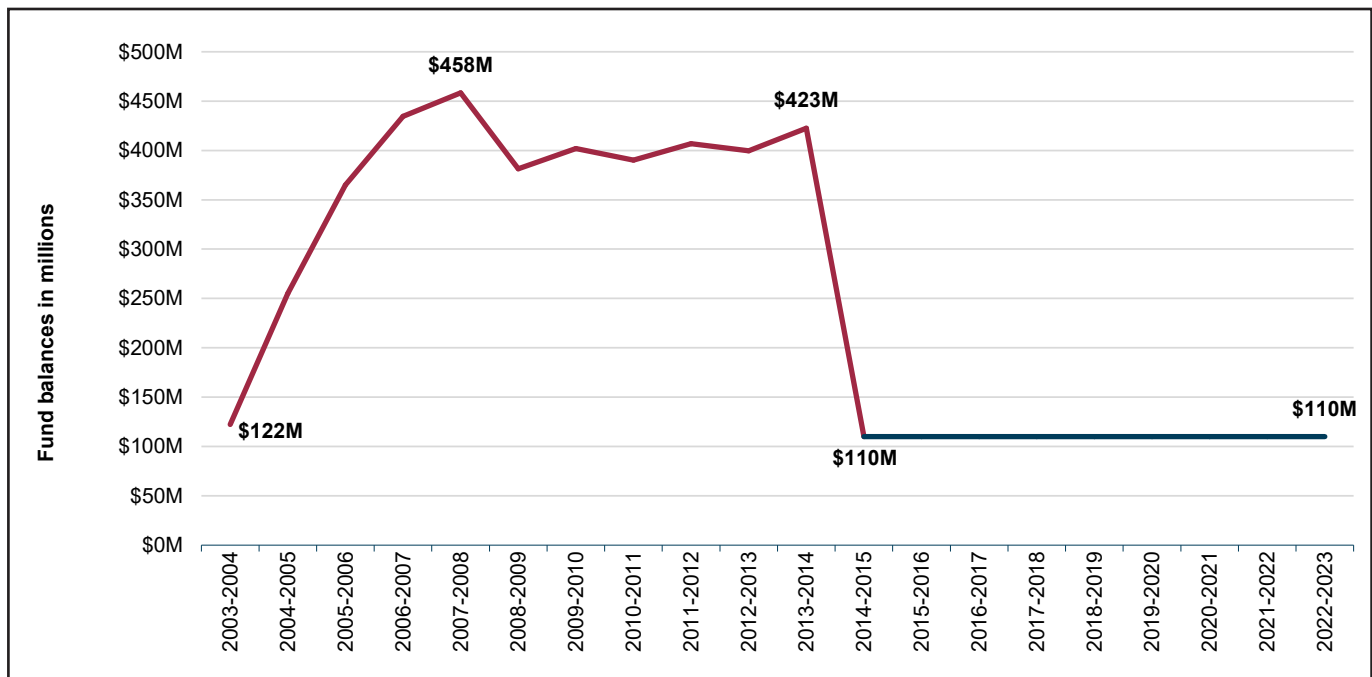
<sup>C</sup> OREA's annual average calculation combines three HOPE award levels: (1) the amount for freshmen and sophomores attending a four-year institution, (2) the amount for juniors and seniors attending a four-year institution, and (3) the amount for students attending a two-year institution. The average value per HOPE award will change over time based upon the percentage mix of students within those three levels as well as any legislative changes to the value of the HOPE Scholarship. The General Assembly has increased the scholarship value five times since 2003. (See Exhibit 2).

## Trends in the Lottery for Education Account balance

About four out of every five dollars of Tennessee’s spending on direct postsecondary financial aid for students distributed by TSAC (excluding institutional scholarships) draw from the same funding source: the Lottery for Education Account. Lottery proceeds are deposited into the Lottery for Education Account, which is dedicated for specific education purposes. These dedicated funds are kept separate from the state’s general appropriations. The Lottery for Education Account has fluctuated in value over time based on multiple factors. One factor is the relative balance of lottery revenues to program expenditures each year. A legislative change made by the General Assembly (e.g., increasing the value of a scholarship or creating a new scholarship program) is another factor.

For the first 11 fiscal years of the Lottery for Education Account, the financial health of this pool of funding for financial aid programs could be examined by observing the fluctuating amount of restricted purposes fund balances for the Lottery for Education Account, as reported in the Governmental Fund Balances of Tennessee’s Annual Consolidated Financial Reports (ACFRs). A significant change to the value of that balance came with the creation of the Tennessee Promise Trust Fund, which the General Assembly financed with a \$300 million transfer from the Lottery for Education Account.<sup>7</sup> Then, during every fiscal year since the passage of Public Chapter 900 in 2014, any balance over the \$100 million general shortfall reserve subaccount for the Lottery for Education Account plus \$10 million for the Energy Efficient Schools Council Fund are periodically transferred to the Tennessee Promise Scholarship Trust Fund. See the change in the effective balances of the Lottery for Education Account in Exhibit 7.

**Exhibit 7: The Lottery for Education Account fund balance increased after the creation of the lottery but was reduced by law to finance the creation and self-sufficiency of the Tennessee Promise Scholarship Trust Fund**



Sources: FY 2003-04 through 2013-14 are from Tennessee Annual Consolidated Financial Reports; FY 2014-15 through FY 2021-22 is the law from TCA 49-4-708(d)(5)(B) and (7) and TCA 4-51-111(b)(3)(B).

Note: The decrease in FY 2014-15 is due to the transfer of \$300,300,000 to finance the creation of the Tennessee Promise Scholarship Trust Fund, as required by Public Chapter 900 (2014).

A review of recent revenues and expenditures for the Lottery for Education Account showed that net education lottery proceeds totaled \$467.6 million in fiscal year 2021-22. Additional revenues from interest earned from the fund balance in the Lottery for Education Account as well as from sports wagering created a grand total of \$505 million in overall revenues for scholarships. From these revenues, \$346.1 million was spent on higher education scholarships, including the HOPE Scholarship, and the Tennessee Promise Trust Fund received a transfer of \$124.9 million. The amount retained in the lottery reserve was \$26.6 million. (See Exhibit 8.)

**Exhibit 8: Lottery revenue exceeded program expenditures in closing fiscal year 2021-22**

<b>Fiscal year 2021-22 revenue category</b>	<b>Amount</b>
Net education lottery proceeds	\$467,582,000
Lottery for Education Account-interest	\$326,900
Sports wagering revenue	\$37,062,000
Subtotal – revenue	\$504,970,900
<b>Fiscal year 2021-22 expense category</b>	
Higher education scholarships	\$346,111,600
Tennessee Higher Education Commission	\$1,862,800
Tennessee Student Assistance Corporation	\$5,490,300
Subtotal – expenses	\$353,464,700
Difference – lottery revenue less program expenses	\$151,506,200
Less funds transferred to Tennessee Promise Trust Fund	\$124,913,300
Balance retained in the lottery reserve	<b>\$26,592,900</b>

Source: FY 2023-2024 Tennessee Budget, p. A-34.

The 2023 general appropriations act, following the revenue range provided by the State Funding Board,<sup>D</sup> assumed an annual growth rate of approximately 2 percent for lottery revenues for fiscal year 2023-24. The estimated amount of lottery revenues for the 2023-24 fiscal year is \$486 million. (See Exhibit 9.)<sup>8</sup>

<sup>D</sup> The Tennessee State Funding Board has statutory authority over the official range of revenue estimates supporting lottery-funded programs under TCA 4-51-111(c) (1). Revenue projections provided by experts are used by the Tennessee State Funding Board to set the official range of revenue estimates, including those revenues supporting lottery-funded programs. The General Assembly and the Governor then make the selection and adoption of the specific numerical estimate within that range through the general appropriations act. The State Funding Board letter dated November 30, 2022, projects lottery revenues will grow between 0 and 2 percent annually through the 2026-27 fiscal year.

**Exhibit 9: The Tennessee Lottery revenue is projected to increase by about 2 percent each year through fiscal year 2026-27 after a decrease in ticket sales affecting fiscal year 2021-22**

	Actual	Actual	Estimated	Estimated	Estimated	Estimated	Estimated
<b>Fiscal Year</b>	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
<b>Revenues</b>	\$482.3M	\$467.6M	\$476.5M	\$486M	\$495.7M	\$505.6M	\$515.7M
<b>% growth from prior year</b>	N/A	-3%	1.9%	2%	2%	2%	2%

Sources: 2022-23 Tennessee Budget, p. A-34; FY 2023-24 Tennessee Budget, p. A-34.

When combined with an estimated \$43 million in sports wagering revenue and an estimated \$75,000 in interest earnings the estimated total revenue for the Lottery for Education Account is approximately \$529 million.

## Recent legislative changes and proposed legislation

### Online sports wagering

The General Assembly passed legislation in 2019 to augment funding for scholarships, including the HOPE Scholarship, by authorizing and then taxing the privilege of online sports wagering.<sup>E</sup> Eighty percent of the privilege tax collected from sports wagering is deposited in the Tennessee Lottery for Education Account and is dedicated to financial aid programs for postsecondary education.<sup>9</sup> The additional funding deposited in fiscal years 2020-21 and 2021-22 – and the estimates for future fiscal years – are shown in Exhibit 10.

**Exhibit 10: Online sports wagering has added funding to the pool of support for financial aid to students**

	Actual	Actual	Estimated	Estimated	Estimated	Estimated	Estimated
<b>Fiscal Year</b>	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
<b>Revenues</b>	\$19,602,000	\$37,062,000	\$43,013,600	\$43,013,600	\$43,013,600	\$43,013,600	\$43,013,600
<b>% growth from prior year</b>	N/A	89%	16%	0%	0%	0%	0%

Note: The actual amount collected and sent to the Lottery for Education Account in FY 2022-23 was \$65,711,856. This is a 77 percent increase over the prior year's collections.

Sources: 2022-23 Tennessee Budget, p. A-35; FY 2023-24 Tennessee Budget, p. A-34.

As shown in Exhibit 10, the Governor’s annual budget document estimates the same amount of revenue will be collected annually from sports wagering through the 2026-27 fiscal year.<sup>F</sup> Regarding these estimates, a senior executive branch official explained that until there is adequate data on sports wagering revenue, the administration will maintain a flat projection for this revenue source.<sup>10</sup>

<sup>E</sup> Public Chapter 507 (2019). The bill became effective without the Governor’s signature as detailed in a letter from Governor Lee to Speaker Casada dated May 24, 2019.

<sup>F</sup> The Tennessee Education Lottery Corporation, by contrast, each fall prepares and presents a revenue projection letter with detailed information, including estimates of revenues five years into the future.



## Increased HOPE Scholarship value

In the 2022 legislative session, the General Assembly increased the value of the HOPE scholarship for all three award levels:<sup>11</sup>

- the amount for freshmen and sophomores attending a four-year institution,<sup>12</sup>
- the amount for juniors and seniors attending a four-year institution, and
- the amount for students attending a two-year institution.<sup>13</sup>

These increases went into effect on July 1, 2022.

### Exhibit 11: HOPE scholarship values increased on July 1, 2022

Student payment value categories	Prior to 7/1/22	After 7/1/22	Dollar Increase	Percent Increase
4-year institutions - freshmen and sophomores	\$3,500	\$4,500	\$1,000	28.6%
4-year institutions - juniors and seniors	\$4,500	\$5,700	\$1,200	26.7%
2-year institutions without on campus student housing	\$3,000	\$3,200	\$ 200	6.7%

Source: OREA analysis using PC 1116 (2022).

The recurring annual cost of these increases is an estimated \$72.5 million. The General Assembly has increased the HOPE Scholarship's value five times since 2003. (See Exhibit 2 on page 2.)

## Continued eligibility for early graduates

A new law passed in 2023 allows HOPE Scholarship recipients who obtain a bachelor's degree in less than five years to continue using the HOPE Scholarship in graduate school.<sup>14</sup> To qualify, students must attend graduate school within five years of their initial date of enrollment in a postsecondary institution. This change will increase the number of HOPE Scholarship recipients by an estimated 528 students annually, at a cost of \$5,700 per recipient. The recurring annual cost of this change is an estimated \$3 million.

## Proposed legislation

The present support to lottery-funded scholarships, including the traditional HOPE Scholarship, could potentially be diverted to other uses in the future. A bill considered in the 2023 legislative session would redirect sports wagering revenues from postsecondary financial aid to prekindergarten education on a recurring basis.<sup>6</sup> Diverting sports wagering money out of scholarships for higher education and to scholarships for prekindergarten education was opposed by a senior Tennessee Higher Education Commission (THEC) official in committee testimony.<sup>15</sup> The official argued that a diversion of this funding at this time could increase financial pressures on the Lottery for Education Account and the obligations it supports. For example, the account lost over \$122 million due to adverse market conditions in 2021 and 2022.<sup>16</sup> Consideration of the bill was postponed to the 2024 legislative session.

<sup>6</sup> The proposed legislation, Senate Bill 750/House Bill 785 (2023), would redirect the share of sports wagering revenues from postsecondary financial aid to prekindergarten scholarships. As estimated by Fiscal Review Committee staff, the amount redirected in the first year would be \$40.8 million. The estimated annual amount would then gradually rise in subsequent years, reaching \$54.4 million beginning with the 2025-26 fiscal year.

Another bill<sup>17</sup> filed in 2023 provided a caption allowing for Tennessee’s retailers to accept payment for lottery tickets by a method other than cash or coin. This bill would remove the current prohibition on the use of debit cards for the purposes of buying lottery tickets as described in *TCA 4-51-108(a)(2)*.<sup>H</sup> The bill was taken off notice in the 2023 regular legislative session but could be taken up again in 2024.

## Conclusions

Twenty years after the creation of the Tennessee Lottery, the HOPE Scholarship remains the largest expenditure for lottery-funded scholarships. Since the initial HOPE Scholarship amounts were established in 2003, the General Assembly has increased the award amount five times. The most recent increase went into effect in July 2022. Between \$251 million and \$268 million was expended on the HOPE Scholarship annually over the five years prior to fiscal year 2022-23. In fiscal year 2022-23, however, these expenditures increased by over 25 percent to \$314.5 million due to the scholarship value increases that took effect July 1, 2022. The HOPE Scholarship accounted for 73.6 percent of the \$427.1 million in Lottery for Education Account expenditures in fiscal year 2022-23.

The General Assembly passed legislation in 2019 to augment funding for scholarships, including the HOPE Scholarship, by authorizing and then taxing the privilege of sports wagering. The Governor’s annual budget document estimates the same amount of revenue (approximately \$43 million) will be collected annually from sports wagering through the 2026-27 fiscal year. By contrast, the revenue estimates for lottery ticket sales produced by the Tennessee Education Lottery Corporation show annual fluctuation. Revenues from sports wagering, like those for lottery ticket sales, are likely to show some degree of change each year.

## Policy Consideration

The Tennessee State Funding Board could encourage or require the Tennessee Sports Wagering Council to provide the board with a revenue projection letter for the board’s annual fall meeting. The Tennessee State Funding Board has statutory authority over the official range of revenue estimates supporting lottery-funded programs and holds a meeting each fall to estimate state revenues for the coming fiscal year. This meeting’s purpose is consistent with *TCA 4-51-111 (c)(1)* where “the funding board is authorized to obtain information from those having expertise and experience in projecting revenue from the sale of lottery tickets or shares.”

Each fall, the Tennessee Education Lottery Corporation submits a revenue projection letter to the State Funding Board with detailed information, including estimates of revenues from lottery ticket sales five years into the future. Projected revenues from lottery ticket sales show annual fluctuation.<sup>I</sup>

Presently, the State Funding Board does not receive similar information from the Tennessee Sports Wagering Council at the board’s annual fall meeting. The Governor’s annual budget document estimates the same amount of revenue (approximately \$43 million) will be collected annually from sports wagering through the 2026-27 fiscal year. Regarding these estimates, a senior executive branch official explained that until there is adequate data on sports wagering revenue, the administration will maintain a flat projection for this revenue source.<sup>J</sup>

<sup>H</sup> *TCA 4-51-108(a)(2)* reads: “The sales price of tickets or shares and the manner of sale; provided that all sales shall be for cash only and that payment by checks, credit cards, charge cards or any form of deferred payment is prohibited. For the purposes of this subdivision (a)(2), cash means coins or notes. Nothing in this part shall be construed as prohibiting or restricting the direct sale of lottery tickets or shares by the corporation through any form of payment and in any amount.” Emphasis added.

<sup>I</sup> An example of the revenue projections from lottery ticket sales provided by the Tennessee Education Lottery Corporation is shown in Appendix 2.

<sup>J</sup> David Thurman, Director of the Budget Division, Department of Finance and Administration, as expressed in an email to OREA on July 27, 2023.

**Exhibit 12: Revenue estimates for sports wagering**

	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>
<b>Fiscal Year</b>	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
<b>Revenues</b>	\$19,602,000	\$37,062,000	\$43,013,600	\$43,013,600	\$43,013,600	\$43,013,600	\$43,013,600
<b>% growth from prior year</b>	N/A	89%	16%	0%	0%	0%	0%

Note: The actual amount collected and sent to the Lottery for Education Account in FY 2022-23 was \$65,711,856. This is a 77 percent increase over the prior year's collections.

Sources: 2022-23 Tennessee Budget, p. A-35; FY 2023-24 Tennessee Budget, p. A-34.

An annual revenue projection letter from the Tennessee Sports Wagering Council to the State Funding Board would help state officials make more informed decisions regarding future revenues from sports wagering.

## Appendix A: Lottery for education account-funded financial aid programs

Number	TCA Cite	Appropriations Act Cite	Program Name	Year Enacted	FY 2022-23 Costs
1	49-4-907 et al.	Sec. 50, Item 2b1	HOPE Traditional Student	2003	\$314,539,594
2	49-4-909	Sec. 50, Item 2b12	Middle College Scholarship	2017	1,769,848
3	49-4-915	Sec. 50, Item 2b3	ASPIRE Award	2003	16,333,608
4	49-4-916	Sec. 50, Item 2b4	General Assembly Merit Scholarship	2003	7,346,471
5	49-4-920	Sec. 50, Item 2b5	HOPE Access Grant	2003	20,515
6	49-4-921	Sec. 50, Item 2b7	Wilder-Naifeh Technical Skills	2003	13,895,569
7	49-4-923	Sec. 50, Item 2b6	TCAT Reconnect Grant	2014	2,081,454
8	49-4-930	Sec. 50, Item 2b10	Dual Enrollment Grant	2005	48,423,844
9	49-4-931	Sec. 50, Item 2b1	HOPE Nontraditional Student	2005	1,774,331
10	49-4-933	Sec. 50, Item 2b8	HOPE Foster Child Tuition Grant	2005	594,933
11	49-4-936	None	HOPE Teacher's Scholarship	2006	-
12	49-4-938	Sec. 50, Item 2b9	Helping Heroes Grant	2008	357,000
13	49-4-939	None	Tennessee Rural Health Scholarship	2008	-
14	49-4-943	Sec. 50, Item 2b2	STEP UP Scholarship	2013	375,450
15	49-4-944	Sec. 50, Item 2b11	Tennessee Reconnect Grant	2017	19,571,125
Total programs directly funded from the Lottery for Education Account:					\$427,083,741
Program established with money transferred from the Lottery for Education Account					
	49-4-708	Sec. 50, Item 2a	TN Promise Scholarship	2014	22,513,667
Grand Total - All programs directly and indirectly funded from the Lottery for Education Account					\$449,597,408

Note: Appropriations act cite is from Public Chapter 418 (2023).

## Appendix B: State funding board lottery projections example

### TENNESSEE EDUCATION LOTTERY CORPORATION ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

	FY 2022 Actuals	FY 2023 Approved Budget	FY 2023 Low Projections	FY 2023 High Projections
Instant Ticket Games	\$ 1,690,804,492	\$ 1,735,446,000	\$ 1,650,395,000	\$ 1,690,446,000
Tennessee Only Draw-Style Games	\$ 161,631,963	\$ 163,000,000	\$ 163,813,000	\$ 166,314,000
Multi Jurisdictional Games	\$ 174,907,732	\$ 170,330,000	\$ 218,774,000	\$ 221,299,000
<b>GROSS TICKET REVENUES</b>	<b>\$ 2,027,344,187</b>	<b>\$ 2,068,776,000</b>	<b>\$ 2,032,982,000</b>	<b>\$ 2,078,059,000</b>
Less: Tickets Provided as Prizes	\$ (143,405,222)	\$ (147,741,000)	\$ (140,535,000)	\$ (143,937,000)
<b>Net Ticket Revenues</b>	<b>\$ 1,883,938,965</b>	<b>\$ 1,921,035,000</b>	<b>\$ 1,892,447,000</b>	<b>\$ 1,934,122,000</b>
<b>Other Revenues</b>	<b>4,154,654</b>	<b>3,945,000</b>	<b>3,945,000</b>	<b>3,945,000</b>
<b>TOTAL LOTTERY PROCEEDS</b>	<b>\$ 1,888,093,619</b>	<b>\$ 1,924,980,000</b>	<b>\$ 1,896,392,000</b>	<b>\$ 1,938,067,000</b>
<b>EXPENSES</b>				
Prize Expense	\$ 1,220,735,637	\$ 1,246,076,000	\$ 1,217,914,000	\$ 1,245,346,000
Retailer Commissions	132,339,569	135,029,000	132,680,000	135,601,000
Vendor Fees	36,282,909	37,157,000	36,121,000	36,948,000
<b>Direct Expense</b>	<b>\$ 1,389,358,115</b>	<b>\$ 1,418,262,000</b>	<b>\$ 1,386,715,000</b>	<b>\$ 1,417,895,000</b>
<b>Non-Direct Expenses</b>	<b>\$ 31,531,895</b>	<b>\$ 37,079,000</b>	<b>\$ 37,079,000</b>	<b>\$ 37,079,000</b>
<b>TOTAL EXPENSES</b>	<b>\$ 1,420,890,010</b>	<b>\$ 1,455,341,000</b>	<b>\$ 1,423,794,000</b>	<b>\$ 1,454,974,000</b>
<b>EXCESS UNCLAIMED PROCEEDS</b>	<b>\$ 378,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LOTTERY FOR EDUCATION PROCEEDS</b>	<b>\$ 467,581,609</b>	<b>\$ 469,639,000</b>	<b>\$ 472,598,000</b>	<b>\$ 483,093,000</b>
<b>AFTER SCHOOL PROGRAM PROCEEDS</b>	<b>\$ 18,000,000</b>	<b>\$ 18,000,000</b>	<b>\$ 18,000,000</b>	<b>\$ 18,000,000</b>

### FISCAL YEARS ENDING JUNE 30, 2024, 2025, 2026 and 2027

	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
Total Lottery Proceeds	\$1,929 - \$1,982 Million	\$1,963 - \$2,026 Million	\$1,997 - \$2,072 Million	\$2,032 - \$2,118 Million
Lottery for Education Proceeds	\$480 - \$494 Million	\$489 - \$505 Million	\$497 - \$516 Million	\$506 - \$528 Million
After-School Programs Proceeds	\$18 Million	\$18 Million	\$18 Million	\$18 Million

## Endnotes

<sup>1</sup> Current language in the constitutional amendment embedded in Article XI, Section 5 of the Tennessee Constitution reads: “A state lottery means a lottery of the type such as in operation in Georgia, Kentucky...”.

<sup>2</sup> Exceptions for a student not meeting the 72-semester hour GPA criteria may be made semester-by-semester for students who have a cumulative GPA between 2.75 and 2.99 and have a semester GPA of 3.0 or more in the semester in which the student attempted 72-semester hours or at any multiple of 24-semester hours thereafter. Students may regain the HOPE Scholarship once if they reestablish all the above criteria and make satisfactory progress in the interim while maintaining continuous enrollment.

<sup>3</sup> Exceptions to the terminating event five years after the initial enrollment are available to students who have a documented medical disability. These students may petition for an extension of up to an additional five years if the student can only attend an eligible postsecondary institution part-time because of their documented disability.

<sup>4</sup> The 15 lottery-funded financial aid programs in Tennessee law are the HOPE Scholarship, General Assembly Merit Scholarship, ASPIRE Award, HOPE Access Grant, Wilder-Naifeh Technical Skills Grant, Nontraditional HOPE Scholarship, Dual Enrollment Grant, Helping Heroes Grant, HOPE Teacher’s Scholarship (program is now closed with no students), HOPE Foster Child Tuition Grant, Tennessee Rural Health Scholarship (program is now closed with no students), STEP UP Scholarship, TCAT Reconnect, Tennessee Middle College Scholarship, and Tennessee Reconnect. The Tennessee Promise program is funded by a separate trust fund that was initially established with lottery proceeds. (See more on page 5). In addition, the Tennessee Lottery for Education program has supported other education initiatives in Tennessee (e.g., unclaimed prizes fund Lottery for Education After-school Programs [LEAP]).

<sup>5</sup> Eligible private and public institutions are those defined in TCA 49-4-902 (11) and (14).

<sup>6</sup> The values of the three levels of the HOPE Scholarship in place when these expenditures were made were as follows: freshmen and sophomores at four-year colleges – \$4,500 per year, juniors and seniors at four-year colleges – \$5,700 per year, and students at two-year colleges – \$3,200 per year. See page 2 for information about how these values have been adjusted since they were first implemented.

<sup>7</sup> Public Chapter 900 (2014); Public Chapter 919 (2014). The transfer of \$300 million in lottery funds was authorized by Section 29, Item 24 of the General Appropriations Act of 2014 (2014 PC 919).

<sup>8</sup> The FY 2023-24 Tennessee Budget, p. A-34.

<sup>9</sup> Public Chapter 593 of 2021 transferred sports wagering authority and oversight from the Tennessee Education Lottery Corporation to the Sports Wagering Council, effective January 1, 2022, as codified in TCA Title 4, Chapter 49.

<sup>10</sup> David Thurman, Director of the Budget Division, Department of Finance and Administration, as expressed in an email to OREA on July 27, 2023.

<sup>11</sup> Public Chapter 1116 (2022).

<sup>12</sup> Students attending a four-year institution in pursuit of an associate degree are awarded scholarship values in the “four-year institutions – freshmen and sophomores” category.

<sup>13</sup> Students attending two-year postsecondary institutions with on campus student housing are eligible for amounts valued in the “four-year institutions – freshmen and sophomores” category per TCA 49-4-914(d).

<sup>14</sup> Public Chapter 368 (2023).

<sup>15</sup> Lou Hanneman, Chief of Staff, Tennessee Higher Education Commission, in testimony to the Senate Education Committee on March 15, 2023.

<sup>16</sup> FY 2023-24 Tennessee Budget, p. A-35.

<sup>17</sup> SB 1355/HB 1421, 2023.



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