

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # -1908/1
INTRODUCTION # AB 270
Admin. Rule #

Subject
 Restrict Informational Advertising for the State Lottery

Fiscal Effect

- State:** No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation
- | | | |
|---|--|---|
| <input type="checkbox"/> Increase Existing Appropriation | <input type="checkbox"/> Increase Existing Revenues | <input type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input checked="" type="checkbox"/> Decrease Existing Appropriation | <input checked="" type="checkbox"/> Decrease Existing Revenues | <input checked="" type="checkbox"/> Decrease Costs |
| <input type="checkbox"/> Create New Appropriation | | |

Local: No Local Government Costs

- | | | |
|--|---|---|
| 1. <input type="checkbox"/> Increase Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenues
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 5. Types of Local Governmental Units Affected:
<input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Villages <input checked="" type="checkbox"/> Cities
<input type="checkbox"/> Counties <input type="checkbox"/> Others _____
<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
| 2. <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 4. <input checked="" type="checkbox"/> Decrease Revenues
<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory | |

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate:

This bill limits the informational advertising for lottery games to the posting of signs at lottery retailer locations, and it decreases advertising funding for the lottery by \$2,304,000 in FY 2000 and \$4,608,000 in FY 2001. This bill allows informational advertising only through the posting of signs at lottery retail ticket outlets. Annual spending related to signage of this type is estimated at \$575,000 (the amount spent in FY 1998). However, the bill does not retain this cost in the appropriation for the lottery's general program operations.

Effect on Lottery Sales and Prize Payouts

Assuming an effective date of September 1, 1999, it is estimated that the bill would reduce lottery sales by 10% in FY 2000 and 25% in FY 2001. These estimates are based on prior experiences with advertising restrictions in Wisconsin and other lottery jurisdictions. Lottery sales are expected to be \$419.4 million in FY 2000 and FY 2001; thus, this bill would reduce sales by \$41.9 million (\$419.4 million x .10) in FY 2000 and \$104.9 million (\$419.4 million x .25) in FY 2001. Prize payouts would be reduced by \$24.0 million in FY 2000 and \$60.1 million in FY 2001.

Administrative Effect

In addition to the reduction in advertising expenses, the bill would reduce retailer compensation costs, ticket printing costs, and vendor fees, all of which are based upon lottery sales. Retailer compensation costs would be reduced by \$2.4 million in FY 2000 and \$6.0 million in FY 2001, ticket printing costs would be reduced by \$0.8 million in FY 2001, and vendor fees would be reduced by \$84,000 in FY 2000 and \$210,000 in FY 2001. The total reduction in administrative costs, including advertising, would be \$4.8 million in FY 2000 and \$11.7 million in FY 2001.

(continued on page two)

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue John T. Stott, (608) 266-9706	Authorized Signature/Telephone No. Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	Date 4/26/99
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Lottery Credit/Local Property Tax Relief

The lottery credit on property tax bills would be lower under the proposal. Total lottery proceeds available for the credit would decline \$14.8 million in FY 2000 and \$37.9 million in FY 2001. Under current law, the bill would reduce the average lottery credit from \$41 to \$36 in 1999/2000 and from \$38 to \$26 in 2000/01. To the extent that the bill results in increased property taxes, it would increase expenditures on various refundable property tax credit programs—the homestead credit, farmland preservation credit, and farmland tax relief credit.

AB 270 Cost Summary
(\$ thousands)

	FY 2000	FY 2001
Advertising	-\$2,304	-\$4,608
Retailer Compensation	-2,400	-6,000
Ticket Printing	--	-850
Vendor Fees	<u>-84</u>	<u>-210</u>
Subtotal – Administrative Costs	-4,788	-11,668
Prize Payouts	<u>-24,000</u>	<u>-60,100</u>
Subtotal – State Operations	-28,788	-71,668
Lottery Credit	-14,800	-37,900
Total	-43,588	-109,668

408 4/26/99

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

1999 Session

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LRB # - 1908/1

Admin. Rule #

INTRODUCTION # AB 270

Subject
 Restrict Informational Advertising for the State Lottery

I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe (FTE Position Changes)	\$	\$ -
	(FTE)	(- FTE)
State Operations-Other Costs		- 71,668,000
Local Assistance		- 37,900,000
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$	\$ - 109,668,000
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$	\$ -
FED		-
PRO/PRS		-
SEG/SEG-S		- 109,668,000
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$	\$ -
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		- 104,900,000
TOTAL State Revenues	\$	\$ - 104,900,000

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ - 109,668,000	\$
NET CHANGE IN REVENUES	\$ - 104,900,000	\$ - 37,900,000

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue John T. Stott, (608) 266-9706	Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	4/26/99