

Fiscal Estimate Narratives

DOR 5/7/01

LRB Number	01-2053/1	Introduction Number	AB-315	Estimate Type	Original
Subject					
Limits on lottery advertising					

Assumptions Used in Arriving at Fiscal Estimate

The bill limits the informational advertising for lottery games to the posting of signs at lottery retailer locations. The bill decreases advertising funding for the lottery by \$2,304,000 in FY02 and \$4,608,000 in FY03.

Effect on Lottery Sales and Prize Payouts

Assuming an effective date of September 1, 2001, it is estimated that the bill would reduce lottery sales by 10% in FY02, 25% in FY03 and 50% thereafter. Lottery sales are expected to be \$405.5 million in FY02 and FY03; thus, the bill would reduce sales by \$40.6 million (\$405.5 million x 10%) in FY02 and \$101.4 million (\$405.5 million x 25%) in FY03. Prize payouts would be reduced by \$23.1 million in FY02 and \$57.9 million in FY03.

Administrative Effect

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 \$2.9 million in FY02 and \$7.1 million in FY03. Ticket printing costs would be reduced by \$900,000 in FY03, and vendor fees would be reduced by \$80,000 in FY02 and \$200,000 in FY03. The total reduction in administrative costs, including advertising would be \$5.3 million in FY02 and \$12.8 million in FY03. The reductions are detailed in the attached table.

Lottery and Gaming Credit

The lottery and gaming credit on property tax bills would be lower under the bill due to reduced lottery sales. Total lottery proceeds available for the credit would decline by \$11.3 million in FY02 and \$29.4 million in FY03. The bill would reduce the average lottery and gaming credit from \$76 to \$68 in 2001/02 and from \$76 to \$53 in 2002/03. To the extent that the bill results in increased property taxes, it would increase expenditures on various refundable property tax credit programs - the homestead, farmland preservation credit and farmland tax relief credit.

Long-Range Fiscal Implications

It is estimated that the bill would result in a 50% decrease in lottery sales in FY04 and beyond. This would result in a decrease in administrative costs associated with advertising, retailer commissions, vendor fees and ticket printing of \$20.2 million and a \$64.8 million decrease in lottery and gaming credits. As a result, the average lottery and gaming credit would decrease from \$76 to \$27 beginning in December 2003/04.

AB 315 Cost Summary

(in thousands)

	<u>FY 2002</u>	<u>FY 2003</u>
Advertising	-\$2,304	-\$4,608
Retailer Commission	-\$2,900	-\$7,100
Ticket Printing		-\$900
Vendor Fees	-\$80	-\$200
Total Administrative Costs	-\$5,284	-\$12,808
Prize Payout	-\$23,100	-\$57,900
Total State Operations	-\$28,384	-\$70,708
Lottery Credit	-\$11,300	-\$29,435
Total State Costs	-\$39,684	-\$100,143

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
Limits on lottery advertising			
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 funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$	-70,708,000	
(FTE Position Changes)			
State Operations - Other Costs		-70,708,000	
Local Assistance		-29,435,000	
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$	\$-100,143,000	
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S		-100,143,000	
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		-101,400,000	
TOTAL State Revenues	\$	\$-101,400,000	
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$-100,143,000	\$	
NET CHANGE IN REVENUE	\$-101,400,000	\$	
Agency/Prepared By		Authorized Signature	Date
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