

Fiscal Estimate - 2013 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 13-1417/1
 Introduction Number **SB-106**

Description
 Creating a veterans-themed lottery game, changing the primary source of funding for the veterans and surviving spouses property tax credit, and making appropriations

Fiscal Effect

State:

- No State Fiscal Effect
- Indeterminate
 - Increase Existing Appropriations
 - Decrease Existing Appropriations
 - Create New Appropriations
- Increase Existing Revenues
- Decrease Existing Revenues
- Increase Costs - May be possible to absorb within agency's budget
 - Yes No
 - Decrease Costs

Local:

- No Local Government Costs
- Indeterminate
- 1. Increase Costs Permissive Mandatory
- 2. Decrease Costs Permissive Mandatory
- 3. Increase Revenue Permissive Mandatory
- 4. Decrease Revenue Permissive Mandatory
- 5. Types of Local Government Units Affected
 - Towns Village Cities
 - Counties Others
 - School Districts WTCS Districts

Fund Sources Affected

GPR FED PRO PRS SEG SEGS Lottery Fund, Veterans Trust Fund

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
DOR/ Robert Schmidt (608) 267-9892	Paul Ziegler (608) 266-5773	4/3/2013

Fiscal Estimate Narratives

DOR 4/3/2013

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Assumptions Used in Arriving at Fiscal Estimate

Current law provides a refundable individual income tax credit, known as the veterans and surviving spouses property tax credit, in the amount of the property taxes paid during the year on the claimant's principal dwelling in Wisconsin. Current law provides a GPR sum sufficient appropriation to pay all claims under the program. This appropriation is currently estimated at \$24.0 million and \$34.8 million for FY14 and FY15, respectively.

Under the bill, the Wisconsin Lottery would be required to offer a lottery game with a veterans theme. The net proceeds of the game would be the first source of funds to pay claims under the veterans and surviving spouses property tax credit. The current law GPR sum sufficient appropriation would be used to pay all eligible claims in excess of the net lottery proceeds from the new veterans game. The bill also transfers an amount equal to the net lottery proceeds of the new game from the general fund to the veterans trust fund.

The bill does not provide specific parameters for the type of the veterans lottery themed game to be offered. The following analysis is based on a hypothetical construct for a veterans-themed game made available annually around veterans day.

Several states offer lottery games with veterans themes – including the Illinois Lottery, which offers a seasonally available \$2 veterans-themed scratch game. Based on information from the annual reports published by the Illinois Lottery, gross sales from the IL veterans-themed game averaged \$6.6 million annually for the first three years of the game's availability (2006-2008). Assuming sales of the lottery game are proportional to a state's population, WI sales of a similar seasonal veterans-themed lottery ticket are estimated to average \$2.9 million annually. Assuming net proceeds are 28% of the gross ticket sales, a seasonal \$2 veterans-themed scratch game in Wisconsin is expected to generate, on average, \$800,000 in net proceeds on an annual basis. The department expects that sales of a themed game may be higher initially but decrease over time as consumer preferences change.

Given the limited space retailers allocate to lottery games, sales of a veterans-themed game may displace sales of other lottery tickets. An \$800,000 shift in net proceeds from other lottery games to the veterans-themed game would result in the lottery and gaming credit decreasing by approximately \$1 for Wisconsin homeowners. Consequently, if the bill had been in effect for the December 2012 tax bills, the lottery credit would have been about \$93 rather than \$94. The decrease may be greater, however, if the veteran's game displaces retail space that would otherwise be devoted to of faster selling lottery games. On the other hand, if the game draws new customers that previously did not purchase lottery tickets, the impact on the lottery credit could be minimal.

While multiple or year-round veteran themed games may increase veteran games net proceeds beyond the \$800,000 estimate above, the potential that the loss to the lottery credit could exceed the amount generated by the veterans games would increase as additional displacement of existing lottery ticket retail space would be anticipated.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

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Description Creating a veterans-themed lottery game, changing the primary source of funding for the veterans and surviving spouses property tax credit, and making appropriations			
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	\$	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
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		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$see text	\$
NET CHANGE IN REVENUE		\$see text	\$
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