



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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Joint Committee on Finance

Paper #666

### **Minor Policy and Technical Changes -- Sum Sufficient Appropriations for Retailer Compensation and Vendor Fees (DOR -- Lottery Administration)**

[LFB 2005-07 Budget Summary: Page 436, #2]

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#### **CURRENT LAW**

Basic retailer compensation rates are 5.5% for online ticket sales and 6.25% for instant ticket sales. In addition, the retailer performance program provides an amount of up to 1% of for-profit sales as incentive payments to retailers. A retailer compensation sum sufficient appropriation, funded from the lottery fund, supports these payments. The base level expenditure estimate for the appropriation is \$29,452,100 SEG annually.

Funding to pay vendors under contract with the state for on-line and instant ticket supplies and services is provided in a sum sufficient appropriation, funded from the lottery fund, with a base level expenditure estimate of \$12,926,700 SEG.

Both of these appropriations include a statutory provision specifying that no moneys may be encumbered or expended from these appropriation accounts during 1999-00.

#### **GOVERNOR**

Provide \$4,321,800 SEG in 2005-06 and \$5,052,100 SEG in 2006-07 to adjust base level funding for retailer compensation, including payments to retailers under the retailer performance program, to reflect projected lottery sales in the 2005-07 biennium. Total estimated retailer compensation under the bill would be \$33,773,900 SEG in 2005-06 and \$34,504,200 SEG in 2006-07.

Provide reductions of \$711,500 SEG in 2005-06 and \$455,700 SEG in 2006-07 to adjust funding for vendor fees to reflect projected lottery sales in the 2005-07 biennium under a revised vendor contract. Total estimated vendor fees under the bill would be \$12,215,200 SEG in 2005-06 and \$12,471,000 SEG in 2006-07.

## MODIFICATION

Provide an additional \$84,000 SEG annually for the retailer compensation appropriation.

Delete the statutory provisions that that no moneys may be encumbered or expended from the retailer compensation appropriation and from the vendor fees appropriation during 1999-00.

**Explanation:** The amount contained in the bill for retailer compensation costs needs to be reestimated. Total estimated retailer compensation under the modification would be \$33,857,900 SEG in 2005-06 and \$34,588,200 SEG in 2006-07.

Since this estimate would increase expenditures for operational costs of the lottery by \$84,000 annually, there would be a corresponding decrease in the annual amount of proceeds available for the lottery and gaming tax credits.

The statutory provisions that that no moneys may be encumbered or expended from the retailer compensation appropriation and from the vendor fees appropriation during 1999-00 were enacted under 1999 Wisconsin Act 9 (the 1999-01 biennial budget act) in which GPR funding was used to pay retailer compensation and vendor fees in 1999-00 only. The statutory provisions are no longer applicable and should be deleted.

<u>Modification</u>	<u>SEG</u>
<b>2005-07 FUNDING</b> (Change to Bill)	\$168,000

Prepared by: Art Zimmerman