



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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Joint Committee on Finance

Paper #565

Lottery Fund Condition (DOR -- Lottery Administration)

[LFB 2015-17 Budget Summary: Page 386, #3; and Page 404, #2]

CURRENT LAW

The total revenue available for tax relief, minus a statutory reserve (2% of gross revenue) and the amount appropriated for the lottery and gaming credit late applications payments, determines the amount available for the lottery and gaming tax credit. Net revenue available for tax relief depends on actual lottery fund revenues and expenditures and will change with any change in revenue or expenditures.

GOVERNOR

Provide a total of \$161,125,600 SEG in 2015-16 and \$162,893,200 SEG in 2016-17 for the lottery and gaming tax credit. The following fund condition statement provides information on operating revenues, appropriated amounts for expenditures, estimates of interest earnings and gaming-related revenue, and the amounts available for tax relief credits under the bill.

Lottery Fund Condition Statement, AB21/SB21 As Introduced

	<u>2015-16</u>	<u>2016-17</u>
Fiscal Year Opening Balance	\$11,481,100	\$11,718,200
Operating Revenues		
Ticket Sales	\$585,814,800	\$585,814,800
Retailer Fees and Miscellaneous	<u>95,000</u>	<u>64,300</u>
Gross Revenues	\$585,909,800	\$585,879,100
Expenditures		
Prizes	\$346,775,600	\$346,775,600
Retailer Compensation	40,770,500	40,770,500
Vendor Payments	14,879,700	14,879,700
General Program Operations	21,900,600	21,915,100
Appropriation to DOJ	389,500	389,500
Appropriation to DOR	285,800	285,800
Program Reserves	<u>224,400</u>	<u>439,600</u>
Total Expenditures	\$425,226,100	\$425,455,800
Net Proceeds	\$160,683,700	\$160,423,300
Interest Earnings	\$802,800	\$2,593,100
Gaming-Related Revenue	\$43,300	\$43,300
Total Available for Tax Relief*	\$173,010,900	\$174,777,900
Appropriations for Tax Relief		
Lottery and Gaming Credit	\$161,125,600	\$162,893,200
Late Lottery and Gaming Credit Applications	<u>167,100</u>	<u>167,100</u>
Total Appropriations for Tax Relief	\$161,292,700	\$163,060,300
Gross Closing Balance	\$11,718,200	\$11,717,600
Reserve (2% of Gross Revenues)	\$11,718,200	\$11,717,600
Net Closing Balance	\$0	\$0

*Opening balance, net proceeds, interest earnings, and gaming-related revenue.

MODIFICATION

Reestimate the lottery and gaming credit by \$1,657,200 SEG in 2015-16 and -\$1,361,800 SEG in 2016-17.

Explanation: Since projecting lottery sales in October, 2014, the Department of Revenue reestimated prize expenses by \$912,800 annually in its March 10, 2015, prize payout report submitted to the Joint Committee on Finance, pursuant to s. 565.02(7) of the statutes and approved by the Committee on March 30. In general, higher prize expenses result in lower net revenue available for tax relief. In addition, the 2014-15 lottery and gaming credit was paid by the Department on March 23, 2015, and totaled \$166,563,300 (\$3,505,900 lower than the October, 2014, lottery and gaming credit certification). The opening balance of 2015-16, therefore, is increased by \$2,593,100 (the net difference between the \$0.9 million

prize expense increase and \$3.5 million tax credit expenditure decrease in the prior year). Finally, interest earnings under the bill are based on interest rates projected by IHS Global Insight, Inc. in September, 2014. Taking into account reestimated interest rates projected by IHS Global Insight, Inc. in March, 2015, estimated interest earnings would be reduced by \$23,100 in 2015-16 and \$449,000 in 2016-17. The above changes are reflected in the following fund condition statement, which reestimates the lottery and gaming credit at \$162,782,800 in 2015-16 and \$161,531,400 in 2016-17.

Lottery Fund Condition Statement, Reestimated

	<u>2015-16</u>	<u>2016-17</u>
Fiscal Year Opening Balance	\$14,074,200	\$11,718,200
Operating Revenues		
Ticket Sales	\$585,814,800	\$585,814,800
Retailer Fees and Miscellaneous	<u>95,000</u>	<u>64,300</u>
Gross Revenues	\$585,909,800	\$585,879,100
Expenditures		
Prizes	\$347,688,400	\$347,688,400
Retailer Compensation	40,770,500	40,770,500
Vendor Payments	14,879,700	14,879,700
General Program Operations	21,900,600	21,915,100
Appropriation to DOJ	389,500	389,500
Appropriation to DOR	285,800	285,800
Program Reserves	<u>224,400</u>	<u>439,600</u>
Total Expenditures	\$426,138,900	\$426,368,600
Net Proceeds	\$159,770,900	\$159,510,500
Interest Earnings	\$779,700	\$2,144,100
Gaming-Related Revenue	\$43,300	\$43,300
Total Available for Tax Relief*	\$174,668,100	\$173,416,100
Appropriations for Tax Relief		
Lottery and Gaming Credit	\$162,782,800	\$161,531,400
Late Lottery and Gaming Credit Applications	<u>167,100</u>	<u>167,100</u>
Total Appropriations for Tax Relief	\$162,949,900	\$161,698,500
Gross Closing Balance	\$11,718,200	\$11,717,600
Reserve (2% of Gross Revenues)	\$11,718,200	\$11,717,600
Net Closing Balance	\$0	\$0

*Opening balance, net proceeds, interest earnings, and gaming-related revenue.

Change to Bill	
SEG	\$295,400

Prepared by: Rachel Janke