

State Lottery Department

2001 Fiscal Impact Statement

1. **Patron** Pollard, A.

Bill Number HB 1559

3. **Committee** House General Laws

House of Origin:

X **Introduced**

 Substitute

 Engrossed

4. **Title** Lottery Board; powers

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:** Requires the Lottery Board through regulation to express the prize amounts for winning tickets or shares in all advertisements of the lottery as the estimated present value of such winnings if the prize is not payable in one single payment. The bill also repeals an obsolete provision of the lottery law.

6. Fiscal Impact Estimates are:

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2000-01			
2001-02	\$250,000		
2002-03			

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2000-01			
2001-02	(\$20.3 million)		G.F.
2002-03	(\$20.3 million)		G.F.

7. **Budget amendment necessary:**

8. **Fiscal implications:**

With our present product mix, Lotto and Big Game sales in Virginia would decrease 23% or \$19.1 and 34% or \$28.1 million, respectively, in the first full year of implementation. The impact of a reduction in sales of \$47.2 million would be a reduction of \$20.3 million annually in the department's transfer to the Commonwealth. Since jackpot fatigue is progressive, lost sales in the near term tend to exacerbate lost sales in the long term. Lost sales and turnover in FY 2003 and beyond would likely be greater than \$47.2 million and \$20.3 million, respectively. In the one similar instance in US lottery history, the affected Lottery experienced a 26% drop in their in-state Lotto game when they stated the value of the jackpot as only the present value.

The members of the Big Game could elect to remove the Virginia Lottery from participation in the Big Game if they perceived this change as damaging to image of their game or *to sales of another member lottery*. The Big Game is sold in one border jurisdiction, Maryland, where players are impacted by our advertising. If Virginia were dropped from the Big Game, sales would drop \$81.8 million and transfer to the Commonwealth would drop \$36.5 million. Combined with the Lotto Virginia impact, the reduction in annual transfer would be \$54.4 million annually.

There would be an additional cost of approximately \$250,000 to reconfigure Lottery billboards.

9. Specific agency or political subdivisions affected:

10. Technical amendment necessary:

11. Other comments: There is a positive correlation between stated jackpot size and sales. If the lottery advertises jackpots approximately one-half the size of present advertised jackpots, sales will be greatly reduced. Historically, present values of jackpots have been approximately 50% of annuitized values. For this analysis, we have assumed jackpots would need to grow twice as large before generating the same amount of sales.

Date: 12/19/00 / blr

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cc: Secretary of Finance

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