

State Lottery Department

2001 Fiscal Impact Statement

1. Bill Number HB1563

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Parrish

3. Committee General Laws

4. Title Lottery proceeds; remove 'primary' from advertising language.

5. Summary/Purpose:

Lottery proceeds; remove "primary" from advertising language. Deletes the term "primary" so that no funds shall be spent for the purpose of inducing individuals to play the lottery.

6. Fiscal Impact Estimates are final.

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2000-01	\$ 0	0	
2001-02	*	0	
2002-03	*	0	

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2000-01			
2001-02	\$35,650,000	0	GF
2002-03	\$35,650,000	0	GF

7. Budget amendment necessary: Yes; Section 3-1.01G, 2000 Appropriation Act. Reduce amount for transfer to the general fund by \$35.65 million in FY 2002 and \$35.65 million per year in FY 2003 and beyond.

Item 144, 2000 Appropriation Act. (Direct aid to public education) Reduce financial assistance for lottery proceeds, revenue sharing by \$35.65 million in FY 2002 and \$35.65 million in FY 2003 and beyond.

8. Fiscal implications:

OPERATING - EXPENDITURE

* Current spending on media is approximately \$9.99 million. If the Lottery were prohibited from investing this on product-oriented advertising, some portion would likely be spent on corporate image advertising, in an attempt to mitigate profit losses.

OPERATING – REVENUE

Lottery industry studies indicate, on average, that each dollar of product-oriented advertising returns \$8.10 of product sales. A reduction of product advertising by \$9.99 million should result in a sales reduction of \$80.9 million. The resulting annual loss in profit to the state from these sales is \$30.65 million.

In FY 2002, a major lottery product, Cash 5, will be repositioned or replaced. This will require product advertising. Without introduction to the public, sales for this new game are forecast to be \$11.5 million lower than in the official forecast, resulting in a \$5 million reduction in profit to the state.

9. Specific agency or political subdivisions affected:
All localities receiving aid to public education.

10. Technical amendment necessary: No

11. Other comments:

Retailers' lottery compensation is based upon their lottery product sales; therefore, if advertising were prohibited, retailers would experience reduced levels of sales and subsequently might find it unprofitable and undesirable to sell lottery products.

The 2001 fiscal impact is projected to be slightly smaller than the Lottery's HB 477 response in January 2000 due to a slightly lower amount of media spending in the FY 2002 budget than in the FY 2001 budget. In January 2000 the budget for FY 2002 had not yet been developed, and the FY 2001 budget was the best indicator of spending needs in FY 2002 and beyond.

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cc: Secretary of Finance

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