

Department of Planning and Budget 2011 Fiscal Impact Statement

1. Bill Number: SB1386

House of Origin	<input type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Colgan

3. Committee: Finance

4. Title: State lottery; instant ticket game to benefit veterans'.

5. Summary: Directs the State Lottery Board to create an instant ticket lottery game and dedicates the revenue generated for the benefit of veterans' who reside in the Commonwealth.

6. Budget Amendment Necessary: Yes. Item 132, Direct Aid for Public Education; and the agency or agencies in which the revenue will be appropriated.

7. Fiscal impact estimates are preliminary. See item 8, below.

8. Fiscal Implications: All Virginia Lottery net income is transferred to the Lottery Proceeds Fund each year in accordance with requirements in the Appropriation Act, the Code of Virginia, and Article X, Section 7-A of the Constitution of Virginia. Because of the constitutional provision that dedicates 100 percent of Lottery proceeds to K-12 public education in Virginia, the General Assembly may appropriate amounts from the Fund for purposes other than public education by a vote of four-fifths of the members voting in each house.

HB1500/SB800 directs the deposit of an estimated \$435.2 million in FY 2011 and an estimated \$435.9 million in FY 2012 to the Lottery Proceeds Fund and the distribution of these funds to localities to support public education. The bill directs the State Lottery Board to create an instant ticket lottery game and dedicates the revenue generated for the benefit of veterans' who reside in the Commonwealth, beginning in FY 2012. The revenue generated from the instant ticket lottery game will be deposited to the Veterans' Lottery Proceeds Fund to be used for the benefit of veterans' of the armed forces who reside in the Commonwealth.

The Lottery estimates the fiscal impact of SB1386 to be between \$1 and \$3 million in annual revenue to the Veterans' Lottery Proceeds Fund, with an equal reduction to the Lottery Proceeds Fund. While the net revenue impact to the Commonwealth is \$0, the reallocation of funds to the Veterans' Lottery Proceeds Fund would reduce the funds available for the Lottery Proceeds Fund, which is used to support K-12 public education in Virginia. If these funds are not supplanted with general fund dollars, reductions to one or more Lottery funded

programs will be required to account for the loss of Lottery proceeds. Passage of this bill may require additional guidance to the Department of Education on which programs to reduce or eliminate.

Because the Lottery's advertising to date has been dedicated to promoting the message that all Lottery proceeds go to public education, the development and promotion of a new message for the game dedicated strictly to veterans' programs will require an initial investment that will impact the profit margin on these tickets.

- 9. Specific Agency or Political Subdivisions Affected:** Virginia Lottery, Department of Education, local school divisions.
- 10. Technical Amendment Necessary:** The new fund established by the bill is referred to as both the Veterans' Lottery Proceeds Fund and the Veterans' Lottery Fund. A technical amendment is suggested to clarify the intended name of the new fund. .
- 11. Other Comments:** The bill proposes a date of September 1, 2011, for the ticket to begin selling. According to the Lottery, it would not be able to get a ticket designed, printed, and distributed that quickly. The Lottery believes that a date of January 1, 2012, would allow sufficient time to fully implement the new game.

Date: 2/3/11