

Department of Planning and Budget 2009 Fiscal Impact Statement

1. Bill Number: HB2610

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Ware, O.

3. Committee: General Laws

4. Title: Charitable Gaming, Department; authorized to contract with State Lottery one-time raffle

5. Summary: The bill requires the Division of Charitable Gaming to contract with the State Lottery Department to provide administrative and marketing support for a one-time raffle conducted by a qualified organization as defined in § 18.2-340.16, the proceeds, after payment of expenses, prizes, and 20 percent to the Virginia Film Incentive, shall be paid to the qualified organization conducting the raffle. The bill sets out the requirements for the conduct of the raffle.

6. Fiscal Impact Estimates: Preliminary.

6a. Expenditure Impact: Department of Agriculture and Consumer Services, Division of Charitable Gaming

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2010	\$300,000	general
2011	\$50,000	general

6b. Revenue Impact: Lottery Proceeds Fund

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2010	(\$2.6 million)	nongeneral
2011	(\$2.6 million)	nongeneral

7. Budget Amendment Necessary: Yes, Item 101 of House Bill 1600 to provide funding for the Division of Charitable Gaming and necessary changes to Part 3 and K-12 education to reduce the transfer to the Lottery Proceeds Fund.

8. Fiscal Implications: According to the Department of Agriculture and Forestry, Division of Charitable Gaming, changes will be needed for the financial database system to retrieve data from the State Lottery Department. The information technology changes are estimated to cost \$300,000 in FY 2010 and \$50,000 in FY 2011.

The State Lottery Department states that raffle game offerings have been part of the Virginia Lottery's product mix since 2006. The timing and frequency of such offerings must be managed carefully for consumer demand; the nature of the fixed prizes and the limited-time offering put the product at risk in terms of potential income loss. If sales are less than expected, the cost of the guaranteed prizes may not be covered. Experience in Virginia and

other lottery states suggest that one annual raffle saturates consumer demand for the product, more frequent offerings dilute demand and sales and cause profits to decline.

The revenue reduction in item six represents the amount of annual profits the Virginia Lottery expects to generate from its own raffle game for transfer to the Lottery Proceeds Fund. The profits are included in the State Lottery Department's revenue estimate that is included in the introduced budget bill. The revenue reduction of \$2.6 million is conservative, because it is possible that additional losses may occur if raffles offered under the provisions of the bill are not profitable, and prize and support costs exceed ticket sales due to depressed or diluted consumer demand.

9. Specific Agency or Political Subdivisions Affected: Department of Agriculture and Consumer Services, Division of Charitable Gaming, State Lottery Department.

10. Technical Amendment Necessary: No.

11. Other Comments: According to the State Lottery Department, in 2008, benchmarking studies showed that 60 percent of adults are aware that all lottery profits are dedicated to local public education, grades K-12. If profits from products offered by the Virginia Lottery are earmarked for different beneficiary, this may result in consumer confusion about how lottery profits are used. This confusion may erode overall lottery sales and profits, decreasing the funding available for K-12 public education.

Date: 1/30/2009 dpbkbs

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cc: Secretary of Agriculture and Forestry
Secretary of Finance