

FISCAL NOTE

Requested by Legislative Council
03/03/2005

REVISION

Amendment to: Engrossed
HB 1259

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$10,000,000	\$400,000	\$10,000,000	\$400,000
Expenditures	\$0	\$0	\$0	\$4,498,000	\$0	\$4,673,000
Appropriations	\$0	\$0	\$0	\$4,498,000	\$0	\$4,673,000

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

This bill would replace the present Lottery law with a new law that is clear and concise. As amended, the bill would restrict the Lottery to a legislative appropriation, rather than a continuing appropriation, for payment of all administrative and operating expenses except for payment of prizes and online gaming system vendor fees.

The bill provides a short-term line of credit as necessary, continues to designate \$400,000 for compulsive gambling prevention and treatment services, provides for a Lottery advisory commission, selection and licensing of retailers, annual audit, and debt setoffs of certain prize amounts to satisfy debts owed to or collected through state agencies.

The bill does not provide for payment of retailers' commissions and game group dues as part of a continuing appropriation. Since these expenses are directly related to gross sales of lottery tickets, it is unclear what will happen in the event actual lottery ticket sales exceed estimated sales.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The Executive Recommendation includes general fund revenues of \$10 million for the 2005-07 biennium from lottery ticket sales. The revenue projection is net of prizes, administrative and operating expenses, retailer commissions, game group dues, and transfers of net proceeds (profit) to the compulsive gambling prevention and treatment fund (\$400,000) and to the multistate lottery association for prize reserve pools (\$717,000).

Based on the Executive Recommendation general fund revenue estimate from lottery sales for the 2005-07 biennium, total lottery revenue is estimated to be \$36,008,000 and net proceeds (profit) will be \$11,117,000 (prior to prize reserve pools payments and the \$400,000 transfer to the compulsive gambling prevention and treatment fund).

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line*

item, and fund affected and the number of FTE positions affected.

Estimated expenditures for administrative and operating expenses, retailer commissions, and game group dues are \$4.498 million for the 2005-07 biennium. This amount excludes prizes and the online gaming system vendor fee, which are paid from the continuing appropriation.

Since retailer commissions and game group dues expenditures are directly related to gross sales of lottery tickets, it is unclear what will happen in the event actual lottery ticket sales exceed estimated sales.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

The estimated appropriation of \$4.498 million from the Lottery Operating fund for the 2005-07 biennium is equal to estimated expenditures for the same period. No appropriation is included, either in this bill or the Office of Attorney General's appropriation bill, to pay the estimated \$4.498 million in expenditures.

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Date Prepared: 03/03/2005