

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 10, 2003

TO: Honorable Kino Flores, Chair, House Committee on Licensing & Administrative Procedures

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1217 by Flores (Relating to authorizing the Texas Lottery Commission to participate in a multijurisdiction lottery game.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1217, As Introduced: a positive impact of \$101,500,000 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$37,500,000
2005	\$64,000,000
2006	\$64,000,000
2007	\$64,000,000
2008	\$64,000,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue Gain/(Loss) from <i>LOTTERY ACCT 5025</i>	Probable Savings/ (Cost) from <i>LOTTERY ACCT 5025</i>	Change in Number of State Employees from FY 2003
2004	\$37,500,000	\$11,518,929	(\$11,518,929)	4.0
2005	\$64,000,000	\$5,400,632	(\$5,400,632)	4.0
2006	\$64,000,000	\$5,405,287	(\$5,405,287)	4.0
2007	\$64,000,000	\$5,410,102	(\$5,410,102)	4.0
2008	\$64,000,000	\$5,415,079	(\$5,415,079)	4.0

Fiscal Analysis

The bill would add a new subchapter to Chapter 466 of the Government Code to allow the Texas Lottery Commission to participate in a multijurisdictional lottery game.

The bill would establish how Texas' participation in a multijurisdictional game would be administered, and it would allow the commission to deposit revenues in a multijurisdictional lottery fund. The bill also would allow the commission to share in the payment of costs associated with participation in multijurisdictional lottery games.

The bill would take effect immediately upon enactment, assuming that it receives the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2003.

Methodology

The bill would partially implement recommendation GG 26 from the Comptroller's *e-Texas* report, *Limited Government, Unlimited Opportunity*. Recommendation GG 26, "Increase State Lottery Revenues," would require the Texas Lottery Commission to participate in a multijurisdictional lottery. The bill would allow the commission to participate. This analysis presumes the commission would participate.

Information was collected from 12 states involved in multistate games. Historical data were collected on their sales and the substitution effects of a multistate game on their 3-ball, 5-ball, and 6-ball lottery games. Using fiscal 2002 data by game, comparative estimates for Texas' lottery games with and without a multistate game were made, using the weighted experience in other states as a guide for the game-by-game estimates. In estimating the projected revenue to the State, any increase in gross sales resulting from a multi-jurisdiction lottery game has been offset by a related, but lesser, decline in sales of existing on-line games. The fiscal implication reflects the portion of net revenue retained by the State. Further, the estimated gains are net of sales tax revenue losses caused by increased spending on the lottery.

The Lottery Commission estimates that 4.0 FTEs will be added in the following areas: .5 FTE in Marketing to serve as an additional product manager, 1.0 FTE in Information Technology for initial setup, testing and ongoing support, 2.0 FTEs in Communications to address phone and mail inquiries and .5 FTE in Security for draw monitoring. The estimated costs for advertising, jackpot awareness and start-up would be \$11 million for fiscal year 2004 and \$5 million in fiscal years 2005 through 2009 for jackpot awareness.

For estimating purposes, a multistate game was assumed to begin in Texas on January 1, 2004, to allow the Texas Lottery Commission time to deal with administrative tasks and agreements with the other jurisdictions.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. Revenue to local jurisdictions receiving quarterly bingo prize fee allocations could be negatively affected by passage of this bill, but it is not estimated to be significant.

Source Agencies: 304 Comptroller Of Public Accounts, 362 Texas Lottery Commission

LBB Staff: JK, JRO, JO, RR, WP, SD