

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 24, 2003

TO: Honorable Ron Wilson, Chair, House Committee on Ways & Means

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB270 by Jackson (Relating to the continuation and functions of the Texas Lottery Commission.), Committee Report 2nd House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for SB270, Committee Report 2nd House, Substituted: a positive impact of \$100,000,000 through the biennium ending August 31, 2005.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$36,750,000
2005	\$63,250,000
2006	\$63,250,000
2007	\$63,250,000
2008	\$63,250,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1	Probable Savings/ (Cost) from GENERAL REVENUE FUND 1	Probable Revenue Gain/(Loss) from FOUNDATION SCHOOL FUND 193	Probable Revenue Gain/(Loss) from LOTTERY ACCT 5025
2004	\$5,449,539	(\$5,449,539)	\$36,750,000	\$11,518,929
2005	\$5,306,644	(\$5,306,644)	\$63,250,000	\$5,400,632
2006	\$5,308,550	(\$5,308,550)	\$63,250,000	\$5,405,287
2007	\$5,310,522	(\$5,310,522)	\$63,250,000	\$5,410,102
2008	\$5,312,561	(\$5,312,561)	\$63,250,000	\$5,414,079

Fiscal Year	Probable Savings/ (Cost) from LOTTERY ACCT 5025	Change in Number of State Employees from FY 2003
2004	(\$11,518,929)	7.0
2005	(\$5,400,632)	5.0
2006	(\$5,402,287)	5.0
2007	(\$5,410,102)	5.0
2008	(\$5,414,079)	5.0

Fiscal Analysis

The bill would continue the Lottery Commission for another 12 years and would add a new subchapter to Chapter 466 of the Government Code allowing the Texas Lottery Commission to participate in one or more multistate lottery games.

The bill would allow the commission to deposit a portion of multistate lottery revenue in a fund shared with other parties for the payment of prizes in that lottery and to retain the portion of revenue deposited into the fund for as long as necessary to pay prizes during the designated claim period. In addition, the bill would allow the commission to share in the payment of costs associated with participation in multistate lottery games.

The bill would 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 enter into a multistate lottery.

The bill would prohibit certain gaming machines (as defined under Chapter 47.01 of the Penal Code) and allocated \$2.5 million per year to the Comptroller and \$2.5 million per year to the Governor's Criminal Justice Division for grants to local governments for enforcement from the General Revenue Dedicated Lottery Account 5025.

The bill would amend Subchapter D of the Government Code to allow a location for which a person holds a wine and beer retailer's permit, mixed beverage permit, mixed beverage late hours permit, private club registration permit, or private club late hour permit issued under the Alcoholic Beverage Code to be licensed as an authorized lottery retailer.

The bill would amend Section 466.355 of the Government Code to allocate \$250,000 per year from the General Revenue Dedicated Lottery Account 5025 to the Comptroller for higher education grants.

The bill would allow the Lottery Commission acquire intellectual property and allow for the sale of promotional items to market and promote ticket sales. Proceeds would be would be deposited in the General Revenue Fund.

The bill would also make numerous changes related to the regulation of bingo and require the Lottery Commission issue advisory opinions concerning compliance with bingo regulations.

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

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 multistate 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 address administrative tasks and agreements with the other states.

The Comptroller's office estimates an additional \$4.5 million a year in revenue to the Foundation School Fund 193 resulting from the increase in lottery retailers.

For the bingo division, the Lottery Commission estimates the need for one Attorney in the bingo legal division to prepare advisory opinions. An additional two temporary Information Technology position would be needed to assist the Lottery Commission with the programming required to implement the provisions of the bill.

It is assumed the agency would adjust bingo fees to offset any revenue loss or increased cost associated with the implementation the sections of the bill effecting the regulation of bingo.

Local Government Impact

No significant fiscal implications 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:

LBB Staff: JK, SD, RT