

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 348** SLS 24RS 396

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 10, 2024 12:18 PM	Author: WHEAT
Dept./Agy.: Lottery Corporation	Analyst: Noah O'Dell
Subject: Games for Veterans, Seniors, and Special Needs Persons	

LOTTERIES OR +\$12,400,000 GF EX See Note Page 1 of 1
 Authorizes three separate additional lottery games with proceeds from each dedicated to veterans, senior citizens, and persons with special needs. (2/3 - CA12s6(A)(2)) (See Act)

Proposed law requires the Lottery Corporation to develop and advertise three continuous sale instant ticket lottery games to benefit veterans, seniors, and persons with special needs in Louisiana. The proceeds of each game are to be deposited into separate funds within the Lottery Proceeds fund: the Veterans Game Fund, the Senior Citizens Game Fund, and the Persons with Special Needs Game Fund. Three separate boards are created to disburse the proceeds in each fund to related programs. Board members shall serve without compensation, and the Lottery Corporation shall provide support and staff to each board as needed. Non-payroll administrative expenses are paid by the respective funds.

Effective upon enactment and voter approval of SB176 of 24RS at the statewide election on November 5, 2024.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$12,400,000	\$12,400,000	\$12,400,000	\$12,400,000	\$49,600,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$12,400,000	\$12,400,000	\$12,400,000	\$12,400,000	\$49,600,000

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	(\$3,900,000)	(\$3,900,000)	(\$3,900,000)	(\$3,900,000)	(\$15,600,000)
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	(\$3,900,000)	(\$3,900,000)	(\$3,900,000)	(\$3,900,000)	(\$15,600,000)

EXPENDITURE EXPLANATION

Lottery proceeds are currently dedicated to the Compulsive and Problem Gaming Fund, in a fixed \$500,000 per year amount, with the balance dedicated to the Minimum Foundation Program (MFP) through the Lottery Proceeds Fund. The bill essentially redirects an estimated \$12.4M of existing lottery proceeds away from the MFP to the three new purposes of the bill. Since the MFP is a constitutionally funded mandate, this redirection is expected to result in a matching increase in state general fund expenditures of \$12.4M to finance the MFP, which is reflected in the table.

The bill will require the Lottery Corp to offer a continuous instant game for the benefit of each of the following groups: veterans, senior citizens, and persons with special needs. The annual administration cost and board activity is estimated to be \$1.5M per game, which includes vendor costs, courier costs, advertising, operations, and retailer commission. The Lottery Corp indicates that it is unable to cover those cost within its current operations without reducing prize percentages. The bill indicates that these associated costs, other than Lottery staff payroll, will be paid from each new fund (net lottery proceeds.) Prizes, estimated at \$8.9M, will also be deducted from the new funds to attain net lottery proceeds resulting in annual net proceeds of \$2.8M per new purpose.

Should aggregate session action result in inordinate fund creation activity, Treasury may require additional resources.

REVENUE EXPLANATION

This bill effectively transfers the proceeds of 3 dedicated scratch tickets from the Lottery Proceeds Fund for the MFP to the three funds created in this bill for specific purposes (Veterans Game Fund, Senior Citizens Game Fund, and Persons with Special Needs Fund). At \$2 per ticket and with all other administrative assumptions based on current instant (scratch) game experience, the transfer to the MFP is expected to be reduced by \$12.4M annually (\$13.2M in proceeds * 31% current Lottery Corp transfer rate = \$4.1M for each new purpose). The increase to the new purposes as outlined in the bill is estimated to be \$8.5M per year or \$2.8M for each purpose after cost and winning deductions. The resulting net loss to the state is the difference between the MFP reduction (\$12.4M) and the deposits to the new funds (\$8.5M) or \$3.9M in net statutory dedication impacts, which is indicated in the table, assuming the timing of transfers and fund deposits are uniform.

The bill is not expected to result in a one to one transfer of funds for the following reason. The MFP funds are derived from the transfer of net revenue from the Lottery Corp, which has incorporated prizes and costs according to the Lottery Corp budget plan with revenue from the less costly draw games offsetting the higher cost scratch games. In the bill, the new funds contain only net lottery proceeds, which is interpreted by the Lottery Corp as proceeds after all administrative costs and winnings have been deducted. The estimate assumes no change in aggregate lottery purchase behavior with these specialty games supplanting the typical games launched by the Lottery Corporation throughout the year.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} | | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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