

STORAGE NAME: h0805.rs

DATE: March 31, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
REGULATED SERVICES
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: HB 805

RELATING TO: State Lotteries

SPONSOR(S): Representative Rojas

STATUTE(S) AFFECTED:

COMPANION BILL(S): SB 1722 (I)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) REGULATED SERVICES
- (2) EDUCATION INNOVATION
- (3) FINANCE & TAXATION
- (4) GENERAL GOVERNMENT APPROPRIATIONS
- (5)

I. SUMMARY:

This bill would require the Lottery Department to conduct a three-year special lottery pilot program consisting of a monthly on-line game. Proceeds from this game would be dedicated to postsecondary education scholarship funding. The department would review the program and report to the Legislature after the second year of operation.

The act would take effect October 1, 1997.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Chapter 24, Florida Statutes, implements s. 15, Article X, of the State Constitution which authorizes state-run lotteries. The Legislature's stated intent in this chapter is that the net proceeds from the state lottery games be used to support improvements in public education. The Legislature further intends that the games be operated by a department of the state government that functions as much as possible in the manner of an entrepreneurial business enterprise and directs the Department to operate the state lottery in a manner which maximizes revenue from such lottery.

Section 24.121, Florida Statutes, provides for the allocation of revenues and expenditures of funds generated by the operation of the Florida lottery. At least 50 percent of the gross revenue from lottery sales is to be returned to the public in the form of prizes; 38 percent is to be deposited into the Educational Enhancement Trust Fund, at least once each quarter; and the funds remaining are to be used for the payment of administrative expenses of the department.

The department currently conducts four on-line games - Cash 3, Play 4, New Fantasy 5, and Lotto - as well as various instant games which are changed periodically.

B. EFFECT OF PROPOSED CHANGES:

In addition to the lotteries currently operated for the benefit of public education in general, the Department of the Lottery would be required to develop a new on-line lottery game which would be conducted as a three-year pilot project for the benefit of postsecondary education scholarship funding. The drawing would be conducted on the third Friday of each month. In the event a winner is not determined at the monthly drawing, the game would continue to roll over to the following month until a winner is determined.

The proceeds, after the payment of prizes and retailer commissions, would be deposited into a separate account in the Administrative Trust Fund and then transferred to the Department of Education for distribution to state universities and community colleges. The funds would be distributed each month in a manner determined by the Board of Regents or State Board of Community Colleges provided that each of the ten state universities and two community colleges shall be selected to receive funds each year. Funds must be used to provide merit scholarships with eligibility standards established by the Board of Regents and the State Board of Community Colleges.

The department is directed to develop this pilot program in a manner which would provide maximum revenues for postsecondary education and have the least negative impact on existing lottery products. The department is further required to conduct a review of the special lottery pilot program after the second year of operation and report to the Legislature with recommendations for the future extension, expansion, or termination of the program.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

N/A

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

N/A

b. Does the bill require or authorize an increase in any fees?

N/A

- c. Does the bill reduce total taxes, both rates and revenues?

N/A

- d. Does the bill reduce total fees, both rates and revenues?

N/A

- e. Does the bill authorize any fee or tax increase by any local government?

N/A

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- (1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. SECTION-BY-SECTION RESEARCH:

This section need be completed only in the discretion of the Committee.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

There would be some start-up costs associated with the implementation of the pilot program. The cost to implement the Play4 on-line game seven years ago was in excess of \$1 million. Anticipated expenditures include systems programming, purchasing equipment for the drawing, as well as promoting, advertising, and supporting the game. As with its other games, it would be necessary for the Lottery Department to educate both players and retailers about the new game. Costs for the implementation of a new on-line game are indeterminate at this time.

2. Recurring Effects:

The Lottery Department has been concerned with similar proposals in the past. The department fears that ticket sales for the new game may come at the expense of existing lottery products.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

Indeterminate.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

The public would have the ability to play an additional lottery game.

3. Effects on Competition, Private Enterprise and Employment Markets:

N/A

D. FISCAL COMMENTS:

The Lottery Department is concerned that this new drawing may affect the sales of existing lottery products. No research exists to indicate that such a game would increase overall lottery sales. The department conducts formal research into player behavior and attitudes in determining potential marketing efforts for lottery games. The on-line game which would be required by this bill has not been identified by lottery research as filling a market void. The department considers the implementation of this game without supporting market research is a significant risk.

The department further believes that players would not buy tickets as far ahead of the drawing as this bill anticipates; rather, that players generally wait until the drawing nears to make decisions about the numbers they choose to play. Players who purchase tickets in advance of a drawing usually do so anticipating that they will not be able or that it would not be convenient for them to purchase tickets nearer to the drawing.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

N/A

V. COMMENTS:

STORAGE NAME: h0805.rs

DATE: March 31, 1997

PAGE 8

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON REGULATED SERVICES:

Prepared by:

Legislative Research Director:

J Paul Whitfield Jr

Paul Liepshutz