

**STORAGE NAME:** h2011.frc.doc  
**DATE:** March 11, 2002

**HOUSE OF REPRESENTATIVES**  
**FISCAL RESPONSIBILITY COUNCIL**  
**ANALYSIS**

**BILL #:** HB 2011 (PCB FRC 02-22)  
**RELATING TO:** Lottery Revenues and Expenditures  
**SPONSOR(S):** Fiscal Responsibility Council and Representative Dockery & others  
**TIED BILL(S):**

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

- (1) FISCAL RESPONSIBILITY COUNCIL YEAS 20 NAYS 0
  - (2)
  - (3)
  - (4)
  - (5)
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**I. SUMMARY:**

Currently, the Department of Lottery is required to distribute at least 50 percent of lottery ticket revenues to the public in the form of prizes. Further, the Department is required to distribute at least 38 percent of lottery ticket revenues to the Educational Enhancement Trust Fund, which is administered by the Department of Education.

The bill directs the Department of Lottery to establish variable prize-payout rates for instant-ticket sales. It requires the Department to set prize-payout rates for instant-ticket sales at a level that would maximize transfers to public education. The bill also directs the Department to vary the percent of sales revenue that is deposited into the Educational Enhancement Trust Fund.

The Revenue Estimating Impact Conference held on March 1, 2002, concluded that the bill will result in increased deposits to the Educational Enhancement Trust Fund of \$57.3 million annually. Due to the administrative phase-in and the player reaction lag time, results indicate that transfers to Education during fiscal year 2002/03 (the first year) will increase \$30 million.

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II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- |                                   |   |                             |   |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u>         | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u>             | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u>      | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/>            |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u>      | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Pursuant to section 24.121, F. S., as nearly as practicable, at least 50 percent of the gross revenue from the sale of lottery tickets is to be returned to the public in the form of prizes and at least 38 percent of the gross revenue from the sale of lottery tickets is to be deposited into the Educational Enhancement Trust Fund. The funds deposited into the Educational Enhancement Trust Fund are used to benefit of public education. The Department is authorized to expended 12% of revenues for administrative costs, which includes promoting and advertising the lottery products.

The Department of Lottery sells both on-line tickets, for which prizes are determined by scheduled drawings, and instant tickets, for which prizes are determined by scratch-off spaces on the face of each ticket. Twenty-eight percent of total ticket revenues is generated from the sale of instant tickets.

During fiscal year 2000/01, the weighted-average prize payout on instant tickets was approximately 58%. The Department currently has 29 active instant-ticket games. Studies indicate that a higher prize payout will increase instant ticket sales and increase deposits to the Educational Enhancement Trust Fund. According the Department of Lottery, a prize-payout rate of approximately 65% on instant tickets should maximize deposits to the Educational Enhancement Trust Fund.

C. EFFECT OF PROPOSED CHANGES:

The bill directs the Department of Lottery to establish variable prize-payout rates for instant-ticket sales. It requires the Department to set prize-payout rates for instant-ticket sales at a level that would maximize transfers to public education. The bill also directs the Department to vary the percent of sales revenue that is deposited into the Educational Enhancement Trust Fund.

The bill enables the Department to set deposit rates and prize payout rates at levels that will maximize the deposit to Education.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends paragraph (1) of section 24.121, F. S., requiring variable prize payout percentages for instant lottery tickets and directing the Department of Lottery to establish prize

payout rates in a manner to maximize the amount of funds deposited in the Educational Enhancement Trust Fund. Amends paragraph (2) of section 24.121, F. S., requiring variable percentages of the gross revenue from the sale of instant tickets to be deposited in the Educational Enhancement Trust Fund.

Section 2. Provides an effective date of July 1, 2002.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

	Estimated FY 2002/03	Estimated FY 2003/04 Annualized
<u>Department of Lottery – Administrative Trust Fund</u>		
1. <u>Revenues:</u>		
Recurring: Instant Ticket Sales	Not available	Not available
2. <u>Expenditures:</u>		
Recurring: Administrative Costs	Not available	Not available
3. <u>Non-Operating Disbursements:</u>		
Recurring: Prize Payouts	Not available	Not available
Transfers to Educational Enhancement Trust Fund	\$30 million	\$57.3 million

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill would result in increased instant-ticket sales and increased winnings from instant tickets.

D. FISCAL COMMENTS:

The results of the Revenue Estimating Impact Conference held on March 1, 2002, indicate the bill will increase deposits into the Educational Enhancement Trust Fund by \$57.3 million annually. Due to the administrative phase-in and the player reaction lag time, the increased deposits to Education

during fiscal year 2002/03 (the first year) will be reduced by 48%; therefore, providing increased transfers to Education of \$30 million during fiscal year 2002/03.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require cities and counties to spend money or to take an action to expend funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the revenue raising authority of cities and counties.

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

This bill does not reduce the percentage of a state tax shared with counties and municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

FISCAL RESPONSIBILITY COUNCIL:

Prepared by:

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