

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB's 1268 & 1392

SPONSOR: Education Committee and Senator's Lynn and Wasserman Schultz

SUBJECT: State Lottery/Unclaimed Prize Money

DATE: April 3, 2003

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Woodruff</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Fav/Combined CS</u>
2.	<u>                    </u>	<u>                    </u>	<u>FT</u>	<u>                    </u>
3.	<u>                    </u>	<u>                    </u>	<u>AGG</u>	<u>                    </u>
4.	<u>                    </u>	<u>                    </u>	<u>AP</u>	<u>                    </u>
5.	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
6.	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

## I. Summary:

The bill directs all unclaimed prize money (Lottery) be deposited into the Educational Enhancement Trust Fund (EETF). This deposit would be in addition to the percentage of the gross revenue from on-line, instant lottery tickets, and other earned revenue which is deposited into the EETF.

This bill substantially amends s. 24.115, s. 24.121, and s. 1010.70, of the Florida Statutes.

## II. Present Situation:

Currently, all unclaimed prize money is used to increase the jackpots for other lottery contests or used for special prize promotions. The Department of the Lottery estimates that there was \$41,000,000 in unclaimed prize money for fiscal year 2001-2002. The estimate for 2000-2001 was \$42,000,000. The Department of the Lottery states that the reason for the decline from 2000-2001 to 2001-2002 was because of a change in the law allowing bigger prize payouts on scratch off tickets resulting in more ticket redemptions and therefore fewer unclaimed prizes.

## III. Effect of Proposed Changes:

The bill redirects the use of unclaimed Lottery prize money. Currently, all unclaimed prize money is used to increase the jackpots for other lottery contests or used for special prize promotions. The bill would allocate the unclaimed prize money directly into the Educational Enhancement Trust Fund (EETF) in addition to the 38 percent of gross lottery revenue from on-line and instant tickets, and other earned income which is deposited into the Educational Enhancement Trust Fund for the benefit of public education.

The Department of the Lottery's response to past attempts to redirect such funds has been that increasing the size of jackpots attracts greater volume of play, thereby generating more money for the education sector. Conversely, decreasing the size of jackpots will result in a lower volume of play and less money for the education sector.

The effective date of the bill is July 1, 2003.

#### **IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

#### **V. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

C. Government Sector Impact:

The bill will redirect approximately \$41,000,000 from Lottery prize money to the Educational Enhancement Trust Fund.

The most recent Impact Conference to address the unclaimed prize money issue was held on March 1, 2000. The consensus of that conference was as follows.

“The experience of the Florida Lottery, the experience of lotteries in other states, and a 1995 analysis by the House Committee on Regulated Industries strongly suggest that a net lost in funding of the Educational Enhancement Trust Fund (EETF) would result from directly transferring unclaimed prize money to the EETF instead of using that money to supplement Lottery prize pools.

When the prize payout percentage is reduced, players tend to notice that they are winning less often and/or winning less money when they do win. Their understandable reaction is

to reduce their frequency and amount of instant ticket purchases. This decline in sales, of course, translates into a reduction in revenues generated for the EETF.

Decreased playership and instant ticket sales eventually would lead to a reduction in unclaimed prize money itself. The percentage of prizes remaining unclaimed is fairly constant. Therefore, the level of unclaimed prizes is proportionate to sales. About 25 percent of unclaimed prize money is generated by instant ticket games as opposed to on-line games.

Given the requirement that 38 percent of Lottery sales go to the EETF, use of unclaimed prize money is the only means available to increase the instant ticket payout percentage above 50 percent.

The instant ticket prize payout percentage is the primary factor in game sales but certainly not the only factor. Game design, advertising, top prize amounts, game type (e.g., holiday themes) and other factors also affect sales.”

The result of the March 1, 2000 Impact Conference was to adopt an estimate of a net revenue loss of \$27.1 million if the unclaimed prize money was deposited directly into the Educational Enhancement Trust Fund.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.