



Legislative Fiscal Bureau

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May, 2019

Joint Committee on Finance

Paper #630

Lottery Fund Condition (DOR -- Lottery Administration)

[LFB 2019-21 Budget Summary: Page 370, #1, Page 371, #2, Page 372, #3, and Page 386, #4]

CURRENT LAW

The total revenue available for tax relief, minus a statutory reserve (2% of gross revenue) and the amount appropriated for the lottery and gaming credit late applications payments, determines the amount available for the lottery and gaming tax credit. Net revenue available for tax relief depends on actual lottery fund revenues and expenditures and will change with any change in revenue or expenditures. Base funding for the Wisconsin Lottery is \$40,000,000 GPR, \$39,062,000 SEG, and 69.7 SEG positions. Base funding for the lottery and gaming tax credit is \$205,360,300 SEG.

GOVERNOR

Provide the following: (a) an increase of \$12,467,300 SEG in 2019-20 and \$12,516,200 SEG in 2020-21 to reflect estimates of lottery proceeds available for property tax credit distribution; and (b) \$4,054,600 SEG annually to reestimate lottery sum sufficient appropriations for retailer compensation and vendor fees (\$2,954,400 SEG annually for retailer compensation and \$1,100,200 SEG annually for vendor fees). The amounts estimated under the bill would support an estimated lottery and gaming credit of approximately \$150 annually. The following fund condition statement provides information on operating revenues, appropriated amounts for expenditures, estimates of interest earnings and gaming-related revenue, and the amounts available for tax relief credits under the bill.

Lottery Fund Condition Statement

	<u>Projected 2019-20</u>	<u>Projected 2020-21</u>
Fiscal Year Opening Balance	\$13,239,000	\$13,239,800
Operating Revenues		
Total Ticket Sales	\$661,857,200	\$661,857,200
Retailer Fees and Miscellaneous	<u>130,300</u>	<u>130,300</u>
Gross Revenues	\$661,987,500	\$661,987,500
Expenditures		
Prizes	\$401,993,900	\$401,993,900
Retailer Compensation (SEG)	6,381,800	6,381,800
Retailer Compensation (GPR)	40,000,000	40,000,000
Vendor Fees	17,053,100	17,053,100
General Program Operations	19,867,300	19,867,300
Gaming Law Enforcement	433,600	434,100
Lottery Credit Administration	280,200	281,900
Program Reserves	<u>105,500</u>	<u>232,300</u>
Total Expenditures	\$486,115,400	\$486,244,400
Net SEG Proceeds	\$215,872,100	\$215,743,100
Interest Earnings	\$2,246,800	\$2,423,900
Gaming-Related Revenue	\$21,000	\$21,000
Total Available for Tax Relief *	\$231,378,900	\$231,427,800
Appropriations For Tax Relief		
Lottery and Gaming Credit	\$217,827,600	\$217,876,500
Late Lottery and Gaming Credit Applications	<u>311,500</u>	<u>311,500</u>
Total Appropriations for Tax Relief	\$218,139,100	\$218,188,000
Gross Closing Balance	\$13,239,800	\$13,239,800
Reserve (2% of Gross Revenues)	\$13,239,800	\$13,239,800
Net Closing Balance	\$0	\$0

*Opening balance, net proceeds, interest earnings, and gaming-related revenue.

MODIFICATION

Reestimate the lottery and gaming credit by \$6,141,200 SEG in 2019-20 and \$5,619,000 SEG in 2020-21. Increase funding by \$2,371,800 SEG annually to adjust funding for retailer compensation and vendor fees to reflect projected lottery sales in the 2019-21 biennium

(\$1,598,900 SEG annually for retailer compensation and \$772,900 SEG annually for vendor fees).

Explanation: The lottery fund condition in the bill utilizes the 2018-19 lottery sales estimate from the October, 2018, certification (\$661.9 million). A review of lottery data through April 15, 2019, indicates that lottery sales will total \$709.1 million in 2018-19, \$691.9 million in 2019-20, and \$691.9 million in 2020-21. Instant game (scratch ticket) sales have increased in recent years and are estimated to total \$446.9 million in 2018-19. Lottery officials indicate that the increase in scratch sales is due to an increase in consumer demand for higher-priced tickets. On-line game (lotto) sales have also increased in recent years. Sales from lotto games are expected to total \$262.2 million in 2018-19, compared to \$247.0 million in 2017-18. In October, 2018, the Mega Millions lotto game reached the second largest jackpot in U.S. history. Accordingly, Mega Millions sales are estimated to total \$62.0 million in 2018-19, compared to \$39.5 million in 2017-18. Given the reestimate of lottery revenue for the 2019-21 biennium, the sum sufficient appropriations for retailer compensation and vendor fees, which are calculated as a percent of ticket sales, are estimated to increase. The above changes are reflected in the following fund condition statement, which reestimates the lottery and gaming credit at \$223,968,800 SEG in 2019-20 and \$223,495,500 SEG in 2020-21. The reestimated amounts would support an estimated lottery and gaming credit of \$155 annually during the 2019-21 biennium.

Lottery Fund Condition Statement, Reestimated

	Projected <u>2019-20</u>	Projected <u>2020-21</u>
Fiscal Year Opening Balance	\$14,184,000	\$13,839,700
Operating Revenues		
Total Ticket Sales	\$691,856,800	\$691,856,800
Retailer Fees and Miscellaneous	<u>130,300</u>	<u>130,300</u>
Gross Revenues	\$691,987,100	\$691,987,100
Expenditures		
Prizes	\$423,349,300	\$423,349,300
Retailer Compensation (SEG)	7,980,700	7,980,700
Retailer Compensation (GPR)	40,000,000	40,000,000
Vendor Fees	17,826,000	17,826,000
General Program Operations	19,867,300	19,867,300
Gaming Law Enforcement	433,600	434,100
Lottery Credit Administration	280,200	281,900
Program Reserves	<u>105,500</u>	<u>232,300</u>
Total Expenditures	\$509,842,600	\$509,971,600
Net SEG Proceeds	\$222,144,500	\$222,015,500
Interest Earnings	\$1,770,500	\$1,770,500
Gaming-Related Revenue	\$21,000	\$21,000
Total Available for Tax Relief *	\$238,120,000	\$237,646,700
Appropriations For Tax Relief		
Lottery and Gaming Credit	\$223,968,800	\$223,495,500
Late Lottery and Gaming Credit Applications	<u>311,500</u>	<u>311,500</u>
Total Appropriations for Tax Relief	\$224,280,300	\$223,807,000
Gross Closing Balance	\$13,839,700	\$13,839,700
Reserve (2% of Gross Revenues)	\$13,839,700	\$13,839,700
Net Closing Balance	\$0	\$0

*Opening balance, net proceeds, interest earnings, and gaming-related revenue.

	Change to	
	Base	Bill
SEG	\$49,596,500	\$16,503,800

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