



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #575

Lottery Fund Condition Modification (DOR -- Lottery Administration)

[LFB 2011-13 Budget Summary: Page 379, #1 and Page 381, #3]

CURRENT LAW

Under current law, property tax relief is provided from the lottery fund. The amount available for property tax relief in a given fiscal year is the sum of the opening balance of the lottery fund, the net lottery proceeds (sales and miscellaneous revenues minus expenses), interest earnings, and other gaming-related revenue transferred to the lottery fund. The actual appropriations for tax relief do not include 2% of anticipated gross revenue, which is kept in reserve in case actual lottery sales fall short of estimated sales.

GOVERNOR

Under the bill, the 2011-12 opening balance of the lottery fund is \$9,605,100. Based on this opening balance and estimated sales in 2011-12, the lottery and gaming credit for 2011-12 is projected to be \$117,478,300.

MODIFICATION

Modify the 2011-12 lottery fund opening balance from \$9,605,100 to \$13,518,500 and the 2011-12 lottery and gaming credit from \$117,478,300 to \$121,391,600. The Attachment to this paper shows the 2011-13 lottery fund condition statement with these modifications.

Explanation: The modification to the 2011-12 opening balance reflects revised 2010-11 lottery sales estimates that would result in a larger opening balance in 2011-12. In October, 2010, lottery sales were reestimated, for the purpose of certifying the 2010(11) lottery and gaming credit, at \$480.1 million. Lottery sales have been unusually strong in recent months and it now appears that sales are likely to increase to \$498.0 million in 2010-11. This level of sales would increase the opening balance in 2011-12 by \$3,913,400, with a corresponding increase in the 2011-12 lottery and gaming credit under the bill.

The increase in 2010-11 sales could be considered a basis for increasing the 2011-12 and 2012-13 sales estimates under the bill. The question, however, is whether the recent increase in sales will be sustained in the coming year or two. Lottery officials are concerned that the current increase, which is being sustained, in part, by unexpectedly high sales of a single new scratch ticket game, may not be sustained when the game has run its course and other longer-term factors (increasing gas prices, a persistent weak economy, and employment concerns) are considered. The 2011-12 sales will be reestimated in October, 2011, for the purpose of certifying the 2011(12) lottery and gaming credit, and 2012-13 sales will be reestimated in October, 2012, for the purpose of certifying the 2012(13) lottery and gaming credit. Each of these October reestimates will take into account sales data that have not yet been realized. Given that these reestimates can be more accurately made during the October credit certification process, no reestimate of 2011-12 and 2012-13 sales under the bill are made at this time.

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Attachment

ATTACHMENT

	<u>2011-12</u>	<u>2012-13</u>
Fiscal Year Opening Balance	\$13,518,500	\$9,611,700
Operating Revenues		
Ticket Sales	\$480,385,700	\$480,056,700
Retailer Fees and Miscellaneous	<u>198,500</u>	<u>239,600</u>
Gross Revenues	\$480,584,200	\$480,296,300
Expenditures		
Prizes	\$281,799,100	\$281,633,300
Retailer Compensation	33,744,500	33,723,100
Vendor Payments	11,201,800	11,193,400
General Program Operations	21,221,300	21,221,300
Appropriation to DOJ	373,100	373,100
Appropriation to DOR	276,900	276,900
Miscellaneous Expenses	26,200	26,200
Program Reserves	<u>154,700</u>	<u>310,800</u>
Total Expenditures	\$348,797,600	\$348,758,100
Net Proceeds	\$131,786,600	\$131,538,200
Interest Earnings	\$502,300	\$2,130,700
Gaming-Related Revenue	\$192,900	\$192,900
Total Available for Tax Relief *	\$146,000,300	\$143,473,500
Appropriations for Tax Relief		
Lottery and Gaming Tax Credit	\$121,391,600	\$118,870,400
School Levy Tax Credit (Lottery Fund)	14,850,000	14,850,000
Late Lottery and Gaming Credit Applications	<u>147,000</u>	<u>147,000</u>
Total Appropriations for Tax Relief	\$136,388,600	\$133,867,400
Gross Closing Balance	\$9,611,700	\$9,605,900
Reserve (2% of Gross Revenues)	\$9,611,700	\$9,605,900
Net Closing Balance	\$0	\$0

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