

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 459** HLS 15RS 581
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 19, 2015 3:08 PM	Author: MORENO
Dept./Agy.: Public Safety	Analyst: Matthew LaBruyere
Subject: Unclaimed Lottery Prize Money	

LOTTERY OR DECREASE SD RV See Note Page 1 of 1
 Dedicates unclaimed lottery prize money to the New Orleans Public Safety Fund

Present law provides for certain time periods for winning lottery prizes to be claimed. Lottery prizes not claimed within these time periods are added to a pool from which future prizes are to be awarded or used for special prize promotions.

Proposed law retains present law but dedicates \$2.5 million of the remaining balance of unclaimed lottery prize money at the end of each fiscal year into the newly created New Orleans Public Safety Fund.

Proposed law provides that monies in the New Orleans Public Safety Fund shall be used by the office of state police for public safety services, including patrol and law enforcement, in the French Quarter area of the city of New Orleans.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	SEE BELOW					
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

The proposed legislation will likely result in an increase in State General Fund (SGF) expenditures and a decrease in statutory dedicated fund expenditures associated with the Minimum Foundation Program funding (MFP). Since less statutory dedicated revenue (Lottery Proceeds Fund) will be available for MFP funding, SGF will be required to fund the MFP. The LA Lottery Corp. transfers 35% of total game sales into Lottery Proceeds Fund which is used to support the MFP. Any decrease in total sales will result in a smaller amount transferred into the Lottery Proceeds Fund, with less available to support the MFP.

REVENUE EXPLANATION

The proposed legislation will likely result in an overall decrease in statutory dedicated revenue as a result of transferring \$2.5 M from the LA Lottery Corp.'s unclaimed prize money into the newly created New Orleans Public Safety Fund to fund patrols by the State Police in the French Quarter area of New Orleans. The exact decrease will depend on the prize structure determined by the LA Lottery Corp.

The LA Lottery Corp. is projected to finish FY 15 with an unclaimed prizes fund balance of \$27.6 M and currently projected to end FY 16 with a balance of \$25.7 M, a decrease of \$1.9 M. The projection in the unclaimed prizes fund indicates a decrease each year for the next 10 years as a result of maintaining a 62.75% average instant prize structure. The average prize structure is the percentage of sales returned to players of instant games.

According to the LA Lottery Corp., using \$2.5 M from the unclaimed prizes fund for state police expenses will result in a 0.9% decrease in the instant prize structure to 61.85% beginning in FY 16 to maintain a similar fund balance for the 10 year period. In addition to the decrease in the unclaimed prizes fund balance, the reduction of \$2.5 M will affect the instant ticket (scratch lottery cards) sales since the unclaimed prizes fund is used to support instant ticket prizes. As a result of lowering the prize structure to 61.85%, the instant game sales would decrease by \$7.8 M to \$183.9 M. This reduction in sales would ultimately lower the amount transferred to the Lottery Proceeds Fund, which is used to fund the Minimum Foundation Program (MFP), by approximately \$3.3 M. Due to the Lottery Proceeds Fund decrease of \$3.3 M, state general fund would presumably have to be used in its place.

A report by the LA Legislative Auditor regarding the unclaimed prizes fund analyzes the use of the entire unclaimed prizes amount of \$27.6 M in FY 16 and how it would affect prize pay out and the amount transferred to the Lottery Proceeds Fund. In FY 16, transfers to the Lottery Proceeds Fund would increase by \$11 M. However, using the entire unclaimed prizes fund lowers the prize structure to 50.7% and results in \$16.9 M less revenue transferred to the Lottery Proceeds Fund in FY 17 and subsequent years.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input checked="" type="checkbox"/> | 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | <input type="checkbox"/> | 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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