

### Fiscal Estimate - 2017 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 17-3211/1	<b>Introduction Number</b> AB-0454
<b>Description</b> restrictions on advertising the state lottery	
<b>Fiscal Effect</b>	
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Appropriations  <input type="checkbox"/> Decrease Existing Appropriations  <input type="checkbox"/> Create New Appropriations                             </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Revenues  <input checked="" type="checkbox"/> Decrease Existing Revenues                             </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget  <div style="text-align: center;"> <input type="checkbox"/> Yes      <input type="checkbox"/> No                                 </div> <input checked="" type="checkbox"/> Decrease Costs                             </div> </div>	
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;">                     1. <input type="checkbox"/> Increase Costs  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                      2. <input type="checkbox"/> Decrease Costs  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                 </div> <div style="width: 30%;">                     3. <input type="checkbox"/> Increase Revenue  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                      4. <input type="checkbox"/> Decrease Revenue  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                 </div> <div style="width: 30%;">                     5. Types of Local Government Units Affected  <input type="checkbox"/> Towns      <input type="checkbox"/> Village      <input type="checkbox"/> Cities  <input type="checkbox"/> Counties      <input type="checkbox"/> Others  <input type="checkbox"/> School Districts      <input type="checkbox"/> WTCS Districts                 </div> </div>	
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS	
<b>Agency/Prepared By</b> DOR/ Travis Arthur (608) 266-8565	<b>Authorized Signature</b> Robert Schmidt (608) 266-5773
<b>Date</b> 8/7/2017	

## Fiscal Estimate Narratives

DOR 8/7/2017

LRB Number	17-3211/1	Introduction Number	AB-0454	Estimate Type	Original
<b>Description</b> restrictions on advertising the state lottery					

### Assumptions Used in Arriving at Fiscal Estimate

#### CURRENT LAW

Under current law, the annual product information budget for the Wisconsin Lottery is \$7.5 million. As permitted by current law, one of the ways the Lottery communicates the identity of winners is through winner awareness posters at retailer locations. The posters are displayed at the discretion of the retailer for wins over \$600. Current law also requires the Lottery to display all odds for prizes for any game(s) being advertised. These odds statements cover the chance of winning at every prize level.

#### PROPOSAL

Under the bill, the product information budget will be reduced to \$5 million. In addition, the bill creates several restrictions on nonpromotional advertising:

1. The location of winners and identity of winners would be considered promotional advertising, precluding the department from paying for such advertising. Under the bill, winner awareness posters would no longer be permitted at retailer locations.
2. Any audio or video advertising must include a spoken statement disclosing the prize structure, prize amounts, and odds of winning at a normal speaking pace.
3. DOR or any other state agency may not collect e-mail addresses and distribute information or nonpromotional advertising regarding the lottery to those email addresses.

#### FISCAL EFFECT

The prohibition of winner awareness posters may negatively impact lottery sales at participating retailers. The posters provide the general public with information about winners and allows the Lottery to be completely transparent about winners. Retailer locations with winner awareness posters have higher average sales than other locations.

The Lottery typically uses fifteen and thirty second TV spots. By requiring the prize structure, prize amounts, and odds to be spoken in a normal speaking pace, a majority, if not the entire spot, would be spent covering odds instead of informing the general public about other important information pertaining to the Lottery product or limited time offer.

The bill would significantly reduce the ability of the lottery to engage in nonpromotional advertising.

There is no historical data showing the impact of placing additional restrictions on advertising and lowering the product information budget for the lottery. The following estimate is based on the historical experience of the lottery during an advertising freeze.

Product information was paused for a seven month period in 1993. The product information budget was effectively reduced by \$767,302. Adjusting for media inflation (Feb 1993 – Jun 2017), the department estimates this reduction to be \$1.19 million in 2017 dollars. During this period, total weekly sales decreased by about \$1.23 million.

The bill reduces the product information budget by \$2.5 million or 2.1 times the estimated reduction in 1993 (\$2.5 million / \$1.19 million). The department estimates annual lottery sales to decrease by about \$134 million (\$1.23 million \* 2.1 \* 52 weeks) under bill.

Lower lottery sales under the bill would decrease lottery credit funding by \$33.70 million, resulting in a \$24 decrease to the statewide average credit using 2016-17 data. Current law distributes the lottery credit by multiplying a credit value by the school property tax rate. Municipalities with higher school property tax rates generally receive a higher lottery credit. As a result, some municipalities would have a lottery credit reduction up to \$40, while others would have a reduction as low as \$7.

The scenario above suggests a 19% decrease in the average lottery credit. The overall fiscal effect could be higher or lower to the extent the bill impacts lottery sales.

### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
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  Supplemental

<b>LRB Number</b> 17-3211/1		<b>Introduction Number</b> AB-0454	
<b>Description</b> restrictions on advertising the state lottery			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			-2,500,000
Local Assistance			-33,700,000
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>		<b>\$-36,200,000</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S (Lottery)			-36,200,000
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S (Lottery)			-134,000,000
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$-134,000,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$-36,200,000		\$
NET CHANGE IN REVENUE	\$-134,000,000		\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Travis Arthur (608) 266-8565		Robert Schmidt (608) 266-5773	8/7/2017