

Multiple Agency Fiscal Note Summary

Bill Number: 2624 HB

Title: Shared game lottery/edu

Estimated Cash Receipts

Agency Name	2001-03		2003-05		2005-07	
	GF- State	Total	GF- State	Total	GF- State	Total
State Lottery	24,900,000	74,393,000	63,446,000	196,606,000	63,446,000	196,606,000
Total \$	24,900,000	74,393,000	63,446,000	196,606,000	63,446,000	196,606,000

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

Estimated Expenditures

Agency Name	2001-03			2003-05			2005-07		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
State Lottery	.0	0	49,493,000	.0	0	133,160,000	.0	0	133,160,000
Total	0.0	\$0	\$49,493,000	0.0	\$0	\$133,160,000	0.0	\$0	\$133,160,000

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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360-902-0546

Date Published:

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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Individual State Agency Fiscal Note

Bill Number: 2624 HB	Title: Shared game lottery/edu	Agency: 090-Office of State Treasurer
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND					
Total \$					

Estimated Expenditures from:

	FY 2002	FY 2003	2001-03	2003-05	2005-07
Fund					
Total \$					

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/23/2002
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 01/28/2002
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 01/28/2002
OFM Review: Les Myhre	Phone: 360-902-0614	Date: 01/29/2002

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

HB 2624 creates the shared game lottery account as a local fund.

Debt Limit:

There may be an impact on the Debt Service Limitation calculation. Any increase to the transfer to the General Fund will increase, by an equal amount, General State Revenues.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Please refer to the Lottery Commission fiscal note for any impact to the General Fund.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years					
Total \$					

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 2624 HB	Title: Shared game lottery/edu	Agency: 116-State Lottery Commission
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2002	FY 2003	2001-03	2003-05	2005-07
General Fund-State 001-1		24,900,000	24,900,000	63,446,000	63,446,000
State Lottery Account-Non-Appropriated 577-6		(15,111,000)	(15,111,000)	(36,206,000)	(36,206,000)
Shared Game Lottery Account-Non-Appropriated NEW-6		64,604,000	64,604,000	169,366,000	169,366,000
Total \$		74,393,000	74,393,000	196,606,000	196,606,000

Estimated Expenditures from:

	FY 2002	FY 2003	2001-03	2003-05	2005-07
Fund					
State Lottery Account-Non-Appropriated 577-6	0	(15,111,000)	(15,111,000)	(36,206,000)	(36,206,000)
Shared Game Lottery Account-Non-Appropriated NEW-6	0	64,604,000	64,604,000	169,366,000	169,366,000
Total \$	0	49,493,000	49,493,000	133,160,000	133,160,000

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/23/2002
Agency Preparation: Lyn Matson	Phone: 360-664-4804	Date: 01/28/2002
Agency Approval: Bob Benson	Phone: 360-664-4800	Date: 01/28/2002
OFM Review: Tristan Wise	Phone: 360-902-0546	Date: 01/30/2002

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

HB2624 adds a new section to chapter 67.70 RCW enabling the Washington State Legislature to authorize the Washington State Lottery Commission to enter into agreements with one or more states for the purpose of creating and maintaining a shared game lottery.

Section 3 adds a new account to be called Shared Game Lottery Account to be created outside the state treasury, this account is non-appropriated and allotted.

Section 4 (1) states it is the intent of the legislature to use some of the proceeds from the shared game lottery to make up the difference that the potential state lottery revenue loss would have on the Student Achievement Fund and the Education Construction Account.

Section 4 (2) states that if the amount of lottery revenues earmarked for the Student Achievement Fund and the Education Construction Account are less than \$102 million, the state Lottery Commission must transfer sufficient moneys from revenues derived from the shared game lottery into the Student Achievement Fund and the Education Construction Account to bring the total revenue up to \$102 million. The funds transferred from the Shared Game Lottery Account under this subsection must be divided between the Student Achievement Fund and the Education Construction Account in a manner consistent with RCW 67.70.240. The remaining net revenues, if any, in the Shared Game Lottery Account after the transfer must be deposited into the general fund and exclusively applied to the support of the common schools and included in general state revenues under RCW 39.42.070.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Sales revenue for the shared game lottery is estimated at \$0.45 per capita - a forecast provided by The BIG GAME (one of the two multi-jurisdiction consortium) for these games. In the FY01-03 biennium (assuming an October 2002 implementation date), The Big Game gross sales are projected to be \$108.287 million, with associated Big Game-related expenditures of \$64.604 million dollars; producing a net revenue of \$43.683 million dollars. Of this amount, it is assumed that \$18.783 million dollars will need to be transferred to the two education accounts (Student Achievement Fund and Education Construction Account) to backfill revenue loss due to cannibalization of other lottery games by the Big Game. Therefore, the estimated net profit to the General Fund-State is projected to be \$24.9 million dollars. See Attachments A & B.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

In the FY01-03 biennium (assuming an October 2002 implementation), The Big Game expenditures are projected to be \$64.604 million (associated with a \$108.287 million dollar sales projection). Game expenditures are calculated on a percentage of sales basis; prizes are projected at 50% of sales, retailer commission's 7% of sales, and vendor, point of sale, and consumer awareness 2% of sales. Expenditures for the other lottery games are projected to decrease by \$15.111 million since other lottery games' sales are projected to decrease by \$33.894 million dollars. See Attachments A & B.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Personal Service Contracts		800,000	800,000	1,600,000	1,600,000
E-Goods and Services		6,917,000	6,917,000	18,258,000	18,258,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services		41,776,000	41,776,000	113,302,000	113,302,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total \$	0	49,493,000	49,493,000	133,160,000	133,160,000

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Washington State Lottery
Revenue Projections for the New Game at \$0.45 per capita for Fiscal Years 2003-2005

	Fiscal Year 2003 Game starts October 2002 - 9 Month Projection				Fiscal Year 2004				Fiscal Year 2005			
	Fy2003 Base	New Game \$0.45 per capita 9 months	Cannib. of current games	Net New Game and Cannib.	Fy2004 Base	New Game \$0.45 per capita	Cannib. of current games	Net New Game and Cannib.	Fy2005 Base	New Game \$0.45 per capita	Cannib. of current games	Net New Game and Cannib.
Revenue												
Scratch	277,700,000			277,700,000	277,700,000			277,700,000	277,700,000			277,700,000
Daily Game	18,870,000			18,870,000	18,870,000			18,870,000	18,870,000			18,870,000
Lotto	131,490,000		(23,264,000)	108,226,000	131,490,000		(30,243,000)	101,247,000	131,490,000		(30,243,000)	101,247,000
Quinto	37,800,000		(8,433,000)	29,367,000	37,800,000		(10,962,000)	26,838,000	37,800,000		(10,962,000)	26,838,000
Daily Keno	9,690,000			9,690,000	9,690,000			9,690,000	9,690,000			9,690,000
Lucky for Life	21,000,000		(2,197,000)	18,803,000	21,000,000		(2,856,000)	18,144,000	21,000,000		(2,856,000)	18,144,000
Big Game		108,287,000		108,287,000		142,364,000		142,364,000		142,364,000		142,364,000
Total Revenue	496,550,000	108,287,000	(33,894,000)	570,943,000	496,550,000	142,364,000	(44,061,000)	594,853,000	496,550,000	142,364,000	(44,061,000)	594,853,000
Expenses Fund 577												
Prizes	312,377,000	54,143,000	(12,367,000)	354,153,000	312,377,000	71,182,000	(14,531,000)	369,028,000	312,377,000	71,182,000	(14,531,000)	369,028,000
Retailer Commissio	29,793,000	7,580,000	(2,035,000)	35,338,000	29,793,000	9,965,000	(2,644,000)	37,114,000	29,793,000	9,965,000	(2,644,000)	37,114,000
1% Bonus	621,000		(20,000)	601,000	621,000		(33,000)	588,000	621,000		(33,000)	588,000
Vendor Expenses												
On-line Contract	10,080,000	2,081,000	(689,000)	11,472,000	10,080,000	2,736,000	(895,000)	11,921,000	10,080,000	2,736,000	(895,000)	11,921,000
Scratch Contract	2,783,000			2,783,000	2,783,000			2,783,000	2,783,000			2,783,000
Courier	639,000			639,000	639,000			639,000	639,000			639,000
ITVM's	2,494,000			2,494,000	2,494,000			2,494,000	2,494,000			2,494,000
Check a Ticket	515,000			515,000	515,000			515,000	515,000			515,000
Player Express	1,615,000			1,615,000	1,615,000			1,615,000	1,615,000			1,615,000
Communications	(2,015,000)			(2,015,000)	(2,015,000)			(2,015,000)	(2,015,000)			(2,015,000)
Marketing												
Advertising	7,000,000	800,000		7,800,000	7,000,000	800,000		7,800,000	7,000,000	800,000		7,800,000
Projects	2,178,000			2,178,000	2,178,000			2,178,000	2,178,000			2,178,000
Other Divisions	1,328,000			1,328,000	1,328,000			1,328,000	1,328,000			1,328,000
Total Fund 577	369,408,000	64,604,000	(15,111,000)	418,901,000	369,408,000	84,683,000	(18,103,000)	435,988,000	369,408,000	84,683,000	(18,103,000)	435,988,000
Administration -578	11,287,000	49,493,000		11,287,000	11,800,000			11,800,000	12,000,000			12,000,000
Total both Funds	380,695,000	64,604,000	(15,111,000)	430,188,000	381,208,000	84,683,000	(18,103,000)	447,788,000	381,408,000	84,683,000	(18,103,000)	447,988,000
Gross Profit	115,855,000	43,683,000	(18,783,000)	140,755,000	115,342,000	57,681,000	(25,958,000)	147,065,000	115,142,000	57,681,000	(25,958,000)	146,865,000
Mariners	3,871,876			3,871,876	4,026,751			4,026,751	4,187,821			4,187,821
Seahawks	7,019,151			7,019,151	7,299,917			7,299,917	7,591,914			7,591,914
FY Net Profit	104,963,973	43,683,000	(18,783,000)	129,863,973	104,015,332	57,681,000	(25,958,000)	135,738,332	103,362,265	57,681,000	(25,958,000)	135,085,265
Profit Cannibalization												
from current games		(18,783,000)				(25,958,000)		(25,958,000)		(25,958,000)		(25,958,000)
FY Net Profit after cannibalization		24,900,000				31,723,000		109,780,332		31,723,000		109,127,265
				03-05 Biennium				\$0.45				
				Base				207,377,597				
				After Cannibalization				63,446,000				
				Total Revenue				270,823,597				

Shared Game Lottery Cash Receipts Impact									
Fund	Account	Fy2003	01-03 Biennium	Fy2004	Fy2005	03-05 Biennium	FY2006	FY2007	05-07 Biennium
Sales Revenue									
New	Shared Game Lottery Account	108,287,000	108,287,000	142,364,000	142,364,000	284,728,000	142,364,000	142,364,000	284,728,000
577-6 *	State Lottery Account	(33,894,000)	(33,894,000)	(44,061,000)	(44,061,000)	(88,122,000)	(44,061,000)	(44,061,000)	(88,122,000)
Net Sales Revenue		74,393,000	74,393,000	98,303,000	98,303,000	196,606,000	98,303,000	98,303,000	196,606,000
Revenue Transfers									
001-1	General Fund	24,900,000	24,900,000	31,723,000	31,723,000	63,446,000	31,723,000	31,723,000	63,446,000
253-1 **	Education Construction Account	4,695,750	4,695,750	6,489,500	25,958,000	32,447,500	25,958,000	25,958,000	51,916,000
299-1 **	Student Achievement Fund	14,087,250	14,087,250	19,468,500		19,468,500			
Total Revenue Transfers		43,683,000	43,683,000	57,681,000	57,681,000	115,362,000	57,681,000	57,681,000	115,362,000
Note: * The projected loss to current game sales is \$33.894 million. ** Revenue transfers from the Shared Game Lottery to the Education Construction Account and the Student Achievement Fund collectively total \$18.783 million. Transfers to the Education Construction Account and the Student Achievement Fund are done in accordance with Section 4(2) below.									
Shared Game Lottery Expenditures									
Object Fund	Title	Fy2003	01-03 Biennium	Fy2004	Fy2005	03-05 Biennium	FY2006	FY2007	05-07 Biennium
C	Personal Services Contracts - Point of sales and consumer awareness								
New	Shared Game Lottery	800,000	800,000	800,000	800,000	1,600,000	800,000	800,000	1,600,000
E	Goods & Services - Retailer commissions, vendor expenses								
New	Shared Game Lottery Account	9,661,000	9,661,000	12,701,000	12,701,000	25,402,000	12,701,000	12,701,000	25,402,000
577-6 ***	State Lottery Account	(2,744,000)	(2,744,000)	(3,572,000)	(3,572,000)	(7,144,000)	(3,572,000)	(3,572,000)	(7,144,000)
N	Grants, Benefits & Client Services - Prizes								
New	Shared Game Lottery Account	54,143,000	54,143,000	71,182,000	71,182,000	142,364,000	71,182,000	71,182,000	142,364,000
577-6 ***	State Lottery Account	(12,367,000)	(12,367,000)	(14,531,000)	(14,531,000)	(29,062,000)	(14,531,000)	(14,531,000)	(29,062,000)
Total Expenditures									
New	Shared Game Lottery Account	64,604,000	64,604,000	84,683,000	84,683,000	169,366,000	84,683,000	84,683,000	169,366,000
577-6 ***	State Lottery Account	(15,111,000)	(15,111,000)	(18,103,000)	(18,103,000)	(36,206,000)	(18,103,000)	(18,103,000)	(36,206,000)
Note: *** The expenditure reductions to the State Lottery Account represent reduced current lottery game expenses associated with the loss of current lottery game sales.									

NEW SECTION. Sec. 4 (2)

The student achievement fund and the education construction account are expected to collectively receive one hundred two million dollars annually from state lottery games other than the shared game lottery. For fiscal year 2003 and thereafter, if the amount of revenues earmarked for the student achievement fund and the education construction account are less than one hundred two million dollars, the state lottery commission must transfer sufficient moneys from revenues derived from the shared game lottery into the student achievement fund and the education construction account to bring the total revenue up to one hundred two million dollars. The funds transferred from the shared game lottery account under this subsection must be divided between the student achievement fund and the education construction account in a manner consistent with RCW 67.70.240. The remaining net revenues, if any, in the shared game lottery account after the transfer must be deposited into the general fund and exclusively applied to the support of the common schools and included in general state revenues under RCW 39.42.070.