

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 818 - SB 1240

February 19, 2009

SUMMARY OF BILL: Prohibits any low-income person who receives state or federal economic or medical assistance due to indigence, except for recipients of lottery scholarships or higher education tuition assistance, persons receiving benefits from programs administered by the Tennessee Housing Development Agency (THDA), and persons receiving other state or federal financial assistance that is not subject to indigence, from claiming a Tennessee lottery prize of \$600 or more.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$54,000/Human Services

Other Fiscal Impact – Decreases net lottery proceeds earmarked for scholarships and grants by an amount estimated to exceed \$6,472,500 per year. An increase of after-school funding estimated to be no more than \$1,318,500 per year.

Assumptions:

- The Tennessee Education Lottery Corporation (TELC) does not collect income or demographic data that identifies prize winners as indigent.
- As the indigent group becomes aware that prizes equal to \$600 or more will not be awarded to them, a significant decrease in lottery ticket sales would occur.
- According to the Department of Human Services (DHS), the number of individuals currently receiving food stamps is 589,610.
- Fifty percent of individuals receiving food stamps (294,805) purchase lottery tickets on a regular basis; fifty percent do not purchase tickets.
- Fifty percent of individuals who receive food stamps and purchase lottery tickets (147,403) stop purchasing lottery tickets as a result of this bill; the remaining 50 percent continue purchasing lottery tickets.

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- According to the U.S. Census Bureau, the population of Tennessee for 2008 was 6,214,888.
- The number of individuals projected to stop playing the lottery represents approximately 2.37 percent of the state's total population (147,403 / 6,214,888 = 2.37%). Therefore, net lottery ticket sales are expected to decrease by at least 2.37 percent per year.
- The mid-point of the range adopted by the State Funding Board for net lottery proceeds for FY09-10 is \$273,100,000.
- Approximately 27 percent of net lottery ticket sales are returned to the state as net lottery proceeds.
- Net lottery ticket sales for FY09-10 are estimated to be \$1,011,481,500 (\$273,100,000 / 27% = \$1,011,481,481).
- The decrease of net lottery ticket sales for FY09-10 is estimated to be \$23,972,100 (\$1,011,481,500 x 2.37% = \$23,972,112).
- The decrease of net lottery proceeds for FY09-10 is estimated to exceed \$6,472,500 per year (\$23,972,100 x 27% = \$6,472,467). This amount is expected to grow annually as a result of certain indigent individuals who continue purchasing lottery tickets are denied prizes \$600 or greater.
- Any prize arising from the claim of a person who receives state or federal economic or medical assistance due to indigence shall constitute an unclaimed prize. One hundred percent of unclaimed prize money is earmarked for after-school programs.
- Given that 50 percent of individuals who received food stamps were assumed to continue purchasing lottery tickets, net ticket sales purchased by these individuals is estimated to be \$23,972,100. Assuming an average prize payout ratio of 50 percent, total prizes expected to be paid to this group would be approximately \$11,986,050.
- According to the TELC, approximately 11 percent of awarded prizes are for prizes equal to \$600 or more. Therefore, the increase of funding available to after-school programs for FY09-10 is estimated to be \$1,318,500 (\$11,986,050 x 11% = \$1,318,465). This amount is expected to decrease annually as this group of individuals is denied future prize winnings.
- According to DHS, the Department is authorized to capture prize winnings, or portions thereof, from any prize winner who receives state benefits and who owes the Department an outstanding debt. DHS indicated that approximately \$54,000 was collected from TELC during FY07-08. Therefore, the decrease to state revenue is estimated to be approximately \$54,000 per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and a distinct "W".

James W. White, Executive Director

/rnc