

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 174

SPONSOR: Education Committee and Senator Clary

SUBJECT: Lottery/Unclaimed Prize Money

DATE: March 24, 2004 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Woodruff</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>FT</u>	_____
3.	_____	_____	<u>AGG</u>	_____
4.	_____	_____	<u>AP</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

The Committee Substitute directs that eighty percent of lottery unclaimed prize money shall be deposited in the Educational Enhancement Trust Fund. The remaining twenty percent of the unclaimed prize money shall be added to the pool from which future prizes are to be awarded or used for special prize promotions. Currently all unclaimed prize money is added to the pool from which future prizes are awarded or is used for special prize promotions.

The Committee Substitute allows the Department of the Lottery to pay variable percentages to the public in the form of prizes and to transfer variable percentages to the Educational Enhancement Trust Fund. The Committee Substitute deletes current language which requires a specific percentage be returned to the public as prizes and a specific percentage be deposited in the Educational Enhancement Trust Fund.

This Committee Substitute substantially amends sections 24.115, 24.121, and 1010.70 of the Florida Statutes.

II. Present Situation:

Section 24.115 (1) (f), Florida Statutes, states that holders of tickets shall have the right to claim prizes for 180 days after the drawing or the end of the lottery game or play in which the prize was won; except that with respect to any game in which the player may determine instantly if he or she has won or lost, such right shall exist for 60 days after the end of the lottery game. If a valid claim is not made for a prize within the applicable period, the prize shall constitute an unclaimed prize for purposes of subsection (2). Subsection 24.115 (2), Florida Statutes, provides that all unclaimed prize money shall be added to the pool from which future prizes are to be awarded or used for special prize promotions.

Section 24.121, Florida Statutes, identifies how the lottery revenue shall be allocated. As nearly as practical, at least 50 percent of the gross revenue from the sale of on-line lottery tickets and variable percentages, as determined by the department, of the gross revenue from the sale of instant lottery tickets shall be returned to the public in the form of prizes. At least 39 percent of the gross revenue from the sale of on-line lottery tickets and variable percentages, as determined by the department, of the gross revenue from the sale of instant lottery tickets shall be deposited in the Educational Enhancement Trust Fund to be administered by the Department of Education. The funds remaining (about 11 percent) shall be used for payment of administrative expenses of the Department of the Lottery.

The method by which the Lottery commits unclaimed prize money to the scratch-off prize pool in advance creates a liability that must be deducted before unclaimed prize money can be committed to the on-line prize pool. The Lottery estimates the amount of prize money expected to go unclaimed and commits this amount in advance to the prize structure of scratch-off games. The estimated amount of unclaimed prize money generated by on-line games is revised monthly to reflect the actual amount generated. For scratch-off games, the revision is done when a game is closed. This liability, currently estimated at approximately \$18 - \$20 million, could be deducted in a lump sum or deducted over a 6-12 month period.

The Department estimates that each year roughly \$35 - \$40 million in prize money goes unclaimed. In addition to increasing prize payouts, unclaimed prize money is also used to increase the jackpot pool for FLORIDA LOTTO and MEGA MONEY. In the event the cash available in the FLORIDA LOTTO or MEGA MONEY jackpot pool is insufficient to yield the announced estimated jackpot value, the Lottery may add unclaimed prize money to the jackpot pool to render it sufficient to yield the announced jackpot. The department states this is most likely to occur when there is a sudden unexpected drop in interest rates.

Section 1010.70, Florida Statutes, requires that each fiscal year, at least 39 percent of the gross revenue from the sale of lottery tickets, variable percentages of the gross revenue from the sale of instant lottery tickets, as determined by the department, and other earned revenue, excluding application processing fees, shall be deposited in the Educational Enhancement Trust Fund.

III. Effect of Proposed Changes:

The Committee Substitute would distribute eighty percent of the unclaimed prize money to the Educational Enhancement Trust Fund. The remaining twenty percent shall be added to the pool from which future prizes are to be awarded or used for special prize promotions.

The Committee Substitute allows the Department of the Lottery to pay variable percentages of revenue from the sale of on-line and instant lottery tickets to the public in the form of prizes and variable percentages of revenue to the Educational Enhancement Trust Fund. The Committee Substitute deletes current provisions which guarantee a specific percentage of revenue will be returned as prizes to the public and a specific percentage will be deposited in the Educational Enhancement Trust Fund.

The effective date of the Committee Substitute is July 1, 2004.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The Committee Substitute would redirect unclaimed prize funds that might have gone into increased jackpots for winning ticket holders. Persons winning jackpots in the future might win smaller jackpots. However, language allowing the Department of the Lottery to pay variable percentages of revenue for prizes may offset this possibility.

Persons and companies involved with advertising campaigns for the Florida Lottery could be affected because some of the unclaimed prize money is currently used for special prize promotions. These funds would no longer be available for that purpose. If there are increased sales as a result of the Department's authority to have variable percentages of prize payouts, the additional revenue may offset this possibility.

Lottery retailers receive a 5 percent commission on each ticket sold and 1 percent of the value of each winning ticket redeemed at their store. If there is a change in sales or prizes as a result of the Department's authority to have variable percentages of prize payouts, commissions paid to Lottery retailers will be affected.

To the extent additional revenue goes to education, parents and students will benefit from the additional financial resources.

C. Government Sector Impact:

Additional receipts from unclaimed prize funds of the Florida Lottery will be received by the public educational sectors to conduct educational programs.

The Department of the Lottery estimates an opportunity to generate an additional \$50 - \$60 million in annual transfers to the Educational Enhancement Trust Fund as a result of increased on-line game prize payouts resulting from the authority to pay variable percentages in prizes for on-line lottery tickets.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
