

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6386**

**BILL NUMBER:** HB 1199

**NOTE PREPARED:** Jan 5, 2010

**BILL AMENDED:**

**SUBJECT:** Lottery Game Benefiting Veterans.

**FIRST AUTHOR:** Rep. Cherry

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** The bill requires the State Lottery Commission to adopt rules to establish a scratch-off game to benefit Indiana veterans. It deposits profits from the scratch-off game into the Military Family Relief Fund and the Children of Veterans Tuition Fund. It establishes the Children of Veterans Tuition Fund to provide full or partial reimbursements to state educational institutions for the amount of tuition waived for the children of veterans. It also appropriates money in the Fund to the State Student Assistance Commission.

**Effective Date:** July 1, 2010.

**Explanation of State Expenditures:** *Summary:* The bill requires the State Lottery Commission to adopt rules to establish a scratch-off game, with the game profits being split equally between the Military Family Relief Fund and the Children of Veterans Tuition Fund.

*Military and Family Relief Fund:* This fund was established to provide assistance to the families of Indiana residents who are either members of a reserve component of the armed forces or the National Guard and have been called to active duty after September 11, 2001. Money in the fund is provided as a grant to families unable to afford essential family support expenses.

*Children of Veterans Tuition Fund:* The bill establishes this fund to provide full or partial reimbursements to state educational institutions for the amount of tuition waived under current state programs for children of certain qualified veterans. The fund is nonreverting and is administered by the State Student Assistance Commission. The bill annually appropriates the money in the fund to the State Student Assistance Commission for purposes of tuition reimbursements to state educational institutions.

**Explanation of State Revenues:** *Summary:* The bill requires the State Lottery Commission to adopt rules to establish a scratch-off game, with the game profits split equally between the existing Military Family Relief Fund and the Children of Veterans Tuition Fund (established by the bill). Profits from such a scratch-off game could potentially range from \$750,000 to \$1 M per year initially, but likely would decline with the age of the game.

The sales volume and profitability of the game would depend on game pricing, payout rates, ticket printing and shipping costs, advertising and promotional costs, and other operational factors. The estimate above assumes that per capita sales of a game in Indiana would be comparable to the per capita sales volume realized by Illinois' veterans assistance scratch-off games during FY 2007 and FY 2008 - the first two full years of the game. It also assumes a profit margin of 25%.

In addition, the extent that spending on the veterans benefit game may displace spending on other Hoosier Lottery games is indeterminable. Such displacement could potentially reduce the net income generated by other games that is deposited in the Build Indiana Fund.

*Background Information* - The Illinois Lottery has operated a scratch-off game to benefit the Illinois Veterans Assistance Fund since February 1, 2006. The current game benefitting the Fund is called Stars and Stripes with the price of a ticket set at \$2. FY 2006 sales (comprising only 5 months) totaled about \$5.9 M. Full-year sales of the veterans benefit game totaled approximately \$6.9 M in FY 2007 and \$8.3 M in FY 2008. Sales data for FY 2009 is unavailable at this time.

Since 2000, the operating margin for the Hoosier Lottery on draw games and instant ticket games combined has averaged about 27%, but the operating margin for instant tickets may be slightly below this overall average.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Hoosier Lottery; Department of Veteran's Affairs; State Student Assistance Commission.

**Local Agencies Affected:**

**Information Sources:** Hans Zigmund, Illinois Department of Revenue, (312) 814-8866; Ed Benton, Hoosier Lottery, (317)264-496; *Illinois Lottery, Annual Reports: FY 2006 & FY 2007*; Illinois Lottery Instant Games, <http://www.illinoislottery.com/subsections/Instant2.htm>; U.S. Census Bureau, *Annual Estimates of the Population for the United States, Regions, States, and Puerto Rico: April 1, 2000, to July 1, 2007 (NST-EST2007-01)*, <http://www.census.gov/popest/states/NST-ann-est.html>.

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