

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (14-HJR 48)**

Subject

Truly Agreed To and Finally Passed House Joint Resolution No. 48. (Received May 30, 2014)

Date

June 12, 2014

Description

This proposal would amend Article III of the Constitution of Missouri.

The amendment is to be voted on in August 2014.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, **Adair County**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, **Taney County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Kirkwood**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**, and the **Missouri Lottery Commission**.

State Senator Wayne Wallingford provided information to the State Auditor's office on this resolution.

Assumptions

Officials from the **Attorney General's office** indicated they assume that any potential costs arising from the adoption of this proposal can be absorbed with existing resources.

Officials from the **Department of Agriculture** indicated no fiscal impact on their department.

Officials from the **Department of Economic Development** indicated they anticipate no fiscal impact as a result of the joint resolution.

Officials from the **Department of Elementary and Secondary Education** indicated:

DESE has received Lottery funds since 1994. During the last five fiscal years, DESE has received the following proceeds from Lottery sales:

2009	\$181,949,215
2010	\$179,434,984
2011	\$163,619,956
2012	\$165,081,892
2013	\$180,775,146

Developing a "Veteran's Lottery Ticket" and depositing the proceeds into the veterans' commission capital improvements trust fund will likely significantly impact DESE's proceeds; however, we cannot determine to what extent.

Officials from the **Department of Higher Education** indicated there would be no direct fiscal impact on their department.

Officials from the **Department of Health and Senior Services** indicated this House Joint Resolution is a no impact note for their department.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated this petition, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated this proposal creates no direct obligations or requirements to their department that would result in a fiscal impact.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

Officials from the **Department of Corrections** indicated there is no fiscal impact for their department.

Officials from the **Department of Labor and Industrial Relations** indicated no fiscal impact to their department.

Officials from the **Department of Revenue** indicated this legislation will have no fiscal impact on their department.

Officials from the **Department of Public Safety** indicated there is no fiscal impact for their department for all divisions other than Veterans Commission for this joint resolution. Veterans Commission defers to the response from Lottery for the fiscal impact.

Officials from the **Department of Social Services** indicated this ballot proposal has no direct fiscal impact to their department.

Officials from the **Governor's office** indicated there should be no fiscal impact to their office.

Officials from the **Missouri House of Representatives** indicated no fiscal impact to their agency.

Officials from the **Department of Conservation** indicated that no adverse fiscal impact to their department would be expected as a result of this proposal.

Officials from the **Office of Administration** indicated:

HJR 48 amends Section 39(b) to Article III of the Missouri Constitution and is related to the Missouri State Lottery.

The HJR has no impact on their office.

The HJR requires creation of a new "Veterans Lottery Ticket" no later than July 1, 2015. Net proceeds from the sales of these tickets will be deposited in the Veterans Commission Capital Improvement Trust Fund. To the extent that lottery proceeds currently going to education are instead deposited to the Veterans' Commission Capital Improvement Trust Fund, there could be unknown budgetary impacts.

Officials from the **Office of State Courts Administrator** indicated there is no fiscal impact on the courts.

Officials from the **Missouri Senate** indicated this House Joint Resolution has no fiscal impact to their agency beyond existing appropriations.

Officials from the **Secretary of State's office** indicated they have determined there will be no fiscal impact to their office.

Officials from the **Office of the State Public Defender** indicated the House Joint Resolution will not have any substantial impact on their office other than if revenues are significantly changed.

Officials from the **State Treasurer's office** indicated no fiscal impact to their office.

Officials from the **City of Kansas City** indicated they estimate that HJR 48 has not costs or savings to their city.

Officials from the **City of Raymore** indicated no fiscal impact.

Officials from the **City of St. Joseph** indicated this bill would have no direct financial impact on their city.

Officials from the **University of Missouri** indicated this House Joint Resolution will have no fiscal impact on their university.

Officials from the **Missouri Lottery Commission** indicated:

HJR 48 requires the Lottery to develop and sell a veterans lottery ticket, net proceeds from which are to be deposited in the veteran's commission capital improvements trust fund.

Lottery proceeds net of prizes and administrative expenses are currently appropriated solely to public education. The resolution would divert lottery proceeds funding away from education. Overall sales and expenditures are assumed to be unaffected; the veterans' lottery ticket instead would displace an equivalent existing game. The resulting shortfall in education funding would have to be absorbed with General Revenue funding, negatively impacting Total State Revenue. In addition, the resolution may set a precedent for other groups to pursue lottery proceeds to fund their activities, diverting even more funding away from public education.

If a \$2 instant game ticket is assumed, the annual displaced fiscal impact is estimated to be negative \$2,375,743 in FY 2016 and negative \$2,138,168 in FY 2017. If a \$1 instant game ticket is assumed, the annual displaced fiscal impact would be slightly less negative (negative \$1,751,823 in FY 2016 and negative \$1,576,641 in FY 2017).

When the Lottery began in 1986, proceeds from ticket sales went to General Revenue. In August 1992, voters passed Amendment 11 earmarking Lottery proceeds to solely benefit public education. The above estimates do not include additional FTE costs associated with research, sales, marketing and accounting for a new ticket with a different beneficiary than all current and previous tickets. These costs are unknown and include but are not limited to messaging at retailers and on vending machines, liaising with veterans organizations, conducting research through surveys and town hall meetings, and accounting for and transferring the profit of the new ticket.

State Senator Wayne Wallingford provided the following information:

Data on sales of Veterans Lottery Tickets in other states:

Illinois Veterans lottery ticket was implemented in 2006 and has generated \$10 million dollars. Illinois Lottery Commission has seen no difference in lottery ticket sales.

Iowa has pull tab games and have generated 2 to 3 million dollars a year since 2008 for the Veteran's Trust Fund. According to Mary Newbauer with the Iowa Lottery, lottery tickets to benefit veterans have been such a popular cause that they have in turn helped lift overall lottery sales.

In Kansas the Veterans Lottery instant scratch off ticket has generated \$10.2 million since 2007 to benefit veteran's program and the Kansas Lottery has not seen a decline in other lottery sales.

Texas Veterans Cash scratch off ticket generated over \$20 million from 2009-2012 to go into veteran's services. They did not experience a decrease in overall sales.

The State Auditor's office did not receive a response from the **Department of Transportation, Adair County, Boone County, Callaway County, Cass County, Clay County, Cole County, Greene County, Jackson County Legislators, Jasper County, St. Charles County, St. Louis County, Taney County, the City of Cape Girardeau, the City of Columbia, the City of Jefferson, the City of Joplin, the City of Kirksville, the City of Kirkwood, the City of Mexico, the City of St. Louis, the City of Springfield, the City of Union, the City of Wentzville, the City of West Plains, Cape Girardeau 63 School District, Hannibal 60 School District, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community College, and St. Louis Community College.**

Fiscal Note Summary

The annual cost or savings to state and local governmental entities is unknown, but likely minimal. If sales of a veterans lottery ticket game decrease existing lottery ticket sales, the profits of which fund education, there could be a small annual shift in funding from education to veterans' programs.