

SUBJECT: Reducing cap on lottery costs from 15 to 12 percent of ticket sales

COMMITTEE: Ways and Means— favorable, without amendment

VOTE: 9 ayes — Craddick, Ramsay, Grusendorf, Heflin, Holzheuser, Oliveira, Stiles, Telford, Thompson

0 nays

2 absent — Horn, Williamson

SENATE VOTE: On final passage, April 8 — 30-1 (Barrientos)

WITNESSES: No public hearing

BACKGROUND : Money received from lottery ticket sales may be used to pay the operational and administrative costs of running the lottery. Operational and administrative costs cannot exceed 15 percent of the gross revenue from ticket sales in a biennium.

DIGEST: SB 581 would reduce the maximum percent of lottery ticket sales that could be used for the lottery's operational and administrative costs from 15 percent to 12 percent of gross revenue from ticket sales per biennium.

SB 581 would take effect September 1, 1997.

SUPPORTERS SAY: SB 581 would ensure that the lottery is run in the most efficient manner possible and that administrative costs are kept in check. When the lottery was created, administrative costs were capped at 15 percent of ticket sales to allow enough money to pay for the game's start-up costs. However, since start-up the lottery's administrative costs have been less, about 12 percent of ticket sales. SB 581 would change state law to more accurately reflect the actual costs of running the lottery while making sure that these costs do not rise in the future. Now that the lottery is up and running, there is no need to allow for administrative costs to be as high as 15 percent of ticket sales.

OPPONENTS
SAY:

The lottery has traditionally kept its administrative costs under the cap of 15 percent of ticket sales, so there is no need to lower the maximum rate. Lowering the cap could reduce the agency's flexibility in the future, especially if it had a large purchase it needed to make in one biennium, such a purchase of new technology or an expansion of a game or other agency operation.