

STATEMENT OF PURPOSE

RS20775

The Idaho Lottery has identified a lottery industry “best practice” that is common among other state sponsored lotteries in the United States. Since the Idaho Lottery’s inception in 1989, distributions of net revenues have occurred once annually. Many lotteries distribute net revenues to good causes on a more frequent basis, typically quarterly based on net revenue estimates established at the beginning of a fiscal year. This allows for conservative portions of net revenues to be transferred throughout the year as they are earned with a “true-up” on or before September 30 after the fiscal year ends.

The Idaho Lottery suggests amending Idaho Code § 67-7434 to modify the current dividend distribution model from a prescribed annual distribution to an optional annual or more frequent transfer throughout the year. In the event the Lottery Commission determines a more frequent transfer is necessary, it would estimate the coming fiscal year’s net revenue; discount the estimate by an amount determined by the Commission in order to reserve sufficient moneys to ensure the continuation of the Lottery; and transfer in five equal payments. Transfers would occur no less frequently than quarterly with 20% paid in October, January, April, July, and September. The September 30 payment would include the balance of the net revenues earned in the previous fiscal year. The bond levy equalization fund will only receive the difference between the net income of FY2012 above the \$34,000,000 from FY2008 (I.C. 67-7434(2)).

FISCAL NOTE

(1) FY2013 would experience a one-time “pay forward” of dividends of approximately \$16,000,000 since the annual transfer in FY2013 from FY2012 net revenue would be augmented with the beginning of quarterly payments in FY2013. (2) The State General Fund would lose an undetermined amount of interest earnings on Lottery deposits. Interest earnings for the last three years were as follows: FY2010 - \$138,162; FY2009 - \$276,707; FY2008 - \$588,786. The amounts have been decreasing due to lower rates of interest on deposits held by the State. Should interest rates on deposits with the Treasurer increase to higher amounts that would benefit the General Fund, the Lottery Commission would modify the frequency of transfers to maximize the benefits to the State.

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