

FISCAL NOTE

Requested by Legislative Council
01/17/2001

Bill/Resolution No.: HCR3006

Amendment to:

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0		
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0			

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

The concurrent resolution is a proposed amendment to the Constitution of North Dakota. The proposed amendment would be voted on in the 2002 primary election. If the voters approve the amendment, the 2003 Legislative Assembly may pass legislation to have the state of North Dakota participate in a multistate lottery.

The resolution is a proposed amendment to the Constitution of North Dakota that, if passed by the 57th Legislative Assembly and approved by the voters, would allow the legislative assembly to pass a law for the state to participate in a multi-state lottery.

There are two multi-state national lottery associations that North Dakota may join. The Multi-State Lottery Association has twenty states and the District of Columbia as members. This association features Powerball, an on-line national lotto game, as its main product and offers three independent secondary multi-state products. The other association is Multi-State Big Game that has seven states as members and features one multi-state lotto product.

Based on an analysis of the United States lottery industry and Multi-State Big Game, and consultation with the Multi-State Lottery Association and several lottery states, there is no generally accepted model for forecasting lottery revenue, prizes, administrative and operating expenses, and net income with precision. States have unique laws on the structure, management, and control of their lottery operations and have different geographic and

demographic characteristics. State laws are the basis for forecasting lottery activity. Generally, based on historical experiences of many other states, net income may be about thirty percent of lottery gross sales.

There is no proposed North Dakota law on the structure, management, and control of a multi-state lottery. And, should the voters approve the proposed amendment to the Constitution of North Dakota, it is unknown what provisions of law the 2003 Legislative Assembly may pass for a lottery. Issues that need to be addressed by law include organizational structure (new agency or division of an existing agency), staffing level (vendor-operated or state-operated management and control), level of contract outsourcing for advertising and central computer system and terminals, start-up date, multi-state lottery products (primary and secondary products, if any), license, retailer, and vendor fees, prize reserve, and interrelationship, if any, with the charitable gaming industry. If a lottery were vendor-operated, staffing and start up costs would be minimal, as the vendor would operate the lottery on a sliding scale percentage to gross sales.

The fiscal effect must also account for the multiplier effect of North Dakota sales and income tax revenue lost to the General Fund by the diversion of sales and income tax related consumption expenditure dollars to lottery sales.

Unless there is a proposed North Dakota law on a multi-state lottery, the fiscal effect of the resolution to the General Fund, other funds, or counties, cities, and school districts cannot be determined.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

See Narrative section.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

See Narrative section.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

See Narrative section.

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		Prepared:	