

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 52<sup>nd</sup> Legislature

<b>Bill No.:</b>	<b>HB3161</b>
<b>Version:</b>	<b>CCS</b>
<b>Author:</b>	<b>Representative Osborn</b>
<b>Date:</b>	<b>4/28/2010</b>
<b>Impact:</b>	<b>No Measurable State Impact; Lottery Commission – \$141,000 in Advertising Production Costs</b>

**Bill Summary**

Research Analyst: Dante Giancola

The conference committee substitute for HB3161 prohibits children from being used in any lottery advertisement or promotion, and requires any claim of benefit in the advertisement of the lottery to be substantiated by actual expenditures of revenue for specified purposes. This information must be made available to the public by the Lottery Commission upon request.

**Fiscal Summary**

Fiscal Analyst: Terry McKenna

The Conference Committee Substitute for HB 3161 relates to the powers of the Oklahoma Lottery Commission. The measure modifies the Commission's authorization to advertise and promote the lottery and lottery games by providing that no children shall be involved in any manner, that any claim of benefit represented shall be substantiated by actual expenditures of revenue for specified purposes and such information shall be made available by the Commission to any person upon request.

**Fiscal Analysis**

The Oklahoma Lottery Commission (OLC) has previously expressed the concern that prohibiting the use of children in promotional ads would negatively affect total lottery sales, and thus the amount allocated to education, by restricting the Commission's ability to inform the public about the funds raised for education. The Commission estimates an annual loss in total sales of \$5.8 million, of \$2 million would be dedicated to education. Additional costs to change point-of-sale materials are estimated at \$16,000 and costs to replace previously prepared ads using children are put at \$125,000.

In support of this cost projection, as it relates to both the prohibition against using children in the ads and against any beneficiary advertisement or promotion as provided in ENGR HB 3161, OLC provide one year of data – over parts of two fiscal years – that show an increase of 6.5% in weekly lottery sales since the inception of beneficiary advertising. OLC data also include average weekly sales for FY-08 of \$1,672,847, or 2.4% less than the \$1,713,381 reported for the first half of FY-10; however, the agency does not explain the 3.8% decline from FY-08 sales levels and the starting date (week 31 of FY-09) for the beneficiary advertising campaign.

Scholarly research focused on lottery gaming has shown that an explanation of the FY-08 decline, and thus also the increase in sales after the introduction of beneficiary advertising, could be quite complicated: The impact of structural and external influences on lottery sales is not well understood, as a wide range of variables (state economic activity, age of the lottery game, the introduction of new games with large payouts, interstate lottery competition, etc.) significantly affect sales. In fact, one methodologically rigorous study (Mikesell, 1994) posits the perhaps counterintuitive proposition that “in difficult economic times, as reflected by high state unemployment rates, more people may find the tiny...chance of winning a huge prize more attractive than when unemployment rates are lower and traditional economic opportunities are brighter.” Beneficiary advertising began in early 2009; during the approximate same time period, the Oklahoma unemployment rate rose from 4.6% to 6.6% (Bureau of Labor Statistics). Mikesell shows that an increase of 1% in the unemployment rate would be associated with a 4.3% increase in quarterly lottery sales.

Given the relatively short time-frame for the data provided by OLC, and the likely effect of the other factors presented above, House Fiscal Staff is unable to confirm the hypothesis implicit in the data provided by OLC: A direct causal relationship exists between the introduction of a beneficiary advertising campaign that includes the use of children and a significant increase in total lottery sales; conversely, the prohibition of such advertisements would have a negative impact on lottery sales and thus profits for education.

### **Long Term Fiscal Considerations**

As Stated Above

Fiscal Analysis Reviewed By:

*Janice Buchanan*

House Fiscal Director