LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 7877 | **NOTE PREPARED:** Feb 23, 2007
BILL NUMBER: SB 577 | **BILL AMENDED:** Feb 22, 2007

SUBJECT: Lottery.

FIRST AUTHOR: Sen. Merritt | **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: (Amended) The bill authorizes the State Lottery Commission to enter into a management agreement with a private entity for the operation of the Lottery. It provides that the management agreement must establish a benchmark amount of at least $1,000,000,000 and must require the manager to make an initial payment to the Indiana Finance Authority on the effective date of the management agreement in an amount that exceeds the benchmark amount. It also requires this initial payment to be deposited in the Management Agreement Fund.

The bill provides that within 30 days after a management agreement has been executed, the Indiana Finance Authority shall make the following transfers (after deducting expenses of the authority related to execution of the management agreement): (1) To the Hoosier Hope Scholarship Fund, the lesser of $400,000,000 or 40% of the money. (2) To the Indiana Life Sciences Fund, the lesser of $600,000,000 or 60% of the money. (3) To the Pension Relief Fund, the remainder, if any, of the money after making the transfers to the Hoosier Hope Scholarship Fund and the Indiana Life Sciences Fund. The bill provides that if the amount that would be transferred to the Pension Relief Fund exceeds $300,000,000, the excess is transferred to the State General Fund.

The bill provides that the management agreement must require the manager to pay a royalty in the amount of $50,000,000 to the State Lottery Commission four times each year. It requires these payments to be deposited in the Administrative Trust Fund of the Lottery. It specifies that the management agreement may require the manager to pay an additional royalty payment each year if the manager's gross revenues from the sale of Lottery tickets in a year exceeds the Commission's gross revenues from the sale of Lottery tickets in the twelve months preceding the date of execution of the management agreement. It also requires any payments received under such a provision to be deposited in the Pension Relief Fund. The bill specifies that

if the manager fails to make a payment by the due date of the payment, the management agreement is terminated.

The bill specifies the provisions that must be included in a management agreement. It provides that a management agreement, or an interest in a management agreement, may not be sold, assigned, or otherwise transferred, or pledged as collateral to secure financing without the approval of the Indiana Gaming Commission. The bill prohibits a manager or person who has an interest in a manager from making a contribution to a candidate or certain committees during specified periods. It provides that on the effective date of the first management agreement, powers, duties, and liabilities of the State Lottery Commission are transferred to the Indiana Gaming Commission. It also provides that if a management agreement is in effect, the Indiana Gaming Commission shall oversee the operation of the Lottery and the State Lottery Commission shall serve as a resource group for the Indiana Gaming Commission.

The bill provides that if a management agreement is in effect, the manager shall implement a security program as provided in the management agreement, and the Indiana Gaming Commission shall engage an independent firm experienced in security procedures to conduct a comprehensive study and evaluation of all aspects of security in the manager's Lottery operations. The bill prohibits a person from selling, leasing, or providing certain equipment, supplies, or services to a manager unless the person holds a vendor's license.

The bill establishes the Indiana Life Sciences Fund to provide scholarships to postsecondary research institutions to support the recruitment and retention of world class scientists in Indiana. It specifies the criteria for awarding grants from the Indiana Life Sciences Fund. It provides that a grant may not be made from the Indiana Life Sciences Fund unless the grant has received a positive recommendation from a peer review panel.

The bill establishes the Hoosier Hope Scholars Program to provide scholarships for students who intend to pursue a course of study at an eligible institution of higher learning that will lead to a baccalaureate or associate degree and who intend to reside in Indiana and maintain qualified employment for specified periods.

The bill establishes the Critical Employment Needs Program to provide nursing faculty scholarships, math and science teacher scholarships, and additional employment needs scholarships for certain students who intend to reside in Indiana and maintain qualified employment for specified periods.

Effective Date: Upon passage.

Explanation of State Expenditures: (Revised) *Lottery Management Agreement:* The bill authorizes the Indiana Lottery Commission to enter into an agreement with a private entity (established as a domestic corporation or limited liability company under the bill) that would manage all aspects of the Hoosier Lottery for an initial term of up to 30 years. The management agreement must be executed before January 1, 2009. The bill requires the Indiana Gaming Commission (IGC) to oversee the operation of the Hoosier Lottery if a management agreement is in effect. The bill provides for the following with regard to private management of the Hoosier Lottery:

(1) The lottery manager under the lottery management agreement would be prohibited from conducting the following games: keno, video lottery games, pari-mutuel wagering on horse or dog racing, betting on races or sporting events, or any other game that is not a game that the Lottery Commission is authorized to approve under the State Lottery Law.

(2) A requirement that the lottery manager makes an initial lump sum payment exceeding $1,000.0 M to the state on the effective date of the management agreement.

(3) A requirement that the lottery manager annually make royalty payments to the state totaling $200.0 M (in quarterly payments of at least $50.0 M).

(4) Authority for the management agreement to require the lottery manager to pay an additional royalty payment each year that the manager's gross revenue from lottery ticket sales exceeds the gross revenue generated from lottery ticket sales during in the 12 month period preceding the execution of the management agreement.

(5) Termination of the management agreement if payments described in (2), (3), and (4) are not made by the due date of the payment.

Management Agreement Provisions: The bill specifies various requirements that the management agreement must address, including: (1) required implementation by the lottery manager of a security program, a system of internal audits, and a program to curb compulsive gambling by lottery players; (2) operational requirements for games including minimum payouts; (3) the establishment of retailer fees with a requirement that retailer fees not be less than 5%; (4) advertising and promotion requirements; (5) IGC monitoring requirements; (6) requirements for filing appropriate financial statements; (7) cash reserve requirements; (8) grounds for terminating the management agreement by the IGC or the lottery manager; and (9) procedures for amending the management agreement.

Process for Selecting Lottery Manager: The bill outlines the process for selecting a lottery manager and for negotiating the management agreement. The bill provides that the Lottery Commission, or the Indiana Finance Authority (IFA) in behalf of the Lottery Commission, must issue a request for qualifications (RFQ) from potential lottery managers. (Note: The RFQ was issued by the IFA on January 2, 2007, with the deadline for responding to the RFQ set for January 29, 2007.) The bill authorizes the IFA to negotiate with one or more entities offering proposals during the RFQ process to obtain final offers on the management agreement. The bill specifies criteria for determining whether to negotiate with an offeror, and also specifies requirements and criteria to be utilized by the IFA in selecting an offeror as the lottery manager. Once the IFA has made a preliminary selection, the Lottery Commission must hold a public hearing on the offeror selected. The notice for this hearing must disclose the identity of the selected offeror and that information on the selected offer and the basis for its selection are available to the public. After the hearing, if the Lottery Commission determines that a management agreement should be entered into with offeror it must submit the determination to the Governor and the State Budget Committee. After review of the Lottery Commission's determination by the State Budget Committee, the Governor may accept or reject the determination. If the Governor accepts the determination, the Governor designates the offeror as the lottery manager and the Lottery Commission may execute the management agreement with the designee. The management agreement must be executed before January 1, 2009.

Indiana Gaming Commission Responsibilities: Under the bill, the IGC is responsible for the ongoing oversight and evaluation of the lottery manager. In the event that a management agreement is entered into, the bill provides for the transfer of all powers, duties, and liabilities of the Lottery Commission to the IGC as the successor agency. It also requires the Lottery Commission to serve as a resource group for the Executive Director of the IGC. The bill requires the lottery manager to undergo a complete investigation by the IGC every three years. The cost of the investigation is to be paid by the lottery manager. The bill also requires the annual audits of the lottery manager by the IGC. The audits are to be prepared at the expense of the lottery manager. The bill also requires the IGC to conduct an evaluation of the lottery manager's security program in the first year of the agreement and every two years thereafter. The bill establishes a license for vendors of various lottery equipment to be issued by the IGC. The bill requires the IGC to conduct an investigation of a vendor every three years and requires the licensee to pay the cost of these investigations. The bill also requires a vendors licensee to pay an annual license fee set by the IGC.

The bill authorizes the IGC to employ personnel to perform its duties relating to licensing lottery vendors or oversight of the lottery manager, or to utilize personnel employed for purposes of administration and regulation of riverboat gambling on these duties. Aside from vendors license fees and investigative cost reimbursement requirements, the bill does not provide for additional funding to the IGC to cover the administrative cost of overseeing the lottery manager's performance.

Payback of Debt or Loans by Indiana Gaming Commission: The bill authorizes the IGC to pay amounts it owes under the management agreement from any funds available to the IGC and borrow money form the IFA to pay any such amounts owed. The bill also authorizes the management agreement, or any loan or financing arrangement, to establish a procedure for the IGC or IFA to certify to the General Assembly the amounts owed by the IGC or IFA under the management agreement, or loan or financing arrangement. These elements would be subject to the review of the State Budget Committee and approval of the State Budget Director.

Administrative Trust Fund: Under the bill, the Lottery Commission would continue to administer the Administrative Trust Fund established under current statute. The bill provides that the management agreement must require the lottery manager to annually make royalty payments to the state totaling $200.0 M (in quarterly payments of at least $50.0 M). The bill requires these royalty payments to be deposited in the Administrative Trust Fund. The bill does not change the current law distribution of money from the Fund, so annual distributions would be $30.0 M to the Teachers' Retirement Fund, $30.0 M to the Pension Relief Fund, and $140.0 M annually to the Build Indiana Fund.

Under current statute, surplus Lottery revenue in the Administrative Trust Fund is first transferred to the Teachers' Retirement Fund ($30. M annually) and the Pension Relief Fund ($30.0 M annually). Once these transfers are made, the remaining surplus Lottery revenue is distributed to the Build Indiana Fund (BIF). The BIF transfer totaled $149.9 M in FY 2006, with the transfer averaging about $140.0 M from FY 2004 to FY 2006.

Lottery Management Agreement Fund: The bill establishes the Lottery Management Agreement Fund. The Fund consists of: (1) the initial lump sum payment made by the lottery manager under the management agreement (required to exceed $1,000.0 M), appropriations, grants and gifts, and investment earnings. The fund is nonreverting and is administered by the IFA. The bill establishes the Lottery Payment Account and the Administration Account within the Fund.

The IFA must first allocate an amount from the initial payment to the Administration Account to pay the amounts owed by the IFA related to the execution of the management agreement. Once this allocation is made, the IFA must allocate the remainder of the initial payment to the Lottery Payment Account. The required distributions from the Lottery Payment Account are as follows:

(1) 40% of the money in the account up to a maximum of $400.0 M is distributed to the Hoosier Hope Scholarship Account established by the bill.

(2) 60% of the money in the account up to a maximum of $600.0 M is distributed to the Indiana Life Sciences

Fund established by the bill.

(3) If the account contains more than $1,000.0 M:

(a) The first $300.0 M in excess of $1,000.0 M is distributed to the Pension Relief Fund (established under current statute); and

(b) The remainder in excess of $1,300.0 M is distributed to the state General Fund.

Indiana Life Sciences Fund: The bill establishes the Indiana Life Sciences Fund consisting of a portion of the initial lump sum payment from the lottery manager under the management agreement transferred from the Lottery Management Agreement Fund. The Fund also consists of appropriations, grants and gifts, and investment earnings. The purpose of the Fund is to finance grants to public and private colleges and universities under the Indiana Life Sciences Grant Program (see below).The Fund is nonreverting and is administered by the Indiana Economic Development Corporation (IEDC). The bill provides that the Fund is a trust fund and prohibits the State Board of Finance, the State Budget Agency, or any other state agency to transfer or otherwise remove money from the Fund. The bill also provides that expenditures from the Fund are subject to appropriation by the General Assembly. Depending upon the actual amount of the initial lump sum payment made by a lottery manager, a total of $600.0 M could potentially be deposited in the Fund.

Indiana Life Sciences Grant Program: The bill provides for the IEDC Board to award grants from the Indiana Life Sciences Fund to public or private colleges and universities in Indiana that offer life sciences graduate programs or life sciences research programs. The grants are to be awarded to support the recruitment and retention of "world class scientists" to these institutions for life sciences research purposes specified by the bill. A "world class scientist": (1) is a principal investigator or researcher who holds an academic appointment; (2) has a significant research portfolio and a record of attracting external research support; and (3) meets other criteria established by the IEDC Board. The bill authorizes public or private colleges and universities in Indiana to apply to the IEDC Board for grant awards. The bill requires the IEDC board to:

(1) Accept and analyze grant applications;
(2) Award grants subject to the review of the State Budget Committee and approval of the State Budget Agency;
(3) Subject to appropriation by the General Assembly, contract with experts for advice and counsel; and
(4) Subject to appropriation by the General Assembly, employ staff to assist in carrying out the grant program.

The bill specifies grant application requirements and the factors the IEDC Board must consider in awarding grants. The bill requires grant recipients to enter into a memorandum of understanding with the IEDC Board and the State Budget Agency regarding the expenditure of grant funds. The bill also requires the IEDC Board to annually report to the Legislative Council information concerning the amounts, recipients, and subject matters of grants awarded by the IEDC Board.

Hoosier Hope Scholarship Fund: The bill establishes the Hoosier Hope Scholarship Fund consisting of a portion of the initial lump sum payment from the lottery manager under the management agreement transferred from the Lottery Management Agreement Fund. The Fund also consists of appropriations, grants and gifts, investment earnings, and grant repayments or forfeitures resulting under the scholarship programs financed with money from the Fund. The purpose of the Fund is to finance scholarships to post-secondary students under the Hoosier Hope Scholars Program and the Critical Employment Needs Program. The Fund is nonreverting and is administered by the State Student Assistance Commission of Indiana (SSACI). The bill provides that the Fund is a trust fund and prohibits the State Board of Finance, the State Budget Agency, or any other state agency to transfer or otherwise remove money from the Fund. The bill also provides that expenditures from the Fund are subject to appropriation by the General Assembly. <u>Depending upon the actual amount of the initial lump sum payment made by a lottery manager, a total of $400.0 M could potentially be deposited in the Fund.</u>

Hoosier Hope Scholars Program: The bill establishes the Hoosier Hope Scholars Program to be administered by SSACI. Grants provided to students under the scholarship program are to be funded from money appropriated from the Hoosier Hope Scholars Fund. Thus, grant amounts and the number of grants that may be awarded annually under the program would depend on amounts appropriated.

The bill authorizes SSACI to provide grants of up to: (1) $2,500 per academic year for up to two years for a qualified individual enrolled full-time in an associate degree program at a state educational institution or private institution of higher education in Indiana; and (2) $5,000 per academic year for up to four years for a qualified individual enrolled full-time in baccalaureate degree program at a state educational institution or private institution of higher education in Indiana. The bill provides that SSACI determine the amount of each grant awarded under the program, and limits the total amount of grants awarded to an individual to $20,000. The grant may be used to pay tuition, fees, books, supplies and equipment required by the educational institution for enrollment or attendance. Individuals seeking a grant under the scholarship program must apply to SSACI and meet the following requirements:

(1) be an Indiana resident;
(2) be enrolled in the 12^{th} grade or its equivalent at a public or nonpublic accredited school, or nonaccredited nonpublic school, in Indiana;
(3) be recommended by the student's school corporation if the student is enrolled in a public high school, or qualify as an outstanding scholar under criteria established by SSACI;
(4) intend to pursue a baccalaureate or associate degree at a state educational institution or private institution of higher education in Indiana;
(5) intend to reside in Indiana for at least two years following attainment of an associate's degree, or four years following attainment of a baccalaureate degree;
(6) submit an application to SSACI; and
(6) fulfill any other requirements established by SSACI.

The bill also provides for SSACI to:

(1) establish criteria for being an outstanding scholar and requires the criteria to include SAT or ACT scores and cumulative GPA of applicants;
(2) develop criteria governing the acceptance into the program of applicants enrolled in nonaccredited nonpublic schools; and
(3) procedures for annual renewal of grants under the scholarship program and requires that the recipient must remain enrolled full-time and maintain at least 3.0 GPA on a 4.0 grading scale or its equivalent.

Critical Employment Needs Scholarship Programs: The bill establishes the Critical Employment Needs Scholarship Programs to be administered by SSACI. The scholarship programs are for: (1) masters degree and doctoral degree students who would, upon receiving the degree, teach nursing in Indiana higher education institutions; and (2) baccalaureate degree students who would, upon receiving the degree, teach math or science in school corporations with high complexity indexes or high at-risk enrollments. The bill also provides for SSACI to implement additional scholarship programs relating to other critical employment needs in Indiana as determined by the Indiana Economic Development Corporation (IEDC) and the Department of Workforce Development (DWD). Grants provided to students under the scholarship programs are to be funded from money appropriated from the Hoosier Hope Scholars Fund. Thus, grant amounts and the number of grants that may be awarded annually under the program would depend on amounts appropriated. Under the bill, the Critical Employment Needs Scholarship Programs expire on July 1, 2012.

Critical Needs Nursing Faculty Scholarships: Under the program SSACI could provide masters degree and doctoral degree nursing students grants of up to $5,000 per academic year. To qualify for the grant, a student must:

(1) be enrolled in a masters or doctoral degree program at a state educational institution or private institution of higher education in Indiana;
(2) pursue a course of study that would enable the student to teach nursing at a state educational institution or private institution of higher education in Indiana; and
(3) agree to reside in Indiana and teach nursing at a state educational institution or private institution of higher education in Indiana for at least three years after attaining the degree.

The bill provides that SSACI determine the amount of each grant awarded under the program, and limits the total amount of grants awarded to an individual to $10,000. The grant may be used to pay tuition, fees, books, supplies and equipment required by the educational institution for enrollment or attendance. The bill provides for SSACI to develop procedures for annual renewal of grants under the scholarship program and requires that the recipient must remain enrolled full-time and maintain at least 3.0 GPA on a 4.0 grading scale or its equivalent.

Critical Needs Math and Science Teacher Scholarship: Under the program SSACI could provide baccalaureate degree students grants of up to $5,000 per academic year. To qualify for the grant, a student must:

(1) be enrolled full-time in baccalaureate program pursuing a math or science major at a state educational institution or private institution of higher education in Indiana; and
(2) agree to reside in Indiana and teach math or science in a school corporation in Indiana that has a complexity index of at least 1.2 or has a disproportionately high at-risk enrollment for at least four years after attaining the degree.

The bill provides that SSACI determine the amount of each grant awarded under the program, and limits the total amount of grants awarded to an individual to $20,000. The grant may be used to pay tuition, fees, books, supplies and equipment required by the educational institution for enrollment or attendance. The bill provides for SSACI to develop procedures for annual renewal of grants under the scholarship program and requires that the recipient must remain enrolled full-time and maintain at least 3.0 GPA on a 4.0 grading scale or its equivalent.

Additional Critical Employment Needs Scholarships: If the IEDC and the DWD determine that additional critical employment needs scholarships should be awarded, they are required to submit the proposed scholarship program to SSACI and the State Budget Committee for review. After the Budget Committee review and approval by the State Budget Agency, SSACI may implement the proposed scholarship program. The bill limits the additional scholarships to full-time baccalaureate students at state educational institutions or private institution of higher education in Indiana pursuing a course of study enabling the student to be employed in a critical need occupation as determined by the IEDC and DWD. The bill also requires the student to agree to reside in Indiana and be employed in the critical need occupation for at least four years after attaining the degree. The bill provides for scholarship limits and other requirements similar to those employed under the Critical Needs Math and Science Teacher Scholarships.

Repayment of Grants: The bill requires the grant recipient to repay SSACI the entire grant received if the recipient fails to: (1) complete the degree program within the normal time for completion of the degree plus one year; and (2) reside in Indian and maintain qualified employment as required by the scholarship agreement. The bill allows SSACI to waive or defer repayment in the case of disability, illness, or other extenuating circumstances that prevent the recipient from attaining a degree in the time required or fulfilling the postgraduate employment requirements. The bill also requires SSACI to grant a deferment from repayment to: (1) a recipient who is or whose spouse is assigned to military duty; or (2) a recipient who has attained the degree for which the scholarship was awarded but is pursuing post graduate studies at an in-state or out-of-state higher education institution.

Prohibited Political Contributions: The bill prohibits the lottery manager or a person who has an interest in the lottery manager to make a political contribution to a candidate or candidate's committee during the time which a lottery manager is party to the management agreement and the three years following the expiration of the management agreement. A person who knowingly or intentionally violates this section commits a Class D felony. A Class D felony is punishable by a prison term ranging from six months to three years or reduction to Class A misdemeanor, depending upon mitigating and aggravating circumstances. The average expenditure to house an adult offender was $22,734 in FY 2006. (This does not include the cost of new construction.) If offenders can be housed in existing facilities with no additional staff, the average cost for medical care, food, and clothing is approximately $1,825 annually, or $5 daily, per prisoner. The estimated average cost of housing a juvenile in a state juvenile facility was $63,139. The average length of stay in DOC facilities for all Class D felony offenders is approximately ten months.

Background on the Hoosier Lottery: The Indiana Lottery Commission is established under current statute as a body politic and corporate separate from the state. Lottery Commission is composed of five members. The January 1, 2007, state staffing table indicates that the Hoosier Lottery currently employs 164 people with a salary component totaling about $6.9 M. The Hoosier Lottery has a total of 213 budgeted positions, with 49 vacant full-time positions.

The Hoosier Lottery commenced sales of instant scratch-off tickets on October 13, 1989. Since that time the Hoosier Lottery has offered a variety of draw games and instant ticket games. From FY 2000 to FY 2005 (the most recent data available) the share of annual sales revenue attributable to instant ticket games has increased from about 57.4% to about 66.2%. Annual sales and net income generated by the Hoosier Lottery is summarized in the table below. Sales totals have experienced average annual growth of about 4.5% since FY 1990 (the Lottery's first year of operation) and 5.8% since FY 2000. FY 2006 sales exceeded FY 2005 sales by 10.4%. Net income generated by the Hoosier Lottery has grown by an annual average of 3.2% since FY 1990 and 4.6% since FY 2000. Net income in FY 2006 exceeded FY 2005 net income by 14.6%.

Hoosier Lottery Sales and Net Income History			
Fiscal Year	**Sales**	**Net Income**	**Profit**
1990	$403.1 M	$130.7 M	32.4%
1991	446.5 M	151.2 M	33.9%
1992	390.1 M	116.2 M	29.8%
1993	513.4 M	146.1 M	28.5%
1994	575.2 M	165.3 M	28.7%
1995	610.7 M	183.2 M	30.0%
1996	621.3 M	188.1 M	30.3%
1997	578.9 M	176.4 M	30.5%
1998	648.2 M	195.5 M	30.2%
1999	681.0 M	204.0 M	30.0%
2000	582.5 M	165.4 M	28.4%
2001	548.3 M	155.6 M	28.4%
2002	626.3 M	167.4 M	26.7%
2003	664.4 M	175.6 M	26.4%
2004	734.9 M	199.3 M	27.1%
2005	739.6 M	189.0 M	25.6%
2006	816.4 M	216.6 M	26.5%

Source: FY 1990 to FY 2005 totals are from the Hoosier Lottery Commission annual audited financial statements. The FY 2006 sales total is from the *Hoosier Lottery Request for Lottery License Qualifications* and the net income total is an unaudited total from the *FY 2006 Indiana Handbook of Taxes, Revenues, and Appropriations*.

Explanation of State Revenues: (Revised) *Lottery Management Agreement:* The bill authorizes the Indiana Lottery Commission to enter into an agreement with a private entity (established as a domestic corporation or limited liability company under the bill) that would manage all aspects of the Hoosier Lottery for an initial term of up to 30 years. The management agreement must be executed before January 1, 2009.

The bill provides for the following:

(1) A requirement that the lottery manager makes an initial lump sum payment exceeding $1,000.0 M to the state on the effective date of the management agreement.

(2) A requirement that the lottery manager annually make royalty payments to the state totaling $200.0 M (in quarterly payments of at least $50.0 M).

(3) Authority for the management agreement to require the lottery manager to pay an additional royalty payment each year that the manager's gross revenue from lottery ticket sales exceeds the gross revenue generated from lottery ticket sales during in the 12 month period preceding the execution of the management agreement.

A description of the purposes to which these revenues are to be distributed is contained in the *Explanation of State Expenditures*.

Income Tax for Lottery Manager: The bill requires the lottery manager to form as a domestic corporation or limited liability company and locate its principal office within Indiana. As a result, the lottery manager's income generated from the lottery management agreement would be subject to taxation in the same manner as income received by other private entities. The potential revenue impact of this operation is indeterminable.

Prohibited Political Contributions: If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class D felony is $10,000. Criminal fines are deposited in the Common School Fund.

If the case is filed in a circuit, superior, or county court, 70% of the $120 criminal costs fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund. In addition, some or all of the judicial salaries fee ($15), the public defense administration fee ($3), the court administration fee ($2), the judicial insurance adjustment fee ($1), and the DNA sample processing fee ($1) are deposited into the state General Fund.

Explanation of Local Expenditures: *Prohibited Political Contributions:* If more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. The average cost per day is approximately $44.

Explanation of Local Revenues: *Prohibited Political Contributions:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: The county general fund would receive 27% of the $120 criminal costs fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of the criminal costs fee. In addition, several additional fees may be collected at the discretion of the judge and depending upon the particular type of criminal case.

State Agencies Affected: State Lottery Commission; Indiana Finance Authority; Indiana Gaming Commission; State Student Assistance Commission of Indiana; State Educational Institutions; Treasurer of State; State Budget Agency; State Budget Committee; Department of Correction; Department of Workforce Development.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Hoosier Lottery, Annual Audited Financial Statements; Tim Kuehr, Hoosier Lottery, (317) 264-4611; Indiana Legislative Services Agency, FY 2006 Indiana Handbook of Taxes, Revenues, and Appropriations;. Indiana Finance Authority, *Hoosier Lottery Request for Lottery License Qualifications*, January 2, 2007; Indiana Sheriffs' Association; Department of Correction.

Fiscal Analyst: Jim Landers, 317-232-9869.