

Economic Impact Statement

LSA Document #10-240

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

Estimated Number of Small Businesses Subject to this Rule:

The rule applies to all commission licensed retailers of lottery products. The current estimate of all retailer locations would include approximately 3,871 retailers. However, the Commission does not hold enough information about each retail location to determine whether a specific retailer meets the criteria for an Indiana small business. While it is certain that a portion of lottery retailer locations are not small businesses, since each location may be part of a larger chain corporation such as Meijer, Marsh, Speedway, et al., for purposes of this analysis, the Hoosier Lottery will count all approved retailer locations in its estimate of small businesses impacted by the proposed rule.

Estimated Average Annual Administrative Costs That Small Business Will Incur:

The Commission estimates that small business will incur only minimal administrative costs in accordance with the proposed rule, if any costs at all. Retailers wishing to partake in their own independent promotional activities supporting lottery products must obtain approval from the Hoosier Lottery. The exact process has not been finalized but could involve the voluntary preparation and submittal of a formal written request including a detailed proposal of the promotional activity. The administrative costs would be minimal. The frequency of such applications would be completely dependent upon the retailer and its promotional activities, but is unlikely to be more than a few times each year.

Estimated Total Annual Economic Impact on Small Businesses:

The total economic impact will depend upon whether Hoosier Lottery retailers voluntarily participate in promotional activities. To the extent that independent promotional activity occurs, the Commission estimates that the impact would likely be a positive effect on the sales of the small businesses that wish to participate. In most cases, the costs of a promotional activity conducted by the Commission shall be borne by the Commission and not the retailer. The retailer would only deal with any out of pocket administrative expenses and in many instances will receive value in exchange, such as use of Hoosier Lottery intellectual property or free tickets or merchandise from the Lottery. Since promotional activities tend to increase sales and thus commissions earned by retailers, the overall annual economic impact on small businesses is estimated to be positive and would depend upon the promotional activities conducted. The actual result is difficult to calculate. However, since the program is voluntary, it is safe to assume that a retailer is unlikely to participate in promotional activity unless the expected result was deemed to be positive.

Supporting Data, Studies, and Analyses:

The Commission relies on internal data from past promotional periods. Data indicates that retailers benefit from promotions and wish to have more independence in conducting different and unique promotions independently of the Hoosier Lottery. The proposed rule allows just that, and thus a positive effect is expected.

Explanation of Preliminary Determination:

The Commission makes this determination based on discussions and relationships with Hoosier Lottery retailers, as well as experiences with past promotional activities conducted by the Lottery and independent retailers.

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