

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1011 (Delegate Cadden)
Ways and Means

State Lottery - Bonuses or Incentives for Licensed Agents

This bill repeals a requirement that the State Lottery Agency appropriate funds for agents' bonuses and incentives in the agency's budget. Rather, it allows the agency to deduct the bonuses and incentives directly from gross sales receipts.

This bill is effective July 1, 1996.

Fiscal Summary

State Effect: Indeterminate effect on State revenues. The Lottery Agency's special fund operating expenditures would decrease by \$500,000.

Local Effect: None.

Fiscal Analysis

Background: Current law allows the Lottery Agency to budget up to .5% of gross sales for agent bonuses. Originally, all bonuses were paid directly from sales receipts. However, in 1987, the statute was changed to require the Lottery Agency to budget agent bonuses rather than paying them from sales receipts.

State Effect: The effect of this bill on State revenues depends upon the amount of bonuses paid and the State Lottery Agency's ability to stimulate higher sales with the increased authority.

In fiscal 1995, the agency spent \$574,200 on agent incentives. The agency's fiscal 1997 budget allowance includes \$500,000 for bonuses and incentives. This is significantly lower than .5% of gross sales, which should be about \$5.6 million in fiscal 1997. Total fiscal 1997

sales are forecasted at \$1.3 billion.

Accordingly, this bill would grant the Lottery Agency the authority to pay the agents up to \$5.1 million of additional bonuses in fiscal 1997 without budget approval. If lottery sales remained stable after the change, this could result in a corresponding decrease in State revenues. However, a decrease of this magnitude is unlikely. In fact, if administered properly, this bill could lead to an increase in sales and thus State revenues. The agency would have more flexibility to manage the incentives in such a way as to stimulate more sales and revenues.

The State Lottery Agency's budget could decrease by \$500,000 which is the amount that is currently budgeted for agent bonuses and incentives.

Information Source(s): State Lottery Agency, Department of Fiscal Services

Fiscal Note History: First Reader - February 15, 1996

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