

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 74 (Delegate R. Baker)
Ways and Means

Distribution of Lottery Proceeds - Public Schools

This bill requires the Comptroller to distribute an aggregate 20% of lottery proceeds (net of prizes, administrative costs, and distributions to the Stadium Authority) to all public school systems in the State. The proceeds are to be allocated based on the lottery ticket sales in the county in which the school system is located. The distribution is intended to provide additional revenue for public school systems and may not replace any other distribution of lottery proceeds to public school systems.

Fiscal Summary

State Effect: Decrease in general fund revenues of \$56.8 million in FY 1997. Out-year estimates reflect 2% annual growth in lottery revenues.

(\$ in millions)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	(\$56,820)	(\$77,275)	(\$78,821)	(\$80,397)	(\$82,005)
Expenditures	0	0	0	0	0
Net Effect	(\$56,820)	(\$77,275)	(\$78,821)	(\$80,397)	(\$82,005)

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: Estimated \$56.8 million aggregate local revenue increase in FY 1997.

Fiscal Analysis

State Revenues: General fund revenues could decrease by approximately \$56.8 million in fiscal 1997, which is the estimated amount of lottery proceeds to be distributed to public school systems under this bill. This estimate is based on the facts and assumptions listed below.

- Net lottery revenues (gross revenues less prizes, administrative costs, and distributions to the Stadium Authority) are estimated to be \$378.8 million in fiscal 1997.
- 20% of fiscal 1997 net lottery revenues is approximately \$75.8 million.
- A 25% reduction to account for the October 1, 1996 effective date yields \$56.8 million.

Out-year estimates are based on a 2% annual growth rate in lottery revenues.

State Expenditures: No effect. Any administrative requirements of this bill can be absorbed by existing budgeted resources.

Local Revenues: Local school board revenues are estimated to increase by approximately \$56.8 million in fiscal 1997, which equals 20% of net lottery revenues (see State Revenues section above) adjusted for the October 1, 1996 effective date. The revenue increase is estimated to grow by approximately 2% annually in future years. Exhibit 1 below reflects the fiscal 1997 distribution of the revenues among public school systems based on the proportion of the fiscal 1995 lottery ticket sales occurring in each county and Baltimore City.

Local Expenditures: The bill specifies that the revenues be used for classroom aids, student support staff, or instructional materials. To the extent local school boards do not use these revenues to supplant existing expenditures, the revenues will result in additional expenditures for staff and instructional materials.

Exhibit 1

<u>School Systems</u>	<u>Percent of Sales</u>	FY 1997 Distribution <u>(in 1,000s)</u>
Allegany	0.87%	\$493
Anne Arundel	7.88	4,479
Baltimore	15.95	9,060
Calvert	1.02	578
Caroline	0.52	293
Carroll	1.70	966
Cecil	1.03	584
Charles	2.59	1,474
Dorchester	0.56	316
Frederick	2.01	1,141
Garrett	0.22	128
Harford	2.72	1,548
Howard	2.32	1,321
Kent	0.35	200
Montgomery	8.92	5,067
Prince George's	22.16	12,594
Queen Anne's	0.48	270
St. Mary's	1.46	829
Somerset	0.34	193
Talbot	0.59	338
Washington	1.49	846
Wicomico	1.22	691
Worcester	1.52	866
Baltimore City	<u>22.08</u>	<u>12,546</u>
	100%	\$56,820

Information Source(s): State Lottery Agency, Maryland Association of Boards of Education, Department of Fiscal Services

Fiscal Note History: First Reader - February 5, 1996

ncs

Analysis by: Lisa Kleinschmidt

Reviewed by: John Rohrer

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710