

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 569 (Senator Ruben)
Budget and Taxation

Education - Maryland Public School Supplemental Fund

This bill establishes a Maryland Public School Supplemental Fund. The State Lottery Agency is required to conduct at least two, but no more than four, education lotteries for the benefit of the fund. Proceeds from the fund are distributed to the county where the tickets or lottery subscriptions are sold. The fund is meant to supplement existing funding for the operation of the State's public schools.

This bill is effective July 1, 1996.

Fiscal Summary

State Effect: Education lotteries could generate approximately \$2.3 million per game. However, this increase could be fully offset by an equivalent reduction in State general fund and special fund revenues from the Maryland lottery.

Local Effect: Local revenues could increase between \$4.6 million and \$9.2 million annually. Revenues would not be affected.

Fiscal Analysis

State Effect: The State Lottery Agency conducts approximately 26 instant lottery games annually (one every two weeks). Approximately 2 to 12 million lottery tickets are sold for each game. Ticket prices range from \$1 to \$5 per ticket, with higher priced tickets usually resulting in lower ticket sales. Approximately 15% to 39% of lottery proceeds go to the State general or special funds. The remaining revenue goes toward prize payments (56% to 78%) and operating costs (5% to 7%). Higher priced tickets usually result in larger prize payments and higher operating costs.

Assuming that each education lottery results in six million ticket sales, special fund revenues

would increase by \$2.3 million per game. The total revenue increase would depend on (1) the number of tickets sold per game; (2) the level and success of lottery advertisements; and (3) whether local school districts or parent teacher organizations encourage individuals to purchase the tickets. This estimate is based on the following:

- six million lottery tickets sold per game;
- \$1 cost per ticket;
- 39% of ticket sales going to special fund; and
- 56% of ticket sales going to prize payments and 5% going to cover operating costs.

Given the current saturation of the lottery market, however, this revenue would likely be gained at the expense of existing lottery games. In effect, the education lotteries would transfer money from the State general fund and the Maryland Stadium Facilities Fund to the School Supplemental Fund. Accordingly, total State revenues would not be affected.

It is assumed that any additional workload resulting from implementing or administering the fund would be minimal and absorbable with existing resources.

Local Effect: Local revenues could increase by \$2.3 million for each education lottery game. Accordingly, local revenues could increase between \$4.6 million and \$9.2 million annually. Future year revenues reflect a constant number of ticket sales. A county-by-county breakdown of the potential impact is illustrated in **Exhibit 1**. The fund's proceeds would be distributed on the basis of where the lottery tickets are sold and not according to local wealth. Local expenditures would not be affected.

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

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Analysis by: Hiram L. Burch Jr.

Reviewed by: John Rixey

(410) 841-3710

(301) 858-3710

Direct Inquiries to:

John Rixey, Coordinating Analyst