

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

House Bill 1194 (Delegates Bonsack and Cadden)  
Ways and Means

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State Lottery - Compensation of Licensed Agents

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This bill requires the State Lottery Agency to pay commissions to lottery agents equal to 5% of agents' gross receipts from ticket sales made during the year.

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Fiscal Summary

**State Effect:** General fund revenues would decrease by \$7.7 million and Maryland Stadium Facilities Fund revenues would decrease by \$666,000. Future year estimates reflect 2.5% annual growth in lottery sales.

(in thousands)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	(\$7,660)	(\$10,469)	(\$10,730)	(\$10,999)	(\$11,273)
SF Revenues	(666)	(910)	(933)	(956)	(980)
Net Effect	(\$8,326)	(\$11,379)	(\$11,663)	(\$11,955)	(\$12,253)

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

**Local Effect:** None.

**Small Business Effect:** Meaningful effect on small businesses that sell lottery tickets as discussed below.

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Fiscal Analysis

**State Effect:** Agent commissions are deducted from gross sales receipts before funds are credited to the State's general fund and the Maryland Stadium Facilities Fund. Accordingly, any increase in agent commissions would result in a decrease in State revenues.

Agents currently receive regular commissions of 4% of gross sales. Increasing the commissions to 5% would result in the Lottery Agency paying agents an additional \$8.3 million in fiscal 1998, which accounts for the October 1, 1997 effective date (\$11.1 million on an annualized basis). This is based on the Board of Revenue Estimates' fiscal 1998 sales forecast of \$1.11 billion. This would result in an \$8.3 million decrease in State revenues in fiscal 1998.

The decrease would be shared by the general fund and the Maryland Stadium Facilities Fund, depending upon what proportion of sales are attributable to each purpose. Assuming that approximately 8% of ticket sales are attributable to the games benefiting the stadium fund, general fund revenues would decrease by approximately \$7.7 million and Stadium Facilities Fund revenues would decrease by about \$666,000.

**Small Business Effect:** This bill may have a significant impact on small businesses that sell lottery tickets. The average lottery agent will sell an estimated \$296,000 of lottery tickets in fiscal 1998, earning commissions of \$11,840. Under this bill, the average lottery agent would retain an additional \$2,960 in commissions annually. Those agents with sales above average will receive a proportionally higher increase in commissions.

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

**Fiscal Note History:** First Reader - March 3, 1997  
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Analysis by: David F. Roose  
Reviewed by: John Rixey

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 841-3710  
(301) 858-3710