

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 46 (Delegate Kelly)
Ways and Means

State Lottery Prizes - Reimbursement for Public Assistance Benefits

This bill requires the State Lottery Agency to withhold up to 50% of lottery winnings from individuals who have received public assistance benefits. Specifically, the agency is to withhold the lesser of 50% of lottery winnings or the amount of public assistance benefits received by an individual, as certified by the Department of Human Resources. The bill only applies to lottery winnings large enough to be paid by check by the State Lottery Agency (greater than \$600). Every six months, the Department of Human Resources must certify to the State Lottery Agency the names of individuals who received public assistance in the last ten years and the amount of public assistance received. The Department of Human Resources and the State Lottery Agency are authorized to jointly adopt regulations. The bill also specifies the priority of lottery interception requests.

Fiscal Summary

State Effect: Department of Human Resources expenditures could increase by \$42,900 in FY 1998 (\$29,900 general funds and \$13,000 federal funds), of which \$26,000 is a one-time only cost. FY 1998 revenues accruing to the Department of Human Resources could total \$702,000 or more, which reflects the bill's October 1, 1997 effective date. Future year expenditures and revenues reflect annualization and inflation.

(in dollars)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF* Revenues	\$702,000	\$954,700	\$973,800	\$993,300	\$1,013,200
GF Expenditures	\$29,900	\$23,000	\$23,400	\$23,900	\$24,400
FF Expenditures	\$13,000	0	0	0	0
Net Effect	\$659,100	\$931,700	\$950,400	\$969,400	\$988,800

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

*The bill is silent as to whether these revenues would be considered general, special, or reimbursable funds.

Local Effect: None.

Small Business Effect: None. The bill would not directly affect small businesses.

Fiscal Analysis

State Revenues: Revenues accruing to the Department of Human Resources could increase by an estimated \$702,000 in fiscal 1998 (\$936,000 on an annual basis), depending on the number of lottery prize winners who are public assistance recipients and their winnings. The estimate reflects the following assumptions: (1) 20,800 individuals currently win prizes large enough (\$600 or above) to be paid by check by the State Lottery Agency; (2) an average current payout of \$2,500; (3) public assistance recipients represent 3.6% of the general population; (4) an average annual assistance grant for an individual of \$1,428 in the Temporary Cash Assistance (TCA) program (the largest cash assistance program); (5) 50% of TCA recipients are off TCA within two years and 50% stay on longer than two years, so a two-year grant is assumed, totaling \$2,856; (6) the average amount of winnings accruing to the Department of Human Resources will be the 50% of average lottery winnings (\$1,250) rather than the amount of public assistance benefits received by an individual (\$2,856); and (7) the bill's effective date of October 1, 1997. The \$702,000 is a conservative estimate because the bill's requirements apply to anyone who has received public assistance for the last ten years, whereas the estimate reflects the 3.6% of the population who receive public assistance at one point in time. Since some individuals have cycled on and off the public assistance rolls, it is difficult to reliably estimate the number of different individuals who have received public assistance over a ten-year period. Future year revenues are assumed to increase with inflation.

The State Lottery Agency advises that the bill could result in a decline in total lottery sales, as it represents a disincentive for public assistance recipients to play the lottery. The Department of Fiscal Services believes that any decline in lottery sales would be negligible. For illustrative purposes, in fiscal 1996 lottery sales totaled \$1.1 billion.

State Expenditures: Department of Human Resources expenditures could increase by an estimated \$42,875 in fiscal 1998 due to the additional workload created by the certification requirement. The estimate reflects (1) a one-time-only cost of \$26,000 to extract and transfer data from the Client's Automated Resource and Eligibility System (CARES) automated information system for public assistance eligibility determination; and (2) \$16,875 for 100 additional appeals cases before an administrative law judge.

The \$26,000 estimate assumes 160 hours of programming time for data extract and \$10,000

in CARES mainframe support and tape charges. The Department of Human Resources has contracted with Andersen Consulting, Inc. to provide system enhancements and management support for the CARES project. Federal funds have provided at least 50% of CARES development and implementation costs to date, so it is assumed that 50%, or \$13,000, of the \$26,000 costs would be supported with federal funds.

The number of administrative law cases would increase because the bill allows individuals who have been notified that they must share their lottery prize winnings with the Department of Human Resources an opportunity to dispute the existence or amount of public assistance benefits received by appealing to the Department of Human Resources.

The \$16,875 estimate assumes (1) 100 additional appeals cases; (2) \$225 in administrative law judge costs per case; and (3) the bill's October 1, 1997 effective date. Future year costs are assumed to increase with inflation.

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

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