

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 385 (Senator Della)

Finance

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State Lottery - Compensation for Agents

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This bill requires the State Lottery Agency to pay commissions to a lottery agent equal to 5% of the agent’s gross receipts from ticket sales made during the year, and 3% of on-line game payouts validated and paid through the agent’s terminal.

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Fiscal Summary

**State Effect:** General fund revenues would decline by an estimated \$8.5 million in FY 1999. Future year estimates reflect annualization and growth based on estimated revenue growth.

(in millions)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	(\$8.5)	(\$11.8)	(\$12.2)	(\$12.5)	(\$12.7)
GF Expenditures	0.0	0.0	0.0	0.0	0.0
Net Effect	(\$8.5)	(\$11.8)	(\$12.2)	(\$12.5)	(\$12.7)

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

**Local Effect:** None.

**Small Business Effect:** Meaningful.

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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. 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 \$8.5

million in fiscal 1999, which accounts for the October 1, 1998 effective date (\$11.3 million on an annualized basis). This is based on the Board of Revenue Estimates' fiscal 1999 sales forecast of \$1.13 billion. This would result in an \$8.5 million decrease in State revenues in fiscal 1999.

Agents currently receive 3% cashing fees for payouts validated and paid. Codifying this practice would therefore have no fiscal impact.

**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 \$290,000 of lottery tickets in fiscal 1999, earning commissions of \$11,600. Under this bill, the average lottery agent would retain an additional \$2,900 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 Legislative Services

**Fiscal Note History:** First Reader - February 22, 1998

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