

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 630 (Delegate Greenip, *et al.*)
Ways and Means

State Lottery - Unanticipated Revenues - Public School Systems

This bill requires State lottery revenues in excess of the estimate for a fiscal year to be distributed to local school systems instead of being deposited in the State's general fund. The distribution is to be based on the lottery ticket sales in the county in which the local school system is located.

Fiscal Summary

State Effect: Potential decrease in general fund revenues. The extent of any revenue decrease depends on the amount of lottery revenues that exceed projections for a fiscal year.

Local Effect: State aid to local school systems could increase depending upon the amount of State lottery revenues that exceed the budgetary projections for a fiscal year.

Small Business Effect: None.

Analysis

Current Law: Net revenues from sport lotteries conducted for the benefit of the Maryland Stadium Authority are distributed into the Maryland Stadium Facilities Fund and the net revenues from other State lotteries are distributed to the general fund. Under current practice, the Maryland Stadium Facilities Fund receives all the net revenues from the Big Game and several instant ticket games.

Beginning in fiscal 2002, excess lottery funds must be distributed to the horse racing special fund pursuant to the Racing Act of 2000. Based on the proposed fiscal 2002 State budget, this amount is estimated at \$1.7 million.

Background: Net revenues from State lotteries are projected to total approximately \$415.1 million in fiscal 2002. Of this amount, \$30.8 million is distributed to the Maryland Stadium Facilities Fund and \$384.3 million is distributed to the general fund. **Exhibit 1** shows the revenue forecast for and distribution of State lottery revenues for the next four years.

Exhibit 1
Net General Fund Revenues from State Lottery

<u>(\$ in millions)</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Pick 3	\$123.6	-	-	-
Pick 4	84.5	-	-	-
Lotto	15.8	-	-	-
Cash-in-Hand	8.1	-	-	-
Instant Tickets	57.9	-	-	-
Keno	98.7	-	-	-
Big Game	26.5	-	-	-
Net Lottery Revenues	\$415.1	-	-	-
Stadium Fund	\$30.8	-	-	-
General Fund	\$384.3	\$390.1	\$395.9	\$401.9

Source: Board of Revenue Estimates; - indicates that forecast is not available

State Budgetary Forecasts

The Board of Revenue Estimates (BRE) projects State lottery revenues in December and March prior to the start of the fiscal year and in the following December and March once the fiscal year begins. For example, for fiscal 2002, the BRE releases a December 2000 estimate that is used to form the State budget. This estimate may be revised in March 2001 prior to the adoption of the fiscal 2002 State budget. Once fiscal 2002 begins, BRE will release a revised estimate in December 2001 and March 2002. This legislation does not specify the BRE estimate that would be used in distributing lottery revenues to local school systems. For purposes of this fiscal note, the March estimate prior to the adoption of the State budget is used. Also, it is unclear how this legislation would work in conjunction with Chapter 309 of 2000.

State Fiscal Effect: State lottery revenues in excess of the estimate for a fiscal year must be distributed to local school systems. The actual amount of any general fund revenue decrease depends on the amount of lottery revenues that exceed budgetary projections. This amount cannot be reliably estimated because lottery revenue projections and actual

revenues vary from year to year. **Exhibit 2** provides the budgetary estimates for State lottery revenues, based on the BRE March projections, and actual revenues from fiscal 1996 through fiscal 2000. As the exhibit indicates, lottery projections and actual revenues vary considerably from year to year. As a result, any increased funding to local school systems cannot be reliably estimated.

Exhibit 2
State Lottery Revenues Exceeding Budgetary Estimate

Fiscal Year	Estimated Revenue	Date of Estimate	Actual Revenue	Difference
1996	\$348,235,000	March 1995	\$369,768,000	\$21,533,000
1997	\$382,202,000	March 1996	\$356,002,000	(\$26,200,000)
1998	\$358,584,000	March 1997	\$362,515,000	\$3,931,000
1999	\$376,633,000	March 1998	\$352,175,000	(\$24,458,000)
2000	\$362,227,000	March 1999	\$367,763,000	\$5,536,000

Local Fiscal Effect: State aid to local school systems would increase depending on the amount of State lottery revenue that exceeds budgetary projections for a fiscal year. This amount varies from year to year and cannot be reliably estimated. **Exhibit 3** shows the distribution of lottery ticket sales in each jurisdiction in fiscal 2000 and the amount of revenues that would be provided to each local school system for every \$1 million in lottery revenues that exceed the budgetary projections for a fiscal year.

Additional Information

Prior Introductions: A similar bill was introduced at the 2000 session as HB 617. The bill was amended by the House Ways and Means Committee and passed by the House. The Senate took no action on the bill. In addition, a similar bill was introduced at the 1998 session as HB 939 and received an unfavorable report by the House Ways and Means Committee.

Cross File: SB 644 (Senators Jacobs and Harris) – Finance and Budget and Taxation.

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

Fiscal Note History: First Reader – February 20, 2001
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Exhibit 3
Estimated Local Distribution
Per \$1 million in Lottery Revenues

<u>Local School System</u>	<u>Percent of Lottery Sales</u>	<u>Estimated Fund Distribution</u>
Allegany	0.9%	\$8,500
Anne Arundel	8.9%	88,500
Baltimore City	21.8%	218,000
Baltimore	14.6%	145,700
Calvert	1.2%	12,000
Caroline	0.4%	3,800
Carroll	1.7%	17,200
Cecil	1.0%	9,800
Charles	2.8%	28,300
Dorchester	0.5%	5,300
Frederick	2.1%	20,900
Garrett	0.3%	2,900
Harford	2.9%	29,300
Howard	2.3%	23,000
Kent	0.3%	2,900
Montgomery	9.7%	96,600
Prince George's	21.2%	211,800
Queen Anne's	0.5%	5,000
St. Mary's	1.7%	17,400
Somerset	0.5%	4,600
Talbot	0.5%	5,100
Washington	1.5%	14,600
Wicomico	1.2%	11,700
Worcester	1.7%	17,100
Total	100.0%	\$1,000,000

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