

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

Senate Bill 92 (Chairman, Finance Committee)
 (Departmental – Lottery)

Finance

State Lottery - Subscription Purchases by Credit Card

This departmental bill allows the Director of the State Lottery Agency, with the approval of the Lottery Commission, to authorize the purchase of lottery subscriptions by credit card. A subscription purchased by credit card would not be valid until: (1) the subscription is officially entered into the Lottery’s computer system; (2) the transaction is completed by an irrevocable payment made by the authorized purchaser; and (3) the subscription is verified by the issuance of a membership card indicating the effective date of the membership.

Fiscal Summary

State Effect: General fund revenue increase of approximately \$184,600 in FY 2003. Future years reflect growth in subscription sales by credit card. Potential minimal expenditure increase in future years for credit card processing.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	\$184,600	\$383,100	\$563,500	\$740,200	\$890,300
GF Expenditure	0	-	-	-	-
Net Effect	\$184,600	\$383,100	\$563,500	\$740,200	\$890,300

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

Local Effect: None.

Small Business Effect: The Lottery Agency has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: Lottery subscription purchases are only allowed through the mail.

Background: The lottery subscription sales program is a play by mail program that is offered for the convenience of lottery players. The program, which allows players to purchase subscriptions to Lotto and the Big Game, offers the convenience of playing multiple drawings with a single transaction. The original subscription program started in 1997 with the Lottery Weekly Game. In 1984 it was switched to Lotto. The program was extended to include the Big Game in the fall of 2001.

The Lottery Agency hopes to increase subscription sales by allowing credit card purchases because it is believed that it is a more convenient method of purchasing subscriptions than through the mail.

State Fiscal Effect: Based on prior year subscription sales the Lottery Agency estimates that total subscription sales for Lotto and the Big Game would increase by approximately \$7.8 million in fiscal 2003 as a result of expanding the method of payment to include payment by credit card. In fiscal 2003 credit card sales would be approximately 6% (\$470,500) of subscription sales. By fiscal 2007 credit card sales are expected to be approximately 12% of subscription sales. Approximately 40% of credit card subscription sales will be general fund revenues, resulting in a revenue increase of approximately \$184,600 in fiscal 2003 and \$890,300 by fiscal 2007. The following table illustrates estimated credit card subscription sales and revenues for Lotto and the Big Game.

Estimated Credit Card Subscription Sales and Revenues FY 2003- 2007

Lotto

<u>Fiscal Year</u>	<u>Total Subscription Sales</u>	<u>Percent of Total Sales</u>	<u>Estimated Credit Card Sales</u>	<u>Percent of Subscription Sales</u>	<u>Estimated Revenue</u>
2003	\$6,041,700	14%	\$362,502	6%	\$141,376
2004	\$7,111,944	16%	\$640,075	9%	\$249,629
2005	\$8,240,965	18%	\$824,097	10%	\$321,398
2006	\$9,339,760	20%	\$1,027,374	11%	\$400,676
2007	\$9,466,158	20%	\$1,131,979	12%	\$441,472
Total	\$40,167,528	17.7%	\$3,986,026	10%	\$1,554,550

The Big Game

<u>Fiscal Year</u>	<u>Total Subscription Sales</u>	<u>Percent of Total Sales</u>	<u>Estimated Credit Card Sales</u>	<u>Percent of Subscription Sales</u>	<u>Estimated Revenue</u>
2003	\$1,800,000	2.5%	\$108,000	6%	\$43,200
2004	\$3,708,000	5%	\$333,720	9%	\$133,488
2005	\$6,051,456	8%	\$605,146	10%	\$242,058
2006	\$7,715,456	10%	\$848,717	11%	\$339,487
2007	\$9,351,315	12%	\$1,122,158	12%	\$448,863
Total	\$28,626,377	7.6%	\$3,017,740	11%	\$1,207,096

Note: Numbers may not total due to rounding.

Source: Maryland State Lottery Agency

Any additional costs to the Lottery Agency associated with the implementation of the bill in fiscal 2002 are estimated to be minimal and absorbable within the agency's fiscal 2003 budget. In future years additional funds may be requested to cover any increased operating costs, such as credit card transaction processing fees (approximately 2.5% of transaction costs).

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 15, 2002
ncs/jr

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