

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 474 (Delegate Howard)
Ways and Means

Education - Maryland Public School Supplemental Fund

This bill establishes the Maryland Public School Supplemental Fund to provide additional funding to local school systems for teacher retention and recruitment. The State Lottery Agency is required to conduct at least one education lottery for the benefit of the fund. Proceeds from the fund are distributed to the county where the tickets or lottery subscriptions are sold. The fund is intended to supplement existing funding for teacher retention and recruitment in the State, and will be administered by the State Board of Education.

Fiscal Summary

State Effect: Given the current saturation of the lottery market, any additional revenues from the education lottery would likely be gained from existing lottery sales. In effect, education lotteries would transfer revenues from the State general fund to the Maryland Public School Supplemental Fund. Total State revenues would not be affected.

Local Effect: State aid to local school systems could increase depending upon the proceeds generated from the education lottery.

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 net revenues from other State lotteries are distributed to the general fund. Under

current practice, the Maryland Stadium Facilities Fund receives all net revenues from the Big Game and several instant ticket games.

Background: Local school systems in Maryland face ongoing challenges in recruiting and retaining qualified teachers and school principals. Maryland, like most states, is projecting a sizeable teacher shortage in the coming years. The U.S. Department of Education estimates that school systems across the nation will need to recruit 2.2 million teachers by 2008. Since Maryland imports many of its teachers from other states, the increased nationwide demand for teachers could result in teacher shortages in this State. In fact, according to the Maryland State Department of Education (MSDE), the State has consistently documented teacher shortage by content field since 1984.

Recently, MSDE calculated that 60% of existing teachers and school principals would be eligible to retire in 2005. In addition, local school systems in the State continue to hire teachers in increasing numbers. For example, during the 1999-2000 school year, local school systems hired nearly 7,400 new teachers. This represents a 24% increase over the number of newly hired teachers during the prior school year. MSDE projects that nearly 11,000 new teachers will have to be hired in the 2001-2002 school year.

The State has implemented various programs to recruit teachers, such as the Teacher Salary Challenge Program, mortgage subsidies, a scholarship program, and several stipend programs. In addition, the State will provide local school systems with approximately \$27 million in fiscal 2003 for teacher mentoring, certification, and development programs to retain existing public school teachers.

State Fiscal Effect: Net revenues from State lotteries are projected to total approximately \$431.9 million in fiscal 2003. Of this amount, \$28.5 million is distributed to the Maryland Stadium Facilities Fund and \$403.4 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.

State revenues from instant ticket games will total approximately \$73.8 million in fiscal 2003. The State conducted 51 instant ticket games in fiscal 2001. Pursuant to this bill, the Lottery Agency must conduct at least one lottery game and dedicate the proceeds to the Maryland Public School Supplemental Fund. The net revenues generated from instant ticket games vary by game, depending upon the number of tickets sold and the prize payout. The number of tickets sold per instant game has ranged from 2 million to 3.6 million. The revenues that would be made available to the Maryland Public School Supplemental Fund will vary accordingly.

Exhibit 1
Net Revenues from State Lottery

<u>(\$ in millions)</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Pick 3	\$122.0	-	-	-
Pick 4	83.0	-	-	-
Lotto	17.6	-	-	-
Cash-in-Hand	5.7	-	-	-
Instant Tickets	73.8	-	-	-
Keno	106.5	-	-	-
Big Game	23.3	-	-	-
Net Lottery Revenues	\$431.9	-	-	-
Stadium Fund	\$28.5	-	-	-
General Fund	\$403.4	\$411.0	\$418.4	\$425.9

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

Given the current saturation of the lottery market, any additional revenues from the education lottery would likely be gained from existing lottery sales. In effect, education lotteries would transfer revenues from the State general fund to the Maryland Public School Supplemental Fund. Accordingly, total State revenues would not be affected.

Local Fiscal Effect: State aid to local school systems would increase depending upon the proceeds generated from the education lottery. **Exhibit 2** shows the distribution of instant ticket sales in each jurisdiction in fiscal 2001 and the amount of revenues that would be provided to each local school system for every \$1 million in lottery revenues generated for the Maryland Public School Supplemental Fund.

Additional Information

Prior Introductions: A similar bill was introduced at the 2001 session as HB 381. The bill was withdrawn.

Cross File: None.

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

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Exhibit 2
Estimated Local Distribution
Per \$1 Million in Lottery Revenues

<u>County</u>	<u>Instant Ticket Sales - FY 2001</u>	<u>Percent of Sales</u>	<u>Estimated Fund Distribution</u>
Allegany	\$3,775,500	1.4%	\$14,340
Anne Arundel	27,180,300	10.3%	103,235
Baltimore City	52,588,800	20.0%	199,740
Baltimore	42,912,000	16.3%	162,986
Calvert	3,325,200	1.3%	12,630
Caroline	1,730,400	0.7%	6,572
Carroll	6,109,800	2.3%	23,206
Cecil	4,156,500	1.6%	15,787
Charles	5,068,800	1.9%	19,252
Dorchester	2,313,600	0.9%	8,787
Frederick	8,907,300	3.4%	33,831
Garrett	1,299,300	0.5%	4,935
Harford	10,974,000	4.2%	41,681
Howard	6,606,000	2.5%	25,091
Kent	1,134,300	0.4%	4,308
Montgomery	24,109,200	9.2%	91,570
Prince George's	36,164,700	13.7%	137,359
Queen Anne's	1,949,400	0.7%	7,404
St. Mary's	4,436,400	1.7%	16,850
Somerset	1,410,300	0.5%	5,357
Talbot	1,845,600	0.7%	7,010
Washington	6,868,500	2.6%	26,088
Wicomico	4,353,600	1.7%	16,536
Worcester	4,067,100	1.5%	15,447
Total	\$263,286,600	100.0%	\$1,000,000

Source: Maryland Lottery

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