

**Department of Legislative Services**  
Maryland General Assembly  
2002 Session

**FISCAL NOTE**

House Bill 475 (Delegate Howard)  
Ways and Means

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**State Lottery - Unanticipated Revenues**

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This bill requires State lottery revenues in excess of the estimate for a fiscal year to be distributed to counties, rather than to the general fund. The distribution is to be based on sales in each county, except that sales in municipalities may not be included in the counties' sales for purposes of determining this distribution. Counties are required to use the unanticipated lottery revenues only for public education.

The bill is effective October 1, 2002.

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**Fiscal Summary**

**State Effect:** Potential significant decline in general fund revenues beginning in FY 2003. The extent of any decrease depends on the amount of lottery revenues that exceed projections for a fiscal year. Expenditures would not be affected.

**Local Effect:** Potential significant increase in local revenues. Corresponding expenditure increase for public education.

**Small Business Effect:** None.

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**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 net revenues from the Big Game and several instant games.

**Background:** 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.

**Exhibit 1**  
**Net General Fund 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	-	-	-
<b>Net Lottery Revenues</b>	<b>\$431.9</b>	-	-	-
Stadium Fund	\$28.5	-	-	-
General Fund	\$403.4	\$410.9	\$418.4	\$425.9

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 2003, BRE releases a December 2001 estimate that is used to form the State budget. This estimate may be revised in March 2002 prior to the adoption of the fiscal 2003 State budget. Once fiscal 2003 begins, BRE will release a revised estimate in December 2002 and March 2003. This legislation does not specify the BRE estimate that would be used in distributing lottery revenues to local governments. For purposes of this fiscal note, the March estimate prior to the adoption of the State budget is used.

### *Horse Racing Fund*

Beginning in fiscal 2002, excess lottery funds must be distributed to the horse racing special fund pursuant to the Racing Act of 2000 (Chapter 309) to cover debt service on bonds issued by the Maryland Economic Development Corporation (MEDCO) for capital improvements at the race tracks. No bonds have been issued for this purpose. It is assumed that the 2002 legislation will supersede the authority granted under the Racing Act of 2000.

**State Fiscal Effect:** State lottery revenues in excess of the estimate for a fiscal year must be distributed to local governments. 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 December projections, and actual revenues from fiscal 1997 through fiscal 2001.

**Exhibit 2**  
**State Lottery Revenues Exceeding Budgetary Estimate**

<b>Fiscal Year</b>	<b>Estimated Revenue</b>	<b>Date of Estimate</b>	<b>Actual Revenue</b>	<b>Difference</b>
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	\$367,227,000	March 1999	\$367,763,000	\$536,000
2001	\$373,502,000	March 2000	\$385,044,749	\$11,543,000

**Local Revenues:** State aid to counties for education purposes would increase depending on the amount of lottery revenues that exceed 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 sales by county for fiscal 2001 and the amount of revenues that would be provided to each county for every \$1 million in lottery revenues that exceed the budgetary projections for a fiscal year. Sales in municipalities are not included in this calculation. These figures are representative of any future year distributions.

**Exhibit 3**  
**Estimated Local Distribution**  
**Per \$1 Million in Lottery Revenues**

<b><u>County</u></b>	<b><u>Total Lottery Sales - FY 2001</u></b>	<b><u>Percent of Sales</u></b>	<b><u>Estimated Fund Distribution</u></b>
Allegany	\$11,346,701	0.94%	\$9,397
Anne Arundel	109,405,476	9.06%	90,610
Baltimore City	262,317,579	21.73%	217,252
Baltimore	177,816,052	14.73%	147,268
Calvert	15,499,424	1.28%	12,837
Caroline	4,718,457	0.39%	3,908
Carroll	20,328,797	1.68%	16,836
Cecil	11,584,777	0.96%	9,595
Charles	34,834,387	2.88%	28,850
Dorchester	6,789,802	0.56%	5,623
Frederick	24,604,967	2.04%	20,378
Garrett	2,666,940	0.22%	2,209
Harford	36,654,339	3.04%	30,357
Howard	26,687,705	2.21%	22,103
Kent	3,381,832	0.28%	2,801
Montgomery	110,529,982	9.15%	91,541
Prince George's	255,874,971	21.19%	211,916
Queen Anne's	6,267,726	0.52%	5,191
St. Mary's	21,276,831	1.76%	17,622
Somerset	5,507,110	0.46%	4,561
Talbot	6,084,285	0.50%	5,039
Washington	18,543,747	1.54%	15,358
Wicomico	14,154,409	1.17%	11,723
Worcester	20,558,226	1.70%	17,026
<b>Total</b>	<b>\$1,207,434,522</b>	<b>100.00%</b>	<b>\$1,000,000</b>

Source: Maryland Lottery  
Prepared by the Department of Legislative Services, February 2002

### **Additional Information**

**Prior Introductions:** This bill was introduced as HB 375 in the 2001 session. It was withdrawn.

**Cross File:** None.

**Information Source(s):** Maryland State Lottery Agency, Comptroller's Office (Bureau of Revenue Estimates), Department of Legislative Services

**Fiscal Note History:** First Reader - March 13, 2002  
mam/jr

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