

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

Senate Bill 431 (Senator Stone)
 Finance

State Lottery - Prize Winners - Voluntary Assignments

This bill authorizes prize winners of the State lottery to voluntarily assign prizes that are paid in installments, provided that specified conditions are met. The bill establishes the procedures which must be undertaken by assignors and assignees prior to any such assignment. The bill also prohibits assignments from including or covering payments intended for child support under the Family Law and Criminal Procedure Articles. The Lottery Agency is authorized to establish a fee to defray administrative expenses.

Fiscal Summary

State Effect: General fund expenditure increase of approximately \$64,400 in FY 2004, assuming a significant number of assignments are made each year. Future year increases reflect annualization and inflation.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	64,400	88,500	93,700	99,400	105,600
Net Effect	(\$64,400)	(\$88,500)	(\$93,700)	(\$99,400)	(\$105,600)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Except under specified conditions, lottery prizes are not assignable. In the event of the death of a winner, the remaining payout owed is paid to the winner's estate.

Background: In 2001, the Lottery Agency offered all existing winners the opportunity to cash out their remaining annual payments for a one-time lump sum payment. Of the 800 winners eligible, 120 took the lump sum payment. Payments were paid at full market value and totaled over \$70 million.

State Fiscal Effect: The bill allows lottery players to assign their annuity lottery winnings, which could have the effect of creating a market for the trading of lottery winnings. The bill allows winners to assign their future winnings for cash, but does not limit the number of times that the winnings may be assigned or reassigned.

The Lottery Agency indicates that it would have to establish a trading desk as well as mechanisms for recording and tracking each assignment or reassignment of lottery winnings so that future payments are made to the correct parties.

Assuming that a significant number of assignments are made each year, general fund expenditures for the State Lottery Agency could increase by an estimated \$64,400 in fiscal 2004, which accounts for the bill's October 1, 2003 effective date. This estimate reflects the cost of hiring two fiscal clerks to develop the recording and tracking mechanisms discussed above. Some additional work may also be required to the agency's attorney general. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

These expenditures could be offset to the extent that the Lottery Agency establishes a fee to cover the cost of processing assignments of prize winnings

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mam/jr

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