

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 513 (Delegate Taylor)
 Ways and Means

State Lottery - Unclaimed Prizes - Payment to Community Services Trust Fund

This bill requires the State Lottery Agency to remit prizes that are unclaimed for 182 days to the Comptroller’s Office. The Comptroller is then required to pay the unclaimed prize money into the Developmental Disabilities Administration account of the Community Services Trust Fund for providing community-based services.

Fiscal Summary

State Effect: General fund revenues could decline by approximately \$14.0 million annually beginning in FY 2004 due to reduced lottery ticket sales. Special fund revenue increase of \$560,000 in FY 2004 for the Waiting List Equity Fund. Future years represent compound interest.

(\$ in millions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
GF Revenue	(\$14.0)	(\$14.0)	(\$14.0)	(\$14.0)	(\$14.0)
SF Revenue	.6	1.1	1.7	2.2	2.8
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$13.4)	(\$12.9)	(\$12.3)	(\$11.8)	(\$11.2)

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Lottery prizes that are unclaimed for 182 days are kept in an unclaimed prize fund for use for other prizes.

The Community Services Trust Fund within the Office of the Treasurer receives and holds the proceeds from the sale or long-term lease of property and equipment of a Developmental Disabilities Administration facility or a Mental Hygiene Administration facility. Proceeds are considered the gross proceeds minus the costs associated with the sale, lease, or disposition of property and equipment, as determined by the Department of General Services. The trust fund consists of two accounts: one holds proceeds from the sale or long-term lease of property and equipment resulting from the sale or long-term lease of Developmental Disabilities Administration facilities; the other holds the proceeds from the sale or long-term lease of property and equipment resulting from the sale or long-term lease of Mental Hygiene Administration facilities.

The Comptroller is required to transfer investment earnings that accrue in the Developmental Disabilities Administration account into the Waiting List Equity Fund and investment earnings that accrue in the Mental Hygiene Administration account into the Mental Hygiene Community-Based Services Fund.

State Fiscal Effect: To the extent that lottery sales decline as a result of the bill, State revenues would also decline. The Maryland State Lottery Agency estimates revenues would decline due to a reduction in promotional programs and instant games that are heavily supported with unclaimed prize funds. The Lottery Agency estimates that every dollar used from the unclaimed prize fund, generates approximately 2.5 to 3 times that amount in sales. Approximately 35% of sales are general fund revenues.

Based on prior year experience, approximately \$14.0 million per year in unclaimed prizes will be placed into the unclaimed prize fund. Based on the above information, it is estimated that unclaimed prize funds used for promotions and increased prizes to increase sales would generate approximately \$40 million in sales and \$14.0 million in revenues annually. Accordingly, this bill would decrease general fund revenues by about \$14.0 million annually.

Any investment earnings from the unclaimed prizes transferred to the Developmental Disabilities Administration account of the Community Services Trust Fund are required to be transferred to the Waiting List Equity Fund. Assuming a 4.0% return on investment, the Waiting List Equity Fund would realize approximately \$560,000 in fiscal 2004. Future years represent compound interest.

Small Business Effect: Lottery tickets are sold through a large network of mainly small businesses that receive a 5% commission on the sale of lottery tickets and a 3% ticket cashing fee. To the extent that the provisions of this bill cause a reduction in lottery ticket sales, these small businesses would earn less in commissions. The Maryland State Lottery Agency estimates that the loss to small businesses would be approximately \$2.6 million annually, beginning in fiscal 2004.

Additional Comments: The Administration's plan for balancing the fiscal 2003 budget includes transferring \$10 million from the unclaimed prize fund to the general fund. Legislation to accomplish this has not been introduced as of the printing of this fiscal note. This transfer would also reduce overall lottery revenues in fiscal 2003.

Additional Information

Prior Introductions: This bill was introduced as SB 37 in the 2002 session. It received an unfavorable report from the Senate Finance Committee. A similar bill was introduced as SB 122 in the 2001 session. It received an unfavorable report from the Senate Finance Committee.

Cross File: SB 14 (Senator Ruben) – Finance and Budget and Taxation.

Information Source(s): Maryland State Lottery Agency, Department of Health and Mental Hygiene, Department of Legislative Services

Fiscal Note History: First Reader - February 12, 2003
ncs/jr

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510