

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 320 (Delegate Howard, *et al.*)
 Ways and Means

Distribution of Lottery Proceeds - Public Schools

This bill requires State lottery revenues, other than those distributed to the Maryland Stadium Facilities Fund, to be distributed to local school systems instead of the State's general fund. The distribution is to be based on the lottery sales in the county in which the local school system is located. The revenues received by a local school system can only be used for operational expenses.

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$329.9 million in FY 2005, reflecting the October 1 effective date. Future year decreases reflect annualization and estimated 1.5% increase in lottery net revenues. Expenditures would not be affected.

(\$ in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	(\$329.9)	(\$446.5)	(\$453.2)	(\$460.0)	(\$466.9)
SF Revenue	329.9	446.5	453.2	460.0	466.9
SF Expenditure	329.9	446.5	453.2	460.0	466.9
Net Effect	(\$329.9)	(\$446.5)	(\$453.2)	(\$460.0)	(\$466.9)

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

Local Effect: Local revenues from State grants increase by \$329.9 million in FY 2005 increasing to \$466.9 million in FY 2009.

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

Background: Net revenues from State lotteries are projected to total approximately \$461.9 million in fiscal 2005. Of this amount, \$22.0 million is distributed to the Maryland Stadium Facilities Fund and \$439.9 million is distributed to the general fund. **Exhibit 1** shows the distribution of State lottery revenues for fiscal 2001 through 2005.

Exhibit 1
Net Revenues from State Lottery

(\$ in millions)	Actual 2001	Actual 2002	Actual 2003	Estimate 2004	Estimate 2005
Pick 3	128.5	119.7	138.9	120.0	121.2
Pick 4	84.9	93.8	79.2	89.6	87.8
Lotto	20.4	14.5	13.8	11.8	11.4
Cash-in-Hand	3.0	6.5	1.3	1.5	8.3
Instant	58.9	69.9	64.3	68.8	75.1
Keno	92.9	103.4	112.1	112.8	121.9
Match 5	0.0	2.4	7.2	6.5	6.7
Mega Millions	19.7	31.8	28.2	29.8	29.5
Let it Ride	-1.3	0.5	0.0	0.0	0.0
Net Revenues	407.0	442.5	444.9	440.8	461.9
Stadium Authority	22.0	26.2	21.9	22.0	22.0
Horse Racing	0.0	2.2	0.0	0.0	0.0
General Fund	385.0	414.1	422.9	418.8	439.9

Source: Bureau of Revenue Estimates

State Fiscal Effect: As a result of the bill, general fund revenues will decline by approximately \$329.9 million in fiscal 2005, which accounts for the bill's October 1 effective date. General fund revenues will decrease by approximately \$446.6 million in fiscal 2006 and losses will increase by 1.5% annually thereafter.

State funding for public schools will increase significantly over the next three years due to the enactment of the Thornton legislation (Chapter 288 of 2002). Under the legislation, it is estimated that the State will provide \$1.3 billion in new funding for public schools by fiscal 2008. This bill does not alter the current formulas for State education expenditures, resulting in an increase in State expenditures above and beyond what is projected to be spent.

Local Fiscal Effect: Exhibit 2 shows the distribution of lottery sales in each jurisdiction in fiscal 2003 and the estimated amount of revenues that would be provided to each local school in fiscal 2005.

Exhibit 2
Estimated Local Distribution
Fiscal 2005

<u>County</u>	<u>Total Lottery Sales - FY 2003</u>	<u>Percent of Sales</u>	<u>Estimated Fund Distribution</u>
Allegany	\$11,124,330	0.84%	\$2,771,439
Anne Arundel	124,010,970	9.42%	\$31,079,712
Baltimore City	264,451,163	20.08%	\$66,250,597
Baltimore	199,275,616	15.13%	\$49,918,901
Calvert	18,885,996	1.43%	\$4,718,045
Caroline	5,474,241	0.42%	\$1,385,720
Carroll	24,463,579	1.86%	\$6,136,758
Cecil	13,946,078	1.06%	\$3,497,292
Charles	41,125,231	3.12%	\$10,293,917
Dorchester	7,354,292	0.56%	\$1,847,626
Frederick	26,557,365	2.02%	\$6,664,652
Garrett	2,724,296	0.21%	\$692,860
Harford	41,374,123	3.14%	\$10,359,904
Howard	28,575,434	2.17%	\$7,159,552
Kent	3,655,308	0.28%	\$923,813
Montgomery	124,337,959	9.44%	\$31,145,699
Prince George's	273,855,295	20.79%	\$68,593,123
Queen Anne's	6,977,565	0.53%	\$1,748,646
St. Mary's	27,451,273	2.08%	\$6,862,612
Somerset	5,487,080	0.42%	\$1,385,720
Talbot	6,628,797	0.50%	\$1,649,666
Washington	21,062,357	1.60%	\$5,278,932
Wicomico	15,968,748	1.21%	\$3,992,192
Worcester	22,213,869	1.69%	\$5,575,872
Total	\$1,316,980,965	100.00%	\$ 329,933,250

Source: Maryland State Lottery Agency

Additional Information

Prior Introductions: None.

Cross File: None.

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

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