

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 892
Finance

(Senator McFadden)

State Lottery Tickets - Baltimore City Surcharge

This bill authorizes the Mayor and City Council of Baltimore to pass an ordinance imposing a tax on each State lottery ticket purchased in Baltimore City for the purpose of enhancing funding to public elementary and secondary schools, public libraries, and homeless services.

Fiscal Summary

State Effect: Significant decrease in general fund revenues in FY 2005 and beyond if the tax is imposed. The amount of the decrease depends on the decline in sales caused by the tax and cannot be reliably estimated.

Local Effect: Local revenues in Baltimore City would increase as a result of the local tax. The amount of revenue increase depends on the amount of the tax imposed and the Baltimore City sales for that year.

Small Business Effect: Minimal.

Analysis

Current Law: Local jurisdictions are not authorized to impose a tax on State lottery tickets.

State Revenues: General fund revenues would decrease significantly if the local tax is imposed on Baltimore City lottery sales. The extent of the decrease depends on the market response to the increased price of purchasing lottery tickets and cannot be reliably estimated. This response depends on the amount of the tax imposed, the price and price

elasticity of lottery tickets, the incomes of lottery customers, and the availability of substitutes to lottery games in Baltimore City.

Baltimore City accounted for 20.1% of total lottery sales in fiscal 2003. Lottery sales are estimated to total approximately \$1.4 billion in fiscal 2005, generating \$439.9 million in general fund revenues and \$22.0 million in revenues for the benefit of the Maryland Stadium Authority. Assuming general fund revenue is proportional to sales, Baltimore City lottery sales will generate approximately \$88.3 million in general fund revenues in fiscal 2005. The table below shows the general fund revenue losses in millions associated with a 1%, 5%, and 10% decline in Baltimore City lottery sales.

<u>1%</u>	<u>5%</u>	<u>10%</u>
\$0.9	\$4.4	\$8.8

Additional Information

Prior Introductions: SB 526 of 2002, an identical bill, was not reported from the Senate Finance Committee.

Cross File: None.

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

Fiscal Note History: First Reader - March 22, 2004
lc/mdr

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