

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 152 (Delegate Holmes)
 Ways and Means

Lottery for Schools Act of 2005

This bill requires State lottery revenues, other than those distributed to the Maryland Stadium Facilities Fund, to be distributed: (1) 25% to local school systems; and (2) 75% into the State’s general fund. The distribution to local school systems is to be based on where each lottery ticket was purchased. The revenues received by a local school system can only be used for classroom staff and instructional materials and may not supplant any other education funds allocated to the school system. The bill specifies that the remaining lottery revenues distributed to the State’s general fund are to be used to help fund the program known as the Bridge to Excellence in Public Schools Program as first enacted by Chapter 288 of 2002.

Fiscal Summary

State Effect: General fund revenues would decrease by approximately \$86.5 million in FY 2006, which reflects the required local school system distributions and October 1 effective date of the bill. Distributions to local school systems would increase by approximately \$86.5 million in FY 2006. Future year decreases reflect annualization and an estimated 3% annual increase in lottery net revenues.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	(\$86.5)	(\$118.7)	(\$122.3)	(\$126.0)	(\$129.7)
SF Revenue	86.5	118.7	122.3	126.0	129.7
SF Expenditure	86.5	118.7	122.3	126.0	129.7
Net Effect	(\$86.5)	(\$118.7)	(\$122.3)	(\$126.0)	(\$129.7)

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

Local Effect: Local revenues from State grants could increase by \$86.5 million in FY 2006 and increase to \$129.7 million in FY 2010.

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 \$482.1 million in fiscal 2006. Of this amount, \$21.0 million is distributed to the Maryland Stadium Facilities Fund and \$461.1 million is distributed to the general fund. **Exhibit 1** shows the distribution of State lottery revenues for fiscal 2002 through 2006.

Exhibit 1 Net Revenues from State Lottery (\$ in Millions)

	<u>Actual 2002</u>	<u>Actual 2003</u>	<u>Actual 2004</u>	<u>Estimate 2005</u>	<u>Estimate 2006</u>
Pick 3	\$119.7	\$138.9	\$126.7	\$124.0	\$122.5
Pick 4	93.8	79.2	89.2	89.0	92.6
Lotto	14.5	13.8	14.2	13.6	12.8
Cash-in-Hand	6.5	1.3	0.6	0	0
Instant	69.9	64.3	67.9	73.3	78.7
Keno	103.4	112.1	115.0	129.6	135.9
Match 5	2.4	7.2	7.3	6.9	7.0
Mega Millions	31.8	28.2	37.6	31.0	32.6
Let it Ride	0.5	0	0	0	0
Net Revenues	\$442.5	\$444.9	\$458.4	\$467.4	\$482.1
Stadium Authority	26.2	21.9	22.0	21.2	21.0
Horse Racing	2.2	0	0	0	0
General Fund	\$414.1	\$422.9	\$436.4	\$446.2	\$461.1

Source: Bureau of Revenue Estimates

State Fiscal Effect: The bill requires that 25% of net lottery revenues, after Maryland Stadium Facilities Fund distribution, be distributed to local school systems. As a result of these required distributions, general fund revenues would decrease by approximately

\$86.5 million in fiscal 2006, \$118.7 million in fiscal 2007, \$122.3 million in fiscal 2008, \$126 million in fiscal 2009, and \$129.7 million in 2010.

The bill also specifies that the remaining 75% of these specified net lottery revenues be available to help fund the Bridge to Excellence in Public Schools Act. This program is currently supported entirely by the State's general fund revenues. The estimated implementation cost of the program exceeds 75% of net lottery proceeds in every fiscal year so this provision would not have a fiscal effect.

Local Revenues: Exhibit 2 shows the distribution of lottery sales by county for fiscal 2004 and the estimated amount of lottery revenues that would be provided to each county in fiscal 2006 and 2007. Fiscal 2008 and beyond distributions would be approximately 3% greater than the previous fiscal year.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 22, 2005
mp/rhh

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Exhibit 2
Estimated Local Aid Distributed
Fiscal 2006-2007

<u>County</u>	<u>Percent of FY 2004 Lottery Sales</u>	<u>Estimated Fund Distribution</u>	
		<u>FY 06</u>	<u>FY 07</u>
Allegany	0.78%	\$674,359	\$926,119
Anne Arundel	9.84%	8,507,295	11,683,352
Baltimore	15.36%	13,279,680	18,237,427
Calvert	1.48%	1,279,553	1,757,252
Caroline	0.44%	380,408	522,426
Carroll	1.93%	1,668,606	2,291,552
Cecil	1.09%	942,373	1,294,192
Charles	3.09%	2,671,498	3,668,857
Dorchester	0.54%	466,864	641,160
Frederick	2.12%	1,832,873	2,517,145
Garrett	0.19%	164,267	225,593
Harford	3.21%	2,775,246	3,811,337
Howard	2.28%	1,971,203	2,707,118
Kent	0.27%	233,432	320,580
Montgomery	9.23%	7,979,912	10,959,079
Prince George's	20.36%	17,602,493	24,174,090
Queen Anne's	0.56%	484,155	664,906
St. Mary's	2.10%	1,815,581	2,493,398
Somerset	0.42%	363,116	498,680
Talbot	0.50%	432,281	593,666
Washington	1.61%	1,391,946	1,911,605
Wicomico	1.22%	1,054,766	1,448,546
Worcester	1.68%	1,452,465	1,994,719
Baltimore City	19.70%	17,031,881	23,390,450
Total		\$86,456,250	\$118,733,250