

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 632 (Delegates Rudolph and Boutin)
 Ways and Means

State Lottery Proceeds - Maryland-Bred Race Fund and Maryland Standardbred Race Fund

This bill establishes a special fund for the distribution of specified State Lottery proceeds to the Maryland-Bred Race Fund and the Maryland Standardbred Race Fund. The bill requires the State Lottery Agency to conduct a number of special instant ticket games sufficient to generate at least \$6,000,000 for the Maryland-Bred Race Fund and \$6,000,000 for the Maryland Standardbred Race Fund. The bill specifies that the lottery proceeds paid into the special fund are in addition to and may not substitute for any other distribution to the Maryland-Bred and Standardbred Race Funds.

The bill also provides that the bill shall be null and void if on or before June 20, 2010, by an act of the General Assembly, appropriations for years 2007 through 2010 that each year equal \$12 million or more are distributed to a special fund created to enhance allocations to the Maryland-Bred Race Fund and the Maryland Standardbred Race Fund.

The bill takes effect June 1, 2005 and sunsets June 30, 2010.

Fiscal Summary

State Effect: Special fund revenue and expenditure increase of \$12.0 million in FY 2006 through 2010 with a corresponding decrease in general fund revenues.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	(\$12.0)	(\$12.0)	(\$12.0)	(\$12.0)	(\$12.0)
SF Revenue	12.0	12.0	12.0	12.0	12.0
SF Expenditure	12.0	12.0	12.0	12.0	12.0
Net Effect	(\$12.0)	(\$12.0)	(\$12.0)	(\$12.0)	(\$12.0)

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: State lottery revenues are distributed to the general fund, except for the proceeds from sports lotteries which are conducted for the benefit of the Maryland Stadium Authority and distributed to the Stadium Authority. General fund revenues from the State lottery are estimated to be \$461.1 million in fiscal 2006 and the Maryland Stadium Authority is estimated to receive \$21 million in lottery revenues in fiscal 2006.

State Fiscal Effect: Instant lottery games generated approximately \$67.9 million in fiscal 2004 and are estimated to generate \$73.3 million and \$78.7 million in fiscal 2005 and fiscal 2006, respectively. The State Lottery Agency started 57 instant games in fiscal 2004. The Lottery Agency advises that it starts approximately 55 instant games each year in order to best optimize revenue. Significantly more games do not result in significantly more revenue. As a result, the agency indicates that it would have to designate 12 instant games out of the 55 games that are started each year to generate \$12 million in revenue to meet the requirement of the bill. It is estimated that this task could be handled with the Lottery Agency's existing budgeted resources.

However, if \$12 million in revenue is dedicated to a special fund for distribution to the Maryland-Bred Race Fund and the Maryland Standardbred Race Fund it would have the effect of diverting revenues from the general fund.

Exhibit 1 shows estimated lottery revenues for fiscal 2006 through 2010 and the resulting revenues after \$12 million is diverted to the special fund for two bred funds.

Exhibit 1
Effect of HB 632 on General Fund Revenues
(\$ in Thousands)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Estimated Lottery Revenues	\$461,059	\$474,891	\$489,137	\$503,812	\$518,926
Special Fund Revenues	12,000	12,000	12,000	12,000	12,000
Net Lottery Revenues	\$449,059	\$462,891	\$477,137	\$491,812	\$506,926

Small Business Effect: Small businesses involved in the horse racing industry could benefit from increased purses at Maryland race tracks.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Lottery Agency; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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

Analysis by: Michael Sanelli

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