

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1032
Economic Matters

(Delegate Kirk, *et al.*)

Finance

Motor Fuel Suppliers - Games of Chance

This bill allows motor fuel suppliers who supply products to retail service stations to sponsor, advertise, or perform games of chance if the service station dealer agrees to participate in such promotional games.

The bill takes effect October 1, 2010, and terminates September 30, 2013.

Fiscal Summary

State Effect: Potential decrease in general fund revenues in FY 2011 through 2014; any such decrease may be significant depending on the extent to which lottery sales diminish at retail service stations. Expenditures are not affected.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Current Law: A motor fuel supplier or refiner may not engage in, sponsor, promote, advertise, or otherwise perform or participate in games of chance that are offered to the public at retail service stations. A supplier of motor fuel authorized to operate a retail service station may participate in games of chance that are promoted or sponsored by entities other than a refiner or supplier of motor fuel; suppliers may not require a retail service station dealer to pay for any costs related to the game.

Background: Approximately 2,100 retail service stations operate in Maryland, of which around 1,000 are lottery vendors. Lottery sales from these vendors totaled over \$360 million in fiscal 2009. Total lottery sales in fiscal 2009 were about \$1.7 billion; approximately \$493 million, or about 29% of total lottery sales, was deposited into the general fund. **Exhibit 1** displays the distribution of lottery revenue in fiscal 2009.

Exhibit 1
Distribution of Fiscal 2009 Lottery Sales Revenue
(\$ in Millions)

<u>Recipient/ Expenditure</u>	<u>Actual Amount of Total Sales</u>	<u>Percent of Total Sales</u>
Prize Awards	\$1,024	60%
State General Fund	493	29%
Retailer Earnings	122	7%
Operating Expenses	59	4%
Total	\$1,698	100%

The prohibition against games of chance was established by Chapter 465 of 1968. Prior to Chapter 465, motor fuel suppliers, refiners, or retail service stations commonly promoted their businesses using games of chance believing such games helped increase their sales. The promotional games in use prior to 1968 typically involved small-scale prizes such as free merchandise or discounted products or services. The Maryland State Lottery Agency (MSLA) has operated lottery games to generate revenue for the State since 1973.

State Fiscal Effect: General fund revenues may decrease significantly beginning in fiscal 2011 as a result of decreased lottery sales at retail service stations. The extent of any revenue decrease depends on the number and types of games of chance that would be offered at retail service stations and the amount, if any, individuals would substitute these games for lottery games and cannot be reliably estimated. The potential impact may be greatest in fiscal 2012 and 2013, since the promotional games would be authorized for the entire fiscal year, with a smaller impact attributable to three months (July-September 2013) in fiscal 2014.

MSLA advises that large-scale games of chance sponsored, for example, by major oil companies – similar to sweepstakes sponsored by fast food restaurants or soft drink

companies – could cause a significant reduction in lottery sales. The agency estimates that the bill might cause a decrease in lottery sales at retail service stations by as much as 10%, which translates to a decrease of \$36 million in sales or about \$11.2 million in revenue annually.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 2, 2010
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