

Department of Legislative Services
 Maryland General Assembly
 2014 Session

FISCAL AND POLICY NOTE

House Bill 1023 (Delegate Stukes, *et al.*)
 Ways and Means

State Lottery - Proceeds - Parks and Recreation Departments

This bill requires the Comptroller to distribute all proceeds from lottery sales during the third week of July of each year to counties, instead of the State general fund, to provide funding for county parks and recreation departments. The governing body of the county must approve the distribution of lottery proceeds to the county. The share of lottery proceeds to which a county is entitled must be based on that county’s percentage of overall lottery sales in the previous fiscal year. A distribution of lottery proceeds must provide additional revenue for county parks and recreation departments and may not supplant any other funds provided to those departments.

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$9.2 million in FY 2016. Future year revenue losses reflect the projected revenue estimate for the State Lottery. Expenditures are not affected.

(\$ in millions)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Revenue	\$0	(\$9.2)	(\$9.3)	(\$9.6)	(\$9.8)
Expenditure	0	0	0	0	0
Net Effect	\$0	(\$9.2)	(\$9.3)	(\$9.6)	(\$9.8)

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

Local Effect: County revenues increase by approximately \$9.2 million and county expenditures for county parks and recreation departments increase by approximately \$9.2 million in FY 2016. Future year revenues and expenditures increase by \$9.8 million in FY 2019.

Small Business Effect: None.

Analysis

Current Law: Each month, after payments to lottery winners and agents and to the State Lottery for operating expenses, the Comptroller must make payments from the State Lottery Fund to:

- the Maryland Stadium Facilities Fund (an amount not to exceed \$20 million in any fiscal year);
- after June 30, 2014, the Baltimore City Public School Construction Financing Fund (an amount equal to \$20 million in each fiscal year); and
- the State's general fund.

Additionally, after June 30, 2014, the Comptroller must deposit 10% of the money that remains in the State Lottery Fund from the proceeds of ticket sales from instant ticket lottery machines by veterans' organizations into the Maryland Veterans Trust Fund.

Background: Program Open Space, established in 1969 and administered by the Department of Natural Resources, provides funds for State and local acquisition and development of public outdoor recreational sites, facilities, and open space.

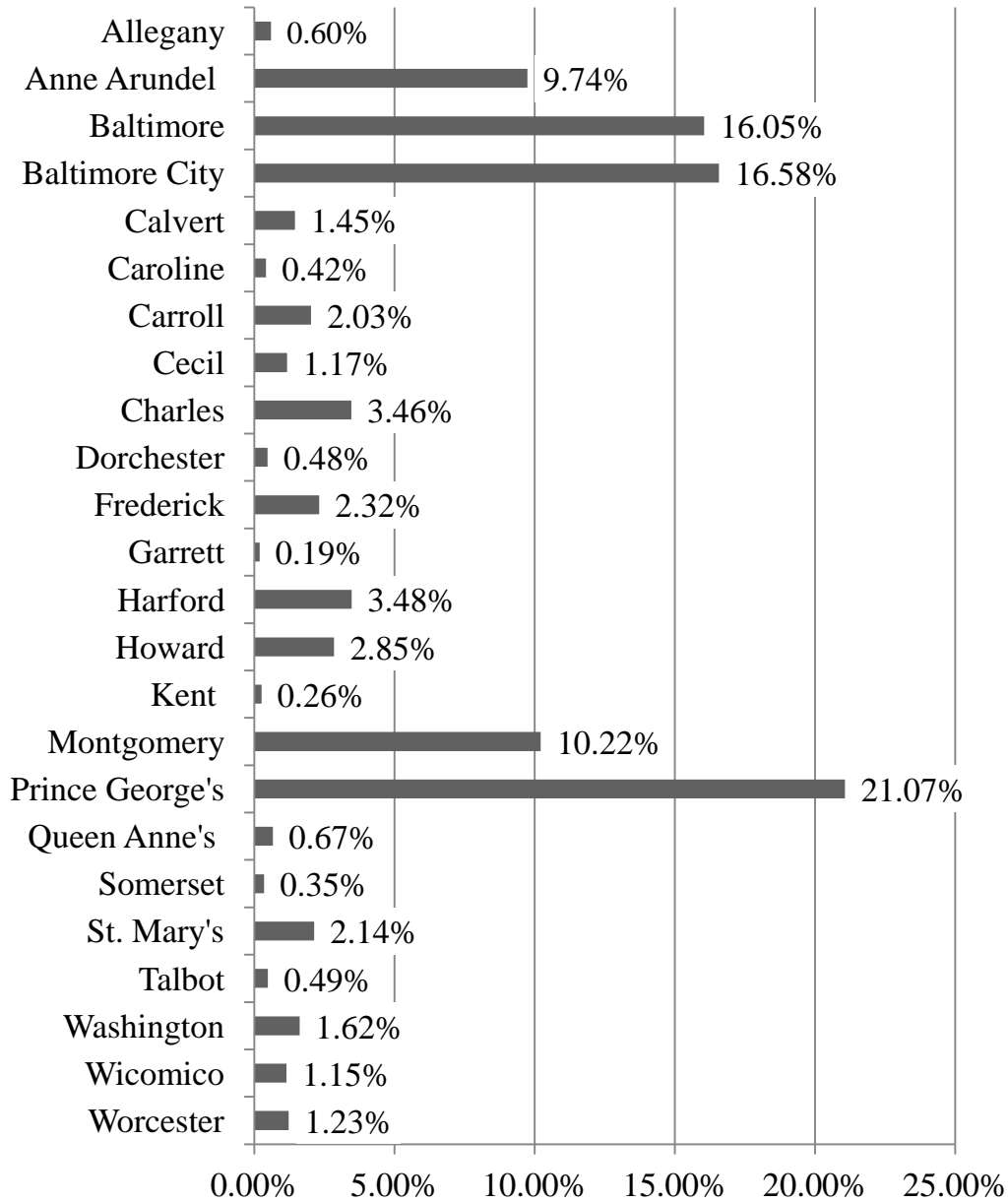
Prior to fiscal 2014, the State Lottery and Gaming Control Agency (SLGCA) conducted sports lotteries for the benefit of the Maryland Stadium Authority. Chapter 647 of 2013 repealed this requirement.

In fiscal 2013, the State Lottery generated \$1.8 billion from ticket sales. Payments to lottery winners totaled \$1.0 billion, while operating costs and payments to agents totaled \$174.5 million. Approximately \$526.0 million was deposited in the general fund after payments were made to the Maryland Stadium Facilities Fund (\$19.3 million).

In general, four types of games are offered by the State Lottery: daily, jackpot, monitor, and scratch-off games. Daily games consist of Pick 3 or Pick 4, Bonus Match 5, and 5 Card Cash; jackpot games include Multi-Match, Mega Millions, and Powerball; and monitor games include Keno and Racetrax. Daily, jackpot, and monitor games allow players to pick their numbers or use automatic computer-generated plays. Customers receive a ticket and then wait for the drawing to determine if they have won. Scratch-off games are played by scratching a latex covering off a play area to reveal preprinted combinations. If a winning combination is revealed, the customer is an instant winner. Scratch-off games generally have price points between \$1 and \$20.

Exhibit 1 shows the percentage of lottery sales in fiscal 2013 by county.

Exhibit 1
Percentage of Lottery Sales in Fiscal 2013 by County



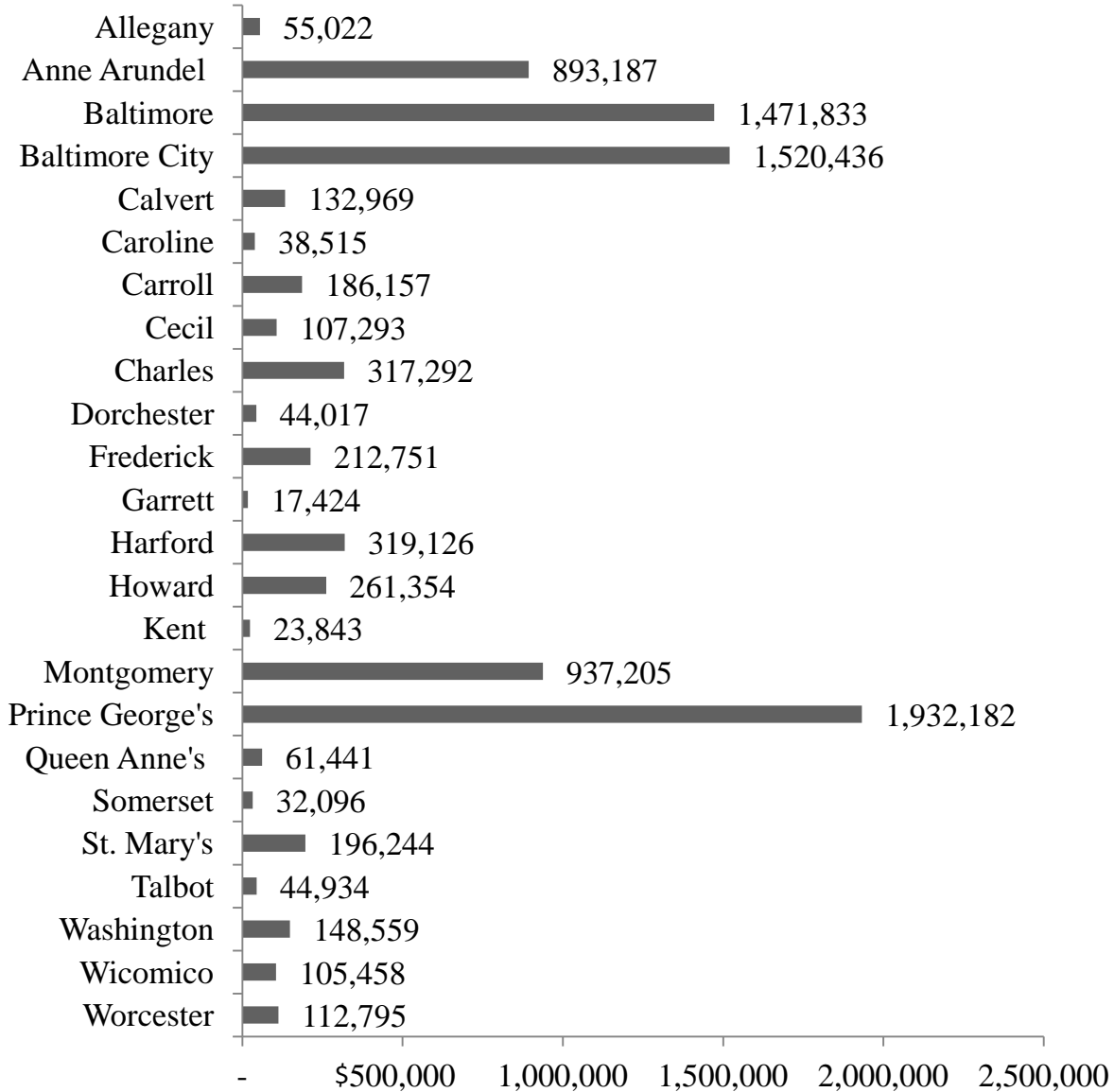
Source: State Lottery and Gaming Control Agency

State Revenues: Since the bill takes effect October 1, 2014, and the Comptroller must deposit lottery proceeds into the appropriate funds by the end of the month following

collection, the bill does not affect the distribution of proceeds in fiscal 2015. The State lottery generated \$9.2 million in proceeds during the third week of July in fiscal 2014. Assuming future lottery sales generate similar revenue, general fund revenues decrease by \$9.2 million in fiscal 2016. Future year revenues decrease by \$9.8 million in fiscal 2019, which reflects the projected revenue estimates for the State Lottery. Lottery revenues from jackpot games increase significantly during a large jackpot, so the decrease in general fund revenues may vary significantly if a large jackpot occurs during the third week of July.

Local Fiscal Effect: Lottery sales are highest in Baltimore City and Prince George's, Montgomery, Baltimore, and Anne Arundel counties, so these jurisdictions receive the majority of lottery revenue under the bill. **Exhibit 2** shows the projected revenue each county receives annually, based on the fiscal 2013 county distribution of lottery sales, beginning in fiscal 2016 assuming SLGCA generates \$9.2 million of lottery proceeds during the third week of July and that all counties choose to participate. All of the revenue received from lottery revenues must be spent on county parks and recreation departments.

Exhibit 2
Proposed Distribution of Lottery Proceeds to Counties



Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Caroline and Montgomery counties, Baltimore City, Department of Natural Resources, Comptroller's Office, Maryland State Lottery and Gaming Control Agency, Maryland Association of Counties, Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2014
ncs/rhh

Analysis by: Heather N. Ruby

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