

Department of Legislative Services  
Maryland General Assembly  
2014 Session

FISCAL AND POLICY NOTE

House Bill 864  
Ways and Means

(Delegate Boteler, *et al.*)

---

State Lottery Agency - Veterans Lottery - Established

---

This bill requires the State Lottery and Gaming Control Agency (SLGCA) to conduct an annual lottery on November 11 (Veterans Day) for the benefit of the Maryland Veterans Trust Fund (MVTF). The bill requires that all advertising and all tickets for the veterans lottery identify that the lottery benefits MVTF. MVTF receives 20% of the money remaining in the State Lottery Fund from the proceeds of the veterans lottery, after deductions for prize payments and administrative costs for SLGCA, and it may use the proceeds to provide services for veterans who return from overseas deployment.

The bill takes effect July 1, 2014.

---

Fiscal Summary

**State Effect:** General fund revenues decrease and revenues to MVTF increase beginning in FY 2015 from a veterans lottery. Under one scenario, general fund revenues decrease by approximately \$46,000 and special fund revenues increase by approximately \$84,000 in FY 2015.

**Local Effect:** None.

**Small Business Effect:** None.

---

Analysis

**Current Law:** Chapter 742 of 2009 established MVTF, which consists of gifts and grants received by the Maryland Department of Veterans Affairs (MDVA). Money in the fund may be used to make grants and loans to veterans and their families, support public

and private programs that serve veterans in the State, or support the Charlotte Hall Veterans Home. Money in the fund may also be used to invest in general obligations of the State or other securities, pay for the cost of administering the fund, or support any other programs that the Secretary of Veterans Affairs considers appropriate. Money expended from the fund is supplemental to and is not intended to take the place of funding otherwise appropriated to MDVA.

**Background:**

*Lottery Ticket Sales and the State Lottery Fund*

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;
- after June 30, 2014, the Baltimore City Public School Construction Financing Fund; 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.

Prior to fiscal 2014, 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 Maryland State Lottery Agency: 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.

## *Veterans Lotteries in Other States*

Other states offer state lotteries and raffles to benefit veterans. In 2006 the Illinois Lottery launched an instant game, with 100% of the net proceeds benefitting veterans organizations. To date Illinois has raised over \$11 million in revenue for veterans. In July 2008, the Kansas Lottery began selling lottery tickets benefiting veterans year round, and through fiscal 2012 has raised over \$8.6 million for veterans programs. The Texas Lottery introduced the \$2 “Veterans Cash” scratch-off ticket in November 2009, with proceeds to benefit veterans and their families. Michigan launched the \$2 “Michigan Heroes” ticket in October 2010, with a portion of proceeds donated to the Veterans of Foreign Wars of Michigan to benefit veterans statewide.

**State Fiscal Effect:** The bill does not define a veterans lottery. Thus, it is unknown what the particular type or types of lotteries that SLGCA must offer. *For illustrative purposes*, assuming about \$1.4 million in instant ticket sales for a veterans lottery, the veterans lottery would generate approximately \$418,000 in net proceeds (after player payouts), with \$83,600 (or 20%) going to MVTF and \$334,400 going to the general fund. Without a veterans lottery, it is assumed \$380,000 of general fund revenue would have been generated from instant ticket sales. Thus, this analysis assumes that total instant ticket lottery sales increase 10%, and that general fund revenues decrease approximately \$46,000. Expenditures are not affected since SLGCA can likely advertise the veterans lottery with existing funds.

Sales, revenues, and expenditures may vary from the estimates above, depending on a number of factors that include (1) the type of game offered; (2) the price point for a game; (3) the popular appeal of a lottery benefiting veterans; (4) the sell-through percentage for each game (if an instant game); and (5) the strength of overall lottery sales.

---

## **Additional Information**

**Prior Introductions:** A similar bill, HB 260 of 2012, received a hearing in the House Ways and Means Committee, but no further action was taken. Its cross file, SB 887, received a hearing in the Senate Education, Health, and Environmental Affairs Committee, but no further action was taken. HB 1073 of 2011, a similar bill, passed the House and was referred to the Senate Budget and Taxation Committee, but no further action was taken. HB 1355 of 2010, a similar bill, received an unfavorable report from the House Ways and Means Committee.

**Cross File:** None.

**Information Source(s):** Comptroller's Office, Maryland State Lottery and Gaming Control Agency, Department of Veterans Affairs, Illinois Lottery, Kansas Lottery, Department of Legislative Services

**Fiscal Note History:** First Reader - February 19, 2014  
ncs/rhh

---

Analysis by: Heather N. Ruby

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