

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 465

(Chair, Ways and Means Committee)(By Request -
Departmental - Lottery and Gaming Control Agency)

Ways and Means

State Lottery and Gaming Control Agency - Raffles - Authorized

This departmental bill expands the definition of “State lottery” to include a raffle conducted by the State Lottery and Gaming Control Agency (SLGCA). With the approval of the State Lottery and Gaming Control Commission (SLGCC) and the Legislative Policy Committee, the director of SLGCA may enter into agreements to operate multijurisdictional raffles with (1) any other political entity that operates a lottery or raffle or (2) a private licensee of a state or a foreign nation.

Fiscal Summary

State Effect: State general fund revenues may increase to the extent that raffles increase overall lottery sales revenues. While the total revenues generated by the bill cannot be reliably estimated, *for illustrative purposes only*, under one set of assumptions, general fund revenues may increase by approximately \$4.1 million annually.

Local Effect: None.

Small Business Effect: SLGCA has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment as discussed below.

Analysis

Current Law: Raffles are not specified in the definition of “State lottery.” State criminal law prohibits all lotteries except the State Lottery or multijurisdictional lotteries authorized under the State Government Article. SLGCA must issue licenses to persons and governmental units that will best serve the public convenience and promote the sale of State lottery tickets or shares.

With the approval of SLGCC and the Legislative Policy Committee, the director of SLGCA may enter into agreements to operate multijurisdictional lotteries with (1) any other political entity that operates a lottery or (2) a private licensee of a state or a foreign nation.

Raffles are generally prohibited; however, there are exceptions under specified circumstances for charitable organizations, political committees or candidates for public office, and credit unions or depository institutions. In many counties, qualified organizations, which consist of charitable, religious, fraternal, civic, or war veterans' organizations and volunteer fire companies, may conduct raffles for the exclusive benefit of their organization if individuals do not benefit financially or receive any of the proceeds for personal use or benefit.

Background: SLGCA offered a statewide raffle-style game, "Countdown to Millions," in 2007 and 2008. Though the game was styled like a raffle, it technically was not a raffle. In fiscal 2007 and 2008 raffle-style game sales consisted of less than 1% of total net lottery sales in the State. Other states, like Pennsylvania, Ohio, and Michigan, offer raffle games. Raffle sales consisted of 0.6% of Pennsylvania's Lottery Bureau sales in fiscal 2012 and 2013.

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, from revenues generated by sports lotteries conducted on behalf of the Maryland Stadium Authority;
- after June 30, 2014, the Baltimore City Public School Construction Financing Fund; and
- the State's general fund.

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.

State Fiscal Effect: The increase in general fund revenues depends on a number of different factors, such as the number of raffle tickets sold, the payout of the raffles, the frequency of the raffle, and the degree to which customers switch from playing other lottery products to buying raffle tickets, which cannot be reliably estimated at this time. *For illustrative purposes only*, based on a preliminary analysis of data on Pennsylvania raffle sale revenues and historical lottery sales in the State, it is estimated that if there is \$10 million in additional sales, general fund revenues will increase by \$4.1 million. **Exhibit 1** shows the potential distribution of the revenues from raffle sales resulting from the bill at full implementation. This analysis assumes a minimal decrease in existing State lottery sales, and no effect on video lottery terminal revenues and table game revenues. SLGCA can implement the bill with existing budgeted resources.

Exhibit 1
Potential Raffle Sale At Full Implementation

Raffle Sales	\$10,000,000
Prizes to Players	5,000,000
Retailer Commissions	600,000
Administrative Expenses	310,000
General Fund Revenue	\$4,090,000

Small Business Effect: An agent licensed by SLGCA receives a commission of 5.5% of gross receipts from the agent's lottery ticket sales, as enacted by Chapter 1 of the 2012 second special session, increasing to 6% in September 2014. A licensed agent may also receive a cashing fee not to exceed 3% of valid prizes paid for services rendered in cashing winning tickets. There were a total of 4,422 Maryland retailers in fiscal 2013, and they earned \$119.8 million from lottery commissions in fiscal 2013. Thus, retailers benefit minimally from receiving commissions from selling State raffle tickets.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, State Lottery and Gaming Control Agency, Pennsylvania Department of Revenue, Department of Legislative Services

Fiscal Note History: First Reader - February 9, 2014
ncs/rhh

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Neighborhood Business Development Program-Financial Assistance for Food Desert Areas

BILL NUMBER: HB 465

PREPARED BY: Department of Housing and Community Development

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This proposed legislation would expand eligibility for financing for small businesses under the Neighborhood Business Development Program to small businesses located in designated Food Desert Areas for the purposes of providing fresh vegetables, fruits and other healthy foods to local residents. The Secretary would designate Food Desert Areas which must be located within a Priority Funding Area. To the extent that additional small businesses providing healthy foods are financed under the Neighborhood Business Development Program, the legislative will benefit small businesses, while increasing local revenues from small businesses.