

Department of Legislative Services  
 Maryland General Assembly  
 2022 Session

FISCAL AND POLICY NOTE  
 Third Reader - Revised

House Bill 1179  
 Ways and Means

(Delegate Johnson)

Budget and Taxation

State Lottery - Sales of Lottery Tickets and Tickets From Instant Ticket Lottery  
 Machines - Commissions

This bill increases the lottery agent sales commission from 5.5% to 6% of gross lottery sales.

Fiscal Summary

**State Effect:** General fund revenues decrease by \$9.9 million in FY 2023 due to increased lottery agent sales commissions; \$6.0 million of the revenue loss is assumed to be accounted for in the FY 2023 budget. Future years reflect annualization and growth in lottery sales. The State Lottery and Gaming Control Agency (SLGCA) can implement the bill with existing resources.

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	(\$9.9)	(\$13.5)	(\$13.9)	(\$14.2)	(\$14.5)
Expenditure	0	0	0	0	0
Net Effect	(\$9.9)	(\$13.5)	(\$13.9)	(\$14.2)	(\$14.5)

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

**Local Effect:** None.

**Small Business Effect:** Meaningful.

Analysis

**Current Law:** In exchange for selling State lottery products, licensed agents earn a 5.5% commission of gross lottery sales. A licensed agent may receive a cashing fee of up

to 3% of valid prizes paid for services rendered in cashing winning tickets. Additionally, SLGCA may authorize bonuses of up to 0.5% of the gross sales to licensed agents.

SLGCA may issue certain veterans' organizations a license to operate up to five instant ticket lottery (pull tab) machines. A veterans' organization that operates instant ticket lottery machines receives the same commissions as a licensed lottery agent.

### *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 (an amount not to exceed \$20.0 million in any fiscal year);
- the Baltimore City Public School Construction Financing Fund (an amount equal to \$20.0 million in each fiscal year that bonds are outstanding);
- the Racing and Community Development Financing Fund (an amount equal to \$17.0 million in each fiscal year that bonds are outstanding);
- the Michael Erin Busch Sports Fund (an amount equal to \$1.0 million);
- a grant of \$150,000 to the Maryland Humanities Council for Maryland History Day;
- Anne Arundel County and Baltimore City in an amount determined by a specified hold harmless provision relating to the distribution of local impact grants; and
- the State's general fund.

Additionally, 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.

**State Fiscal Effect:** Increasing the lottery agent commissions to 6.0% of gross sales decreases general fund revenues by \$9.9 million in fiscal 2023, reflecting the bill's October 1, 2022 effective date. The fiscal 2023 budget assumes \$6.0 million of revenue loss from increasing the lottery agent commissions. Future year estimates reflect the Board of Revenue Estimates' projection of State lottery sales, which incorporates approximately 2.3% annual sales growth. Thus, general fund revenues decrease by \$14.5 million in fiscal 2027.

A veterans' organization that operates instant ticket lottery machines receives the same commissions as a licensed lottery agent; thus, their commissions increase to 6% under the bill. SLGCA currently provides discretionary bonuses of 0.5% of the gross sales to these veterans' organizations. However, SLGCA advises that it plans to cease bonuses to veterans' organizations as a result of increasing their commissions to 6% so total

compensation to veterans' organizations would remain unchanged. If SLGCA were to continue bonuses and increase commissions for veterans' organizations, general fund revenues would decrease by approximately \$500,000 on an annual basis, and special fund revenues to the Maryland Veterans Trust Fund would decrease by approximately \$55,000 on an annual basis.

**Small Business Effect:** Approximately 4,372 licensed lottery agents, a portion of which are small businesses, benefit from receiving an additional 0.5% commission on gross lottery sales that totals \$9.9 million in fiscal 2023 and \$13.5 million in fiscal 2024. On average, a licensed lottery agent's sales commission increases by \$2,270 in fiscal 2023 and by \$3,100 in fiscal 2024.

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### **Additional Information**

**Prior Introductions:** HB 835 of 2017 and HB 728 of 2016 each received a hearing in the House Ways and Means Committee, but no further action was taken. SB 777 of 2017 received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee. SB 319 of 2016 passed the Senate and received a hearing in the House Ways and Means Committee, but no further action was taken.

**Designated Cross File:** None.

**Information Source(s):** Comptroller's Office; Department of Budget and Management; Department of Veterans Affairs; Maryland State Lottery and Gaming Control Agency; Department of Legislative Services

**Fiscal Note History:** First Reader - February 28, 2022  
rh/jrb Third Reader - March 21, 2022  
Revised - Amendment(s) - March 21, 2022  
Revised - Budget Information - July 27, 2022

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