

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 708
Budget and Taxation

(Senator Zucker)

State Lottery - Courier Services - Licensure

This bill authorizes the Director of the State Lottery and Gaming Control Agency (SLGCA) to issue a courier license to a person to conduct courier services in the State. A licensed courier may establish a system or program through an electronic device that connects to the Internet that allows a person in the State to purchase a lottery ticket through the licensed courier's online account. A licensed courier may enter into an agreement with a licensed agent to purchase a lottery ticket to fulfill the courier's online account orders. The Director of SLGCA may adopt regulations to implement provisions of the bill as specified. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: No material effect in FY 2027. State lottery revenues increase by \$12.0 million in FY 2028, escalating up to \$31.3 million in FY 2031 from lottery courier revenues. Most of the revenues are distributed to the general fund though a small portion is special fund revenues, with corresponding special fund expenditures, for SLGCA software expenses beginning in FY 2028.

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF/SF Rev.	\$0	\$12.0	\$18.1	\$25.9	\$31.3
SF Expenditure	\$0	-	-	-	-
Net Effect	\$0.0	\$12.0	\$18.1	\$25.9	\$31.3

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

Local Effect: None. Local impact grants from gaming revenues are not materially affected.

Small Business Effect: Meaningful.

Analysis

Bill Summary: Courier service is the process of delivering a lottery ticket to a purchaser through a licensed courier's online account. Courier service is exempt from the prohibition on any system or program that allows a person to purchase a State lottery ticket through an electronic device that connects to the Internet.

An agreement between a licensed courier and a licensed agent must be disclosed to SLGCA and is not subject to disclosure under the Public Information Act.

The Director of SLGCA must allow a licensed courier to charge a customer service fee that is a percentage of the amount deposited by the customer into the customer's account and the Director may not allow a portion or percentage of a customer's lottery winnings to be charged, accepted, given, or paid to the licensed courier as a fee.

Specified lottery sales agent requirements apply to a licensed courier. Customers must claim any prize over \$600 in person. The bill specifies certain safeguards, controls, and mechanisms for courier services.

Current Law: A person or governmental unit generally may not:

- hold itself out to the public as a State lottery sales agent without being licensed by SLGCA to act as a licensed agent;
- sell a State lottery ticket or share unless the person is a licensed agent or employee of a licensed agent;
- sell or purchase a State lottery ticket or share at any price other than the price set by SLGCA;
- sell or purchase the prize validated for payment by SLGCA;
- sell a State lottery ticket or share to a minor;
- knowingly present, or transfer to another person to present, a counterfeit or altered State lottery ticket or share for payment; or
- knowingly purchase a State lottery ticket or share from another person with the intent to avoid specified payments to the State.

Generally, SLGCA may not allow the establishment of any system or program that allows a person to purchase a State lottery ticket through an electronic device that connects to the Internet, such as a personal computer or mobile device. 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.

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 for various purposes. After specified statutory distributions are made from the State Lottery Fund, the remainder is deposited into the State's general fund.

State Fiscal Effect: This analysis assumes that:

- it takes approximately one year for SLGCA to adopt lottery courier service regulations and for up to three lottery couriers to become licensed and commence operations in the State;
- existing staff can license couriers;
- licensed couriers sell draw games and instant (scratch-off) games, but do not provide FAST PLAY (which SLGCA notes is not conducive for courier services) or monitor games (Keno and Racetrax);
- while sales of instant games make up approximately 40% of lottery sales in Maryland, the Department of Legislative Services (DLS) anticipates courier service sales to be more heavily weighted towards draw games, with sales of instant games consisting of 28% of courier service sales;
- lottery courier sales make up approximately 2.5% of instant lottery sales and 8% of draw game lottery sales based on lottery courier sales in other states;
- lottery courier revenues are almost a third of lottery courier sales based on the projected profit margins of traditional lottery sales and revenues in the State and accounting for lottery agent earnings;
- it takes four years to reach lottery couriers' full annual revenue maturity, with 38% of revenue maturity in fiscal 2028, 58% in fiscal 2029, 83% in fiscal 2030, and full maturity in fiscal 2031, based on a lottery courier's yearly sales in Texas; and
- lottery courier sales do not reduce traditional lottery sales or other forms of gambling.

Exhibit 1 shows the distribution of revenues under the bill based on the assumptions above and the December 2025 projections of State lottery revenues by the Board of Revenue Estimates. Revenues from lottery courier sales increase by \$12.0 million in fiscal 2028, of which most is distributed to the general fund and a small amount is distributed as special fund revenue to SLGCA for related operating expenses as discussed below. By fiscal 2031, the courier services market is anticipated to be fully mature; at that time, revenues from courier services increase by \$31.3 million, of which most is general fund revenues and a small portion is SLGCA special fund revenues.

SLGCA anticipates costs for new or updated software to track courier services, but these

costs are unknown at this time. If SLGCA is unable to acquire software, SLGCA notes that it may need to hire an accountant to manually reconcile courier service lottery sales. Additionally, SLGCA incurs minimal expenses to conduct background checks. Thus, special fund expenditures for SLGCA increase beginning in fiscal 2028, but courier service revenues are more than sufficient to cover this cost.

Exhibit 1
Sales and Revenues under the Bill
Fiscal 2027-2031
(\$ in Millions)

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
Instant Game Sales	\$0.0	\$10.4	\$15.9	\$22.8	\$27.6
Draw Game Sales	0.0	26.5	40.2	57.6	69.6
Total Courier Sales	\$0.0	\$36.9	\$56.1	\$80.4	\$97.3
Instant Game Revenues	\$0.0	\$1.6	\$2.5	\$3.5	\$4.3
Draw Game Revenues	0.0	10.3	15.7	22.4	27.0
Total Courier Revenues	\$0.0	\$12.0	\$18.1	\$25.9	\$31.3

Source: Department of Legislative Services

Small Business Effect: SLGCA reports that the bill has the potential to decrease revenues for small businesses. It is unknown to the extent that increased competition from licensed couriers will harm licensed lottery retailers.

When New York published regulations to license lottery couriers, it stated that the demographic to most likely use online technology to order lottery games is adults ages 18 to 25, which is an under-presented market. Thus, New York assumed lottery courier services increase lottery sales with minimal cannibalization of sales from existing retailers. DLS is unable to verify whether minimal cannibalization has occurred in states with courier services.

Lottery retailers may potentially stand to benefit from partnerships with licensed couriers. Licensed couriers may enter into an agreement with a licensed lottery agent to purchase a lottery ticket to fulfill an order placed through the licensed courier's online account. However, in other states, couriers have created an affiliated legal entity to obtain a retailer license, so the courier and the retailer are separate business organizations under common ownership. Such arrangements under common ownership could prevent small businesses from benefiting in partnerships with licensed couriers.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 371 (Delegate Ebersole) - Ways and Means.

Information Source(s): Maryland State Lottery and Gaming Control Agency; Texas Open Data Portal; New York State Gaming Commission; New York State Register; Department of Legislative Services

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sj/jrb

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