

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 1355
Ways and Means

(Delegate Boteler, *et al.*)

State Lottery Agency - Veterans Lottery - Established

This bill requires the Maryland State Lottery Agency to conduct a monthly veterans lottery 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. Each month, the Comptroller must pay into MVTF money remaining in the State Lottery Fund from the proceeds of the veterans lottery, after prize payments and payments covering Maryland State Lottery Agency administrative and operating costs.

Fiscal Summary

State Effect: Special fund revenues increase beginning in FY 2011 due to veterans lottery proceeds, which go to the State Lottery Fund to be paid to MVTF. General fund revenues from the lottery decrease by the same amount, based on the assumption that overall lottery sales are not affected. Under one scenario, special fund revenues increase and general fund revenues decrease by approximately \$2.9 million in FY 2011, \$9.5 million in FY 2012, and \$11.4 million annually beginning in FY 2013.

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) and administered by the Secretary of Veterans Affairs. 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 considers appropriate.

Money expended from the fund is supplemental to and is not intended to take the place of funding otherwise appropriated to MDVA. By August 31 of each year, the Secretary must submit a report to the General Assembly that includes the gross amount of gifts and grants credited to the fund, the costs of administering the fund, and a detailed accounting of the use of the fund's resources.

State Lottery

During each fiscal year, the Maryland State Lottery Agency must conduct lotteries for the benefit of the Maryland Stadium Authority (MSA). In all advertising and on tickets, the agency must identify any lottery under this section as being conducted for the benefit of MSA.

Background: The proposed fiscal 2011 State budget for MDVA includes \$100,000 for MVTF.

Proceeds from MSA lotteries go to a special fund for this purpose; net proceeds from all other State lotteries support the general fund. In fiscal 2008, payments from lottery proceeds to the general fund totaled \$507.9 million and payments to MSA totaled \$21.5 million. In fiscal 2009, payments from lottery proceeds to the general fund totaled \$493.6 million and payments to MSA totaled \$20.0 million.

In general, two types of games are offered by the Maryland State Lottery Agency: instant games and online games. Instant 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. Instant games generally have price points between \$1 and \$20. Online 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. Online games include monitor games (*e.g.*, Keno), numbers games (*e.g.*, Pick 4), matrix games (*e.g.*, Mega Millions), and occasionally raffles (*e.g.*, Countdown to Millions).

Veterans Lotteries in Other States

In 2006 the Illinois Lottery launched what it touts as a first-in-the-nation instant game to benefit veterans groups. To date Illinois has seven types of veterans lottery tickets and has raised \$7 million in revenue for veterans since the calendar 2006 inception date. The

Texas Lottery introduced the \$2 “Veterans Cash” scratch-off ticket in November of 2009. Proceeds benefit the Texas Veteran’s Commission Fund for Veteran’s Assistance, created in 2007 to provide aid to veterans and their families in need.

State Fiscal Effect: The bill does not prescribe the particular type of monthly lotteries that the Maryland State Lottery Agency must offer. *For illustrative purposes*, the following analysis supposes that a \$1 instant game is offered. Under such a scenario, the Maryland State Lottery Agency advises that it would issue a new set of game tickets each month. Each new game will on average run for approximately 15 months, with nearly 100% of tickets sold.

Assuming about \$3.4 million in sales (*i.e.*, 3.4 million tickets sold) per monthly game over the 15-month period, approximately \$950,000 in net proceeds would go to MVTF, a special fund. This accounts for expenses, including prize winnings, commissions and cashing fees paid to licensed lottery agents, costs associated with printing and distributing tickets, and administrative costs.

Under this illustrative scenario, then, special fund revenues may increase by approximately \$2.9 million in fiscal 2011 (accounting for the October 1, 2010 effective date), \$9.5 million in fiscal 2012, and approximately \$11.4 million annually beginning in fiscal 2013. General fund revenues decrease in the same amounts for each respective year.

This analysis assumes that overall lottery sales and expenditures are not affected. Instead, the veterans lottery would displace an equivalent game that would otherwise benefit the general fund.

Sales, revenues, and expenditures may vary considerably from the estimates above, depending on a number of factors, including: the type of game offered, the price point on the game, the popular appeal of a lottery benefiting veterans, the sell-through percentage for each game (if an instant game), and the strength of overall lottery sales in a given month or year.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller’s Office, Maryland State Lottery Agency, Maryland Department of Veterans Affairs, Department of Legislative Services

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