

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 956

PRINTER NO. 2191

AMOUNT

See Fiscal Impact

FUND

Lottery Fund

DATE INTRODUCED

March 25, 2019

PRIME SPONSOR

Representative Murt

DESCRIPTION

House Bill 956 amends the State Lottery Law to provide for a temporary reduction of the mandated margin rate of return from 25% to 20%. The Lottery rate of return has been reduced in the past, the most recent being through Act 201 of 2014, which lowered the rate of return from 27% to 25%.

House Bill 956 authorizes the Department of Revenue, for fiscal years beginning after June 30, 2019, and ending June 30, 2024, to apportion no less than 20% of the total revenues accruing from profits. The rate will return to 25% on July 1, 2024.

This act shall take effect immediately.

FISCAL IMPACT

By lowering the margin rate of return, the Lottery will gain flexibility in developing the product mix that will generate the greatest profits, in turn, providing additional dollars for senior programs. During the first full fiscal year of the implementation of the 20% rate of return as proposed in House Bill 956, the Department of Revenue anticipates a \$6 million gain in Lottery profits. Over the five-year period of margin relief, the department estimates that Lottery profits will provide an additional \$487 million to the programs benefiting Pennsylvania seniors.

Estimated Gains from 20% Margin Rate of Return

Fiscal Year	Lottery Profits	Lottery Sales
2019-20	\$0	\$0
2020-21	\$5,887,075	\$265,013,345
2021-22	\$59,717,974	\$566,941,600
2022-23	\$93,407,870	\$910,355,280
2023-24	\$149,680,811	\$1,300,378,188
2024-25	\$178,574,818	\$1,742,754,001
TOTAL	\$487,268,548	\$4,785,442,414

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

The table below captures the previous ten fiscal years of total Lottery sales, total profits, the margin rate (profits/sales) and the statutorily required margin rate.

Fiscal Year	Lottery Sales	Lottery Profit	Margin Rate	Mandated Rate by Law
2008-09	\$3,088,028,293	\$910,479,260	29.48	27%
2009-10	\$3,065,717,410	\$915,737,135	29.87	27%
2010-11	\$3,207,908,050	\$960,610,772	29.95	27%
2011-12	\$3,480,900,689	\$1,060,891,546	30.48	27%
2012-13	\$3,699,665,694	\$1,067,376,666	28.85	27%
2013-14	\$3,799,568,494	\$1,081,499,159	28.46	27%
2014-15	\$3,819,642,911	\$1,060,861,471	27.77	25%
2015-16	\$4,135,164,810	\$1,121,317,537	27.12	25%
2016-17	\$4,001,035,373	\$1,045,731,338	26.14	25%
2017-18	\$4,200,564,811	\$1,093,645,976	26.04	25%
2018-19	\$4,503,328,678	\$1,132,918,217	25.16	25%
TOTAL	\$41,001,525,213	\$11,451,069,077		