

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 2538

PRINTER NO. 3021

AMOUNT

See Fiscal Impact

FUND

Lottery Fund

DATE INTRODUCED

April 25, 2022

PRIME SPONSOR

Representative Lewis DelRosso

DESCRIPTION

House Bill 2538 amends the act of August 26, 1971 (P.L.351, No.91), known as the State Lottery Law, by further providing for powers and duties of the Secretary of Revenue to operate and administer the Lottery.

The legislation amends section 303(a)(11)(iv)(C) of the State Lottery Law (relating to powers and duties of secretary) by extending the 20% minimum profit margin requirement of the Lottery from fiscal years beginning after June 30, 2019, and ending June 30, 2024, to fiscal years beginning after June 30, 2019, and ending June 30, 2029. House Bill 2538 also amends section 303(a)(11)(iv)(D) of the State Lottery Law to extend the reversion to a 25% minimum profit margin required under current law from fiscal years beginning after June 30, 2024, to fiscal years beginning after June 30, 2029, to be consistent with the extension of the 20% minimum profit margin.

The State Lottery Law originally set the minimum profit margin at 30% in 1971. Since then, the minimum profit margin has been reduced several times in order to allow the Lottery to offer a more diverse portfolio of games that meet changing consumer demand and maximize profit dollars for the Lottery Fund. Most recently, Act 97 of 2019 reduced the minimum profit margin from 25% to 20% for five years. House Bill 2538 provides for the continuation of the Lottery's 20% minimum profit margin for an additional five years, from June 30, 2024, until June 30, 2029.

This act shall take effect in 60 days.

FISCAL IMPACT:

The Department of Revenue (department) indicates that House Bill 2538 will preserve approximately \$200 million in annual profits beginning in Fiscal Year 2024-25 by maintaining the current 20% minimum profit margin. According to the department, if the Lottery is required to return to a 25% minimum profit margin beginning in Fiscal Year 2024-25, the Lottery estimates \$8.229 billion in lost ticket sales and \$760 million in lost profits that fund senior programs through Fiscal Year 2027-28.

The department provided the following analysis to support the Lottery's projections:

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Dollars in Millions

Fiscal Year	Sales Estimate – No Margin Relief	Sales Estimate – With Margin Relief	Reduction In Sales – If No Relief	Reduction In Profits – If No Relief
2022-23	\$4,882.8	\$4,882.8	\$0	\$0
2023-24	\$5,185.6	\$5,185.6	\$0	\$0
2024-25	\$3,668.1	\$5,393.0	\$1,724.9	\$208.8
2025-26	\$3,668.1	\$5,608.7	\$1,940.6	\$198.1
2026-27	\$3,668.1	\$5,833.1	\$2,165.0	\$184.6
2027-28	\$3,668.1	\$6,066.4	\$2,398.3	\$168.3
Four-Year Total	\$14,672.4	\$22,901.2	\$8,228.8	\$759.8