

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 5257

STATE OF NEW JERSEY 221st LEGISLATURE

DATED: JULY 2, 2025

SUMMARY

- Synopsis:** Revises apportionment of State lottery contributions.
- Type of Impact:** Annual State expenditure impact.
- Agencies Affected:** Division of Pensions and Benefits and Division of State Lottery in the Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Expenditure Impact	Indeterminate
State Revenue Impact	Indeterminate

- The Office of Legislative Services (OLS) finds that this bill will have an indeterminate impact on the contribution of State lottery revenue to State pension funds, and therefore on the annual State appropriation to pension funds. There is uncertainty concerning whether the reduction in the percentage of required contributions from 30 percent to 27 percent of State lottery revenue to the State pension funds will increase or decrease the monetary value of the lottery contribution to the State retirement systems and whether the reduction in the percentage of required contributions will continue beyond three fiscal years as provided in the bill.
- Any reduction in the amount of State Lottery revenues transferred to Common Pension Fund L would cause an increase in State appropriations to the pension funds, beginning in FY 2026. Conversely, any increase in the amount of State Lottery revenues transferred to Common Pension Fund L would cause a reduction in those appropriations.

BILL DESCRIPTION

This bill revises the apportionment of total revenues accruing from the sale of lottery tickets that are dedicated for the purposes of the Lottery Enterprise contribution to the investment account of Common Pension Fund L from no less than 30 percent to no less than 27 percent for the next

three years commencing in FY 2026, assuming the bill is enacted in FY 2025. If by FY 2028 the average annual three-year total Lottery Enterprise contribution is not less than the total Lottery Enterprise contribution in FY 2025, then the Lottery Enterprise dedication will permanently remain at no less than 27 percent of the proceeds accruing from the sale of lottery tickets. Conversely, if by FY 2028 the average annual three-year total Lottery Enterprise contribution is less than the total Lottery Enterprise contribution in FY 2025, then the Lottery Enterprise dedication will permanently revert to no less than 30 percent of the proceeds accruing from the sale of lottery tickets commencing in FY 2029.

Effective as of FY 2029, if the Lottery Enterprise dedication is permanently reduced to 27 percent of the proceeds accruing from the sale of lottery tickets and the State fails to make the full actuarially determined contribution to the retirement systems in FY 2029 and subsequent fiscal years, then State Lottery Commission is required to hire a third party to review the apportionment of proceeds of the Lottery Enterprise dedication and evaluate the effect of reducing the dedication. If the review determines that the reduction in the Lottery Enterprise dedication has not resulted in higher transfers to Pension Fund L, then the Lottery Enterprise contribution will permanently revert to 30 percent of the proceeds accruing from the sale of lottery tickets and shares beginning in the second fiscal year following the shortfall.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None Received.

OFFICE OF LEGISLATIVE SERVICES

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Any reduction in the amount of State Lottery revenues transferred to Common Pension Fund L would cause an increase in State appropriations to the pension funds, beginning in FY 2026. Conversely, any increase in the amount of State Lottery revenues transferred to Common Pension Fund L would cause a reduction in those appropriations.

On June 19, 2025, the Director of the Division of the State Lottery provided testimony at the Senate State Government, Wagering, Tourism and Historic Preservation Committee meeting regarding the bill's provisions. According to the director, the Division of the State Lottery directed Northstar NJ Lottery, the Lottery's sales and marketing vendor, to analyze the lottery market and the effect of reducing the contribution percentage. Northstar projected that reducing the mandatory contribution would result in incremental sales increases of \$50 million to \$100 million per year, with the contribution increasing by as much as \$15 million per year in the first two fiscal years following the enactment of the bill.

The FY 2025 Lottery Enterprise contribution was \$1.126 billion, which is 30 percent of \$3.753 billion in estimated FY 2025 State Lottery revenues. Likewise, State Lottery revenues are estimated to be \$3.784 billion in FY 2026 based on the recommended FY 2026 Lottery Enterprise

contribution of \$1.135 billion. Thus, using the Executive example and assuming a 27 percent dedication, an incremental increase of \$100 million in estimated FY 2026 State Lottery revenues would render a Lottery Enterprise contribution of \$1.049 billion in the first year.

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).