

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 5257

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 26, 2025

The Assembly Budget Committee reports favorably and with committee amendments Assembly Bill No. 5257.

As amended and reported, this bill revises the apportionment of State lottery contributions.

Under current law, the State lottery contributions made pursuant to the Lottery Enterprise Contribution Act require a minimum of 30 percent of the proceeds accruing from the sale of lottery tickets or shares to be dedicated to the Common Pension Fund L investment account established by the Lottery Enterprise Contribution Act.

This bill, as amended by the committee, revises the apportionment of State lottery contributions to require a minimum of 27 percent of the proceeds accruing from the sale of lottery tickets or shares to be dedicated to the Common Pension Fund L investment account, commencing with State Fiscal Year 2026. State Fiscal Year 2026 begins on July 1, 2025 and ends on June 30, 2026.

The bill designates State Fiscal Year 2025, which began on July 1, 2024 and ends on June 30, 2025, as the “base fiscal year” for means of assessing changes in contributions made to the Common Pension Fund L by the State Lottery.

Commencing with the fourth fiscal year following the base fiscal year, if the average annual total sales of lottery tickets or shares and the total revenues accruing from the sale of lottery tickets or shares of the three consecutive fiscal years are equal to, or greater than, those figures from the base fiscal year, then the apportionment of State lottery contributions to Common Pension Fund L will remain at a minimum of 27 percent of the proceeds accruing from the sale of lottery tickets or shares. If the average annual total sales of lottery tickets or shares and the total revenues accruing from the sale of lottery tickets or shares of the three consecutive fiscal years are less than those figures from the base fiscal year, then the apportionment of State lottery contributions to Common Pension Fund L will revert to a minimum of 30 percent of the proceeds accruing from the sale of lottery tickets or shares.

However, under the bill, as amended, commencing with the fourth fiscal year following the base fiscal year, if, at any time, the required dedications to Common Pension Fund L have been decreased to 27

percent of the proceeds accruing from the sale of lottery tickets or shares, and the State fails to make the full annual required contribution for the benefit of retirement systems as recommended in the annual actuarial valuations of the retirement systems, then the Director of the Division of the State Lottery will procure and conduct a third party review of the apportionment of proceeds to evaluate the effect of reducing the required dedications. If that review determines that the reduction from 30 percent to 27 percent has not resulted in higher transfers to Common Pension Fund L, then the required dedications to Common Pension Fund L will be permanently reverted to not less than 30 percent of the proceeds accruing from the sale of lottery tickets or shares. The reversion will become effective in the second fiscal year following the fiscal year containing the shortfall and no further reviews will be conducted in subsequent fiscal years if the reversion occurs.

COMMITTEE AMENDMENTS:

The committee amendments revise the minimum contributions from the State Lottery to the Common Pension Fund L from 25 percent of proceeds from the sale of lottery tickets or shares to 27 percent. The amendments also make the lower contribution requirements effective for State Fiscal Year 2026, so that the lower rate will apply beginning July 1, 2025. The “base fiscal year” will be State Fiscal Year 2025, which began on July 1, 2024 and ends on June 30, 2025.

The committee amendments also require that, commencing with the fourth fiscal year following the base fiscal year, if, at any time, the required dedications to Common Pension Fund L have been decreased to 27 percent of the proceeds accruing from the sale of lottery tickets or shares, and the State fails to make the full annual required contribution for the benefit of retirement systems as recommended in the annual actuarial valuations of the retirement systems, then the Director of the Division of the State Lottery will conduct a third party review of the apportionment of proceeds to evaluate the effect of reducing the required dedications. If that review determines that the reduction from 30 percent to 27 percent has not resulted in higher transfers to Common Pension Fund L, then the required dedications will be permanently reverted to not less than 30 percent.

FISCAL IMPACT:

The Office of Legislative Services 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.