

CONFIDENTIAL
LEGISLATIVE BILL REVIEW FORM: 2014

Bill Number: H631 Name of Bill: An act relating to lottery commissions

Agency/ Dept: Lottery Author of Bill Review: Greg Smith, exec dir

Date of Bill Review: 4/23/14 Status of Bill: (check one):

☐ Upon Introduction ☐ As passed by 1st body ☒ As passed by both bodies

Recommended Position:

☐ Support ☒(*) Oppose ☐ Remain Neutral ☐ Support with modifications identified in #8 below

Analysis of Bill

1. Summary of bill and issue it addresses. *Describe what the bill is intended to accomplish and why.*

Lottery has paid a 1% bonus on wins of \$500 and up for the past 25+ years as an incentive for lottery agents to talk about wins that occur. This was established through our rules process, and is only paid when the prize is claimed. Last year a \$30K winner never claimed their prize but the agent knew the ticket was sold at their store, and was expecting the \$300 payment – it never happened. The agent bought his store from Rep Pat Brennan who happens to be his state rep and the bill sponsor. Only two bonus eligible wins occurred last year that were not claimed, out of 178 (this bill only addresses the draw games and not instant tickets because of game integrity reasons).

The bill intends to require the lottery to pay the bonus based on the sale of the ticket and the claiming of the prize.

2. Is there a need for this bill? *Please explain why or why not.*

We do not support the bill because (1) this bonus is an incentive plan implemented through our rules not statutes; (2) it can only be applied to some games and not all so it will end up with confusion among agents; (3) the bonus is paid approx 99% of the time and the presenting of a winning ticket as the trigger for paying the bonus is a great confirmation that the winning ticket was validly sold.

3. What are likely to be the fiscal and programmatic implications of this bill for this Department?

Lottery will have to research these wins once draw results are confirmed, estimating an hour for each one. Currently we do not have to do any research because we wait until the prize is claimed. The annual cost is approx \$4500. We will also need to have programming undone and re-coded to change what we do now for our payment processing (gaming vendor does this as part of a quarterly upgrade).

4. What might be the fiscal and programmatic implications of this bill for other departments in state government, and what is likely to be their perspective on it?

This cost and the payment of bonus regardless of whether the prize is claimed will reduce lottery profits to Educ Fund by less than \$5,000. None anticipated for other depts.

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5. What might be the fiscal and programmatic implications of this bill for others, and what is likely to be their perspective on it? *(for example, public, municipalities, organizations, business, regulated entities, etc)*
I expect some confusion from agents because we will continue to pay the bonus on instant ticket sales only when the prize is claimed.

6. Other Stakeholders:

6.1 Who else is likely to support the proposal and why? Lottery Agents are sole beneficiary.

6.2 Who else is likely to oppose the proposal and why? Cannot think of anyone.

7. Rationale for recommendation: *Justify recommendation stated above.*

Statutory requirement for part of an incentive plan is ridiculous, particularly when it has worked 99% of the time. Extra costs and work related to this further reduces our opinion of it. Senate Comm has interest in whittling this down to almost no impact in terms of cost and effort, so we still ask “why bother?” I am sensitive to having legislators who were or are lottery agents, not wanting to appear too callous about someone missing a bonus. It was clear from listening to testimony that lottery finances and expenses are not well understood, even by our agents.

8. Specific modifications that would be needed to recommend support of this bill: *Not meant to rewrite bill, but rather, an opportunity to identify simple modifications that would change recommended position.*
Senate comm. and Leg Council have reduced this bill down to a session bill, applying only to draw game prizes of \$10K and up (17 last year), and to have this applied through our rules process. Again, if this must be, then this is the least impact so far, but it is so small I wonder why we even do it.

April 23 – The current version of H631 is not acceptable. The words “1% bonus” have been removed and replaced with commission. We already pay commissions to agents based on gross sales, whether a prize has been claimed or not. When I read this now I don’t think the lottery needs to do anything differently because no mention of the bonus exists which is the topic at hand. If the Lottery was going to support this bill, the Senate version is properly stated as it captures the spirit of the Bill Sponsor’s intent. The term “commission” on line 7 may be the problem with the current word selection. Yesterday I made these same comments to Senate Comm Econ Dev & Gen.

Secretary/Commissioner has reviewed this document: _____ **Greg Smith** _____ **Date: 4/23/14** _____