

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5127 (Substitute S-2 as reported)
Sponsor: Representative Dave Jaye
House Committee: Regulatory Affairs
Senate Committee: Gaming and Casino Oversight

Date Completed: 12-1-98

RATIONALE

Since July 1997, the Bureau of State Lottery has had a policy of allowing players of the Michigan Lotto game the choice of receiving a prize in one lump sum or in annual installments. At the point of purchasing a Lotto ticket the player must select the lump sum payout, if he or she wants it; if the player does not choose this option, the ticket is printed as an "annuity" ticket and, if he or she wins, the prize is paid in installments. A player holding a winning annuity ticket will receive the full amount of the prize spread over 25 years, while a player who chose the lump sum option will receive the current value of the prize. (The holder of a winning lump sum option ticket will receive approximately one-half of the full prize amount, because a full prize amount is generated over 25 years by investment of the current prize amount.)

Reportedly, the lump sum option has been popular with Lotto players, with over 60% of players choosing that option over the annuity. It has been suggested that the option to choose a lump sum payout be placed in statute, rather than remain available to players only through Bureau policy.

CONTENT

The bill would amend the Lottery Act to require the Bureau of State Lottery to give a prizewinner in the Michigan Lotto game the option of receiving a prize in a single payment or in installments. The option would have to be made available, and exercised by the purchaser of a Lotto game ticket at the point of purchase.

MCL 432.25

ARGUMENTS

(Please note: The arguments contained in this analysis originate

from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Under the standard Lotto game, winners receive the full amount of a prize in 25 annual installments. For some time now the Bureau of State Lottery has, by policy, allowed ticket purchasers to choose to receive a prize in one payment rather than in installments. While the lump sum option means that the winner will receive only about half of the full prize amount, the option has been extremely popular with players (with over 60% choosing the lump sum option). For example, older players may feel that they won't be around to receive 25 years' worth of payments, while others may believe that a single payout, though smaller, if properly invested could generate more in total than the full 25-year payout. By placing the lump sum option in statute, the bill would ensure that it could not be taken away by a change in the Bureau's policy, and thus would preserve the choice between installments and a lump sum distribution for future players.

Legislative Analyst: G. Towne

FISCAL IMPACT

Since players are already given the single payment versus the installment option, this new provision would have no fiscal impact on State or local government.

Fiscal Analyst: E. Limbs

H9798\S5127A

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.