

Legislative Analysis



LOTTERY SALES AGENT: PROHIBIT CERTAIN CONDUCT

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House Bill 5102 without amendment
Sponsor: Rep. Barbara Farrah
Committee: Regulatory Reform

Complete to 10-23-07

A SUMMARY OF HOUSE BILL 5102 AS REPORTED FROM COMMITTEE

The bill would amend the McCauley-Traxler-Law-Bowman-McNeely Lottery Act to prohibit a licensed lottery sales agent from offering to give, or from giving, any money or other thing of value to the holder of a lottery ticket or a share in a lottery ticket for winning the lottery. The sales agent would still be allowed to pay the amount of the prize, if such payment by a sales agent is authorized by the Lottery commissioner.

(Cash prizes worth up to \$600 may be claimed at any Michigan Lottery retailer. Cash prizes worth up to \$50,000 may be claimed at any Lottery regional office, and prizes worth more than \$50,000 must be claimed at the Lottery headquarters in Lansing.)

The commissioner can suspend or revoke the license of an agent who violates the act or rules promulgated under the act.

MCL 432.23

FISCAL IMPACT:

There is no fiscal impact on the State of Michigan or its local units of government.

BACKGROUND INFORMATION:

According to testimony from the Associated Food and Petroleum Dealers, some retailers who are licensed to sell lottery tickets (known as lottery sales agents) advertise that they will pay an additional payout of their own to anyone who purchases a lottery ticket at their store and who then wins a prize. (As mentioned earlier, cash prizes worth up to \$600 may be claimed at a Michigan Lottery retailer.) These promotions apparently are aimed at stimulating lottery ticket sales, since the sales agents receive a commission on each ticket sold. Moreover, there are minimum sales standards that must be met to avoid penalties or the loss of a license. This practice of providing extra payouts to winners is voluntary; it is not addressed in the rules of the State Lottery.

The practice leads to a number of problems, according to the AFPD. Obviously, the practice by some retailers puts pressure on all retailers to participate in such conduct. Those who do not want to engage in this activity are reportedly losing lottery business.

Since the practice is outside of all state regulation and supervision, it leads to inconsistent payouts from lottery sales agents, which over time will undermine confidence in the fairness and evenhanded administration of lottery games. In essence, it leads to unregulated gambling activity by the lottery sales agents (since they are essentially determining the size of prizes.) The practice also is susceptible to misrepresentation, fraud and abuse. An AFPD spokesperson has said that retailers sometimes promise the extra payout but then renege, resulting in angry customers. Some customers then become abusive or violent. Since the promise of the payout is an unregulated activity, there is no avenue of complaint for those who feel victimized (at least not through the State Lottery). The AFPD says 20 complaints a week are submitted to the State Lottery regarding the failure of retailers to pay the promised increase in prize money. The aim of House Bill 5102 is to prohibit the practice by retailer-sales agents of paying amounts in excess of the prize money.

POSITIONS:

The Associated Food and Petroleum Dealers testified in support of the bill. (10-23-07)

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