

# Vermont Legislative Joint Fiscal Office

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • Fax: (802) 828-2483

## *FISCAL NOTE*

February 12, 2014

Prepared by Nathan Lavery, JFO

### **H. 631 - AN ACT RELATING TO LOTTERY COMMISSIONS**

*This analysis reflects the bill as introduced*

#### **Bill Summary:**

This bill proposes to allow a store that sells a winning lottery ticket to keep its commission even if no one claims the prize.

#### **Summary of Fiscal Impacts:**

The State fiscal impacts of this legislation will occur in two general areas: bonus payments made to lottery ticket sellers and costs incurred by the Lottery Commission associated with identifying bonus recipients. The Lottery Commission provided the data used in this analysis.<sup>1</sup>

The costs incurred as a result of this legislation will ultimately be borne by the Education Fund.

#### Bonus Payments

Currently, the seller of a winning lottery ticket earns a bonus commission of 1% only if the holder of the winning ticket claims the prize.<sup>2</sup> The estimated value of bonuses unpaid as a result of unclaimed prizes is about \$5,000.

Instant Tickets		
<u>Total Unclaimed Prizes over \$500</u>	<u>Bonus</u>	<u>Unpaid Bonus Estimate</u>
\$466,000	* 1%	= \$4,660

Draw Games		
<u>Total Unclaimed Prizes over \$500</u>	<u>Bonus</u>	<u>Unpaid Bonus Estimate</u>
\$31,300	* 1%	= \$313

Note: estimate does not include Pick 3 & Pick 4 games, for which estimated unclaimed prize data was not available

#### Lottery Commission Implementation Costs

Neither the Lottery Commission nor ticket vendors know the location of winning instant tickets. This arrangement inhibits fraud. In order to identify the seller of a winning ticket that goes unclaimed, the

<sup>1</sup> Instant ticket data is from FY2012. Draw game data is from FY2013.

<sup>2</sup> Bonus commission applies only to tickets with a minimum prize of \$500. The maximum bonus amount is \$30,000. See Lottery Rules and Regulations, Rule 14 (6).

Lottery Commission must access records stored by a third party. The Lottery Commission estimates the minimum cost of identifying the seller of unclaimed tickets at \$13,500.

Instant Tickets				
Number of Instances	*	Cost per Instance	=	Implementation Cost Estimate
250 tickets		\$40		\$10,000

Draw Games				
Number of Instances	*	Cost per Instance	=	Implementation Cost Estimate
178 tickets		\$20		\$3,560

Note: estimate does not include Pick 3 & Pick 4 games, for which estimated unclaimed prize data was not available