

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 549

(Delegate Valentino-Smith, *et al.*)

Ways and Means

Budget and Taxation

Video Lottery Facility Payouts - Intercepts for Restitution Payments

This bill extends the application of the overdue restitution intercept program to specified video lottery facility prize payouts. The bill's provisions do not apply to a prize won at a video lottery facility on or before June 1, 2016.

Fiscal Summary

State Effect: General fund revenues increase minimally from collection fees by the Central Collection Unit (CCU) of the Department of Budget and Management. The State Lottery and Gaming Control Agency (SLGCA) and CCU can implement the bill with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: If a restitution obligor who is overdue in restitution payments wins a prize at a video lottery facility requiring the issuance of Internal Revenue Service form W-2G (forms required to be provided to individuals who receive over a specified amount of winnings from gambling) or a substantially equivalent form, the video lottery operation licensee must provide notice to the obligor that (1) the obligor has won a prize to be paid by the video lottery operation licensee; (2) SLGCA has received notice from CCU of the obligor's restitution arrearage in the amount specified; (3) the video lottery operation licensee is required to withhold the prize to pay it toward the obligor's restitution arrearage; (4) the obligor may appeal to CCU if the obligor disputes the existence or the amount of

the arrearage; and (5) if no appeal is filed within 15 days, the prize, or that part of it equal to the arrearage, will be transferred to CCU.

The bill also extends the right to appeal to CCU to obligors who have prizes intercepted by the video lottery facilities. A video lottery operation licensee must honor interception requests in a specified order. A video lottery operation licensee may not be held liable for an act or omission taken in good faith to comply substantially with the requirements set forth in the bill.

Current Law: The Department of Parole and Probation (DPP) and the Department of Juvenile Services (DJS) may refer an overdue restitution account for collection to CCU and, if probation or other supervision is terminated and restitution is still owed, must refer the overdue restitution account for collection to CCU.

CCU may collect overdue restitution and certify a restitution obligor who is in arrears on payments exceeding \$30 to the Comptroller for income tax refund interception and SLGCA for State lottery prize interception. CCU may not compromise and settle a judgment of restitution unless DPP or DJS obtains the consent of the victim or the court orders otherwise because a victim cannot be located. DPP or DJS must contact the victim to determine whether the victim consents to compromise and settle a judgment of restitution.

Restitution is overdue if the restitution or a restitution payment is not paid by the date that the court orders or if no date is ordered, by the later of (1) the date DPP or DJS directs the restitution obligor to make payment or (2) 30 days after the court enters a judgment of restitution. If restitution is overdue, the amount of the arrearage is the amount of restitution ordered and any legally allowed interest, less any amount previously paid or received under the judgment of restitution.

A certification of arrearage on restitution payments that CCU sends to SLGCA must contain (1) the full name of the restitution obligor and any other name known to be used by the restitution obligor; (2) the obligor's Social Security number; and (3) the amount of the arrearage.

The Comptroller's Office and SLGCA are required to remit to CCU the payment or refund up to the amount of arrearage of an obligor certified as being in arrears. Licensed lottery agents may not pay a prize over \$600 if the holder of a winning lottery ticket has been certified as having certain child support or criminal restitution debt, or one of several specified forms of claims or debts owed to the State (*e.g.*, taxes). Instead, the holder of the winning ticket must report to SLGCA. SLGCA must honor lottery prize interception requests in the following order:

- (1) those regarding child support payments that are in arrears;
- (2) those regarding restitution for delinquency or crime that are in arrears; and
- (3) those regarding debts or claims owed to the State.

Upon receipt of required notice of an intercept from SLGCA, an obligor may appeal within 15 days to CCU. If a lottery prize exceeds the arrearage, SLGCA must immediately pay the excess to the obligor.

Chapter 622 of 2014 applied the child support intercept program to specified video lottery facility prizes won on or after June 1, 2015. If an individual who owes child support and has been certified as an obligor wins a prize at a video lottery facility requiring the issuance of Internal Revenue Service form W-2G or a substantially equivalent form, the video lottery operation licensee must provide notice to the obligor that (1) the obligor has won a prize to be paid by cash or check directly by the video lottery operation licensee; (2) SLGCA has received certification from the Child Support Enforcement Administration (CSEA) of the obligor's child support arrearage in the amount specified; (3) the video lottery operation licensee is required to withhold the prize to pay it toward the obligor's child support arrearage; (4) the video lottery operation licensee proposes to transfer the prize, or that part of the prize which is equal to the child support arrearage, to CSEA if no appeal is filed within 15 days; (5) the obligor may appeal to CSEA if the obligor disputes the existence or the amount of the child support arrearage; (6) if the obligor appeals to CSEA, the prize will be distributed as CSEA directs; and (7) if no appeal is filed within 15 days, the prize, or that part of it equal to the child support arrearage, will be transferred to CSEA. If the prize exceeds the arrearage, the video lottery operation licensee must immediately pay the excess to the obligor.

Background: CCU collected \$1.2 million from SLGCA in fiscal 2014 from lottery prize payments. In fiscal 2015 to date, there have been \$355,052 of assignments for overdue restitutions from DJS, of which CCU collected approximately \$92,000, earning CCU a 17% fee of \$15,640. DPP has referred \$24.4 million of assignments to CCU, of which \$726,000 has been recovered, earning CCU a fee of approximately \$123,420 to date in fiscal 2015. DPP assignments include other outstanding fees besides restitution, so it is unknown how much of DPP assignments stem from overdue restitutions, but it is a significant portion.

State Revenues: General fund revenues increase minimally to the extent that CCU collects a 17% collection fee from the overdue restitutions on video lottery facility prize payouts. Recovered overdue restitutions are distributed to the victim, so to the extent that the State is a victim owed overdue restitutions, revenues could potentially increase.

State Expenditures: SLGCA is currently working with its video lottery central systems contractor to develop a system that will enable gaming winnings to be intercepted for child support arrearages. SLGCA will have to add the new interception program to the contract with its video lottery central systems contractor, which should not have a material effect on State finances.

Additional Information

Prior Introductions: None.

Cross File: SB 561 (Senator Peters, *et al.*) - Budget and Taxation.

Information Source(s): Department of Budget and Management, Comptroller's Office, Maryland State Lottery and Gaming Control Agency, Department of Legislative Services

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