

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 111

(Chair, Education, Health, and Environmental Affairs
Committee)(By Request - Departmental - Lottery and
Gaming Control Agency)

Education, Health, and Environmental Affairs

Ways and Means

State Lottery - Licensed Agents - Prize Payments

This departmental bill authorizes the Director of the State Lottery and Gaming Control Agency (SLGCA) to establish by regulation the amount a licensed lottery sales agent may pay in cash game prizes instead of the current limit of up to \$5,000. Additionally, the bill conforms statute to regulations by clarifying that if a minor wins \$5,000 or more, the Director may deposit the prize in a financial institution, instead of only in a bank, to the credit of an adult member of the minor's family or a guardian of the minor as custodian for the minor.

Fiscal Summary

State Effect: General fund revenues may decrease by an indeterminate amount if SLGCA establishes in regulation that licensed lottery agents may cash games prizes over \$5,000, as discussed below. The bill could create operational efficiencies because SLGCA may no longer have to cash as many winning lottery tickets over \$5,000.

Local Effect: None.

Small Business Effect: SLGCA has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment as discussed below.

Analysis

Current Law: A licensed lottery sales agent may pay cash prizes of up to \$5,000. If a minor wins more than \$5,000, the Director of the State Lottery and Gaming Control Agency may deposit the prize in a bank to the credit of an adult member of the minor's family or a guardian of the minor as custodian for the minor. While a licensed agent is prohibited from selling a lottery ticket to a minor, a person is not prohibited from buying a lottery ticket as a gift for a minor.

A licensed agent *may* receive a cashing fee of up to 3% of valid prizes paid for services rendered in cashing winning tickets.

Background: Regulation specifies that winning lottery tickets with a prize of \$600 or less may be redeemed at any Maryland lottery retailer or a SLGCA claim center.

For lottery prizes of \$5,000 or less, a holder of a winning ticket may claim the prize at a lottery retailer participating under the Expanded Cashing Authority Program or at a SLGCA claim center. There are 278 retailers that participate in the Expanded Cashing Authority Program including the five video lottery facilities.

Regulations specify that a holder of a winning lottery ticket must claim a prize of over \$5,000 at a SLGCA claim center. There are two SLGCA claim centers –one in Baltimore City and the other in Prince George's County. These claim centers do not receive a cashing fee for cashing winning tickets.

SLGCA requires winning lottery tickets over \$25,000 to be redeemed only at the Baltimore City location because SLGCA sends those tickets to the Comptroller's Office to be processed. SLGCA indicates that since they have the Comptroller's Office process winning lottery tickets over \$25,000, the maximum amount that they would consider authorizing an agent to cash is \$25,000 through regulation. In 2015, the SLGCA claim centers processed 914 claims with lottery winnings between \$5,001 and \$25,000, totaling \$8.6 million.

State Revenues: Since agents earn a 3% cashing fee for each prize that they pay, agents' earnings could increase to the extent SLGCA establishes regulations enabling them to pay prizes over \$5,000. As a result, the increase in agents' earnings would lead to a corresponding decrease in general fund revenues. However, SLGCA advises that it does not intend to give a 3% cashing fee to licensed agents for cashing prizes over \$5,000 since statute does not require SLGCA to give a cashing fee.

Small Business Effect: Small businesses that are licensed lottery agents benefit minimally if regulations are established that allow licensed agents to pay more than \$5,000 in cash prizes to the extent that licensed lottery agents earn a 3% cashing fee for each prize that they pay over \$5,000. However, SLGCA advises that it does not intend to give a 3% cashing fee to licensed agents for cashing prizes over \$5,000.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 27, 2016
md/rhh

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Lottery – Licensed Agent – Prize Payment

BILL NUMBER: SB 111

PREPARED BY: Maryland Lottery and Gaming Control Agency

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation would have minimal or no economic impact on small businesses in Maryland.