

COMMISSIONS FOR LOTTERY RETAILERS

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<http://www.house.mi.gov/hfa>

House Bill 4981 as reported from committee
Sponsor: Rep. Roger Hauck
Committee: Regulatory Reform
Revised 12-13-21

Analysis available at
<http://www.legislature.mi.gov>

BRIEF SUMMARY: House Bill 4981 would amend the Lottery Act to revise the amount of the commissions that lottery retailers are eligible to receive and to codify sales commissions.

FISCAL IMPACT: House Bill 4981 would reduce School Aid Fund revenues from lottery sales by an unknown, but potentially significant, amount when compared to current law. The bill would increase retailer commissions relative to current law, thereby reducing lottery net revenues. By law, 100% of lottery net revenues are deposited in the School Aid Fund.

According to the Bureau of State Lottery, all else being equal, the impact to the School Aid Fund is estimated to be \$125.0 million in the first year and an estimated \$40.0–\$50.0 million in subsequent years. How the bill would impact existing bonus and incentive programs that increase the commission rate for qualifying retailers currently offered by the Bureau of State Lottery is unknown.

THE APPARENT PROBLEM:

Commissions to lottery retailers have not been increased for many years, despite increased costs to doing business and increased sales in lottery tickets by the state lottery. Some feel that commissions to these retailers should be raised and also should be placed in statute rather than being subject only to the Michigan Bureau of State Lottery.

THE CONTENT OF THE BILL:

House Bill 4981 would add a new section to the McCauley-Traxler-Law-Bowman-McNeely Lottery Act to codify the sales and redemption commissions paid to lottery retailers and revise the amount of the commissions the retailers are eligible to receive. Currently, the sales and redemption commissions are promulgated under the rule-making authority of the Michigan Bureau of State Lottery and by bureau directives.

Under the bill, the commissions for a licensed agent (retailer) for a ticket sold by that retailer or his or her employee would be as follows:

Sales commission for lottery ticket or share sold:

- 7% of the price of the lottery ticket or share (currently 6%).
- 9% for a ticket or share sold after September 30, 2021, and before October 1, 2022.

Redemption commission of 2% of the prize on a predesignated winning lottery ticket if all of the following conditions are met:

- The ticket is eligible for redemption by the retailer.
- The ticket is redeemed at the retailer's licensed premises.

- The ticket is intact and complete.
- The ticket is not counterfeit, mutilated, illegible, stolen, canceled, expired, void, or altered in any way.
- For an online lottery game ticket, the ticket contains information specified in the game's directive to define an eligible lottery ticket.
- For a pull-tab ticket, the front and back of the ticket are complete, fully legible, and not miscut. It must have one preprinted game-deal number and one preprinted bar code at the bottom of the pull-tab ticket front.

(Currently, the commission is 2% for prizes of \$601 to \$100,000.)

Bonus commission of 1% of the prize of a winning lottery ticket purchased from the retailer's licensed premises if the prize is \$1.0 million or more. [Currently, a range of bonus commissions are paid to retailers based on the type of game (e.g. Powerball, Mega Millions, etc.) and whether the ticket was a prize winner or, in some cases, the winner of the jackpot.]¹

MCL 432.11 and proposed MCL 432.11a

ARGUMENTS:

For:

According to committee testimony, lottery retailers, often grocery and convenience stores and gas stations, have not seen an increase in commissions on sales of lottery products for almost twenty years despite the state lottery reporting increased sales in recent years. During this time, labor and utility costs, and other costs associated with running a business, have increased. Online sales by the lottery have also impacted sales by retailers, who must still have sufficient staff to handle ticket sales while serving other customers. In addition, unlike in many states, lottery retailers get a fixed commission and do not share in a percentage of the winnings if a ticket they sold is a major winner. Reportedly, some feel that it may not be worth continuing to offer lottery products in their stores unless commissions are raised. Although the public can now buy lottery tickets online, many people enjoy the social aspect of going to a favorite store to look over the available scratch off tickets or to pick their favorite numbers. Moreover, not everyone has access to computers or credit cards in order to buy a lottery ticket online.

Against:

The bill would likely reduce contributions to the School Aid Fund when many schools are still reeling from impacts from the continuing COVID-19 pandemic. If lottery funds must be used to pay the increased commissions to the lottery retailers, the bill also could reduce incentive commissions to retailers for increased sales or even reduce prizes to players. If that were to happen, the state lottery could see lower sales of its products as players may seek other gaming options, such as online sports and casino gaming.

¹ <http://retailers.michiganlottery.com/>

POSITIONS:

A representative of the Chaldean American Chamber of Commerce testified in support of the bill. (6-22-21)

The Midwest Independent Retailers Association indicated support for the bill. (6-22-21)

The Michigan Lottery indicated a neutral position on the bill. (6-22-21)

The following entities indicated opposition to the bill (10-26-21):

- Michigan Education Association
- Michigan Association of School Boards
- Michigan Association of Secondary School Principals
- Barry, Branch, Calhoun, Jackson, Lenawee, and Monroe ISDs
- Oakland Schools

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Fiscal Analyst: Ben Gielczyk

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.