



House of Representatives

General Assembly

File No. 529

January Session, 2005

Substitute House Bill No. 5842

House of Representatives, April 26, 2005

The Committee on Finance, Revenue and Bonding reported through REP. STAPLES of the 96th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT INCREASING COMMISSIONS PAYABLE TO LOTTERY SALES AGENTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 12-806 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2005*):

4 (b) The corporation shall have the following powers:

5 (1) To receive as transferee from the state of Connecticut all of the
6 tangible and intangible assets constituting the lottery including the
7 exclusive right to operate the lottery as the exclusive lottery of the state
8 and, subject to subsection (b) of section 12-808, to assume and
9 discharge all of the agreements, covenants and obligations of the
10 Division of Special Revenue entered into which constitute a part of the
11 operation and management of the lottery;

12 (2) To operate and manage the lottery consistent with the provisions
13 of sections 1-120, 1-121, 1-125, 12-557e, 12-563, 12-563a, 12-564, 12-566,
14 12-567, 12-568a and 12-569, subsection (d) of section 12-574 and
15 sections 12-800 to 12-818, inclusive, and as specifically provided in
16 section 12-812;

17 (3) To have perpetual succession as a body corporate and to adopt
18 bylaws, policies and procedures for the operation of its affairs and
19 conduct of its businesses;

20 (4) To introduce new lottery games, modify existing lottery games,
21 utilize existing and new technologies, determine distribution channels
22 for the sale of lottery tickets and, to the extent specifically authorized
23 by regulations adopted by the Division of Special Revenue pursuant to
24 chapter 54, introduce instant ticket vending machines, kiosks and
25 automated wagering systems or machines, with all such rights being
26 subject to regulatory oversight by the Division of Special Revenue,
27 except that the corporation shall not offer any interactive on-line
28 lottery games, including on-line video lottery games for promotional
29 purposes;

30 (5) To establish an annual budget of revenues and expenditures,
31 along with reasonable reserves for working capital, capital
32 expenditures, debt retirement and other anticipated expenditures, in a
33 manner and at levels considered by the board of directors as
34 appropriate and prudent;

35 (6) To adopt such administrative and operating procedures which
36 the board of directors deems appropriate;

37 (7) To enter into agreements with one or more states or territories of
38 the United States for the promotion and operation of joint lottery
39 games and to continue to participate in any joint lottery game in which
40 the corporation participates on July 1, 2003, regardless of whether any
41 government-authorized lottery operated outside of the United States
42 participates in such game;

43 (8) Subject to the provisions of section 12-815, to enter into
44 agreements with vendors with respect to the operation and
45 management of the lottery, including operation of lottery terminals,
46 management services, printing of lottery tickets, management
47 expertise, marketing expertise, advertising or such other goods or
48 services as the board of directors deems necessary and appropriate;

49 (9) To purchase or lease operating equipment, including, but not
50 limited to, computer gaming and automated wagering systems and to
51 employ agents or employees to operate such systems;

52 (10) To retain unclaimed prize funds as additional revenue for the
53 state, or to use unclaimed prize funds to increase sales, or to return to
54 participants unclaimed prize funds in a manner designed to increase
55 sales;

56 (11) To establish prize reserve accounts as the board of directors
57 deems appropriate;

58 (12) To pay lottery prizes as awarded under section 12-812, to
59 purchase annuities to fund such prizes, and to assure that all annuities
60 from which payments to winners of lottery prizes are made are
61 invested in instruments issued by agencies of the United States
62 government and backed by the full faith and credit of the United
63 States, or are issued by insurance companies licensed to do business in
64 the state, provided the issuer has been determined by the Division of
65 Special Revenue to be financially stable and meets the minimum
66 investment rating as determined by the division;

67 (13) To pay or to reimburse the Division of Special Revenue, the
68 Office of Policy and Management and other affected state agencies, for
69 the reasonable direct and indirect costs of the planning for and
70 implementation of the transactions contemplated by sections 12-563a
71 and 12-800 to 12-818, inclusive, including, without limitation, expenses
72 related to such transactions arising prior to June 14, 1996, and the
73 operation and management of the lottery, including, without
74 limitation, regulatory oversight of the corporation, costs arising

75 directly or indirectly from the licensing of lottery agents, performance
76 of state police background investigations, and the planning for and
77 implementation of the transactions contemplated by section 12-808;

78 (14) In the event that the operation or management of the
79 corporation becomes subject to the federal gaming occupation tax, to
80 pay such tax on behalf of lottery sales agents and to assist agents
81 subject thereto;

82 (15) To determine the commissions payable to lottery sales agents,
83 provided any agent's commission shall not average less than [five] six
84 per cent of such agent's lottery sales; the corporation shall allocate
85 funds for such commissions first out of funds available in the
86 corporation's operating budget due to the elimination of bonus
87 payments to employees of the corporation, and then by adjustments to
88 payouts for winnings and for the state share;

89 (16) To invest in, acquire, lease, purchase, own, manage, hold and
90 dispose of real property and lease, convey or deal in or enter into
91 agreements with respect to such property on any terms necessary or
92 incidental to carrying out the purposes of sections 12-563a and 12-800
93 to 12-818, inclusive, provided such transactions shall not be subject to
94 approval, review or regulation pursuant to title 4b or any other statute
95 by any state agency, except that real property transactions shall be
96 subject to review by the State Properties Review Board;

97 (17) To borrow money for the purpose of obtaining working capital;

98 (18) To hold patents, copyrights, trademarks, marketing rights,
99 licenses or any other evidence of protection or exclusivity issued under
100 the laws of the United States or any state;

101 (19) To employ such assistants, agents and other employees as may
102 be necessary or desirable to carry out its purposes in accordance with
103 sections 12-563a and 12-800 to 12-818, inclusive, to fix their
104 compensation and, subject to the provisions of subsections (e) and (f)
105 of section 12-802, establish all necessary and appropriate personnel

106 practices and policies; to engage consultants, accountants, attorneys
107 and financial and other independent professionals as may be necessary
108 or desirable to assist the corporation in performing its purposes in
109 accordance with sections 12-563a and 12-800 to 12-818, inclusive;

110 (20) To make and enter into all contracts and agreements necessary
111 or incidental to the performance of its duties and the execution of its
112 powers under sections 12-563a and 12-800 to 12-818, inclusive;

113 (21) In its own name, to sue and be sued, plead and be impleaded,
114 adopt a seal and alter the same at pleasure;

115 (22) Subject to the approval of the board and to the requirement to
116 remit excess lottery funds to the General Fund as set forth in section
117 12-812, to invest any funds not needed for immediate use or
118 disbursement, including any funds held in approved reserve accounts,
119 in investments permitted by sections 3-20 and 3-27a for the proceeds of
120 state bonds;

121 (23) To procure insurance against any loss in connection with its
122 property and other assets in such amounts and from such insurers as it
123 deems desirable;

124 (24) To the extent permitted under any contract with other persons
125 to which the corporation is a party, to consent to any termination,
126 modification, forgiveness or other change of any term of any
127 contractual right, payment, royalty, contract or agreement of any kind;

128 (25) To acquire, lease, purchase, own, manage, hold and dispose of
129 personal property, and lease, convey or deal in or enter into
130 agreements with respect to such property on any terms necessary or
131 incidental to the carrying out of these purposes;

132 (26) To account for and audit funds of the corporation;

133 (27) To pay or provide for payment from operating revenues all
134 expenses, costs and obligations incurred by the corporation in the
135 exercise of the powers of the corporation under sections 12-563a and

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 06 \$	FY 07 \$
Spec. Revenue, Div. of	GF - Revenue Loss	\$9,000,000 to \$10,000,000	\$9,000,000 to \$10,000,000

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill is estimated to result in a reduction of revenue transfers from the Connecticut Lottery Corporation (CLC) to the General Fund of approximately \$9 million to \$10 million per fiscal year. The estimate assumes that the CLC will pay for the increase in lottery commissions from operating revenues rather than decreasing prize payouts. In the past, lottery players have reacted unfavorably to reductions in prize payouts and in some cases has significantly reduced sales.

Commissions to the lottery sales agents have totaled approximately \$51.7 million in FY 02, \$48.4 million in FY 03, and \$50.5 million in FY 04.

OLR Bill Analysis

sHB 5842

AN ACT INCREASING COMMISSIONS PAYABLE TO LOTTERY SALES AGENTS**SUMMARY:**

This bill increases, from 5% to 6% of lottery sales, the minimum commission that the Connecticut Lottery Corporation (CLC) must pay to lottery sales agents. It requires CLC to allocate funds for commissions first from funds made available in its operating budget by eliminating employee bonuses and then from adjusting prize payouts and the amount of lottery revenue transferred to the state. (On average, CLC transfers approximately 30% of revenue from lottery ticket sales to the General Fund annually.)

EFFECTIVE DATE: October 1, 2005

BACKGROUND***CLC Employee Bonuses***

By law, CLC may establish incentive plans for its managerial employees and "entrepreneurial sales employees" (the latter of whom are classified employees covered by state collective bargaining agreements) (CGS §12-802(e)(1) & (f) to (h)).

Under CLC's current incentive program, managerial employees get an annual bonus when lottery revenue (excluding Powerball revenue) transfers to the General Fund exceed what the board of directors projected in any year.

The entrepreneurial sales bonus is based on sales employees achieving quarterly or annual sales goals, or both, within a geographic area. Bonuses are paid quarterly and at the end of each fiscal year.

For FY 03-04, managerial bonuses totaled \$160,926. Sales bonuses for the same period were \$91,969.

COMMITTEE ACTION

Public Safety and Security Committee

Joint Favorable Change of Reference
Yea 22 Nay 0

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 47 Nay 0