

1999 DRAFTING REQUEST

Bill

Received: **10/14/98**

Received By: **champra**

Wanted: **Soon**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Gates-Hendrix**

This file may be shown to any legislator: **NO**

Drafter: **champra**

May Contact:

Alt. Drafters:

Subject: **Gambling - lottery**

Extra Copies:

Topic:

DOA:.....Gates-Hendrix - Lottery retailer performance program

Instructions:

See Attached.

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	champra 11/5/98	gilfokm 11/6/98	ismith 11/9/98	_____	lrb_docadmin 11/9/98		S&L
/2	champra 01/8/99	chanaman 01/8/99	hhagen 01/11/99	_____	lrb_docadmin 01/11/99		S&L

FE Sent For:

<END>

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/1	champra 11/5/98	gilfokm 11/6/98	ismith 11/9/98	_____	lrb docadmin 11/9/98		S&L

FE Sent For:

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12-1-8-1mg *11/11* *11/11*
END

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Extra Copies:

Topic:

DOA:.....Gates-Hendrix - Lottery ~~Retailer~~ Performance ~~Program~~

Instructions:

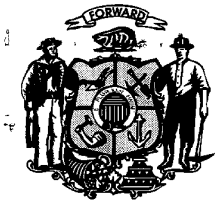
See Attached.

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17	champra	11-11-6 King	IS 11/9	IS/JF 11/9			

FE Sent For:

<END>



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR
MARK D. BUGHER
SECRETARY

Mailing Address:
Post Office Box 7864
Madison, WI 53707-7864



Date: October 8, 1998 **Priority:** Medium
To: Steve Miller
Legislative Reference Bureau
From: Sherrie Gates-Hendrix, SBO 6-1805
Subject: Draft for Governor's 1999-2001 Budget Bill

Please draft the following for inclusion in the Governor's 1999-2001 budget bill.

See attached from DOR -- a Retailer Performance Program that would provide retailers with additional compensation for

- (1) meeting certain sales goals and
- (2) each winning ticket sold

Thanks. Please call with questions.

Codes		Titles	Program Element	Codes	Titles	Budget Analysis Form B-2 Page 516
Department	566	Revenue				
Program	08	Lottery	Decision Item	5800	Retailer Performance Program	
Subprogram	85	Lottery Administrator's Office	Num Appl/Line No	61	Retailer Compensation	

NARRATIVE

Request/Objective

The Department requests a reduction of \$1,571,900 SEG in FY00 and an increase of \$1,123,300 SEG in FY01 in the Retailer Compensation sum sufficient appropriation to adjust for the change in estimated sales level and the implementation of a retailer performance program.

Benefit

A retailer performance program is estimated to increase base lottery sales of \$418,500,000 by \$8,286,700 in FY00 and by \$16,573,400 in FY01. This represents conservative increases of 2% and 4%, respectively, on the base lottery sales level adjusted for pull-tab sales by not-for-profit organizations.

Background

In 1995, ^{Gov. James Nelson?} represented retailers chose to discontinue selling instant lottery tickets, contending that the amount received in commissions is insufficient to reimburse them for the cost of selling the tickets.

In the 1997-99 biennial budget, the Legislature provided the Department with some additional resources targeted toward increasing retailer satisfaction. The Legislature authorized an increase in the basic retailer compensation rate for instant ticket sales from 5.5 percent to 6.25 percent of the ticket sales price, effective January 1, 1998. A performance-based incentive program was not funded. The Wisconsin Lottery is one of a few lottery jurisdictions that do not offer an incentive program over and beyond the flat commission rate. To increase ticket sales, the Lottery needs additional tools for retailers to be motivated to proactively sell more tickets.

Analysis of Need

The Lottery is committed to maximizing the amount available for property tax relief. One mechanism to accomplish this is through increased ticket sales. Retail agents are key distributors of lottery products and are in direct day-to-day contact with our players. The objective is to work with our legislative partners to obtain the financial incentives needed to motivate retailers to proactively seek increased ticket sales.

The Department seeks to implement a flexible performance-based incentive program with administrative rule guidelines. This action allows the Lottery to change as its business needs change. It also allows for stronger sales potential by allowing flexibility. Specific guidelines will be established in administrative rules, outlining the framework and criteria required to be met in order to implement a program.

Pre- and post-implementation data of retailer sales will be measured to provide base information to assess program effectiveness. The program can be effectively implemented and re-enforced through the recently recruited field marketing staff.

It is intended that, for the 1999-01 biennium, the performance-based program be comprised of:

- **Retail Sales Development component:** 0.5% of ticket sales distributed to retailers who meet pre-defined sales goals.
- **Retailer Winners component:** 0.5% of ticket sales distributed to retailers selling winning tickets in an amount pre-defined and with a pre-defined cap. Note: depending on how many large winning tickets are sold will depend on the total amount distributed.

This performance-based program will be implemented on January 1, 2000, with all policies and procedures related to these programs established prior to the implementation date.

In FY00, the program is estimated to cost \$2,113,000 in additional retailer compensation resulting in an anticipated increase in Lottery ticket sales of \$8,286,700. In FY01, the program, when in full operation, is estimated to cost \$4,308,500 and result in additional sales of \$16,573,400.

"Retail Sales Development" will use ½ of the funding available to reward for-profit retailers who meet certain sales goals. The goals for retailers will be built around a percentage increase in sales against previous average, and the program will be capped so that the lottery can maintain administrative control over the expenditure total. Retailers who achieve goals will share in a "slice of the pie" at the end of the sales year, each receiving a share of the estimated \$2.15 million available.

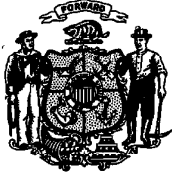
"Retailer Winners" will use the other ½ of the funding (\$2.15 million, est.) to encourage retailers to sell tickets, by giving a bonus of every eligible winning ticket a retailer sells. The eligible prize levels will be structured in such a way as to allow the lottery administrative control over the expenditure total. Most lotteries offer a .5% or 1%, with a cap on overall sales year winnings of a specific dollar maximum. For-profit retailers will receive payment quarterly or annually, dependent on the program designs.

Implementation Plan:

- Obtain funding for performance-based incentives (7-1-1999).
- Obtain approval of administrative rules (12-1-1999 or earlier)
- Implement performance-based incentive program through telemarketing and field marketing programs (1-1-2000)
- Monitor program performance against overall goal of increasing ticket sales by 2 percent in FY00 and 4% in FY01.

Statutory Language

Section 555.02(4) would need to be amended to add (g), which would allow this program to be implemented by administrative rule.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0578/1

RAC:.....

Amg E CMH

SOM

DOA:.....Gates-Hendrix - Lottery Retailer Performance Program

FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION

1

AN ACT relating to: the budget.

don't
get
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Analysis by the Legislative Reference Bureau

GAMBLING

NO
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NO
I

Under current law, the basic compensation paid to a retailer who sells *on-line lottery tickets or lottery shares* is 5.5% of the retail price of the lottery tickets or lottery shares. In addition, under current law, the basic compensation paid to a retailer who sells *scratch-off or instant games* is 6.25% of the retail price of scratch-off or instant games. This bill authorizes the department of revenue (DOR) to establish, by rule, a program to provide for additional compensation to be paid to retailers above the basic compensation who meet certain sales goals or who sell winning lottery tickets or lottery shares. Under this program, the total compensation provided to retailers who meet the sales goals may not exceed 0.5% of gross lottery revenues, and the total compensation provided to retailers who sell winning lottery tickets or lottery shares may not exceed 0.5% of gross lottery revenues.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

2

SECTION 1. 565.02 (4) (g) of the statutes is created to read:

1 565.02 (4) (g) Establishing a program to provide for additional compensation
 2 to be paid to retailers above the compensation provided under s. 565.10 (14) (b) 1. or
 3 2, who meet certain sales goals identified by the department or who sell winning
 4 lottery tickets or lottery shares. Under this program, the total compensation
 5 provided to retailers who meet the sales goals may not exceed 0.5% of the gross
 6 revenues from the sale of lottery tickets and lottery shares, and the total
 7 compensation provided to retailers who sell winning lottery tickets or lottery shares
 8 may not exceed 0.5% of the gross revenues from the sale of lottery tickets and lottery
 9 shares.

10 **SECTION 2.** 565.10 (14) (b) 3m. of the statutes is created to read:

11 565.10 (14) (b) 3m. The department may, in rules promulgated under s. 565.02
 12 (4) (g), provide for additional compensation to be paid to retailers above the
 13 compensation provided under subd. 1. or 2, who meet certain sales goals identified
 14 by the department or who sell winning lottery tickets or lottery shares.

15 **SECTION 9443. Effective dates; revenue.**

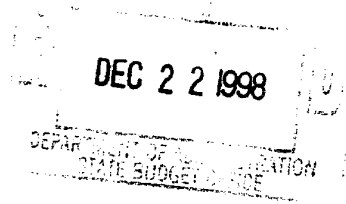
16 (1) LOTTERY RETAILER COMPENSATION. The ~~treatment~~ ^{enactment} of sections 565.02 (4) (g)
 17 and 565.10 (14) (b) 3m. of the statutes takes effect on January 1, 2000.

18 (END)

Step

MEMORANDUM

December 21, 1998



TO: Sherrie Gates-Hendrix
State Budget Office

FROM: Marc Weinberger
Department of Revenue

SUBJECT: Lottery Retailer Performance Program -- LRB 0578/1

The goal here is to maximize the flexibility of the Department in implementing a lottery retailer performance program. The experience of other state lotteries is that these performance programs need regular review and adjustment. Input from the major stakeholders will help to improve the program over time. Attached is the current timeline for implementation of the proposed program. We would prefer to specify the details through administrative rule (similar to what is done for retailer contracts, see Rules Chapter WGC 61), and not be as specific in the statutes. Therefore, we suggest the following changes to the draft: (mark-up attached)

1. *Section 1 [s. 565.02 (4) (g)]*

*change "sales goals" to "performance goals"

*after "identified by the Department" insert "in administrative rule" and delete the rest of the sentence

*In the next sentence beginning "Under this program...":

delete "who meet the sales goals"

change 0.5% to 1%

delete all of the language after the first instance of "lottery shares"

2. *Section 2 [s. 565.10 (14) (b) 3m]*

*change "sales goals" to "performance goals"

*delete the language after the second instance of "department"

If you have any questions, please contact James Amberson at the Lottery (267-4840) or me at 266-2928.

attachments

cc: James Amberson
Rich Grade

DOA:.....Gates-Hendrix - Lottery retailer performance program

FOR 1999-01 BUDGET -- NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

GAMBLING

Under current law, the basic compensation paid to a retailer who sells *on-line lottery tickets* or *lottery shares* is 5.5% of the retail price of the lottery tickets or lottery shares. ~~In addition, under current law, the basic compensation paid to a retailer who sells *scratch-off* or *instant games* is 6.25% of the retail price of *scratch-off* or *instant games*.~~ This bill authorizes the department of revenue (DOR) to establish, by rule, a program to provide for additional compensation, above the basic compensation, to be paid to retailers who meet certain ~~sales goals or who sell winning lottery tickets or lottery shares~~. Under this program, the total compensation provided to retailers ~~who meet the sales goals may not exceed 0.5% of gross lottery revenues, and the total compensation provided to retailers who sell winning lottery tickets or lottery shares may not exceed 0.5% of gross lottery revenues.~~

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill. 1.070

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

2 SECTION 1. 565.02 (4) (g) of the statutes is created to read:



ID-Note
State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0578/2 2

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*Redraft notes
has been run*

SOON

DOA:.....Gates-Hendrix - Lottery retailer performance program

FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION *stamp*

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1 AN ACT ...; relating to: the budget.

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Under current law, the basic compensation paid to a retailer who sells *on-line lottery tickets or lottery shares* is 5.5% of the retail price of the lottery tickets or lottery shares. In addition, under current law, the basic compensation paid to a retailer who sells *scratch-off or instant games* is 6.25% of the retail price of scratch-off or instant games. This bill authorizes the department of revenue (DOR) to establish, by rule, a program to provide for additional compensation, above the basic compensation, to be paid to retailers who meet certain ~~sales~~ goals or ~~whose~~ winning lottery tickets or lottery shares. Under this program, the total compensation provided to retailers who meet the ~~sales~~ goals may not exceed 0.5% of gross lottery revenues, and the total compensation provided to retailers who sell winning lottery tickets or lottery shares may not exceed 0.5% of gross lottery revenues.

Performance

*1.0%
1.0%*

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

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 2 above the compensation provided under s. 565.10 (14) (b) 1. or 2., to be paid to
 3 retailers who meet certain ~~sales~~ ^{performance} goals identified by the department ~~or who sell~~
 4 ~~winning lottery tickets or lottery shares~~ ^{or who sell} ~~lottery shares~~. Under this program, the total ^{1.0%}
 5 compensation provided to retailers ~~who meet the sales goals~~ may not exceed ~~0.5%~~ ^{1.0%} of
 6 the gross revenues from the sale of lottery tickets and lottery shares, ~~and the total~~
 7 ~~compensation provided to retailers who sell winning lottery tickets or lottery shares~~
 8 ~~may not exceed 0.5% of the gross revenues from the sale of lottery tickets and lottery~~
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15 **SECTION 9443. Effective dates; revenue.**

16 (1) **LOTTERY RETAILER COMPENSATION.** The treatment of sections 565.02 (4) (g)
 17 and 565.10 (14) (b) 3m. of the statutes takes effect on January 1, 2000.

18 (END)

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0578/2dn
RAC:kmg&cmh:ijs

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Sherrie:

There is no need to use the phrase "by administrative rule" in the text of s. 565.02 (4) (g), because the introductory clause in s. 565.02 (4) (intro.) specifies that DOR may do everything in that subsection by rule. ✓

Richard A. Champagne
Legislative Attorney
266-9930

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0578/2dn
RAC:kmg&cmh:hmh

Monday, January 11, 1999

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State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0578/2
RAC:kmg&cmh:hmh

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