

ASSEMBLY, No. 2048

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Assemblywoman ELIANA PINTOR MARIN

District 29 (Essex)

Assemblyman JOHN J. BURZICHELLI

District 3 (Cumberland, Gloucester and Salem)

SYNOPSIS

Adjusts from 30 percent to 27 percent rate at which proceeds accruing from sale of lottery tickets are dedicated for public pensions.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** adjusting the rate at which proceeds accruing from the sale
2 of lottery tickets are dedicated for public pensions and amending
3 P.L.1970, c.13.

4

5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

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8 1. Section 7 of P.L.1970, c.13 (C.5:9-7) is amended to read as
9 follows:

10 7. The commission shall have the power, and it shall be its
11 duty:

12 a. After full and thorough study of the report and
13 recommendations of the State Lottery Planning Commission
14 established pursuant to Joint Resolution Number 11, approved
15 November 20, 1969, and such other pertinent information as may be
16 available, to promulgate such rules and regulations governing the
17 establishment and operation of a State lottery as it deems necessary
18 and desirable in order that the mandate of the people expressed in
19 their approval of the amendment to Article IV, Section VII,
20 paragraph 2, of the Constitution in the general election of
21 November, 1969, may be fully implemented, in order that such a
22 lottery shall be initiated at the earliest feasible and practicable time,
23 and in order that such lottery shall produce the maximum amount of
24 net proceeds for State institutions and State aid for education
25 consonant with the dignity of the State and the general welfare of
26 the people. Such rules and regulations may include, but shall not be
27 limited to, the following:

28 (1) The type of lottery to be conducted.

29 (2) The price, or prices, of tickets or shares in the lottery.

30 (3) The number and sizes of the prizes on the winning tickets or
31 shares.

32 (4) The manner of selecting the winning tickets or shares.

33 (5) The manner of payment of prizes to the holders of winning
34 tickets or shares, including, subject to the approval of the State
35 Treasurer, provision for payment of prizes not to exceed \$599.00 by
36 agents licensed hereunder out of moneys received from sales of
37 tickets or shares.

38 (6) The frequency of the drawings or selections of winning
39 tickets or shares, without limitation.

40 (7) Without limit as to number, the type or types of locations at
41 which tickets or shares may be sold.

42 (8) The method to be used in selling tickets or shares.

43 (9) The licensing of agents to sell tickets or shares, provided
44 that no person under the age of 21 shall be licensed as an agent.

45 (10) The manner and amount of compensation, if any, to be paid

**EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is
not enacted and is intended to be omitted in the law.**

Matter underlined thus is new matter.

1 licensed sales agents necessary to provide for the adequate
2 availability of tickets or shares to prospective buyers and for the
3 convenience of the public.

4 (11) The apportionment of the total proceeds accruing from the
5 sale of lottery tickets or shares and from all other sources among (a)
6 the payment of prizes to the holders of winning tickets or shares, (b)
7 the payment of costs incurred in the operation and administration of
8 the lottery, including the expenses of the division and the costs
9 resulting from any contract or contracts entered into for
10 promotional, advertising or operational services or for the purchase
11 or lease of lottery equipment and materials, (c) for the repayment of
12 the money appropriated to the State Lottery Fund pursuant to
13 section 23 of this act, and (d) for transfer to the general fund for
14 State institutions and State aid for education; provided, however,
15 that no less than 30% of the total proceeds accruing from the sale of
16 lottery tickets or shares shall be dedicated to (d) above.

17 During the term of the lottery contribution made pursuant to
18 section 4 of P.L.2017, c.98 (C.5:9-22.8), the apportionment of the
19 total proceeds accruing from the sale of lottery tickets or shares and
20 from all other sources among (a) the payment of prizes to the
21 holders of winning tickets or shares, (b) the payment of costs
22 incurred in the operation and administration of the Lottery
23 Enterprise, as defined in section 3 of P.L.2017, c.98 (C.5:9-22.7),
24 including the expenses of the division and the costs resulting from
25 any contract or contracts entered into for promotional, advertising,
26 or operational services for the purchase or lease of lottery
27 equipment and materials, and (c) for transfer to the investment
28 account of Common Pension Fund L, for the benefit of retirement
29 systems, as provided in the "Lottery Enterprise Contribution Act,"
30 P.L.2017, c.98 (C.5:9-22.5 et al.); provided, however, that no less
31 than 30 percent of the proceeds accruing from the sale of lottery
32 tickets or shares shall be dedicated to the investment account under
33 (c) above. (d) Notwithstanding subparagraph (c) above, the State
34 Lottery Commission, in order to maximize and increase total
35 contributions to the investment account of Common Pension Fund L
36 under that subparagraph (c) and consistent with lottery industry best
37 practices shall allocate up to an additional 3 percent to the payment
38 of prizes to the holders of winning tickets or shares pursuant to
39 subparagraph (a) above, in which case no less than 27 percent of the
40 proceeds accruing from the sale of lottery tickets or shares shall be
41 dedicated to the investment account under that subparagraph (c).
42 In the event that the net income target, as established by this
43 subparagraph, is not met in any fiscal year, 30 percent of the
44 proceeds accruing from the sale of lottery tickets or shares shall be
45 so dedicated in the next fiscal year and thereafter. The net income
46 target shall be as follows:

47 fiscal year 2019: \$1,023,544,636

48 fiscal year 2020: \$1,036,114,600

- 1 fiscal year 2021: \$1,045,300,757
2 fiscal year 2022: \$1,054,562,917
3 fiscal year 2023: \$1,063,906,791
4 fiscal year 2024: \$1,073,794,937
5 fiscal year 2025: \$1,083,757,077
6 fiscal year 2026: \$1,093,797,230
7 fiscal year 2027: \$1,103,903,546
8 fiscal year 2028: \$1,114,089,100
9 fiscal year 2029: \$1,124,348,918.
- 10 As used in this subparagraph, "net income target" means
11 the projected amount of net income that the State Lottery Manager
12 attempts to meet or exceed for the New Jersey Lottery in a given
13 fiscal year, as certified by the director of the Division of the
14 Lottery.
- 15 (12)Such other matters necessary or desirable for the efficient
16 and economical operation and administration of the lottery and the
17 Lottery Enterprise and for the convenience of the purchasers of
18 tickets or shares and the holders of winning tickets or shares.
- 19 Notwithstanding the provisions of any other law to the contrary,
20 no rule or regulation establishing a lottery game shall be considered
21 an "administrative rule" or "rule" pursuant to P.L.1968, c. 410 (C.
22 52:14B-1 et seq.).
- 23 b. To amend, repeal, or supplement any such rules and
24 regulations from time to time as it deems necessary or desirable.
25 Notwithstanding any provision of the "Administrative Procedure
26 Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to the contrary, the
27 commission may adopt, immediately upon filing with the Office of
28 Administrative Law, such regulations as are necessary to implement
29 the provisions of the "Lottery Enterprise Contribution Act,"
30 P.L.2017, c.98 (C.5:9-22.5 et al.), which shall be effective for a
31 period not to exceed 12 months following adoption, and may
32 thereafter be amended, adopted, or readopted by the commission in
33 accordance with the requirements of the "Administrative Procedure
34 Act," P.L.1968, c.410 (C.52:14B-1 et seq.).
- 35 c. To advise and make recommendations to the director
36 regarding the operation and administration of the lottery and the
37 Lottery Enterprise.
- 38 d. To report monthly to the Governor and the Legislature
39 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), and during
40 the lottery contribution, to the Director of the Division of
41 Investment, the total lottery proceeds, prize disbursements and other
42 expenses for the preceding month, and to make an annual report,
43 which shall include a full and complete statement of lottery
44 proceeds, prize disbursements and other expenses, to the Governor,
45 the Legislature, and during the lottery contribution, the Director of
46 the Division of Investment, including such recommendations for
47 changes in this act as it deems necessary or desirable.

1 e. To report immediately to the Governor and the Legislature
2 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), and during
3 the lottery contribution, to the Director of the Division of
4 Investment, any matters which shall require immediate changes in
5 the laws of this State in order to prevent abuses and evasions of this
6 act or rules and regulations promulgated thereunder or to rectify
7 undesirable conditions in connection with the administration or
8 operation of the lottery and the Lottery Enterprise.

9 f. To carry on a continuous study and investigation of the
10 lottery and the Lottery Enterprise throughout the State, which may
11 include requiring a financial or operational audit of the Lottery
12 Enterprise, (1) for the purpose of ascertaining any defects in this act
13 or in the rules and regulations issued thereunder by reason whereof
14 any abuses in the administration and operation of the lottery and the
15 Lottery Enterprise or any evasion of this act or the rules and
16 regulations may arise or be practiced, (2) for the purpose of
17 formulating recommendations for changes in this act and the rules
18 and regulations promulgated thereunder to prevent such abuses and
19 evasions, (3) to guard against the use of this act and the rules and
20 regulations issued thereunder as a cloak for the carrying on of
21 organized gambling and crime, and (4) to insure that said law and
22 rules and regulations shall be in such form and be so administered
23 as to serve the true purposes of this act and the "Lottery Enterprise
24 Contribution Act," P.L.2017, c.98 (C.5:9-22.5 et al.).

25 g. To make a continuous study and investigation of (1) the
26 operation and the administration of similar laws which may be in
27 effect in other states or countries, (2) any literature on the subject
28 which from time to time may be published or available, (3) any
29 Federal laws which may affect the operation of the lottery and the
30 Lottery Enterprise, and (4) the reaction of New Jersey residents to
31 existing and potential features of the lottery and the Lottery
32 Enterprise, with a view to recommending or effecting changes that
33 will tend to serve the purposes of this act.

34 (cf: P.L.2017, c.98, s.11)

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36 2. This act shall take immediately.
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39 STATEMENT

40
41 This bill modernizes the New Jersey State Lottery by allowing
42 for flexible prize payouts and ensuring the Lottery is able to take
43 advantage of the best practices used by modern lotteries throughout
44 the United States. The change will implement a guaranteed method
45 to grow and maximize the profit potential of the New Jersey Lottery
46 in order to sustain and enhance future funding of the good causes
47 the Lottery supports. The 1970 New Jersey Lottery Law severely
48 limits the profit potential of the Lottery by preventing the

1 introduction of the most successful instant games. Changing the
2 lottery law does not diminish or change the lottery assignment to
3 the New Jersey Public Pension Fund. It makes it more valuable and
4 profitable.

5 The current lottery statute provides that no less than 30% of the
6 total revenues accruing from the sale of lottery tickets or shares
7 shall be dedicated to the State. This bill proposes to change that
8 language to read as follows: “no less than 27 percent of the
9 proceeds accruing from the sale of lottery tickets or shares shall be
10 dedicated” to the State. Furthermore, in the event total funds
11 transferred to the State accruing from the sale of lottery tickets or
12 shares in the first full fiscal year after enactment of this language
13 fall below the total funds transferred to the state in the last full
14 fiscal year prior to enactment, this provision will be automatically
15 null and void.

16 The bill provides that if the State Lottery manager does not meet
17 specific net income targets for each fiscal year, beginning with
18 fiscal year 2019, 30 percent of the proceeds accruing from the sale
19 of lottery or tickets or shares will be transferred in the next fiscal
20 year and thereafter to the investment account of Common Pension
21 Fund L for the benefit of retirement system.

22 A modest reduction from 30% to 27% in the mandatory return
23 provision of the law will result in increased Lottery profit in real
24 dollars. This change will not reduce lottery profit. Every other top-
25 performing lottery, without exception, has successfully
26 implemented this change, including New York (69 percent payout)
27 and Pennsylvania (70 percent payout). The percentage of the prize
28 payout is significant because the higher this percentage, the more
29 players win. Greater frequency of winning increases the
30 entertainment value of the games. The more people win, the longer
31 they stay in the game, which results in higher sales and profit. This
32 fundamental principle in prize payouts is true across every lottery in
33 the United States. All 45 U.S. lotteries, except New Jersey, New
34 Mexico, and Louisiana, have implemented higher prize payouts in
35 their instant games.