

# MAINE STATE LEGISLATURE

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**Department of Administrative and Financial Services**

Kirsten LC Figueroa, Commissioner

**Bureau of Alcoholic Beverages and Lottery Operations**

Michael T. Boardman, Acting Director

Resolve, Directing the Bureau of Alcoholic Beverages & Lottery Operations to Study  
Paying Bonuses to Agents for Selling Certain Winning Lottery Tickets

S.P. 459 – L.D. 1125

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JANET T. MILLS  
GOVERNOR

STATE OF MAINE  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES  
**BUREAU OF ALCOHOLIC BEVERAGES AND LOTTERY OPERATIONS**  
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AUGUSTA, MAINE 04330-0008

KIRSTEN LC FIGUEROA  
COMMISSIONER

MICHAEL T. BOARDMAN  
ACTING DIRECTOR

TO: Senator Hickman  
Representative Supica  
Members of the Joint Standing Committee on Veterans and Legal Affairs

FROM: Michael Boardman – Acting Director  
Bureau of Alcoholic Beverages and Lottery Operations

DATE: December 6, 2023

RE: L.D. 1125 Reslove, Directing the Bureau of Alcoholic Beverages and Lottery Operations to Study Paying Bonuses to Agents for Selling Certain Winning Lottery Tickets.

The Bureau of Alcoholic Beverages & Lottery Operations is proud to provide the following study to the Veterans and Legal Affairs Committee of the 131<sup>st</sup> Maine Legislature.

The resolve limits the scope of the study to only three games currently being offered by the Maine Lottery. Powerball, Mega Millions and Lotto America. All three are multi-jurisdictional games that are shared with several jurisdictions across the country. Each jurisdiction is responsible for determining the agent compensation rates and paying those rates from their own jurisdictions sales.

Although the resolve was limited in scope to just a few games, the bureau felt compelled to provide additional information that will provide the committee a better overall understanding of how lottery retailers are compensated in Maine.

We thank the members of the Veterans and Legal Affairs Committee for the opportunity to submit this report.

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## **Bureau of Alcoholic Beverages and Lottery Operations**

L.D. 1125 Reslove, Directing the Bureau of Alcoholic Beverages and Lottery Operations to Study  
Paying Bonuses to Agents for Selling Certain Winning Lottery Tickets

### **Table of Contents**

<b><u>Section</u></b>	<b><u>Page(s)</u></b>
I. Resolve .....	1
II. Statutory Authority, .....	1
III. Study Methodology.....	2
IV. Funding Bonuses.....	2
V. Compensation Rates.....	2-3
VI. Bonuses \$10,000 or more .....	3
VII. Summary .....	4
 <b><u>Addendums</u></b>	 <b><u>Page(s)</u></b>
A. Compensation Structure .....	5
B. Historical Sales & Commissions .....	6
C. Winners of \$1,000 or more .....	6
D. Data .....	7-8

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## **I. Resolve**

### **STATE OF MAINE**

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**IN THE YEAR OF OUR LORD  
TWO THOUSAND TWENTY-THREE**

\_\_\_\_\_  
**S.P. 459 - L.D. 1125**

**Resolve, Directing the Bureau of Alcoholic Beverages and Lottery Operations to Study Paying Bonuses to Agents for Selling Certain Winning Lottery Tickets**

Sec. 1. Department of Administrative and Financial Services, Bureau of Alcoholic Beverages and Lottery Operations to study paying bonuses for selling certain winning Powerball tickets, Mega Millions tickets and Lotto America tickets. Resolved: That the Department of Administrative and Financial Services, Bureau of Alcoholic Beverages and Lottery Operations shall study paying bonuses to persons licensed to sell lottery tickets for selling winning Powerball tickets, Mega Millions tickets and Lotto America tickets over \$10,000 that are not grand prize winners and develop a system to pay bonuses to persons selling winning Powerball tickets, Mega Millions tickets and Lotto America tickets with prizes over \$10,000 that are not grand prize winners.

Sec. 2. Report. Resolved: That, no later than December 6, 2023, the Department of Administrative and Financial Services, Bureau of Alcoholic Beverages and Lottery Operations shall submit a report based upon the study in section 1, along with any recommended legislation, to the Joint Standing Committee on Veterans and Legal Affairs, which may report out legislation related to the report to the Second Regular Session of the 131st Legislature.

## **II. Statutory Authority**

Title 8: Chapter 14-A §374 Commission; powers and duties, authorizes the Commission to determine. the manner and amount of compensation to be paid to persons licensed to sell lottery tickets or shares necessary to provide for the adequate availability of tickets or shares to prospective buyers and for the convenience of the general public;

The Commission sets the rates of compensation for licensed agents as part of the rulemaking process when new products are introduced. The compensation rates including bonuses are based on several factors including prizes available in the game, anticipated sales, and projected number of winners.

## **III. Study Methodology**

The Maine Lottery requested information from all members of the National Association of State and Provencal Lotteries (NASPL) to obtain information regarding compensation rates in their respective jurisdictions. Twenty-one responded to the request. This data was analyzed to obtain a baseline of industry standards to compare how Maine ranks.

#### IV. Funding Bonuses

All bonuses paid to agents is the sole responsibility of the Maine Lottery and are paid from revenue generated from ticket sales including multi-jurisdictional games. Although each participating lottery in a multi-jurisdictional game contributes to the jackpot prize pool, any bonuses paid to agents is funded by the individual lottery.

#### V. Compensation Rates

It is the responsibility of each state to establish their own compensation rates. This includes standard commission rates for selling tickets and any bonuses that may be offered. In addition, the states are solely responsible for funding all compensation to retail agents including bonuses for selling multi-jurisdictional games.

- **Agent Commissions**

All states pay a commission to agents for each ticket they sell. Rates vary by state and product type. Maine currently pays the highest rate of any state for instant ticket sales at 7%, 1.5% higher than the average. Instant ticket sales represent 85% of all sales in Maine making the higher rate more impactful for Maine agents.

*Rates as a percentage of sales:*

	Average	Maine
Instant	5.5%	7% (8% for the Maine Outdoor Heritage game)
Draw & Fast Play	5.5%	5%

- **Bonus Rates**

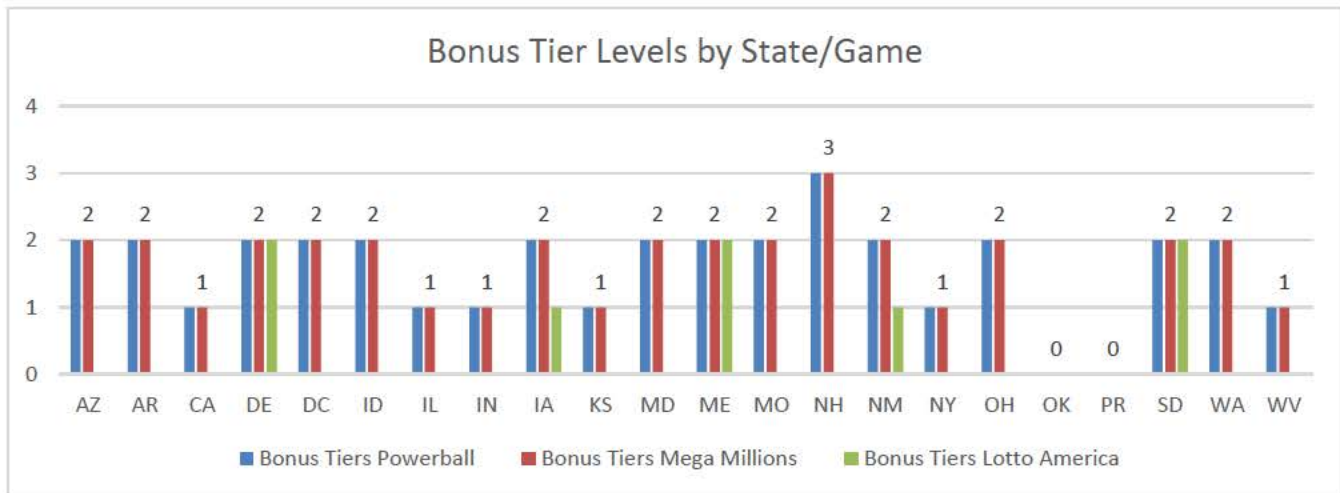
As with commissions, bonus programs offered by a state are established and funded solely by the state. Many states including Maine offer bonuses for selling winning tickets. Bonus amounts vary by state and are offered as set amounts or based upon a percentage of a prize value, typically the jackpot. In addition, some bonuses offered as a percentage of a prize value are capped at a specific amount to limit the states liability.

Maine offers a selling bonus to agents for all games that are sold in Maine. These bonuses vary based on the game, product type and the value of the win. The established bonuses incentivize agents and rewards them with additional income.

The wide disparity of sales by state and the revenue generated by those sales does not allow for a simple comparison of bonus rates. Simply looking at the value of a bonus or a percentage of the prize won does not provide a fair comparison. This is due to the large disparity of sales and profit in each state. For example, if there is a Powerball winner of \$800 million and a bonus was offered at 1% of the winnings, the bonus would be \$8 million. If that winner was in Maine, the bonus would amount to 11.1% of the lottery's total profit for the year. In California that bonus would amount to only .001% of the total profit. In order to appropriately compare states, you must look at the number of bonuses being offered and not the percentage or value of the bonus.



Looking at the bonus rates for the three games specified in the resolve, the majority of jurisdictions pay a bonus to agents for the top two prize tiers won. The amount of each bonus varies by state based on their own rules and available funds.



## VI. Bonuses \$10,000 or more.

The resolve specifically asks for the bureau to develop a system to pay bonuses to agents who sell a winning ticket over \$10,000 in the Powerball, Mega Millions and Lotto America. The lottery already has a system in place to make bonus payments to agents that would be implemented if additional bonuses were awarded. Although there is a system in place, the bureau would be required to go through the rulemaking process for each game and amend the rules.

There is no way to predict the number of winners at various prize levels due to fluctuating sales that are influenced by jackpots and the unknown of how many players will select the winning numbers that are drawn. Listed below shows the recent history of winners greater than \$10,000. Some of the winners in this category already receive a bonus. The number of winners that would generate a bonus would impact a very small amount of lottery agents.



**VII. Summary:** The resolve specifically focuses on three of the Maine Lottery's draw games and paying bonuses for winning tickets sold that are not jackpot winners. It became clear that after reviewing the data that Maine was in line with industry standards by offering bonuses at the top two prize tiers with a \$50,000 prize for selling the jackpot winner. Although Maine has lower sales than many of the other jurisdictions, the bonus paid to agents is equal to the majority of larger states.

The lottery took the opportunity to review all forms of compensation that agents receive and compared those to the industry as a whole. The results were very favorable for Maine agents. Maine agents receive the highest compensation rate of 7% (8% for Outdoor Heritage) of instant ticket sales compared to the industry average of 5.5%. This is especially beneficial because instant tickets represent 75% of all ticket sales. In addition to the sales commission, agents also receive a 1% bonus for all winning instant tickets they sell of \$1,000 or more. This is also favorable for Maine agents as 85% of winners of \$1,000 or more are from Instant ticket winners.

## **Addendums:**

### **A. Maine Lottery Agent Compensation Structure:**

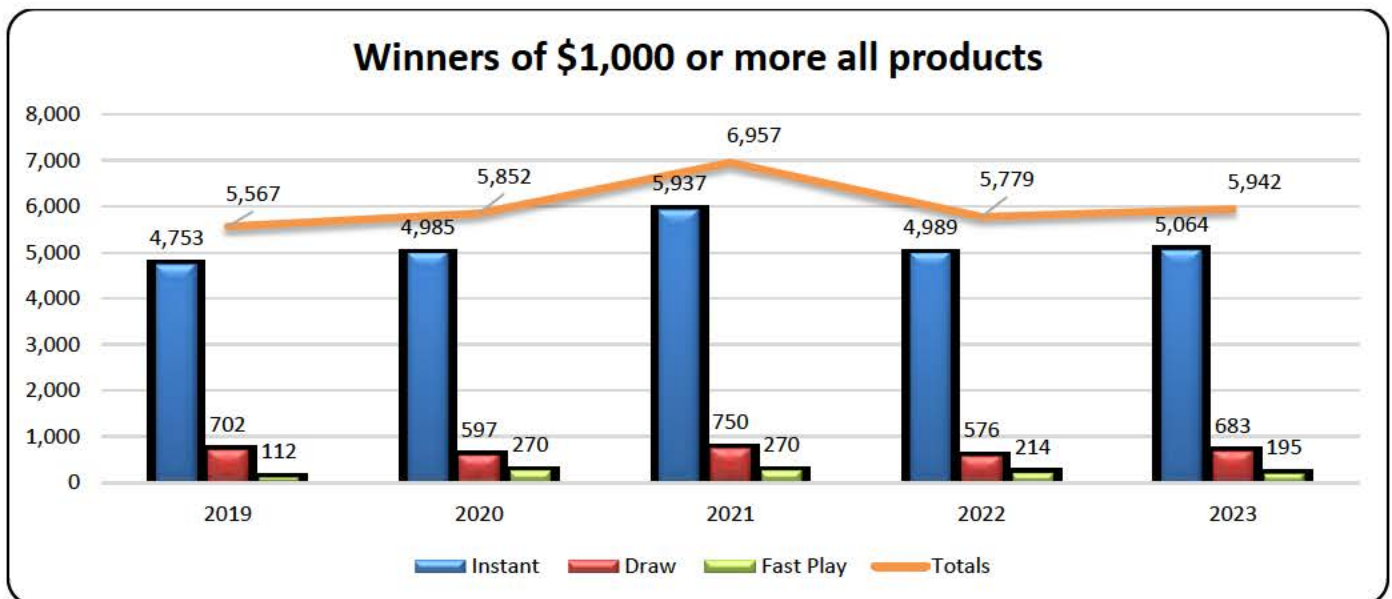
- a. Bonuses paid for winning tickets sold.
  - Powerball
    - \$50,000 for any winning Jackpot ticket.
    - \$20,000 for any Match 5 + 0 winning ticket.
  - Megabucks
    - 1% of the annuitized value of any single winning Jackpot ticket, cap of \$30,000 per winning ticket.
    - 1% of a \$30,000 winning ticket (\$300)
  - Mega Millions
    - \$50,000 for any winning Jackpot ticket.
    - 1% for any single Match 5 + 0 (cap of \$25,000)
  - Lotto America
    - 1% of any winning Jackpot ticket, cap of \$30,000
    - 1% for any single Match 5 + 0 winning ticket.
  - Lucky for Life
    - \$50,000 for any winning Jackpot ticket.
    - \$2,500 for second prize.
  - World Poker Tour
    - 1% of the \$100,000 top prize - draw component.
    - 1% of the instant win prize tier (Max. of \$30,000)
  - Gimme5
    - 1% of the \$100,000 top prize
    -
  - Fast Play
    - 1% of any prize \$10,000 and above (Max. of \$25,000)
  - Pick 3/Pick 4
    - 1% of winnings \$1000 and above.
  - Instant Games
    - 1% of winnings \$1000 and above.

## B. Historical Sales and commissions

Agent earnings have continued to increase as new games have been introduced and jackpot prizes have continued to get larger. Improvements in technology and changes to payment policies has reduced the burden on lottery retailers.



## C. Winners \$1,000 or more.



Retailers receive a 1% bonus for all winning instant tickets of \$1,000 or more. Instant winners represent 85% of all winning tickets sold of \$1,000 or greater.



## D. Data

	Instant	Draw	Instant Bonus	Powerball	Mega Millions
State	Commission	Commission	Selling Bonus	Selling Bonus	Selling Bonus
AZ	6.50%	6.50%	(\$25k-\$49,999: \$500), (\$50k-\$99,999: \$1,000), (\$100,000-\$499,999: \$1,500), (\$500,000-\$999,999:\$5,000), \$1M-\$5M: \$10,000), (\$5M+: \$15,000)	(Jackpot \$50,000) 2nd Tier \$2M winner \$10,000, 2nd Tier \$1M \$7,500)	(Jackpot \$50,000) 2nd Tier \$2M winner \$10,000, 2nd Tier \$1M \$7,500)
AR	5.00%	5.00%	1% over \$10k (max. \$50k)	1% over \$10k (max. \$50k)	1% over \$10k (max. \$50k)
CA	6.00%	6.00%	.5% over \$1M	.5% over \$1M (max. \$1M)	.5% over \$1M (max. \$1M)
DE	5.00%	5.00%	1% over \$10k	Jackpot, \$1M ticket, \$2M ticket (w/Power Play): \$10k	Jackpot, \$1M-5M ticket: \$10k
DC	5.00%	5.00%	None	(Jackpot \$25k) 2nd Tier \$1M winner \$10k	(Jackpot \$25k) 2nd Tier \$1M winner \$10k
ID	5.00%	5.00%	10% over \$1k (max. \$20k)	10% over \$1k (Max: \$20k except: Jackpot \$50k, Powerplay winner \$25k)	10% over \$1k (Max: \$20k except: Jackpot \$50k, Megaplier Match 5 Prize \$25k)
IL	5.00%	5.00%	1% (max. \$500k)	1% (max. \$500k)	1% (max. \$500k)
IN	6.00%	6.00%	None	1% (max. \$100k)	1% (max. \$100k)
IA	5.5%, 7% Gold Star	5.50%	None	(Jackpot >\$400M .75%), (Jackpot <\$400M \$10k), .1% non-jackpot winners over \$100k	(Jackpot >\$400M .75%), (Jackpot <\$400M \$10k), .1% non-jackpot winners over \$100k
KS	5.00%	5.00%	1% over \$600 (min: \$10 max: \$100)	1% over \$600 (min: \$10 max: \$100)	1% over \$600 (min: \$10 max: \$100)
MD	6.00%	6.00%	(\$20k-\$99,999: 1%), (\$100k-\$1M: \$1k), (>\$1M: .1%)	(Jackpot .1%), 2nd Tier winner \$2.5k (5k w/ power play), Double Play top tier \$10k (2nd Tier \$1k)	(Jackpot .1%), 2nd Tier winner \$2.5k (\$5k w/ Megaplier)
ME	7.00%	5.00%	1% over \$1k	Jackpot \$50k, 2nd Tier Winner \$25k	Jackpot \$50k, 2nd Tier Winner \$20k
MO	5.00%	5.00%	None	Jackpot \$50k, 2nd Tier winner \$1k	Jackpot \$50k, 2nd Tier winner \$1k
NH	5.00%	5.00%	1% of \$10K or more	1% of \$10K or more	1% of \$10K or more
NM	6%*	6.00%	None	(Jackpot/Grand Prize: \$50k pool), other winners \$2.5k over \$1M	(Jackpot/Grand Prize: \$50k pool), other winners \$2.5k over \$1M

NY	6.00%	6.00%	None	\$10k Jackpot	\$10k Jackpot
OH	5.50%	5.50%	1% over \$100k (max. \$10k)	\$1k per \$1M of Jackpot (Pool, min: \$10k max: \$100k), 2nd Tier Winner \$1k	\$1k per \$1M of Jackpot (Pool, min: \$10k max: \$100k), 2nd Tier Winner \$1k
OK	6.00%	6.00%	None	None	None
PR	5.00%	5.00%	None	None	None
SD	5.00%	5.00%	1% over \$101	(Jackpot \$50k), (\$1M Prize: \$20k), (\$50k Prize: \$1k) (Power Play \$2M: \$25k), (Power Play \$50k: \$1k), (Double Play 10M: \$15k), (Double Play \$500k: \$10k), (Double Play \$50k: \$1k)	(Jackpot \$50k), (\$1M Prize: \$25k), (\$10k Prize: \$750), (Megaplier 1M: \$25k), (Megaplier \$10k: \$750), (Just the Jackpot: \$50k)
WA	5.00%	5.00%	None	Jackpot \$50k, 2nd Tier Winner \$10k, Double Play Jackpot \$20k	Jackpot \$50k, 2nd Tier winner \$10k
WV	7.00%	7.00%	1% over \$500 up to \$100,000	1% of jackpot up to \$100,000	1% of jackpot up to \$100,000