

To: California State Lottery Commission **Date**: August 15, 2007

From: Joan M. Borucki

Director

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Legal Office

Subject: Item 9(f)- Approval of Amendment to Lottery Regulations

Concerning Payment of Winnings to a Natural Person

ISSUE

Should the California State Lottery Commission (Commission) adopt amendments to the California Lottery's regulations to clarify payment of winnings to a natural person?

RECOMMENDATION

California State Lottery (Lottery) staff recommends that the Commission adopt the proposed amendment. The proposed change addresses the problem of payments of winnings to a natural person with certain enumerated exceptions.

BACKGROUND

The primary purpose for the amendment to the language of the Lottery regulations concerning payment of winnings to a natural person is to protect the public interest in ensuring that any legal offsets against Lottery winnings are collected prior to payment of the winnings.

The secondary purpose is to ensure the uniformity of the language in our regulations.

Currently, the language in the Lottery regulations varies from regulation to regulation. Some regulations state that payment must be made to a natural person. Some regulations state that payment may be made to a natural person or business entity. There is inconsistency between the different regulations.

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DISCUSSION

The various Lottery regulations give different definitions of who may be paid winnings of Lottery prizes. Some of the regulations only allow payment to natural persons while other regulations allow payment to natural persons or named business entities. Because the regulations have been separate and are modified separately, there are times when one regulation may have been revised whereas other regulations containing the same initial language were not revised. This led to discrepancies between the language in the different Lottery regulations subsections concerning the same items. This amendment will make those sections uniform.

This amendment also protects the public interest in ensuring that any offsets or withholds against any Lottery winnings are satisfied prior to the payment of the winnings. By requiring the payment to be to a natural person it ensures that the winnings are tied to that person's social security number and ensures that any offsets against that person will be satisfied before the payment of Lottery winnings is released. By allowing the winnings to be paid to a revocable trust where the grantor and the winner are the same person, likewise ensures that the payment is tied to the winner's social security number and allows for the payment of any offsets prior to release of the winnings. This will prevent the possibility of a winner avoiding offsets by allowing the payment of the winning's to a trust which is not linked to the winner's social security number, and thereby violating the public interest in assuring satisfaction of legal offsets and withholdings from Lottery winnings.

Click here for proposed Lottery regulation amendment.