

After 40 Years, Time For Raise?

James S. Calvin, President
New York Association of Convenience Stores



NYACS has renewed its quest for an increase in the commission rate paid to convenience stores and other retail establishments licensed to sell Lottery tickets on behalf of New York State.

While labor, energy, insurance, taxes and other costs have gone through the roof, the commission paid to lottery retailers has remained at 6% since Lyndon B. Johnson was President.

During our visits to members of the state Senate and Assembly in Albany last month, NYACS Legislative Conference attendees asked them to increase it to 8% in order to offset the sharply higher costs – and risks – of selling lottery games.

The 6% commission rate has existed since the Lottery' inception in 1967, long before:

- The Legislature increased the minimum wage to \$6/hr effective 1/1/05, \$6.75/hr 1/1/06, and \$7.15/hr 1/1/07, causing upward pressure on the store's entire pay scale

- The store's exposure to loss from theft of instant tickets multiplied as the state introduced \$5, \$10 and \$20 instant games

- The lottery licenses of convenience stores were placed at risk of suspension under the state's tobacco enforcement program. If you are caught selling cigarettes to a minor as few as two times in a three-year time span – even if the sale was inadvertent – the state suspends both your tobacco license and lottery license for six months.

- The proliferation of credit cards as a form of payment, the processing fees for which now effectively cut the retailer's 6% lottery commission in half.

- Introduction of the multi-state MegaMillions game, whose huge jackpots create long lines at the counter that increase the risk of losing non-lottery customers unwilling to wait in line to quickly pay for gas, coffee, or a newspaper.

- The advent of video lottery terminals, whose operators – mainly harness racing tracks – are being paid a slightly higher commission by the Lottery Division. 26%, to be precise.

Given these facts, it would seem obvious that a boost in commissions is in order. But mention the idea to the folks at the Lottery Division, and you're accused of taking food from the mouths of babes. Don't even think it, they scold, because that would reduce the net proceeds the Lottery contributes to education.

That's a red herring. NYACS does not advocate diverting resources from education. Rather, by reallocating existing administrative expenses, this can be achieved *without* impacting net proceeds.

- You know the TV commercial showing a dog buying a lottery ticket? Maybe instead of airing that 5,000 times, the media buy could be scaled back to 3,000 spots.

- The \$5 million jackpot games? What if some of them were only \$4.5 million?

- The piles of POS materials they send us every month to promote the latest games? We don't have enough space to display them all. Cut back, take what you save on design, production and shipping, and apply it to higher commissions.

By devoting prime retail space in the front of the store to sell tickets to millions of customers every day, convenience stores have helped build New York Lottery into a \$6 billion-a-year enterprise. They deserve a raise.

February 2007