

BILL ANALYSIS

Senate Research Center

H.B. 1799
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Finance
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Engrossed

DIGEST

Currently, large Texas state lottery prizes may be paid in annual installments over a period of 20 years. Many state lotteries have established procedures that allow prize winners to sell their right to collect lottery prizes over time in exchange for a lump sum cash payment from a third party, including individuals, banks, investment or loan companies. H.B. 1799 would regulate the assignment of lottery payment streams and would clarify that voluntary assignment of lottery prize payments, as authorized by court order, is allowable, but only subject to specified consumer protection safeguards.

PURPOSE

As proposed, H.B. 1799 establishes conditions regarding the assignment or deposit of certain lottery prizes.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 466.402(d), Government Code, to make conforming changes.

SECTION 2. Amends Section 466.406, Government Code, as follows:

Sec. 466.406. New heading: RIGHT TO PRIZE NOT GENERALLY ASSIGNABLE. Requires prize payments to be made to the estate of a deceased prizewinner, if the prizewinner was an individual. Makes conforming changes.

SECTION 3. Amends Section 466.408(b), Government Code, to require the prize money to be deposited to the credit of the Texas Department of Health State Owned Multi-categorical Teaching Hospital Account for the purpose of providing funding for indigent health care, if a claim is not made on a prize on or before the 180th day after the winner was selected. Deletes text regarding additional money for the state lottery account.

SECTION 4. Amends Chapter 466I, Government Code, by adding Section 466.410, as follows:

Sec. 466.410. ASSIGNMENT OF PRIZES. (a) Authorizes a person to assign the right to receive prize payments that are paid by the Texas Lottery Commission (commission) in installments over time if the assignment is made to a person designated by an order of a district court of Travis County, except that installment prize payments due within the final two years of the prize payment schedule may not be assigned.

(b) Requires a district court to issue an order approving a voluntary assignment and directing the commission to direct prize payments in whole or in part to the assignee if certain conditions exist and are fulfilled.

(c) Requires it to be the responsibility of the assignor to bring to the attention of the court, the existence or nonexistence of a current spouse. Provides conditions regarding the assignor and an assignor's spouse, if married, in reference to the proposed assignment.

(d) Requires the order to recite and identify all prior assignments by amount of or fraction of

payment assigned, the identity of the assignee, and the date(s) of payment(s) assigned, with respect to any given prize. Provides that a court order obtained pursuant to this section, together with all such prior orders, shall not require the commission to divide any single prize payment among more than three different persons.

(e) Requires the court to include specific findings as to compliance with the requirements and to specify the prize payment or payments assigned, as well as certain information regarding the payment or payments.

(f) Requires a certified copy of the court order to be delivered to the commission not later than 20 days prior to the date upon which the first assigned payment is to be paid to the assignee. Requires the commission to acknowledge in writing to both the assignor and the assignee its receipt of said court order. Requires the commission, unless the written notice from the commission cannot comply with the court order, to thereafter make the prize payments in accordance with the court order.

(g) Requires the commission to establish and collect a reasonable fee to defray certain administrative expenses. Requires the commission to establish the amount of the fee to reflect the direct and indirect costs associated with processing the assignment.

(h) Prohibits an assignment pursuant to court order from including or covering payments or portions of payments that are subject to any offset provided by this chapter.

(i) Establishes that there will be no right to assign prize payments following certain issuances, notwithstanding any other provision of this section.

(j) Requires the executive director to immediately file a copy of the letter, ruling, or published decision with the secretary of state, after receiving a letter or ruling from the Internal Revenue Service or the court. Prohibits the commission from making any payment to an assignee pursuant to a court order entered after the date of such letter or ruling, and the assignor is ineligible to assign a prize, after the filing by the executive director.

SECTION 5. Effective date: September 1, 1999.

SECTION 6. Makes application of this Act prospective.

SECTION 7. Emergency clause.