



New York City Newsstand
Operators Association



January 3, 2022

The Honorable Kathy Hochul
Executive Chamber
New York State Capitol
Albany NY 12224

Dear Governor Hochul,

We write on behalf of our member neighborhood businesses – many of them family owned and operated – who have proudly supported public education for the past 55 years by providing adult New Yorkers with quick, convenient, year-round access to New York Lottery tickets.

Collectively, these 14,600 licensed “traditional lottery sales agents” – convenience stores, grocery stores, bodegas, newsstands, taverns, restaurants, liquor stores, service stations and others – have built the sales of traditional lottery games from \$53 million in 1967 to nearly \$8 billion today, delivering more than \$3 billion in funding for education last year alone, according to the Lottery Division’s FY 2020 financial report.

Under the New York Lottery system, sales agents are compensated in the form of a commission set by the Lottery Division (unlike other New York gaming products, whose sales agent commission rates are established by statute). The Lottery Division fixed the commission at 6 percent on all ticket sales in 1967, and has never adjusted it.

Consequently, retailers receive the same rate of compensation for selling a lottery ticket today as they did 55 years ago. While lottery sales volume has steadily risen since then, the resulting additional commission income to lottery sales agents has been far outstripped by sharp growth in their operating expenses.

For example, a national survey of convenience stores shows that from 2010 to 2020 alone, core operating expenses rose 43%. The upward pressure is worse than the national average in New York, where the minimum wage increased more than 80% from 2010 to 2020. Meanwhile, during that same period, total commissions earned by traditional lottery sales agents as a result of increased lottery sales grew only 13% – far shy of keeping pace with operating costs.

Normally, when costs rise, businesses have three choices – absorb it, raise their retail prices, or cut expenses. In this case, agents are forbidden from selling lottery tickets for more than face value, and the worst inflation in 30 years rules out absorbing higher costs. Without new revenue, that will force retailers to cut expenses, the largest segment of which is labor.

The typical U.S. convenience store employs 16 people full and part-time. Given New York's convenience store count of 8,000, this financial dilemma could impact the income of as many as 128,000 New Yorkers employed in convenience stores – not to mention those employed by other lottery sales agents. An adjustment in lottery compensation, however, will preserve these jobs and enable our members to keep delivering the nation-leading lottery sales performance New York's education system deserves.

New gaming options have had their commission rates set more recently, based upon updated economic factors. And their commission rates have been adjusted to recognize changing expenses and other factors impacting the operators' bottom line. For example, video lottery agents have a varied commission rate, with an average of 45 percent, and casino gaming commissions vary from 70-90% based on the type of gaming. These rates were adjusted as recently as 2019 and 2021, increasing the commission rates in recognition of the operators' changing circumstances.

As a dedicated sales force that has consistently made New York Lottery the top-grossing state lottery in the nation, traditional lottery sales agents deserve a commission adjustment to help offset their increased costs of selling lottery tickets. It's impossible to catch up with 50 years of cost increases, so we propose a modest, gradual adjustment: Elevate their commission from 6% to 7%, phasing in the increase over a four-year period. That would equate to less than a 0.02% annual rate of increase over the 50+ years since the rate was originally set.

With the recent introduction of new digital forms of gaming over the next few years, the State can afford to increase commissions for traditional lottery sales agents while still generating higher revenue for education and other vital programs and services.

We urge you to include this proposal as part of your Executive Budget so that, with the Legislature's concurrence on the allocation of funds, this multi-year increase in traditional lottery sales agents' commission can be realized.

Sincerely,

Asian American Retailers Association

Bodega and Small Business Association

Empire State Restaurant and Tavern Association

Food Industry Alliance of New York State

Long Island Gasoline Retailers Association

National Supermarket Association

New York Association of Convenience Stores

New York City Newsstand Operators Association

New York State Association of Service Stations and Repair Shops

New York State Liquor Store Association

New York State Restaurant Association

United Bodegas of America

United Franchisees of Long Island and New York

Yemeni American Merchants Association