



PA Lottery Intercept

FINAL

Category: Cross-Boundary Collaborations & Partnerships

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Project Start: 1/16/2018

Project End: 10/18/2018

EXECUTIVE SUMMARY

Lottery players in Pennsylvania win billions in cash prizes each year while helping to raise money for programs benefitting senior citizens. In 2017, the state General Assembly passed legislation requiring state lottery prizes greater than \$2,500 to be offset by any delinquent support, tax liabilities, and/or court-ordered obligations. The goal of this law is to ensure that winners have fulfilled any unpaid state tax and PA court obligations before collecting their prizes.

To comply with this new statutory requirement, the PA Department of Revenue (DOR), which oversees the lottery, implemented a payment intercept process. In order to be successful, the process had to be highly flexible and automated to ensure: (1) Lottery payouts are not delayed, and (2) DOR and the courts receive timely payments. New development was required to add an automated PA Lottery Intercept for these liabilities. This was a large undertaking involving close collaboration five government agencies, all 67 county courts, and the state's online games (iLottery) vendor. The project team worked tirelessly with all stakeholders in a highly collaborative manner to understand their business requirements, create and refine the new process to meet everyone's business needs, and produce a fully-automated intercept verification solution.

The final product is highly-automated, streamlined, efficient, and works exceptionally well for all parties involved. The newly-developed process is also a lasting success, requiring little maintenance or intervention. As of May 11, 2020, the system had enabled DOR to intercept 427 lottery awards for prizewinners with outstanding obligations totaling \$888,106.19. The winners had 249 unpaid tax liabilities totaling \$323,442.01 and 182 outstanding court liabilities totaling \$553,724.98.

By enhancing the collection of unpaid debts, the intercept is benefiting families who depend on financial support from custodial parents, increasing overall compliance with state tax collections, and ensuring crime victims receive court-ordered restitution, among other outcomes. By working collaboratively on a solution, the entities involved have demonstrated their commitment to effective stewardship of taxpayer dollars and use of data to improve the management and efficiency of multiple programs serving the public.

CONCEPT

The Pennsylvania Department of Revenue was legislatively-mandated by Act 44 of 2017, Section 215: Fiscal Code – Omnibus Amendments to implement a PA Lottery Intercept to redirect any prize of more than \$2,500 towards paying off delinquent child support, tax liabilities, and court-ordered obligations prior to awarding any prize money to the winner.

The PA Lottery Intercept process ensures winners are paying state tax and PA court obligations before collecting their prizes. As of May 11, 2020, DOR had intercepted payments to 427 winners totaling \$888,106.19. These winners had 249 DOR liabilities totaling \$323,442.01 and 182 Administrative Office of Pennsylvania Courts (AOPC) liabilities totaling \$553,724.98.

The PA Office of Administration (OA), which oversees information technology (IT) for state agencies under the Governor’s jurisdiction, worked closely with DOR’s Process Reinvention, Innovation, and Strategic Management (PRISM) bureau, which provided overall project management support. The OA IT team designed the overall solution and automated the core intercept processes.

This was a large undertaking that involved working closely with the iLottery vendor and the following government entities:

- PA Department of Revenue (DOR)
- PA Lottery (Lottery)
- Administrative Office of PA Courts (AOPC)
- PA Department of Treasury (Treasury)
- PA Department of Human Services (DHS)
- 67 Court of Common Pleas offices (one per county)

The Lottery Intercept process is used for traditional Lottery games and iLottery, which is played over the Internet. When player wins a prize of \$2,500 or greater, regardless of whether it is an iLottery or PA Lottery game, they must submit their social security number (SSN) to initiate their prize claim. The intercept process uses the SSN for identity verification purposes. The process begins with a query to DHS to determine if there are any outstanding child support liabilities. If so, they are deducted from the prize. Afterwards, the automated process checks seven DOR tax types (Personal Income, Inheritance, Motor Carriers Road, Fuels, Sales, Employer, and numerous Corporation Taxes) for liabilities. If there are any outstanding liabilities for DOR, the winning amount is reduced by the outstanding liability, plus a \$15 administrative fee. Remaining winnings are then checked against outstanding AOPC liabilities which, if found, are deducted as well. Any remaining winnings are returned to the traditional Lottery system or iLottery for payment to the claimant. Prizes from iLottery are deposited in the

player's electronic wallet, while traditional lottery prizes are paid by check. However, if obligations cannot be met in their entirety, the prizewinner will not receive an award.

Each month, DOR updates over 450,000 AOPC liabilities used in the intercept process. Within the month, DOR will adjust these balances automatically as intercepts are performed so inaccurate intercepts do not occur before the next monthly AOPC liability refresh.

Any liabilities collected by DOR or AOPC are viewable by Lottery personnel via a browser-based reporting system. Lottery personnel use the system to create a state tax credit memorandum to transfer money from the Lottery to the DOR tax systems that have the liabilities. AOPC intercepts are automatically sent back to AOPC to update its outstanding liabilities and intercept amounts are automatically routed to the PA Treasury Department, which sends checks to applicable Courts of Common Pleas. DOR automatically sends an itemized list of intercepts totaling up to the check Treasury sends to a specific Court of Common Pleas.

The OA IT team was involved in planning the project from ideation through early life support, and members of the team continue to support the solution's ongoing maintenance, though it has proven to be an extremely low-maintenance service. The team designed the solution to ensure it would be feasible to implement within a limited timeframe to meet the legislatively-mandated go-live date. The team also engaged PA Lottery and the Lottery's online games vendor numerous times to determine how the new system would function and what expectations existed across each stakeholder team. After designing the prototype system, the team presented it to each of the other stakeholder entities, then redesigned and refined parts of the solution based on the feedback they obtained. When the vendor was unable to meet the implementation date for the initial system design, the team assumed more responsibility for the system's functionality to ensure the final product would be released, in its entirety, according to the project's original timeline.

The entire process is automated except the state tax credit memorandum. By implementing this process, DOR has been able to collect outstanding monies owed to not only the Department but also to AOPC for outstanding court costs and judgements. This process has ensured unpaid taxes were collected and those entitled to restitution received what was owed to them before a prize was awarded.

SIGNIFICANCE

The PA Lottery intercept provides a valuable compliance service for DOR, all 67 county courts, and the AOPC. Ensuring prizewinners meet their financial obligations serves all Pennsylvania citizens by providing additional assurance that the Commonwealth is working to ensure the state tax burden is shared equitably.

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In addition to meeting a legislative mandate, the project aligns to seven of DOR's strategic business goals:

- Continuously Improve Business Processes and Technology
- Enhance Effectiveness of Tax Compliance
- Increase Organizational Capacity
- Provide Accurate and Timely Revenue Analysis
- Continually Improve Lottery Sales and Net Profits
- Continually Improve Customer Service
- Continually Improve Public Confidence

In full alignment with Governor Tom Wolf's goal for Government That Works, the OA IT team collaborated cross-functionally with DOR partners, including working closely with DOR's PRISM bureau for project management support.

The OA IT team coordinated all IT work requiring collaboration with the above-mentioned agencies and the vendor. Among these activities were the cooperative creation of a solution to automate the new process with Lottery, Treasury, AOPC, DHS, and the vendor. The team held numerous meetings to determine how to implement the clearance check and who would be responsible for each portion of the process. The vendor and team created the process that called the DOR web service. The team created the web service and the application to check for DOR and AOPC liabilities, created the file sent to Treasury for AOPC payments, and created the file sent to AOPC with the payments. The team consulted PA Lottery's program administration at every step to approve the system design. Treasury created a new pay group to test this new process with DOR. The team oversaw solution validation and assurance for the unit and end to end testing with all entities. The team also worked closely with every entity to guarantee the successful, on-time implementation. A complex array of cross-boundary collaboration activities wove through every aspect of this project, ensuring all stakeholders' needs were understood and met, and leading to the successful creation, refinement, and improvement of this new, highly-effective, and lasting business process.

IMPACT

The Lottery Intercept process ensures PA Lottery winners are paying state tax and PA court obligations before receiving their prizes. The new intercept system was implemented on October 31, 2018 and its first intercept occurred on one week later in the amount of \$33.05. As of May 11, 2020, the system had enabled DOR to intercept 427 Lottery awards to prizewinners with outstanding obligations, totaling \$888,106.19. The winners had 249 unpaid tax liabilities totaling \$323,442.01 and 182 outstanding court liabilities totaling \$553,724.98. The largest DOR liability intercepted so far was \$30,750.02 on January 15, 2019. The largest for AOPC was

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\$36,465.00 on July 18, 2019. Additionally, PA Lottery has reported multiple \$5,000 Lottery prizewinners who have had their entire awards intercepted for outstanding child support obligations, but still have residual liabilities with DOR and/or AOPC. An iterative enhancement applied to the system after the initial release processed a larger scope of files from AOPC so executives could make more informed decisions on whether to expand the selection criteria, thereby increasing collection of AOPC obligations and DOR fees.

By enhancing the collection of unpaid debts, the intercept is benefiting families who depend on financial support from custodial parents, increasing overall compliance with state tax collections, and ensuring crime victims receive court-ordered restitution, among other outcomes. By working collaboratively on the solution, the entities involved have demonstrated their commitment to effective stewardship of taxpayer dollars and use of data to improve the management and efficiency of multiple programs serving the public.