



Good morning Chair Doherty, members of the committee. I am Pam Leavitt representing the Northwest Credit Union Association. We are here today in support of the -1 Amendment to HB4079 which will direct the Lottery Commission to study the concept of a pilot program related to a savings game or prized linked savings concept. We want to thank Rep. Davis for his work on this issue and looking forward to continuing the discussions into 2015.

Credit unions in the United States have a long and rich history of setting up these prized linked savings programs and I want to provide you with background on the programs and what is going on in other states.

Prized Linked Savings

Prize-linked savings is a program that was piloted in 2009 in Michigan, based on research conducted by a Harvard Business School professor who found a distinct correlation between people who play the lottery and people who have no long-term savings.

In a nutshell, here's how it works: Consumers are offered a one-year certificate of deposit with a low balance threshold for entry (\$25). For each additional \$25 deposit the consumer adds to the account each month (up to 6), the depositor is entered into a drawing for modest monthly, and a large annual cash prize.

In Michigan the program results were extremely positive and the program showed a significant positive impact on specific types of credit union members. The result showed:

- 55% of Save to Win certificate holders report they had not saved money regularly before opening the Save to Win account.
- 64% reported they had never had a share certificate or certificate of deposit (CD) before.
- 39% reported financial assets (excluding home equity) of \$5,000 or less and could be safely categorized as "asset poor".
- 44% reported a household income less than \$40,000; and
- 16% reported a household income under \$20,000.

In short, the program was successful in reaching exactly the demographic it was created to reach—folks with little longer term savings.

Prize-linked savings programs are now legal in eight states which include Michigan, Rhode Island, Maine, Maryland, and most recently Washington State. Several other states are also reviewing this legislation. I have attached a recent article on the implementation of the program in Washington credit unions.

Examples From Around the Country

The following is information from other states related to prize-linked savings programs (referred to in some states as savings promotion raffles). Currently, the eight states highlighted below permit credit unions to conduct prize-linked savings programs.

In 2009, Doorway to Dreams collaborated with the **Michigan** Credit Union League and others to launch a successful prize-linked savings program. Despite Michigan's economy, 11,666 members at eight Michigan credit unions saved \$8.56 million in the first year of the program. Michigan credit unions were uniquely situated to participate in the program because of a provision in the Michigan Credit Union Act that allows savings raffles.

In 2010, **Rhode Island** amended its credit union and lottery laws to allow credit unions to offer savings promotion raffles. (S 2399) That same year, **Maine** amended its gambling and banking laws to allow credit unions to offer prize-linked savings. (SP 0645)

In 2011, prize-linked savings legislation was enacted in Washington State, Nebraska and North Carolina. **Washington** State enacted legislation that authorizes bona fide charitable or nonprofit organizations (including credit unions) to conduct raffles that exceed five thousand dollars if the organization obtains a license from the gambling commission. The legislation received bipartisan support and went into effect in August, 2011. (SB 5232) **Nebraska's** prized-linked savings bill was fast-tracked through the legislature and went into effect in September, 2011. Prior to Nebraska's prize-linked savings bill, credit unions were authorized to conduct a gift enterprise, *i.e.*, a business promotion contest or game of chance. The bill successfully proposed adding savings promotion raffles to the definition of a gift enterprise. (LB 524) **North Carolina's** prize-linked savings bill moved through the legislature without opposition! (SB 513)

Earlier this year, **Connecticut** became the eighth and most recent state to pass legislation allowing prized-linked savings. (H 5564) The bill passed unanimously in both the House and Senate.

Additionally, a federal prize-linked savings bill was introduced in Congress last month (H.R. 3374: American Savings Promotion Act). The bill was introduced to provide for the use of savings promotion raffle products by financial institutions to encourage savings, and for other purposes.

Thank you for the opportunity to share this background please let me know if you have any questions.