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Lawsuit by unpaid Illinois lottery winners pulls in other states

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CHICAGO, Nov 9 (Reuters) - Multi-state lottery groups pushed back on Monday against a move by lottery winners in Illinois to drag dozens of states into a lawsuit against the Illinois Lottery's suspension of payments.

Illinois has halted payments on winnings of \$600 or more due to the state's ongoing budget impasse.

A class action originally filed in September in U.S. District Court in Chicago seeking to force the Illinois Lottery to pay winners was amended last week to add as defendants lottery agencies in 43 states, Washington, D.C., the U.S. Virgin Islands and Puerto Rico that participate in the Mega Millions and Powerball multi-state lotteries.

Among the claims by unpaid Illinois winners in the amended complaint are that the state lotteries violated the Racketeer Influenced and Corrupt Organizations Act or RICO by "promising and advertising that a winning ticket would entitle the winner to payment of a prize - including winners from the state of Illinois."

"In spite of these promises and representations, the lottery departments and lottery directors knew that prize payments would not be disbursed to winners in the state of Illinois," the lawsuit stated.

An impasse between Illinois' Republican governor and Democrats who control the legislature has left the state without a budget for the fiscal year that began on July 1. As a result, the state's lottery initially stopped paying winners of \$25,000 or more while continuing to advertise games, sell tickets and hold lottery drawings.

In October, that threshold dropped to winnings of \$600 or more.

Paula Otto, executive director of the Virginia Lottery and lead director of the Mega Millions consortium, said the amended complaint's claims against the other state lotteries lack merit.

"Really, this is an issue just within the borders of Illinois," she said on Monday.

Jeff Anderson, executive director of the Idaho Lottery and board president of the Multi-State Lottery Association, which operates Powerball, said he expected the 40 lotteries in his group will try to dismiss the lawsuit.

"I don't personally see how it has any merit. It's an Illinois issue," Anderson said.

J. Samuel Tenenbaum, an associate professor at Northwestern University's law school, called the use of RICO in this case "pretty far-fetched," noting that the money will eventually be paid to Illinois lottery winners.

Steve Rossi, a spokesman for the Illinois Lottery, declined comment on the amended lawsuit, which seeks to halt Illinois ticket sales for games with potential winnings in excess of \$600, as well as preventing the lottery from paying its operating expenses until winners are paid.

Thomas Zimmerman, an attorney representing unpaid Illinois Lottery winners owed at least \$288.4 million, said he will seek a court order this week temporarily stopping the multi-state lottery providers from sending Illinois its share of winnings. Instead, that money would be deposited with the court clerk so it can earn interest and be paid out to winners, he added.

(Editing by Matthew Lewis)