



**House
Legislative
Analysis
Section**

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ALLOW VIDEO LOTTERY

House Bills 5199 and 5201
Committee: State Affairs

House Bill 5200
Committee: Liquor Control

Sponsor: Rep. Ralph Ostling

Complete to 2-11-92

A SUMMARY OF HOUSE BILLS 5199, 5200, AND 5201 AS INTRODUCED 10-1-91

The bills would legalize "video" lotteries (in which games such as bingo, keno, or poker are played on video terminals) and allow bars and race tracks to have video lotteries on their premises.

House Bill 5199 would amend the McCauley-Traxler-Law-Bowman-McNeely Lottery Act (Public Act 239 of 1972, MCL 432.9 et al.) to authorize the state lottery commissioner to promulgate rules regarding video lotteries. Under the act, the state lottery commissioner may promulgate any rules necessary to implement the act, including rules governing the type of lottery to be conducted, the price of tickets or shares in the lottery, the number and size of the prizes on the winning tickets, how the winning tickets are chosen, how the prizes are paid, the frequency of the drawings, the kinds of places where the tickets can be sold, licensing of and payment to agents, and the apportionment of the revenue from lottery sales (to the winners, for the costs of running the lottery, and for transfer to the general fund).

The bill would specify the percentage of video lottery revenues that would go to the state, the operator, and the bar or race track respectively. The state share in the first year would be 23 percent, the operator share would be 38.5 percent, and the video lottery establishment share would be 38.5 percent. During the second year, the state share would be 24 percent, the operator share 38 percent, and the establishment share 38 percent. In the third and subsequent years, the state share would be 25 percent and the operator and establishment shares would be 37.5 percent each.

The bill would require the state lottery commissioner to promulgate rules regarding video lottery which would do at least the following:

- * establish a system of licensing distributors, manufacturers, operators, and video lottery establishments that restricted video lottery to licensed race tracks and licensed bars and that limited licensure to only one of the four categories (namely, distribution, manufacturing, operating, or as a video lottery establishment);
- * establish a system of registration for video machines;
- * set license and registration fees;
- * set prize limits;
- * set standards of conduct for each category of license; and

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* set limits and standards for importing, exporting, and moving video lottery machines in the state.

Currently, the commissioner solicits bids from vendors of data processing equipment and services for running the state lottery, and, with the approval of the state administrative board, contracts for these goods and services. Under the bill, in the case of video lottery the commissioner would require that video lottery establishment licensees use machine and other necessary related systems and services from licensed distributors, manufacturers, and operators.

Under current law, the commissioner also must consider certain factors -- such as the financial responsibility and security of the applicant, how accessible the business is to the public, the number of existing licenses, and the volume of expected sales -- before issuing a license. Under the bill, before issuing a video lottery establishment license, the commissioner would have to review the applicant's license history (whether a race track license or a license for on-premises consumption of alcohol).

Unlike existing lottery licenses, video lottery establishment licenses could be transferred if the track license or on-premises license were transferable.

House Bill 5200 would amend the Michigan Liquor Control Act (MCL 436.7a et al.) to allow the Liquor Control commission to investigate violations of the bingo act by bars with video lotteries, and to suspend or revoke the liquor license of any licensee violating the bingo act or rules promulgated under it. The commission could not prohibit those holding liquor licenses from getting a video lottery establishment license, and money generated from running video lotteries in bars would be regulated and allocated as proposed in House Bill 5199.

House Bill 5201 would amend the Racing Law of 1980 (MCL 431.66 et al.) to allow the racing commissioner take action (assess fines and revoke racing licenses) against a video lottery establishment licensee for violations of the bingo act or rules promulgated under that act. Someone holding a race meeting license would be prohibited from knowingly allowing someone younger than eighteen to play a video lottery conducted or supervised by the licensee. The bill also would specify that money generated from video lotteries by those licensed under the Racing Law would be allocated as proposed by House Bill 5199.

Tie-bar. All three bills are tie-barred to each other.