

# HOUSE BILL No. 5199

October 1, 1991, Introduced by Reps. Ostling, Richard A. Young, Knight and Leland and referred to the Committee on State Affairs.

A bill to amend sections 9, 11, 17, 18, and 23 of Act No. 239 of the Public Acts of 1972, entitled as amended "McCauley-Traxler-Law-Bowman-McNeely lottery act," section 9 as amended by Act No. 62 of the Public Acts of 1987 and section 11 as amended by Act No. 55 of the Public Acts of 1987, being sections 432.9, 432.11, 432.17, 432.18, and 432.23 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Section 1. Sections 9, 11, 17, 18, and 23 of Act No. 239 of  
2 the Public Acts of 1972, section 9 as amended by Act No. 62 of  
3 the Public Acts of 1987 and section 11 as amended by Act No. 55  
4 of the Public Acts of 1987, being sections 432.9, 432.11, 432.17,  
5 432.18, and 432.23 of the Michigan Compiled Laws, are amended to  
6 read as follows:

1       Sec. 9. (1) The commissioner shall initiate, establish, and  
2 operate a state lottery at the earliest feasible and practicable  
3 time. The lottery shall produce the maximum amount of net reve-  
4 nues for the state consonant with the general welfare of the  
5 people. ~~The~~

6       (2) EXCEPT IN THE CASE OF VIDEO LOTTERY, THE commissioner  
7 shall solicit bids from financially responsible vendors of data  
8 processing equipment and services for the operation of the lot-  
9 tery and may contract with the approval of the state administra-  
10 tive board.

11       (3) UPON ESTABLISHING VIDEO LOTTERY, THE COMMISSIONER SHALL  
12 PROVIDE THAT THE PERSONS HOLDING LICENSES FOR VIDEO LOTTERY  
13 ESTABLISHMENTS SHALL USE MACHINES AND OTHER NECESSARY RELATED  
14 SYSTEMS AND SERVICE FROM DISTRIBUTORS, MANUFACTURERS, AND OPERA-  
15 TORS LICENSED BY THE COMMISSIONER.

16       Sec. 11. (1) The commissioner shall promulgate rules pursu-  
17 ant to the administrative procedures act of 1969, Act No. 306 of  
18 the Public Acts of 1969, as amended, being sections 24.201 to  
19 24.328 of the Michigan Compiled Laws, as necessary to implement  
20 this act.

21       (2) The rules may include ALL OF THE FOLLOWING:

22       (a) The type of lottery to be conducted, WHICH SHALL INCLUDE  
23 VIDEO LOTTERY IN COMPLIANCE WITH STANDARDS IMPOSED PURSUANT TO  
24 RULES PROMULGATED UNDER SUBSECTION (3).

25       (b) The price of tickets or shares in the lottery.

26       (c) The number and size of the prizes on the winning tickets  
27 or shares.

1 (d) The manner of selecting the winning tickets or shares.

2 (e) The manner of payment of prizes to the holders of win-  
3 ning tickets or shares, subject to section 32.

4 (f) The frequency of the drawings or selections of winning  
5 tickets or shares.

6 (g) Without limit as to number, the type or types of loca-  
7 tions at which tickets or shares may be sold.

8 (h) The method to be used in selling tickets or shares,  
9 except that no person's name shall be printed on such tickets or  
10 shares.

11 (i) The licensing of agents to sell tickets or shares ~~but~~  
12 EXCEPT THAT a person under the age of 18 shall not be licensed as  
13 an agent.

14 (j) The manner and amount of compensation to be paid  
15 licensed sales agents necessary to provide for the adequate  
16 availability of tickets or shares to prospective buyers and for  
17 the convenience of the public.

18 (k) The apportionment of the total annual revenues accruing  
19 from the sale of lottery tickets or shares, VIDEO LOTTERY, and  
20 from all other sources for the payment of prizes to the holders  
21 of winning tickets or shares, for the payment of costs incurred  
22 in the operation and administration of the lottery, including the  
23 expenses of the bureau and the costs resulting from any contract  
24 or contracts entered into for promotional, advertising, consult-  
25 ing or operational services or for the purchase or lease of lot-  
26 tery equipment and materials, for the repayment of the moneys

1 appropriated to the state lottery fund and for transfer to the  
2 general fund.

3 (L) NOTWITHSTANDING SUBDIVISIONS (J) AND (K), IN THE CASE OF  
4 VIDEO LOTTERY, THE AMOUNT OF NET MACHINE INCOME SHALL BE DISTRIB-  
5 UTED AS FOLLOWS:

6	STATE SHARE	OPERATOR SHARE	VIDEO LOTTERY ESTABLISHMENT SHARE
8	YEAR 1 23%	38.5%	38.5%
9	YEAR 2 24%	38.0%	38.0%
10	YEAR 3 AND		
11	EACH YEAR		
12	THEREAFTER 25%	37.5%	37.5%

13 (3) THE COMMISSIONER SHALL PROMULGATE RULES REGARDING VIDEO  
14 LOTTERY WHICH SHALL INCLUDE, BUT NOT BE LIMITED TO, THE  
15 FOLLOWING:

16 (A) A SYSTEM OF LICENSURE WHICH SHALL INCLUDE THE LICENSURE  
17 OF DISTRIBUTORS, MANUFACTURERS, OPERATORS, AND VIDEO LOTTERY  
18 ESTABLISHMENTS AND WHICH PROHIBITS THE LICENSURE OF AN ENTITY IN  
19 MORE THAN 1 CAPACITY. THE SYSTEM OF LICENSURE SHALL PROVIDE THAT  
20 VIDEO LOTTERY SHALL BE CONDUCTED ONLY IN VIDEO LOTTERY  
21 ESTABLISHMENTS. PREMISES LICENSED AS VIDEO LOTTERY ESTABLISH-  
22 MENTS SHALL HOLD A TRACK LICENSE ISSUED UNDER THE RACING LAW OF  
23 1980, ACT NO. 327 OF THE PUBLIC ACTS OF 1980, BEING SECTIONS  
24 431.61 TO 431.88 OF THE MICHIGAN COMPILED LAWS, OR HOLD A LICENSE  
25 FOR CONSUMPTION OF ALCOHOLIC LIQUOR ON THE LICENSED PREMISES  
26 ISSUED UNDER THE MICHIGAN LIQUOR CONTROL ACT, ACT NO. 8 OF THE

1 PUBLIC ACTS OF THE EXTRA SESSION OF 1933, BEING SECTIONS 436.1 TO  
2 436.58 OF THE MICHIGAN COMPILED LAWS.

3 (B) A SYSTEM OF REGISTRATION FOR VIDEO LOTTERY MACHINES.

4 (C) THE ESTABLISHING OF STANDARDS OF CONDUCT FOR PERSONS OR  
5 ENTITIES LICENSED IN EACH CAPACITY.

6 (D) THE ESTABLISHING OF PRIZE LIMITS.

7 (E) LIMITS AND STANDARDS FOR THE IMPORT, EXPORT, AND TRANS-  
8 PORTATION OF VIDEO LOTTERY MACHINES IN THIS STATE.

9 (F) LICENSE AND REGISTRATION FEES.

10 (4) AS USED IN THIS SECTION:

11 (A) "DISTRIBUTOR" MEANS AN INDIVIDUAL, PARTNERSHIP, CORPORA-  
12 TION, OR ASSOCIATION THAT DISTRIBUTES OR SELLS VIDEO LOTTERY  
13 MACHINES OR ASSOCIATED EQUIPMENT IN THIS STATE.

14 (B) "MANUFACTURER" MEANS AN INDIVIDUAL, PARTNERSHIP, CORPO-  
15 RATION, OR ASSOCIATION THAT ASSEMBLES OR PRODUCES VIDEO LOTTERY  
16 MACHINES OR ASSOCIATED EQUIPMENT FOR SALE OR USE IN THIS STATE.

17 (C) "NET MACHINE INCOME" MEANS MONEY PUT INTO A VIDEO LOT-  
18 TERY MACHINE MINUS CREDITS PAID OUT IN CASH.

19 (D) "OPERATOR" MEANS AN INDIVIDUAL, PARTNERSHIP, CORPORA-  
20 TION, OR ASSOCIATION THAT PLACES VIDEO LOTTERY MACHINES OR ASSO-  
21 CIATED EQUIPMENT IN A VIDEO LOTTERY ESTABLISHMENT FOR PUBLIC USE  
22 IN THIS STATE.

23 Sec. 17. The commissioner shall DO THE FOLLOWING:

24 (a) Supervise and administer the operation of the lottery in  
25 accordance with this act and the rules.

26 (b) License as agents to sell lottery tickets such persons  
27 whom he OR SHE deems will best serve the public convenience and

1 promote the sale of tickets or shares EXCEPT THAT IN THE CASE OF  
2 VIDEO LOTTERY, LICENSED PERSONS OR ENTITIES SHALL COMPLY WITH  
3 RULES PROMULGATED BY THE COMMISSIONER TO PROTECT THE INTEGRITY OF  
4 THE VIDEO LOTTERY SYSTEM AS FURTHER DESCRIBED IN SECTION 11.

5       Sec. 18. (1) The commissioner may, subject to the applica-  
6 ble laws relating to public contracts AND SECTION 9(3), enter  
7 into contracts for the operation of the lottery, or any part  
8 thereof, and into contracts for the promotion of the lottery.

9 ~~A~~

10       (2) SUBJECT TO SECTION 23(4), A contract awarded or entered  
11 into by the commissioner shall not be assigned by ~~the~~ ITS  
12 holder ~~thereof~~ except by specific approval of the  
13 commissioner.

14       Sec. 23. (1) A license as an agent to sell lottery tickets  
15 or shares OR A LICENSE FOR A VIDEO LOTTERY ESTABLISHMENT shall  
16 not be issued to any person to engage in business exclusively as  
17 a lottery sales agent. Before issuing a license the commissioner  
18 shall consider factors such as the financial responsibility and  
19 security of the ~~person~~ APPLICANT and his OR HER business or  
20 activity, the accessibility of his OR HER place of business or  
21 activity to the public, the sufficiency of existing licenses to  
22 serve the public convenience, and the volume of expected sales.  
23 IN THE CASE OF A VIDEO LOTTERY ESTABLISHMENT LICENSE, THE COMMIS-  
24 SIONER SHALL REVIEW THE APPLICANT'S LICENSE HISTORY WITH THE  
25 APPROPRIATE ISSUER OF THE TRACK LICENSE OR THE LICENSE FOR  
26 ON-PREMISES CONSUMPTION OF ALCOHOLIC LIQUOR.

1       (2) As used in this section, "person" means an individual,  
2 association, corporation, club, trust, estate, society, company,  
3 joint stock company, receiver, trustee, referee, any other person  
4 acting in a fiduciary or representative capacity who is appointed  
5 by a court, or any combination of individuals. Person includes  
6 any department, commission, agency or instrumentality of the  
7 state, including any county, city, village or township and any  
8 agency or instrumentality thereof.

9       (3) Notwithstanding any other provision of law, a person  
10 licensed pursuant to this act may act as a lottery sales agent.  
11 A person lawfully engaged in nongovernmental business on state  
12 property may be licensed as a lottery sales agent.

13       (4) A license is not assignable or transferable EXCEPT IN  
14 THE CASE OF A VIDEO LOTTERY ESTABLISHMENT LICENSE, BUT ONLY INSO-  
15 FAR AS THE TRACK LICENSE OR ON-PREMISES CONSUMPTION LICENSE IS  
16 TRANSFERABLE.

17       (5) A licensed agent or his employee may sell lottery tick-  
18 ets or shares only on the premises stated in the license of the  
19 agent.

20       ~~(6) The commissioner may issue temporary licenses upon con-~~  
21 ~~ditions as he deems necessary for a term which shall not extend~~  
22 ~~beyond 1 year after the effective date of this act.~~

23       (6) ~~(7)~~ The commissioner may require a bond from any  
24 licensed agent in an amount as provided in the rules.

25       (7) ~~(8)~~ A licensed agent shall display his license or a  
26 copy thereof conspicuously in accordance with the rules.

1       (8) ~~-(9)-~~ The commissioner may suspend or revoke the license  
2 of any agent who violates this act or a rule promulgated pursuant  
3 to this act.

4       Section 2. This amendatory act shall not take effect unless  
5 all of the following bills of the 86th Legislature are enacted  
6 into law:

7       (a) Senate Bill No. \_\_\_\_\_ or House Bill No. 5200 (request  
8 no. 01164'91 a).

9       (b) Senate Bill No. \_\_\_\_\_ or House Bill No. 5201 (request  
10 no. 01164'91 b).