



**House
Legislative
Analysis
Section**

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LOCATING LOTTO TERMINALS

**House Bill 4478 as enrolled
Public Act 167 of 1996
Second Analysis (4-18-96)**

**Sponsor: Rep. David Jaye
House Committee: Regulatory Affairs
Senate Committee: Local, Urban, and State
Affairs**

THE APPARENT PROBLEM:

At present, the Bureau of State Lottery has 1,900 retailers on a waiting list to receive lotto ticket terminals. Twice per year, the bureau conducts a business analysis, or market evaluation, in which its licensed lottery agents' sales for certain "instant" games are used to determine how many terminals will be allocated to each market area. The top selling agents in each area are allocated terminals. However, this procedure has grown increasingly more complicated during the last two decades, since the number of these games has increased four-fold, and not all agents sell the same games. It has been suggested that a different set of criteria be used on which to base the bureau's allocation decisions. The proposed criteria would require that the bureau take into account each agent's total instant game sales for the three months preceding a market evaluation, together with the need to maximize net lottery revenues from the total number of terminals placed. In addition, although agents licensed to sell lottery tickets are required to sell those tickets only on the premises listed on the license, the act does not currently indicate what the commissioner can do to punish agents who violate those requirements.

Although many other states have initiated programs for the prevention and treatment of gambling addictions, Michigan has not participated in studying the effects of compulsive gambling nor has it acted to help to prevent or treat those persons who are addicted to gambling.

THE CONTENT OF THE BILL:

The McCauley-Traxler-Law-Bowman-McNeely Lottery Act requires that the lottery commissioner promulgate rules on, among other things, the type of lottery that may be conducted, and the type or types of locations at which tickets or shares may be sold. House Bill 4478 would amend the act to require that the commissioner, when determining the location of lottery terminals, take into account with equal emphasis the total instant game

sales for the three months preceding a market evaluation, and the need to maximize net lottery revenues from the total number of terminals placed. As of July 1, 1996, the bill would allow for the commissioner to sanction licensed agents for selling lottery tickets on premises other than those specifically indicated on the agent's license. The commissioner would have the discretion to impose any of the following forms of punishment: placing the agent on probation for up to two years, fining the agent up to \$1,000, or removing the agent's lottery terminal.

The bill would also require the commissioner to conduct a study of compulsive gambling behavior and the extent to which such behavior influences participation in gambling activities. A written summary of the findings would have to be provided to the Clerk of the House of Representatives and the Secretary of the Senate no later than one year after effective date of the bill.* The commissioner would also be required to establish a program of treatment for compulsive gambling and a telephone number for access to this treatment program would be required to be printed on all lottery tickets. The cost of the study, the treatment program, and the advertising for the treatment program would have to be paid for from the funds set aside from the advertising budget for the state lottery. The amount of money set aside would be no more than one million dollars and no less than 10 percent of the yearly state lottery advertising budget.

In addition, the bill would also amend the section of the act that provides the commissioner the authority to promulgate rules. The bill would add language to repeal that section of the act if the Michigan Supreme Court concludes that sections 45 and 46 of the Administrative Procedures Act are unconstitutional and a statute requiring legislative review of administrative rules is not enacted within 90 days after the court's decision. However, the language would specifically

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state that the amendment would not invalidate any rules that had been promulgated before the effective date the bill.*

Finally, the bill would also make technical amendments to several sections in the act. As part of this the bill would incorporate language contained in enrolled House Bill 4484 (Public Act 95 of 1996) regarding the commission's participation in "joint enterprises;" that is, multi-state lottery games. By doing this, the multi-state lottery language would be given immediate effect as part of House Bill 4478.

(* Note: the bill was signed and took effect on April 18, 1996.)

MCL 432.3 et al.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would have minimal fiscal impact. (4-19-96)

According to the Bureau of State Lottery, the multi-state lottery provisions of the bill could increase lottery revenue by over \$50 million. (3-28-96)

ARGUMENTS:

For:

The present system used by the lottery bureau to determine how many lottery terminals it must allocate to each area of the state has frustrated the bureau's licensed lottery agents and the bureau itself. Agents are frustrated because it is often difficult for them to determine how to become eligible for a terminal; the bureau, since it must constantly explain its procedures in this complicated system. The provisions of the bill would allow applicants to understand how they could become eligible for a terminal, and would provide a fair and equitable means by which the allocation of terminals would be based: those who sold the most would be rewarded with a terminal.

The bill would also provide a means for compulsive gamblers to seek treatment. By providing up to \$1 million to study and treat compulsive gambling the state will be making an effort to help those individuals and families affected by gambling addiction.

In addition, allowing the lottery commissioner to punish agents for violating the provisions of their licenses will help the commissioner to have better control over how and where lottery tickets are sold.

Against:

The placement of a phone number on the back of lottery tickets is unlikely to have any impact on compulsive gambling. First of all, the purchase of lottery tickets is not necessarily a hotbed of addictive gambling; placement of these numbers at horse racing venues and in casinos would have a far better chance of being seen by those who really need such treatment. Furthermore, compulsive gamblers, as with most addictive personalities, are not likely to respond to the mere fact that a phone number offering treatment has been printed on his or her ticket stub. As with most addictions, those addicted to gambling rarely are sufficiently cognizant of the fact that they have a problem to seek help on their own.

Rather than spending the money set aside for study and treatment of compulsive gambling by starting a wholly new treatment program run by the state, it would be a far wiser to turn the money over to any of the groups already in existence which have established treatment programs for addictive disorders like compulsive gambling. Why set up a new treatment program run by the lottery commissioner when there are already groups that have been involved in treating this problem with many years more experience?

Furthermore, isn't putting the lottery commissioner in charge of a treatment program for compulsive gamblers a little bit like the old saw about having the fox guard the henhouse? Regardless of the commissioner's integrity, the public might seize on the fact that preventing people from gambling is not really in the commissioner's best interests and as a result they might not take the offer of treatment seriously. On the other hand, if the money is provided to an established group or agency commonly associated with the treatment of compulsive gambling and or other addictive disorders, the public would be more likely to accept the offer of treatment.

Response:

How the commissioner decides to complete the study and offer treatment is not specifically set forth in the bill. The language of the bill does not specifically require the commissioner to create an entirely new entity for the provision of treatment; indeed it is anticipated that the treatment could be provided by groups that are already involved in the provision of such treatment. An individual who called the treatment phone number would most likely be directed to a group specializing in treatment of people with compulsive gambling disorder.

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.