



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 474 (as enrolled)
 Sponsor: Senator Glenn D. Steil
 Committee: Government Operations

Date Completed: 10-23-95

RATIONALE

Public Act 153 of 1937 provides that all printing for which the State is chargeable, or that is paid for with funds appropriated wholly or in part by the State, must be done within Michigan. The Act contains exceptions from this requirement for printing for school districts, counties, townships, cities, villages, or legal publications ordered for or by elected State officers. It has been pointed out that the printing requirement has had a negative effect on the printing needs of the Bureau of State Lottery.

According to the Bureau, the production of instant lottery tickets is a highly specialized field; there are only five companies in the country that produce instant tickets. Since one of those companies has a printing plant in Michigan (Webcraft Games, Inc., in Ypsilanti Township), and since the State must abide by the printing requirement under Public Act 153, this means that the Bureau is unable to ask for competitive bids when contracting for instant lottery tickets and must deal only with Webcraft. The Bureau has claimed that, absent bids from more than one vendor, it has been forced to pay a higher price for its instant tickets than is available for the lottery operations of other states. It has been suggested that the Michigan lottery could experience significantly reduced printing costs if it were given an exception from the requirement that all of its printing be done in the State, and thus allowed to seek competitive binds from elsewhere.

CONTENT

The bill would amend Public Act 153 of 1937 to exempt the Bureau of State Lottery from the Act's requirement that all State agencies use an in-State printer for printed material.

Proposed MCL 24.61a

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The requirement that State agencies use only in-State printers for printed material has hindered the revenue-generating capacity of the Bureau of State Lottery. According to the Bureau, Michigan pays \$19.01 per 1,000 tickets, while the price in other states ranges from \$8.05 to \$13.45 per 1,000 tickets. (Ohio pays \$8.40 per 1,000 tickets.) The Bureau claims that the high price it pays for tickets is directly attributable to the fact that there is only one company located in the State that produces instant tickets, and therefore the company holds a monopoly on the instant ticket contract. The Bureau has stated that the higher prices it paid in fiscal year 1993-94 cost the lottery \$3 million more than it would have had to pay if allowed to accept other bids. The bill would exempt the Bureau from the printing requirement, thus inserting more competition into the process and allowing the Bureau to save money that would be transferred to the State School Aid Fund.

Legislative Analyst: G. Towne

FISCAL IMPACT

According to the Bureau of State Lottery, lower prices from other vendors that would be available as a result of the exemption, would save the State between \$5,000,000 and \$7,500,000 in printing costs.

Fiscal Analyst: M. Bain

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.