



HOUSE BILL No. 4838

May 16, 1995, Introduced by Reps. Hammerstrom, Galloway, Wetters, Jamian, Bullard, Bodem, Profit, Leland, DeHart, DeMars, Dobb, Harder and Mathieu and referred to the Committee on House Oversight and Ethics.

A bill to amend sections 9, 11, 17, 18, 23, and 41 of Act No. 239 of the Public Acts of 1972, entitled as amended "McCauley-Traxler-Law-Bowman-McNeely lottery act," sections 9 and 11 as amended by Act No. 165 of the Public Acts of 1991 and section 41 as amended by Act No. 123 of the Public Acts of 1994, being sections 432.9, 432.11, 432.17, 432.18, 432.23, and 432.41 of the Michigan Compiled Laws; and to add section 17a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 9, 11, 17, 18, 23, and 41 of Act
2 No. 239 of the Public Acts of 1972, sections 9 and 11 as amended
3 by Act No. 165 of the Public Acts of 1991 and section 41 as
4 amended by Act No. 123 of the Public Acts of 1994, being sections
5 432.9, 432.11, 432.17, 432.18, 432.23, and 432.41 of the Michigan

1 Compiled Laws, are amended and section 17a is added to read as
2 follows:

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

8 (2) EXCEPT IN THE CASE OF VIDEO LOTTERY MACHINES, THE com-
9 missioner shall solicit bids from financially responsible vendors
10 of data processing equipment and services for the operation of
11 the lottery and may contract with the approval of the state
12 administrative board.

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

18 (4) ~~(2)~~ The commissioner shall not conduct a lottery based
19 upon an activity ~~which~~ THAT utilizes the mechanical, physical,
20 or mental skills of the participant and ~~which~~ THAT is tradi-
21 tionally regarded as a sporting event.

22 Sec. 11. (1) The commissioner shall promulgate rules pursu-
23 ant to the administrative procedures act of 1969, Act No. 306 of
24 the Public Acts of 1969, as amended, being sections 24.201 to
25 24.328 of the Michigan Compiled Laws, as necessary, to implement
26 this act.

1 (2) The rules authorized under this section may include any
2 of the following:

3 (a) The type of lottery to be conducted, ~~subject to section~~
4 ~~9(2)~~ WHICH SHALL INCLUDE VIDEO LOTTERY IN COMPLIANCE WITH STAN-
5 DARDS IMPOSED PURSUANT TO RULES PROMULGATED UNDER SUBSECTION
6 (3).

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

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

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

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

13 (f) The frequency of the drawings or selections of winning
14 tickets or shares.

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

17 (h) The method to be used in selling tickets or shares,
18 except that ~~no~~ A person's name shall NOT be printed on ~~such~~
19 tickets or shares.

20 (i) The licensing of agents to sell tickets or shares, ~~but~~
21 EXCEPT THAT a person ~~under the age of~~ LESS THAN 18 YEARS OF AGE
22 shall not be licensed as an agent.

23 (j) The manner and amount of compensation to be paid
24 licensed sales agents necessary to provide for the adequate
25 availability of tickets or shares to prospective buyers and for
26 the convenience of the public.

(k) The apportionment of the total annual revenues accruing from the sale of lottery tickets or shares, VIDEO LOTTERY, and from all other sources for the payment of prizes to the holders of winning tickets or shares; ~~—~~ for the payment of costs incurred in the operation and administration of the lottery, including the expenses of the bureau and the costs resulting from any contract ~~or contracts~~ entered into for promotional, advertising, consulting, or operational services or for the purchase or lease of lottery equipment and materials; ~~—~~ for the repayment of the money appropriated to the state lottery fund; and for transfer to the general fund.

(l) NOTWITHSTANDING SUBDIVISIONS (J) AND (K), IN THE CASE OF VIDEO LOTTERY, THE AMOUNT OF NET MACHINE INCOME SHALL BE DISTRIBUTED AS FOLLOWS:

	STATE SHARE	OPERATOR SHARE	VIDEO LOTTERY ESTABLISHMENT SHARE
YEAR 1	23%	38.5%	38.5%
YEAR 2	24%	38.0%	38.0%
YEAR 3 AND EACH YEAR THEREAFTER	25%	37.5%	37.5%

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

(A) A SYSTEM OF LICENSURE THAT INCLUDES THE LICENSURE OF MANUFACTURERS, DISTRIBUTORS, OPERATORS, AND VIDEO LOTTERY ESTABLISHMENTS AND THAT PROHIBITS THE LICENSURE OF AN ENTITY IN

1 MORE THAN 1 CAPACITY. THE SYSTEM OF LICENSURE SHALL PROVIDE THAT
2 VIDEO LOTTERY SHALL BE CONDUCTED ONLY IN VIDEO LOTTERY
3 ESTABLISHMENTS. PREMISES LICENSED AS VIDEO LOTTERY ESTABLISH-
4 MENTS SHALL HOLD A LICENSE FOR CONSUMPTION OF ALCOHOLIC LIQUOR ON
5 THE LICENSED PREMISES ISSUED UNDER THE MICHIGAN LIQUOR CONTROL
6 ACT, ACT NO. 8 OF THE PUBLIC ACTS OF THE EXTRA SESSION OF 1933,
7 BEING SECTIONS 436.1 TO 436.58 OF THE MICHIGAN COMPILED LAWS.

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

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

11 (D) THE ESTABLISHING OF PRIZE LIMITS.

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

14 (F) LIMITS ON THE NUMBER OF VIDEO LOTTERY MACHINES PER VIDEO
15 LOTTERY ESTABLISHMENT. IN THE CASE OF ESTABLISHMENTS LICENSED
16 ONLY UNDER ACT NO. 8 OF THE PUBLIC ACTS OF THE EXTRA SESSION OF
17 1933, THE NUMBER OF VIDEO LOTTERY MACHINES SHALL NOT EXCEED 5 AT
18 EACH LICENSED ESTABLISHMENT LOCATION. WITHIN 36 MONTHS OF THE
19 EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SUBDIVISION,
20 THE COMMISSIONER SHALL REVIEW THE IMPACT OF THE LIMITS BASED ON
21 UTILIZATION, REVENUE, AND COST EFFICIENCY AND RECOMMEND TO THE
22 LEGISLATURE WHETHER THOSE LIMITS SHOULD BE MAINTAINED.

23 (4) AS USED IN THIS SECTION:

24 (A) "DISTRIBUTOR" MEANS AN INDIVIDUAL, PARTNERSHIP, CORPORA-
25 TION, ASSOCIATION, OR OTHER LEGAL ENTITY THAT DISTRIBUTES OR
26 SELLS VIDEO LOTTERY MACHINES OR ASSOCIATED EQUIPMENT IN THIS
27 STATE.

1 (B) "MANUFACTURER" MEANS AN INDIVIDUAL, PARTNERSHIP,
2 CORPORATION, ASSOCIATION, OR OTHER LEGAL ENTITY THAT ASSEMBLES OR
3 PRODUCES VIDEO LOTTERY MACHINES OR ASSOCIATED EQUIPMENT FOR SALE
4 OR USE IN THIS STATE.

5 (C) "NET MACHINE INCOME" MEANS THE AMOUNT OF MONEY OBTAINED
6 AFTER SUBTRACTING CREDITS PAID OUT IN CASH FROM THE AMOUNT OF
7 MONEY INSERTED INTO A VIDEO LOTTERY MACHINE.

8 (D) "OPERATOR" MEANS AN INDIVIDUAL, PARTNERSHIP, CORPORA-
9 TION, ASSOCIATION, OR OTHER LEGAL ENTITY THAT PLACES VIDEO LOT-
10 TERY MACHINES OR ASSOCIATED EQUIPMENT IN A VIDEO LOTTERY ESTAB-
11 LISHMENT FOR PUBLIC USE IN THIS STATE.

12 (E) "VIDEO LOTTERY ESTABLISHMENT" MEANS A BUILDING OR SITE
13 WHERE 1 OR MORE VIDEO LOTTERY MACHINES OR ASSOCIATED EQUIPMENT IS
14 PLACED FOR USE IN THIS STATE AND THAT MEETS THE LICENSURE
15 REQUIREMENTS DESCRIBED IN SECTION 11(3)(A).

16 (F) "VIDEO LOTTERY MACHINE" MEANS A COMPUTERIZED VIDEO GAME
17 ACCESSIBLE TO THE PLAYER BY MEANS OF A VIDEO LOTTERY TERMINAL
18 THAT AWARDS CREDIT WHICH CAN BE USED FOR AN EXTENSION OF PLAY OR
19 FOR A VOUCHER REDEEMABLE FROM THE VIDEO LOTTERY ESTABLISHMENT.

20 Sec. 17. The commissioner shall DO ALL OF THE FOLLOWING:

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

23 (b) License as agents to sell lottery tickets ~~such~~ persons
24 whom he ~~deems~~ OR SHE CONSIDERS will best serve the public con-
25 venience and promote the sale of tickets or shares, HOWEVER, IN
26 THE CASE OF VIDEO LOTTERY, LICENSED PERSONS OR ENTITIES SHALL
27 COMPLY WITH RULES PROMULGATED BY THE COMMISSIONER TO PROTECT THE

1 INTEGRITY OF THE VIDEO LOTTERY SYSTEM AS FURTHER DESCRIBED IN
2 SECTION 11.

3 SEC. 17A. THE COMMISSIONER SHALL LICENSE, REGISTER, AND
4 ESTABLISH A FEE FOR EACH VIDEO LOTTERY MACHINE MANUFACTURER, DIS-
5 TRIBUTOR, OPERATOR, AND LICENSED ESTABLISHMENT BEFORE ANY VIDEO
6 LOTTERY MACHINE OR ASSOCIATED EQUIPMENT IS MANUFACTURED, DISTRIB-
7 UTED, SOLD, OR PLACED FOR PUBLIC USE IN THIS STATE BY THAT MANU-
8 FACTURER, DISTRIBUTOR, OPERATOR, OR ESTABLISHMENT. THE ANNUAL
9 FEE FOR EACH LICENSE SHALL NOT EXCEED THE FOLLOWING:

10 (A) \$5,000.00 FOR A VIDEO LOTTERY MACHINE MANUFACTURER.

11 (B) \$5,000.00 FOR A VIDEO LOTTERY MACHINE DISTRIBUTOR.

12 (C) \$2,500.00 FOR A VIDEO LOTTERY MACHINE OPERATOR AND
13 \$50.00 PER REGISTERED MACHINE.

14 (D) \$100.00 FOR A VIDEO LOTTERY ESTABLISHMENT.

15 Sec. 18. (1) The commissioner, ~~may~~ subject to the appli-
16 cable laws relating to public contracts AND SECTION 9(3), MAY
17 enter into contracts for the operation of the lottery ~~—~~ or any
18 part ~~thereof~~, OF THE LOTTERY and into contracts for the promo-
19 tion of the lottery. ~~A~~

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

24 (3) ANY CONTRACT OR PORTION OF A CONTRACT FOR VIDEO LOTTERY
25 EQUIPMENT OR RELATED SERVICES ENTERED INTO BEFORE THE EFFECTIVE
26 DATE OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION BY A
27 MANUFACTURER, DISTRIBUTOR, OPERATOR, OR ESTABLISHMENT, AS DEFINED

1 IN SECTION 11, THAT DOES NOT CONFORM WITH THE PROVISIONS OF THIS
2 ACT IS VOID.

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

16 (2) As used in this section, "person" means an individual,
17 association, corporation, club, trust, estate, society, company,
18 joint stock company, receiver, trustee, referee, any other person
19 acting in a fiduciary or representative capacity who is appointed
20 by a court, or any combination of individuals. Person includes
21 any department, commission, agency, or instrumentality of the
22 state, including any county, city, village, or township and any
23 agency or instrumentality thereof.

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

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

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

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

11 (6) ~~(7)~~ The commissioner may require a bond from any
12 licensed agent in an amount as provided in the rules.

13 (7) ~~(8)~~ A licensed agent shall display his OR HER license
14 or a copy ~~thereof~~ OF THE LICENSE conspicuously in accordance
15 with the rules.

16 (8) ~~(9)~~ The commissioner may suspend or revoke the license
17 of any agent who violates this act or a rule promulgated
18 ~~pursuant to~~ UNDER this act.

19 Sec. 41. (1) A special fund to be known as the "state lot-
20 tery fund" is created in the department of treasury. Except as
21 provided in subsection (3), the state lottery fund consists of
22 all revenues received from the sale of lottery tickets or shares,
23 VIDEO LOTTERY, and all other money credited or transferred to the
24 fund from any other fund or sources pursuant to law including
25 interest earnings on common cash attributable to the state lot-
26 tery fund. Earnings resulting from installment payment of any
27 lottery prizes shall be used for payment of prizes to lottery

1 winners and the prize structure formulated pursuant to sections
2 11 and 12 shall be established accordingly.

3 (2) The investment authority of the state treasurer with
4 regard to the state lottery fund shall be the same as his or her
5 investment authority with regard to retirement system funds. To
6 assure a continuing availability of money with which to pay lot-
7 tery prize installments and to compensate for variations in the
8 yield on investments, the commissioner and the state treasurer
9 shall, every 6 months, review the status of the installment prize
10 investments and shall agree on an amount to be restricted out of
11 the total revenues of the state lottery fund as a reserve against
12 a drop in yield. If the commissioner and the state treasurer
13 fail to agree on the amount to be reserved, the matter shall be
14 referred to the state administrative board for decision.

15 (3) After the payment of prizes to the holders of winning
16 lottery tickets or shares, VIDEO LOTTERY, or the payment pursuant
17 to section 32 of the liabilities to this state of holders of win-
18 ning lottery tickets or shares, and the payment of the reasonable
19 expenses of the bureau in its operation of the lottery, the net
20 revenue in the state lottery fund and any money or interest gen-
21 erated by the state lottery fund and share of common cash shall
22 be deposited in the state school aid fund and shall be distrib-
23 uted as provided by law.

24 Section 2. This amendatory act shall not take effect unless
25 Senate Bill No. _____ or House Bill No. 4839 (request
26 no. 00649'95 a *) of the 88th Legislature is enacted into law.