



SENATE BILL No. 654

September 14, 1995, Introduced by Senators YOUNG, VAUGHN, V. SMITH, O'BRIEN and STALLINGS and referred to the Committee on Local, Urban and State Affairs.

A bill to provide for the establishment and operation of a lottery in certain cities; to provide for referenda; to provide for the creation of lottery bureaus; to prescribe the powers and duties of lottery bureaus; to prescribe certain powers and duties of other state departments and agencies; to license and regulate sales agents; to create certain lottery funds; to provide for the distribution of lottery revenues and earnings; and to provide for penalties and remedies.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "city lottery act".

3 Sec. 3. As used in this act:

4 (a) "Bureau" means a city lottery bureau created by this
5 act.

1 (b) "Commissioner" means a city lottery commissioner
2 appointed pursuant to this act.

3 (c) "City" means a city with a population of not less than
4 900,000.

5 (d) "Lottery" means a city lottery created and operated pur-
6 suant to this act.

7 (e) "Person" means an individual, association, partnership,
8 corporation, limited liability company, governmental entity, or
9 other legal entity.

10 Sec. 5. (1) Upon petition by not less than 5% of the regis-
11 tered electors of a city requesting a referendum on the question
12 of establishing a lottery, the clerk of the city, upon verifying
13 the required number of signatures on the petitions, shall submit
14 the question of whether the city should establish a lottery to
15 the vote of the electors of the city at the next general election
16 or special election called for that purpose and conducted in
17 accordance with the Michigan election law, Act No. 116 of the
18 Public Acts of 1954, being sections 168.1 to 168.992 of the
19 Michigan Compiled Laws.

20 (2) The clerk of the city shall prepare the question for the
21 ballot to be used at the election, subject to the election laws
22 of the state, substantially as follows:

23 "Should the city of _____ establish a city lottery?

24 Yes ()

25 No ()".

1 (3) If a majority of the electors voting on the question
2 approve, the city shall proceed to establish a lottery in the
3 manner provided in this act.

4 Sec. 7. (1) The city shall create a lottery bureau which
5 shall manage and provide for the conduct of the lottery.

6 (2) The mayor of the city shall appoint a commissioner, who
7 shall manage the bureau. The commissioner shall serve at the
8 pleasure of the mayor. It is the intent of the legislature that
9 a commissioner should be responsible directly to the city to
10 ensure the accountability and integrity of the bureau.

11 (3) A commissioner shall be qualified by training and
12 experience to direct the work of the bureau.

13 (4) A vacancy occurring in the office of a commissioner
14 shall be filled in the same manner as the original appointment.

15 (5) A commissioner shall devote his or her entire time and
16 attention to the duties of his or her office and shall not be
17 engaged in any other profession or occupation. A commissioner
18 shall receive a salary as provided by annual appropriation of the
19 city.

20 Sec. 9. (1) A commissioner shall initiate, establish, and
21 operate a lottery at the earliest feasible and practicable time
22 after being appointed.

23 (2) The lottery shall produce the maximum amount of net rev-
24 enues for the city consonant with the general welfare of the
25 people of the city.

1 (3) A commissioner shall solicit bids from financially
2 responsible vendors of data processing equipment and services for
3 the operation of the lottery.

4 Sec. 11. (1) The city council shall enact ordinances as
5 necessary to implement this act.

6 (2) The ordinances shall include, but not be limited to, the
7 following:

8 (a) The type of lottery to be conducted.

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

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

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

13 (e) The manner of payment of prizes to the holders of win-
14 ning tickets or shares, subject to section 35.

15 (f) The frequency of the drawings or selections of winning
16 tickets or shares.

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

19 (h) The method to be used in selling tickets or shares,
20 except that a person's name shall not be printed on such tickets
21 or shares.

22 (i) The licensing of agents to sell tickets or shares,
23 except that a person under the age of 18 shall not be licensed as
24 an agent.

25 (j) The manner and amount of compensation to be paid
26 licensed sales agents necessary to provide for the adequate

1 availability of tickets or shares to prospective buyers and for
2 the convenience of the public.

3 (k) The apportionment of the total annual revenues accruing
4 from the sale of lottery tickets or shares and from all other
5 sources for the payment of prizes to the holders of winning tick-
6 ets or shares, for the payment of costs incurred in the operation
7 and administration of the lottery, including the expenses of the
8 bureau and the costs resulting from any contract or contracts
9 entered into for promotional, advertising, consulting, or oper-
10 ational services, or for the purchase or lease of lottery equip-
11 ment and materials.

12 Sec. 13. As nearly as is practicable, 45% of the total
13 annual revenue accruing from the sale of lottery tickets or
14 shares shall be apportioned for payment of prizes to the holders
15 of winning tickets or shares.

16 Sec. 15. (1) A commissioner shall make a monthly report to
17 the city that includes the total lottery revenues, prize dis-
18 bursements, and other expenses for the preceding month.

19 (2) A commissioner shall make an annual report to the city
20 that includes a full and complete statement of lottery revenues,
21 prize disbursements, and other expenses, and recommendations for
22 changes in the ordinances passed by the city that a commissioner
23 considers necessary or desirable.

24 Sec. 17. (1) A commissioner shall report immediately to the
25 city and the state legislature any matters that require immediate
26 changes in the laws of this state in order to prevent abuses or
27 evasions of this act or ordinances implementing this act or to

1 rectify undesirable conditions in connection with the
2 administration or operation of the lottery.

3 (2) A commissioner shall make a continuous study and inves-
4 tigation of the operation and the administration of similar laws
5 or ordinances that may be in effect in other states or countries,
6 any literature on the subject that may be published or available,
7 any federal laws that may affect the operation of the lottery,
8 and the reaction of citizens to existing and potential features
9 of the lottery, with a view to recommending or effecting changes
10 that will serve the purposes of this act.

11 Sec. 19. (1) A commissioner shall do both of the
12 following:

13 (a) Supervise and administer the operation of the lottery in
14 accordance with this act and the ordinances passed by the city.

15 (b) License persons as agents to sell lottery tickets whom
16 he or she considers will best serve the public convenience and
17 promote the sale of tickets or shares.

18 (2) A commissioner may, subject to the applicable laws and
19 ordinances relating to public contracts, enter into contracts for
20 the operation of the lottery, or any part of the lottery, and
21 into contracts for the promotion of the lottery.

22 (3) A contract awarded or entered into by a commissioner
23 shall not be assigned by the holder of the contract except by
24 specific approval of that commissioner.

25 Sec. 21. (1) A commissioner shall employ personnel as nec-
26 essary to implement this act.

1 (2) The departments, boards, commissions, or other
2 governmental subdivisions of this state shall provide assistance
3 to a bureau upon the bureau's request.

4 Sec. 23. (1) A commissioner shall not issue a license as an
5 agent to sell lottery tickets or shares to any person who intends
6 to engage in business exclusively as a lottery sales agent.
7 Before issuing a license, a commissioner shall consider factors
8 such as the financial responsibility and security of the person
9 and his or her business or activity, the accessibility of his or
10 her place of business or activity to the public, the sufficiency
11 of existing licenses to serve the public convenience, and the
12 volume of expected sales.

13 (2) A person licensed pursuant to this act may act as a lot-
14 tery sales agent. A person lawfully engaged in nongovernmental
15 business on the property of a local governmental unit may be
16 licensed as a lottery sales agent.

17 (3) A license is not assignable or transferable.

18 (4) A licensed agent or his or her employee may sell lottery
19 tickets or shares only on the premises stated in the license of
20 the agent.

21 (5) A commissioner may require a bond from any licensed
22 agent in an amount as provided in an ordinance.

23 (6) A licensed agent shall display his or her license or a
24 copy of that license conspicuously in accordance with the ordi-
25 nances enacted to implement this act.

1 (7) The commissioner may suspend or revoke the license of
2 any agent who violates this act or an ordinance enacted to
3 implement this act.

4 Sec. 25. (1) The right of any person to a prize drawn is
5 not assignable, except that payment of any prize drawn may be
6 paid to the family members or to the estate of a deceased prize-
7 winner as provided in subsection (2), to a person pursuant to an
8 appropriate judicial order, or to the state pursuant to
9 section 37. A commissioner shall be discharged of all further
10 liability upon payment of a prize pursuant to this section.

11 (2) If a prizewinner dies before collecting the full amount
12 of his or her prize, a bureau shall continue to make the remain-
13 ing prize payments to the prizewinner's surviving spouse and the
14 prizewinner's living children, in equal proportions, unless oth-
15 erwise directed by the prizewinner. If there is no surviving
16 spouse and no living children or other designated beneficiaries,
17 the remaining prize payments shall be made to the prizewinner's
18 estate.

19 (3) Except as otherwise provided by state or federal law, a
20 commissioner or an officer or employee of the bureau shall not
21 disclose the name, address, or any other personal information
22 concerning a winner of a prize greater than \$10,000.00, unless
23 the winner of a prize agrees in writing to allow the disclosure.
24 The information protected against disclosure under this section
25 is exempt from disclosure under the freedom of information act,
26 Act No. 442 of the Public Acts of 1976, being sections 15.231 to
27 15.246 of the Michigan Compiled Laws.

1 Sec. 27. (1) A person shall not sell a ticket or share at a
2 price greater than that fixed by ordinance. A person other than
3 a licensed lottery sales agent shall not sell lottery tickets or
4 shares. This section shall not be construed to prevent a person
5 from giving lottery tickets or shares to another as a gift.

6 (2) A person who violates this section is guilty of a
7 misdemeanor.

8 Sec. 29. (1) A ticket or share shall not be sold to any
9 person under the age of 18. This subsection does not prohibit
10 the purchase of a ticket or share for the purpose of making a
11 gift by a person 18 years of age or older to a person less than
12 age 18.

13 (2) A licensee who knowingly sells or offers to sell a lot-
14 tery ticket or share to a person under the age of 18 is guilty of
15 a misdemeanor.

16 Sec. 31. Any person who, with intent to defraud, shall
17 falsely make, alter, forge, utter, pass, or counterfeit a lottery
18 ticket or share is guilty of a felony, punishable by imprisonment
19 for not more than 5 years or a fine of not more than \$1,000.00,
20 or both.

21 Sec. 33. A ticket or share shall not be purchased by and a
22 prize shall not be paid to an officer or employee of a bureau or
23 to any spouse, child, brother, sister, or parent residing as a
24 member of the same household in the principal residence of an
25 officer or employee of a bureau.

26 Sec. 35. (1) Before payment of a prize of more than
27 \$1,000.00, a bureau shall determine if the department of treasury

1 knows of any liability of the prize winner to this state. If a
2 liability is identified, a bureau shall first apply the amount of
3 the prize to the liability, and the excess, if any, shall be paid
4 to the lottery winner.

5 (2) A lottery winner shall receive notice and an opportunity
6 for a hearing before the department of treasury or its designee
7 with respect to the liability to which the prize is to be applied
8 if the liability has not been reduced to judgment or has not been
9 finalized under statutory review provisions of the statute under
10 which the liability arose. This notice shall be made by regular
11 mail.

12 (3) The lottery winner may request a hearing within 15 days
13 of the date of the notice by making a written request to the rev-
14 enue commissioner of the department of treasury.

15 Sec. 37. Unclaimed prize money for the prize on a winning
16 ticket or share shall be retained by a commissioner for the
17 person entitled to the prize money for 1 year after the drawing
18 in which the prize was won. If a claim is not made for the money
19 within the 1-year period, the prize money shall be deposited in a
20 city lottery fund.

21 Sec. 39. A commissioner shall require that all money col-
22 lected from the sale of lottery tickets be deposited in banks,
23 savings and loan associations, and credit unions to the credit of
24 the city as designated by the treasurer of the city. Each
25 deposit shall be accompanied by a report of the agent's receipts
26 and transactions in the sale of lottery tickets and contain the
27 information required by a commissioner. A commissioner may make

1 arrangements for banks, savings and loan associations, and credit
2 unions to perform the functions, activities, or services in con-
3 nection with the operation of a lottery that he or she considers
4 advisable pursuant to this act and the ordinances enacted to
5 implement this act, and the functions, activities, or services
6 shall constitute lawful functions, activities, and services of
7 banks, savings and loans associations, and credit unions.

8 Sec. 41. Any other law that provides a penalty or disabil-
9 ity for the sale of lottery tickets or for any acts done in con-
10 nection with a lottery does not apply to the sale of tickets or
11 shares performed pursuant to this act.

12 Sec. 43. (1) If the person entitled to a prize or any win-
13 ning ticket is under the age of 18 years, and the prize is more
14 than \$1,000.00, a commissioner shall direct payment of the prize
15 by transfer to the guardian of the minor of a check or draft pay-
16 able to the order of the guardian. If the prize is less than
17 \$1,000.00, a commissioner may direct payment of the prize to the
18 adult member of the minor's family who is legally responsible for
19 the care and custody of the minor.

20 (2) A commissioner shall be discharged of all further
21 liability upon payment of a prize to a minor pursuant to this
22 section.

23 Sec. 45. (1) The city council shall create the city lottery
24 fund. Except as provided in subsection (2), a city lottery fund
25 consists of all revenues received from the sale of lottery tick-
26 ets or shares and all other money credited or transferred to the
27 fund from any other fund or sources pursuant to law. Earnings

1 resulting from installment payment of any lottery prizes shall be
2 used for payment of prizes to lottery winners, and the prize
3 structure formulated pursuant to sections 9 and 11 shall be
4 established accordingly.

5 (2) The treasurer of the city is responsible for the manage-
6 ment and investment of money in the city lottery fund. To assure
7 a continuing availability of money with which to pay lottery
8 prize installments and to compensate for variations in the yield
9 on investments, a commissioner and the treasurer of a city shall,
10 every 6 months, review the status of the installment prize
11 investments and shall agree on an amount to be restricted out of
12 the total revenues of a city lottery fund as a reserve against a
13 drop in yield. If a commissioner and the treasurer of the city
14 fail to agree on the amount to be reserved, the matter shall be
15 referred to the state administrative board for an advisory
16 decision.

17 Sec. 47. The money in a city lottery fund shall be appro-
18 priated only for the payment of prizes to the holders of winning
19 lottery tickets or shares, for the payment pursuant to
20 section 35, for reasonable expenses of a bureau in its operation
21 of a lottery, and for deposit in the general fund of the city for
22 the purpose of funding job training programs for individuals
23 under 21 years of age.

24 Sec. 49. A certified public accountant firm appointed by a
25 city shall conduct quarterly postaudits of all accounts and
26 transactions of a bureau and other special postaudits as the city
27 considers necessary. The city or its agent conducting an audit

1 under this act shall have access and authority to examine any and
2 all records of a bureau, its distributing agents, and its
3 licensees.