

SENATE BILL NO. 1018

March 17, 1998, Introduced by Senator YOUNG and referred to
the Committee on Gaming and Casino Oversight.

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, 1954 PA 116, MCL 168.1
18 to 168.992.

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

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

23 Yes ()

24 No ()".

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

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

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

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

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

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

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

20 (2) The lottery shall produce the maximum amount of net rev-
21 enues for the city consonant with the general welfare of the
22 people of the city.

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

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

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

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

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

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

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

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

10 (f) The frequency of the drawings or selections of winning
11 tickets or shares.

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

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

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

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

24 (k) The apportionment of the total annual revenues accruing
25 from the sale of lottery tickets or shares and from all other
26 sources for the payment of prizes to the holders of winning
27 tickets or shares, for the payment of costs incurred in the

1 operation and administration of the lottery, including the
2 expenses of the bureau and the costs resulting from any contract
3 or contracts entered into for promotional, advertising, consult-
4 ing, or operational services, or for the purchase or lease of
5 lottery equipment and materials.

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

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

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

18 Sec. 17. (1) A commissioner shall report immediately to the
19 city and the state legislature any matters that require immediate
20 changes in the laws of this state in order to prevent abuses or
21 evasions of this act or ordinances implementing this act or to
22 rectify undesirable conditions in connection with the administra-
23 tion or operation of the lottery.

24 (2) A commissioner shall make a continuous study and inves-
25 tigation of the operation and the administration of similar laws
26 or ordinances that may be in effect in other states or countries,
27 any literature on the subject that may be published or available,

1 any federal laws that may affect the operation of the lottery,
2 and the reaction of citizens to existing and potential features
3 of the lottery, with a view to recommending or effecting changes
4 that will serve the purposes of this act.

5 Sec. 19. (1) A commissioner shall do both of the
6 following:

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

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

12 (2) A commissioner may, subject to the applicable laws and
13 ordinances relating to public contracts, enter into contracts for
14 the operation of the lottery, or any part of the lottery, and
15 into contracts for the promotion of the lottery.

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

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

21 (2) The departments, boards, commissions, or other govern-
22 mental subdivisions of this state shall provide assistance to a
23 bureau upon the bureau's request.

24 Sec. 23. (1) A commissioner shall not issue a license as an
25 agent to sell lottery tickets or shares to any person who intends
26 to engage in business exclusively as a lottery sales agent.

27 Before issuing a license, a commissioner shall consider factors

1 such as the financial responsibility and security of the person
2 and his or her business or activity, the accessibility of his or
3 her place of business or activity to the public, the sufficiency
4 of existing licenses to serve the public convenience, and the
5 volume of expected sales.

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

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

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

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

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

19 (7) The commissioner may suspend or revoke the license of
20 any agent who violates this act or an ordinance enacted to imple-
21 ment this act.

22 Sec. 25. (1) The right of any person to a prize drawn is
23 not assignable, except that payment of any prize drawn may be
24 paid to the family members or to the estate of a deceased prize-
25 winner as provided in subsection (2), to a person pursuant to an
26 appropriate judicial order, or to the state pursuant to

1 section 37. A commissioner shall be discharged of all further
2 liability upon payment of a prize pursuant to this section.

3 (2) If a prizewinner dies before collecting the full amount
4 of his or her prize, a bureau shall continue to make the remain-
5 ing prize payments to the prizewinner's surviving spouse and the
6 prizewinner's living children, in equal proportions, unless oth-
7 erwise directed by the prizewinner. If there is no surviving
8 spouse and no living children or other designated beneficiaries,
9 the remaining prize payments shall be made to the prizewinner's
10 estate.

11 (3) Except as otherwise provided by state or federal law, a
12 commissioner or an officer or employee of the bureau shall not
13 disclose the name, address, or any other personal information
14 concerning a winner of a prize greater than \$10,000.00, unless
15 the winner of a prize agrees in writing to allow the disclosure.
16 The information protected against disclosure under this section
17 is exempt from disclosure under the freedom of information act,
18 1976 PA 442, MCL 15.231 to 15.246.

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

24 (2) A person who violates this section is guilty of a
25 misdemeanor.

26 Sec. 29. (1) A ticket or share shall not be sold to any
27 person under the age of 18. This subsection does not prohibit

1 the purchase of a ticket or share for the purpose of making a
2 gift by a person 18 years of age or older to a person less than
3 age 18.

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

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

12 Sec. 33. A ticket or share shall not be purchased by and a
13 prize shall not be paid to an officer or employee of a bureau or
14 to any spouse, child, brother, sister, or parent residing as a
15 member of the same household in the principal residence of an
16 officer or employee of a bureau.

17 Sec. 35. (1) Before payment of a prize of more than
18 \$1,000.00, a bureau shall determine if the department of treasury
19 knows of any liability of the prize winner to this state. If a
20 liability is identified, a bureau shall first apply the amount of
21 the prize to the liability, and the excess, if any, shall be paid
22 to the lottery winner.

23 (2) A lottery winner shall receive notice and an opportunity
24 for a hearing before the department of treasury or its designee
25 with respect to the liability to which the prize is to be applied
26 if the liability has not been reduced to judgment or has not been
27 finalized under statutory review provisions of the statute under

1 which the liability arose. This notice shall be made by regular
2 mail.

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

6 Sec. 37. Unclaimed prize money for the prize on a winning
7 ticket or share shall be retained by a commissioner for the
8 person entitled to the prize money for 1 year after the drawing
9 in which the prize was won. If a claim is not made for the money
10 within the 1-year period, the prize money shall be deposited in a
11 city lottery fund.

12 Sec. 39. A commissioner shall require that all money col-
13 lected from the sale of lottery tickets be deposited in banks,
14 savings and loan associations, and credit unions to the credit of
15 the city as designated by the treasurer of the city. Each
16 deposit shall be accompanied by a report of the agent's receipts
17 and transactions in the sale of lottery tickets and contain the
18 information required by a commissioner. A commissioner may make
19 arrangements for banks, savings and loan associations, and credit
20 unions to perform the functions, activities, or services in con-
21 nection with the operation of a lottery that he or she considers
22 advisable pursuant to this act and the ordinances enacted to
23 implement this act, and the functions, activities, or services
24 shall constitute lawful functions, activities, and services of
25 banks, savings and loans associations, and credit unions.

26 Sec. 41. Any other law that provides a penalty or
27 disability for the sale of lottery tickets or for any acts done

1 in connection with a lottery does not apply to the sale of
2 tickets or shares performed pursuant to this act.

3 Sec. 43. (1) If the person entitled to a prize or any win-
4 ning ticket is under the age of 18 years, and the prize is more
5 than \$1,000.00, a commissioner shall direct payment of the prize
6 by transfer to the guardian of the minor of a check or draft pay-
7 able to the order of the guardian. If the prize is less than
8 \$1,000.00, a commissioner may direct payment of the prize to the
9 adult member of the minor's family who is legally responsible for
10 the care and custody of the minor.

11 (2) A commissioner shall be discharged of all further
12 liability upon payment of a prize to a minor pursuant to this
13 section.

14 Sec. 45. (1) The city council shall create the city lottery
15 fund. Except as provided in subsection (2), a city lottery fund
16 consists of all revenues received from the sale of lottery tick-
17 ets or shares and all other money credited or transferred to the
18 fund from any other fund or sources pursuant to law. Earnings
19 resulting from installment payment of any lottery prizes shall be
20 used for payment of prizes to lottery winners, and the prize
21 structure formulated pursuant to sections 9 and 11 shall be
22 established accordingly.

23 (2) The treasurer of the city is responsible for the manage-
24 ment and investment of money in the city lottery fund. To assure
25 a continuing availability of money with which to pay lottery
26 prize installments and to compensate for variations in the yield
27 on investments, a commissioner and the treasurer of a city shall,

1 every 6 months, review the status of the installment prize
2 investments and shall agree on an amount to be restricted out of
3 the total revenues of a city lottery fund as a reserve against a
4 drop in yield. If a commissioner and the treasurer of the city
5 fail to agree on the amount to be reserved, the matter shall be
6 referred to the state administrative board for an advisory
7 decision.

8 Sec. 47. The money in a city lottery fund shall be appro-
9 priated only for the payment of prizes to the holders of winning
10 lottery tickets or shares, for the payment pursuant to
11 section 35, for reasonable expenses of a bureau in its operation
12 of a lottery, and for deposit in the general fund of the city for
13 the purpose of funding job training programs for individuals who
14 are less than 21 years of age.

15 Sec. 49. A certified public accountant firm appointed by a
16 city shall conduct quarterly postaudits of all accounts and
17 transactions of a bureau and other special postaudits as the city
18 considers necessary. The city or its agent conducting an audit
19 under this act shall have access and authority to examine any and
20 all records of a bureau, its distributing agents, and its
21 licensees.