

Legislative Analysis



BINGO ACT AMENDMENTS

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Senate Bill 435 (Substitute H-1)

Sponsor: Sen. James Barcia

House Committee: Government Operations

Senate Committee: Economic Development, Small Business and Regulatory Reform

First Analysis (6-28-06)

BRIEF SUMMARY: The bill would make numerous amendments to the Bingo Act, most notably increasing the limits on prizes from \$500 to \$1,100 for a single bingo game and from \$2,000 to \$3,500 for a single occasion.

FISCAL IMPACT: There is no significant fiscal impact on the State of Michigan. The additional licenses granted and game ticket revenue may increase state revenue, but this is an indeterminate amount, and not expected to be significant. There is no fiscal impact on local governments.

THE APPARENT PROBLEM:

Charitable gaming, such as bingo, raffles, and millionaire parties, has been an important fundraising tool for many civic, church, educational, fraternal, and service organizations for decades. However, in recent years, it has become increasingly difficult for many charitable organizations to finance their activities through charitable gaming as the number of casinos and other gambling options in the state expand. These organizations directly compete with the for-profit tribal and Detroit-based casinos, which lure gamblers with higher prizes and other amenities. As a result, Michigan charities lose out on much needed revenue. In response, a number of amendments to the Bingo Act have been suggested.

THE CONTENT OF THE BILL:

Senate Bill 435 would amend the Traxler-McCauley-Law-Bowman Bingo Act (MCL 432.103 et al.) to do the following:

- Increase the value of all prizes that may be awarded through large bingo and special bingo from \$2,000 to \$3,500 for a single occasion and from \$500 to \$1,100 for a single game.
- Require that a qualified organization that may conduct games under the act be tax-exempt under the federal Internal Revenue Code rather than the Single Business Tax Act (unless the organization has been continuously in existence for five years).
- Specify that "prizes" do not include advertising material given away by a qualified organization.

- Eliminate a provision prohibiting more than one bingo license from being issued to a qualified organization for any one day.
- Eliminate a provision prohibiting more than two bingo licenses from being issued for the same day at any one location.
- Provide that the predetermined amount for the first occasion of a progressive jackpot bingo game could not exceed \$500 or half of the card sales.
- Delete a requirement that all bingo cards in progressive jackpot game shall be sold prior to the drawing of the first ball for that game.
- Specify that, on the first bingo occasion, a player could not be required to obtain bingo in less than the allowable number of calls prescribed by the commissioner. The current minimum number of calls is 50.
- Prohibit a person from receiving a commission, profit, or pay for managing or operating a raffle, except as provided by rule.
- Eliminate the \$500 aggregate per-day personal limit on winnings from a millionaire party.
- Increase from \$500,000 to \$1 million the maximum performance bond that suppliers of equipment and tickets may be required to post.
- Increase from 10 to 14 the maximum number of large and special bingo licenses that may be issued for a seven-day period at any one location.
- Permit qualified organizations to be issued up to 20 millionaire party licenses per calendar year for events held at pari-mutuel racetracks licensed under the Horse Racing Law. This would be in addition to a provision that limits to four the number of millionaire party licenses a qualified organization may be issued.

HOUSE COMMITTEE ACTION:

The House Committee on Government Operations reported an H-1 substitute for the bill that adds two amendments to the Senate-passed bill: (1) increasing from 10 to 14 the maximum number of bingo licenses that may be issued for a seven-day period at any one location and (2) permitting a qualified organization to be issued up to 20 millionaire party licenses per calendar year held at licensed horse racetracks.

FISCAL INFORMATION:

The Michigan Bureau of State Lottery reports that in FY 2005, qualified organizations earned over \$76 million in profit from licensed charitable gaming activities. The license fees that these organizations pay and the charity game ticket revenue they generate are the only funding for the Bureau of State Lottery's Charitable Gaming Division. Any revenue collected in excess of the Division's administrative expenses is deposited into the state's General Fund. In FY 2005, \$11.7 million was transferred to the state's General Fund, a decrease from the \$12.2 million in FY 2004.

ARGUMENTS:

For:

The bill is intended to strengthen charitable gaming, particularly bingo, in the state. According to information provided by the Bureau of State Lottery, Charitable Gaming Division, the number of licenses, attendance, prizes, and profit for bingo games are all down in recent years. In FY 2005, the bureau issued 1,770 bingo licenses, a decline of nearly 300 since FY 2001. [This number is less than half of the historical high – 4,017 – issued in 1984.] In that same time period, total profit declined from \$17 million in FY 2001 to \$8 million in FY 2005. That difference, \$9 million, is money that is no longer available to support a wide ranging array of charitable causes.

The bill aims to strengthen bingo games by, most notably, increasing the cap on prizes at large and special bingo from \$500 per game to \$1,100 and from \$2,000 per occasion to \$3,500 and by eliminating restrictions on the number of bingo licenses that may be issued to qualified organizations. Increasing the cap on prizes for these games makes the games more attractive to potential players. Bingo prizes at for-profit casino greatly exceed current \$500/\$2,000 cap at charitable events, and charitable organization simply cannot compete with the casino. Moreover, the current cap on prizes has not changed since the Bingo Act's enactment in 1972. Clearly, the cap needs to be increased.

Eliminating the restrictions on the number of bingo licenses that may be issued – no more than one per qualified organization per day, no more than two per day per location, and up to 10 for any seven-day period per location – increases the frequency at which bingo events may be held. The current seven-day restriction effectively allows a bingo hall to hold two events per day on the weekend (Friday – Sunday) and one event per day during the week. Increasing the cap to 14 days, then, allows halls to hold two events per day.

For:

The bill also permits qualified organizations to hold up to 20 millionaire parties at licensed horse racetracks. Currently the act allows a qualified organization to receive up to four millionaire party licenses. This change has two primary consequences. First, it greatly increases the frequency and fundraising potential of these events, which are becoming an increasingly popular fundraising event, in large part because of the recent explosion in popularity of Texas Hold'em poker tournaments. Secondly, the bill has the potential to improve the fortunes of the licensed horse racetracks in the state, which themselves have fallen on hard times due to the expansion of casino gambling over the past several years. It is believed that the operation of millionaire parties will serve to attract new customers to the state's six racetracks and increase interest in the facilities. While the rather confusing lexicon of the industry and apparent complexity of the wagering process deter some would-be first-time patrons, it is reasonable to assume that a percentage of those patrons who go to the track to participate in the millionaire party will eventually watch a few races, begin to understand the language and the process, learn to appreciate the sport, and place a few wagers on the races, thereby increasing purses and the financial viability of the state's horse racing industry.

POSITIONS:

The Bureau of State Lottery supports the bill. (6-28-06)

The Michigan Racing Association supports the bill. (6-27-06)

The Michigan Catholic Conference supports the bill. (6-27-06)

May Rental Halls, an owner of two bingo halls in the Muskegon area, supports the bill.
(6-27-06)

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■ 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.