

Legislative Analysis



ALLOW ADVERTISING ON CLUB KENO GAMES

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Senate Bill 601 (Substitute S-3)

Sponsor: Sen. Mike Kowall

House Committee: Regulatory Reform

Senate Committee: Regulatory Reform

Complete to 3-28-12

A SUMMARY OF SENATE BILL 601 AS PASSED BY THE SENATE 3-8-12

The bill would amend the State Lottery Act (1972 PA 239) to allow for advertising on Club Keno game media or to sponsor individual draws in the game, and to establish the Club Keno Advertising Fund within the state treasury.

Specifically, the bill would allow the Lottery Commissioner to enter into a contract to allow for advertising or promotional material to be placed on Club Keno game media or to sponsor individual draws in the game. If a contract is entered into, at least one minute must be allowed between games of Club Keno where one or more advertisements could be exhibited.

Any contract entered into would have to provide that advertisements between Club Keno games must comply with content regulations for televised broadcasts as provided by the Federal Communications Commission, with the exception that advertising could include advertisements for alcoholic beverages with only limited restrictions imposed by the Lottery Commissioner or Administrative Commissioners of the Liquor Control Commission.

If a contract included advertisements for alcohol, the Lottery would be required to provide the Administrative Commissioners of the Liquor Control Commission (LCC) with all available information about the proposed contract, the contracting party, and the proposed advertisements at least 10 days before entering into the contract. The bill would require the Lottery Commissioner to comply with all objections and require the contractor to comply with any proposed conditions of the LCC. Failure by the LCC to respond to information within the 10-day period would constitute a waiver of any objections or proposed conditions. Additionally, in considering a proposed contract, the LCC would have to consider whether the licensee has a history of violations under the Liquor Code.

Under the bill, the Lottery Commissioner would be required to solicit bids from responsible persons for advertising or promotional contracts and make selections that produce the maximum amount of net revenues. In deciding whether to enter into a contract, the Lottery Commissioner would have to consider whether the terms of the contract are comparable to the terms of similar advertising contracts related to lottery or other gaming in other states.

The bill would also add Section 45 to create the Club Keno Advertising Fund. Money in the fund at the close of the fiscal year would remain in the fund and would not lapse to the General Fund. The Bureau of State Lottery would be the administrator of the fund for auditing purposes.

Additionally, the bill would require the money in the Club Keno Advertising Fund to be disbursed to the School Aid Fund, with the exception of a distribution for the Lottery's costs related to advertising and, if the advertisements involved alcohol, for the LCC's costs related advertising. Specifically, LCC would receive 20% of the first \$400,000 deposited into the fund, or 0.4% of the money deposited into the fund each fiscal year, whichever is less. The Lottery would receive the first \$400,000 deposited into the fund, or 2% of the money deposited into the fund each fiscal year, whichever is less. If alcohol was involved in the advertisements, Lottery would receive the balance of the first \$400,000 received after distributing the appropriate money to the LCC. The balance left after making distributions to the LCC and the Lottery would be deposited into the School Aid Fund.

MCL 432.11 and 432.18

FISCAL IMPACT:

A fiscal analysis is in process.

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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.