

Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5147 (Substitute H-1 as reported without amendment)

Sponsor: Representative Earl Poleski

House Committee: Regulatory Reform

Senate Committee: Regulatory Reform

CONTENT

The bill would amend the Lottery Act to retain the requirement that "not less than" 45% of lottery revenue be apportioned for prizes, instead of changing to an even 45% on January 1, 2012.

Under the Act, until January 1, 2012, as nearly as is practicable, not less than 45% of the total annual revenue accruing from the sale of lottery tickets or shares must be apportioned for payment of prizes to the holders of winning tickets or shares. On or after that date, 45% of the total revenue must be apportioned for payment of prizes.

The bill would delete "until January 1, 2012," from the current formula. It also would delete the requirement that on or after January 1, 2012, 45% of total revenue be apportioned for prizes.

MCL 432.12

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Eliminating the sunset date on the current prize payout requirement would allow prize payouts to stay in the current range, which has been close to 60.0% in recent years. Bureau of State Lottery staff have indicated that reducing the prize payout percentage would decrease lottery sales and the contribution to the School Aid fund.

In FY 2010-11, 58.5% of lottery sales revenue was awarded in prizes and \$722.0 million of lottery profits was deposited in the School Aid Fund. The consensus revenue estimate for the lottery contribution to the School Aid Fund is \$698.6 million in FY 2011-12 assuming that the prize payout requirement is unchanged. The table below shows lottery sales, prize awards, and School Aid Fund disbursements for recent years.

Lottery Sales, Prize Awards, and School Aid Fund Disbursements					
	Lottery Sales (in millions)	Prize Payout Percentage	Prize Payouts (in millions)	School Aid Fund Disbursement Percentage	School Aid Fund Disbursement (in millions)
FY 2005-06	\$2,212.4	58.69%	\$1,298.5	31.10%	\$688.0
FY 2006-07	2,342.6	57.85%	1,355.3	31.97%	748.9
FY 2007-08	2,330.1	57.97%	1,350.7	31.79%	740.7
FY 2008-09	2,337.5	60.42%	1,436.3	30.47%	724.5
FY 2009-10	2,359.2	59.72%	1,408.9	29.73%	701.3
FY 2010-11*	2,340.0	58.5%	1,369.0	30.9%	722.0
FY 2011-12**					698.6

* Unaudited.
**May 2011 Consensus Revenue Estimate.
Source: Bureau of State Lottery, State of Michigan

Date Completed: 12-13-11

Fiscal Analyst: Elizabeth Pratt