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Senate Bill 878 (Substitute S-4 as reported by the Committee of the Whole)
Sponsor: Senator Rick Jones
Committee: Regulatory Reform

CONTENT

The bill would add Article 2 to the Bingo Act to regulate the conduct of millionaire parties and the operation of charitable gaming service providers (those licensed to rent or sell equipment or provide operation services to millionaire party licensees). The bill would designate the current Act as Article 1, remove the regulation of millionaire parties from Article 1, and otherwise amend Article 1.

Under Article 2, the bill would do the following:

- Establish requirements for an applicant for a license to conduct a millionaire party and set a fee of \$50 per day that an applicant proposed to conduct a party.
- Require the Director of the Michigan Gaming Control Board to establish criteria for qualified organizations (i.e., certain charitable organizations) to receive an expedited millionaire party license, and establish a fee for an expedited license that did not exceed 150% of the standard license fee.
- Allow a qualified organization to be issued up to four millionaire party licenses in one calendar year, with each valid for only one location for up to four days.
- Prohibit the Director from issuing more than four millionaire party licenses that would allow events to be conducted at the same time at the same location.
- Prohibit the Director from denying a millionaire party license solely because an event would be held at a racetrack, or denying a license in order to limit the number of days in a week that events could be conducted at a racetrack or to limit to fewer than four the number of events that could be conducted at the same time at the same location.
- Establish requirements and restrictions for conducting a millionaire party event, including advertising the party and providing security at the event.
- Establish responsibilities for officers of a millionaire party event, including the designation of one or more individuals to serve as event chairpersons and one or more individuals to serve as record keepers.
- Prohibit a licensee from receiving more than \$20,000 in exchange imitation money or chips on the day of the event, if the licensee used a charitable gaming service provider; on more than \$50,000 if the licensee did not use a service provider.
- Allow a licensee to conduct the following games at an event held under the license: wheel of fortune; roulette; a dice game in which players competed only against the licensee; twenty-one or blackjack; poker, in any form; and any other game approved by the Director.
- Require the entire net proceeds of a millionaire party to be devoted exclusively to the lawful purposes of the licensee.
- Specify the expenses that a licensee could incur or pay and prohibit a licensee from paying more than 50% of the gross profit from an event for expenses, not including the fee required for issuance or reissuance of the license to conduct the event.
- Require a licensee to deposit all money derived from the conduct of an event into the licensee's financial account within four business days.

- Establish requirements for the licensure and operation of a charitable gaming service provider, including payment of a \$300 annual license fee and having criminal background checks performed on prospective employees.
- Require a service provider to submit a \$25 fee and any fee charged by the Michigan Department of State Police (MSP) with a background check request and the prospective employee's fingerprints.
- Require the MSP to conduct background checks and forward the fingerprints to the FBI for a national criminal history check.
- Require the MSP and FBI to store and maintain fingerprints in an automated system that provided automatic notification when a subsequent criminal arrest fingerprint was submitted.
- Require the MSP to notify the Gaming Control Board immediately when there was a fingerprint match.
- Allow the Director to impose licensing sanctions, including a written warning, probation, fine, and suspension, if he or she determined that an Article 2 licensee violated the Act or rules promulgated under Article 2.
- Specify that a person convicted of willfully violating the Act, or of any other gambling offense, would be ineligible to serve as an officer of a licensee or to participate in conducting a millionaire party for one year after the conviction became final.

The criminal background check requirements would take effect 90 days after the bill's effective date.

The bill specifies that administrative rules relating to the conduct of millionaire parties that were promulgated and in effect on June 11, 2012, would remain in effect and would be considered to be rules promulgated under Article 2, unless a provision of such a rule conflicted with Article 2. If the rules in effect on June 11, 2012, were rescinded before Article 2 took effect, they would have to be treated as if they were not rescinded. Any rules relating to millionaire parties promulgated after June 11, 2012, and before new rules were promulgated, would be rescinded. Within one year after the bill's effective date, the Director of the Michigan Gaming Control Board would have to promulgate rules to implement Article 2.

The amendments to Article 1 would do the following:

- Prohibit the Lottery Commissioner from denying a license for certain events solely because they would be held at racetracks, or denying a license in order to limit the number of days in a week that events could be conducted at a racetrack or limit to fewer than seven the number of events that could be conducted at a racetrack on one day.
- Require all fees and revenue collected by the Director of the Gaming Control Board under the Act to be paid into the State Lottery Fund and specify that all necessary expenses incurred by the Director or Board in the administration and enforcement of any activity authorized by the Act be financed from that Fund.
- Include raffles in a provision under which a penalty relating to a bingo game, millionaire party, or charity game does not apply to that conduct if done pursuant to the Act or rules promulgated under it.

MCL 432.102 et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have an unknown impact on the revenue of the Michigan Gaming Control Board. The bill would increase to six the number of charities that can operate millionaire parties concurrently at the same location; under current practice, the limit is three. This has the potential to expand millionaire parties and the amount of fee revenue to the Michigan Gaming Control Board. The establishment of a fee for expedited event licenses would tend to increase the fee revenue for this program. Raising the dollar amount of chips that may be sold from

\$15,000 to \$20,000 for events with a charitable supplier and to \$50,000 for events conducted by the licensed charity directly could increase the demand for millionaire party licenses.

The requirement for background checks on prospective employees for charitable gaming service providers would increase costs and fee revenue to the Michigan Gaming Control Board and the Department of State Police by an unknown amount. The Department of State Police would be authorized to charge a fee to cover the costs of fingerprint-based criminal history checks. A complete fingerprint based background check costs \$46.50 (\$30 for a State data base analysis, \$16.50 for a Federal data base analysis). The State Police could incur additional costs to store and provide updated criminal status based on stored fingerprint records.

The Gaming Control Board also would incur costs to promulgate new administrative rules.

Revenue from charitable gaming that is in excess of the regulatory costs of the Michigan Gaming Control Board for millionaire parties and the Bureau of State Lottery for other charitable gaming is deposited into the State General Fund at year end. If civil fines were assessed pursuant to the bill for violations of millionaire party statutory provisions or rules, that revenue also would be deposited into the General Fund.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.