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Senate Bill 878 (as introduced 3-18-14)
Sponsor: Senator Rick Jones
Committee: Regulatory Reform

Date Completed: 3-27-14

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. The bill would designate the current Act as Article 1, and remove the regulation of millionaire parties from Article 1. Under Article 2, the bill would do the following:

- Regulate the application for and issuance of millionaire party licenses.**
- Prohibit the Director of the Michigan Gaming Control Board from denying a millionaire party license solely because an event would be held at a racetrack.**
- Specify standards for the conduct of millionaire parties.**
- Establish certain financial and record-keeping requirements for millionaire party licensees.**
- Establish standards and requirements for charitable gaming service providers, if a millionaire party licensee engaged a provider.**
- Establish procedures and powers for the Director to enforce Article 2.**

Under Article 1, the bill would do the following:

- Prohibit the Lottery Commissioner from denying a license for certain events solely because they would be held at racetracks.**
- Establish certain requirements for fees and revenue collected by the Director of the Michigan Gaming Control Board and use of money in the State Lottery 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.**

The bill also would rescind any administrative rules relating to millionaire parties that were promulgated before the effective date of Article 2. Within one year after that date, the Director of the Michigan Gaming Control Board would have to promulgate rules to implement Article 2.

The Act defines "millionaire party" as an event at which wagers are placed on games of chance customarily associated with a gambling casino through the use of imitation money or chips that have a nominal value equal to or greater than the value of the currency for which they can be exchanged.

Under Article 2, "charitable gaming service provider" would mean a person licensed as such under Article 2 to rent or sell equipment or provide operation services to millionaire party licensees.

Application for & Issuance of Millionaire Party License

Article 2 would establish requirements for an applicant for a license to conduct a millionaire party and would set a fee of \$50 per day that an applicant proposed to conduct a party. It also would do all of the following:

- Specify factors the Director of the Michigan Gaming Control Board would have to consider when reviewing an application for a millionaire party license.
- Allow the Director, under extreme hardship conditions as he or she determined, to waive one or more requirements for a person to be a qualified organization and issue a millionaire party license to that person if certain conditions were met.
- Allow a qualified organization to be issued up to four millionaire party licenses in one calendar year, valid for only one location, and allow a license to be issued for up to four days in one week.
- Prohibit the Director from issuing more than one millionaire party license to a qualified organization for any one day or issuing more than six millionaire party licenses that would allow events to be conducted at the same time at the same location.
- Authorize the Director to allow a change in the location, day, date, or time of an event under an issued license, or to issue a duplicate license, upon payment of a nonrefundable \$35 fee at least 20 days before the event or the proposed new date.
- Require the Director to establish criteria for a qualified organization 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.

(The Act defines "qualified organization" as a bona fide religious, educational, service, senior citizens, fraternal, or veterans' organization that operates without profit to its members and that either has been in existence continuously as an organization for at least five years or is exempt from taxation under Section 501(c) of the Internal Revenue Code. The term does not include a candidate committee, political committee, political party committee, ballot question committee, independent committee, or any other committee defined by and organized under the Michigan Campaign Finance Act.)

Events at Racetracks

Article 2 would prohibit the Director from denying a license to an applicant for a millionaire party license on the basis that the event would be held at a racetrack. He or she also could not deny a license to an applicant for a millionaire party 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 in one day.

In addition, under Article 1, the Lottery Commissioner could not deny a license to an applicant for a license to conduct a bingo event, raffle, charity game, or numeral game on the basis that the event would be held at a racetrack. The bill also would prohibit the Commissioner from denying a license in order to limit the number of days in a week that those events could be conducted at a racetrack or limit to fewer than seven the number of events that could be conducted at a racetrack in one day.

Conduct of Millionaire Parties

Article 2 would establish requirements and restrictions for the conduct of a millionaire party event, and would impose certain requirements on officers of a millionaire party license. The Article would do all of the following:

- Establish requirements and restrictions for advertising a millionaire party event.
- Establish requirements for the location at which a millionaire party event could be held.
- Prohibit conducting a millionaire party event between 2 a.m. and 8 a.m.

- Require a licensee to ensure that a person under 18 was not permitted to wager or participate in the operation of the event; that only authorized equipment and games were used; that imitation money or chips were used only for wagering and not for purchases; and that other standards were met.
- Prohibit a licensee from receiving more than \$15,000 in exchange for imitation money or chips in one day of the millionaire party.
- 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 a licensee to establish and adhere to event rules for the conduct of the millionaire party event, and specify that the event rules could not conflict with the Act or rules promulgated under it.

Finances & Records

Article 2 would establish financial and record-keeping requirements for a millionaire party licensee. A licensee would have to keep certain records and financial statements, and allow a representative of the Director to inspect them. The Article also would establish requirements for a licensee's checking account into which proceeds from an event were deposited or transferred, including that all expenses related to a millionaire party event be paid by check, except for cash prizes and worker compensation.

A licensee would have to devote the entire net proceeds of a millionaire party exclusively to the licensee's lawful purposes, except for costs of equipment used at the event. A licensee could not pay more than 45% of the gross profit from an event for expenses, not including cash prizes or the purchase of merchandise prizes and the required license fee.

Article 2 also would establish maximum per-day compensation for workers, event chairpersons, and record keepers.

Charitable Gaming Service Providers

Article 2 would establish standards for a charitable gaming service provider, if a licensee had engaged one to provide operation services for a millionaire party event. The standards would include a requirement that all staff of the charitable gaming service provider had undergone a criminal background check. Article 2 also would do the following:

- Establish requirements for the licensure and operation of a charitable gaming service provider, including payment of a \$300 annual license fee.
- Prohibit a charitable gaming service provider or an owner, partner, shareholder, member, director, officer, agent, or employee of the provider, or an individual who lived in the same household as any of them, from being involved with the management of a millionaire party event, except in particular capacities.
- Require a charitable gaming service provider to file with the Director a financial statement of receipts and expenses related to the conduct of each event.

Violations & Sanctions

Under Article 2, at his or her discretion, the Director of the Michigan Gaming Control Board could require the principal officer of a millionaire party licensee or an officer of a charitable gaming service provider to attend a meeting to discuss a violation of the Act or rules promulgated under Article 2. In determining proper sanctions for violations, the Director would have to consider both whether a violation was inadvertent or intentional and the consequences of the violation.

Article 2 also would do the following:

- Allow the Director to order sanctions for a violation, including a written warning, placement on probation, fines, and suspensions.
- 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.
- Allow the holder of a millionaire party license whom the Director determined had violated the Act or a rule promulgated under Article 2 to request a hearing before the Michigan Gaming Control Board.

State Lottery Fund

Under Article 1, the bill would require all fees and revenue collected by the Director of the Michigan Gaming Control Board under the Act to be paid into the State Lottery Fund. All necessary expenses incurred by the Director or Board in the administration and enforcement of any activity authorized by the Act would have to be financed from the State Lottery Fund and those expenses could not exceed the amount of the fees the Director and Board collected under the Act.

At the end of each fiscal year, all money in the State Lottery Fund that was attributable to fees and revenue collected under the Act by the Director or the Board, but had not been spent, would have to be deposited in the State General Fund.

Raffles

Under Article 1, if conduct is performed pursuant to the Act or rules promulgated under it, the conduct is not subject to any other law providing a penalty or disability upon a person who conducts or participates in a bingo game, millionaire party, or charity game; who sells or possesses equipment used in conducting a bingo or millionaire party; who permits bingo, a millionaire party, or a charity game to be conducted on his or her premises; or who does other acts in connection with bingo, a millionaire party, or a charity game. The bill would include a raffle in that provision. (This provision does not limit in any way the application of the Michigan Campaign Finance Act, including fundraising events conducted by or for the benefit of a committee that has filed or is required to file a statement or organization under that Act.)

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. 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.

Fiscal Analyst: Elizabeth Pratt

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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.