



Senate Fiscal Agency
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Senate Bills 397 and 399 (as reported without amendment)
Sponsor: Senator Jim Ananich
Committee: Agriculture

CONTENT

Senate Bill 397 would add Article 2 to the Lottery Act to do the following:

- Add various terms and definitions, including "video lottery game" and "video lottery terminal".
- Prescribe the duties of the Bureau of State Lottery with respect to video lottery, including promulgation of rules and the collection of fees.
- Specify that the Bureau would have the powers and duties prescribed in the Lottery Act and would have to administer the provisions of the Act relating to licensing, enforcement, and regulation.
- Require the Bureau to grant a license to an applicant to conduct video lottery if it had determined that the applicant held a valid race meeting license, had filed an application with the Bureau, and that the Bureau had completed a background check and was satisfied with the results.
- Prescribe an application fee for a license of \$50,000, a license fee of \$100,000, and a renewal license fee of \$50,000.
- Specify that information provided to the Bureau by a licensee that disclosed the name, address, or any other personal information of a licensee or any patron of the licensee would be considered confidential and would not be subject to disclosure under the Freedom of Information Act.
- Allow the Bureau to issue an occupational, manufacturer, or supplier license to an applicant if it had determined that the applicant had filed a completed application and the Bureau completed a background check and was satisfied with the results.
- Require a license holder to retain as his or her commission 81% of the gross terminal income generated from video lottery terminals at the license holder's licensed premises.
- Require a license holder to remit its net terminal income to the Bureau by electronic transfer of funds on dates established by the Bureau.
- Require remitted net terminal income from all license holders to be combined and require the combined income to be used first for administrative expenses with the remainder allocated to the funds or entities specified in the bill.
- Prescribe felony and misdemeanor criminal penalties for various violations of Article 2.

The bill also would recodify the existing provisions of the Act as Article 1, and would amend the Act to do the following:

- Modify the definition of "lottery" and define "State lottery" and "video lottery".
- Require the Bureau to make determinations as to whether a lottery winner owned money for a support arrearage or to various State entities before payment of a prize of \$1,000 or more under Articles 1 or 2.
- Specify that provisions of the Act related to the State Lottery Fund would not apply to gross terminal income under Article 2.

-- Make certain findings and statements of legislative intent.

Senate Bill 399 would amend the sentencing guidelines in the Code of Criminal Procedure to include the felony proposed under Senate Bill 397 as a crime against the public trust with a statutory maximum of 10 years' imprisonment.

Senate Bill 399 is tie-barred to Senate Bill 397.

MCL 432.3 et al.

Legislative Analyst: Jeff Mann

FISCAL IMPACT

Senate Bill 397 would have a fiscal impact on the State and local units of government within which a racetrack operated. The bill would allow video lottery licenses for live horse racing, which could increase the amount of revenue generated during live horse racing events. The net revenue generated from the video lottery terminals would be distributed to the School Aid Fund, the Michigan Strategic Fund, the Michigan Reconnect program, the Michigan Housing and Community Development Fund, and local units of government that operate a racetrack. The total additional revenue generated would depend on the number of live horse racing events that occurred, and the number of video lottery terminals licensed in the State.

The Michigan Gaming Control Board would experience additional administrative costs to oversee video lottery gaming, approve licenses, review complaints, and collect fees and revenue from live lottery terminals. These additional costs would be covered by video lottery licensees, applications fees, and penalties.

The bill's criminal penalties could have a negative fiscal impact on the State and local government. Violations of the bill's provisions would be punishable as misdemeanors or felonies of varying severity. More misdemeanor and felony arrests and convictions could increase resource demands on law enforcement, court systems, community supervision, jails, and correctional facilities. The average cost to State government for felony probation supervision is approximately \$3,100 per probationer per year. For any increase in prison intakes, in the short term, the marginal cost to State government would be approximately \$5,400 per prisoner per year. Any associated increase in fine revenue would increase funding to public libraries.

Senate Bill 399 would have no fiscal impact on local government and an indeterminate fiscal impact on the State, in light of the Michigan Supreme Court's July 2015 opinion in *People v. Lockridge*, in which the Court ruled that the sentencing guidelines are advisory for all cases. This means that the addition to the guidelines under the bill would not be compulsory for the sentencing judge. As penalties for felony convictions vary, the fiscal impact of any given felony conviction depends on judicial decisions.

Date Completed: 5-17-21

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