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BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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Senate Bill 301 (as enrolled)

Sponsor: Senator Connie Binsfeld

Senate Committee: Regulatory Affairs

House Committee: Judiciary

Date Completed: 7-24-89

PUBLIC ACT 85 of 1989**RATIONALE**

Syntech International, until January 1989, held the contract with the State to supply the equipment and materials necessary for the Lottery Bureau to run the Lotto and the Daily game. Syntech currently employs about 75 people in Traverse City, and produces lottery terminals for the states of Ohio and California. Syntech has said that it would like to expand its business to build electronic gambling machines such as video poker and slot machines. While Michigan law does not prohibit the manufacturing of gambling equipment, the Michigan Penal Code prohibits the keeping or storing of any gambling apparatus on any premises. (Lottery equipment and materials are not treated as gambling equipment under the law.) It has been suggested that the Code be amended to allow for storage and possession of gambling equipment if the equipment is intended for sale outside the State, or in-state if an establishment is operated in compliance with all State and Federal laws.

CONTENT

The bill would amend the Michigan Penal Code to provide that the Code's prohibition against keeping any place where gambling is permitted or permitting on any premises an apparatus used for gambling, would not apply to the manufacture or possession of gaming or gambling apparatus by a manufacturer who manufactured or possessed an apparatus solely for sale outside the State, or for sale to a gambling establishment operating in Michigan in compliance with State and Federal laws, provided the manufacturer met or exceeded

Federal requirements regarding the manufacture, storage, and transportation of an apparatus.

MCL 750.302

FISCAL IMPACT

The bill would have a minimal indeterminate fiscal impact on State or local government.

The bill would not cost the State anything, but the creation of new jobs could increase revenue to the State. For example, if a minimum of 20 jobs were created, the annual revenue generated from State income and sales taxes would be \$26,000, assuming that the jobs were new and paid an average wage of \$25,000 per year.

ARGUMENTS**Supporting Argument**

While current law does not prohibit the manufacture of gambling equipment, it does prohibit the storage and possession of such devices. The bill would simply allow Syntech, or for that matter any other company with the capability to produce gambling equipment, to produce, store, and ship that equipment for sale outside the State, or in-state if an establishment complied with all State and Federal laws, and thus give Syntech or others an opportunity to increase or expand operations.

Opposing Argument

The State needs to take care that the production and distribution of gambling equipment does not fall into the wrong hands, and cause a proliferation of illegal gambling

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activities. The bill could cause the State to have to devote some of its resources to ensuring that the storing and transporting of gambling equipment were properly regulated.

Response: The State would not have to participate in any regulatory activities regarding gambling equipment, as the production and distribution of gambling equipment are subject to heavy Federal regulations. The bill provides that manufacturers of gambling equipment would have to meet or exceed the Federal requirements regarding the manufacture, storage, and transportation of gambling equipment.

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