House
Legislative
Analysis
Section

Washington Square Building, Suite 1025
Lansing, Michigan 48909
Phone 517/373-6466

LOTTERY SUNSET & VENDOR CONTRACT LIMITS

House Bill 4569 as introduced
First Analysis (5-20-87)

Sponsor: Rep. Bob Emerson
Committee: State Affairs

THE APPARENT PROBLEM:

The lottery act currently prohibits contracts between the Lottery Bureau and vendors for more than two years. This creates several problems for the bureau. It must go through the contract bidding process every two years, which is very expensive. In addition, once a vendor gets the contract, many days must be spent converting the old system to the new system, creating additional inconvenience to the bureau. No other state has a two year limit on vendor contracts, and some people believe it should be eliminated. Further, the lottery act will expire July 1, 1988. Many people believe that the lottery program has been successful in generating needed revenue for the state school aid fund and should be made a permanent program.

THE CONTENT OF THE BILL:

The bill would amend the McCauley-Traxler-Law-Bowman-McNeely lottery act by eliminating the July 1, 1988 sunset date. Further, the bill would eliminate the two year limit on contracts between vendors and the commissioner of the State Lottery Bureau.

MCL 432.5 and 432.9

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would have no major fiscal implications to the state. (5-19-87)

ARGUMENTS:

For:

Currently, a great deal of staff time is required to oversee the conversion from one data processing system to a new system. If this cycle were repeated every four years instead of every two, the bureau's employees could tackle other issues besides the system conversion. In addition, the large vendor contracts frequently result in litigation which also takes up a great deal of staff time; every two years staff is involved in litigation explaining why they chose a certain vendor six months or one year ago.

For:

The systems that are used by the bureau are very complex and specialized. Typically, the bureau hires a consultant to help evaluate bids and convert the system. Generally, the cost of the consultant is $100,000. Consequently, if the consultant were used every four years as opposed to every two years, the state would save $100,000.

For:

If the two year limit on vendor contracts were eliminated, more competition would be created for the bids. Currently, the short period of the contract necessitates the acceptance of bids from vendors with large operations, because smaller vendors cannot install the amount of data processing equipment needed expeditiously enough. If the contract term were lengthened, smaller vendors would also be able to bid, which would make the whole process more competitive.

For:

The state lottery has proven to be an effective and efficient means of generating much needed revenue for the school aid fund. There is no longer a need to place a sunset date on the legislation.

POSITIONS:

The Lottery Bureau supports the bill. (5-19-87)