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SENATE ANALYSIS SECTION

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**Senate Bill 68 (Substitute S-2)**

Sponsor: Senator Gilbert J. DiNello

Senate Committee: Regulatory Affairs

Date Completed: 3-18-87

**RATIONALE**

Public Act 229 of 1981 amended the Traxler-McCauley-Law-Bowman Bingo Act to permit the Lottery Bureau to sell charity game ("break open") tickets to qualified organizations (certain nonprofit organizations and candidate committees) for resale in conjunction with a bingo game or millionaire party (an imitation gambling event). In order to hold bingo games or millionaire parties, a qualified organization must obtain an annual license, and a licensed organization also may obtain a special license to hold a one-time bingo game. According to the Lottery Bureau, a number of qualified organizations also would like to be able to apply for special licenses to hold charity games that would not be conducted in conjunction with a bingo game or millionaire party. Such a provision would allow those organizations to hold a charity game in connection with other functions, such as meetings or dinners, and it could increase their fundraising opportunities.

Additional concerns of the Lottery Bureau pertain to the issuance of bingo game licenses and the frequency of millionaire parties. Under the Act, all annual bingo licenses cost \$150 and expire on the last day of February. Since over 2,500 such licenses are issued annually, with all of them expiring at the same time, the Bureau believes that staggered licensing periods would simplify the licensure process. In regard to millionaire parties, an event cannot exceed 24 hours over two nonconsecutive days or 72 hours over three consecutive days, and an organization is limited to two 24-hour or one 72-hour license per year. The Lottery Bureau reports that, due to the popularity of these events, many organizations would like to hold millionaire parties more frequently.

The Act also limits the aggregate value of all prizes awarded on each day of a millionaire party to \$2,000. It is argued that this limit is too low, particularly for large organizations that must advertise their events, and that liberalizing the amount of available prizes would attract more participants. Some people also contend that additional changes are needed to make Michigan bingo games more competitive with Ontario and Ohio games. In particular, it is claimed that the maximum value of prizes, currently \$2,000 per day and \$500 per game should be increased.

**CONTENT**

The bill would amend the Traxler-McCauley-Law-Bowman Bingo Act to do the following:

- Permit charity games that would not be conducted in conjunction with a bingo game or a millionaire party.
- Permit qualified organizations to hold millionaire parties for up to 12 days per year.

- Increase the maximum value of prizes that may be awarded in one day of a millionaire party from \$2,000 to \$3,000.
- Stagger the application and expiration dates for bingo licenses.
- Allow bingo to be conducted by a qualified senior citizens organization without a license if certain conditions were met.
- Provide for the issuance of a holiday license to conduct bingo during one day in December.
- Permit a qualified organization that is licensed to conduct a millionaire party also to conduct a numeral merchandise game.
- Provide for charity game tickets to be sold only by Michigan-based licensed suppliers, rather than by licensed suppliers or the Lottery Bureau.
- Permit license exemptions for bingo and millionaire parties where no fees are charged.
- Limit the games for which a candidate committee would be eligible.

**Charity Games**

The State Lottery Commissioner could issue a special charity game license to a qualified organization that had submitted an application and paid a fee determined by the Commissioner. If the applicant held a valid liquor license, the Commissioner could issue a special charity game license authorizing the sale of charity game tickets during the hours stated on the liquor license for the sale of liquor.

**Qualified Organizations**

A "qualified organization" as defined in the Act is a nonprofit religious, educational, service, senior citizens', fraternal, or veterans' organization that has been in existence continuously for five years or that is exempt from the State Single Business Tax; a candidate organization as defined under the campaign finance Act also is a qualified organization. The bill would amend the definition of "qualified organization" to include a senior citizens organization that had been in existence for less than five years if the organization registered with the Corporations and Securities Bureau and verified that registration with the Lottery Bureau, and a committee established by a nonprofit corporation. The bill also provides that a candidate committee could be eligible for special occasion bingo, two millionaire parties, raffle licenses and raffle registration only. Currently candidate committees may be eligible for all events for which other qualified organizations are eligible.

**Bingo**

Bingo could be conducted by a senior citizens organization that was a qualified organization without obtaining a license if all of the following conditions were met:

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- The bingo was conducted for the amusement and recreation of the members of the organization.
- Only active members of the organization participated in the operation of the bingo.
- The bingo was conducted between 10 a.m. and midnight.
- The organization had applied for and received an identification number from the Bureau. The Bureau would have to issue such numbers to any senior citizens organization that registered with the Corporations and Securities Bureau and verified that registration with the Lottery Bureau. The annual application fee would be \$10.
- Players were not charged more than 25 cents for a bingo card, and prizes were of nominal value.
- All revenue from the bingo was used for prizes and reasonable expenses incurred in operating the bingo, and no person was compensated for participating in the conduct of bingo.

Upon special application by a qualified organization licensed to conduct bingo, and upon the applicant's payment of a \$50 fee, the Commissioner could issue a holiday license. The holiday license would allow the conducting of bingo during only one day in December of the year in which application was made. The bingo could be conducted at a location and on a day of the week other than the location and day set forth in the applicant's annual license. The aggregate retail value of all prizes or merchandise awarded during the one day of bingo could not exceed \$2,500. A qualified organization could not be issued more than one holiday license in any one-year period, and a holiday license would not be assignable or transferable.

Bingo licenses issued after February 28, 1987, but before March 1, 1988, would expire on February 29, 1988. Beginning March 1, 1988, the Lottery Commissioner would be required to establish a program for distributing license expiration dates evenly throughout the year. Fees for licenses issued for periods other than one year would be \$12.50 for each month remaining until expiration. After license expiration dates were distributed throughout the year, licenses could be renewed for one year each.

#### Numeral Merchandise Game

A qualified organization that was licensed to conduct a millionaire party could conduct a numeral merchandise game by which it awarded merchandise prizes. The purchase price of a chance for participation in a game could not exceed \$1.

Authorized numeral tickets, as defined by Commission rule, would have to be used to conduct the game. Numeral tickets would have to be purchased from a Michigan-based licensed supplier at a cost determined by the Commissioner. The tickets would have to have a Lottery Bureau logo and a Bureau control identification number.

The aggregate value of merchandise prizes awarded for each numeral merchandise game could not exceed \$500. The value of the prizes awarded would have to be a minimum of 50% of the gross receipts from the game. Revenue obtained from these games would have to be reported separately in accordance with Commission rules. The total net revenue received by a licensed qualified organization from numeral merchandise games would have to be applied to charitable purposes only. For the purpose of this provision, "charitable purpose" would mean only a purpose or objective of the organization conducting the game.

#### Millionaire Parties

The bill would permit qualified organizations to hold millionaire parties for up to 12 days per year. A year for the purposes of calculating the established \$50 daily

license fee would begin on March 1 and end on the last day in February. These provisions would replace current language under which a millionaire party may not exceed 24 hours each day for two nonconsecutive days or 72 hours for a period of three consecutive days, and under which an extension to the three-day period may be granted.

#### Other License Exemptions

Gambling events such as bingo and millionaire parties could be held without a license if no fees of any type were charged for playing the games and prizes awarded were donated. If the event were taking place not for fundraising purposes, the reasonable cost of such items as food, beverages and entertainment could be charged. Events of this type would be required to be registered on forms provided by the Bureau at a fee determined by the Commissioner. The Commissioner could promulgate rules to cover such events.

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### **FISCAL IMPACT**

This bill would increase State restricted revenues by approximately \$3 million in FY 1986-87 and \$5 million in FY 1987-88. Any increase in administrative costs would be absorbed by the Lottery Bureau. The bill would have no fiscal impact on local governments.

### **ARGUMENTS**

#### ***Supporting Argument***

Senate Bill 68 would make a number of improvements in the bingo Act. By providing for charity games that were not held in conjunction with a bingo game or millionaire party, the bill would permit qualified organizations to hold charity games more frequently and thereby to raise more funds. The State also would profit since it makes money off the sale of charity game tickets. Staggering license expiration dates throughout the year would simplify the licensure process for the Lottery Bureau. Permitting millionaire parties to be held for up to 12 days per year, instead of merely two, three, or more days, and raising the amount of allowable prizes per day to \$3,000, also would expedite the Bureau's licensure and regulatory responsibilities, while creating increased fundraising opportunities for qualified organizations.

#### ***Supporting Argument***

Raising the maximum value of prizes that may be awarded in a bingo game would allow Michigan to compete more successfully with the games offered across our borders. People are now leaving this State by the busload to play in Ohio, where the limit is \$3,500, and Ontario, where licensee fees are based upon the amount of prizes to be awarded and the prizes are thus potentially limitless. In addition, raising the prize limits also would help Michigan to compete with the gambling available on Indian reservations. Furthermore, the present limits were originally set in 1972 and increasing the face value of prizes would more closely correspond to their 1972 worth.

#### ***Supporting Argument***

The bingo Act originally was established as a means for nonprofit, charitable organizations to raise funds. The Act also permits a committee for a candidate for public office to conduct a bingo as a method of raising campaign funds. While the idea may have been that these candidate bingos would be held occasionally, they reportedly are being conducted on a weekly basis. As a result, some bingo players who have attended the bingos for charitable organizations are being attracted to the candidate bingos, which hurts the fundraising efforts of the charities. Candidate bingos should be limited to two a year. With

that limitation, a candidate still could hold bingos for fundraising, but not entice regular bingo players away from weekly games held for charitable purposes.

### ***Opposing Argument***

Raising the maximum value of bingo prizes that may be awarded, as well as the value of millionaire party prizes, would remove these games from the guise of a charitable system and move them into the realm of casino gambling. By drawing players away from smaller licensees, this change would in fact harm those that could not afford to give away the larger prizes. As experience in Canada has shown, because Canadian prizes are so great, only the landlords are making any money. In other words, the greater the prize, the less profit to the licensee. Also, because Canadian prizes are so great, it would be futile to attempt to compete with them by increasing Michigan prizes. Furthermore, players simply enjoy traveling to participate in different games. Not only are Michigan residents going to Ontario to play, but Canadian players are coming into this State to obtain a favorable exchange rate on their winnings.

Moreover, raising the maximum value of bingo prizes would run counter to the trend in other gaming states. In Illinois, for example, legislation that raised the prize limit from \$2,200 to \$3,400 was reversed after less than one year due to the incursion of the "wrong elements" into the system.

**Response:** Despite the proposed increase in bingo prizes, it is unrealistic to equate bingo playing with casino gambling. Bingo games are designed to attract players of all income levels and the \$15 that is usually spent cannot compare to the hundreds and thousands that are wagered in casinos. Since it was legalized, bingo has become a way of life to many people. It provides them with innocent, affordable entertainment while benefiting those organizations that conduct the games.

### ***Opposing Argument***

Permitting charity games that were not held in conjunction with a bingo game or millionaire party, and permitting the sale of charity game tickets during the hours of a licensee's liquor license, would remove these games from the charitable system and put them into the liquor control system. The wisdom of not doing so and of tying charity games to other gaming activities was recognized in Public Act 229 of 1981 and that policy should be retained.

### ***Opposing Argument***

While the goal of providing for a holiday bingo may be to enable groups to give away extra prizes (such as turkeys and hams) as "thank you's" to regular patrons, by allowing higher than usual (\$2,500 instead of \$2,000) bingo prize money and allowing an extra bingo night in December, the bill would lure bingo patrons away from their regular games. This would unfairly penalize operators who did not buy a special holiday license. Given the popularity of bingo games and the difficulty in finding halls to rent for extra games, holiday bingo would give schools and churches an additional unfair advantage over other operators. Holiday bingo, it has been suggested, could even lead some bingo operators to break the law by offering illegally high bingo prizes in an attempt to retain their regular customers in the face of this extra competition.

The provision to allow qualified senior citizens organizations to conduct bingo without a license under certain conditions also would pose similar problems. The current licensing fee of \$150 is not excessive and easily can be met by any group regularly sponsoring bingo games. Deregulating senior citizens' groups while maintaining these regulations for other groups again could

create unfair competition for bingo patrons. By not specifying what is meant by "nominal" prizes, the bill would leave open the possibility that this provision could be abused, inadvertently or otherwise, by senior citizens' groups to lure bingo players away from their regular games. It is unclear, for example, whether offering a free trip as a prize would be considered "nominal".

**Response:** According to testimony before the Senate Regulatory Affairs Committee, the Lottery Bureau considers \$5 "nominal". The Bureau could define this term through the administrative rules process.

### ***Opposing Argument***

Some people believe that gambling — including bingo — is wrong and should neither be endorsed nor promoted by the State.

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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.