

Senate Fiscal Agency  
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**SFA**



**BILL ANALYSIS**

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Senate Bill 1148 (as reported without amendment)  
Sponsor: Senator Michael J. Bouchard  
Committee: Gaming and Casino Oversight

Date Completed: 6-3-98

## **RATIONALE**

The Lottery Act states that, until January 1, 1999, "not less than" 45% of the total revenue from the sale of lottery tickets or shares must be paid to prize-winners. This means that the Bureau of State Lottery may set the pay-out at a higher percentage until 1999. Beginning on January 1, 1999, prize pay-outs must be an even 45% of the total revenue. Establishing 45% as a *minimum* pay-out, for a limited period of time, was suggested several years ago as a way to give the Bureau flexibility in setting pay-out levels. Otherwise, some people believed, the strict 45% level would put this State's lottery games at a competitive disadvantage in the gaming marketplace because other games have higher pay-outs. Casinos, for example, reportedly have pay-out rates of about 90% on some games. Thus, Public Act 53 of 1995 established 45% as a minimum pay-out through 1998. It has now been suggested that this level should apply for several more years.

## **CONTENT**

The bill would amend the Lottery Act to postpone from January 1, 1999, to January 1, 2003, the date upon which lottery prize pay-outs will have to be 45% of the total annual revenue from sales of lottery tickets or shares. Until January 1, 2003, lottery prize pay-outs would have to be at least 45%.

MCL 432.12

## **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

## **Supporting Argument**

Requiring lottery prize pay-outs to be 45% of the total revenue from ticket sales ensures a certain level of payments to the School Aid Fund. Allowing larger pay-outs, however, makes lottery games more attractive to the public, which, in turn, generates more money for schools. When Public Act 53 of 1995 was enacted, the Lottery Bureau reported that states with flexible, and higher, pay-out levels had greater annual per capita sales than did Michigan. The Bureau estimated that, despite paying a higher percentage of revenue in prize money, the State would gain enough income from net profits of the lottery operation to increase payments to the School Aid Fund. Since Public Act 53 was enacted, the Bureau raised the pay-out for instant ticket sales. At this time, the Bureau reports that the net revenue paid to schools from instant sales increased from \$472 million in 1995-96 to \$564 million in 1996-97. By requiring prize pay-outs to be at least 45% for several more years, the bill would retain the potential for higher ticket sales and increased revenue.

Legislative Analyst: S. Lowe

## **FISCAL IMPACT**

There would be a positive fiscal impact on State government. At this time, there are no data available to indicate how much revenue would increase.

Fiscal Analyst: E. Limbs

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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.