

Legislative Analysis



APPORTIONMENT OF LOTTERY REVENUE FOR PAYMENT OF PRIZES

Mary Ann Cleary, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5147

Sponsor: Rep. Earl Poleski

Committee: Regulatory Reform

Complete to 11-29-11

A REVISED SUMMARY OF HOUSE BILL 5147 AS INTRODUCED 11-3-11

The bill would amend Section 12 of the State Lottery Act (1972 PA 239) to postpone the change that is scheduled to take effect on January 1, 2012, in the distribution of lottery revenue. Instead the bill would continue the current formula that requires not less than 45% of total annual ticket sales to be used for prize money, until January 1, 2013. After the designated date, 45% (rather than *not less than 45%*) must be used for prizes.

FISCAL IMPACT:

Under current law, the Bureau of State Lottery can pay out more than 45% of the total annual revenue accruing from the sale of lottery tickets in prizes until January 1, 2012. After January 1, 2012, the Bureau of State Lottery would be required to pay exactly 45% of the total revenue in prizes. According to the Bureau of State Lottery annual reports, approximately 55-60% of total ticket revenue is currently paid out in prizes. If the sunset extension proposed under HB 5147 were not implemented, the prize payout would be reduced to 45% from the current 55-60% range. While potential ticket holders would realize a drop in prize payouts, the corresponding increase in profits realized by the Bureau of State Lottery would be disbursed to the School Aid Fund (SAF), all else remaining equal. However, with a reduction in the prize payout to 45%, fewer lottery ticket sales may be presumed. Even with the former prize payout dollars being transferred to the SAF, it is possible that ticket sales would drop enough to reduce transfers to the SAF below current levels.

The provisions of the bill would extend the sunset on prize payouts exceeding 45% until January 1, 2013. This would allow the Bureau of State Lottery to continue with their current level of prize payout percentages on all ticket sales. There would be no adverse fiscal impact under the provisions of the bill.

BACKGROUND INFORMATION:

As originally enacted, Section 12 of the State Lottery Act (1972 PA 239) required 45% of the total annual revenue accruing from the sale of lottery tickets or shares to be apportioned for the payment of prizes to winners. Public Act 53 of 1995 amended this section to require *not less than 45%* of the total revenue from the sale of lottery tickets to be used to pay winning tickets and established a sunset of January 1, 1999, at which time

the distribution would return to 45% of sales used for prize payouts. 1996 PA 167 added a provision excluding games involving joint enterprise agreements (Big Game, etc.) from the calculations of ticket sales. The date of the sunset was subsequently pushed back to January 1, 2003 (1998 PA 393), January 1, 2007 (2002 PA 471), and most recently, January 1, 2012 (2006 PA 625).

Legislative Analyst: Jeff Stoutenburg
Fiscal Analyst: Ben Gielczyk

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