



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 5147 (Substitute H-1 as passed by the House)

Sponsor: Representative Earl Poleski

House Committee: Regulatory Reform

Senate Committee: Regulatory Reform

Date Completed: 12-13-11

CONTENT

The bill would amend the Lottery Act to retain the requirement that "not less than" 45% of lottery revenue be apportioned for prizes, instead of changing to an even 45% on January 1, 2012.

Under the Act, until January 1, 2012, as nearly as is practicable, not less than 45% of the total annual revenue accruing from the sale of lottery tickets or shares must be apportioned for payment of prizes to the holders of winning tickets or shares. On or after that date, 45% of the total revenue must be apportioned for payment of prizes.

The bill would delete "until January 1, 2012," from the current formula. It also would delete the requirement that on or after January 1, 2012, 45% of total revenue be apportioned for prizes.

MCL 432.12

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

As discussed above, the Lottery Act requires that a minimum of 45% of annual lottery sales revenue be paid in prizes and a sunset will change the required prize payout to a flat 45% on January 1, 2012. The sunset date was added in 1995. The date has been delayed previously by legislation enacted in 1998, 2002, and 2006. Eliminating the sunset date would allow prize payouts to stay in the current range, which has been close to 60.0% in recent years. Bureau of State Lottery staff have indicated that reducing the prize payout percentage would decrease lottery sales and the contribution to the School Aid fund.

In FY 2010-11, 58.5% of lottery sales revenue was awarded in prizes and \$722.0 million of lottery profits was deposited in the School Aid Fund. The consensus revenue estimate for the lottery contribution to the School Aid Fund is \$698.6 million in FY 2011-12 assuming that the prize payout requirement is unchanged. The table below shows lottery sales, prize awards, and School Aid Fund disbursements for recent years.

| Lottery Sales, Prize Awards, and School Aid Fund Disbursements | | | | | |
|--|---------------------------------|----------------------------|--------------------------------|---|--|
| | Lottery Sales (in millions) | Prize Payout Percentage | Prize Payouts (in millions) | School Aid Fund Disbursement Percentage | School Aid Fund Disbursement (in millions) |
| FY 2005-06 | \$2,212.4 | 58.69% | \$1,298.5 | 31.10% | \$688.0 |
| FY 2006-07 | 2,342.6 | 57.85% | 1,355.3 | 31.97% | 748.9 |
| FY 2007-08 | 2,330.1 | 57.97% | 1,350.7 | 31.79% | 740.7 |
| FY 2008-09 | 2,337.5 | 60.42% | 1,436.3 | 30.47% | 724.5 |
| FY 2009-10 | 2,359.2 | 59.72% | 1,408.9 | 29.73% | 701.3 |
| FY 2010-11* | 2,340.0 | 58.5% | 1,369.0 | 30.9% | 722.0 |
| FY 2011-12** | | | | | 698.6 |
| * Unaudited. | | | | | |
| **May 2011 Consensus Revenue Estimate. | | | | | |
| Source: Bureau of State Lottery, State of Michigan | | | | | |

Fiscal Analyst: Elizabeth Pratt

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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.