



**House
Legislative
Analysis
Section**

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ALLOW HIGHER LOTTERY PAYOUT

**House Bill 4662 as enrolled
Public Act 53 of 1995
Second Analysis (6-27-95)**

**Sponsor: Rep. Susan Grimes Munsell
House Committee: Regulatory Affairs
Senate Committee: Local, Urban, and
State Affairs**

THE APPARENT PROBLEM:

The Lottery Act requires that, "as nearly as is practicable", 45 percent of the annual revenue from the sale of lottery tickets be paid out as prizes to winners. The Bureau of State Lottery has requested that the current target for payouts be a floor, and that the lottery be able to pay out a higher proportion of revenue in winnings. This would make the lottery more competitive in the gaming marketplace, say lottery officials. Casinos, they say, have payout rates of more than 90 percent, and lottery games, particularly instant tickets, are thus less attractive. Lottery officials say that states that permit higher payouts have much higher per capita sales and that Michigan could increase sales by \$500 million to \$700 million if the lottery bureau had the flexibility to raise payout levels for some games.

THE CONTENT OF THE BILL:

The bill would amend the Lottery Act to specify that, until January 1, 1999, as nearly as is practicable, not less than 45 percent of the total annual revenue from the sale of lottery tickets or shares must be apportioned for payment of prizes to the holders of winning tickets or shares. After that date, 45 percent of total revenue would have to be apportioned for payment of prizes.

MCL 432.12

FISCAL IMPLICATIONS:

As mentioned in the Problem statement, the Bureau of State Lottery has estimated that the bill would increase lottery ticket sales by \$500 million to \$700 million per year, which in turn would produce an increase in revenue to the School Aid Fund of \$71 million to \$121 million. (Undated bill analysis)

ARGUMENTS:

For:

The bill would allow the lottery bureau to make its games more attractive to the public by allowing for a larger share of ticket sales to be given out in prizes. It gives the state lottery the flexibility to set different payout levels for different games. This should particularly help sales on instant lottery tickets. Bureau officials say that other states with flexible (and higher) payout levels have higher annual per capita sales. Ohio, for example, has annual per capita sales nearly double that of Michigan. Even with higher payout levels, say proponents, the state would gain more revenue from net profits of the lottery operation. Unless the act is subsequently changed, the percentage of revenue going for prizes would return to the current 45 percent standard after January 1, 1999. This will provide an opportunity for evaluation of the effects of the bill.

Response:

Those who oppose the concept of the state being in the gaming business would argue that expanding per capita lottery sales is not necessarily desirable.

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