Legislative Analysis

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CLUB KENO ADVERTISING REVENUE

House Bill 6177 (Substitute H-1, with 9-23-10 Floor amendment)
Sponsor: Rep. Andy Neumann
Committee: Tourism, Outdoor Recreation and Natural Resources

Complete to 10-18-10

A SUMMARY OF HOUSE BILL 6177 (Substitute H-1, as amended)

As amended on the House floor on September 23, 2010, the bill would distribute a portion of Club Keno advertising revenue to the Michigan Bureau of State Lottery (Lottery), and to allocate the balance of Club Keno advertising revenue to the School Aid Fund. The bill amends provisions in the McCauley-Traxler-Law-Bowman-McNeely Lottery Act that regulate Club Keno advertising and promotional contracts.

(Earlier versions of the bill would have allocated up to $18 million of Club Keno advertising revenue to Travel Michigan to fund the "Pure Michigan" advertising campaign. The current version of the bill would not do this.)

<u>Contracts</u>. The lottery commissioner could enter into contracts with one or more persons to place advertising or promotional materials on Club Keno media or to sponsor individual Club Keno draws. The following provisions would apply:

- At least one minute would be allowed between games to display advertisements.
- Generally speaking, Club Keno advertising would have to comply with Federal Communications Commission content regulations for televised broadcasts, except that alcoholic beverage advertising would have to comply only with restrictions imposed by the lottery commissioner.
- Club Keno advertising would be exempt from an existing rule against printing a person's name on lottery tickets or shares.

<u>Bid selection criteria; contract terms</u>. The lottery commissioner would have to solicit bids from "responsible persons" to advertise on Club Keno, and, from the bids received, select those that would produce the most net revenue for the state consonant with the general welfare of Michigan's citizens. In evaluating a proposed contract, the commissioner would have to consider whether its terms were comparable to those of similar contracts relating to lottery or other gaming in other states.

<u>Fund</u>. The bill would create the Club Keno Advertising Fund within the Department of Treasury. The state treasurer could deposit money or other assets from any source into the fund, would direct the fund's investment, and would credit the fund with its investment interest and earnings. Money in the fund at the close of the fiscal year would

remain in it, rather than lapsing to the General Fund. The Lottery would administer the fund for auditing purposes.

Distribution. In each state fiscal year, the Lottery would receive either the first $400,000 deposited into the fund, or two percent of the total deposits into the fund, whichever amount was lower, as reimbursement for its costs relating to Club Keno advertising. The rest of the money deposited into the fund would be disbursed to the School Aid Fund.

[Note: As introduced and as reported from committee, the bill would have directed up to $18 million dollars in Club Keno advertising revenue to the "Pure Michigan" advertising campaign. A floor amendment adopted by the House on September 23, 2010 eliminated the proposed distribution to "Pure Michigan."]

MCL 432.11, 432.18, & 432.45

FISCAL IMPACT:

House Bill 6177 would have an indeterminate fiscal impact on state government. Under the provisions of the bill, the commissioner of the lottery would be allowed to contract with persons for the placement of advertising or promotional material on Club Keno related media or to sponsor draws in the Club Keno game. The bill would create the Club Keno Advertising Fund and direct all money from an advertising contract into the fund. The Lottery would receive the first $400,000, or two percent of the total collections, whichever was lower, as reimbursement for the administrative costs related to Club Keno advertising. Any amount above that would be deposited in the School Aid Fund (SAF). The bill would have, at most, a $400,000 negative impact on the SAF. According to the Michigan Bureau of State Lottery (Lottery), advertising contracts have been offered for the ticket stock and Club Keno monitor shows since June of 2005. Since that time, the Lottery has not entered into any advertising contracts. Therefore, it does not appear that this bill will have a significant fiscal impact on the Lottery or SAF.

POSITIONS:

The Michigan Bureau of State Lottery is opposed to the bill. (10-13-10)

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