



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 601 (as introduced 9-7-11)  
Sponsor: Senator Mike Kowall  
Committee: Regulatory Reform

Date Completed: 2-16-12

### **CONTENT**

**The bill would amend the Lottery Act to do the following:**

- Authorize the Lottery Commissioner to contract for the placement of advertising or promotional material on Club Keno game media or to sponsor individual draws in the game.**
- Require advertisements to comply with Federal Communications Commission (FCC) content regulations for TV broadcasts, but allow advertisements for alcoholic beverages.**
- Create the "Club Keno Advertising Fund" and require money from advertising contracts to be deposited into that Fund.**
- Require money in the Fund to be disbursed to the State School Aid Fund, with the exception of a distribution for the Lottery Bureau's costs related to advertising.**

#### Advertising

The bill would authorize the Lottery Commissioner to contract with one or more people to allow advertising or promotional material to be placed on available media related to the Lottery Bureau's Club Keno game, or to sponsor individual draws in that game. If the Commissioner entered into such a contract, he or she would have to allow at least one minute between games of Club Keno during which one or more advertisements could be exhibited.

The Commissioner would have to solicit bids from responsible people for Club Keno advertising or promotional contracts. The Commissioner would have to select from among the bids in order to produce the maximum amount of net revenue for the State, consonant with the general welfare of Michigan residents. In deciding whether to enter into a contract, the Commissioner would have to consider whether its terms were comparable to the terms of similar advertising or promotional contracts relating to lottery or other gaming in other states.

#### FCC Compliance

A contract entered into under the bill would have to require any advertisements exhibited between Club Keno games to comply with the FCC's content regulations for televised broadcasts. Club Keno advertising, however, could include ads for alcoholic beverages, with restrictions imposed by the Commissioner.

## Club Keno Advertising Fund

The Club Keno Advertising Fund would be created in the State Treasury. Money from a Club Keno advertising contract would have to be deposited into the Fund. The State Treasurer also could receive money or other assets from any source for deposit into the Fund. The Treasurer would have to direct the Fund's investment and credit to it the interest and earnings from investments. Money in the Fund at the close of a fiscal year would have to remain in the Fund and could not lapse to the General Fund.

The Lottery Bureau would be the administrator of the Club Keno Advertising Fund for auditing purposes.

The first \$400,000 deposited into the Fund each fiscal year, or 2% of the money deposited into the Fund each fiscal year, whichever was less, would have to be distributed to the Bureau for reimbursement of its costs related to Club Keno advertising. The balance of the money deposited in the Fund would have to be disbursed to the State School Aid Fund.

MCL 432.11 et al.

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The Bureau of State Lottery has offered advertisements on Keno screens for about six years under its existing authority in MCL 432.18 (which allows the Commissioner to contract for the placement of advertising or promotional material on lottery tickets, shares, and other available media under the Bureau's control). There has not been a demand for the advertisements, although Keno promotions have been part of broader sponsorship and advertising contracts. All net profits of the lottery are deposited into the School Aid Fund. The lottery deposit to the School Aid Fund was \$737.6 million in FY 2010-11.

The authority in the bill to include advertising for alcoholic beverages subject to restrictions imposed by the Commissioner could increase advertiser interest and advertisement purchases. Under the bill, any revenue from contracts for Keno advertisements would be deposited first into the Club Keno Advertising Fund, which the bill would create, and then transferred to the School Aid Fund and to the Bureau of State Lottery, which would be permitted a limited reimbursement of the cost of administration of the Keno advertisement program. Of the money deposited into the Club Keno Advertising Fund, 2% or \$400,000, whichever was less, would be distributed to the Bureau of State Lottery to reimburse the cost of the advertising program. The \$400,000 cap on administrative costs would not be reached until advertisement revenue exceeded \$20.0 million in a State fiscal year. Remaining revenue after the limited expense reimbursement would be transferred from the Club Keno Advertising Fund into the School Aid Fund, which would receive increased revenue of an unknown amount.

Fiscal Analyst: Elizabeth Pratt

S1112\sb601sa.

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.