

SECOND REGULAR SESSION
SENATE COMMITTEE SUBSTITUTE FOR

SENATE BILL NO. 767

99TH GENERAL ASSEMBLY

Reported from the Committee on Veterans and Military Affairs, February 15, 2018, with recommendation that the Senate Committee Substitute do pass.

ADRIANE D. CROUSE, Secretary.

4671S.05C

AN ACT

To amend chapter 313, RSMo, by adding thereto seven new sections relating to video lottery, with penalty provisions.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Chapter 313, RSMo, is amended by adding thereto seven new sections, to be known as sections 313.425, 313.427, 313.429, 313.431, 313.433, 313.435, and 313.852, to read as follows:

313.425. Sections 313.425 to 313.435 shall be known and may be cited as the "Missouri Video Lottery Control Act" and shall establish the regulatory framework for the use of player-activated video terminals for the conduct of lottery games.

313.427. As used in sections 313.425 to 313.435, the following words and phrases shall mean:

(1) "Commission" or "lottery commission", the five-member body appointed by the governor to manage and oversee the lottery under section 313.215;

(2) "Credit", one cent, five cents, ten cents, or twenty-five cents either won or purchased by a player;

(3) "Establishment", any establishment owned or operated by a lottery game retailer that is licensed under chapter 311 to sell liquor at retail;

(4) "Video lottery game adjusted gross receipts", the total of cash or cash equivalents used for the play of a video lottery game on a video lottery game terminal minus cash or cash equivalent paid to players as a result of playing video lottery games on a video lottery game terminal;

(5) "Video lottery game handler", a person employed by a licensed

17 video lottery game operator to handle, place, operate, and service video
18 lottery game terminals and associated equipment;

19 (6) "Video lottery game manufacturer", any person that
20 manufactures video lottery game terminals or major parts and
21 components for video lottery game terminals as approved by the lottery
22 commission;

23 (7) "Video lottery game operator", a person licensed by the
24 commission that owns, rents, or leases and services or maintains video
25 lottery game terminals for placement in licensed video lottery retailer
26 establishments;

27 (8) "Video lottery game retailer", a person meeting the
28 requirements of a lottery game retailer under section 313.260 and
29 possessing a license to sell liquor with whom a licensed video lottery
30 game operator has contracted for the placement of a video lottery game
31 terminal or terminals;

32 (9) "Video lottery game terminal", a coin, currency, or voucher
33 player-activated terminal that uses a video display and microprocessor
34 capable of randomly generating the outcome of video lottery games
35 approved by the commission where the player may receive a free game,
36 credit, or ticket that may be redeemed at a video lottery game ticket
37 redemption terminal. All video lottery games approved by the
38 commission shall have a minimum theoretical payout of eighty-five
39 percent;

40 (10) "Video lottery game ticket redemption terminal", the
41 collective hardware, software, communications technology, and other
42 ancillary equipment used to facilitate the payment of tickets cashed out
43 by players as a result of playing a video lottery game terminal;

44 (11) "Voucher" or "ticket", a document printed at the conclusion
45 of any lottery game play or plays on a video lottery game terminal that
46 is redeemable utilizing a video lottery game ticket redemption terminal
47 in the establishment for which it was issued.

313.429. 1. The commission may implement a system of video
2 lottery game terminals utilizing a licensing structure for processing
3 license applications and issuing licenses to video lottery game
4 manufacturers, video lottery game operators, video lottery game
5 handlers, and video lottery game retailers for the conduct of lottery
6 games utilizing video lottery game terminals within the state; except

7 that, a person licensed as a:

8 (1) Video lottery game manufacturer shall not be issued a license
9 as a video lottery game operator or a video lottery game retailer;

10 (2) Video lottery game operator shall not be issued a license as
11 a video lottery game manufacturer or video lottery game retailer; and

12 (3) Video lottery game retailer shall not be issued a license as a
13 video lottery game manufacturer or video lottery game operator.

14 Nothing in this subsection shall prevent a video lottery game
15 manufacturer from obtaining a video lottery game manufacturer's
16 license and providing and operating the centralized system for
17 monitoring video lottery game terminals.

18 2. Under no circumstances shall the commission:

19 (1) Authorize or allow a single vendor or licensee to implement
20 the system of video lottery game terminals created under this section;
21 or

22 (2) Allow a single licensed video lottery game operator to control
23 or operate more than twenty-five percent of video lottery game
24 terminals in the state.

25 3. (1) The video lottery game system authorized by this section
26 shall utilize multiple video lottery game manufacturers and video
27 lottery game operators to encourage private sector investment and job
28 opportunities for Missouri citizens. The commission may impose an
29 initial nonrefundable application fee as follows:

30 (a) For video lottery game manufacturers and video lottery game
31 operators, no more than fifty thousand dollars;

32 (b) For video lottery game retailer establishments, no more than
33 five hundred dollars; or

34 (c) For video lottery game handlers, no more than one hundred
35 dollars.

36 (2) Video lottery game manufacturers, video lottery game
37 operators, video lottery game handlers, and video lottery game retailers
38 shall annually renew any license issued under this section for a fee as
39 follows:

40 (a) Five thousand dollars for video lottery game manufacturers;

41 (b) Five thousand dollars for video lottery game operators;

42 (c) Fifty dollars for video lottery game handlers; and

43 (d) Five hundred dollars for each video lottery game retailer's

44 establishment.

45 (3) In addition to the fees required in subdivisions (1) and (2) of
46 this subsection, video lottery game operators shall annually pay the
47 commission a fee of two hundred dollars for each video lottery game
48 terminal placed in service.

49 (4) Any license fee for a video lottery game terminal shall be
50 prorated, but no license fee shall be refunded if the video lottery game
51 terminal is taken out of service. A license issued under this subsection
52 shall be good for a period of two years upon payment of the
53 appropriate renewal fee prior to the beginning of the second year and
54 is nontransferable. Nothing in this subsection shall be construed to
55 relieve the licensee of the affirmative duty to notify the commission of
56 any change relating to the status of the license or to any other
57 information contained in the application materials on file with the
58 commission.

59 4. No license shall be issued to any person who has pled guilty
60 to or been convicted of a felony. No license requirement, fee, or tax
61 shall be imposed by any local jurisdiction upon a video lottery game
62 manufacturer, video lottery game operator, video lottery game retailer,
63 video lottery game handler, or video lottery game terminal or an
64 establishment relating to the operation of video lottery games, video
65 lottery game terminals, or associated equipment.

66 5. Licensed video lottery game manufacturers may sell video
67 lottery game terminals to licensed video lottery game operators. Such
68 video lottery game terminals shall be independently tested, capable of
69 randomly generating the outcome of games approved by the
70 commission, and able to print tickets. Such video lottery game
71 terminals shall be connected to a centralized system that uses standard
72 industry protocols approved by the commission that allows the
73 commission to activate or deactivate a particular video lottery game
74 terminal from a remote location and capable of monitoring and
75 auditing plays. The commission shall procure and provide such
76 centralized system, and such vendor shall not be eligible to be licensed
77 as a video lottery game operator or video lottery game retailer.

78 6. (1) Licensed video lottery game operators:

79 (a) May buy, lease, or rent video lottery game terminals from
80 licensed video lottery game manufacturers;

81 **(b) May handle, place, and service video lottery game terminals;**
82 **and**

83 **(c) Shall pay winning tickets using a video lottery game ticket**
84 **redemption terminal. Such video lottery ticket redemption terminal**
85 **shall be located within the video lottery game retailer's establishment**
86 **in direct proximity of where such video lottery games are**
87 **offered. Video lottery game operators shall pay the commission**
88 **thirty-two percent of any unclaimed cash prize associated with a**
89 **winning ticket that has not been redeemed within one year of issue.**

90 **Rents or leases for video lottery game terminals shall be written at a**
91 **flat rate and shall not include revenue splitting as a method used in the**
92 **calculation of the lease or rent. A video lottery game manufacturer or**
93 **video lottery game operator may sell, lease, rent, trade, or exchange**
94 **any used video lottery game terminal to another licensed video lottery**
95 **game operator or video lottery game manufacturer if such video lottery**
96 **game terminal continues to meet the independent testing standard**
97 **prior to being activated for play.**

98 **(2) Licensed video lottery game operators and licensed video**
99 **lottery game retailers shall enter into an agreement for the placement**
100 **of video lottery game terminals. The agreement shall be on a form**
101 **approved by the commission and shall specify the percentage of**
102 **adjusted gross receipts that such video lottery game operator will pay**
103 **the video lottery game retailer for video lottery game plays at such**
104 **establishment. An agreement for the placement of a video lottery game**
105 **terminal entered into by a video lottery game operator with a video**
106 **lottery game retailer prior to the enactment of sections 313.425 to**
107 **313.435 shall be invalid. Video lottery game operators are specifically**
108 **prohibited from offering anything of value, other than the percentage**
109 **of adjusted gross receipts from plays at such location, to a video lottery**
110 **game retailer for the placement of video lottery game**
111 **terminals. Persons violating this subdivision are subject to the loss or**
112 **prohibition of their video lottery game operator's license.**

113 **(3) To combat problem gambling, video lottery game operators**
114 **shall provide a pre-commitment system approved by the commission at**
115 **each establishment. Such system shall allow video lottery game patrons**
116 **to enroll in a player tracking program capable of setting daily**
117 **maximum and aggregate bet limits for video lottery game plays, daily**

118 time limits for consecutive video lottery game plays, and allows players
119 to be self-excluded from video lottery game play. Operators shall
120 provide the commission with a list of players that have elected to be
121 excluded from video lottery game play within thirty days of such
122 election and shall update such list periodically as required by the
123 commission. Such self-excluded list shall be considered confidential
124 information and shall not be released to the public.

125 (4) Nothing in this section shall be construed to prevent a video
126 lottery game operator or a video lottery retailer from using a player
127 rewards system as approved by the commission. No player shall be
128 required to enroll in a rewards program offered by a video lottery game
129 operator or video lottery game retailer as a condition to play video
130 lottery games.

131 7. No licensed video lottery game operator shall:

132 (1) Offer video lottery gaming terminals that directly dispense
133 anything of value except for tickets for winning plays. Tickets shall be
134 dispensed by pressing the ticket dispensing button on the video lottery
135 gaming terminal at the end of any video lottery game play. The ticket
136 shall indicate the total amount of credits and the cash award, the time
137 of day in a 24-hour format showing hours and minutes, the date, the
138 terminal serial number, the sequential number of the ticket, and an
139 encrypted validation number from which the validity of the prize may
140 be determined. The cost of the credits shall be one cent, five cents, ten
141 cents, or twenty-five cents, and the maximum wager played per video
142 lottery game shall not exceed two dollars. No cash award for the
143 maximum wager played on any individual video lottery game shall
144 exceed five hundred dollars;

145 (2) Operate in a retail establishment that is not also licensed to
146 sell liquor, except if the primary business is offering services and
147 amenities to large trucks at a location situated on three or more
148 contiguous acres within two thousand feet of an interstate or other
149 major highway and sells more than twenty-five thousand gallons of
150 diesel fuel per month;

151 (3) Operate more than five video lottery game terminals at one
152 video lottery game retailer establishment; except that, an establishment
153 primarily catering to patrons of a fraternal or veterans organization
154 that sells liquor, wine, or beer at retail may operate up to ten video

155 lottery game terminals as approved by the commission;

156 (4) Advertise video lottery games outside of a licensed video
157 lottery game retailer's establishment through any media outlets or
158 direct mail or telephone solicitations. The advertising prohibition
159 contained in this subdivision shall apply to all licensees including, but
160 not limited to, video lottery game manufacturers, video lottery game
161 operators, video lottery game retailers, and video lottery game
162 handlers;

163 (5) Allow video lottery games to be played at any time when the
164 video lottery game retailer's establishment is closed for business.

165 8. (1) A person under twenty-one years of age shall not play
166 video lottery games, and such video lottery game terminals shall be
167 located within the unobstructed line of sight of the bar or sales counter
168 and under the supervision of a person that is at least twenty-one years
169 of age to prevent persons under twenty-one years of age from playing
170 video lottery games. A warning sign shall be posted in a conspicuous
171 location where such video lottery game terminals are located,
172 containing in red lettering at least one-half inch high on a white
173 background the following:

174 "YOU MUST BE AT LEAST 21 YEARS OF AGE TO PLAY VIDEO
175 LOTTERY GAMES"

176 In addition to the placement and supervision requirements of this
177 subsection, a video lottery game operator shall provide video
178 surveillance in the immediate area of the video lottery game retailer's
179 establishment where video lottery game terminals are
180 located. Recorded video from such surveillance system shall be made
181 available to the commission upon request and shall be reviewed by
182 video lottery game operators as required by the commission for any
183 violation of law, rules or regulations governing the conduct of video
184 lottery games. A video lottery game operator that fails to review such
185 surveillance video and report any violation of law, rules or regulations
186 governing the conduct of video lottery games in conformance with
187 established commission procedures shall be subject to an
188 administrative fine not to exceed five thousand dollars. Any video
189 lottery game retailer that fails to report any violation of law, rules or
190 regulations governing the conduct of video lottery games in
191 conformance with established commission procedures shall be subject

192 to an administrative fine not to exceed five thousand dollars. In the
193 event a video lottery game operator or retailer is found to have
194 knowingly committed a violation governing the conduct of video lottery
195 games the commission may impose an administrative fine not to exceed
196 five thousand dollars, suspend such operator's or retailer's license for
197 up to thirty days, or revoke such operator's or retailer's license for a
198 period of one year. Any video lottery game operator or retailer
199 aggrieved by the commission's decision in any disciplinary action that
200 results in the suspension or revocation of such operator's or retailer's
201 video lottery game license may appeal such decision by filing an action
202 in circuit court. The commission shall refer a violation of the criminal
203 code, with any evidence thereof, to the appropriate law enforcement
204 officials. Video lottery game retailers shall provide an intrusion
205 detection system capable of detecting unauthorized entrance of the
206 video lottery game retailer's establishment during nonbusiness hours
207 and shall report to the commission any unauthorized entrance of the
208 video lottery game retailer's establishment. Such surveillance and
209 intrusion detection system shall meet specifications as defined by the
210 commission.

211 (2) A video lottery game operator shall post a sign in a
212 conspicuous location where such video lottery game terminals are
213 located, containing in red lettering at least one-half inch high on a
214 white background a telephone contact number (1-800-BETSOFF) for the
215 problem gambling helpline.

216 9. (1) Video lottery game operators shall pay the commission
217 thirty-six percent of the video lottery game adjusted gross receipts,
218 which shall be deposited in the state lottery fund. The commission
219 shall transfer the amount received from the operator from the lottery
220 fund to the lottery proceeds fund after administrative expenses equal
221 to four percent of the video lottery game adjusted gross receipts are
222 paid to compensate the municipality where a licensed video lottery
223 game retailer maintains an establishment licensed for the operation of
224 video lottery game terminals for the public's safety, or if such licensed
225 establishment is not located within the corporate boundaries of a
226 municipality, then the county where such licensed establishment is
227 located, and any administrative expenses for the commission that are
228 not covered by reimbursements from operators are deducted. Net

229 proceeds transferred to the lottery proceeds fund shall be appropriated
230 as follows:

231 (a) The first one hundred million dollars shall be appropriated
232 for the public institutions of higher education; and

233 (b) The remaining proceeds shall be appropriated evenly
234 between public elementary and secondary education and public
235 institutions of higher education.

236 (2) Video lottery game operators shall retain sixty-four percent
237 of the video lottery game adjusted gross receipts for administrative
238 expenses which shall include the cost of the centralized monitoring
239 system, which cost shall be paid by video lottery game operators. Fifty
240 percent of the costs of the centralized monitoring system shall be
241 apportioned by the video lottery game operator among video lottery
242 game retailers based on the number of video lottery game terminals
243 located at the video lottery game retailer's establishment. The
244 remainder, after the cost of the centralized monitoring system are paid
245 and apportioned, shall be divided equally between the video lottery
246 game operator and video lottery game retailer as agreed under
247 subdivision (2) of subsection 6 of this section.

248 10. All revenues received by the commission from license fees
249 and any reimbursements associated with the administration of the
250 provisions of sections 313.425 to 313.435, and all interest earned
251 thereon, shall be considered administrative expenses and shall be
252 deposited in the state lottery fund. Moneys deposited into the state
253 lottery fund from license fees and any reimbursements of commission
254 administrative expenses to administer sections 313.425 to 313.435 shall
255 be considered administrative expenses and shall not be considered net
256 proceeds pursuant to Article III, Section 39(b) of the Missouri
257 Constitution. Money deposited in the state lottery fund from video
258 lottery game license fees and any reimbursements of commission
259 administrative expenses to enforce sections 313.425 to 313.435 shall be
260 distributed in the following manner:

261 (1) Until December 31, 2019, one hundred percent of the proceeds
262 in the state lottery fund attributable to license fees and any
263 reimbursements of commission administrative expenses to enforce
264 sections 313.425 to 313.435, subject to appropriation, shall be used for
265 administrative expenses associated with supervising and enforcing the

266 provisions of sections 313.425 to 313.435;

267 (2) Beginning January 1, 2020, money deposited in the state
268 lottery fund from video lottery game license fees and reimbursements
269 of commission administrative expenses to enforce sections 313.425 to
270 313.435 shall be distributed in the following manner:

271 (a) Twenty percent of the proceeds in the state lottery fund
272 attributable to license fees and one hundred percent of any
273 reimbursements of commission administrative expenses to enforce
274 sections 313.425 to 313.435, subject to appropriation, shall be used by
275 the commission for administrative expenses associated with
276 supervising and enforcing the provisions of sections 313.425 to 313.435;

277 (b) One hundred percent of remaining net proceeds in the state
278 lottery fund attributable to license fees, after the appropriation in
279 paragraph (a) of this subdivision has been made, subject to
280 appropriation, shall be transferred to the veterans' commission capital
281 improvement trust fund created in section 42.300.

313.431. 1. In order to expedite the orderly implementation of
2 the video lottery game system authorized under sections 313.425 to
3 313.435, the commission shall:

4 (1) Issue a request for proposal for the supply and operation of
5 a centralized communication system for video lottery games by no later
6 than September 15, 2018;

7 (2) Make license applications for video lottery game
8 manufacturers, video lottery game operators, video lottery game
9 retailers, and video lottery game handlers available to applicants by
10 September 15, 2018;

11 (3) Issue a provisional license to an applicant for a video lottery
12 game manufacturer's, video lottery game operator's, video lottery game
13 retailer's, or video lottery game handler's license if such applicant
14 satisfies all of the following criteria to the satisfaction of the
15 commission:

16 (a) The applicant has never been convicted of a felony;

17 (b) The applicant is current on all state taxes;

18 (c) The applicant has submitted a complete application for
19 licensure as a licensed video lottery game manufacturer, video lottery
20 game operator, video lottery game retailer, or video lottery game
21 handler, which shall be submitted concurrently with the applicant's

22 request for a provisional license;

23 (d) The applicant has never been convicted of any gambling law
24 violation in any jurisdiction; and

25 (e) The applicant for a video lottery game retailer's license has
26 been issued and holds a valid license to sell liquor under chapter 311.
27 A provisional license shall be issued by the commission within sixty
28 days from the date on which the application was first received unless
29 the commission shows cause that the license application is deficient or
30 such applicant does not meet the criteria for licensure.

31 2. The commission may issue provisional licenses prior to the
32 completion of a background check to an applicant that is currently
33 licensed under sections 313.200 to 313.435 or sections 313.800 to 313.850;
34 holds a license in good standing from a regulatory body of another
35 state to operate, handle, or maintain video gaming terminals or video
36 lottery game terminals that are substantially similar to video lottery
37 game terminals authorized under sections 313.425 to 313.435; or if such
38 person has been in the business of locating and operating amusement
39 games within this state continuously for a period of five years.

40 3. A provisional license shall be valid until:

41 (1) The commission either approves or denies the applicant's
42 application for licensure;

43 (2) The provisional license is terminated for a violation of this
44 section; or

45 (3) One calendar year has passed since the provisional license
46 was issued.

47 Nothing in this section shall prohibit an applicant for a video lottery
48 game manufacturer's, video lottery game operator's, video lottery game
49 retailer's, or video lottery game handler's license from applying for a
50 renewal of the provisional license issued under this section so long as
51 the commission has not made a final determination to award or deny
52 the applicant a license.

53 4. Each applicant shall attest by way of affidavit under penalty
54 of perjury that the applicant is not otherwise prohibited from licensure
55 according to the requirements of this section.

56 5. All requests for provisional licensure under this section shall
57 include the following fee, which is in addition to the applicable fee
58 required for an application for licensure and shall be retained by the

59 **commission:**

60 (1) Five thousand dollars for a video lottery game manufacturer;

61 (2) Five thousand dollars for a video lottery game operator;

62 (3) Five hundred dollars for a video lottery game retailer's

63 establishment; or

64 (4) One hundred dollars for a video lottery game handler.

313.433. 1. Notwithstanding any other provision of law to the
2 contrary, participation by a person, firm, corporation, or organization
3 in any aspect of the state lottery under sections 313.425 to 313.435 shall
4 not be construed to be a lottery or gift enterprise in violation of section
5 39 of article III of the Constitution of Missouri.

6 2. The sale of lottery tickets or shares under sections 313.425 to
7 313.435 shall not constitute a valid reason to refuse to issue or renew
8 or to revoke or suspend any license or permit issued under the
9 provisions of chapter 311.

313.435. A municipality may adopt an ordinance prohibiting
2 video lottery game terminals within the corporate limits of such
3 municipality within ninety days from the effective date of this act. A
4 county commission may, for the unincorporated area of the county,
5 adopt an ordinance prohibiting video lottery game terminals within the
6 unincorporated area of the county within ninety days from the effective
7 date of this act. The commission shall not license video lottery
8 retailers within such area covered by such ordinance. Any such
9 municipality or county that has opted to prohibit the use of video
10 lottery game terminals to play video lottery games may repeal such
11 ordinance and upon such repeal the commission may license video
12 lottery game retailers within such municipality or county to conduct
13 video lottery games.

313.852. 1. Notwithstanding the provisions of section 313.800 to
2 the contrary, the commission may authorize wagering on the outcome
3 of a sporting event in the event federal law is enacted or repealed or
4 a federal court decision is filed that affirms the authority of a state to
5 regulate wagering on sporting events.

6 2. The commission shall promulgate regulations establishing
7 standards and procedures for wagering on sporting events that may
8 include the acceptance of cash in exchange for a ticket or voucher
9 evidencing the wager. The standards and procedures shall provide for

10 the conduct and implementation of sports wagering in the state of
11 Missouri.

12 3. Notwithstanding the provisions of section 313.822 to the
13 contrary, wagering on sporting events shall only be subject to the
14 following taxes and fees:

15 (1) A tax is imposed on the adjusted gross receipts received from
16 wagers on sporting events authorized pursuant to this section at the
17 rate of twelve percent. Such tax shall be the only tax assessed upon the
18 gross receipts derived from wagers on sporting events and shall be
19 remitted in the same manner as gross receipts taxes are remitted
20 pursuant to 313.822.

21 (2) In addition to the tax imposed on adjusted gross receipts, an
22 administrative fee is imposed on adjusted gross receipts received from
23 wagers on sporting events authorized pursuant to this section at the
24 rate of two percent. Such fee shall be deposited in the gaming
25 commission fund created pursuant to section 313.835, and one hundred
26 percent of such administrative fee shall be transferred to the veterans'
27 commission capital improvement trust fund created in section 42.300.

28 4. Nothing in this section shall relieve a licensee from any
29 administrative action or penalty assessed by the commission for a
30 violation of the law or any regulations promulgated by the commission
31 for the conduct of wagering on sporting events.

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