

FIRST REGULAR SESSION

# HOUSE BILL NO. 1002

## 96TH GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE TALBOY.

2119L.02I

D. ADAM CRUMBLISS, Chief Clerk

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### AN ACT

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

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

Section A. Chapter 313, RSMo, is amended by adding thereto eight new sections, to be known as sections 313.400, 313.403, 313.406, 313.409, 313.412, 313.415, 313.418, and 313.421, to read as follows:

**313.400. As used in sections 313.400 to 313.421, the following words and terms mean:**

(1) "Commission", the Missouri lottery commission;

(2) "Credit" or "lottery game credit", an amount registered on a video lottery terminal in exchange for coins or currency, such amount to be registered in units where one unit equals a minimum of twenty-five cents or a greater value to be determined by the commission;

(3) "Director", the director of the Missouri lottery commission;

(4) "Gray area device", any video lottery device, not authorized by the commission and not connected to the state video lottery gaming central computer communications system, that is available to the public for play and capable of simulating a lottery game played on a licensed video lottery terminal;

(5) "Licensed premises", any lottery establishment and any establishment licensed for the sale of alcoholic beverages regulated by chapter 311 or 312, and approved by the commission;

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

16           (6) "Net terminal income", the amount of money placed by players into a video  
17 lottery terminal less amounts paid out to winning players as prizes;

18           (7) "Service employee", an employee of a video lottery terminal distributor or video  
19 lottery terminal operator who is certified by the commission to service, maintain and repair  
20 video lottery terminals;

21           (8) "Video display", the visual presentation of a video lottery game shown on the  
22 screen of a video lottery terminal;

23           (9) "Video lottery game", any electronically simulated lottery games of chance,  
24 including but not limited to video poker, keno or blackjack, displayed and played on a  
25 video lottery terminal;

26           (10) "Video lottery terminal" or "terminal", an electronic video lottery game  
27 terminal which accepts coins or currency in exchange for lottery game credit, and is  
28 available to play or simulate the play of a video lottery game using a video display and  
29 microprocessors and in which the player may receive lottery game credit for winning plays,  
30 that may be redeemed for a ticket voucher redeemable for cash prizes. Video lottery  
31 terminal does not include a terminal that directly dispenses coins, currency or tokens;

32           (11) "Video lottery terminal associated equipment", any proprietary device,  
33 terminal or part used in the manufacture or maintenance of a video lottery terminal;

34           (12) "Video lottery terminal distributor", any individual, firm, corporation, or  
35 other legal entity licensed by the commission to distribute or sell video lottery terminals or  
36 video lottery terminal associated equipment in this state;

37           (13) "Video lottery terminal manufacturer", any individual, firm, corporation, or  
38 other legal entity licensed by the commission to assemble or produce video lottery terminals  
39 or video lottery terminal associated equipment for sale or use in this state;

40           (14) "Video lottery terminal operator", any individual, firm, or corporation  
41 licensed by the commission to own and physically place video lottery terminals or video  
42 lottery terminal associated equipment in lottery licensed retail locations located anywhere  
43 in this state. The commission shall give preference in licensing video lottery terminal  
44 operators to residents of this state operating lottery establishments in this state. Nothing  
45 in this section shall prohibit the commission from placing a video lottery terminal at a  
46 licensed premise if such licensed premise demonstrates to the satisfaction of the commission  
47 that it was unable to secure video lottery terminals from a licensed video lottery terminal  
48 operator. The commission shall not directly place video lottery terminals without  
49 providing for the servicing and maintenance of such terminals. In such case only, the net  
50 terminal income that is shared with the premise location shall not exceed the percentage

51 received by a premise location which has video lottery terminals placed by a licensed video  
52 lottery terminal operator.

313.403. 1. The commission shall establish a statewide video lottery terminal  
2 network in accordance with the provisions of sections 313.400 to 313.421.

3 2. The commission shall promulgate rules concerning the operation of a statewide  
4 video lottery terminal network. The rules shall include, but shall not be limited to, the  
5 following:

6 (1) The type of video lottery terminals and the type of video lottery terminal  
7 associated equipment to be used to conduct video lottery games as defined in sections  
8 313.400 to 313.421;

9 (2) The type of video lottery games offered for play as defined in section 313.400;

10 (3) The amount of lottery game credits wagered for a single lottery game play;

11 (4) The award of lottery game credits for winning plays, as determined by the  
12 commission;

13 (5) The manner of payment of cash prizes to the holders of winning video gaming  
14 ticket vouchers;

15 (6) The normal location premise license shall provide for the installation of up to  
16 a maximum total of three terminals. The commission may authorize more than three  
17 terminals, not to exceed a total of five terminals at any one premise location. To qualify  
18 for more than five terminals, all terminals shall be generating, at a minimum, net terminal  
19 income equal to the average for all terminals in the state of Missouri;

20 (7) The payback value of one credit wagered, determined over time, shall be a  
21 minimum of eighty percent but shall not exceed a maximum of ninety-three percent.

22 3. The commission, in order to assure integrity of its accounting system, shall  
23 operate the video gaming network through a central computer communications system,  
24 which shall be dedicated and used solely for the operation of the video gaming network.  
25 The central computer communications system shall be capable of auditing the operation,  
26 financial data, and program information of the video gaming network. The commission  
27 may enter into a contract with any private entity for central computer communications  
28 system services. All equipment or devices required for operation of the central computer  
29 communications system shall be included in any contract made for the purpose of  
30 providing or operating such system.

31 4. The central computer communications system used by the commission shall  
32 incorporate electronic fund transfer procedures to facilitate the collection of revenue, be  
33 capable of disabling any terminal from play which does not comply with the provisions of  
34 sections 313.400 to 313.421, and be capable of communicating with all video lottery

35 terminals approved by the commission. The commission shall provide licensed  
36 manufacturers with the protocol documentation and the audit information and controls  
37 necessary to enable the manufacturers' terminals to communicate with the commission's  
38 central computer communications system. The central computer communications system  
39 shall not limit participation to only one manufacturer of video lottery terminals or video  
40 lottery terminal associated equipment by either the cost of implementing necessary  
41 program modifications to communicate or the inability to communicate with the system.

42 **5. The director shall remove from play and confiscate any terminal that does not**  
43 **comply with the requirements of sections 313.400 to 313.421. Any terminal that the**  
44 **director determines has been modified or the design of which has been modified without**  
45 **the consent of the director shall be removed from play and confiscated by the director.**

**313.406. 1. The director shall issue, suspend, revoke, and renew licenses for video**  
2 **lottery terminal manufacturers, distributors, and operators, and video lottery terminals**  
3 **and video lottery game premise locations under rules adopted by the commission. Such**  
4 **rules shall specify that no individual, firm, corporation, or other legal entity shall apply for**  
5 **or be granted more than one type of license established under this section, except that the**  
6 **holder of a video lottery game premise location license shall obtain a license for each**  
7 **individual video lottery terminal placed in operation, which license shall be in addition to**  
8 **their video lottery game premise location license. Fees for such licenses shall be as follows:**

9 **(1) For video lottery terminal manufacturers, a nonrefundable application fee of**  
10 **one hundred thousand dollars for the first year of licensure for investigation and a fee of**  
11 **five thousand dollars for each year of licensure thereafter. The applicant shall be**  
12 **responsible for the total cost of the investigation. If the cost of the investigation exceeds the**  
13 **total amount of fees filed by the applicant, the commission may assess additional fees it**  
14 **deems appropriate;**

15 **(2) For video lottery terminal distributors, a nonrefundable application fee of**  
16 **fifteen thousand dollars for the first year of licensure for investigation and a fee of five**  
17 **thousand dollars for each year of licensure thereafter. The applicant shall be responsible**  
18 **for the total cost of the investigation. If the cost of the investigation exceeds the total**  
19 **amount of fees filed by the applicant, the commission may assess additional fees it deems**  
20 **appropriate;**

21 **(3) For video lottery terminal operators, a nonrefundable application fee of fifteen**  
22 **thousand dollars for the first year of licensure for investigation and a fee of two thousand**  
23 **five hundred dollars for each year of licensure thereafter. The applicant shall be**  
24 **responsible for the total cost of the investigation. If the cost of the investigation exceeds the**

25 total amount of fees filed by the applicant, the commission may assess additional fees it  
26 deems appropriate; and

27 (4) For each licensed premise, an application fee of one thousand dollars for the  
28 first year of licensure and five hundred dollars for each year thereafter and a license fee  
29 for video lottery terminals not to exceed two hundred fifty dollars per year for each of the  
30 video lottery terminals per location.

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32 The license fees prescribed in this section shall pay for the administrative expenses of the  
33 commission in administering sections 313.400 to 313.421. Licenses issued under this section  
34 shall be the only licenses required by the commission or any political subdivision of this  
35 state to manufacture, distribute, place and operate video lottery terminals and video lottery  
36 terminal associated equipment. Licensing rules and regulations may include requirements  
37 relating to the financial responsibility of the licensee, the accessibility of the licensee's place  
38 of business or activity to the public, the volume of expected sales, the security and efficient  
39 operation of video lottery terminals and any other matters necessary to protect the public  
40 interest and trust in video gaming. Video gaming licensees shall be selected without regard  
41 to political affiliation.

42 2. Any individual, firm, corporation, or other legal entity seeking to obtain a license  
43 under rules adopted by the commission shall apply to the director for such license on forms  
44 provided by the director. No license shall be granted to any person who has been convicted  
45 of a felony. The commission, at its discretion, may refuse to issue a license to any applicant  
46 who has been convicted of a gambling related offense.

47 3. The director shall notify an applicant who is found, for any reason, not to be  
48 qualified for licensure, of the specific reasons therefor which constitute the basis for the  
49 finding. The commission may contract with other state and federal agencies to investigate  
50 applicants for licensure under sections 313.400 to 313.421.

51 4. No license issued under this section shall be assignable or transferable.

52 5. A license issued under this section shall be revoked upon a finding that the  
53 licensee has been convicted of a felony.

54 6. A license may be suspended, revoked, or not renewed for any of the following  
55 causes:

56 (1) The licensee has been convicted of a gambling related offense;

57 (2) The licensee has knowingly provided false or misleading information to the  
58 commission or its employees;

59 (3) Failure to notify the commission about a change of business location;

60 (4) A delinquency in remitting money owed to the commission; or

61 (5) Any violation of any rule or regulation adopted by the commission.

2 313.409. 1. Any individual, firm, corporation, or other legal entity applying for a  
2 license to manufacture or assemble video lottery terminals or video lottery terminal  
3 associated equipment for sale or use in this state shall submit to the director two copies of  
4 terminal illustrations, schematics, block diagrams, circuit analysis, technical and operation  
5 manuals, program source codes, and hexadecimal dumps with the compiled computer  
6 program presented in base ten format. The director may require the applicant to submit  
7 for examination, testing, and analysis two working models of the video lottery terminal and  
8 video lottery terminal associated equipment which such applicant is proposing to offer for  
9 sale or use in this state. The director may completely disassemble terminals or equipment  
10 submitted for testing purposes and the applicant waives any claim against the commission  
11 or its staff for any damage to or destruction of such terminal. The director may employ  
12 an independent technical expert to assist in testing a terminal or terminals submitted under  
13 this section to certify that such terminal or terminals are in technical compliance with the  
14 provisions of sections 313.400 to 313.421. The applicant shall pay any costs incurred by  
15 the commission for testing of the terminal and associated equipment.

16 2. The director shall provide the applicant with a written report of testing results  
17 for terminals and equipment submitted under this section. In the event the terminals or  
18 equipment fail to meet testing standards, the commission shall inform the applicant of the  
19 necessary modifications required to meet commission testing standards. No applicant shall  
20 be issued a license as a manufacturer of video lottery terminals or associated equipment  
21 until such applicant's terminals and associated equipment have satisfactorily completed  
22 the testing requirements of the commission.

23 3. Every licensed manufacturer of video lottery terminals and video gaming  
24 associated equipment shall submit a training program for the service and maintenance of  
25 such terminals and equipment for approval by the commission. The training program  
26 shall include an outline of the training curriculum, a list of instructors and their  
27 qualifications, a copy of the instructional materials and the dates, times and location of  
28 training classes. No service and maintenance program shall be held until approved by the  
29 commission.

30 4. Every service employee shall complete the requirements of the manufacturer's  
31 training program before such employee performs service, maintenance, and repairs on  
32 video lottery terminals or video lottery terminal associated equipment. Upon the successful  
33 completion by a service employee of the training program required by this section, the  
34 commission shall issue a certificate authorizing such employee to service, maintain, and  
35 repair video lottery terminals and video lottery terminal associated equipment. No

36 certificate of completion shall be issued to any service employee until the commission has  
37 ascertained that such employee has completed the required training program. Any person  
38 certified as a service employee under this section shall pass a background investigation  
39 under the rules and regulations of the commission. The commission may revoke  
40 certification upon finding a service employee in violation of a commission rule or  
41 regulation.

313.412. 1. The director shall not issue a license to any individual, firm,  
2 corporation or other legal entity making application to distribute video lottery terminals  
3 or video lottery terminal associated equipment until such applicant meets the requirements  
4 for such license as required in sections 313.400 to 313.412.

5 2. The director shall issue a total of three distributor licenses to video lottery  
6 terminal vendors. One of those licenses shall be for the St. Louis metropolitan area. One  
7 shall be for Jackson County and the third shall be for the remaining area of the state. In  
8 addition, one of those three shall be issued to a minority business enterprise that has been  
9 certified for at least two years. These vendor distributors shall be known as vendor owner  
10 operators and shall own, provide and maintain the video lottery terminals.

11 3. All applicants for a distributor's license shall have been in existence at least two  
12 years prior to the effective date of this section and all applicant distributors shall reside in  
13 the jurisdiction for which the distributor's license is sought.

14 4. Video lottery terminals offered for distribution in this state shall be approved by  
15 the commission and only offer video lottery games authorized by the commission.

16 5. Video lottery terminals distributed in this state shall:

17 (1) Be incapable of manipulation to effect the random probability of winning plays;

18 (2) Have one or more mechanisms that accepts coins or currency in exchange for  
19 lottery game credits, and such mechanisms shall be designed to prevent players from  
20 obtaining credits by means of physical tampering;

21 (3) Be capable of suspending play until reset at the direction of the director as a  
22 result of physical tampering;

23 (4) Have nonresettable mechanical and electronic meters housed in a locked area  
24 of the terminal that maintain a permanent record of all moneys inserted into the terminal,  
25 all refunds of winnings, all credits played and all credits won by players. The terminal's  
26 printing mechanism shall be capable of printing the readings of electronic meters;

27 (5) Be capable of printing a ticket voucher stating the value of the cash prize won  
28 by the player at the completion of each lottery game, the date and time of day the lottery  
29 game was played in a twenty-four hour format showing hours and minutes, the terminal

30 serial number, the sequential number of the ticket voucher, and an encrypted validation  
31 number for determining the validity of the winning ticket voucher;

32 (6) Be capable of being linked to the commission's central computer  
33 communications system for the purpose of auditing the operation, financial data, and  
34 program information as required by the director.

35 6. Video lottery terminals shall be allowed in all existing lottery establishments.

36 7. Any charitable organization as defined in section 313.005 with a bingo license  
37 shall be allowed to install video lottery terminals and electronic bingo machines.

313.415. 1. The director shall not issue a license to any individual, firm,  
2 corporation, or other legal entity making application for a license to operate video lottery  
3 terminals or video lottery terminal associated equipment until such applicant meets the  
4 requirements for such license as required in sections 313.400 to 313.421.

5 2. The holder of a video gaming operator's license shall:

6 (1) Offer for inspection and licensure by the commission each individual video  
7 lottery terminal before such terminal is placed in operation to ensure that such terminal  
8 complies with the provisions of sections 313.400 to 313.421, and rules promulgated by the  
9 commission. Upon the successful completion of inspection and payment of the applicable  
10 terminal license fee, the director shall seal the software eproms on the logic board on each  
11 terminal presented for inspection in accordance with procedures established by the  
12 commission and issue a license for each individual terminal. Such license shall be  
13 prominently displayed on the terminal by the operator;

14 (2) Provide service and maintenance for all licensed video lottery terminals and  
15 video lottery terminal associated equipment owned by an operator as required by the  
16 commission;

17 (3) Maintain a written service and maintenance log for each licensed terminal  
18 placed in service. Such service and maintenance log shall be stored inside the main access  
19 cabinet of such terminal. Any service employee or employee of the commission gaining  
20 entry for the service, maintenance or repair of a licensed terminal shall sign the log, record  
21 the date, time, and purpose of the entry, the electronic and mechanical meter readings and  
22 the parts of the terminal inspected or repaired. Service and maintenance log forms shall  
23 be obtained from the commission and retained by the operator for a period not to exceed  
24 five years. Service and maintenance logs shall be available for inspection upon request of  
25 the director;

26 (4) Maintain records of the operation of each licensed terminal placed into use by  
27 the operator under this section. The records shall be kept in a secure place by the licensee,  
28 subject to inspection by the commission and shall include, but not be limited to, an audit

29 tape that records an exact duplicate of all tickets printed and transactions recorded and  
30 licensing records.

31           **3. The director shall contract with licensed operators for the operation of video**  
32 **lottery terminals and video lottery terminal associated equipment. Such contract shall be**  
33 **one year in duration, automatically renewable subject to such operator's continued**  
34 **compliance with the provisions of this section, and require the operator to:**

35           **(1) Except as required under subdivision (14) of section 313.400, pay to the**  
36 **commission twenty percent of the net terminal income during the first three years from the**  
37 **date that video lottery terminals are first offered for play to the public in the state of**  
38 **Missouri, and thirty percent of the net terminal income for each year thereafter;**

39           **(2) Provide the commission with all information and bank authorizations necessary**  
40 **to ensure the timely transfer of moneys due the commission;**

41           **(3) Maintain an account balance and surety bond or letter of credit, as required by**  
42 **the commission, sufficient to cover the amount due the commission; and**

43           **(4) Maintain accurate records of net terminal income.**

44           **4. A licensed operator shall be prohibited from obtaining an interest in or operating**  
45 **more than ten percent of the total number of video lottery terminals authorized for play**  
46 **by the public under sections 313.400 to 313.421.**

47           **5. Any operator who fails to maintain an account balance sufficient to cover the**  
48 **amount due the commission shall be assessed an interest penalty equal to twelve percent**  
49 **of the amount due. Each operator shall post a bond, letter of credit, or deposit, determined**  
50 **by the commission, in an amount not to exceed the average amount due to the commission**  
51 **in that operator's fifteen-day collection cycle. Failure to make payments on any amount**  
52 **past due the commission on or before the next electronic transfer date shall be grounds for**  
53 **suspension or revocation of the operator's license and the removal of the licensee's**  
54 **terminals from play.**

**313.418. 1. The director shall not issue a license to any individual, firm,**  
2 **corporation, or other legal entity making application for a premise license to operate video**  
3 **lottery terminals or video lottery terminal associated equipment until such applicant meets**  
4 **the requirements for such license as required in sections 313.400 to 313.421. No video**  
5 **lottery terminal shall be placed into play by an operator until:**

6           **(1) The premise license applicant's location has been licensed by the commission**  
7 **and the licensed terminal or terminals have been connected to the commission's central**  
8 **computer communications system. It shall be the responsibility of the premise location**  
9 **licensee to provide the phone line to connect to the central computer communications**  
10 **system;**

11           (2) A licensed operator and the premise license applicant have entered into a  
12 written contract to place such operator's terminal or terminals for play at the location  
13 stated on such premise license application. The contract between the operator and the  
14 premise licensee shall ensure equal distribution of net terminal income less applicable  
15 payments to the state by electronic transfer. The contract shall have a term of thirty-six  
16 months and be automatically renewed for one-year terms unless written notice is given by  
17 either party at least thirty days prior to the date of renewal.

18           2. Video lottery games shall only be played during the legal hours of operation of  
19 such premise license holder's establishment or hours deemed appropriate by the  
20 commission and no licensed video lottery terminal shall be played by any person under  
21 twenty-one years of age.

22           3. Video lottery terminals, video lottery terminal associated equipment, and video  
23 lottery games authorized by the commission for play shall not be construed as gambling  
24 devices or the offering of gambling to the public or participation in gambling activities for  
25 the purpose of administering the provisions of chapters 311 and 312, or rules made  
26 thereunder. No license issued under chapter 311 or 312 for the on-premise purchase of  
27 alcoholic beverages shall be denied, suspended, or revoked because such license holder is  
28 a licensed participant in the state video lottery gaming network authorized in sections  
29 313.400 to 313.421; however, revocation of a lottery retail location's liquor license shall  
30 result in action against the location's video lottery license or the location's authority to  
31 operate video lottery terminals and suspension of a lottery retail location's liquor license  
32 may result in action against the location's video lottery license or the location's authority  
33 to operate video lottery terminals.

          313.421. 1. Under Section 2 of an Act of Congress of the United States entitled "An  
2 act to prohibit transportation of gambling devices in interstate and foreign commerce",  
3 approved January 2, 1951, being Chapter 1194, 64 Stat. 1134, acting by and through the  
4 duly elected and qualified members of the general assembly, does hereby, in accordance  
5 with and in compliance with the provisions of Section 2 of that Act of Congress, declare  
6 and proclaim that Section 2 of that Act of Congress shall not apply to any gambling device  
7 in this state where the transportation of such device is specifically authorized by and done  
8 in compliance with the provisions of sections 313.400 to 313.421, any other applicable  
9 statute of this state, and any regulations promulgated thereunder, and that any such  
10 gambling device transported in compliance with state law and regulations shall be exempt  
11 from the provisions of that Act of Congress.

12           2. No holder of a license issued under sections 313.400 to 313.421 shall use the word  
13 "casino" in any sign or advertisement in connection with a video lottery terminal.

14           **3. Any person who physically tampers with a licensed video lottery terminal with**  
15 **the intent to interfere with the proper operation of the terminal, manipulate the outcome**  
16 **or payoff of such terminal is guilty of a class D felony.**

17           **4. After the effective date of this section, any individual, firm, corporation or other**  
18 **legal entity who shall place in operation or continue to have in place any gray area device**  
19 **for use by members of the public at any licensed premise or any other place is guilty of a**  
20 **class D felony.**

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