

HCS HB 2088 -- GAMING

SPONSOR: Shaul (113)

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Special Committee on Government Oversight by a vote of 5 to 1 with 1 present. Motion to "Do Pass" failed by the Standing Committee of Rules- Legislative Oversight by a vote of 4 to 6. Voted "To Reconsider" by the Standing Committee on Rules- Legislative Oversight by a vote of 6 to 1. Voted "Do Pass" by the Standing Committee on Rules- Legislative Oversight by a vote of 4 to 2.

The following is a summary of the House Committee Substitute for HB 2088.

MISSOURI VIDEO LOTTERY CONTROL ACT

This bill establishes the "Missouri Video Lottery Control Act", which is the framework for the use of video terminals.

This bill allows the Lottery Commission to implement a system of video lottery game terminals and to issue licenses to video lottery game manufacturers, distributors, operators, handlers, and retailers, as defined. The commission shall not allow a single vendor or licensee to be responsible for implementing video lottery game terminals, nor shall it allow a single vendor or licensee to control or operate more than 25% of video lottery game terminals in the state after December 31, 2025.

Video lottery game terminals shall be connected to a centralized computer system developed or procured by the commission. No video lottery game terminal shall be placed in operation without first connecting to such centralized computer system.

The commission may impose a non-refundable application fee, as described. The initial license shall be for a period of one year. Thereafter, the license renewal period shall be four years with the applicable license renewal fee paid for each year such license is renewed, as described in the bill. In addition to the license fees, video lottery game operators shall pay the Commission an annual license fee of \$200 for each video lottery game terminal placed in service.

No license shall be issued to any person who has been convicted of a felony or crime involving illegal gambling. Sales agents must register with the commission and may not solicit or enter into any agreement with a retailer or retail establishment prior to such registration with the commission.

Licensed video lottery game operators shall pay winning tickets using a video lottery game ticket redemption terminal, which shall be located within the video lottery game retailer's establishment in direct proximity of where such video lottery games are offered. Video lottery game operators shall pay to the commission 32% of any unclaimed cash prizes associated with winning tickets that have not been redeemed within 180 days of issue.

Video lottery game operators and video lottery game retailers shall enter into a written agreement for the placement of video lottery game terminals. The agreement shall specify an equal division of adjusted gross receipts between the operator and retailer after adjustments for taxes and administrative fees are made. Video lottery game operators and video lottery game retailers are prohibited from offering anything of value other than the percentage of adjusted gross receipts for the placement of video lottery terminals. Persons violating such prohibition forfeit the right to operate video lottery game terminals for a one-year period.

The cost of video lottery game terminal credits shall be \$0.01, \$0.05, \$0.10, or \$0.25, and the maximum wager played per video lottery game shall not exceed \$5.00. No cash award for the maximum wager played on any individual lottery game shall exceed \$1,000.

Operators shall not operate: more than 10 terminals at any one fraternal organization, veterans organization, or truck-stop; more than five terminals in any one establishment licensed to sell liquor by the drink for on-premise consumption; or more terminals on the premises of a designated entertainment district that authorized by the commission.

A person under the age of 21 shall not play video lottery games, and such video lottery game terminals shall be under the supervision of a person that is at least 21 years of age. Video lottery game terminals shall be placed in a fully enclosed room that is continually monitored by video surveillance and where access to persons under the age of 21 is prohibited; or placed in an area of the video lottery game retailer's establishment that is restricted to use by persons 21 years of age or older; or video lottery game terminals must provide a secure, real-time method by which any person playing a video lottery game can electronically verify the person's age and identity before the person is allowed to play any game on such terminal. Recorded video surveillance shall be made available as reasonably and specifically requested by the commission. An operator that fails to review such video and report any known violation of law may be subject to an administrative fine not to exceed \$5,000. Any operator or retailer

found to have knowingly committed a violation of provisions governing the conduct of video lottery games may be subject to a fine of \$5,000, the suspension of such operator's retailer's license for up to 30 days, or, in the case of repeated violations, the revocation of such operator's or retailer's license for up to one year.

Video lottery game operators shall pay to the commission 40% of the video lottery game adjusted gross receipts. The net proceeds of the sale of video lottery game tickets shall be appropriated equally to public elementary and secondary education and public institutions of higher education, with an emphasis on funding elementary and secondary education student transportation costs and public institutions of higher education workforce development programs. The commission shall compensate the administrative costs of the city or county in which a video lottery retailer maintains an establishment in an amount equal to 5% of the video lottery game adjusted gross receipts and 5% to the home dock fund to be distributed between all the home docks in the state.

The remainder of video lottery game adjusted gross receipts, after the cost of the centralized computer system and administrative costs are paid and apportioned, shall be retained by video lottery game operators and shall be split equally between video lottery game operators and video lottery game retailers as provided under an agreement.

All revenues collected by the commission from license renewal fees and any reimbursements associated with the enforcement of the act shall be appropriated for administrative expenses associated with supervising and enforcing the provisions of this bill.

The commission shall contract with a state law enforcement entity to assist in conducting investigations into applicants for licenses and to investigate violations of the provisions of this bill.

The use or possession of any video gaming terminal, gambling machine, or device capable of simulating lottery games, games of chance, or gambling games, and that is not licensed by the Lottery Commission or Gaming Commission shall be punishable under the provisions of Chapter 572, RSMo, relating to illegal gambling. Any lottery vendor or licensee violating such provisions shall be guilty of a class D felony and fined up to \$10,000 per occurrence. The commission shall suspend or revoke the license of any vendor or licensee that allows the use of any prohibited video gaming terminal.

Participation in the state lottery under this bill shall not be construed to be a lottery or gift enterprise in violation of

Article III, Section 39 of the Constitution of Missouri, and shall not constitute a valid reason for the denial or revocation of a permit to sell liquor (Section 313.433).

This bill allows a municipality or county to adopt an ordinance within 180 days of the effective date of this bill prohibiting video lottery game terminals within the municipality or county (Section 313.435).

These provisions are similar to HB 2030 and SB 566 (2020).

SPORTS WAGERING

This bill also allows the Missouri Lottery Commission to offer games based on the outcomes of sporting events (Section 313.230).

This bill modifies the definition of "gambling game" to include sports wagering.

Certificate holders shall ensure that the certificate holder's surveillance system covers all areas in which sports wagering is conducted, allow the Commission to be present through gaming agents during the hours sports wagering is conducted, ensure that individuals under the age of 21 are not making sports wagers, provide certain information to sports wagering patrons, and post a sign indicating the minimum and maximum amounts that may be wagered (Section 313.1004).

Sports wagering shall only be authorized to be conducted in a designated entertainment district or on an excursion gambling boat or over the Internet to persons physically located in this state. Such licensed facilities shall apply to the Missouri Gaming Commission for authorization to conduct sports wagering, and shall pay an application fee of \$25,000. If granted a certificate of authority, a certificate holder shall be authorized to conduct sports wagering in a licensed facility or through an interactive sports wagering platform, as defined (Section 313.1006).

Certificate holders shall designate an area within the licensed facility for conducting sports wagering. Subject to the approval of the commission, a certificate holder may contract with a third party to conduct sports wagering at the certificate holder's licensed facility (Section 313.1008).

An interactive sports wagering platform, as defined, may apply to the commission for authority to offer sports wagering on behalf of a certificate holder. Such interactive sports wagering platform shall submit an application fee of \$25,000. Each year after licensure, an interactive sports wagering platform shall submit an

annual license renewal fee of \$50,000 (Section 313.1010).

The commission shall promulgate rules for a sports wagering self-exclusion program, as described in the bill. The commission shall also promulgate rules to ensure that advertisements for sports wagering do not target minors or other persons who are ineligible to place wagers, problem gamblers, or other vulnerable persons (Section 313.1012).

The commission shall conduct background checks on individuals seeking licenses under these sections. Such background checks shall include a search for criminal history and any charges or convictions involving corruption or manipulation of sporting events.

A sports governing body may notify the commission that it desires to restrict, limit, or exclude sports wagers, as defined in the bill, on its sporting events, including restrictions on sources of data and associated video upon which an operator may rely in offering and paying wagers. The commission may deny such request if it determines that it is arbitrary and capricious. Except in certain emergency situations, such restrictions shall not apply to tier one sports wagers on non-exhibition games or events of professional sports organizations, as defined.

Certificate holders may use any data source to determine the results of sports wagers, provided the data is not obtained directly or indirectly from live event attendees or through automated computer programs. However, within 30 days of a sports governing body notifying the commission of its desire to supply official league data to certificate holders for determining the results of tier two wagers, as defined in the bill, certificate holders shall only use official league data to determine the results of such wagers. Certificate holders shall not purchase or utilize any personal biometric data of an athlete, as defined, without written permission from the athlete's exclusive bargaining representative.

The commission and certificate holders shall cooperate with investigations conducted by law enforcement agencies (Section 313.1014).

A certificate holder must maintain records of all bets and wagers placed through an interactive sports wagering platform, and all bets and wagers placed in person that exceed \$10,000 in a 24-hour period, including personally identifiable information of the bettor, the amount and type of bet, the time the bet was placed, the location of the bet, the outcome of the bet, and records of abnormal betting activity for at least three years after the

sporting event occurs (Section 313.1016).

Any person who knowingly violates any procedure implemented shall be liable for a civil penalty of not more than \$5,000 for each violation, not to exceed \$50,000 for violations arising out of the same transaction or occurrence. Such person shall also be subject to actions and penalties provided under current law, provided that any such financial penalties shall not exceed those provided for in the bill.

Any person who places, or causes to be placed, a bet or wager on the basis of material nonpublic information relating to that bet or wager, or who knowingly engages in, facilitates, or conceals conduct that intends to improperly influence a betting outcome of a sporting event for purposes of financial gain in connection with betting or wagering on a sporting event shall be guilty of a class E felony. The term "material nonpublic information" shall include personal biometric data (Section 313.1018).

A tax is imposed at a rate of 9.0% on the adjusted gross receipts received from sports wagering conducted by a certificate holder. Such tax shall be remitted by the last business day of each month. Revenues received from the tax shall be deposited in the Gaming Proceeds for the Education Fund.

A certificate holder shall also pay to the commission an annual administrative fee of \$50,000. In addition to such administrative fee, a certificate holder shall pay to the Commission a fee of \$10,000 every five years for a reinvestigation of the certificate holder. Such fees shall be deposited in the Gaming Commission Fund (Section 313.1021).

All sports wagers placed under this bill shall be deemed to be initiated, received, and otherwise made on the property of an excursion gambling boat in this state. The intermediate routing of electronic data shall not determine the location or locations in which such wager is initiated, received, or otherwise made (Section 313.1022).

The commission must establish a hotline or other method of communication that allows any person to confidentially report information about any conduct that the person believes is a violation of the provisions of this bill. The commission shall investigate all reasonable allegations and shall refer credible allegations to the appropriate law enforcement agency.

Sports wagering operators, sports governing bodies, professional sports franchises, and higher education institutions shall not discharge, demote, suspend, threaten, harass, or in any other

manner discriminate against an employee because of any lawful act performed by the employee to provide information, cause information to be provided, or otherwise assist in an investigation regarding any conduct which the employee reasonably believes constitutes a violation of the provisions of this bill.

An employee may bring an action at law or equity for relief from a violation of this provision, as described. Such action shall be commenced no later than 180 days from the later of the date on which the violation occurs or the date on which the employee became aware of the violation (Section 313.1024).

This section is similar to SB 643 (2020).

ILLEGAL GAMBLING

Currently, the Missouri Gaming Commission is allowed to enter into agreements with various federal, state, and local agencies to carry out the duties of the commission. This bill also allows the commission to enter into agreements with such agencies for investigations relating to and the enforcement of criminal provisions relating to illegal gambling.

This bill requires the Gaming Commission to establish a telephone contact number, which shall be prominently displayed on the commission's website, to receive reports of suspected illegal gambling activity. The commission shall initiate an investigation upon receiving such report. If the commission finds sufficient evidence of illegal gambling, it shall refer such violation to the prosecuting attorney. Upon the request of the prosecuting attorney, the Attorney General may aid such prosecuting attorney in prosecuting violations referred by the commission.

Any person or establishment licensed currently relating to gaming that is convicted of or pleads guilty to illegal gambling, and any affiliated company of such person or establishment, shall be permanently prohibited from being licensed to participate in any way in a program implementing video lottery gaming terminals should such a program be implemented in this state (Section 313.004).

This bill also allows the Supervisor of the Division of Tobacco and Alcohol Control to refer to the commission any suspected illegal gambling activity being conducted on the premises of a location licensed under the Liquor Control Law (Section 311.660).

Currently, a sheriff, peace officer, or eight or more citizens of a county or city are allowed to bring an action in circuit court to initiate proceedings to suspend or revoke a license issued under the Liquor Control Law as a result of certain offenses committed by

a licensee. This bill adds permitting illegal gambling devices on the licensed premises of a licensee to such list of offenses (Section 311.710).

This bill provides that any conviction in this state for illegal gambling activity involving an illegal gambling device shall result in the automatic and permanent revocation of a license issued under the Liquor Control Law, as well as any lottery game retailer license (Sections 311.720 and 313.255).

This bill modifies the definitions of "gambling device" and "slot machine" for the purposes of provisions of law relating to the prosecution of illegal gambling (Section 572.010).

This bill contains an emergency clause.

This section is similar to SCS SB 557 (2020).

RAFFLE

The bill authorizes a raffle using tickets, a machine or a device, where a person can buy one or more chances from a finite number of draws for a prize (Section 572.015).

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPONENTS: Supporters say that this bill will allow video lottery and bring funds into the state for schools and to help teachers with an incentive program that allows more education and salary increases. The bill sets restrictions and will monitor the machines so a minor cannot play by requiring a secure, real-time method to electronically verify the person's age and identity before such person is allowed to play or cash-out. It sets up a framework to manage video games which are electronic micro processors and not just slot machines. Grey machines claim to be games of skill not games of chance. Missouri Constitution allows five games of chance. Several lawsuits allow games of skill. Video lottery machines will not compete with the current \$170 million in lottery dollars, just add another option for entertainment. Casinos are reducing employment and that industry is declining.

The bill allows sports wagering by casinos and allows online betting on phones. There will be geographic and age limits, and royalty fees for major leagues for integrity of system. The wagering tax of 9%, according to the fiscal note, will bring in \$2 million to \$4 million in revenue from sports wagering. Official

league data will be used. Money goes to schools. All states around us have this. Legal sports betting is here to stay and will be legal in all states soon. This bill will provide small businesses an additional revenue stream. The economic impact to Missouri is unknown.

Testifying for the bill were Representative Shaul; Missouri Petroleum Marketers and Convenience Stores Association; J and J Ventures of Missouri; and Jeremy Kudon, Major League Baseball.

OPPONENTS: Those who oppose the bill say that they are not in favor of expanding or legalizing these machines. Lottery does not allow games of chance and the Missouri Constitution does not authorize video machines or slot machines. Surveillance and self-exclusion is not the same as in casinos. A person who self-excludes should not be able to cash out. A separate room for the machine does not provide supervision. In 2012, Illinois made video lottery machines legal causing gaming revenue to decline 18% even with a new casino, fewer jobs, and less capital investment at the casinos. This bill may not be constitutional. Any expansion of gaming should go to a vote of the people. Casinos create jobs and attract many people into a community. Communities made specific changes to accommodate the casinos in their towns.

Testifying against the bill were Home Dock Cities Association; and the Missouri Gaming Association.

This bill is similar to SB 643 (2020).