

HCS HB 2030 -- VIDEO LOTTERY CONTROL ACT

SPONSOR: Houx

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

The following is a summary of the House Committee Substitute for HB 2030.

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 in the bill. 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, and not more than five terminals in any one establishment licensed to sell liquor by the drink for on-premise consumption.

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 provide a secure, real-time method to electronically verify the person's age and identity before such person is allowed to play. 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. 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 36% of the video lottery game adjusted gross receipts and the Commission shall transfer \$250,000 of the amount received to the Compulsive Gamblers Fund. 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 4% of the video lottery game adjusted gross receipts.

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.

Monies collected by the Commission shall be appropriated first for administrative expenses associated with supervising and enforcing the provisions of this bill. The net proceeds shall be appropriated solely for public institutions of elementary and secondary schools with at least \$20 million to a center for education safety and \$20 million to public school districts on a pro-rata basis to be used for teacher compensation and benefits.

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.

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.

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.

This bill is similar to SB 566 (2020).

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 the bill allows 10 machines for video lottery in truck stops and 5 machines in restaurants with a liquor by the drink license and will create funds into the state for education. There are about 14,000 grey machines in Missouri now with the numbers growing. The bill sets restrictions and will monitor machines so a minor cannot play. 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 5 games of chance. Several lawsuits allow games of skill. Many restrictions apply including the room must be under adult supervision and always under video surveillance. These are not mini-casinos, just entertainment. Video lottery machines will not compete with the current \$170 million in lottery dollars, just add another option. Casinos are reducing employment and that industry is declining.

This will provide small businesses an additional revenue stream. Age verification software can be used to open the door to a separate room or turn on the machine for play. The economic impact to MO is unknown.

Testifying for the bill were Representative Houx; Grant Eble, Western Oil Incorporated and Petro Mart; Emily Fisher, MFA Oil Company; Missouri Petroleum Marketers and Convenience Stores Association; J And J Ventures of Missouri; and Jeff Hewitt, Curo Group.

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 MO 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 Missouri Gaming Association; City of Kansas City; Northland Regional Chamber of Commerce; and Home Dock Cities Association.

OTHERS: Others testifying on the bill say the Missouri Lottery will have the resources to implement this bill as requested in the fiscal note. Several states have passed legislation to allow video lottery machines. Any prize over \$600 requires the player's social security number for reporting so a person who self-excludes would not be able to redeem at the central office. In the bill, 1% of license fees will go to problem gaming. This is about \$58,000.

Testifying on the bill were the Missouri Lottery Commission.