

HCS HB 2989 -- GAMING

SPONSOR: Hardwick

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Emerging Issues by a vote of 8 to 5. Voted "Do Pass" by the Standing Committee on Rules-Legislative by a vote of 6 to 5.

The following is a summary of the House Committee Substitute for HB 2989.

ILLEGAL GAMING (Sections 27.108, RSMo.)

This bill establishes the "Illegal Gaming Enforcement Fund", which will consist of a portion of moneys generated from an administrative fee imposed on video lottery terminals. Moneys in the fund will be used by the Attorney General, prosecutors, and law enforcement to investigate, enforce, charge, and prosecute illegal gaming in this state.

INVESTIGATION OF VIOLATIONS (Section 43.375)

This bill gives the Missouri State Highway Patrol (highway patrol) authority to investigate any criminal violations regarding the provisions of this bill, as specified in the bill. This bill also creates the "Missouri State Highway Patrol Gambling Crimes Investigation Fund", which is to be utilized for certain purposes, as specified in the bill.

VIDEO LOTTERY GAMING (Sections 313.425-313.445)

This bill establishes the "Missouri Video Lottery Regulatory Act", which will provide additional funding for Missouri education programs and additional resources for Missouri municipalities and counties.

This bill requires the State 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. The Commission must not allow a single vendor or licensee to be responsible for implementing the program.

Video lottery game terminals must be connected to a central control system developed or procured by the Commission. No video lottery game terminal will be placed in operation without first

being connected to the centralized computer system, and the terminal must remain connected at all times. Video lottery game terminals must meet all applicable standards, as specified in the bill. No device that was previously determined to be an illegal gambling machine by the commission shall be licensed as a video lottery game terminal.

The Commission must impose a non-refundable application fee, as specified in the bill. The initial license will be for a period of one year. Thereafter, the license renewal period will be four years with the applicable license renewal fee paid for each year the license is renewed, as specified in the bill. In addition to license fees, video lottery game operators must pay the Department of Revenue an annual administrative fee of \$1,000 for each video lottery game terminal placed in service. A license will not be issued to any person who has been convicted of a felony or of a crime involving illegal gambling.

Video lottery game operators and video lottery game retailers must enter into a use agreement for the placement of video lottery game terminals, as specified in the bill. The agreement must specify an equal division of net terminal income 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.

Video lottery game operators will pay winning tickets using a video lottery game ticket redemption terminal, which must be located within the video lottery game retailer's establishment in direct proximity of where the video lottery games are offered. Unredeemed video lottery game tickets expire after 180 days of issue. Any person that has been self-excluded from video lottery game play is guilty of trespassing in the first degree if such person enters a designated Video Lottery Gaming Area, as defined by the Commission.

The price of video lottery game terminal credits will be determined by the Commission, and the maximum wager played per video lottery game must not exceed \$4. Notwithstanding current law regarding state or local sales tax, any cash award for the maximum wager played on any individual lottery game cannot exceed \$1,199 or no more than \$1 less than the minimum amount allowable by Federal law before tax withholding is required.

Each Operator must not operate more than eight terminals at any one video lottery game retailer location. A person under the age of 21 cannot play video lottery games and the retailer is responsible for preventing anyone under age from playing. Video lottery game operators must have a video surveillance system within the immediate area of the retailer's establishment where video lottery game terminals are located and must maintain the footage for 30 days. The video operator must also post a warning sign that gambling can be addictive and a sign with the problem gambling helpline, as specified in the bill.

Video lottery game operators must pay to the Commission 31% of the video lottery game adjusted gross gaming revenue. The Commission will retain an amount necessary to cover administrative expenses, and the remainder will be appropriated equally to public elementary and secondary education and public institutions of higher education, with 20% of such funds to be appropriated to the newly created "Public Elementary and Secondary School Construction and Rehabilitation Grant Fund", as specified in the bill.

Video lottery game operators must pay to the Department of Revenue an additional "municipality and county administration tax", as defined in the bill, of 3% of the video lottery game adjusted gross gaming revenue. The Department will distribute the funds to the cities and counties where the video lottery gaming terminals are located.

The Commission may require fingerprint submissions as part of the application process of licensing, as specified in the bill.

The Commission must adopt rules for the implementation of video lottery terminals, including a provision that a distinct area on retailer's premises for video lottery players be designated that is out of sight from the front or main entrance of the facility.

The Commission must procure a centralized computer system no later than 90 days following the effective date of this bill, and establish start and operational dates no later than 365 days following the effective date of the bill.

Participation in the state lottery will not be construed to be a lottery or gift enterprise in violation of Article III, Section 39 of the Constitution of Missouri.

This bill allows any municipality or county to adopt an ordinance prohibiting video lottery game terminals within 120 days after

the effective date of the bill and the Commission must be notified within seven days of the passage of the ordinance. If a municipality or county later passes an ordinance allowing video lottery game terminals, it is not allowed to adopt any ordinance prohibiting video lottery game terminals in the future.

An applicant for licensure must not be denied a license because of the applicant's operation, handling, leasing, licensing, servicing, or placing of machines or devices. However, the applicant must attest that the video lottery game retailer does not own or possess any illegal gambling devices. This bill also preempts local jurisdictions that enact or enforce a law or regulation on taxes, fees, or conduct in the use of video lottery games.

This bill requires the Commission to prescribe an application form for licensure, which includes certain information, as specified in the bill. The Commission must require every licensee to post a bond, a bonding fee, or a letter of credit in an amount determined by the Commission. Licenses granted by the Commission are nontransferable. The Commission must revoke a license upon certain findings, as specified in the bill. A person who knowingly makes a false statement on an application is guilty of a class A misdemeanor.

A licensee will be subject to penalties, suspension, or revocation of a license for an act that is injurious to public health or welfare. The types of acts or omissions committed by the licensee that may be grounds for discipline are specified in the bill. The Commission may also refuse to issue a license. The applicant or licensee must be notified in writing by the Commission with the reasons for the refusal or discipline. The applicant or licensee has 30 days to file a request for a hearing with the administration hearing commission.

The Commission may file a complaint with the administrative hearing commission against any applicant or holder of a license or any person who has failed to renew or surrender their license. If the administrative hearing commission finds that the grounds for disciplinary action are met, the Commission will determine the disciplinary action, as specified in the bill.

The Commission will have the power and authority to adopt and enforce certain rules and regulations to regulate video lottery games, as specified in the bill. The provisions found within Sections 313.425 to 313.445, and 572.020, 572.070, and 572.100 are non-severable, whereby an individual section that is

subsequently found to be invalid shall mean that the remaining provisions are also deemed to be invalid.

EXCURSION GAMBLING BOAT ADMISSION FEE (Section 313.820)

Current law requires excursion gambling boat licensees to pay an admission fee of \$2 per person, with \$1 deposited to the Gaming Commission Fund and the remaining \$1 paid to the home dock city or county. This bill increases the fee to \$4 per person and allocates the additional \$2 to the Missouri Veterans Commission.

CRIMINAL PROVISIONS FOR GAMBLING (Sections 572.010-572.100)

The bill modifies the definition of "advance gambling activity" by stating that the owning, operating, supplying, or servicing of video lottery game terminals under the provisions described above does not constitute advancing gambling activity.

This bill modifies the definition of "contest of chance" by stating that the outcome of a gambling contest is determined by any element of chance.

The bill modifies the definition of "gambling" by stating that gambling does not include any licensed activity or persons participating in such licensed activity, licensed video lottery game terminals, or video lottery games.

This bill repeals the current definition of "gambling device".

The bill modifies the definition of "slot machine", as specified in the bill, including the provision that a slot machine or gambling device does not include licensed video lottery game terminals or video lottery games.

Currently, if a person commits the offense of gambling, he or she is guilty of a Class C misdemeanor. This bill changes the offense to a Class A misdemeanor.

The provisions found within Sections 313.425 to 313.445 are non-severable, whereby an individual section that is subsequently found to be unconstitutional shall mean that the remaining provisions are similarly held to be invalid.

Currently, a person commits the offense of possession of a gambling device if the person makes certain use of a slot machine. This bill adds the use of a gambling device to these provisions.

The provisions found within Sections 313.425 to 313.445 are non-severable from each other and Sections 572.010, 572.020, 572.070, and 572.100; therefore, if an individual section is subsequently found to be unconstitutional, the remaining provisions are similarly held to be invalid. The provisions of Sections 572.010, 572.020, 572.070, and 572.100 will not be enforceable before August 28, 2028, or during the pendency of any litigation concerning Sections 313.425 to 313.445 if such litigation is initiated before August 28, 2028.

Currently, the state preempts any local jurisdiction in the criminalization of gambling. This bill states that the term "gambling" does not include the licensed activities and provisions under Sections 313.425 to 313.437. The Commission will have concurrent authority and jurisdiction to investigate and enforce and seek prosecution of these criminal violations.

This bill is similar to SB 862 (2026).

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

PROPOSERS: Supporters say that current technology does not fit cleanly within our gambling laws, which has caused confusion as to whether or not Video Lottery Terminals (VLTs) are even legal. Supporters further state that local jurisdictions and law enforcement agencies need guidance from the state in terms of licensing, legality, rules and regulations, and a sensible tax structure. This bill would do away with the so-called "gray machines" which are currently unregulated, and make the job of local prosecutors easier. Supporters also state that the revenue generated by this bill would go to schools, which will result in more school construction and renovations, which in turn would create more jobs.

Testifying in person for the bill were Representative Hardwick; Mo Coalition For Video Lottery; United Gaming; Josh Grant; Ken Dobson, Ware Brands; Leland Moloney, Warrenton Oil; Ken D. Goins, Moto Mart; Ron Leone, MPCA-MO Petroleum & Convenience Association; Scott R. Pool; Tom Parsons, Parsons Oil Co; Adastra Strategies; Missouri Kansas Laborers District Council; Lynn Wallis, Wallis Companies; Eric Zahnd, Missouri Association of Prosecuting Attorneys (MAPA).

OPPONENTS: Those who oppose the bill say that using VLTs to gamble is unconstitutional, because such an activity does not fall under one of the existing exceptions found in Article III, Section 39, like bingo or sports wagering. Opponents further state that VLTs are a disruption to the marketplace because there is no clear way to tax the winnings. Any attempts to legislatively regulate these machines would be virtually impossible, because it is very easy to skirt the rules. Opponents also state that there are higher rates of crime committed in and around stores that offer VLT gaming, as well as a risk of greater gambling addictions.

Testifying in person against the bill were City of Springfield; Arnie C. Dienoff; Missouri Chamber of Commerce; Spencer Fane LLP; Promotional Services LLC; Missouri Gaming Association; Mid American Carpenters Regional Council; MO Gaming Association; Associated Industries of Missouri; City of Kansas City; and Tyler Travers.

OTHERS: Others testifying on the bill say that funding for veterans has not kept pace with either inflation or Missouri's various obligations to veterans. The increased excursion boat fees that this bill would generate would help greatly.

Testifying in person on the bill were Municipal League of Metro St. Louis; MO Council of School Administrators; Troy Williams, MAVO/VFM; and Michael W. Schroeder, Department of Missouri Veterans of Foreign Wars.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.