

SUBSTITUTE FOR
HOUSE BILL NO. 4610

A bill to amend 1972 PA 239, entitled "McCauley-Traxler-Law-Bowman-McNeely lottery act," by amending the title and sections 3, 11, 12, 23, and 32 (MCL 432.3, 432.11, 432.12, 432.23, and 432.32), the title as amended by 1996 PA 95, sections 3, 11, and 23 as amended by 1996 PA 167, section 12 as amended by 2002 PA 471, and section 32 as amended by 1996 PA 13, and by adding a heading for article 1 and adding article 2.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1

TITLE

2

An act to establish and operate a state lottery; ~~and~~ to

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allow state participation in certain lottery-related joint

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enterprises with other sovereignties; **to allow and regulate the**

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operation of video lottery games at licensed race meetings in

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this state; to create a bureau of state lottery and to prescribe

1 its powers and duties; to prescribe certain powers and duties of
 2 other state departments and agencies; **to provide for the**
 3 **promulgation of rules;** to license and regulate ~~certain~~ lottery
 4 sales agents, **race meeting licensees that host video lottery**
 5 **machines, and manufacturers of video lottery machines and related**
 6 **equipment;** to create ~~the state lottery fund~~ funds; **to impose**
 7 **fees;** to provide for the distribution of lottery revenues and
 8 earnings for certain purposes; to provide for an appropriation;
 9 and to provide for remedies and penalties.

10 **ARTICLE 1**

11 Sec. 3. As used in this act:

12 (a) "Bureau" means the bureau of state lottery created ~~by~~
 13 ~~this act~~ **in section 5.**

14 (b) "Commissioner" ~~means the~~ **or** "commissioner of state
 15 lottery" **means the head of the bureau.**

16 (c) "Joint enterprise" means ~~any~~ **a** lottery activity in
 17 which the bureau participates pursuant to a written agreement
 18 between ~~the state of Michigan~~ **this state** and any state,
 19 territory, country, or other sovereignty as executed by the
 20 commissioner. Joint enterprise does not include ~~the state~~ **a**
 21 lottery created ~~pursuant to~~ **under** this act.

22 (d) "Lottery" ~~or "state lottery"~~ means ~~the~~ **a** lottery
 23 created ~~pursuant to~~ **under** this act and operated exclusively by
 24 or under the exclusive control of the bureau of state lottery.

25 (e) "State lottery" means the lottery created in article 1.

26 (f) "Video lottery" means a lottery that allows a game to be
 27 played using an electronic computer and an interactive computer

1 terminal device, equipped with a video screen and keys, a
2 keyboard, or other equipment allowing input by a player, into
3 which the player inserts coins, currency, or vouchers as
4 consideration in order for play to be available, and through
5 which terminal device the player may receive free games, credit
6 that can be redeemed for cash, annuitized payments over time, or
7 a noncash prize, or nothing as determined wholly or predominantly
8 by chance. Video lottery does not include a lottery game that
9 merely uses an electronic computer and a video screen to operate
10 a lottery game and communicate the results of the game and that
11 does not use an interactive electronic terminal device allowing
12 input by a player. Video lottery shall be operated exclusively
13 by and under the exclusive control of the bureau.

14 Sec. 11. (1) The commissioner shall promulgate rules
15 pursuant to the administrative procedures act of 1969, ~~Act~~
16 ~~No. 306 of the Public Acts of 1969, being sections 24.201 to~~
17 ~~24.328 of the Michigan Compiled Laws— 1969 PA 306, MCL 24.201 to~~
18 ~~24.328~~, as necessary to implement this act.

19 (2) The rules authorized under this section may include any
20 of the following, **subject to requirements and limitations**
21 **expressed in this act:**

22 (a) The type of lottery to be conducted. ~~subject to section~~
23 ~~9(2).~~

24 (b) The price of tickets or shares in the lottery.

25 (c) The number and size of the prizes on the winning tickets
26 or shares.

27 (d) The manner of selecting the winning tickets or shares.

1 (e) The manner of payment of prizes to the holders of winning
2 tickets or shares. ~~, subject to section 32.~~

3 (f) The frequency of the drawings or selections of winning
4 tickets or shares.

5 (g) Without limit as to number, the type or types of
6 locations at which tickets or shares may be sold. ~~subject to~~
7 ~~section 23(10).~~

8 (h) The method to be used in selling tickets or shares,
9 except that a person's name shall not be printed on the tickets
10 or shares.

11 (i) The licensing of agents to sell tickets or shares, but a
12 person under the age of 18 shall not be licensed as an agent.

13 (j) The manner and amount of compensation to be paid licensed
14 sales agents necessary to provide for the adequate availability
15 of tickets or shares to prospective buyers and for the
16 convenience of the public.

17 (k) The apportionment of the total annual revenues accruing
18 from the sale of lottery tickets or shares and from all other
19 sources for the payment of prizes to the holders of winning
20 tickets or shares, for the payment of costs incurred in the
21 operation and administration of the lottery, including the
22 expenses of the bureau and the costs resulting from any contract
23 or contracts entered into for promotional, advertising,
24 consulting, or operational services or for the purchase or lease
25 of lottery equipment and materials, for the repayment of the
26 money appropriated to the state lottery fund, and for transfer to
27 the general fund.

1 (3) The commissioner may promulgate rules incorporating by
2 reference existing rules or regulations of any joint enterprise
3 as required as a condition for participation in that joint
4 enterprise. Any subsequent changes or additions to the rules or
5 regulations of the joint enterprise may be adopted by the
6 commissioner through the promulgation of a rule.

7 (4) This section is repealed if the Michigan supreme court
8 rules that sections 45 and 46 of the administrative procedures
9 act of 1969, ~~Act No. 306 of the Public Acts of 1969, being~~
10 ~~sections 24.245 and 24.246 of the Michigan Compiled Laws 1969 PA~~
11 **306, MCL 24.245 and 24.246**, are unconstitutional and a statute
12 requiring legislative review of administrative rules is not
13 enacted within 90 days after the Michigan supreme court ruling.
14 ~~Nothing in this subsection invalidates rules that have been~~
15 ~~promulgated prior to the effective date of the amendatory act~~
16 ~~that added this subsection.~~ **Rules promulgated before April 17,**
17 **1996 are not invalidated by this subsection.**

18 Sec. 12. (1) Except as otherwise provided in subsection
19 (3), as nearly as is practicable, until January 1, 2007, not less
20 than 45% of the total annual revenue accruing from the sale of
21 **state** lottery tickets or shares shall be apportioned for payment
22 of prizes to the holders of winning tickets or shares **in the**
23 **state lottery.**

24 (2) On or after January 1, 2007, 45% of the total **annual**
25 revenue **accruing from the sale of state lottery tickets or shares**
26 shall be apportioned for payment of prizes **to the holders of**
27 **winning tickets or shares in the state lottery.**

1 (3) Notwithstanding subsections (1) and (2), the prize money
2 from the sale of tickets or shares of any joint enterprise is
3 that percentage of the total annual revenue accrued from that
4 game as prescribed by the joint enterprise participation
5 agreement executed by the commissioner.

6 Sec. 23. (1) ~~A~~ **The commissioner shall not issue a license**
7 as an agent to sell lottery tickets or shares ~~shall not be~~
8 ~~issued~~ to any person to engage in business exclusively as a
9 lottery sales agent. Before issuing a license **to a person to act**
10 **as a lottery sales agent**, the commissioner shall consider factors
11 such as the financial responsibility and security of the person
12 and his or her business or activity, the accessibility of his or
13 her place of business or activity to the public, the sufficiency
14 of existing licenses to serve the public convenience, and the
15 volume of expected sales.

16 ~~(2) As used in this section, "person" means an individual,~~
17 ~~association, corporation, club, trust, estate, society, company,~~
18 ~~joint stock company, receiver, trustee, referee, any other person~~
19 ~~acting in a fiduciary or representative capacity who is appointed~~
20 ~~by a court, or any combination of individuals. Person includes~~
21 ~~any department, commission, agency, or instrumentality of the~~
22 ~~state, including any county, city, village, or township and any~~
23 ~~agency or instrumentality thereof.~~

24 (2) ~~(3)~~ Notwithstanding any other provision of law, a
25 person licensed ~~pursuant to this act may act~~ as a lottery sales
26 agent **may sell lottery tickets and shares**. A person lawfully
27 engaged in nongovernmental business on state property may be

1 licensed as a lottery sales agent.

2 (3) ~~(4)~~ A **lottery sales agent** license is not assignable or
3 transferable.

4 (4) ~~(5)~~ A licensed **lottery sales** agent or his or her
5 employee may sell lottery tickets or shares only on the premises
6 stated in the license of the **lottery sales** agent. ~~Effective~~
7 ~~July 1, 1996, a~~ A licensed **lottery sales** agent who violates this
8 subsection is, at the commissioner's discretion, subject to 1 or
9 more of the following:

10 (a) Probation for not more than 2 years.

11 (b) A fine of not more than \$1,000.00.

12 (c) Removal of his or her lottery terminal.

13 ~~(6) The commissioner may issue temporary licenses upon~~
14 ~~conditions as he or she considers necessary for a term which~~
15 ~~shall not extend beyond 1 year after the effective date of this~~
16 ~~act.~~

17 (5) ~~(7)~~ The commissioner may require a bond from any
18 licensed **lottery sales** agent in an amount ~~as~~ provided in ~~the~~
19 rules **promulgated under this act**.

20 (6) ~~(8)~~ A licensed **lottery sales** agent shall display his or
21 her license or a copy ~~thereof~~ **of the license** conspicuously in
22 accordance with ~~the~~ rules **promulgated under this act**.

23 (7) ~~(9)~~ The commissioner may suspend or revoke the license
24 of ~~any~~ a **lottery sales** agent who violates this act or a rule
25 promulgated ~~pursuant to~~ **under** this act.

26 (8) ~~(10)~~ For purposes of terminal placement, the
27 commissioner shall take into account with equal emphasis both of

1 the following:

2 (a) The total instant game sales for the 3 months immediately
3 preceding a market evaluation.

4 (b) The need to maximize net lottery revenues from the total
5 number of terminals placed.

6 (9) As used in this section, "person" means an individual,
7 association, corporation, club, trust, estate, society, company,
8 joint stock company, receiver, trustee, referee, any other person
9 acting in a fiduciary or representative capacity who is appointed
10 by a court, or any combination of individuals. Person includes
11 any department, commission, agency, or instrumentality of the
12 state, including any county, city, village, or township and any
13 agency or instrumentality of a county, city, village, or
14 township.

15 Sec. 32. (1) Before payment **under this article [or payment under**
article 2] of a prize

16 of \$1,000.00 or more, the bureau shall determine whether the
17 department of treasury records show that a lottery winner has a
18 current liability to this state or a support arrearage. The
19 department of treasury shall provide the bureau with a list or
20 computer access to a compilation of persons known to the
21 department to have a current liability to this state, including a
22 delinquent ~~accounts~~ **account** of ~~amounts due and owing~~ **money**
23 **due** to a court that ~~have~~ **has** been assigned to the state for
24 collection, or a support arrearage. The information shall be
25 updated not less than once a month. If a liability to this state
26 or support arrearage is identified, the bureau shall ascertain
27 the amount owed from the department of treasury and ~~first~~ apply

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1 the ~~amount of the~~ prize **first** to the ~~[liability to the state~~
 2 ~~other than~~ ~~the amount of any~~ ~~assigned delinquent account of~~
 3 ~~amounts due and owing~~ ~~to a court, next to]~~ ~~the a~~
 4 support arrearage, ~~[next to a liability to the state other than an~~
~~assigned delinquent account of money due to a court,]~~ and next to ~~the~~
~~an~~ assigned delinquent
 5 ~~accounts of amounts due and owing~~ **account of money due** to a
 6 court. ~~, and the~~ **The** excess, if any, shall be paid to the
 7 lottery winner.

8 (2) A lottery winner shall receive notice and an opportunity
 9 for a hearing before the department of treasury or its designee
 10 with respect to the liability to which the prize is to be applied
 11 ~~where~~ **under this section, if** the liability has not been reduced
 12 to judgment or has not been finalized under statutory review
 13 provisions of the statute under which the liability arose. The
 14 notice shall be ~~made~~ **given** by regular mail. The lottery winner
 15 may request a hearing within 15 days of the date of the notice by
 16 making a written request to the revenue commissioner.

17 (3) ~~An amount~~ **Money** applied to ~~pay~~ a support arrearage
 18 **under this section** shall be paid by the bureau to the department
 19 of treasury which shall pay the ~~amount~~ **money** to the office of
 20 the friend of the court for the appropriate judicial circuit in
 21 the ~~same~~ manner ~~as is~~ prescribed for a payment pursuant to an
 22 order of income withholding under section 9 of the support and
 23 parenting time enforcement act, ~~Act No. 295 of the Public Acts~~
 24 ~~of 1982, being section 552.609 of the Michigan Compiled Laws~~
 25 **1982 PA 295, MCL 552.609.**

26 (4) In regard to the information provided by the department
 27 of treasury to the bureau under this section, the bureau is

1 subject to the confidentiality restrictions and penalties
 2 provided in section 28(1)(f) and (2) of ~~Act No. 122 of the~~
 3 ~~Public Acts of 1941, being section 205.28 of the Michigan~~
 4 ~~Compiled Laws~~ **1941 PA 122, MCL 205.28.**

5 (5) ~~Until October 1, 1995 each office of the friend of the~~
 6 ~~court may report to the department of treasury the names of~~
 7 ~~persons who have a current support arrearage. Beginning~~
 8 ~~October 1, 1995 each~~ **The** office of the friend of the court shall
 9 report to the office of child support the names of persons who
 10 have a current support arrearage and the office of child support
 11 shall provide that information to the department of treasury.

12 (6) As used in this section:

13 (a) "Office of the friend of the court" means an agency
 14 created in section 3 of the friend of the court act, ~~Act No. 294~~
 15 ~~of the Public Acts of 1982, being section 552.503 of the Michigan~~
 16 ~~Compiled Laws~~ **1982 PA 294, MCL 552.503.**

17 (b) "Support" means that term as defined in section ~~31 of~~
 18 ~~Act No. 294 of the Public Acts of 1982, being section 552.531 of~~
 19 ~~the Michigan Compiled Laws~~ **2a of the friend of the court act,**
 20 **1982 PA 294, MCL 552.502a.**

21 **ARTICLE 2**

22 **Sec. 51. As used in this article:**

23 (a) "Administrative costs" means the costs and expenses
 24 incurred by the bureau in operating video lottery at the
 25 racetrack where a license holder holds race meetings, including,
 26 but not limited to, expenses incurred by the bureau in performing
 27 an investigation of an applicant for a license or a license

1 holder.

2 (b) "Applicant" means a person applying for a license or
3 permit.

4 (c) "Associated equipment" means hardware located at the
5 racetrack where a license holder holds race meetings that is
6 connected to the central control system for communication,
7 validation, or other purposes. Associated equipment does not
8 include a video lottery terminal or the communication facilities
9 of a regulated public utility.

10 (d) "Central control system" means a computer or computer
11 system provided to and controlled by the bureau that communicates
12 with video lottery terminals to retrieve information and activate
13 and disable the terminals.

14 (e) "Disable" means the process of executing a shutdown
15 command from the central control system that causes a video
16 lottery terminal to cease functioning.

17 (f) "Display" means the visual presentation of video lottery
18 game features on a video lottery terminal in the form of video
19 images, actual symbols, or both.

20 (g) "Gross terminal income" means the total amount of coins,
21 currency, and vouchers inserted into the video lottery terminals,
22 minus the total value of game credits cleared from the video
23 lottery terminals in exchange for winning redemption tickets.

24 (h) "License" means authorization granted by the bureau to a
25 person that holds a race meeting license under the horse racing
26 law of 1995, 1995 PA 279, MCL 431.301 to 431.336, permitting the
27 person to operate video lottery terminals registered and owned by

1 the bureau as an agent of the bureau.

2 (i) "Manufacturer" means a person holding a permit issued by
3 the bureau to engage in the business of designing, building,
4 constructing, assembling, or manufacturing video lottery
5 terminals, the electronic computer components of video lottery
6 terminals, the random number generator of video lottery
7 terminals, or cabinets in which video lottery terminals are
8 housed, whose products are intended for sale, lease, or other
9 transfer to the bureau to be placed at racetracks in this state.

10 (j) "Net terminal income" means gross terminal income minus
11 an amount deducted by the bureau for administrative costs plus
12 any money returned to a licensee under section 57(2). Cost and
13 expenses of a license holder related to the operation of video
14 lottery games shall not be deducted from gross terminal income to
15 determine net terminal income.

16 (k) "Noncash prize" means merchandise a player may be given
17 the option of receiving instead of cash in exchange for a winning
18 redemption ticket. A noncash prize shall be assigned a
19 redemption value equal to the actual cost of the merchandise to
20 the license holder.

21 (l) "Permit" means authorization granted by the bureau to a
22 person to function as a manufacturer.

23 (m) "Person" means an individual, corporation, association,
24 partnership, limited partnership, or other legal entity.

25 (n) "Player" means a person who plays a video lottery game on
26 a video lottery terminal at the racetrack where a license holder
27 holds race meetings.

1 (o) "Racetrack" means a facility where licensed race meetings
2 are held and the pari-mutuel system of wagering is conducted as
3 authorized under the horse racing law of 1995, 1995 PA 279, MCL
4 431.301 to 431.336.

5 (p) "Racing commissioner" means the racing commissioner
6 created by section 3 of the horse racing law of 1995, 1995 PA
7 279, MCL 431.303.

8 (q) "Service technician" means an individual employed by the
9 bureau who performs service, maintenance, and repair on video
10 lottery terminals in this state.

11 (r) "Video lottery game" means a bureau-approved,
12 electronically simulated game of chance that is displayed on a
13 video lottery terminal and to which all of the following apply:

14 (i) The video lottery terminal on which the game is displayed
15 is connected to the central control system by an on-line wired,
16 cable, or wireless communication system.

17 (ii) The game is initiated by a player's insertion of coins,
18 currency, or vouchers into a video lottery terminal, which causes
19 game play credits to be displayed on the video lottery terminal,
20 each game play credit entitling a player to choose 1 or more
21 symbols or numbers or to cause the video lottery terminal to
22 randomly select symbols or numbers.

23 (iii) The game allows a player to win additional game play
24 credits based upon game rules that establish the random selection
25 of winning combinations of symbols, numbers, or both and the
26 number of game play credits to be awarded for each winning
27 combination of symbols, numbers, or both.

1 (iv) The game is based on computer-generated random selection
2 of winning combinations produced totally or predominantly by
3 chance.

4 (v) If the video lottery game allows the player an option to
5 select replacement symbols or numbers or additional symbols or
6 numbers after the game is initiated and in the course of play,
7 the game does 1 of the following before the optional selection by
8 the player of randomly generated replacement or additional
9 symbols or numbers:

10 (A) Signals the player which symbols or numbers should be
11 retained by the player to present the best chance, based on
12 probabilities, that the player may select a winning combination.

13 (B) Signals the player whether additional selection presents
14 the best chance, based on probabilities, that the player may
15 select a winning combination.

16 (C) Randomly generates additional or replacement symbols and
17 numbers for the player after automatically selecting the symbols
18 and numbers that should be retained to present the best chance,
19 based on probabilities, for a winning combination, so that the
20 player is not permitted to benefit from personal skill, based on
21 a knowledge of probabilities, before deciding which optional
22 numbers or symbols to choose in the course of video lottery game
23 play.

24 (vi) The game allows a player at any time to simultaneously
25 clear all game play credits and print a redemption ticket
26 entitling the player to receive the cash value of the game play
27 credits cleared from the video lottery terminal.

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1 (vii) The game does not display roulette, dice, or baccarat
2 card game themes commonly associated with casino gambling. The
3 game may display symbols that appear to roll on drums or may
4 display other card game or keno game themes.

5 (s) "Video lottery terminal" means a bureau-approved and
6 owned interactive electronic terminal device that is connected to
7 the central control system and used to play video lottery games
8 authorized by the bureau. A video lottery terminal may simulate
9 the play of 1 or more video lottery games.

10 (t) "Wager" means a sum of money or thing of value risked on
11 an uncertain occurrence.

12 Sec. 52. (1) The bureau may implement and operate video
13 lottery games at licensed race meetings in this state in
14 accordance with this article.

15 (2) If approved by the bureau, video lottery games may be
16 conducted at a race meeting lawfully held on public property [other than
17 the state fairgrounds in the county of Wayne].

18 [

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20]

21 Sec. 53. (1) A manufacturer shall not sell, lease, or place
22 a video lottery terminal in this state unless the bureau has
23 approved the terminal. Only a manufacturer with a permit may
24 apply for approval of a video lottery terminal or associated
25 equipment. To apply for approval, a manufacturer shall submit 2
26 copies of terminal illustrations, schematics, block diagrams,
27 circuit analysis, technical and operation manuals, and any other
information requested by the bureau to allow analysis and testing

1 of the video lottery terminal or associated equipment.

2 (2) The bureau may require that 2 working models of a video
3 lottery terminal be transported to a location designated by the
4 bureau for testing, examination, and analysis. The manufacturer
5 shall pay all costs of testing, examination, analysis, and
6 transportation of the video lottery terminal models. The
7 testing, examination, and analysis of a video lottery terminal
8 model may require dismantling the terminal, and some tests may
9 result in damage or destruction to 1 or more electronic
10 components of the model. The bureau may require the manufacturer
11 to provide specialized equipment or pay for the services of an
12 independent technical expert to test the terminal.

13 (3) The manufacturer shall pay the cost of transporting 2
14 video lottery terminals to bureau headquarters. The bureau shall
15 conduct a test at bureau headquarters to determine terminal
16 functions and central control system compatibility. If the video
17 lottery terminal fails the test conducted by the bureau under
18 this subsection, the manufacturer shall make all modifications
19 required by the bureau.

20 (4) After the completion of testing under this section, the
21 bureau shall provide the terminal manufacturer with a report
22 containing findings, conclusions, and pass or fail results. The
23 report may contain recommendations for modification of the video
24 lottery terminal to bring the terminal into compliance with this
25 article. Before approving a particular terminal model, the
26 bureau may require a trial period of not more than 60 days for a
27 license holder to test the terminal. The manufacturer shall not

1 make any modifications to the terminal model during the trial
2 period unless the bureau approves the modifications.

3 (5) A video manufacturer and a license holder are jointly
4 responsible for the assembly and installation of a video lottery
5 terminal and associated equipment. A manufacturer or a license
6 holder shall not modify the assembly or operational functions of
7 a video terminal approved for placement in this state unless the
8 bureau first approves a request for the modification. A request
9 for modification of an approved video terminal model shall
10 contain a detailed description of the type of change, the reasons
11 for the change, and technical documentation of the change.

12 (6) A video lottery terminal approved for placement with a
13 license holder shall conform to the exact specifications of the
14 video lottery terminal model tested and approved by the bureau.
15 The bureau shall seize and destroy a video lottery terminal or
16 modification to a video lottery terminal that has not been
17 approved by the bureau and shall suspend the license of a license
18 holder or permit of a manufacturer that operates or manufactures
19 a video lottery terminal or modification to a video lottery
20 terminal that has not been approved by the bureau.

21 Sec. 54. (1) A video lottery terminal approved for
22 placement in this state shall meet all of the following hardware
23 specifications:

24 (a) Electrical and mechanical parts and design principles
25 shall not subject a player to physical hazards or injury.

26 (b) A surge protector shall be installed on the electrical
27 power supply line to the video lottery terminal. A battery or

1 equivalent power backup for electronic meters capable of
2 maintaining accuracy of all accounting records and terminal
3 status reports for a time established by the bureau shall be
4 located within the locked logic board compartment of the video
5 lottery terminal.

6 (c) An on-off switch that controls the electrical current
7 used in the operation of the video lottery terminal shall be
8 located in an accessible place within the interior of the
9 terminal.

10 (d) Static discharge or other electromagnetic interference
11 shall not adversely affect the operation of the video lottery
12 terminal.

13 (e) At least 1 electronic or mechanical coin acceptor or
14 other method to accurately and efficiently establish credits
15 shall be installed on each video lottery terminal. The video
16 lottery terminal may also contain a bill acceptor capable of
17 accepting currency in denominations as determined by the bureau
18 if the bureau has approved the bill acceptor for use on the video
19 lottery terminal.

20 (f) Access to the interior of the video lottery terminal
21 shall be controlled through a series of locks and seals.

22 (g) The main logic boards shall be located in a separate
23 locked and sealed area within the video lottery terminal.

24 (h) The cash compartment shall be located in a separate
25 locked area within or attached to the video lottery terminal.

26 (i) Hardware switches, jumpers, wire posts, or other means of
27 manipulation that alter the pay tables or payout percentages in

1 the operation of a game shall not be installed in the video
2 lottery terminal. The bureau may approve hardware switches on a
3 video lottery terminal to control the terminal's graphic
4 routines, speed of play, sound, and other purely cosmetic
5 features.

6 (j) The video lottery terminal shall contain a single
7 printing mechanism capable of printing an original redemption
8 ticket and retaining an exact legible copy within the video
9 lottery terminal or other means of electronically capturing and
10 retaining the ticket data as approved by the bureau. All of the
11 following information shall be printed on the redemption ticket
12 when credits accrued on the video lottery terminal are cleared:

13 (i) The number of credits accrued.

14 (ii) The value of the credits in dollars and cents displayed
15 in numbers and words.

16 (iii) The date and time.

17 (iv) The validation number.

18 (v) Any other information required by the bureau.

19 (k) The video lottery terminal shall have a permanently
20 affixed identification plate on the exterior containing all of
21 the following for the video lottery terminal:

22 (i) The manufacturer.

23 (ii) The serial number.

24 (iii) The model number.

25 (l) A video lottery terminal registered with and approved by
26 the bureau shall only allow the play of video lottery games
27 regulated and controlled by the bureau under this section that

1 use specific game rules promulgated by the bureau pursuant to the
2 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
3 24.328.

4 (m) The rules of play for each video lottery game shall be
5 displayed on the video lottery terminal screen. The bureau may
6 reject any rules of play that are incomplete, confusing,
7 misleading, or inconsistent with game rules approved by the
8 bureau. Each video lottery game shall have a display detailing
9 the credits awarded for the occurrence of each possible winning
10 combination of numbers or symbols. All information required by
11 this subdivision shall be displayed under glass or another
12 transparent substance. No stickers or other removable devices
13 shall be placed on the video lottery terminal screen without the
14 prior approval of the bureau.

15 (n) The video lottery terminal shall have communication
16 equipment and devices installed that enable it to communicate
17 with the central control system using a communications protocol
18 that the bureau shall provide to each manufacturer, including
19 information retrieval and terminal activation and disabling
20 programs.

21 (o) The video lottery terminal shall have a security system
22 that temporarily disables the gaming function of the terminal
23 while opened.

24 (2) A video lottery terminal shall use a random number
25 generator to determine randomly the occurrence of each specific
26 symbol or number used in a video lottery game. A determination
27 process is random if it meets all of the following statistical

1 criteria:

2 (a) Each symbol or number satisfies the 99% confidence limit
3 using the standard chi-square statistical analysis of the
4 difference between the expected result and the observed result.

5 (b) Each symbol or number does not produce a significant
6 statistic with regard to producing patterns of occurrences and
7 meets the 99% confidence level with regard to the runs test for
8 the existence of recurring patterns within a set of data.

9 (c) Each pair of symbols or numbers meets the 99% confidence
10 level using standard correlation analysis to determine whether
11 each symbol or number is independently chosen without regard to
12 another symbol or number within a single game play.

13 (d) Each symbol or number meets the 99% confidence level
14 using standard serial correlation analysis to determine whether
15 each symbol or number is independently chosen without reference
16 to the same symbol or number in a previous game.

17 (3) A video lottery terminal shall meet the following
18 theoretical payout percentages:

19 (a) A minimum of 80% of the amount wagered during the
20 expected lifetime of the terminal, determined using standard
21 methods of probability theory.

22 (b) A maximum of 95% of the amount wagered during the
23 expected lifetime of the terminal, determined using standard
24 methods of probability theory, unless the bureau approves a
25 request by the manufacturer to program the video lottery terminal
26 for a payout greater than 95% of the amount wagered. A
27 manufacturer shall obtain bureau approval before applying for

1 testing of a high payout terminal.

2 (c) A probability greater than 1 in 17,000,000 of obtaining
3 the maximum payout for each play.

4 (4) A video lottery terminal shall be capable of continuing
5 the current game with all current game features after a
6 malfunction of the terminal is cleared. If a video lottery
7 terminal becomes totally inoperable during a game, the current
8 wager and all credits appearing on the video lottery terminal
9 display before the malfunction shall be returned to the player.

10 (5) A video lottery terminal shall maintain electronic
11 accounting at all times regardless of whether the terminal is
12 being supplied with electrical power. The electronic meter of a
13 video lottery terminal shall record all of the following
14 information:

15 (a) The number of coins inserted by players or the coin
16 equivalent if a bill acceptor or vouchers are used.

17 (b) The number of credits wagered.

18 (c) The number of total credits won.

19 (d) The number of credits paid out by a printed ticket.

20 (e) The number of times the logic area has been accessed.

21 (f) The number of times the cash door has been accessed.

22 (g) The number of credits wagered in the current game.

23 (h) The number of credits won in the last complete video
24 lottery game.

25 (i) The number of cumulative credits representing money
26 inserted by a player and credits for video lottery games won but
27 not collected.

1 (6) A video lottery terminal shall not have a mechanism that
2 allows the electronic accounting meters to clear automatically.
3 A person shall not clear an electronic accounting meter without
4 the prior approval of the bureau. Both before and after an
5 electronic accounting meter is cleared, all meter readings shall
6 be recorded in the presence of a bureau employee.

7 (7) The bureau shall own and have primary responsibility for
8 the control and regulation of a video lottery game or video
9 lottery terminal operated under this article.

10 (8) The bureau shall, directly or through a contract with a
11 third party vendor other than a license holder, maintain a
12 central control system to monitor lottery terminals using an
13 on-line wired, cable, or wireless communication method. The
14 central control system shall be capable of monitoring the
15 operation of and immediately disabling each video lottery
16 terminal. A license holder shall pay a portion, as determined by
17 the bureau, of the cost of the central control system as part of
18 the license holder's licensing requirement.

19 Sec. 55. (1) The bureau shall not grant a license or a
20 permit unless it has determined that the applicant satisfies all
21 of the following qualifications:

22 (a) If applying for a license or to renew a license:

23 (i) The applicant holds a valid race meeting license under
24 the horse racing law of 1995, 1995 PA 279, MCL 431.301 to
25 431.336.

26 (ii) If the application is the initial application for a
27 license, the applicant has paid to the bureau an application fee

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1 of \$1,000.00.

2 (iii) The applicant has obtained a surety or, if required by
3 the bureau, fidelity bond in an amount determined by the bureau
4 with a company approved by the bureau.

5 [(b) Following an investigation by the bureau that is substantially
6 similar to the investigation required to be made of applicants for
7 licensure under section 5 of the Michigan gaming control and revenue
8 act, the Initiated Law of 1996, MCL 432.205, the applicant satisfies
9 all of the requirements prescribed under the Initiated Law of 1996, MCL
10 432.201 to MCL 432.226, for an applicant for licensure under section 5
11 of the Michigan gaming control and revenue act, the Initiated Law of
12 1996, MCL 432.205.

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22 [(c)] The applicant demonstrates the business ability and
23 experience necessary to establish, operate, and maintain the
24 business for which application is made.

25 [(d)] The applicant has secured adequate financing for the
26 business for which application is made. The bureau shall
27 determine whether financing is from a source that meets the

1 qualifications of this section and is adequate to support the
2 successful performance of the duties and responsibilities of the
3 applicant. An applicant for a license shall disclose all
4 financing or refinancing arrangements for the business for which
5 the application is made in the degree of detail requested by the
6 bureau. A license holder shall request bureau approval of any
7 change in financing or lease arrangements at least 30 days before
8 the effective date of the change.

9 (2) If a video lottery license is granted to a race meeting
10 licensee that was first licensed to conduct race meetings after
11 the effective date of this article, video lottery shall not be
12 conducted at the racetrack where the race meeting licensee holds
13 its race meetings until 90 days after the first day of horse
14 racing completed by the licensee.

15 (3) A license or permit is valid for 1 year. An application
16 for renewal of a license shall be made after November 1 of each
17 year after the initial license is granted.

18 Sec. 56. (1) A licensee or permit holder shall do all of
19 the following:

20 (a) Report to the bureau promptly any facts or circumstances
21 related to video lottery operations that constitute a violation
22 of state or federal law.

23 (b) Conduct all video lottery activities and functions in a
24 manner that does not pose a threat to the public health, safety,
25 or welfare of the citizens of this state, and that does not
26 adversely affect the security or integrity of the lottery.

27 (c) Hold the bureau and this state harmless from and defend

1 and pay for the defense of a claim asserted against a license
2 holder, the bureau, the state, or an employee of a license
3 holder, the bureau, or the state, arising from the license
4 holder's participation in video lottery.

5 (d) Assist the bureau in maximizing video lottery revenues.

6 (e) Maintain all records required by the bureau.

7 (f) Upon request by the bureau, provide the bureau access to
8 all records and the physical premises of the business or
9 businesses where the license or permit holder's video lottery
10 activities occur so that the bureau may monitor or inspect the
11 license or permit holder's activities and the video lottery
12 games, video lottery terminals, and associated equipment.

13 (g) Keep current in all payments and obligations to the
14 bureau.

15 (2) A manufacturer shall do all of the following:

16 (a) Manufacture terminals and associated equipment for
17 placement in this state in accordance with the specifications and
18 procedures of sections 53 and 54.

19 (b) Manufacture terminals and associated equipment to ensure
20 timely delivery to racetracks where license holders hold race
21 meetings.

22 (c) Maintain and provide an inventory of spare parts to
23 assure the timely repair and continuous operation of video
24 lottery terminals of license holders in this state.

25 (d) Provide technical assistance and training in the service
26 and repair of video lottery terminals and associated equipment to
27 service technicians to assure the continuous operation of the

1 video lottery terminals.

2 (e) Obtain certification of compliance under 47 C.F.R. part
3 15 for all video lottery terminals placed in this state.

4 (3) A license holder shall do all of the following:

5 (a) Provide a secure location for the placement, operation,
6 and play of video lottery terminals.

7 (b) Through its license fees paid to the bureau, provide for
8 the installation and operation of video lottery terminals,
9 associated equipment, and bureau-approved telephone lines or
10 wireless equipment to provide on-line wired, cable, or wireless
11 communication between each video lottery terminal and the central
12 control system.

13 (c) Not permit a person to tamper or interfere with the
14 operation of a video lottery terminal.

15 (d) Ensure that telephone lines from the central control
16 system to the video lottery terminals located at the racetrack
17 where the license holder holds race meetings are connected at all
18 times and prevent any person from tampering or interfering with
19 the operation of the telephone lines.

20 (e) Ensure that a video lottery terminal is within the sight
21 and control of a designated employee of the license holder when
22 the terminal is available for play.

23 (f) Ensure that a video lottery terminal is placed and
24 remains in the specific location or locations at the racetrack
25 where the license holder holds race meetings that have been
26 approved by the bureau, unless the bureau first approves the
27 relocation of the video lottery terminal.

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1 (g) Monitor a video lottery terminal to prevent access to or
2 play at the terminal by an individual who is under [21] years of
3 age or visibly intoxicated.

4 (h) Maintain sufficient currency and coins at all times in
5 the denominations accepted by the video lottery terminals.

6 (i) Not do any of the following:

7 (i) Provide players access to an automated teller machine in
8 the area where video lottery games are played.

9 (ii) Accept a credit card or debit card from a player for the
10 exchange or purchase of video lottery game credits or for an
11 advance of coins or currency to be used by a player to play video
12 lottery games.

13 (iii) Extend credit, in any manner, to a player to enable the
14 player to play a video lottery game.

15 (j) Pay for all credits won by a player on presentment of a
16 valid winning video lottery ticket.

17 (k) Report a video lottery terminal malfunction promptly to
18 the manufacturer and the bureau and notify the bureau of the
19 failure of a manufacturer or service technician to provide prompt
20 service and repair of the malfunction of a video lottery terminal
21 or associated equipment.

22 (l) Install, post, and display prominently at locations at
23 the racetrack where the license holder holds race meetings signs,
24 redemption information, and other promotional material as
25 required by the bureau.

26 (m) Permit video lottery games to be played only during hours
27 established and approved by the bureau.

1 (n) Maintain general liability insurance coverage for all
2 video lottery terminals in an amount of at least \$2,000,000.00
3 per claim.

4 (o) Promptly notify the bureau in writing of any breaks or
5 tears in any logic unit seals.

6 (p) Assume liability for money lost or stolen from a video
7 lottery terminal.

8 (q) Submit an audited financial statement on a form that has
9 been approved by the bureau to the bureau when initially applying
10 for a license or permit and, after a license or permit has been
11 granted, annually before the time for renewal.

12 Sec. 57. (1) The bureau shall provide to a manufacturer, or
13 an applicant applying for a manufacturer's permit, the protocol
14 documentation data necessary to enable the manufacturer's video
15 lottery terminals to communicate with the central control system
16 to transmit auditing program information and activate and disable
17 the video lottery terminals.

18 (2) A license holder shall remit its gross terminal income to
19 the bureau by electronic transfer of funds on dates established
20 by the bureau. A license holder shall furnish to the bureau all
21 information and bank authorizations required to facilitate the
22 timely transfer of money to the bureau. A license holder shall
23 provide the bureau at least 30 days' advance notice of any
24 proposed account changes to ensure the uninterrupted electronic
25 transfer of funds. The bureau shall deduct from the gross
26 terminal income remitted by the license holder an amount
27 sufficient to reimburse the bureau for administrative costs. The

1 amount deducted under this subsection shall not include
2 administrative costs that have been paid or reimbursed by license
3 fees. The bureau shall annually return any amount deducted for
4 administrative costs that exceeds actual administrative costs to
5 each license holder in proportion to the administrative costs
6 deducted from the license holder's gross terminal income.

7 (3) Net terminal income from all license holders shall be
8 combined. The bureau shall distribute the combined net terminal
9 income as follows:

10 (a) Forty percent to the state treasurer. The state
11 treasurer shall pay [1/3] of the first [\$90,000,000.00] received
12 under this subdivision [each year] to the school aid fund [, 1/3] to the
13 agricultural enhancement fund created in section 64 [, and 1/3 to a city
14 in this state having a population of 750,000 or more]. The balance
15 of the money received under this subdivision shall be distributed
16 as follows:

17 (i) Fifteen percent to the agricultural enhancement fund
18 created in section 64.

19 (ii) Fifteen percent to the state school aid fund.

20 [(iii) Of the balance, if the amount of money deposited into the
21 school aid fund from state lottery games conducted as of May 22, 2003 and
22 under the Michigan gaming control and revenue act, the Initiated Law of
23 1996, MCL 432. 201 to 432.226, decreases in a fiscal year after 2003 -
24 2004 from the amount deposited into the school aid fund from the state
lottery games conducted as of May 22, 2003 and under the Michigan gaming
control and revenue act, the Initiated Law of 1996, MCL 432.201 to
432.226, in fiscal year 2003 - 2004, then an amount equal to the amount
of the decrease shall be deposited into the school aid fund.]

25 [(iv)] The balance to be deposited into the general fund.

26 (b) Forty-two and one-half percent as commissions to race
27 meeting licensees, the portion paid to a licensee being equal to
28 the percentage of the total amount wagered in video lottery games
29 in this state during the previous year that was wagered in video
30 lottery games conducted at the racetrack where the licensee

25 conducts its race meetings. A race meeting licensee shall pay
26 1/2 of a percent of the money received under this subdivision,
27 but not more than \$1,000,000.00 per year, to the local unit of

1 government in which the racetrack where the licensee conducts its
2 race meetings is located.

3 (c) Fifteen percent to the agricultural enhancement purse
4 pool established in section 19b of the horse racing law of 1995,
5 1995 PA 279, MCL 431.319b.

6 (d) Two and one-half percent to pay breeders' awards as
7 provided in section 19b of the horse racing law of 1995, 1995 PA
8 279, MCL 431.319b.

9 (4) A license holder shall maintain in the bank account or
10 accounts from which funds are transferred to the bureau under
11 subsection (2) an amount equal to or greater than the gross
12 terminal income from its operation of video lottery games. If a
13 license holder fails to maintain this balance, the bureau may
14 disable all of the license holder's video lottery terminals until
15 full payment of all amounts due.

16 (5) The central control system shall keep accurate records of
17 all income generated by each video lottery terminal. The bureau
18 shall prepare and mail to each license holder a statement
19 reflecting the gross terminal income generated by the license
20 holder's video lottery terminals. A license holder shall report
21 to the bureau any discrepancy between the bureau's statement and
22 a terminal's mechanical and electronic meter readings. A license
23 holder is solely responsible for resolving an income discrepancy
24 between actual money collected and the amount shown on the
25 accounting meters or on the bureau's statement.

26 (6) The bureau shall not make a credit adjustment unless an
27 accounting discrepancy is resolved in favor of a license holder.

1 If the meter readings and the bureau's records cannot be
2 reconciled, final disposition of the matter shall be determined
3 by the bureau. Any accounting discrepancies that cannot be
4 otherwise resolved shall be resolved in favor of the bureau.

5 (7) A license holder shall remit payment by mail if the
6 electronic transfer of funds under subsection (2) is not
7 operational or the bureau notifies the license holder that
8 remittance by this method is required. The license holder shall
9 report an amount equal to the total amount of cash inserted into
10 each video lottery terminal operated by the license holder, minus
11 the total value of game credits which are cleared from the video
12 lottery terminal in exchange for winning redemption tickets, and
13 remit the resulting amount as the amount generated from its
14 terminals during the reporting period. The remittance shall be
15 sealed in a properly addressed and stamped envelope and sent by
16 certified or registered United States mail no later than 12 noon
17 on the day when the payment would otherwise be completed through
18 electronic funds transfer.

19 (8) The bureau shall provide additional reports of play
20 transactions for a license holder's video lottery terminals and
21 other marketing information not considered confidential by the
22 bureau to the license holder if the license holder requests
23 them. The bureau may charge a reasonable fee for the cost of
24 producing and mailing a report other than a statement under
25 subsection (5).

26 (9) The bureau may examine all accounts, bank accounts,
27 financial statements, and records in possession or under control

1 of a license holder, or in which the license holder has an
2 interest. A license holder shall authorize a third party in
3 possession or control of an account, statement, or record of the
4 license holder to allow the bureau to examine the account,
5 statement, or record.

6 Sec. 58. (1) A manufacturer shall not place a video lottery
7 terminal in operation in this state unless the manufacturer
8 provides training in service and repair of each approved video
9 lottery terminal to bureau employees or agents as required by the
10 bureau.

11 (2) Only an agent or a person employed by the bureau may
12 conduct maintenance on a video lottery terminal or associated
13 equipment.

14 (3) The bureau shall keep a written maintenance log within
15 the main cabinet access area in each video lottery terminal.
16 Every person, including bureau personnel, who gains entry into an
17 internal space of a video lottery terminal shall sign the log,
18 record the time and date of entry, record the mechanical meter
19 readings, and list the areas inspected or repaired. The bureau
20 shall retain a maintenance log for 3 years from the date of the
21 last entry.

22 (4) The bureau shall keep keys for access into the main
23 cabinet door of each video lottery terminal placed in operation.
24 The bureau shall provide a logic box seal that bureau personnel
25 shall affix to prevent unauthorized access to the video lottery
26 terminal's logic unit.

27 Sec. 59. (1) A license holder may install and operate up to

1 500 video lottery terminals at the racetrack where the license
2 holder holds race meetings. A license holder may apply to the
3 bureau for authorization to install and operate more than 500
4 video lottery terminals. If the bureau determines that it is in
5 the best interests of the license holder, the bureau, and the
6 citizens of this state, the bureau may grant the license holder
7 permission to install and operate the additional video lottery
8 terminals.

9 (2) A video lottery terminal shall be physically located in
10 an area to which all of the following apply:

11 (a) The area is continuously monitored by a closed circuit
12 television system capable of recording activity for a continuous
13 24-hour period. All recorded videotapes or other media are
14 retained for at least 30 days.

15 (b) Access to the area is restricted to persons legally
16 entitled by age to play video lottery games.

17 (c) A floor plan of the area showing the locations of
18 terminals and security cameras has been submitted by the license
19 holder for bureau approval.

20 (d) The area is in a building or structure located on
21 property contiguous to the grandstand area of the racetrack where
22 the license holder holds race meetings.

23 Sec. 60. Payment for credits awarded on a video lottery
24 terminal shall not be made unless the ticket meets all of the
25 following requirements:

26 (a) The ticket is fully legible, printed on paper approved by
27 the bureau, and contains all information required by this

1 article.

2 (b) The ticket has not been mutilated, altered, made
3 unreadable, or tampered with in any manner.

4 (c) The ticket, or any part of it, is not counterfeit.

5 (d) The ticket is presented by a person authorized to play
6 video lottery under this article.

7 Sec. 61. The bureau may promulgate rules to implement this
8 article pursuant to the administrative procedures act of 1969,
9 1969 PA 306, MCL 24.201 to 24.328.

10 Sec. 62. A person, unless authorized by the bureau, who
11 with intent to manipulate the outcome, payoff, or operation of a
12 video lottery game manipulates the outcome, payoff, or operation
13 of the video lottery game is guilty of a felony punishable by
14 imprisonment for not more than 10 years or a fine of not less
15 than \$10,000.00, or both.

16 Sec. 64. (1) The agricultural enhancement fund is created
17 within the state treasury.

18 (2) The state treasurer may receive money or other assets
19 from contributions from any source for deposit into the
20 agricultural enhancement fund. The state treasurer shall direct
21 the investment of the fund. The state treasurer shall credit to
22 the fund interest and earnings from fund investments.

23 (3) Money in the fund at the close of the fiscal year shall
24 remain in the fund and shall not lapse to the general fund.

25 (4) The department of agriculture shall expend money from the
26 fund, upon appropriation, for the purposes of enhancing the
27 development of agriculture in this state, including, but not

1 limited to, the following purposes:

2 (a) Support of value-added opportunities, including, but not
3 limited to, market development, export enhancement, quality and
4 purity assurance, product development, packaging, and alternative
5 energy development.

6 (b) Research and diagnostic capabilities for agricultural
7 plants and animals.

8 (c) Environmental programs that provide incentives for
9 on-farm practices or structures to reduce potential impacts on
10 air, water, and soil.

11 (d) Rehabilitation programs for race horses.

12 (e) Farmland preservation.

13 (f) Agricultural production practices that efficiently use
14 water in the production of feed, food, and fiber.

15 (g) Leadership development or educational programs that
16 directly support production agriculture.

17 (h) Food security.

18 Enacting section 1. This amendatory act does not take
19 effect unless all of the following bills of the 92nd Legislature
20 are enacted into law:

21 (a) House Bill No. 4609.

22 (b) House Bill No. 4611.