

# HOUSE BILL No. 4610

May 1, 2003, Introduced by Reps. Minore and Julian and referred to the Committee on Agriculture and Resource Management.

A bill to amend 1972 PA 239, entitled "McCauley-Traxler-Law-Bowman-McNeely lottery act," by amending the title and sections 3, 11, 23, and 32 (MCL 432.3, 432.11, 432.23, and 432.32), the title as amended by 1996 PA 95, sections 3, 11, and 23 as amended by 1996 PA 167, 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:**

TITLE

An act to establish and operate a state lottery and to allow state participation in certain lottery-related joint enterprises with other sovereignties; **to allow and regulate the operation of video lottery games and keno at licensed race meetings in this state;** to create a bureau of state lottery and to prescribe its powers and duties; to prescribe certain powers and duties of

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1 other state departments and agencies; **to provide for the**  
 2 **promulgation of rules;** to license and regulate ~~certain~~ **lottery**  
 3 sales agents, **manufacturers and service technicians of video**  
 4 **lottery machines and related equipment, and persons conducting**  
 5 **keno;** to create the state lottery fund; **to impose fees;** to  
 6 provide for the distribution of lottery revenues and earnings for  
 7 certain purposes; to provide for an appropriation; and to provide  
 8 for remedies and penalties.

9

**ARTICLE 1**

10 Sec. 3. As used in this act:

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

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

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

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

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

25 Sec. 11. (1) The commissioner shall promulgate rules  
 26 pursuant to the administrative procedures act of 1969, ~~Act~~  
 27 ~~No. 306 of the Public Acts of 1969, being sections 24.201 to~~

1 ~~24.328 of the Michigan Compiled Laws 1969 PA 306, MCL 24.201 to~~  
2 **24.328**, as necessary to implement this act.

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

6 (a) The type of lottery to be conducted. ~~subject to section~~  
7 ~~9(2).~~

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

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

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

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

14 (f) The frequency of the drawings or selections of winning  
15 tickets or shares.

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

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

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

24 (j) The manner and amount of compensation to be paid licensed  
25 sales agents necessary to provide for the adequate availability  
26 of tickets or shares to prospective buyers and for the  
27 convenience of the public.

1 (k) The apportionment of the total annual revenues accruing  
2 from the sale of lottery tickets or shares and from all other  
3 sources for the payment of prizes to the holders of winning  
4 tickets or shares, for the payment of costs incurred in the  
5 operation and administration of the lottery, including the  
6 expenses of the bureau and the costs resulting from any contract  
7 or contracts entered into for promotional, advertising,  
8 consulting, or operational services or for the purchase or lease  
9 of lottery equipment and materials, for the repayment of the  
10 money appropriated to the state lottery fund, and for transfer to  
11 the general fund.

12 (3) The commissioner may promulgate rules incorporating by  
13 reference existing rules or regulations of any joint enterprise  
14 as required as a condition for participation in that joint  
15 enterprise. Any subsequent changes or additions to the rules or  
16 regulations of the joint enterprise may be adopted by the  
17 commissioner through the promulgation of a rule.

18 (4) This section is repealed if the Michigan supreme court  
19 rules that sections 45 and 46 of the administrative procedures  
20 act of 1969, ~~Act No. 306 of the Public Acts of 1969, being~~  
21 ~~sections 24.245 and 24.246 of the Michigan Compiled Laws 1969 PA~~  
22 **306, MCL 24.245 and 24.246**, are unconstitutional and a statute  
23 requiring legislative review of administrative rules is not  
24 enacted within 90 days after the Michigan supreme court ruling.  
25 ~~Nothing in this subsection invalidates rules that have been~~  
26 ~~promulgated prior to the effective date of the amendatory act~~  
27 ~~that added this subsection.~~ **Rules promulgated before April 17,**

1 1996 are not invalidated by this subsection.

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

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

20       (2) ~~(3)~~ Notwithstanding any other provision of law, a  
21 person licensed ~~pursuant to this act may act~~ as a lottery sales  
22 agent **may sell lottery tickets and shares**. A person lawfully  
23 engaged in nongovernmental business on state property may be  
24 licensed as a lottery sales agent.

25       (3) ~~(4)~~ A **lottery sales agent** license is not assignable or  
26 transferable.

27       (4) ~~(5)~~ A licensed **lottery sales** agent or his or her

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

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

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

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

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

13 (5) ~~(7)~~ The commissioner may require a bond from any  
14 licensed **lottery sales** agent in an amount ~~as~~ provided in ~~the~~  
15 rules **promulgated under this act.**

16 (6) ~~(8)~~ A licensed **lottery sales** agent shall display his or  
17 her license or a copy ~~thereof~~ **of the license** conspicuously in  
18 accordance with ~~the~~ rules **promulgated under this act.**

19 (7) ~~(9)~~ The commissioner may suspend or revoke the license  
20 of ~~any~~ a **lottery sales** agent who violates this act or a rule  
21 promulgated ~~pursuant to~~ **under** this act.

22 (8) ~~(10)~~ For purposes of terminal placement, the  
23 commissioner shall take into account with equal emphasis both of  
24 the following:

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

27 (b) The need to maximize net lottery revenues from the total

1 number of terminals placed.

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

11       Sec. 32. (1) Before payment **under this article** of a prize  
12 of \$1,000.00 or more, the bureau shall determine whether the  
13 department of treasury records show that a lottery winner has a  
14 current liability to this state or a support arrearage. The  
15 department of treasury shall provide the bureau with a list or  
16 computer access to a compilation of persons known to the  
17 department to have a current liability to this state, including **a**  
18 delinquent ~~accounts~~ **account** of ~~amounts due and owing~~ **money**  
19 **due** to a court that ~~have~~ **has** been assigned to the state for  
20 collection, or a support arrearage. The information shall be  
21 updated not less than once a month. If a liability to this state  
22 or support arrearage is identified, the bureau shall ascertain  
23 the amount owed from the department of treasury and ~~first~~ apply  
24 the ~~amount of the~~ prize **first** to ~~the~~ **a** liability to the state  
25 other than ~~the amount of any~~ **an** assigned delinquent account of  
26 ~~amounts due and owing~~ **money due** to a court, next to ~~the~~ **a**  
27 support arrearage, and next to ~~the~~ **an** assigned delinquent

1 ~~accounts of amounts due and owing~~ **account of money due** to a  
2 court. ~~—, and the~~ **The** excess, if any, shall be paid to the  
3 lottery winner.

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

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

22 (4) In regard to the information provided by the department  
23 of treasury to the bureau under this section, the bureau is  
24 subject to the confidentiality restrictions and penalties  
25 provided in section 28(1)(f) and (2) of ~~Act No. 122 of the~~  
26 ~~Public Acts of 1941, being section 205.28 of the Michigan~~  
27 ~~Compiled Laws~~ **1941 PA 122, MCL 205.28.**



1 racetrack where a license holder holds race meetings that is  
2 connected to the central control system for communication,  
3 validation, or other purposes. Associated equipment does not  
4 include a video lottery terminal or the communication facilities  
5 of a regulated public utility.

6 (d) "Central control system" means a computer or computer  
7 system provided to and controlled by the bureau that communicates  
8 with video lottery terminals to retrieve information and activate  
9 and disable the terminals.

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

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

16 (g) "Gross terminal income" means the total amount of coins,  
17 currency, vouchers, and tokens inserted into the video lottery  
18 terminals operated by a license holder, minus the total value of  
19 coins, currency, and tokens won by players and game credits  
20 cleared from the video lottery terminals in exchange for winning  
21 redemption tickets.

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

27 (i) "Manufacturer" means a person holding a permit issued by

1 the bureau to engage in the business of designing, building,  
2 constructing, assembling, or manufacturing video lottery  
3 terminals, the electronic computer components of video lottery  
4 terminals, the random number generator of video lottery  
5 terminals, or cabinets in which video lottery terminals are  
6 housed, whose products are intended for sale, lease, or other  
7 transfer to license holders in this state, and who contracts  
8 directly with the license holder for the sale, lease, or other  
9 transfer of the product.

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 or service technician.

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 race meeting of a license  
27 holder.

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,  
4 MCL 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  
7 PA 279, MCL 431.303.

8           (q) "Service technician" means an individual employed by a  
9 manufacturer who holds a permit issued by the bureau and who  
10 performs service, maintenance, and repair on video lottery  
11 terminals of license holders in this state.

12           (r) "Video lottery" means a lottery that allows a game to be  
13 played using an electronic computer and an interactive computer  
14 terminal device, equipped with a video screen and keys, a  
15 keyboard, or other equipment allowing input by a player, into  
16 which the player inserts coins, currency, vouchers, or tokens as  
17 consideration in order for play to be available, and through  
18 which terminal device the player may receive free games, coins,  
19 currency, tokens, or credit that can be redeemed for cash,  
20 annuitized payments over time, a noncash prize, or nothing as  
21 determined wholly or predominantly by chance. Video lottery does  
22 not include a lottery game that merely uses an electronic  
23 computer and a video screen to operate a lottery game and  
24 communicate the results of the game and that does not use an  
25 interactive electronic terminal device allowing input by a  
26 player. Video lottery shall be operated exclusively by and under  
27 the exclusive control of the bureau.

1           (s) "Video lottery game" means a bureau-approved,  
2 electronically simulated game of chance that is displayed on a  
3 video lottery terminal and to which all of the following apply:

4           (i) The video lottery terminal on which the game is displayed  
5 is connected to the central control system by an on-line or  
6 dial-up communication system.

7           (ii) The game is initiated by a player's insertion of coins,  
8 currency, vouchers, or tokens into a video lottery terminal,  
9 which causes game play credits to be displayed on the video  
10 lottery terminal, each game play credit entitling a player to  
11 choose 1 or more symbols or numbers or to cause the video lottery  
12 terminal to randomly select symbols or numbers.

13           (iii) The game allows a player to win additional game play  
14 credits, coins, or tokens based upon game rules that establish  
15 the random selection of winning combinations of symbols, numbers,  
16 or both and the number of game play credits, coins, or tokens to  
17 be awarded for each winning combination of symbols, numbers, or  
18 both.

19           (iv) The game is based on computer-generated random selection  
20 of winning combinations produced totally or predominantly by  
21 chance.

22           (v) If the video lottery game allows the player an option to  
23 select replacement symbols or numbers or additional symbols or  
24 numbers after the game is initiated and in the course of play,  
25 the game does 1 of the following before the optional selection by  
26 the player of randomly generated replacement or additional  
27 symbols or numbers:

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

4 (B) Signals the player whether additional selection presents  
5 the best chance, based on probabilities, that the player may  
6 select a winning combination.

7 (C) Randomly generates additional or replacement symbols and  
8 numbers for the player after automatically selecting the symbols  
9 and numbers that should be retained to present the best chance,  
10 based on probabilities, for a winning combination, so that the  
11 player is not permitted to benefit from personal skill, based on  
12 a knowledge of probabilities, before deciding which optional  
13 numbers or symbols to choose in the course of video lottery game  
14 play.

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

19 (vii) The game does not display roulette, dice, or baccarat  
20 card game themes commonly associated with casino gambling. The  
21 game may display symbols that appear to roll on drums or may  
22 display other card game or keno game themes.

23 (t) "Video lottery terminal" means a bureau-approved  
24 interactive electronic terminal device that is connected to the  
25 central control system and used to play video lottery games  
26 authorized by the bureau. A video lottery terminal may simulate  
27 the play of 1 or more video lottery games.

1 (u) "Wager" means a sum of money or thing of value risked on  
2 an uncertain occurrence.

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

6 (2) Article 1 applies to video lottery operations under this  
7 article, but a provision of this article supersedes a conflicting  
8 or inconsistent provision of article 1.

9 Sec. 53. (1) A manufacturer shall not sell or lease a video  
10 lottery terminal for placement with a license holder in this  
11 state unless the bureau has approved the terminal. Only a  
12 manufacturer with a permit may apply for approval of a video  
13 lottery terminal or associated equipment. To apply for approval,  
14 a manufacturer shall submit 2 copies of terminal illustrations,  
15 schematics, block diagrams, circuit analysis, technical and  
16 operation manuals, and any other information requested by the  
17 bureau to allow analysis and testing of the video lottery  
18 terminal or associated equipment.

19 (2) The bureau may require that 2 working models of a video  
20 lottery terminal be transported to a location designated by the  
21 bureau for testing, examination, and analysis. The manufacturer  
22 shall pay all costs of testing, examination, analysis, and  
23 transportation of the video lottery terminal models. The  
24 testing, examination, and analysis of a video lottery terminal  
25 model may require dismantling the terminal, and some tests may  
26 result in damage or destruction to 1 or more electronic  
27 components of the model. The bureau may require the manufacturer

1 to provide specialized equipment or pay for the services of an  
2 independent technical expert to test the terminal.

3 (3) The manufacturer shall pay the cost of transporting 2  
4 video lottery terminals to bureau headquarters. The bureau shall  
5 conduct a test at bureau headquarters to determine terminal  
6 functions and central control system compatibility. If the video  
7 lottery terminal fails the test conducted by the bureau under  
8 this subsection, the manufacturer shall make all modifications  
9 required by the bureau.

10 (4) After the completion of testing under this section, the  
11 bureau shall provide the terminal manufacturer with a report  
12 containing findings, conclusions, and pass or fail results. The  
13 report may contain recommendations for modification of the video  
14 lottery terminal to bring the terminal into compliance with this  
15 article. Before approving a particular terminal model, the  
16 bureau may require a trial period of not more than 60 days for a  
17 license holder to test the terminal. The manufacturer shall not  
18 make any modifications to the terminal model during the trial  
19 period unless the bureau approves the modifications.

20 (5) A video manufacturer and a license holder are jointly  
21 responsible for the assembly and installation of a video lottery  
22 terminal and associated equipment. A manufacturer or a license  
23 holder shall not modify the assembly or operational functions of  
24 a video terminal approved for placement in this state unless the  
25 bureau first approves a request for the modification. A request  
26 for modification of an approved video terminal model shall  
27 contain a detailed description of the type of change, the reasons

1 for the change, and technical documentation of the change.

2 (6) A video lottery terminal approved for placement with a  
3 license holder shall conform to the exact specifications of the  
4 video lottery terminal model tested and approved by the bureau.  
5 The bureau shall seize and destroy a video lottery terminal or  
6 modification to a video lottery terminal that has not been  
7 approved by the bureau and shall suspend the license of a license  
8 holder or permit of a manufacturer that operates or manufactures  
9 a video lottery terminal or modification to a video lottery  
10 terminal that has not been approved by the bureau.

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

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

16 (b) A surge protector shall be installed on the electrical  
17 power supply line to the video lottery terminal. A battery or  
18 equivalent power backup for electronic meters capable of  
19 maintaining accuracy of all accounting records and terminal  
20 status reports for a time established by the bureau shall be  
21 located within the locked logic board compartment of the video  
22 lottery terminal.

23 (c) An on-off switch that controls the electrical current  
24 used in the operation of the video lottery terminal shall be  
25 located in an accessible place within the interior of the  
26 terminal.

27 (d) Static discharge or other electromagnetic interference

1 shall not adversely affect the operation of the video lottery  
2 terminal.

3 (e) At least 1 electronic or mechanical coin acceptor or  
4 other method to accurately and efficiently establish credits  
5 shall be installed on each video lottery terminal. The video  
6 lottery terminal may also contain a bill acceptor capable of  
7 accepting currency in denominations as determined by the bureau  
8 if the bureau has approved the bill acceptor for use on the video  
9 lottery terminal.

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

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

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

16 (i) Hardware switches, jumpers, wire posts, or other means of  
17 manipulation that alter the pay tables or payout percentages in  
18 the operation of a game shall not be installed in the video  
19 lottery terminal. The bureau may approve hardware switches on a  
20 video lottery terminal to control the terminal's graphic  
21 routines, speed of play, sound, and other purely cosmetic  
22 features.

23 (j) The video lottery terminal shall contain a single  
24 printing mechanism capable of printing an original ticket and  
25 retaining an exact legible copy within the video lottery terminal  
26 or other means of electronically capturing and retaining the  
27 ticket data as approved by the bureau. All of the following

1 information shall be printed on the ticket when credits accrued  
2 on the video lottery terminal are cleared:

3 (i) The number of credits accrued.

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

6 (iii) The date and time.

7 (iv) The validation number.

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

9 (k) The video lottery terminal shall have a permanently  
10 affixed identification plate on the exterior containing all of  
11 the following for the video lottery terminal:

12 (i) The manufacturer.

13 (ii) The serial number.

14 (iii) The model number.

15 (l) A video lottery terminal registered with and approved by  
16 the bureau shall only allow the play of video lottery games  
17 regulated and controlled by the bureau under this section that  
18 use specific game rules promulgated by the bureau pursuant to the  
19 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to  
20 24.328.

21 (m) The rules of play for each video lottery game shall be  
22 displayed on the video lottery terminal screen. The bureau may  
23 reject any rules of play that are incomplete, confusing,  
24 misleading, or inconsistent with game rules approved by the  
25 bureau. Each video lottery game shall have a display detailing  
26 the credits awarded for the occurrence of each possible winning  
27 combination of numbers or symbols. All information required by

1 this subdivision shall be displayed under glass or another  
2 transparent substance. No stickers or other removable devices  
3 shall be placed on the video lottery terminal screen without the  
4 prior approval of the bureau.

5 (n) The video lottery terminal shall have communication  
6 equipment and devices installed that enable it to communicate  
7 with the central control system using a communications protocol  
8 that the bureau shall provide to each manufacturer, including  
9 information retrieval and terminal activation and disabling  
10 programs.

11 (o) The video lottery terminal shall have a security system  
12 that temporarily disables the gaming function of the terminal  
13 while opened.

14 (2) A video lottery terminal shall use a random number  
15 generator to determine randomly the occurrence of each specific  
16 symbol or number used in a video lottery game. A determination  
17 process is random if it meets all of the following statistical  
18 criteria:

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

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

26 (c) Each pair of symbols or numbers meets the 99% confidence  
27 level using standard correlation analysis to determine whether

1 each symbol or number is independently chosen without regard to  
2 another symbol or number within a single game play.

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

7 (3) A video lottery terminal shall meet the following  
8 theoretical payout percentages:

9 (a) A minimum of 80% of the amount wagered during the  
10 expected lifetime of the terminal, determined using standard  
11 methods of probability theory.

12 (b) A maximum of 95% of the amount wagered during the  
13 expected lifetime of the terminal, determined using standard  
14 methods of probability theory, unless the bureau approves a  
15 request by the manufacturer to program the video lottery terminal  
16 for a payout greater than 95% of the amount wagered. A  
17 manufacturer shall obtain bureau approval before applying for  
18 testing of a high payout terminal.

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

21 (4) A video lottery terminal shall be capable of continuing  
22 the current game with all current game features after a  
23 malfunction of the terminal is cleared. If a video lottery  
24 terminal becomes totally inoperable during a game, the current  
25 wager and all credits appearing on the video lottery terminal  
26 display before the malfunction shall be returned to the player.

27 (5) A video lottery terminal shall maintain electronic

1 accounting at all times regardless of whether the terminal is  
2 being supplied with electrical power. The electronic meter of a  
3 video lottery terminal shall record all of the following  
4 information:

5 (a) The number of coins inserted by players or the coin  
6 equivalent if a bill acceptor, tokens, or vouchers are used.

7 (b) The number of credits wagered.

8 (c) The number of total credits, coins, and tokens won.

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

10 (e) The number of coins or tokens won, if applicable.

11 (f) The number of times the logic area has been accessed.

12 (g) The number of times the cash door has been accessed.

13 (h) The number of credits wagered in the current game.

14 (i) The number of credits won in the last complete video  
15 lottery game.

16 (j) The number of cumulative credits representing money  
17 inserted by a player and credits for video lottery games won but  
18 not collected.

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

25 (7) The bureau has primary responsibility for the control and  
26 regulation of a video lottery game or video lottery terminal  
27 operated under this article.

1           (8) The bureau shall, directly or through a contract with a  
2 third party vendor other than a license holder, maintain a  
3 central control system to monitor lottery terminals using an  
4 on-line or dial-up communication method. The central control  
5 system shall be capable of monitoring the operation of and  
6 immediately disabling each video lottery terminal. The bureau  
7 may require a license holder to pay the cost of a central control  
8 system as part of the license holder's licensing requirement.

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

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

13           (i) The applicant holds a valid race meeting license under  
14 the horse racing law of 1995, 1995 PA 279, MCL 431.301 to  
15 431.336.

16           (ii) If the application is the initial application for a  
17 license, the applicant has paid to the bureau an application fee  
18 of \$1,000.00.

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

22           (b) The applicant has good character and integrity.

23           (c) The applicant's background, including criminal record,  
24 reputation, and associations, does not pose a threat to the  
25 security and integrity of the lottery or to the public interest  
26 of this state. An applicant for a new license or for the renewal  
27 of a license shall furnish fingerprints for a criminal background

1 check by the department of state police and the federal bureau of  
2 investigation. The fingerprints shall be furnished by each  
3 individual required to be named in the application, and each  
4 individual shall provide a signed authorization for the release  
5 of information by the department of state police and the federal  
6 bureau of investigation. A person who has been convicted of a  
7 crime related to bribery or gambling or involving moral turpitude  
8 is not eligible for a license or permit. The bureau shall revoke  
9 the license or permit of a person who, after a license or permit  
10 is granted, is convicted of a crime related to bribery or  
11 gambling or involving moral turpitude.

12 (d) The applicant demonstrates the business ability and  
13 experience necessary to establish, operate, and maintain the  
14 business for which application is made.

15 (e) The applicant has secured adequate financing for the  
16 business for which application is made. The bureau shall  
17 determine whether financing is from a source that meets the  
18 qualifications of this section and is adequate to support the  
19 successful performance of the duties and responsibilities of the  
20 applicant. An applicant for a license shall disclose all  
21 financing or refinancing arrangements for the purchase, lease, or  
22 other acquisition of video lottery terminals and associated  
23 equipment in the degree of detail requested by the bureau. A  
24 license holder shall request bureau approval of any change in  
25 financing or lease arrangements at least 30 days before the  
26 effective date of the change.

27 (2) Before a video lottery terminal is placed at a racetrack

1 where a race meeting licensee conducts races, the race meeting  
2 licensee shall negotiate a hosting agreement with the local  
3 governmental subdivision where the racetrack is located. If the  
4 race meeting licensee and the local governmental subdivision are  
5 unable to make a mutually agreeable hosting agreement, the bureau  
6 may, after hearing and considering the concerns of the local  
7 governmental subdivision, determine the terms of the hosting  
8 agreement or decide not to place video lottery terminals at the  
9 racetrack.

10 (3) Video lottery shall not be conducted at a racetrack where  
11 a race meeting licensee holds its race meetings until 90 days  
12 after the first day of horse racing completed by the licensee  
13 after the licensee has been granted a video lottery license.

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

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

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

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

26 (c) Hold the bureau and this state harmless from and defend  
27 and pay for the defense of a claim asserted against a licensee

1 holder, the bureau, the state, or an employee of a license  
2 holder, the bureau, or the state, arising from the license  
3 holder's participation in video lottery.

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

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

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

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

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

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

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

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

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

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

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

4 (a) Acquire video lottery terminals by purchase, lease, or  
5 other transfer and provide a secure location for the placement,  
6 operation, and play of the video lottery terminals.

7 (b) Pay for the installation and operation of bureau-approved  
8 telephone lines to provide direct dial-up or on-line  
9 communication between each video lottery terminal and the central  
10 control system.

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

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

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

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

26 (g) Monitor a video lottery terminal to prevent access to or  
27 play at the terminal by an individual who is under 18 years of

1 age or visibly intoxicated.

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

4 (i) Not do any of the following:

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

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

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

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

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

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

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

26 (n) Maintain general liability insurance coverage for all  
27 video lottery terminals in an amount of at least \$2,000,000.00

1 per claim.

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

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

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

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

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

1 each license holder in proportion to the administrative costs  
2 deducted from the license holder's gross terminal income.

3 (3) Net terminal income from all license holders shall be  
4 combined. The bureau shall annually pay from the combined net  
5 terminal income the sum of \$150,000,000.00 to the state school  
6 aid fund. The bureau shall distribute the balance of the  
7 combined net terminal income as follows:

8 (a) Thirty-five percent to the general fund.

9 (b) Sixty-five percent to the racing commissioner to be  
10 distributed as provided in section 20a of the horse racing law of  
11 1995, 1995 PA 279, MCL 431.320a.

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

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

1 accounting meters or on the bureau's statement.

2 (6) The bureau shall not make a credit adjustment unless an  
3 accounting discrepancy is resolved in favor of a license holder.  
4 If a video lottery terminal shows a discrepancy, the license  
5 holder shall submit to the bureau the maintenance log that  
6 includes current mechanical meter readings and the audit ticket  
7 that contains electronic meter readings generated by the  
8 terminal's software. If the meter readings and the bureau's  
9 records cannot be reconciled, final disposition of the matter  
10 shall be determined by the bureau. Any accounting discrepancies  
11 that cannot be otherwise resolved shall be resolved in favor of  
12 the bureau.

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

27 (8) The bureau shall provide additional reports of play

1 transactions for a license holder's video lottery terminals and  
2 other marketing information not considered confidential by the  
3 bureau to the license holder if the license holder requests  
4 them. The bureau may charge a reasonable fee for the cost of  
5 producing and mailing a report other than a statement under  
6 subsection (5).

7 (9) The bureau may examine all accounts, bank accounts,  
8 financial statements, and records in possession or under control  
9 of a license holder, or in which the license holder has an  
10 interest. A license holder shall authorize a third party in  
11 possession or control of an account, statement, or record of the  
12 license holder to allow the bureau to examine the account,  
13 statement, or record.

14 Sec. 58. (1) A manufacturer shall not place a video lottery  
15 terminal in operation in this state unless the manufacturer  
16 provides service and repair of each approved video lottery  
17 terminal by 1 or more service technicians employed by the  
18 manufacturer.

19 (2) A person shall not conduct maintenance on a video  
20 lottery terminal or associated equipment unless the bureau has  
21 issued a service technician permit to that person.

22 (3) A license holder shall keep a written maintenance log  
23 within the main cabinet access area in each video lottery  
24 terminal. Every person, including bureau personnel, who gains  
25 entry into an internal space of a video lottery terminal shall  
26 sign the log, record the time and date of entry, record the  
27 mechanical meter readings, and list the areas inspected or

1 repaired. A license holder shall retain a maintenance log for 3  
2 years from the date of the last entry. A license holder shall  
3 make a maintenance log available for inspection on request by the  
4 bureau.

5 (4) A license holder shall provide the bureau with a master  
6 key for access into the main cabinet door of each video lottery  
7 terminal placed in operation. The bureau shall provide a logic  
8 box seal that bureau personnel shall affix to prevent  
9 unauthorized access to the video lottery terminal's logic unit.

10 Sec. 59. (1) A license holder may install and operate up to  
11 500 video lottery terminals at the racetrack where the license  
12 holder holds race meetings. A license holder may apply to the  
13 bureau for authorization to install and operate more than 500  
14 video lottery terminals. If the bureau determines that it is in  
15 the best interests of the license holder, the bureau, and the  
16 citizens of this state, the bureau may grant the license holder  
17 permission to install and operate the additional video lottery  
18 terminals.

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

21 (a) The area is continuously monitored by a closed circuit  
22 television system capable of recording activity for a continuous  
23 24-hour period. All recorded videotapes or other media are  
24 retained for at least 30 days.

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

27 (c) A floor plan of the area showing the locations of

1 terminals and security cameras has been submitted by the license  
2 holder for bureau approval.

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

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

9 (a) The ticket is fully legible, printed on paper approved by  
10 the bureau, and contains all information required by this  
11 article.

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

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

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

17 Sec. 61. The bureau may promulgate rules to implement this  
18 article pursuant to the administrative procedures act of 1969,  
19 1969 PA 306, MCL 24.201 to 24.328.

20 Sec. 62. A person, unless authorized by the bureau, who  
21 with intent to manipulate the outcome, payoff, or operation of a  
22 video lottery game manipulates the outcome, payoff, or operation  
23 of the video lottery game is guilty of a felony punishable by  
24 imprisonment for not more than 10 years or a fine of not less  
25 than \$10,000.00, or both.

26 Enacting section 1. This amendatory act does not take  
27 effect unless all of the following bills of the 92nd Legislature

1 are enacted into law:

2 (a) Senate Bill No. \_\_\_\_\_ or House Bill No. 4609 (request  
3 no. 02853'03).

4 (b) Senate Bill No. \_\_\_\_\_ or House Bill No. 4611 (request  
5 no. 02855'03 a).

6 (c) Senate Bill No. \_\_\_\_\_ or House Bill No. \_\_\_\_\_ (request  
7 no. 03040'03).