

SENATE BILL No. 338

March 20, 2001, Introduced by Senator KOIVISTO and referred to the Committee on Gaming and Casino Oversight.

A bill to license and regulate the conducting of video gaming; to license and regulate certain video gaming agents; to impose certain duties and authority upon certain state departments, agencies, and officers; to provide for the distribution of video gaming revenues; and to provide penalties.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "Michigan video gaming act".

3 Sec. 3. As used in this act:

4 (a) "Bureau" means the bureau of state lottery as created by
5 the McCauley-Traxler-Law-Bowman-McNeely lottery act, 1972 PA 239,
6 MCL 432.1 to 432.47.

7 (b) "Commissioner" means the commissioner of state lottery
8 as defined by section 3 of the

1 McCauley-Traxler-Law-Bowman-McNeeley lottery act, 1972 PA 239,
2 MCL 432.3.

3 (c) "Distributor" means an individual, partnership, corpora-
4 tion, association, or other legal entity that distributes or
5 sells video gaming machines or associated equipment in this
6 state.

7 (d) "Manufacturer" means an individual, partnership, corpo-
8 ration, association, or other legal entity that assembles or
9 produces video gaming machines or associated equipment for sale
10 or use in this state.

11 (e) "Net machine income" means the amount of money obtained
12 after subtracting credits paid out in cash from the amount of
13 money inserted into a video gaming machine.

14 (f) "Operator" means an individual, partnership, corpora-
15 tion, association, or other legal entity that places video gaming
16 machines or associated equipment in a video gaming establishment
17 for public use in this state.

18 (g) "State video gaming fund" means the state video gaming
19 fund created under section 23.

20 (h) "Video gaming establishment" means a building or site
21 where 1 or more video gaming machines or associated equipment is
22 placed for use in this state and that meets the licensure
23 requirements described in section 7(1)(a).

24 (i) "Video gaming machine" means a computerized video game
25 accessible to the player by means of a video gaming terminal that
26 awards credit that can be used for an extension of play or for a
27 voucher redeemable from the video gaming establishment.

1 Sec. 5. (1) The commissioner shall establish and administer
2 state video gaming at the earliest feasible and practicable
3 time. Video gaming shall produce the maximum amount of net reve-
4 nues for the state consonant with the general welfare of the
5 people.

6 (2) Upon establishing video gaming, the commissioner shall
7 provide that a person holding a license to conduct video gaming
8 shall use machines and other necessary related systems and serv-
9 ice from distributors, manufacturers, and operators licensed by
10 the commissioner.

11 Sec. 7. (1) The commissioner shall promulgate rules pursu-
12 ant to the administrative procedures act of 1969, 1969 PA 306,
13 MCL 24.201 to 24.328, to implement this act, which shall include,
14 but not be limited to, all of the following:

15 (a) A system of licensure that includes the licensure of
16 manufacturers, distributors, operators, and video gaming estab-
17 lishments and that prohibits the licensure of an entity in more
18 than 1 capacity except that a video gaming establishment that
19 holds a track license issued under the horse racing law of 1995,
20 1995 PA 279, MCL 431.301 to 431.336, may also be licensed as an
21 operator. The system of licensure shall provide that video
22 gaming shall be conducted only in video gaming establishments.
23 Premises licensed as video gaming establishments shall hold a
24 track license issued under the horse racing law of 1995, 1995 PA
25 279, MCL 431.301 to 431.336, or a license for consumption of
26 alcoholic liquor on the licensed premises issued under the

1 Michigan liquor control code of 1998, 1998 PA 58, MCL 436.1101 to
2 436.2303.

3 (b) A system of registration for video gaming machines.

4 (c) The establishing of standards of conduct for persons or
5 entities licensed in each capacity.

6 (d) The establishing of prize limits.

7 (e) Limits and standards for the import, export, and trans-
8 portation of video gaming machines in this state.

9 (f) Limits on the number of video gaming machines per video
10 gaming establishment as follows:

11 (i) In a video gaming establishment licensed solely under
12 the Michigan liquor control code of 1998, 1998 PA 58, MCL
13 436.1101 to 436.2303, the number of video gaming machines shall
14 not exceed 5.

15 (ii) In a video gaming establishment that also holds a race
16 meeting license under the horse racing law of 1995, 1995 PA 279,
17 MCL 431.301 to 431.336, the number of video gaming machines shall
18 not exceed 5 per 1,000 patrons who were in attendance on live
19 racing dates in the 1998 calendar year. For the purposes of
20 determining patron attendance, a race meeting licensee may
21 include all of the following in its total:

22 (A) Each patron who attended a race meeting that is con-
23 ducted at the racetrack for which the race meeting licensee has
24 been issued a license.

25 (B) Each patron who attended a race meeting conducted by the
26 race meeting licensee whether or not that race meeting was

1 conducted at a track for which the race meeting licensee has been
2 issued a license.

3 (2) Within 36 months of the effective date of this act, the
4 commissioner shall review the impact of the limits based on util-
5 ization, revenue, and cost efficiency and recommend to the legis-
6 lature whether those limits should be maintained.

7 Sec. 9. (1) Except as provided in section 7, a person
8 shall not be licensed as a manufacturer, distributor, operator,
9 or video gaming establishment if that person has a direct or
10 indirect interest in any entity that is licensed as a manufactur-
11 er, distributor, operator, or video gaming establishment under
12 this act.

13 (2) As used in this section, "person" means an individual,
14 corporation, association, sole proprietorship, partnership,
15 trust, or other form of business entity.

16 Sec. 11. (1) The amount of net machine income shall be dis-
17 tributed as follows:

18 19	Year 1	Year 2	Year 3 and each year thereafter
20 Manufacturer Share	0	0	0
21 Distributor Share	0	0	0
22 Operator Share	38.5%	38.0%	37.5%
23 Video Gaming 24 Establishment Share	38.5%	38.0%	37.5%
25 State Share	23.0%	24.0%	25.0%

26 (2) The state share shall be distributed as follows:

1 (a) 20.0% shall be deposited in the state school aid fund
2 established in section 11 of article IX of the state constitution
3 of 1963 and distributed as provided by law.

4 (b) 5.0% shall be deposited in the Michigan strategic fund
5 created in the Michigan strategic fund act, 1984 PA 270, MCL
6 125.2001 to 125.2093.

7 (c) 5.0% shall be deposited in the Michigan underground
8 storage tank financial assurance fund created in section 21506 of
9 the natural resources and environmental protection act, 1994 PA
10 451, MCL 324.21506.

11 (d) 70.0% shall be deposited in the Michigan transportation
12 fund established in section 10 of 1951 PA 51, MCL 247.660.

13 Sec. 13. The commissioner shall do both of the following:

14 (a) Supervise and administer the operation of video gaming
15 in accordance with this act and the rules.

16 (b) License as agents to conduct video gaming persons whom
17 he or she considers will best serve the public and protect the
18 honesty and integrity of the video gaming industry.

19 Sec. 15. Licensees shall comply with rules promulgated by
20 the commissioner to protect the integrity of the video gaming
21 system.

22 Sec. 17. The commissioner shall license, register, and
23 establish a fee for each video gaming machine manufacturer, dis-
24 tributor, operator, and licensed establishment before any video
25 gaming machine or associated equipment is manufactured, distrib-
26 uted, sold, or placed for public use in this state by that

1 manufacturer, distributor, operator, or establishment. The
2 annual fee for each license shall not exceed the following:

3 (a) \$5,000.00 for a video gaming machine manufacturer.

4 (b) \$5,000.00 for a video gaming machine distributor.

5 (c) \$2,500.00 for a video gaming machine operator and \$50.00
6 per registered machine.

7 (d) \$100.00 for a video gaming establishment.

8 Sec. 19. (1) The commissioner, subject to the applicable
9 laws relating to public contracts, may enter into contracts for
10 the operation of video gaming and into contracts for the promo-
11 tion of video gaming.

12 (2) A contract awarded or entered into by the commissioner
13 shall not be assigned by its holder except by specific approval
14 of the commissioner.

15 (3) Any contract or portion of a contract for video gaming
16 equipment or related services entered into before the effective
17 date of this act by a manufacturer, distributor, operator, or
18 establishment that does not conform with the provisions of this
19 act is void.

20 Sec. 21. (1) A license for a video gaming establishment
21 shall not be issued to a person to engage in business exclusively
22 as a video gaming agent. Before issuing a license, the commis-
23 sioner shall consider the financial responsibility and security
24 of the applicant and his or her business or activity. The com-
25 missioner shall review the applicant's license history with the
26 appropriate issuer of the license including an applicant's
27 license for on-premises consumption of alcoholic liquor and may

1 deny a license to a person if the commissioner believes that the
2 applicant will compromise the honesty or integrity of the video
3 gaming industry.

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

12 (3) Notwithstanding any other provision of law, a person
13 licensed under this act may act as a video gaming agent. A
14 person lawfully engaged in nongovernmental business on state
15 property may be licensed as a video gaming agent.

16 (4) A license is assignable and transferable but only inso-
17 far as the track license or on-premises consumption license is
18 transferable.

19 (5) A licensed agent or his or her employee may conduct
20 video gaming only on the premises stated in the license of the
21 agent.

22 (6) The commissioner may require a bond from any licensed
23 agent in an amount as provided in the rules.

24 (7) A licensed agent shall display his or her license or a
25 copy of the license conspicuously in accordance with the rules.

1 (8) The commissioner may suspend or revoke the license of
2 any agent who violates this act or a rule promulgated under this
3 act.

4 Sec. 23. A special fund to be known as the "state video
5 gaming fund" is created in the department of treasury. The state
6 video gaming fund consists of the state's share of net machine
7 income received from video gaming and all other money credited or
8 transferred to the fund from any other fund or sources pursuant
9 to law including interest earnings on common cash attributable to
10 the state video gaming fund.

11 Sec. 25. All fees and revenue collected by the commissioner
12 or bureau under this act shall be paid into the state video
13 gaming fund. All necessary expenses incurred by the bureau in
14 the administration and enforcement of this act and in the initia-
15 tion, implementation, and ongoing operation of charity games
16 shall be financed from the state video gaming fund. The amount
17 of these necessary expenses shall not exceed the amount of reve-
18 nues received from the fees collected under this act. At the end
19 of each fiscal year, all money, including interest, in the state
20 video gaming fund that is attributable to fees collected under
21 this act but that has not been expended under this section shall
22 be deposited in the Michigan transportation fund created in
23 section 10 of 1951 PA 51, MCL 247.660.

24 Sec. 27. (1) The commissioner may suspend or revoke any
25 license issued under this act if the licensee or any officer,
26 director, agent, member, or employee of the licensee violates
27 this act or a rule promulgated under this act.

1 (2) A proceeding to suspend or revoke a license shall be
2 considered a contested case and shall be governed by the adminis-
3 trative procedures act of 1969, 1969 PA 306, MCL 24.201 to
4 24.328. The commissioner may suspend a license for a period not
5 to exceed 60 days pending any prosecution, investigation, or
6 public hearing.

7 (3) Upon petition of the commissioner, the circuit court
8 after a hearing may issue subpoenas to compel the attendance of
9 witnesses and the production of documents, papers, books,
10 records, and other evidence before it in a matter over which it
11 has jurisdiction, control, or supervision. If a person subpoe-
12 naed to attend any such proceeding or hearing fails to obey the
13 command of the subpoena without reasonable cause, or if a person
14 in attendance in any such proceeding or hearing refuses, without
15 lawful cause, to be examined or to answer a legal or pertinent
16 question or to exhibit any book, account, record, or other docu-
17 ment when ordered to do so by the court may be punished as con-
18 tempt of the court.

19 Sec. 29. (1) A licensee whose license is revoked in conse-
20 quence of a violation of this act or a rule promulgated under
21 this act is ineligible, for a period of 1 year after the revoca-
22 tion, to apply for a license.

23 (2) If a license is suspended, in addition to other penal-
24 ties which may be imposed, the commissioner may declare the vio-
25 lator ineligible to conduct video gaming under this act for a
26 period not exceeding 1 year.

1 (3) The licensee shall return its license to the
2 commissioner on or before the effective date of a suspension or
3 revocation. Whether returned or not, the license shall not be
4 valid beyond the effective date of the suspension or revocation.

5 Sec. 31. (1) The commissioner shall report immediately to
6 the governor, the state treasurer, and the legislature any mat-
7 ters that require immediate changes in the laws of this state in
8 order to prevent abuses or evasions of this act or rules promul-
9 gated under this act or to rectify undesirable conditions in con-
10 nection with the administration or operation of video gaming.

11 (2) The commissioner shall make a continuous study and
12 investigation of video gaming to do all of the following:

13 (a) Ascertain any defects in this act or in the rules that
14 allow any abuses in the administration and operation of video
15 gaming or any evasion of this act or the rules may arise or be
16 practiced.

17 (b) Formulate recommendations for changes in this act and
18 the rules.

19 (c) Guard against the use of this act and the rules as a
20 cloak for the carrying on of organized crime.

21 (d) Ensure that this act and the rules are in a form and are
22 administered as to serve the true purposes of this act.

23 (3) The commissioner shall make a continuous study and
24 investigation of the operation and the administration of similar
25 laws that may be in effect in other states or countries, any lit-
26 erature on the subject that may be published or available, any
27 federal laws that may affect the operation of video gaming, and

1 the reaction of citizens to existing and potential features of
2 video gaming with a view to recommending or effecting changes
3 that will tend to serve the purposes of this act.

4 Sec. 33. Any other law providing any penalty or disability
5 for conducting video gaming or any acts done in connection with
6 video gaming shall not apply to video gaming conducted under this
7 act.

8 Sec. 35. A person who willfully violates this act is guilty
9 of a misdemeanor and shall be fined not more than \$1,000.00 or
10 imprisoned for not more than 6 months, or both.

11 Sec. 37. This act does not take effect unless all of the
12 following bills of the 91st Legislature are enacted into law:

13 (a) Senate Bill No. 339.

14

15 (b) Senate Bill No. 340.

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