

HOUSE BILL No. 4409

March 4, 1997, Introduced by Reps. Hammerstrom, Dobb, Mathieu, Schauer, Law, Prusi, Vaughn, Owen, Kelly, McManus, Wetters, DeHart, Bodem, Crissman, Tesanovich, Galloway and McBryde and referred to the Committee on House Oversight and Ethics.

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

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

26 Sec. 5. (1) The commissioner shall establish and administer
27 state video gaming at the earliest feasible and practicable

1 time. Video gaming shall produce the maximum amount of net
2 revenues for the state consonant with the general welfare of the
3 people.

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

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

13 (a) A system of licensure that includes the licensure of
14 manufacturers, distributors, operators, and video gaming estab-
15 lishments and that prohibits the licensure of an entity in more
16 than 1 capacity except that a video gaming establishment that
17 holds a track license issued under the horse racing law of 1995,
18 1995 PA 279, MCL 431.301 to 431.336, may also be licensed as an
19 operator. The system of licensure shall provide that video
20 gaming shall be conducted only in video gaming establishments.
21 Premises licensed as video gaming establishments shall hold a
22 track license issued under the horse racing law of 1995, MCL
23 431.301 to 431.336, or a license for consumption of alcoholic
24 liquor on the licensed premises issued under the Michigan liquor
25 control act, 1933 (Ex Sess) PA 8, MCL 436.1 to 436.58.

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

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

3 (d) The establishing of prize limits.

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

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

8 (i) In a video gaming establishment licensed solely under
9 the Michigan liquor control act, 1933 (Ex Sess) PA 8, MCL 436.1
10 to 436.58, the number of video gaming machines shall not exceed
11 5.

12 (ii) In a video gaming establishment that also holds a race
13 meeting license under the horse racing law of 1995, 1995 PA 279,
14 MCL 431.301 to 431.366, the number of video gaming machines shall
15 not exceed 5 per 1,000 patrons who were in attendance on live
16 racing dates in the 1996 calendar year. For the purposes of
17 determining patron attendance, a race meeting licensee may
18 include all of the following in its total:

19 (A) Each patron that attended any race meeting that is con-
20 ducted at the racetrack for which the race meeting licensee has
21 been issued a license.

22 (B) Each patron that attended a race meeting conducted by
23 the race meeting licensee whether or not that race meeting was
24 conducted at a track for which the race meeting licensee has been
25 issued a license.

26 (2) Within 36 months of the effective date of this act, the
27 commissioner shall review the impact of the limits based on

1 utilization, revenue, and cost efficiency and recommend to the
2 legislature whether those limits should be maintained.

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

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

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

	Year 1	Year 2	Year 3 and each year thereafter
14 Manufacturer Share	0	0	0
15 Distributor Share	0	0	0
16 Operator Share	38.5%	38.0%	37.5%
17 Video Gaming			
18 Establishment Share	38.5%	38.0%	37.5%
19 State Share	23.0%	24.0%	25.0%

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

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

26 (b) 5.0% shall be deposited in the Michigan strategic fund
27 created in the Michigan strategic fund act, 1984 PA 270, MCL
28 125.2001 to 125.2093.

1 (c) 5.0% shall be deposited in the Michigan underground
2 storage tank financial assurance fund created in section 21506 of
3 part 215 (underground storage tank financial assurance) of the
4 natural resources and environmental protection act, 1994 PA 451,
5 MCL 324.21506.

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

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

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

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

14 Sec. 15. Licensees shall comply with rules promulgated by
15 the commissioner to protect the integrity of the video gaming
16 system.

17 Sec. 17. The commissioner shall license, register, and
18 establish a fee for each video gaming machine manufacturer, dis-
19 tributor, operator, and licensed establishment before any video
20 gaming machine or associated equipment is manufactured, distrib-
21 uted, sold, or placed for public use in this state by that manu-
22 facturer, distributor, operator, or establishment. The annual
23 fee for each license shall not exceed the following:

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

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

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

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

2 Sec. 19. (1) The commissioner, subject to the applicable
3 laws relating to public contracts, may enter into contracts for
4 the operation of video gaming and into contracts for the promo-
5 tion of video gaming.

6 (2) A contract awarded or entered into by the commissioner
7 shall not be assigned by its holder except by specific approval
8 of the commissioner.

9 (3) Any contract or portion of a contract for video gaming
10 equipment or related services entered into before the effective
11 date of this act by a manufacturer, distributor, operator, or
12 establishment that does not conform with the provisions of this
13 act is void.

14 Sec. 21. (1) A license for a video gaming establishment
15 shall not be issued to any person to engage in business exclu-
16 sively as a video gaming agent. Before issuing a license, the
17 commissioner shall consider the financial responsibility and
18 security of the applicant and his or her business or activity.
19 The commissioner shall review the applicant's license history
20 with the appropriate issuer of the license including an
21 applicant's license for on-premises consumption of alcoholic
22 liquor and may deny a license to a person if the commissioner
23 believes that the applicant will compromise the honesty or integ-
24 rity of the video gaming industry.

25 (2) As used in this section, "person" means an individual,
26 association, corporation, club, trust, estate, society, company,
27 joint stock company, receiver, trustee, referee, any other person

1 acting in a fiduciary or representative capacity who is appointed
2 by a court, or any combination of individuals. Person includes
3 any department, commission, agency, or instrumentality of the
4 state, including any county, city, village, or township and any
5 agency or instrumentality thereof.

6 (3) Notwithstanding any other provision of law, a person
7 licensed pursuant to this act may act as a video gaming agent. A
8 person lawfully engaged in nongovernmental business on state
9 property may be licensed as a video gaming agent.

10 (4) A license is assignable and transferable but only inso-
11 far as the track license or on-premises consumption license is
12 transferable.

13 (5) A licensed agent or his or her employee may conduct
14 video gaming only on the premises stated in the license of the
15 agent.

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

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

20 (8) The commissioner may suspend or revoke the license of
21 any agent who violates this act or a rule promulgated under this
22 act.

23 Sec. 23. A special fund to be known as the "state video
24 gaming fund" is created in the department of treasury. The state
25 video gaming fund consists of the state's share of net machine
26 income received from video gaming and all other money credited or
27 transferred to the fund from any other fund or sources pursuant

1 to law including interest earnings on common cash attributable to
2 the state video gaming fund.

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

16 Sec. 27. (1) The commissioner may suspend or revoke any
17 license issued pursuant to this act if the licensee or any offi-
18 cer, director, agent, member, or employee of the licensee vio-
19 lates this act or a rule promulgated under this act.

20 (2) A proceeding to suspend or revoke a license shall be
21 considered a contested case and shall be governed by the adminis-
22 trative procedures act of 1969, 1969 PA 306, MCL 24.201 to
23 24.328. The commissioner may suspend a license for a period not
24 to exceed 60 days pending any prosecution, investigation, or
25 public hearing.

26 (3) Upon petition of the commissioner, the circuit court
27 after a hearing may issue subpoenas to compel the attendance of

1 witnesses and the production of documents, papers, books,
2 records, and other evidence before it in any matter over which it
3 has jurisdiction, control, or supervision. If a person subpoe-
4 naed to attend any such proceeding or hearing fails to obey the
5 command of the subpoena without reasonable cause, or if a person
6 in attendance in any such proceeding or hearing refuses, without
7 lawful cause, to be examined or to answer a legal or pertinent
8 question or to exhibit any book, account, record, or other docu-
9 ment when ordered to do so by the court may be punished as con-
10 tempt of the court.

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

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

19 (3) The licensee shall return its license to the commis-
20 sioner on or before the effective date of a suspension or
21 revocation. Whether returned or not, the license shall not be
22 valid beyond the effective date of the suspension or revocation.

23 Sec. 31. (1) The commissioner shall report immediately to
24 the governor, the state treasurer, and the legislature any mat-
25 ters that require immediate changes in the laws of this state in
26 order to prevent abuses or evasions of this act or rules
27 promulgated under this act or to rectify undesirable conditions

1 in connection with the administration or operation of video
2 gaming.

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

5 (a) Ascertain any defects in this act or in the rules that
6 allow any abuses in the administration and operation of video
7 gaming or any evasion of this act or the rules may arise or be
8 practiced.

9 (b) Formulate recommendations for changes in this act and
10 the rules.

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

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

15 (3) The commissioner shall make a continuous study and
16 investigation of the operation and the administration of similar
17 laws which may be in effect in other states or countries, any
18 literature on the subject which may be published or available,
19 any federal laws which may affect the operation of video gaming,
20 and the reaction of citizens to existing and potential features
21 of video gaming with a view to recommending or effecting changes
22 that will tend to serve the purposes of this act.

23 Sec. 33. Any other law providing any penalty or disability
24 for conducting video gaming or any acts done in connection with
25 video gaming shall not apply to video gaming conducted pursuant
26 to this act.

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

4 Sec. 37. This act does not take effect unless all of the
5 following bills of the 89th Legislature are enacted into law:

6 (a) Senate Bill No. ____ or House Bill No. ____ (request
7 no. 00613'97 a **).

8 (b) Senate Bill No. ____ or House Bill No. ____ (request
9 no. 00613'97 b **).