

SENATE BILL NO. 397

April 28, 2021, Introduced by Senators ANANICH, HERTEL and LAUWERS and referred to the Committee on Agriculture.

A bill to amend 1972 PA 239, entitled "McCauley-Traxler-Law-Bowman-McNeely lottery act," by amending the title and sections 3, 11, 23, 32, and 41 (MCL 432.3, 432.11, 432.23, 432.32, and 432.41), the title and section 11 as amended by 2012 PA 293, section 3 as amended by 1996 PA 167, section 23 as amended by 2008 PA 142, section 32 as amended by 2014 PA 388, and section 41 as amended by 2009 PA 25, and by adding a heading for article 1, and by adding section 2 and article 2.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 TITLE
2 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 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 other state departments and agencies; **to provide for the promulgation of rules;** to license and regulate ~~certain~~**lottery** sales agents, **race meeting licensees that host video lottery machines, individuals who operate video lottery machines, and manufacturers of video lottery machines and related equipment;** to create funds; **to impose fees;** to provide for the distribution of lottery revenues and earnings for certain purposes; to provide for an appropriation; and to provide for remedies and penalties.

ARTICLE 1

Sec. 2. The legislature determines that video lottery gaming constitutes the operation of a lottery as previously authorized by section 41 of article IV of the state constitution of 1963 and by this act and is exempt from the application of the Michigan Gaming Control and Revenue Act, 1996 IL 1, MCL 432.201 to 432.226, by section 3(2)(b) of the Michigan Gaming Control and Revenue Act, 1996 IL 1, MCL 432.203. It is not the intent or purpose of the legislature, by enacting article 2 of this act, to amend the Michigan Gaming Control and Revenue Act, 1996 IL 1, MCL 432.201 to 432.226.

Sec. 3. As used in this act:

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

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

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

(d) "Lottery" ~~or "state lottery"~~ means ~~the~~ **a** lottery, **which is any game, undertaking, or operation that includes the elements of consideration, prize, and chance,** created ~~pursuant to~~ **under** this act and operated exclusively by or under the exclusive control of the bureau. ~~of state lottery.~~ **Lottery includes, but is not limited to, all of the following types of gaming:**

(i) Lotto.

(ii) Instant lottery tickets.

(iii) Keno.

(iv) Beano.

(v) Club keno.

(vi) Rapid draw keno.

(vii) Pull tabs.

(viii) Video lottery.

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

(f) "Video lottery" means a lottery that allows a video lottery game, as defined in section 51, to be played using an electronic computer and an interactive computer terminal device, equipped with a video screen and keys, a keyboard, or other equipment allowing input by a player, into which the player inserts coins, currency, or vouchers as consideration in order for play to be available, and through which terminal device the player may receive free games, credit that can be redeemed for cash,

1 annuitized payments over time, or a noncash prize, or nothing as
2 determined wholly or predominantly by chance. Video lottery does
3 not include a lottery game that merely uses an electronic computer
4 and a video screen to operate a lottery game and communicate the
5 results of the game and that does not use an interactive electronic
6 terminal device allowing input by a player. Video lottery must be
7 owned and operated exclusively by and under the exclusive control
8 of the bureau.

9 Sec. 11. (1) The commissioner shall promulgate rules pursuant
10 to the administrative procedures act of 1969, 1969 PA 306, MCL
11 24.201 to 24.328, as necessary to implement this ~~act~~**article**.

12 (2) The rules authorized under this section may include any of
13 the following, subject to requirements and limitations in this act:

14 (a) The type of lottery to be conducted.

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

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

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

19 (e) The manner of payment of prizes to the holders of winning
20 tickets or shares.

21 (f) The frequency of the drawings or selections of winning
22 tickets or shares.

23 (g) Without limit as to number, the type or types of locations
24 at which tickets or shares may be sold.

25 (h) The method to be used in selling tickets or shares, except
26 that a person's name, other than a name used in advertising or a
27 promotion under section 18(2) or (3), ~~shall~~**must** not be printed on
28 the tickets or shares.

29 (i) The licensing of agents to sell tickets or shares, but a

1 person under the age of 18 ~~shall~~**must** not be licensed as an agent.

2 (j) The manner and amount of compensation to be paid licensed
3 sales agents necessary to provide for the adequate availability of
4 tickets or shares to prospective buyers and for the convenience of
5 the public.

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

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

22 Sec. 23. (1) The commissioner shall not issue a license to a
23 person to engage in business exclusively as a lottery sales agent.
24 Before issuing a lottery sales **agent** license, the commissioner
25 shall consider factors such as the financial responsibility and
26 security of the person and his or her business or activity, the
27 accessibility of his or her place of business or activity to the
28 public, the sufficiency of existing licenses to serve the public
29 convenience, and the volume of expected sales.

1 (2) The commissioner shall issue an initial or renewal lottery
2 sales **agent** license not later than 90 days after the applicant
3 files a completed application. Receipt of the application is
4 considered the date the application is received by any agency or
5 department of this state. If the commissioner determines that the
6 application is incomplete, the commissioner shall notify the
7 applicant in writing, or make information electronically available,
8 within 30 days after receipt of the incomplete application,
9 describing the deficiency and requesting the additional
10 information. The 90-day period is tolled upon notification by the
11 commissioner of a deficiency until the date the requested
12 information is received by the commissioner. The determination of
13 the completeness of an application does not operate as an approval
14 of the application for the **lottery sales agent** license and does not
15 confer eligibility of an applicant determined otherwise ineligible
16 for issuance of a **lottery sales agent** license.

17 (3) If the commissioner fails to issue or deny a lottery sales
18 **agent** license within the time required by this section, the
19 commissioner shall return the license fee and shall reduce the
20 license fee for the applicant's next renewal application, if any,
21 by 15%. The failure to issue a lottery sales **agent** license within
22 the time required under this section does not allow the
23 commissioner to otherwise delay the processing of the application,
24 and that application, ~~upon-on~~ completion, ~~shall-must~~ be placed in
25 sequence with other completed applications received at that same
26 time. The commissioner shall not discriminate against an applicant
27 in the processing of the application based ~~upon-on~~ the fact that
28 the license fee was refunded or discounted under this subsection.

29 (4) The commissioner shall submit a report by December 1 of

1 each year to the standing committees and appropriations
2 subcommittees of the senate and house of representatives concerned
3 with gaming issues. The commissioner shall include all of the
4 following information in the report concerning the preceding fiscal
5 year:

6 (a) The number of initial and renewal applications the
7 commissioner received and completed within the 90-day time period
8 described in subsection (2).

9 (b) The number of applications denied.

10 (c) The number of applicants not issued a **lottery sales agent**
11 license within the 90-day time period and the amount of money
12 returned to licensees and applicants under subsection (3).

13 (5) Notwithstanding any other provision of law, a person
14 licensed as a lottery sales agent may sell lottery tickets and
15 shares. A person lawfully engaged in nongovernmental business on
16 state property may be licensed as a lottery sales agent.

17 (6) A lottery sales **agent** license is not assignable or
18 transferable.

19 (7) A licensed **lottery sales** agent or his or her employee may
20 sell lottery tickets or shares only on the premises stated in the
21 lottery sales **agent** license. A licensed **lottery sales** agent who
22 violates this subsection is, at the commissioner's discretion,
23 subject to 1 or more of the following:

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

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

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

27 (8) The commissioner may require a bond from a licensed
28 **lottery sales** agent in an amount provided in rules promulgated
29 under this act.

1 (9) A licensed **lottery sales** agent shall display his or her
2 license or a copy of the license conspicuously in accordance with
3 rules promulgated under this act.

4 (10) The commissioner may suspend or revoke the license of ~~an~~
5 **a lottery sales** agent who violates this act or a rule promulgated
6 under this act.

7 (11) For purposes of terminal placement, the commissioner
8 shall take into account with equal emphasis both of the following:

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

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

13 (12) A licensed lottery sales agent shall not offer to give or
14 give any money or other thing of value to the holder of a lottery
15 ticket or share for winning the lottery, other than the prize if
16 payment of the prize by the agent is authorized by the
17 commissioner.

18 (13) As used in this section:

19 (a) "Completed application" means an application complete on
20 its face and submitted with any applicable licensing fees and any
21 other information, records, approval, security, or similar item
22 required by law or rule from a local unit of government, a federal
23 agency, or a private entity but not from another department or
24 agency of this state.

25 (b) "Person" means an individual, association, corporation,
26 club, trust, estate, society, company, joint stock company,
27 receiver, trustee, referee, or other person acting in a fiduciary
28 or representative capacity who is appointed by a court, or any
29 combination of individuals. Person includes a department,

1 commission, agency, or instrumentality of the state, including a
2 county, city, village, or township and an agency or instrumentality
3 of the county, city, village, or township.

4 Sec. 32. (1) Before payment **under this article or payment**
5 **under article 2** of a prize of \$1,000.00 or more, the bureau shall
6 determine both of the following:

7 (a) Whether department of treasury records show that the
8 lottery winner has a current liability to this state or a support
9 arrearage.

10 (b) Whether unemployment insurance agency records show that
11 the lottery winner has any current liability for restitution of
12 unemployment benefits, penalty, or interest under section 15 of the
13 Michigan employment security act, 1936 (Ex Sess) PA 1, MCL 421.15.

14 (c) Whether records of the department of **health and** human
15 services show that the lottery winner has any current liability to
16 the department of **health and** human services.

17 (2) The department of treasury shall provide the bureau with a
18 list or computer access to a compilation of persons known to the
19 department to have a current liability to this state, including a
20 delinquent account of money owed to a court that has been assigned
21 to this state for collection, or a support arrearage. The
22 information ~~shall~~**must** be updated not less than once a month.

23 (3) If a liability to this state, a support arrearage, an
24 unemployment compensation debt, or a debt to the department of
25 **health and** human services is identified under subsection (1), the
26 bureau shall ascertain the amount owed from the department of
27 treasury, the unemployment insurance agency, or the department of
28 **health and** human services, as applicable.

29 (4) After ascertaining the amount owed by the lottery winner

1 under subsection (3), the bureau shall pay the amount determined
2 under subsection (3) to the department of treasury and pay the
3 balance, if any, to the lottery winner. The department of treasury
4 shall apply the amount as determined under subsection (3) as
5 follows:

6 (a) First to any liability to this state other than an
7 assigned delinquent account of money owed to a court, an
8 unemployment compensation debt, or a debt to the department of
9 **health and** human services.

10 (b) Next to any support arrearage.

11 (c) Next to any unemployment compensation debt.

12 (d) Next to any debt to the department of **health and** human
13 services.

14 (e) Next to any assigned delinquent accounts of money owed to
15 a court.

16 (5) Except for a payment applied to a liability under
17 subsection (4)(c) or (d), a lottery winner ~~shall~~**must** be given
18 notice and an opportunity for a hearing before the department of
19 treasury or its designee with respect to the liability to which the
20 prize is to be applied if the liability has not been reduced to
21 judgment or has not been finalized under statutory review
22 provisions of the statute under which the liability arose. The
23 notice ~~shall~~**must** be given by regular mail. The lottery winner may
24 request a hearing before the department of treasury within 15 days
25 after the date of the notice by making a written request to the
26 state treasurer.

27 (6) An amount applied to pay a support arrearage ~~shall~~**must** be
28 paid by the department of treasury to the state disbursement unit
29 for disbursement as provided in section 48 of the support and

1 parenting time enforcement act, 1982 PA 295, MCL 552.648.

2 (7) In regard to information provided by the department of
3 treasury to the bureau under this section, the bureau is subject to
4 the confidentiality restrictions and penalties provided in section
5 28(1)(f) and (2) of 1941 PA 122, MCL 205.28. In regard to
6 information provided by the unemployment insurance agency to the
7 bureau under section 15 of the Michigan employment security act,
8 1936 (Ex Sess) PA 1, MCL 421.15, the bureau is subject to the
9 confidentiality restrictions and penalties provided in sections 11
10 and 54 of the Michigan employment security act, 1936 (Ex Sess) PA
11 1, MCL 421.11 and 421.54. In regard to information provided by the
12 department of **health and** human services to the bureau, the bureau
13 is subject to the same extent as is the department of **health and**
14 human services to restrictions prescribed by federal regulations
15 governing temporary assistance to needy families or other federal
16 programs, by rules of the department of **health and** human services,
17 or otherwise, for preventing the disclosure of confidential
18 information to any person not authorized by law to receive the
19 information.

20 (8) The office of child support shall provide the names of
21 persons who have a current support arrearage to the department of
22 treasury.

23 (9) As used in this section:

24 (a) "State disbursement unit" means the entity established by
25 section 6 of the office of child support act, 1971 PA 174, MCL
26 400.236.

27 (b) "Support" means that term as defined in section 2a of the
28 friend of the court act, 1982 PA 294, MCL 552.502a.

29 Sec. 41. (1) The state lottery fund is created in the

1 department of treasury. Except as provided in subsection (3), the
2 state lottery fund consists of all money received from the sale of
3 state lottery tickets or shares and all other money credited or
4 transferred to the fund from any other fund or source pursuant to
5 law including interest earnings on common cash attributable to the
6 state lottery fund. Money derived from the sale of tickets or
7 shares of any joint enterprise ~~shall~~**must** be treated in the manner
8 provided for in the joint enterprise participation agreement
9 executed by the commissioner. The commissioner shall deposit net
10 revenue from any joint enterprise in the state lottery fund.
11 Earnings resulting from installment payment of any lottery prizes
12 ~~shall~~**must** be used for payment of prizes to lottery winners and the
13 prize structure formulated ~~pursuant to~~**under** sections 11 and 12
14 ~~shall~~**must** be established accordingly.

15 (2) The investment authority of the state treasurer with
16 regard to the state lottery fund is the same as his or her
17 investment authority with regard to retirement system funds. The
18 state treasurer may also invest all or part of the money in the
19 state lottery fund in obligations issued by this state pursuant to
20 section 14, 15, or 16 of article IX of the state constitution of
21 1963 if the treasurer determines that the obligations are full
22 faith and credit obligations of this state and provide a rate of
23 return at the time of investment that is not less than the rate of
24 return at the time of investment on United States treasury
25 obligations of comparable maturity. The state treasurer shall
26 comply with the divestment from terror act, 2008 PA 234, MCL
27 129.291 to 129.301, in making investments under this act. To assure
28 a continuing availability of money with which to pay state lottery
29 prize installments and to compensate for variations in the yield on

1 investments, every 6 months the commissioner and the state
 2 treasurer shall review the status of the installment prize
 3 investments and shall agree on an amount to be restricted out of
 4 the total revenues of the state lottery fund as a reserve against a
 5 drop in yield. If the commissioner and the state treasurer fail to
 6 agree on the amount to be reserved, the matter shall be referred to
 7 the state administrative board for a decision on the amount to be
 8 reserved.

9 (3) Except as provided in subsection (4), after the payment of
 10 prizes to the holders of winning state lottery tickets or shares or
 11 the payment ~~pursuant to~~ **under** section 32 of the liabilities to this
 12 state of holders of winning state lottery tickets or shares, and
 13 the payment of the reasonable expenses of the bureau in its
 14 operation of the lottery, the net revenue in the state lottery fund
 15 and any money or interest generated by the state lottery fund and
 16 share of common cash ~~shall~~ **must** be deposited in the state school
 17 aid fund and ~~shall~~ **must** be distributed as provided by law.

18 (4) Ten percent of each year's state lottery advertising
 19 budget but not more than \$1,000,000.00 ~~shall~~ **must** be deposited in
 20 the compulsive gaming prevention fund created in section 3 of the
 21 compulsive gaming prevention act, 1997 PA 70, MCL 432.253.

22 (5) **This section does not apply to gross terminal income under**
 23 **article 2.**

24 **ARTICLE 2**

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

26 (a) **"Administrative costs" means the costs and expenses**
 27 **incurred by the bureau in operating and regulating video lottery at**
 28 **the racetrack where a license holder holds race meetings,**
 29 **including, but not limited to, all of the following:**

1 (i) Expenses incurred by the bureau in performing an
2 investigation of an applicant for a license or a license holder.

3 (ii) All operating, payroll, and employment expenses
4 attributable to the regulation of video lottery incurred by the
5 bureau, the department of attorney general, the department of
6 treasury, the department of state police, or the racing
7 commissioner.

8 (b) "Affiliate" means a person that, directly or indirectly,
9 controls, is controlled by, or is under common control with; is in
10 a partnership or joint venture relationship with; or is a
11 coshareholder of a corporation, a comember of a limited liability
12 company, or a copartner in a limited liability partnership with a
13 person that holds or applies for a license under this article.

14 (c) "Applicant" means a person applying for a license or
15 permit. If the applicant is not an individual, the term "applicant"
16 includes all partners, shareholders who own more than a 1% interest
17 in the applicant, directors, officers, managerial employees,
18 members, trustees, or beneficiaries of or persons with an ownership
19 interest in the applicant.

20 (d) "Associated equipment" means hardware located at the
21 racetrack where a license holder holds race meetings that is
22 connected to the central control system for communication,
23 validation, or other purposes. Associated equipment does not
24 include a video lottery terminal or the communication facilities of
25 a regulated public utility.

26 (e) "Certified horsemen's organization" means that term as
27 defined in section 2 of the horse racing law of 1995, 1995 PA 279,
28 MCL 431.302.

29 (f) "Central control system" means a computer or computer

1 system provided to and owned, operated, and controlled exclusively
2 by the bureau that communicates with video lottery terminals to
3 retrieve information and activate and disable the terminals.

4 (g) "Control" means, as to the relationship between 2 persons,
5 that 1 of the persons has a greater than 15% direct or indirect
6 pecuniary interest in the other person.

7 (h) "Disable" means the process of executing a shutdown
8 command from the central control system that causes a video lottery
9 terminal to cease functioning.

10 (i) "Display" means the visual presentation of video lottery
11 game features on a video lottery terminal in the form of video
12 images, actual symbols, or both.

13 (j) "Gross terminal income" means the total amount of coins,
14 currency, and vouchers inserted into the video lottery terminals,
15 minus the total value of game credits cleared from the video
16 lottery terminals in exchange for winning redemption tickets.

17 (k) "License" means authorization granted by the bureau to a
18 person that holds a race meeting license under the horse racing law
19 of 1995, 1995 PA 279, MCL 431.301 to 431.336, permitting the person
20 to operate video lottery terminals registered and owned by the
21 bureau as an agent of the bureau.

22 (l) "Licensee commission" means the amount determined under
23 section 60(2).

24 (m) "Managerial employee" means an individual who holds a
25 management, supervisory, or policy-making position.

26 (n) "Manufacturer" means a person holding a permit issued by
27 the bureau to engage in the business of designing, building,
28 constructing, assembling, or manufacturing video lottery terminals,
29 the electronic computer components of video lottery terminals, the

1 random number generator of video lottery terminals, or cabinets in
2 which video lottery terminals are housed, whose products are
3 intended for sale, lease, or other transfer to the bureau to be
4 placed at racetracks in this state.

5 (o) "Michigan strategic fund" means the Michigan strategic
6 fund as described in the Michigan strategic fund act, 1984 PA 270,
7 MCL 125.2001 to 125.2094.

8 (p) "Net terminal income" means gross terminal income minus
9 the licensee commission.

10 (q) "Noncash prize" means merchandise a player may be given
11 the option of receiving instead of cash in exchange for a winning
12 redemption ticket. A noncash prize must be assigned a redemption
13 value equal to the actual cost of the merchandise to the license
14 holder.

15 (r) "Pecuniary interest" means an ownership or other financial
16 interest, the interest of a beneficiary in a trust, a shareholder
17 or director in a corporation, a partner, general or limited, in a
18 partnership, or a member in a limited liability company. Pecuniary
19 interest does not include the interest of an individual whose only
20 financial interest in a person is the payment of wages and fringe
21 benefits, unless a fringe benefit is the receipt of an ownership or
22 equity interest.

23 (s) "Permit" means authorization granted by the bureau to a
24 person to function as a manufacturer or supplier.

25 (t) "Person" means an individual, corporation, association,
26 partnership, limited partnership, or other legal entity.

27 (u) "Player" means a person that plays a video lottery game on
28 a video lottery terminal at the racetrack where a license holder
29 holds race meetings.

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

8 (x) "Restricted person" means a person that is 1 or more of
9 the following:

10 (i) An applicant for or holder of a license or a permit.

11 (ii) An officer, director, shareholder who owns more than a 1%
12 interest in the applicant or holder, partner, member, or managerial
13 employee of or person with an ownership interest in an applicant
14 for or holder of a license or a permit.

15 (iii) If a person described in subparagraph (ii) is not an
16 individual, then an officer, director, shareholder who owns more
17 than a 1% interest in the person, partner, member, or managerial
18 employee of or person with an ownership interest in the person
19 described in subparagraph (ii).

20 (iv) A person established, directed, or controlled by a person
21 described in this subdivision.

22 (v) The spouse, parent, child, or spouse of a child of an
23 individual described in subparagraphs (i) to (iii).

24 (y) "Service technician" means an individual employed by the
25 bureau who performs service, maintenance, and repair on video
26 lottery terminals in this state.

27 (z) "Supplier" means a person that the bureau has identified
28 under rules promulgated by the bureau as requiring a license to
29 provide video lottery license holders with goods or services

1 regarding the realty, construction, maintenance, or business of a
2 proposed or existing video lottery operation or related facility on
3 a regular or continuing basis, including, but not limited to,
4 security businesses, manufacturers, distributors, garbage haulers,
5 maintenance companies, food purveyors, and construction companies.

6 (aa) "Video lottery game" means an electronically simulated
7 game of chance that is displayed on a video lottery terminal and to
8 which all of the following apply:

9 (i) The video lottery terminal on which the game is displayed
10 is connected to the central control system by an online wired,
11 cable, or wireless communication system.

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

18 (iii) The game allows a player to win additional game play
19 credits based on game rules that establish the random selection of
20 winning combinations of symbols, numbers, or both and the number of
21 game play credits to be awarded for each winning combination of
22 symbols, numbers, or both.

23 (iv) The game is based on computer-generated random selection
24 of winning combinations produced totally or predominantly by
25 chance.

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

1 player of randomly generated replacement or additional symbols or
2 numbers:

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

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

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

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

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

24 (viii) The game was authorized by the bureau before January 1,
25 2004.

26 (bb) "Video lottery terminal" means a bureau-approved
27 interactive electronic terminal device that is connected to the
28 central control system, owned, operated, and controlled exclusively
29 by the bureau, and used to play only video lottery games authorized

1 by the bureau. A video lottery terminal may simulate the play of 1
2 or more video lottery games.

3 (cc) "Wager" means a thing of value, including, but not
4 limited to, money, credit, vouchers, and property, risked on an
5 uncertain occurrence in connection with the operation of video
6 lottery under this article.

7 Sec. 52. The bureau shall encourage video lottery to be
8 conducted with a video lottery machine that was assembled in this
9 state.

10 Sec. 53. The bureau shall perform all of the following duties:

11 (a) Decide in a reasonable period of time an application for a
12 license or permit.

13 (b) Conduct its public meetings in compliance with the open
14 meetings act, 1976 PA 267, MCL 15.261 to 15.275.

15 (c) Promulgate rules necessary to implement, administer, and
16 enforce this article. The rules may include, but need not be
17 limited to, rules that do the following:

18 (i) Govern, restrict, approve, or regulate video lottery.

19 (ii) Promote the safety, security, and integrity of video
20 lottery.

21 (iii) License and regulate persons participating in or involved
22 with video lottery.

23 (d) Collect all fees imposed under this article and, if not
24 set by this article, set the fees.

25 (e) Provide for the levy and collection of penalties and fines
26 for the violation of this article and the rules promulgated by the
27 bureau.

28 (f) Do all of the following, through its employees or agents,
29 the Michigan state police, or the attorney general on a premises

1 where video lottery is conducted:

2 (i) Certify the revenue from video lottery.

3 (ii) Receive complaints from the public.

4 (iii) Conduct other investigations into the conduct of video
5 lottery, including, but not limited to, maintenance of the
6 equipment, that the bureau considers necessary and proper.

7 (g) Review and rule on complaints by video lottery licensees
8 regarding investigative procedures of the bureau or this state, in
9 doing so, following a presumption that there is a need to inspect
10 and requiring a licensee to establish by clear and convincing
11 evidence all of the following:

12 (i) That the licensee's operations were disrupted.

13 (ii) That the procedures had no reasonable law enforcement or
14 regulatory purpose.

15 (iii) That the procedures were so disruptive as to unreasonably
16 inhibit video lottery operations.

17 (h) Maintain separate and distinct records, including accurate
18 records of all bureau meetings and proceedings.

19 (i) Review the patterns of wagering and wins and losses by
20 individuals playing video lottery and make recommendations to the
21 governor and the legislature in a written annual report and in
22 additional reports as requested by the governor. The annual report
23 must include a statement of receipts and disbursements by the
24 bureau, actions taken by the bureau, and any additional information
25 and recommendations that the bureau considers appropriate or that
26 the governor requests.

27 (j) Take any other action, including the exercise of a power
28 listed in section 55, if necessary to implement and conduct video
29 lottery in accordance with this article and the welfare of the

1 people of this state.

2 (k) When required or authorized by this article or other law
3 to consider an aspect of an individual's criminal history, take all
4 steps necessary to obtain the available history from the department
5 of state police and the Federal Bureau of Investigation.

6 (l) Suspend and, if the bureau determines necessary, revoke a
7 video lottery license if the license holder fails to conduct the
8 number of live race days as allocated to the license holder under
9 the horse racing law of 1995, 1995 PA 279, MCL 431.301 to 431.336,
10 unless excused from doing so by the horse racing law of 1995, 1995
11 PA 279, MCL 431.301 to 431.336.

12 Sec. 54. To the extent information is disclosed by a licensee
13 under this act regarding the name, address, or any other personal
14 information, including financial information, of the licensee or
15 any patron of the licensee, the bureau shall not disclose that
16 information. All information provided to the bureau by a licensee
17 that in any manner discloses the name, address, or any other
18 personal information, including financial information, of the
19 licensee or any patron of the licensee is considered confidential,
20 and is not subject to disclosure under the freedom of information
21 act, 1976 PA 442, MCL 15.231 to 15.246.

22 Sec. 55. The bureau has the powers and duties prescribed in
23 this act and shall administer the provisions of this act relating
24 to licensing, enforcement, and regulation. The bureau also has
25 those additional powers necessary and proper to implement and
26 enforce this act and to regulate and maintain jurisdiction over the
27 conduct of each licensee within this state where video lottery is
28 permitted to operate. This includes, but is not limited to the
29 ability to do, all of the following:

1 (a) Create licenses and permits, investigate applicants,
2 determine their eligibility for a license or permit, grant licenses
3 and permits, and review and decide applications to renew licenses
4 and permits.

5 (b) Require a minimum level of investment in buildings,
6 fixtures, equipment, and facilities.

7 (c) Require, examine and audit all necessary financial
8 records.

9 (d) Adopt standards for licensing and regulation of all
10 licensees.

11 (e) Hold necessary hearings.

12 (f) Set and impose fees and fines.

13 (g) Suspend, revoke, or restrict licenses for violations.

14 Sec. 56. (1) The bureau shall grant a license if it has
15 determined that the applicant satisfies all of the following
16 qualifications:

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

19 (b) The applicant has successfully completed and submitted to
20 the bureau an application with all necessary supportive documents,
21 application fees, and other requirements as set by the bureau.

22 (c) The bureau has completed a background check and criminal
23 history investigation of an applicant and is satisfied with the
24 results of that investigation.

25 (d) If the application is not an application to renew a
26 license, the racetrack where the applicant conducts its race
27 meetings is not located within the following distance of a casino
28 where gaming is conducted by a federally recognized Indian tribe:

29 (i) If at the time of the application the tribe is making

1 payments to this state of 8% of the total amount wagered on
2 electronic games of chance at the casino minus the amount paid for
3 winning wagers at the machines, 25 miles.

4 (ii) If within 3 years before the application the tribe has
5 made payments to this state of 8% of the total amount wagered on
6 electronic games of chance at the casino minus the amount paid for
7 winning wagers at the machines, 50 miles.

8 (2) The bureau may deny a license for any of the following
9 reasons:

10 (a) Criminal history considered relevant by the bureau.

11 (b) Incomplete application or false information.

12 (c) Lack of ability to maintain adequate liability or
13 insurance.

14 (d) Previous history of regulatory compliance issues.

15 (3) The bureau shall only issue a video lottery license that
16 allows video lottery to be conducted at licensed race meetings. The
17 bureau may issue a license to conduct video lottery at licensed
18 race meetings held on public property.

19 (4) If a video lottery license is granted to a race meeting
20 licensee that was first licensed to conduct race meetings after the
21 effective date of the amendatory act that added this article, video
22 lottery must not be conducted at the race track where the race
23 meeting licensee holds its race meetings until 90 days after the
24 first day of live horse racing conducted by the licensee.

25 (5) A license is valid for 1 year. An applicant for renewal of
26 a license must be submitted by September 1 of each year after the
27 initial license is granted.

28 (6) An initial application for a license must be accompanied
29 by an application fee of \$50,000.00.

1 (7) A video lottery licensee shall pay a license fee of
2 \$100,000.00 to the bureau at the time the initial video lottery
3 license is issued and \$50,000.00 each year after the initial
4 license is granted.

5 (8) The bureau may charge a video lottery licensee a 1-time
6 charge of up to \$2,500.00 for each video lottery terminal placed at
7 a racetrack.

8 Sec. 57. The bureau shall not allow video lottery terminals to
9 be placed at a racetrack unless the legislative body for the local
10 unit of government in which the racetrack is located has adopted an
11 ordinance authorizing the activities surrounding the conduct of
12 video lottery at the racetrack.

13 Sec. 58. (1) The bureau may issue an occupational,
14 manufacturer, or supplier license if the bureau has determined that
15 the applicant satisfies the following criteria:

16 (a) The applicant has successfully completed and submitted to
17 the bureau an application with all necessary supportive documents,
18 application fees, and other requirements as set by the bureau.

19 (b) The bureau has completed a background check and criminal
20 history investigation of an applicant and is satisfied with the
21 results of that investigation.

22 (2) The bureau may deny a license for any of the following
23 reasons:

24 (a) Criminal history deemed relevant by the bureau.

25 (b) Incomplete application or false information.

26 (c) Lack of ability to maintain adequate liability or
27 insurance.

28 (d) Previous history of regulatory compliance issues.

29 (3) A license is valid for 1 year. An applicant for renewal of

1 a license must be submitted by September 1 of each year after the
2 initial license is granted.

3 Sec. 59. A license holder or permit holder shall do both of
4 the following:

5 (a) Comply with the rules promulgated by the bureau.

6 (b) Monitor video lottery terminals to prevent access to or
7 play at the terminal by an individual who is under 18 years of age
8 or is visibly intoxicated.

9 Sec. 60. (1) A holder of a video lottery license may purchase
10 or lease from licensed suppliers or manufacturers video lottery
11 terminals approved for use by the bureau.

12 (2) A license holder shall retain as his or her commission 81%
13 of the gross terminal income generated from video lottery terminals
14 at the license holder's licensed premises. A license holder shall
15 pay not less than 8.5% of its licensee commission to be divided
16 equally to each certified horsemen's organization with which the
17 license holder is contracted under the horse racing law of 1995,
18 1995 PA 279, MCL 431.301 to 431.336.

19 (3) A license holder shall remit its net terminal income to
20 the bureau by electronic transfer of funds on dates established by
21 the bureau. A license holder shall furnish to the bureau all
22 information and bank authorizations required to facilitate the
23 timely transfer of money to the bureau. A license holder shall
24 provide the bureau at least 30 days' advance notice of any proposed
25 account changes to ensure the uninterrupted electronic transfer of
26 funds.

27 (4) Net terminal income from all license holders remitted
28 under subsection (3) must be combined. The bureau shall deduct from
29 the net terminal income remitted by license holders under

1 subsection (3) an amount sufficient to reimburse the bureau, the
2 department of state police, and the department of attorney general
3 for estimated administrative costs. The amount deducted under this
4 subsection must not include administrative costs that have been
5 paid or reimbursed by license fees. After deducting estimated
6 administrative costs under this subsection, the bureau shall
7 distribute the remaining combined net terminal income as follows:

8 (a) 50% to be deposited in the state school aid fund
9 established under section 11 of article IX of the state
10 constitution of 1963.

11 (b) 25% to the Michigan strategic fund.

12 (c) 12.5% to the department of labor and economic opportunity
13 to award Michigan reconnect grants under the Michigan reconnect
14 grant recipient act, 2020 PA 68, MCL 390.1711 to 390.1723.

15 (d) 10% to the Michigan housing and community development fund
16 created in section 58a of the state housing development authority
17 act of 1966, 1966 PA 346, MCL 125.1458a.

18 (e) 2.5% to be divided equally to each local unit of
19 government where a racetrack is located.

20 Sec. 61. (1) A person that does any of the following is guilty
21 of a felony punishable by imprisonment for not more than 10 years
22 or a fine of not more than \$100,000.00, or both, and must be barred
23 from receiving or holding a license, permit, or occupational
24 license:

25 (a) Conducts a video lottery operation without a license.

26 (b) Conducts video lottery in a manner that violates this
27 article.

28 (c) Knowingly makes a false statement on an application for a
29 license, permit, or occupational license.

1 (d) Knowingly provides false testimony under oath to the
2 bureau or its authorized representative.

3 (e) Willfully fails to report, pay, or truthfully account for
4 a fee imposed by this article or willfully attempts to evade or
5 defeat a fee or payment. A person convicted under this subsection
6 is also subject to a penalty of 3 times the amount of the license
7 fee or tax not paid.

8 (2) A person that does any of the following is guilty of a
9 felony punishable by imprisonment for not more than 10 years or a
10 fine of not more than \$100,000.00, or both, and, in addition, must
11 be barred for life from any video lottery operation under the
12 jurisdiction of the bureau:

13 (a) Offers, promises, or gives anything of value or benefit to
14 a person connected with a license holder or a permit holder or
15 affiliate, including, but not limited to, an officer or employee of
16 a license holder, a permit holder, or an occupational licensee
17 under an agreement or arrangement or with the intent that the
18 offer, promise, or thing of value or benefit will influence the
19 person to whom it was made to affect or attempt to affect the
20 outcome of a video lottery game, or to influence official action of
21 a member of the bureau.

22 (b) Solicits or knowingly accepts or receives a promise of
23 anything of value or benefit while employed by or connected with a
24 holder of a license or permit, including, but not limited to, an
25 officer or employee of a license holder or an occupational license,
26 under an agreement or arrangement or with the intent that the
27 promise or thing of value or benefit will influence the person to
28 affect or attempt to affect the outcome of a video lottery game.

29 (c) Offers, promises, or gives anything of value or benefit to

1 a member, employee, or agent of the bureau or an official of any
2 state or local agency or governmental body with the intent that the
3 offer, promise, or thing of value or benefit will influence the
4 person to whom it was made in administering, licensing, regulating,
5 or enforcing this act.

6 (d) Solicits or knowingly accepts or receives a promise of
7 anything of value or benefit while the person is a member,
8 employee, or agent of the bureau, or an official of any state or
9 local agency or governmental body, under an agreement or
10 arrangement or with the intent that the promise, thing of value, or
11 benefit will influence the official action of the member, employee,
12 or agent of the bureau or official of the state or local
13 governmental body in enforcing this act.

14 (e) Cheats at a video lottery game.

15 (f) Manufactures, sells, or distributes a device that is
16 intended to be used to violate this act.

17 (g) Claims, collects, takes, or attempts to claim, collect, or
18 take money or anything of value in or from a video lottery game
19 with the intent to defraud, without having made a wager contingent
20 on winning the video lottery game, or claims, collects, or takes an
21 amount of money or thing of greater value than the amount won.

22 (h) Uses counterfeit vouchers in a video lottery game.

23 (i) Unless the person is an employee of the holder of the
24 license or of the bureau and acting within the scope of his or her
25 employment, possesses a key or device designed for the purpose of
26 opening, entering, or affecting the operation of a video lottery
27 machine or for removing coins or other contents of a video lottery
28 machine.

29 (3) A person that does any of the following is guilty of a

1 misdemeanor punishable by imprisonment for not more than 1 year in
2 a county jail or a \$10,000.00 fine, or both:

3 (a) Knowingly makes a wager on a video lottery game if the
4 person is under 18 years of age or permits a person under 18 years
5 of age to make a wager on a video lottery game.

6 (b) Willfully fails to appear before or provide an item to the
7 bureau at the time and place specified in a subpoena or summons
8 issued by the bureau or executive director.

9 (c) Willfully refuses, without just cause, to testify or
10 provide items in answer to a subpoena, subpoena duces tecum, or
11 summons issued by the bureau or executive director.

12 (d) Conducts or permits a person that is not licensed to
13 conduct activities required to be licensed under this article or
14 rules promulgated by the bureau.

15 (e) Leases, pledges, borrows, or loans money against a
16 license, permit, or occupational license.

17 (4) The possession of more than 1 device described in
18 subsection (2)(f) raises a rebuttable presumption that the
19 possessor intended to use the devices for cheating.

20 (5) In the discretion of the attorney general or county
21 prosecuting attorney, an action to prosecute a crime described in
22 this section may be filed in the county in which the crime occurred
23 or in the county of Ingham.