WEST VIRGINIA LEGISLATURE

SECOND REGULAR SESSION, 1998

ENROLLED

House Bill No. 4632

(By Delegate Pettit)

Passed March 14, 1998

In Effect Ninety Days from Passage



ENROLLED

H. B. 4632

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[Passed March 14, 1998; in effect ninety days from passage.]

AN ACT to amend and reenact sections three, eight, nine, and twelve, article twenty-two-a, chapter twenty-nine of the code of West Virginia, one thousand nine hundred thirty-one, as amended, all relating to racetrack video lottery; creating of an additional permitted job classification of video lottery floor attendant; providing for an annual license or permit fee; defining of the term "eprom"; and increasing the number of terminals which may be located in a nonconforming location.

Be it enacted by the Legislature of West Virginia:

That sections three, eight, nine, and twelve, article twenty-twoa, chapter twenty-nine of the code of West Virginia, one thousand nine hundred thirty-one, as amended, be amended and reenacted, all to read as follows:

ARTICLE 22A. RACETRACK VIDEO LOTTERY ACT.

§29-22A-3. Definitions.

- 1 As used in this article:
- 2 (a) "Applicant" means any person applying for any
- 3 video lottery license or permit.

- 4 (b) "Associated equipment" means any hardware 5 located on a licensed racetrack's premises which is 6 connected to the video lottery system for the purpose of 7 performing communication, validation or other functions, 8 but not including the video lottery terminals or the 9 communication facilities of a regulated public utility.
- 10 (c) "Background investigation" means a security, 11 criminal and credit investigation of a person, as defined in 12 this section, who has applied for a video lottery license or 13 permit, or who has been granted a video lottery license or 14 permit.
- 15 (d) "Central computer," "central control computer" or 16 "central site system" means any central site computer 17 provided to and controlled by the commission to which 18 video lottery terminals communicate for purposes of 19 information retrieval and terminal activation and to disable 20 programs.
- 21 (e) "Commission" or "state lottery commission" means 22 the West Virginia lottery commission created by article 23 twenty-two of this chapter.
- 24 (f) "Control" means the authority to direct the 25 management and policies of an applicant or a license or 26 permit holder.
- (g) "Costs" means the expenses incurred by the commission in the testing and examination of video lottery terminals and the performance of background investigations and other related activities which are charged to and collected from applicants or license or permit holders.
- 33 (h) "Director" means the individual appointed by the 34 governor to provide management and administration 35 necessary to direct the state lottery office.
- (i) "Disable" or "terminal disable" means the process of
 executing a shutdown command from the central control
 computer which causes video lottery terminals to cease
 functioning.

40 (j) "Display" means the visual presentation of video 41 lottery game features on the video display monitor or 42 screen of a video lottery terminal.

- (k) "EPROM" and "erasable programmable read-only memory chips" means the electronic storage medium on which the operation software for all games playable on a video lottery terminal resides and which can also be in the form of CD-ROM, flash RAM or other new technology medium that the commission may from time to time approve for use in video lottery terminals. All electronic storage media are considered to be the property of the state of West Virginia.
- (l) "Floor attendant" means a person, employed by a licensed racetrack, who holds a permit issued by the commission and who corrects paper jams and bill jams in video lottery terminals and also provides courtesy services for video lottery players.
- (m) "Gross terminal income" means the total amount of cash inserted into the video lottery terminals operated by a licensee, minus the total value of game credits which are cleared from the video lottery terminals in exchange for winning redemption tickets.
- (n) "License" or "video lottery license" means authorization granted by the commission to a racetrack which is licensed by the West Virginia racing commission to conduct thoroughbred or greyhound racing meetings pursuant to article twenty-three, chapter nineteen of this code permitting the racetrack to operate video lottery terminals authorized by the commission.
- 69 (o) "Lottery" means the public gaming systems or 70 games established and operated by the state lottery 71 commission.
 - (p) "Manufacturer" means any person holding a permit granted by the commission to engage in the business of designing, building, constructing, assembling or manufacturing video lottery terminals, the electronic computer components of the video lottery terminals, the random number generator of the video lottery terminals,

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- or the cabinet in which it is housed, and whose product is intended for sale, lease or other assignment to a licensed racetrack in West Virginia, and who contracts directly with
- 81 the licensee for the sale, lease or other assignment to a
- 82 licensed racetrack in West Virginia.
 - (q) "Net terminal income" means gross terminal income minus an amount deducted by the commission to reimburse the commission for its actual costs of administering racetrack video lottery at the licensed racetrack. No deduction for any or all costs and expenses of a licensee related to the operation of video lottery games shall be deducted from gross terminal income.
- 90 (r) "Own" means any beneficial or proprietary interest 91 in any property or business of an applicant or licensed 92 racetrack.
- 93 (s) "Pari-mutuel racing facility," "licensed racetrack," 94 "racetrack" or "track" means a facility where horse or dog 95 race meetings are held and the pari-mutuel system of 96 wagering is authorized pursuant to the provisions of article 97 twenty-three, chapter nineteen of this code: Provided. 98 That, for the purposes of this article, "pari-mutuel racing facility," "licensed racetrack," "racetrack" or "track" 99 includes only a facility which was licensed prior to the first 100 101 day of January, one thousand nine hundred ninety-four, to hold horse or dog race meetings, and which conducts 102 103 not less than two hundred twenty live racing dates for each 104 horse or dog race meeting or such other number of live 105 racing dates as may be approved by the racing 106 commission in accordance with the provisions of section 107 twelve-b, article twenty-three, chapter nineteen of this 108 code.
- 109 (t) "Permit" means authorization granted by the 110 commission to a person to function as either a video 111 lottery manufacturer, service technician or validation 112 manager.
- (u) "Person" means any natural person, corporation, association, partnership, limited partnership, or other entity, regardless of its form, structure or nature.

- (v) "Player" means a person who plays a video lottery game on a video lottery terminal at a racetrack licensed by the commission to conduct video lottery games.
- 119 (w) "Service technician" means a person, employed by 120 a licensed racetrack, who holds a permit issued by the 121 commission and who performs service, maintenance and 122 repair on licensed video lottery terminals in this state.
- 123 (x) "Video lottery game" means a commission 124 approved, owned and controlled electronically simulated 125 game of chance which is displayed on the screen or video 126 monitor of a video lottery terminal and which:
 - (1) Is connected to the commission's central control computer by an on-line or dial-up communication system;

- (2) Is initiated by a player's insertion of coins or currency into a video lottery terminal, which causes game play credits to be displayed on the video lottery terminal and, with respect to which, each game play credit entitles a player to choose one or more symbols or numbers or to cause the video lottery terminal to randomly select symbols or numbers;
- (3) Allows the player to win additional game play credits based upon game rules which establish the random selection of winning combinations of symbols or numbers or both and the number of free play credits to be awarded for each winning combination of symbols or numbers or both;
- (4) Is based upon computer-generated random selection of winning combinations based totally or predominantly on chance;
- (5) In the case of a video lottery game which allows the player an option to select replacement symbols or numbers or additional symbols or numbers after the game is initiated and in the course of play, either: (A) Signals the player, prior to any optional selection by the player of randomly generated replacement symbols or numbers, as to which symbols or numbers should be retained by the player to present the best chance, based upon probabilities, that the player may select a winning combination; (B)

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- 154 signals the player, prior to any optional selection by the 155 player of randomly generated additional symbols or 156 numbers, as to whether the additional selection presents 157 the best chance, based upon probabilities, that the player may select a winning combination; or (C) randomly 158 159 generates additional or replacement symbols and numbers 160 for the player after automatically selecting the symbols 161 and numbers which should be retained to present the best 162 chance, based upon probabilities, for a winning 163 combination, so that in any event, the player is not 164 permitted to benefit from any personal skill, based upon a 165 knowledge of probabilities, before deciding which 166 optional numbers or symbols to choose in the course of 167 video lottery game play;
- 168 (6) Allows a player at any time to simultaneously clear 169 all game play credits and print a redemption ticket 170 entitling the player to receive the cash value of the free 171 plays cleared from the video lottery terminal; and
- 172 (7) Does not use the following game themes 173 commonly associated with casino gambling: Roulette, 174 dice, or baccarat card games: *Provided*, That games 175 having a video display depicting symbols which appear to 176 roll on drums to simulate a classic casino slot machine, 177 game themes of other card games and keno may be used.
 - (y) "Validation manager" means a person who holds a permit issued by the commission and who performs video lottery ticket redemption services.
- 181 (z) "Video lottery" means a lottery which allows a 182 game to be played utilizing an electronic computer and an 183 interactive computer terminal device, equipped with a 184 video screen and keys, a keyboard or other equipment 185 allowing input by an individual player, into which the 186 player inserts coins or currency as consideration in order 187 for play to be available, and through which terminal 188 device the player may receive free games or credit that can 189 be redeemed for cash, or nothing, as may be determined 190 wholly or predominantly by chance. "Video lottery" does 191 not include a lottery game which merely utilizes an 192 electronic computer and a video screen to operate a lottery

- 193 game and communicate the results of the game, such as
- 194 the game "Travel," and which does not utilize an
- 195 interactive electronic terminal device allowing input by an
- 196 individual player.

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- 197 (aa) "Video lottery terminal" means a commission198 approved interactive electronic terminal device which is
 199 connected with the commission's central computer system,
 200 and which is used for the purpose of playing video lottery
 201 games authorized by the commission. A video lottery
 202 terminal may simulate the play of one or more video
 203 lottery games.
- 204 (bb) "Wager" means a sum of money or thing of value 205 risked on an uncertain occurrence.
- §29-22A-8. Form of application; local option elections; issuance of license; notice of incomplete application; notice of license or permit denial, suspension or revocation; procedure for review of license or permit denial, suspension or revocation; fees, renewal fees and renewal dates; bonding; renewal of licenses and permits; notice of change affecting license or permit; license or permit not transferrable or assignable.
 - (a) The commission shall determine the form of applications to be used and shall not consider incomplete applications. The commission may consider an application when the applicant has completed and executed all forms and documents required by the commission and all application fees and costs have been paid.
 - 8 (b) The question of whether video lottery games shall be permitted at pari-mutuel racetracks shall be determined 10 by local option election in each county in which a 11 pari-mutuel racetrack is located. The local option election 12 on this question may be placed on the ballot in each county at any general election. The county commission 13 14 of the county in which the racetrack is located shall give notice to the public of the election by publication of the 15 16 notice as a Class II-0 legal advertisement in compliance

with the provisions of article three, chapter fifty-nine of this code, and the publication area for the publication shall

19 be the county in which the election is to be held. The date

20 of the last publication of the notice shall fall on a date

21 within the period of the fourteen consecutive days next

22 preceding the election.

On the local option election ballot shall be printed the following:

Shall West Virginia lottery commission video lottery games be permitted within an area at the [name of racetrack] in which pari-mutuel betting is authorized by law?

29 [] Yes [] No

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30 (Place a cross mark in the square opposite your 31 choice.)

The ballots shall be counted, returns made and canvassed as in general elections, and the results certified by the commissioners of election to the county commission. The county commission shall, without delay, certify the result of the election to the commission.

(c) Upon receipt of the results of the election from the county commission, and if a majority has voted "yes," the commission shall issue the requested license if the applicant is otherwise qualified for the license. majority has voted "no," the commission shall notify the applicant of the results, the application shall be denied, and another election on the issue shall not be held for a period of two years: Provided, That for purposes of this section, the term "two years" means the interval between a general election and the next general election, and in no event shall it mean or encompass a period of time in excess of one hundred four weeks. If a majority has voted "yes," another local option election on the issue shall not be held for a period of five years. A local option election may thereafter be held if a written petition of qualified voters residing within the county equal to at least five percent of the number of persons who were registered to vote in the next preceding general election is received by

55 56 57	the county commission of the county in which the horse or dog racetrack is located. The petition may be in any number of counterparts.
58	The petition shall be in the following form:
59	Petition For Local Option Election
60 61 62 63 64 65	We, the undersigned legally qualified voters, resident within the county of, do hereby petition that a special election be held within the county of upon the following question: Shall West Virginia lottery commission video lottery games be permitted within an area at the [name of racetrack] in which pari-mutuel betting is authorized by law?
67	Name Address Date
68	(Post office or street address)
69 70 71 72 73 74	(d) The commission may not issue any license or permit until background investigations are concluded. The commission shall make an affirmative determination that the applicant is qualified and the applicable license or permit fees have been paid prior to issuing any license or permit.
75 76 77	(e) The commission shall notify the applicant if an application is incomplete and the notification shall state the deficiencies in the application.
78 79 80 81 82	(f) The commission shall notify applicants in writing of the denial, suspension or revocation of a permit or license and the reasons for the denial, suspension or revocation in accordance with the provisions of section fifteen of this article.
83 84 85	(g) An applicant may request a hearing to review a license or permit denial, suspension or revocation in accordance with section fifteen of this article.
86 87 88	(h) The following license or permit fees shall be paid annually by each licensed racetrack, or permitted manufacturer, service technician, floor attendant or validation manager:

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90	(1) Racetrack:
91	(2) Manufacturer: \$10,000
92	(3) Service technician: \$100
93	(4) Validation manager: \$50
94	(5) Floor attendant:
95 96	The fees shall be paid to the commission at the time of license or permit application and on or before the first day
97	of July of each year thereafter, at which time the license or

 \mathbf{f} of July of each year thereafter, at which time the license or permit may be renewed.

- (i) An applicant for a video lottery license shall, prior to the issuance of the license, post a bond or irrevocable letter of credit in a manner and in an amount established by the commission. The bond shall be issued by a surety company authorized to transact business in West Virginia and the company shall be approved by the insurance commissioner of this state as to solvency and responsibility.
- 107 (i) The commission shall renew video lottery licenses 108 and permits annually as of the first day of July of each 109 year, if each person seeking license or permit renewal 110 submits the applicable renewal fee, completes all renewal 111 forms provided by the commission, and continues to meet 112 all qualifications for a license or permit.
 - (k) License and permit holders shall notify the commission of any proposed change of ownership or control of the license or permit holder and of all other transactions or occurrences relevant to license or permit qualification. In order for a license or permit to remain in effect, commission approval is required prior to completion of any proposed change of ownership or control of a license or permit holder.
- (1) A license or permit is a privilege personal to the 121 license or permit holder and is not a legal right. A license 122 123 or permit granted or renewed pursuant to this article may 124 not be transferred or assigned to another person, nor may 125 a license or a permit be pledged as collateral.

- 126 purchaser or successor of any license or permit holder
- shall independently qualify for a license or permit. The
- 128 sale of more than five percent of a license or permit
- 129 holder's voting stock, or more than five percent of the
- 130 voting stock of a corporation which controls the license or
- 131 permit holder or the sale of a license or permit holder's
- assets, other than those bought and sold in the ordinary
- 133 course of business, or any interest therein, to any person
- 134 not already determined to have met the qualifications of
- section seven of this article voids the license unless the sale
- 136 has been approved in advance by the commission.

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§29-22A-9. General duties of all video lottery license and permit holders; duties of permitted manufacturers; duties of permitted service technicians; duties of permitted validation managers; duties of floor attendants; duties of licensed racetracks.

- (a) All video lottery license and permit holders shall:
- 2 (1) Promptly report to the commission any facts or 3 circumstances related to video lottery operations which 4 constitute a violation of state or federal law;
 - (2) Conduct all video lottery activities and functions in a manner which does not pose a threat to the public health, safety or welfare of the citizens of this state, and which does not adversely affect the security or integrity of the lottery;
- (3) Hold the commission and this state harmless from and defend and pay for the defense of any and all claims which may be asserted against a license or permit holder, the commission, the state or the employees thereof, arising from the license or permit holder's participation in the video lottery system authorized by this article;
- 16 (4) Assist the commission in maximizing video lottery revenues;
- 18 (5) Maintain all records required by the commission;
- 19 (6) Upon request by the commission, provide the commission access to all records and the physical premises

- 21 of the business or businesses where the license or permit
- 22 holder's video lottery activities occur, for the purpose of
- 23 monitoring or inspecting the license or permit holder's
- 24 activities and the video lottery games, video lottery
- 25 terminals and associated equipment; and
- 26 (7) Keep current in all payments and obligations to 27 the commission.
- (b) Manufacturers shall:
- 29 (1) Manufacture terminals and associated equipment 30 for placement in this state in accordance with the 31 specifications and procedures specified in sections five 32 and six of this article:
- 33 (2) Manufacture terminals and associated equipment 34 to ensure timely delivery to licensed racetracks;
- 35 (3) Maintain and provide an inventory of spare parts 36 to assure the timely repair and continuous operation of 37 licensed video lottery terminals intended for placement in 38 this state;
- 39 (4) Provide to licensed racetracks and permitted 40 service technicians technical assistance and training in the 41 service and repair of video lottery terminals and associated 42 equipment so as to assure the continuous authorized 43 operation and play of the video lottery terminals; and
- 44 (5) Obtain certification of compliance under the 45 provisions of part fifteen of the federal communication 46 commission rules for all video lottery terminals placed in 47 this state.
 - (c) Service technicians shall:

- 49 (1) Maintain all skills necessary for the timely repair 50 and service of licensed video lottery terminals and 51 associated equipment so as to ensure the continued, 52 approved operation of those terminals;
- 53 (2) Attend all commission mandated meetings, 54 seminars and training sessions concerning the repair and 55 maintenance of licensed video lottery terminals and 56 associated equipment; and

- 57 (3) Promptly notify the commission of any electronic or mechanical video lottery terminal malfunctions.
 - (d) Validation managers shall:

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- (1) Attend all commission mandated meetings, seminars and training sessions concerning the validation and redemption of video lottery winning tickets and the operation of all ticket validation terminals and equipment;
- 64 (2) Maintain all skills necessary for the accurate validation of video lottery tickets; and
 - (3) Supervise video lottery ticket validation procedures at the applicable licensed racetrack.
 - (e) Floor attendants shall:
- 69 (1) Provide change and assistance to persons playing 70 video lottery games in a licensed racetrack video lottery 71 gaming area;
- 72 (2) Open video lottery terminal access doors to clear 73 ticket paper jams and to insert new paper ticket tapes into 74 the video lottery terminals; and
- 75 (3) Open video lottery terminal access doors to clear 76 bill jams from the bill acceptors in video lottery terminals.
- 77 (f) The specific duties required of all licensed racetracks are as follows:
- 79 (1) Acquire video lottery terminals by purchase, lease 80 or other assignment and provide a secure location for the 81 placement, operation and play of the video lottery 82 terminals:
- 83 (2) Pay for the installation and operation of 84 commission approved telephone lines to provide direct 85 dial-up or on-line communication between each video 86 lottery terminal and the commission's central control 87 computer;
- 88 (3) Permit no person to tamper with or interfere with 89 the operation of any video lottery terminal;

- 90 (4) Ensure that telephone lines from the commission's 91 central control computer to the video lottery terminals 92 located at the licensed racetrack are at all times connected 93 and prevent any person from tampering or interfering 94 with the operation of the telephone lines;
 - (5) Ensure that video lottery terminals are within the sight and control of designated employees of the licensed racetrack;
 - (6) Ensure that video lottery terminals are placed and remain placed in the specific locations within the licensed racetrack which have been approved by the commission. No video lottery terminal or terminals at a racetrack shall be relocated without the prior approval of the commission;
 - (7) Monitor video lottery terminals to prevent access to or play by persons who are under the age of eighteen years or who are visibly intoxicated;
- 106 (8) Maintain at all times sufficient change and cash in the denominations accepted by the video lottery terminals;
 - (9) Provide no access by a player to an automated teller machine (ATM) in the area of the racetrack where video lottery games are played, accept no credit card or debit card from a player for the exchange or purchase of video lottery game credits or for an advance of coins or currency to be utilized by a player to play video lottery games, and extend no credit, in any manner, to a player so as to enable the player to play a video lottery game;
- 116 (10) Pay for all credits won upon presentment of a valid winning video lottery ticket;
 - (11) Report promptly to the manufacturer and the commission all video lottery terminal malfunctions and notify the commission of the failure of a manufacturer or service technician to provide prompt service and repair of such terminals and associated equipment;
- 123 (12) Conduct no video lottery advertising and 124 promotional activities without the prior written approval of 125 the director;

- 126 (13) Install, post and display prominently at locations
- 127 within or about the licensed racetrack, signs, redemption
- 128 information and other promotional material as required
- 129 by the commission;
- 130 (14) Permit video lottery to be played only during
- 131 those hours established and approved by the commission;
- 132 (15) Maintain general liability insurance coverage for
- 133 all video lottery terminals in an amount of at least two
- 134 million dollars per claim;
- 135 (16) Promptly notify the commission in writing of any
- 136 breaks or tears to any logic unit seals;
- 137 (17) Assume liability for lost or stolen money from
- 138 any video lottery terminal; and
- (18) Submit an audited financial statement, which has
- 140 been approved by the commission, to the commission
- 141 when applying for a license or permit and annually
- 142 thereafter prior to the time a license or permit may be
- 143 renewed.

§29-22A-12. Number and location of video lottery terminals; security.

- 1 (a) A racetrack which has been licensed to conduct
- video lottery games has the right to install and operate up
 to four hundred video lottery terminals at a licensed
- 4 racetrack. A licensed racetrack may apply to the
- 5 commission for authorization to install and operate more
- 6 than four hundred video lottery terminals. If the
- 7 commission determines that the installation of additional
- 8 machines is in the best interest of the licensed racetrack,
- 9 the lottery commission and the citizens of this state, the
- 10 commission may grant permission to install and operate
- 11 additional machines.
- 12 (b) All video lottery terminals in licensed racetracks shall be physically located as follows:
- 14 (1) The video lottery location shall be continuously
- 15 monitored through the use of a closed circuit television
- 16 system capable of recording activity for a continuous

- twenty-four hour period. All video tapes shall be retainedfor a period of at least thirty days;
- 19 (2) Access to video lottery terminal locations shall be 20 restricted to persons legally entitled by age to play video 21 lottery games;
- 22 (3) The licensed racetrack shall submit for 23 commission approval a floor plan of the area or areas 24 where video lottery terminals are to be operated showing 25 terminal locations and security camera mount locations;
 - (4) No video lottery terminal may be relocated without prior approval from the commission; and
- 28 (5) Operational video lottery terminals may only be 29 located in the building or structure in which the 30 grandstand area of the racetrack is located and in the area 31 of the building or structure where pari-mutuel wagering is permitted under the provisions of article twenty-three, 32 chapter nineteen of this code: Provided, That if the 33 34 commission, before the first day of November, one thousand nine hundred ninety-three, has authorized any 35 36 racetrack to operate video lottery terminals and offer video lottery games in a location which would not 37 38 conform to the requirements of this subdivision, the 39 racetrack may continue to use video lottery terminals registered with and approved by the commission at that 40 nonconforming location and to offer the games and any 41 42 variations or composites of the games as may be approved 43 by the commission: *Provided*, however, That on the 44 effective date of this section, for each two video lottery 45 terminals located in a nonconforming location, the racetrack shall locate and operate one video lottery 46 terminal in the building or structure in which the 47 48 grandstand area of the racetrack is located and in the area 49 of the building or structure where pari-mutuel wagering is 50 permitted.
- 51 (c) A licensee shall allow video lottery games to be 52 played only on days when live racing is being conducted 53 at the racetrack and/or on televised racing days: *Provided*, 54 That this restriction shall not apply to any racetrack 55 authorized by the commissioner prior to the first day of

- November, one thousand nine hundred ninety-three, to operate video lottery terminals and conduct video lottery games.
- (d) Security personnel shall be present during all hours of operation at each video lottery terminal location. Each license holder shall employ the number of security personnel the commission determines is necessary to provide for safe and approved operation of the video lottery facilities and the safety and well-being of the players.

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The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.
The Day States
Chairman Senate Committee
Chairman House Committee
Chairman House Committee
Originating in the House.
Takes effect ninety days from passage.
Clerk of the Senate
Bregny In Bray
Clerk of the House of Delegates
President of the Senate
Speaker of the House of Delegates
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