

By Senator Geller

31-586B-04

1 A bill to be entitled
2 An act relating to video lotteries; amending s.
3 24.103, F.S.; providing definitions; amending
4 s. 24.105, F.S.; providing powers and duties of
5 the Department of the Lottery pertaining to
6 video lottery games; providing for an annual
7 fee; providing for disposition of the fee;
8 creating s. 24.125, F.S.; providing for the
9 adoption of rules; creating s. 24.126, F.S.;
10 prohibiting certain persons from playing video
11 lottery games; creating s. 24.127, F.S.;
12 providing requirements for the operation of
13 video lottery games; providing a payout
14 percentage; providing for distribution of
15 income; providing for weekly allocations;
16 providing penalties; creating s. 24.128, F.S.;
17 providing for the licensure of video lottery
18 terminal vendors; creating s. 24.129, F.S.;
19 prohibiting certain local zoning ordinances;
20 creating s. 24.130, F.S.; providing
21 requirements for video lottery terminals;
22 creating s. 24.131, F.S.; requiring video
23 lottery terminal vendors to establish training
24 programs for employees who service such
25 terminals; requiring departmental approval of
26 such programs; providing certification
27 requirements for such employees; providing for
28 the adoption of rules; creating s. 24.132,
29 F.S.; providing for distribution of proceeds
30 from the Video Lottery Purse Trust Fund;
31 providing for the adoption of rules; creating

1 s. 24.133, F.S.; requiring operators of
2 facilities where video lottery games are
3 conducted to post certain warning signs
4 regarding compulsive gambling; amending s.
5 212.02, F.S.; excluding video lottery terminals
6 from the definition of "coin-operated amusement
7 machine" for purposes of the sales and use tax;
8 creating s. 24.134, F.S.; establishing programs
9 for compulsive gambling within the Department
10 of Children and Family Services; creating s.
11 24.136, F.S.; authorizing a caterer's license
12 for video lottery retailers; providing an
13 effective date.

14
15 Be It Enacted by the Legislature of the State of Florida:

16
17 Section 1. Subsections (7), (8), (9), (10), and (11)
18 are added to section 24.103, Florida Statutes, to read:

19 24.103 Definitions.--As used in this act:

20 (7) "Video lottery game" means an electronically
21 simulated game involving any element of chance, skill, or
22 both, played on a video lottery terminal that, upon insertion
23 of currency, coins, tokens, credits, vouchers, or anything of
24 value, is available to play or simulate a lottery-type game.
25 The games include, but are not limited to, line-up games,
26 traditional card games, poker, and progressive games where the
27 jackpot grows and accumulates as it is being played in a video
28 lottery terminal, or network of video lottery terminals, using
29 a cathode ray tube, video display screen, and or
30 microprocessors, or other similar technology available now or
31 in the future, as approved by the department. A player may

1 receive a payoff in the form of currency, coins, tokens,
2 credits, vouchers, or anything of value either automatically
3 or in some other manner.

4 (8) "Video lottery terminal" means a machine or device
5 upon which a "video lottery game" is played or operated. A
6 video lottery terminal may use spinning reels or video
7 displays or other similar technology available now or in the
8 future, as approved by the department.

9 (9) "Video lottery terminal vendor" means any person
10 licensed by the department who engages in the business of
11 selling, leasing, servicing, repairing, or upgrading video
12 lottery terminals for video lottery retailers or who provides
13 to the department or to a video lottery retailer computer
14 equipment, software, or other functions related to video
15 lottery terminals.

16 (10) "Net terminal income" means currency and other
17 consideration placed into a video lottery terminal, less
18 payouts to or credits redeemed by players.

19 (11) "Video lottery retailer" means any pari-mutuel
20 permitholder under chapter 550, who has paid the annual fee of
21 \$2 million pursuant to s. 24.105(27) who:

22 (a) Conducted a full schedule of live races or games,
23 as described in ss. 550.002(11) and 550.475. However, in order
24 to be included in the definition, a greyhound racing
25 permitholder must have also conducted, during the prior fiscal
26 year, no fewer than 80 percent of the number of performances
27 and no fewer than 80 percent of the number of live races that
28 it conducted during the 1997-1998 state fiscal year;

29 (b) Applied for a pari-mutuel permit between January
30 1, 2003 and March 1, 2003, and has conducted a full schedule
31 of live races or games as described in s. 550.002(11); or

1 (c) Is authorized to receive broadcasts of horse races
2 under s. 550.6308.

3 Section 2. Subsections (21), (22), (23), (24), (25),
4 (26) and (27) are added to section 24.105, Florida Statutes,
5 to read:

6 24.105 Powers and duties of department. The department
7 shall:

8 (21) Have in place the capacity to support video
9 lottery games at facilities of video lottery retailers by
10 October 1, 2004.

11 (22) Hear and decide promptly and in reasonable order
12 all video lottery related license applications and enforcement
13 proceedings for suspension or revocation of licenses.

14 (23) Collect and disburse video lottery revenue due
15 the department as described in this chapter.

16 (24) Certify net terminal income of video lottery
17 retailers by inspecting records, conducting audits, or any
18 other reasonable means.

19 (25) Maintain a list of licensed video lottery
20 terminal vendors and a current list of all contracts between
21 video lottery terminal vendors and video lottery retailers.

22 (26) Approve an application for a video lottery
23 retailer within 30 days after receipt of the application. Any
24 person holding a pari-mutuel permit who has been licensed
25 pursuant to chapter 550, meets the definition of a video
26 lottery retailer under s. 24.103(11), and has paid the fee
27 required in subsection (27), meets all qualifications of
28 licensure under this section.

29 (27) Within 10 days after approval of the application
30 and on every July 1 thereafter, the video lottery retailer
31 shall pay to the department a fee of \$2 million. The \$2

1 million fee shall be deposited into the Education Enhancement
2 Trust Fund to be available to be bonded for school capital
3 facilities construction.

4 Section 3. Section 24.125, Florida Statutes, is
5 created to read:

6 24.125 Rules authorized.--

7 (1) The department may adopt rules relating to:

8 (a) The regulation of video lottery retailers and
9 video lottery products, including provisions to ensure that
10 video lottery terminals are operated only by persons at least
11 18 years of age.

12 (b) Specifications for video lottery terminals to be
13 approved and authorized as the department deems necessary in
14 order to maintain the integrity of video lottery games and
15 terminals. The specifications may not limit the number of
16 video lottery terminal vendors who supply terminals to fewer
17 than four.

18 (c) The regulation of video lottery terminal vendors.

19 (2) Initial rules to permit the operation of video
20 lotteries and the licensing of video lottery vendors shall be
21 adopted by July 1, 2004. The department may adopt emergency
22 rules under s. 120.536(1) and s. 120.58(4) to implement this
23 section.

24 Section 4. Section 24.126, Florida Statutes, is
25 created to read:

26 24.126 Video lottery; minimum age.--

27 (1) A person who is younger than 18 years of age may
28 not play a video lottery game.

29 (2) Each video lottery retailer shall post a clear and
30 conspicuous sign on all video lottery terminals which states:

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1 THE USE OF A VIDEO LOTTERY TERMINAL BY PERSONS
2 UNDER THE AGE OF 18 IS AGAINST FLORIDA LAW.
3 PROOF OF AGE IS REQUIRED FOR USE.

4
5 (3) Any person who violates this section commits a
6 misdemeanor of the second degree, punishable as provided in s.
7 775.082 or s. 775.083.

8 Section 5. Section 24.127, Florida Statutes, is
9 created to read:

10 24.127 Video lottery games.--

11 (1) Video lottery games may be offered by a video
12 lottery retailer only at its pari-mutuel facility at any time.
13 During any calendar year in which a video lottery retailer
14 maintains video lottery terminals, the retailer must have
15 conducted in the prior year a full schedule of live racing or
16 games, as defined in s. 550.002(11), including the conduct of
17 races or games under s. 550.475, or be authorized to receive
18 broadcasts of horse races under s. 550.6308. The department
19 shall waive such requirements upon a showing that the failure
20 to conduct races or games resulted from a natural disaster or
21 other acts beyond the control of the permitholder, including
22 legal restrictions or prohibitions placed on the
23 permitholder's activities. If the retailer for any other
24 reason does not comply with the requirement to conduct a full
25 schedule of races or games, the department shall order the
26 retailer to suspend its video lottery operation. The
27 department may assess an administrative fine, not to exceed
28 \$5,000 per video lottery terminal per day, against any
29 retailer who does not suspend its video lottery operation when
30 ordered to do so by the department. The department may enforce
31 a suspension order or administrative fine as provided in s.

1 120.69. Each video lottery retailer shall post a bond payable
2 to the state in an amount determined by the department which
3 is sufficient to guarantee the payment of revenue due in any
4 payment period.

5 (2) Each video lottery terminal retailer shall
6 determine the following pertaining to the video lottery
7 terminals located on its premises:

8 (a) Number of video lottery terminals;

9 (b) Dates and hours during which the video lottery
10 terminals are available for play;

11 (c) Mix of games available for play on video lottery
12 terminals;

13 (d) Use of currency, coins, tokens, vouchers,
14 electronic credits, or anything of value;

15 (e) Location and movement of video lottery terminals
16 on the premises;

17 (f) Staffing of video lottery terminal operations on
18 the premises; and

19 (g) Minimum and maximum betting amounts and the
20 payout, based upon a suitable range, as determined by the
21 video lottery retailer, with a minimum of 88 percent and a
22 maximum of 95 percent of the amount of currency, coins,
23 tokens, credits, vouchers, or anything of value put into a
24 video lottery terminal. Upon 10 days' written notice to the
25 department, the department may approve a greater payout
26 percentage than 95 percent if the total annual payout is not
27 greater than 95 percent.

28 (3) Each video lottery terminal retailer shall notify
29 the department prior to commencing the initial operation of
30 the video lottery games.

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1 (4) To facilitate the auditing and security programs
2 critical to the integrity of the video lottery system, the
3 department has overall control of the entire system. Each
4 video lottery terminal shall be linked, directly or
5 indirectly, to a computer system approved by the department.

6 (5) Video lottery games may be played at an authorized
7 video lottery retailer's facility, regardless of whether the
8 retailer is conducting a pari-mutuel event.

9 (6) Income derived from video lottery operations is
10 not subject to s. 24.121. The allocation of net terminal
11 income derived from video lottery games shall be as follows:

12 (a) Forty-two percent shall be remitted to the Video
13 Lottery Administration Trust Fund for transfer to the
14 Education Enhancement Trust Fund. The \$2 million annual fee
15 paid by each permitholder pursuant to s. 24.105(27), shall be
16 credited back to the permitholder on a weekly basis out of the
17 Video Lottery Administrative Trust Fund until the total \$2
18 million is credited. However, weekly credits may not exceed
19 \$100,000 per week per permitholder.

20 (b) Seventy-five hundredths percent shall be remitted
21 to the Video Lottery Administrative Trust Fund for transfer to
22 the Administrative Trust Fund. Twenty-five percent of the
23 0.75 percent, with a cap not to exceed 5 million dollars per
24 year, shall be transferred to the Department of Children and
25 Family Services for the establishment and administration of a
26 treatment program for compulsive gambling.

27 (c) Fifty-seven and twenty-five hundredths percent
28 shall be retained by the video lottery retailer as
29 compensation, and of that amount:

30 1. Six percent of the retailer's net terminal income
31 shall be distributed by the video lottery retailer as purses

1 for live performances conducted as a part of the video lottery
2 retailer's pari-mutuel meet in accordance with chapter 550;
3 however, if the video lottery retailer holds a license
4 pursuant to s. 550.06308, the 6 percent shall be distributed
5 as thoroughbred breeders' awards and stallion awards and
6 awards to owners of registered Florida-bred thoroughbred
7 horses under ss. 550.26165 and 550.2625(3), subject to the fee
8 provided in s. 550.2625(3).

9 2. Six and seventy-five hundredths percent of the
10 retailer's net terminal income shall be remitted to the Video
11 Lottery Administrative Trust Fund for transfer to the Video
12 Lottery Purse Trust Fund, to be distributed pursuant to s.
13 24.132.

14 (7) The allocation provided in subsection (6) shall be
15 made weekly. Amounts allocated pursuant to paragraphs (6)(a)
16 and (b) shall be remitted to the department by electronic
17 transfer within 24 hours after the allocation is determined.
18 If live meets were conducted by the video lottery retailer
19 during the weekly period for which the allocation is made, the
20 portion of the allocation to be distributed as purses under
21 paragraph (6)(c) shall be paid as purses for those live meets.
22 If live meets were not conducted at the pari-mutuel facility
23 during the weekly period for which the allocation is made, the
24 distribution of purse money shall be made during the next
25 ensuing meet following the weekly period in which the net
26 terminal income is earned. The accumulated amount to be
27 distributed as purses during the next ensuing meet shall be
28 distributed weekly during the permitholder's next race meeting
29 in an amount determined by dividing the amount to be
30 distributed by the number of performances approved for the
31 permitholder pursuant to its annual license and multiplying

1 that amount by the number of performances conducted each week.
2 Any interest income on funds required to be distributed under
3 paragraph (6)(c) prior to distribution of the funds as purses
4 shall be distributed by the video lottery retailer as purses
5 for live performances conducted at the video lottery
6 retailer's pari-mutuel facility or a facility authorized under
7 s. 550.475.

8 (8) Any person who intentionally manipulates or
9 attempts to manipulate the outcome, payoff, or operation of a
10 video lottery terminal by physical or electronic tampering or
11 other means commits a felony of the third degree, punishable
12 as provided in s. 775.082, s. 775.083, or s. 775.084.

13 (9) Notwithstanding s. 24.115, each video lottery
14 retailer is responsible for payment of video lottery prizes.

15 (10) In the area or room in a facility in which a
16 video lottery terminal is placed, the video lottery retailer
17 shall also place video monitors displaying live races or games
18 being conducted in that facility. If live races or games are
19 not being conducted at the facility, any simulcast races or
20 games that are displayed otherwise in the facility shall be
21 displayed. In each area or room, the retailer shall also
22 provide a means by which patrons may wager on pari-mutuel
23 activity.

24 Section 6. Section 24.128, Florida Statutes, is
25 created to read:

26 24.128 Licensure of video lottery terminal
27 vendors.--Video lottery terminal vendors shall be licensed by
28 the department by July 1, 2004. The department may adopt
29 emergency rules under s. 120.536(1) and s. 120.54(4) to
30 implement this section. The department may not license a
31 person as a video lottery terminal vendor who has an interest

1 in a video lottery retailer or a business relationship with a
2 video lottery retailer other than as a vendor or lessor of
3 video lottery terminals.

4 Section 7. Section 24.129, Florida Statutes, is
5 created to read:

6 24.129 Local zoning of pari-mutuel facilities.--The
7 installation, operation, or use of a video lottery on any
8 property where pari-mutuel operations were or would have been
9 lawful under any county or municipal zoning ordinance on July
10 1, 2003, does not change the character of the use of such
11 property and may not be prohibited by any local land use or
12 zoning ordinance.

13 Section 8. Section 24.130, Florida Statutes, is
14 created to read:

15 24.130 Video lottery terminals.--

16 (1) Video lottery terminals may not be offered for use
17 or play in this state unless approved by the department.

18 (2) Each video lottery terminal approved for use in
19 this state shall:

20 (a) Be protected against manipulation to affect the
21 random probabilities of winning plays.

22 (b) Have one or more mechanisms that accepts currency,
23 coins, tokens, vouchers, or anything of value in exchange for
24 game credits. Such mechanisms must be designed to prevent
25 players from obtaining currency, coins, tokens, vouchers, or
26 anything of value, or from obtaining game credits by physical
27 tampering.

28 (c) Be capable of suspending play until reset at the
29 direction of the department as a result of physical tampering.

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1 (d) Be capable of being linked to a central computer
2 communications system to audit the operation, financial data,
3 and program information, as required by the department.

4 Section 9. Section 24.131, Florida Statutes, is
5 created to read:

6 24.131 Video lottery terminal training program.--

7 (1) Each licensed video lottery terminal vendor shall
8 submit a training program for the service and maintenance of
9 terminals and equipment for approval by the department. The
10 training program must include an outline of the training
11 curriculum; a list of instructors and their qualifications; a
12 copy of the instructional materials; and the dates, times, and
13 location of training classes. A service and maintenance
14 program may not be held unless approved by the department.

15 (2) Each video lottery terminal service employee must
16 complete the requirements of the manufacturer's training
17 program before performing service, maintenance, or repairs on
18 video lottery terminals or associated equipment. Upon the
19 successful completion of the training program by an employee,
20 the department shall issue a certificate authorizing the
21 employee to service, maintain, and repair video lottery
22 terminals and associated equipment. A certificate of
23 completion may not be issued to a person until the department
24 determines that such person has completed the required
25 training. Before being certified as a video lottery terminal
26 service employee, a person must pass a background
27 investigation conducted by the department. The department may
28 revoke certification upon finding that a person is in
29 violation of this chapter or a department rule.

1 (3) The department may adopt rules regarding the
2 training, qualifications, and certification of video lottery
3 terminal service employees.

4 Section 10. Section 24.132, Florida Statutes, is
5 created to read:

6 24.132 Administration of the Video Lottery Purse Trust
7 Fund.--

8 (1) The proceeds of the Video Lottery Purse Trust Fund
9 shall be distributed to pari-mutuel permitholders to be
10 distributed as purses at their respective pari-mutuel
11 facilities as follows:

12 (a) Fifty-eight percent shall be paid to holders of
13 valid thoroughbred racing permits.

14 (b) Eight percent shall be paid to holders of valid
15 harness racing permits.

16 (c) Seven percent shall be paid to holders of valid
17 jai alai permits.

18 (d) Twenty-seven percent shall be paid to holders of
19 valid greyhound racing permits.

20 (2) Distributions to permitholders under subsection
21 (1) shall be determined by dividing the amounts paid in purses
22 during the previous fiscal year by the amount of purses by
23 those permitholders paid by all permitholders of the same
24 class of permits statewide during the previous fiscal year.

25 (3) All proceeds distributed under this section are in
26 addition to and supplement the other funds set forth in this
27 chapter and chapter 550 for use as purses, awards, and, in the
28 case of jai alai, player compensation.

29 (4) Ten percent of the amounts distributed pursuant to
30 this section and s. 24.127(6)(c) to persons holding valid
31 greyhound racing permits shall be distributed as additional

1 purses on all live races at each facility for Florida-bred
2 greyhounds in a manner similar to the distribution of regular
3 purses.

4 (5) Ten percent of the amounts distributed pursuant to
5 this section and s. 24.127(6)(c)1. to persons holding valid
6 harness racing permits shall be distributed for payment of
7 breeders' awards, stallion awards, and stallion stakes, and
8 for additional expenditures, including, but not limited to,
9 medical, dental, surgical, life, funeral, and disability
10 insurance and retirement benefits for occupational licensees
11 who work at tracks in this state in which harness horse races
12 are conducted pursuant to ss. 550.26165 and 550.2625, subject
13 to the fee provided in s. 550.2625(4).

14 (6) Ten percent of the amounts distributed pursuant to
15 this section and s. 24.127(6)(c)2. to persons holding valid
16 thoroughbred racing permits shall be distributed as
17 thoroughbred breeders' awards and stallion awards and awards
18 to owners of registered Florida-bred thoroughbred horses
19 pursuant to ss. 550.26165 and 550.2625(3), subject to the fee
20 provided in s. 550.2625(3).

21 (7) The department may adopt rules to provide for the
22 equitable distribution of funds by permitholders for purses,
23 awards, or jai alai player compensation.

24 Section 11. Section 24.133, Florida Statutes, is
25 created to read:

26 24.133 Notice of availability of assistance for
27 compulsive gambling required.--

28 (1) The owner of each facility at which video lottery
29 games are conducted shall post signs with the statement:
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1 "IF YOU OR SOMEONE YOU KNOW HAS A GAMBLING
2 PROBLEM, HELP IS AVAILABLE, CALL
3 1-800-426-7711."
4

5 The department may approve additional toll-free numbers to
6 ensure compliance with this section. The signs must be posted
7 within 50 feet of each entrance and within 60 feet of each
8 credit location within the facility.

9 Section 12. Subsection (24) of section 212.02, Florida
10 Statutes, is amended to read:

11 212.02 Definitions.--The following terms and phrases
12 when used in this chapter have the meanings ascribed to them
13 in this section, except where the context clearly indicates a
14 different meaning:

15 (24) "Coin-operated amusement machine" means any
16 machine operated by coin, slug, token, coupon, or similar
17 device for the purposes of entertainment or amusement. The
18 term includes, but is not limited to, coin-operated pinball
19 machines, music machines, juke boxes, mechanical games, video
20 games, arcade games, billiard tables, moving picture viewers,
21 shooting galleries, and all other similar amusement devices.
22 However, the term does not include a video lottery terminal
23 operated pursuant to chapter 24.

24 Section 13. Section 24.134, Florida Statutes, is
25 created to read:

26 24.134 Compulsive gambling program.--The Mental
27 Health Program Office within the Department of Children and
28 Family Services shall establish a program for public
29 education, awareness, and training regarding problem and
30 compulsive gambling and the treatment and prevention of
31 problem and compulsive gambling. The program shall include:

1 (1) Maintenance of a compulsive gambling advocacy
2 organization's toll-free, problem-gambling telephone number to
3 provide crisis counseling and referral services to families
4 experiencing difficulty as a result of problem or compulsive
5 gambling.

6 (2) The promotion of public awareness regarding the
7 recognition and prevention of problem or compulsive gambling.

8 (3) Facilitation, through in-service training and
9 other means, of the availability of effective assistance
10 programs for problem and compulsive gamblers and family
11 members affected by problem and compulsive gambling.

12 (4) Studies to identify adults and juveniles in this
13 state who are or are at risk of becoming problem or compulsive
14 gamblers.

15 Section 14. Section 24.136, Florida Statutes, is
16 created to read:

17 24.136 Licensure of video lottery retailer.--A video
18 lottery retailer is entitled to a caterer's license pursuant
19 to s. 565.02 on days in which the pari-mutuel facility is open
20 to the public for video lottery play as authorized by this
21 chapter.

22 Section 15. This act shall take effect upon becoming a
23 law.

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SENATE SUMMARY

Establishes the regulation of video lotteries and defines essential components of the video lottery, including games, terminal, vendor, net terminal income, and retailer. Provides that the Department of the Lottery must have Video Lottery Terminals in place by October 1, 2004. Provides for duties of the department in regulating video lottery licensees and collecting revenue. Provides for emergency rulemaking on the regulation of the retailers, specifications for terminals, and the regulation of vendors. Provides for minimum age of 18 to operate video games and the placing of appropriate signage. Provides for the location of operation for video lottery games to be at the retailer's pari-mutuel facility. Specifies that the retailer must have conducted a full schedule of live racing or games in the prior year or be authorized to receive broadcasts of horse races. Gives the department authority to suspend and fine any noncompliant retailer and gives the retailer authority to determine the number of terminals, dates and hours of play, mix of games available, utilization of the type of currency, location and movement of terminals on the premises, staffing, and minimum and maximum betting amounts with the range of 88 percent and 95 percent. Provides that the department may grant a greater payout percentage provided that the total annual payout of the facility is not greater than 95 percent. Provides for the allocation of net terminal income with 42 percent going to Education; .75 percent going to the Administrative Trust Fund; with 25 percent of the .75 percent going to the Department of Children and Families for a compulsive gambling program; and 57.25 percent going for compensation for the permitholders, less 8.25 percent of the net terminal income going for purses. Provides for criminal penalties for intentional manipulation of the terminals and for the licensure of video lottery terminal vendors. Provides that a Video Lottery Terminal will not change the character of the pari-mutuel facility for local zoning purposes. Provides for requirements for the terminals and for a terminal training program. Requires signage alerting contact for gambling problems. Provides for a caterer's license when Video Lottery Terminals are operating. Requires pari-mutuel permitholders to pay an annual \$2 million fee in order to be a video lottery retailer. Requires that the \$2 million fee be deposited into the Educational Enhancement Trust Fund and be available to be bonded for school capital facilities construction. Credits the \$2 million annual fee back to the permitholder out of the Video Lottery Administration Trust Fund on a weekly basis until the total \$2 million is credited. Provides that weekly credits may not exceed \$100,000 per week, per permitholder. Allows a pari-mutuel permitholder who applied for a pari-mutuel permit between January 1, 2004 and March 1, 2004, and has conducted a full schedule of live races or games to apply to be a video lottery retailer once the permit is granted.