By: Representatives Hines, Hudson

To: Gaming; Ways and Means

HOUSE BILL NO. 41

AN ACT TO AUTHORIZE THE MISSISSIPPI LOTTERY CORPORATION BOARD OF DIRECTORS TO AUTHORIZE VIDEO LOTTERY AND VIDEO LOTTERY TERMINALS WITH LIMITATIONS ON TRANSACTION COST, MAXIMUM PAYOUT AND LOCATIONS; TO AMEND SECTIONS 27-115-5, 27-115-17, 27-115-69 AND 27-115-83, MISSISSIPPI CODE OF 1972, TO CONFORM TO THE PROVISIONS OF THIS ACT; AND FOR RELATED PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

SECTION 1. Video lottery and video lottery terminals may be authorized by the Mississippi Lottery Corporation Board of Directors subject to the following limitations:

(1) Terminals may only accept One Cent (1¢) or equivalent value per play of a game;

(2) Terminals may only pay out up to Seven Hundred Fifty Dollars ($750.00) or equivalent value per play of a game;

(3) Terminals may only be authorized in truck stops; and

(4) A maximum of five (5) truck stops per congressional district may be authorized for video lottery terminals.

SECTION 2. Section 27-115-5, Mississippi Code of 1972, is amended as follows:

27-115-5. As used in this chapter, the following words and phrases shall have the following meanings unless the context clearly requires otherwise:

(a) "Corporation" means the Mississippi Lottery Corporation.

(b) "Lottery" means any game of chance approved by the corporation and operated pursuant to this chapter, which utilizes the sale of paper tickets for various intrastate and multistate or multisovereign lottery games (such as Pick-3, Pick-4, Mega Millions, Powerball), and "instant tickets" as defined, but specifically excluding any form of "video lottery" or use of "video lottery terminal" as defined <u>except as authorized under Section 1 of this act</u>.

(c) "Major procurement" means any item, product or service in the amount of One Million Dollars ($1,000,000.00) or more, including, but not limited to, major advertising contracts, annuity contracts, prizes, products, and services unique to the Mississippi lottery.

(d) "Net proceeds" means gross lottery revenues minus amounts paid as prizes and expenses of operation of the lottery.

(e) "Person" means any individual, corporation, partnership, unincorporated association or other legal entity.

(f) "President" means the President of the Mississippi Lottery Corporation, who shall also serve as chief executive officer of the corporation.

(g) "Retailer" means any person with whom the corporation has contracted to sell lottery tickets to the public.

(h) "Security" means the protection of information that would provide an unfair advantage to any individual involved in the operation of the lottery, protection and preservation of the integrity of lottery games and operations, as well as measures taken to prevent crimes against the corporation and its retailers.

(i) "Vendor" means any person who has entered into a contract with the corporation.

(j) "Fiscal year" means the fiscal year used by the State of Mississippi government.

(k) "Board" means the Mississippi Lottery Corporation Board of Directors.

(l) "Instant ticket" means a lottery game in which a player scratches a coating from one or more play areas on a ticket to determine if he or she has won, as indicated by the symbols and words that are revealed.

(m) "Video lottery" and "video lottery terminal" means any electronic interactive computerized game machine or device equipped with a video screen and buttons, keys, a keyboard, touchscreen or other input device allowing input by an individual player and into which the player inserts coins, tokens, currency or other representation of value (including, but not limited to, an electronic card, ticket or other thing on which value is recorded electronically) as consideration in order for play of a

game to be available, and through which, as a result of the play of a game, the player may receive free games, credits redeemable for cash or a noncash prize, or some other thing of value, whether or not received directly from the device, or nothing, determined wholly or predominantly by chance.

SECTION 3. Section 27-115-17, Mississippi Code of 1972, is amended as follows:

27-115-17. (1) Except as authorized under Section 1 of this act, the board shall not authorize, conduct or administer lottery games involving the use of a "video lottery terminal" as defined or any mobile or Internet-based or monitor-based interactive game, or any simulated casino-style game, including video poker, video roulette, slot machines or video blackjack, or any variant of these prohibited games.

(2) The board may adopt administrative rules and regulations for the conduct of specific lottery games and operations, including, but not limited to, administrative rules and regulations specifying:

(a) The types of lottery games to be conducted which utilize the sale of paper tickets for various intrastate and multistate or multisovereign lottery games (such as Pick-3, Pick-4, Mega Millions, Powerball) and "instant tickets" as defined.

(b) The sale price of tickets.

(c) The number and amount of prizes.

(d) The methods to be used in selling tickets for lottery games; provided, however, the corporation shall not permit any lottery game to be played or ticket to be purchased, sold or played by any method involving (i) a video lottery terminal except as authorized under Section 1 of this act or (ii) by any personal computer, tablet, smartphone, mobile device or other similar equipment or type of device.

(e) The methods and location of selecting or validating winning tickets.

(f) The frequency and the means of conducting drawings which shall be open to the public.

(g) The manner of payment of prizes.

(h) The frequency of games and drawings.

(i) The manner and amount of compensation to lottery retailers, except all compensation shall be uniform.

(j) Any other matters necessary to carry out this chapter and necessary for the efficient and effective operation of the lottery or for the convenience of the public.

(3) In all other matters, the board shall advise and make recommendations. In addition, the board shall:

(a) Conduct hearings upon complaints charging violations of this chapter or of administrative rules and regulations adopted by the corporation and shall conduct such other hearings as may be provided by administrative rules and regulations.

(b) Periodically, review the performance of the corporation and:

(i) Advise the president and make recommendations to him or her regarding operations of the corporation; and

(ii) Identify potential improvements in this chapter, the administrative rules and regulations of the corporation, and the management of the corporation.

(c) Request from the corporation any information the board determines to be relevant to its duties.

(4) Nothing in this chapter shall be construed to govern, affect or limit gaming operations at a licensed gaming facility nor shall this chapter be construed to supersede or preempt the authority of the Mississippi Gaming Commission as it relates to gaming operations occurring at a licensed gaming facility.

(5) Nothing in this chapter shall prohibit a licensed gaming facility under the Mississippi Gaming Commission from applying and operating as a lottery retailer under this chapter.

SECTION 4. Section 27-115-69, Mississippi Code of 1972, is amended as follows:

27-115-69. (1) The corporation may purchase, lease or lease-purchase such goods or services as are necessary for effectuating the purposes of this chapter. The corporation shall not contract with any person or entity for the total operation and administration of the lottery, but it may make procurements which integrate such functions as lottery game design, lottery ticket

distribution to retailers, supply of goods and services, and advertising. In all procurement decisions, the corporation shall take into account the particularly sensitive nature of the lottery and shall act to promote and ensure security, honesty, fairness and integrity in the operation and administration of the lottery and the objectives of raising net proceeds for the benefit of the public.

(2) The corporation shall investigate the financial responsibility, security and integrity of any lottery system vendor who submits a bid, proposal or offer. At the time of submitting such bid, proposal or offer to the corporation, the corporation shall require the following items:

(a) A disclosure of the vendor's name and address and, as applicable, the name and address of the following:

(i) If the vendor is a corporation, the officers, directors and each stockholder in such corporation; however, in the case of owners of equity securities of a publicly traded corporation, only the names and addresses of those known to the corporation to own five percent (5%) or more of such securities need be disclosed.

(ii) If the vendor is a trust, the trustee and all persons entitled to receive income or benefits from the trust.

(iii) If the vendor is an association, the members, officers and directors.

(iv) If the vendor is a partnership or joint venture, all of the general partners, limited partners, or joint venturers.

(b) A disclosure of all the states and jurisdictions in which the vendor does business, and the nature of the business for each such state or jurisdiction.

(c) A disclosure of all the states and jurisdictions in which the vendor has contracts to supply gaming goods or services, including, but not limited to, lottery goods and services, and the nature of the goods or services involved for each such state or jurisdiction.

(d) A disclosure of all the states and jurisdictions in which the vendor has applied for, has sought renewal of, has received, has been denied, has pending, or has had revoked a gaming license of any kind, or had fines or penalties assessed on their license, contract, or operation, and the disposition of such in each such state or jurisdiction. If any lottery license or contract has been revoked or has not been renewed or any lottery license or application has remained pending for more than six (6) months, then it shall be disclosed.

(e) A disclosure of the details of any finding of a plea, conviction or adjudication for guilt, in a state or federal court, of the vendor for any felony or any other criminal offense other than a traffic violation.

(f) A disclosure of the details of any bankruptcy, insolvency, reorganization, corporate or individual purchase or takeover of another corporation, including bonded indebtedness, or any pending litigation of the vendor.

(g) Such additional disclosures and information as the corporation may determine to be appropriate for the procurement involved. If the vendor subcontracts any substantial portion of the work to be performed under the contract to a subcontractor, the vendor shall disclose all of the information required by this subsection for the subcontractor as if the subcontractor were itself a vendor.

(3) In no case shall the corporation enter into a contract for a procurement of any video lottery or video lottery terminal not authorized under Section 1 of this act or any other illegal lottery device, and shall only enter into a contract for a procurement for any lottery system with a vendor who has complied with the disclosures required by the corporation and described in subsection (2) of this section, and any contract with such a vendor is void and unenforceable. Any contract with a vendor who does not comply with such requirements for periodically updating such disclosures during the tenure of a contract as may be specified in such contract is voidable and may be terminated by the corporation. The provisions of this section shall be construed broadly and liberally to achieve the ends of full disclosure of all information necessary to allow for a full and

complete evaluation by the corporation of the competence, integrity, background and character of vendors.

(4) (a) A contract shall not be entered into with any vendor who has been found guilty of a felony related to the security or integrity of the lottery in this or any other jurisdiction or with any vendor who is found to be in possession of any illegal lottery device.

(b) A contract shall not be entered into with any vendor who has not first obtained a signed tax clearance from the Commissioner of Revenue indicating that the vendor is current in filing all applicable tax returns and in payment of all taxes, interest and penalties owed to the State of Mississippi, excluding items under formal appeal pursuant to applicable statutes.

(5) The corporation may require that each vendor shall, at the execution of the contract with the corporation, post a performance bond or letter of credit from a bank acceptable to the corporation, in an amount established by the corporation subject to the provisions of Section 27-115-61. In lieu of the bond, a vendor may, to assure the faithful performance of its obligations, deposit and maintain with the corporation securities that are interest-bearing or accruing and that are rated in one (1) of the three (3) highest classifications by an established nationally recognized investment rating service. Securities eligible under this subsection are limited to:

(a) Certificates of deposit issued by solvent banks or savings associations approved by the corporation and which are organized and existing under the laws of this state or under the laws of the United States.

(b) United States bonds, notes, and bills for which the full faith and credit of the government of the United States is pledged for the payment of principal and interest.

(c) Corporate bonds approved by the corporation. The corporation which issued the bonds shall not be an affiliate or subsidiary of the depositor. Such securities shall be held in trust.

(6) Every contract entered into by the corporation pursuant to this section shall contain a provision for payment of liquidated damages to the corporation for any breach of contract by the vendor.

(7) Each vendor shall be qualified to do business in this state and shall file appropriate tax returns as provided by the laws of this state. All contracts under this section shall be governed by the laws of this state.

SECTION 5. Section 27-115-83, Mississippi Code of 1972, is amended as follows:

27-115-83. (1) Illegal lottery devices as described in this section are considered gambling devices and contraband.

(2) As used in this section, the term "illegal lottery device" means:

(a) Forged, counterfeit, or stolen, or improperly issued or illegally possessed lottery tickets.

(b) Any device or equipment that is in itself or is being used as part of any sort of a video lottery terminal not authorized under Section 1 of this act.

(c) Any tickets, payouts, receipts or the like which are generated by, taken from or are related to any sort of a video lottery terminal not authorized under Section 1 of this act.

(3) All law enforcement officers of municipal police forces, sheriff's departments, and the state shall confiscate and preserve all illegal lottery devices that come to their attention for evidence in the prosecution of those individuals in possession of same. Any such illegal lottery device will be subject to confiscation and destruction.

(4) Neither the state nor any political subdivision, agency, agent, or enforcement officer thereof shall be liable civilly or criminally for the destruction of any illegal lottery device.

SECTION 6. This act shall take effect and be in force from and after July 1, 2021.