

HOUSE BILL 1077

C7

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CF SB 882

By: **Delegates F. Turner, Beitzel, Kelly, and Myers**

Introduced and read first time: February 17, 2010

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Gaming – Video Lottery Terminals**

3 FOR the purpose of altering a certain requirement that the State Lottery Commission
4 conduct certain hearings; clarifying the authority of the Video Lottery Facility
5 Location Commission to award video lottery operation licenses under this
6 subtitle; altering a certain requirement to allow certain individuals or business
7 entities to enter into certain agreements; clarifying the authority of the State
8 Lottery Commission to issue certain licenses under this subtitle; authorizing the
9 State Lottery Commission to waive a certain requirement for certain investors;
10 altering the time period for certain licenses issued by the State Lottery
11 Commission; altering certain eligibility criteria and disqualifying criteria used
12 by the State Lottery Commission for a video lottery operation license; providing
13 that certain video lottery terminal operations may begin in a temporary facility
14 under certain circumstances; providing for when the term for a video lottery
15 operation license begins; providing that the admissions and amusement tax
16 does not apply to the operation of video lottery terminals; altering certain
17 requirements for a video lottery facility in Allegany County; clarifying that the
18 Video Lottery Facility Location Commission may reissue a video lottery
19 operation license under certain circumstances; defining a certain term; altering
20 certain definitions; making technical changes; and generally relating to the
21 operation of video lottery terminals in the State.

22 BY repealing and reenacting, with amendments,

23 Article – State Government

24 Section 9-1A-01, 9-1A-02(d), 9-1A-04(a), 9-1A-05, 9-1A-07, 9-1A-08,
25 9-1A-11, 9-1A-13(a), 9-1A-16, 9-1A-20(b), 9-1A-26, 9-1A-27,
26 9-1A-33(a), and 9-1A-36

27 Annotated Code of Maryland

28 (2009 Replacement Volume)

29 BY repealing and reenacting, without amendments,

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Article – State Government
2 Section 9–1A–02(a) and (b)
3 Annotated Code of Maryland
4 (2009 Replacement Volume)

5 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
6 MARYLAND, That the Laws of Maryland read as follows:

7 **Article – State Government**

8 9–1A–01.

9 (a) In this subtitle the following words have the meanings indicated.

10 (b) “Applicant” means a person who applies for any license required under
11 this subtitle.

12 (c) “Associated equipment” means hardware located on the licensee’s
13 premises that is connected to the video lottery system for the purpose of performing
14 communication, validation, or other functions, but not including the communication
15 facilities of a regulated utility or the video lottery terminals.

16 (d) “Average payout percentage” means the average percentage of money
17 used by players to play a video lottery terminal that is returned to players of that
18 video lottery terminal.

19 **(E) “AWARD” MEANS THE ACT, BY THE VIDEO LOTTERY FACILITY**
20 **LOCATION COMMISSION, OF APPROVING THE ISSUANCE OF A VIDEO LOTTERY**
21 **OPERATION LICENSE BY THE STATE LOTTERY COMMISSION TO AN APPLICANT**
22 **FOR THE OPERATION OF VIDEO LOTTERY TERMINALS AT A SPECIFIED**
23 **LOCATION.**

24 **[(e)] (F)** “Background investigation” means a security, criminal, and credit
25 investigation of a person who applies for or who is granted a license under this
26 subtitle.

27 **[(f)] (G)** “Career offender” means a person whose behavior is pursued in an
28 occupational manner or context for the purpose of economic gain and who utilizes
29 methods that are deemed by the Commission as criminal violations inimical to the
30 interest of the State.

31 **[(g)] (H)** “Career offender cartel” means a group of persons who operate
32 together as career offenders.

33 **[(h)] (I)** “Central monitor and control system” means a central system
34 provided to and controlled by the Commission to which video lottery terminals
35 communicate for purposes of:

1 (1) information retrieval;

2 (2) retrieval of the win and loss determination from video lottery
3 terminals; and

4 (3) programs to activate and disable video lottery terminals.

5 **[(i)] (J)** “Central Repository” means the Criminal Justice Information
6 System Central Repository of the Department of Public Safety and Correctional
7 Services.

8 **[(j)] (K)** “Commission” means the State Lottery Commission.

9 **[(k)] (L)** “Control” means the authority to direct the management and
10 policies of an applicant or licensee.

11 **[(l)] (M)** “Costs” means, unless the context otherwise requires, the expenses
12 incurred by the Commission in the administration of this subtitle, including:

13 (1) the costs of leasing or the capitalized cost of purchasing the video
14 lottery terminals, central monitor and control system, and associated equipment and
15 software;

16 (2) the costs to repair and maintain the video lottery terminals,
17 central monitor and control system, and associated equipment and software to the
18 extent these costs are not included in the costs of leasing or purchasing the video
19 lottery terminals, central monitor and control system, and associated equipment and
20 software;

21 (3) the costs of testing and examination of video lottery terminals and
22 the central monitor and control system; and

23 (4) the costs of performing background investigations and other
24 related activities.

25 **[(m)] (N)** “Family” means spouse, parents, grandparents, children,
26 grandchildren, siblings, uncles, aunts, nephews, nieces, fathers-in-law,
27 mothers-in-law, daughters-in-law, sons-in-law, brothers-in-law, and
28 sisters-in-law, whether by whole blood or half blood, by marriage, adoption, or
29 natural relationship.

30 **(O) “INSTITUTIONAL INVESTOR” MEANS:**

31 **(1) A RETIREMENT FUND ADMINISTERED BY A PUBLIC AGENCY**
32 **FOR THE EXCLUSIVE BENEFIT OF FEDERAL, STATE, OR LOCAL PUBLIC**
33 **EMPLOYEES;**

1 **(2) AN INVESTMENT COMPANY REGISTERED UNDER THE**
2 **INVESTMENT COMPANY ACT OF 1940;**

3 **(3) A COLLECTIVE INVESTMENT TRUST ORGANIZED BY BANKS**
4 **UNDER PART 9 OF THE RULES OF THE COMPTROLLER OF THE CURRENCY;**

5 **(4) A CLOSED END INVESTMENT TRUST;**

6 **(5) A CHARTERED OR LICENSED LIFE INSURANCE COMPANY;**

7 **(6) A PROPERTY AND CASUALTY INSURANCE COMPANY;**

8 **(7) A BANKING OR OTHER CHARTERED OR LICENSED LENDING**
9 **INSTITUTION;**

10 **(8) AN INVESTMENT ADVISOR REGISTERED UNDER THE**
11 **INVESTMENT ADVISORS ACT OF 1940; OR**

12 **(9) ANY OTHER PERSON REGISTERED IN ANY FOREIGN**
13 **JURISDICTION AND REGULATED IN ACCORDANCE WITH A STATUTE OF ANY**
14 **FOREIGN JURISDICTION THAT THE COMMISSION DETERMINES TO BE**
15 **SUBSTANTIALLY SIMILAR TO THAT REGULATED BY THE INVESTMENT COMPANY**
16 **ACT OF 1940 OR THE INVESTMENT ADVISORS ACT OF 1940.**

17 **[(n)] (P)** “License” means, unless the context otherwise requires, a license
18 required under this subtitle.

19 **[(o)] (Q)** “Licensee” means an applicant who has been issued a license
20 required under this subtitle.

21 **[(p)] (R)** “Manufacturer” means a person:

22 (1) that is engaged in the business of designing, building, constructing,
23 assembling, manufacturing, or distributing a central monitor and control system,
24 video lottery terminals, associated equipment or software, or the cabinet in which a
25 video lottery terminal is housed;

26 (2) that produces a product that is intended for sale, lease, or other
27 assignment to the Commission or a licensee; and

28 (3) that contracts with the Commission or a licensee for the sale, lease,
29 or other assignment of a product described in paragraph (1) of this subsection.

1 [(q)] (S) “Own” means having a beneficial or proprietary interest of at least
2 [10%] 5% in the property or business of an applicant or licensee.

3 [(r)] (T) “Player” means an individual who plays a video lottery terminal at
4 a video lottery facility licensed by the Commission.

5 [(s)] (U) (1) “Proceeds” means the part of the amount of money bet
6 through video lottery terminals that is not returned to successful players but is
7 otherwise allocated under this subtitle.

8 (2) (i) Subject to subparagraph (ii) of this paragraph, “proceeds”
9 does not include money given away by a video lottery operation licensee as free
10 promotional play and used by players to bet in a video lottery terminal.

11 (ii) After the first fiscal year of operations, the exclusion
12 specified in subparagraph (i) of this paragraph may not exceed a percentage
13 established by the Commission by regulation of the proceeds received in the prior
14 fiscal year by the video lottery operation licensee under § 9-1A-27(a)(2) of this
15 subtitle.

16 [(t)] (V) “Progressive jackpot” means a prize that increases as one or more
17 video lottery terminals are connected to a progressive jackpot system.

18 [(u)] (W) “Progressive jackpot system” means a system capable of linking
19 one or more video lottery terminals in one or more licensed facilities and offering one
20 or more common progressive jackpots.

21 [(v)] (X) “Video lottery” means gaming or betting conducted using a video
22 lottery terminal.

23 [(w)] (Y) “Video lottery destination location” means a location that is eligible
24 for or has been awarded in the manner provided by law a video lottery operation
25 license.

26 [(x)] (Z) “Video lottery employee” means an employee of a person who holds
27 a license.

28 [(y)] (AA) “Video lottery facility” means a facility at which players play video
29 lottery terminals under this subtitle.

30 [(z)] (BB) “Video lottery operation license” means a license **AWARDED BY**
31 **THE VIDEO LOTTERY FACILITY LOCATION COMMISSION AND** issued **BY THE**
32 **STATE LOTTERY COMMISSION** to a person that allows players to operate video
33 lottery terminals.

1 **(CC) “VIDEO LOTTERY OPERATOR” MEANS A PERSON LICENSED TO**
2 **OPERATE A VIDEO LOTTERY FACILITY UNDER THIS SUBTITLE.**

3 **[(aa)] (DD)** (1) “Video lottery terminal” means any machine or other device
4 that, on insertion of a bill, coin, token, voucher, ticket, coupon, or similar item, or on
5 payment of any consideration:

6 (i) is available to play or simulate the play of any game of
7 chance in which the results, including the options available to the player, are
8 randomly determined by the machine or other device; and

9 (ii) by the element of chance, may deliver or entitle the player
10 who operates the machine or device to receive cash, premiums, merchandise, tokens,
11 or anything of value, whether the payout is made automatically from the device or in
12 any other manner.

13 (2) “Video lottery terminal” includes a machine or device:

14 (i) that does not directly dispense money, tokens, or anything of
15 value to winning players; and

16 (ii) described under paragraph (1) of this subsection that uses
17 an electronic credit system making the deposit of bills, coins, or tokens unnecessary.

18 (3) “Video lottery terminal” does not include an authorized slot
19 machine operated by an eligible organization under Title 12, Subtitle 3 of the Criminal
20 Law Article.

21 9-1A-02.

22 (a) This subtitle is statewide and exclusive in its effect.

23 (b) (1) The Commission shall regulate the operation of video lottery
24 terminals in accordance with this subtitle.

25 (2) The Maryland State Lottery Agency shall provide assistance to the
26 Commission in the performance of the Commission’s duties under this subtitle.

27 (d) Only a person with a video lottery operation license issued [by the
28 Commission] **UNDER THIS SUBTITLE** may offer a video lottery terminal for public use
29 in the State under this subtitle.

30 9-1A-04.

31 (a) The Commission shall:

1 (1) [hear and decide,] promptly and in reasonable order, **MAKE A**
2 **DETERMINATION ON** license applications and causes affecting the granting[,
3 suspension, revocation,] or renewal of licenses under this subtitle;

4 (2) **ISSUE LICENSES IN ACCORDANCE WITH THIS SUBTITLE;**

5 (3) **AFTER A HEARING, PROMPTLY AND IN REASONABLE ORDER,**
6 **MAKE A DETERMINATION ON THE SUSPENSION OR REVOCATION OF LICENSES**
7 **UNDER THIS SUBTITLE;**

8 [(2)] (4) after a hearing, suspend or revoke as applicable the license
9 of a licensee who has a license suspended or revoked in another state;

10 [(3)] (5) conduct hearings concerning civil violations of this subtitle
11 or regulations issued under this subtitle;

12 [(4)] (6) collect application, license, and other fees to cover the
13 administrative costs of this subtitle related to licensing;

14 [(5)] (7) deposit application, license, and other fees to a bank account
15 that the State Treasurer designates to the credit of the State Lottery Fund to cover the
16 administrative costs of this subtitle related to licensing;

17 [(6)] (8) levy and collect civil penalties for civil violations of the
18 provisions of this subtitle or regulations issued under this subtitle;

19 [(7)] (9) be present at a video lottery operation through its employees
20 and agents at any time during the operation of any video lottery terminal for the
21 purpose of certifying revenue from the video lottery terminals, receiving complaints
22 from the public, and conducting any other investigation into the operation of the video
23 lottery terminals and the maintenance of the video lottery terminals and associated
24 equipment and software as the Commission may deem necessary and proper; and

25 [(8)] (10) review and rule on any complaint by a licensee regarding
26 any investigative procedures of the Commission that are unnecessarily disruptive of
27 video lottery operations.

28 9-1A-05.

29 (a) The Video Lottery Facility Location Commission established under §
30 9-1A-36 of this subtitle may not:

31 (1) [issue] **AWARD** more than five video lottery operation licenses;

32 (2) award more than 15,000 video lottery terminals for operation at
33 video lottery facilities in the State; and

1 (3) subject to the requirements of § 9–1A–36(h) and (i) of this subtitle,
2 award more than 4,750 terminals for operation at any video lottery facility.

3 (b) An owner or operator of a video lottery destination location described
4 under § 9–1A–01 of this subtitle may submit an application for a video lottery
5 operation license.

6 (c) A **VIDEO LOTTERY OPERATION** license issued under this subtitle is not
7 valid at a geographic location other than the geographic location [of the video lottery
8 destination location at the time the license is issued] **AUTHORIZED IN THE LICENSE**
9 **AWARDED BY THE VIDEO LOTTERY FACILITY LOCATION COMMISSION AND**
10 **ISSUED BY THE STATE LOTTERY COMMISSION.**

11 (d) (1) In this subsection, “owner” includes any type of owner or
12 beneficiary of a business entity, including an officer, director, principal employee,
13 partner, investor, stockholder, or beneficial owner of the business entity and,
14 notwithstanding any other provisions of this subtitle, including a person having any
15 ownership interest regardless of the percentage of ownership interest.

16 (2) An individual or business entity may not own an interest in more
17 than one video lottery facility.

18 (3) A member of the Senate of Maryland or the House of Delegates
19 may not be an owner or an employee of any business entity that holds a video lottery
20 operation license.

21 (4) **NOTWITHSTANDING PARAGRAPHS (1) AND (2) OF THIS**
22 **SUBSECTION, AN INDIVIDUAL OR BUSINESS ENTITY MAY ENTER INTO A**
23 **MANAGEMENT AGREEMENT TO OPERATE A FACILITY THAT IT DOES NOT OWN,**
24 **SUBJECT TO THE APPROVAL OF THE VIDEO LOTTERY FACILITY LOCATION**
25 **COMMISSION AND THE STATE LOTTERY COMMISSION.**

26 9–1A–07.

27 (a) **[An] EXCEPT AS PROVIDED IN § 9–1A–36 OF THIS SUBTITLE, AN**
28 applicant for a license shall submit to the Commission an application:

29 (1) in the form that the Commission requires; and

30 (2) on or before the date set by the Commission.

31 (b) (1) This subsection does not apply to license fees for a video lottery
32 operation license.

33 (2) The Commission shall by regulation establish a fee for a license
34 under this subtitle.

1 (3) An applicant shall submit the fee with the application.

2 (c) (1) Applicants and licensees shall have the affirmative responsibility
3 to establish by clear and convincing evidence the person's qualifications.

4 (2) Applicants and licensees shall provide information required by this
5 subtitle and satisfy requests for information relating to qualifications in the form
6 specified by the Commission **OR THE VIDEO LOTTERY FACILITY LOCATION**
7 **COMMISSION, IF APPLICABLE.**

8 (3) Applicants and licensees shall consent to inspections, searches, and
9 seizures authorized by this subtitle or regulations issued under this subtitle.

10 (4) (i) Applicants and licensees shall have the continuing duty to:

11 1. provide assistance or information required by the
12 Commission; and

13 2. cooperate in an inquiry, investigation, or hearing
14 conducted by the Commission.

15 (ii) On issuance of a formal request to answer or produce
16 information, evidence, or testimony, if an applicant or licensee refuses to comply, the
17 application or license of the person may be denied, suspended, or revoked by the
18 Commission.

19 (5) (i) If the applicant is an individual, the applicant shall be
20 photographed and fingerprinted for identification and investigation purposes.

21 (ii) If the applicant is not an individual, the Commission by
22 regulation may establish the categories of individuals who shall be photographed and
23 fingerprinted for identification and investigation purposes.

24 (6) (i) Applicants and licensees shall have a duty to inform the
25 Commission of an act or omission that the person knows or should know constitutes a
26 violation of this subtitle or the regulations issued under this subtitle.

27 (ii) Applicants and licensees may not discriminate against a
28 person who in good faith informs the Commission of an act or omission that the person
29 believes constitutes a violation of this subtitle or the regulations issued under this
30 subtitle.

31 (7) Applicants and licensees shall produce information,
32 documentation, and assurances to establish the following qualification criteria by clear
33 and convincing evidence:

1 (i) the financial stability, integrity, and responsibility of the
2 applicant or licensee;

3 (ii) the integrity of any financial backers, investors, mortgagees,
4 bondholders, and holders of other evidences of indebtedness that bear a relation to the
5 application;

6 (iii) the applicant's or licensee's good character, honesty, and
7 integrity;

8 (iv) sufficient business ability and experience of the applicant or
9 licensee; and

10 (v) that:

11 1. the applicant or licensee has entered into a labor
12 peace agreement with each labor organization that is actively engaged in representing
13 or attempting to represent video lottery and hospitality industry workers in the State;

14 2. the labor peace agreement is valid and enforceable
15 under 29 U.S.C. § 185;

16 3. the labor peace agreement protects the State's
17 revenues by prohibiting the labor organization and its members from engaging in
18 picketing, work stoppages, boycotts, and any other economic interference with the
19 operation of the video lottery facility within the first 5 years of the effective date of the
20 video lottery operation license; and

21 4. the labor peace agreement applies to all operations at
22 the video lottery facility that are conducted by a lessee or tenant or under a
23 management agreement.

24 (d) On the filing of an application for any license required under this subtitle
25 and any supplemental information required by the Commission, the Commission shall:

26 (1) refer the application to the Department of State Police or an
27 approved vendor under § 9-1A-20 of this subtitle to conduct a background
28 investigation on the qualifications of the applicant and any person who is required to
29 be qualified under this subtitle as a condition of a license; and

30 (2) if the applicant is applying for a video lottery operation license,
31 conduct a hearing on the qualifications of the applicant and any person who is
32 required to be qualified under this subtitle as a condition of a license.

33 (e) (1) **[After] EXCEPT FOR A VIDEO LOTTERY OPERATION LICENSE,**
34 **AFTER** receiving the results of the background investigation **[and conducting any**
35 **hearing required under this subtitle]**, the Commission may either grant a license to an

1 applicant whom the Commission determines to be qualified or deny the license to an
2 applicant whom the Commission determines to be not qualified or disqualified.

3 (2) If an application for a license is denied, the Commission shall
4 prepare and file an order denying the license with a statement of the reasons for the
5 denial, including the specific findings of fact.

6 (f) (1) Except **FOR A VIDEO LOTTERY OPERATION LICENSE** as provided
7 in § 9-1A-13 of this subtitle, if satisfied that an applicant is qualified to receive a
8 license, and on tender of all required application, license, and other fees and taxes, and
9 any bond required under § 9-1A-04(e) of this subtitle, the Commission shall issue a
10 license for a term of [1 year] **3 YEARS**.

11 (2) **THE COMMISSION MAY STAGGER THE TERMS OF LICENSES.**

12 (g) (1) An individual may not knowingly give false information or make a
13 material misstatement in an application required for any license under this subtitle or
14 in any supplemental information required by the Commission.

15 (2) An individual who violates this section is guilty of a misdemeanor
16 and on conviction is subject to imprisonment not exceeding 3 years or a fine not
17 exceeding \$5,000 or both.

18 9-1A-08.

19 (a) In addition to other information required by this subtitle, a business
20 entity applying for a video lottery operation license shall provide the following
21 information:

22 (1) the organization, financial structure, and nature of all businesses
23 operated by the business entity;

24 (2) the names, personal employment, and, when applicable, criminal
25 histories of the officers, directors, partners, and principal employees of the business
26 entity;

27 (3) the names of all holding, intermediary, and subsidiary companies
28 or other similar business entities of the business entity;

29 (4) the organization, financial structure, and nature of all businesses
30 operated by the business entity's holding, intermediary, and subsidiary companies or
31 other similar business entities;

32 (5) the rights and privileges acquired by the holders of different
33 classes of authorized securities, partnership interests, or other similar ownership
34 interests of the business entity and its holding, intermediary, and subsidiary
35 companies or other similar business entities;

1 (6) the terms on which the securities, partnership interests, or other
2 similar ownership interests have been or are to be offered;

3 (7) the terms and conditions of all outstanding loans, mortgages, trust
4 deeds, pledges, or other indebtedness or security devices utilized by the business
5 entity;

6 (8) the extent of the equity security holding in the business entity of
7 the officers, directors, partners, and underwriters and their remuneration in the form
8 of salary, wages, fees, or otherwise;

9 (9) the names of persons other than the directors and officers who
10 occupy positions specified by the Commission or whose compensation exceeds an
11 amount determined by the Commission;

12 (10) the names of persons who own or control the business entity;

13 (11) a description of all bonus and profit sharing arrangements;

14 (12) copies of management and service contracts; and

15 (13) a listing of stock options.

16 (b) If a business entity that applies for a video lottery operation license is a
17 subsidiary or if a business entity holding a video lottery operation license is to become
18 a subsidiary, each holding company and each intermediary company with respect to
19 the business entity shall, as a condition of the subsidiary acquiring or retaining a
20 video lottery operation license:

21 (1) qualify to do business in the State; or

22 (2) furnish the Commission with the information required under
23 subsection (a) of this section and other information that the Commission **OR THE**
24 **VIDEO LOTTERY FACILITY LOCATION COMMISSION** may require.

25 (c) **(1) [An] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**
26 **SUBSECTION, AN** individual applying for a video lottery operation license shall
27 provide, to the extent applicable to an individual, the information required under
28 subsection (a) of this section in the form required by the Commission.

29 **(2) THE COMMISSION MAY WAIVE THE REQUIREMENT TO**
30 **PROVIDE THE INFORMATION REQUIRED UNDER SUBSECTION (A) OF THIS**
31 **SECTION FOR AN INSTITUTIONAL INVESTOR.**

1 (d) The Commission shall [deny] **DISQUALIFY AN APPLICANT FOR** a video
2 lottery operation license [to an applicant who is disqualified] on the basis of any of the
3 following criteria:

4 (1) failure of the applicant to prove by clear and convincing evidence
5 that the applicant and each person who owns or controls the application are qualified
6 under the provisions of this subtitle;

7 (2) failure of the applicant or any person required to be qualified
8 under this subtitle as a condition of a license to provide information, documentation,
9 and assurances required by this subtitle or requested by the Commission;

10 (3) failure of the applicant or any person required to be qualified
11 under this subtitle as a condition of a license to reveal any fact material to
12 qualification;

13 (4) supplying, by the applicant or any person required to be qualified
14 under this subtitle as a condition of a license, information that is untrue or misleading
15 as to a material fact concerning the qualification criteria;

16 (5) conviction of the applicant or of any person required to be qualified
17 under this subtitle as a condition of a license of an offense under the laws of the
18 United States or any jurisdiction within the United States that is a criminal offense
19 involving moral turpitude or a gambling offense;

20 (6) current prosecution of the applicant or a person who is required to
21 be qualified under this subtitle as a condition of a license for an offense described
22 under item (5) of this subsection, provided that, at the request of the applicant, the
23 Commission may defer its decision on the application during the pendency of the
24 charge;

25 (7) pursuit by the applicant or a person who is required to be qualified
26 under this subtitle as a condition of a license of economic gain in an occupational
27 manner or context that is in violation of the laws of the State, if the pursuit creates a
28 reasonable belief that participation of the applicant in video lottery operations would
29 be inimical to the policies of this subtitle;

30 (8) identification of the applicant or a person who is required to be
31 qualified under this subtitle as a condition of a license as a career offender or a
32 member of a career offender cartel or an associate of a career offender or career
33 offender cartel in a manner that creates a reasonable belief that the association is of a
34 nature as to be inimical to the policies of this subtitle;

35 (9) the committing of an act by the applicant or a person who is
36 required to be qualified under this subtitle as a condition of a license that would
37 constitute an offense described under item (5) of this subsection, even if the act has not
38 been or may not be prosecuted under the criminal laws of the State; **AND**

1 (10) willful defiance by the applicant or a person who is required to be
2 qualified under this subtitle as a condition of a license of a legislative investigatory
3 body or other official investigatory body of the United States or a jurisdiction within
4 the United States when the body is engaged in the investigation of crimes relating to
5 gambling, official corruption, or organized crime activity[; and

6 (11) any other reason established in regulations of the Commission as a
7 reason for denying a license].

8 9-1A-11.

9 (a) Any video lottery operation licenses not issued **OR AWARDED** for a
10 location authorized under this subtitle shall automatically revert to the State.

11 (b) (1) Except as provided in paragraph (2) of this subsection, a licensee
12 shall commence operation of video lottery terminals in a permanent facility at the
13 location for which the video lottery operation license has been [issued] **AWARDED**
14 within 18 months after the license is [issued] **AWARDED**.

15 (2) (i) On a determination by the Commission that extenuating
16 circumstances exist that are beyond the control of [a licensee] **AN AWARDEE** and have
17 prevented the [licensee] **AWARDEE** from complying with the requirements of
18 paragraph (1) of this subsection, the Commission may allow the [licensee] **AWARDEE**
19 an extension of 6 months to comply with the requirements.

20 (ii) The Commission may not grant more than two extensions to
21 [a licensee] **AN AWARDEE** under this paragraph.

22 (3) If a video lottery operation [licensee] **AWARDEE** fails to comply
23 with the requirements of this subsection, the license [issued] **AWARDED** to the
24 [licensee] **AWARDEE** shall be revoked and shall automatically revert to the State.

25 (c) (1) Nothing in this subtitle may be construed to prohibit a video
26 lottery operation licensee that is [awarded] **ISSUED** a license [at a racetrack location]
27 from beginning video lottery terminal operations in a temporary facility that meets the
28 minimum requirements established in regulations adopted by the State Lottery
29 Commission.

30 (2) Notwithstanding the provisions of paragraph (1) of this subsection,
31 a video lottery operation licensee [at a racetrack location] shall be operational in a
32 permanent facility no later than 30 months after the issuance of the video lottery
33 operation license.

34 **(D) FOR A LOCATION IN ALLEGANY COUNTY, VIDEO LOTTERY**
35 **TERMINALS MAY BE TEMPORARILY LOCATED IN THE ROCKY GAP LODGE AND**

1 **RESORT UNTIL A PERMANENT FACILITY IS CONSTRUCTED, SUBJECT TO THE**
2 **REQUIREMENTS OF SUBSECTION (B) OF THIS SECTION.**

3 9-1A-13.

4 (a) The initial term of a video lottery operation license is 15 years **FROM THE**
5 **DATE ON WHICH THE VIDEO LOTTERY FACILITY BECOMES OPERATIONAL IN A**
6 **TEMPORARY OR PERMANENT FACILITY.**

7 9-1A-16.

8 (a) For all licenses required under this subtitle other than a video lottery
9 operation license, if an applicant or licensee holds a valid license in another state and
10 the Commission determines that the licensing standards of the other state are
11 comprehensive, thorough, and provide similar adequate safeguards to those provided
12 in this subtitle, the Commission may:

13 (1) waive some or all of the requirements of this subtitle; and

14 (2) issue a license to a person having a similar license in another
15 state.

16 (b) (1) Except as provided in subsection (c) of this section, on the request
17 of an applicant, the Commission may grant an exemption or waiver of a licensing
18 requirement or grounds for denial of a license if the Commission determines that the
19 requirement or grounds for denial of a license as applied to the applicant are not
20 necessary in order to protect the public interest or accomplish the policies established
21 by this subtitle.

22 (2) On granting to an applicant an exemption or waiver of a licensing
23 requirement or grounds for denial of a license, or at any time after a waiver or
24 exemption has been granted, the Commission may:

25 (i) limit or place restrictions on the exemption or waiver as the
26 Commission considers necessary in the public interest; and

27 (ii) require the person that is granted the exemption or waiver
28 to cooperate with the Commission and to provide the Commission with any additional
29 information required by the Commission as a condition of the waiver or exemption.

30 (c) The Commission may not waive any of the requirements of this subtitle
31 **[for issuance of] RELATED TO** a video lottery operation license.

32 9-1A-20.

33 (b) The Department of State Police or an approved vendor shall:

- 1 (1) conduct a background investigation in a timely manner of:
- 2 (i) **AN APPLICANT FOR** a video lottery [terminal] operation
3 **[licensee] LICENSE;**
- 4 (ii) a video lottery operator; and
- 5 (iii) any other applicant the Commission considers necessary;
6 and
- 7 (2) cooperate with the Commission in obtaining and providing the
8 necessary background investigation information.

9 9-1A-26.

10 (a) **(1) [All] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**
11 **SUBSECTION, ALL** proceeds from the operation of video lottery terminals shall be
12 electronically transferred daily into the State Lottery Fund established under Subtitle
13 3 of this title and distributed as provided under § 9-1A-27 of this subtitle.

14 **(2) THE REQUIREMENT UNDER PARAGRAPH (1) OF THIS**
15 **SUBSECTION DOES NOT APPLY ON A DAY WHEN STATE GOVERNMENT IS CLOSED.**

16 (b) (1) The Commission shall account to the Comptroller for all of the
17 revenue under this subtitle.

18 (2) The proceeds from video lottery terminals shall be under the
19 control of the Comptroller and shall be distributed as provided under § 9-1A-27 of this
20 subtitle.

21 **(C) THE ADMISSIONS AND AMUSEMENT TAX MAY NOT BE IMPOSED ON**
22 **ANY PROCEEDS FROM THE OPERATION OF VIDEO LOTTERY TERMINALS.**

23 9-1A-27.

24 (a) On a properly approved transmittal prepared by the Commission, the
25 Comptroller shall pay the following amounts from the proceeds of video lottery
26 terminals at each video lottery facility:

27 (1) 2% to the State Lottery Agency for costs as defined in § 9-1A-01 of
28 this subtitle;

29 (2) to the video lottery operation licensee, the percentage stated in the
30 accepted [bid] **APPLICATION** for the location, not to exceed 33%;

31 (3) 5.5% in local impact grants, in accordance with § 9-1A-31 of this
32 subtitle;

1 (4) 7% to the Purse Dedication Account established under § 9-1A-28
2 of this subtitle, not to exceed a total of \$100,000,000 to the Account annually;

3 (5) for the first 8 years of operations at a video lottery facility, 2.5% to
4 the Racetrack Facility Renewal Account established under § 9-1A-29 of this subtitle,
5 not to exceed a total of \$40,000,000 to the Account annually;

6 (6) 1.5% to the Small, Minority, and Women-Owned Businesses
7 Account established under § 9-1A-35 of this subtitle; and

8 (7) the remainder to the Education Trust Fund established under §
9 9-1A-30 of this subtitle.

10 (b) (1) If the costs of the State Lottery Agency are less than the proceeds
11 specified in subsection (a)(1) of this section, any amount not distributed to the State
12 Lottery Agency shall be paid to the Education Trust Fund established under §
13 9-1A-30 of this subtitle.

14 (2) The costs of the Commission shall be as provided in the State
15 budget.

16 9-1A-33.

17 (a) The Commission shall:

18 (1) establish an annual fee of \$425, to be paid by each video lottery
19 operation licensee, for each video lottery [position] **TERMINAL** operated by the
20 licensee during the year, based on the maximum number of terminal positions in use
21 during the year; and

22 (2) distribute the fees collected under item (1) of this subsection to the
23 Problem Gambling Fund established in subsection (b) of this section.

24 9-1A-36.

25 (a) There is a Video Lottery Facility Location Commission.

26 (b) (1) The Video Lottery Facility Location Commission consists of seven
27 members.

28 (2) (i) Three of the members shall be appointed by the Governor.

29 (ii) Two of the members shall be appointed by the President of
30 the Senate but may not be members of the Senate of Maryland.

1 (iii) Two of the members shall be appointed by the Speaker of
2 the House of Delegates but may not be members of the House.

3 (3) The membership of the Video Lottery Facility Location
4 Commission appointed under this subsection should reflect the race, gender, and
5 geographic diversity of the population of the State.

6 (4) One of the members appointed by the Governor shall be the chair
7 of the Video Lottery Facility Location Commission.

8 (5) The Governor, in consultation with the President of the Senate and
9 the Speaker of the House of Delegates, may remove a member of the Video Lottery
10 Facility Location Commission for inefficiency, misconduct in office, or neglect of duty.

11 (c) A member of the Video Lottery Facility Location Commission:

12 (1) shall be at least 21 years of age;

13 (2) shall be a citizen of the United States;

14 (3) shall be a resident of the State;

15 (4) shall be knowledgeable and experienced in fiscal matters and shall
16 have at least 10 years substantial experience:

17 (i) as an executive with fiduciary responsibilities in charge of a
18 large organization or foundation;

19 (ii) in an academic field relating to finance or economics; or

20 (iii) as an economist, financial analyst, or accountant, or as a
21 professional in a similar profession relating to fiscal matters or economics;

22 (5) may not have been convicted of or granted probation before
23 judgment for a serious crime or a crime that involves gambling or moral turpitude;

24 (6) may not have an official relationship to a person that holds a
25 license under this subtitle;

26 (7) may not have any direct or indirect financial interest, ownership,
27 or management, including holding any stocks, bonds, or other similar financial
28 interests in any gaming activities, including horse racing, video lottery terminals, or
29 lottery;

30 (8) may not receive or share in, directly or indirectly, the receipts or
31 proceeds of any gaming activities, including horse racing or lottery;

1 (9) may not have a beneficial interest in any contract for the
2 manufacture or sale of gaming devices, the conduct of any gaming activity, or the
3 provision of any independent consulting services in connection with any gaming
4 establishment or gaming activity;

5 (10) may not be an elected official of State or local government; and

6 (11) shall file a financial disclosure statement with the State Ethics
7 Commission in accordance with Title 15, Subtitle 6 of this article.

8 (d) A member of the Video Lottery Facility Location Commission:

9 (1) may not receive compensation for serving on the Video Lottery
10 Facility Location Commission; but

11 (2) is entitled to reimbursement for expenses under the Standard
12 State Travel Regulations, as provided in the State budget.

13 (e) (1) The Commission and the Department of Legislative Services shall
14 provide staff to the Video Lottery Facility Location Commission.

15 (2) The Department of Legislative Services shall contract with an
16 independent consultant that has at least 10 years substantial experience in consulting
17 on matters relating to the gaming industry to assist and advise the Video Lottery
18 Facility Location Commission in the review and analysis of [bids] **APPLICATIONS**
19 submitted under this section.

20 (f) The Video Lottery Facility Location Commission may award not more
21 than five video lottery operation licenses to qualified [bidders] **APPLICANTS**, through
22 a competitive [bidding] process consistent with the process for competitive sealed
23 proposals under Title 13 of the State Finance and Procurement Article.

24 (g) The Video Lottery Facility Location Commission may not award more
25 than one video lottery facility operation license in a single county or Baltimore City.

26 (h) (1) In order to qualify for a video lottery operation license [for a video
27 lottery destination location] under this section, a proposed video lottery facility shall
28 be located in one of the following counties:

29 (i) a location in Anne Arundel County, within 2 miles of MD
30 Route 295;

31 (ii) a location in Cecil County, within 2 miles of Interstate 95;

32 (iii) **EXCEPT AS PROVIDED IN § 9-1A-11(D) OF THIS**
33 **SUBTITLE**, a location on State property associated with the Rocky Gap State Park in

1 Allegany County that shall be in a **SEPARATE** building that [is physically separate
2 from] **MAY BE ADJACENT OR CONNECTED TO** the Rocky Gap Lodge and Golf Resort;

3 (iv) a location in Worcester County, within 1 mile of the
4 intersection of Route 50 and Route 589; or

5 (v) a location in Baltimore City that is:

6 1. located:

7 A. in a nonresidential area;

8 B. within one-half mile of Interstate 95;

9 C. within one-half mile of MD Route 295; and

10 D. on property that is owned by Baltimore City on the
11 date on which the application for a video lottery operation license is submitted; and

12 2. not adjacent to or within one-quarter mile of property
13 that is:

14 A. zoned for residential use; and

15 B. used for a residential dwelling on the date the
16 application for a video lottery operation license is submitted.

17 (2) Nothing in [paragraph (1)(v)1D of this subsection] **THIS SUBTITLE**
18 may be construed to preempt the exclusive authority of the Video Lottery Facility
19 Location Commission to award video lottery operation licenses in accordance with this
20 subtitle.

21 (3) (i) With respect to a video lottery operation license [issued for]
22 **AWARDED TO** a location under paragraph (1)(iv) of this subsection, the holder of the
23 video lottery operation license or any other person with a direct or indirect legal or
24 financial interest in the Ocean Downs racetrack or video lottery facility may not:

25 1. build any type of hotel, motel, or other public lodging
26 accommodation on or within 10 miles of the property owned by the holder of the
27 license on which a video lottery facility is operated;

28 2. convert an existing facility on or within 10 miles of
29 the property described in item 1 of this subparagraph into any type of hotel, motel, or
30 other public lodging accommodation;

1 3. build or operate a conference center or convention
2 center, amusement park, amusement rides, arcade, or miniature golf course on or
3 within 10 miles of the property described in item 1 of this subparagraph; or

4 4. offer to patrons of the video lottery facility the playing
5 of live music, floor shows, dancing, dancing exhibitions, performances, or any other
6 form of live entertainment in or near the video lottery facility, provided that the holder
7 of the video lottery operation license for the location under paragraph (1)(iv) of this
8 subsection or another person with a direct or indirect legal or financial interest in the
9 Ocean Downs racetrack or the video lottery facility may allow:

10 A. live fireworks displays to be conducted on the
11 property; and

12 B. a single piano that is played by an individual.

13 (ii) The prohibitions under subparagraph (i) of this paragraph
14 apply to any subsequent holder of a video lottery operation license [issued] **AWARDED**
15 under paragraph (1)(iv) of this subsection.

16 (i) (1) Except as provided in paragraphs (2) and (3) of this subsection, the
17 Video Lottery Facility Location Commission may not allocate more than the following
18 number of video lottery terminals for:

19 (i) a location in Anne Arundel County – 4,750 video lottery
20 terminals;

21 (ii) a location in Baltimore City – 3,750 video lottery terminals;

22 (iii) a location in Cecil County – 2,500 video lottery terminals;

23 (iv) a location in Rocky Gap State Park (Allegany County) –
24 1,500 video lottery terminals; and

25 (v) a location in Worcester County – 2,500 video lottery
26 terminals.

27 (2) The Video Lottery Facility Location Commission may allocate
28 video lottery terminals in a manner that is different from the allocation provided in
29 paragraph (1) of this subsection on a determination that the market factors and other
30 factors evaluated under subsection (k) of this section warrant the different allocation,
31 provided that no one location may be allocated more than 4,750 video lottery
32 terminals.

33 (3) (i) Beginning with the termination date for the Video Lottery
34 Facility Location Commission and every 3 years thereafter, if all of the video lottery
35 terminals authorized under this subtitle are not allocated or have been allocated but

1 are not in regular operation, the State Lottery Commission may allocate or reallocate
2 video lottery terminals to video lottery operation licensees in a manner that ensures
3 that the highest potential revenues are achieved.

4 (ii) In determining the highest potential revenues to be achieved
5 by additional video lottery terminals at each potential location, the State Lottery
6 Commission shall consider the market performance of the existing video lottery
7 terminals at each location.

8 (j) (1) [A bid] **AN APPLICATION** submitted for a video lottery operation
9 license [at a video lottery destination location] under this section [shall be submitted
10 by February 1, 2009, and] shall include an initial license fee in the [bid]
11 **APPLICATION** of at least \$3,000,000 for each 500 video lottery terminals included in
12 the [bid] **APPLICATION**.

13 (2) All initial license fees submitted under this subtitle shall accrue to
14 the Education Trust Fund established under § 9-1A-30 of this subtitle.

15 (3) [A bid] **AN APPLICATION** submitted for a video lottery operation
16 license under this section shall provide for at least \$25,000,000 in direct investment by
17 the applicant in construction and related costs for each 500 video lottery terminals
18 contained in the proposed [bid] **APPLICATION** that shall be prorated based on the
19 exact number of video lottery terminals contained in the [bid] **APPLICATION**.

20 (k) (1) In awarding a video lottery operation license, the Video Lottery
21 Facility Location Commission shall evaluate the factors under this subsection in the
22 manner specified.

23 (2) The decision by the Video Lottery Facility Location Commission to
24 award a license shall be weighted by 70% based on business and market factors
25 including:

26 (i) the highest potential benefit and highest prospective total
27 revenues to be derived by the State;

28 (ii) the potential revenues from a proposed location based on a
29 market analysis;

30 (iii) the extent to which the proposed location encourages
31 Maryland gaming participants to remain in the State;

32 (iv) the extent to which the proposed location demonstrates that
33 the facility will be a substantial regional and national tourist destination;

34 (v) the proposed facility capital construction plans and
35 competitiveness of the proposed facility;

1 (vi) the amount of gross revenues to be allocated to the **VIDEO**
2 **LOTTERY** operator over the term of the license;

3 (vii) the percent of ownership by entities meeting the definition
4 of minority business enterprise under Title 14, Subtitle 3 of the State Finance and
5 Procurement Article;

6 (viii) the extent to which the proposed location will preserve
7 existing Maryland jobs and the number of net new jobs to be created; and

8 (ix) the contents of the licensee's plan to achieve minority
9 business participation goals in accordance with the requirements described under §
10 9-1A-10(a)(1) and (2) of this subtitle.

11 (3) The decision by the Video Lottery Facility Location Commission to
12 award a license shall be weighted by 15% based on economic development factors,
13 including:

14 (i) the anticipated wages and benefits for new jobs to be
15 created; and

16 (ii) any additional economic development planned in the area of
17 the proposed facility.

18 (4) The decision by the Video Lottery Facility Location Commission to
19 award a license shall be weighted by 15% based on location siting factors, including:

20 (i) the existing transportation infrastructure surrounding the
21 proposed facility location;

22 (ii) the negative impact, if any, of a proposed facility location on
23 the surrounding residential community; and

24 (iii) the need for additional public infrastructure expenditures at
25 the proposed facility.

26 (l) The Video Lottery Facility Location Commission may not award a video
27 lottery operation license to a person that is not qualified under this section or this
28 subtitle.

29 (m) (1) The Video Lottery Facility Location Commission shall refer to the
30 State Lottery Commission the name and all relevant information concerning a person
31 that makes [a bid] **AN APPLICATION** under this section.

32 (2) On receipt of the information in paragraph (1) of this subsection,
33 the State Lottery Commission shall [determine] **EVALUATE** whether [a bidder] **AN**
34 **APPLICANT** is qualified to hold a video lottery operation license under this subtitle.

1 (3) On completion of its determination, the State Lottery Commission
2 shall notify the Video Lottery Facility Location Commission of [the determination] **ITS**
3 **EVALUATION** as to whether [a bidder] **AN APPLICANT** is qualified to hold a video
4 lottery operation license under this subtitle.

5 **(N) AFTER AN AWARD OF A VIDEO LOTTERY OPERATION LICENSE**
6 **UNDER THIS SECTION, THE VIDEO LOTTERY FACILITY LOCATION COMMISSION**
7 **SHALL NOTIFY THE STATE LOTTERY COMMISSION OF THE SUCCESSFUL**
8 **APPLICANTS.**

9 **[(n)] (O)** After **AN** award of a video lottery operation license under this
10 section, the State Lottery Commission shall:

11 **(1) ISSUE THE VIDEO LOTTERY OPERATION LICENSE; AND**

12 **(2)** be responsible for all matters relating to regulation of the licensee.

13 **[(o)] (P)** An unsuccessful [bidder] **APPLICANT** for a video lottery operation
14 license under this section may seek, under Title 15 of the State Finance and
15 Procurement Article, review by the State Board of Contract Appeals of the awarding of
16 the video lottery operation license by the Video Lottery Facility Location Commission.

17 **[(p)] (Q)** (1) Nothing in this subtitle may be construed to require the
18 Video Lottery Facility Location Commission to [issue] **AWARD** all five video lottery
19 operation licenses authorized under this subtitle.

20 (2) Notwithstanding any of the provisions of this subtitle, the Video
21 Lottery Facility Location Commission may not award a video lottery operation license
22 under this subtitle unless the Video Lottery Facility Location Commission determines
23 and declares that [a bid] **AN APPLICANT** selected for award of the license is in the
24 public interest and is consistent with the purposes of this subtitle.

25 **[(q)] (R)** The Video Lottery Facility Location Commission may [reissue]
26 **AWARD** a video lottery operation license that is revoked or surrendered utilizing the
27 criteria established in this subtitle.

28 **[(r)] (S)** (1) Except as provided in paragraph (2) of this subsection, the
29 Video Lottery Facility Location Commission shall terminate on January 1, 2015.

30 (2) The Governor may reconstitute the Video Lottery Facility Location
31 Commission, which shall include the appointment of new members based on the
32 criteria established under subsections (b) and (c) of this section:

33 (i) one year prior to the expiration of a video lottery operation
34 license; or

1 (ii) following the revocation or surrender of a video lottery
2 operation license.

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
4 June 1, 2010.