

SENATE, No. 819

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 22, 1996

By Senators EWING and CARDINALE

1 AN ACT providing for the operation of video lottery machines as part
2 of the State Lottery, supplementing P.L.1970, c.13 (C.5:9-1 et
3 seq.) and repealing P.L.1983, c.80.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. As used in this act:

9 "Business entity" means any sole proprietorship, partnership,
10 corporation or other organization, association or business.

11 "Commission" means the State Lottery Commission established
12 pursuant to P.L.1970, c.13 (C.5:9-1 et seq.).

13 "Director" means the Director of the Division of the State Lottery.

14 "Holding a substantial interest in" means:

15 with respect to a proprietorship, when an individual or the
16 individual's spouse owns, operates, manages or conducts, directly or
17 indirectly, the proprietorship, or any part thereof;

18 with respect to a partnership, when an individual or the individual's
19 spouse shares in any of the profits or potential profits of the
20 partnership activities;

21 with respect to a corporation, when an individual or the individual's
22 spouse is an officer or director of the corporation or the individual or
23 the individual's marital community is a holder, directly or beneficially,
24 of five percent or more of any class of stock of the corporation;

25 with respect to an organization, association or business not covered
26 by the foregoing, when an individual or the individual's marital
27 community is the owner of or otherwise controls 10 percent or more
28 of the assets of the organization, or when an individual or the
29 individual's spouse furnishes five percent or more of the capital,
30 whether in cash, goods or services, for the operation of a business,
31 association or organization during any calendar year.

32 "Licensed premises" means an establishment operated by the holder
33 of a plenary retail consumption license or a seasonal retail
34 consumption license as defined in R.S.33:1-12 which is also licensed
35 pursuant to this act to have video lottery games placed on its premises.

36 "Net machine income" means the amount of money placed by
37 players into a video lottery machine less amounts paid out to winning

1 players.

2 "Service employee" means an employee of a video lottery machine
3 operator who is certified by the commission to service, maintain and
4 repair video lottery machines.

5 "Video display" means the visual presentation of a video lottery
6 game shown on the screen of a video lottery machine.

7 "Video lottery game" means electronically simulated games of
8 chance displayed and played on a video lottery machine.

9 "Video lottery machine" or "machine" means an electronic video
10 game machine which, upon the insertion of coins or cash, is available
11 to play or simulate the play of a video game, including but not limited
12 to video poker or blackjack, but not including keno, as authorized by
13 the commission, using a video display and microprocessors and in
14 which the player may receive, by chance, free games or tickets that can
15 be redeemed for cash, but does not mean a machine which directly
16 dispenses coins, cash or tokens.

17 "Video lottery machine associated equipment" means any
18 proprietary device, machine or part used in the manufacture or
19 maintenance of a video lottery machine, including but not limited to
20 integrated circuit chips, printed wire assemblies, printed wire boards,
21 printing mechanisms, video display monitors and metering devices.

22 "Video lottery machine distributor" means any individual or
23 business entity which distributes or sells video lottery machines or
24 video lottery machine associated equipment in this State.

25 "Video lottery machine manufacturer" means any individual or
26 business entity which assembles or produces video lottery machines or
27 video lottery machine associated equipment for sale or use in this
28 State.

29 "Video lottery machine operator" means: a. any individual,
30 partnership, corporation or association which owns video lottery
31 machines or video lottery machine associated equipment and physically
32 places machines at licensed premises located anywhere in this State for
33 use by members of the public or b. the holder of a premises license
34 who is authorized pursuant to this act to operate a total of not more
35 than six video lottery machines owned by the licensee at each of not
36 more than two licensed premises operated by the licensee.

37

38 2. In addition to the powers and duties of the State Lottery
39 Commission set forth in section 7 of P.L.1970, c.13 (C.5:9-7), the
40 commission shall have the power and it shall be its duty to provide for
41 the establishment of a Statewide network of video lottery machines in
42 the manner provided by this act.

43

44 3. The commission shall provide for the licensing of manufacturers,
45 distributors and operators of video lottery machines and for the
46 licensing of machines and the premises on which machines are placed

1 for use by members of the public. The commission shall issue five
2 separate types of licenses:

- 3 video lottery machine distributor's license;
- 4 video lottery machine manufacturer's license;
- 5 video lottery machine operator's license;
- 6 machine license; and premises license.

7 No individual or business entity shall be eligible to hold more than
8 one type of license. However, the holder of a premises license may
9 also hold an operator's license but shall only operate a total of not
10 more than six machines at each of not more than two licensed premises
11 operated by the licensee. The holder of a video lottery machine
12 operator's license shall also be required to obtain a separate machine
13 license for each individual machine placed in operation.

14

15 4. A premises license shall only be issued for a premises which is
16 operated by the holder of a plenary retail consumption license or a
17 seasonal retail consumption license as defined in R.S.33:1-12.

18

19 5. a. The commission shall contract with the holders of video
20 lottery machine operators' licenses to operate video lottery machines
21 at licensed premises. The holder of an operator's license shall enter
22 into an agreement with the holder of a premises license to place a
23 machine or machines owned or leased by the operator at the licensed
24 premises for use by members of the public in a form approved by the
25 commission. The agreement shall conform with the provisions of this
26 act and shall be of a duration which is consistent and concurrent with
27 the operator's contract with the commission. If the holder of an
28 operator's license also holds a premises license, the licensee may
29 operate not more than six machines owned by the licensee only at each
30 of not more than two licensed premises operated by the licensee. Any
31 machine covered by this act shall be exempt from all present vending
32 contracts.

33 b. No inducements of any kind, or of whatever nature whatsoever,
34 shall be offered or given by a video lottery machine operator, or asked
35 for by the holder of a premises license in order to induce either the
36 operator or the holder of the premises license to enter into a contract
37 concerning the placement of video lottery machines at a licensed
38 premises during the course of an initial contract or any renewal
39 thereof. A licensee who violates the provisions of this subsection shall
40 have the licensee's license suspended for a period of time to be
41 determined by the commission.

42

43 6. An individual or business entity seeking to obtain a license
44 pursuant to this act shall apply to the director on such forms as the
45 director shall provide. The application shall include the applicant's
46 consent to credit checks and criminal record searches along with such

1 waivers and releases as the commission may deem necessary to ensure
2 a full and complete review of the application.

3

4 7. a. No license shall be issued to any applicant who has knowingly
5 made a false statement of material fact to the commission or who is
6 found by the commission to lack the necessary financial stability or
7 responsibility for licensure or when licensure would adversely affect
8 the public health, safety or welfare or endanger the security or welfare
9 of the State Lottery.

10 b. No license shall be issued to any individual or to any business
11 entity if the individual applicant or any individual having a substantial
12 interest in the business entity applicant has been convicted within 10
13 years prior to the date of application under the laws of this State of a
14 crime of the fourth degree or above or under the laws of another state
15 or of the United States with a crime which, if committed in this State,
16 would be such a crime unless the convicted person has affirmatively
17 demonstrated to the commission clear and convincing evidence of
18 rehabilitation. In determining whether an individual has affirmatively
19 demonstrated rehabilitation, the following factors shall be considered:

20 (1) the nature and responsibility of the position which the convicted
21 individual would hold;

22 (2) the nature and seriousness of the offense;

23 (3) the circumstances under which the offense occurred;

24 (4) the date of the offense;

25 (5) the age of the individual when the offense was committed;

26 (6) whether the offense was an isolated or repeated incident;

27 (7) any social conditions which may have contributed to the
28 offense; and

29 (8) any evidence of rehabilitation, including good conduct in prison
30 or in the community, counseling or psychiatric treatment received,
31 acquisition of additional academic or vocational schooling, successful
32 participation in correctional work-release programs, or the
33 recommendation of persons who have had the individual under their
34 supervision.

35 c. An individual applicant for licensure or, where the applicant is
36 a business entity, any individual having a substantial interest in the
37 business entity shall submit to the director the individual's name,
38 address and fingerprints taken on standard fingerprint cards by a State
39 or municipal law enforcement agency. The Attorney General, at the
40 request of the director, shall conduct an investigation of any applicant
41 for licensure under the provisions of this act. The director is hereby
42 authorized to exchange fingerprint data with and receive criminal
43 history record information from the Federal Bureau of Investigation,
44 the Attorney General and the Division of the State Police for use in
45 making the determinations required by this act. The applicant shall
46 bear the cost of the criminal history record check.

1 d. The director may issue a temporary license, which shall be valid
2 for not more than 90 days, pending completion of the investigation and
3 determination of qualifications.

4 e. The commission shall notify an applicant who is found, for any
5 reason, not to be qualified for licensure of the reason therefor and of
6 the specific convictions which constitute the basis for the finding. The
7 applicant shall have 30 days from the date of the written notice to
8 request a hearing on the accuracy of and the basis for the denial of the
9 license. Criminal history record information shall be maintained on file
10 by the director for not longer than 10 years.

11
12 8. The commission shall, by regulation, establish fees for licenses
13 issued pursuant to this act, other than a premises license. The fee
14 established for a manufacturer's license or a distributor's license shall
15 not exceed \$25,000 for the first year of licensure and \$12,500 for each
16 year thereafter. The fee for an operator's license shall be \$10,000 for
17 the first year of licensure and \$5,000 for each year thereafter.
18 However, when the holder of an operator's license also holds a
19 premises license, the fee for the operator's license shall be \$1,000 for
20 the first year of licensure and \$500 per year for each year thereafter.
21 The fee for a machine license shall be \$200 annually per machine.

22 The holder of a premises license shall pay the fee provided for in
23 section 10 of this act to the municipality in which the licensed premises
24 is located.

25
26 9. Prior to being issued a license, each video lottery machine
27 operator shall make arrangements in a form agreeable to the
28 commission to contribute $\frac{1}{2}$ of 1% of the amount remaining,
29 subsequent to the State receiving its share from each machine, to the
30 New Jersey Council on Compulsive Gambling. Amounts due the
31 council shall be paid in equal shares by operators and the holders of
32 premises licenses. It shall be the responsibility of each operator to
33 ensure that these amounts are transmitted to the council in the manner
34 provided by the commission.

35
36 10. In order to compensate municipal governments for
37 administrative expenses associated with the operation of video lottery
38 machines within their jurisdiction, the governing body of a municipality
39 in which a licensed premises is located may impose a fee of up to \$100
40 on the holder of a premises license which shall be payable upon the
41 issuance of the license and upon each renewal of the license.

42
43 11. An applicant for licensure pursuant to this act shall furnish all
44 information requested by the commission, including but not limited to
45 financial data and documents, certifications, consents, waivers,
46 individual history, stockholder forms and other materials requested by

1 the commission. No license shall be issued to any applicant who fails
2 to provide all material requested by the commission. Each applicant
3 shall provide the commission with such written consents as the
4 commission may require to obtain access to any relevant information.
5

6 12. An applicant shall bear the risk of any adverse consequences of
7 the commission's investigation of the applicant's qualifications for
8 licensure, including but not limited to the disclosure of any information
9 by the commission or a third party. An applicant for licensure shall
10 expressly waive any claim against the commission and its employees
11 and agents arising as a result of the commission's investigation.
12

13 13. The commission may require that any application or other
14 document submitted to it by an applicant for licensure or a licensee
15 shall be sworn to or affirmed before a notary public. Any document
16 submitted by an attorney on behalf of an applicant shall be signed by
17 the attorney. The attorney's signature shall constitute certification that
18 he has read the forms or documents and that, to the best of his
19 knowledge, information and belief, their contents are true.
20

21 14. a. No person shall distribute for operation a video lottery
22 machine unless it has been approved by the commission.

23 b. No person shall place in operation a video lottery machine unless
24 it has been approved by the commission.
25

26 15. A manufacturer of video lottery machines seeking a license to
27 allow the use of its machines in this State shall submit to the
28 commissioner two copies of machine illustrations, schematics, block
29 diagrams, circuit analysis, technical and operation manuals, program
30 source codes and hexadecimal dumps, with the compiled computer
31 program presented in such manner as the commission shall require and
32 any other information requested by the commission.
33

34 16. The commission may require that an applicant for or holder of
35 a manufacturer's license submit at least two working models of a
36 video lottery machine for which it is seeking approval to the
37 commission for examination, testing and analysis. The manufacturer
38 shall pay any costs associated with the commission's testing of the
39 machine. The commission is authorized to completely disassemble
40 machines submitted to it. The applicant shall waive any claim against
41 the commission for damage to or destruction of a machine. The
42 commission may require an applicant to provide specialized equipment
43 and the services of an independent technical expert to assist it in
44 testing a machine.

45 Upon completion of testing the commission shall provide the
46 applicant with a complete report of its test results and shall approve

1 or disapprove the machine for distribution and use in this State. If a
2 machine is disapproved, the commission shall inform the applicant of
3 modifications which should be made in order for the machine to be
4 approved.

5
6 17. Each video lottery machine placed in operation shall at all times
7 be in compliance with this act and the regulations of the commission.
8 The director shall cause any machine which is not in compliance to be
9 taken off the system and out of play. Any machine which has been
10 modified or the design of which has been modified without the
11 approval of the commission may be confiscated by the director.

12
13 18. Every manufacturer of video lottery machines shall, pursuant
14 to a training program approved by the commission, provide training in
15 the service and maintenance of its machines. No video lottery machine
16 shall be placed into operation until the manufacturer provides the
17 training required by this section. Each manufacturer shall submit to
18 the commission an outline of its training curriculum, a list of the
19 instructors and their qualifications, a copy of the instructional
20 materials and the time, dates and location of training classes. Service
21 employees shall, upon the completion of an approved training
22 program, be certified by the commission to service and repair video
23 lottery machines and video lottery machine associated equipment. A
24 service employee shall not be employed by more than one video lottery
25 machine operator at any one time.

26
27 19. Video lottery machines and video lottery machine associated
28 equipment shall be maintained and serviced in the manner and
29 condition required by the commission.

30
31 20. The holder of a video lottery machine operator's license shall
32 be responsible for keeping a written service log in each of its
33 machines. The log shall be located in the main cabinet access area of
34 the machine. Every person, including employees of the commission,
35 who gains entry into any internal space of a video lottery machine shall
36 sign the log and indicate the time, date and purpose of entry, the
37 electronic and mechanical meter readings and the parts of the machine
38 inspected or repaired. Service log forms shall be obtained from the
39 commission and shall be retained by an operator for at least three years
40 after a machine is removed from service. Service logs shall be
41 available for inspection by employees of the commission upon request.

42
43 21. The commission shall inspect each individual machine before
44 it is placed in operation to ensure that the machine complies with the
45 provisions of this act and the regulations of the commission. The
46 commission shall seal the software eeproms on the logic board on each

1 machine at the time of inspection. An operator shall inform the
2 commission in writing of any breaks or tears in the seal noticed during
3 servicing which were not the result of a repair.

4
5 22. The holder of a video lottery machine operator's license shall
6 obtain a machine license for each machine it places into operation and
7 shall pay the fee for machine licenses established pursuant to section
8 8 of this act. The machine shall prominently display the machine
9 license on each machine. A machine which does not display a machine
10 license is contraband and subject to confiscation by any law
11 enforcement officer.

12
13 23. The readings on the electronic meters shall be capable of being
14 printed on the machine's printing mechanism.

15 Each machine shall be equipped with a non-removable plate on
16 which is inscribed the manufacturer's name, the machine model, the
17 date of manufacture and a serial number which is unique to that
18 particular machine.

19 Each machine shall prominently display a table listing the available
20 prizes and the odds of winning. Each machine shall prominently
21 display a telephone number which may be called to report malfunctions
22 or complaints.

23
24 24. The commission shall require that all machines placed in
25 operation be linked to a central computer system operated by the
26 commission which shall monitor and control use of the machines as
27 required by the commission and provide auditing program information
28 as required and approved by the commission. The system approved by
29 the commission shall not limit participation to only one manufacturer
30 of video lottery machines. The system shall incorporate electronic
31 fund transfer procedures to facilitate the collection of revenue.
32 Nothing contained in this section shall be construed as requiring the
33 exclusive use of video lottery machines which are constantly linked to
34 a central computer system through open telephone lines.

35
36 25. The commission shall immediately disconnect from the system
37 and remove from use any machine which does not comply with the
38 provisions of this act or regulations of the commission until the
39 machine is brought into compliance.

40
41 26. No video lottery machine shall accept more than two dollars to
42 be played on any one game. The value of free games or prizes which
43 may be awarded per game shall not exceed \$500. A machine shall
44 dispense to each winning player a ticket indicating the amount won
45 and containing information on how to redeem the ticket for cash. A
46 minimum of 85%, but not more than 92%, of the amount bet by the

1 players of video lottery machines shall be allocated annually for the
2 payment of prizes.

3

4 27. The holder of a premises license shall immediately pay a
5 winning player an amount won on a machine upon presentation by the
6 player of a winning ticket at the premises where the ticket was
7 obtained. Prior to payment, each winning ticket shall be validated by
8 the commission's central computer system.

9

10 28. Pursuant to section 2 of an Act of Congress of the United State
11 entitled "An act to prohibit transportation of gambling devices in
12 interstate and foreign commerce," approved January 2, 1951, being
13 chapter 1194, 64 Stat. 1134, and also designated at 15 U.S.C.
14 (1171-1177), the State of New Jersey, acting by and through the duly
15 elected and qualified members of its Legislature, does hereby, in
16 accordance with and in compliance with the provisions of section 2 of
17 that Act of Congress, declare and proclaim that section 2 of that Act
18 of Congress shall not apply to any gambling device in this State where
19 the transportation of such device is specifically authorized by and done
20 in compliance with the provisions of this act, any other applicable
21 statute of this State, and any regulations promulgated pursuant
22 thereto, and that any such gambling device transported in compliance
23 with State law and regulations shall be exempt from the provisions of
24 that Act of Congress.

25

26 29. The holder of a video lottery machine operator's license shall
27 maintain records of the operation of each of its machines placed into
28 use which shall be made available to the commission upon request and
29 shall be sufficient to ensure that the machine has been operated in
30 compliance with the provisions of this act and the regulations of the
31 commission. The records maintained pursuant to this section shall
32 include, but not be limited to, the accounting ticket required by this act
33 and corresponding licensee records containing the performance
34 synopsis of each machine as well as an exact copy of the printed ticket
35 voucher.

36 The records required to be maintained pursuant to this section shall
37 be held by the licensee for a minimum of three years.

38

39 30. No more than six machines shall be placed at any one licensed
40 premises except that a racetrack which is under the jurisdiction of the
41 New Jersey Racing Commission may have up to six machines placed
42 at each fixed location at which licensed beverages are served at the
43 racetrack.

44

45 31. The commission shall provide applicants for and the holders of
46 a video lottery machine manufacturer's licenses with the protocol

1 documentation necessary to enable the manufacturer's machine to
2 communicate with the commission's computer and provide the audit
3 information and controls required by the commission.

4
5 32. The commission shall enter into contracts of three years
6 duration with the holders of video lottery machine operators' licenses.
7 The holder of an operator's license shall agree in its contract with the
8 commission to pay to the commission 25% of the net machine income
9 during the first three-year contract, 27 1/2% of net machine income
10 during a second three-year contract and 30% of net machine income
11 during any subsequent contract.

12 The holder of a video lottery machine operator's license shall remit
13 the commission's percentage of net income to the commission through
14 an electronic transfer of funds on the fifteenth day of each month and
15 on the last day of each month for the period of time prior thereto
16 prescribed by the commission. If the date on which payment is due
17 falls on a day on which banking business is not transacted, payment
18 shall be due on the next business day.

19 The holder of a video lottery machine operator's license shall
20 provide the commission with all information and bank authorizations
21 necessary to ensure the timely payment of monies due the commission.
22 Operators shall provide the commission with 30 days notice of
23 proposed account changes to ensure the uninterrupted transfer of
24 funds.

25 An operator licensee shall maintain a balance in the licensee's
26 account which is sufficient to cover the amount due the commission on
27 each payment date. Failure to maintain a sufficient balance in the
28 account shall result in the assessment of an interest penalty equal to
29 12% of the amount due. Failure to make payment on any amounts
30 past due plus interest on or before the next payment date shall be
31 grounds for suspension or revocation of the operator's license and
32 removal of the licensee's machines from play. The holder of a video
33 lottery machine operator's license who does not also hold a premises
34 license and who has placed a machine in any licensed premises shall
35 agree that the commission shall ensure that the contract between the
36 operator and the premises licensee specifies that the funds remaining
37 in the machine after all payments required by this act are made shall be
38 divided evenly between the operator and the premises licensee. Funds
39 shall be divided at least weekly and a copy of the distribution
40 statement shall be given to all parties.

41
42 33. The holder of a video lottery machine operator's license shall
43 retain an audit tape that records for each machine an exact duplicate
44 of all tickets printed and transactions recorded. The operator licensee
45 shall retain an audit tape for at least three years and shall store it in a
46 secure place.

1 34. The holder of a video lottery machine operator's license shall
2 keep accurate records of net machine income for each machine. Prior
3 to the payment date, the commission shall prepare and mail to the
4 operator licensee a statement of the net machine income for each
5 machine and the amount due the commission. An operator shall report
6 to the commission in writing any discrepancy between the amounts on
7 the commission's statement and amounts shown on each machine's
8 mechanical and electronic meters. The commission shall not be
9 responsible for resolving discrepancies between the two sets of figures.

10 Whenever a discrepancy is reported by an operator pursuant to this
11 section, the commission shall make no credit adjustments until the
12 discrepancy is resolved. The operator shall submit to the commission
13 the maintenance log that includes current mechanical meter readings
14 and the audit tape that contains electronic meter readings generated by
15 the machine's software for each machine that reflects a discrepancy.
16 If the meter readings and the commission's records cannot be
17 reconciled, the commission shall make an appropriate disposition of
18 the matter in view of all of the facts and circumstances. Any
19 accounting discrepancies that cannot be resolved by reason of a
20 violation of this section shall be resolved in favor of the State. No
21 electronic accounting meters may be cleared without a commission
22 employee present.

23

24 35. No video lottery machine shall be played except during the
25 hours that the licensed premises at which it is located may lawfully
26 serve alcoholic beverages.

27

28 36. No person under the age of 21 years shall operate a video
29 lottery machine.

30

31 37. All payments made by a video lottery machine operator to the
32 holder of a premises license pursuant to an agreement as provided by
33 section 5 of this act shall be by check or draft.

34

35 38. No licensee shall use the word casino in any sign or
36 advertisement in connection with a video lottery machine.

37

38 39. Any person who tampers with a video lottery machine with
39 intent to interfere with the proper operation of the machine is guilty of
40 a disorderly persons offense.

41

42 40. Any person who, with intent to manipulate the outcome, payoff
43 or operations of a video lottery machine, manipulates the outcome,
44 payoff or operation of a video lottery machine by physical tampering
45 or other means is guilty of a crime of the fourth degree.

1 41. Information and records of the commission are confidential,
2 except for official purposes, and may not be disclosed except in
3 accordance with a judicial order or as otherwise provided by law.

4 Information and records considered confidential include:

5 applications, credit and security checks of lottery retailers, licensees
6 and persons seeking or doing business with the lottery; and,

7 marketing, financial or sales data, the disclosure of which may be
8 harmful to the competitive position of the New Jersey lottery, its
9 retailers, licensees or persons seeking or doing business with the
10 lottery.

11

12 42. All monies received by the commission pursuant to this act
13 including license fees shall be deposited in the Health Care Subsidy
14 Fund established pursuant to section 8 of P.L.1992, c.160 (C.26:2H-
15 18.58) and shall be appropriated for charity care at disproportionate
16 share hospitals, as those terms are defined in section 2 of P.L.1992,
17 c.160 (C.26:2H-18.52).

18

19 43. a. As used in this section, "gray area device" means any video
20 machine which upon the insertion of coins or cash is available to play
21 or simulate the play of video poker, keno, blackjack or any other game
22 authorized by the commission for play on a video lottery machine but
23 which is not part of the State lottery network established pursuant to
24 this act.

25 b. After the effective date of this act, no person shall place a gray
26 area machine for the use by members of the public at any licensed
27 premises or at any other place.

28 c. A person who violates the provisions of this section is guilty of
29 a crime of the fourth degree and shall be subject to a maximum
30 eighteen months imprisonment or a fine not to exceed \$5,000 per
31 machine, or both.

32 d. Nothing contained in this section shall be construed as affecting
33 any game or device which is authorized pursuant to the Casino Control
34 Act, P.L.1977, c.110 (C.5:12-1 et seq.).

35

36 44. Pursuant to the "Administrative Procedure Act," P.L.1968,
37 c.410 (C.52:14B-1 et seq.) the State Lottery Commission, within 120
38 days of the effective date of this act, shall promulgate rules and
39 regulations to effectuate the purpose of this act, except that,
40 notwithstanding any other law to the contrary, no rule or regulations
41 establishing a video lottery game shall be considered an "administrative
42 rule" or "rule" pursuant to that act.

43

44 45. The commission shall expedite the implementation of this act
45 and shall ensure, to the extent reasonably possible, that at least one
46 video lottery machine is placed into operation within 60 days of the

1 effective date of this act at each location for which a premises license
2 has been issued during that period. During the first 60 days after the
3 effective date of this act the commission shall consider applications for
4 premises licenses in a manner which will ensure that licenses are issued
5 in direct proportion to the population and potential number of licensed
6 premises in each county so as to provide the public with fair and
7 equitable access to machines.

8 Notwithstanding any provision of this act to the contrary, no
9 licensed premises shall be permitted to place into operation more than
10 one machine until all holders of premises licenses who applied for
11 licensure during the first 60 days after the effective date of this act
12 have had the opportunity to place one machine into operation.

13
14 46. P.L.1983, c.80 (C.5:9-7.1) is repealed.

15
16 47. This act shall take effect upon the date that an amendment
17 becomes a part of the New Jersey Constitution which authorizes the
18 Legislature to establish a video lottery with the net proceeds thereof
19 used to reimburse hospitals for the cost of providing eligible charity
20 care.

21 22 23 STATEMENT

24
25 This bill directs the State Lottery Commission to establish a
26 Statewide network of video lottery machines. Players would be able
27 to play simulated video poker, blackjack and other games (other than
28 keno) approved by the commission. Prizes would be awarded in the
29 form of free games and cash. All machines would be privately owned
30 but linked to the commission's computer system which would monitor
31 and control the machine's use.

32 Video lottery machines could only be located at certain
33 establishments licensed to sell alcoholic beverages, which have
34 obtained premises licenses from the commission. The bill also requires
35 that manufacturers, distributors and operators of video lottery
36 machines be licensed by the commission. No individual or business
37 entity would be allowed to hold more than one type of license, except
38 that the holder of a premises license may also hold an operator's
39 license but is restricted to operating a total of not more than six
40 machines at not more than each of two of its own premises.

41 The bill provides for the comprehensive regulation of licensees,
42 machines and related equipment and establishes State and municipal
43 license fees. It imposes stringent record keeping requirements on the
44 operators of video lottery machines. Operators would be required to
45 electronically transfer the State's share of net machine income to the
46 commission on a bimonthly basis. No more than six machines could

1 be located at any licensed premises, except that racetracks would be
2 permitted to have up to six machines placed at each fixed location at
3 which licensed beverages are served at the racetrack. Persons under
4 the age of 21 would be prohibited from playing video lottery machines.

5 The bill also prohibits the placement of so-called gray area
6 machines at a licensed premises. A gray area machine is defined in the
7 bill as a machine which is similar to a video lottery machine and offers
8 similar games but which is not part of the State network. Thus, the
9 bill seeks to eliminate this form of illegal gambling activity and to
10 channel money previously bet on illegal games into the State lottery.

11 The bill's provisions are modeled on a similar program in South
12 Dakota.

13 The bill provides that it will take effect upon the date that an
14 amendment becomes a part of the New Jersey Constitution which
15 authorizes the Legislature to establish a video lottery with the net
16 proceeds used to reimburse hospitals for the cost of providing eligible
17 charity care. All monies received by the Lottery Commission as a
18 result of the video lottery including licensing fees would be deposited
19 in the Health Care Subsidy Fund and appropriated for charity care at
20 disproportionate share hospitals.

21 The bill repeals P.L.1983, c.80 (C.5:9-7.1) which currently
22 prohibits the use of video machines as part of the State lottery.

23

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26

27 Provides that the State Lottery Commission will establish a Statewide
28 network of video lottery machines.