

By: Hupp

H.B. No. 76

A BILL TO BE ENTITLED

AN ACT

1
2 Relating to the financing of public schools and reduction of school
3 property taxes through the restricted establishment and operation
4 of video lottery terminals at Texas racetracks licensed to conduct
5 pari-mutuel wagering.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 ARTICLE 1

8 LIMITED AUTHORIZATION OF VIDEO LOTTERY TERMINALS

9 SECTION 1.01. Section 466.002, Government Code, is amended
10 by amending subsection (6) and adding subsection (11) to read as
11 follows:

12 (6) "Lottery game" includes a lottery activity
13 including lottery activity conducted through video lottery
14 terminals or machines.

15 (11) "Video Lottery Central System" means the system
16 of procedures and facilities operated and controlled by the Lottery
17 Commission that is designed to link together all video lottery
18 terminals operated in the State, determines the outcome of all
19 video lottery games, and allows the Lottery Commission to
20 continuously monitor the activity of each video lottery terminal
21 and to disable any video lottery terminal in the State.

22 SECTION 1.02. Section 466.024, Government Code, is amended
23 to read as follows:

24 Sec. 466.024. PROHIBITED GAMES. . . .

1 (b) The Lottery Commission shall adopt rules prohibiting
2 the operation of any game using a video lottery machine or machine
3 in any area of the State, except on the premises of horse and
4 greyhound racetracks licensed by the Texas Racing Commission to
5 conduct pari-mutuel wagering under the Texas Racing Act (Article
6 179e, Vernon's Texas Civil Statutes).

7 (c) * * *

8 (2) "Video lottery ~~machine~~terminal" or "machine"
9 means any electronic video game machine that, upon insertion of
10 cash, is available to play or simulate the play of a video game,
11 including video poker, keno, and blackjack, using a video display
12 and microprocessors in which the player may receive free games or
13 credits that can be redeemed for cash, coins, or tokens, or that
14 directly dispenses cash, coins, or tokens.

15 SECTION 1.03. Chapter 466 of the Government Code is amended
16 by adding Subchapter K to read as follows:

17 SUBCHAPTER K: REQUIREMENTS FOR VIDEO LOTTERY

18 Sec. 466.501. STATE VIDEO LOTTERY CENTRAL SYSTEM. (a) The
19 Lottery Commission shall establish a State Video Lottery Central
20 System for the operation of video lottery terminals at horse and
21 greyhound racetracks licensed by the Texas Racing Commission to
22 conduct pari-mutuel wagering under the Texas Racing Act (Article
23 179e, Vernon's Texas Civil Statutes).

24 (b) The Lottery Commission may contract with a video lottery
25 central system provider to establish the Video Lottery Central
26 System as long as the provider has not owned any interest in a
27 racetrack or held a pari-mutuel license, or video retailer's

1 license within the preceding five years.

2 Sec. 466.502. STATE VIDEO LOTTERY ACCOUNT. (a) The Lottery
3 Commission shall establish a state video lottery account in the
4 general revenue fund for receipt of all funds received under this
5 subchapter from the operation of video lottery terminals. Except
6 as otherwise provided by this subchapter, money in the fund may be
7 used solely to fund state governmental programs and the
8 administration of the video lottery system. The Lottery Commission
9 shall also establish a video lottery purse fund for money
10 distributed to purses under subsection 466.503(a).

11 (b) A percent of net terminal income, not to exceed one
12 percent, of the net terminal income received by the State under
13 Section 466.590 shall be determined through the budgetary process
14 and shall be allocated to the Lottery Commission and to the Texas
15 Racing Commission to defray expenses incurred in administering this
16 chapter related to video lottery, including expenses incurred to
17 operate the video lottery central system.

18 Sec. 466.503. ALLOCATION OF NET TERMINAL INCOME; TRANSFER
19 OF MONEY. (a) Net terminal income derived from the operation of
20 video lottery games in the State shall be allocated as follows:

21 (1) Net terminal income generated from the operation
22 of video lottery terminals at a video lottery terminal
23 establishment shall be distributed 40 percent to the State of
24 Texas, 50 percent to the establishment and 10 percent to the video
25 lottery purse fund;

26 (2) Net terminal income generated from the operation
27 of video lottery terminals on Indian Lands under a gaming agreement

1 authorized under this subchapter shall be distributed in the amount
2 set forth in the gaming agreements;

3 (3) As a means of ensuring expected revenues to the
4 State from this program, if, after the first full legislative
5 biennium following the initial operation of video lottery
6 terminals, the amount of funds distributed to the State under
7 subsection (a)(1) is less than \$1 billion annually, the future
8 terminal income generated from the operation of video lottery
9 terminals at a video lottery terminal establishment shall be
10 distributed at the percentage increase required to generate \$1
11 billion annual revenue to the State of Texas, and the percent
12 distributions to the establishment and to the video lottery purse
13 fund shall be reduced (maintaining the original ratio of the
14 distribution). The percentage distributions shall revert to those
15 set in subsection (a)(1) of this section after the earlier of five
16 years after the beginning operation of video lottery terminals or
17 the time in which the total distribution to the State is \$1 billion
18 annually.

19 (b) One-quarter of one percent of the net terminal income
20 received by the State under Subsection (a) shall be allocated to a
21 compulsive gambling program to be established by the Lottery
22 Commission.

23 (c) One-quarter of one percent of the net terminal income
24 received by the State under Subsection (a) shall be transferred to
25 the Equine Research Program at the College of Veterinary Medicine
26 at Texas A&M University for use in equine research under Subchapter
27 F, Chapter 88, Education Code, and greyhound research.

1 (d) One-quarter of one percent of the net terminal income
2 received by the State under Subsection (a) shall be allocated to
3 both:

4 (1) the municipality in which the video lottery
5 terminal establishment is located; and

6 (2) the county in which the video lottery terminal
7 establishment is located.

8 (e) If a video lottery terminal establishment is located in
9 an unincorporated area, one-quarter of one percent of the net
10 terminal income received by the State under Subsection (a) shall be
11 allocated to the county in which the establishment is located and
12 one-quarter of one percent shall be allocated to any other county
13 within 20 miles of the facility. If no other county meets this
14 standard one-half of one percent shall be allocated to the county in
15 which the establishment is located.

16 Sec. 466.504. VIDEO LOTTERY RETAILERS

17 The Lottery Commission shall issue a video lottery retailer's
18 license to an applicant who meets the eligibility criteria
19 established by the Lottery Commission.

20 (a) An applicant for a video lottery retailer's license must
21 hold a valid racing license granted under the Texas Racing Act
22 (Article 179e, Vernon's Texas Civil Statutes) and operate a
23 racetrack in compliance with that Act.

24 (b) The application fees for a video lottery retailer's
25 license are as follows:

26 (1) \$500,000 for an applicant applying to operate
27 video lottery terminals at a Class 1 racetrack, with an annual

1 renewal fee of \$50,000.

2 (2) \$200,000 for an applicant applying to operate
3 video lottery terminals at a Class 2 or greyhound racetracks, with
4 an annual renewal fee of \$25,000.

5 (3) \$100,000 for an applicant applying to operate
6 video lottery terminals at a Class 3 racetrack, with an annual
7 renewal fee of \$12,500.

8 (c) As part of the application, the Lottery Commission shall
9 determine the minimum number of video lottery terminals that the
10 licenseholder must have in operation within the first two years of
11 the date the license is granted. The number of video lottery
12 terminals approved for each facility shall meet or exceed these
13 minimums:

14 (1) 5000 video lottery terminals for a Class 1
15 racetrack operating in a county with a population of not less than
16 4.0 million, and 3000 video lottery terminals for a Class 1
17 racetrack operating in a county of not less than 1.3 million, or in
18 a county adjacent to a county with such a population;

19 (2) 2,000 video lottery terminals for a greyhound
20 racetrack operating in a county with a population of not less than
21 2.2 million, or in a county adjacent to a county with such a
22 population, and 1200 video lottery terminals for all other
23 greyhound racetracks and Class 2 racetracks; and

24 (3) 500 video lottery terminals for a Class 3
25 racetrack.

26 (d) The Lottery Commission shall approve minimum standards
27 for the facilities used for video lottery terminals. As a condition

1 of its license, the video lottery retailer is responsible for
2 construction of the facilities necessary to operate the minimum
3 number of video lottery terminals required for that facility under
4 the standards approved by the Lottery Commission.

5 (e) If a video lottery retailer does not meet the minimum
6 number of video lottery terminals required in the license, the
7 video lottery retailer shall make monthly payments to be
8 distributed to the State in an amount equal to the average monthly
9 income to the State per machine times the number of video lottery
10 terminals below the minimum level for that facility. If no machines
11 are operating, the video lottery retailer shall pay \$400 per day
12 times the minimum number of machines required for that facility.

13 (f) If no machines are operating within one year of the
14 granting of a video retailer's license, the commission shall revoke
15 the license.

16 (g) A video lottery retailer's license is not transferable.
17 A potential purchaser of a video lottery retailer's facility must
18 submit an application for a license to the Lottery Commission and
19 must pay the application fees set out in subparagraph (c).

20 ARTICLE 2

21 ASSIGNMENT OF FUNDS FOR THE DEVELOPMENT OF TEXAS RACEHORSES,
22 GREYHOUNDS, AND RELATED AGRICULTURE

23 SECTION 2.01. Vernon's Civil Statutes 179e, section 1.03 is
24 amended by adding subsection (79) as follows:

25 (79) Video lottery retailer - a pari-mutuel license
26 holder for premises where video lottery terminals are operated
27 pursuant to Government Code Chapter 466, Subchapter K.

1 SECTION 2.02. Vernon's Civil Statutes 179e, is amended by
2 adding Section 6.095 to read as follows:

3 Sec. 6.095. SPECIAL ALLOCATION TO PURSES FROM THE VIDEO
4 LOTTERY PURSE FUND. (a) A pari-mutuel license holder that owns or
5 operates a racetrack at which video lottery terminals are operated
6 under Subchapter K, Chapter 466, Government Code, and the
7 officially recognized state breed registry representing the breed
8 conducting live racing at the license holder's racetrack shall
9 allocate the revenue distributed to the video lottery purse fund
10 under Government Code Section 466.503(a) for purses at that
11 racetrack as provided by this section.

12 (1) If the total purse revenue available from
13 pari-mutuel wagering and the video lottery purse fund is
14 insufficient to make purses nationally competitive within the first
15 five years at a racetrack at which video lottery games are
16 conducted, the pari-mutuel license holder and the officially
17 recognized state breed registry representing the breed conducting
18 live racing at the license holder's racetrack shall enter into a
19 written agreement to allocate a percentage of the share of the video
20 lottery proceeds received by the racetrack under Section 466.503
21 (a), Government Code, to make purses at the racetrack nationally
22 competitive and to specify the time period for which the percentage
23 is in effect. If the racetrack is a horse racetrack:

24 (A) the officially recognized horsemen's
25 organization must also be a party to the agreement; and

26 (B) the agreement must provide for the allocation
27 of the purse amounts by horse breed.

1 (2) If an agreement cannot be reached under Subsection
2 (1), any party that would be a necessary party to the agreement may
3 submit the matter to the Texas Racing Commission 60 days after
4 failure to reach an agreement for determination of the matter in
5 accordance with a procedure established by Texas Racing Commission
6 rule.

7 (3) The Texas Racing Commission in a determination
8 under Subsection (2) may not establish a time period for which the
9 percentage is to be in effect that is less than two years.

10 (4) The officially recognized state breed registry may
11 use a portion, not to exceed 10 percent, of the amount allocated for
12 purses under this section for administration, Accredited
13 Texas-bred awards, enhancement and promotion of championship
14 Texas-bred race days and Texas-sired stakes programs, and marketing
15 and promotion of the Accredited Texas-bred Incentive Program.

16 (A) From the share of video lottery purse revenue
17 directed to each officially recognized breed registry, no less than
18 one-quarter of one percent must be allocated to breed retirement
19 and adoption programs in the State; and

20 (B) From the share of video lottery purse revenue
21 directed to each officially recognized breed registry, no less than
22 one-quarter of one percent shall be allocated to the state and
23 national promotion and advertising of other horse and breed
24 activities upon application and submission of advertising,
25 promotion and marketing plans from a recognized state equine
26 organization or activity in the State of Texas to one or more of the
27 officially recognized state breed registries;

1 (5) The officially recognized horsemen's organization
2 may use a portion, not to exceed one percent, of the amount
3 allocated for purses under this section for administration, health
4 and dental care for stable area workers, establishment of a
5 retirement program for stable area workers and other programs as
6 approved by the Texas Racing Commission.

7 (6) The Texas Racing Commission shall adopt rules to
8 administer this section.

9 (7) A matter considered by the Texas Racing Commission
10 under this section is a contested case requiring a public hearing
11 under Chapter 2001, Government Code.

12 SECTION 2.03. Vernon's Civil Statutes 179e, is amended by
13 adding Section 6.096 to read as follows:

14 Sec. 6.096. DISTRIBUTIONS FROM VIDEO LOTTERY RETAILER
15 ESTABLISHMENT REVENUE RECEIPTS FOR TEXAS TRACK IMPROVEMENT FUND AND
16 JOCKEY INJURY COMPENSATION FUND. (a) For video lottery retailer
17 license holders of Class 1 pari-mutuel racetrack licenses, an
18 amount not less than one percent of net terminal income per year
19 over the initial five-year period, beginning on the first
20 anniversary of the date the first video lottery machine is placed in
21 operation at the establishment, and an amount not less than
22 one-half of one percent of net terminal income per year for five
23 years thereafter shall be deposited by each licensee into a
24 segregated account known as the Texas Track Improvement Fund and
25 used for improvement of public and backstretch facilities and
26 maintenance of the stable or kennel area and related buildings and
27 structures, including community education, assistance and

1 recreation centers, at the racetrack at which the licensee
2 operates.

3 (b) For video lottery retailer license holders of Class 2
4 pari-mutuel racetrack licenses and greyhound racetrack license
5 holders, an amount not less than one percent of net terminal income
6 per year over the initial five-year period, beginning on the first
7 anniversary of the date the first video lottery machine is placed in
8 operation at the establishment, and an amount not less than
9 one-half of one percent of net terminal income per year for five
10 years thereafter shall be deposited by each licensee into a
11 segregated account known as the Texas Track Improvement Fund and
12 used for improvement of public and backstretch facilities and
13 maintenance of the stable and kennel area and related buildings and
14 structures, at the racetrack at which the licensee operates.

15 (c) For holders of Class 3 pari-mutuel racetrack licenses,
16 an amount not less than one percent of net terminal income per year
17 over the initial five-year period, beginning on the first
18 anniversary of the date the first video lottery machine is placed in
19 operation at the establishment, and an amount not less than
20 one-half of one percent of net terminal income per year for five
21 years thereafter shall be deposited by each licensee in a
22 segregated account known as the Texas Track Improvement Fund and
23 used for improvement of public and backstretch facilities and
24 maintenance of stable area and related buildings and structures, at
25 the racetrack at which the licensee operates.

26 (d) A holder of a pari-mutuel racetrack license that has not
27 previously conducted live racing and is also licensed as a video

1 lottery retailer shall provide evidence to the Texas Racing
2 Commission of expenditures in the amount of at least \$20,000,000 in
3 the construction of a new racetrack, grandstand/clubhouse,
4 simulcast area, stable or kennel area and related buildings and
5 structures and upon satisfactory production of such evidence, the
6 provisions of Subsections (b), (c) and (d) shall not apply for 10
7 years beginning with the date of the first pari-mutuel race or the
8 date the first video lottery terminal is placed in operation,
9 whichever comes first.

10 (e) Each pari-mutuel racetrack license holder shall
11 negotiate with the officially recognized horsemen's organization
12 and the officially recognized breed registry and jointly consider
13 the amount of the funds available in the Texas Track Improvement
14 Fund and determine appropriate expenditures for the next calendar
15 year before racing dates are considered for that year.

16 (f) The Texas Racing Commission shall adopt rules governing
17 the Texas Track Improvement Fund, including procedures for
18 submission and approval of improvement projects, payment of
19 projects and resolution of disputes between respective parties.

20 (g) For holders of Class 1, Class 2 and Class 3 pari-mutuel
21 licenses that also hold a license as a video lottery retailer,
22 one-quarter of one percent of net terminal proceeds, not to exceed
23 \$1,000,000 annually, accruing to the video lottery retailer shall
24 be placed in a segregated account to be known as the Jockey Injury
25 Compensation Fund to be administered by the Texas Racing
26 Commission.

27 (h) The Texas Racing Commission shall adopt rules governing

1 the Jockey Injury Compensation Fund, including procedures and
2 limits for jockey licensees to submit medical bills related to
3 injuries sustained in a race at a licensed Texas racetrack and
4 methods of payment approvals.

5 SECTION 2.04. Vernon's Civil Statutes 179e, is amended by
6 adding Section 6.097 to read as follows:

7 Sec. 6.097. LIVE RACING REQUIREMENT. (a) Except as
8 provided by Subsections (b) and (c) of this section, a person who
9 holds a Class 1 or Class 2 racetrack license that is a video lottery
10 terminal establishment under Subchapter K, Chapter 466, Government
11 Code, shall conduct the greater of:

12 (1) for each breed, not less than the number of live
13 racing days conducted by the racetrack for that breed in 2002 or,

14 (2) for quarter horses and thoroughbreds, not less
15 than 50 live race days or 500 live races.

16 (b) A person who holds a Class 1 racetrack license may
17 conduct fewer live racing days than required by Subsection (a) of
18 this section if the racetrack, the affected officially recognized
19 breed registry, and the officially recognized horsemen's
20 organization enter into a written agreement to conduct fewer races.

21 (c) A greyhound racetrack that is a video lottery terminal
22 establishment under Subchapter K, Chapter 466, Government Code,
23 shall offer for pari-mutuel wagering not less than 420 live
24 greyhound racing performances in each calendar year, unless
25 otherwise agreed to in writing by the racetrack and the officially
26 recognized greyhound breed registry. For purposes of this
27 subsection, "greyhound racing performance" means the consecutive

1 running of not fewer than 12 greyhound races.