

By: Van de Putte

S.B. No. 799

A BILL TO BE ENTITLED

AN ACT

relating to the operation of video gaming by authorized organizations and commercial operators that are licensed to conduct bingo or lease bingo premises; providing penalties; imposing fees.

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

SECTION 1. The legislature finds and declares that:

(1) the purpose and intent of this Act is to carry out the intent of the voters as established by the approval of Section 47a, Article III, Texas Constitution, to expand the revenue-generating ability of this state by authorizing the operation of video gaming consistent with public policy strictly limiting the expansion of gambling in this state;

(2) except as expressly authorized under other law, the people of this state intend to allow only state-regulated video gaming games to be conducted in this state and only in locations at which bingo is conducted by authorized charitable organizations;

(3) the video gaming games operated under this Act are regulated by this state in a manner that allows this state to monitor, both routinely and randomly, all video gaming terminals and to direct the disabling of any video gaming terminal for the protection of the public and this state;

(4) through network operating centers or a video gaming system, this state will monitor video gaming terminals to ensure maximum security unique to state-regulated gambling. Except

1 as may otherwise be provided by state or federal law governing  
2 gaming on Indian lands, each operating video gaming terminal in  
3 this state will be connected to a network operating center or a  
4 state-regulated video gaming system;

5 (5) in authorizing only state-regulated video gaming  
6 terminals in limited locations and continuing the general  
7 prohibition on gambling in this state as a matter of public policy,  
8 this state is protecting the state's legitimate interests by  
9 restricting such activity. By limiting the operation of video  
10 gaming terminals to those connected to a network operating center  
11 or a state-regulated video gaming system on certain land with  
12 certain types of games, the legislature seeks to foster this  
13 state's legitimate sovereign interest in regulating the growth of  
14 gambling activities in this state;

15 (6) this Act is game-specific and may not be construed  
16 to allow the operation of any other form of gambling unless  
17 specifically allowed by Chapter 2001A, Occupations Code, as added  
18 by this Act. This Act does not allow the operation of dice games,  
19 roulette wheels, house-banked games, including house-banked card  
20 games, or games in which winners are determined by the outcome of a  
21 live sports contest that are expressly prohibited under other state  
22 law;

23 (7) in light of the financial issues facing this  
24 state, the Texas Lottery Commission is authorized to commence  
25 implementation and authorization of video gaming in accordance with  
26 Chapter 2001A, Occupations Code, as added by this Act, at the  
27 earliest possible date, consistent with legislative directive; and

(8) the financial issues facing this state constitute an imminent peril to public welfare, requiring the rapid adoption of rules and authorization for the Texas Lottery Commission to conduct certain pre-implementation activities related to regulating video gaming to ensure:

(A) that the increase in state revenue from the portion of gross gaming income transferred to the state is realized as soon as possible to lessen the financial issues faced by this state;

(B) that video gaming is fairly conducted and the charitable proceeds derived from it are used for an authorized purpose; and

(C) the integrity, security, and fairness of video gaming.

SECTION 2. Subtitle A, Title 13, Occupations Code, is amended by adding Chapter 2001A to read as follows:

CHAPTER 2001A. VIDEO GAMING BY LICENSED AUTHORIZED ORGANIZATIONS

AND LICENSED COMMERCIAL LESSORS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2001A.001. DEFINITIONS. In this chapter:

(1) "Commission" means the Texas Lottery Commission.

(2) "Crime of moral turpitude" has the meaning assigned by Section 2001.002.

(3) "Director" means the director of charitable bingo operations of the commission.

(4) "Disable," with respect to video gaming terminals, means the process that causes a video gaming terminal to cease

1 functioning on issuance of a shutdown command from a network  
2 operating center or site controller.

3 (5) "Distribute," with respect to video gaming  
4 terminals, means the sale, lease, marketing, offer, or other  
5 disposition of a video gaming terminal, an electronic computer  
6 component of a video gaming terminal, the cabinet in which a video  
7 gaming terminal is housed, video gaming equipment, or video gaming  
8 game software intended for use or play in this state.

9 (6) "Gross gaming income" means the total amount of  
10 money paid to play video gaming games less the value of all credits  
11 redeemed, including any progressive prizes and bonuses, by the  
12 players of the video gaming games. Promotional prizes unrelated to  
13 video gaming game wagers that are offered by a video gaming retailer  
14 may not be deducted or otherwise considered credits redeemed for  
15 money by players for the purpose of determining gross gaming  
16 income.

17 (7) "Independent testing laboratory" means a  
18 nationally recognized laboratory facility that is demonstrably  
19 competent and qualified to scientifically test and evaluate video  
20 gaming equipment for compliance with this chapter.

21 (8) "Licensed authorized organization" has the  
22 meaning assigned by Section 2001.002.

23 (9) "Licensed commercial lessor" has the meaning  
24 assigned by Section 2001.002.

25 (10) "Major component or part" means a component or  
26 part that comprises the inner workings and peripherals of a video  
27 gaming terminal, site controller, or network operating center,

1 including the device's hardware, software, human interface  
2 devices, interface ports, power supply, ticket payout system, bill  
3 validator, and printer, and any component that affects or could  
4 affect the result of a game played on the device.

5 (11) "Manufacture," with respect to video gaming  
6 terminals, means to design, assemble, fabricate, produce, program,  
7 or make modifications to a video gaming terminal, an electronic  
8 computer component of a video gaming terminal, a major component or  
9 part of video gaming equipment, the cabinet in which a video gaming  
10 terminal is housed, video gaming equipment, or video gaming game  
11 software intended for use or play in this state.

12 (12) "Network operating center" means a computer  
13 server that is connected directly or indirectly to a video gaming  
14 manufacturer's video gaming terminals operated in this state.

15 (13) "Player account card" means a plastic magnetic  
16 strip, paper, or smart card that may be used to:

17 (A) enable or track the play of video gaming  
18 games;

19 (B) track and record customer account data,  
20 including electronic credits purchased, played, won, or otherwise  
21 available for participating in a video gaming game; or

22 (C) redeem credits purchased, played, or won  
23 through a cashier or other point-of-sale station or redemption  
24 system.

25 (14) "Site controller" means computer hardware and  
26 software located on the premises of a video gaming retailer that:

27 (A) stores and distributes video gaming games for

display on video gaming terminals;

(B) networks and communicates with a video gaming manufacturer's video gaming terminals at the premises; and

(C) communicates with the manufacturer's network operating center.

(15) "Video gaming" means the conduct of video gaming games on video gaming terminals.

(16) "Video gaming distributor" means a person licensed under this chapter to provide video gaming equipment, major components and parts of video gaming equipment, installation, and technical services to a licensed video gaming retailer.

(17) "Video gaming equipment" means:

(A) a video gaming terminal;

(B) equipment, a component, or a contrivance used remotely or directly in connection with a video gaming terminal to:

(i) affect the reporting of gross revenue and other accounting information, including a device for weighing and counting money;

(ii) provide accounting, player tracking, bonuses, and in-house or wide-area prizes;

(iii) monitor video gaming terminal operations; and

(iv) provide for the connection of video gaming terminals to the network operating center or site controller; or

(C) any other communications technology or equipment necessary for the operation of a video gaming terminal or

1 the video gaming system.

2 (18) "Video gaming game" means any game of chance,  
3 including a game of chance in which the outcome may be partially  
4 determined by skill or ability, that for consideration may be  
5 played by an individual on a video gaming terminal.

6 (19) "Video gaming manufacturer" means a person who  
7 holds a license under this chapter to manufacture video gaming  
8 equipment and major components or parts of video gaming equipment.

9 (20) "Video gaming premises" means the area subject to  
10 direct control of and actual use by a licensed authorized  
11 organization, a group of licensed authorized organizations, or a  
12 licensed commercial lessor to conduct video gaming.

13 (21) "Video gaming retailer" means a licensed  
14 authorized organization or a licensed commercial lessor that holds  
15 a license to conduct video gaming under this chapter.

16 (22) "Video gaming system" means the system  
17 established as authorized by the commission to allow the commission  
18 or person contracting with the commission to monitor the operation  
19 of video gaming in this state.

20 (23) "Video gaming terminal" means a mechanical,  
21 electrical, or other type of device, contrivance, or machine that  
22 plays or operates on insertion of a coin, currency, a token, or a  
23 similar object or on payment of any other consideration, and the  
24 play or operation of which, through the skill of the operator, by  
25 chance, or both, may deliver to the person playing or operating the  
26 machine or entitle the person to receive premiums, merchandise,  
27 tokens, or any other thing of value, whether the payoff is made

1 automatically from the machine or in any other manner. The term  
2 does not include any equipment, machine, technological aid, or  
3 other device used or authorized in connection with the play of bingo  
4 under Chapter 2001 or authorized under other law.

5 Sec. 2001A.002. APPLICABILITY OF OTHER LAW. (a) All  
6 shipments into, out of, or within this state of video gaming  
7 terminals or other gaming devices authorized under this chapter are  
8 legal shipments of the devices and are exempt from the provisions of  
9 15 U.S.C. Sections 1171-1178 prohibiting the transportation of  
10 gambling devices.

11 (b) To the extent of any conflict, this chapter controls  
12 over any local zoning law that impedes the implementation of video  
13 gaming at a location where bingo was conducted on January 1, 2013,  
14 and where a video gaming retailer is authorized to conduct video  
15 gaming under this chapter.

16 Sec. 2001A.003. EXEMPTION FROM TAXATION. A political  
17 subdivision of this state may not impose a tax or fee for attendance  
18 or admission to a video gaming premises unless specifically  
19 authorized by statute.

20 SUBCHAPTER B. ADMINISTRATION

21 Sec. 2001A.051. POWERS AND DUTIES OF COMMISSION AND  
22 DIRECTOR. (a) The commission and the director have broad authority  
23 and shall exercise strict control and close supervision over video  
24 gaming operated in this state to promote and ensure the integrity,  
25 security, honesty, and fairness of video gaming.

26 (b) The commission may contract with or employ a person to  
27 perform a function, activity, or service in connection with the



regulation of video gaming as prescribed by the commission.

(c) The commission shall, as necessary to protect the public health and safety:

(1) monitor and regulate video gaming operations on a routine and random basis;

(2) establish standards for:

(A) the operation of video gaming;

(B) the provision of video gaming equipment and services; and

(C) video gaming premises; and

(3) inspect and examine all video gaming premises and all video gaming equipment, services, records, and operations to ensure compliance with the standards established by the commission.

(d) The commission may demand access to and inspect, examine, and audit all records regarding gross gaming income of a video gaming retailer.

Sec. 2001A.052. RULES; PROCEDURES. (a) The commission shall adopt all rules necessary to supervise and regulate video gaming in this state, administer this chapter, and ensure the security of video gaming operations in this state.

(b) The commission shall establish procedures for the approval, monitoring, and inspection of video gaming operations as necessary to protect the public health, welfare, and safety and the integrity of this state and to prevent financial loss to this state.

(c) In adopting rules and procedures under this chapter, the commission shall examine the laws of other jurisdictions and incorporate best practices from established responsible gaming

1 systems.

2 Sec. 2001A.053. RULES FOR ADDITIONAL QUALIFICATIONS. The  
3 commission by rule may establish other license qualifications the  
4 commission determines are in the public interest and consistent  
5 with the declared policy of this state.

6 Sec. 2001A.054. LICENSE FEES; TERMINAL FEE. (a) An  
7 applicant for a license under this chapter shall submit with the  
8 application the annual license fee required for the type of license  
9 sought. The fee is nonrefundable.

10 (b) The annual license fee is:

11 (1) for a video gaming manufacturer license, \$10,000;

12 (2) for a video gaming distributor license, \$10,000;

13 (3) for a video gaming retailer holding:

14 (A) a class 1 license, \$1,250;

15 (B) a class 2 license, \$2,500; or

16 (C) a class 3 license, \$5,000;

17 (4) for a video gaming manager, \$2,500;

18 (5) for key video gaming personnel, \$100;

19 (6) for a video gaming technician, \$100; and

20 (7) for a video gaming employee, \$50.

21 (c) The annual fee for each video gaming terminal operated  
22 by the video gaming retailer at a video gaming premises is \$250.

23 Sec. 2001A.055. ESTABLISHMENT OF VIDEO GAMING SYSTEM. (a)  
24 In accordance with Section 47a, Article III, Texas Constitution,  
25 the commission shall establish a video gaming system that allows  
26 the commission to monitor and regulate video gaming and direct the  
27 disabling of video gaming terminals for the public safety, health,

1 and welfare or the preservation of the integrity of video gaming and  
2 to prevent any financial loss to this state. The system must provide  
3 video gaming auditing, security, and other information required by  
4 the commission.

5 (b) This section does not affect or restrict the ability of  
6 a video gaming retailer to monitor activity of video gaming  
7 terminals and to disable video gaming terminals in accordance with  
8 commission rules.

9 (c) The commission may direct the disabling of a video  
10 gaming terminal if a video gaming retailer's license is revoked,  
11 surrendered, or summarily suspended under this chapter and as  
12 necessary to prevent any financial loss to this state.

13 Sec. 2001A.056. ANNUAL REPORT. The commission shall file  
14 an annual report with the governor, the comptroller, and the  
15 legislature regarding the collection and disposition of video  
16 gaming revenue for the state fiscal year preceding the report. The  
17 report must be in the form and reported in the time provided by the  
18 General Appropriations Act.

19 SUBCHAPTER C. LICENSE AND CONTRACT REQUIREMENTS

20 Sec. 2001A.101. RETAILER LICENSE REQUIRED; ELIGIBILITY  
21 REQUIREMENTS. (a) A person may not conduct video gaming in this  
22 state unless the person holds a video gaming retailer license  
23 issued under this chapter.

24 (b) A person is eligible for issuance of a video gaming  
25 retailer license under this chapter only if the person:

26 (1) is a licensed authorized organization that:

27 (A) on January 1, 2013, held a license to conduct

bingo at a bingo premises;

(B) except as provided by Subsection (e),  
conducts video gaming only at the bingo premises where the  
organization is the only licensed authorized organization  
conducting bingo at that premises; and

(C) does not lease the premises from a licensed  
commercial lessor; or

(2) is a licensed commercial lessor who:

(A) on January 1, 2013, held a license to lease  
bingo premises; and

(B) except as provided by Subsection (e),  
conducts video gaming only at the premises the lessor leases to  
licensed authorized organizations for the conduct of bingo.

(c) On application and payment of required fees, the  
commission shall issue a video gaming retailer license to a person  
described by Subsection (b) unless the person is ineligible to hold  
the license under another provision of this chapter or commission  
rule.

(d) The commission shall establish the following  
classifications of video gaming retailer licenses:

(1) class 1 license for a premises where:

(A) a licensed authorized organization that does  
not lease bingo premises from a licensed commercial lessor conducts  
bingo on the premises under Chapter 2001; or

(B) a licensed commercial lessor who held a Class  
A, B, or C commercial lessor license under Chapter 2001 on January  
1, 2013, leases the premises to one or more licensed authorized

1 organizations that conduct bingo on the premises;

2 (2) class 2 license for a licensed commercial lessor  
3 who held a Class D, E, F, or G commercial lessor license under  
4 Chapter 2001 on January 1, 2013; or

5 (3) class 3 license for a licensed commercial lessor  
6 who held a Class H, I, or J commercial lessor license under Chapter  
7 2001 on January 1, 2013.

8 (e) A video gaming retailer may conduct video gaming at a  
9 premises other than the premises described by Subsection (b) if:

10 (1) the county, justice precinct, or municipality in  
11 which those premises are located holds an election in which the  
12 majority of the voters of the jurisdiction favor prohibiting bingo  
13 games in the jurisdiction; and

14 (2) the other premises are located in a jurisdiction  
15 in which a majority of the voters voting in an election held before  
16 January 1, 2013, voted in favor of legalizing bingo games.

17 Sec. 2001A.102. DISTRIBUTOR OR MANUFACTURER LICENSE  
18 REQUIRED. (a) A person may not sell, lease, distribute, or provide  
19 video gaming equipment or a major component or part of video gaming  
20 equipment or provide technical services to a video gaming retailer  
21 for use in this state unless the person holds a video gaming  
22 distributor license issued under this chapter.

23 (b) A person may not manufacture video gaming equipment or a  
24 major component or part of video gaming equipment for use in this  
25 state or buy, sell, lease, or distribute to a distributor video  
26 gaming equipment or a major component or part of video gaming  
27 equipment for use in this state unless the person holds a video

gaming manufacturer license issued under this chapter.

(c) The commission shall issue a video gaming distributor license or a video gaming manufacturer license, as applicable, to an eligible person who has the resources and experience required to manufacture or provide video gaming equipment or a major component or part of video gaming equipment and technical services to video gaming retailers conducting video gaming under this chapter and who is not ineligible to hold the license under this chapter or commission rule.

(d) A video gaming manufacturer may not directly provide video gaming equipment or a major component or part of video gaming equipment to a video gaming retailer.

Sec. 2001A.103. LICENSE REQUIRED FOR VIDEO GAMING EMPLOYEES, MANAGERS, TECHNICIANS, AND KEY PERSONNEL. (a) To protect the public health and safety and prevent financial loss to this state, the commission by rule shall establish categories and eligibility requirements for employees required to hold a license issued under this chapter to operate in the licensed capacity at a video gaming premises under this chapter. The license holder must maintain eligibility to continue to hold the license. The commission shall require the following persons to be licensed:

(1) key video gaming personnel, including executive personnel critical to the operation of video gaming;

(2) video gaming employees, including gaming floor workers and accounting personnel;

(3) video gaming technicians who install, maintain, and repair video gaming equipment; and

1           (4) video gaming managers who contract with a video  
2 gaming retailer to oversee video gaming operations at premises  
3 authorized to operate video gaming under this chapter.

4           (b) A video gaming distributor that holds a video gaming  
5 manager's license under this section may serve as the manager for a  
6 premises.

7           Sec. 2001A.104. INELIGIBILITY FOR LICENSE. (a) A person is  
8 not eligible to hold a license issued under this chapter if the  
9 person would be ineligible under Section 2001.154, 2001.202, or  
10 2001.207 to hold a license issued under Chapter 2001.

11           (b) The commission shall adopt any rules necessary to  
12 implement this section.

13           Sec. 2001A.105. LICENSE APPLICATION; TERM. (a) An  
14 applicant for a license under this chapter must file with the  
15 commission an application on the form prescribed by the commission.

16           (b) The license application must include:

17               (1) the name and address of the applicant and each  
18 other person who has a greater than 10 percent proprietary,  
19 equitable, or credit interest in or who is in any capacity a real  
20 party in interest in the applicant's business as it pertains to this  
21 chapter;

22               (2) a designation and address of the video gaming  
23 premises or location intended to be covered by the license;

24               (3) a statement that the applicant complies with the  
25 conditions for eligibility for the license; and

26               (4) any other information required by commission rule.

27           (c) A license issued under this chapter expires on the first

1 anniversary of the date of issuance.

2 Sec. 2001A.106. BACKGROUND INVESTIGATIONS. (a) Before  
3 issuing a license to a person under this chapter, the commission  
4 shall conduct a background investigation that includes obtaining  
5 criminal history record information as permitted by law of:

6 (1) an applicant for or holder of a license issued  
7 under this chapter;

8 (2) a person required to be named in a license  
9 application; and

10 (3) an employee or other person who works or will work  
11 for a license holder and is required to hold a license under this  
12 chapter or commission rule.

13 (b) The commission is not required to conduct a background  
14 investigation under Subsection (a) for a person who has undergone  
15 an investigation authorized by Section 2001.3025 that is sufficient  
16 for the person to continue to hold a license under Chapter 2001.

17 Sec. 2001A.107. LICENSE RENEWAL. The commission shall  
18 renew a license issued under this chapter to a license holder who is  
19 not ineligible to hold the license on payment of the license renewal  
20 fee and on the license holder's compliance with any additional  
21 requirements established by commission rule.

22 SUBCHAPTER D. REGULATION OF VIDEO GAMING

23 Sec. 2001A.151. LIMITATION ON NUMBER OF VIDEO GAMING  
24 TERMINALS. A video gaming retailer may operate video gaming  
25 terminals at a premises as follows:

26 (1) a person who holds a class 1 video gaming retailer  
27 license may operate not more than 30 video gaming terminals at the



1 premises;

2 (2) a person who holds a class 2 video gaming retailer  
3 license may operate not more than 60 video gaming terminals at the  
4 premises; and

5 (3) a person who holds a class 3 video gaming retailer  
6 license may operate not more than 120 video gaming terminals at the  
7 premises.

8 Sec. 2001A.152. EMPLOYEES. An employee who works in a video  
9 gaming premises must be at least 18 years of age.

10 Sec. 2001A.153. CREDIT PROHIBITED. (a) A video gaming  
11 retailer may not knowingly accept as payment for play of a video  
12 gaming game any type of consideration borrowed from a person  
13 licensed under this chapter or obtained through a credit card  
14 transaction or similar credit transaction.

15 (b) This section does not prohibit a video gaming retailer  
16 from:

17 (1) offering for play a video gaming game on a video  
18 gaming terminal that tallies game credits; or

19 (2) accepting a player account card for play of a video  
20 gaming game.

21 Sec. 2001A.154. VIDEO GAMING SYSTEM; INDEPENDENT  
22 LABORATORY TESTING. (a) The commission by rule shall establish  
23 standards and specifications for video gaming systems, network  
24 operating centers, and site controllers in this state as necessary  
25 to protect the public health and safety and to prevent financial  
26 loss to this state. The standards must require a video gaming  
27 manufacturer's video gaming system to:

1           (1) meet the industry security standards adopted by  
2 commission rule; and

3           (2) be certified as meeting the standard adopted under  
4 Subdivision (1) by an independent testing laboratory approved by  
5 the commission.

6           (b) The commission shall monitor and direct any disabling of  
7 video gaming systems or video gaming terminals in this state.

8           (c) The commission may contract with or otherwise authorize  
9 a video gaming manufacturer or other person to provide monitoring  
10 and reporting information required under this chapter.

11           (d) A video gaming retailer may operate video gaming  
12 terminals of more than one manufacturer on the retailer's video  
13 gaming premises.

14           Sec. 2001A.155. NETWORK OPERATING CENTER REQUIREMENTS. (a)  
15 Each video gaming manufacturer that has any of the manufacturer's  
16 video gaming terminals in operation at the video gaming premises of  
17 a video gaming retailer in this state shall provide at the  
18 manufacturer's expense at least one network operating center for  
19 the manufacturer's terminals at the commission's office or another  
20 location authorized by the commission. The manufacturer is not  
21 required to have a separate network operating center for each video  
22 gaming premises at which the manufacturer has video gaming  
23 terminals in operation.

24           (b) The manufacturer shall allow the commission complete  
25 access to the manufacturer's network operating center at all times.

26           (c) Each network operating center must provide monitoring,  
27 auditing, reporting, and command and control capabilities for each

video gaming terminal connected to the center, regardless of the location of the terminal in this state.

Sec. 2001A.156. SITE CONTROLLER REQUIREMENTS. (a) The video gaming distributor shall provide at each video gaming premises where the distributor's video gaming terminals are in operation a site controller to network the distributor's terminals at the premises and to communicate with the video gaming manufacturer's network operating center.

(b) The commission by rule may authorize a video gaming distributor that has in operation at any premises less than the number of video gaming terminals established by commission rule to connect the terminals at the premises directly to the manufacturer's network operating center without the use of a site controller.

(c) A site controller may be used to:

(1) create, shuffle, store, and configure video gaming games;

(2) distribute video gaming games to video gaming terminals;

(3) account for electronic credits purchased, played, or won playing a video gaming game, including through the use of a player account card;

(4) exchange credits described by Subdivision (3) for additional video gaming games; or

(5) allow the play of video gaming authorized by this chapter.

(d) A site controller must:

1           (1) at a minimum monitor, track, account for, and  
2 retain data on:

3                   (A) all transactions that occur on the  
4 controller;

5                   (B) amounts paid to play video gaming games;

6                   (C) the amount of consideration paid for play on  
7 each video gaming terminal;

8                   (D) the amount paid out in prizes;

9                   (E) the number of video gaming games played;

10                   (F) for video gaming games that use tickets, an  
11 inventory of current, out-of-stock, and excess game tickets and the  
12 name of the game, serial number of the terminal, time stamp, and  
13 terminal location when a player wins the video gaming game;

14                   (G) out-of-service time periods for any video  
15 gaming equipment;

16                   (H) the time of entry and exit when any  
17 compartment of the terminal is accessed, including main door  
18 access, cash box access, and logic compartment access;

19                   (I) software signature failures and unauthorized  
20 communications with a manufacturer's network operating center,  
21 site controller, or terminal;

22                   (J) payment vouchers dispensed and game payout  
23 percentage; and

24                   (K) any outage of a communications system between  
25 a network operating center and site controller;

26           (2) cease operation when a main or cash door is opened;

27           (3) produce reports for the commission as required by

1 the commission;

2 (4) prevent an unauthorized person from accessing data  
3 or downloading games to the location level; and

4 (5) provide a physical and electronic method, through  
5 the use of a password or other method specified by commission rule,  
6 to secure:

7 (A) video gaming games created, shuffled,  
8 stored, and configured by the site controller; and

9 (B) accounting system data.

10 (e) This section does not require the use of a site  
11 controller for the play of a video gaming game and does not prohibit  
12 the use of other methods to create, shuffle, store, configure, or  
13 distribute video gaming games.

14 (f) The commission may not require a preapproved site  
15 controller to be retested on the basis that the site controller is  
16 used by a video gaming retailer to create or distribute video gaming  
17 games.

18 Sec. 2001A.157. CENTRAL MONITORING AND CONTROL. (a)  
19 Notwithstanding any other provision of this chapter, the commission  
20 may develop and implement a secure, web-based central reporting  
21 system to gather data from a video gaming manufacturer's video  
22 gaming systems. The cost of the reporting system shall be divided  
23 proportionately between the manufacturers providing video gaming  
24 equipment in this state.

25 (b) The central system may not limit or preclude potential  
26 video gaming manufacturers or distributors from providing  
27 state-of-the-art industry standard video gaming terminals and

video gaming equipment, such as player tracking systems, accounting systems, progressive systems, and bonus systems.

Sec. 2001A.158. VIDEO GAMING TERMINAL SPECIFICATIONS. (a) The commission shall adopt rules for approval of video gaming terminals, including requirements for video gaming games.

(b) A commission-approved video gaming terminal must meet the following minimum specifications:

(1) the terminal must:

(A) operate through a player's insertion of a chip, ticket, voucher, token, or player account card or another instrument of value that may only be used to purchase a play of a video gaming game into the video gaming terminal that causes the video gaming terminal to display credits that entitle the player to select one or more symbols or numbers or causes the video gaming terminal to select symbols or numbers;

(B) allow the player to win additional game play credits, chips, tickets, or tokens based on game rules that establish the selection of winning combinations of symbols or numbers and the number of free play credits or tokens to be awarded for each winning combination;

(C) account for credits purchased, played, or won playing a video gaming game; and

(D) allow the player at any time to clear all game play credits and receive a video gaming ticket or other representation of credits entitling the player to receive the cash value of those credits;

(2) a surge protector must be installed on the

1 electrical power supply line to each video gaming terminal, a  
2 battery or equivalent power backup for the electronic meters must  
3 be capable of maintaining the accuracy of all accounting records  
4 and video gaming terminal status reports for a period of 180 days  
5 after power is disconnected from the video gaming terminal, and the  
6 power backup device must be in the compartment specified in  
7 Subdivision (4);

8         (3) the operation of each video gaming terminal may  
9 not be adversely affected by any static discharge or other  
10 electromagnetic interference;

11         (4) the main logic boards of all electronic storage  
12 mediums must be located in a separate compartment in or from the  
13 video gaming terminal that is locked and sealed in accordance with  
14 commission rule;

15         (5) the instructions for play of each game must be  
16 displayed on the video gaming terminal face or screen, including a  
17 display detailing the credits awarded for the occurrence of each  
18 possible winning combination of numbers or symbols;

19         (6) communication equipment and devices must be  
20 installed to enable each video gaming terminal to communicate with  
21 the site controller or network operating center through the use of a  
22 communications protocol provided by each video gaming manufacturer  
23 and each video gaming distributor, which must include information  
24 retrieval and programs to activate and disable the terminal;

25         (7) a video gaming terminal may be operated only if  
26 connected to a site controller or network operating center unless  
27 otherwise authorized by this chapter or commission rule, and play

1 on the terminal may not be conducted unless the terminal is  
2 connected to the site controller or network operating center; and

3 (8) a video gaming game may not be purchased with and a  
4 video gaming terminal may not be operated through the insertion of  
5 money or negotiable currency.

6 (c) Nothing in this chapter prohibits a video gaming  
7 terminal from generating or creating graphics and animation to  
8 correspond to, display, or represent, in an entertaining manner,  
9 the outcome of a video gaming game.

10 Sec. 2001A.159. VIDEO GAMING TERMINAL: TESTING; REPORT.

11 (a) A video gaming manufacturer shall submit two copies of terminal  
12 illustrations, schematics, block diagrams, circuit analysis,  
13 technical and operation manuals, and any other information  
14 requested by the commission for the purpose of analyzing the video  
15 gaming terminal or other video gaming equipment.

16 (b) The commission may require a working model of a video  
17 gaming terminal to be provided to the commission for testing unless  
18 the video gaming manufacturer provides a certification from a  
19 commission-approved independent testing laboratory that the video  
20 gaming terminal meets the requirements of this chapter and  
21 commission rule.

22 (c) The commission may not require a preapproved video  
23 gaming terminal to be retested on the basis that the terminal  
24 creates graphics and animation.

25 Sec. 2001A.160. VIDEO GAMING TERMINAL REMOVAL. (a) If any  
26 video gaming terminal that has not been approved by the commission  
27 is distributed by a video gaming distributor or operated by a video



1 gaming retailer or if an approved video gaming terminal  
2 malfunctions, the commission shall require the terminal to be  
3 removed from use and play.

4 (b) The commission may order that an unapproved video gaming  
5 terminal be seized and destroyed.

6 (c) The commission may suspend or revoke the license of a  
7 video gaming retailer or of a video gaming distributor for the  
8 distribution, possession, or operation of an unauthorized video  
9 gaming terminal.

10 (d) A video gaming retailer may retain on the premises of a  
11 video gaming establishment a number of video gaming terminals that  
12 the retailer determines is necessary for spare parts or repair  
13 purposes or as replacements. The retailer must provide to the  
14 commission each month a list of the terminals retained under this  
15 subsection.

16 Sec. 2001A.161. PRACTICE BY VIDEO GAMING RETAILER. (a) A  
17 video gaming retailer must:

18 (1) comply with state alcoholic beverage control laws;  
19 (2) at all times maintain sufficient tokens, chips,  
20 tickets, or other representations of value accepted by video gaming  
21 terminals;

22 (3) promptly report all video gaming terminal  
23 malfunctions and downtime;

24 (4) prohibit illegal gambling and any related  
25 paraphernalia;

26 (5) except as otherwise provided by this chapter, at  
27 all times prohibit money lending or other extensions of credit at

1 the video gaming premises;

2 (6) supervise employees and activities to ensure  
3 compliance with all commission rules and this chapter; and

4 (7) maintain an entry log for each video gaming  
5 terminal on the premises and maintain and submit complete records  
6 on receipt of each video gaming terminal on the premises as  
7 determined by the commission.

8 (b) A video gaming retailer must use secure bill acceptors  
9 that detect and reject counterfeit money.

10 (c) A video gaming manufacturer must ensure the  
11 communication method used to transmit data from the video gaming  
12 terminals or site controller to the network operating center is  
13 secure by using cellular, DSL, cable, or Internet encryption that  
14 is secure or another method approved by the commission.

15 Sec. 2001A.162. RESPONSIBILITY FOR VIDEO GAMING  
16 OPERATIONS. (a) A video gaming retailer is responsible for the  
17 management of video gaming game operations, including:

18 (1) the validation and payment of prizes,  
19 determination of game themes, prizes, bonuses, progressives,  
20 number and placement of video gaming terminals, and individual  
21 payout percentage settings; and

22 (2) the management of cashiers, food and beverage  
23 workers, floor workers, security personnel, the security system,  
24 building completion, janitorial services, landscape design, and  
25 maintenance.

26 (b) Nothing in Subsection (a) limits the authority of the  
27 commission, the Department of Public Safety, or another law

enforcement agency to administer and enforce this chapter as related to video gaming.

(c) In addition to other requirements under this chapter relating to video gaming, a video gaming retailer at all times shall:

(1) operate only video gaming terminals that are distributed by a video gaming distributor and provide a secure location for the placement, operation, and play of the video gaming terminals;

(2) prevent any person from tampering with or interfering with the operation of a video gaming terminal;

(3) ensure that communication technology from the network operating center to the site controller and video gaming terminals is connected at all times and prevent any person from tampering or interfering with the operation of the connection;

(4) ensure that video gaming terminals are in the sight and control of designated employees of the video gaming retailer;

(5) monitor video gaming terminals to prevent access to or play by persons who are younger than 21 years of age or who are visibly intoxicated;

(6) pay all credits won by a player on presentment of a valid winning video gaming game ticket;

(7) install, post, and display prominently at the licensed location redemption information and other informational or promotional materials as required by the commission;

(8) maintain general liability insurance coverage for

the video gaming terminal establishment and all video gaming terminals in the amounts required by the commission;

(9) assume liability for money lost or stolen from any video gaming terminal; and

(10) annually submit an audited financial statement to the commission in accordance with generally accepted accounting principles.

Sec. 2001A.163. TECHNICAL STANDARDS FOR VIDEO GAMING EQUIPMENT. The commission by rule shall establish minimum technical standards for video gaming equipment that may be operated in this state.

Sec. 2001A.164. INCIDENT REPORTS. (a) A video gaming retailer shall record in accordance with commission rules all unusual occurrences related to gaming activity on the video gaming premises operated by the retailer.

(b) A video gaming retailer shall assign each incident, without regard to materiality, a sequential number and, at a minimum, provide the following information in a permanent record prepared in accordance with commission rules to ensure the integrity of the record:

(1) the number assigned to the incident;

(2) the date and time of the incident;

(3) the nature of the incident;

(4) each person involved in the incident; and

(5) the name of the employee or other agent of the video gaming retailer who investigated the incident.

Sec. 2001A.165. COMMISSION APPROVAL REQUIRED FOR

1 PROCEDURES AND ACCOUNTING CONTROLS. (a) The commission's approval  
2 is required for all internal procedures and accounting controls of  
3 a video gaming retailer.

4 (b) The commission by rule shall establish general  
5 accounting and auditing requirements and internal control  
6 standards for video gaming retailers.

7 Sec. 2001A.166. EMPLOYEE REGISTRY. (a) The commission  
8 shall maintain a registry of individuals on whom the commission has  
9 conducted a criminal history background check and who are approved  
10 to be involved in the conduct of video gaming. An individual listed  
11 in the registry may be involved in the conduct of video gaming at  
12 any location at which video gaming is authorized. The commission  
13 shall maintain the registry in the same manner as the commission  
14 maintains the registry of approved bingo employees under Section  
15 2001.313.

16 (b) The commission may prohibit an employee from performing  
17 any act relating to video gaming terminals if the commission finds  
18 that the employee has:

19 (1) committed, attempted, or conspired to commit any  
20 act prohibited by this chapter;

21 (2) concealed or refused to disclose any material fact  
22 in any commission investigation;

23 (3) committed, attempted, or conspired to commit  
24 larceny or embezzlement;

25 (4) been convicted in any jurisdiction of an offense  
26 involving or relating to gambling;

27 (5) accepted employment in a position for which

1 commission approval is required after commission approval was  
2 denied for a reason involving personal unsuitability or after  
3 failing to apply for a license or approval on commission request;

4 (6) been prohibited under color of governmental  
5 authority from being present on the premises of any gaming  
6 establishment or any establishment where pari-mutuel wagering is  
7 conducted for any reason relating to improper gambling activity or  
8 for any illegal act;

9 (7) wilfully defied any legislative investigative  
10 committee or other officially constituted body acting on behalf of  
11 the United States or any state, county, or municipality that sought  
12 to investigate alleged or potential crimes relating to gaming,  
13 corruption of public officials, or any organized criminal  
14 activities; or

15 (8) been convicted of any felony or any crime  
16 involving moral turpitude.

17 (c) The commission may prohibit an employee from performing  
18 any act relating to video gaming terminals based on a revocation or  
19 suspension of any gaming or wagering license or other affirmative  
20 regulatory approval or for any other reason the commission finds  
21 appropriate, including a refusal by a regulatory authority to issue  
22 a license or other affirmative regulatory approval for the employee  
23 to engage in or be involved with the lottery or with regulated  
24 gaming or pari-mutuel wagering in any jurisdiction.

25 (d) In this section, "employee" includes any person  
26 connected directly with or compensated by a license applicant or  
27 the holder of a license under this chapter as an agent, personal

1 representative, consultant, or independent contractor for  
2 activities directly related to video gaming operations in this  
3 state.

4 Sec. 2001A.167. REPORT OF VIOLATIONS. A person who holds a  
5 license under this chapter shall immediately report to the  
6 commission a violation or suspected violation of this chapter or a  
7 rule adopted under this chapter by any license holder, an employee  
8 of the holder, or any person on the retailer's video gaming  
9 premises.

10 Sec. 2001A.168. SECURITY. (a) A video gaming retailer  
11 shall comply with the following security procedures:

12 (1) except for a video gaming retailer whose gross  
13 gaming income is less than the minimum amount specified by  
14 commission rule, all video gaming terminals must be continuously  
15 monitored through the use of a closed-circuit television system  
16 that records activity for a continuous 24-hour period and all  
17 videotapes or other media used to store video images shall be  
18 retained for at least 30 days and made available to the commission  
19 on request;

20 (2) the video gaming retailer must provide to the  
21 commission a security plan for the retailer's video gaming  
22 operations that includes a floor plan of the area where video gaming  
23 terminals are to be operated showing video gaming terminal  
24 locations and security camera mount locations; and

25 (3) each license holder shall employ at least the  
26 minimum number of private security personnel the commission  
27 determines is necessary to provide for safe and approved operation

1 of the video gaming premises and the safety and well-being of the  
2 players.

3 (b) Private security personnel must be present during all  
4 hours of video gaming operations at each retailer's video gaming  
5 premises.

6 (c) An agent or employee of the commission or the Department  
7 of Public Safety or other law enforcement personnel may be present  
8 at a retailer's video gaming premises at any time.

9 (d) The commission may adopt rules to impose additional  
10 surveillance and security requirements related to video gaming  
11 premises and the operation of video gaming terminals.

12 Sec. 2001A.169. COMMISSION RIGHT TO ENTER. The commission  
13 or the commission's representative, after displaying appropriate  
14 identification and credentials, has the free and unrestricted right  
15 to enter the premises involved in operation or support of video  
16 gaming of a person licensed under this chapter and to enter any  
17 other locations involved in operation or support of video gaming at  
18 all times to examine the systems and to inspect and copy the records  
19 of the person pertaining to the operation of video gaming.

20 Sec. 2001A.170. INDEPENDENT LABORATORY TESTING. (a) The  
21 commission may not approve an independent testing laboratory to  
22 certify a video gaming system under Section 2001A.154 or a video  
23 gaming terminal under Section 2001A.159 if the laboratory is owned  
24 or controlled by a person licensed under this chapter.

25 (b) This section does not prohibit an applicant or license  
26 holder from paying an independent testing laboratory for testing  
27 that is requested.



SUBCHAPTER E. REVENUE

Sec. 2001A.201. DISTRIBUTION OF VIDEO GAMING REVENUE. (a)

At the times and in the manner prescribed by commission rule, a video gaming retailer shall:

(1) remit to the commission 20 percent of the gross gaming income derived from video gaming games operated by the video gaming retailer; and

(2) distribute 10 percent of the gross gaming income derived from the video gaming games operated by the video gaming retailer to:

(A) the licensed authorized organization that conducts bingo on the premises; or

(B) if more than one licensed authorized organization is conducting bingo on the premises, the organizations in equal amounts.

(b) The remainder of the gross gaming income may be retained by the video gaming retailer.

(c) Except for a video gaming retailer whose gross gaming income is less than the minimum amount specified by commission rule, the commission shall require a video gaming retailer to establish a separate electronic funds transfer account for depositing money from video gaming operations and making payments to the commission.

(d) The commission by rule shall establish the procedures for:

(1) depositing money from video gaming terminal operations into electronic funds transfer accounts; and

1           (2) handling money from video gaming terminal  
2 operations.

3           (e) Unless otherwise directed by the commission, a video  
4 gaming retailer shall maintain in its account this state's share of  
5 the gross gaming income, to be electronically transferred on dates  
6 established by the commission. On a retailer's failure to maintain  
7 this balance, the commission may direct the disabling of all of a  
8 retailer's video gaming terminals until full payment of all amounts  
9 due is made. Interest shall accrue on any unpaid balance at a rate  
10 consistent with the amount charged under Section 111.060, Tax Code.  
11 The interest shall begin to accrue on the date payment is due to the  
12 commission.

13           (f) In the commission's sole discretion, rather than  
14 directing the disabling of a video gaming retailer's video gaming  
15 terminals under Subsection (e), the commission may elect to impose  
16 an administrative penalty on a retailer in an amount determined by  
17 the commission not to exceed \$5,000 for each violation of that  
18 subsection. If the retailer fails to remedy the violation,  
19 including payment of any amounts assessed by or due to this state,  
20 on or before the 30th day after the date the retailer is notified of  
21 the violation, the commission may direct the disabling of the  
22 retailer's video gaming terminals or use any other means for  
23 collection as provided by the penalty chart established by the  
24 commission.

25           (g) A video gaming retailer is solely responsible for  
26 resolving any income discrepancies between actual money collected  
27 and the gross gaming income reported by the network operating

center or central reporting system established by the commission.  
Unless an accounting discrepancy is resolved in favor of the video  
gaming retailer, the commission may not make any credit  
adjustments. Any accounting discrepancies which cannot otherwise  
be resolved shall be resolved in favor of the commission.

(h) A video gaming retailer shall remit payment as directed  
by the commission if the electronic transfer of money is not  
operational or the commission notifies the retailer that other  
remittance is required. The retailer shall report this state's  
share of gross gaming income and remit the amount generated from the  
terminals during the reporting period.

(i) A licensed authorized organization may only use the  
money distributed to the organization under Subsection (a)(2) for  
the charitable purposes of the organization that are authorized  
under Chapter 2001.

Sec. 2001A.202. COMMISSION EXAMINATION OF FINANCIAL  
RECORDS. The commission may examine all accounts, bank accounts,  
financial statements, and records in the possession or control of a  
person licensed under this chapter or in which the license holder  
has an interest. The license holder must authorize and direct all  
third parties in possession or control of the accounts or records to  
allow examination of any of those accounts or records by the  
commission.

Sec. 2001A.203. FINANCIAL INFORMATION REQUIRED. (a) A  
video gaming retailer shall furnish to the commission all  
information and bank authorizations required to facilitate the  
timely transfer of money to the commission.

1       (b) A video gaming retailer must provide the commission  
2 advance notice of any proposed account changes in information and  
3 bank authorizations to assure the uninterrupted electronic  
4 transfer of money.

5       (c) The commission is not responsible for any interruption  
6 or delays in the transfer of money. The video gaming retailer is  
7 responsible for any interruption or delay in the transfer of money.

8       Sec. 2001A.204. STATE VIDEO GAMING ACCOUNT. (a) The state  
9 video gaming account is a special account in the general revenue  
10 fund. The account consists of all revenue received by the  
11 commission from video gaming, fees received under this chapter, and  
12 all money credited to the account from any other fund or source  
13 under law.

14       (b) Money in the state video gaming account may be used to  
15 pay the costs incurred by the commission in the operation and  
16 administration of video gaming. The remainder of the account shall  
17 be deposited to the credit of the general revenue fund.

18                   SUBCHAPTER F. OFFENSES; PENALTIES

19       Sec. 2001A.251. MANIPULATION OR TAMPERING. (a) A person  
20 commits an offense if the person intentionally or knowingly:

21               (1) manipulates the outcome of a video gaming game or  
22 the amount of a video gaming prize; or

23               (2) tampers with, damages, defaces, renders  
24 inoperable, or manipulates the operation of a video gaming terminal  
25 or other device by physical, electronic, or other means, other than  
26 in accordance with commission rules.

27       (b) An offense under this section is a felony of the third

1 degree.

2 Sec. 2001A.252. VIDEO GAMING BY INDIVIDUAL YOUNGER THAN 21  
3 YEARS OF AGE. (a) A person commits an offense if the person  
4 intentionally or knowingly:

5 (1) sells or offers to sell a play of a video gaming  
6 game to an individual the person knows is younger than 21 years of  
7 age or permits the individual to purchase a play of a video gaming  
8 game; or

9 (2) pays money or issues a credit slip or other  
10 winnings for a play of a video gaming game to an individual the  
11 person knows is younger than 21 years of age.

12 (b) An individual who is younger than 21 years of age  
13 commits an offense if the individual:

14 (1) purchases a play of a video gaming game; or

15 (2) falsely represents the individual to be 21 years  
16 of age or older by displaying evidence of age that is false or  
17 fraudulent or misrepresents in any way the individual's age in  
18 order to purchase a play of a video gaming game.

19 (c) An offense under Subsection (a) is a Class B  
20 misdemeanor.

21 (d) An offense under Subsection (b) is a misdemeanor  
22 punishable by a fine not to exceed \$250.

23 (e) It is a defense to the application of Subsection (b)  
24 that the individual younger than 21 years of age is participating in  
25 an inspection or investigation on behalf of the commission or other  
26 appropriate governmental entity regarding compliance with this  
27 section.

1       Sec. 2001A.253. UNAUTHORIZED OPERATION, USE, OR POSSESSION  
2 OF VIDEO GAMING TERMINAL. (a) A person may not operate, use, or  
3 possess a video gaming terminal unless the operation, use, or  
4 possession is expressly authorized by this chapter or other law.

5       (b) Except for transport to or from licensed video gaming  
6 premises and as provided by this chapter or other law, a person  
7 commits an offense if the person operates, uses, or possesses any  
8 video gaming terminal that is not connected to a site controller or  
9 network operating center as required by this chapter or commission  
10 rule. An offense under this subsection is a felony of the third  
11 degree.

12       (c) It is an exception to the application of Subsection (b)  
13 that the commission possesses video gaming terminals for study and  
14 evaluation or that a video gaming retailer, video gaming  
15 distributor, or video gaming manufacturer stores or possesses a  
16 video gaming terminal as authorized by the commission.

17       Sec. 2001A.254. OTHER OFFENSES; REVOCATION OF LICENSE. (a)  
18 A person commits an offense and the person's license is subject to  
19 revocation under this chapter if the person knowingly:

20               (1) makes a false statement or material omission in an  
21 application for a license under this chapter;

22               (2) fails to maintain records that fully and  
23 accurately record each transaction connected with the video gaming  
24 operations, the leasing of premises to be used for video gaming, or  
25 the manufacture, sale, or distribution of video gaming equipment;

26               (3) falsifies or makes a false entry in a book or  
27 record if the entry relates to video gaming, the disposition of

1 video gaming proceeds, or the gross receipts from the manufacture,  
2 sale, or distribution of video gaming equipment;

3 (4) diverts or pays a portion of the gross gaming  
4 income to a person except in furtherance of one or more of the  
5 lawful purposes provided by this chapter; or

6 (5) violates this chapter or a term of a license issued  
7 under this chapter.

8 (b) An offense under Subsection (a)(2), (3), or (5) is a  
9 Class A misdemeanor, unless it is shown on the trial of the offense  
10 that the person has been convicted previously under this section,  
11 in which event the offense is a state jail felony. An offense under  
12 Subsection (a)(1) or (4) is a Class A misdemeanor.

13 (c) A person whose license is revoked under this section may  
14 not apply for another license under this chapter before the first  
15 anniversary of the date of revocation.

16 Sec. 2001A.255. DISCIPLINARY ACTION. (a) The commission  
17 may refuse to issue a license, may revoke, suspend, or refuse to  
18 renew a license, or may reprimand a license holder for a violation  
19 of this chapter, other state law, or commission rule.

20 (b) If the commission proposes to take action against a  
21 license holder or applicant under Subsection (a), the license  
22 holder or applicant is entitled to notice and a hearing.

23 (c) The commission may place on license probation subject to  
24 reasonable conditions a person whose license is suspended under  
25 this section.

26 (d) The commission by rule shall develop a system for  
27 monitoring a license holder's compliance with this chapter.

1       Sec. 2001A.256. EFFECT OF DENIAL OF LICENSE. (a) A person  
2 whose application for a license has been denied may not have any  
3 interest in or association with a video gaming retailer or any other  
4 business conducted in connection with video gaming without prior  
5 approval of the commission.

6       (b) Any contract between a person holding a license and a  
7 person denied a license must be terminated immediately on receipt  
8 of notice from the commission. If the person denied a license has  
9 previously been granted a temporary license, the temporary license  
10 expires immediately on denial of the permanent license.

11       (c) Except as otherwise authorized by the commission, a  
12 person denied a license may not reapply for any license before the  
13 second anniversary of the date of the denial.

14       Sec. 2001A.257. SUMMARY SUSPENSION OF VIDEO GAMING  
15 RETAILER; TERMINAL DISABLED. (a) The commission may summarily  
16 suspend the license of a video gaming retailer without notice or a  
17 hearing if the commission finds the action is necessary to maintain  
18 the integrity, security, honesty, or fairness of the operation or  
19 administration of video gaming or to prevent financial loss to this  
20 state and:

21               (1) the retailer fails to deposit money received from  
22 video gaming terminal operations as required by this chapter or  
23 commission rule;

24               (2) an event occurs that would render the retailer  
25 ineligible for a license under this subchapter;

26               (3) the retailer refuses to allow the commission, the  
27 commission's agents, or the state auditor, or their designees, to



1 examine the retailer's books, records, papers, or other objects as  
2 required under this chapter or commission rule; or

3 (4) the director learns the retailer failed to  
4 disclose information that would, if disclosed, render the retailer  
5 ineligible for a license under this chapter.

6 (b) A summary suspension under this section must comply with  
7 the notice and procedure requirements provided by Section 466.160,  
8 Government Code.

9 (c) The commission may direct the disabling of a video  
10 gaming terminal operated by a video gaming retailer under this  
11 chapter at the time:

12 (1) a proceeding to summarily suspend the retailer's  
13 license is initiated;

14 (2) the commission discovers the retailer failed to  
15 deposit money received from video gaming terminal operations as  
16 required if the license is being summarily suspended under this  
17 section; or

18 (3) an act or omission occurs that, under commission  
19 rule, justifies the termination of video gaming operations to:

20 (A) protect the integrity of the video gaming or  
21 the public health, welfare, or safety; or

22 (B) prevent financial loss to this state.

23 (d) The commission shall immediately direct the disabling  
24 of a video gaming terminal if necessary to protect the public  
25 health, welfare, or safety.

26 Sec. 2001A.258. INSPECTION OF PREMISES. The commission,  
27 its officers or agents, or a state, municipal, or county peace

officer may enter and inspect the contents of premises where:

(1) video gaming is being conducted or is intended to be conducted; or

(2) video gaming equipment is found.

Sec. 2001A.259. INJUNCTION. (a) If the commission has reason to believe that this chapter has been or is about to be violated, the commission may petition a court for injunctive relief to restrain the violation.

(b) Venue for an action seeking injunctive relief is in a district court in Travis County.

(c) If the court finds that this chapter has been violated or is about to be violated, the court shall issue a temporary restraining order and, after due notice and hearing, a temporary injunction, and after a final trial, a permanent injunction to restrain the violation.

(d) If the court finds that this chapter has been knowingly violated, the court shall order all proceeds from the illegal video gaming to be forfeited to the commission as a civil penalty.

Sec. 2001A.260. ADMINISTRATIVE PENALTY. (a) The commission may impose an administrative penalty against a person who violates this chapter or a rule or order adopted by the commission under this chapter in the same manner as the commission imposes an administrative penalty under Subchapter M, Chapter 2001.

(b) Except as otherwise provided by this chapter, the amount of the administrative penalty may not exceed \$1,000 for each violation. Each day a violation continues or occurs may be considered a separate violation for purposes of imposing a penalty.

1        (c) In determining the amount of the penalty, the director  
2 shall consider:

3            (1) the seriousness of the violation, including the  
4 nature, circumstances, extent, and gravity of the violation;

5            (2) the history of previous violations;

6            (3) the amount necessary to deter future violations;

7            (4) efforts to correct the violation; and

8            (5) any other matter that justice may require.

9        (d) The notice, hearing, and appeal for an administrative  
10 penalty assessed under this section shall be provided or conducted  
11 in the same manner as notice, hearing, and appeals are provided or  
12 conducted under Subchapter M, Chapter 2001, specifically Sections  
13 2001.603 through 2001.610.

14        Sec. 2001A.261. CIVIL PENALTY. (a) A person who violates  
15 this chapter or a rule adopted by the commission under this chapter  
16 is liable to this state for a civil penalty not to exceed \$5,000 for  
17 each day of violation.

18        (b) At the request of the commission, the attorney general  
19 shall bring an action to recover a civil penalty authorized by this  
20 section. The attorney general may recover reasonable expenses,  
21 including attorney's fees, incurred in recovering the civil  
22 penalty.

23        Sec. 2001A.262. REMEDIES NOT EXCLUSIVE. The commission may  
24 suspend or revoke a license under this subchapter, impose an  
25 administrative or civil penalty under this subchapter, or both,  
26 depending on the severity of the violation.

SUBCHAPTER G. RESPONSIBLE GAMING

Sec. 2001A.301. DEFINITIONS. In this subchapter:

(1) "Fully executed gaming transaction" means an activity involving a video gaming terminal or video gaming equipment that occurs on the gaming floor of a video gaming premises and that results in an individual obtaining any money or thing of value from, or being owed any money or thing of value by, a video gaming retailer.

(2) "Gaming activity" means an activity involving or related to the play of video gaming terminals, including player club memberships or promotional activities.

(3) "Self-excluded person" means a person whose name and identifying information is included, at the person's own request, on the self-exclusion list.

(4) "Self-exclusion list" means a list maintained by the commission of names and identifying information of persons who, under this subchapter, have voluntarily agreed to be excluded from a video gaming premises and all gaming activities at a video gaming premises and to be prohibited from collecting any winnings, recovering any losses, or accepting complimentary gifts or services or any other thing of value at a video gaming premises.

(5) "Winnings" means any money or thing of value received from or owed by a video gaming retailer as a result of a fully executed gaming transaction.

Sec. 2001A.302. UNDERAGE PERSONS EXCLUDED. (a) An individual younger than 18 years of age may not enter or be on the gaming floor of a video gaming premises.

1        (b) An individual younger than 21 years of age may not:

2                (1) whether personally or through an agent, operate,  
3 use, play, or place a wager on a video gaming game at a video gaming  
4 premises;

5                (2) receive check cashing privileges, be rated as a  
6 player, or receive any complimentary service, item, or discount as  
7 a result of, or in anticipation of, video gaming activity; or

8                (3) in any manner or in any proceeding, whether  
9 personally or through an agent, collect winnings or recover losses  
10 arising as a result of any video gaming activity.

11        (c) Winnings incurred by an individual younger than 21 years  
12 of age shall be remitted to the commission. For the purposes of  
13 this subsection, winnings issued to, found on or about, or redeemed  
14 by an individual younger than 21 years of age shall be presumed to  
15 constitute winnings subject to remittance to the commission.

16        (d) A person holding a license issued by the commission may  
17 not permit or enable an individual to engage in conduct that  
18 violates Subsection (a), (b), or (c).

19        (e) A video gaming retailer shall establish procedures  
20 designed to prevent violations of this section and shall submit a  
21 copy of the procedures to the commission not later than the 30th day  
22 before the date the retailer begins video gaming operations at the  
23 video gaming premises. The commission shall provide to a video  
24 gaming retailer written notification of any deficiencies in the  
25 plan, and the retailer may submit revisions of the plan to the  
26 commission. The video gaming retailer may not begin video gaming  
27 operations until the commission approves the retailer's

1 procedures. Amendments to these procedures must be submitted to and  
2 approved by the commission before implementation.

3 (f) A video gaming retailer may be subject to administrative  
4 sanctions if a person engages in conduct that violates Subsection  
5 (a), (b), or (c) at its video gaming premises.

6 (g) A video gaming retailer who violates this subchapter may  
7 be held jointly and severally liable for the violation.

8 (h) A video gaming retailer shall post signs that include a  
9 statement substantially similar to the following: "It is unlawful  
10 for any person under 21 years of age to engage in any gaming  
11 activities. Individuals violating this prohibition will be removed  
12 and may be subject to arrest for criminal trespass." The complete  
13 text of the sign shall be submitted to and approved by the  
14 commission as part of the procedures required under this section.  
15 The signs shall be prominently posted within 50 feet of each  
16 entrance and exit of the gaming floor.

17 (i) It is an affirmative defense to administrative  
18 penalties imposed for violations of this section if it is shown by a  
19 preponderance of the evidence that:

20 (1) the video gaming retailer or the retailer's agent  
21 verified the underage person's age using identification supplied by  
22 the person;

23 (2) the identification supplied by the person included  
24 a driver's license or identification card issued by this state,  
25 another state, or an agency of the United States;

26 (3) the driver's license or identification card  
27 included a photograph of the person; and

1           (4) the driver's license or identification card  
2 reasonably appeared on its face to be valid.

3           Sec. 2001A.303. COMMISSION EXCLUSION OR EJECTION FROM VIDEO  
4 GAMING PREMISES; EXCLUSION LIST. (a) The legislature finds that  
5 the exclusion or ejection of certain persons from video gaming  
6 premises is necessary to maintain strict and effective regulation  
7 of video gaming. The commission by rule shall provide for a list of  
8 persons who are to be excluded or ejected from a video gaming  
9 premises. Persons included on the exclusion list shall be  
10 identified by name and physical description. The commission shall  
11 publish the exclusion list on its Internet website, and shall  
12 transmit a copy of the exclusion list periodically to video gaming  
13 retailers, as the list is initially issued and as it is revised. A  
14 video gaming retailer shall take steps necessary to ensure that all  
15 its key video gaming personnel and video gaming employees are aware  
16 of and understand the exclusion list and its function, and that all  
17 its key video gaming personnel and video gaming employees are kept  
18 aware of the content of the exclusion list.

19           (b) The exclusion list may include any person whose presence  
20 at a video gaming premises the commission determines poses a threat  
21 to the interests of this state, to achieving the intents and  
22 purposes of this chapter, or to the strict and effective regulation  
23 of video gaming. In determining whether to include a person on the  
24 exclusion list, the commission may consider:

25           (1) any prior conviction of the person of:  
26                   (A) a crime that is a felony under the laws of  
27 this state, another state, or the United States;

1                   (B) a crime involving moral turpitude; or

2                   (C) a violation of the gaming laws of this state,  
3 another state, or the United States;

4                   (2) a violation or a conspiracy to violate by the  
5 person of any provision of this chapter, including:

6                   (A) a failure to disclose an interest in a gaming  
7 facility for which the person must obtain a license;

8                   (B) purposeful evasion of taxes or fees; or

9                   (C) a violation of an order of the commission or  
10 of any other governmental agency that warrants exclusion or  
11 ejection of the person from a video gaming premises;

12                   (3) whether the person has pending charges or  
13 indictments for a gaming or gambling crime or a crime related to the  
14 integrity of gaming operations in any state;

15                   (4) whether the person's conduct or reputation is such  
16 that the person's presence at a video gaming premises may call into  
17 question the honesty and integrity of the video gaming operations,  
18 interfere with the orderly conduct of the video gaming operations,  
19 or adversely affect public confidence and trust that video gaming  
20 is free from criminal or corruptive elements;

21                   (5) whether the person is a career or professional  
22 offender whose presence at a video gaming premises would be adverse  
23 to the interest of licensed gaming in this state;

24                   (6) whether the person has a known relationship or  
25 connection with a career or professional offender whose presence at  
26 a video gaming premises would be adverse to the interest of licensed  
27 gaming in this state;



1           (7) whether the commission has suspended the person's  
2 gaming privileges;

3           (8) whether the commission has revoked the person's  
4 licenses related to video gaming;

5           (9) whether the commission determines that the person  
6 poses a threat to the safety of patrons or employees of a video  
7 gaming premises; and

8           (10) whether the person has a history of conduct  
9 involving the disruption of gaming operations at a video gaming  
10 premises.

11       Sec. 2001A.304. NOTIFICATION OF EXCLUSION. (a) The  
12 commission shall notify a person of the commission's intent to  
13 include the person on the exclusion list created under Section  
14 2001A.303. The notice shall be provided by personal service, by  
15 certified mail to the person's last known address, or, if service  
16 cannot be accomplished by personal service or certified mail, by  
17 daily publication for two weeks in a newspaper of general  
18 circulation in the county in which the person's last known address  
19 is located and in a newspaper of general circulation in each county  
20 in which a video gaming premises is located.

21       (b) A person who receives notice of the commission's intent  
22 to include the person on the exclusion list is entitled to an  
23 adjudication hearing under Chapter 2001, Government Code, except as  
24 provided by this section, in which the person may demonstrate why  
25 the person should not be included on the exclusion list. The person  
26 shall request the adjudication hearing not later than the 30th day  
27 after:

1           (1) the date the person receives the notice by  
2 personal service or certified mail; or

3           (2) the date of the last newspaper publication of the  
4 notice.

5           (c) If the adjudication hearing or any appeal under Chapter  
6 2001, Government Code, results in an order that the person should  
7 not be included on the exclusion list, the commission shall:

8           (1) publish a revised exclusion list that does not  
9 include the person; and

10           (2) notify video gaming retailers that the person has  
11 been removed from the exclusion list.

12           (d) A video gaming retailer shall take all steps necessary  
13 to ensure its key video gaming personnel and video gaming employees  
14 are made aware that the person has been removed from the exclusion  
15 list.

16           (e) This section does not apply to the self-exclusion list.

17           Sec. 2001A.305. REQUEST FOR SELF-EXCLUSION. (a) A person  
18 requesting placement on the self-exclusion list shall submit, in  
19 person or as provided by commission rule, a completed written  
20 request to the commission on a form prescribed by the commission.

21           (b) A request for self-exclusion must include the person's:

22           (1) name, including any aliases or nicknames;

23           (2) date of birth;

24           (3) address of current residence;

25           (4) telephone number;

26           (5) social security number, if voluntarily provided in  
27 accordance with any applicable federal law;

1           (6) physical description, including height, weight,  
2 gender, hair color, eye color, and any other physical  
3 characteristic that may assist in the identification of the person;  
4 and

5           (7) any other information required by commission rule.

6           (c) Not later than the 30th day after any change in the  
7 information provided in Subsection (b), the self-excluded person  
8 must update the changed information using a form prescribed by the  
9 commission.

10          (d) A person may request self-exclusion until:

11           (1) the first anniversary of the date the person is  
12 placed on the self-exclusion list;

13           (2) the fifth anniversary of the date the person is  
14 placed on the self-exclusion list; or

15           (3) the person's death.

16          (e) A request for self-exclusion must include a signed  
17 release statement that:

18           (1) acknowledges that the request for self-exclusion  
19 has been made voluntarily;

20           (2) certifies that the information provided in the  
21 request for self-exclusion is true and accurate;

22           (3) acknowledges that the person requesting  
23 self-exclusion is a problem gambler;

24           (4) acknowledges that:

25           (A) a person requesting a lifetime exclusion may  
26 not request removal from the self-exclusion list; and

27           (B) a person requesting a one-year or five-year

exclusion:

(i) will remain on the self-exclusion list until a request for removal is approved; and

(ii) may not request removal from the self-exclusion list until the requested exclusion period ends;

(5) acknowledges that a person on the self-exclusion list who is discovered on the gaming floor or engaging in gaming activities at any video gaming premises is subject to removal and to arrest for criminal trespass; and

(6) releases, indemnifies, holds harmless, and forever discharges this state, the commission, and all video gaming retailers from any claims, damages, losses, expenses, or liability arising out of, by reason of, or relating to the self-excluded person or to any other party for any harm, monetary or otherwise, that may be proximately caused by:

(A) the failure of a video gaming retailer to withhold gaming privileges from or restore gaming privileges to a person who is on the self-exclusion list at the time of the failure; or

(B) a video gaming retailer otherwise permitting or not permitting a self-excluded person to engage in gaming activity at a video gaming premises while on the self-exclusion list.

(f) The exclusion of a person who requests self-exclusion for one year or five years remains in effect unless, after the end of the self-exclusion period, the self-excluded person requests removal from the commission's self-exclusion list as provided by

1 Section 2001A.308. The exclusion terminates on the date the  
2 commission removes the person's name from the self-exclusion list.

3 (g) A person submitting a self-exclusion request must  
4 present a government-issued identification containing the person's  
5 signature and photograph when the person submits the request.

6 (h) The commission may require a person requesting  
7 self-exclusion under this subchapter to have the person's  
8 photograph taken by the commission or an agent of the commission on  
9 the commission's acceptance of the person's request to be on the  
10 list.

11 Sec. 2001A.306. SELF-EXCLUSION LIST; CONFIDENTIALITY. (a)  
12 The commission shall maintain the self-exclusion list and shall  
13 notify by first class mail or direct electronic transmission each  
14 video gaming retailer of any addition to or deletion from the list  
15 not later than the fifth business day after the date the commission  
16 verifies the information received under this subchapter.

17 (b) The notice provided to video gaming retailers by the  
18 commission must include:

19 (1) the person's identifying information specified by  
20 Section 2001A.305(b); and

21 (2) a copy of the person's photograph, if any, taken by  
22 the commission.

23 (c) The notice provided to video gaming retailers by the  
24 commission concerning a person whose name has been removed from the  
25 self-exclusion list must include the name and date of birth of the  
26 person.

27 (d) A video gaming retailer shall maintain a copy of the

self-exclusion list and establish procedures to ensure that the copy of the self-exclusion list is updated and that all appropriate employees and agents of the video gaming retailer are notified of any addition to or deletion from the list not later than the fifth business day after the day notice is mailed or transmitted electronically to the video gaming retailer under Subsection (a).

(e) Information furnished to or obtained by the commission under this subchapter is confidential and may not be disclosed except in accordance with this subchapter.

(f) Except as provided by this subsection, a video gaming retailer or an employee or agent of the retailer may not disclose the name of, or any information about, a person who has requested self-exclusion to anyone other than employees and agents of the video gaming retailer whose duties and functions require access to the information. A video gaming retailer may disclose the identity of a self-excluded person to appropriate employees of other video gaming retailers in this state or affiliated video gaming entities in other jurisdictions for the limited purpose of assisting in the proper administration of responsible gaming programs.

(g) A self-excluded person may not in any manner or in any proceeding collect any winnings or recover any losses arising as a result of any video gaming activity that occurs during the period that the person is on the self-exclusion list.

(h) Winnings incurred by a self-excluded person shall be remitted to the commission. For the purposes of this subsection, winnings issued to, found on or about, or redeemed by a self-excluded person shall be presumed to constitute winnings

1 subject to remittance to the commission.

2 Sec. 2001A.307. DUTIES OF VIDEO GAMING RETAILERS REGARDING  
3 SELF-EXCLUDED PERSONS. (a) A video gaming retailer shall train its  
4 employees and establish procedures designed to:

5 (1) identify a self-excluded person who is present at  
6 the retailer's video gaming premises and, on identification,  
7 immediately notify the following:

8 (A) employees of the retailer whose duties  
9 include the identification and removal of self-excluded persons; or

10 (B) commission agents or a peace officer at the  
11 premises;

12 (2) immediately notify the Department of Public Safety  
13 when a self-excluded person is discovered on the retailer's video  
14 gaming premises or engaging in video gaming activities;

15 (3) refuse wagers from and deny video gaming  
16 privileges to a self-excluded person;

17 (4) deny check cashing privileges, player club  
18 membership, complimentary goods and services, junket  
19 participation, and other similar privileges and benefits to a  
20 self-excluded person;

21 (5) ensure that a self-excluded person does not  
22 receive, either from the retailer or an agent of the retailer,  
23 junket solicitations, targeted mailings, telemarketing promotions,  
24 player club materials, or other promotional materials relating to  
25 video gaming activities at the retailer's video gaming premises;

26 (6) comply with Section 2001A.306(d); and

27 (7) disseminate written materials to patrons

1 explaining the self-exclusion program.

2 (b) A video gaming retailer shall submit a copy of its  
3 procedures and training materials established under Subsection (a)  
4 to the commission for review and approval not later than the 30th  
5 day before the date the retailer begins gaming operations at the  
6 video gaming premises. The commission shall notify the video  
7 gaming retailer in writing of any deficiencies in the procedures  
8 and training materials, and the retailer may submit amendments to  
9 the procedures and training materials to the commission. A video  
10 gaming retailer may not begin video gaming operations until the  
11 commission approves the procedures and training.

12 (c) A video gaming retailer shall submit amendments to the  
13 procedures and training materials required under Subsection (b) to  
14 the commission for review and approval not later than the 30th day  
15 before the intended implementation date of the amendments. The  
16 video gaming retailer may implement the amendments on the intended  
17 implementation date unless the video gaming retailer receives a  
18 notice under Subsection (d) objecting to the amendments.

19 (d) If during the review period prescribed by Subsection (c)  
20 the commission determines that the amendments to the procedures and  
21 training materials will not promote the prevention of gaming by  
22 self-excluded persons or assist in the proper administration of the  
23 self-exclusion program, the commission may, by written notice to  
24 the video gaming retailer, object to the amendments. The objection  
25 must:

26 (1) specify the nature of the objection and, when  
27 possible, an acceptable alternative; and



1           (2) direct that the amendments not be implemented  
2 until approved by the commission.

3           (e) If the commission objects to amendments to the  
4 procedures and training materials under Subsection (d), the video  
5 gaming retailer may submit revised amendments not later than the  
6 30th day after the day the retailer receives the written notice of  
7 objection from the commission. The video gaming retailer may  
8 implement the amendments on the 30th day following the submission  
9 of the revisions unless it receives written notice under Subsection  
10 (d) objecting to the amendments.

11           (f) A video gaming retailer shall post signs at all  
12 entrances to the retailer's video gaming premises indicating that a  
13 person who is on the self-exclusion list will be subject to arrest  
14 for trespassing if the person is on the video gaming premises or  
15 engaging in video gaming activities. The text and font size of the  
16 signs shall be submitted for approval to the commission under the  
17 procedures specified by Subsection (b).

18           (g) The self-exclusion list is confidential, and any  
19 distribution of the list to an unauthorized source constitutes a  
20 violation of this subchapter.

21           (h) A video gaming retailer shall report the discovery of a  
22 self-excluded person on the retailer's video gaming premises or  
23 engaging in gaming activities to the commission within 24 hours of  
24 the discovery.

25           Sec. 2001A.308. REMOVAL FROM SELF-EXCLUSION LIST. (a) A  
26 person who requests self-exclusion for a one-year or five-year  
27 period may, after the end of the self-exclusion period, request

1 removal of the person's name from the self-exclusion list by  
2 submitting a completed request for removal as required by  
3 Subsections (b) and (c). The request must be made in person unless  
4 the commission provides otherwise by rule.

5 (b) A self-excluded person's request for removal from the  
6 self-exclusion list must include:

7 (1) the person's identifying information specified by  
8 Section 2001A.305(b); and

9 (2) the person's signature, indicating acknowledgment  
10 of the following statement:

11 "I certify that the information that I have provided is true  
12 and accurate. I am aware that my signature constitutes a revocation  
13 of my previous request for self-exclusion, and I authorize the  
14 Texas Lottery Commission to permit all video gaming retailers in  
15 this state to reinstate my gaming privileges at video gaming  
16 premises."

17 (c) A person submitting a request for removal from the  
18 self-exclusion list must present a government-issued  
19 identification containing the person's signature and photograph  
20 when the person submits the request. Not earlier than the fifth  
21 business day after the date the request is submitted, the person  
22 submitting the request shall:

23 (1) return to the commission office where the request  
24 was submitted;

25 (2) present a government-issued identification  
26 containing the person's signature and photograph; and

27 (3) sign the request a second time.

1        (d) Not later than the fifth business day after the date the  
2 person requesting removal from the self-exclusion list signs the  
3 request for the second time, the commission shall remove the  
4 person's name from the self-exclusion list and notify each video  
5 gaming retailer of the removal.

6        Sec. 2001A.309. EXCEPTION. A self-excluded person is not  
7 prohibited from being at a video gaming premises if:

8            (1) the individual is carrying out the duties of  
9 employment or incidental activities related to employment;

10          (2) the video gaming retailer's security personnel and  
11 any agent of the commission located at the video gaming premises  
12 have received prior notice;

13          (3) access to the video gaming premises is limited to  
14 the time necessary to complete the individual's assigned duties;  
15 and

16          (4) the self-excluded individual does not otherwise  
17 engage in any gaming activities.

18        SECTION 3. Section 2001.3025, Occupations Code, is amended  
19 to read as follows:

20        Sec. 2001.3025. ACCESS TO CRIMINAL HISTORY RECORD  
21 INFORMATION. (a) The commission is entitled to conduct an  
22 investigation of and is entitled to obtain criminal history record  
23 information maintained by the Department of Public Safety, the  
24 Federal Bureau of Investigation identification division, or  
25 another law enforcement agency to assist in the investigation of:

26            (1) an applicant for or holder of a license issued  
27 under this chapter;

(2) a person required to be named in a license application; or

(3) an employee or other person who works or will work for a license holder and who is required by another provision of this chapter to undergo a criminal background check.

(b) The commission is not required to conduct a criminal background check under Subsection (a) for a person who has undergone an investigation authorized by Section 2001A.106 that is sufficient for the person to continue to hold a license under Chapter 2001A.

SECTION 4. Section 411.108(a-1), Government Code, is amended to read as follows:

(a-1) The Texas Lottery Commission is entitled to obtain from the department criminal history record information maintained by the department that relates to:

(1) a person licensed under Chapter 2001, Occupations Code, or described by Section 2001.3025, Occupations Code; or

(2) a person holding or applying for a license under Chapter 2001A, Occupations Code.

SECTION 5. Section 466.024(b), Government Code, is amended to read as follows:

(b) The commission shall adopt rules prohibiting the operation of any game using a video lottery machine or video gaming machine, except in accordance with Chapter 2001A, Occupations Code.

SECTION 6. Section 47.02(c), Penal Code, is amended to read as follows:

(c) It is a defense to prosecution under this section that

the actor reasonably believed that the conduct:

(1) was permitted under Chapter 2001, Occupations Code;

(2) was permitted under Chapter 2002, Occupations Code;

(3) was permitted under Chapter 2001A, Occupations Code;

(4) consisted entirely of participation in the state lottery authorized by [~~the State Lottery Act~~] Chapter 466, Government Code[~~]~~];

(5) [~~(4)~~] was permitted under the Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes); or

(6) [~~(5)~~] consisted entirely of participation in a drawing for the opportunity to participate in a hunting, fishing, or other recreational event conducted by the Parks and Wildlife Department.

SECTION 7. Section 47.09, Penal Code, is amended by amending Subsection (a) and adding Subsection (c) to read as follows:

(a) It is a defense to prosecution under this chapter that the conduct:

(1) was authorized under:

(A) Chapter 2001, Occupations Code;

(B) Chapter 2002, Occupations Code; [~~or~~]

(C) Chapter 2001A, Occupations Code; or

(D) the Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes);

1           (2) consisted entirely of participation in the state  
2 lottery authorized by Chapter 466, Government Code; or

3           (3) was a necessary incident to the operation of the  
4 state lottery and was directly or indirectly authorized by:

5                   (A) Chapter 466, Government Code;

6                   (B) the lottery division of the Texas Lottery  
7 Commission;

8                   (C) the Texas Lottery Commission; or

9                   (D) the director of the lottery division of the  
10 Texas Lottery Commission.

11       (c) Subsection (a)(1)(C) applies to a person manufacturing,  
12 possessing, or operating a gambling device under a license or other  
13 authorization of the Texas Lottery Commission under Chapter 2001A,  
14 Occupations Code.

15       SECTION 8. Chapter 47, Penal Code, is amended by adding  
16 Section 47.095 to read as follows:

17       Sec. 47.095. INTERSTATE OR FOREIGN COMMERCE DEFENSE. It is  
18 a defense to prosecution under this chapter that a person sells,  
19 leases, transports, possesses, stores, or manufactures a gambling  
20 device with the authorization of the Texas Lottery Commission under  
21 Chapter 2001A, Occupations Code, for transportation in interstate  
22 or foreign commerce.

23       SECTION 9. (a) As soon as practicable after the effective  
24 date of this Act, but not later than October 1, 2013, the Texas  
25 Lottery Commission shall adopt the rules necessary to implement  
26 video gaming in accordance with this section and Chapter 2001A,  
27 Occupations Code, as added by this Act.

1           (b) Before the constitutional amendment authorizing the  
2 establishment of video gaming operations in this state and  
3 providing that certain federally recognized Indian tribes are not  
4 prohibited from conducting video gaming on certain Indian lands  
5 proposed by the 83rd Legislature, Regular Session, 2013, is  
6 submitted to the voters, the Texas Lottery Commission may:

7           (1) expend money from the commission's appropriation  
8 for the 2014-2015 state fiscal biennium for purposes of conducting  
9 the pre-implementation activities necessary to promptly establish  
10 video gaming in this state in accordance with Chapter 2001A,  
11 Occupations Code, as added by this Act;

12           (2) request and receive information related to  
13 applications for licensing and testing for video gaming equipment  
14 as authorized under Chapter 2001A, Occupations Code, as added by  
15 this Act; or

16           (3) develop and approve forms necessary for licensing  
17 persons to conduct video gaming and for testing video gaming  
18 equipment.

19           (c) Notwithstanding Section 466.355, Government Code, the  
20 money authorized to be expended under this section may be withdrawn  
21 from the state lottery account to fund the establishment of video  
22 gaming.

23           (d) Notwithstanding any other law, the following provisions  
24 apply to procedures for adoption of the rules required by  
25 Subsection (a) of this section:

26           (1) the Texas Lottery Commission must give not less  
27 than 15 days' notice of its intent to adopt a rule under this

1 section before adopting the rule;

2 (2) a rule adopted under this section takes effect on  
3 the date it is filed in the office of the secretary of state; and

4 (3) the commission shall notify all holders of a  
5 license issued under Section 10 of this Act of the adoption of a  
6 rule under this section.

7 SECTION 10. (a) Notwithstanding Chapter 2001A, Occupations  
8 Code, as added by this Act, and except as otherwise provided by this  
9 section, on or after the effective date of this Act, the Texas  
10 Lottery Commission shall:

11 (1) issue a provisional video gaming manufacturer  
12 license to an applicant who:

13 (A) holds a manufacturer's license issued under  
14 Chapter 2001, Occupations Code;

15 (B) is eligible to hold a license under Section  
16 2001A.102, Occupations Code, as added by this Act;

17 (C) files with the commission on the form  
18 required by the commission an application for a video gaming  
19 manufacturer license; and

20 (D) pays the required application and license  
21 fees;

22 (2) issue a provisional video gaming distributor  
23 license to a person who:

24 (A) holds a distributor's license issued under  
25 Chapter 2001, Occupations Code;

26 (B) is eligible to hold a license under Section  
27 2001A.102, Occupations Code, as added by this Act;



1 (C) files with the commission on the form  
2 required by the commission an application for a video gaming  
3 distributor license; and

4 (D) pays the required application and license  
5 fees;

6 (3) issue a provisional video gaming retailer license  
7 to a person who:

8 (A) is a licensed commercial lessor or a licensed  
9 authorized organization under Chapter 2001, Occupations Code;

10 (B) is eligible to hold a license under Section  
11 2001A.101, Occupations Code, as added by this Act;

12 (C) files with the commission on the form  
13 required by the commission an application for a video gaming  
14 retailer license; and

15 (D) pays the required application and license  
16 fees; and

17 (4) issue a provisional video gaming employee license  
18 to a person who:

19 (A) is listed in the registry of approved bingo  
20 workers maintained as required under Section 2001.313, Occupations  
21 Code;

22 (B) is eligible to hold a license under Chapter  
23 2001A, Occupations Code, as added by this Act;

24 (C) files with the commission on the form  
25 required by the commission an application for a video gaming  
26 employee license; and

27 (D) pays the required application and license

1 fees.

2 (b) Notwithstanding Chapter 2001A, Occupations Code, as  
3 added by this Act, and except as otherwise provided by this section,  
4 during the period that begins on the effective date of this Act and  
5 ends on a date determined by the Texas Lottery Commission that is  
6 not less than 18 months or more than 36 months after the effective  
7 date of this Act, the commission shall:

8 (1) approve for use in this state network operating  
9 centers, site controllers, video gaming terminals, and video gaming  
10 equipment that meets the standards established under the laws of  
11 another state, the United States, or the National Indian Gaming  
12 Commission unless the commission determines the licensing  
13 standards are insufficient to protect the public health and safety  
14 and prevent financial loss to this state; and

15 (2) issue a reciprocal license to a video gaming  
16 manufacturer who:

17 (A) is licensed as a video gaming manufacturer  
18 under the laws of another state unless the commission determines  
19 the licensing standards are insufficient to protect the public  
20 health and safety and prevent financial loss to this state;

21 (B) submits a letter from an independent testing  
22 laboratory approved by the commission that describes in detail the  
23 video gaming equipment the manufacturer is seeking to deploy in  
24 this state and certifies that the equipment has undergone  
25 independent tests performed by the laboratory; and

26 (C) submits documentation from the independent  
27 testing laboratory that verifies the manufacturer's equipment

1 meets the standards established under the laws of another state,  
2 the United States, or the National Indian Gaming Commission.

3 (c) The Texas Lottery Commission shall establish the term of  
4 a provisional license issued under Subsection (a) of this section  
5 or a reciprocal license issued under Subsection (b) of this  
6 section, which may not be less than 18 months. The commission by  
7 rule shall establish timelines for license holders who hold a  
8 provisional or reciprocal license issued under this section to  
9 comply with the requirements of Chapter 2001A, Occupations Code, as  
10 added by this Act, and commission rules. The rules must allow  
11 license holders at least six months to comply with the rules and  
12 requirements.

13 (d) Notwithstanding Chapter 2001A, Occupations Code, as  
14 added by this Act, during the provisional period specified by the  
15 commission, which may not be less than 18 months or more than 36  
16 months after the effective date of this Act, a video gaming retailer  
17 must obtain video gaming equipment and video gaming terminals from  
18 a video gaming distributor who holds a bingo distributor's license  
19 issued under Chapter 2001, Occupations Code.

20 (e) Notwithstanding Chapter 2001A, Occupations Code, as  
21 added by this Act, or any other law, a video gaming manufacturer,  
22 video gaming distributor, or applicant for a video gaming  
23 distributor or manufacturer license may display video gaming  
24 equipment in this state before the effective date of this Act if:

25 (1) the video gaming equipment is disabled for  
26 marketing purposes so that the equipment does not accept or  
27 dispense money or pay out video gaming tickets or the equipment

contains only demonstration software that cannot be disabled; and

(2) for a trade show or similar event, the Texas Lottery Commission:

(A) is notified in advance of the proposed event of:

(i) the date and location of the event;

(ii) the model and serial number of each item of video gaming equipment to be displayed;

(iii) the manner of transport of each item to be displayed; and

(iv) a description of how the item will at all times be possessed by and be under the control of the applicant or license holder; and

(B) approves the display of the equipment.

SECTION 11. The change in law made by this Act applies only to an offense committed on or after the effective date of this Act. An offense committed before the effective date of this Act is covered by the law in effect when the offense was committed, and the former law is continued in effect for that purpose. For purposes of this section, an offense was committed before the effective date of this Act if any element of the offense was committed before that date.

SECTION 12. (a) Sections 1 through 8 of this Act take effect on the date the constitutional amendment authorizing the legislature to legalize the operation of video gaming in this state by persons and organizations licensed to conduct bingo or lease bingo premises and providing that federally recognized Indian

1 tribes are not prohibited from conducting video gaming on certain  
2 Indian lands proposed by the 83rd Legislature, Regular Session,  
3 2013, is approved by the voters. If that amendment is not approved  
4 by the voters, Sections 1 through 8 of this Act have no effect.

5 (b) Sections 9 through 11 of this Act and this section take  
6 effect immediately if this Act receives a vote of two-thirds of all  
7 the members elected to each house, as provided by Section 39,  
8 Article III, Texas Constitution. If this Act does not receive the  
9 vote necessary for immediate effect, Sections 9 through 11 of this  
10 Act and this section take effect September 1, 2013.