WEST VIRGINIA LEGISLATURE

2021 REGULAR SESSION

Introduced

Senate Bill 525

By Senator Nelson

[Introduced March 2, 2021; referred

to the Committee on Finance]

A BILL to amend and reenact §19-23-12a of the Code of West Virginia, 1931, as amended; to amend and reenact §29-22A-12 of said code; and to amend and reenact §29-22C-3 and §29-22C-8 of said code, all relating to allowing for the establishment of a secondary location for pari-mutual wagering on simulcast races, racetrack video lottery terminals, and racetrack table games of licensed racetracks at an alternative location within the current county of the licensed racetrack.

Be it enacted by the Legislature of West Virginia:

CHAPTER 19. AGRICULTURE.

ARTICLE 23. HORSE AND DOG RACING.

§19-23-12a. Pari-mutuel wagering on interstate and intrastate horse and dog racing.

- (1) Notwithstanding any other provisions of this code, a racing association licensed in this state to conduct race meetings may, with the consent of the Racing Commission and the written approval of the authorized representative of a majority of the owners and trainers who hold the permit required by section two of this article at the horse racetrack, contract with any legal wagering entity in this or any other state to accept wagers on any race or races conducted by such legal wagering entity. Unless the wager becomes part of the host licensee's pari-mutuel pool, such wagering shall be conducted within the confines of such licensee's racetrack or at a hotel as defined in §16-6-3 of this code, controlled by such licensee and contiguous to the licensee's property, subject to the following requirements:
- (a) That such hotel contain at least 100 hundred rooms and be in existence on the effective date of this section;
 - (b) That the licensee shall have invested at least \$1 million in the hotel; and
 - (c) That such hotel is within one-half mile of the licensee's racetrack surface.
- (2) Such horse association shall retain a basic commission not to exceed seventeen and twenty-five one-hundredths percent of all money wagered, plus an additional amount equal to one

and seventy-five one-hundredths percent of the amount wagered each day on all multiple wagers determined by a combination of two winning horses, including, but not limited to, the daily double, quinella and perfecta or plus an additional amount equal to seven and seventy-five one-hundredths percent of the amount wagered each day on all trifecta wagers or any other multiple wager which involves a single betting interest on three or more horses. Breakage shall be calculated and distributed in the manner provided by §19-23-9 (c) of this code.

- (3) The commission deducted by any licensee from the pari-mutuel pools on dog racing shall not exceed 16 and one-fourth percent of the total of such pari-mutuel pools for the day.
- (4) Out of the commission retained or deducted by a licensee under the provisions of subsections (2) and (3) of this section, the licensee shall pay one tenth of one percent into the General Fund of the county commission of the county in which the racetrack is located, except if within a municipality, then to such municipality's general fund.
- (5) The association shall pay each day a pari-mutuel pools tax calculated under the provisions of section ten of this article.
- (6) After deducting the county or municipal share provided for in subsection (4) of this section and the pari-mutuel pools tax required by subsection (5) of this section, and the amount required to be paid under the terms of the contract with the legal wagering entity of this or another state and the cost of transmission, the horse racing association shall make a deposit equal to 50 percent of the remainder into the purse fund established under the provisions of §19-23-9(1)(b) of this code.
- (7) All of the provisions of the "Federal Interstate Horseracing Act of 1978," also known as Public Law 95-515, section 3001-3007 of title 15, U.S. Code, shall be instructive as the intent of this section.
- (8) For the purposes of this section the words "legal wagering entity" shall be limited to any person engaged in horse racing or dog racing pursuant to a license or other permission granted by the state in which such person's racetrack is situated and conducting race meetings,

with a pari-mutuel wagering system permitted under that state's laws and in which the participants are wagering with each other and not the operator.

(9) Notwithstanding any provision of this chapter to the contrary, a licensed racetrack may establish a secondary location for its business at any building owned or leased by the licensed racetrack within the county the licensed racetrack is located to conduct pari-mutual wagering on simulcast races so long as the licensed racetrack receives approval from the State Lottery Commission. The total amount of locations a licensed racetrack may operate within a county is two locations: *Provided*, That any licensed racetrack establishing a secondary location shall continue to operate its original facility and continue to maintain and offer amenities, accommodations, options and services at such original facility.

CHAPTER 29. MISCELLANEOUS BOARDS AND OFFICERS.

ARTICLE 22A. RACETRACK VIDEO LOTTERY.

§29-22A-12. Number and location of video lottery terminals security.

- (a) A racetrack which has been licensed to conduct video lottery games has the right to install and operate up to 400 video lottery terminals at a licensed racetrack. A licensed racetrack may apply to the commission for authorization to install and operate more than 400 video lottery terminals. If the commission determines that the installation of additional machines is in the best interest of the licensed racetrack, the Lottery Commission and the citizens of this state, the commission may grant permission to install and operate additional machines.
 - (b) All video lottery terminals in licensed racetracks shall be physically located as follows:
- (1) The video lottery location shall be continuously monitored through the use of a closed circuit television system capable of recording activity for a continuous 24-hour period. All video tapes shall be retained for a period of at least 30 days;
- (2) Access to video lottery terminal locations shall be restricted to persons legally entitled by age to play video lottery games;

(3) The licensed racetrack shall submit for commission approval a floor plan of the area or areas where video lottery terminals are to be operated showing terminal locations and security camera mount locations;

- (4) No video lottery terminal may be relocated without prior approval from the commission; and
- (5) Operational video lottery terminals may only be located in the building or structure in which the grandstand area of the racetrack is located and in the area of the building or structure where pari-mutuel wagering is permitted under the provisions of §19-23-1 *et seq.* of this code: *Provided,* That if the commission, before November 1, 1993, has authorized any racetrack to operate video lottery terminals and offer video lottery games in a location which would not conform to the requirements of this subdivision, the racetrack may continue to use video lottery terminals registered with and approved by the commission at that nonconforming location and to offer the games and any variations or composites of the games as may be approved by the commission.
- (c) A licensee shall allow video lottery games to be played only on days when live racing is being conducted at the racetrack and/or on televised racing days: *Provided,* That this restriction shall may not apply to any racetrack authorized by the commissioner prior to November 1, 1993, to operate video lottery terminals and conduct video lottery games.
- (d) Security personnel shall be present during all hours of operation at each video lottery terminal location. Each license holder shall employ the number of security personnel the commission determines is necessary to provide for safe and approved operation of the video lottery facilities and the safety and well-being of the players.
- (e) Notwithstanding provision in this chapter to the contrary, a licensed racetrack may establish a secondary location for its business, including authorized operational video lottery terminals, at any building owned or leased by the licensed racetrack within the county the licensed racetrack is located so long as the licensed racetrack receives approval from the commission.

 The total amount of locations a licensed racetrack may operate within a county is two locations:

Provided, That if any licensed racetrack relocates operational video lottery terminals outside of a municipality, the municipality is entitled to receive the share of funds it received under §29-22A-10 and §29-22A-10b of this code up to the amount received in the fiscal year immediately preceding the relocation of the operational video lottery terminals and the excess of this amount shall be divided proportionally to the said municipality and the new municipality, if any, based on the revenues generated at each location: Provided, however, That the total amount of funds transferred to the municipalities may not be in excess of the percentage provided under §29-22A-10 and §29-22A-10b of this code: Provided further, That any licensed racetrack establishing a secondary location shall continue to operate its original facility and continue to maintain and offer amenities, accommodations, options and services at such original facility.

ARTICLE 22C. WEST VIRGINIA LOTTERY RACETRACK TABLE GAMES ACT. §29-22C-3. Definitions.

- (a) *Applicability of definitions*. -- For the purposes of this article, the words or terms defined in this section, and any variation of those words or terms required by the context, have the meanings ascribed to them in this section. These definitions are applicable unless a different meaning clearly appears from the context in which the word or term is used.
 - (b) Terms defined. --

- (1) "Adjusted gross receipts" means gross receipts from West Virginia Lottery table games less winnings paid to patrons wagering on the racetrack's table games.
- (2) "Applicant" means any person who on his or her own behalf, or on behalf of another, has applied for permission to engage in any act or activity that is regulated under the provision of this article for which a license is required by this article or rule of the commission.
- (3) "Application" means any written request for permission to engage in any act or activity that is regulated under the provisions of this article submitted in the form prescribed by the commission.
 - (4) "Background investigation" means a security, criminal and credit investigation of an

applicant who has applied for the issuance or renewal of a license pursuant to this article, or a licensee who holds a current license.

- (5) "Commission" or "State Lottery Commission" means the West Virginia Lottery Commission created by §29-22-1 *et seq.* of this code.
 - (6) "Complimentary" means a service or item provided at no cost or at a reduced price.
- (7) "Compensation" means any money, thing of value, or financial benefit conferred or received by a person in return for services rendered, or to be rendered, whether by that person or another.
- (8) "Contested case" means a proceeding before the commission, or a hearing examiner designated by the commission to hear the contested case, in which the legal rights, duties, interests or privileges of specific persons are required by law or Constitutional right to be determined after a commission hearing, but does not include cases in which the commission issues a license, permit or certificate after an examination to test the knowledge or ability of the applicant where the controversy concerns whether the examination was fair or whether the applicant passed the examination and does not include rule making.
- (9) "Control" means the authority directly or indirectly to direct the management and policies of an applicant for a license issued under this article or the holder of a license issued under this article.
- (10) "Designated gaming area" means one or more specific floor areas of a licensed racetrack within which the commission has authorized operation of racetrack video lottery terminals or table games, or the operation of both racetrack video lottery terminals and West Virginia Lottery table games.
- (11) "Director" means the Director of the West Virginia State Lottery Commission appointed pursuant to §29-22-6 of this code.
- (12) "Disciplinary action" is an action by the commission suspending or revoking a license, fining, excluding, reprimanding, or otherwise penalizing a person for violating this article or rules

41 promulgated by the commission.

(13) "Financial interest" or "financially interested" means any interest in investments, awarding of contracts, grants, loans, purchases, leases, sales, or similar matters under consideration for consummation by the commission. A member, employee or agent of the commission will be considered to have a financial interest in a matter under consideration if any of the following circumstances exist:

- (A) He or she owns one percent or more of any class of outstanding securities that are issued by a party to the matter under consideration by the commission; or
- (B) He or she is employed by an independent contractor for a party to the matter under consideration or consummated by the commission.
- (14) "Gaming equipment" means gaming tables, cards, dice, chips, shufflers, drop boxes or any other mechanical, electronic, or other device, mechanism or equipment or related supplies used or consumed in the operation of any West Virginia Lottery table game at a licensed racetrack.
- (15) "Gross receipts" means the total of all sums including valid or invalid checks, currency, tokens, coupons (excluding match play coupons), vouchers or instruments of monetary value whether collected or uncollected, received by a racetrack with table games from table gaming operations at a race track, including all entry fees assessed for tournaments or other contests.
- (16) "Indirect ownership" means an interest a person owns in an entity or in property solely as a result of application of constructive ownership rules without regard to any direct ownership interest (or other beneficial interest) in the entity or property. "Indirect ownership" shall be determined under the same rules applicable to determining whether a gain or loss between related parties is recognized for federal income tax purposes.
- (17) "Licensed racetrack" means a thoroughbred horse or greyhound dog racing facility licensed under both §29-22A-1 *et seq.* and §19-23-1 *et seq.* of this code.
 - (18) "License" means any license applied for or issued by the commission under this

article, including, but not limited to:

(A) A license to act as agent of the commission in operating West Virginia Lottery table games at a licensed racetrack;

- (B) A license to supply a racetrack licensed under this article to operate table games with table gaming equipment or services necessary for the operation of table games;
- (C) A license to be employed at a racetrack licensed under this article to operate West Virginia Lottery table games when the employee works in a designated gaming area that has table games or performs duties in furtherance of or associated with the operation of table games at the licensed racetrack; or
- (D) A license to provide management services under a contract to a racetrack licensed under this article to operate table games.
 - (19) "Licensee" means any person who is licensed under any provision of this article.
- (20) "Lottery" means the public gaming systems or games regulated, controlled, owned and operated by the state Lottery Commission in the manner provided by general law, as provided in this article and in §29-22-1 et seq., §29-22A-1 et seq., §29-22B-1 et seq., and §29-25-1 et seq. of this code.
- (21) "Member" means a commission member appointed to the West Virginia Lottery Commission under §29-22-1 *et seg.* of this code.
- (22) "National criminal history background check system" means the criminal history record system maintained by the Federal Bureau of Investigation based on fingerprint identification or any other method of positive identification.
- (23) "Own" means any beneficial or proprietary interest in any real or personal property, including intellectual property, and also includes, but is not limited to, any direct or indirect beneficial or proprietary interest in any business of an applicant or licensee.
- (24) "Person" means any natural person, and any corporation, association, partnership, limited liability company, limited liability partnership, trust, or other entity, regardless of its form,

structure or nature other than a government agency or instrumentality.

(25) "Player" or "Patron" means a person who plays a racetrack video lottery game or a West Virginia Lottery table game at a racetrack licensed under this article to have table games.

- (26) "Player's account" means a financial record established by a licensed racetrack for an individual racetrack patron to which the racetrack may credit winnings and other amounts due to the racetrack patron and from which the patron may withdraw moneys due to the patron for purchase of tokens, chips or electronic media or other purposes.
- (27) "Racetrack table games license" means authorization granted under this article by the commission to a racetrack that is already licensed under §29-22A-1 *et seq.* of this code to operate racetrack video lottery terminals and holds a valid racing license granted by the West Virginia Racing Commission pursuant to the provision of §19-23-1 *et seq.* of this code, which permits the racetrack as an agent of the commission for the limited purpose of operation of West Virginia Lottery table games in one or more designated gaming areas in one or more buildings owned <u>or leased</u> by the licensed racetrack on the grounds where live pari-mutuel racing is conducted by the licensee <u>or any building owned or leased by the licensed racetrack within the county the licensed racetrack is located so long as the licensed racetrack receives approval from the commission.</u>
- (28) "Racetrack Table Games Fund" means the special fund in the State Treasury created in §29-22C-27 of this code.
- (29) "Significant influence" means the capacity of a person to affect substantially (but not control) either, or both, of the financial and operating policies of another person.
- (30) "Supplier" means a person who the commission has identified under legislative rules of the commission as requiring a license to provide a racetrack table games licensee with goods or services to be used in connection with operation of table games.
 - (31) "Wager" means a sum of money or thing of value risked on an uncertain occurrence.
 - (32) "West Virginia Lottery table game" means any game played with cards, dice or any

mechanical, electromechanical or electronic device or machine for money, credit or any representative of value, including, but not limited to, baccarat, blackjack, poker, craps, roulette, wheel of fortune or any variation of these games similar in design or operation and expressly authorized by rule of the commission, including multiplayer electronic table games, machines and devices, but excluding video lottery, punchboards, faro, numbers tickets, push cards, jar tickets, pull tabs or similar games.

(33) "Winnings" means the total cash value of all property or sums including currency, tokens, or instruments of monetary value paid to players as a direct result of wagers placed on West Virginia Lottery table games.

§29-22C-8. License to operate a racetrack with West Virginia Lottery table games.

- (a) Racetrack table games licenses. -- The commission may issue up to four racetrack table games licenses to operate West Virginia Lottery table games in accordance with the provisions of this article. The Legislature intends that no more than four licenses to operate a racetrack with West Virginia Lottery table games in this state shall be permitted in any event.
- (b) *Grant of license.* Upon the passage of a local option election in a county in accordance with the provisions of §29-22C-7 of this code, the commission shall immediately grant a West Virginia Lottery table games license, and a license for the right to conduct West Virginia Lottery table games as assignee to the intellectual property rights of the state, to allow the licensee to conduct West Virginia table games at the licensed pari-mutuel racetrack identified on the local option election ballot, provided that racetrack holds a valid racetrack video lottery license issued by the commission pursuant to §29-22A-1 *et seq.* of this code and a valid racing license granted by the West Virginia Racing Commission pursuant to the provision of §19-23-1 *et seq.* of this code and has otherwise met the requirements for licensure under the provisions of this article and the rules of the commission.
- (c) Location. -- A racetrack table games license authorizes the operation of West Virginia Lottery table games on the grounds of the particular licensed facility identified in the racetrack

video lottery license issued pursuant to §29-22A-1 *et seq.* of this code and the license to conduct horse or dog racing issued pursuant to §19-23-1 *et seq.* of this code.

- (d) Floor plan submission requirement. -- Prior to commencing the operation of any table games in a designated gaming area, a racetrack table games licensee shall submit to the commission for its approval a detailed floor plan depicting the location of the designated gaming area in which table games gaming equipment will be located and its proposed arrangement of the table games gaming equipment. Any floor plan submission that satisfies the requirements of the rules promulgated by the commission shall be considered approved by the commission unless the racetrack table games licensee is notified in writing to the contrary within one month of filing a detailed floor plan.
 - (e) Management service contracts. --

- (1) Approval. -- A racetrack table games licensee may not enter into any management service contract that would permit any person other than the licensee to act as the commission's agent in operating West Virginia Lottery table games unless the management service contract is:

 (A) With a person licensed under this article to provide management services; (B) is in writing; and (C) the contract has been approved by the commission.
- (2) *Material change*. -- The licensed racetrack table games licensee shall submit any material change in a management service contract previously approved by the commission to the commission for its approval or rejection before the material change may take effect.
- (3) Prohibition on assignment or transfer. -- A management services contract may not be assigned or transferred to a third party.
- (4) Other commission approvals and licenses. -- The duties and responsibilities of a management services provider under a management services contract may not be assigned, delegated, subcontracted, or transferred to a third party to perform without the prior approval of the commission. Third parties must be licensed under this article before providing service. The commission may by rule clarify application of this subdivision and provide exceptions to its

application. The commission shall license and require the display of West Virginia Lottery game logos on appropriate game surfaces and other gaming items and locations as the commission considers appropriate.

- (f) Coordination of licensed activities. -- In order to coordinate various licensed activities within racetrack facilities, the following provisions apply to licensed racetrack facilities:
- (1) The provisions of this article and of §29-22A-1 *et seq.* of this code shall be interpreted to allow West Virginia Lottery table games and racetrack video lottery operations under those articles to be harmoniously conducted in the same designated gaming area.
- (2) On the effective date of this article, the provisions of §29-22C-23 of this code apply to all video lottery games conducted within a racetrack facility, notwithstanding any inconsistent provisions contained in §29-22A-1 *et seq.* of this code to the contrary.
- (3) On and after the effective date of this article, vacation of the premises after service of beverages ceases is not required, notwithstanding to the contrary any inconsistent provisions of this code or inconsistent rules promulgated by the Alcohol Beverage Control Commissioner with respect to hours of sale of those beverages, or required vacation of the premises.
 - (g) Fees, expiration date and renewal. --

- (1) An initial racetrack table games license fee of \$1,500,000 shall be paid to the commission at the time of issuance of the racetrack table games license, regardless of the number of months remaining in the license year for which it is issued. All licenses expire at the end of the day on June 30 each year.
- (2) The commission shall annually renew a racetrack table games license as of July 1, of each year provided the licensee:
- (A) Successfully renews its racetrack video lottery license under §29-22A-1 *et seq.* of this code before July 1;
 - (B) Pays to the commission the annual license renewal fee of \$2,500,000 required by this section at the time it files its application for renewal of its license under §29-22A-1 *et seq.* of this

69 code; and

(C) During the current license year, the licensee complied with all provisions of this article, all rules adopted by the commission and all final orders of the commission applicable to the licensee.

- (3) Annual license surcharge for failure to construct hotel on premises. -- It is the intent of the Legislature that each racetrack for which a racetrack table games license has been issued be or become a destination tourism resort facility. To that end, it is important that each racetrack for which a racetrack table games license has been issued operate a hotel with significant amenities. Therefore, in addition to all other taxes and fees required by the provisions of this article, there is hereby imposed, upon each racetrack for which a racetrack table games license has been issued an annual license surcharge, payable to the commission in the amount of \$2,500,000 if that racetrack does not operate a hotel on its racing property that contains at least one hundred fifty guest rooms with significant amenities within three years of the passage of the local option election in its county authorizing table games at the racetrack, provided the time for completion of the hotel shall be extended by the same number of days as the completion of the hotel is delayed by a force majeure events or conditions beyond the reasonable control of the racetrack licensee. The surcharge shall be paid upon each renewal of its racetrack table games license made after the expiration of the three year period, and may be extended by the above force majeure events or conditions, until the racetrack opens a qualifying hotel.
- (4) If the licensee fails to apply to renew its license under §19-23-1 *et seq.* and §29-22A-1 *et seq.* of this code until after the license expires, the commission shall renew its license under this article at the time it renews its license under §29-22A-1 *et seq.* of this code provided the licensee has paid the annual license fee required by this section and during the preceding license year the licensee complied with all provisions of this article, all rules adopted by the commission and all final orders of the commission applicable to the licensee.
 - (h) Facility qualifications. -- A racetrack table games licensee shall demonstrate that the

racetrack with West Virginia Lottery table games will: (1) Be accessible to disabled individuals in accordance with applicable federal and state laws; (2) be licensed in accordance with this article, and all other applicable federal, state, and local laws; and (3) meet any other qualifications specified in rules adopted by the commission.

- (i) Surety bond. -- A racetrack table games licensee shall execute a surety bond to be given to the state to guarantee the licensee faithfully makes all payments in accordance with the provisions of this article and rules promulgated by the commission. The surety bond shall be:
- (1) In the amount determined by the commission to be adequate to protect the state against nonpayment by the licensee of amounts due the state under this article;
 - (2) In a form approved by the commission; and

- (3) With a surety approved by the commission who is licensed to write surety insurance in this state. The bond shall remain in effect during the term of the license and may not be canceled by a surety on less than 30 days' notice in writing to the commission. The total and aggregate liability of the surety on the bond is limited to the amount specified in the bond.
- (j) *Authorization.* -- A racetrack table games license authorizes the licensee act as an agent of the commission in operating an unlimited amount of West Virginia Lottery table games while the license is active, subject to subsection (d) of this section. A racetrack table games license is not transferable or assignable and cannot be sold or pledged as collateral.
- (k) Audits. -- When applying for a license and annually thereafter prior to license renewal, a racetrack table games licensee shall submit to the commission an annual audit, by a certified public accountant, of the financial transactions and condition of the licensee's total operations. The audit shall be made in accordance with generally accepted accounting principles and applicable federal and state laws.
- (I) Commission office space. -- A racetrack table games licensee shall provide to the commission, at no cost to the commission, suitable office space at the racetrack facility for the commission to perform the duties required of it by this article and the rules of the commission.

(m) Notwithstanding anything in this chapter to the contrary, a licensed racetrack may establish a secondary location for its business, including authorized racetrack table games, at any building owned or leased by the licensed racetrack within the county the licensed racetrack is located so long as such licensed racetrack receives approval from the commission. The total amount of locations a licensed racetrack may operate within a county is two locations: *Provided*. That if any licensed racetrack relocates racetrack table games outside of a municipality, said municipality shall be entitled to receive the share of funds it received under §29-22C-27 of this code up to the amount received in the fiscal year immediately preceding the relocation of the racetrack table games and the excess of this amount shall be divided proportionally to that municipality and the new municipality, if any, based on the revenues generated at each location: *Provided, however*. That the total amount of funds transferred to the municipalities may not be in excess of the percentage provided for under §29-22C-27 of this code: *Provided further*, That any licensed racetrack establishing a secondary location shall continue to operate its original facility and continue to maintain and offer amenities, accommodations, options and services at the original facility.

NOTE: The purpose of this bill is to allow a licensed racetrack to establish a secondary location for racetrack video lottery terminals and racetrack table games at a location within the county as approved by the lottery commission.

Strike-throughs indicate language that would be stricken from a heading or the present law and underscoring indicates new language that would be added.