

HOUSE BILL NO. 67

INTRODUCED BY PAVLOVICH

BY REQUEST OF THE DEPARTMENT OF REVENUE

IN THE HOUSE

JANUARY 5, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS & LABOR.
JANUARY 28, 1987	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
JANUARY 29, 1987	PRINTING REPORT.
JANUARY 30, 1987	SECOND READING, DO PASS AS AMENDED.
JANUARY 31, 1987	ENGROSSING REPORT.
FEBRUARY 2, 1987	THIRD READING, PASSED. AYES, 95; NOES, 3.
	TRANSMITTED TO SENATE.

IN THE SENATE

FEBRUARY 3, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS & INDUSTRY.
MARCH 6, 1987	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
MARCH 10, 1987	SECOND READING, CONCURRED IN.
MARCH 12, 1987	THIRD READING, CONCURRED IN. AYES, 47; NOES, 3.
	RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

MARCH 16, 1987

RECEIVED FROM SENATE.

SECOND READING, AMENDMENTS
CONCURRED IN.

MARCH 17, 1987

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

1 HOUSE BILL NO. 67
 2 INTRODUCED BY PAVLOVICH
 3 BY REQUEST OF THE DEPARTMENT OF REVENUE
 4
 5 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
 6 VIDEO DRAW POKER MACHINE CONTROL LAW OF 1985; AND AMENDING
 7 SECTIONS 23-5-605, 23-5-606, 23-5-608, 23-5-611, AND
 8 23-5-613, MCA."
 9
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 11 Section 1. Section 23-5-605, MCA, is amended to read:
 12 "23-5-605. Powers and duties of the department --
 13 licensing. (1) The department shall administer the
 14 provisions of this part, except 23-5-615.
 15 (2) The department shall adopt rules implementing this
 16 part, except 23-5-615, and, with respect to state licenses:
 17 (a) provide licensing procedures;
 18 (b) prescribe necessary application forms; and
 19 (c) grant or deny license applications.
 20 (3) The department may not suspend, revoke, deny, or
 21 place a condition on a license except for reasonable cause.
 22 Conviction of a violation of a local government gambling
 23 ordinance constitutes reasonable cause.
 24 (4) The department is a criminal justice agency, and
 25 designated employees are granted peace officer status with

1 powers of search, seizure, and arrest to regulate and
 2 control those persons licensed under this part, except
 3 23-5-615."

4 Section 2. Section 23-5-606, MCA, is amended to read:
 5 "23-5-606. Description and specifications. Each video
 6 draw poker machine must:

7 (1) be inspected in the state of Montana for
 8 certification and licensure by the department;

9 (2) be connected with a system consisting of
 10 player-operated terminals. The terminals must be intelligent
 11 devices operated by the players in the manner specified in
 12 this part.

13 (3) not have any switches, jumpers, wire posts, or any
 14 other means of manipulation that could affect the operation
 15 or outcome of a game; and

16 (4) offer only the game of draw poker and have the
 17 following method of operation:

18 (a) the cards must be shuffled after each hand of
 19 poker is dealt;

20 (b) the game must have one memory location for each
 21 card in the deck. The deck must be shuffled by use of a
 22 random number generator to exchange each card in the deck
 23 with another randomly selected card.

24 (c) after shuffling, five cards must be dealt from the
 25 top of the deck;

1 (d) any discarded cards must be replaced by remaining
2 cards in the deck, starting with the sixth card and using
3 the cards in the order of the deck;

4 (e) after the first five cards of a hand have been
5 dealt, the player may be allowed to raise his wager up to
6 the amount of his initial ante, not to exceed eight
7 quarters;

8 (f) the game must display the hands for which free
9 games or credits will be awarded and the number of free
10 games or credits for each hand;

11 (g) the machine must have doors to two locking areas,
12 one area containing the logic board and software for the
13 game draw poker and the other housing the cash compartment
14 and mechanical meters. These areas must be locking and
15 separated. Access to one from the other must not be allowed
16 at any time.

17 (h) the machine must have two mechanisms, hereinafter
18 referred to as "mechanism 1" and "mechanism 2", that accept
19 quarters;

20 (i) the machine must use a color display with images
21 of cards that closely resemble standard poker playing cards;

22 (j) the machine must be capable of printing a ticket
23 voucher for the player at the completion of each game. If
24 credits are owed the player, the ticket must contain:

25 (i) the name of the licensed establishment;

1 (ii) the name of the city, town, or county in which the
2 licensed establishment is located;

3 (iii) the value of the prize in numbers;

4 (iv) the value of the prize in words;

5 (v) the time of day, in hours and minutes in a 24-hour
6 format;

7 (vi) the date;

8 (vii) the machine license number or serial number up to
9 eight digits;

10 (viii) the sequential number of the ticket voucher; and

11 (ix) an encrypted validation number from which the
12 validity of the prize can be determined;

13 (k) an exact copy of each printed ticket voucher must
14 be printed and retained within the machine;

15 (l) the machine must have nonresettable mechanical
16 meters housed in the-cash-compartment a readily accessible
17 area that keep a permanent record of:

18 (i) coins accepted by each coin acceptor;

19 (ii) credits played by player;

20 (iii) credits won by player; and

21 (iv) credits printed out by the ticket voucher printer;

22 (m) the machine must contain electronic metering,
23 using meters that record the following and display them on
24 the video screen:

25 (i) total coins in mechanism 1, total coins in

1 mechanism 2, and total coins in mechanisms 1 and 2 combined;

2 (ii) total credits, total credits played, and total
3 credits won;

4 (iii) total hands of poker played and total hands of
5 poker won;

6 (iv) total winning hands, consisting of a pair, two
7 pair, three of a kind, a straight, a flush, a full house,
8 four of a kind, a straight flush, or five of a kind;

9 (v) total errors from the logic board random access
10 memory; and

11 (vi) total examination of electronic meters;

12 (n) the machine may not have any functions or
13 parameters adjustable by or through any separate video
14 display or input codes, except for the adjustment of
15 features that are wholly cosmetic;

16 (o) the machine must issue, by activation of an
17 external switch, an accounting ticket containing a
18 performance synopsis of the machine. The ticket must
19 contain:

20 (i) the name of the licensed establishment;

21 (ii) the name of the city, town, or county in which the
22 licensed establishment is located;

23 (iii) the license number of the machine;

24 (iv) the time of day, in hours and minutes in a 24-hour
25 format;

1 (v) the date; and

2 (vi) the electronic meter readings required by
3 subsection (4)(m); and

4 (5) have a serial number or other identification
5 number permanently affixed to the machine by the
6 manufacturer."

7 Section 3. Section 23-5-608, MCA, is amended to read:

8 "23-5-608. Limitation on amount of money played and
9 value of prizes -- payment of credits in cash. (1) A machine
10 may not allow more than \$2 to be played on a game or award
11 free games or credits in excess of the value of \$100 per
12 hand.

13 (2) Each licensee shall pay in cash all credits owed
14 to a player as shown on the ticket voucher provided in
15 23-5-606(4)(j)."

16 Section 4. Section 23-5-611, MCA, is amended to read:

17 "23-5-611. State license qualifications -- limitations
18 -- right to hearing. (1) (a) A person who has been granted a
19 license under 16-4-401(2) to sell alcoholic beverages for
20 consumption on the premises may be granted a license for the
21 placement of video draw poker machines in his licensed
22 establishment.

23 (b) Each applicant for a license shall disclose to the
24 department upon his application form his previous experience
25 or involvement with gambling devices and establishments.

1 Such disclosure must include but is not limited to any
 2 experience in operating such devices, employment with any
 3 such establishments, and any violations of state or local
 4 gambling laws in any jurisdiction.

5 (2) A licensee may not have on the premises or make
 6 available for play on the premises of his licensed
 7 establishment more than five machines.

8 (3) A person denied a state license has the right to a
 9 hearing before the department. The hearing must be conducted
 10 in accordance with the provisions of the Montana
 11 Administrative Procedure Act."

12 Section 5. Section 23-5-613, MCA, is amended to read:
 13 "23-5-613. Investigations and violations. (1) The
 14 department shall make necessary investigations, suspend or
 15 revoke state licenses for violations of this part, except
 16 23-5-615, and hold hearings on such matters. A license may
 17 be suspended prior to a hearing upon a finding of danger to
 18 public health and welfare but may not be revoked until the
 19 hearing is completed.

20 (2) A violation of this part, except 23-5-615, or a
 21 rule promulgated under 23-5-605 is a criminal offense, and a
 22 fine not to exceed \$10,000 for the first violation and
 23 \$15,000 for a subsequent violation must be imposed.

24 (3) If a video draw poker machine is operated in
 25 violation of this part, except 23-5-615, it may be seized

1 under 23-5-121 and the provisions of 23-5-122 apply.

2 (4) Employees of the department designated as
 3 enforcement agents may investigate the background of license
 4 applicants to the extent judged necessary by the department,
 5 but no person may be investigated prior to his submission of
 6 an application for a license.

7 (5) (a) Findings of suspected illegal activity must be
 8 reported to the appropriate law enforcement agency.

9 (b) The clerk of the court shall, upon final judgment
 10 of conviction of a licensee, report to the department the
 11 name of the licensee convicted of violating a local gambling
 12 ordinance.

13 (c) On receipt of such report, the department may
 14 commence proceedings to revoke or suspend the licensee's
 15 video poker license.

16 (6) Any peace officer of this state may arrest a
 17 person for tampering with a video draw poker machine,
 18 attempting or conspiring to manipulate the outcome or the
 19 payoff of a video draw poker machine, or manipulating the
 20 outcome or payoff of a video draw poker machine by physical
 21 tampering or other interference with the proper functioning
 22 of the machine."

23 NEW SECTION. Section 6. Removal of machine from
 24 public access. If a machine fails to meet the specifications
 25 and requirements of 23-5-606, 23-5-607, or 23-5-608 at any

1 time after initial licensure, the licensee shall immediately
2 remove the machine from public access until it meets all
3 requirements.

4 NEW SECTION. Section 7. Penalties -- hearing. (1) If
5 the department finds reasonable cause to believe a person
6 licensed under this part has violated any of the provisions
7 of this part or the department's rules, the department may,
8 in addition to the other penalties prescribed:

9 (a) suspend the license for a period of not more than
10 180 days;

11 (b) impose a civil penalty not to exceed \$6,000;

12 (c) revoke the license;

13 (d) deny renewal of the license on expiration thereof;

14 or

15 (e) impose a combination of any two of the penalties
16 set forth in subsections (1)(a) through (1)(d).

17 (2) A person licensed under this part and determined
18 by the department to have violated the provisions of this
19 part or the department's rules has a right to a hearing
20 before the department. The hearing must be conducted in
21 accordance with the provisions of the Montana Administrative
22 Procedure Act.

23 NEW SECTION. Section 8. Judicial review of agency
24 decision. (1) Any interested party has the right to judicial
25 review of a final decision of the department concerning the

1 grant, denial, renewal, revocation, or suspension of a
2 license required under this part.

3 (2) A petition for judicial review must conform to the
4 provisions of Title 2, chapter 4, part 7.

5 NEW SECTION. Section 9. Codification instruction.
6 Sections 6 through 8 are intended to be codified as an
7 integral part of Title 23, chapter 5, part 6, and the
8 provisions of Title 23, chapter 5, part 6, apply to sections
9 6 through 8.

10 NEW SECTION. Section 10. Extension of authority. Any
11 existing authority of the department of revenue to make
12 rules on the subject of the provisions of this act is
13 extended to the provisions of this act.

-End-

APPROVED BY COMM. ON
BUSINESS AND LABOR

HOUSE BILL NO. 67

INTRODUCED BY PAVLOVICH

BY REQUEST OF THE DEPARTMENT OF REVENUE

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE VIDEO DRAW POKER MACHINE CONTROL LAW OF 1985; AND AMENDING SECTIONS 23-5-605, 23-5-606, 23-5-608, 23-5-611, AND 23-5-613, MCA."

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

Section 1. Section 23-5-605, MCA, is amended to read:

"23-5-605. Powers and duties of the department -- licensing. (1) The department shall administer the provisions of this part, except 23-5-615.

(2) The department shall adopt rules implementing this part, except 23-5-615, and, with respect to state licenses:

- (a) provide licensing procedures;
- (b) prescribe necessary application forms; and
- (c) grant or deny license applications.

(3) The department may not suspend, revoke, deny, or place a condition on a license except for reasonable cause.

Conviction REASONABLE CAUSE INCLUDES BUT IS NOT LIMITED TO CONVICTION of a violation of a local government gambling ordinance constitutes reasonable cause.

(4) The department is a criminal justice agency, and

designated employees are granted peace officer status with powers of search, seizure, and arrest to regulate and control those persons licensed under this part, except 23-5-615."

Section 2. Section 23-5-606, MCA, is amended to read: "23-5-606. Description and specifications. Each video draw poker machine must:

(1) be inspected in the state of Montana for certification and licensure by the department;

(2) be connected with a system consisting of player-operated terminals. The terminals must be intelligent devices operated by the players in the manner specified in this part.

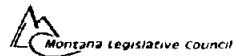
(3) not have any switches, jumpers, wire posts, or any other means of manipulation that could affect the operation or outcome of a game; and

(4) offer only the game of draw poker and have the following method of operation:

(a) the cards must be shuffled after each hand of poker is dealt;

(b) the game must have one memory location for each card in the deck. The deck must be shuffled by use of a random number generator to exchange each card in the deck with another randomly selected card.

(c) after shuffling, five cards must be dealt from the



1 top of the deck;

2 (d) any discarded cards must be replaced by remaining
3 cards in the deck, starting with the sixth card and using
4 the cards in the order of the deck;

5 (e) after the first five cards of a hand have been
6 dealt, the player may be allowed to raise his wager up to
7 the amount of his initial ante, not to exceed eight
8 quarters;

9 (f) the game must display the hands for which free
10 games or credits will be awarded and the number of free
11 games or credits for each hand;

12 (g) the machine must have doors to two locking areas,
13 one area containing the logic board and software for the
14 game draw poker and the other housing the cash compartment
15 and mechanical meters. These areas must be locking and
16 separated. Access to one from the other must not be allowed
17 at any time.

18 (h) the machine must have two mechanisms, hereinafter
19 referred to as "mechanism 1" and "mechanism 2", that accept
20 quarters;

21 (i) the machine must use a color display with images
22 of cards that closely resemble standard poker playing cards;

23 (j) the machine must be capable of printing a ticket
24 voucher for the player at the completion of each game. If
25 credits are owed the player, the ticket must contain:

1 (i) the name of the licensed establishment;

2 (ii) the name of the city, town, or county in which the
3 licensed establishment is located;

4 (iii) the value of the prize in numbers;

5 (iv) the value of the prize in words;

6 (v) the time of day, in hours and minutes in a 24-hour
7 format;

8 (vi) the date;

9 (vii) the machine license number or serial number up to
10 eight digits;

11 (viii) the sequential number of the ticket voucher; and

12 (ix) an encrypted validation number from which the
13 validity of the prize can be determined;

14 (k) an exact copy of each printed ticket voucher must
15 be printed and retained within the machine;

16 (l) the machine must have nonresettable mechanical
17 meters housed in the cash-compartment a readily accessible
18 area that keep a permanent record of:

19 (i) coins accepted by each coin acceptor;

20 (ii) credits played by player;

21 (iii) credits won by player; and

22 (iv) credits printed out by the ticket voucher printer;

23 (m) the machine must contain electronic metering,
24 using meters that record the following and display them on
25 the video screen;

- 1 (i) total coins in mechanism 1, total coins in
- 2 mechanism 2, and total coins in mechanisms 1 and 2 combined;
- 3 (ii) total credits, total credits played, and total
- 4 credits won;
- 5 (iii) total hands of poker played and total hands of
- 6 poker won;
- 7 (iv) total winning hands, consisting of a pair, two
- 8 pair, three of a kind, a straight, a flush, a full house,
- 9 four of a kind, a straight flush, or five of a kind;
- 10 (v) total errors from the logic board random access
- 11 memory; and
- 12 (vi) total examination of electronic meters;
- 13 (n) the machine may not have any functions or
- 14 parameters adjustable by or through any separate video
- 15 display or input codes, except for the adjustment of
- 16 features that are wholly cosmetic;
- 17 (o) the machine must issue, by activation of an
- 18 external switch, an accounting ticket containing a
- 19 performance synopsis of the machine. The ticket must
- 20 contain:
- 21 (i) the name of the licensed establishment;
- 22 (ii) the name of the city, town, or county in which the
- 23 licensed establishment is located;
- 24 (iii) the license number of the machine;
- 25 (iv) the time of day, in hours and minutes in a 24-hour

- 1 format;
- 2 (v) the date; and
- 3 (vi) the electronic meter readings required by
- 4 subsection (4)(m); and
- 5 (5) have a serial number or other identification
- 6 number permanently affixed to the machine by the
- 7 manufacturer."
- 8 Section 3. Section 23-5-608, MCA, is amended to read:
- 9 "23-5-608. Limitation on amount of money played and
- 10 value of prizes -- payment of credits in cash. (1) A machine
- 11 may not allow more than \$2 to be played on a game or award
- 12 free games or credits in excess of the value of \$100 per
- 13 hand.
- 14 (2) Each licensee shall pay in cash all credits owed
- 15 to a player as shown on the ticket voucher provided in
- 16 23-5-606(4)(j)."
- 17 Section 4. Section 23-5-611, MCA, is amended to read:
- 18 "23-5-611. State license qualifications -- limitations
- 19 -- right to hearing. (1) (a) A person who has been granted a
- 20 license under 16-4-401(2) to sell alcoholic beverages for
- 21 consumption on the premises may be granted a license for the
- 22 placement of video draw poker machines in his licensed
- 23 establishment.
- 24 (b) Each applicant for a license shall ON THE
- 25 APPLICATION FORM disclose to the department upon--his

1 ~~application-form-his~~ ANY previous experience or involvement
 2 ~~with AS AN OWNER OR OPERATOR OF~~ gambling devices and
 3 ~~establishments. Such-disclosure--must--include--but--is--not~~
 4 ~~limited--to--any--experience--in--operating--such--devices,~~
 5 ~~employment-with-any-such-establishments,-and-any--violations~~
 6 PREVIOUS EXPERIENCE OR INVOLVEMENT INCLUDES:

7 (I) CONTROLLING OF GAMBLING DEVICES AS AN OWNER OR
 8 OPERATOR;

9 (II) EMPLOYMENT WITH THE OWNER OR OPERATOR OF GAMBLING
 10 DEVICES;

11 (III) EMPLOYMENT IN ESTABLISHMENTS WHERE GAMBLING IS
 12 OFFERED TO THE PUBLIC; AND

13 (IV) CONVICTION OF VIOLATION of state or local gambling
 14 laws in any jurisdiction.

15 (2) A licensee may not have on the premises or make
 16 available for play on the premises of his licensed
 17 establishment more than five machines.

18 (3) A person denied a state license has the right to a
 19 hearing before the department. The hearing must be conducted
 20 in accordance with the provisions of the Montana
 21 Administrative Procedure Act."

22 Section 5. Section 23-5-613, MCA, is amended to read:

23 "23-5-613. Investigations and violations. (1) The
 24 department shall make necessary investigations, suspend or
 25 revoke state licenses for violations of this part, except

1 23-5-615, and hold hearings on such matters. A license may
 2 be suspended prior to a hearing upon a finding of danger to
 3 public health and welfare but may not be revoked until the
 4 hearing is completed.

5 (2) A violation of this part, except 23-5-615, or a
 6 rule promulgated under 23-5-605 is a criminal offense, and a
 7 fine not to exceed \$10,000 for the first violation and
 8 \$15,000 for a subsequent violation must be imposed.

9 (3) If a video draw poker machine is operated in
 10 violation of this part, except 23-5-615, it may be seized
 11 under 23-5-121 and the provisions of 23-5-122 apply.

12 (4) Employees of the department designated as
 13 enforcement agents may investigate the background of license
 14 applicants to the extent judged necessary by the department,
 15 but no person may be investigated prior to his submission of
 16 an application for a license.

17 (5) (a) Findings of suspected illegal activity must be
 18 reported to the appropriate law enforcement agency.

19 (b) The clerk of the court shall, upon final judgment
 20 of conviction of a licensee, report to the department the
 21 name of the licensee convicted of violating a local gambling
 22 ordinance.

23 (c) On receipt of such report, the department may
 24 commence proceedings to revoke or suspend the licensee's
 25 video poker license.

(6) Any peace officer of this state may arrest a person for tampering with a video draw poker machine, attempting or conspiring to manipulate the outcome or the payoff of a video draw poker machine, or manipulating the outcome or payoff of a video draw poker machine by physical tampering or other interference with the proper functioning of the machine."

NEW SECTION. Section 6. Removal of machine from public access. If a machine fails to meet the specifications and requirements of 23-5-606, 23-5-607, or 23-5-608 at any time after initial licensure, the licensee shall immediately remove the machine from public access until it meets all requirements.

NEW SECTION. Section 7. Penalties -- hearing. ~~If the department finds reasonable cause to believe~~ DETERMINES AFTER A HEARING CONDUCTED PURSUANT TO THE MONTANA ADMINISTRATIVE PROCEDURE ACT THAT a person licensed under this part has violated any of the provisions of this part or the department's rules, the department may, in addition to the other penalties prescribed:

- ~~fa)~~(1) suspend the license for a period of not more than 180 days;
- ~~fb)~~(2) impose a civil penalty not to exceed \$6,000;
- ~~fc)~~(3) revoke the license;
- ~~fd)~~(4) deny renewal of the license on expiration

thereof; or

~~fe)~~(5) impose a combination of any two of the penalties set forth in subsections (1)~~fe)~~ through ~~fd)~~(4).

~~(2) -- A person licensed under this part and determined by the department to have violated the provisions of this part or the department's rules has a right to a hearing before the department. The hearing must be conducted in accordance with the provisions of the Montana Administrative Procedure Act.~~

NEW SECTION. Section 8. Judicial review of agency decision. (1) Any interested party has the right to judicial review of a final decision of the department concerning the grant, denial, renewal, revocation, or suspension of a license required under this part.

(2) A petition for judicial review must conform to the provisions of Title 2, chapter 4, part 7.

NEW SECTION. Section 9. Codification instruction. Sections 6 through 8 are intended to be codified as an integral part of Title 23, chapter 5, part 6, and the provisions of Title 23, chapter 5, part 6, apply to sections 6 through 8.

NEW SECTION. Section 10. Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is

1 extended to the provisions of this act.

-End-

1 HOUSE BILL NO. 67

2 INTRODUCED BY PAVLOVICH

3 BY REQUEST OF THE DEPARTMENT OF REVENUE

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
6 VIDEO DRAW POKER MACHINE CONTROL LAW OF 1985; AND AMENDING
7 SECTIONS 23-5-605, 23-5-606, 23-5-608, 23-5-611, AND
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- 17 (a) provide licensing procedures;
18 (b) prescribe necessary application forms; and
19 (c) grant or deny license applications.

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21 place a condition on a license except for reasonable cause.
22 Conviction REASONABLE CAUSE INCLUDES BUT IS NOT LIMITED TO
23 CONVICTION of a violation of a local government gambling
24 ordinance constitutes reasonable cause.

25 (4) The department is a criminal justice agency, and

1 designated employees are granted peace officer status with
2 powers of search, seizure, and arrest to regulate and
3 control those persons licensed under this part, except
4 23-5-615."

5 Section 2. Section 23-5-606, MCA, is amended to read:
6 "23-5-606. Description and specifications. Each video
7 draw poker machine must:

8 (1) be inspected in the state of Montana for
9 certification and licensure by the department;

10 (2) be connected with a system consisting of
11 player-operated terminals. The terminals must be intelligent
12 devices operated by the players in the manner specified in
13 this part.

14 (3) not have any switches, jumpers, wire posts, or any
15 other means of manipulation that could affect the operation
16 or outcome of a game; and

17 (4) offer only the game of draw poker and have the
18 following method of operation:

19 (a) the cards must be shuffled after each hand of
20 poker is dealt;

21 (b) the game must have one memory location for each
22 card in the deck. The deck must be shuffled by use of a
23 random number generator to exchange each card in the deck
24 with another randomly selected card.

25 (c) after shuffling, five cards must be dealt from the

1 top of the deck;

2 (d) any discarded cards must be replaced by remaining
3 cards in the deck, starting with the sixth card and using
4 the cards in the order of the deck;

5 (e) after the first five cards of a hand have been
6 dealt, the player may be allowed to raise his wager up to
7 the amount of his initial ante, not to exceed eight
8 quarters;

9 (f) the game must display the hands for which free
10 games or credits will be awarded and the number of free
11 games or credits for each hand;

12 (g) the machine must have doors to two locking areas,
13 one area containing the logic board and software for the
14 game draw poker and the other housing the cash compartment
15 and mechanical meters. These areas must be locking and
16 separated. Access to one from the other must not be allowed
17 at any time.

18 (h) the machine must have two mechanisms, hereinafter
19 referred to as "mechanism 1" and "mechanism 2", that accept
20 quarters;

21 (i) the machine must use a color display with images
22 of cards that closely resemble standard poker playing cards;

23 (j) the machine must be capable of printing a ticket
24 voucher for the player at the completion of each game. If
25 credits are owed the player, the A VALID ticket must

1 contain:

2 (i) the name of the licensed establishment;

3 (ii) the name of the city, town, or county in which the
4 licensed establishment is located;

5 (iii) the value of the prize in numbers;

6 (iv) the value of the prize in words;

7 (v) the time of day, in hours and minutes in a 24-hour
8 format;

9 (vi) the date;

10 (vii) the machine license number or serial number up to
11 eight digits;

12 (viii) the sequential number of the ticket voucher; and

13 (ix) an encrypted validation number from which the
14 validity of the prize can be determined;

15 (k) an exact copy of each printed ticket voucher must
16 be printed and retained within the machine;

17 (l) the machine must have nonresettable mechanical
18 meters housed in ~~the-cash-compartment~~ a readily accessible
19 area that keep a permanent record of:

20 (i) coins accepted by each coin acceptor;

21 (ii) credits played by player;

22 (iii) credits won by player; and

23 (iv) credits printed out by the ticket voucher printer;

24 (m) the machine must contain electronic metering,
25 using meters that record the following and display them on

1 the video screen:

2 (i) total coins in mechanism 1, total coins in
3 mechanism 2, and total coins in mechanisms 1 and 2 combined;

4 (ii) total credits, total credits played, and total
5 credits won;

6 (iii) total hands of poker played and total hands of
7 poker won;

8 (iv) total winning hands, consisting of a pair, two
9 pair, three of a kind, a straight, a flush, a full house,
10 four of a kind, a straight flush, or five of a kind;

11 (v) total errors from the logic board random access
12 memory; and

13 (vi) total examination of electronic meters;

14 (n) the machine may not have any functions or
15 parameters adjustable by or through any separate video
16 display or input codes, except for the adjustment of
17 features that are wholly cosmetic;

18 (o) the machine must issue, by activation of an
19 external switch, an accounting ticket containing a
20 performance synopsis of the machine. The ticket must
21 contain:

22 (i) the name of the licensed establishment;

23 (ii) the name of the city, town, or county in which the
24 licensed establishment is located;

25 (iii) the license number of the machine;

1 (iv) the time of day, in hours and minutes in a 24-hour
2 format;

3 (v) the date; and

4 (vi) the electronic meter readings required by
5 subsection (4)(m); and

6 (5) have a serial number or other identification
7 number permanently affixed to the machine by the
8 manufacturer."

9 Section 3. Section 23-5-608, MCA, is amended to read:

10 "23-5-608. Limitation on amount of money played and
11 value of prizes -- payment of credits in cash. (1) A machine
12 may not allow more than \$2 to be played on a game or award
13 free games or credits in excess of the value of \$100 per
14 hand.

15 (2) Each licensee shall pay in cash all credits owed
16 to a player as shown on the A VALID ticket voucher provided
17 in 23-5-606(4)(j)."

18 Section 4. Section 23-5-611, MCA, is amended to read:

19 "23-5-611. State license qualifications -- limitations
20 -- right to hearing. (1) (a) A person who has been granted a
21 license under 16-4-401(2) to sell alcoholic beverages for
22 consumption on the premises may be granted a license for the
23 placement of video draw poker machines in his licensed
24 establishment.

25 (b) Each applicant for a license shall ON THE

1 APPLICATION FORM disclose to the department upon--his
 2 application--form-his ANY previous experience or involvement
 3 with AS AN OWNER OR OPERATOR OF gambling devices and
 4 establishments. Such--disclosure--must--include--but-is-not
 5 limited--to--any--experience--in--operating--such--devices,
 6 employment--with-any-such-establishments,-and-any-violations
 7 PREVIOUS EXPERIENCE OR INVOLVEMENT INCLUDES:

8 (I) CONTROLLING OF GAMBLING DEVICES AS AN OWNER OR
 9 OPERATOR;

10 (II) EMPLOYMENT WITH THE OWNER OR OPERATOR OF GAMBLING
 11 DEVICES;

12 (III) EMPLOYMENT IN ESTABLISHMENTS WHERE GAMBLING IS
 13 OFFERED TO THE PUBLIC; AND

14 (IV) CONVICTION OF VIOLATION of state or local gambling
 15 laws in any jurisdiction.

16 (2) A licensee may not have on the premises or make
 17 available for play on the premises of his licensed
 18 establishment more than five machines.

19 (3) A person denied a state license has the right to a
 20 hearing before the department. The hearing must be conducted
 21 in accordance with the provisions of the Montana
 22 Administrative Procedure Act."

23 Section 5. Section 23-5-613, MCA, is amended to read:

24 "23-5-613. Investigations and violations. (1) The
 25 department shall make necessary investigations, suspend or

1 revoke state licenses for violations of this part, except
 2 23-5-615, and hold hearings on such matters. A license may
 3 be suspended prior to a hearing upon a finding of danger to
 4 public health and welfare but may not be revoked until the
 5 hearing is completed.

6 (2) A violation of this part, except 23-5-615, or a
 7 rule promulgated under 23-5-605 is a criminal offense, and a
 8 fine not to exceed \$10,000 for the first violation and
 9 \$15,000 for a subsequent violation must be imposed.

10 (3) If a video draw poker machine is operated in
 11 violation of this part, except 23-5-615, it may be seized
 12 under 23-5-121 and the provisions of 23-5-122 apply.

13 (4) Employees of the department designated as
 14 enforcement agents may investigate the background of license
 15 applicants to the extent judged necessary by the department,
 16 but no person may be investigated prior to his submission of
 17 an application for a license.

18 (5) (a) Findings of suspected illegal activity must be
 19 reported to the appropriate law enforcement agency.

20 (b) The clerk of the court shall, upon final judgment
 21 of conviction of a licensee, report to the department the
 22 name of the licensee convicted of violating a local gambling
 23 ordinance.

24 (c) On receipt of such report, the department may
 25 commence proceedings to revoke or suspend the licensee's

1 video poker license.

2 (6) Any peace officer of this state may arrest a
 3 person for tampering with a video draw poker machine,
 4 attempting or conspiring to manipulate the outcome or the
 5 payoff of a video draw poker machine, or manipulating the
 6 outcome or payoff of a video draw poker machine by physical
 7 tampering or other interference with the proper functioning
 8 of the machine."

9 NEW SECTION. Section 6. Removal of machine from
 10 public access. If a machine fails to meet the specifications
 11 and requirements of 23-5-606, 23-5-607, or 23-5-608 at any
 12 time after initial licensure, the licensee shall immediately
 13 remove the machine from public access until it meets all
 14 requirements.

15 NEW SECTION. Section 7. Penalties -- hearing. ~~{i}~~ If
 16 the department ~~finds reasonable cause to believe~~ DETERMINES
 17 AFTER A HEARING CONDUCTED PURSUANT TO THE MONTANA
 18 ADMINISTRATIVE PROCEDURE ACT THAT a person licensed under
 19 this part has violated any of the provisions of this part or
 20 the department's rules, the department may, in addition to
 21 the other penalties prescribed:

22 ~~{a}~~(1) suspend the license for a period of not more
 23 than 180 days;

24 ~~{b}~~(2) impose a civil penalty not to exceed \$6,000;

25 ~~{c}~~(3) revoke the license;

1 ~~{d}~~(4) deny renewal of the license on expiration
 2 thereof; or

3 ~~{e}~~(5) impose a combination of any two of the
 4 penalties set forth in subsections (1)~~{a}~~ through ~~{i}~~~~{d}~~
 5 (4).

6 ~~{2}--A person licensed under this part and determined~~
 7 ~~by the department to have violated the provisions of this~~
 8 ~~part or the department's rules has a right to a hearing~~
 9 ~~before the department. The hearing must be conducted in~~
 10 ~~accordance with the provisions of the Montana Administrative~~
 11 ~~Procedure Act.~~

12 NEW SECTION. Section 8. Judicial review of agency
 13 decision. (1) Any interested party has the right to judicial
 14 review of a final decision of the department concerning the
 15 grant, denial, renewal, revocation, or suspension of a
 16 license required under this part.

17 (2) A petition for judicial review must conform to the
 18 provisions of Title 2, chapter 4, part 7.

19 NEW SECTION. Section 9. Codification instruction.
 20 Sections 6 through 8 are intended to be codified as an
 21 integral part of Title 23, chapter 5, part 6, and the
 22 provisions of Title 23, chapter 5, part 6, apply to sections
 23 6 through 8.

24 NEW SECTION. Section 10. Extension of authority. Any
 25 existing authority of the department of revenue to make

HB 0067/03

1 rules on the subject of the provisions of this act is
2 extended to the provisions of this act.

-End-

1 HOUSE BILL NO. 67

2 INTRODUCED BY PAVLOVICH

3 BY REQUEST OF THE DEPARTMENT OF REVENUE

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
6 VIDEO DRAW POKER MACHINE CONTROL LAW OF 1985; AND AMENDING
7 SECTIONS 23-5-605, 23-5-606, 23-5-608, 23-5-611, AND
8 23-5-613, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. Section 23-5-605, MCA, is amended to read:

12 "23-5-605. Powers and duties of the department --
13 licensing. (1) The department shall administer the
14 provisions of this part, except 23-5-615.

15 (2) The department shall adopt rules implementing this
16 part, except 23-5-615, and, with respect to state licenses:

17 (a) provide licensing procedures;

18 (b) prescribe necessary application forms; and

19 (c) grant or deny license applications.

20 (3) The department may not suspend, revoke, deny, or
21 place a condition on a license except for reasonable cause.

22 Conviction REASONABLE CAUSE INCLUDES BUT IS NOT LIMITED TO
23 CONVICTION of a violation of a local government gambling
24 ordinance constitutes-reasonable-cause.

25 (4) The department is a criminal justice agency, and

1 designated employees AND DULY AUTHORIZED DEPARTMENT
2 REPRESENTATIVES are granted peace officer status with powers
3 of search, seizure, and arrest to regulate and control those
4 persons licensed under this part, except 23-5-615."

5 Section 2. Section 23-5-606, MCA, is amended to read:
6 "23-5-606. Description and specifications. Each video
7 draw poker machine must:

8 (1) be inspected in the state of Montana for
9 certification and licensure by the department;

10 (2) be connected with a system consisting of
11 player-operated terminals. The terminals must be intelligent
12 devices operated by the players in the manner specified in
13 this part.

14 (3) not have any switches, jumpers, wire posts, or any
15 other means of manipulation that could affect the operation
16 or outcome of a game; and

17 (4) offer only the game of draw poker and have the
18 following method of operation:

19 (a) the cards must be shuffled after each hand of
20 poker is dealt;

21 (b) the game must have one memory location for each
22 card in the deck. The deck must be shuffled by use of a
23 random number generator to exchange each card in the deck
24 with another randomly selected card.

25 (c) after shuffling, five cards must be dealt from the

1 top of the deck;

2 (d) any discarded cards must be replaced by remaining
3 cards in the deck, starting with the sixth card and using
4 the cards in the order of the deck;

5 (e) after the first five cards of a hand have been
6 dealt, the player may be allowed to raise his wager up to
7 the amount of his initial ante, not to exceed eight
8 quarters;

9 (f) the game must display the hands for which free
10 games or credits will be awarded and the number of free
11 games or credits for each hand;

12 (g) the machine must have doors to two locking areas,
13 one area containing the logic board and software for the
14 game draw poker and the other housing the cash compartment
15 and mechanical meters. These areas must be locking and
16 separated. Access to one from the other must not be allowed
17 at any time.

18 (h) the machine must have two mechanisms, hereinafter
19 referred to as "mechanism 1" and "mechanism 2", that accept
20 quarters;

21 (i) the machine must use a color display with images
22 of cards that closely resemble standard poker playing cards;

23 (j) the machine must be capable of printing a ticket
24 voucher for the player at the completion of each game. If
25 credits are owed the player, the A VALID ticket must

1 contain:

2 (i) the name of the licensed establishment;

3 (ii) the name of the city, town, or county in which the
4 licensed establishment is located;

5 (iii) the value of the prize in numbers;

6 (iv) the value of the prize in words;

7 (v) the time of day, in hours and minutes in a 24-hour
8 format;

9 (vi) the date;

10 (vii) the machine license number or serial number up to
11 eight digits;

12 (viii) the sequential number of the ticket voucher; and

13 (ix) an encrypted validation number from which the
14 validity of the prize can be determined;

15 (k) an exact copy of each printed ticket voucher must
16 be printed and retained within the machine;

17 (l) the machine must have nonresettable mechanical
18 meters housed in the-cash-compartment a readily accessible
19 area that keep a permanent record of:

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21 (ii) credits played by player;

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25 using meters that record the following and display them on

1 the video screen:

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3 mechanism 2, and total coins in mechanisms 1 and 2 combined;

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5 credits won;

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7 poker won;

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9 pair, three of a kind, a straight, a flush, a full house,
10 four of a kind, a straight flush, or five of a kind;

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12 memory; and

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15 parameters adjustable by or through any separate video
16 display or input codes, except for the adjustment of
17 features that are wholly cosmetic;

18 (o) the machine must issue, by activation of an
19 external switch, an accounting ticket containing a
20 performance synopsis of the machine. The ticket must
21 contain:

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24 licensed establishment is located;

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2 format;

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4 (vi) the electronic meter readings required by
5 subsection (4)(m); and

6 (5) have a serial number or other identification
7 number permanently affixed to the machine by the
8 manufacturer."

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13 free games or credits in excess of the value of \$100 per
14 hand.

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17 in 23-5-606(4)(j)."

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19 "23-5-611. State license qualifications -- limitations
20 -- right to hearing. (1) (a) A person who has been granted a
21 license under 16-4-401(2) to sell alcoholic beverages for
22 consumption on the premises may be granted a license for the
23 placement of video draw poker machines in his licensed
24 establishment.

25 (b) Each applicant for a license shall ON THE

1 APPLICATION FORM disclose to the department upon--his
 2 application-form-his ANY previous experience or involvement
 3 with AS AN OWNER OR OPERATOR OF gambling devices and
 4 establishments. Such-disclosure--must--include--but--is--not
 5 limited---to---any---experience---in---operating---such---devices,
 6 employment-with-any-such-establishments,-and-any-violations
 7 PREVIOUS EXPERIENCE OR INVOLVEMENT INCLUDES:

8 (I) CONTROLLING OF GAMBLING DEVICES AS AN OWNER OR
 9 OPERATOR;

10 (II) EMPLOYMENT WITH THE OWNER OR OPERATOR OF GAMBLING
 11 DEVICES;

12 (III) EMPLOYMENT IN ESTABLISHMENTS WHERE GAMBLING IS
 13 OFFERED TO THE PUBLIC; AND

14 (IV) CONVICTION OF VIOLATION of state or local gambling
 15 laws in any jurisdiction.

16 (2) A licensee may not have on the premises or make
 17 available for play on the premises of his licensed
 18 establishment more than five machines.

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 20 hearing before the department. The hearing must be conducted
 21 in accordance with the provisions of the Montana
 22 Administrative Procedure Act."

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24 "23-5-613. Investigations and violations. (1) The
 25 department OR DULY AUTHORIZED DEPARTMENT REPRESENTATIVES

1 shall make necessary investigations, suspend or revoke state
 2 licenses for violations of this part, except 23-5-615, and
 3 hold hearings on such matters. A license may be suspended
 4 prior to a hearing upon a finding of danger to public health
 5 and welfare but may not be revoked until the hearing is
 6 completed.

7 (2) A violation of this part, except 23-5-615, or a
 8 rule promulgated under 23-5-605 is a criminal offense, and a
 9 fine not to exceed \$10,000 for the first violation and
 10 \$15,000 for a subsequent violation must be imposed.

11 (3) If a video draw poker machine is operated in
 12 violation of this part, except 23-5-615, it may be seized
 13 under 23-5-121 and the provisions of 23-5-122 apply.

14 (4) Employees of the department OR DULY AUTHORIZED
 15 DEPARTMENT REPRESENTATIVES designated as enforcement agents
 16 may investigate the background of license applicants to the
 17 extent judged necessary by the department, but no person may
 18 be investigated prior to his submission of an application
 19 for a license.

20 (5) (a) Findings of suspected illegal activity must be
 21 reported to the appropriate law enforcement agency.

22 (b) The clerk of the court shall, upon final judgment
 23 of conviction of a licensee, report to the department the
 24 name of the licensee convicted of violating a local gambling
 25 ordinance.

1 (c) On receipt of such report, the department may
2 commence proceedings to revoke or suspend the licensee's
3 video poker license.

4 (6) Any peace officer of this state may arrest a
5 person for tampering with a video draw poker machine,
6 attempting or conspiring to manipulate the outcome or the
7 payoff of a video draw poker machine, or manipulating the
8 outcome or payoff of a video draw poker machine by physical
9 tampering or other interference with the proper functioning
10 of the machine."

11 NEW SECTION. Section 6. Removal of machine from
12 public access. If a machine fails to meet the specifications
13 and requirements of 23-5-606, 23-5-607, or 23-5-608 at any
14 time after initial licensure, the licensee shall immediately
15 remove the machine from public access until it meets all
16 requirements.

17 NEW SECTION. Section 7. Penalties -- hearing. ~~††~~ If
18 the department ~~finds reasonable cause to believe~~ DETERMINES
19 AFTER A HEARING CONDUCTED PURSUANT TO THE MONTANA
20 ADMINISTRATIVE PROCEDURE ACT THAT a person licensed under
21 this part has violated any of the provisions of this part or
22 the department's rules, the department may, in addition to
23 the other penalties prescribed:

24 ~~††~~(1) suspend the license for a period of not more
25 than 180 days;

1 ~~††~~(2) impose a civil penalty not to exceed \$6,000;
2 ~~††~~(3) revoke the license;
3 ~~††~~(4) deny renewal of the license on expiration
4 thereof; or
5 ~~††~~(5) impose a combination of any two of the
6 penalties set forth in subsections (1)~~††~~ through ~~††~~(4).
7

8 ~~††~~ A person licensed under this part and determined
9 by the department to have violated the provisions of this
10 part or the department's rules has a right to a hearing
11 before the department. The hearing must be conducted in
12 accordance with the provisions of the Montana Administrative
13 Procedure Act.

14 NEW SECTION. Section 8. Judicial review of agency
15 decision. (1) Any interested party has the right to judicial
16 review of a final decision of the department concerning the
17 grant, denial, renewal, revocation, or suspension of a
18 license required under this part.

19 (2) A petition for judicial review must conform to the
20 provisions of Title 2, chapter 4, part 7.

21 NEW SECTION. Section 9. Codification instruction.
22 Sections 6 through 8 are intended to be codified as an
23 integral part of Title 23, chapter 5, part 6, and the
24 provisions of Title 23, chapter 5, part 6, apply to sections
25 6 through 8.

1 NEW SECTION. Section 10. Extension of authority. Any
2 existing authority of the department of revenue to make
3 rules on the subject of the provisions of this act is
4 extended to the provisions of this act.

5 NEW SECTION. SECTION 11. EFFECTIVE DATE. THIS ACT IS
6 EFFECTIVE ON PASSAGE AND APPROVAL.

-End-

STANDING COMMITTEE REPORT

SENATE

March 5, 1987

MR. PRESIDENT

We, your committee on BUSINESS & INDUSTRY

having had under consideration HOUSE BILL No. 67

Third reading copy (blue)
color

PAVLOVICH (LYNCH)

GENERALLY REVISE VIDEO MACHINE CONTROL ACT OF 1985

Respectfully report as follows: That HOUSE BILL No. 67

be amended as follows:

1. Title, line 6.
Strike: "AND"
2. Title, line 8.
Following: "MCA"
Insert: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"
3. Page 2, line 1.
Following: "employees"
Insert: "and duly authorized department representatives"
4. Page 7, line 25.
Following: "department"
Insert: "or duly authorized department representatives"
5. Page 8, line 13.
Following: "department"
Insert: "or duly authorized department representatives"
6. Page 11, following line 2.
Insert: "NEW SECTION. Section 11. Effective date. This act is effective on passage and approval."

AND AS AMENDED
BE CONCURRED IN

XXXXXX

XXXXXXXXXX


ALLEN C. KOLSTAD, Chairman.