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DELAWARE STATE SENATE
149th GENERAL ASSEMBLY

SENATE BILL NO. 144

AN ACT TO AMEND TITLE 29 OF THE DELAWARE CODE RELATING TO LOTTERIES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF DELAWARE:

Section 1. Amend Chapter 48, Title 29 of the Delaware Code by making deletions as shown by strike through and insertions as shown by underline as follows and by redesignating accordingly:

§ 4815 State Lottery Fund. [Effective July 1, 2018]

(b)(3)a. *Proceeds returned to the State.* — Except as otherwise provided by this paragraph, of amounts remaining after all payments under paragraphs (b)(1) and (b)(2) of this section, there shall be returned to the State: ~~43 1/2%~~

1. 32% of the average daily win (the amount remaining after all payments under paragraphs (b)(1) and (b)(2) of this section) not exceeding \$75,000;

2. 35% of the average daily win exceeding \$75,000 but not in excess of \$150,000;

3. 37.5% of average daily win exceeding \$150,000 but not in excess of \$225,000; and

4. 43.5% of average daily win in excess of \$225,000.

~~For licensees which conducted 40 or fewer (but at least 1) days of live harness horse races during 1992, should such licensees' video lottery proceeds, net of proceeds returned to players, at the end of any fiscal year fall below \$107,500,000, then, in the subsequent fiscal year, there shall be returned to the State 42 1/2% of amounts remaining after all payments under paragraphs (b)(1) and (b)(2) of this section.~~

Section 2. Amend Chapter 48, Title 29 of the Delaware Code by making deletions as shown by strike through and insertions as shown by underline as follows and by redesignating accordingly:

§ 4815 State Lottery Fund. [Effective July 1, 2018]

(d) Gross table game revenue shall be electronically transferred daily or weekly at the direction of the Lottery Director into a designated state lottery account by the agent, and transferred to the State Lottery Fund by the lottery on a daily or weekly basis. Gross table game revenue shall be applied as follows:

(1) *Proceeds returned to the State.* —

a. Except as otherwise provided by this paragraph, of gross table game revenue, there shall be returned to the State ~~29.4~~ 15%.

Section 3. Amend Chapter 48, Title 29 of the Delaware Code by making deletions as shown by strike through and insertions as shown by underline as follows and by redesignating accordingly:

§ 4819 Restrictions on location and use of video lottery and sports lottery machines; fees. [Effective July 1, 2018]

(c) Video lottery machines and sports lottery machines shall be connected to the lottery's central computer system, except when used for promotional tournaments in which players are not required to pay any fee to participate, ~~and shall not be available for play on Christmas, or after 4:00 a.m. on Easter. Subject to the foregoing, t~~The specific hours of operation for each video lottery agent are subject to the recommendation of the Lottery Director and the approval of the Secretary of Finance.

~~(d)(1) For the privilege of hosting the operation of table games, the State shall collect from the video lottery agents for the benefit of the General Fund, for each fiscal year after June 30, 2011, license fees totaling \$13,250,000, to be paid no later than June 1 of the preceding fiscal year, and to be allocated among the video lottery agents offering table games as follows: Each video lottery agent's license fee shall be the portion of \$13,250,000 that is equal to the percentage of gross table game revenue generated at that video lottery facility in the preceding fiscal year out of the total gross table game revenue generated at all video lottery facilities in the preceding fiscal year.~~

~~(2) Each video lottery agent shall be permitted for purposes of this subsection to reduce the license fee it would otherwise owe for that year pursuant to paragraph (d)(1) of this section by the amount of qualified investments, up to a cap of \$10,250,000 for all video lottery agents, made in the 12-month period ending on June 30 by the video lottery agent in the competitiveness of its facilities and business. The video lottery agents shall provide the Director annually an accounting of the qualified investments made pursuant to this paragraph. A qualified investment pursuant to this paragraph shall be determined by the Director to benefit the competitiveness or services of such video lottery agent and may include:~~

~~a. Amounts paid out for new or enhanced buildings or permanent improvements or betterments to video lottery facilities or immediately adjacent property or properties that are owned by video lottery licensees that would not be deductible for purposes of § 263(a)(1) of the Internal Revenue Code (26 U.S.C. § 263(a)(1)), or amounts paid out to service debt incurred in the construction of buildings or permanent improvements or betterments; or~~

~~b. Expenditures for marketing of lottery games and promotion items provided to patrons, all as determined by the Office to be in excess of the comparable amount of such expenditures made by the video lottery agent during the 12-month period ending June 30, 2012, measured as a percentage of the proceeds from the operation of the video lottery and table games.~~

SYNOPSIS

This Bill implements certain recommendations adopted by the Lottery & Gaming Study Commission in 2015 and the Video Lottery Advisory Council in 2017, in recognition of significant changes in the regional gaming marketplace and the State's desire to remain competitive in the face of a proliferation of gaming venues in neighboring states. The revenue sharing model is being adjusted in a way that ensures that the State can continue to benefit from video lottery proceeds, ensures continued employment and horse racing at the State's three video lottery facilities, and ensures that the video lottery agents will be able to reinvest capital in their facilities, effectively market their facilities, maintain their high standards of customer service and earn a fair return on their investments, all so that they can remain vibrant tourism enterprises for the State. Effective July 1, 2018, the State's share of gross table game revenues is revised to 15%, the table game license fee is eliminated, and the State's share of gross slot machine revenues is calculated by a reinstated and updated tiered structure as provided for in the original 1994 legislation, now using a range from 32 to 43.5 percent (after certain administrative and vendor costs). The Bill also removes the prohibition against video lottery agents operating on Christmas or Easter.

Author: Senator Bushweller