

ASSEMBLY, No. 2783

STATE OF NEW JERSEY

208th LEGISLATURE

INTRODUCED JANUARY 12, 1999

Sponsored by:

Assemblyman GERALD J. LUONGO

District 4 (Camden and Gloucester)

Co-Sponsored by:

**Assemblymen Doria, Roberts, Wisniewski, Assemblywoman Watson
Coleman, Assemblymen Cottrell and Malone**

SYNOPSIS

Provides that the State Lottery commission will establish Statewide network of video lottery machines with net proceeds to fund NJHOPE Scholarship Program and reductions in senior citizens' property taxes.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/22/1999)

1 AN ACT providing for the operation of video lottery machines as part
2 of the State lottery with the net proceeds to fund the NJHOPE
3 Scholarship Program and reductions in senior citizens' property
4 taxes, supplementing P.L.1970, c.13 (C.5:9-1 et seq.) and chapter
5 71 of Title 18A of the New Jersey Statutes and repealing P.L.1983,
6 c.80.

7
8 **BE IT ENACTED** *by the Senate and General Assembly of the State*
9 *of New Jersey:*

10
11 1. As used in this act:

12 "Business entity" means any sole proprietorship, partnership,
13 corporation or other organization, association or business.

14 "Commission" means the State Lottery Commission established
15 pursuant to P.L.1970, c.13 (C.5:9-1 et seq.).

16 "Director" means the Director of the Division of the State Lottery.

17 "Holding a substantial interest in" means:

18 with respect to a proprietorship, when an individual or the
19 individual's spouse owns, operates, manages or conducts, directly or
20 indirectly, the proprietorship, or any part thereof;

21 with respect to a partnership, when an individual or the individual's
22 spouse shares in any of the profits or potential profits of the
23 partnership activities;

24 with respect to a corporation, when an individual or the individual's
25 spouse is an officer or director of the corporation or the individual or
26 the individual's marital community is a holder, directly or beneficially,
27 of five percent or more of any class of stock of the corporation; and

28 with respect to an organization, association or business not covered
29 by the foregoing, when an individual or the individual's marital
30 community is the owner of or otherwise controls 10 percent or more
31 of the assets of the organization, or when an individual or the
32 individual's spouse furnishes five percent or more of the capital,
33 whether in cash, goods or services, for the operation of a business,
34 association or organization during any calendar year.

35 "Licensed premises" means an establishment operated by the holder
36 of a plenary retail consumption license or a seasonal retail
37 consumption license as defined in R.S.33:1-12 which is also licensed
38 pursuant to this act to have video lottery games placed on its premises.

39 "Net machine income" means the amount of money placed by
40 players into a video lottery machine less amounts paid out to winning
41 players.

42 "Service employee" means an employee of a video lottery machine
43 operator who is certified by the commission to service, maintain and
44 repair video lottery machines.

45 "Video display" means the visual presentation of a video lottery
46 game shown on the screen of a video lottery machine.

1 "Video lottery game" means electronically simulated games of
2 chance displayed and played on a video lottery machine.

3 "Video lottery machine" or "machine" means an electronic video
4 game machine which, upon the insertion of coins or cash, is available
5 to play or simulate the play of a video game, including but not limited
6 to video poker or blackjack, but not including keno, as authorized by
7 the commission, using a video display and microprocessors and in
8 which the player may receive, by chance, free games or tickets that can
9 be redeemed for cash, but does not mean a machine which directly
10 dispenses coins, cash or tokens.

11 "Video lottery machine associated equipment" means any
12 proprietary device, machine or part used in the manufacture or
13 maintenance of a video lottery machine, including but not limited to
14 integrated circuit chips, printed wire assemblies, printed wire boards,
15 printing mechanisms, video display monitors and metering devices.

16 "Video lottery machine distributor" means any individual or
17 business entity which distributes or sells video lottery machines or
18 video lottery machine associated equipment in this State.

19 "Video lottery machine manufacturer" means any individual or
20 business entity which assembles or produces video lottery machines or
21 video lottery machine associated equipment for sale or use in this
22 State.

23 "Video lottery machine operator" means: a. any individual,
24 partnership, corporation or association which holds a casino license,
25 as defined in section 10 of P.L.1977, c.110 (C.5:12-10), and which
26 owns video lottery machines or video lottery machine associated
27 equipment and physically places machines at licensed premises located
28 anywhere in this State for use by members of the public; or b. the
29 holder of a premises license who is authorized pursuant to this act to
30 operate a total of not more than six video lottery machines owned by
31 the licensee at each of not more than two licensed premises operated
32 by the licensee.

33
34 2. In addition to the powers and duties of the State Lottery
35 Commission set forth in section 7 of P.L.1970, c.13 (C.5:9-7), the
36 commission shall have the power and it shall be its duty to provide for
37 the establishment of a Statewide network of video lottery machines in
38 the manner provided by this act.

39
40 3. The commission shall provide for the licensing of manufacturers,
41 distributors and operators of video lottery machines and for the
42 licensing of machines and the premises on which machines are placed
43 for use by members of the public. The commission shall issue five
44 separate types of licenses:

45 video lottery machine distributor's license;

46 video lottery machine manufacturer's license;

1 video lottery machine operator's license;
2 machine license; and
3 premises license.

4 No individual or business entity shall be eligible to hold more than
5 one type of license. However, the holder of a premises license may
6 also hold an operator's license but shall only operate a total of not
7 more than six machines at each of not more than two licensed premises
8 operated by the licensee. The holder of a video lottery machine
9 operator's license shall also be required to obtain a separate machine
10 license for each individual machine placed in operation.

11

12 4. A premises license shall only be issued for a premises which is
13 operated by the holder of a plenary retail consumption license or a
14 seasonal retail consumption license as defined in R.S.33:1-12.

15

16 5. a. The commission shall contract with the holders of video
17 lottery machine operators' licenses to operate video lottery machines
18 at licensed premises. The holder of an operator's license shall enter
19 into an agreement with the holder of a premises license to place a
20 machine or machines owned or leased by the operator at the licensed
21 premises for use by members of the public in a form approved by the
22 commission. The agreement shall conform with the provisions of this
23 act and shall be of a duration which is consistent and concurrent with
24 the operator's contract with the commission. If the holder of an
25 operator's license also holds a premises license, the licensee may
26 operate not more than six machines owned by the licensee only at each
27 of not more than two licensed premises operated by the licensee. Any
28 machine covered by this act shall be exempt from all present vending
29 contracts.

30 b. No inducements of any kind, or of whatever nature whatsoever,
31 shall be offered or given by a video lottery machine operator, or asked
32 for by the holder of a premises license in order to induce either the
33 operator or the holder of the premises license to enter into a contract
34 concerning the placement of video lottery machines at a licensed
35 premises during the course of an initial contract or any renewal
36 thereof. A licensee who violates the provisions of this subsection shall
37 have the licensee's license suspended for a period of time to be
38 determined by the commission.

39

40 6. An individual or business entity seeking to obtain a license
41 pursuant to this act shall apply to the director on such forms as the
42 director shall provide. The application shall include the applicant's
43 consent to credit checks and criminal record searches along with such
44 waivers and releases as the commission may deem necessary to ensure
45 a full and complete review of the application.

1 7. a. No license shall be issued to any applicant who has
2 knowingly made a false statement of material fact to the commission
3 or who is found by the commission to lack the necessary financial
4 stability or responsibility for licensure or when licensure would
5 adversely affect the public health, safety or welfare or endanger the
6 security or welfare of the State Lottery.

7 b. No license shall be issued to any individual or to any business
8 entity if the individual applicant or any individual having a substantial
9 interest in the business entity applicant has been convicted within 10
10 years prior to the date of application under the laws of this State of a
11 crime of the fourth degree or above or under the laws of another state
12 or of the United States with a crime which, if committed in this State,
13 would be such a crime unless the convicted person has affirmatively
14 demonstrated to the commission clear and convincing evidence of
15 rehabilitation. In determining whether an individual has affirmatively
16 demonstrated rehabilitation, the following factors shall be considered:

17 (1) the nature and responsibility of the position which the
18 convicted individual would hold;

19 (2) the nature and seriousness of the offense;

20 (3) the circumstances under which the offense occurred;

21 (4) the date of the offense;

22 (5) the age of the individual when the offense was committed;

23 (6) whether the offense was an isolated or repeated incident;

24 (7) any social conditions which may have contributed to the
25 offense; and

26 (8) any evidence of rehabilitation, including good conduct in prison
27 or in the community, counseling or psychiatric treatment received,
28 acquisition of additional academic or vocational schooling, successful
29 participation in correctional work-release programs, or the
30 recommendation of persons who have had the individual under their
31 supervision.

32 c. An individual applicant for licensure or, where the applicant is
33 a business entity, any individual having a substantial interest in the
34 business entity shall submit to the director the individual's name,
35 address and fingerprints taken on standard fingerprint cards by a State
36 or municipal law enforcement agency. The Attorney General, at the
37 request of the director, shall conduct an investigation of any applicant
38 for licensure under the provisions of this act. The director is hereby
39 authorized to exchange fingerprint data with and receive criminal
40 history record information from the Federal Bureau of Investigation,
41 the Attorney General and the Division of the State Police for use in
42 making the determinations required by this act. The applicant shall
43 bear the cost of the criminal history record check.

44 d. The director may issue a temporary license, which shall be valid
45 for not more than 90 days, pending completion of the investigation and
46 determination of qualifications.

1 e. The commission shall notify an applicant who is found, for any
2 reason, not to be qualified for licensure of the reason therefor and of
3 the specific convictions which constitute the basis for the finding. The
4 applicant shall have 30 days from the date of the written notice to
5 request a hearing on the accuracy of and the basis for the denial of the
6 license. Criminal history record information shall be maintained on file
7 by the director for not longer than 10 years.

8
9 8. The commission shall, by regulation, establish fees for licenses
10 issued pursuant to this act, other than a premises license. The fee
11 established for a manufacturer's license or a distributor's license shall
12 not exceed \$25,000 for the first year of licensure and \$12,500 for each
13 year thereafter. The fee for an operator's license shall be \$10,000 for
14 the first year of licensure and \$5,000 for each year thereafter.
15 However, when the holder of an operator's license also holds a
16 premises license, the fee for the operator's license shall be \$1,000 for
17 the first year of licensure and \$500 per year for each year thereafter.
18 The fee for a machine license shall be \$200 annually per machine. The
19 holder of a premises license shall pay the fee provided for in section 10
20 of this act to the municipality in which the licensed premises is located.

21
22 9. Prior to being issued a license, each video lottery machine
23 operator shall make arrangements in a form agreeable to the
24 commission to contribute $\frac{1}{2}$ of 1% of the amount remaining,
25 subsequent to the State receiving its share from each machine, to the
26 New Jersey Council on Compulsive Gambling. Amounts due the
27 council shall be paid in equal shares by operators and the holders of
28 premises licenses. It shall be the responsibility of each operator to
29 ensure that these amounts are transmitted to the council in the manner
30 provided by the commission.

31
32 10. In order to compensate municipal governments for
33 administrative expenses associated with the operation of video lottery
34 machines within their jurisdiction, the governing body of a municipality
35 in which a licensed premises is located may impose a fee of up to \$100
36 on the holder of a premises license which shall be payable upon the
37 issuance of the license and upon each renewal of the license.

38
39 11. An applicant for licensure pursuant to this act shall furnish all
40 information requested by the commission, including but not limited to
41 financial data and documents, certifications, consents, waivers,
42 individual history, stockholder forms and other materials requested by
43 the commission. No license shall be issued to any applicant who fails
44 to provide all material requested by the commission. Each applicant
45 shall provide the commission with such written consents as the
46 commission may require to obtain access to any relevant information.

1 12. An applicant shall bear the risk of any adverse consequences of
2 the commission's investigation of the applicant's qualifications for
3 licensure, including but not limited to the disclosure of any information
4 by the commission or a third party. An applicant for licensure shall
5 expressly waive any claim against the commission and its employees
6 and agents arising as a result of the commission's investigation.

7
8 13. The commission may require that any application or other
9 document submitted to it by an applicant for licensure or a licensee
10 shall be sworn to or affirmed before a notary public. Any document
11 submitted by an attorney on behalf of an applicant shall be signed by
12 the attorney. The attorney's signature shall constitute certification that
13 the attorney has read the forms or documents and that, to the best of
14 the attorney's knowledge, information and belief, their contents are
15 true.

16
17 14. a. No person shall distribute for operation a video lottery
18 machine unless it has been approved by the commission.

19 b. No person shall place in operation a video lottery machine unless
20 it has been approved by the commission.

21
22 15. A manufacturer of video lottery machines seeking a license to
23 allow the use of its machines in this State shall submit to the
24 commissioner two copies of machine illustrations, schematics, block
25 diagrams, circuit analysis, technical and operation manuals, program
26 source codes and hexadecimal dumps, with the compiled computer
27 program presented in such manner as the commission shall require and
28 any other information requested by the commission.

29
30 16. The commission may require that an applicant for or holder of
31 a manufacturer's license submit at least two working models of a
32 video lottery machine for which it is seeking approval to the
33 commission for examination, testing and analysis. The manufacturer
34 shall pay any costs associated with the commission's testing of the
35 machine. The commission is authorized to completely disassemble
36 machines submitted to it. The applicant shall waive any claim against
37 the commission for damage to or destruction of a machine. The
38 commission may require an applicant to provide specialized equipment
39 and the services of an independent technical expert to assist it in
40 testing a machine.

41 Upon completion of testing, the commission shall provide the
42 applicant with a complete report of its test results and shall approve
43 or disapprove the machine for distribution and use in this State. If a
44 machine is disapproved, the commission shall inform the applicant of
45 modifications which should be made in order for the machine to be
46 approved.

1 17. Each video lottery machine placed in operation shall at all times
2 be in compliance with this act and the regulations of the commission.
3 The director shall cause any machine which is not in compliance to be
4 taken off the system and out of play. Any machine which has been
5 modified or the design of which has been modified without the
6 approval of the commission may be confiscated by the director.

7
8 18. Every manufacturer of video lottery machines shall, pursuant
9 to a training program approved by the commission, provide training in
10 the service and maintenance of its machines. No video lottery machine
11 shall be placed into operation until the manufacturer provides the
12 training required by this section. Each manufacturer shall submit to
13 the commission an outline of its training curriculum, a list of the
14 instructors and their qualifications, a copy of the instructional
15 materials and the time, dates and location of training classes. Service
16 employees shall, upon the completion of an approved training
17 program, be certified by the commission to service and repair video
18 lottery machines and video lottery machine associated equipment. A
19 service employee shall not be employed by more than one video lottery
20 machine operator at any one time.

21
22 19. Video lottery machines and video lottery machine associated
23 equipment shall be maintained and serviced in the manner and
24 condition required by the commission.

25
26 20. The holder of a video lottery machine operator's license shall
27 be responsible for keeping a written service log in each of its
28 machines. The log shall be located in the main cabinet access area of
29 the machine. Every person, including employees of the commission,
30 who gains entry into any internal space of a video lottery machine shall
31 sign the log and indicate the time, date and purpose of entry, the
32 electronic and mechanical meter readings and the parts of the machine
33 inspected or repaired. Service log forms shall be obtained from the
34 commission and shall be retained by an operator for at least three years
35 after a machine is removed from service. Service logs shall be
36 available for inspection by employees of the commission upon request.

37
38 21. The commission shall inspect each individual machine before
39 it is placed in operation to ensure that the machine complies with the
40 provisions of this act and the regulations of the commission. The
41 commission shall seal the software eproms on the logic board on each
42 machine at the time of inspection. An operator shall inform the
43 commission in writing of any breaks or tears in the seal noticed during
44 servicing which were not the result of a repair.

45
46 22. The holder of a video lottery machine operator's license shall

1 obtain a machine license for each machine it places into operation and
2 shall pay the fee for machine licenses established pursuant to section
3 8 of this act. The machine shall prominently display the machine
4 license on each machine. A machine which does not display a machine
5 license is contraband and subject to confiscation by any law
6 enforcement officer.

7
8 23. The readings on the electronic meters shall be capable of being
9 printed on the machine's printing mechanism.

10 Each machine shall be equipped with a non-removable plate on
11 which is inscribed the manufacturer's name, the machine model, the
12 date of manufacture and a serial number which is unique to that
13 particular machine.

14 Each machine shall prominently display a table listing the available
15 prizes and the odds of winning. Each machine shall prominently
16 display a telephone number which may be called to report malfunctions
17 or complaints.

18
19 24. The commission shall require that all machines placed in
20 operation be linked to a central computer system operated by the
21 commission which shall monitor and control use of the machines as
22 required by the commission and provide auditing program information
23 as required and approved by the commission. The system approved by
24 the commission shall not limit participation to only one manufacturer
25 of video lottery machines. The system shall incorporate electronic
26 fund transfer procedures to facilitate the collection of revenue.
27 Nothing contained in this section shall be construed as requiring the
28 exclusive use of video lottery machines which are constantly linked to
29 a central computer system through open telephone lines.

30
31 25. The commission shall immediately disconnect from the system
32 and remove from use any machine which does not comply with the
33 provisions of this act or regulations of the commission until the
34 machine is brought into compliance.

35
36 26. No video lottery machine shall accept more than two dollars to
37 be played on any one game. The value of free games or prizes which
38 may be awarded per game shall not exceed \$500. A machine shall
39 dispense to each winning player a ticket indicating the amount won
40 and containing information on how to redeem the ticket for cash. A
41 minimum of 85%, but not more than 92%, of the amount bet by the
42 players of video lottery machines shall be allocated annually for the
43 payment of prizes.

44
45 27. The holder of a premises license shall immediately pay a
46 winning player an amount won on a machine upon presentation by the

1 player of a winning ticket at the premises where the ticket was
2 obtained. Prior to payment, each winning ticket shall be validated by
3 the commission's central computer system.

4
5 28. Pursuant to section 2 of an Act of Congress of the United
6 States entitled "An act to prohibit transportation of gambling devices
7 in interstate and foreign commerce," approved January 2, 1951, being
8 chapter 1194, 64 Stat. 1134, and also designated at 15 U.S.C.
9 (1171-1177), the State of New Jersey, acting by and through the duly
10 elected and qualified members of its Legislature, does hereby, in
11 accordance with and in compliance with the provisions of section 2 of
12 that Act of Congress, declare and proclaim that section 2 of that Act
13 of Congress shall not apply to any gambling device in this State where
14 the transportation of such device is specifically authorized by and done
15 in compliance with the provisions of this act, any other applicable
16 statute of this State, and any regulations promulgated pursuant
17 thereto, and that any such gambling device transported in compliance
18 with State law and regulations shall be exempt from the provisions of
19 that Act of Congress.

20
21 29. The holder of a video lottery machine operator's license shall
22 maintain records of the operation of each of its machines placed into
23 use which shall be made available to the commission upon request and
24 shall be sufficient to ensure that the machine has been operated in
25 compliance with the provisions of this act and the regulations of the
26 commission. The records maintained pursuant to this section shall
27 include, but not be limited to, the accounting ticket required by this act
28 and corresponding licensee records containing the performance
29 synopsis of each machine as well as an exact copy of the printed ticket
30 voucher. The records required to be maintained pursuant to this
31 section shall be held by the licensee for a minimum of three years.

32
33 30. No more than six machines shall be placed at any one licensed
34 premises except that a racetrack which is under the jurisdiction of the
35 New Jersey Racing Commission may have up to six machines placed
36 at each fixed location at which licensed beverages are served at the
37 racetrack.

38
39 31. The commission shall provide applicants for and the holders of
40 a video lottery machine manufacturer's licenses with the protocol
41 documentation necessary to enable the manufacturer's machine to
42 communicate with the commission's computer and provide the audit
43 information and controls required by the commission.

44
45 32. The commission shall enter into contracts of three years
46 duration with the holders of video lottery machine operators' licenses.

1 The holder of an operator's license shall agree in its contract with the
2 commission to pay to the commission 30% of the net machine income
3 during the first four-year contract, 33% of net machine income during
4 a second four-year contract and 37% of net machine income during
5 any subsequent contract.

6 The holder of a video lottery machine operator's license shall remit
7 the commission's percentage of net income to the commission through
8 an electronic transfer of funds on the fifteenth day of each month and
9 on the last day of each month for the period of time prior thereto
10 prescribed by the commission. If the date on which payment is due
11 falls on a day on which banking business is not transacted, payment
12 shall be due on the next business day.

13 The holder of a video lottery machine operator's license shall
14 provide the commission with all information and bank authorizations
15 necessary to ensure the timely payment of monies due the commission.
16 Operators shall provide the commission with 30 days notice of
17 proposed account changes to ensure the uninterrupted transfer of
18 funds.

19 An operator licensee shall maintain a balance in the licensee's
20 account which is sufficient to cover the amount due the commission on
21 each payment date. Failure to maintain a sufficient balance in the
22 account shall result in the assessment of an interest penalty equal to
23 20% of the amount due. Failure to make payment on any amounts
24 past due plus interest on or before the next payment date shall be
25 grounds for suspension or revocation of the operator's license and
26 removal of the licensee's machines from play. The holder of a video
27 lottery machine operator's license who does not also hold a premises
28 license and who has placed a machine in any licensed premises shall
29 agree that the commission shall ensure that the contract between the
30 operator and the premises licensee specifies that the funds remaining
31 in the machine after all payments required by this act are made shall be
32 divided evenly between the operator and the premises licensee. Funds
33 shall be divided at least weekly and a copy of the distribution
34 statement shall be given to all parties.

35
36 33. The holder of a video lottery machine operator's license shall
37 retain an audit tape that records for each machine an exact duplicate
38 of all tickets printed and transactions recorded. The operator licensee
39 shall retain an audit tape for at least three years and shall store it in a
40 secure place.

41
42 34. The holder of a video lottery machine operator's license shall
43 keep accurate records of net machine income for each machine. Prior
44 to the payment date, the commission shall prepare and mail to the
45 operator licensee a statement of the net machine income for each
46 machine and the amount due the commission. An operator shall report

1 to the commission in writing any discrepancy between the amounts on
2 the commission's statement and amounts shown on each machine's
3 mechanical and electronic meters. The commission shall not be
4 responsible for resolving discrepancies between the two sets of figures.

5 Whenever a discrepancy is reported by an operator pursuant to this
6 section, the commission shall make no credit adjustments until the
7 discrepancy is resolved. The operator shall submit to the commission
8 the maintenance log that includes current mechanical meter readings
9 and the audit tape that contains electronic meter readings generated by
10 the machine's software for each machine that reflects a discrepancy.
11 If the meter readings and the commission's records cannot be
12 reconciled, the commission shall make an appropriate disposition of
13 the matter in view of all of the facts and circumstances. Any
14 accounting discrepancies that cannot be resolved by reason of a
15 violation of this section shall be resolved in favor of the State. No
16 electronic accounting meters may be cleared without a commission
17 employee present.

18
19 35. No video lottery machine shall be played except during the
20 hours that the licensed premises at which it is located may lawfully
21 serve alcoholic beverages.

22
23 36. No person under the age of 21 years shall operate a video
24 lottery machine. A video lottery machine placed at a licensed premises
25 at which minors may lawfully be present shall be so situated as to
26 make observing the machine by minors as difficult as physical
27 circumstances permit.

28
29 37. All payments made by a video lottery machine operator to the
30 holder of a premises license pursuant to an agreement as provided by
31 section 5 of this act shall be by check or draft.

32
33 38. No licensee shall use the word "casino" in any sign or
34 advertisement to refer to a video lottery machine or a licensed
35 premises, except that the word "casino" may be used to the extent that
36 it is part of the name of the holder of an operator's license.

37
38 39. Any person who tampers with a video lottery machine with
39 intent to interfere with the proper operation of the machine is guilty of
40 a disorderly persons offense.

41
42 40. Any person who, with intent to manipulate the outcome, payoff
43 or operations of a video lottery machine, manipulates the outcome,
44 payoff or operation of a video lottery machine by physical tampering
45 or other means is guilty of a crime of the fourth degree.

1 41. Information and records of the commission are confidential,
2 except for official purposes, and may not be disclosed except in
3 accordance with a judicial order or as otherwise provided by law.

4 Information and records considered confidential include:
5 applications, credit and security checks of lottery retailers, licensees
6 and persons seeking or doing business with the lottery; and,
7 marketing, financial or sales data, the disclosure of which may be
8 harmful to the competitive position of the New Jersey lottery, its
9 retailers, licensees or persons seeking or doing business with the
10 lottery.

11
12 42. All monies received by the commission pursuant to this act
13 including license fees shall be deposited in Video Lottery Fund
14 established pursuant to section 43 of this act.

15
16 43. a. There is hereby created and established in the Department
17 of the Treasury a separate fund, to be known as the "Video Lottery
18 Fund," to be deposited in such depositories as the State Treasurer may
19 select. Such fund shall consist of all revenues received by the
20 commission from operation of the video lottery conducted pursuant to
21 this act and all other moneys credited or transferred thereto from any
22 other fund or source pursuant to law. The money in the fund shall be
23 administered by the State Treasurer and all interest or other income
24 earned on the moneys deposited in the fund shall be credited to the
25 fund.

26 b. The moneys in the Video Lottery Fund shall be appropriated
27 only: (a) for the expenses of the commission incurred in connection
28 with its operation of the video lottery; (b) for the support of the New
29 Jersey Helping Outstanding Pupils Educationally (NJHOPE)
30 Scholarship Program established pursuant to sections 47 through 52
31 of this act; and (c) for reductions in the property taxes of eligible
32 senior citizens. On or about March 15 and September 15 of each year,
33 the State Treasurer shall publish in at least 10 newspapers circulating
34 generally in this State a report accounting for the total revenues
35 received in the Joint Lottery Fund and the specific amounts of money
36 appropriated therefrom for specific expenditures during the preceding
37 six months ending December 31 and June 30.

38
39 44. a. As used in this section, "gray area device" means any video
40 machine which upon the insertion of coins or cash is available to play
41 or simulate the play of video poker, keno, blackjack or any other game
42 authorized by the commission for play on a video lottery machine but
43 which is not part of the State lottery network established pursuant to
44 this act.

45 b. After the effective date of this act, no person shall place a gray
46 area machine for the use by members of the public at any licensed

1 premises or at any other place.

2 c. A person who violates the provisions of this section is guilty of
3 a crime of the fourth degree and shall be subject to a maximum
4 eighteen months imprisonment or a fine not to exceed \$10,000 per
5 machine, or both.

6 d. Nothing contained in this section shall be construed as affecting
7 any game or device which is authorized pursuant to the Casino Control
8 Act, P.L.1977, c.110 (C.5:12-1 et seq.).

9
10 45. Pursuant to the "Administrative Procedure Act," P.L.1968,
11 c.410 (C.52:14B-1 et seq.), the State Lottery Commission, within 120
12 days of the effective date of this act, shall promulgate rules and
13 regulations to effectuate the purposes of sections 1 through 46 of this
14 act, except that, notwithstanding any other law to the contrary, no rule
15 or regulations establishing a video lottery game shall be considered an
16 "administrative rule" or "rule" pursuant to that act.

17
18 46. The commission shall expedite the implementation of this act
19 and shall ensure, to the extent reasonably possible, that at least one
20 video lottery machine is placed into operation within 60 days of the
21 effective date of this act at each location for which a premises license
22 has been issued during that period. During the first 60 days after the
23 effective date of this act the commission shall consider applications for
24 premises licenses in a manner which will ensure that licenses are issued
25 in direct proportion to the population and potential number of licensed
26 premises in each county so as to provide the public with fair and
27 equitable access to machines.

28 Notwithstanding any provision of this act to the contrary, no
29 licensed premises shall be permitted to place into operation more than
30 one machine until all holders of premises licenses who applied for
31 licensure during the first 60 days after the effective date of this act
32 have had the opportunity to place one machine into operation.

33
34 47. Sections 47 through 52 of this act shall be known and may be
35 cited as the "New Jersey Helping Outstanding Pupils Educationally
36 (NJHOPE) Scholarship Program Act."

37
38 48. As used in this act:
39 "Board" means the Student Assistance Board in, but not of, the
40 Department of the Treasury.

41 "Commissioner" means the Commissioner of Education.

42 "Independent institution of higher education" means those
43 institutions of higher education incorporated and located in this State,
44 that, by virtue of law or character or license, are nonprofit educational
45 institutions empowered to grant academic degrees, provide a level of
46 education equivalent to the education provided by the State's public

1 institutions of higher education as attested by the receipt of and
2 continuation of regional accreditation by the Middle States Association
3 of Colleges and Schools, and are eligible to receive State aid under the
4 provisions of the Constitution of the United States and the
5 Constitution of the State of New Jersey. The term does not include
6 any educational institution dedicated primarily to the preparation or
7 training of ministers, priests, rabbis, or other professional persons in
8 the field of religion.

9 "Program" means the New Jersey Helping Outstanding Pupils
10 Educationally (NJHOPE) Scholarship Program;

11 "Public institution of higher education" means Rutgers, The State
12 University, the State colleges or universities established pursuant to
13 chapter 64 of Title 18A of the New Jersey Statutes, the New Jersey
14 Institute of Technology, the University of Medicine and Dentistry of
15 New Jersey, the county colleges and any other public university or
16 college now or hereafter established or authorized by State law.

17 "Registration fees" means any fees imposed by an institution of
18 higher education, in addition to tuition, required for matriculation at
19 the institution.

20
21 49. a. There is hereby created the New Jersey Helping Outstanding
22 Pupils Educationally (NJHOPE) Scholarship Program. The program
23 shall provide for the award of scholarships to eligible students
24 pursuant to the provisions of this act for undergraduate and advanced
25 degree programs in public and independent institutions of higher
26 education. It shall be the duty of the Student Assistance Board to
27 administer the program.

28 b. The NJHOPE Scholarship Program shall consist of the following
29 two components:

30 (1) NJHOPE Scholarships shall be awarded to eligible students
31 enrolled on a full-time basis in an undergraduate degree program in a
32 public or private institution of higher education; and,

33 (2) NJHOPE Advanced Teacher Scholarships shall be awarded as
34 forgivable loans to certified teachers and other eligible individuals
35 enrolled in advanced degree programs in a field of study in which the
36 commissioner has determined that there is a critical shortage of
37 certified teachers.

38
39 50. a. A NJHOPE Scholarship awarded to an eligible
40 undergraduate student enrolled in a public institution of higher
41 education shall cover the full cost of tuition and registration fees at the
42 institution plus a book allowance of up to \$200 per semester for each
43 year of scholarship eligibility; except that during the first year of
44 enrollment a student shall be eligible for 50% of such amounts. A
45 NJHOPE Scholarship awarded to an eligible undergraduate student
46 enrolled in an independent institution of higher education shall equal

1 \$3000 per year for each year of scholarship eligibility; except that
2 during the first year of enrollment a student shall be eligible for 50%
3 of that amount. The scholarship amount shall not exceed the actual
4 cost of attendance as determined by the institution.

5 b. A NJHOPE Scholarship shall be payable annually for the first
6 year of enrollment to a student who completed high school with a 3.0
7 cumulative grade point average on a 4.0 scale and for up to three years
8 after completion of a least one year of post-secondary education with
9 a 3.0 cumulative grade point average on a 4.0 scale; except that in the
10 case of a scholarship recipient who is enrolled in a course of study
11 regularly requiring five academic years, the scholarship shall be
12 payable annually for up to four years after completion of a least one
13 year of post-secondary education with a 3.0 cumulative grade point
14 average on a 4.0 scale.

15 c. To be eligible to receive a NJHOPE Scholarship a student shall:

16 (1) be a State resident pursuant to guidelines established by the
17 board;

18 (2) have graduated from high school in 1996, or thereafter, with a
19 3.0 cumulative grade point average on a 4.0 scale in order receive a
20 scholarship beginning with the first year of enrollment, or have
21 completed at least one year of post-secondary education with a 3.0
22 cumulative grade point average on a 4.0 scale in order to receive a
23 scholarship beginning with the second year of enrollment;

24 (3) have a family household income of not more than \$100,000 per
25 year;

26 (4) have applied for all other available forms of State and federal
27 financial aid, exclusive of loans; and

28 (5) have completed all basic skills required by the institution and the
29 State of New Jersey.

30 d. A student may renew a NJHOPE Scholarship upon filing a
31 renewal application with the board and providing evidence as required
32 by the board that the student has maintained a 3.0 grade point average
33 in the degree program in which the student is enrolled and the
34 student's family household income does not exceed \$100,000 per year.
35

36 51. a. Prior to the award of a NJHOPE Advanced Teacher
37 Scholarship, the commissioner, in consultation with the Commission
38 on Higher Education, shall conduct a study to determine the critical
39 shortage fields of study and the geographic areas of the State that are
40 currently underserved or may be underserved in the future in these
41 fields due to a lack of certified teachers. The commissioner shall
42 prepare a list of the critical shortage fields of study and the
43 underserved areas and shall make the list available to all school
44 districts in the State. The commissioner shall update the list and
45 distribute a revised list, if necessary, every three years.

46 b. A NJHOPE Advanced Teacher Scholarship shall be awarded as

1 a forgivable loan up to a maximum of \$10,000 per recipient to a
2 teacher currently certified by the State Board of Examiners who is
3 admitted into a graduate school to pursue an advanced degree in a
4 critical shortage field of study as designated by the commissioner
5 pursuant to subsection a. of this section, or to an individual who in
6 not currently certified but who holds a baccalaureate degree and is
7 admitted into an advanced degree program to pursue a degree in a
8 critical shortage field of study as designated by the commissioner
9 pursuant to subsection a. of this section.

10 c. A NJHOPE Advanced Teacher Scholarship shall be forgiven by
11 the board upon execution of a contract between the recipient and the
12 board requiring service as a teacher in a critical shortage field of
13 study in a public school in the State. The contract shall specify the
14 recipient's length of required service and the total scholarship amount
15 to be redeemed by the State in return for service.

16 A scholarship recipient shall be granted a grace period of one year
17 after completing the approved program before beginning service as a
18 teacher in a critical shortage field of study in a public school.
19 Following the grace period, the recipient shall be obligated to
20 complete one year of teaching for each \$2,500 awarded through the
21 scholarship, with a maximum of four years of service.

22 d. An individual who has entered into a redemption contract may
23 cancel the contract by submitting written notification to the board and
24 assuming responsibility for the repayment of the full amount of the
25 scholarship or that portion which has not been forgiven by the board
26 in return for partial fulfillment of the contract. The recipient shall also
27 pay interest on the scholarship amount at the prevailing market rate as
28 determined by the board at the time the scholarship was provided. A
29 repayment schedule shall be determined by the board.

30 e. A scholarship recipient who has not entered into a contract to
31 serve as a teacher in a critical shortage field of study in a public school
32 by the end of the one-year grace period shall repay the full amount of
33 the scholarship plus interest at the prevailing market rate at the time
34 the scholarship was awarded, as determined by the board, over a
35 maximum period of four years

36 f. In the case of a scholarship recipient's death or total or
37 permanent disability, the board shall cancel the contract and terminate
38 the recipient's obligation to repay the unpaid balance. In the case of
39 extreme hardship as determined by the board, the board may cancel the
40 contract and terminate the recipient's obligation to repay the unpaid
41 balance.

42
43 52. The Student Assistance Board, in consultation with the
44 Commissioner of Education, shall adopt in accordance with the
45 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
46 seq.), rules and regulations as may be necessary to implement the

1 provisions of sections 47 through 52 of this act. The rules and
2 regulations adopted pursuant to this section shall provide that: a
3 student who is dismissed for academic or disciplinary reasons from an
4 institution of higher education shall be ineligible for a scholarship
5 under this act; the eligibility of a student for a scholarship shall not be
6 affected because the student withdraws from an institution of higher
7 education due to the illness of the student or a member of the student's
8 immediate family or because of a family emergency; a student who
9 becomes ineligible for a scholarship because the student has been
10 dismissed for academic or disciplinary reasons shall repay in full all
11 amounts received under the program; and a student who fails to repay
12 any amount due and who is the holder of any professional license
13 issued by the State of New Jersey shall be subject to discipline by the
14 board regulating that profession, which may include revocation of the
15 license or suspension of the license until payments are made pursuant
16 to a schedule approved by the board.

17

18 53. P.L.1983, c.80 (C.5:9-7.1) is repealed.

19

20 54. This act shall take effect upon the date that an amendment
21 becomes a part of the New Jersey Constitution which authorizes the
22 Legislature to establish a video lottery with the net proceeds thereof
23 used to fund scholarships for State residents attending institutions of
24 higher education in this State and to fund reductions in the property
25 taxes of eligible senior citizens.

26

27

28

STATEMENT

29

30 This bill directs the State Lottery Commission to establish a
31 Statewide network of video lottery machines with the net proceeds
32 used to fund the New Jersey Helping Pupils Educationally (NJHOPE)
33 Scholarship Program and reductions in the property taxes of eligible
34 senior citizens.

35 Players would be able to play simulated video poker, blackjack and
36 other games (other than keno) approved by the commission. Prizes
37 would be awarded in the form of free games and cash. All machines
38 would be privately owned but linked to the commission's computer
39 system which would monitor and control the machine's use.

40 Video lottery machines could only be located at certain
41 establishments licensed to sell alcoholic beverages, which have
42 obtained premises licenses from the commission. The bill also requires
43 that manufacturers, distributors and operators of video lottery
44 machines be licensed by the commission. No individual or business
45 entity would be allowed to hold more than one type of license, except
46 that the holder of a premises license may also hold an operator's

1 license but would be restricted to operating a total of not more than
2 six machines at not more than each of two of its own premises.
3 Except in the case of a premises licensee who also holds an operator's
4 license, only the holder of a casino license would be eligible to hold an
5 operator's license.

6 The bill provides for the comprehensive regulation of licensees,
7 machines and related equipment and establishes State and municipal
8 license fees. It imposes stringent record keeping requirements on the
9 operators of video lottery machines. Operators would be required to
10 electronically transfer the State's share of net machine income to the
11 commission on a bimonthly basis. No more than six machines could
12 be located at any licensed premises, except that racetracks would be
13 permitted to have up to six machines placed at each fixed location at
14 which licensed beverages are served at the racetrack. Persons under
15 the age of 21 would be prohibited from playing video lottery machines.
16 A video lottery machine placed at a licensed premises at which minors
17 may lawfully be present is required to be so situated as to make
18 observing the machine by minors as difficult as physical circumstances
19 permit.

20 The bill also prohibits the placement of so-called gray area
21 machines at a licensed premises. A gray area machine is defined in the
22 bill as a machine which is similar to a video lottery machine and offers
23 similar games but which is not part of the State network. Thus, the
24 bill seeks to eliminate this form of illegal gambling activity and to
25 channel money previously bet on illegal games into the State lottery.

26 The bill's video lottery provisions are modeled on a similar program
27 in South Dakota.

28 The bill also establishes the New Jersey Helping Outstanding Pupils
29 Educationally (NJHOPE) Scholarship Program to be funded through
30 the net proceeds of the video lottery. The program is to be
31 administered by the Student Assistance Board which is located in, but
32 not of, the Department of the Treasury.

33 The NJHOPE Scholarship Program is to consist of the following
34 two components:

35 (1) NJHOPE Scholarships will be awarded annually to eligible
36 students eligible students enrolled on a full-time basis in an
37 undergraduate degree program in a public or private institution of
38 higher education located in the State; and

39 (2) NJHOPE Advanced Teacher Scholarships will be awarded as
40 redeemable loans to certified teachers and other eligible individuals
41 enrolled in an advanced degree program in a field of study in which the
42 Commissioner of Education has determined that there is a critical
43 shortage of certified teachers.

44 A NJHOPE Scholarship awarded for undergraduate study in a
45 public institution of higher education following the first year of post-
46 secondary education will cover the full cost of tuition and registration

1 fees at the institution plus a book allowance of up to \$200 per
2 semester for each year of scholarship eligibility. A scholarship
3 awarded for undergraduate study in an independent institution of
4 higher education following the first year of post-secondary education
5 will equal \$3000 per year for each year of scholarship eligibility.
6 During the first year of post-secondary education a student would be
7 eligible to receive 50% of these amounts. To be eligible to receive an
8 undergraduate scholarship a student must be a State resident; have
9 graduated from high school in 1996, or thereafter, with a 3.0
10 cumulative grade point average on a 4.0 scale in order receive a
11 scholarship beginning with the first year of enrollment, or have
12 completed at least one year of post-secondary education with a 3.0
13 cumulative grade point average on a 4.0 scale in order to receive a
14 scholarship beginning with the second year of enrollment; have a
15 family household income of not more than \$100,000 per year; have
16 applied for all other available forms of State and federal financial aid,
17 exclusive of loans; and have completed all basic skills required by the
18 institution and the State of New Jersey. A student may renew the
19 scholarship upon providing the Student Assistance Board with
20 evidence that the student has maintained a 3.0 grade point average in
21 the degree program in which the student is enrolled and that the
22 student's family household income does not exceed \$100,000. A
23 scholarship may be received for a total of four years if a student is
24 enrolled in a four-year program and for a total of five years if a student
25 is enrolled in a five-year program.

26 A NJHOPE Advanced Teacher Scholarship will be awarded as a
27 forgivable loan up to a maximum of \$10,000 per recipient to a teacher
28 currently certified by the State Board of Examiners who is pursuing an
29 advanced degree in a critical shortage field of study; or to an
30 individual who is not currently certified but who holds a baccalaureate
31 degree and is pursuing an advanced degree in a critical shortage field
32 of study. Prior to the award of these scholarships, the Commissioner
33 of Education is to conduct a study to determine the subject areas and
34 the geographic areas of the State that are under served in these subject
35 areas due to a lack of trained teachers. That list is to be updated every
36 three years and disseminated to all public school districts in the State.

37 A NJHOPE Advanced Teacher Scholarship will be forgiven by the
38 Student Assistance Board upon execution of a contract between the
39 recipient and the board requiring service as a teacher in a critical
40 shortage field of study in a public school within the State. A
41 scholarship recipient will be required to complete one year of teaching
42 for each \$2,500 awarded.

43 The Student Assistance Board is directed to adopt rules and
44 regulations providing that: a student who is dismissed for academic or
45 disciplinary reasons from an institution of higher education will be
46 ineligible for a scholarship; the eligibility of a student for a scholarship

1 will not be affected because the student withdraws from an institution
2 of higher education due to the illness of the student or a member of the
3 student's immediate family or because of a family emergency; a student
4 who becomes ineligible for a scholarship because the student has been
5 dismissed for academic or disciplinary reasons must repay in full all
6 amounts received under the program; and a student who fails to repay
7 any amount due and who is the holder of any professional license
8 issued by the State of New Jersey will be subject to discipline by the
9 board regulating that profession, which may include revocation of the
10 license, or suspension of the license until payments are made pursuant
11 to a schedule approved by the board.

12 The NJHOPE Scholarship Program is modeled on the Georgia
13 HOPE Scholarship Program which was instituted by the State of
14 Georgia in 1993.

15 The bill provides that it will take effect upon the date that an
16 amendment becomes a part of the New Jersey Constitution which
17 authorizes the Legislature to establish a video lottery with the net
18 proceeds thereof used to fund scholarships for State residents
19 attending institutions of higher education in this State. All monies
20 received by the Lottery Commission as a result of the video lottery
21 including licensing fees would be deposited in the Video Lottery Fund
22 and appropriated for the scholarship program, reductions in the
23 property taxes of senior citizens, and the expenses of the Lottery
24 Commission incurred in connection with the operation of the video
25 lottery.

26 The bill repeals P.L.1983, c.80 (C.5:9-7.1) which currently
27 prohibits the use of video machines as part of the State lottery.