



# Senate

General Assembly

**File No. 633**

February Session, 2018

Substitute Senate Bill No. 540

*Senate, April 23, 2018*

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist. and SEN. FRANTZ, L. of the 36th Dist., Chairpersons of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT AUTHORIZING SPORTS WAGERING AND ONLINE LOTTERY DRAW GAMES IN THE STATE.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2018*) (a) As used in this section,  
2 unless the context otherwise requires:

3 (1) "Gaming entity" means a casino gaming facility in the state, the  
4 Connecticut Lottery Corporation established pursuant to section 12-  
5 802 of the general statutes, a race track in the state at which racing  
6 events are licensed to be conducted, a fronton in the state at which the  
7 game of jai alai is licensed to be played, an off-track betting facility in  
8 the state operated by the Department of Consumer Protection or by a  
9 licensee authorized to operate the off-track betting system or any other  
10 individual, entity or facility residing or located in the state and  
11 licensed by the department to offer wagering;

12 (2) "Interactive sports wagering platform" or "platform" means an

13 individual or entity that offers sports wagering over the Internet,  
14 including through an Internet web site or a mobile device, on behalf of  
15 a gaming entity;

16 (3) "Official league data" means statistics, results, outcomes and  
17 other data relating to a sporting event, obtained from the relevant  
18 sports governing body or an entity expressly authorized by such sports  
19 governing body to provide such statistics, results, outcomes and other  
20 data to a sports wagering operator;

21 (4) "Sports governing body" means the organization that prescribes  
22 final rules and enforces codes of conduct with respect to a sporting  
23 event and participants in such sporting event;

24 (5) "Sports wagering" means accepting wagers on (A) a sporting  
25 event or a portion or portions of a sporting event, or (B) the individual  
26 performance statistics of an athlete or athletes in a sporting event or a  
27 combination of sporting events, by any system or method of wagering,  
28 including, but not limited to, in-person or over the Internet through an  
29 Internet web site or a mobile device. "Sports wagering" includes, but is  
30 not limited to, single-game bets, teaser bets, parlays, over-under bets,  
31 moneyline, pools, exchange wagering, in-game wagering, in-play bets,  
32 proposition bets and straight bets;

33 (6) "Sports wagering operator" or "operator" means a gaming entity  
34 that offers sports wagering or an interactive sports wagering platform;

35 (7) "Sports wagering gross revenue" means (A) the amount equal to  
36 the total amount of all wagers placed on sporting events not excluded  
37 from sports wagering that a sports wagering operator collects from all  
38 bettors, less the total amount of all sums paid out as winnings to  
39 bettors, except that the cash equivalent value of any merchandise or  
40 thing of value awarded as a prize shall not be included in the sums  
41 paid out as winnings, or (B) in the case of exchange wagering, the  
42 amount equal to the total amount of commissions retained by an  
43 operator on winning sports wagers placed by bettors;

44 (8) "Tier one sports wager" means a sports wager that is determined  
45 solely by the final score or final outcome of a sporting event and is  
46 placed before the sporting event has begun;

47 (9) "Tier two sports wager" means a sports wager that is not a tier  
48 one sports wager;

49 (10) "Wager" or "bet" means the staking or risking by an individual  
50 of anything of value, upon the agreement or understanding that such  
51 individual or another individual will receive something of value in the  
52 event of a specific outcome. "Wager" or "bet" does not include (A) any  
53 activity governed by federal or state securities laws, (B) any indemnity  
54 or guaranty contract, (C) any insurance contract, or (D) participation in  
55 any game or contest in which (i) the participants do not stake or risk  
56 anything of value other than the personal efforts of such participants in  
57 playing the game or contest or obtaining access to the Internet, or (ii)  
58 the sponsor of the game or contest provides points or credits to the  
59 participants free of charge and such points or credits may only be used  
60 or redeemed for games or contests offered by the sponsor.

61 (b) (1) Sports wagering may not be offered in the state except by a  
62 gaming entity and may only be offered to the extent permitted under  
63 federal law.

64 (2) A gaming entity may offer sports wagering (A) to individuals  
65 who appear in person at a facility described in subdivision (1) of  
66 subsection (a) of this section, and (B) via an interactive sports wagering  
67 platform to individuals physically located in the state. A gaming entity  
68 may establish its own platform or may contract with a platform to  
69 administer sports wagering over the Internet on such gaming entity's  
70 behalf.

71 (c) (1) Each interactive sports wagering platform shall be licensed by  
72 the Department of Consumer Protection. Each applicant shall submit  
73 an application to the department, in a form and manner prescribed by  
74 the department, with an application fee of ten thousand dollars. Such  
75 license shall be renewable annually. The renewal fee shall be five

76 thousand dollars. The commissioner may deny, nonrenew, suspend or  
77 revoke such license for cause after issuing a written decision to the  
78 applicant or licensee setting forth the basis for such denial,  
79 nonrenewal, suspension or revocation. Any applicant or licensee  
80 aggrieved by the action of the commissioner concerning a denial,  
81 nonrenewal, suspension or revocation of a license may appeal in  
82 accordance with the provisions of chapter 54 of the general statutes.

83 (2) Any proprietary, financial or personal information or trade  
84 secrets included in a platform license application or in any documents,  
85 reports and data submitted by an interactive sports wagering platform  
86 to the department shall not be disclosed pursuant to subsection (a) of  
87 section 1-210 of the general statutes unless disclosure is required by a  
88 court order.

89 (3) An interactive sports wagering platform may enter into  
90 agreements to offer sports wagering on behalf of one or more gaming  
91 entities, provided such agreements shall not be a prerequisite for the  
92 obtaining of a platform license.

93 (d) Each sports wagering operator shall:

94 (1) Require (A) each applicant for employment to submit to  
95 comprehensive background checks, including state and national  
96 criminal history records checks, and (B) each current employee to  
97 submit to such background checks annually. No operator may employ  
98 an individual who has been convicted of any crime involving  
99 corruption, manipulation of a sporting event or association with  
100 organized crime;

101 (2) Verify that an individual placing a wager pursuant to this section  
102 is at least twenty-one years of age. Any individual may restrict himself  
103 or herself from placing wagers with an operator, including imposing  
104 wager limits, and any operator that has been notified by such  
105 individual of such restriction or limit shall take reasonable steps to  
106 prevent such individual from exceeding such restriction or limit;

107 (3) (A) Use whatever data source such operator deems appropriate  
108 to determine the result of any tier one wager, and (B) use only official  
109 sports governing body data to determine the result of any tier two  
110 wager, if the relevant sports governing body possesses a feed of official  
111 league data and makes such feed available for purchase by the  
112 operator on commercially reasonable terms;

113 (4) Maintain records of all bets and wagers placed, including  
114 personally identifiable information of the bettor, the amount and type  
115 of the bet, the time the bet was placed, the location of the bet, including  
116 any assigned Internet protocol address, the outcome of the bet, records  
117 of abnormal betting activity and, in the case of in-person wagers, video  
118 camera recordings, for at least three years after the sporting event  
119 occurs. Each operator shall make such records and recordings  
120 available for inspection upon request of the Commissioner of  
121 Consumer Protection or as required by a court order;

122 (5) Maintain the security of wagering data, customer data and other  
123 confidential information to prevent unauthorized access and  
124 dissemination. Nothing in this subdivision shall preclude the use of  
125 any Internet-based hosting of such data or information or the  
126 disclosure of such data or information pursuant to a court order; and

127 (6) Maintain the confidentiality of information provided by a sports  
128 governing body to such operator, unless disclosure is required  
129 pursuant to a court order.

130 (e) Any advertisement for sports wagering shall:

131 (1) Ensure that such advertisement does not target minors or other  
132 individuals or demographics who are ineligible to place wagers,  
133 problem gamblers or other vulnerable individuals. The Commissioner  
134 of Consumer Protection may adopt regulations in accordance with the  
135 provisions of chapter 54 of the general statutes to specify the form,  
136 quantity or frequency, timing and location of such advertisement;

137 (2) Disclose in such advertisement the identity of the sports

138 wagering operator;

139 (3) Include information about or Internet web site links to resources  
140 related to gambling addiction; and

141 (4) Not be false, misleading or deceptive to a reasonable consumer.

142 (f) (1) No individual who is a sports wagering operator or is an  
143 officer, director, owner or employee of a sports wagering operator, and  
144 no family member of such individual who resides in the same  
145 household as such individual, shall place any wager with such  
146 operator.

147 (2) No athlete, coach, referee, team owner or employee of a sports  
148 governing body or such governing body's member teams, and no  
149 personnel of any bargaining unit of such governing body's athletes or  
150 referees, shall place any wager on any sporting event overseen by such  
151 governing body. In determining which individuals are prohibited from  
152 placing a wager under this subdivision, a sports wagering operator  
153 shall use publicly available information and any lists provided by the  
154 relevant sports governing body to the Department of Consumer  
155 Protection.

156 (3) No individual with access to nonpublic, confidential information  
157 held by a sports wagering operator concerning a sporting event shall  
158 place any wager on such sporting event with any operator.

159 (4) No individual shall place any wager pursuant to this section as  
160 an agent or a proxy for another individual.

161 (5) Each sports wagering operator shall take reasonable steps to  
162 prevent the conduct described under subdivisions (1) to (4), inclusive,  
163 of this subsection and shall immediately notify the Commissioner of  
164 Consumer Protection if such operator believes such conduct has  
165 occurred.

166 (g) (1) A tax is imposed on sports wagering gross revenue at the rate  
167 of fifteen per cent. Each sports wagering operator shall file a return

168 with the Commissioner of Revenue Services, in such form and manner  
169 as the commissioner prescribes, not later than thirty days after the end  
170 of each calendar quarter and shall remit the tax due under this  
171 subdivision with such return.

172 (2) A sports betting right and integrity fee is imposed at the rate of  
173 one-quarter of one per cent of all wagers placed on sporting events  
174 with a sports wagering operator. Each sports wagering operator shall  
175 file a return with the Commissioner of Revenue Services, in such form  
176 and manner as the commissioner prescribes, not later than thirty days  
177 after the end of each calendar quarter and shall remit the tax due  
178 under this subdivision with such return. Each operator shall identify in  
179 each such return the percentage of wagers during the reporting period  
180 that is attributable to each sports governing body's sporting events.  
181 The amounts remitted pursuant to this subdivision shall be deposited  
182 in the sports betting right and integrity fee account established  
183 pursuant to section 2 of this act.

184 (3) (A) Beginning in the second calendar year immediately  
185 succeeding the year in which sports wagering is permitted in the state  
186 under federal law, a sports governing body may submit, not later than  
187 April thirtieth annually, a request to the Commissioner of Revenue  
188 Services for a distribution of the fees remitted by operators pursuant to  
189 subdivision (2) of this subsection in the previous calendar year, and  
190 shall notify the Commissioner of Consumer Protection of the  
191 submission of such request. The Commissioner of Revenue Services  
192 shall disburse funds to the sports governing body on a pro rata basis of  
193 the total amounts reported wagered in the previous calendar year on  
194 sporting events. The commissioner shall distribute any unclaimed  
195 sports betting right and integrity fees on a pro rata basis to the sports  
196 governing body or bodies that submitted eligible and timely  
197 distribution requests.

198 (B) The Commissioners of Consumer Protection and Revenue  
199 Services shall cooperate with a sports governing body and operators to  
200 ensure the timely, efficient and accurate sharing of information with

201 and distribution of the sports betting right and integrity fees to the  
202 sports governing body.

203 (C) The Commissioner of Revenue Services shall publish annually a  
204 report that states the amount of the fees received from each sports  
205 wagering operator pursuant to subdivision (2) of this subsection in the  
206 previous calendar year and the amount disbursed to each sports  
207 governing body pursuant to subparagraph (A) of this subdivision.

208 (h) Any sports governing body may notify the Commissioner of  
209 Consumer Protection that:

210 (1) Real-time information sharing for wagers placed on its sporting  
211 event is necessary and desirable. Upon such notification, any sports  
212 wagering operators may share in real time, at the account level and in  
213 pseudonymous form, the records, other than the video camera  
214 recordings, maintained pursuant to subdivision (4) of subsection (d) of  
215 this section with the sports governing body or its designee with respect  
216 to wagers on its sporting events; and

217 (2) Such governing body desires to restrict, limit or exclude  
218 wagering on a sporting event or events by providing notice in such  
219 form and manner as the commissioner prescribes. If the commissioner  
220 denies such request, the sports governing body may appeal in  
221 accordance with the provisions of chapter 54 of the general statutes  
222 and no sports wagering operator shall accept wagers on such sporting  
223 event or events during the pendency of such appeal. The  
224 commissioner may adopt regulations in accordance with the  
225 provisions of chapter 54 of the general statutes to specify any sporting  
226 event or events that a sports governing body desires to restrict, limit or  
227 exclude from wagering on a permanent basis in the state.

228 (i) (1) Each sports wagering operator and the Commissioner of  
229 Consumer Protection shall cooperate with an investigation conducted  
230 by any sports governing body or law enforcement agency, including,  
231 but not limited to, by providing or facilitating the provision of account-  
232 level betting information and any audio or video camera recordings



233 relating to individuals placing wagers.

234 (2) Each sports wagering operator shall immediately report to the  
235 Commissioner of Consumer Protection any information relating to (A)  
236 criminal or disciplinary proceedings commenced against such operator  
237 in connection with its operations, (B) abnormal betting activity or  
238 patterns that may indicate a concern with the integrity of a sporting  
239 event or events, (C) any potential breach of the relevant sports  
240 governing body's internal rules or codes of conduct pertaining to  
241 sports wagering, (D) any other conduct that corrupts the betting  
242 outcome of a sporting event or events for purpose of financial gain,  
243 including match-fixing, and (E) suspicious or illegal wagering  
244 activities, including the use of funds derived from illegal activity to  
245 place a wager, the placing of a wager to conceal funds derived from  
246 illegal activity, the use of an agent or a proxy to place a wager or the  
247 use of false identification to place a wager.

248 (3) Each sports wagering operator shall also immediately report to  
249 the relevant sports governing body any information relating to  
250 conduct described under subparagraphs (B) to (D), inclusive, of  
251 subdivision (2) of this subsection.

252 (j) Any individual or entity that knowingly violates any provision of  
253 this section shall be subject to a civil penalty of not more than five  
254 thousand dollars for each violation, not to exceed fifty thousand  
255 dollars for multiple violations arising out of the same transaction or  
256 occurrence.

257 (k) Any individual or entity that (1) places or causes to be placed a  
258 wager on the basis of material nonpublic information relating to such  
259 wager, or (2) knowingly engages in, facilitates or conceals conduct that  
260 is intended to influence a betting outcome of a sporting event for  
261 purposes of financial gain, in connection with wagering on such  
262 sporting event, shall be fined not more than five million dollars or  
263 imprisoned not more than ten years, or both. A wager is placed on the  
264 basis of material nonpublic information if the individual or entity  
265 placing the wager or causing the wager to be placed was aware of such

266 information when such individual or entity placed such wager or  
267 caused such wager to be placed. Any individual or entity that is found  
268 to have violated subdivision (2) of this subsection shall be liable to the  
269 relevant sports governing body and may be sued by such governing  
270 body at law or in equity in any court of competent jurisdiction.

271 (l) The Commissioner of Consumer Protection may adopt  
272 regulations, in accordance with the provisions of chapter 54 of the  
273 general statutes, to implement the provisions of this section.

274 Sec. 2. (NEW) (*Effective July 1, 2018*) On and after the date sports  
275 wagering is permitted in the state under federal law, there is  
276 established an account to be known as the "sports betting right and  
277 integrity fee account" which shall be a separate, nonlapsing account  
278 within the General Fund. The account shall contain any moneys  
279 required by law to be deposited in the account. Moneys in the account  
280 shall be expended by the Commissioner of Revenue Services for the  
281 purposes of disbursing funds to sports governing bodies in accordance  
282 with the provisions of subparagraph (A) of subdivision (3) of  
283 subsection (g) of section 1 of this act.

284 Sec. 3. Subdivision (37) of subsection (a) of section 12-407 of the 2018  
285 supplement to the general statutes is repealed and the following is  
286 substituted in lieu thereof (*Effective July 1, 2018*):

287 (37) "Services" for purposes of subdivision (2) of this subsection,  
288 means:

289 (A) Computer and data processing services, including, but not  
290 limited to, time, programming, code writing, modification of existing  
291 programs, feasibility studies and installation and implementation of  
292 software programs and systems even where such services are rendered  
293 in connection with the development, creation or production of canned  
294 or custom software or the license of custom software;

295 (B) Credit information and reporting services;

296 (C) Services by employment agencies and agencies providing

297 personnel services;

298 (D) Private investigation, protection, patrol work, watchman and  
299 armored car services, exclusive of (i) services of off-duty police officers  
300 and off-duty firefighters, and (ii) coin and currency services provided  
301 to a financial services company by or through another financial  
302 services company. For purposes of this subparagraph, "financial  
303 services company" has the same meaning as provided under  
304 subparagraphs (A) to (H), inclusive, of subdivision (6) of subsection (a)  
305 of section 12-218b;

306 (E) Painting and lettering services;

307 (F) Photographic studio services;

308 (G) Telephone answering services;

309 (H) Stenographic services;

310 (I) Services to industrial, commercial or income-producing real  
311 property, including, but not limited to, such services as management,  
312 electrical, plumbing, painting and carpentry, provided  
313 income-producing property shall not include property used  
314 exclusively for residential purposes in which the owner resides and  
315 which contains no more than three dwelling units, or a housing facility  
316 for low and moderate income families and persons owned or operated  
317 by a nonprofit housing organization, as defined in subdivision (29) of  
318 section 12-412;

319 (J) Business analysis, management, management consulting and  
320 public relations services, excluding (i) any environmental consulting  
321 services, (ii) any training services provided by an institution of higher  
322 education licensed or accredited by the Board of Regents for Higher  
323 Education or Office of Higher Education pursuant to sections 10a-35a  
324 and 10a-34, respectively, and (iii) on and after January 1, 1994, any  
325 business analysis, management, management consulting and public  
326 relations services when such services are rendered in connection with  
327 an aircraft leased or owned by a certificated air carrier or in connection

328 with an aircraft which has a maximum certificated take-off weight of  
329 six thousand pounds or more;

330 (K) Services providing "piped-in" music to business or professional  
331 establishments;

332 (L) Flight instruction and chartering services by a certificated air  
333 carrier on an aircraft, the use of which for such purposes, but for the  
334 provisions of subdivision (4) of section 12-410 and subdivision (12) of  
335 section 12-411, would be deemed a retail sale and a taxable storage or  
336 use, respectively, of such aircraft by such carrier;

337 (M) Motor vehicle repair services, including any type of repair,  
338 painting or replacement related to the body or any of the operating  
339 parts of a motor vehicle;

340 (N) Motor vehicle parking, including the provision of space, other  
341 than metered space, in a lot having thirty or more spaces, excluding (i)  
342 space in a parking lot owned or leased under the terms of a lease of not  
343 less than ten years' duration and operated by an employer for the  
344 exclusive use of its employees, (ii) space in municipally operated  
345 railroad parking facilities in municipalities located within an area of  
346 the state designated as a severe nonattainment area for ozone under  
347 the federal Clean Air Act or space in a railroad parking facility in a  
348 municipality located within an area of the state designated as a severe  
349 nonattainment area for ozone under the federal Clean Air Act owned  
350 or operated by the state on or after April 1, 2000, (iii) space in a  
351 seasonal parking lot provided by an entity subject to the exemption set  
352 forth in subdivision (1) of section 12-412, and (iv) space in a  
353 municipally owned parking lot;

354 (O) Radio or television repair services;

355 (P) Furniture reupholstering and repair services;

356 (Q) Repair services to any electrical or electronic device, including,  
357 but not limited to, equipment used for purposes of refrigeration or  
358 air-conditioning;

359 (R) Lobbying or consulting services for purposes of representing the  
360 interests of a client in relation to the functions of any governmental  
361 entity or instrumentality;

362 (S) Services of the agent of any person in relation to the sale of any  
363 item of tangible personal property for such person, exclusive of the  
364 services of a consignee selling works of art, as defined in subsection (b)  
365 of section 12-376c, or articles of clothing or footwear intended to be  
366 worn on or about the human body other than (i) any special clothing  
367 or footwear primarily designed for athletic activity or protective use  
368 and which is not normally worn except when used for the athletic  
369 activity or protective use for which it was designed, and (ii) jewelry,  
370 handbags, luggage, umbrellas, wallets, watches and similar items  
371 carried on or about the human body but not worn on the body, under  
372 consignment, exclusive of services provided by an auctioneer;

373 (T) Locksmith services;

374 (U) Advertising or public relations services, including layout, art  
375 direction, graphic design, mechanical preparation or production  
376 supervision, not related to the development of media advertising or  
377 cooperative direct mail advertising;

378 (V) Landscaping and horticulture services;

379 (W) Window cleaning services;

380 (X) Maintenance services;

381 (Y) Janitorial services;

382 (Z) Exterminating services;

383 (AA) Swimming pool cleaning and maintenance services;

384 (BB) Miscellaneous personal services included in industry group 729  
385 in the Standard Industrial Classification Manual, United States Office  
386 of Management and Budget, 1987 edition, or U.S. industry 532220,  
387 812191, 812199 or 812990 in the North American Industrial

388 Classification System United States Manual, United States Office of  
389 Management and Budget, 1997 edition, exclusive of (i) services  
390 rendered by massage therapists licensed pursuant to chapter 384a, and  
391 (ii) services rendered by an electrologist licensed pursuant to chapter  
392 388;

393 (CC) Any repair or maintenance service to any item of tangible  
394 personal property including any contract of warranty or service related  
395 to any such item;

396 (DD) Business analysis, management or managing consulting  
397 services rendered by a general partner, or an affiliate thereof, to a  
398 limited partnership, provided (i) the general partner, or an affiliate  
399 thereof, is compensated for the rendition of such services other than  
400 through a distributive share of partnership profits or an annual  
401 percentage of partnership capital or assets established in the limited  
402 partnership's offering statement, and (ii) the general partner, or an  
403 affiliate thereof, offers such services to others, including any other  
404 partnership. As used in this subparagraph "an affiliate of a general  
405 partner" means an entity which is directly or indirectly owned fifty per  
406 cent or more in common with a general partner;

407 (EE) Notwithstanding the provisions of section 12-412, except  
408 subdivision (87) of said section 12-412, patient care services, as defined  
409 in subdivision (29) of this subsection by a hospital, except that "sale"  
410 and "selling" does not include such patient care services for which  
411 payment is received by the hospital during the period commencing  
412 July 1, 2001, and ending June 30, 2003;

413 (FF) Health and athletic club services, exclusive of (i) any such  
414 services provided without any additional charge which are included in  
415 any dues or initiation fees paid to any such club, which dues or fees  
416 are subject to tax under section 12-543, and (ii) any such services  
417 provided by a municipality or an organization that is described in  
418 Section 501(c) of the Internal Revenue Code of 1986, or any subsequent  
419 corresponding internal revenue code of the United States, as from time  
420 to time amended;

421 (GG) Motor vehicle storage services, including storage of motor  
422 homes, campers and camp trailers, other than the furnishing of space  
423 as described in subparagraph (P) of subdivision (2) of this subsection;

424 (HH) Packing and crating services, other than those provided in  
425 connection with the sale of tangible personal property by the retailer of  
426 such property;

427 (II) Motor vehicle towing and road services, other than motor  
428 vehicle repair services;

429 (JJ) Intrastate transportation services provided by livery services,  
430 including limousines, community cars or vans, with a driver. Intrastate  
431 transportation services shall not include transportation by taxicab,  
432 motor bus, ambulance or ambulette, scheduled public transportation,  
433 nonemergency medical transportation provided under the Medicaid  
434 program, paratransit services provided by agreement or arrangement  
435 with the state or any political subdivision of the state, dial-a-ride  
436 services or services provided in connection with funerals;

437 (KK) Pet grooming and pet boarding services, except if such services  
438 are provided as an integral part of professional veterinary services,  
439 and pet obedience services;

440 (LL) Services in connection with a cosmetic medical procedure. For  
441 purposes of this subparagraph, "cosmetic medical procedure" means  
442 any medical procedure performed on an individual that is directed at  
443 improving the individual's appearance and that does not meaningfully  
444 promote the proper function of the body or prevent or treat illness or  
445 disease. "Cosmetic medical procedure" includes, but is not limited to,  
446 cosmetic surgery, hair transplants, cosmetic injections, cosmetic soft  
447 tissue fillers, dermabrasion and chemical peel, laser hair removal, laser  
448 skin resurfacing, laser treatment of leg veins and sclerotherapy.  
449 "Cosmetic medical procedure" does not include reconstructive surgery.  
450 "Reconstructive surgery" includes any surgery performed on abnormal  
451 structures caused by or related to congenital defects, developmental  
452 abnormalities, trauma, infection, tumors or disease, including

453 procedures to improve function or give a more normal appearance;

454 (MM) Manicure services, pedicure services and all other nail  
455 services, regardless of where performed, including airbrushing, fills,  
456 full sets, nail sculpting, paraffin treatments and polishes;

457 (NN) Spa services, regardless of where performed, including body  
458 waxing and wraps, peels, scrubs and facials; [and]

459 (OO) Car wash services, including coin-operated car washes; and

460 (PP) On and after the date sports wagering, as defined in section 1  
461 of this act, is permitted in the state under federal law, sports wager  
462 amounts placed with sports wagering operators, as defined in section 1  
463 of this act.

464 Sec. 4. (NEW) (*Effective from passage*) (a) As used in this section,  
465 "lottery draw game" means any draw game that is available for  
466 purchase through a lottery sales agent.

467 (b) The Connecticut Lottery Corporation shall establish a program  
468 to sell lottery tickets for lottery draw games through the corporation's  
469 Internet web site, online service or mobile application, provided: (1)  
470 Such program does not violate any compact, memorandum of  
471 understanding or agreement in force between the state and the  
472 Mashantucket Pequot Tribe or the Mohegan Tribe of Indians of  
473 Connecticut; and (2) the Keno draw game is offered pursuant to signed  
474 agreements with the Mashantucket Pequot Tribe and the Mohegan  
475 Tribe of Indians of Connecticut or signed amendments to such  
476 agreements, in accordance with the provisions of section 12-806c of the  
477 general statutes, as amended by this act.

478 (c) Such program shall, at a minimum: (1) Verify that a person who  
479 establishes an online lottery account to purchase a lottery ticket  
480 through such program is eighteen years of age or older and is located  
481 in the state; (2) restrict the sale of lottery tickets to transactions initiated  
482 and received within the state; (3) allow a person to deposit money into  
483 an online lottery account through the use of a verified bank account,



484 prepaid lottery gift card, debit card or credit card; (4) limit a person  
485 with an online lottery account to using only one debit card or credit  
486 card; (5) provide that any money in an online lottery account belongs  
487 solely to the owner of the account and may be withdrawn by the  
488 owner at any time; (6) provide a mechanism to prevent the  
489 unauthorized use of online lottery accounts; (7) establish a voluntary  
490 self-exclusion process to allow a person to exclude himself or herself  
491 from establishing an online lottery account or purchasing a lottery  
492 ticket through such program; (8) provide a mechanism to prevent a  
493 person who participates in the self-exclusion process from establishing  
494 an online lottery account; (9) within one year from the date such  
495 program is established, be the subject of an application for certification  
496 from a national or international responsible gambling compliance  
497 assessment program; (10) post a conspicuous link to responsible  
498 gambling information on all online lottery account web pages; and (11)  
499 after consultation with advocacy groups for individuals with gambling  
500 problems, (A) limit the amount of money a person may deposit into an  
501 online lottery account, (B) limit the amount of money a person may  
502 spend per day through such program, and (C) provide for online  
503 messages regarding the importance of responsible gambling when a  
504 person is using his or her online lottery account for an amount of time  
505 specified by the corporation.

506 (d) Prior to implementing any procedure, as defined in subdivision  
507 (2) of section 1-120 of the general statutes, to assure the integrity of  
508 such program, the corporation shall obtain the written approval of the  
509 Commissioner of Consumer Protection in accordance with regulations  
510 adopted under section 12-568a of the general statutes.

511 (e) The corporation shall: (1) Implement initiatives to promote the  
512 purchase of lottery tickets through lottery sales agents; (2) permit  
513 lottery sales agents to sell prepaid lottery gift cards; and (3) conduct an  
514 online public awareness campaign designed to educate the public  
515 regarding compulsive gambling and to inform the public of the  
516 programs available for the prevention, treatment and rehabilitation of  
517 compulsive gamblers in the state.

518 Sec. 5. Subdivision (4) of subsection (b) of section 12-806 of the  
519 general statutes is repealed and the following is substituted in lieu  
520 thereof (*Effective from passage*):

521 (4) (A) To introduce new lottery games, modify existing lottery  
522 games, utilize existing and new technologies, determine distribution  
523 channels for the sale of lottery tickets, introduce keno pursuant to  
524 signed agreements with the Mashantucket Pequot Tribe and the  
525 Mohegan Tribe of Indians of Connecticut, in accordance with section  
526 12-806c, as amended by this act, and, to the extent specifically  
527 authorized by regulations adopted by the Department of Consumer  
528 Protection pursuant to chapter 54, introduce instant ticket vending  
529 machines, kiosks and automated wagering systems or machines, with  
530 all such rights being subject to regulatory oversight by the Department  
531 of Consumer Protection; and

532 (B) To offer certain lottery games through the corporation's Internet  
533 web site, online service or mobile application in accordance with  
534 section 4 of this act, except that the corporation shall not offer any  
535 interactive [on-line] online lottery games, including [on-line] online  
536 video lottery games for promotional purposes, unless such online  
537 video lottery games for promotional purposes are offered as part of the  
538 program established pursuant to section 4 of this act;

539 Sec. 6. Section 12-810 of the general statutes is repealed and the  
540 following is substituted in lieu thereof (*Effective from passage*):

541 (a) The Freedom of Information Act, as defined in section 1-200,  
542 shall apply to all actions, meetings and records of the corporation,  
543 except (1) where otherwise limited by subsection (c) of this section as  
544 to new lottery games and serial numbers of unclaimed lottery tickets,  
545 [and] (2) with respect to financial, credit and proprietary information  
546 submitted by any person to the corporation in connection with any  
547 proposal to provide goods, services or professional advice to the  
548 corporation as provided in section 12-815, and (3) where otherwise  
549 limited by subsection (d) of this section as to information submitted by  
550 any person to the corporation regarding such person's participation in

551 the corporation's voluntary self-exclusion process established pursuant  
552 to subdivision (7) of subsection (c) of section 4 of this act.

553 (b) The records of proceedings as provided in subsection (a) of  
554 section 12-805 shall be subject to disclosure pursuant to the provisions  
555 of subsection (a) of section 1-210.

556 (c) Any new lottery game and the procedures for such game, until  
557 the game is publicly announced by the corporation, and any serial  
558 number of an unclaimed lottery ticket shall not be deemed public  
559 records, as defined in section 1-200, and shall not be available to the  
560 public under the provisions of section 1-210. The president shall  
561 submit a fiscal note prepared by the corporation with respect to the  
562 procedures for a new lottery game to the joint standing committees of  
563 the General Assembly having cognizance of matters relating to finance,  
564 revenue, bonding and public safety after approval of such game by the  
565 board.

566 (d) The name and any personally identifying information of a  
567 person who is participating or participated in the corporation's  
568 voluntary self-exclusion process shall not be deemed public records, as  
569 defined in section 1-200, and shall not be available to the public under  
570 the provisions of section 1-210. The president may disclose the name  
571 and any records of such person if such person claims a winning lottery  
572 ticket from the use of the program established pursuant to section 4 of  
573 this act.

574 Sec. 7. Section 12-818 of the general statutes is repealed and the  
575 following is substituted in lieu thereof (*Effective from passage*):

576 For each of the fiscal years ending June 30, 2010, and June 30, 2011,  
577 the Connecticut Lottery Corporation shall transfer one million nine  
578 hundred thousand dollars of the revenue received from the sale of  
579 lottery tickets to the chronic gamblers treatment rehabilitation account  
580 created pursuant to section 17a-713, as amended by this act. For the  
581 fiscal years ending June 30, 2012, to June 30, 2013, inclusive, the  
582 [Connecticut Lottery Corporation] corporation shall transfer one

583 million nine hundred thousand dollars of the revenue received from  
584 the sale of lottery tickets to the chronic gamblers treatment  
585 rehabilitation account. [created pursuant to section 17a-713.] For the  
586 fiscal [year] years ending June 30, 2014, [and each fiscal year thereafter]  
587 to June 30, 2018, inclusive, the [Connecticut Lottery Corporation]  
588 corporation shall transfer two million three hundred thousand dollars  
589 of the revenue received from the sale of lottery tickets to the chronic  
590 gamblers treatment rehabilitation account. [created pursuant to section  
591 17a-713.] For the fiscal year ending June 30, 2019, and each fiscal year  
592 thereafter, the corporation shall transfer two million four hundred  
593 thousand dollars of the revenue received from the sale of lottery tickets  
594 to the chronic gamblers treatment rehabilitation account.

595 Sec. 8. Section 17a-713 of the general statutes is repealed and the  
596 following is substituted in lieu thereof (*Effective October 1, 2018*):

597 (a) The Department of Mental Health and Addiction Services shall  
598 establish a program for the treatment and rehabilitation of compulsive  
599 gamblers in the state. The program shall provide prevention, treatment  
600 and rehabilitation services for chronic gamblers. The department may  
601 enter into agreements with subregional planning and action councils  
602 and nonprofit organizations to assist in providing these services,  
603 provided not less than twenty-five per cent of the amount received  
604 pursuant to section 12-818, as amended by this act, annually shall be  
605 set aside for contracts with subregional planning and action councils  
606 established pursuant to section 17a-671 and nonprofit organizations  
607 and not less than five per cent of the amount received pursuant to  
608 section 12-818, as amended by this act, annually shall be set aside for a  
609 contract with the Connecticut Council on Problem Gambling. The  
610 department may impose a reasonable fee, on a sliding scale, on those  
611 participants who can afford to pay for any such services. The  
612 department shall implement such program when the account  
613 established under subsection (b) of this section is sufficient to meet  
614 initial operating expenses. As used in this section, "chronic gambler"  
615 means a person who is chronically and progressively preoccupied with  
616 gambling and the urge to gamble, and with gambling behavior that

617 compromises, disrupts or damages personal, family or vocational  
618 pursuits.

619 (b) The program established by subsection (a) of this section shall be  
620 funded by imposition of: (1) A fee of one hundred thirty-five dollars on  
621 each association license, for each performance of jai alai or dog racing  
622 conducted under the provisions of chapter 226, provided no such  
623 licensee shall contribute more than forty-five thousand dollars in any  
624 one year; (2) a fee of twenty-five dollars for each teletheater  
625 performance on each operator of a teletheater facility; and (3) the  
626 amount received from the Connecticut Lottery Corporation pursuant  
627 to section 12-818, as amended by this act. The Commissioner of  
628 Consumer Protection shall collect the fee from each association  
629 licensee or such operator on a monthly basis. The receipts shall be  
630 deposited in the General Fund and credited to a separate, nonlapsing  
631 chronic gamblers treatment and rehabilitation account which shall be  
632 established by the Comptroller. All moneys in the account are deemed  
633 to be appropriated and shall be expended (A) for the purposes  
634 established in subsection (a) of this section, and (B) in an amount not to  
635 exceed one hundred thousand dollars to fund the study described in  
636 subsection (d) of this section.

637 (c) The department shall adopt regulations in accordance with the  
638 provisions of chapter 54 to carry out the purposes of this section.

639 (d) Not later than January 1, 2022, the Commissioner of Mental  
640 Health and Addiction Services shall develop and issue a request for  
641 proposals to study the socioeconomic impact of the program  
642 established by the Connecticut Lottery Corporation pursuant to section  
643 4 of this act on problem gambling in this state. Such study shall be  
644 performed by an institution of higher learning located in this state with  
645 expertise in problem gambling and addiction and submitted for peer  
646 review to ensure accuracy, validity and reliability. The Connecticut  
647 Lottery Corporation shall provide any information and data needed by  
648 the institution of higher learning to perform the study, provided the  
649 information and data does not disclose the identity of individuals. Not

650 later than July 1, 2023, the commissioner shall submit the results of  
651 such study, in accordance with the provisions of section 11-4a, to the  
652 joint standing committee of the General Assembly having cognizance  
653 of matters related to public safety and security.

654 Sec. 9. Section 12-806c of the general statutes is repealed and the  
655 following is substituted in lieu thereof (*Effective from passage*):

656 Notwithstanding the provisions of section 3-6c, the Secretary of the  
657 Office of Policy and Management, on behalf of the state of Connecticut,  
658 may enter into separate agreements with the Mashantucket Pequot  
659 Tribe and the Mohegan Tribe of Indians of Connecticut concerning the  
660 operation of keno by the Connecticut Lottery Corporation in the state  
661 of Connecticut. Any such agreement shall provide that the state of  
662 Connecticut shall distribute to each tribe a sum not to exceed a twelve  
663 and one-half per cent share of the gross operating revenue received by  
664 the state from the operation of keno. The corporation may not operate  
665 keno until such separate agreements are effective. Any such agreement  
666 may be amended concerning the operation of keno on the  
667 corporation's Internet web site, online service or mobile application  
668 pursuant to the program established in accordance with section 4 of  
669 this act. The corporation may not operate keno through such program  
670 until such separate agreements are amended and such amendments  
671 are effective. For the purposes of this section, "gross operating  
672 revenues" means the total amounts wagered, less amounts paid out as  
673 prizes.

674 Sec. 10. Section 52-553 of the general statutes is repealed and the  
675 following is substituted in lieu thereof (*Effective from passage*):

676 All wagers, and all contracts and securities of which the whole or  
677 any part of the consideration is money or other valuable thing won,  
678 laid or bet, at any game, horse race, sport or pastime, and all contracts  
679 to repay any money knowingly lent at the time and place of such  
680 game, race, sport or pastime, to any person so gaming, betting or  
681 wagering, or to repay any money lent to any person who, at such time  
682 and place, so pays, bets or wagers, shall be void, provided nothing in

683 this section shall (1) affect the validity of any negotiable instrument  
 684 held by any person who acquired the same for value and in good faith  
 685 without notice of illegality in the consideration, (2) apply to the sale of  
 686 a raffle ticket pursuant to section 7-172, [or] (3) apply to the  
 687 participation in the program established by the Connecticut Lottery  
 688 Corporation pursuant to section 4 of this act, or (4) apply to any wager  
 689 or contract otherwise authorized by law.

690 Sec. 11. Section 52-554 of the general statutes is repealed and the  
 691 following is substituted in lieu thereof (*Effective from passage*):

692 Any person who, by playing at any game, or betting on the sides or  
 693 hands of such as play at any game, excluding any game permitted  
 694 under chapter 226 or any activity not prohibited under the provisions  
 695 of sections 53-278a to 53-278g, inclusive, loses the sum or value of one  
 696 dollar in the whole and pays or delivers the same or any part thereof,  
 697 may, within three months next following, recover from the winner the  
 698 money or the value of the goods so lost and paid or delivered, with  
 699 costs of suit in a civil action, without setting forth the special matter in  
 700 his complaint. If the defendant refuses to testify, if called upon in such  
 701 action, relative to the discovery of the property so won, he shall be  
 702 defaulted; but no evidence so given by him shall be offered against  
 703 him in any criminal prosecution. Nothing in this section shall preclude  
 704 any person from using a credit card to participate in the program  
 705 established by the Connecticut Lottery Corporation pursuant to section  
 706 4 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2018</i>	New section
Sec. 2	<i>July 1, 2018</i>	New section
Sec. 3	<i>July 1, 2018</i>	12-407(a)(37)
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>from passage</i>	12-806(b)(4)
Sec. 6	<i>from passage</i>	12-810
Sec. 7	<i>from passage</i>	12-818
Sec. 8	<i>October 1, 2018</i>	17a-713

Sec. 9	<i>from passage</i>	12-806c
Sec. 10	<i>from passage</i>	52-553
Sec. 11	<i>from passage</i>	52-554

**Statement of Legislative Commissioners:**

In Section 1(a)(4), "therein" was changed to "in such sporting event" for clarity; in Section 1(b)(2)(A), "to individuals who appear" was inserted for accuracy; in Section 1(h)(1), "(1)" and "(2)" were changed to "(A)" and "(B)" for accuracy and in Subpara. (A), "subdivision (3)" was changed to "subdivision (4)" for accuracy; in Sections 5, 6 and 8 to 11, inclusive, "section 1 of this act" was changed to "section 4 of this act" for accuracy; in Section 6(a)(3), "subsection (b)" was changed to "subsection (c)" for accuracy; and in Section 10, the provisions of Subdiv. (3) and Subdiv. (4) were swapped for consistency with standard drafting conventions.

**FIN**            *Joint Favorable Subst. -LCO*



The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

## OFA Fiscal Note

### State Impact:

Agency Affected	Fund-Effect	FY 19 \$	FY 20 \$
Connecticut Lottery Corporation	GF - Potential Revenue Gain	Up to 2 million	Up to 4 million
Consumer Protection, Dept.	GF - Potential Revenue Gain	At least \$40,000	At least \$20,000
Department of Revenue Services	GF - Potential Revenue Gain	See Below	See Below
Department of Revenue Services	Sports Betting Right and Integrity Fee account - Potential Revenue Gain	See Below	See Below
Resources of the General Fund	GF - Potential Revenue Gain	See Below	See Below
Mental Health & Addiction Serv., Dept.	Chronic Gamblers Fund - Revenue Gain	100,000	100,000
Mental Health & Addiction Serv., Dept.	GF - Cost	See Below	See Below
Consumer Protection, Dept.	GF - Potential Cost	155,785	155,785
State Comptroller - Fringe Benefits <sup>1</sup>	GF - Cost	56,597	56,597
Correction, Dept.; Judicial Dept.	GF - Potential Cost	See Below	See Below

Note: GF=General Fund

### Municipal Impact: None

<sup>1</sup>The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 36.33% of payroll in FY 19 and FY 20.

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**Explanation**

The bill authorizes sports wagering (to the extent allowed under federal law) and requires the Connecticut Lottery Corporation (CLC) to establish an online lottery program. The fiscal impact of these provisions is outlined in detail below:

**Online Lottery**

The bill requires the CLC to establish a program to sell lottery tickets online, including purchase through the use of a credit card. This results in a potential revenue gain to the General Fund of up to \$2 million in FY 19 and up \$4 million in FY 20. It is anticipated that General Fund revenue gain could reach up to \$16 million by FY 23.<sup>2</sup>

The bill also requires the Department of Mental Health and Addiction Services (DMHAS) to develop and issue a request for proposals for a study to be performed by a Connecticut institution of higher learning. This results in a cost for DMHAS to execute a contract with such institution to study the socioeconomic impact of the program established by the CLC on problem gambling in the state. The bill allocates up to \$100,000 via a transfer of CLC funding for such purposes.

To the extent DMHAS contracts with a higher education constituent unit, such entity would experience a revenue gain associated with the contract to conduct the study.

**Sports Wagering**

The bill also establishes a tax and regulatory framework for sports wagering in the state. To the extent such betting becomes legal under federal law and does not interfere with the current tribal compact agreement, this results in a significant revenue gain at that time.<sup>3</sup>

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<sup>2</sup> These estimates assume that establishing online lottery sales does not violate any compact or agreement between the state and the Mashantucket Pequot or Mohegan tribes which is a prerequisite under the bill.

<sup>3</sup> The bill specifies that sports wagering is subject to: 1) a 15% tax on gross wagers, 2) a 0.25% sports betting right and integrity fee, and 3) the state's 6.35% Sales and Use Tax.

To the extent such betting becomes legal under federal law and does not interfere with the current tribal compact agreement, this bill results in a potential cost to various agencies and a potential revenue gain to the Department of Consumer Protection (DCP) and the General Fund.

The bill results in a potential cost to DCP due to the department needing two additional full-time employees and one part-time employee to license, regulate, monitor, and investigate sports betting in the state. The agency would need an accountant (\$66,213 salary and \$24,055 fringe benefits), Consumer Protection Gaming Regulation Officer (\$53,179 salary and \$19,320 fringe benefits), and a part-time Attorney 1 (\$36,393 salary and \$13,222 fringe benefits).

The bill results in a revenue gain to DCP of at least \$40,000 in FY 19 and at least \$20,000 in FY 20 due to an estimated four entities who will pay the initial \$10,000 application fee in the first year and then the \$5,000 renewal fee in the following years. The commissioner has the ability to issue a civil penalty of up to \$5,000 per violation and results in a potential revenue gain to the extent that violations occur.

The bill lists certain illegal violations as offenses that can be fined up to \$5 million and a prison sentence of not more than ten years. To the extent violations occur, this results in a potential cost for increased incarceration or probation and a potential revenue gain for the General Fund. On average, the marginal cost to the state for incarcerating an offender for the year is \$1,900<sup>4</sup> while the average marginal cost for supervision in the community is less than \$700<sup>5</sup> each year.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

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<sup>4</sup> Inmate marginal cost is based on increased consumables (e.g. food, clothing, water, sewage, living supplies, etc.). This does not include a change in staffing costs or utility expenses because these would only be realized if a unit or facility opened.

<sup>5</sup> Probation marginal cost is based on services provided by private providers and only includes costs that increase with each additional participant. This does not include a cost for additional supervision by a probation officer unless a new offense is anticipated to result in enough additional offenders to require additional probation officers.

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**OLR Bill Analysis****sSB 540*****AN ACT AUTHORIZING SPORTS WAGERING AND ONLINE LOTTERY DRAW GAMES IN THE STATE.*****SUMMARY**

This bill establishes a regulatory framework for sports wagering in the state. It authorizes certain gaming entities, to the extent allowed under federal law (see BACKGROUND), to offer sports wagering in the state, either at specified facilities or through an interactive online platform.

The bill imposes on sports wagering operators a (1) 15% tax on sports wagering gross revenue (see COMMENT) and (2) 0.25% sports betting right and integrity fee on all wagers placed. It directs the revenue from the fee to a new account to fund disbursements to sports governing bodies (e.g., MLB, NBA, or NFL), based on the percentage of wagers attributable to each body's sporting events. The bill additionally subjects sports wager amounts to state sales and use tax, which is currently 6.35%.

The bill also requires the Connecticut Lottery Corporation (CLC) to establish a program to sell lottery tickets through its website, an online service, or a mobile application, as long as doing so does not violate any compact or agreement between the state and the Mashantucket Pequot or Mohegan tribes (see BACKGROUND). (The bill does not specify who determines whether a program violates such agreements.) The bill establishes requirements CLC must meet in designing and operating the online lottery program (e.g., over age 18 and located in Connecticut).

The bill makes other CLC-related changes, including among other

things:

1. increasing, from \$2.3 million to \$2.4 million, the amount CLC must transfer to the chronic gamblers treatment rehabilitation account;
2. exempting from disclosure under the Freedom of Information Act (FOIA), with one exception, those who self-exclude themselves from the online lottery program; and
3. requiring the mental health and addiction services (DMHAS) commissioner to develop and issue a request for proposals (RFP) to study the online lottery program's socioeconomic impact.

EFFECTIVE DATE: July 1, 2018, for the sports wagering provisions; upon passage for the internet lottery provisions; and October 1, 2018, for the DMHAS provision.

## **SPORTS WAGERING**

### ***Definitions***

Under the bill, "sports wagering" means accepting wagers in-person, through an interactive sports wagering platform, or by any other system or method on (1) a sporting event or a portion of it or (2) the individual performance statistics of an athlete or athletes in a sporting event or a combination of sporting events. Types of sports wagering include, single-game bets, teaser bets, parlays, over-under bets, moneyline, pools, exchange wagering, in-game wagering, in-play bets, proposition bets, and straight bets.

The bill defines a "wager" or "bet" to mean an individual who stakes or risks anything of value, upon the agreement or understanding that such individual or another individual will receive something of value in the event of a specific outcome. "Wager" or "bet" does not include (1) any activity governed by federal or state securities laws, (2) any indemnity or guaranty contract, (3) any insurance contract, or (4) participation in any game or contest where (a) the

participants do not stake or risk anything of value other than their personal efforts in playing the game or contest or obtaining access to the Internet or (b) the game or contest's sponsor provides points or credits to the participants free of charge and such points or credits may only be used or redeemed for games or contests the sponsor offers.

"Sports wagering operator" is a gaming entity that offers sports wagering or an interactive sports wagering platform.

The bill defines "interactive sports wagering platform" (i.e., platform) as an individual or entity that offers sports wagering over the Internet, including through a website or mobile device on a gaming entity's behalf.

### **Authorization**

The bill only authorizes sports wagering offered by a gaming entity and only to the extent permitted under federal law (see BACKGROUND). A gaming entity may offer wagering (1) through a platform to individuals located in Connecticut or (2) in person at its facility. (It is unclear at which facility CLC could conduct in-person sports wagering.)

Under the bill, the authorized gaming entities include (1) a casino gaming facility in the state; (2) CLC; (3) licensed race tracks; (4) jai alai frontons; (5) licensed off-track betting (OTB) facilities; and (6) any other Connecticut residents, entities, or facilities licensed by the Department of Consumer Protection (DCP) to offer wagering. (It appears that a casino gaming facility in the state would not include either the Foxwoods or Mohegan Sun casinos because both are located on sovereign tribal land. The state currently does not have any licensed race tracks and jai alai frontons or other DCP-licensed residents, entities, or facilities.)

### **Interactive Sports Wagering Platform**

The bill requires each platform to be licensed by DCP and renew the license annually. Each applicant must submit an application in the form and manner the commissioner prescribes, with a \$10,000

application fee and \$5,000 annual renewal fee.

The bill allows the commissioner to deny, not renew, suspend, or revoke a license for cause after issuing a written decision to the applicant or licensee stating the basis of her action. Any applicant or licensee aggrieved by such actions may appeal in accordance with the Uniform Administrative Procedure Act (UAPA).

Under the bill, any proprietary, financial, or personal information or trade secrets included in a platform license application or in any documents, reports, and data the platform submitted is exempt from disclosure under the state FOIA, unless required by a court order.

The bill allows a platform to enter into agreements to offer sports wagering on behalf of one or more gaming entities, but the agreements must not be a prerequisite for obtaining a platform license. (It is unclear what type of equipment is needed to operate the platform and whether it would be considered a prohibited gambling device under existing law (CGS § 53-278a(4).)

### ***Sports Wagering Operator Requirements***

***Employee Requirements.*** Under the bill, each sports wagering operator must require each (1) applicant for employment to submit to comprehensive background checks, including state and national criminal history records checks, and (2) current employee to submit to such background checks annually. The bill prohibits operators from employing anyone who was convicted of any crime involving corruption, manipulation of any sporting event, or any association with organized crime.

***Age Restriction and Self-Exclusion.*** The bill also requires each operator to verify that an individual placing a wager is at least age 21. It allows individuals to restrict themselves from placing wagers with an operator, including imposing wager limits, and any operator that has been notified of such restriction must take reasonable steps to prevent such individual from exceeding such restriction or limit.

**Sports Data.** Under the bill, operators may use whatever data source they deem appropriate to determine the results of “tier one wagers,” which are sports wagers determined solely by the sporting event’s final score or outcome and placed before the sporting event has begun. Operators must use only official sports governing body data to determine the results of “tier two wagers,” (i.e., all wagers that are not tier one). This is contingent on the relevant sports governing body possessing a feed of official league data and making it available for purchase by the operator on commercially reasonable terms.

The bill defines “sports governing body” to mean the organization that prescribes final rules and enforces codes of conduct for a sporting event and its participants (e.g., MLB, NBA, or NFL). “Official league data” means statistics, results, outcomes, and other data relating to a sporting event, obtained from the relevant sports governing body or an entity expressly authorized to provide such information to a sports wagering operator.

**Recordkeeping.** The bill requires operators, for at least three years after the sporting event occurs, to maintain records of all bets and wagers placed, including (1) the bettor’s personally identifiable information; (2) the bet amount and type; (3) the time the bet was placed; (4) the bet’s location, including any Internet protocol address; (5) the bet’s outcome; records of abnormal betting activity; and (6) for in-person wagers, video camera recordings. Each operator must make such records and recordings available for inspection upon the DCP commissioner’s request or by court order.

**Security and Confidentiality.** Under the bill, operators must securely maintain wagering data, customer data, and other confidential information to prevent unauthorized access and dissemination. The bill does not preclude the use of any Internet-based hosting of such data or information or its disclosure under a court order.

Additionally, the bill requires operators to maintain the confidentiality of information a sports governing body provides them,



unless disclosure is required by a court order.

**Reporting.** The bill requires operators to immediately report to the DCP commissioner any information relating to:

1. criminal or disciplinary proceedings commenced against them in connection to their operations;
2. abnormal betting activity or patterns that may indicate a concern with the integrity of the sporting event or events;
3. any potential breach of the governing body's internal rules or codes of conduct regarding sports wagering;
4. any other conduct that corrupts the betting outcome for financial gain (e.g., match-fixing); and
5. suspicious or illegal wagering activities, including using funds derived from illegal activities to place a wager, placing a wager to conceal funds from an illegal activity, using an agent or proxy to place a wager, or using false identification to place a wager.

Operators must immediately report to the relevant governing body the information listed above, except for the information on criminal or disciplinary proceedings and suspicious or illegal wagering activities.

### **Advertising**

Under the bill, any sports wagering advertisement must not target minors (presumably, those under age 21) or other individuals or demographics who are ineligible to place wagers, problem gamblers, or other vulnerable individuals. The DCP commissioner may adopt regulations to specify the form, quantity or frequency, timing, and location of such advertisements.

The bill also requires advertisements to (1) disclose the operator's identity; (2) include information about or website links to resources on gambling addiction; and (3) not be false, misleading, or deceptive to a reasonable consumer.

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**Prohibited Wagers**

The bill prohibits operators and their officers, directors, owners, or employees, from placing a wager with such operator. The same prohibition applies to those individuals' family members who reside in the same household.

The bill also prohibits certain people involved in the sport from placing a wager on any sporting event overseen by that sport's governing body. This includes any athlete, coach, referee, team owner, or employee of the governing body or member teams, and any personnel of any bargaining unit from the governing body's athletes or referees. In determining which individuals are prohibited from placing a wager, an operator must use publicly available information and any lists the relevant sports governing body provides to DCP.

The bill prohibits individuals from placing a wager (1) for a sporting event for which they have access to an operator's nonpublic, confidential information on the event or (2) as an agent or proxy for another person.

Under the bill, operators must take reasonable steps to prevent any of these prohibited wagers and must immediately notify DCP if they believe such conduct has occurred.

**Tax**

The bill imposes a 15% tax on sports wagering gross revenue. "Sports wagering gross revenue" means the amount equal to the total amount of all wagers placed on sporting events not excluded from sports wagering that an operator collects from all bettors, less the total amount of all sums paid out as winnings to bettors, which does not include the cash equivalent value of any merchandise or thing of value awarded as a prize. In the case of exchange wagering, such gross revenue is the amount equal to the total amount of commissions retained by an operator on winning sports wagers placed by bettors.

Under the bill, each operator must file a return with the Department of Revenue Services (DRS) commissioner in the form and manner he

prescribes. Operators must file the return within 30 days after each calendar quarter ends and remit the tax due with the return (see COMMENT).

### ***Sports Betting Right and Integrity Fee***

The bill also imposes a 0.25% sports betting right and integrity fee on all placed wagers that generate revenue distributed to sports governing bodies. In the same timeframe as the tax (see above), operators must remit the fee and file a return with the DRS commissioner in the form and manner he prescribes. They must identify in each return the percentage of wagers in the reporting period that is attributable to each sports governing body's sporting events. The fees must be deposited in the sports betting right and integrity fee account the bill establishes (see below).

Under the bill, beginning in the second calendar year immediately after the year that sports wagering is permitted in the state under federal law, a sports governing body (1) may annually submit by April 30, a request to the DRS commissioner to distribute the fees the operators remitted and (2) must notify the DCP commissioner of this request.

The DRS commissioner must (1) disburse the funds to the sports governing body on a pro rata basis of the total amounts reported wagered in the previous calendar year on sporting events and (2) distribute any unclaimed fees on a pro rata basis to the sports governing body or bodies that submitted eligible and timely distribution requests.

The bill requires the DCP and DRS commissioners to cooperate with the sports governing body and operators to ensure the timely, efficient, and accurate sharing of information and distribution of the fees to the governing body.

The DRS commissioner must annually publish a report stating the amount of fees each operator received and the amount disbursed to each sports governing body.

**Sports Betting Right and Integrity Fee Account.** On and after the date sports wagering is permitted in the state under federal law, the bill establishes the sports betting right and integrity fee account, which is a separate nonlapsing General Fund account. The account must contain any money required by law to be deposited into it. DRS must expend the money to disburse funds to the sports governing bodies in accordance with the bill (see above).

### **Sports Governing Body**

The bill allows a sports governing body to notify the DCP commissioner that real-time information sharing for sport wagers is necessary and desirable. Upon such notification, operators may share in real time, at the account level and in pseudonymous form, the records, other than the video camera recordings, with governing bodies in order to determine tier two wagering outcomes.

A governing body may also notify the commissioner, in a form and manner she prescribes, if it desires to restrict, limit, or exclude sports wagering on an event. If the commissioner denies the request, the governing body may appeal in accordance with the UAPA and no operator may accept wagers on such sporting event or events during the appeal. The commissioner may adopt regulations to specify any sporting event or events that a governing body desires to restrict, limit, or exclude from wagering on a permanent basis in the state.

### **Investigations**

The bill requires each operator and the DCP commissioner to cooperate with a law enforcement agency or governing body's investigation. This includes providing or facilitating account-level betting information and any audio or video camera recordings related to individuals placing wagers.

### **Penalty**

Under the bill, any individual or entity that knowingly violates any of the bill's sports wagering provisions, except the sales and use tax provision, may be subject to a civil penalty of up to \$5,000 for each

violation and up to \$50,000 for multiple violations from the same transaction or occurrence.

The bill imposes a criminal penalty of up to a \$5 million fine, up to 10 years imprisonment, or both for any individual or entity that (1) places or causes to be placed a wager on the basis of material, nonpublic information relating to such wager or (2) knowingly engages in, facilitates, or conceals conduct intended to influence a betting outcome for financial gain. A wager is placed on the basis of material nonpublic information if the individual or entity placing the wager or causing the wager to be placed was aware of such information when he or she placed the wager or caused it to be placed.

Under the bill, any individual or entity that is found to have knowingly influenced a betting outcome for financial gain is liable to the relevant governing body, which may sue in equity or any court with jurisdiction.

### ***Regulations***

The bill allows the DCP commissioner to adopt regulations to implement the sports wagering regulatory framework within its authority (e.g., the non-tax and non-integrity fee provisions).

### **ONLINE LOTTERY**

The bill requires CLC to establish a program to sell lottery tickets for lottery draw games through its Internet website, an online service, or mobile application, as long as doing so does not violate any compact, memorandum of understanding, or agreement between the state and the Mashantucket Pequot or Mohegan tribes (see BACKGROUND). A “lottery draw game” is any draw game that is available for purchase through a lottery sales agent (e.g., Powerball, Mega Millions, or Lucky for Life).

### ***Online Program***

The bill establishes certain requirements for the program. At a minimum, the program must:

1. verify that a person who establishes an online lottery account to purchase a lottery ticket is at least age 18 and located in the state;
2. restrict lottery ticket sales to transactions initiated and received within the state;
3. allow a person to deposit money into an online lottery account through a verified bank account, prepaid lottery gift card, debit card, or credit card;
4. limit a person with an online account to only one debit or credit card;
5. provide that any money in an online lottery account belongs solely to the account's owner, who may withdraw the money at any time;
6. provide a mechanism to prevent the unauthorized use of online lottery accounts;
7. establish a voluntary self-exclusion process to allow a person to exclude himself or herself from establishing an online lottery account or purchasing a lottery ticket through the program;
8. provide a mechanism to prevent a participant in the self-exclusion process from establishing an account;
9. within one year after the program is established, apply for certification from a national or international responsible gambling compliance assessment program; and
10. post a conspicuous link to responsible gambling information on all online lottery account web pages.

In addition, after consulting advocacy groups for individuals with gambling problems, the program must (1) limit the amount of money a person may deposit into an online lottery account and spend per day through the program and (2) provide for online messages on the importance of responsible gambling when a person is using his or her

online lottery account for an amount of time CLC specifies.

Before implementing any procedures designed to assure the program's integrity, CLC must obtain the DCP commissioner's written approval in accordance with the department's regulations on operating the lottery.

### **CLC Requirements**

The bill requires CLC to:

1. implement initiatives to promote lottery ticket purchases through lottery sales agents;
2. permit lottery sales agents to sell prepaid lottery gift cards; and
3. conduct an online public awareness campaign on compulsive gambling and the programs available for preventing, treating, and rehabilitating compulsive gamblers in the state.

### **Promotional Interactive Online Lottery Games**

Current law prohibits CLC from offering interactive online lottery games, including games for promotional purposes. The bill allows online video lottery games for promotional purposes, as long as they are offered as part of the online lottery program.

### **FOIA**

The bill specifies that the name and any personally identifying information of a person who participates or participated in CLC's voluntary self-exclusion process are not public records and are exempted from disclosure under FOIA, with one exception. The CLC president may disclose the name and any records of a person who claims a winning lottery ticket from using the online program.

By law, FOIA applies to the CLC. This means, among other things, that most of CLC's records are considered public and subject to disclosure, with limited exceptions (e.g., unclaimed lottery ticket serial numbers).

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**Chronic Gamblers Treatment Rehabilitation Account**

The bill increases, from \$2.3 million to \$2.4 million, the revenue from lottery ticket sales that CLC must transfer to the chronic gamblers treatment rehabilitation account. The increase applies to FY 19 and each fiscal year thereafter.

**DMHAS Study**

By January 1, 2022, the bill requires the DMHAS commissioner to develop and issue a RFP to study the online lottery program's socioeconomic impact. The study must be (1) performed by a Connecticut institution of higher learning with expertise in problem gambling and addiction and (2) submitted for peer review to ensure accuracy, validity, and reliability. CLC must provide any information and data needed for the study, provided the information and data do not disclose an individual's identity. By July 1, 2023, the DMHAS commissioner must submit the results to the Public Safety and Security Committee.

**Keno**

Existing law allows the Office of Policy and Management (OPM) secretary, on behalf of the state, to enter separate agreements with the Mashantucket Pequot and Mohegan tribes concerning CLC's operation of keno (CGS § 12-806c). (The OPM secretary entered into separate agreements with the tribes in 2015.)

The bill allows any existing agreement to be amended to include operating keno through CLC's Internet website, online service, or mobile application. It prohibits CLC from operating keno online until the separate agreements are amended and the amendments are effective.

**Online Lottery on Credit**

The bill specifically allows online lottery program tickets to be bought using credit cards. It does this by exempting participation in the program from the laws voiding and recovering certain wagering contracts.



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**BACKGROUND*****Sports Gambling***

The federal (1) Wire Act prohibits the use of wire communications to wager on any sporting event (18 U.S.C. § 1081 et seq.) and (2) Professional and Amateur Sports Protection Act of 1992 (PASPA) prohibits states from legalizing sports gambling (28 U.S.C. § 3701 et seq.). The U.S. Supreme Court is currently deciding the constitutionality of PASPA with a decision expected later this year (*Murphy v. NCAA, et al.* No. 16-476).

***Casino Gaming at the Foxwoods and Mohegan Sun Casinos***

The Mashantucket Pequot and Mohegan tribes currently operate the Foxwoods and Mohegan Sun casinos, respectively, on their reservations under the federal Indian Gaming Regulatory Act (IGRA). Gambling at the Foxwoods Casino is conducted under federal procedures, which are a legal substitute for an IGRA-negotiated compact. The Mohegan Sun Casino is conducted under a legally negotiated IGRA tribal-state compact. Both the compact and procedures are like federal regulations. As such, they supersede state law.

***Moratorium on Video Facsimiles (e.g., Slot Machines)***

Neither the Foxwoods or Mohegan Sun casinos are explicitly authorized to operate video facsimile machines, which includes slot machines, under the procedures or compact. The federal procedures and the compact only authorize the tribes to operate video facsimile games pursuant to (1) an agreement between the tribe and state (e.g., MOU); (2) a court order; or (3) a change in state law that allows the operation of video facsimile games by any person, organization, or entity. Currently, both tribes are able to operate video facsimile games through an MOU each has with the state (see below). If the state enacts a law authorizing a game (e.g., online lottery) that is deemed a video facsimile game, the tribes could continue to operate video facsimile machines without paying the state any of their slot revenue.

***Tribal-State MOUs***

The Mashantucket Pequots and Mohegans have separate binding MOUs with the state that give the tribes the exclusive right to operate slot machines and other commercial casino games in exchange for a monthly contribution of 25% of their gross slot machine revenue to the state. If the state enacts a law authorizing a game (e.g., sports wagering) that is deemed a commercial casino game, the tribes could cease making slot revenue payments, but would not be able to continue to operate video facsimile games.

### ***Additional Negotiations Under Procedures and Compact***

The procedures and compact (§ 17(d)) allow the tribes to ask the state to negotiate over amending the agreements with respect to Class III gaming (which sports betting is under federal law) that Connecticut did not allow when the agreements were enacted, but subsequently allowed.

### ***Attorney General Opinion on Sports Betting***

The attorney general opinion concluded that if the federal ban on sports betting is found to be unconstitutional, the tribes would not have the exclusive right to provide sports betting in Connecticut (AG Opinion 2018-01). Further, if Connecticut were to legalize sports betting, amendments to the gaming agreements would be needed to allow the tribes to offer sports betting.

Finally, it states the attorney general's view that sports wagering is not a video facsimile, but whether it is a commercial casino game is an open question.

### ***Related Bill***

HB 5307, reported favorably by the Public Safety and Security Committee, specifies the DCP commissioner must adopt regulations to regulate sports wagering when federal law allows it.

## **COMMENT**

### ***Conflicting Statutes***

The law exempts CLC from paying taxes on any of its money or

property, among other things (CGS § 12-816). However, the bill requires CLC, as a sports wagering operator, to pay a 15% tax on sports wagering gross revenue.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 31 Nay 16 (04/05/2018)