

Public Safety and Security Committee

JOINT FAVORABLE REPORT

Bill No.: HB-5284

Title: AN ACT REVISING VARIOUS GAMING STATUTES.

Vote Date: 3/19/2024

Vote Action: Joint Favorable Substitute

PH Date: 2/29/2024

File No.:

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SPONSORS OF BILL:

Rep. Tony J Scott, 112th Dist.

Rep. Travis Simms, 140th Dist.

REASONS FOR BILL:

Establishes a variety of regulations to the gaming market within Connecticut including, the requirement that the lottery system and traditional lottery draw games are vetted, tested, and certified by an independent third party, an expansion of the duties of special police officers to include investigating and or making arrests for offenses arising from the operation of internet games, various changes to licensure and reporting requirements, a modification of the advertising provisions for the Connecticut Lotter Corporation with a clarification of language regarding collegiate sports wagering, an additional clarification of language regarding collegiate sports wagering on Connecticut intercollegiate teams, and finally the bill prohibits animals (especially fish) to be given as prizes.

All regulations in this legislation look to further provide safety to the consumer and how they may engage in online and sports betting in the state of Connecticut. With this the state of Connecticut can ensure the gaming companies here are using fair and safe business practices.

Substitute Language:

Adds the following definitions:

- Gaming laboratory: a business entity that specializes in the testing of technology systems for gaming operators licensed in the United States, is licensed by the department as an affiliate pursuant to section 12-815a, as amended by this act, and is not owned or controlled by the corporation.

- Keno: a lottery game in which a subset of numbers are drawn from a larger field of numbers by a central computer system using an approved random number generator, wheel system device or other drawing device
- Lottery gaming system: the complete integrated set of hardware and software elements that communicates, records, reports, captures and accounts for gaming data, including, but not limited to, issuing, canceling and validating wagers, determining winners and other functions necessary for the technological operation of the lottery.
- "Person in charge" means the person designated by a lottery sales agent licensee, or the applicant for such a license, who is responsible for managing such agent's compliance with the provisions of chapters 226 and 229a.

Adds language for the testing and approval of both lottery gaming systems and draw games or keno by the Commissioner of Consumer Protection.

Adds a development of technical standards against which gaming laboratories will test lottery draw games and keno for compliance. These standards will be post on the Internet and will be reviewed annually.

Adds lottery sales agent into the list of potential licensees granted by the Commissioner of Consumer Protection.

Clarifies that no person or business organization may be a lottery sales agent unless they are licensed as a lottery sales agent by the commissioner and outlines the details of holding said license.

Adds definitions for the following:

- Gaming entity licensee: a master wagering licensee, a licensed online gaming operator, a licensed online gaming service provider or a licensed sports wagering retailer
- Lottery sales agent: a person that contracts with the Connecticut Lottery Corporation to sell lottery tickets or offer keno at a retail facility in the state and not over the Internet, and is licensed in accordance with chapters 226 and 229a

Adds clear definitions for disallowances in gambling marketing, specifically including targeting direct individuals, and individuals under the age of twenty-one and eighteen years of age (referring to Keno).

RESPONSE FROM ADMINISTRATION/AGENCY:

Bryan Cafferelli, Commissioner, DCP:

The DCP opposes the amendment titled 2024LCO02172-R00-AMD as such language would allow targeted marketing to individuals to encourage increased volume and amounts of wagering. This type of marketing, known as affiliate marketing, allows state gaming licensees to contract with marketing companies to accomplish this goal, to the detriment of problem gambling and responsible gaming objectives.

This would require significant resources for DCP to review affiliate marketing campaigns. Additionally, if online gaming operators are permitted to contract with affiliate marketing firms, the DCP would have to license these affiliate marketing firms as online gaming service providers, a credential that is currently issued to businesses that partner with online gaming

operators in the state. This increased licensing, marketing review and enforcement work is estimated to cost the DCP almost one million dollars in additional resources.

NATURE AND SOURCES OF SUPPORT:

Brandt Iden, VP, Government Affairs, Fanatics Betting, Supports:

Expresses how if this bill were to be passed without modification, the Committee and DCP would be fostering an inefficient advertising environment, which would in turn limit the growth of Connecticut's sports wagering market, and ultimately limit revenue to state. Specifically siting, if master wagering licensees, online gaming operator licensees or sports wagering retailer licensees (collectively, "Licensees") were required to compensate third party marketing partners exclusively for click throughs to its website/application, without more, such Licensees would be required to pay referral fees for patrons that have no intent to engage in sports wagering activities (i.e., including persons who mistakenly clicked referral links or those that have no real interest in sports wagering.) Explains how this would effectively force Licensees to either limit their marketing activities or engage in inefficient and likely ineffective marketing endeavors. The ultimate result would be higher customer acquisition costs for Licensees and less revenue to the state. They add, Licensees would be forced to compensate their marketing affiliates for persons who click through ads, but who are prohibited by law from creating a sports wagering patron account. The net result of this is that Licensees will unintentionally spend substantial portions of their marketing budgets on advertising campaigns that do not target individuals with a strong interest in sports wagering or who are potentially ineligible to participate in sports wagering. The inefficient advertising spend will convert fewer potential patrons into active patrons, and as a result, the State will not avail itself of sports wagering's maximum economic benefits. Licensees will not be able to allocate additional capital towards other areas of their operation, such as innovative products/offers or expansion within the state of Connecticut.

David Rutigliano, State Representative, 123rd District, Supports:

Expresses how even though online and sports betting are legal, we should protect the consumer by not allowing predatory promotions to entice them into engaging in these activities. Specifically sites the prohibition of drink specials or by one get one free alcohol tactics within the state as an example in favor of setting forth restrictions on the gaming market.

Paul Tarbox, Director of Public Policy, CT Council on Problem Gambling, Supports:

The expansion of gambling in October of 2021 and the inescapable surge of advertising for it, has changed the landscape of our state. The new online offerings, especially with sports betting, have engaged many new people towards the gambling platforms that would be less likely to frequent a brick-and-mortar establishment. We need to be proactive and protect our youth from gambling related harms in the same way we are protecting them from predatory or misleading advertisements regarding alcohol, tobacco, and other drugs.

NATURE AND SOURCES OF OPPOSITION:

Jody Cummings, General Counsel, Mashantucket Pequot Tribe, Opposes:

Expresses an understanding that Section 14 was submitted with the intent to clarify the current college sports wagering language, not to change its scope. They suggest however, that Section 14(a)(3) significantly restricts the scope of college sports wagering currently

allowed under Public Act 21-23. This restriction does not further the public policy goals intended in legalizing sports wagering generally, and in prohibiting certain college sports wagering within the legalized scheme. If adopted, they believe Section 14 would render wagering on college tournaments more difficult and less player-friendly, encouraging patrons back to illegal sports books that are unlicensed, unregulated, and untaxed. They add that the changes reflected in Section 13(f)(9) and (g) of H.B. 5284 provide the Connecticut Lottery Corporation with certain carveouts in marketing its products. They take no position at this time as to whether this type of marketing should or should not be permitted in general, but they are concerned that these carveouts are being proposed for only one of the State's online gaming operators. They suggest the legislature should ensure equitable treatment on such issues across all operators.

Sara Dalsheim, Associate, iDEA:

Proposes an amendment commenting that, Connecticut is the only state in the United States with legalized and regulated sports betting that has completely excluded affiliate marketing from the industry by banning all economically feasible forms of compensation. Marketing affiliates are vital to the longevity and success of a legalized sports wagering market. Affiliates are key to eradicating offshore sports betting platforms, facilitating a competitive market, and providing consumers neutral informational resources on the state's sports betting market and options. iDEA urges the Committee to adopt Amendment LCO #2172 to the proposed bill to do away with the restrictions on how third-party advertisers may be compensated.

Greg Smith, President, CEO, Connecticut Lottery Corp.:

CLC supports sections 3 through 9 and 11 through 17 of House Bill 5284. These sections propose common sense changes that strengthen consumer protections and update provisions regarding the regulation of online gaming and sports wagering.

Regarding Section 2 of the proposed bill, CLC opposes the language related to lottery system and games testing by third parties (lines 82-132). The Department of Consumer Protection (DCP) already has the authority in existing regulations to do what is proposed in this language. When DCP knows or suspects something is wrong with the system, or if they believe that a system release or new game has not been sufficiently tested by CLC, they can choose to not approve the system release, the new game, or the game change at issue. DCP can also raise questions to CLC or the vendor about concerns or require an independent audit. CLC does very thorough testing of the lottery system prior to implementing any changes and provides our documentation to DCP prior to requesting DCP's approval, in addition to DCP's ability to conduct their own testing. The quantity of approvals CLC must obtain from DCP is formidable, and some have notable overlap. The addition of third-party testing of the lottery system and games will come with significant additional costs that will undoubtedly affect the monies returned to the state.

Speaking to the original bill language, CLC appreciates DCP's willingness, through this proposed legislation, to allow CLC to partner with lottery sales agents for affiliate marketing. CLC believes the existing regulations should already allow for this and that the controls for marketing of online gaming are best achieved through regulations, not statutes.

Reported by: Casey Urso (Assistant Clerk)

Date: March 27th, 2024