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## OLR Bill Analysis

### sHB 5284

#### **AN ACT REVISING VARIOUS GAMING STATUTES.**

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**§§ 1 & 2 — LOTTERY TESTING AND CERTIFICATION**

*Requires the lottery system and games to be tested and certified by an independent third party*

This bill requires each lottery gaming system to be tested and certified by a gaming laboratory, in a way and as frequently as the Department of Consumer Protection (DCP) deems necessary to preserve gaming integrity. Under the bill, a “gaming laboratory” is a business entity that (1) specializes in testing technology systems for U.S. licensed gaming operators, (2) is licensed by DCP as an affiliate, and (3) is not owned or controlled by the Connecticut Lottery Corporation (CLC).

Similarly, the bill requires lottery draw games and keno to be tested and certified by a gaming laboratory generally before CLC offers either of them, in a way and as frequently as DCP deems necessary to preserve gaming integrity. However, this testing and certification is not required for lottery draw games that (1) are sold in at least 20 U.S. states and (2) have been tested by a nationally recognized gaming testing laboratory that is licensed in at least 20 states to perform system and game analysis. The bill relatedly allows DCP to develop technical standards against which gaming laboratories must test lottery draw games and keno for compliance. It also imposes reporting requirements on gaming laboratories.

If DCP suspects that the integrity of the lottery gaming system may be vulnerable or compromised, the bill allows the department to require the lottery gaming system to be recertified by a gaming laboratory and the new certification submitted to DCP. The bill similarly allows the department to suspend or revoke approval of a lottery draw game or keno without notice if DCP has good cause to believe that the continued operation of the game or keno poses a threat to the security and integrity of gaming in the state

Lastly, the bill makes other minor, technical, and conforming changes.

EFFECTIVE DATE: Upon passage

### ***Application***

Under the bill, a “lottery gaming system” is the complete integrated set of hardware and software elements that communicates, records, reports, captures, and accounts for gaming data, including issuing, canceling, and validating wagers, determining winners, and other functions necessary for the technological operation of the lottery.

By law and under the bill, “keno” is a lottery game where a subset of numbers is drawn from a larger field of numbers by a central computer system using an approved number generator, wheel system device, or other drawing device.

A “lottery draw game” is any game where one or more numbers, letters, or symbols are randomly drawn at predetermined times, but not more frequently than once every four minutes, from a range of numbers, letters, or symbols; and prizes are paid to players possessing winning plays as set forth in each game’s official game rules. It does not include (1) keno, (2) any game involving lottery draw tickets that are not available through a lottery sales agent, or (3) any game that simulates online casino gaming.

### ***DCP Technical Standards***

If DCP develops technical standards for gaming laboratories to test lottery draw games and keno, then the bill requires the department to post them on DCP’s website and review them at least annually to ensure they preserve the integrity of gaming.

DCP may modify or update the standards to respond to a legal interpretation, include additional standards, or amend existing standards as the DCP commissioner deems necessary in order to protect consumers from financial harm, to adjust to changes in technology, relevant standards, or platform design, or for any other reason in order to preserve the integrity of gaming. The bill requires the department to

post its standards updates on DCP's website and makes them effective 30 days after this posting unless the commissioner establishes a later effective date. The bill also requires DCP to notify CLC in writing about any update to the standards before it is implemented.

### ***Gaming Laboratory Reporting***

The bill requires gaming laboratories engaged in testing and certifying a lottery draw game or keno to file a report with DCP that must include (1) the extent to which the lottery draw game or keno meets any technical standards adopted by the DCP commissioner, (2) whether the lottery draw game or keno complies with the requirements of the state's lottery laws, and (3) any additional information needed by DCP to certify the lottery game or keno.

### ***DCP Review of Test Results***

Under the bill, DCP must review the lottery draw game or keno that is being tested for proper functioning and consider the gaming laboratory's test results and certification. After completing this review, the department may approve the lottery draw game or keno for use in the state.

### **§§ 1 & 4-8 — LOTTERY SALES AGENTS**

*Specifies that lottery sales agents do not sell lottery tickets or offer keno over the Internet; extends existing provisions for other lottery related licensees to them; requires the "person in charge" of the agent to provide certain information to DCP and submit to a criminal history records check*

This bill makes several statutory changes on lottery sales agents that supersede DCP regulations on them. Under existing law, unchanged by the bill, DCP must adopt regulations on, among other things, regulating lottery sales agents, including qualifications for licensure and license suspension and revocation (CGS § 12-568a). In practice, the department has adopted these regulations (see Conn. Agencies Regs., § 12-56a-1 et seq.).

The bill statutorily prohibits any person or business organization from being a lottery sales agent without a DCP license. It formally defines "lottery sales agent" as a person licensed under the state's lottery and gaming laws that contracts with CLC to sell lottery tickets or

offer keno at a retail facility in Connecticut and not over the Internet.

The bill extends existing provisions for other lottery related licensees to lottery sales agents. Under this law currently, the DCP commissioner must issue vendor, affiliate, and occupational licenses according to the other provisions of this law. The bill also requires him to issue lottery sales agent licenses in this way. Relatedly, just as the commissioner may suspend or revoke for good cause a vendor, affiliate, or occupational license after a hearing, or order a summary suspension of either, the bill allows him to do so for lottery sales agent licenses.

The bill also extends (1) an existing alternative criminal history records check process for key employee and live game employee license applicants to lottery sales agent license applicants and (2) existing statutory provisions for other lottery related licensees so that they apply to lottery sales agents.

The bill also makes technical and conforming changes.

EFFECTIVE DATE: Upon passage

### ***Lottery Sales Agent License Applications***

Under existing law, the DCP commissioner may require applicants for other lottery related licenses to provide specific information about themselves. The bill extends this authorization to apply to lottery sales agent license applicants and the “person in charge” of them (i.e., the person designated by a lottery sales agent licensee, or the applicant for the license, who is responsible for managing the agent’s compliance with the state lottery and game laws).

Effectively, the DCP commissioner may require a lottery sales agent license applicant and the related person in charge to provide information on their:

1. financial standing and credit;
2. moral character;
3. criminal record, if any;

4. previous employment;
5. corporate, partnership, or association affiliations; and
6. ownership of personal assets, as well as other information the commissioner deems pertinent to issuing the license if doing so will assure the integrity of the state lottery.

By law, the DCP commissioner must require other license applicants to submit to state and national criminal history records checks and may require them to submit to an international criminal history records check before the license is issued. The bill applies these provisions to lottery sales agent applicants and to the applicant's person in charge when the applicant is a business organization.

As is the case under existing law for other license applicants, the bill requires the DCP commissioner to issue a lottery sales agent license to each applicant who satisfies the above application requirements and who he deems as qualified, and authorizes the commissioner to reject lottery sales agent license applications for good cause.

#### **§§ 1, 4 & 5 — LOTTERY AFFILIATE AND VENDOR LICENSES**

*Specifies that certain CLC contractors must get an affiliate license as affiliates and requires vendor licensees to report lottery system incidents directly to DCP*

The bill specifies that any person or business organization, other than a shareholder in a publicly traded corporation, that acts as a contractor for providing facilities, components, goods, or services that are necessary for and directly related to the secure operation of CLC's activities, or who exercises control in or over a vendor licensee, must be licensed as an affiliate licensee by the DCP commissioner. Current law only expressly applies this requirement to those acting as subcontractors.

The bill requires vendors licensed to provide a lottery gaming system to report certain incidents to DCP. Specifically, incidents that occur, or are reasonably suspected to have occurred, that cause a disruption in the operation, security, accuracy, integrity, or availability of the lottery gaming system.

The vendor must generally give a written incident report to DCP immediately upon discovering the incident, but they may do so up to 24 hours after the discovery. The report must include the incident details and the vendor's proposed corrections. Within five business days after notifying the department, the vendor must give, presumably, a second written incident report that (1) details the incident, including the root cause of it, and (2) outlines the vendor's plan to make corrections, mitigate the effects of the incident, and prevent incidents of a similar nature from happening in the future. If the vendor is unable to determine the root cause and correct the incident within the initial five business days, the vendor must continue to update the department every five business days with written incident reports until the root cause is determined and the incident is corrected. DCP may require the vendor to submit the lottery gaming system to a gaming laboratory for recertification.

Additionally, the bill makes technical and conforming changes.

EFFECTIVE DATE: Upon passage

### **§§ 3, 5 & 10 — CASINO GAMING AND SPORTS WAGERING ADVERTISING**

*Imposes additional advertising restrictions and requirements on gaming entity licensees, including prohibiting certain licensees from entering into agreements with a third party to conduct advertising or marketing where compensation is based on certain outcomes (e.g., how many people become patrons or amount wagered)*

The bill imposes additional restrictions on online and retail sports wagering and online casino gaming advertisements; specifically, the advertising, marketing, and other promotional materials published, aired, displayed, or disseminated by or on behalf of any gaming entity licensee. The bill defines "gaming entity licensee" as a master wagering licensee, a licensed online gaming operator, a licensed online gaming service provider, or a licensed sports wagering retailer (see BACKGROUND).

The bill also prohibits master wagering licensees, online gaming operator licensees, and sports wagering retailer licensees from entering into agreements with a third party to conduct advertising or marketing

for or to benefit the licensee where compensation depends on the number of people who become patrons, the volume or amount of wagers placed, or the wager outcomes. However, master wagering licensees and online gaming operator licensees may compensate a third party for advertising services based on the click through of an individual to an online gaming operator licensee's website so long as the compensation is not based on an individual creating an account or placing a wager.

Additionally, the bill makes technical and conforming changes.

EFFECTIVE DATE: Upon passage

### ***Changes to Current Advertising Restrictions***

Current law prohibits advertisements of online and retail sports wagering and online casino gaming from (1) depicting someone younger than age 21 unless he or she is a professional or collegiate athlete who, if permitted by law, can profit from the use of his or her name or (2) being aimed exclusively or primarily at people younger than age 21. The bill specifies that advertising must not depict someone who is, or appears to be, under age 21 and further prohibits aiming it exclusively or primarily at people younger than age 18 if the advertising exclusively pertains to keno, online lottery ticket sales, or fantasy contests, or any combination of the three.

### ***New Advertising Restrictions***

The bill requires gaming entity licensees to state that individuals must be at least age 18 or 21, as applicable to participate in the type of gaming advertised, marketed, or promoted. It also prohibits the advertising, marketing, and other promotional materials by these licensees from:

1. directly advertising, targeting, or promoting Internet games or retail sports wagering to specific individuals, rather than a general audience, who have excluded themselves through the state's self-exclusion process through methods including email, telephone calls, text messages, direct messaging applications,



- mail, and social media;
2. having images, symbols, celebrity or entertainer endorsements, or language designed to appeal specifically to those under age 21, or, if pertaining exclusively to keno, online lottery ticket sales, or fantasy contests, or any combination of the three, to those under 18 years old;
  3. having inaccurate or misleading information that would reasonably be expected to confuse and mislead patrons to induce them to engage in gaming;
  4. appealing primarily to individuals under age 21 or, if pertaining exclusively to keno, online lottery ticket sales, or fantasy contests, or any combination of the three, to those under age 18 on a media outlet or social media;
  5. being placed before any audience where the majority of the viewers or participants is presumed to be under age 21, or, if pertaining exclusively to keno, online lottery ticket sales, or fantasy contests, or any combination of the three, to those under age 18;
  6. implying greater chances of winning compared to other licensees;
  7. implying greater chances of winning based on wagering in greater quantity or amount, except for a lottery draw game that was approved before January 1, 2024, that is available for patron wagering when the bill passes and includes features approved by DCP that increase the chances of winning and is not exclusively sold by lottery sales agents;
  8. having claims or representations that gaming will guarantee an individual's social, financial, or personal success; and
  9. using any type, size, location, lighting, illustration, graphic, depiction, or color resulting in the obscuring of any material fact.

The bill also requires that direct or targeted advertisements or promotions sent to individuals (e.g., emails or text messages) include a clear and conspicuous Internet link that allows the recipient to unsubscribe by clicking on one link.

#### **§§ 4, 9 & 12 — PROVISIONAL LICENSE AUTHORIZATION**

*Authorizes the DCP commissioner to give provisional authorizations to occupational, key employee, live game employee, and pari-mutuel occupational license applicants.*

The bill allows DCP to authorize applicants for an occupational, key employee, live game employee, or pari-mutuel occupational license to provisionally perform the work permitted under a respective license if:

1. petitioned by specific entities, specifically by CLC or a CLC vendor or affiliate for occupational license applicants, by a master wagering, online gaming operator, online gaming service provider, or sports wagering retailer licensee for key employee and live game employee license applicants, and by a pari-mutuel business licensee (i.e., association, vendor, totalizator (i.e., provides equipment for pari-mutuel wagering) or affiliate licensee) for pari-mutuel occupational license applicants;
2. the applicant has filed a completed license application in the form and manner required by DCP, and
3. the petitioner attests that the provisional authorization is necessary to continue the efficient operations of specified gaming (i.e., the lottery for occupational license applicants, Internet games or retail sports wagering for key employee and live game employee license applicants, and pari-mutuel wagering for pari-mutuel occupational license applicants) and is based on circumstances that are extraordinary and not designed to circumvent the otherwise applicable licensing procedures.

Under the bill, a provisional authorization may be issued for up to six months before a license is issued or denied. The authorization must permit the applicant to perform the functions, and require the applicant to comply with the requirements, of the respective license as set forth in the state's gaming laws. It must also not constitute approval for a

license.

During the period of time that any provisional authorization is in effect, the applicant must be subject to and comply with all applicable statutes and regulations. Any provisional authorization issued by DCP must generally expire immediately upon the earlier of: (1) the date a written notice is issued from DCP that the license has been approved or denied, or (2) six months after the date the provisional authorization was issued. However, the bill allows individuals whose provisional authorizations expire at six months without a license approval or denial to apply for an additional provisional authorization, which DCP may issue if the conditions for granting an initial authorization exist.

The bill prohibits individuals who receive provisional authorizations and whose license applications are denied from reapplying for a license for one year from the date of the denial.

EFFECTIVE DATE: Upon passage

## **§ 5 — WAGERS ON CONNECTICUT COLLEGE SPORTS**

*Allows sports wagering on Connecticut college sports but prohibits proposition wagers on individual athletes*

The bill expands legal wagering on Connecticut college sports by allowing wagers on individual games involving Connecticut colleges (i.e., a Connecticut public university or college or independent higher education institution team, or a for-profit college or university team physically located in Connecticut that offers in-person classes within the state). It does so by expanding what is considered a “sporting event” by eliminating exclusions under current law that generally limit legal wagers on Connecticut colleges to only when they are involved in a tournament of four or more teams.

However, the bill limits this allowance by changing the definition of “sports wagering” to exclude propositional wagers on the performance or individual performance statistics of an athlete of a Connecticut college team in a sporting event or a combination of sporting events.

## **§ 5 — KEY EMPLOYEES**

*Makes changes to who is considered a key employee for gaming licensure purposes*

The bill changes the statutory definition “key employee” that is used for gaming licensure purposes. Under current law, a key employee is, among other things, someone who has an ownership interest in a master wagering licensee or a licensed online gaming service provider, online gaming operator, or sports wagering retailer; specifically, holding 5% or more of the total ownership or interest rights in the licensee individually and in the aggregate with the individual’s spouse, parent, and child. The bill eliminates the language about aggregate interest.

EFFECTIVE DATE: Upon passage

## **§ 11 — WAGERING RESTRICTIONS**

*Broadens certain prohibitions on sports wagering to apply to any type of wagering and applies one of them to live game employees*

The bill broadens two prohibitions on sports wagering to apply to any type of wagering. By law, master wagering licensees and licensed online gaming operator, sports wagering retailer, and online gaming service providers are prohibited from accepting wagers from a person on the account of, or for, another person. Current law relatedly prohibits anyone from placing a sports wager on another’s behalf, including wagering on the account of another person. The bill deletes “sports” from this second prohibition, effectively broadening its application to any type of wager.

Current law also prohibits certain people associated with master wagering licensees and licensed online gaming operators, online gaming service providers, and sports wagering retailers from placing any wager on a sporting event with the respective licensee. The bill removes the sporting event limitation from this prohibition so that it applies to any wager. By law, this prohibition applies to licensee officers, directors, owners, and key and occupational employees, and their family members who reside in the same household. Under existing law, tribal membership, in and of itself, is not ownership for these purposes. The bill extends this prohibition so that it also applies to live game employees.

EFFECTIVE DATE: October 1, 2024

### **§ 13 — PARI-MUTUEL LICENSES**

*Separates existing pari-mutuel licenses into occupational and business entity licenses for individuals and business entity licenses for businesses.*

The bill separates existing pari-mutuel licenses into two categories: occupational licenses for individuals and business entity licenses for businesses. The bill maintains the existing fee amounts and background check requirements for both categories.

EFFECTIVE DATE: Upon passage

### **§ 14 — DCP SPECIAL POLICE OFFICERS AND INTERNET GAMING**

*Expands the jurisdiction of certain DCP special police officers to investigate and make arrests for any offense arising from Internet gaming*

The bill expands the jurisdiction of certain DCP investigators appointed by the emergency services and public protection commissioner to act as special police officers. It specifically allows them to investigate and make arrests for any offense arising from Internet gaming operations, in addition to their existing authority over retail sports wagering, off-track betting systems, and lottery games.

EFFECTIVE DATE: Upon passage

### **§§ 15 & 16 — ANIMAL PRIZES PROHIBITED**

*Specifies that (1) for prize prohibition purposes, an animal includes a fish or reptile and (2) bazaars and raffles may not use animals as prizes*

Existing law prohibits anyone from using any animal as a prize or award for a game, among other things. The bill specifies that (1) for prize purposes, an animal includes a fish or reptile and (2) bazaars and raffles may not use animals as prizes. As under existing law, a violation of using an animal as a prize is a class D misdemeanor (punishable by up to 30 days imprisonment, up to a \$250 fine, or both).

EFFECTIVE DATE: October 1, 2024

## **BACKGROUND**

### ***Definitions***

By law and under the bill, a “master wagering licensee” is generally

the Mashantucket Pequot or Mohegan tribes or the CLC.

An “online gaming operator” is a person or business entity that operates an electronic wagering platform and contracts directly with a master wagering licensee to provide (1) one or more Internet games or (2) retail sports wagering.

An “online gaming service provider” is a person or business entity, other than an online gaming operator, that provides goods or services to, or otherwise transacts business related to, Internet games or retail sports wagering with a master wagering licensee or a licensed online gaming operator, online gaming service provider, or sports wagering retailer.

“Online casino gaming” means the following games conducted over the Internet: (1) slots, blackjack, craps, roulette, baccarat, poker and video poker, bingo, live dealer, other peer-to-peer games, and any variations of these games and (2) any games authorized by DCP.

An “occupational employee” is an employee of a master wagering licensee, licensed online gaming service provider, online gaming operator, or sports wagering retailer.

A “sports wagering retailer” is a person or business entity that contracts with CLC to facilitate retail sports wagering operated by CLC through an electronic wagering platform at up to 15 facilities in the state.

“Online casino gaming” means the following games conducted over the Internet: (1) slots, blackjack, craps, roulette, baccarat, poker and video poker, bingo, live dealer, other peer-to-peer games, and any variations of these games and (2) any games authorized by DCP.

“Fantasy contest” is any fantasy or simulated game or contest (excluding lottery games) conducted over the Internet, including through a website or mobile device, in which:

1. players pay an entry fee;
2. the value of all prizes and awards is established and made known

- to players before the game or contest;
3. all winning outcomes reflect player knowledge and skill and are determined mostly by accumulated statistical results of participants' performance in events; and
  4. the winning outcome is not based on the score, point spread, or any performance of any single team or combination of teams or solely on any single performance of a contestant or player in a single event.

Lastly, "Internet games" means (1) online casino gaming; (2) online sports wagering; (3) fantasy contests; (4) keno through the Internet, an online service, or a mobile application; and (5) the sale of lottery draw game tickets through the Internet, an online service, or a mobile application.

**COMMITTEE ACTION**

Public Safety and Security Committee

Joint Favorable Substitute

Yea 21 Nay 4 (03/19/2024)