

1 S.105

2 Introduced by Senators Sears, Westman, Campion and Ram Hinsdale

3 Referred to Committee on

4 Date:

5 Subject: Recreation and sports; sports wagering

6 Statement of purpose of bill as introduced: This bill proposes to:

7 (1) authorize the Department of Liquor and Lottery to operate sports
8 wagering through contracts with sports wagering operators;

9 (2) establish minimum standards for the regulation of sports wagering
10 and grant the Department regulatory authority over sports wagering;

11 (3) establish a competitive bidding process for the selection of the
12 State's operators;

13 (4) authorize the Department to establish a revenue sharing agreement
14 with operators; and

15 (5) establish responsible gaming standards and the Responsible Gaming
16 Special Fund, which shall be used by the Department of Mental Health for
17 services related to problem gambling.

18 An act relating to sports wagering

1 It is hereby enacted by the General Assembly of the State of Vermont:

2 Sec. 1. 31 V.S.A. chapter 25 is added to read:

3 CHAPTER 25. SPORTS WAGERING

4 § 1301. DEFINITIONS

5 As used in this chapter:

6 (1) “Board” means the Board of Liquor and Lottery.

7 (2) “Category of wager” means the kind of event being wagered on.

8 (3) “Collegiate sports event” means a sports or athletic event
9 participated in or offered or sponsored by a public or private institution that
10 offers educational services beyond the secondary level.

11 (4) “Commissioner” means the Commissioner of Liquor and Lottery or
12 designee.

13 (5) “Department” means the Department of Liquor and Lottery.

14 (6) “Gross sports wagering revenue” means gross sports wagering
15 receipts, excluding voided bets, less winnings paid to authorized participants
16 and any federal excise tax.

17 (7) “High school sports event” means a sports or athletic event
18 participated in or offered or sponsored by a public or private institution that
19 offers educational services at the secondary level.

1 (8) “Mobile sports wagering platform” means the combination of
2 hardware, software, and data networks used to manage, administer, record, or
3 control sports wagers through mobile devices or the Internet.

4 (9) “Operator” means a party who is authorized by contract or
5 agreement with the Department to conduct a sportsbook.

6 (10) “Prohibited sports bettor” means:

7 (A) any member or employee of the Department and any spouse,
8 child, sibling, or parent residing in the same household as a member or
9 employee of the Department;

10 (B) any principal or employee of any operator;

11 (C) any contractor of the Department or its operators when the
12 contract relates to the conduct of sports wagering;

13 (D) any contractor or employee of an entity that conducts sports
14 wagering in another jurisdiction when the bettor, as a result of the bettor’s
15 contract or employment, possesses confidential or nonpublic information
16 relating to the wager being placed;

17 (E) any amateur or professional athlete if the sports wager is based in
18 whole or part on a sport or athletic event overseen by the athlete’s governing
19 sports body;

20 (F) any sports agent, owner, or employee of a team; player; umpire;
21 referee; coach; union official; or official of a sport’s governing body if the

1 sports wager is based in whole or in part on a sport or athletic event overseen
2 by the governing body that oversees the individual's sport;

3 (G) any individual placing a wager as an agent of or proxy for a
4 prohibited sports bettor; or

5 (H) any person under 18 years of age.

6 (11)(A) "Prohibited sports event" means any:

7 (i) collegiate sports event in which one of the participants is a
8 collegiate team of a college institution that is primarily located in Vermont,
9 unless the collegiate sports event is subject to the provisions of subdivision (B)
10 of this subdivision (11);

11 (ii) high school or collegiate sports event that takes place in
12 Vermont; and

13 (iii) amateur or professional sports event where the participants
14 are primarily under 18 years of age.

15 (B) "Prohibited sports event" does not mean the games of a collegiate
16 sports tournament in which a Vermont college team participates, nor does it
17 include any games of a collegiate sports tournament that occur outside
18 Vermont even though some of the individual games or events are held in
19 Vermont.

20 (12) "Sports event" means an event at which two or more persons
21 participate in a sports or athletic event and receive compensation in excess of

1 actual expenses for their participation in the event. “Sports event” shall also
2 mean horse racing and equestrian events.

3 (13) “Sports governing body” means the organization that prescribes
4 final rules and enforces codes of conduct with respect to a sports event and the
5 participants in the sports event.

6 (14) “Sports wager” means cash or cash equivalent paid by an individual
7 to participate in sports wagering.

8 (15)(A) “Sports wagering” means wagering on:

9 (i) sporting events or any portion of a sporting event; or

10 (ii) the individual performance statistics of athletes participating in
11 a sports event or a combination of sports events.

12 (B) “Sports wagering” means wagering on the matters enumerated in
13 subdivision (A) of this subdivision (16) by any system or method of wagering,
14 including in-person communication and electronic communication through
15 Internet websites accessed via a mobile device or computer and mobile device
16 applications.

17 (C) “Sports wagering” includes single game bets, teaser bets, parlays,
18 over-under bets, money line bets, pools, exchange wagering, in-game
19 wagering, in-play bets, proposition bets, and straight bets.

20 (16) “Sportsbook” means the business of accepting wagers on any sports
21 event by any system or method of wagering.

1 § 1302. DEPARTMENT OF LIQUOR AND LOTTERY; AUTHORITY AND
2 DUTIES

3 (a) The Department is authorized to operate sports wagering within the
4 State.

5 (b) The Commissioner shall negotiate and contract to authorize a minimum
6 of two but not more than six operators to operate a sportsbook in Vermont
7 through a mobile sports wagering platform. This subsection shall not be
8 construed to require the Department to authorize unqualified applicants to
9 conduct a sportsbook. The Department may authorize a single operator to
10 conduct a sportsbook if an insufficient number of qualified applicants
11 participate in the competitive bidding process.

12 (c) The Department, either independently or through its operator, shall
13 provide:

14 (1) Age verification measures to be undertaken to block access to and
15 prevent sports wagers by persons under 18 years of age.

16 (2) Identity verification through secure online databases or by
17 examination of photo identification.

18 (3) That mobile sports wagers must be initiated and received within the
19 State of Vermont and may not be intentionally routed outside the State. The
20 incidental intermediate routing of a mobile sports wager shall not determine

1 the location or locations in which the wager is initiated, received, or otherwise
2 made.

3 (4) Wager limits for daily, weekly, and monthly amounts consistent with
4 the best practices in addressing problem gambling.

5 (5) A voluntary self-exclusion program for players to exclude
6 themselves from wagering for a set period of time.

7 (6) Security mechanisms to ensure the confidentiality of wagering and
8 personal and financial information except as otherwise authorized by this
9 chapter.

10 (7) Measures to ensure that wagers are not placed by a prohibited sports
11 bettor.

12 (d) A sports governing body or college may request that the Department
13 restrict, limit, or exclude wagering on a sporting event or series of sporting
14 events. The Department shall review the request and seek input from the
15 Department's operators. If the Department determines it is appropriate, then
16 the Department may grant the request or part of the request to prohibit
17 unlawful activity, protect the integrity of the event, or protect public
18 confidence in the integrity of the sports event.

19 (e) The Department shall have authority to review and approve categories
20 and types of wagers before an operator is permitted to offer the wager to the
21 public. The Department shall approve wager categories and types in a

1 reasonable time frame. Once a particular category or wager type is approved
2 for its first use, it may be used on multiple events without further approval.
3 The Department may issue general approval for operators to conduct
4 enumerated categories and types of wagers.

5 (f) The Department shall only approve wagers on categories of events
6 where:

7 (1) the outcome can be verified;

8 (2) the outcome can be generated by a reliable and independent process;

9 and

10 (3) the event is conducted in conformity with applicable laws.

11 § 1303. PROCEDURES

12 (a)(1) The Board shall adopt procedures pursuant to 3 V.S.A. § 835 to
13 govern the establishment and operation of any sportsbook authorized by this
14 chapter. For each procedure proposed to be adopted or amended pursuant to
15 this section, the Board shall publish the proposal on the Department of Liquor
16 and Lottery's website, provide notice of the proposal to all operators, provide
17 not less than 30 days for public comment on the proposal, and hold not fewer
18 than two public hearings at which members of the public may seek additional
19 information or submit oral or written comments on the proposal.

20 (2) The Board shall not be required to initiate rulemaking pursuant to
21 3 V.S.A. § 831(c) in relation to a procedure adopted pursuant to this section.

1 (3) A procedure adopted pursuant to this section shall have the force of
2 law and be binding on all persons who play or offer sports wagering within the
3 State.

4 (b) The Board shall adopt procedures pursuant to this section that govern
5 the following minimum standards for the Department's operators:

6 (1) minimum computer system security, including:

7 (A) documented system security testing performed by a licensed
8 third-party contractor approved by the Department;

9 (B) unique identification and verification systems for wagers;

10 (C) procedures to prevent past posting of wagers;

11 (D) minimum data that must be recorded relating to each wager;

12 (E) system redundancy to ensure recording of wagers during a system
13 outage; and

14 (F) integration with an independent control system to ensure integrity
15 of system wagering information;

16 (2) sports wagering system requirements that meet or exceed Gaming
17 Laboratories International's GLI-33: Standards for Event Wagering Systems,
18 and its appendices, as amended or modified (GLI-33);

19 (3) minimum house rules, including:

20 (A) the method for calculation and payment of winning wagers;

21 (B) the effect of schedule changes for a sports event;

1 (C) the method of notifying bettors of odds or proposition changes;

2 (D) acceptance of wagers at terms other than those posted;

3 (E) circumstances under which the operator will void a bet; and

4 (F) treatment of errors, late bets, and related contingencies;

5 (4) minimum accounting controls, including:

6 (A) processes for recording the collection of wagers, payment of
7 wagers, and cancellation of wagers issued; and

8 (B) requirements for an annual audit of accounting controls;

9 (5) minimum internal control standards; and

10 (6) minimum cash reserves to be maintained by each operator.

11 (c) Each operator shall pay to the Department a revenue share that is
12 determined through the competitive bidding process.

13 § 1304. RESPONSIBLE GAMING; OPERATOR PLANS, DUTIES, AND
14 REPORT

15 (a) Annually, each operator shall submit to the Department a responsible
16 gaming plan that shall include information related to the posting of materials
17 related to problem gambling, resources to be made available to bettors
18 expressing concerns about problem gambling, house-imposed player limits,
19 and self-exclusion programs. The Commissioner shall require each applicant
20 to submit a responsible gaming plan prior to authorizing the applicant to
21 conduct a sportsbook within the State.

1 (b) Annually on or before January 15, the Department, in consultation with
2 the Department of Mental Health, shall submit to the General Assembly a
3 report on the impact of sports wagering on problem gambling in Vermont,
4 including an analysis of demographic populations that are disproportionately
5 impacted by problem gambling. The Department may require the operators to
6 pay for the costs associated with preparing and submitting the report.

7 (c) The Department shall ensure that each operator utilizes a mobile sports
8 wagering platform that:

9 (1) prohibits an individual from establishing more than one account;

10 (2) prohibits an individual from using a credit card to establish an
11 account or place wagers;

12 (3) allows a person to limit the amount of money that may be deposited
13 into an account and spent per day through an account;

14 (4) establishes a voluntary self-exclusion process to allow a person to:

15 (A) exclude themselves from establishing an account;

16 (B) exclude themselves from placing wagers through an account; or

17 (C) limit the amount that a person may spend using an account;

18 (5) provides responsible gaming and problem gambling information to
19 participants; and

20 (6) conspicuously displays on each applicable Internet website or mobile
21 application:

1 (A) a link to a description of the provisions of this subsection (c);

2 (B) a link to responsible gambling information;

3 (C) a telephone number that an individual may use to obtain
4 information about problem gambling;

5 (D) a link to information about the voluntary self-exclusion process
6 described in subdivision (4) of this subsection (c);

7 (E) a periodic pop-up message displaying the amount of time an
8 individual has spent on the operator's Internet website or mobile application;

9 (F) a means to initiate a break in play to discourage excessive play;

10 and

11 (G) a clear display of the amount of money available to the individual
12 in the individual's account.

13 (d) At least every five years, each operator shall be subject to an
14 independent review of the operator's responsible gaming plan, as assessed by
15 industry standards and performed by a third party approved by the Department.

16 The Department may require the operator to pay for the independent review.

17 (e) Sports wagering advertisements shall not:

18 (1) depict an individual under 18 years of age, unless the individual is a
19 professional athlete or a collegiate athlete who, if permitted by applicable law,

20 is able to profit from the use of the individual's name and likeness; or

1 (2) be aimed exclusively or primarily at individuals under 18 years of
2 age.

3 § 1305. SPORTS WAGERING OPERATORS; COMPETITIVE BIDDING
4 PROCESS

5 (a) The Commissioner shall select operators through a competitive bidding
6 process.

7 (b) The Board shall adopt procedures pursuant to 3 V.S.A. § 835 to
8 establish criteria for the selection of operators. At a minimum, the Board's
9 guidelines shall require an applicant to include the following in the proposal:

10 (1) an estimate of the applicant's potential gross sports wagering
11 revenue and the percentage of gross revenue from mobile sports wagering the
12 applicant will pay to the State if selected to be an operator;

13 (2) the number of individually branded websites the operator proposes
14 to use for its sports wagering operations in Vermont;

15 (3) the applicant's responsible gaming plan and a description of
16 responsible gaming safeguards that the applicant currently employs;

17 (4) a list of all jurisdictions where the applicant and any parent
18 companies are currently authorized to conduct sports wagering operations;

19 (5) the applicant's player acquisition model, advertising and affiliate
20 programs, and marketing budget, including details on how the applicant will

1 convert customers from wagering through illegal channels to wagering legally
2 in the State;

3 (6) the estimated time frame for implementing the applicant's sports
4 wagering operations;

5 (7) the applicant's integrity monitoring systems, including any current
6 affiliations related to integrity monitoring; and

7 (8) the applicant's plan for maximizing sustainable, long-term revenue
8 for the State, including a detailed market analysis.

9 (c) An operator shall pay an annual license fee of \$275,000.00 to the
10 Department.

11 § 1306. PROHIBITED ACTIVITIES

12 The Department's operators are prohibited from the following activities:

13 (1) accepting or making payment relating to sports wagers made by
14 prohibited sports bettors;

15 (2) accepting sports wagers on prohibited sports events; or

16 (3) accepting sports wagers from persons who are physically outside the
17 State of Vermont at the time the sports wager is placed.

18 § 1307. PROCEEDS TO GENERAL FUND

19 The proceeds received by the Department from sports wagering, less the
20 administrative costs of the Department, shall be deposited in the General Fund.

1 § 1308. MAINTAINING SPORTS INTEGRITY

2 The Department and its operators may participate in national and
3 international monitoring services and associations and may share betting
4 information with those entities and sports governing bodies in order to ensure
5 the integrity of sports wagers and sports events. The Commissioner may
6 restrict, limit, or exclude wagering on a sports event if the Commissioner
7 determines that the restriction, limitation, or exclusion is necessary to ensure
8 the integrity of the sportsbook.

9 § 1309. ACCESS TO FINANCIAL REPORTS

10 The Department may require financial and compliance reports from its
11 operators at any time and may conduct audits of these reports to ensure that the
12 State receives the contractual share of revenue.

13 § 1310. COMPLIANCE OVERSIGHT

14 (a) The Department shall retain oversight of its operators to ensure that all
15 sports wagering activities are conducted in accordance with this chapter, any
16 contractual terms, and any procedures adopted by the Department.

17 (b) Any failure to comply with this chapter, contractual terms, or any
18 procedures adopted by the Department may be brought before the Board of
19 Liquor and Lottery. The Board shall have the authority to impose sanctions on
20 an operator for a violation, including monetary penalties, suspension of
21 operator operations within the State, and the termination of all operator

1 operations within the State. The Department may also bring an action in a
2 Vermont court for damages, injunctive relief, or enforcement of monetary
3 penalties related to any contract violation.

4 § 1311. RESPONSIBLE GAMING SPECIAL FUND

5 (a) There is established the Responsible Gaming Special Fund that shall be
6 managed in accordance with 32 V.S.A. chapter 7, subchapter 5. Annually, an
7 amount equal to 2.5 percent but not less than \$250,000.00 of the annual sports
8 wagering revenue received by the Department of Liquor and Lottery shall be
9 credited to this Fund.

10 (b) This Fund shall be available to the Department of Mental Health for:

11 (1) providing support to agencies, organizations, and persons that
12 provide education, assistance, awareness, treatment, and recovery services to
13 persons and families experiencing difficulty as a result of addictive or
14 problematic gambling;

15 (2) promoting public awareness of and providing education about
16 gambling addiction;

17 (3) establishing and funding programs to certify addiction counselors;

18 (4) promoting public awareness of assistance programs for gambling
19 addiction; and

20 (5) funding a helpline with text messaging and online chat capabilities.

1 (c) On or before January 15 of each year, the Department of Mental Health
2 shall submit to the General Assembly a report detailing the expenditures from
3 the Fund in the preceding fiscal year and summarizing the programs and
4 activities supported by those expenditures.

5 § 1312. CONFIDENTIALITY OF RECORDS

6 (a) When produced or acquired by the Department pursuant to this chapter,
7 the following records are exempt from public inspection and copying under the
8 Public Records Act and shall be kept confidential:

9 (1) personal information and background check documents;

10 (2) any lists of names, including information related to voluntary self-
11 exclusion;

12 (3) trade secrets, business records, financial records, and related
13 information; and

14 (4) records relating to operator security, technology, facilities, or
15 systems.

16 (b) The Public Records Act exemptions created in this section shall not be
17 subject to the provisions of 1 V.S.A. § 317(e) (repeal of Public Records Act
18 exemptions).

19 § 1313. CRIMES AND PENALTIES

20 (a) A person who is not permitted to conduct sports wagering pursuant to
21 this chapter that operates, conducts, or exposes sports wagering for play or

1 accepts a bet or wager associated with sports wagering shall be fined not more
2 than \$10,000.00 or imprisoned not more than six months, or both.

3 (b) A person convicted of a second violation of subsection (a) of this
4 section shall be fined not more than \$25,000.00 or imprisoned not more than
5 one year, or both.

6 (c) A person convicted of a third or subsequent violation of subsection (a)
7 of this section shall be fined not more than \$50,000.00 or imprisoned not more
8 than two years, or both.

9 Sec. 2. EFFECTIVE DATE

10 This act shall take effect on passage.