

S.213 Introduced by Senators Sears and Sirotkin

Subject: Recreation and sports; sports wagering

Statement of purpose of bill as introduced: This bill authorizes the establishment of a system for the licensure and regulation of mobile sports wagering and lottery based sports wagering through the Department of Liquor and Lottery. ~~operators and suppliers, authorize sports wagering through licensed operators, and tax gross sports wagering receipts.~~

STRIKE ALL INSERT BELOW

An act relating to sports wagering

It is hereby enacted by the General Assembly of the State of Vermont: Sec. 1. 31 V.S.A. chapter 25 is added to read:

CHAPTER 25. SPORTS WAGERING § 1300.

The Department of Liquor and Lottery (DLL) and its agents are authorized to operate one or more sports books that offer tier I, tier II, and tier III sports wagers through a mobile sports wagering platform by mobile devices, or over the Internet. A maximum of six mobile sports wagering agents may be in operation at any given time within the state.

The DLL is also authorized to offer sports wagers through lottery retailers. The DLL will determine the type of wagering permitted at lottery retailers. The DLL may retain vendors to support the operation of a sports book via lottery retailers.

With respect to all sports wagering, the DLL, either independently, or through its agent, shall provide:

- (1) Age verification measures to be undertaken to block access to and prevent sports wagers by persons under the age of 18 years.
- (2) Identity verification through secure online databases or by examination of photo identification.
- (3) That mobile sports wagers must be initiated and received within the geographic borders of the state of Vermont and may not be intentionally routed outside of the state. The incidental intermediate routing of mobile sports wager shall not determine the location or locations in which such a wager is initiated, received, or otherwise made.
- (4) Wager limits for daily, weekly, and monthly amounts consistent with the best practices in addressing problem gambling.
- (5) A voluntary self-exclusion program for players to self-exclude themselves from wagering for set periods of time.
- (6) Security mechanisms to ensure the confidentiality of wagering and personal and financial information except as otherwise authorized by this chapter.

CHAPTER 25. SPORTS WAGERING § 1301. DEFINITIONS

For the purposes of this chapter these words shall have the following meaning:

- (1) "Agent" means a party who is authorized by contract or agreement with the DLL to conduct a sports book.
- (2) "Authorized sports bettor" means an individual 18 years of age or older who is physically present in the state of Vermont when placing a sports wager with the DLL or an authorized agent of the DLL and is not a prohibited sports bettor.
- (3) "Collegiate sports event" means a sports or athletic event participated in or offered or sponsored by a public or private institution that offers educational services beyond the secondary level.
- (4) "DLL" means the Department of Liquor and Lottery.
- (5) "Commissioner" means the Commissioner of the Department of Liquor and Lottery or designee.
- (6) "High school sports event" means a sports or athletic event participated in or offered or sponsored by a public or private institution that offers educational services at the secondary level.
- (7) "In-play sports wager" means a sports wager on a sports event after the sports event has begun and before it ends.
- (8) "Mobile sports wagering platform" means the combination of hardware, software, and data networks used to manage, administer, record, and/or control sports wagers.
- (9) "Lottery sports wagering" means tier III wagers placed through a lottery-based network.
- (10) "Professional sports event" means an event at which 2 or more persons participate in a sports or athletic event and receive compensation in excess of actual expenses for their participation in such event.
- (11) "Prohibited sports bettor" means:
 - (a) Any member or employee of the DLL and any spouse, child, sibling, or parent residing in the same household as a member or employee of the DLL.
 - (b) Any principal or employee of any agent.
 - (c) Any contractor of the DLL or its agents when such contract relates to the conduct of sports wagering.
 - (d) Any contractor or employee of an entity that conducts sports wagering in another jurisdiction when the bettor possesses confidential nonpublic information as a result of his or her contract or employment relating to the wager being placed.
 - (e) Any amateur or professional athlete if the sports wager is based in whole or part on a sport or athletic event overseen by the athlete's governing sports body.
 - (f) Any sports agent, owner, or employee of a team, player, umpire, referee, coach, union official, or official of a sport's governing body if the sports wager is based in whole or part on a sport or athletic event overseen by the governing body which oversees the individual's sport.
 - (g) Any individual placing a wager as an agent of or proxy for a prohibited sports bettor.
 - (h) Any person under the age of 18.
- (12) "Prohibited sports event" means:

- (a) A collegiate sports event in which one of the participants is a collegiate team of a college institution that is primarily located in Vermont;
- (b) A collegiate sports event that takes place in Vermont;
- (c) Any high school sports event in any location;
- (d) Any amateur sports event where the participants are primarily under the age of 18; provided that "prohibited sports event" does not include the games of a collegiate sports tournament in which a Vermont college team participates, nor does it include any games of a collegiate sports tournament that occurs outside Vermont even though some of the individual games or events are held in Vermont; and provided further that sports wagers are permitted on collegiate sports tournament games in which a Vermont college team participates only if the outcome of the wager is based on the outcome of all games within the tournament.
- (13) "Sports governing body" means the organization that prescribes final rules and enforces codes of conduct with respect to a sporting event and participants therein.
- (14) "Sports book" means the business of accepting wagers on any sports event by any system or method of wagering.
- (15) "Sports wager" means cash or cash equivalent paid by an individual to participate in sports wagering.
- (16) "Sports wagering" means wagering on sporting events or any portion thereof, or on the individual performance statistics of athletes participating in a sports event, or combination of sports events, by any system or method of wagering, including but not limited to in person communication and electronic communication through Internet websites accessed via a mobile device or computer and mobile device applications. The term sports wagering shall include, but not be limited to, single game bets, teaser bets, parlays, over-under bets, money line bets, pools, exchange wagering, in game wagering, in-play bets, proposition bets, and straight bets.
- (17) "Tier I sports wager" means a sports wager that is placed before the start of the sports event and is determined solely by the final score or final outcome of that single sports event.
- (18) "Tier II sports wager" means an in-play sports wager.
- (19) "Tier III sports wager" means a sports wager that is neither a tier I or tier II wager.

CHAPTER 25. SPORTS WAGERING § 1302. Competitive Bid Process

The DLL shall conduct sports books for sports wagering through agents selected by a competitive bid process. Any such contract(s) shall be based on the state receiving a percentage of revenue from sports wagering activities within the state and/or a licensing/operation fee. Any licensing and/or operation fee shall be set by DLL. The DLL shall ensure that an agent demonstrates financial stability, responsibility, good character, honesty, and integrity. In selecting an agent, the DLL shall consider, at a minimum, the experience and background of the agent, the agent's mobile and Internet capabilities, the agent's contribution to economic development within the state, the agent's commitment to prevention of problem gambling and to responsible gaming, and to integrity in betting. The DLL shall select a group of bidders who best meet the criteria set forth in this paragraph and select from that group the agent(s) whose bid provide the state with the highest percentage of revenue from the sports wagering

activities covered by the bids, provided that the DLL determines that the bidder's commitment to return said revenue percentage to the state is consistent with the bidder's commitment to meet all other criteria specified in the bid request and in applicable law. All agents shall be subject to criminal and financial background checks as prescribed by the DLL.

CHAPTER 25. SPORTS WAGERING § 1303. Sports Wagering Oversight

The DLL shall create in the division of lottery a sports wagering unit which will be responsible for ensuring compliance with the requirements of this chapter and any rules promulgated by the DLL or the Board of liquor and lottery in accordance with the authority granted under this chapter. In addition, the unit, under the direction of the Commissioner, shall ensure that DLL's agents and vendors comply with the following obligations:

(1) Each agent or vendor engaged in sports wagering shall submit a security and internal control report for the DLL's review and approval prior to conducting any sports wagering within the state and every year thereafter. This report shall address all aspects of security and controls including physical security, personnel security, and computer systems security including:

- (a) Surveillance plans.
- (b) User access controls for sports book personnel.
- (c) Segregation of duties within the sports book.
- (d) Employment background checks and policies.
- (e) Automated and manual risk management procedures.
- (f) Procedures for identifying and reporting fraud and suspicious conduct.
- (g) Procedures to establish connectivity with monitoring services and/or sports governing bodies relating to suspicious activity.
- (h) Any and all monitoring systems utilized by the agents or vendor to report and receive information on suspicious betting activities.
- (i) Systems and procedures to prevent prohibited sports bettors from placing wagers.
- (j) Description of anti-money laundering compliance standards.
- (k) Descriptions of all integrated third-party systems or components and the security procedures relating to those systems.

(2) For each wagering computer system used to conduct sports wagering, including all mobile sports wagering platforms within the state, the agent or vendor providing such system shall provide a detailed computer system security report to be approved by the DLL prior to the acceptance of wagers and each year thereafter. The report shall address the issues set forth in the security and internal control report along with the following:

- (a) Documented system security testing performed by a licensed third-party contractor approved by the DLL;
- (b) A description of all software applications that comprise the system;
- (c) A procedure for third-party auditing of financial transactions received by the system;
- (d) A description of all types of wagers supported by the system;

- (e) Unique identification and verification systems for wagers;
- (f) Procedures to prevent past posting of wagers;
- (g) A list of data recorded relating to each wager;
- (h) System redundancy to ensure recording of wagers during a system outage;
- (i) A mechanism to provide read only access to the DLL to the back office system for the purposes of reviewing and auditing wagering activities;
- (j) Integration with an independent control system to ensure integrity of system wagering information;
- (k) Capabilities for canceling existing wagers, freezing or suspending wagering across the platform, or for specific events; and
- (l) Any other issue identified by the DLL upon review of the proposed gaming system.

(3) Each agent engaged in sports wagering shall submit house rules for the DLL's review and approval prior to conducting any sports wagering within the state and every year thereafter. These house rules shall include at a minimum:

- (a) The method for calculation and payment of winning wagers.
- (b) The effect of schedule changes for a sports event.
- (c) The method of notifying bettors of odds or proposition changes.
- (d) Acceptance of wagers at terms other than those posted.
- (e) Expiration dates for winning tickets.
- (f) Circumstances under which the agent will void a bet.
- (g) Treatment of errors, late bets, and related contingencies.
- (h) Method of contacting the agents or vendor for questions or complaints.
- (i) Description of those persons who are prohibited from wagering with the agents or contractor if broader than the prohibited bettors list set forth in this section.
- (j) The method and location for posting and publishing the approved house rules.

(4) Each agent or vendor engaged in sports wagering shall submit accounting controls for the DLL's review and approval prior to conducting any sports wagering within the state and every year thereafter. These accounting controls shall include at a minimum:

- (a) Processes for recording collection of wagers, payment of wagers, and cancellation of wagers issued;
- (b) The establishment of a segregated account related to Vermont sports wagering activities.

(5) The DLL's agents shall submit a responsible gaming plan for DLL review and approval prior to conducting any sports wagering within the state and every year thereafter. This plan should include identification of posting and materials related to problem gaming, resources to be made available to bettors expressing concerns about problem gaming, house-imposed player limits, and self-exclusion programs.

(6) The DLL's agents shall maintain a cash reserve available to pay wagers as determined by the DLL.

(7) The DLL's agents or vendor shall not accept any wager on a sports event unless it has

received approval from the DLL to conduct that type or category of wager. A type of wager refers to the method of determining the outcome of the wager. The category refers to the kind of event being wagered on. The DLL shall approve wager categories and types in a reasonable time frame. Once a particular category or wager type is approved for its first use it may be used on multiple events without further approval.

(8) The DLL shall only approve wagers on categories of events where:

- (a) The outcome can be verified;
- (b) The outcome can be generated by a reliable and independent process; and
- (c) The event is conducted in conformity with applicable laws.

(9) Wagers made under this section shall be made with:

- (a) Cash;
- (b) Cash equivalent;
- (c) PayPal;
- (d) Debit card;
- (e) ACH;
- (f) Promotional funds; and
- (g) Any other means approved by the DLL.

(10) Any agent or contractor who sends or receives electronic sports wagers is responsible to ensure that any transfer of that wager is initiated and received and completed within the state of Vermont and that only incidental intermediate routing of the wager occurs outside of the state. The agent and contractor shall be responsible for periodically reviewing their information technology systems and networks to ensure compliance with this section.

CHAPTER 25. SPORTS WAGERING § 1304. Prohibited Activities

The DLL and its agents are prohibited from the following activities:

- (1) Accepting or making payment relating to sports wagers made by prohibited sports bettors.
- (2) Accepting sports wagers on prohibited sports events.
- (3) Accepting sports wagers from persons who are physically outside of the state of Vermont at the time of the sports wager.

CHAPTER 25. SPORTS WAGERING § 1305. Proceeds to General Fund

The proceeds received by the DLL from sports wagering, less the administrative costs of the DLL shall be deposited in the state general fund.

CHAPTER 25. SPORTS WAGERING § 1306. Maintaining Sports Integrity

The DLL and agents may participate in national and international monitoring services and associations and may share betting information with those entities and sports governing bodies in order to ensure the integrity of sports wagers and sports events. The commissioner may restrict, limit, or exclude wagering on a sports event if he or she determines that such an action is necessary to ensure the integrity of the sports book.

CHAPTER 25. SPORTS WAGERING § 1307. Access to Financial Reports

The DLL may seek financial and compliance reports from its agents periodically and may conduct audits of these reports to ensure that the state receives the agreed upon revenue sharing proceeds.

CHAPTER 25. SPORTS WAGERING § 1308. Compliance Oversight

(1) The DLL shall retain oversight of its agents to ensure that all sports wagering activities are conducted in accordance with this statute, any contractual terms, and any rules adopted by the DLL.

(2) Any failure to comply with this statute, contractual terms or any rules adopted by the DLL may be brought before the Board of Liquor and Lottery which shall have the authority to impose sanctions for any violation including:

- a. Monetary penalties
- b. License suspension
- c. License revocation

(3) The DLL may also bring an action in a Vermont court for damages related to any contract violation.

CHAPTER 25. SPORTS WAGERING § 1309. Emergency Rule Making Authority

The Commissioner of DLL may adopt rules, pursuant to 3 V.S.A. chapter 25, relative to the operation, licensing, conduct, location and oversight of sports books. Any rules may be adopted as emergency rules as necessary to implement this act with the necessity of demonstrating that immediate adoption is necessary to avoid a threat to public health, safety, or general welfare.

CHAPTER 25. SPORTS WAGERING § 1310. Confidentiality of Records

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

- (1) personal information and background check documents;
- (2) the list maintained pursuant to subsection 1302(c) of this chapter;

- (3) trade secrets, business records, financial records, and related information; and
- (4) records relating to the security or design of technology, facilities, or systems used by an operator or supplier.

(b) The Public Records Act exemptions created in this section shall not be subject to the provisions of 1 V.S.A. 317(e) (repeal of Public Records Act 20 exemptions).

CHAPTER 25. SPORTS WAGERING § 1311. Crimes and Penalties

(a) A person who is not licensed under this chapter that operates, conducts, or exposes sports wagering for play or accepts a bet or wager associated with sports wagering shall be fined not more than \$10,000.00 or imprisoned not more than six months, or both.

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

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