

1 H.127

2 Introduced by Representatives Birong of Vergennes, Boyden of Cambridge,

3 Canfield of Fair Haven, Demrow of Corinth, Elder of

4 Starksboro, Hango of Berkshire, Morgan of Milton, Nicoll of

5 Ludlow, Noyes of Wolcott, and Surprenant of Barnard

6 Referred to Committee on

7 Date:

8 Subject: Recreation and sports; sports wagering

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

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

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

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

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

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

1 An act relating to sports wagering

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

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

4 CHAPTER 25. SPORTS WAGERING

5 § 1301. DEFINITIONS

6 As used in this chapter:

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

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

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

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

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

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

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

1 (8) “In-play sports wager” means a sports wager on a sports event after
2 the sports event has begun and before it ends.

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

6 (10) “Operator” means a party who is authorized by contract or
7 agreement with the Department to conduct a sportsbook.

8 (11) “Prohibited sports bettor” means:

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

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

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

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

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

1 (F) any sports agent, owner, or employee of a team; player; umpire;
2 referee; coach; union official; or official of a sport's governing body if the
3 sports wager is based in whole or in part on a sport or athletic event overseen
4 by the governing body that oversees the individual's sport;

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

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

8 (12)(A) "Prohibited sports event" means any:

9 (i) collegiate sports event in which one of the participants is a
10 collegiate team of a college institution that is primarily located in Vermont,
11 unless the collegiate sports event is subject to the provisions of subdivision (B)
12 of this subdivision (12);

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

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

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

1 (13) “Sportsbook” means the business of accepting wagers on any sports
2 event by any system or method of wagering.

3 (14) “Sports event” means an event at which two or more persons
4 participate in a sports or athletic event and receive compensation in excess of
5 actual expenses for their participation in the event. “Sports event” shall also
6 mean horse racing and equestrian events.

7 (15) “Sports governing body” means the organization that prescribes
8 final rules and enforces codes of conduct with respect to a sporting event and
9 the participants therein.

10 (16) “Sports wager” means cash or cash equivalent paid by an individual
11 to participate in sports wagering.

12 (17)(A) “Sports wagering” means wagering on:

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

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

16 (B) “Sports wagering” means wagering on the matters enumerated in
17 subdivision (A) of this subdivision (17) by any system or method of wagering,
18 including in-person communication and electronic communication through
19 Internet websites accessed via a mobile device or computer and mobile device
20 applications.

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

4 § 1302. DEPARTMENT OF LIQUOR AND LOTTERY; AUTHORITY AND
5 DUTIES

6 (a) The Department is authorized to operate sports wagering within the
7 State.

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

15 (c) The Department, either independently or through its operator, shall
16 provide:

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

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

1 (3) That mobile sports wagers must be initiated and received within the
2 State of Vermont and may not be intentionally routed outside the State. The
3 incidental intermediate routing of a mobile sports wager shall not determine
4 the location or locations in which the wager is initiated, received, or otherwise
5 made.

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

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

10 (6) Security mechanisms to ensure the confidentiality of wagering and
11 personal and financial information except as otherwise authorized by this
12 chapter.

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

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

1 (e) The Department shall have authority to review and approve categories
2 and types of wagers before an operator is permitted to offer the wager to the
3 public. The Department shall approve wager categories and types in a
4 reasonable time frame. Once a particular category or wager type is approved
5 for its first use, it may be used on multiple events without further approval.
6 The Department may issue general approval for operators to conduct
7 enumerated categories and types of wagers.

8 (f) The Department shall only approve wagers on categories of events
9 where:

10 (1) the outcome can be verified;

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

12 and

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

14 § 1303. PROCEDURES

15 (a)(1) The Board shall adopt procedures pursuant to 3 V.S.A. § 835 to
16 govern the establishment and operation of any sportsbook authorized by this
17 chapter. For each procedure proposed to be adopted or amended pursuant to
18 this section, the Board shall publish the proposal on the Department of Liquor
19 and Lottery's website, provide notice of the proposal to all operators, provide
20 not less than 30 days for public comment on the proposal, and hold not less

1 than two public hearings at which members of the public may seek additional
2 information or submit oral or written comments on the proposal.

3 (2) The Board shall not be required to initiate rulemaking pursuant to
4 3 V.S.A. § 831(c) in relation to a procedure adopted pursuant to this section.

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

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

10 (1) minimum computer system security, including:

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

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

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

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

16 (E) system redundancy to ensure recording of wagers during a system
17 outage; and

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

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

4 (3) minimum house rules, including:

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

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

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

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

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

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

11 (4) minimum accounting controls, including:

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

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

15 (5) minimum internal control standards; and

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

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

1 § 1304. RESPONSIBLE GAMING; OPERATOR PLANS, DUTIES, AND
2 REPORT

3 (a) Annually, each operator shall submit to the Department a responsible
4 gaming plan that shall include information related to the posting of materials
5 related to problem gambling, resources to be made available to bettors
6 expressing concerns about problem gambling, house-imposed player limits,
7 and self-exclusion programs. The Commissioner shall require each applicant
8 to submit a responsible gaming plan prior to authorizing the applicant to
9 conduct a sportsbook within the State.

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

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

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

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

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

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

4 (A) exclude themselves from establishing an account;

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

6 (C) limit the amount such person may spend using such an account;

7 (5) provides responsible gaming and problem gambling information to
8 participants; and

9 (6) conspicuously displays on each applicable Internet website or mobile
10 application:

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

12 (B) a link to responsible gambling information;

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

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

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

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

20 and

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

3 (d) At least every five years, each operator shall be subject to an
4 independent review of the operator's responsible gaming plan, as assessed by
5 industry standards and performed by a third party approved by the Department.
6 The Department may require the operator to pay for the independent review.

7 (e) Sports wagering advertisements shall not:

8 (1) depict an individual under 18 years of age, unless such individual is
9 a professional athlete or a collegiate athlete who, if permitted by applicable
10 law, is able to profit from the use of the individual's name and likeness; or

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

13 § 1305. SPORTS WAGERING OPERATORS; COMPETITIVE BIDDING

14 PROCESS

15 (a) The Commissioner shall select operators through a competitive bidding
16 process.

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

1 (1) an estimate of the applicant’s potential gross sports wagering
2 revenue and the percentage of gross revenue from mobile sports wagering the
3 applicant will pay to the State if selected to be an operator;

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

6 (3) the applicant’s responsible gaming plan and a description of
7 responsible gaming safeguards that the applicant currently employs;

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

10 (5) the applicant’s player acquisition model, advertising and affiliate
11 programs, and marketing budget, including details on how the applicant will
12 convert customers from wagering through illegal channels to wagering legally
13 in the State;

14 (6) the estimated time frame for implementing the applicant’s sports
15 wagering operations;

16 (7) the applicant’s integrity monitoring systems, including any current
17 affiliations related to integrity monitoring; and

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

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

1 § 1306. PROHIBITED ACTIVITIES

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

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

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

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

8 § 1307. PROCEEDS TO GENERAL FUND

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

11 § 1308. MAINTAINING SPORTS INTEGRITY

12 The Department and its operators may participate in national and
13 international monitoring services and associations and may share betting
14 information with those entities and sports governing bodies in order to ensure
15 the integrity of sports wagers and sports events. The Commissioner may
16 restrict, limit, or exclude wagering on a sports event if the Commissioner
17 determines that the restriction, limitation, or exclusion is necessary to ensure
18 the integrity of the sportsbook.

1 § 1309. ACCESS TO FINANCIAL REPORTS

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

5 § 1310. COMPLIANCE OVERSIGHT

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

9 (b) Any failure to comply with this chapter, contractual terms, or any
10 procedures adopted by the Department may be brought before the Board of
11 Liquor and Lottery. The Board shall have the authority to impose sanctions on
12 an operator for a violation, including monetary penalties, suspension of
13 operator operations within the State, and the termination of all operator
14 operations within the State. The Department may also bring an action in a
15 Vermont court for damages, injunctive relief, or enforcement of monetary
16 penalties related to any contract violation.

17 § 1311. RESPONSIBLE GAMING SPECIAL FUND

18 (a) There is established the Responsible Gaming Special Fund that shall be
19 managed in accordance with 32 V.S.A. chapter 7, subchapter 5. Annually, an
20 amount equal to 2.5 percent but not less than \$250,000.00 of the annual sports

1 wagering revenue received by the Department of Liquor and Lottery shall be
2 credited to this Fund.

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

4 (1) providing support to agencies, organizations, and persons that
5 provide education, assistance, awareness, treatment, and recovery services to
6 persons and families experiencing difficulty as a result of addictive or
7 problematic gambling;

8 (2) promoting public awareness of and providing education about
9 gambling addiction;

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

11 (4) promoting public awareness of assistance programs for gambling
12 addiction; and

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

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

18 § 1312. CONFIDENTIALITY OF RECORDS

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

1 (1) personal information and background check documents;

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

4 (3) trade secrets, business records, financial records, and related
5 information; and

6 (4) records relating to operator security, technology, facilities, or
7 systems.

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

11 § 1313. CRIMES AND PENALTIES

12 (a) A person who is not permitted to conduct sports wagering pursuant to
13 this chapter that operates, conducts, or exposes sports wagering for play or
14 accepts a bet or wager associated with sports wagering shall be fined not more
15 than \$10,000.00 or imprisoned not more than six months, or both.

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

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

- 1 Sec. 2. EFFECTIVE DATE
- 2 This act shall take effect on passage.