

2019 -- H 5241 SUBSTITUTE A

LC001189/SUB A

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2019

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- VIDEO-LOTTERY GAMES,
TABLE GAMES AND SPORTS WAGERING

Introduced By: Representatives Mattiello, Shekarchi, Slater, Morin, and O'Brien

Date Introduced: January 31, 2019

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 42-61.2-1, 42-61.2-3.3, 42-61.2-4, 42-61.2-5 and 42-61.2-15 of the
2 General Laws in Chapter 42-61.2 entitled "Video-Lottery Games, Table Games and Sports
3 Wagering" are hereby amended to read as follows:

4 **42-61.2-1. Definitions.**

5 For the purpose of this chapter, the following words shall mean:

6 (1) "Casino gaming" means any and all table and casino-style games played with cards,
7 dice, or equipment, for money, credit, or any representative of value; including, but not limited to,
8 roulette, blackjack, big six, craps, poker, baccarat, paigow, any banking or percentage game, or
9 any other game of device included within the definition of Class III gaming as that term is
10 defined in Section 2703(8) of Title 25 of the United States Code and that is approved by the state
11 through the division of state lottery.

12 (2) "Central communication system" means a system approved by the lottery division,
13 linking all video-lottery machines at a licensee location to provide auditing program information
14 and any other information determined by the lottery. In addition, the central communications
15 system must provide all computer hardware and related software necessary for the establishment
16 and implementation of a comprehensive system as required by the division. The central
17 communications licensee may provide a maximum of fifty percent (50%) of the video-lottery
18 terminals.

1 (3) "Collegiate sports or athletic event" shall not include a collegiate sports contest or
2 collegiate athletic event that takes place in Rhode Island or a sports contest or athletic event in
3 which any Rhode Island college team participates regardless of where the event takes place.

4 (4) "Credit facilitator" means any employee of a licensed, video-lottery retailer approved
5 in writing by the division whose responsibility is to, among other things, review applications for
6 credit by players, verify information on credit applications, grant, deny, and suspend credit,
7 establish credit limits, increase and decrease credit limits, and maintain credit files, all in
8 accordance with this chapter and rules and regulations approved by the division.

9 (5) "DBR" means the department of business regulation, division of gaming and athletics
10 licensing, and/or any successor in interest thereto.

11 (6) "Director" means the director of the division.

12 (7) "Division", "division of lottery", "division of lotteries", or "lottery division" means
13 the division of lotteries within the department of revenue and/or any successor in interest thereto.

14 (8) "Hosting facility" refers to Twin River and the Tiverton gaming facility.

15 (9) "Licensed, video-lottery retailer" means a pari-mutuel licensee specifically licensed
16 by the director subject to the approval of the division to become a licensed, video-lottery retailer.

17 (10) "Net, table-game revenue" means win from table games minus counterfeit currency.

18 (11) "Net terminal income" means currency placed into a video-lottery terminal less
19 credits redeemed for cash by players.

20 (12) "Newport Grand" means Newport Grand, LLC, a Rhode Island limited-liability
21 company, successor to Newport Grand Jai Alai, LLC, and each permitted successor to and
22 assignee of Newport Grand, LLC under the Newport Grand Master Contract, including, but not
23 limited to, Premier Entertainment II, LLC and/or Twin River-Tiverton, LLC, provided it is a pari-
24 mutuel licensee as defined in § 42-61.2-1 et seq.; provided, further, however, where the context
25 indicates that the term is referring to the physical facility, then it shall mean the gaming and
26 entertainment facility located at 150 Admiral Kalbfus Road, Newport, Rhode Island.

27 (13) "Newport Grand Marketing Year" means each fiscal year of the state or a portion
28 thereof between November 23, 2010, and the termination date of the Newport Grand Master
29 Contract.

30 (14) "Newport Grand Master Contract" means that certain master video-lottery terminal
31 contract made as of November 23, 2005, by and between the division of lotteries of the Rhode
32 Island department of administration and Newport Grand, as amended and extended from time to
33 time as authorized therein and/or as such Newport Grand Master Contract may be assigned as
34 permitted therein.

1 (15) "Online gaming account" means an account established at a hosting facility and
2 opened by a patron in person on the premises of a hosting facility that a patron shall use for the
3 deposit and withdrawal of funds used for online sports wagering.

4 (16) "Online sports wagering" means engaging in the act of sports wagering by the
5 placing of wagers on sporting events or a combination of sporting events, or on the individual
6 performance statistics of athletes in a sporting event or a combination of sporting events, over the
7 Internet through computers, mobile applications on mobile devices or other interactive devices
8 approved by the division, which wagers are accepted by a server-based gaming system located at
9 the premises of a hosting facility authorized to accept sports wagers and administer payoffs of
10 winning sports wagers; all such wagers shall be deemed to be placed and accepted at the premises
11 of a hosting facility.

12 (17) "Online sports-wagering revenue" means:

13 (i) The total of cash or cash equivalents received from online sports wagering minus the
14 total of:

15 (I) Cash or cash equivalents paid to players as a result of online sports wagering;

16 (II) Marketing expenses related to online sports wagering as agreed to by the division, the
17 sports-wagering vendor, and the host facilities, as approved by the division of the lottery; and

18 (III) Any federal excise taxes (if applicable).

19 (ii) The term does not include any of the following:

20 (I) Counterfeit cash.

21 (II) Coins or currency of other countries received as a result of online sports wagering,
22 except to the extent that the coins or currency are readily convertible to cash.

23 (III) Cash taken in a fraudulent act perpetrated against a hosting facility or sports-
24 wagering vendor for which the hosting facility or sports-wagering vendor is not reimbursed.

25 (IV) Free play provided by the hosting facility or sports-wagering vendor as authorized
26 by the division of lottery to a player and subsequently "won back" by the hosting facility or
27 sports-wagering vendor, for which the hosting facility or sports-wagering vendor can demonstrate
28 that it or its affiliate has not been reimbursed in cash.

29 ~~(15)~~(18) "Pari-mutuel licensee" means:

30 (i) An entity licensed pursuant to § 41-3.1-3; and/or

31 (ii) An entity licensed pursuant to § 41-7-3.

32 ~~(16)~~(19) "Payoff", when used in connection with sports wagering, means cash or cash
33 equivalents paid to a player as a result of the player's winning a sports wager. A "payoff" is a type
34 of "prize", as the term "prize" is used in chapters 61, 61.2, and 61.3 of this title.

1 ~~(17)~~(20) "Premier" means Premier Entertainment II, LLC and/or its successor in interest
2 by reason of the acquisition of the stock, membership interests, or substantially all of the assets of
3 such entity.

4 ~~(18)~~(21) "Rake" means a set fee or percentage of cash and chips representing cash
5 wagered in the playing of a nonbanking table game assessed by a table games retailer for
6 providing the services of a dealer, gaming table, or location, to allow the play of any nonbanking
7 table game.

8 (22) "Server-based gaming system" means all hardware, software and communications
9 devices that comprise a system utilized for the purpose of offering an electronic platform used in
10 connection with the process of placing and accepting sports wagers.

11 ~~(19)~~(23) "Sporting event" means any professional sport or athletic event, any Olympic or
12 international sports competition event, and any collegiate sport or athletic event, or any portion
13 thereof, including, but not limited to, the individual performance statistics of athletes in a sports
14 event or combination of sports events, except "sports event" shall not include a prohibited sports
15 event.

16 ~~(20)~~(24) "Sports wagering" means the business of accepting wagers on sporting events or
17 a combination of sporting events, or on the individual performance statistics of athletes in a
18 sporting event or combination of sporting events, by any system or method of wagering. The term
19 includes, but is not limited to, exchange wagering, parlays, over-under, moneyline, pools, and
20 straight bets, and the term includes the placement of such bets and wagers. However, the term
21 does not include, without limitation, the following:

22 (i) Lotteries, including video-lottery games and other types of casino gaming operated by
23 the state, through the division, on the date this act is enacted [June 22, 2018].

24 (ii) Pari-mutuel betting on the outcome of thoroughbred or harness horse racing, or
25 greyhound dog racing, including but not limited to, pari-mutuel wagering on a race that is
26 "simulcast" (as defined in § 41-11-1), as regulated elsewhere pursuant to the general laws,
27 including in chapters 3, 3.1, 4, and 11 of title 41.

28 (iii) Off-track betting on racing events, as regulated elsewhere pursuant to the general
29 laws, including in chapter 10 of title 41.

30 (iv) Wagering on the respective scores or points of the game of jai alai or pelota and the
31 sale of pari-mutuel pools related to such games, as regulated elsewhere pursuant to the general
32 laws, including in chapter 7 of title 41.

33 (v) Lotteries, charitable gaming, games of chance, bingo games, raffles, and pull-tab
34 lottery tickets, to the extent permitted and regulated pursuant to chapter 19 of title 11.

1 ~~(21)~~(25) "Sports-wagering device" means any mechanical, electrical, or computerized
2 contrivance, terminal, machine, or other device, apparatus, equipment, or supplies approved by
3 the division and used to conduct sports wagering.

4 ~~(22)~~(26) "Sports-wagering revenue" means:

5 (i) The total of cash or cash equivalents received from sports wagering minus the total of:

6 (I) Cash or cash equivalents paid to players as a result of sports wagering;

7 (II) The annual flat fee to the host communities as defined by § 42-61.2-5(c);

8 (III) Marketing expenses related to sports wagering as agreed to by the division, the
9 sports-wagering vendor, and the host facilities, as approved by the division of the lottery; and

10 (IV) Any federal excise taxes (if applicable).

11 (ii) The term does not include any of the following:

12 (I) Counterfeit cash.

13 (II) Coins or currency of other countries received as a result of sports wagering, except to
14 the extent that the coins or currency are readily convertible to cash.

15 (III) Cash taken in a fraudulent act perpetrated against a hosting facility or sports-
16 wagering vendor for which the hosting facility or sports-wagering vendor is not reimbursed.

17 (IV) Free play provided by the hosting facility or sports-wagering vendor as authorized
18 by the division of lottery to a patron and subsequently "won back" by the hosting facility or
19 sports-wagering vendor, for which the hosting facility or sports-wagering vendor can demonstrate
20 that it or its affiliate has not been reimbursed in cash.

21 ~~(23)~~(27) "Sports-wagering vendor" means any entity authorized by the division of lottery
22 to operate sports betting on the division's behalf in accordance with this chapter.

23 ~~(24)~~(28) "Table game" or "Table gaming" means that type of casino gaming in which
24 table games are played for cash or chips representing cash, or any other representation of value
25 that has been approved by the division of lotteries, using cards, dice, or equipment and conducted
26 by one or more live persons.

27 ~~(25)~~(29) "Table-game retailer" means a retailer authorized to conduct table gaming
28 pursuant to §§ 42-61.2-2.1 or 42-61.2-2.3.

29 ~~(26)~~(30) "Technology provider" means any individual, partnership, corporation, or
30 association that designs, manufactures, installs, maintains, distributes, or supplies video-lottery
31 machines or associated equipment for the sale or use in this state.

32 ~~(27)~~(31) "Tiverton gaming facility" (sometimes referred to as "Twin River-Tiverton")
33 means the gaming and entertainment facility located in the town of Tiverton at the intersection of
34 William S. Canning Boulevard and Stafford Road.

1 ~~(28)~~(32) "Twin River" (sometimes referred to as "UTGR") means UTGR, Inc., a
2 Delaware corporation, and each permitted successor to and assignee of UTGR, Inc.; provided
3 further, however, where the context indicates that the term is referring to a physical facility, then
4 "Twin River" or "Twin River gaming facility" shall mean the gaming and entertainment facility
5 located at 100 Twin River Road in Lincoln, Rhode Island.

6 ~~(29)~~(33) "Twin River-Tiverton" means Twin River-Tiverton, LLC and/or its successor in
7 interest by reason of the acquisition of the stock, membership interests, or substantially all of the
8 assets of such entity.

9 ~~(30)~~(34) "Video-lottery games" means lottery games played on video-lottery terminals
10 controlled by the lottery division.

11 ~~(31)~~(35) "Video-lottery terminal" means any electronic computerized video game
12 machine that, upon the insertion of cash or any other representation of value that has been
13 approved by the division of lotteries, is available to play a video game authorized by the lottery
14 division, and that uses a video display and microprocessors in which, by chance, the player may
15 receive free games or credits that can be redeemed for cash. The term does not include a machine
16 that directly dispenses coins, cash, or tokens.

17 **42-61.2-3.3. Sports wagering regulation.**

18 (a) In addition to the powers and duties of the division director under §§ 42-61-4, 42-
19 61.2-3, 42-61.2-4 and 42-61.2-3.1, and pursuant to § 42-61.2-2.4, the division director shall
20 promulgate rules and regulations relating to sports wagering and set policy therefor. These rules
21 and regulations shall establish standards and procedures for sports wagering and associated
22 devices, equipment, and accessories, and shall include, but not be limited to:

23 (1) Approve standards, rules, and regulations to govern the conduct of sports wagering
24 and the system of wagering associated with sports wagering, including without limitation:

25 (i) The objects of the sports wagering (i.e., the sporting events upon which sports-
26 wagering bets may be accepted) and methods of play, including what constitutes win, loss, or tie
27 bets;

28 (ii) The manner in which sports-wagering bets are received, payoffs are remitted, and
29 point spreads, lines, and odds are determined for each type of available sports wagering bet;

30 (iii) Physical characteristics of any devices, equipment, and accessories related to sports
31 wagering;

32 (iv) The applicable inspection procedures for any devices, equipment, and accessories
33 related to sports wagering;

34 (v) Procedures for the collection of bets and payoffs, including but not limited to,

- 1 requirements for internal revenue service purposes;
- 2 (vi) Procedures for handling suspected cheating and sports-wagering irregularities; and
- 3 (vii) Procedures for handling any defective or malfunctioning devices, equipment, and
- 4 accessories related to sports wagering;
- 5 (viii) Procedures for investigation of patron complaints related to sports wagering;
- 6 (ix) Terms and conditions for online sports wagering;
- 7 (x) Internal controls for all aspects of online sports wagering, including procedures for
- 8 system integrity, system security, operations, accounting and reporting of problem gamblers;
- 9 (xi) Operational controls for server-based gaming systems, software and hardware
- 10 utilized for online sports wagering, including, but not limited to, appearance, functionality,
- 11 contents, collection, storage and retention of data and security;
- 12 (xii) Operational controls for online gaming accounts, including, but not limited to,
- 13 procedures for the establishment and closure of an online gaming account, funding of withdrawal
- 14 of funds from an online gaming account and generation of an account statement for a patron's
- 15 online gaming account.
- 16 (2) Establishing the method for calculating sports-wagering revenue and online sports-
- 17 wagering revenue and standards for the daily counting and recording of cash and cash equivalents
- 18 received in the conduct of sports wagering, and ensuring that internal controls are followed and
- 19 financial books and records are maintained and audits are conducted;
- 20 (3) Establishing the number and type of sports-wagering bets authorized at the hosting
- 21 facility, including any new sports-wagering bets or variations or composites of approved sports-
- 22 wagering bets, and all rules related thereto;
- 23 (4) Establishing any sports-wagering rule changes, sports-wagering minimum and
- 24 maximum bet changes, and changes to the types of sports-wagering products offered at a
- 25 particular hosting facility, including but not limited to, any new sports-wagering bets or variations
- 26 or composites of approved sports-wagering bets, and including all rules related thereto;
- 27 (5) Requiring the hosting facility and/or sports-wagering vendor to:
- 28 (i) Provide written information at each sports-wagering location within the hosting
- 29 facility about wagering rules, payoffs on winning sports wagers, and written information
- 30 prominently displayed on any electronic platform available to the player through a server-based
- 31 gaming system and other information as the division may require;
- 32 (ii) Provide specifications approved by the division to integrate and update the hosting
- 33 facility's surveillance system to cover all areas within the hosting facility where sports wagering
- 34 is conducted and other areas as required by the division. The specifications shall include

1 provisions providing the division and other persons authorized by the division with onsite access
2 to the system;

3 (iii) Designate one or more locations within the hosting facility where sports-wagering
4 bets are received;

5 (iv) Ensure that visibility in a hosting facility is not obstructed in any way that could
6 interfere with the ability of the division, the hosting facility, or other persons authorized under
7 this section or by the division to oversee the surveillance of the conduct of sports wagering;

8 (v) Ensure that the count rooms for sports wagering have appropriate security for the
9 counting and storage of cash;

10 (vi) Ensure that drop boxes are brought into or removed from an area where sports
11 wagering is conducted or locked or unlocked in accordance with procedures established by the
12 division;

13 (vii) Designate secure locations for the inspection, service, repair, or storage of sports-
14 wagering equipment and for employee training and instruction to be approved by the division;

15 (viii) Establish standards prohibiting persons under eighteen (18) years of age from
16 participating in sports wagering;

17 (ix) Establish compulsive and problem gambling standards and/or programs pertaining to
18 sports wagering consistent with this chapter;

19 (6) Establishing the minimal proficiency requirements for those individuals accepting
20 sports wagers and administering payoffs on winning sports wagers. The foregoing requirements
21 of this subsection may be in addition to any rules or regulations of the DBR requiring licensing of
22 personnel of state-operated gaming facilities;

23 (7) Establish appropriate eligibility requirements and standards for traditional sports-
24 wagering equipment suppliers; and

25 (8) Any other matters necessary for conducting sports wagering.

26 (b) The hosting facility shall provide secure, segregated facilities as required by the
27 division on the premises for the exclusive use of the division staff and the gaming enforcement
28 unit of the state police. The space shall be located proximate to the gaming floor and shall include
29 surveillance equipment, monitors with full camera control capability, as well as other office
30 equipment that may be deemed necessary by the division. The location and size of the space and
31 necessary equipment shall be subject to the approval of the division.

32 **42-61.2-4. Additional powers and duties of director and lottery division.**

33 In addition to the powers and duties set forth in §§ 42-61-4 and 42-61.2-3, the director
34 shall have the power to:

1 (1) Supervise and administer the operation of video lottery games and sports wagering in
2 accordance with this chapter and with the rules and regulations of the division;

3 (2) Suspend or revoke upon a hearing any license issued pursuant to this chapter or the
4 rules and regulations promulgated under this chapter;

5 (3) In compliance with the provisions of chapter 2 of title 37, enter into contracts for the
6 operation of a central communications system and technology providers, or any part thereof;

7 (4) In compliance with the provisions of chapter 2 of title 37, enter into contracts for the
8 provision of sports-wagering systems, facilities, and related technology necessary and/or
9 desirable for the state-operated sports wagering to be hosted at Twin River and the Tiverton
10 gaming facilities, including technology related to the operation of on-premises remote sports
11 wagering, or any part thereof; ~~and~~

12 (5) In compliance with the provisions of chapter 2 of title 37, enter into contracts for the
13 provision of server-based gaming systems, facilities, and related technology necessary and/or
14 desirable for the state-operated online sports wagering; and

15 ~~(5)~~(6) Certify monthly to the budget officer, the auditor general, the permanent joint
16 committee on state lottery, and to the governor a full and complete statement of lottery revenues,
17 prize disbursements, and other expenses for the preceding month; ensure that monthly financial
18 reports are prepared providing gross monthly revenues, prize disbursements, other expenses, and
19 net income for keno and for all other lottery operations; submit this report to the state budget
20 officer, the auditor general, the permanent joint committee on state lottery, the legislative fiscal
21 advisors, and the governor no later than the twentieth business day following the close of the
22 month; at the end of each fiscal year the director shall submit an annual report based upon an
23 accrual system of accounting which shall include a full and complete statement of lottery
24 revenues, prize disbursements, and expenses, to the governor and the general assembly, which
25 report shall be a public document and shall be filed with the secretary of state. The monthly report
26 shall be prepared in a manner prescribed by the members of the revenue estimating conference.

27 **42-61.2-5. Allocation of sports-wagering revenue. Allocation of sports-wagering and**
28 **online sports wagering revenue.**

29 (a) Notwithstanding the provisions of § 42-61-15, the division of lottery is authorized to
30 enter into an agreement, ~~limited to in-person on-site sports wagering,~~ to allocate sports-wagering
31 revenue derived from sports wagering and online sports wagering at ~~the Twin River and Tiverton~~
32 ~~gaming facilities~~ (the hosting facilities) between the state, the state's authorized sports-wagering
33 vendor, and the host facilities. The allocation of sports-wagering revenue and online sports-
34 wagering revenue shall be:

1 (1) To the state, fifty-one percent (51%) of sports-wagering revenue and online sports-
2 wagering revenue;

3 (2) To the state's authorized sports-wagering vendor, thirty-two percent (32%) of sports-
4 wagering revenue and online sports-wagering revenue; and

5 (3) To the host facilities, seventeen percent (17%) of sports-wagering revenue and online
6 sports-wagering revenue.

7 (b) Sports-wagering revenue and online sports-wagering revenue allocated to the state
8 shall be deposited into the state lottery fund for administrative purposes and then the balance
9 remaining into the general fund.

10 (c) The town of Lincoln shall be paid an annual flat fee of one hundred thousand dollars
11 (\$100,000) and the town of Tiverton shall be paid an annual flat fee of one hundred thousand
12 dollars (\$100,000) in compensation for serving as the host communities for sports wagering.

13 **42-61.2-15. Table game and sports-wagering hours of operation.**

14 (a) To the extent table games are authorized at the premises of a table-game retailer, such
15 table games may be offered at the premises of a table-game retailer for all or a portion of the days
16 and times that video-lottery games are offered.

17 (b) To the extent sports wagering is authorized at the premises of a table-game retailer,
18 such sports wagering may be offered at the premises of such table-game retailer for all or a
19 portion of the days and times that video-lottery games are offered.

20 (c) To the extent online sports wagering is authorized at a hosting facility, such online
21 sports wagering may be offered without any restriction on hours of operation and shall not be
22 limited by the days and times that video-lottery games and/or table games are offered.

23 SECTION 2. Chapter 42-61.2 of the General Laws entitled "Video-Lottery Games, Table
24 Games and Sports Wagering" is hereby amended by adding thereto the following section:

25 **42-61.2-16. General requirements for online sports wagering.**

26 (a) Online sports wagering shall only occur within the state of Rhode Island. A hosting
27 facility shall only accept online wagers from players that have been affirmatively located as being
28 physically present in the state of Rhode Island at the time of their wager.

29 (b) The server-based gaming system shall employ a mechanism to detect the physical
30 location of a player when the player logs onto the system and as frequently as specified in any
31 regulations promulgated by the state, through the division. If the system detects that the physical
32 location of the patron is in an area outside the state of Rhode Island, the system shall not accept
33 that patron's wagers until such time as the patron is in the state of Rhode Island.

34 (c) The server-based gaming system and all hardware, software, and other technology or

1 equipment located on a hosting facility's premises and used to conduct online sports wagering
2 shall be located in a restricted area on the hosting facility's premises.

3 (d) Online sports wagering shall only be engaged in by patrons who have established an
4 online gaming account in person on the premises of a hosting facility.

5 SECTION 3. This act shall take effect upon passage.

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LC001189/SUB A
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- VIDEO-LOTTERY GAMES,
TABLE GAMES AND SPORTS WAGERING

- 1 This act would authorize and provide for online sports wagering through authorized
- 2 hosting facilities in Rhode Island.
- 3 This act would take effect upon passage.

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