
OLR Bill Analysis

sSB 1235

AN ACT CONCERNING THE DEPARTMENT OF CONSUMER PROTECTION'S RECOMMENDATIONS REGARDING LOTTERY AND GAMING REGULATION.

SUMMARY

This bill makes various changes regarding gaming and the lottery. Among other things, it:

1. allows the governor to enter agreements on multijurisdictional online peer-to-peer casino games if he, among other requirements, enters necessary amendments to agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut (§ 5);
2. if the amendments to the agreements described above take effect, (a) revises provisions on betting on intercollegiate tournaments and (b) makes adjustments to how gross gaming revenue is calculated for purposes of required payments to the state, to account for peer-to-peer casino and progressive games (§§ 4, 6 & 10);
3. prohibits (a) ticket courier services from operating in the state and (b) reselling lottery tickets (§§ 1 & 2);
4. makes changes regarding actions against Connecticut Lottery Corporation (CLC)-related licensees, including providing examples of what constitutes cause for the Department of Consumer Protection (DCP) to take action against a licensee, authorizing a civil penalty of up to \$2,500, and authorizing a summary suspension of a lottery sales agent's license due to certain illegal gambling activities or devices (§ 3);
5. expands licensing requirements for live game employees (§ 7);

6. generally prohibits advertising participation in a type of gambling that is prohibited in the state unless it is related to a person who is licensed to offer and accept wagers in another U.S. state or territory or on the tribal lands of a federally recognized Indian tribe (§§ 8 & 9);
7. prohibits certain words or graphics in an online casino game (§ 8);
8. specifies that betting on boxing or mixed martial arts is permitted by those licensed to operate sports betting (§ 11);
9. prohibits certain sweepstakes or promotional drawings (§ 12); and
10. eliminates a provision allowing the DCP commissioner to appoint a director to carry out functions related to gaming; the lottery; and certain provisions related to bingo, sealed tickets, bazaars, and raffles (§ 13).

The bill also makes technical and conforming changes.

EFFECTIVE DATE: Upon passage, except the provisions (1) prohibiting reselling lottery tickets and ticket courier services and the provisions on CLC-related licenses are effective July 1, 2025, and (2) on advertising, gross gaming revenue, and sweepstakes are effective October 1, 2025.

§§ 1 & 2 — RESELLING LOTTERY TICKETS AND TICKET COURIER SERVICES

The bill prohibits (1) reselling lottery tickets and (2) operating a ticket courier service in the state. Under the bill, a ticket courier service is a business that purchases, or offers to purchase, lottery tickets and delivers (including by electronic image) them to individuals (including those out-of-state). The service must derive a financial benefit from selling the tickets.

§ 3 — VENDOR, AFFILIATE, LOTTERY SALE AGENT, AND CLC OCCUPATIONAL LICENSES

Existing law allows DCP to reject a license application for, or suspend or revoke the license of, a vendor, affiliate, lottery sale agent, or CLC employee for good cause (see BACKGROUND). The bill further allows DCP, for good cause, to refuse to renew or place conditions on these licenses and to impose a civil penalty of up to \$2,500 on these licensees. Under existing law, DCP must hold a hearing before revoking or suspending these licenses. The bill requires DCP to also hold a hearing before (1) denying an application for, refusing to renew, or placing conditions on these licenses or (2) imposing a civil penalty on these licensees.

The bill specifies that cause for taking these actions includes:

1. failing to comply with the state's laws governing the lottery,
2. conduct that goes against gaming integrity,
3. providing false or misleading information,
4. financial distress or irresponsibility, or
5. failing to complete an application.

The bill requires DCP to notify an applicant of a refusal to issue or renew a license and gives the applicant 10 days after receiving notice to request a hearing. If a hearing is requested, DCP must give the applicant the reasons for the refusal and hold a hearing as a contested case. If the refusal is sustained, the applicant cannot apply for the same license for one year from the date of that decision.

The law allows DCP to require vendor and affiliate licensees to maintain books and records. The bill adds that DCP can require these licensees to provide these books and records to DCP to ensure regulatory compliance.

Summary Suspension of Lottery Sales Agent's License for Certain Illegal Gambling Activities or Devices

The bill prohibits lottery sales agents from (1) keeping unauthorized gambling devices, illegitimate lottery tickets, and illegal bookmaking equipment or (2) allowing any illegal gambling at its retail facility. DCP can fine an agent up to \$4,000 per violation.

DCP must notify the agent of the violation, which must include an order that summarily suspends the agent's license and inform the agent:

1. of the fine imposed,
2. of the license's suspension and to immediately cease activities that require a license, and
3. that the agent has 15 days after receiving the notice to request a hearing in writing.

If a hearing is not requested, the summary suspension and fine are final decisions that are appealable to court.

A summary suspension remains in effect until it is lifted and all fines are paid. It can be lifted by a written order of the DCP commissioner or based on a final decision after a hearing.

§§ 4-6 & 10 — AGREEMENTS ON MULTIJURISDICTIONAL GAMING AND CHANGES TO BETTING ON INTERCOLLEGIATE TOURNAMENTS AND GROSS GAMING REVENUE CALCULATIONS

The bill authorizes the governor to enter agreements with U.S. states or territories or federally recognized Indian tribes that conduct gaming to authorize online gaming operators (licensees who operate electronic wagering platforms for the tribes' online casino gaming) to conduct multijurisdictional online peer-to-peer casino games if:

1. the agreements are consistent with state and federal laws and regulations (however, existing law, unchanged by the bill, prohibits this type of online gaming with patrons who are not physically present in Connecticut (see COMMENT));

2. the games are conducted exclusively within the U.S.;
3. he enters amendments to the (a) procedures and the memorandum of understanding with the Mashantucket Pequot Tribe and (b) compact and the memorandum of understanding with the Mohegan Tribe of Indians of Connecticut, to implement the agreements and the bill's provisions about sporting events and intercollegiate tournaments and gross gaming revenue related to peer-to-peer games; and
4. the U.S. Department of Interior secretary gives final approval to the amendments described above and they are published in the Federal Register.

A peer-to-peer casino game is a card game or tournament (including poker) in which (1) patrons compete against each other and not the operator and (2) the operator charges a rake or fee and does not wager with or against patrons.

Betting on Intercollegiate Tournaments

If the agreements described above take effect, the bill revises the requirements for betting on intercollegiate tournaments involving Connecticut teams.

Currently, betting is not allowed on an intercollegiate sporting or athletic event or an e-sports event involving a Connecticut team unless it is a permitted intercollegiate tournament. Permitted tournaments involve at least four teams, at least one being from Connecticut, and the wager on the tournament is based on the outcome of all games in the tournament.

The bill permits betting on a tournament with at least four teams that involves a Connecticut intercollegiate team or player on the team when the wager is (1) based on the outcome of all the games in the tournament and (2) accepted after the field of teams in the tournament is set and before the tournament starts. The bill also permits a wager during a tournament if it is placed on a game that does not involve a Connecticut intercollegiate team or after all Connecticut intercollegiate teams have

been eliminated.

Gross Gaming Revenue and Payments to the State

By law, the tribes pay the state 18% of their gross gaming revenue (GGR) from online casino gaming for the first five years after DCP issued the first master wagering license (a license that includes authority to operate online casino gaming) and the payment increases to 20% of GGR beginning in the sixth year.

If the agreements described above take effect, the bill changes how GGR is calculated to address peer-to-peer casino games and progressive games. Currently, GGR is the total of all sums received from online casino games minus sums paid as winnings and applicable federal taxes, with provisions on coupons or credits and items that are part of winnings.

The bill excludes revenue from peer-to-peer casino and progressive games from this calculation and instead includes within GGR the total revenue received by the licensee for these games (the rake and fees charged to individuals in the state to participate). It defines the rake as the fee, commission, or fixed percentage of total wagers not returned to players and that the online gaming operator charges patrons to participate in the game.

A progressive game is a game conducted along with an approved online casino game in which the prize value carries forward to the next game if no one wins. This includes an online casino game conducted by more than one licensee for a common jackpot prize.

Poker Rake

If the agreements described above take effect, the bill limits the total rake from a poker game, including all rounds of the game, to 10% of the amount bet in the game.

Definition of Wagers

The bill defines a “wager” for purposes of the statutes regulating online sports wagering and online casino gaming as any money, credit, deposit, or cash equivalent, including any free play, loyalty point, or

other redeemable betting credit, or any other thing of value risked or accepted based on an uncertain outcome of an event. It does not include an entry fee (a fee to participate in a fantasy contest).

§ 7 — LIVE GAME EMPLOYEE LICENSING

By law, a live game employee is a master wagering licensee's employee with certain responsibilities related to operating live online casino games. Currently, only those live game employees directly or substantially involved in operating a live online casino game in a way that impacts the integrity of gaming must get a DCP-issued live game employee license, unless the person already has a key employee license. The bill requires all live game employees to be licensed, either as a live game employee or key employee.

The bill also only permits an authorized DCP employee to review a state and national criminal history records check related to licensing these employees.

§§ 8 & 9 — ADVERTISING

The bill prohibits publishing advertising, marketing, and other promotional materials by or on behalf of a gaming entity licensee on an Internet website or other medium that has advertising or offers for participation in gambling that is prohibited in Connecticut, unless it is placed by or for someone licensed to offer and accept wagers in another U.S. jurisdiction or on tribal lands of a federally recognized Indian tribe. It permits advertising on social media platforms where the content is posted by individual users and not curated, populated, or supplied by the social media platform's owner or operator.

By law, a "gaming entity licensee" is a master wagering licensee, a licensed online gaming operator, a licensed online gaming service provider, or a licensed sports wagering retailer (see BACKGROUND).

If DCP finds that someone violated this advertising provision, the bill allows DCP to issue a violation notice that includes an order to remove the advertisement in whole or in part within 10 days of issuing the notice. The subject of the order may request a hearing in writing within

that period. The person must remove the advertisement and will not incur any fine until a decision is made after the hearing, unless otherwise ordered by a hearing officer or approved under a settlement the commissioner approves.

If the person does not request a hearing or comply within 10 days, DCP must impose a fine of up to \$1,000 per day until the person complies or there is a notice of decision.

The bill provides that it does not limit DCP's authority to pursue other enforcement actions under state law.

§ 8 — WORDS OR GRAPHICS IN ONLINE CASINO GAMES

The bill prohibits an online casino game from displaying or including words or graphics as part of the game that:

1. are inaccurate or misleading and reasonably expected to confuse or mislead patrons to (a) induce them to engage in gaming or (b) imply a greater chance of winning compared to games from other licensees or based on wagering a greater quantity or amount or
2. obscures a material fact, due to type, size, location, highlighting, illustration, depiction, or color of the words or graphics.

§ 12 — CERTAIN SWEEPSTAKES AND PROMOTIONAL DRAWINGS

Existing law prohibits a person from conducting or promoting a sweepstakes or promotional drawing that (1) is not related to the bona fide sale of goods, services, or property or (2) uses a simulated gambling device. The bill further prohibits anyone not licensed to operate online casino gaming or sports wagering from conducting or promoting a sweepstakes or promotional drawing that allows or facilitates participation in real or simulated online casino gaming or sports wagering.

The bill makes it a violation of the Connecticut Unfair Trade Practices Act (CUTPA) to violate the bill's and existing law's provisions on sweepstakes and promotional drawings. As under existing law, a violation of these provisions is also a class A misdemeanor, punishable

by up to 364 days in prison, a fine of up to \$2,000, or both.

COMMENT

Conflict

The bill's authorization for multijurisdictional peer-to-peer casino games that will, presumably, include out-of-state patrons placing wagers over the Internet conflicts with Connecticut's limited authorization for online casino gaming. Existing law has several operating, participation, and other restrictions regulating online casino gaming, including that only people physically present in the state may place wagers through online casino gaming operations (§§ 12-852(a) & 12-863(a)(1) and (b)).

BACKGROUND

Legislative History

The Senate referred the bill (File 573) to the Judiciary Committee, which reported a substitute that reapplies a good cause requirement under existing law on DCP denying an application for, suspending, or revoking a vendor, affiliate, lottery sales agent, or CLC employee license. It also specifies that the cause for refusing to renew or placing conditions on these licenses or imposing a civil penalty on these licensees be for good cause.

CUTPA

By law, CUTPA prohibits businesses from engaging in unfair and deceptive acts or practices. It allows the DCP commissioner, under specified procedures, to issue regulations defining an unfair trade practice, investigate complaints, issue cease and desist orders, order restitution in cases involving less than \$10,000, impose civil penalties of up to \$5,000, enter into consent agreements, ask the attorney general to seek injunctive relief, and accept voluntary statements of compliance. It also allows individuals to sue. Courts may issue restraining orders; award actual and punitive damages, costs, and reasonable attorney's fees; and impose civil penalties of up to \$5,000 for willful violations and up to \$25,000 for a restraining order violation.

CLC Vendors, Affiliates, Lottery Sales Agents, and Occupational Licensees

By law, a person or business awarded a primary contract to provide facilities, components, goods, or services necessary for and directly related to the CLC's secure operation of activities must get a vendor license.

By law, a person or business that may (1) be a contractor or subcontractor to provide facilities, components, goods, or services necessary for and directly related to the CLC's secure operation of activities or (2) exercise control over a vendor, must get an affiliate license.

By law, a person that contracts with the CLC to sell lottery tickets or offer keno at a retail facility must get a lottery sales agent license.

By law, CLC employees and officials and certain others related to vendor and affiliate licensees must get an occupational license.

Prohibited Advertising

By law, gaming entity licensees and those acting on their behalf are restricted from conducting advertising in a number of ways, including prohibitions on advertising that (1) is aimed at, or is placed before, an audience where the majority of the viewers or participants are presumed to be people under age 21 (or under 18 if the advertising is related only to keno, online lottery sales, fantasy contests, or a combination of them); (2) contains misleading information that could confuse patrons; (3) implies a greater chance of winning based on wagering in a greater quantity or amount; or (4) contains claims that gaming guarantees social, financial, or personal success.

Master Wagering Licensee

By law, a "master wagering licensee" is generally the Mashantucket Pequot or Mohegan tribes or the CLC.

Online Gaming Operator

By law, an "online gaming operator" is a person or business 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.

Online Gaming Service Provider

By law, an “online gaming service provider” is a person or business, 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.

Sports Wagering Retailer

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

Related Bills

sSB 1237 (File 575), favorably reported by the General Law Committee, among other things, permits CLC advertising that implies a greater chance of winning based on wagering in greater quantities or amounts for online keno and online lottery draw games that have DCP-approved features that increase the chance of winning, extends hardship waivers for delinquent lottery sales agents, allows CLC employees to receive DCP endorsements to work on online lottery or sports wagering instead of getting a separate DCP license, and exempts ticket distribution services from licensing as a vendor.

sSB 1463 (File 612), favorably reported by the General Law Committee, diverts the CLC’s online lottery ticket sales revenue and online sports wagering revenue from the General Fund to the Early Childhood and Education Fund; increases the minimum average commission for lottery sales agents; and requires consent for the CLC to publish winners’ names, addresses, and photographs, among other things.

sSB 1464 (File 581), favorably reported by the General Law

Committee, allows the governor to enter agreements to authorize multijurisdictional online peer-to-peer casino games, requires certain gaming entities to have a toll-free number to address problems with gaming platforms and accounts and to address errors in the odds for a sporting event, and requires DCP to adopt regulations on maximum wagers for online sports wagering, among other things.

HB 5269 (File 585), favorably reported by the General Law Committee, among other things, prohibits gaming entities and those acting on their behalf from advertising offers of a financial incentive to induce people to engage in gaming, requires a gaming entity licensee to get permission from each credit or debit card account holder of a card that is jointly held, and requires the CLC to allow 365 days to redeem a lottery ticket.

sHB 5271 (File 298), favorably reported by the General Law Committee, prohibits gaming entities and those acting on their behalf from advertising on the campus of a public institution of higher education and their related websites, mobile applications, and social media.

HB 5272 (File 586), favorably reported by the General Law Committee, prohibits gaming entities and those acting on their behalf from advertising that offers or provides bonuses, credits, or other inducements to take part in gaming.

COMMITTEE ACTION

General Law Committee

Joint Favorable Substitute

Yea 22 Nay 0 (03/24/2025)

Judiciary Committee

Joint Favorable Substitute

Yea 37 Nay 0 (04/25/2025)