

HB 2835 -- INTERACTIVE DIGITAL GAMING

SPONSOR: Quade

This bill defines "centralized computer system", "device handler", "device manufacturer", "device operator", "device retailer", "fraternal organization", "interactive digital game", "interactive digital game credit", "interactive digital game ticket", "interactive digital gaming adjusted gross receipts", "mechanical amusement device", "sales agent", "ticket redemption terminal", "truck stop", and "veterans' organization" as pertaining to the bill.

Under the provisions of this bill, the Lottery Commission (Commission) will implement a mechanical amusement device program utilizing a licensing processing structure for the conducting of interactive digital games within the State.

The bill lists which individuals may obtain licensing as a device manufacturer, distributor, or operator and restricts the implementation of the mechanical amusement device program and the total share of operation of mechanical amusement devices within the State.

The bill requires mechanical amusement devices to be connected to a centralized computer system and details the expectations for individuals connecting devices to the computer system. This bill further details license requirements, restrictions, fees, and how long a license is valid for device manufacturers, distributors, operators, retailers, and handlers.

The bill specifies the testing standards that mechanical amusement devices must meet as well as requirements regarding buying, selling, leasing, and placement of new or refurbished devices. Game winnings will be paid to winners as detailed in the bill. Device operators must pay the Commission 32% of any unclaimed cash prize within 180 days of issue.

To combat problem gambling, this bill specifies that players may exclude themselves from play. Operators are required to provide the Commission with a list of these players within 30 days of the person requesting to be added to the list. The list is considered confidential and not available to the public.

The bill specifies what certain device licensees may do in relation to the operation of mechanical amusement devices. Devices can only dispense tickets for winning plays and may not distribute anything else of value. The maximum wager played per interactive digital game can not exceed \$5 and the maximum prize payoff for a winning

maximum wager for a single game play can not be more than \$1100, or the maximum amount allowable by federal law before tax withholding is required for a single game winning play. The number of licensed devices is restricted depending on the location of the machines and these machines can not be located within one mile of a casino, elementary school, or high school. A licensed device operator is not allowed to advertise outside of the establishment.

The bill specifies that no person under 21 can play interactive digital games and details requirements necessary to ensure that prohibited individuals are not able to play these games, including that the devices must be under the supervision of a person that is 21 years of age or older, include video surveillance, and placement of games in a secure location. The Commission may fine violators of these required prohibitions as specified in the bill.

Thirty-three percent of adjusted gross receipts earned from game play will be deposited into the State Lottery Fund. The Commission will transfer funds received from the Commission Director to the State Lottery Fund after administrative expenses are withdrawn and distributed as detailed in the bill. Net proceeds transferred to the state lottery fund will be appropriated to elementary and secondary educational institutions with an emphasis on funding student, teacher, and community health and safety. Device operators retain the remainder of the adjusted gross receipts for administrative expenses listed in the bill. A portion of these administrative costs go to the operation of the centralized computer system. Distribution of the remainder of the adjusted gross receipts is detailed in the bill.

This bill specifies that revenues received by the Commission from reimbursements associated with the administration of the sections of the bill will be distributed to the General Revenue Fund. Up to 1% of the revenue must be credited to the Veterans' Commission Capital Improvement Trust Fund. The remainder of the moneys will be divided equally between public safety and administrative expenses as specified in Sections 313.427 to 313.437 RSMo.

The bill allows counties and municipalities to adopt ordinances prohibiting mechanical amusement devices.

The bill enacts new provisions relating to sports wagering.

The bill amends the definition of "games of skill" to include sports wagering in Section 313.800.

The bill defines "adjusted gross receipts" specifically for the provisions of this bill relating to sports wagering operations.

The bill also provides new definitions for "esports", "interactive sports wagering platform", "prohibited conduct", and "sports wagering", among other definitions specific to the provisions of this bill.

The bill adds sports wagering to the voluntary exclusion program administered by the Missouri Gaming Commission and specifies that any person who has self-excluded and has been found to place a sports wager must forfeit any winnings. Forfeited winnings will be credited to the Compulsive Gamblers Fund. The programs paid for by the funds in the Compulsive Gamblers Fund are expanded to include recovery services.

The Commission, in cooperation with the Department of Mental Health, must develop a triennial research report as specified in the bill. The initial report, associated studies, and recommendations must be submitted to the Governor, President Pro Tem of the Senate, and the Speaker of the House of Representatives no later than December 31, 2025, and then no later than December 31 of every third year thereafter.

The bill allows certificate holders to offer sports wagering at licensed facilities that are excursion gambling boats and over the Internet through interactive sports wagering platforms to persons physically located within the state. Except as provided under this bill, no sports wagering commercial activity may occur within any designated sports district without the approval of each professional sports team entity, provided no such approval is necessary for the sole activity of offering sports wagering over the Internet via an interactive sports wagering platform.

The Missouri Gaming Commission will have full jurisdiction to supervise all gambling operators and adopt rules to implement the provisions of this bill. These rules shall include, but not be limited to, standards and procedures governing the conduct of sports wagering, standards governing how a sports wagering operator offers wagering over the Internet, the manner in which sports wagering operator's books and records are maintained and audited, and standards concerning detection and prevention of compulsive gambling.

Certificate holders must make commercially reasonable efforts to:

- (1) Designate areas within an excursion gambling boat to be operated by the sports wagering operator;
- (2) Ensure the security and integrity of sports wagers;

- (3) Ensure that the sports wagering operator's surveillance system covers all areas of sports wagering activity;
- (4) Allow the Commission to be present through the Commission's gaming agents when sports wagering is conducted;
- (5) Ensure that wager results are determined only from data that is provided by the applicable sports governing body or the licensed sports wagering suppliers;
- (6) Ensure persons under 21 years of age do not make sports wagers;
- (7) Establish house rules relating to paid winning wagers amounts; and
- (8) Establish industry-standard procedures regarding the voiding or canceling of wagers.

A sports governing body may notify the Commission that official league data for settling tier 2 bets is available for sports wagering operators. The Commission will then notify sports wagering operators of the availability of such league data. Each sports wagering operator can only use official league data to settle tier 2 bets on athletic events sanctioned by the applicable sports governing body, with certain exceptions as listed in the bill. The Commission shall publish a list of official league data providers on its website.

The Commission may enter into multi-jurisdictional agreements to facilitate, administer, and regulate multi-jurisdictional sports betting to the extent that entering into the agreement is consistent with state and federal laws and is conducted only in the United States.

A licensed applicant, as defined in the bill, may apply to the Commission for each licensed facility in which the licensed applicant wishes to conduct sports wagering. The applicant must pay an initial application fee of up to \$100,000 and submit a responsible gambling plan as required in the bill.

The Commission will ensure that new sports wagering devices and forms, variations, or composites of sports wagering are tested prior to authorizing a sports wagering operator to offer such new devices, forms, variations, or composites.

A licensed excursion gambling boat may offer sports wagering through up to three individually branded interactive sports wagering platforms. A designated sports district mobile licensee,

as defined in the bill and licensed by the Commission as an interactive sports wagering platform operator, may offer sports wagering within the state through one interactive sports wagering platform. No sports wagering operator may offer sports wagering in person or through any sports wagering kiosk except within a licensed facility that is an excursion gambling boat.

Sports wagering may be conducted with negotiable currency. The sports wagering operator will determine a minimum and maximum wager amount. A sports wagering device, point-of-contact device, or kiosk must be approved by the Commission and acquired by an operator from a licensed supplier.

A sports wagering operator may lay off one or more sports wagers subject to rules promulgated by the Commission.

A sports wagering operator must include certain information and tools to assist players in making responsible decisions, including tools to set time and money limits, information regarding compulsive gambling and ways to seek treatment, and the ability to exclude certain electronic payment methods.

An interactive sports wagering platform operator must apply for a license with the Commission to offer sports wagering on behalf of a licensed facility. The provider must pay an initial application fee of up to \$150,000 and a renewal fee annually of up to \$325,000 and submit a responsible gambling plan as required in the bill.

Any application submitted to the Commission and all documents, reports, and data containing proprietary information, trade secrets, financial information, or personally identifiable information about any person will be confidential.

The Commission may issue a supplier's license to a sports wagering supplier to provide its services to licensees under a fixed-fee or revenue-sharing agreement. At the request of an applicant, the Commission may issue a provisional license if that applicant has submitted a completed application, including the required fee. The bill specifies requirements that an applicant for a supplier's license must meet in order to receive a license. A renewal fee must be submitted biennially as determined by the Commission.

A sports wagering operator must verify that the person placing a wager is at least the legal minimum age for placing the wager. The Commission will adopt rules to ensure that advertisements for sports wagering do not knowingly target minors, disclose the identity of the sports wagering operator, are not included on sites or pages dedicated to compulsive gambling, provide gambling addiction resource information, and are not false or misleading.

The Commission must establish penalties of between \$10,000 and \$100,000 for any sports wagering operator who violates the restrictions on advertising to vulnerable persons.

The Commission will establish a hotline or other method of communication allowing an individual to confidentially report information about prohibited conduct to the Commission. The Commission will investigate reasonable allegations and refer credible allegations to the appropriate law enforcement entity. The Commission shall adopt rules governing investigations of prohibited conduct and referrals.

The Commission shall conduct background checks on all individuals seeking licenses under the provisions of this bill. This background check must include a search for criminal history and any charges or convictions involving corruption or manipulation of a sporting event.

A sports wagering operator will employ commercially reasonable methods to prohibit unfair betting practices. Any person whose participation may undermine the integrity of the betting or sports event or any person prohibited for good cause as provided for in the bill may not engage in sports wagering.

No sports wagering operator may offer wagers on any elementary or secondary school athletic event in which a school team from this state is a participant, nor shall any sports wagers be placed on the individual performance of any collegiate athlete on a collegiate team from this state.

An operator must adopt procedures to obtain personally identifiable information from any individual placing a single wager of \$10,000 or more while physically present at a casino.

The Commission and sports wagering operators must all cooperate with investigations conducted by law enforcement agencies or sports governing bodies. In cooperating with investigations, the sports governing body will maintain the confidentiality of information and files, comply with all applicable privacy laws, and use the information solely in connection with the sports governing body's investigation.

An operator must immediately report to the Commission information relating to criminal or disciplinary proceedings commenced against the operator in connection with the sports wagering operation, bets made that violate law, abnormal or suspicious wagering activity and any other conduct that corrupts the wagering outcome of a sporting event.

A sports governing body may submit to the Commission a request to restrict or exclude a type or form of sports wagering on its sporting events if the body believes such wagering would affect the integrity of the sport. The Commission may grant the request upon a showing of good cause by the applicable sports governing body. Sports wagering operators shall be notified of any such restrictions or exclusions.

A sports wagering operator for wagers placed in person, and a licensed facility, interactive sports wagering platform operator, or sports wagering, where applicable, for all interactive wagers placed, in excess of \$10,000, must maintain personally identifiable information and other information relating to the wager as described in the bill for at least three years. Such information will be made available for inspection upon the request of the Commission or as required by court order.

A wagering tax of 10% is imposed on the adjusted gross receipts, as defined in the bill, received from sports wagering conducted by a sports wagering operator. A certificate holder or interactive sports wagering platform operator will remit this tax monthly to the Department of Revenue. In a month when the adjusted gross receipts are negative, the certificate holder or operator may carry over the negative amount for a period of 12 months. The payment of the tax under this section will be by an electronic funds transfer by an automated clearing house.

Revenues received from this tax will be deposited into the State Treasury and credited to the "Gaming Proceeds for Education Fund", to be distributed pursuant to provisions of the bill.

A licensed facility that is an excursion gambling boat must pay an annual license renewal fee not to exceed \$50,000. Additionally, a certificate holder will pay a fee of \$10,000 to cover the cost of a full reinvestigation of the certificate holder every four years, to be deposited into the Gaming Commission Fund. Annually, at least \$500,000 will be appropriated from the Gaming Commission Fund and credited to the Compulsive Gamblers Fund. The appropriation amount must consider any recommendations made in the annual research report.

All sports wagers placed under the provisions of this bill will be deemed initiated, received, and otherwise made on the property of an excursion gambling boat within this state. To the extent required by federal law, all servers necessary for placing or resolving of wagers, other than backup servers, shall be physically located within an excursion gambling boat. To the extent required by federal law, the intermediate routing of electronic data will

not determine the location or locations in which such wagers are initiated, received, or otherwise made.

This bill is similar to HB 2331 (2024).