

HCS HBs 556 & 581 -- SPORTS WAGERING

SPONSOR: Houx

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Emerging Issues by a vote of 12 to 0. Voted "Do Pass" by the Standing Committee on Rules-Legislative Oversight by a vote of 8 to 1.

The following is a summary of the House Committee Substitute for HB 556.

This bill enacts new provisions relating to sports wagering.

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

This 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, 2024, and then no later than December 31 of every third year thereafter.

This 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 shall 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 the licensed facility 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 shall use only 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 shall pay an initial application fee of up to \$100,000 and submit a responsible gambling plan as required in the bill.

The Commission shall 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 shall 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 shall pay an initial application fee of up to \$150,000 and a renewal fee annually of up to \$125,000 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 shall 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 shall adopt rules and regulations incorporating a sports wagering self-exclusion program.

The Commission shall 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 shall establish a hotline or other method of communication allowing an individual to confidentially report information about prohibited conduct to the Commission. The Commission shall 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 shall include a search for criminal history and any charges or convictions involving corruption or manipulation of a sporting event.

A sports wagering operator shall 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 shall all cooperate with investigations conducted by law enforcement agencies or sports governing bodies. In cooperating with investigations, the sports governing body shall 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 shall 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, shall maintain personally identifiable information and other information relating to the wager as described in the bill for at least three years. Such information shall 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 shall 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 shall be by an electronic funds transfer by an automated clearing house.

Revenues received from this tax shall 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 shall pay an annual license renewal fee not to exceed \$50,000. Additionally, a certificate holder shall 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 shall 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 shall 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 shall not determine the location or locations in which such wagers are initiated, received, or otherwise made.

This bill is similar to HB 2502 & 2556 (2022) and HB 581 (2023).

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPONENTS: Supporters say that this is legislation that has had broad support in the past. Sports wagering activity is already occurring in the state, and it is easy for individuals to participate in sports wagering already. Thirty-six other states and the District of Columbia have already enacted sports wagering legislation. This bill ensures proper regulatory oversight of such sports wagering activity, ensuring safeguards against compulsive gambling problems, and generating revenue for the state through fees and taxes. Missouri is currently competing against neighboring jurisdictions and illegal markets. This bill is a clean sports wagering regulatory scheme, reflecting best practices of other jurisdictions. Further, legalized sports wagering can introduce a whole new set of fans to sports and will lead to local sports and business growth.

Testifying in person for the bill were Representative Houx; Ford Galvin, Kansas City Current; St. Louis Sc; Cara Hoover, Kansas City Royals; Home Dock Cities Association; City of Kansas City; Mo Chamber of Commerce; Penn Entertainment, Inc; Sports Betting

Alliance; Mike Whittle , St. Louis Cardinals; Mo Gaming Association; Sportradar; St. Louis Blues; Mark Hanna, Realtime Fantasy Sports, Inc; and the Kansas City Chiefs Football Club.

OPPONENTS: Those who oppose the bill say that the bill as introduced raises particular concerns on the impact on players and athletes. Some of these concerns include player safety, reporting requirements, and the ownership and rights to personal biometric data of players. Others who oppose the bill say this bill is tailored to promote the interests of casinos, not Missouri as a whole. Under this bill, Missouri will experience much less profits by taxing sports wagering at 10% than if sports wagering was taxed at the same rate as other gambling activities in the state of 21%.

Testifying in person against the bill were Timothy Faber, Missouri Baptist Convention; National Steamboat Museum; Steven Fehr, National Hockey League Players Association; and the MLB, NHL, MLS and NBA Players Association.

This bill is similar to HB 2502 & 2556 (2022).

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.