REFERENCE TITLE: event wagering; other events

State of Arizona Senate Fifty-fifth Legislature Second Regular Session 2022

SB 1675

Introduced by Senator Gonzales

AN ACT

AMENDING SECTIONS 5-554, 5-1301, 5-1302 AND 5-1311, ARIZONA REVISED STATUTES; RELATING TO EVENT WAGERING.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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Be it enacted by the Legislature of the State of Arizona: Section 1. Section 5-554, Arizona Revised Statutes, is amended to read:

5-554. <u>Commission; director; powers and duties; definitions</u>

- A. The commission shall meet with the director not less than once each quarter to make recommendations and set policy, receive reports from the director and transact other business properly brought before the commission.
- B. The commission shall oversee a state lottery to produce the maximum amount of net revenue consonant with the dignity of the state. To achieve these ends, the commission shall authorize the director to adopt rules in accordance with title 41, chapter 6. Rules adopted by the director may include the following:
- 1. Subject to the approval of the commission, the types of lottery games and the types of game play-styles to be conducted.
- 2. The method of selecting the winning tickets or shares for noncomputerized online games, except that a method may not be used that, in whole or in part, depends on the results of a dog race, a horse race, any gaming activity conducted pursuant to the 2021 tribal-state gaming compact amendments or any sports event or other event.
- 3. The manner of payment of prizes to the holders of winning tickets or shares, including providing for payment by the purchase of annuities in the case of prizes payable in installments, except that the commission staff shall examine claims and may not pay any prize based on altered, stolen or counterfeit tickets or based on any tickets that fail to meet established validation requirements, including rules stated on the ticket or in the published game rules, and confidential validation tests applied consistently by the commission staff. No A particular prize in a lottery game may NOT be paid more than once, and in the event of a binding determination that more than one person is entitled to a particular prize, the sole remedy of the claimants is the award to each of them of an equal portion of the single prize.
- 4. The method to be used in selling tickets or shares, except that \overline{no} AN elected official's name may NOT be printed on the tickets or shares. The overall estimated odds of winning some prize or some cash prize, as appropriate, in a given game shall be printed on each ticket or share.
- 5. The licensing of agents to sell tickets or shares, except that a person who is under eighteen years of age shall not be licensed as an agent.
- 6. The manner and amount of compensation to be paid licensed sales agents necessary to provide for the adequate availability of tickets or shares to prospective buyers and for the convenience of the public, including provision for variable compensation based on sales volume.

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- 7. Matters necessary or desirable for the efficient and economical operation and administration of the lottery and for the convenience of the purchasers of tickets or shares and the holders of winning tickets or shares.
- 8. The licensing of authorized keno locations, including the persons that control the business or other activity conducted at an authorized keno location.
- C. The commission shall authorize the director to issue orders and shall approve orders issued by the director for the necessary operation of the lottery. Orders issued under this subsection may include the following:
 - 1. The prices of tickets or shares in lottery games.
- 2. The themes, game play-styles, and names of lottery games and definitions of symbols and other characters used in lottery games, except that each ticket or share in a lottery game shall bear a unique distinguishable serial number.
- 3. The sale of tickets or shares at a discount for promotional purposes.
- 4. The prize structure of lottery games, including the number and size of prizes available. Available prizes may include free tickets in lottery games and merchandise prizes.
- 5. The frequency of drawings, if any, or other selections of winning tickets or shares, except that:
 - (a) All drawings shall be open to the public.
- (b) The actual selection of winning tickets or shares may not be performed by an employee or member of the commission.
- (c) Noncomputerized online game drawings shall be witnessed by an independent observer.
- 6. Requirements for eligibility for participation in grand drawings or other runoff drawings, including requirements for the submission of evidence of eligibility within a shorter period than that provided for claims by section 5-568.
- 7. Incentive and bonus programs designed to increase sales of lottery tickets or shares and to produce the maximum amount of net revenue for this state.
- 8. The method used for the validation of a ticket, which may be by physical or electronic presentation of a ticket.
- D. Notwithstanding title 41, chapter 6 and subsection B of this section, the director, subject to the approval of the commission, may establish a policy, procedure or practice that relates to an existing online game or a new online game that is the same type and has the same type of game play-style as an online game currently being conducted by the lottery or may modify an existing rule for an existing online game or a new online game that is the same type and has the same type of game play-style as an online game currently being conducted by the lottery,

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including establishing or modifying the matrix for an online game by giving notice of the establishment or modification at least thirty days before the effective date of the establishment or modification.

- E. The commission shall maintain and make the following information available for public inspection at its offices during regular business hours:
- 1. A detailed listing of the estimated number of prizes of each particular denomination expected to be awarded in any instant game currently on sale.
- 2. After the end of the claim period prescribed by section 5-568, a listing of the total number of tickets or shares sold and the number of prizes of each particular denomination awarded in each lottery game.
- 3. Definitions of all play symbols and other characters used in each lottery game and instructions on how to play and how to win each lottery game.
- F. Any information that is maintained by the commission and that would assist a person in locating or identifying a winning ticket or share or that would otherwise compromise the integrity of any lottery game is deemed confidential and is not subject to public inspection.
- G. The commission, in addition to other games authorized by this article, may establish multijurisdictional lottery games to be conducted concurrently with other lottery games authorized under subsection B of this section. The monies for prizes, for operating expenses and for payment to the state general fund shall be accounted for separately as nearly as practicable in the lottery commission's general accounting system. The monies shall be derived from the revenues of multijurisdictional lottery games.
- H. The commission, in addition to other games authorized by this article, shall establish special instant ticket games with play areas protected by paper tabs designated for use by charitable organizations. The monies for prizes and for operating expenses shall be accounted for separately as nearly as practicable in the lottery commission's general accounting system. Monies saved from the revenues of the special games, by reason of operating efficiencies, shall become other revenue of the lottery commission and revert to the state general fund, except that the commission shall transfer the proceeds from any games that are sold from a vending machine in an age-restricted area to the state treasurer for deposit in the following amounts:
- 1. Nine hundred thousand dollars \$900,000 each fiscal year in the internet crimes against children enforcement fund established by section 41-199.
- 2. One hundred thousand dollars \$100,000 each fiscal year in the victims' rights enforcement fund established by section 41-1727.

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- 3. Any monies in excess of the amounts listed in paragraphs 1 and 2 of this subsection, in the state lottery fund established by section 5-571.
- I. The commission or director shall not establish or operate any online or electronic keno game or any game played on the internet, except for the electronic keno game and the mobile draw game authorized in subsection J of this section.
- J. From and after the date on which the conditions prescribed in sections 5-1213 and 5-1321 are met, The commission or director, in addition to any other game authorized in this section, may establish and operate a single electronic keno game and a single mobile draw game on a centralized computer system controlled by the lottery that allows a player to place wagers, view the outcome of a game and receive winnings over the internet, including on personal electronic devices.
- K. An electronic keno game conducted pursuant to subsection J of this section may be operated only within an authorized keno location. If the electronic keno game is authorized to be played on personal electronic devices, players shall be geographically restricted by means of geofencing to authorized keno locations. Electronic keno game draws may not be conducted more frequently than once every four minutes. The number of authorized keno locations may not exceed the number published annually by the director, which is equal to the total number of establishments licensed by the department of gaming to allow wagering on live horse races and simulcast wagering pursuant to section 5-107, plus the total number of class 14 liquor licenses that the department of liquor licenses and control issued to fraternal organizations or veterans' organizations as of January 1, 2021. The total number of authorized keno locations shall be automatically increased by two percent every two years.
- L. A mobile draw game conducted pursuant to subsection J of this section may offer players multiple game play styles and wagering options. Players of the mobile draw game may not play or win a prize more frequently than once per hour.
- M. An electronic keno game or mobile draw game conducted pursuant to this section may not present the player with a user interface depicting THAT DEPICTS spinning reels or that replicates a slot machine, blackjack, poker, roulette, craps or any other casino-style game other than traditional keno or a traditional lottery draw game.
- N. Except as provided in subsections J, K, L and M of this section, the commission or director shall not establish or operate any lottery game or any type of game play-style, either individually or in combination, that uses gaming devices or video lottery terminals as those terms are used in section 5-601.02, including monitor games that produce or display outcomes or results more than once per hour.
- O. The director shall print, in a prominent location on each lottery ticket or share, a statement that help is available if a person

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 has a problem with gambling and a toll-free telephone number where problem gambling assistance is available. The director shall require all licensed agents to post a sign with the statement that help is available if a person has a problem with gambling and the toll-free telephone number at the point of sale as prescribed and supplied by the director.

- P. For the purposes of this section:
- 1. "Additional wagering facility" has the same meaning prescribed in section 5-101.
- 2. "Authorized keno location" means a physical facility located at least five miles from an Indian gaming facility that is licensed by the director in the same manner as licenses issued pursuant to section 5-562 but only to a fraternal organization or veterans' organization or to a racetrack enclosure or additional wagering facility where pari-mutuel wagering on horse races is conducted.
- 3. "Charitable organization" means any nonprofit organization, including not more than one auxiliary of that organization, that has operated for charitable purposes in this state for at least two years before submitting a license application under this article.
 - 4. "Electronic keno game" means a house banking game in which:
- (a) A player selects from one to twenty numbers on a card that contains the numbers one through eighty.
 - (b) The lottery randomly draws twenty numbers.
- (c) Players win if the numbers they select correspond to the numbers drawn by the lottery.
- (d) The lottery pays all winners, if any, and collects from all losers.
- 5. "Fraternal organization" has the same meaning prescribed in section 5-401.
- 6. "Game play-style" means the process or procedure that a player must follow to determine if a lottery ticket or share is a winning ticket or share.
- 7. "Matrix" means the odds of winning a prize and the prize payout amounts in a given game.
- 8. "Mobile draw game" conducted pursuant to subsection J of this section, means a lottery draw game offered to players over the internet, including on mobile devices, in which:
 - (a) A combination of numbers, symbols or characters is selected.
- (b) A computer system authorized by the lottery randomly selects a winning combination of numbers, symbols or characters.
 - (c) A computer system validates any prize awarded to the players.
- 9. "Other event" has the same meaning prescribed in section 5-1301.

 10. 9. "Sports event" has the same meaning prescribed in section 5-1301.
- $\frac{11.}{10.}$ "Veterans' organization" has the same meaning prescribed in section 5-401.

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Sec. 2. Section 5-1301, Arizona Revised Statutes, is amended to read:

5-1301. Definitions

In this chapter, unless the context otherwise requires:

- 1. "Adjusted gross event wagering receipts" means an event wagering operator's gross wagering receipts, excluding voided bets, minus winnings paid to authorized participants and any federal excise tax. A deduction from adjusted gross event wagering receipts equal to the value of free bets or promotional credits redeemed by authorized participants may be taken as provided in this paragraph. The deduction under this paragraph for free bets or promotional credits is limited to the first five years following the effective date of this section APRIL 15, 2021 as follows:
- (a) For years one and two, a deduction not to exceed twenty percent of an event wagering operator's gross wagering receipts.
- (b) For year three, a deduction not to exceed fifteen percent of an event wagering operator's gross wagering receipts.
- (c) For years four and five, a deduction not to exceed ten percent of an event wagering operator's gross wagering receipts.
- (d) For year six and each year thereafter, a deduction of free bets is not allowed. January 1 following the year in which the event wagering operator begins event wagering operations is considered the first year of event wagering for the purposes of this paragraph. An event wagering operator may deduct up to twenty percent of an event wagering operator's gross wagering receipts during any period that the operator conducts event wagering before January 1 of the first year of event wagering operations.
 - 2. "Department" means the department of gaming.
- 3. "E-sport EVENT" means an organized, multiplayer video game competition, particularly between professional players, individually or as teams.
 - 4. "Event wagering":
- (a) Means accepting wagers on sports events or other events, portions of sports events or other events, the individual performance statistics of athletes in a sports event or combination of sports events or the individual performance of individuals in other events or a combination of other events by any system or method of wagering, including in person or over the Internet through websites and on mobile devices.
- (b) Does not include a fantasy sports contest as defined in section 5-1201.
- 5. "Event wagering employee" means an employee of an event wagering operator, sports facility, management services provider or limited event wagering operator who is directly involved in the management or control of the conduct of event wagering under this chapter in this state.
- 6. "Event wagering facility" means a facility at which event wagering is conducted under this chapter.

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- 7. "Event wagering operator" means either:
- (a) An owner or operator of an Arizona professional sports team or franchise, an operator of a sports facility in this state that hosts an annual tournament on the PGA tour or a promoter of a national association for stock car auto racing national touring race in this state, or the designee of such an owner, operator or promoter, who is licensed to offer event wagering under this chapter. If an owner, operator or promoter that qualified for an event wagering operator license appoints a designee, the designee will be considered the event wagering operator and the licensee with respect to the applicable license for the purposes of this chapter.
- (b) An Arizona Indian tribe or an entity fully owned by an Arizona Indian tribe, or its designee, licensed to operate only mobile event wagering outside the boundaries of its Indian lands and throughout this state if it has signed the most recent tribal-state gaming compact and any applicable appendices or amendments. If an Indian tribe that qualified for an event wagering operator license appoints a designee, the designee will be considered the event wagering operator and the licensee with respect to the applicable license for the purposes of this chapter.
- 10. 8. "Licensee" means a person that holds an event wagering operator license, limited event wagering license, supplier license or management services provider license.
- 8. 9. "Limited event wagering operator" means a racetrack enclosure or additional wagering facility that holds a permit issued by the division of racing to offer wagers on horseracing and that is licensed under this chapter.
- 11. 10. "Management services provider" means a person that operates, manages or controls event wagering authorized by this chapter on behalf of an event wagering operator or limited event wagering operator, including developing or operating event wagering platforms and providing odds, lines and global risk management, and may provide services to more than one licensed event wagering operator or licensed limited event wagering operator.
- 9. 11. "Official league data" means statistics, results, outcomes and other data related to a sports event or other event obtained pursuant to an agreement with the relevant sports governing body or an entity expressly authorized by the sports governing body to provide such information to licensees that authorizes the use of such data for determining the outcome of sports wagers on sports events or other events.
- 12. "Other event" means a competition of relative skill or an event authorized by the department under this chapter.
 - 12. "OTHER EVENT":
- (a) MEANS A COMPETITION OF RELATIVE SKILL OR AN EVENT AUTHORIZED BY THE DEPARTMENT OF GAMING UNDER THIS CHAPTER.
- (b) DOES NOT INCLUDE ANY ELECTRONIC GAME OFFERED TO PLAYERS OVER THE INTERNET THROUGH WEBSITES OR ON MOBILE DEVICES WITH A USER INTERFACE

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 THAT DEPICTS SPINNING REELS OR THAT REPLICATES A SLOT MACHINE, BLACKJACK, POKER, ROULETTE, CRAPS OR ANY OTHER CASINO-STYLE GAME.

- 13. "Person" means an individual, partnership, committee, association, corporation, OR Indian tribe or an entity fully owned by an Indian tribe, or any other organization or group of persons.
- 14. "Professional sport" means a sport conducted at the highest level league or organizational play for its respective sport and includes baseball, basketball, football, golf, hockey, soccer and motorsports.
- 15. "Prohibited conduct" includes any statement, action or other communication intended to unlawfully influence, manipulate or control a betting outcome of a sports event or other event of any individual occurrence or performance in a sports event or other event in exchange for financial gain or to avoid financial or physical harm.
 - 16. "Prohibited participant" means:
- (a) Any individual whose participation may undermine the integrity of the wagering, OR the sports event or the other event.
- (b) Any individual who is prohibited from placing a wager as an agent, proxy or because of self-exclusion.
- (c) Any individual who is an athlete, coach, referee, player, trainer or personnel of a sports organization in any sports event or other event overseen by that individual's sports organization who, based on information that is not publicly available, has the ability to determine or to unlawfully influence the outcome of a wager.
- (d) An individual who holds a position of authority or influence sufficient to exert influence over the participants in a sporting contest, including coaches, managers, handlers and athletic trainers, such that their actions can affect the outcome of a wager.
- (e) An individual with access to exclusive information on any sports event or other event overseen by that individual's sports governing body that is not publicly available information or any individual identified by any lists provided by the sports governing body to the department.
- 17. "Sports event" means a professional sport or athletic event, a collegiate sport or athletic event, a motor race event, an e-sport event or an olympic event.
- 18. "Sports facility" means a facility that is owned by a commercial, state or local government or quasi-governmental entity that hosts professional sports events and that holds a seating capacity of more than ten thousand persons at its primary facility, one location in this state that hosts an annual golf tournament on the PGA tour and one location that holds an outdoor motorsports facility that hosts a national association for stock car auto racing national touring race.
- 19. "Sports governing body" means an organization headquartered in the United States that prescribes final rules and enforces codes of conduct with respect to a sports event and participants in a sports event.

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22. 20. "Supplier" means a person that manufactures, distributes or supplies event wagering equipment or software, including event wagering systems.

20. 21. "Tier one sports wager" means a sports wager that is determined solely by the final score or final outcome of the sports event and that is placed before the sports event has begun.

21. 22. "Tier two sports wager" means a sports wager that is not a tier one sports wager.

- 23. "Wager":
- (a) Means a sum of money or thing of value risked on an uncertain occurrence.
- (b) Includes tier one and tier two sports wagers, single-game bets, teaser bets, parlays, over-under bets, moneyline bets, pools, exchange wagering, in-game wagering, in-play bets, proposition bets, straight bets and other wagers approved by the department.
- Sec. 3. Section 5-1302, Arizona Revised Statutes, is amended to read:

5-1302. <u>Department of gaming: powers: duties</u>

- A. The department shall enforce this chapter and supervise compliance with laws and rules relating to regulating and controlling event wagering in this state.
- B. The department may adopt rules in accordance with this chapter and title 41, chapter 6.
- C. The department shall evaluate all applicants to determine suitability for issuing all event wagering operator licenses, limited event wagering operator licenses, supplier licenses and management services provider licenses and license renewals and shall charge and collect all fees pursuant to this chapter.
- D. The department may deny, revoke or suspend licenses or renewals or deny an applicant's request to withdraw a license application.
- E. The department shall conduct background checks of event wagering operators, limited event wagering operators, management services providers and event wagering suppliers and may monitor and conduct periodic audits of event wagering operations and providers.
- F. Hearings shall be conducted pursuant to title 41, chapter 6, article 10. Except as provided in section 41-1092.08, subsection H, any party aggrieved by a final order or decision of the department may seek judicial review pursuant to title 12, chapter 7, article 6.
- G. The department shall oversee event wagering and develop standards and procedures and engage in other duties as the director of the department prescribes to further the purposes of this chapter, including establishing and enforcing standards and procedures for:
- 1. Collecting, depositing and disbursing all applicable license fees and payments as required by this chapter.

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- 2. Operating event wagering and maintaining, testing, inspecting, approving and auditing event wagering accounts, platforms, hardware, software and data, including player, financial, accounting and wagering data.
- 3. Operating event wagering facilities, including location, security and surveillance, departmental access, inspections and approvals.
- 4. Licensing and requirements for the use of geolocation services to reasonably ensure persons engaging in event wagering are located in this state or another departmentally authorized location allowed by this chapter at the time of event wagering.
- 5. Approving other events on which wagers may be taken consistent with this chapter.
- 6. 5. Establishing mechanisms designed to detect and prevent the unauthorized use of player accounts and to detect and prevent fraud, money laundering and collusion, including a requirement that event wagering operations contract with a departmentally licensed integrity monitoring provider.
- 7. 6. Paying winning wagers, reporting taxes and collecting debt setoffs from a payout of winnings that triggers the licensee's obligation to file a form W-2G or a substantially equivalent form with the United States internal revenue service, including overdue child support payments, state tax debt and debts as established by the department of economic security.
- H. The department may adopt rules authorizing event wagering operators to offset loss and manage risk, directly or with a third party approved by the department, through the use of a liquidity pool in this state or another jurisdiction, if the event wagering operator or its management services provider is licensed by such jurisdiction to operate an event wagering or sports betting business. An event wagering operator's use of a liquidity pool does not eliminate its duty to ensure that it has sufficient monies available to pay bettors.
- Sec. 4. Section 5-1311, Arizona Revised Statutes, is amended to read:

5-1311. <u>License restrictions; prohibited licensees;</u> violation; classification

- A. The following persons or their immediate family members may not apply for or obtain a license under this chapter:
 - 1. An employee of the department.
 - 2. An employee of any professional sports team.
- 3. A coach of or player for a collegiate, professional or olympic sports team or sport.
- 4. An individual who has been convicted of a crime related to sports or event wagering on a sports event or other event, cheating, extortion, burglary, larceny, bribery, embezzlement, robbery, racketeering, money laundering, forgery or fraud.

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- 5. An individual who has the ability to directly affect the outcome of a sports event or other event for which wagers are allowed.
 - 6. Any other category of individuals that, if licensed, would negatively affect the integrity of event wagering in this state.
 - B. A licensee may not:
 - 1. Allow a person under twenty-one years of age to place a wager.
 - 2. Offer, accept or extend credit to a bettor.
 - 3. Target minors in advertising or promotions.
 - 4. Offer or accept a wager on any event, outcome or occurrence, including a high school sports event offered, sponsored or played in connection with a public or private institution that offers education at the secondary level, other than a sports event or other event.
 - 5. Accept a wager from a person who is on the department's list of self-excluded persons created and maintained by an Indian tribe or the department.
 - 6. Accept a wager from a prohibited participant.
 - C. A violation of this section is:
 - 1. For a first offense, a class 3 misdemeanor.
- 19 2. For a second or subsequent offense, a class 1 misdemeanor.

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