



House of Representatives

General Assembly

File No. 270

February Session, 2024

Substitute House Bill No. 5282

House of Representatives, April 4, 2024

The Committee on Public Safety and Security reported through REP. BOYD of the 50th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT ALLOWING HARDSHIP WAIVERS OF INTEREST DUE FROM A DELINQUENT LOTTERY SALES AGENT AND CONCERNING LICENSING OF CONNECTICUT LOTTERY CORPORATION EMPLOYEES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-569 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2024*):

3 (a) For purposes of this section, "delinquency assessment" means the
4 principal amount due but unremitted as of the stated past settlement
5 date, the penalty imposed by the commissioner and the interest due and
6 outstanding.

7 [(a)] (b) (1) If the president of the Connecticut Lottery Corporation
8 determines that any lottery sales agent has breached such agent's
9 fiduciary responsibility to the corporation in that the account of such
10 lottery sales agent with respect to moneys received from the sale of
11 lottery tickets has become delinquent [in accordance with regulations
12 adopted under section 12-568a] by failure to remit all moneys due and

13 owing upon the settlement date established by the Connecticut Lottery
14 Corporation, the president shall notify the commissioner of the breach
15 of fiduciary duty. [and the] The commissioner shall impose (A) a
16 [delinquency assessment] penalty upon such delinquent account equal
17 to ten per cent of the principal amount due but unremitted or ten dollars,
18 whichever amount is greater, [plus] which shall be effective upon
19 delivery of notice to the agent, and (B) simple interest at the rate of one
20 and one-half per cent of such principal amount due but unremitted for
21 each month or fraction of a month from the date such principal amount
22 is due to the date of payment.

23 (2) A lottery sales agent whose account was delinquent prior to July
24 1, 2022, and whose delinquency assessment was subject to
25 compounding interest on June 30, 2022, may apply to the commissioner
26 on or after July 1, 2022, for a hardship waiver to reduce the amount of
27 interest delinquent, outstanding and payable to an amount based on
28 simple interest.

29 (3) A lottery sales agent whose account is delinquent on or after July
30 1, 2024, may file an application with the president of the Connecticut
31 Lottery Corporation for a hardship waiver to reduce the amount of
32 interest delinquent, outstanding and payable. Each lottery sales agent
33 applying for a hardship waiver shall pay, with such application, the
34 principal amount due but unremitted as of the stated past settlement
35 date and the penalty imposed in accordance with subdivision (1) of this
36 subsection, provided (A) if the president determines that an undue
37 hardship exists which prevents such agent from paying the principal
38 amount due but unremitted as of the stated past settlement date and the
39 penalty at the time of application for such hardship waiver, the
40 president may enter into a payment schedule permitting an agent to pay
41 the principal amount due but unremitted and the penalty over a period
42 of time not to exceed one year from the date the hardship waiver is
43 provisionally granted by the president, and (B) an agent who fails to pay
44 the principal amount due but unremitted and the penalty within the
45 period described in subparagraph (A) of this subdivision shall be
46 ineligible for a hardship waiver pursuant to this subdivision. If the

47 president determines that it would be beneficial to the state to do so, the
48 president may reduce the amount of any interest delinquent,
49 outstanding and payable by such agent. The president shall establish
50 procedures to be published and maintained on the Internet web site of
51 the Connecticut Lottery Corporation specifying requirements for
52 hardship waiver applications and availability of payment plans. In no
53 event shall a hardship waiver result in a refund or credit of any amount
54 of money, penalty or interest previously paid by such agent.

55 [(3)] (4) Subject to the provisions of section 12-3a, the commissioner
56 may waive all or part of the penalties provided under this subsection
57 when it is proven to the commissioner's satisfaction that the failure to
58 pay such moneys to the state within the time allowed was due to
59 reasonable cause and was not intentional or due to neglect.

60 [(4)] (5) Any such delinquent lottery sales agent shall be notified of
61 such delinquency assessment and shall be afforded an opportunity to
62 contest the validity and amount of such assessment before the
63 commissioner who may conduct such hearing. Upon request of the
64 president of the Connecticut Lottery Corporation, the commissioner
65 may prepare and sign a warrant directed to any state marshal, constable
66 or any collection agent employed by the Connecticut Lottery
67 Corporation for distraint upon any property of such delinquent lottery
68 sales agent within the state, whether personal or real property. An
69 itemized bill shall be attached to the warrant certified by the
70 commissioner as a true statement of the amount due from such lottery
71 sales agent. Such warrant shall have the same force and effect as an
72 execution issued in accordance with chapter 906. Such warrant shall be
73 levied on any real, personal, tangible or intangible property of such
74 agent and sale made pursuant to such warrant in the same manner and
75 with the same force and effect as a levy and sale pursuant to an
76 execution.

77 [(b)] (c) The commissioner shall adopt regulations in accordance with
78 the provisions of chapter 54 to carry out the purposes of this section.

79 Sec. 2. Section 12-815a of the general statutes is repealed and the

80 following is substituted in lieu thereof (*Effective January 1, 2025*):

81 (a) The Commissioner of Consumer Protection shall issue vendor,
82 affiliate and occupational licenses in accordance with the provisions of
83 this section.

84 (b) No person or business organization awarded a primary contract
85 by the Connecticut Lottery Corporation to provide facilities,
86 components, goods or services that are necessary for and directly related
87 to the secure operation of the activities of said corporation shall do so
88 unless such person or business organization is issued a vendor license
89 by the Commissioner of Consumer Protection. For the purposes of this
90 subsection, "primary contract" means a contract to provide facilities,
91 components, goods or services to said corporation by a person or
92 business organization (1) that provides any lottery game or any online
93 wagering system related facilities, components, goods or services and
94 that receives or, in the exercise of reasonable business judgment, can be
95 expected to receive more than seventy-five thousand dollars or twenty-
96 five per cent of its gross annual sales from said corporation, or (2) that
97 has access to the facilities of said corporation and provides services in
98 such facilities without supervision by said corporation. Each applicant
99 for a vendor license shall pay a nonrefundable application fee of two
100 hundred fifty dollars.

101 (c) No person or business organization, other than a shareholder in a
102 publicly traded corporation, may be a subcontractor for the provision of
103 facilities, components, goods or services that are necessary for and
104 directly related to the secure operation of the activities of the
105 Connecticut Lottery Corporation, or may exercise control in or over a
106 vendor licensee unless such person or business organization is licensed
107 as an affiliate licensee by the commissioner. Each applicant for an
108 affiliate license shall pay a nonrefundable application fee of two
109 hundred fifty dollars.

110 (d) (1) Each employee of a vendor or affiliate licensee who has access
111 to the facilities of the Connecticut Lottery Corporation and provides
112 services in such facilities without supervision by said corporation or

113 performs duties directly related to the activities of said corporation shall
114 obtain an occupational license.

115 (2) Each officer, director, partner, trustee or owner of a business
116 organization licensed as a vendor or affiliate licensee and any
117 shareholder, executive, agent or other person connected with any
118 vendor or affiliate licensee who, in the judgment of the commissioner,
119 will exercise control in or over any such licensee shall obtain an
120 occupational license.

121 (3) Each employee of the Connecticut Lottery Corporation shall
122 obtain an occupational license.

123 (e) The commissioner shall issue occupational licenses in the
124 following classes: (1) Class I for persons specified in subdivision (1) of
125 subsection (d) of this section; (2) Class II for persons specified in
126 subdivision (2) of subsection (d) of this section; (3) Class III for persons
127 specified in subdivision (3) of subsection (d) of this section who, in the
128 judgment of the commissioner, will not exercise authority over or direct
129 the management and policies of the Connecticut Lottery Corporation;
130 and (4) Class IV for persons specified in subdivision (3) of subsection (d)
131 of this section who, in the judgment of the commissioner, will exercise
132 authority over or direct the management and policies of the Connecticut
133 Lottery Corporation. Each applicant for a Class I or III occupational
134 license shall pay a nonrefundable application fee of twenty dollars. Each
135 applicant for a Class II or IV occupational license shall pay a
136 nonrefundable application fee of one hundred dollars. The
137 nonrefundable application fee shall accompany the application for each
138 such occupational license. Applicants for such licenses shall apply in a
139 form and manner prescribed by the commissioner.

140 (f) Each applicant for a Class III or Class IV occupational license, and
141 each employee of the corporation holding such a license on January 1,
142 2025, shall disclose, in a form and manner prescribed by the
143 commissioner, the forms of gaming under chapter 229a and chapter
144 229b that such applicant or such licensed employee will work on as an
145 employee of the corporation. For an applicant approved for a Class III

146 or Class IV occupational license, or for an employee of the corporation
147 who currently holds such a license, the commissioner may issue a
148 separate endorsement authorizing such licensee to engage in the
149 corporation's operation of Internet games or retail sports wagering, as
150 such terms are defined under section 12-850, under chapter 229b, and
151 such employee shall not be required to apply for a license pursuant to
152 section 12-858, as amended by this act, or section 12-859, as amended by
153 this act, in order to engage in such operation. All Class III or Class IV
154 occupational licensees shall report to the department any criminal
155 conviction within two business days after order or judgment of such
156 conviction is rendered. The corporation and all Class III or Class IV
157 occupational licensees shall immediately report to the department any
158 change in the scope of employment of such licensee employed by the
159 corporation that would require the employee to obtain an additional
160 endorsement pursuant to this subsection.

161 [(f)] (g) In determining whether to grant a vendor, affiliate or
162 occupational license to any such person or business organization, the
163 commissioner may require an applicant to provide information as to
164 such applicant's: (1) Financial standing and credit; (2) moral character;
165 (3) criminal record, if any; (4) previous employment; (5) corporate,
166 partnership or association affiliations; (6) ownership of personal assets;
167 and (7) such other information as the commissioner deems pertinent to
168 the issuance of such license, provided the submission of such other
169 information will assure the integrity of the state lottery. The
170 commissioner shall require each applicant for a vendor, affiliate or
171 occupational license to submit to state and national criminal history
172 records checks and may require each such applicant to submit to an
173 international criminal history records check before such license is
174 issued. The state and national criminal history records checks required
175 pursuant to this subsection shall be conducted in accordance with
176 section 29-17a. The commissioner shall issue a vendor, affiliate or
177 occupational license, as the case may be, to each applicant who satisfies
178 the requirements of this subsection and who is deemed qualified by the
179 commissioner. The commissioner may reject for good cause an
180 application for a vendor, affiliate or occupational license.

181 ~~[(g)]~~ (h) Each vendor, affiliate or Class I or II occupational license shall
182 be effective for not more than one year from the date of issuance. Each
183 Class III or IV occupational license shall remain in effect throughout the
184 term of employment of any such employee holding such a license. The
185 commissioner may require each employee issued a Class IV
186 occupational license to submit information as to such employee's
187 financial standing and credit annually. Initial application for and
188 renewal of any such license shall be in such form and manner as the
189 commissioner shall prescribe.

190 ~~[(h)]~~ (i) (1) The commissioner may suspend or revoke for good cause
191 a vendor, affiliate or occupational license after a hearing held before the
192 commissioner in accordance with chapter 54. The commissioner may
193 order summary suspension of any such license in accordance with
194 subsection (c) of section 4-182.

195 (2) Any such applicant aggrieved by the action of the commissioner
196 concerning an application for a license, or any person or business
197 organization whose license is suspended or revoked, may appeal
198 pursuant to section 4-183.

199 (3) The commissioner may impose a civil penalty on any licensee for
200 a violation of any provision of this chapter or any regulation adopted
201 under section 12-568a in an amount not to exceed two thousand five
202 hundred dollars after a hearing held in accordance with chapter 54.

203 ~~[(i)]~~ (j) The commissioner may require that the books and records of
204 any vendor or affiliate licensee be maintained in any manner which the
205 commissioner may deem best, and that any financial or other statements
206 based on such books and records be prepared in accordance with
207 generally accepted accounting principles in such form as the
208 commissioner shall prescribe. The commissioner or a designee may
209 visit, investigate and place expert accountants and such other persons
210 as deemed necessary in the offices or places of business of any such
211 licensee for the purpose of satisfying himself or herself that such licensee
212 is in compliance with the regulations of the department.

213 [(j)] (k) For the purposes of this section, (1) "business organization"
214 means a partnership, incorporated or unincorporated association, firm,
215 corporation, trust or other form of business or legal entity; (2) "control"
216 means the power to exercise authority over or direct the management
217 and policies of a licensee; and (3) "person" means any individual.

218 [(k)] (l) The Commissioner of Consumer Protection may adopt such
219 regulations, in accordance with chapter 54, as are necessary to
220 implement the provisions of this section.

221 Sec. 3. Subsection (a) of section 12-858 of the general statutes is
222 repealed and the following is substituted in lieu thereof (*Effective January*
223 *1, 2025*):

224 (a) An occupational employee, other than a key employee, of a master
225 wagering licensee or a licensed online gaming operator, online gaming
226 service provider or sports wagering retailer who will be directly or
227 substantially involved in the operation of Internet games or retail sports
228 wagering in a manner impacting the integrity of such gaming or
229 wagering, data security, patron interaction, game or equipment testing
230 or any other aspect of the gaming activity of a licensee that impacts the
231 integrity of gaming, shall obtain an occupational employee license prior
232 to commencing such employment. An employee of the Connecticut
233 Lottery Corporation holding an active Class III or Class IV license with
234 an endorsement to operate Internet games or retail sports wagering
235 issued pursuant to subsection (f) of section 12-815a, as amended by this
236 act, shall not be required to obtain an occupational license pursuant to
237 this section. An occupational employee shall be deemed to be directly
238 or substantially involved in the operation of Internet games or retail
239 sports wagering in a manner impacting the integrity of such gaming or
240 wagering if such employee: (1) Has the capability of affecting the
241 outcome of a wager through deployment of code to production for any
242 critical component of an electronic wagering platform; (2) (A) can
243 deploy code to production, and (B) directly supervises individuals who
244 have the capability of affecting the outcome of Internet games through
245 deployment of code to production for other than read-only access or the

246 equivalent access to any critical component of an electronic wagering
 247 platform; or (3) directly manages gaming operations or directly
 248 supervises an individual who directly manages gaming operations. For
 249 purposes of this subsection, a "critical component" means a component
 250 of an electronic wagering platform that records, stores, processes,
 251 shares, transmits or receives sensitive information, such as validation
 252 numbers and personal identification numbers, or which stores the
 253 results or the current state of a participant's wager for an Internet game.

254 Sec. 4. Subsection (b) of section 12-859 of the 2024 supplement to the
 255 general statutes is repealed and the following is substituted in lieu
 256 thereof (*Effective January 1, 2025*):

257 (b) A key employee of a master wagering licensee or licensed online
 258 gaming operator, online gaming service provider or sports wagering
 259 retailer shall obtain a key employee license from the department
 260 pursuant to this section. An employee of the Connecticut Lottery
 261 Corporation holding an active Class III or Class IV license with an
 262 endorsement to operate Internet games or retail sports wagering issued
 263 pursuant to subsection (f) of section 12-815a, as amended by this act,
 264 shall not be required to obtain a key employee license pursuant to this
 265 section. The commissioner may establish, through regulations adopted
 266 pursuant to section 12-865, criteria to exercise discretion to determine
 267 that an individual who is a key employee is not required to be licensed
 268 as a key employee in order to protect the integrity of gaming.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2024</i>	12-569
Sec. 2	<i>January 1, 2025</i>	12-815a
Sec. 3	<i>January 1, 2025</i>	12-858(a)
Sec. 4	<i>January 1, 2025</i>	12-859(b)

Statement of Legislative Commissioners:

In Section 2(f), the first sentence was rewritten for clarity.

PS *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 \$	FY 26 \$
Connecticut Lottery Corporation	Lottery Enterprise Fund - Savings	Less than 10,000	Less than 10,000
Resources of the General Fund	GF - Revenue Loss	Less than 10,000	Less than 10,000
Resources of the General Fund	GF - Potential Revenue Loss	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill makes various changes regarding the Connecticut Lottery Corporation (CLC) resulting in the revenue loss and savings described below.

Section 1 allows delinquent lottery sales agents to file a hardship waiver application to reduce the amount of interest owed resulting in a potential revenue loss to the state to the extent these applications are granted. Currently, there are over 400 delinquent lottery agents with over \$330 million in interest owed.¹

Sections 2-4 exempt certain lottery employees from having to obtain an occupational license if they hold an active Class III or Class IV license, resulting a revenue loss to the state and a corresponding savings to the

¹The amount of principal owed to the state for these delinquent agents is \$3.8 million.

CLC² of less than \$10,000 per year. This affects approximately 25 employees who are currently required to obtain both licenses.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of hardship waiver applications granted and the number of affected licenses.

² The CLC pays for these employee license fees.

OLR Bill Analysis**sHB 5282****AN ACT ALLOWING HARDSHIP WAIVERS OF INTEREST DUE FROM A DELINQUENT LOTTERY SALES AGENT AND CONCERNING LICENSING OF CONNECTICUT LOTTERY CORPORATION EMPLOYEES.****SUMMARY**

This bill extends eligibility for hardship waivers to include lottery sales agents with delinquent accounts on or after July 1, 2024, rather than just those whose delinquency assessments were subject to compounding interest and were outstanding on June 30, 2022.

The bill also allows Connecticut Lottery Corporation (CLC) employees to receive Department of Consumer Protection (DCP) endorsements for those who work on online lottery or online and retail sports wagering, instead of having to get a separate DCP license. Among other things, it requires these CLC employees to disclose to DCP when they have a criminal conviction or change in scope of employment requiring additional endorsements.

The bill also makes minor, technical, and conforming changes.

EFFECTIVE DATE: July 1, 2024

DELINQUENCY ASSESSMENTS

By law, lottery sales agents are delinquent when they fail to remit money due from their lottery ticket sales by the settlement dates set by CLC. The CLC president is responsible for making delinquency determinations and notifying the DCP commissioner. The DCP commissioner, in turn, must impose a penalty of 10% of the amount due or \$10, whichever is greater, plus interest of 1.5% per month or partial month from the due date to the payment date. The bill specifies that the

(1) penalty and interest are calculated based on the principal amount due but unremitted and (2) penalty is effective when the agent's notice is delivered.

Current law refers to the penalty and interest as the delinquency assessment. The bill instead defines "delinquency assessment" as the (1) principal amount due but unremitted as of the stated past settlement date, (2) penalty imposed by the DCP commissioner, and (3) interest due and outstanding.

HARDSHIP WAIVERS

Current law allowed lottery sales agents whose delinquency assessments were subject to compounding interest and were outstanding on June 30, 2022, to be eligible for hardship waivers. The law allowed these agents to request the waiver from the DCP commissioner to reduce what they owe by recalculating the interest owed using simple interest.

Under the bill, sales agents with delinquent accounts on or after July 1, 2024, may apply to the CLC president for a hardship waiver to reduce the amount of interest owed. When applying for the waiver, they must pay any principal and penalties due as of the stated past settlement date, and agents that fail to do so are ineligible for the waiver. If the CLC president determines that an undue hardship prevents the agent from paying what he or she owes in principal and penalties, he may enter into a payment plan that allows the agent to pay CLC over a period of up to one year from the date the waiver is provisionally granted.

The bill authorizes the CLC president to reduce the amount of interest owed by the agent if he determines that doing so would be beneficial for the state. He must (1) establish procedures specifying requirements for these waiver applications and the availability of payment plans and (2) publish and maintain them on CLC's website. The bill prohibits any hardship waiver from resulting in a credit of any amount an agent previously paid.

DCP LICENSING

Under existing law, all CLC staff members must be licensed by DCP (i.e., class III and IV licensees). Current law also requires staff members who work on online lottery or online and retail sports wagering to get additional licensing. The bill instead allows CLC employees and applicants for those jobs to instead receive endorsements on the CLC license, rather than having to get a separate DCP license.

The bill requires each applicant for a CLC staff position and each current CLC employee, as of January 1, 2025, to disclose in a DCP-prescribed way the required gaming forms the applicant or licensed employee will work on at CLC. For these individuals, the DCP commissioner may issue a separate endorsement allowing them to operate CLC’s Internet games or retail sports wagering. Under the bill, these employees are not required to apply for a separate DCP gaming license.

The bill requires these CLC staff members to report to DCP any criminal conviction within two business days of any rendered conviction order or judgment. CLC and its employees must immediately report to DCP any change in an employee’s scope of employment that would require the employee to get an additional endorsement.

COMMITTEE ACTION

Public Safety and Security Committee

Joint Favorable Substitute

Yea 20 Nay 5 (03/19/2024)