

5:12-95.17 to 5:12-95.33 et. al.

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2013 **CHAPTER:** 27

NJSA: 5:12-95.17 to 5:12-95.33 et. al. (Authorizes Internet gaming at Atlantic City casinos under certain circumstances)

BILL NO: A2578 (Substituted for S1565)

SPONSOR(S) Burzichelli and others

DATE INTRODUCED: February 16, 2012

COMMITTEE: **ASSEMBLY:** Regulatory Oversight and Gaming

SENATE: ---

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: **ASSEMBLY:** February 26, 2013

SENATE: February 26, 2013

DATE OF APPROVAL: February 26, 2013

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (First Reprint Assembly Substitute enacted)

A2578

SPONSOR'S STATEMENT: (Begins on page 22 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes Regulatory Appropriations

SENATE: No

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: Yes

S1565

SPONSOR'S STATEMENT: (Begins on page 22 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** No

SENATE: Yes State Budget

FLOOR AMENDMENT STATEMENT: Yes

LEGISLATIVE FISCAL ESTIMATE: Yes

(continued)

VETO MESSAGE: Yes

GOVERNOR'S PRESS RELEASE ON SIGNING: Yes

FOLLOWING WERE PRINTED:

To check for circulating copies, contact New Jersey State Government Publications at the State Library (609) 278-2640 ext.103 or <mailto:refdesk@njstatelib.org>

REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: Yes

"Online gaming comes to N.J.," The Philadelphia Inquirer, 2-27-13

"Christie Approves Internet Gambling," The Trentonian, 2-27-13

"Christie makes internet gambling official in N.J.," The Star-Ledger, 2-27-13

"Christie approves internet gambling," The Press of Atlantic City, 2-27-13

"Online gambling could start by fall as Christie gives OK," The Record, 2-27-13

"Internet Gambling Scores Its Biggest Win," The Wall Street Journal, 2-27-13

"New Jersey Governor Christie Signs Law Allowing Online Gambling," Bloomberg Press, 2-27-13

OTHER:

See: State v. Trump 160 N.J. 505 (1999)

974.90 G191 2012

Committee meeting of Assembly Regulatory Oversight and Gaming Committee : the Committee will hear testimony from invited speakers on the prospect of gamin at the Meadowlands : [July 19, 2012, Meadowlands Racetrack, East Rutherford, New Jersey] / hearing recorded and transcribed by the Office of Legislative Services, Public information Office, Hearing Unit.

By New Jersey Legislature Assembly Regulatory Oversight and gaming Committee

Trenton, NJ : New Jersey Office of Legislative Services, Public Information Office, Hearing Unit, 2012.

<http://hdl.handle.net/10929/21816>

LAW/KR

Title 5.
Chapter 12.
Article 6C. (New)
Internet Gaming
§§1,8,17-29,33,36-
C.5:12-95.17 to
5:12-95.33
§§5,6 - C.5:12-28.1
& 5:12-28.2
§30 - Repealer
§37 - Note

P.L.2013, CHAPTER 27, *approved February 26, 2013*
Assembly Substitute (*First Reprint*) for Assembly, No. 2578

1 AN ACT authorizing Internet gaming at Atlantic City casinos under
2 certain circumstances and amending and supplementing the
3 "Casino Control Act", P.L.1977, c.110 (C.5:12-1 et
4 seq.), 'amending P.L.1981, c.142.'¹ and repealing section 11 of
5 P.L.2011, c.18.

6
7 **BE IT ENACTED** by the Senate and General Assembly of the State
8 of New Jersey:
9

- 10 1. (New section) The Legislature finds and declares that:
11 a. The 1976 amendment to the New Jersey Constitution that
12 amended Article IV, Section VII, paragraph 2 thereof, and the
13 Casino Control Act, P.L.1977, c.110 (C.5:12-1 et seq.), that
14 authorized casino gaming in Atlantic City casinos clearly
15 demonstrate, both through their text and their legislative history,
16 that a fundamental goal of these enactments was to achieve the
17 rehabilitation of Atlantic City as a tourist and resort destination; and
18 b. As recognized in the July 2010 Report of the Governor's
19 Advisory Commission on New Jersey Gaming, Sports, and
20 Entertainment, and as confirmed in subsequent legislative hearings
21 held in Trenton and throughout the State culminating in the
22 enactment of significant bipartisan reform legislation in February of
23 2011 (P.L.2011, c.18 and P.L.2011, c.19), legalized casino gaming
24 in New Jersey presently stands at a crossroads, facing critical
25 regional and global challenges that jeopardize its important role in
26 the State's economy; and
27 c. The State and New Jersey's general public possess a vital
28 interest in the success of tourism and casino gaming in Atlantic
29 City, having established a limited exception to the general policy of
30 the State concerning gaming for private gain under Article IV,

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly amendments adopted in accordance with Governor's recommendations February 21, 2013.

1 Section VII, paragraph 2 of the New Jersey Constitution within
2 Atlantic City, which by reason of its location, natural resources, and
3 historical prominence and reputation as a noteworthy tourist
4 destination, has been determined by the people of this State, the
5 Legislature, and the Governor to be a unique and valuable asset that
6 must be preserved, restored, and revitalized; and

7 d. The tourist, resort, and convention industry in Atlantic City
8 constitutes a critical component of our State's economic
9 infrastructure that, if properly regulated, developed, and fostered, is
10 capable of providing a substantial contribution to the general health,
11 welfare, and prosperity of the State and its residents; and

12 e. As recognized in the State Constitution and the Casino
13 Control Act, as well as in P.L.2011, c.18 and P.L.2011, c.19, an
14 important component of the State's historical and ongoing
15 commitment to Atlantic City involves creating and maintaining a
16 robust casino gaming industry that is capable of competing
17 regionally, nationally, and internationally at the highest levels of
18 quality while, at the same time, fully retaining strict State
19 regulatory oversight to ensure the integrity of all casino gaming
20 operations conducted in this State; and

21 f. Since the development of the Internet, millions of people
22 have chosen to gamble online through illegal off-shore operators,
23 and such gambling is conducted without oversight, regulation,
24 enforcement, or consumer protections, all of which raise significant
25 concerns for the protection of individuals and consumers in this
26 State; and

27 g. In October 2006, the United States Congress passed the
28 Unlawful Internet Gambling Enforcement Act, 31 U.S.C. 5361 et
29 seq., which generally prohibits the use of banking instruments,
30 including credit cards, checks, and fund transfers, for interstate
31 Internet gambling, essentially prohibiting online gambling by
32 United States citizens, but which includes exceptions that permit
33 individual states to create a regulatory framework to enable
34 intrastate Internet gambling, provided that the bets or wagers are
35 made exclusively within a single state under certain circumstances;
36 and

37 h. An effective State regulatory and licensing system for
38 participating in online gaming would increase public trust and
39 confidence in legalized gambling, inhibit wagering by underage or
40 otherwise vulnerable individuals, ensure that any games offered
41 through the Internet are fair and safe, end the practice of sending
42 much-needed jobs and tax revenue overseas to illegal operators
43 while creating jobs and economic development in Atlantic City, and
44 ensure that only those of good character and fitness who meet strict
45 criteria may participate in Internet gaming operations in New
46 Jersey; and

47 i. Moreover, providing regulators and law enforcement with
48 the tools to restrict and stop the illegal Internet gambling market

1 that takes place via the Internet in foreign jurisdictions and
2 authorizing strict controls over how Atlantic City casinos may
3 accept wagers placed over the Internet for games conducted in
4 Atlantic City casinos will assist and enhance the rehabilitation and
5 redevelopment of existing tourist and convention facilities in
6 Atlantic City consistent with the original intent of the Casino
7 Control Act and will further assist in marketing Atlantic City to
8 customers that now have the convenience of gambling in
9 jurisdictions closer to their homes through the legalization of
10 gambling in states throughout the United States over the past three
11 decades; and

12 j. Internet gaming, as defined and strictly limited in P.L. ,
13 c. (C.) (pending before the Legislature as this bill), is unlike
14 pari-mutuel wagering and other forms of remote gambling and will
15 take place entirely on the servers and computer equipment located
16 in the casino based in Atlantic City. By contrast, in off-track pari-
17 mutuel simulcast wagering, the customer places a wager at an off-
18 track facility, the wager is accepted by the off-track facility, as
19 evidenced by issuance of a ticket, and any amounts paid on a
20 winning wager are paid out and received at the off-track facility.
21 Any rights on the part of a customer in the event of a dishonored,
22 misdirected or other frustrated pari-mutuel wager arise against the
23 off-track facility where the wager is placed and received, not
24 against the remote track at which the race is run; and

25 k. Internet gaming as authorized and limited under this act, on
26 the other hand, requires that all hardware, software, and other
27 equipment that is involved with Internet gaming will be located in
28 casino facilities in Atlantic City. All that is needed by a customer is
29 a computing or similar device of general application and a
30 communications connection through a common carriage or similar
31 medium. For example, in an online poker or other card game, the
32 “table” is the server hosted by the operator in the casino premises in
33 Atlantic City. The “cards” are played on that table in Atlantic City,
34 and the wager is placed on and accepted at that table. No activity
35 other than the transmission of information to and from the players
36 along common carriage lines takes place outside of the casino
37 premises; and

38 l. Pursuant to the 1976 amendment to the New Jersey State
39 Constitution and the express authorization to the Legislature to
40 determine the type of gambling games that may be conducted in
41 casinos under regulation and control by the State, the Legislature
42 hereby declares that in furtherance of the goals of the Casino
43 Control Act and in recognition that the technologies necessary to
44 support Internet gaming can be prescribed and implemented in a
45 manner that ensures all such gambling activity occurs within
46 casinos located in Atlantic City, it is appropriate that the Casino
47 Control Act be amended and supplemented to authorize licensed

1 casino operators to conduct such games within the casino premises
2 with all wagering to be conducted solely within the casinos.

3

4 ¹[2.(New section) Any authorized game or authorized gambling
5 game, as defined in section 5 of P.L.1977, c.110 (C.5:12-5), that is
6 authorized to be played in a casino may, with the approval of the
7 division, be offered through Internet gaming.]¹

8

9 ¹2. Section 5 of P.L.1977, c.110 (C.5:12-5) is amended to read
10 as follows:

11 5. "Authorized Game" or "Authorized Gambling Game"--
12 Roulette, baccarat, blackjack, craps, big six wheel, slot machines,
13 minibaccarat, red dog, pai gow, and sic bo; any variations or
14 composites of such games, provided that such variations or
15 composites are found by the division suitable for use after an
16 appropriate test or experimental period under such terms and
17 conditions as the division may deem appropriate; and any other
18 game which is determined by the division to be compatible with the
19 public interest and to be suitable for casino use after such
20 appropriate test or experimental period as the division may deem
21 appropriate. "Authorized game" or "authorized gambling game"
22 includes gaming tournaments in which players compete against one
23 another in one or more of the games authorized herein or by the
24 division or in approved variations or composites thereof if the
25 tournaments are authorized by the division.

26 "Authorized game" or "Authorized gambling game" shall also
27 include any game that the division may determine by regulation to
28 be suitable for use for wagering through the Internet. ¹

29 (cf: P.L. 2011, c.19, s.4)

30

31 3. Section 6 of P.L.1977, c.110 (C.5:12-6) is amended to read
32 as follows:

33 6. "Casino" or "casino room" or "licensed casino" -- One or
34 more locations or rooms in a casino hotel facility that have been
35 approved by the division for the conduct of casino gaming in
36 accordance with the provisions of this act, including any part of the
37 facility where Internet gaming is conducted ¹, pursuant to rules
38 established by the division¹. "Casino" or "casino room" or "licensed
39 casino" shall not include any casino simulcasting facility authorized
40 pursuant to the "Casino Simulcasting Act," P.L.1992, c.19 (C.5:12-
41 191 et seq.).

42 (cf: P.L.2011, c.19, s.6)

43

44 4. Section 12 of P.L.1977, c.110 (C.5:12-12) is amended to
45 read as follows:

46 12. "Casino Service Industry Enterprise" -- Any vendor offering
47 goods or services which directly relate to casino or gaming activity
48 or Internet gaming activity, including gaming equipment and

1 simulcast wagering equipment manufacturers, suppliers, repairers
2 and independent testing laboratories, or any vendor providing to
3 casino licensees or applicants goods and services ancillary to
4 gaming activity, including, without limitation, junket enterprises
5 and junket representatives, holders of casino hotel alcoholic
6 beverage control licenses, lessors of casino property not required to
7 hold a casino license pursuant to section 82 of P.L.1977, c.110
8 (C.5:12-82), **[and]** licensors of authorized games, and suppliers of
9 Internet gaming software or systems, and vendors who manage,
10 control or administer the Internet games or the bets or wagers
11 associated with the games. Notwithstanding the foregoing, any form
12 of enterprise engaged in the manufacture, sale, distribution, testing
13 or repair of slot machines within New Jersey, other than antique slot
14 machines as defined in N.J.S.2C:37-7, shall be considered a casino
15 service industry enterprise for the purposes of this act regardless of
16 the nature of its business relationship, if any, with casino applicants
17 and licensees in this State.

18 For the purposes of this section, "casino applicant" includes any
19 person required to hold a casino license pursuant to section 82 of
20 P.L.1977, c.110 (C.5:12-82) who has applied to the division for a
21 casino license or any approval required under P.L.1977, c.110
22 (C.5:12-1 et seq.).
23 (cf: P.L.2012, c.34, s.1)

24
25 5. (New section) "Internet gaming" means the placing of
26 wagers with a casino licensee at a casino located in Atlantic City
27 using a computer network of both federal and non-federal
28 interoperable packet switched data networks through which the
29 casino licensee may offer authorized games to individuals who have
30 established a wagering account with the casino licensee and who are
31 physically present in this State ¹, as authorized by rules established
32 by the division¹.

33
34 6. (New section) "Internet gaming gross revenue" means the
35 total of all sums actually received by a casino licensee from Internet
36 gaming operations, less only the total of all sums actually paid out
37 as winnings to patrons ¹**[and promotional Internet gaming credits;**
38 **provided, however, that the cash equivalent value of any**
39 **merchandise or thing of value included in a jackpot or payout shall**
40 **not be included in the total of all sums paid out as winnings to**
41 **players for purposes of determining Internet gaming gross**
42 **revenue]**¹.

43
44 ¹**[7. Section 3 of P.L.1987, c.353 (C.5:12-43.1) is amended to**
45 **read as follows:**

46 3. "Restricted Casino Areas"--The cashier's cage, the soft count
47 room, the hard count room, the slot cage booths and runway areas,
48 the interior of table game pits, the surveillance room and catwalk

1 areas, the slot machine repair room, any room or area related to
2 Internet gaming operations and any other area specifically
3 designated by the division as restricted in a licensee's operation
4 certificate.
5 (cf: P.L.2011, c.19, s.21)]¹

6
7 ¹7. Section 70 of P.L.1977, c.110 (C.5:12-70) is amended to
8 read as follows:

9 70. Required Regulations. a. The division shall, without
10 limitation include the following specific provisions in its
11 regulations in accordance with the provisions of this act:

12 (1) Prescribing the methods and forms of application and
13 registration which any applicant or registrant shall follow and
14 complete;

15 (2) Prescribing the methods, procedures and form for delivery of
16 information concerning any person's family, habits, character,
17 associates, criminal record, business activities and financial affairs;

18 (3) Prescribing such procedures for the fingerprinting of an
19 applicant, employee of a licensee, or registrant, and methods of
20 identification which may be necessary to accomplish effective
21 enforcement of restrictions on access to the casino floor, the
22 simulcasting facility, and other restricted areas of the casino hotel
23 complex;

24 (4) Prescribing the method of notice to an applicant, registrant
25 or licensee concerning the release of any information or data
26 provided to the commission or division by such applicant, registrant
27 or licensee;

28 (5) Prescribing the manner and procedure of all hearings
29 conducted by the division or any hearing examiner, including
30 special rules of evidence applicable thereto and notices thereof;

31 (6) Prescribing the manner and method of collection of
32 payments of taxes, fees, and penalties;

33 (7) Defining and limiting the areas of operation, the rules of
34 authorized games, including games played upon and wagered
35 through the Internet, odds, and devices permitted, and the method of
36 operation of such games and devices;

37 (8) Regulating the practice and procedures for negotiable
38 transactions involving patrons, including limitations on the
39 circumstances and amounts of such transactions, and the
40 establishment of forms and procedures for negotiable instrument
41 transactions, redemptions, and consolidations;

42 (9) Prescribing grounds and procedures for the revocation or
43 suspension of operating certificates, licenses and registrations;

44 (10) Governing the manufacture, distribution, sale, deployment,
45 and servicing of gaming devices and equipment;

46 (11) Prescribing for gaming operations the procedures, forms and
47 methods of management controls, including employee and
48 supervisory tables of organization and responsibility, and minimum

1 security and surveillance standards, including security personnel
2 structure, alarm and other electrical or visual security measures;
3 provided, however, that the division shall grant an applicant for a
4 casino license or a casino licensee broad discretion concerning the
5 organization and responsibilities of management personnel who are
6 not directly involved in the supervision of gaming or simulcast
7 wagering operations;

8 (12) Prescribing the qualifications of, and the conditions
9 pursuant to which, engineers, accountants, and others shall be
10 permitted to practice before the division or to submit materials on
11 behalf of any applicant or licensee; provided, however, that no
12 member of the Legislature, nor any firm with which said member is
13 associated, shall be permitted to appear or practice or act in any
14 capacity whatsoever before the commission or division regarding
15 any matter whatsoever, nor shall any member of the family of the
16 Governor or of a member of the Legislature be permitted to so
17 practice or appear in any capacity whatsoever before the
18 commission or division regarding any matter whatsoever;

19 (13) Prescribing minimum procedures for the exercise of
20 effective control over the internal fiscal affairs of a licensee,
21 including provisions for the safeguarding of assets and revenues,
22 the recording of cash and evidence of indebtedness, and the
23 maintenance of reliable records, accounts, and reports of
24 transactions, operations and events, including reports to the
25 division;

26 (14) Providing for a minimum uniform standard of accountancy
27 methods, procedures and forms; a uniform code of accounts and
28 accounting classifications; and such other standard operating
29 procedures, including those controls listed in subsection a. of
30 section 99 of P.L.1977, c.110 (C.5:12-99), as may be necessary to
31 assure consistency, comparability, and effective disclosure of all
32 financial information, including calculations of percentages of
33 profit by games, tables, gaming devices and slot machines;

34 (15) Requiring quarterly financial reports and the form thereof,
35 and an annual audit prepared by a certified public accountant
36 licensed to do business in this State, attesting to the financial
37 condition of a licensee and disclosing whether the accounts, records
38 and control procedures examined are maintained by the licensee as
39 required by this act and the regulations promulgated hereunder;

40 (16) Governing the gaming-related advertising of casino
41 licensees, their employees and agents, with the view toward
42 assuring that such advertisements are in no way deceptive;
43 provided, however, that such regulations shall require the words
44 "Bet with your head, not over it," or some comparable language
45 approved by the division, to appear on all billboards, signs, and
46 other on-site advertising of a casino operation and shall require the
47 words "If you or someone you know has a gambling problem and
48 wants help, call 1-800 GAMBLER," or some comparable language

1 approved by the division, which language shall include the words
2 "gambling problem" and "call 1-800 GAMBLER," to appear legibly
3 on all print, billboard, and sign advertising of a casino operation;
4 and

5 (17) (Deleted by amendment, P.L.1991, c.182).

6 (18) Concerning the distribution and consumption of alcoholic
7 beverages on the premises of the licensee, which regulations shall
8 be insofar as possible consistent with Title 33 of the Revised
9 Statutes, and shall deviate only insofar as necessary because of the
10 unique character of the hotel casino premises and operations;

11 (19) (Deleted by amendment, P.L.1991, c.182).

12 b. The commission shall, in its regulations, prescribe the
13 manner and procedure of all hearings conducted by the commission,
14 including special rules of evidence applicable thereto and notices
15 thereof.¹

16 (cf: P.L.2011, c.19, s.26)

17

18 ^{18.} (New section) Reports regarding the impact of gaming
19 through the Internet.

20 The division shall annually cause a report to be prepared and
21 distributed to the Governor on the impact of Internet gaming on
22 problem gamblers and gambling addiction in New Jersey. The
23 report shall be prepared by a private organization or entity with
24 expertise in serving the needs of persons with gambling addictions,
25 which organization or entity shall be selected by the division. The
26 report shall be prepared and distributed under the supervision of,
27 and in coordination with, the division. Any costs associated with
28 the preparation and distribution of the report shall be borne by
29 casino licensees who have been authorized by the division to
30 conduct Internet gaming and the division shall be authorized to
31 assess a fee against such licensees for these purposes. The division
32 may also report periodically to the Governor on the effectiveness of
33 the statutory and regulatory controls in place to ensure the integrity
34 of gaming operations through the Internet.¹

35

36 ^{19.} Section 43 of P.L.2011, c.19 (C.5:12-74.1) is amended to
37 read as follows:

38 43. a. Except as otherwise provided in this act, all information
39 and data required by the division or commission to be furnished
40 pursuant to this act or the regulations promulgated hereunder, or
41 which may otherwise be obtained, relative to the internal controls
42 specified in subsection a. of section 99 of P.L.1977, c.110 (C.5:12-
43 99) or to the earnings or revenue of any applicant, registrant, or
44 licensee shall be considered to be confidential and shall not be
45 revealed in whole or in part except in the course of the necessary
46 administration of this act, or upon the lawful order of a court of
47 competent jurisdiction, or, with the approval of the Attorney
48 General, to a duly authorized law enforcement agency.

- 1 b. All information and data pertaining to an applicant's criminal
2 record, family, and background furnished to or obtained by the
3 division or the commission from any source shall be considered
4 confidential and shall be withheld in whole or in part, except that
5 any information shall be released upon the lawful order of a court of
6 competent jurisdiction or, with the approval of the Attorney
7 General, to a duly authorized law enforcement agency.
- 8 c. Notice of the contents of any information or data released,
9 except to a duly authorized law enforcement agency pursuant to
10 subsection a. or b. of this section, shall be given to any applicant,
11 registrant, or licensee in a manner prescribed by the rules and
12 regulations adopted by the division.
- 13 d. The following information to be reported periodically to the
14 division by a casino licensee shall not be considered confidential
15 and shall be made available for public inspection:
- 16 (1) A licensee's gross revenue from all authorized games as
17 defined herein, and the licensee's gross revenue from simulcast
18 wagering;
- 19 (2) (i) The dollar amount of patron checks initially accepted by a
20 licensee, (ii) the dollar amount of patron checks deposited to the
21 licensee's bank account, (iii) the dollar amount of such checks
22 initially dishonored by the bank and returned to the licensee as
23 uncollected, and (iv) the dollar amount ultimately uncollected after
24 all reasonable efforts;
- 25 (3) The amount of gross revenue tax or investment alternative
26 tax actually paid and the amount of investment, if any, required and
27 allowed, pursuant to section 144 of P.L.1977, c.110 (C.5:12-144)
28 and section 3 of P.L.1984, c.218 (C.5:12-144.1);
- 29 (4) A list of the premises and the nature of improvements, costs
30 thereof and the payees for all such improvements, which were the
31 subject of an investment required and allowed pursuant to section
32 144 of P.L.1977, c.110 (C.5:12-144) and section 3 of P.L.1984,
33 c.218 (C.5:12-144.1);
- 34 (5) The amount, if any, of tax in lieu of full local real property
35 tax paid pursuant to section 146 of P.L.1977, c.110 (C.5:12-146),
36 and the amount of profits, if any, recaptured pursuant to section 147
37 of P.L.1977, c.110 (C.5:12-147);
- 38 (6) A list of the premises, nature of improvements and costs
39 thereof which constitute the cumulative investments by which a
40 licensee has recaptured profits pursuant to section 147 of P.L.1977,
41 c.110 (C.5:12-147); **[and]**
- 42 (7) All quarterly and annual financial statements presenting
43 historical data which are submitted to the division, including all
44 annual financial statements which have been audited by an
45 independent certified public accountant licensed to practice in the
46 State of New Jersey ; and
- 47 (8) The identity and nature of services provided by any person
48 or firm receiving payment in any form whatsoever for professional

1 services in connection with the authorization or conduct of games
2 conducted via the Internet by an entity holding any license, permit
3 or registration pursuant to P.L.1977, c.110 (C.5:12-1 et seq.).

4 Nothing in this subsection shall be construed to limit access by
5 the public to those forms and documents required to be filed
6 pursuant to Article 11 of this act.¹

7 (cf: P.L.2011, c.19, s.43)

8

9 ¹10. Section 76 of P.L.1977, c.110 (C.5:12-76) is amended to
10 read as follows:

11 76. General Duties and Powers.

12 The Division of Gaming Enforcement shall have the general
13 responsibility for the implementation of P.L.1977, c.110 (C.5:12-1
14 et seq.), and to issue any approvals necessary as hereinafter
15 provided, including without limitation, the responsibility to:

16 a. Enforce the provisions of this act and any regulations
17 promulgated hereunder;

18 b. Promptly and in reasonable order investigate all applications
19 for licensure and all registrations under this act;

20 c. Issue reports and recommendations to the commission with
21 respect to all entities and natural persons required to qualify for a
22 casino license, an application for interim casino authorization or a
23 petition for a statement of compliance;

24 d. Promptly and in reasonable order review and approve or
25 deny all casino service industry enterprise license applications;

26 e. Accept and maintain registrations for all casino employee
27 and vendor registrants;

28 f. Revoke any registration or casino service industry enterprise
29 license upon findings pursuant to the disqualification criteria in
30 section 86 of P.L.1977, c.110 (C.5:12-86);

31 g. Promulgate such regulations as may be necessary to fulfill
32 the policies of this act;

33 h. Initiate and decide any actions against licensees or
34 registrants for violation of this act or regulations promulgated
35 hereunder, and impose sanctions and levy and collect penalties upon
36 finding violations;

37 i. Provide the commission with all information that the
38 director deems necessary for any action to be taken by the
39 commission under Article 6 of P.L.1977, c.110 (C.5:12-80 through
40 95);

41 j. Initiate, prosecute and defend appeals, as the director may
42 deem appropriate;

43 k. Conduct continuing reviews of casino operations through
44 on-site observation and other reasonable means to assure
45 compliance with this act and regulations promulgated hereunder,
46 subject to subsection h. of section 63 of P.L.1977, c.110 (C.5:12-
47 63);

- 1 l. Receive and take appropriate action on any referral from the
2 commission relating to any evidence of a violation of P.L.1977,
3 c.110 (C.5:12-1 et seq.) or the regulations promulgated thereunder;
- 4 m. Exchange fingerprint data with, and receive criminal history
5 record information from, the Federal Bureau of Investigation for
6 use in considering applicants for any license or registration issued
7 pursuant to the provisions of P.L.1977, c.110 (C.5:12-1 et seq.);
- 8 n. Conduct audits of casino operations at such times, under
9 such circumstances, and to such extent as the director shall
10 determine, including reviews of accounting, administrative and
11 financial records, and management control systems, procedures and
12 records utilized by a casino licensee;
- 13 o. Request and receive information, materials and any other
14 data from any licensee or registrant, or applicant for a license or
15 registration under this act; and
- 16 p. Report to the Attorney General recommendations that
17 promote more efficient operations of the division.
- 18 q. Receive complaints from the public relating to the conduct
19 of gaming and simulcasting operations, examine records and
20 procedures, and conduct periodic reviews of operations and
21 facilities for the purpose of evaluating current or suggested
22 provisions of P.L.1977, c.110 (C.5:12-1 et seq.) and the regulations
23 promulgated thereunder, as the director deems appropriate;
- 24 r. Certify the revenue of any casino or simulcasting facility in
25 such manner as the director deems appropriate;
- 26 s. Create and maintain a list of all excluded patrons;
- 27 t. Initiate and decide all actions for involuntary exclusion of
28 patrons pursuant to section 71 of P.L.1977, c.110 (C.5:12-71);
- 29 u. Issue an operation certificate upon the commission's grant of
30 an application for a casino license;
- 31 v. Recommend that the commission issue or revoke statements
32 of compliance pursuant to section 81 of P.L.1977, c.110 (C.5:12-
33 81) and the regulations promulgated thereunder;
- 34 w. Accept impact statements submitted by an applicant for a
35 casino license pursuant to section 84 of P.L.1977, c.110 (C.5:12-
36 84); **[and]**
- 37 x. Utilize, in its discretion, the services of a private entity for
38 the purpose of expediting criminal history record background
39 checks required to be performed by the division pursuant to the
40 provisions of P.L.1977, c.110 (C.5:12-1 et seq.), provided that the
41 private entity has been awarded a contract in accordance with the
42 public contracting laws of this State;
- 43 y. License, regulate, investigate and take any other action
44 regarding all aspects of authorized games conducted through the
45 Internet.¹
- 46 (cf: P.L.2011, c.19, s.42)

1 '11. Section 85 of P.L.1977, c.110 (C.5:12-85) is amended to
2 read as follows:

3 85. Additional Requirements.

4 a. In addition to other information required by this act, a
5 corporation or other form of business organization applying for a
6 casino license shall provide the following information, in such form
7 as may be established by regulation:

8 (1) The organization, financial structure and nature of all
9 businesses operated by the applicant; the names and personal
10 employment and criminal histories of all officers, directors and such
11 other employees of the applicant as the division may require; the
12 names of all holding, intermediary and subsidiary companies of the
13 applicant; and the organization, financial structure and nature of all
14 businesses operated by such of its holding, intermediary and
15 subsidiary companies as the division may require, including the
16 names and personal employment and criminal histories of such
17 corporate officers, directors and other employees of such holding,
18 intermediary and subsidiary companies as the division may require;

19 (2) The rights and privileges acquired by the holders of different
20 classes of authorized securities of the applicant and such companies
21 as the division may require, including the names, addresses and
22 amounts held by all holders of such securities;

23 (3) The terms upon which securities have been or are to be
24 offered;

25 (4) The terms and conditions of all outstanding loans,
26 mortgages, trust deeds, pledges or any other indebtedness or
27 security devices utilized by the applicant;

28 (5) The extent of the equity security holding in the applicant of
29 all officers, directors and underwriters, and their remuneration in
30 the form of salary, wages, fees or otherwise;

31 (6) Names of persons other than directors and officers who
32 occupy positions specified by the division or whose compensation
33 exceeds an amount determined by the division, and the amount of
34 their compensation;

35 (7) A description of all bonus and profit-sharing arrangements;

36 (8) Copies of all management and service contracts;

37 (9) A listing of stock options existing or to be created; and

38 (10) Documentation establishing that it is qualified to do
39 business in the State of New Jersey.

40 b. Each holding, intermediary and subsidiary company of an
41 applicant for or holder of a casino license shall be required to
42 qualify to do business in the State of New Jersey; and

43 (1) If it is a corporation, register with the division and furnish
44 the division with all the information required of a corporate licensee
45 as specified in subsection a. (1), (2) and (3) of this section and such
46 other information as the division may require; or

1 (2) If it is not a corporation, register with the division and
2 furnish the division with such information as the division may
3 prescribe.

4 c. (Deleted by amendment, P.L.2011, c.19)

5 d. (Deleted by amendment, P.L.2011, c.19)

6 e. (Deleted by amendment, P.L.2011, c.19)

7 f. (Deleted by amendment, P.L.2011, c.19)

8 g. (Deleted by amendment, P.L.2011, c.19)

9 h. Each applicant for or holder of a casino license, or any
10 holding, intermediary and subsidiary company of an applicant for or
11 holder of a casino license, and any affiliate thereof, and any other
12 licensee, permit holder or vendor under P.L.1977, c.110 (C.5:12-1
13 et seq.), including but not limited to an applicant or holder of any
14 license, permit, or other approval to conduct Internet gaming, or
15 any Internet gaming affiliate in accordance with the regulations of
16 the division, shall provide to the division on a quarterly basis the
17 following information with respect to games conducted through the
18 internet:

19 (1) The name of any person, entity or firm to whom any
20 payment, remuneration or other benefit or thing of value has been
21 made or conferred for professional services, including but not
22 limited to legal, consulting and lobbying services;

23 (2) The amount or value of such payments, remuneration,
24 benefit, or thing of value;

25 (3) The date on which such payments, remuneration, benefit, or
26 thing of value were made; and

27 (4) The reason or purpose for the procurement of such services.¹

28 (cf: P.L. 2011, c.19, s.49)

29

30 ¹[8.] 12.¹ Section 92 of P.L.1977, c.110 (C.5:12-92) is
31 amended to read as follows:

32 92. Licensing of casino service industry enterprises. a. (1) Any
33 business to be conducted with a casino applicant or licensee by a
34 vendor offering goods or services which directly relate to casino or
35 gaming activity or Internet gaming activity, including gaming
36 equipment and simulcast wagering equipment manufacturers,
37 suppliers, repairers, and independent testing laboratories, shall
38 require licensure as a casino service industry enterprise in
39 accordance with the provisions of this act prior to conducting any
40 business whatsoever with a casino applicant or licensee, its
41 employees or agents; provided, however, that upon a showing of
42 good cause by a casino applicant or licensee, the director may
43 permit an applicant for a casino service industry enterprise license
44 to conduct business transactions with such casino applicant or
45 licensee prior to the licensure of that casino service industry
46 enterprise applicant under this subsection for such periods as the
47 division may establish by regulation. Companies providing services
48 to casino licensees regarding Internet gaming shall, notwithstanding

1 any other provision of P.L.1977, c.110 (C.5:12-1 et seq.), be
2 responsible for the full cost of their licensure, including any
3 investigative costs.

4 (2) In addition to the requirements of paragraph (1) of this
5 subsection, any casino service industry enterprise intending to
6 manufacture, sell, distribute, test or repair slot machines within
7 New Jersey, other than antique slot machines as defined in
8 N.J.S.2C:37-7, shall be licensed in accordance with the provisions
9 of this act prior to engaging in any such activities; provided,
10 however, that upon a showing of good cause by a casino applicant
11 or licensee, the director may permit an applicant for a casino service
12 industry enterprise license to conduct business transactions with the
13 casino applicant or licensee prior to the licensure of that casino
14 service industry enterprise applicant under this subsection for such
15 periods as the division may establish by regulation; and provided
16 further, however, that upon a showing of good cause by an
17 applicant required to be licensed as a casino service industry
18 enterprise pursuant to this paragraph, the director may permit the
19 casino service industry enterprise applicant to initiate the
20 manufacture of slot machines or engage in the sale, distribution,
21 testing or repair of slot machines with any person other than a
22 casino applicant or licensee, its employees or agents, prior to the
23 licensure of that casino service industry enterprise applicant under
24 this subsection.

25 (3) Vendors providing goods and services to casino licensees or
26 applicants ancillary to gaming, including, without limitation, junket
27 enterprises and junket representatives, and any person employed by
28 a junket enterprise or junket representative in a managerial or
29 supervisory position, non-casino applicants or licensees required to
30 hold a casino hotel alcoholic beverage license pursuant to section
31 103 of P.L.1977, c.110 (C.5:12-103), lessors of casino property not
32 required to hold a casino license pursuant to section 82 of P.L.1977,
33 c.110 (C.5:12-82), and licensors of authorized games shall be
34 required to be licensed as an ancillary casino service industry
35 enterprise and shall comply with the standards set forth in
36 paragraph (4) of subsection c. of this section.

37 [(4) (a) Except as provided in subparagraph (b) of this
38 paragraph, companies that provide the following services and such
39 other services relating to Internet gaming as the director may
40 determine shall not be required to obtain a casino service industry
41 enterprise license unless otherwise determined by the director:

42 payment processing and related money-transmitting and services;
43 customer identity or age verification and geolocation services;
44 general telecommunications services that are not specifically
45 designed for Internet gaming; and

46 other goods or services that are not specifically designed for use
47 with Internet gaming, provided that the companies providing such
48 goods or services are not paid a percentage of gaming revenue or of

1 money gambled on Internet games or online poker commission fees
2 by the casino licensee, not including fees to financial institutions
3 and payment providers for facilitating a deposit by a customer.

4 (b) Companies providing Internet gaming software, vendors
5 who manage, control or administer the Internet games or the bets or
6 wagers associated with the games, and providers of customer lists
7 comprised of persons identified or selected, in whole or in part,
8 because they placed bets or wagers on Internet gaming shall be
9 required to obtain a casino service industry enterprise license and
10 shall not be regarded as within the scope of subparagraph (a) of this
11 paragraph.]¹

12 b. Each casino service industry enterprise required to be
13 licensed pursuant to paragraph (1) of subsection a. of this section,
14 as well as its owners; management and supervisory personnel; and
15 employees if such employees have responsibility for services to a
16 casino applicant or licensee, must qualify under the standards,
17 except residency, established for qualification of a casino key
18 employee under this act.

19 c. (1) Any vendor that offers goods or services to a casino
20 applicant or licensee that is not included in subsection a. of this
21 section including, but not limited to casino site contractors and
22 subcontractors, shopkeepers located within the approved hotels,
23 gaming schools that possess slot machines for the purpose of
24 instruction, and any non-supervisory employee of a junket
25 enterprise licensed under paragraph (3) of subsection a. of this
26 section, shall be required to register with the division in accordance
27 with the regulations promulgated under this act, P.L.1977, c.110
28 (C.5:12-1 et seq.).

29 (2) Notwithstanding the provisions of paragraph (1) of this
30 subsection, the director may, consistent with the public interest and
31 the policies of this act, direct that individual vendors registered
32 pursuant to paragraph (1) of this subsection be required to apply for
33 either a casino service industry enterprise license pursuant to
34 paragraph (1) of subsection a. of this section, or an ancillary casino
35 service industry enterprise license pursuant to paragraph (3) of
36 subsection a. of this section, as directed by the division, including,
37 without limitation, in-State and out-of-State sending tracks as
38 defined in section 2 of the "Casino Simulcasting Act," P.L.1992,
39 c.19 (C.5:12-192); shopkeepers located within the approved hotels;
40 and gaming schools that possess slot machines for the purpose of
41 instruction. The director may also order that any enterprise licensed
42 as or required to be licensed as an ancillary casino service industry
43 enterprise pursuant to paragraph (3) of subsection a. of this section
44 be required to apply for a casino service industry enterprise license
45 pursuant to paragraph (1) of subsection a. of this section. The
46 director may also, in his discretion, order that an independent
47 software contractor not otherwise required to be registered be either
48 registered as a vendor pursuant to subsection c. of this section or be

1 licensed pursuant to either paragraph (1) or (3) of subsection a. of
2 this section.

3 (3) (Deleted by amendment, P.L.2011, c.19)

4 (4) Each ancillary casino service industry enterprise required to
5 be licensed pursuant to paragraph (3) of subsection a. of this
6 section, as well as its owners, management and supervisory
7 personnel, and employees if such employees have responsibility for
8 services to a casino applicant or licensee, shall establish their good
9 character, honesty and integrity by clear and convincing evidence
10 and shall provide such financial information as may be required by
11 the division. Any enterprise required to be licensed as an ancillary
12 casino service industry enterprise pursuant to this section shall be
13 permitted to transact business with a casino licensee upon filing of
14 the appropriate vendor registration form and application for such
15 licensure.

16 d. Any applicant, licensee or qualifier of a casino service
17 industry enterprise license or of an ancillary casino service industry
18 enterprise license under subsection a. of this section, and any
19 vendor registrant under subsection c. of this section shall be
20 disqualified in accordance with the criteria contained in section 86
21 of this act, except that no such ancillary casino service industry
22 enterprise license under paragraph (3) of subsection a. of this
23 section or vendor registration under subsection c. of this section
24 shall be denied or revoked if such vendor registrant can
25 affirmatively demonstrate rehabilitation as provided in subsection d.
26 of section 91 of P.L.1977, c.110 (C.5:12-91).

27 e. No casino service industry enterprise license or ancillary
28 casino service industry enterprise license shall be issued pursuant to
29 subsection a. of this section to any person unless that person shall
30 provide proof of valid business registration with the Division of
31 Revenue in the Department of the Treasury.

32 f. (Deleted by amendment, P.L.2011, c.19)

33 g. For the purposes of this section, each applicant shall submit
34 to the division the name, address, fingerprints and a written consent
35 for a criminal history record background check to be performed, for
36 each person required to qualify as part of the application. The
37 division is hereby authorized to exchange fingerprint data with and
38 receive criminal history record information from the State Bureau
39 of Identification in the Division of State Police and the Federal
40 Bureau of Investigation consistent with applicable State and federal
41 laws, rules and regulations. The applicant shall bear the cost for the
42 criminal history record background check, including all costs of
43 administering and processing the check. The Division of State
44 Police shall promptly notify the division in the event a current or
45 prospective qualifier, who was the subject of a criminal history
46 record background check pursuant to this section, is arrested for a
47 crime or offense in this State after the date the background check
48 was performed.

1 h. (1) Subsequent to the licensure of any entity pursuant to
2 subsection a. of this section, including any finding of qualification
3 as may be required as a condition of licensure, or the registration of
4 any vendor pursuant to subsection c. of this section, the director
5 may revoke, suspend, limit, or otherwise restrict the license,
6 registration or qualification status upon a finding that the licensee,
7 registrant or qualifier is disqualified on the basis of the criteria set
8 forth in section 86 of P.L.1977, c.110 (C.5:12-86).

9 (2) A hearing prior to the suspension of any license, registration
10 or qualification issued pursuant to this section shall be a limited
11 proceeding at which the division shall have the affirmative
12 obligation to demonstrate that there is a reasonable possibility that
13 the licensee, registrant or qualifier is disqualified on the basis of the
14 criteria set forth in section 86 of P.L.1977, c.110 (C.5:12-86).
15 (cf: P.L.2012, c.34, s.6)

16

17 '[9.] 13.' Section 100 of P.L.1977, c.110 (C.5:12-100) is
18 amended to read as follows:

19 100. a. This act shall not be construed to permit any gaming
20 except the conduct of authorized games in a casino room or through
21 Internet gaming in accordance with this act and the regulations
22 promulgated hereunder and in a simulcasting facility to the extent
23 provided by the "Casino Simulcasting Act," P.L.1992, c.19 (C.5:12-
24 191 et al.). Notwithstanding the foregoing, if the division approves
25 the game of keno as an authorized game pursuant to section 5 of
26 P.L.1977, c.110 (C.5:12-5), as amended, keno tickets may be sold
27 or redeemed in accordance with division regulations.

28 b. Gaming equipment shall not be possessed, maintained or
29 exhibited by any person on the premises of a casino hotel except in
30 a casino room, in the simulcasting facility, or in restricted casino
31 areas used for the inspection, repair or storage of such equipment
32 and specifically designated for that purpose by the casino licensee
33 with the approval of the division. Gaming equipment which
34 supports the conduct of gaming in a casino or simulcasting facility
35 or through Internet gaming but does not permit or require patron
36 access, such as computers, or gaming software or other gaming
37 equipment used to conduct Internet gaming may be possessed and
38 maintained by a casino licensee or a qualified holding or
39 intermediary company of a casino licensee in restricted areas
40 specifically approved by the division. No gaming equipment shall
41 be possessed, maintained, exhibited, brought into or removed from
42 a casino room or simulcasting facility by any person unless such
43 equipment is necessary to the conduct of an authorized game, has
44 permanently affixed, imprinted, impressed or engraved thereon an
45 identification number or symbol authorized by the division, is under
46 the exclusive control of a casino licensee or casino licensee's
47 employees, or of any individually qualified employee of a holding
48 company or casino licensee and is brought into or removed from the

1 casino room or simulcasting facility following 24-hour prior notice
2 given to an authorized agent of the division.

3 Notwithstanding any other provision of this section, computer
4 equipment used by the slot system operator of a multi-casino
5 progressive slot system to link and communicate with the slot
6 machines of two or more casino licensees for the purpose of
7 calculating and displaying the amount of a progressive jackpot,
8 monitoring the operation of the system, and any other purpose that
9 the division deems necessary and appropriate to the operation or
10 maintenance of the multi-casino progressive slot machine system
11 may, with the prior approval of the division, be possessed,
12 maintained and operated by the slot system operator either in a
13 restricted area on the premises of a casino hotel or in a secure
14 facility inaccessible to the public and specifically designed for that
15 purpose off the premises of a casino hotel but within the territorial
16 limits of Atlantic County, New Jersey.

17 Notwithstanding the foregoing, a person may, with the prior
18 approval of the division and under such terms and conditions as
19 may be required by the division, possess, maintain or exhibit
20 gaming equipment in any other area of the casino hotel, provided
21 that such equipment is used for nongaming purposes.

22 Notwithstanding any other provision of this act to the contrary,
23 the division may, by regulation, authorize the linking of slot
24 machines of one or more casino licensees and slot machines located
25 in casinos licensed by another state of the United States. Wagering
26 and account information for a multi-state slot system shall be
27 transmitted by the operator of such multi-state slot system to either
28 a restricted area on the premises of a casino hotel or to a secure
29 facility inaccessible to the public and specifically designed for that
30 purpose off the premises of a casino hotel but within the territorial
31 limits of Atlantic County, New Jersey, and from there to slot
32 machines of New Jersey casino licensees, provided all locations are
33 approved by the division.

34 Notwithstanding any other provision of this act to the contrary,
35 the division may authorize electronic versions of authorized games
36 to be played within an approved hotel facility on mobile gaming
37 devices to be approved by the division, provided the player has
38 established an account with the casino licensee, the wager is placed
39 by and the winnings are paid to the patron in person within the
40 approved hotel facility, the mobile gaming device is inoperable
41 outside the approved hotel facility, and the division authorizes the
42 device for mobile gaming; provided that the division may establish
43 any additional or more stringent licensing and other regulatory
44 requirements necessary for the proper implementation and conduct
45 of mobile gaming as authorized herein. For the purposes of this
46 provision, the approved hotel facility shall include any area located
47 within the property boundaries of the casino hotel facility, including
48 the swimming pool area and an outdoor recreation area, where

1 mobile gaming devices may be used by patrons in accordance with
2 this provision, but excluding parking garages or parking areas of a
3 casino hotel facility, provided that the division shall ascertain and
4 ensure, pursuant to rules and regulations issued by it to implement
5 mobile gaming pursuant to this provision, that mobile gaming shall
6 not extend outside of the property boundaries of the casino hotel
7 facility.

8 c. Each casino hotel shall contain a count room and such other
9 secure facilities as may be required by the division for the counting
10 and storage of cash, coins, tokens, checks, plaques, gaming
11 vouchers, coupons, and other devices or items of value used in
12 wagering and approved by the division that are received in the
13 conduct of gaming and for the inspection, counting and storage of
14 dice, cards, chips and other representatives of value. The division
15 shall promulgate regulations for the security of drop boxes and
16 other devices in which the foregoing items are deposited at the
17 gaming tables or in slot machines, and all areas wherein such boxes
18 and devices are kept while in use, which regulations may include
19 certain locking devices. Said drop boxes and other devices shall not
20 be brought into or removed from a casino room or simulcasting
21 facility, or locked or unlocked, except at such times, in such places,
22 and according to such procedures as the division may require.

23 d. All chips used in gaming shall be of such size and uniform
24 color by denomination as the division shall require by regulation.

25 e. All gaming shall be conducted according to rules
26 promulgated by the division. All wagers and pay-offs of winning
27 wagers shall be made according to rules promulgated by the
28 division, which shall establish such limitations as may be necessary
29 to assure the vitality of casino operations and fair odds to patrons.
30 Each slot machine shall have a minimum payout of 83%.

31 f. Each casino licensee shall make available in printed form to
32 any patron upon request the complete text of the rules of the
33 division regarding games and the conduct of gaming, pay-offs of
34 winning wagers, an approximation of the odds of winning for each
35 wager, and such other advice to the player as the division shall
36 require. Each casino licensee shall prominently post within a casino
37 room and simulcasting facility, as appropriate, according to
38 regulations of the division such information about gaming rules,
39 pay-offs of winning wagers, the odds of winning for each wager,
40 and such other advice to the player as the division shall require.

41 g. Each gaming table shall be equipped with a sign indicating
42 the permissible minimum and maximum wagers pertaining thereto.
43 '[Each game] All gaming and wagering' offered through Internet
44 gaming shall display online the permissible minimum and
45 maximum wagers pertaining thereto. It shall be unlawful for a
46 casino licensee to require any wager to be greater than the stated
47 minimum or less than the stated maximum; provided, however, that
48 any wager actually made by a patron and not rejected by a casino

1 licensee prior to the commencement of play shall be treated as a
2 valid wager.

3 h. (1) Except as herein provided, no slot machine shall be used
4 to conduct gaming unless it is identical in all electrical, mechanical
5 and other aspects to a model thereof which has been specifically
6 tested and licensed for use by the division. The division shall also
7 test any other gaming device, gaming equipment, gaming-related
8 device, hardware and software by which authorized gambling
9 games are offered through the Internet, or gross-revenue related
10 device, such as a slot management system, electronic transfer credit
11 system or gaming voucher system as it deems appropriate. In its
12 discretion and for the purpose of expediting the approval process,
13 the division may utilize the services of a private testing laboratory
14 that has obtained a plenary license as a casino service industry
15 enterprise pursuant to subsection a. of section 92 of P.L.1977, c.110
16 (C.5:12-92) to perform the testing, and may also utilize applicable
17 data from any such private testing laboratory or from a
18 governmental agency of a state other than New Jersey authorized to
19 regulate slot machines and other gaming devices, gaming
20 equipment, gaming-related devices and gross-revenue related
21 devices used in casino gaming, if the private testing laboratory or
22 governmental agency uses a testing methodology substantially
23 similar to the methodology utilized by the division. The division, in
24 its discretion, may rely upon the data provided by the private testing
25 laboratory or governmental agency and adopt the conclusions of
26 such private testing laboratory or governmental agency regarding
27 any submitted device.

28 (2) Except as otherwise provided in paragraph (5) of subsection
29 h. of this section, the division shall, within 60 days of its receipt of
30 a complete application for the testing of a slot machine or other
31 gaming equipment model, approve or reject the slot machine or
32 other gaming equipment model. In so doing, the division shall
33 specify whether and to what extent any data from a private testing
34 laboratory or governmental agency of a state other than New Jersey
35 was used in reaching its conclusions and recommendation. If the
36 division is unable to complete the testing of a slot machine or other
37 gaming equipment model within this 60-day period, the division
38 may conditionally approve the slot machine or other gaming
39 equipment model for test use by a casino licensee provided that the
40 division represents that the use of the slot machine or other gaming
41 equipment model will not have a direct and materially adverse
42 impact on the integrity of gaming or the control of gross revenue.
43 The division shall give priority to the testing of slot machines or
44 other gaming equipment which a casino licensee has certified it will
45 use in its casino in this State.

46 (3) The division shall, by regulation, establish such technical
47 standards for licensure of slot machines, including mechanical and
48 electrical reliability, security against tampering, the

1 comprehensibility of wagering, and noise and light levels, as it may
2 deem necessary to protect the player from fraud or deception and to
3 insure the integrity of gaming. The denominations of such machines
4 shall be set by the licensee; the licensee shall simultaneously notify
5 the division of the settings.

6 (4) The division shall, by regulation, determine the permissible
7 number and density of slot machines in a licensed casino so as to:

8 (a) promote optimum security for casino operations;

9 (b) avoid deception or frequent distraction to players at gaming
10 tables;

11 (c) promote the comfort of patrons;

12 (d) create and maintain a gracious playing environment in the
13 casino; and

14 (e) encourage and preserve competition in casino operations by
15 assuring that a variety of gaming opportunities is offered to the
16 public.

17 Any such regulation promulgated by the division which
18 determines the permissible number and density of slot machines in a
19 licensed casino shall provide that all casino floor space and all
20 space within a casino licensee's casino simulcasting facility shall be
21 included in any calculation of the permissible number and density
22 of slot machines in a licensed casino.

23 (5) Any new gaming equipment or simulcast wagering
24 equipment that is submitted for testing to the division or to an
25 independent testing laboratory licensed pursuant to subsection a. of
26 section 92 of P.L.1977, c.110 (C.5:12-92) prior to or simultaneously
27 with submission of such new equipment for testing in a jurisdiction
28 other than New Jersey, may, consistent with regulations
29 promulgated by the division, be deployed by a casino licensee on
30 the casino floor 14 days after submission of such equipment for
31 testing. If the casino or casino service industry enterprise licensee
32 has not received approval for the equipment 14 days after
33 submission for testing, any interested casino licensee may,
34 consistent with division regulations, deploy the equipment on a
35 field test basis, unless otherwise directed by the director.

36 (6) '[All] A casino's primary' equipment used '[by a
37 licensee]' to conduct Internet gaming shall be located, with the
38 prior approval of the division, in a restricted area on the premises of
39 the casino hotel within the territorial limits of Atlantic City, New
40 Jersey. Backup '[and other]' equipment '[not]' used 'on a
41 temporary basis pursuant to rules established by the division' to
42 conduct Internet gaming may '[, with the approval of the
43 division,]' be located outside the territorial limits of Atlantic City '
44 provided no Internet gaming shall occur unless a wager is accepted
45 by a casino within the territorial limits of Atlantic City, New
46 Jersey'. All Internet wagers shall be deemed to be placed when
47 received in Atlantic City by the licensee. Any intermediate routing
48 of electronic data in connection with a wager shall not affect the

1 fact that the wager is placed in Atlantic City

2 No software, computer or other gaming equipment shall be used
3 to conduct Internet gaming unless it has been specifically tested by
4 the division. The division may, in its discretion, and for the
5 purpose of expediting the approval process, refer testing to any
6 testing laboratory with a plenary license as a casino service industry
7 enterprise pursuant to subsection a. of section 92 of P.L.1977, c.110
8 (C.5:12-92). The division shall give priority to the testing of
9 software, computers or other gaming equipment which a casino
10 licensee has certified it will use to conduct Internet gaming in this
11 State. The division shall, by regulation, establish such technical
12 standards for approval of software, computers and other gaming
13 equipment used to conduct Internet gaming, including mechanical,
14 electrical or program reliability, security against tampering, the
15 comprehensibility of wagering, and noise and light levels, as it may
16 deem necessary to protect the player from fraud or deception and to
17 insure the integrity of gaming. When appropriate, the licensee shall
18 set the denominations of Internet games and shall simultaneously
19 notify the '【commission】 division' of the settings.

20 No software, computer or other gaming equipment shall be used
21 to conduct Internet gaming unless it is able to verify that a player
22 placing a wager is physically present in this State. The division
23 shall '【confirm on a continuous basis】 require by regulation' that
24 the equipment used by every licensee to conduct Internet gaming is,
25 in fact, verifying every player's physical presence in this State each
26 time a player logs onto a new playing session.

27 i. (Deleted by amendment, P.L.1991, c.182).

28 j. (Deleted by amendment, P.L.1991, c.182).

29 k. It shall be unlawful for any person to exchange or redeem
30 chips for anything whatsoever, except for currency, negotiable
31 personal checks, negotiable counter checks, other chips, coupons,
32 slot vouchers or complimentary vouchers distributed by the casino
33 licensee, or, if authorized by regulation of the division, a valid
34 charge to a credit or debit card account. A casino licensee shall,
35 upon the request of any person, redeem that licensee's gaming chips
36 surrendered by that person in any amount over \$100 with a check
37 drawn upon the licensee's account at any banking institution in this
38 State and made payable to that person.

39 l. It shall be unlawful for any casino licensee or its agents or
40 employees to employ, contract with, or use any skill or barker to
41 induce any person to enter a casino or simulcasting facility or play
42 at any game or for any purpose whatsoever.

43 m. It shall be unlawful for a dealer in any authorized game in
44 which cards are dealt to deal cards by hand or other than from a
45 device specifically designed for that purpose, unless otherwise
46 permitted by the rules of the division.

47 n. (1) It shall be unlawful for any casino key employee licensee
48 to wager in any casino or simulcasting facility in this State.

1 (2) It shall be unlawful for any other employee of a casino
2 licensee who, in the judgment of the division, is directly involved
3 with the conduct of gaming operations, including but not limited to
4 dealers, floor persons, box persons, security and surveillance
5 employees, to wager in any casino or simulcasting facility in the
6 casino hotel in which the employee is employed or in any other
7 casino or simulcasting facility in this State which is owned or
8 operated by an affiliated licensee.

9 (3) The prohibition against wagering set forth in paragraphs (1)
10 and (2) of this subsection shall continue for a period of 30 days
11 commencing upon the date that the employee either leaves
12 employment with a casino licensee or is terminated from
13 employment with a casino licensee.

14 o. (1) It shall be unlawful for any casino key employee or
15 boxman, floorman, or any other casino employee who shall serve in
16 a supervisory position to solicit or accept, and for any other casino
17 employee to solicit, any tip or gratuity from any player or patron at
18 the casino hotel or simulcasting facility where he is employed.

19 (2) A dealer may accept tips or gratuities from a patron at the
20 table at which such dealer is conducting play, subject to the
21 provisions of this subsection. All such tips or gratuities shall be
22 immediately deposited in a lockbox reserved for that purpose,
23 unless the tip or gratuity is authorized by a patron utilizing an
24 automated wagering system approved by the division. All tips or
25 gratuities shall be accounted for, and placed in a pool for
26 distribution pro rata among the dealers, with the distribution based
27 upon the number of hours each dealer has worked, except that the
28 division may, by regulation, permit a separate pool to be established
29 for dealers in the game of poker, or may permit tips or gratuities to
30 be retained by individual dealers in the game of poker.

31 (3) Notwithstanding the provisions of paragraph (1) of this
32 subsection, a casino licensee may require that a percentage of the
33 prize pool offered to participants pursuant to an authorized poker
34 tournament be withheld for distribution to the tournament dealers as
35 tips or gratuities as the division by regulation may approve.

36 p. Any slot system operator that offers an annuity jackpot shall
37 secure the payment of such jackpot by establishing an annuity
38 jackpot guarantee in accordance with the requirements of P.L.1977,
39 c.110 (C.5:12-1 et seq.), and the rules of the division.
40 (cf: P.L.2012, c.34, s.7)

41
42 '【10.】 14.' Section 104 of P.L.1977, c.110 (C.5:12-104) is
43 amended to read as follows:

44 104. a. Unless otherwise provided in this subsection, no
45 agreement shall be lawful which provides for the payment, however
46 defined, of any direct or indirect interest, percentage or share of:
47 any money or property gambled at a casino or simulcasting facility;
48 any money or property derived from casino gaming activity or

1 wagering at a simulcasting facility; or any revenues, profits or
2 earnings of a casino or simulcasting facility. Notwithstanding the
3 foregoing:

4 (1) Agreements which provide only for the payment of a fixed
5 sum which is in no way affected by the amount of any such money,
6 property, revenues, profits or earnings shall not be subject to the
7 provisions of this subsection; and receipts, rentals or charges for
8 real property, personal property or services shall not lose their
9 character as payments of a fixed sum because of contract, lease, or
10 license provisions for adjustments in charges, rentals or fees on
11 account of changes in taxes or assessments, cost-of-living index
12 escalations, expansion or improvement of facilities, or changes in
13 services supplied.

14 (2) Agreements between a casino licensee and a junket
15 enterprise or junket representative licensed, qualified or registered
16 in accordance with the provisions of P.L.1977, c.110 (C.5:12-1 et
17 seq.) and the regulations of the division which provide for the
18 compensation of the junket enterprise or junket representative by
19 the casino licensee based upon the actual casino gaming or
20 simulcast wagering activities of a patron procured or referred by the
21 junket enterprise or junket representative shall be lawful if filed
22 with the division prior to the conduct of any junket that is governed
23 by the agreement.

24 (3) Agreements between a casino licensee and its employees
25 which provide for casino employee or casino key employee profit
26 sharing shall be lawful if the agreement is in writing and filed with
27 the division prior to its effective date. Such agreements may be
28 reviewed by the division under any relevant provision of P.L.1977,
29 c.110 (C.5:12-1 et seq.).

30 (4) Agreements to lease an approved casino hotel or the land
31 thereunder and agreements for the complete management of all
32 casino gaming operations in a casino hotel shall not be subject to
33 the provisions of this subsection but shall rather be subject to the
34 provisions of subsections b. and c. of section 82 of this act.

35 (5) Agreements which provide for percentage charges between
36 the casino licensee and a holding company or intermediary
37 company of the casino licensee shall be in writing and filed with the
38 division but shall not be subject to the provisions of this subsection.

39 (6) Agreements relating to simulcast racing and wagering
40 between a casino licensee and an in-State or out-of-State sending
41 track licensed or exempt from licensure in accordance with section
42 92 of P.L.1977, c.110 (C.5:12-92) shall be in writing, be filed with
43 the division, and be lawful and effective only if expressly approved
44 as to their terms by the division and the New Jersey Racing
45 Commission, except that any such agreements which provide for a
46 percentage of the parimutuel pool wagered at a simulcasting facility
47 to be paid to the sending track shall not be subject to the provisions
48 of this subsection.

1 (7) Agreements relating to simulcast racing and wagering
2 between a casino licensee and a casino service industry enterprise
3 licensed pursuant to the provisions of subsection a. of section 92 of
4 P.L.1977, c.110 (C.5:12-92) as a hub facility, as defined in joint
5 regulations of the Division of Gaming Enforcement and the New
6 Jersey Racing Commission, shall be in writing, be filed with the
7 commission, and be lawful and effective only if expressly approved
8 as to their terms by the commission and the New Jersey Racing
9 Commission, except that any such agreements which provide for a
10 percentage of the casino licensee's share of the parimutuel pool
11 wagered at a simulcasting facility to be paid to the hub facility shall
12 not be subject to the provisions of this subsection.

13 (8) Agreements relating to simulcast racing and wagering
14 between a casino licensee and a casino service industry enterprise
15 licensed pursuant to the provisions of subsection a. of section 92 of
16 P.L.1977, c.110 (C.5:12-92) to conduct casino simulcasting in a
17 simulcasting facility shall be in writing, be filed with the
18 commission, and be lawful and effective only if expressly approved
19 as to their terms by the commission, except that any such
20 agreements which provide for a percentage of the casino licensee's
21 share of the parimutuel pool wagered at a simulcasting facility to be
22 paid to the casino service industry enterprise shall not be subject to
23 the provisions of this subsection.

24 (9) Written agreements relating to the operation of multi-casino
25 or multi-state progressive slot machine systems between one or
26 more casino licensees and a casino service industry enterprise
27 licensed pursuant to the provisions of subsection a. of section 92 of
28 P.L.1977, c.110 (C.5:12-92), or an eligible applicant for such
29 license, which provide for an interest, percentage or share of the
30 casino licensee's revenues, profits or earnings from the operation of
31 such multi-casino or multi-state progressive slot machines to be
32 paid to the casino service industry enterprise licensee or applicant
33 shall not be subject to the provisions of this subsection if the
34 agreements are filed with and approved by the division.

35 (10) A written agreement between a casino licensee and a casino
36 service industry enterprise licensed pursuant to subsection a. of
37 section 92 of P.L.1977, c.110 (C.5:12-92), or an eligible applicant
38 for such license, relating to the construction, renovation or
39 operation of qualifying sleeping units, as defined in section 27 of
40 P.L.1977, c.110 (C.5:12-27), or of non-gaming amenities, as
41 defined by the division, within the limits of the city of Atlantic
42 City, regardless of whether such qualifying sleeping units or non-
43 gaming amenities are connected to a casino hotel facility, which
44 provides for an interest, percentage or share of the casino licensee's
45 revenues, profits or earnings, not to exceed 5% of the casino
46 licensee's revenues, to be paid to the casino service industry
47 enterprise licensee or applicant in return for the construction,
48 renovation or operation of such qualifying sleeping units or non-

1 gaming amenities shall not be subject to the provisions of this
2 subsection provided that: (i) the agreement requires a capital
3 investment, at least 10% of which shall be made by the casino
4 service industry enterprise licensee or applicant over the term of the
5 agreement, of not less than \$30 million, which minimum amount
6 shall be adjusted periodically by the division for inflation; (ii) the
7 division finds that the total amount of casino revenues, profits or
8 earnings that can be paid to the casino service industry enterprise
9 licensee or applicant pursuant to this agreement is commercially
10 reasonable under the circumstances; and (iii) the agreement is filed
11 with and approved by the division.

12 (11) A written agreement between a casino licensee holding an
13 Internet gaming permit and a casino service industry enterprise
14 licensed pursuant to subsection a. of section 92 of P.L.1977, c.110
15 (C.5:12-92), or an eligible applicant for such a license, in
16 connection with the conduct of Internet gaming under P.L. _____,
17 c. (C. _____) (pending before the Legislature as this bill), which
18 provides for a percentage of the casino licensee's Internet gaming
19 gross revenue to be paid to the casino service industry enterprise
20 licensee shall not be subject to the provisions of this subsection,
21 provided that the agreement shall be in writing, filed with the
22 division, and shall be lawful and effective only if the terms thereof
23 are expressly approved by the division.

24 b. Each casino applicant or licensee shall maintain, in
25 accordance with the rules of the division, a record of each written or
26 unwritten agreement regarding the realty, construction,
27 maintenance, or business of a proposed or existing casino hotel or
28 related facility. The foregoing obligation shall apply regardless of
29 whether the casino applicant or licensee is a party to the agreement.
30 Any such agreement may be reviewed by the division on the basis
31 of the reasonableness of its terms, including the terms of
32 compensation, and of the qualifications of the owners, officers,
33 employees, and directors of any enterprise involved in the
34 agreement, which qualifications shall be reviewed according to the
35 standards enumerated in section 86 of P.L.1977, c.110 (C.5:12-86).
36 If the division disapproves such an agreement or the owners,
37 officers, employees, or directors of any enterprise involved therein,
38 the division may require its termination.

39 Every agreement required to be maintained, and every related
40 agreement the performance of which is dependent upon the
41 performance of any such agreement, shall be deemed to include a
42 provision to the effect that, if the commission shall require
43 termination of an agreement pursuant to its authority under
44 P.L.1977, c.110 (C.5:12-1 et seq.), such termination shall occur
45 without liability on the part of the casino applicant or licensee or
46 any qualified party to the agreement or any related agreement.
47 Failure expressly to include such a provision in the agreement shall
48 not constitute a defense in any action brought to terminate the

1 agreement. If the agreement is not maintained or presented to the
2 commission in accordance with division regulations, or the
3 disapproved agreement is not terminated, the division may pursue
4 any remedy or combination of remedies provided in this act.

5 For the purposes of this subsection, "casino applicant" includes
6 any person required to hold a casino license pursuant to section 82
7 of P.L.1977, c.110 (C.5:12-82) who has applied to the division for a
8 casino license or any approval required under P.L.1977, c.110
9 (C.5:12-1 et seq.).

10 c. Nothing in this act shall be deemed to permit the transfer of
11 any license, or any interest in any license, or any certificate of
12 compliance or any commitment or reservation.

13 (cf: P.L.2012, c.34, s.10)

14

15 '[11.] 15.' Section 109 of P.L.1977, c.110 (C.5:12-109) is
16 amended to read as follows:

17 109. Notwithstanding any provisions of this article, the director
18 may issue an emergency order for the suspension, limitation or
19 conditioning of any operation certificate or any license, other than a
20 casino license, or any registration, or any permit to conduct Internet
21 gaming, or may issue an emergency order requiring the licensed
22 casino to keep an individual from the premises of such licensed
23 casino or from using or maintaining an Internet gaming account, or
24 not to pay such individual any remuneration for services or any
25 profits, income or accruals on his investment in such casino, in the
26 following manner:

27 a. An emergency order shall be issued only when the director
28 finds that:

29 (1) There has been charged a violation of any of the criminal
30 laws of this State by a licensee or registrant, or

31 (2) Such action is necessary to prevent a violation of any such
32 provision, or

33 (3) Such action is necessary immediately for the preservation of
34 the public peace, health, safety, morals, good order and general
35 welfare or to preserve the public policies declared by this act.

36 b. An emergency order shall set forth the grounds upon which
37 it is issued, including the statement of facts constituting the alleged
38 emergency necessitating such action.

39 c. The emergency order shall be effective immediately upon
40 issuance and service upon the licensee, registrant, or resident agent
41 of the licensee. The emergency order may suspend, limit, condition
42 or take other action in relation to the approval of one or more
43 individuals who were required to be approved in any operation,
44 without necessarily affecting any other individuals or the licensed
45 casino establishment. The emergency order shall remain effective
46 until further order of the director.

47 d. Within 5 days after issuance of an emergency order, the
48 division shall cause a complaint to be filed and served upon the

1 person or entity involved in accordance with the provisions of this
2 act.

3 e. Thereafter, the person or entity against whom the emergency
4 order has been issued and served shall show cause before the
5 director why the emergency order should not remain in effect in
6 accordance with the provisions of this act and the regulations
7 promulgated hereunder.

8 (cf: P.L.2011, c.19, s.77)

9

10 ¹[12.] 16.¹ Section 1 of P.L.1999, c.352 (C.5:12-129.1) is
11 amended to read as follows:

12 1. The holder of any license issued under P.L.1977, c.110
13 (C.5:12-1 et seq.), or any person acting on behalf thereof, shall file
14 a report of any suspicious transaction with the Director of the
15 Division of Gaming Enforcement. For the purposes of P.L.1999,
16 c.352 (C.5:12-129.1 et al.), "suspicious transaction" means the
17 acceptance of cash ~~[or]~~ the redeeming of chips or markers or
18 other cash equivalents, or a payment to establish credits in an
19 Internet gaming account involving or aggregating \$5,000 if the
20 licensee or person knows or suspects that the transaction:

21 a. involves funds derived from illegal activities or is intended
22 or conducted in order to conceal or disguise funds or assets derived
23 from illegal activities;

24 b. is part of a plan to violate or evade any law or regulation or
25 to avoid any transaction reporting requirement under the law or
26 regulations of this State or the United States, including a plan to
27 structure a series of transactions to avoid any transaction reporting
28 requirement under the laws or regulations of this State or the United
29 States; or

30 c. has no business or other apparent lawful purpose or is not
31 the sort of transaction in which a person would normally be
32 expected to engage and the licensee or person knows of no
33 reasonable explanation for the transaction after examining the
34 available facts, including the background and possible purpose of
35 the transaction.

36 (cf: P.L.1999, c.352, s.1)

37

38 ¹[13.] 17.¹ (New section) There is hereby imposed an annual
39 tax on Internet gaming gross revenues in the amount of ¹[10%]
40 15%¹ of such gross revenues which shall be paid into the Casino
41 Revenue Fund. The 8% tax on casino gross revenues shall not apply
42 to Internet gaming gross revenues. The investment alternative tax
43 established by section 3 of P.L.1984, c.218 (C.5:12-144.1) shall
44 apply to Internet gaming gross revenues, except that the investment
45 alternative tax on these revenues shall be 5% and the investment
46 alternative shall be 2.5%, with the proceeds thereof used as
47 provided in that section.

1 ¹[14. (New section) The Division of Gaming Enforcement may
2 establish an Office of Internet Gaming to which it may delegate
3 authority for the administration of Internet gaming conducted by
4 casino licensees. The division shall be responsible for
5 recommending regulations concerning Internet gaming for
6 consideration and possible adoption by the commission. Nothing
7 contained in this section shall be construed as affecting the
8 authority of the Division of Gaming Enforcement with respect to all
9 casino gaming activities, including Internet gaming. The division
10 shall adopt regulations for the implementation and conduct of
11 Internet gaming that are consistent with regulations governing
12 casino gambling generally.]¹

13
14 ¹[15.] 18.¹ (New section) Internet gaming in this State shall be
15 subject to the provisions of, and preempted and superseded by, any
16 applicable federal law.

17 Internet gaming in this State shall be deemed to take place where
18 a casino's server is located in Atlantic City regardless of the
19 player's physical location within this State.

20
21 ¹[16.] 19.¹ (New section) a. No Internet gaming shall be
22 opened to the public, and no gaming, except for test purposes, may
23 be conducted therein, until a casino licensee with a valid operation
24 certificate, or an Internet gaming affiliate thereof that is licensed
25 pursuant to paragraph (5) of subsection b. of section 82 of
26 P.L.1977, c.110 (C.5:12-82), receives from the division a permit to
27 conduct Internet gaming. Such permit, valid for one year, shall be
28 issued by the division upon a finding that the Internet gaming
29 complies in all respects with the requirements of this act,
30 P.L. , c. (pending before the Legislature as this bill) and
31 regulations promulgated ¹[hereunder, that the casino licensee has
32 implemented necessary management controls and security
33 precautions for the efficient operation of Internet gaming, that
34 casino personnel having duties relating to Internet gaming are
35 licensed for the performance of their respective responsibilities, and
36 that the licensee is prepared in all respects to receive and entertain
37 the public. For each licensed casino, no more than one permit shall
38 be issued to conduct Internet gaming therein.

39 b. The permit shall include an itemized list by category and
40 number of the authorized games offered through Internet gaming.

41 c. A casino licensee shall, in accordance with regulations
42 promulgated by the division, file any changes in the number of
43 authorized games featured through Internet gaming with the
44 division.

45 d. It shall be an express condition of the continued operation of
46 Internet gaming that a casino licensee shall maintain all books,
47 records, and documents pertaining to the licensee's Internet gaming
48 operations in a manner and location within this State approved by

1 the division. All such books, records and documents shall be
2 immediately available for inspection during all hours of operation
3 in accordance with the rules of the division and shall be maintained
4 for such period of time as the division shall require.

5 e. Subject to the power of the division to deny, revoke, or
6 suspend permits, any Internet gaming permit in force shall be
7 renewed by the commission for one year upon proper application
8 for renewal, completion of a review of Internet gaming operations
9 for compliance with this act, a review of all required controls and
10 payment of permit fees and taxes as required by law and the
11 regulations of the division. Upon renewal of an Internet gaming
12 permit the division shall issue an appropriate renewal certificate or
13 validating device or sticker which shall be attached to the Internet
14 gaming permit.

15 f. Notwithstanding subsections a. and e. of this section, an
16 Internet gaming permit shall remain in force only if the owner or
17 operator of the licensed casino where Internet gaming is to be
18 conducted also holds a valid operation certificate for such casino]
19 by the division¹.

20

21 ¹[17.] 20.¹ (New section) a. ¹[The entire] A casino's primary¹
22 Internet gaming operation, including facilities, equipment and
23 personnel who are directly engaged in the conduct of Internet
24 gaming activity, shall be located within a restricted area on the
25 premises of the casino hotel within the territorial limits of Atlantic
26 City, New Jersey. ¹[Backup and other equipment not used to
27 conduct Internet gaming may, with the approval of the division, be
28 located outside of the territorial limits of Atlantic City.] Backup
29 equipment used on a temporary basis pursuant to rules established
30 by the division to conduct Internet gaming may, with the approval
31 of the division, be located outside the territorial limits of Atlantic
32 City, provided no internet gaming shall occur unless a wager is
33 accepted by a casino within the territorial limits of Atlantic City,
34 New Jersey.¹

35 b. Facilities used to conduct and support Internet gaming shall:
36 (1) be arranged in a manner promoting optimum security for
37 Internet gaming;
38 (2) include a closed circuit visual monitoring system according
39 to specifications approved by the division, with access on the
40 licensed premises to the system or its signal provided to the
41 ¹[commission or the]¹ division;
42 (3) not be designed in any way that might interfere with the
43 ability of the division to supervise Internet gaming operations; and
44 (4) comply in all respects with regulations of the division
45 pertaining thereto.

46

47 ¹[18. (New section) a. Notwithstanding section 99 of P.L.1977,
48 c.110 (C.5:12-99), each casino licensee who holds or has applied

1 for a permit to conduct Internet gaming shall submit to the division
2 a description of its system of internal procedures and administrative
3 and accounting controls for Internet gaming, including provisions
4 that provide for real time monitoring of all games, and a description
5 of any changes thereof. Such submission shall be made at least 30
6 days before such operations are to commence or at least 30 days
7 before any change in those procedures or controls is to take effect,
8 unless otherwise directed by the division. Notwithstanding the
9 foregoing, the internal controls described in paragraph (3) of this
10 subsection may be implemented by a casino licensee upon the filing
11 of such internal controls with the division. Each internal procedure
12 or control submission shall contain both narrative and diagrammatic
13 representations of the internal control system to be utilized with
14 regard to Internet gaming, including, but not limited to:

15 (1) accounting controls, including the standardization of forms
16 and definition of terms to be utilized in the wagering operations;

17 (2) procedures, forms, and, where appropriate, formulas
18 covering the calculation of hold percentages; revenue drop; expense
19 and overhead schedules; complimentary services; and cash
20 equivalent transactions;

21 (3) job descriptions and the system of personnel and chain-of-
22 command, establishing a diversity of responsibility among
23 employees engaged in Internet gaming operations and identifying
24 primary and secondary supervisory positions for areas of
25 responsibility; salary structure; and personnel practices;

26 (4) procedures for the establishment of wagering accounts,
27 including a procedure for authenticating the age of the applicant for
28 a wagering account;

29 (5) procedures for the termination of a wagering account by the
30 account holder and the return of any remaining funds in the
31 wagering account to the account holder;

32 (6) procedures for the termination of a dormant account;

33 (7) procedures for the logging in and authentication of a
34 wagering account holder in order to enable the holder to commence
35 Internet gaming, and the logging off of the holder of the wagering
36 account when the account holder has finished gaming, including a
37 procedure to automatically log off the holder after a specified
38 period of inactivity;

39 (8) procedures for the crediting and debiting of wagering
40 accounts;

41 (9) procedures for the cashing of checks to establish credit in a
42 wagering account; the receipt and security of cash to establish credit
43 in a wagering account, whether such cash is received by wire
44 transfer, advance on a credit card or debit card or by other
45 electronic means approved by the division; and receipt of other
46 electronic negotiable instruments approved by the division to
47 establish credit in a wagering account;

48 (10) procedures for the withdrawal of funds from a wagering

- 1 account by the account holder;
- 2 (11) the redemption of chips, tokens or other cash equivalents
- 3 used in gaming and the pay-off of jackpots;
- 4 (12) the recording of transactions pertaining to Internet gaming;
- 5 (13) procedures for the security of information and funds in a
- 6 wagering account;
- 7 (14) procedures for the transfer of funds from wagering accounts
- 8 to the counting process;
- 9 (15) procedures and security for the counting and recordation of
- 10 revenue;
- 11 (16) procedures for the security of Internet gaming facilities
- 12 within a restricted area on the premises of the casino hotel within
- 13 the territorial limits of Atlantic City, New Jersey;
- 14 (17) procedures and security standards for the handling and
- 15 storage of software, computers and other electronic equipment used
- 16 to conduct Internet gaming;
- 17 (18) procedures and security standards to protect software,
- 18 computers and other gaming equipment used to conduct Internet
- 19 gaming from tampering by casino employees or any other person,
- 20 from a location inside or outside of the casino hotel facility;
- 21 (19) procedures for responding to tampering with software,
- 22 computers and other gaming equipment used to conduct Internet
- 23 gaming or any gaming-related equipment or hardware used in
- 24 support of gaming, including partial or complete suspension of
- 25 Internet gaming operations or the suspension of any or all wagering
- 26 accounts when warranted;
- 27 (20) procedures to verify a player's physical presence in this
- 28 State each time a player logs onto a new playing session; and
- 29 (21) procedures to assist problem and compulsive gamblers.
- 30 b. Each casino licensee shall also submit a description of its
- 31 system of internal procedures and administrative and accounting
- 32 controls for non-gaming operations regarding the website on which
- 33 Internet gaming is accessed and a description of any changes
- 34 thereto no later than five days after those operations commence or
- 35 after any change in those procedures or controls takes effect.
- 36 c. The division shall review each submission required by
- 37 subsection a. and b. hereof, and shall determine whether it conforms
- 38 to the requirements of this act, P.L. , c. (C.) (pending before
- 39 the Legislature as this bill), and to the regulations promulgated
- 40 thereunder and whether the system submitted provides adequate and
- 41 effective controls for Internet gaming operations of the particular
- 42 casino hotel submitting it. If the division finds any insufficiencies,
- 43 it shall specify the insufficiencies in writing to the casino licensee,
- 44 who shall make appropriate alterations. When the division
- 45 determines a submission to be adequate in all respects, it shall
- 46 notify the casino licensee. Except as otherwise provided in
- 47 subsection a. of this section, no casino licensee shall commence or
- 48 alter Internet gaming operations unless and until such system of

1 procedures and controls is approved by the division.

2 d. It shall be lawful for a casino licensee to provide marketing
3 information by means of the Internet to players engaged in Internet
4 gaming and to offer those players incentives to visit the licensee's
5 casino in Atlantic City.】¹

6

7 ¹【19. (New section) a. An Internet gaming account shall be in
8 the name of a natural person and may not be in the name of any
9 beneficiary, custodian, joint trust, corporation, partnership or other
10 organization or entity.

11 b. An account may be established by a person submitting an
12 application form approved by the division along with proof of age,
13 which may be accomplished electronically. The division shall
14 specify by regulation what types of proof are sufficient to
15 authenticate age and residency. The application form shall include
16 the address of the principal residence of the prospective account
17 holder, an electronic mail address of the prospective account holder
18 and a statement that a false statement made in regard to an
19 application may subject the applicant to prosecution.

20 c. As part of the application process, the casino licensee shall
21 require the prospective account holder to create a password to
22 access the gaming account, or shall establish some other mechanism
23 approved by the division to authenticate the player as the holder of
24 a wagering account and allow the holder access to the Internet
25 gaming account.

26 d. The prospective account holder shall submit the completed
27 application to the casino licensee. The licensee may accept or reject
28 an application after receipt and review of the application and proof
29 of age for compliance with this act, P.L. , c. (C.) (pending
30 before the Legislature as this bill).

31 e. Any prospective account holder who provides false or
32 misleading information on the application is subject to rejection of
33 the application or cancellation of the account by the casino licensee.

34 f. The licensee shall have the right to suspend or close any
35 wagering account at its discretion.

36 g. Any person on the list established by section 71 of P.L.1977,
37 c.110 (C.5:12-71) of persons who are to be excluded or ejected
38 from any licensed casino shall not be entitled to maintain a
39 wagering account.

40 h. Any of the following persons shall not be permitted to
41 maintain a wagering account:

- 42 (1) the Governor or Lieutenant Governor;
43 (2) any State officer or employee or special State officer or
44 employee;
45 (3) any member of the Judiciary;
46 (4) any member of the Legislature;
47 (5) any officer of Atlantic City; or
48 (6) any casino employee, casino key employee or principal

1 employee of a casino licensee.

2 i. The address provided by the applicant in the application
3 shall be deemed the proper address for the purposes of mailing
4 checks, account withdrawals, notices and other materials.

5 j. A wagering account shall not be assignable or otherwise
6 transferable.

7 k. The casino licensee may at any time declare all or any part
8 of Internet gaming to be closed for wagering.】¹

9

10 ¹【20. (New section) a. Credits to an Internet gaming account
11 shall not be made except as provided by this subsection.

12 (1) The wagering account holder's deposits to the wagering
13 account shall be submitted by the account holder to the casino
14 licensee and shall be in the form of one of the following:

15 (a) cash given to the casino licensee;

16 (b) check, money order, negotiable order of withdrawal, or wire
17 or electronic transfer, payable and remitted to the casino licensee;

18 (c) charges made to an account holder's debit or credit card
19 upon the account holder's direct and personal instruction, which
20 instruction may be given by telephone communication or other
21 electronic means to the casino licensee by the account holder if the
22 use of the card has been approved by the casino licensee; or

23 (d) any other method approved by the division.

24 (2) When an account holder wins an account wager on a game,
25 the casino licensee shall pay to the holder Internet chips or tokens
26 or other cash equivalents in the appropriate amount pursuant to the
27 rules of that game for that particular type of wager. When the
28 account holder logs off or cashes out the Internet chips, tokens or
29 other cash equivalents, the casino licensee shall credit the holder's
30 wagering account in the amount of Internet chips, tokens or other
31 cash equivalents cashed in.

32 (3) The casino licensee shall have the right to credit a wagering
33 account as part of a promotion scheme.

34 (4) The casino licensee shall have the right to refuse, for any
35 valid reason, all or part of any wager or deposit to the account.

36 (5) Funds deposited in the account shall not bear interest to the
37 account holder.

38 b. Debits to an Internet gaming account shall not be made
39 except as provided by this subsection.

40 (1) When an account holder logs onto a wagering account and
41 exchanges account funds for Internet chips, tokens or other cash
42 equivalents, the licensee shall debit the holder's account in the
43 amount of funds exchanged. Upon receipt by a casino licensee of
44 an account wager or an account purchase order, the casino licensee
45 shall debit the account holder's Internet chips, tokens or other cash
46 equivalents in the amount of the wager or purchase.

47 (2) A casino licensee may authorize a withdrawal from a
48 wagering account when the account holder submits to the casino

1 licensee, either in writing or electronically:

2 (a) proper identification;

3 (b) the correct authentication information for access to the
4 account; and

5 (c) a properly completed and executed withdrawal on a form
6 approved by the division.

7 Upon receipt of a properly completed and executed withdrawal
8 form, and if there are sufficient funds in the account to cover the
9 withdrawal, the licensee shall send, within three business days of
10 receipt, a check payable in the amount requested to the holder at the
11 address specified in the application for the wagering account or
12 shall transmit payment to the account holder electronically as
13 approved by the division by regulation.】¹

14

15 21. (New section) A casino licensee may accept Internet
16 gaming account wagers only as follows:

17 a. The account wager shall be placed directly with the casino
18 licensee by the holder of the wagering account and the casino
19 licensee has verified the account holder's physical presence in this
20 State.

21 b. The account holder placing the account wager shall provide
22 the casino licensee with the correct authentication information for
23 access to the wagering account.

24 c. A casino licensee may not accept an account wager in an
25 amount in excess of funds on deposit in the wagering account of the
26 holder placing the wager. Funds on deposit include amounts
27 credited under this act, P.L. c. (C.) (pending before the
28 Legislature as this bill), and in the account at the time the wager is
29 placed.

30

31 22. (New section) All amounts remaining in Internet gaming
32 accounts inactive or dormant for such period and under such
33 conditions as established by regulation by the division shall be paid
34 50% to the casino licensee and 50% to the casino control fund.
35 Before closing a wagering account pursuant to this section, the
36 casino licensee shall attempt to contact the account holder by mail,
37 phone and computer.

38

39 ¹【23. (New section) a. The casino licensee shall establish a log
40 in procedure for a holder of a wagering account to access Internet
41 gaming. Part of the log in procedure shall be the provision by the
42 account holder of the appropriate authentication information for
43 access to the wagering account. The casino licensee shall not allow
44 an account holder to participate in gaming before logging in and
45 providing the proper authentication information to access the
46 holder's wagering account.

47 b. Upon log in, the holder of a wagering account shall have the
48 option to exchange any amount of funds in the wagering account to

1 Internet chips, tokens or other cash equivalents, to be used for
2 Internet casino gaming.

3 c. Upon logging off, the current amount of the holders' Internet
4 chips, tokens or other cash equivalents shall be credited to the
5 holder's wagering account.】¹

6
7 ¹【24. (New section) The casino licensee shall provide to a
8 holder of a wagering account who is logged in to his or her
9 wagering account access to a display of all of the following
10 information:

11 a. the current amount of money in the holder's account,
12 including the current amount of the holder's Internet chips, tokens
13 or other cash equivalents;

14 b. the amount of money the account holder has won or lost on
15 Internet gaming since the account was established;

16 c. the amount of money the account holder has won or lost on
17 during the current gaming session, when a gaming session begins at
18 log on and ends at log off;

19 d. a detailed accounting of all other Internet gaming sessions,
20 when a session begins at log on and ends at log off, including time
21 and date of log on and log off and the amount of money won or lost
22 on gaming and the amount of money spent from the account on
23 merchandise or services; and

24 e. the complete text of the rules of the division regarding
25 games and the conduct of Internet gaming, pay-offs of winning
26 wagers, an approximation of the odds of winning for each wager,
27 and such other advice and information to the account holder as the
28 division shall require.】¹

29
30 ¹【25.】 23.¹ (New section) In order to assist those persons who
31 may have a gambling problem, a casino licensee shall:

32 a. cause the words "If you or someone you know has a
33 gambling problem and wants help, call 1-800 GAMBLER," or some
34 comparable language approved by the division, which language
35 shall include the words "gambling problem" and "call 1-800
36 GAMBLER," to be displayed prominently at log on and log off
37 times to any person visiting or logged onto Internet gaming; and

38 b. provide a mechanism by which a holder of a wagering
39 account may establish the following controls on wagering activity
40 through the wagering account:

41 (1) a limit on the amount of money deposited within a specified
42 period of time and the length of time the holder will be unable to
43 participate in gaming if the holder reaches the established deposit
44 limit; and

45 (2) a temporary suspension of gaming through the account for
46 any number of hours or days.

47 The casino licensee shall not send gaming-related electronic mail
48 to an account holder while gaming through his or her wagering

1 account is suspended, if the suspension is for at least 72 hours. The
2 casino licensee shall provide a mechanism by which an account
3 holder may change these controls, except that while gaming through
4 the wagering account is suspended, the account holder may not
5 change gaming controls until the suspension expires, but the holder
6 shall continue to have access to the account and shall be permitted
7 to withdraw funds from the account upon proper application
8 therefor.

9
10 ¹[26. (New section) a. Except as provided in this section, no
11 casino licensee or any person licensed under P.L.1977, c.110
12 (C.5:12-1 et seq.) and no person acting on behalf of, or under any
13 arrangement with, a casino licensee or other person licensed under
14 P.L.1977, c.110, shall:

15 (1) cash any check, make any loan, or otherwise provide credit
16 to any person for the purpose of crediting an Internet gaming
17 account; or

18 (2) release or discharge any debt, either in whole or in part, or
19 make any loan which represents any losses incurred by any account
20 holder in gaming activity through Internet gaming, without
21 maintaining a written record thereof in accordance with the rules of
22 the division.

23 b. Notwithstanding section 101 of P.L.1977, c.110 (C.5:12-
24 101), no casino licensee or any person licensed under P.L.1977,
25 c.110 (C.5:12-1 et seq.) and no person acting on behalf of, or under
26 any arrangement with, a casino licensee or other person licensed
27 under P.L.1977, c.110, may accept a check, other than a recognized
28 traveler's check or other cash equivalent from any person for the
29 purpose of crediting an Internet gaming account unless:

30 (1) the check is made payable to the casino licensee;

31 (2) the check is dated, but not postdated;

32 (3) the check is transmitted to the casino licensee and received
33 by the licensee in a manner approved by the division and is
34 exchanged for credits on the Internet gaming account established by
35 the drawer of the check; and

36 (4) the regulations concerning check cashing procedures are
37 observed by the casino licensee and its employees and agents.]¹

38
39 ¹[27.] 24.¹ (New section) Any person who offers games into
40 play or displays such games through Internet gaming without
41 approval of the division to do so is guilty of a crime of the fourth
42 degree and notwithstanding the provisions of N.J.S.2C:43-3, shall
43 be subject to a fine of not more than \$25,000 and in the case of a
44 person other than a natural person, to a fine of not more than
45 \$100,000 and any other appropriate disposition authorized by
46 subsection b. of N.J.S.2C:43-2.

47
48 ¹[28.] 25.¹ (New section) a. Notwithstanding section 46 of

1 P.L.1991, c.182 (C.5:12-113.1), any person who knowingly tampers
2 with software, computers or other equipment used to conduct
3 Internet gaming to alter the odds or the payout of a game or disables
4 the game from operating according to the rules of the game as
5 promulgated by the division is guilty of a crime of the third degree
6 and notwithstanding the provisions of N.J.S.2C:43-3, shall be
7 subject to a fine of not more than \$50,000 and in the case of a
8 person other than a natural person, to a fine of not more than
9 \$200,000 and any other appropriate disposition authorized by
10 subsection b. of N.J.S.2C:43-2.

11 b. In addition to the penalties provided in subsection a., an
12 employee of the casino licensee who violates this section shall have
13 his or her license revoked and shall be subject to such further
14 penalty as the division deems appropriate.

15 c. In addition to the penalties provided in subsection a., a
16 casino licensee that violates this section shall have its permit to
17 conduct Internet gaming revoked and shall be subject to such
18 further penalty as the division deems appropriate.

19

20 ¹[29.] 26.¹(New section) a. Any person who knowingly offers
21 or allows to be offered any Internet game that has been tampered
22 with in a way that affects the odds or the payout of a game or
23 disables the game from operating according to the rules of the game
24 as promulgated by the division is guilty of a crime of the third
25 degree and notwithstanding the provisions of N.J.S.2C:43-3, shall
26 be subject to a fine of not more than \$50,000 and in the case of a
27 person other than a natural person, to a fine of not more than
28 \$200,000 and any other appropriate disposition authorized by
29 subsection b. of N.J.S.2C:43-2.

30 b. In addition to the penalties provided in subsection a., an
31 employee of the casino licensee who knowingly violates this section
32 shall have his or her license suspended for a period not less than 30
33 days.

34 c. In addition to the penalties provided in subsection a., a
35 casino licensee that violates this section shall have its permit to
36 conduct Internet gaming suspended for a period not less than 30
37 days.

38

39 ¹[30. (New section) a. No person under the age of 21 shall be
40 permitted to maintain an Internet gaming account. Any casino
41 licensee or employee of a casino licensee who allows a person
42 under the age of 21 to maintain a wagering account is guilty of a
43 crime of the fourth degree and subject to the penalties therefor;
44 except that the establishment of all of the following facts by a
45 licensee or employee allowing any such underage person to
46 maintain an account shall constitute a defense to any prosecution
47 therefor:

48 (1) that the underage person falsely represented during the

1 application process for an Internet gaming account that he or she
2 was at least 21 years of age; and

3 (2) that the establishment of the Internet gaming account was
4 made in good faith, relying upon such representation, and in the
5 reasonable belief that the underage person was actually 21 years of
6 age or older.

7 b. In addition to the penalties provided in subsection a. of this
8 section, an employee of the casino licensee who violates the
9 provisions of this section more than once shall have his or her
10 license revoked.

11 c. In addition to the penalties provided in subsection a. of this
12 section, a casino licensee that violates the provisions of this section
13 more than once shall have its permit to conduct Internet gaming
14 revoked.]¹

15

16 ¹[31.] 27.¹ (New section) a. The division shall, by regulation,
17 establish annual fees for the issuance or renewal of Internet gaming
18 permits. The issuance fee shall be based upon the cost of
19 investigation and consideration of the license application and shall
20 be not less than ¹[\$200,000] \$400,000¹. The renewal fee shall be
21 based upon the cost of maintaining enforcement, control and
22 regulation of Internet wagering operations and shall be not less than
23 ¹[\$150,000] \$250,000¹.

24 b. The Attorney General shall certify to the division actual and
25 prospective costs of the investigative and enforcement functions of
26 the division, which costs shall be the basis, together with the
27 operating expenses of the division, for the establishment of annual
28 permit issuance and renewal fees.

29 c. A nonrefundable deposit of at least \$100,000 shall be
30 required to be posted with each application for an Internet gaming
31 permit and shall be applied to the initial permit fee if the application
32 is approved.

33 d. In addition to the permit issuance and renewal fees, a casino
34 licensee with an Internet gaming permit shall pay annually to the
35 division ¹[\$150,000] \$250,000¹ to be deposited into the State
36 General Fund for appropriation by the Legislature to the
37 Department of Human Services, ¹[\$85,000] \$140,000¹ of which
38 shall be allocated to the Council on Compulsive Gambling of New
39 Jersey and ¹[\$65,000] \$110,000¹ of which shall be used for
40 compulsive gambling treatment programs in the State.

41

42 ¹[32.] 28.¹ (New section) No organization or commercial
43 enterprise, other than a casino located in Atlantic City or its Internet
44 gaming affiliate that has been issued a permit to conduct Internet
45 gaming and has located all of its equipment used to conduct Internet
46 gaming, including computers, servers, monitoring rooms, and hubs,
47 in Atlantic City, shall make its premises available for placing
48 wagers at casinos using the Internet or advertise that its premises

1 may be used for such purpose. An organization or commercial
2 enterprise that is determined by the division to have violated the
3 provisions of this section shall be subject to a penalty of \$1,000 per
4 player per day for making its premises available for placing wagers
5 at casinos using the Internet and of \$10,000 per violation for
6 advertising that its premises may be used for such purpose.

7
8 **'[33.] 29.'** (New section) Notwithstanding any other provision
9 of P.L. , c. (C.) (pending before the Legislature as this
10 bill), wagers may be accepted thereunder from persons who are not
11 physically present in this State if the Division of Gaming
12 Enforcement in the Department of Law and Public Safety
13 determines that such wagering is not inconsistent with federal law
14 or the law of the jurisdiction, including any foreign nation, in which
15 any such person is located, or such wagering is conducted pursuant
16 to **'[an interstate compact] a reciprocal agreement'** to which this
17 State is a party that is not inconsistent with federal law.

18
19 **'[34.] 30.'** Section 11 of P.L.2011, c.18 (C.5:12-225) is
20 repealed.

21
22 **'[35. Section 1 of P.L.2005, c.357 (C.5:12-76.1) is amended to**
23 **read as follows:**

24 1. a. The Director of the Division of Gaming Enforcement, in
25 consultation with the Casino Control Commission, shall establish an
26 Internet gambling public awareness campaign in order to promote
27 awareness among the general public of issues relating to Internet
28 gambling.

29 b. The public awareness campaign shall include the
30 development and implementation of public awareness and outreach
31 efforts to inform the public about Internet gambling, including, but
32 not limited to, the following subjects:

33 (1) the legal status of Internet gambling in New Jersey;

34 (2) the fact that Internet gambling is **[unregulated] regulated** by
35 New Jersey, and that the fairness and integrity of Internet gambling
36 cannot be guaranteed by the State when conducted illegally outside
37 of the State's regulatory framework;

38 (3) the risks of being defrauded of potentially large amounts of
39 money when gambling on the Internet illegally;

40 (4) the risks of identity theft when using personal identification
41 or financial information to gamble on the Internet illegally;

42 (5) special risks for underage and problem gamblers when
43 gambling on the Internet; and

44 (6) access to services for problem gamblers, including contact
45 information for the Council on Compulsive Gambling.

46 c. The director shall coordinate the efforts of the division with
47 any activities being undertaken by other State agencies to provide
48 information to the public about Internet gambling.

1 d. The director, within the limits of funds available for this
2 purpose, shall seek to utilize both electronic and print media, and
3 may prepare and disseminate such written information as the
4 director deems necessary to accomplish the purposes of this act.

5 e. The division shall make available electronically on its
6 website in both English and Spanish information about Internet
7 gambling as described in subsection b. of this section.

8 f. The director may accept, for the purposes of the public
9 awareness campaign, any special grant of funds, services, or
10 property from the federal government or any of its agencies, or
11 from any foundation, organization or other entity.

12 g. The director shall report to the Governor and the Legislature,
13 no later than 18 months after the effective date of this act, on the
14 activities and accomplishments of the public awareness campaign.²

15 (cf: P.L.2005, c.357, s.1)]¹

16

17 ¹[36.] 31.¹ Section 9 of P.L.2011, c.18 (C.5:12-223) is amended
18 to read as follows:

19 9. [a. Notwithstanding any law, rule, or regulation to the
20 contrary, the Division of Gaming Enforcement in the Department of
21 Law and Public Safety shall in each of the first three State fiscal
22 years commencing in the State fiscal year in which P.L.2011, c.18
23 (C.5:12-218 et al.) is enacted, determine the amount of cost savings
24 effected by the reduction in fees paid by casino licensees pursuant
25 to revisions to law concerning regulation of the casino industry, and
26 provide that an amount, as determined by the New Jersey Racing
27 Commission in the Department of Law and Public Safety pursuant
28 to this subsection shall be paid annually by casino licensees to the
29 authority, and such payment shall be made in each of the first three
30 State fiscal years commencing in the State fiscal year in which
31 P.L.2011, c.18 (C.5:12-218 et al.) is enacted. The New Jersey
32 Racing Commission shall determine an amount to be allocated from
33 the amounts collected by the Division of Gaming Enforcement
34 pursuant to this section, in an amount not exceeding \$15,000,000 in
35 the first State fiscal year; \$10,000,000 in the second State fiscal
36 year; and \$5,000,000 in the third State fiscal year. The moneys
37 collected pursuant to this subsection shall be allocated to the
38 authority, and allocated by the authority to the New Jersey Racing
39 Commission to the support of the horse racing industry in this State
40 through the augmentation of purses. The amount of any funds
41 authorized in this section to be collected and allocated in support of
42 horse racing through the augmentation of purses shall be established
43 by the New Jersey Racing Commission at a regular meeting of the
44 commission held during the fiscal year in which any such payment
45 is authorized, which amount shall be reflected in the meeting
46 minutes delivered by the executive director to the Governor with
47 respect to the meeting at which such action is taken in the manner
48 provided under section 31 of P.L.2001, c.199 (C.5:5-22.1).

1 b. If the amount paid to the authority pursuant to subsection a.
2 of this section in the first three State fiscal years described herein is
3 insufficient to allocate the amount required for the augmentation of
4 purses in any one of those three State fiscal years, the authority
5 shall, from any appropriate revenue source or account, allocate the
6 amount necessary to cover the difference between the amounts to be
7 allocated to the horse racing industry in this State through the
8 augmentation of purses in the first three State fiscal years and the
9 amount paid to the authority pursuant to subsection a. of this section
10 and shall be reimbursed from the amount collected by the Division
11 of Gaming Enforcement pursuant to subsection a. of this section in
12 the subsequent State fiscal year.

13 c.] a. If [, one year after the effective date of P.L.2011, c.18
14 (C.5:12-218 et al.),] the not-for-profit corporation [does not exist
15 as provided in section 7 of P.L.2011, c.18 (C.5:12-221), or] is
16 unable to perform its obligations under an agreement with the
17 authority, or Convention Center Division, or if the agreement is
18 terminated, as provided under that section, and is not renewed, the
19 authority shall assess a fee payable by each casino licensee for the
20 State fiscal year, for a period of five State fiscal years. The fee
21 assessed under this subsection shall be in proportion to the casino
22 licensee's gross revenues generated in the fiscal year preceding the
23 assessment. The total fees assessed collectively upon all casino
24 licensees shall be no less than \$30,000,000 for each State fiscal year
25 for which the fees are assessed.

26 [d.] b. Such fees shall be used exclusively to facilitate the
27 development of the tourism district, enhance the cleanliness and
28 safety of the tourism district, and fund the marketing efforts of the
29 authority or of the Convention Center Division, as the case may be,
30 concerning tourism in the district.

31 (cf: P. L.2011, c.18, s.9)

32

33 '[37.] 32.' Section 82 of P.L.1977, c.110 (C.5:12-82) is
34 amended to read as follows:

35 82. a. No casino shall operate unless all necessary licenses and
36 approvals therefor have been obtained in accordance with law.

37 b. Only the following persons shall be eligible to hold a casino
38 license; and, unless otherwise determined by the commission with
39 the concurrence of the Attorney General which may not be
40 unreasonably withheld in accordance with subsection c. of this
41 section, each of the following persons shall be required to hold a
42 casino license prior to the operation of a casino in the casino hotel
43 with respect to which the casino license has been applied for:

44 (1) Any person who either owns an approved casino hotel or
45 owns or has a contract to purchase or construct a casino hotel which
46 in the judgment of the commission can become an approved casino
47 hotel within 30 months or within such additional time period as the
48 commission may, upon a showing of good cause therefor, establish;

1 (2) Any person who, whether as lessor or lessee, either leases an
2 approved casino hotel or leases or has an agreement to lease a
3 casino hotel which in the judgment of the commission can become
4 an approved casino hotel within 30 months or within such
5 additional time period as the commission may, upon a showing of
6 good cause therefor, establish;

7 (3) Any person who has a written agreement with a casino
8 licensee or with an eligible applicant for a casino license for the
9 complete management of a casino and, if applicable, any authorized
10 games in a casino simulcasting facility; **[and]**

11 (4) Any other person who has control over either an approved
12 casino hotel or the land thereunder or the operation of a casino; and

13 (5) Any person who is an Internet gaming affiliate of an owner
14 or operator of a licensed casino, and such person is to own or
15 operate an Internet gaming system for such licensed casino .

16 c. Prior to the operation of a casino and, if applicable, a casino
17 simulcasting facility, every agreement to lease an approved casino
18 hotel or the land thereunder and every agreement for the
19 management of the casino and, if applicable, any authorized games
20 in a casino simulcasting facility, shall be in writing and filed with
21 the commission and the division. No such agreement shall be
22 effective unless expressly approved by the commission. The
23 commission may require that any such agreement include within its
24 terms any provision reasonably necessary to best accomplish the
25 policies of this act. Consistent with the policies of this act:

26 (1) The commission, with the concurrence of the Attorney
27 General which may not be unreasonably withheld, may determine
28 that any person who does not have the ability to exercise any
29 significant control over either the approved casino hotel or the
30 operation of the casino contained therein shall not be eligible to
31 hold or required to hold a casino license;

32 (2) The commission, with the concurrence of the Attorney
33 General which may not be unreasonably withheld, may determine
34 that any owner, lessor or lessee of an approved casino hotel or the
35 land thereunder who does not own or lease a significant portion of
36 an approved casino hotel shall not be eligible to hold or required to
37 hold a casino license;

38 (3) The commission shall require that any person or persons
39 eligible to apply for a casino license organize itself or themselves
40 into such form or forms of business association as the commission
41 shall deem necessary or desirable in the circumstances to carry out
42 the policies of this act;

43 (4) The commission may issue separate casino licenses to any
44 persons eligible to apply therefor;

45 (5) As to agreements to lease an approved casino hotel or the
46 land thereunder, unless it expressly and by formal vote for good
47 cause determines otherwise, the commission shall require that each
48 party thereto hold either a casino license or casino service industry

1 enterprise license and that such an agreement shall include within
2 its terms a buy-out provision conferring upon the casino licensee-
3 lessee who controls the operation of the approved casino hotel the
4 absolute right to purchase for an expressly set forth fixed sum the
5 entire interest of the lessor or any person associated with the lessor
6 in the approved casino hotel or the land thereunder in the event that
7 said lessor or said person associated with the lessor is found by the
8 commission or director, as the case may be, to be unsuitable to be
9 associated with a casino enterprise;

10 (6) The commission shall not permit an agreement for the
11 leasing of an approved casino hotel or the land thereunder to
12 provide for the payment of an interest, percentage or share of
13 money gambled at the casino or derived from casino gaming
14 activity or of revenues or profits of the casino unless the party
15 receiving payment of such interest, percentage or share is a party to
16 the approved lease agreement; unless each party to the lease
17 agreement holds either a casino license or casino service industry
18 enterprise license, and includes within its terms a buy-out provision
19 conforming to that described in paragraph (5) above;

20 (7) As to agreements for the management of a casino and, if
21 applicable, the authorized games in a casino simulcasting facility,
22 the commission shall require that each party thereto hold a casino
23 license or a casino service industry enterprise license pursuant to
24 subsection a. of section 92 of P.L.1977, c.110 (C.5:12-92), that the
25 party thereto who is to manage the casino gaming operations own at
26 least 10% of all outstanding equity securities of any casino licensee
27 or of any eligible applicant for a casino license if the said licensee
28 or applicant is a corporation and the ownership of an equivalent
29 interest in any casino licensee or in any eligible applicant for a
30 casino license if same is not a corporation, and that such an
31 agreement be for the complete management of all casino space in
32 the casino hotel and, if applicable, all authorized games in a casino
33 simulcasting facility, provide for the sole and unrestricted power to
34 direct the casino gaming operations of the casino hotel which is the
35 subject of the agreement, and be for such a durational term as to
36 assure reasonable continuity, stability and independence in the
37 management of the casino gaming operations, provided that the
38 provisions of this paragraph shall not apply to a slot system
39 agreement between a group of casino licensees and a casino service
40 industry enterprise licensed pursuant to subsection a. of section 92
41 of P.L.1977, c.110 (C.5:12-92), or an eligible applicant for such
42 license, and that, with regard to such agreements, the casino service
43 industry enterprise licensee or applicant may operate and administer
44 the multi-casino progressive slot machine system, including, but not
45 limited to, the operation of a monitor room or the payment of
46 progressive, including annuity, jackpots, or both, and further
47 provided that the obligation to pay a progressive jackpot or
48 establish an annuity jackpot guarantee shall be the sole

1 responsibility of the casino licensee or casino service industry
2 enterprise licensee or applicant designated in the slot system
3 agreement and that no other party shall be jointly or severally liable
4 for the payment or funding of such jackpots or guarantees unless
5 such liability is specifically established in the slot system
6 agreement;

7 (8) The commission may permit an agreement for the
8 management of a casino and, if applicable, the authorized games in
9 a casino simulcasting facility to provide for the payment to the
10 managing party of an interest, percentage or share of money
11 gambled at all authorized games or derived from casino gaming
12 activity or of revenues or profits of casino gaming operations;

13 (9) Notwithstanding any other provision of P.L.1977, c.110
14 (C.5:12-1 et seq.) to the contrary, the commission may permit an
15 agreement between a casino licensee and a casino service industry
16 enterprise licensed pursuant to the provisions of subsection a. of
17 section 92 of P.L.1977, c.110 (C.5:12-92) for the conduct of casino
18 simulcasting in a simulcasting facility or for the operation of a
19 multi-casino progressive slot machine system, to provide for the
20 payment to the casino service industry enterprise of an interest,
21 percentage or share of the money derived from the casino licensee's
22 share of proceeds from simulcast wagering activity or the operation
23 of a multi-casino progressive slot machine system; and

24 (10) As to agreements to lease an approved casino hotel or the
25 land thereunder, agreements to jointly own an approved casino hotel
26 or the land thereunder and agreements for the management of
27 casino gaming operations or for the conduct of casino simulcasting
28 in a simulcasting facility, the commission shall require that each
29 party thereto, except for a banking or other chartered or licensed
30 lending institution or any subsidiary thereof, or any chartered or
31 licensed life insurance company or property and casualty insurance
32 company, or the State of New Jersey or any political subdivision
33 thereof or any agency or instrumentality of the State or any political
34 subdivision thereof, shall be jointly and severally liable for all acts,
35 omissions and violations of this act by any party thereto regardless
36 of actual knowledge of such act, omission or violation and
37 notwithstanding any provision in such agreement to the contrary.
38 Notwithstanding the foregoing, nothing in this paragraph shall
39 require a casino licensee to be jointly and severally liable for any
40 acts, omissions or violations of this act, P.L.1977, c.110 (C.5:12-1
41 et seq.), committed by any casino service industry enterprise
42 licensee or applicant performing as a slot system operator pursuant
43 to a slot system agreement.

44 d. No corporation shall be eligible to apply for a casino license
45 unless:

46 (1) The corporation shall be incorporated in the State of New
47 Jersey, although such corporation may be a wholly or partially
48 owned subsidiary of a corporation which is organized pursuant to

1 the laws of another state of the United States or of a foreign
2 country;

3 (2) The corporation shall maintain an office of the corporation
4 in the casino hotel licensed or to be licensed;

5 (3) The corporation shall comply with all the requirements of
6 the laws of the State of New Jersey pertaining to corporations;

7 (4) The corporation shall maintain a ledger in the principal
8 office of the corporation in New Jersey which shall at all times
9 reflect the current ownership of every class of security issued by the
10 corporation and shall be available for inspection by the commission
11 or the division and authorized agents of the commission and the
12 division at all reasonable times without notice;

13 (5) The corporation shall maintain all operating accounts
14 required by the commission in a bank in New Jersey, except that a
15 casino licensee may establish deposit-only accounts in any
16 jurisdiction in order to obtain payment of any check described in
17 section 101 of P.L.1977, c.110 (C.5:12-101);

18 (6) The corporation shall include among the purposes stated in
19 its certificate of incorporation the conduct of casino gaming and
20 provide that the certificate of incorporation includes all provisions
21 required by this act;

22 (7) The corporation, if it is not a publicly traded corporation,
23 shall file with the division and the commission such adopted
24 corporate charter provisions as may be necessary to establish the
25 right of the commission pursuant to subsection a. of section 105 of
26 P.L.1977, c.110 (C.5:12-105) to disapprove transfers of securities,
27 shares, and other interests in the applicant corporation; and, if it is a
28 publicly traded corporation, provide in its corporate charter that any
29 securities of such corporation are held subject to the condition that
30 if a holder thereof is found to be disqualified pursuant to the
31 provisions of this act, such holder shall dispose of his interest in the
32 corporation; provided, however, that, notwithstanding the
33 provisions of N.J.S.14A:7-12 and N.J.S.12A:8-101 et seq., nothing
34 herein shall be deemed to require that any security of such
35 corporation bear any legend to this effect;

36 (8) The corporation, if it is not a publicly traded corporation,
37 shall establish to the satisfaction of the division that appropriate
38 charter provisions create the absolute right of such non-publicly
39 traded corporations and companies to repurchase at the market price
40 or the purchase price, whichever is the lesser, any security, share or
41 other interest in the corporation in the event that the commission
42 disapproves a transfer in accordance with the provisions of this act;

43 (9) Any publicly traded holding, intermediary, or subsidiary
44 company of the corporation, whether the corporation is publicly
45 traded or not, shall contain in its corporate charter the same
46 provisions required under paragraph (7) for a publicly traded
47 corporation to be eligible to apply for a casino license; and

48 (10) Any non-publicly traded holding, intermediary or subsidiary

1 company of the corporation, whether the corporation is publicly
2 traded or not, shall establish to the satisfaction of the commission
3 that its charter provisions are the same as those required under
4 paragraphs (7) and (8) for a non-publicly traded corporation to be
5 eligible to apply for a casino license.

6 The provisions of this subsection shall apply with the same force
7 and effect with regard to casino license applicants and casino
8 licensees which have a legal existence that is other than corporate to
9 the extent which is appropriate.

10 e. No person shall be issued or be the holder of a casino license
11 if the issuance or the holding results in undue economic
12 concentration in Atlantic City casino operations by that person. For
13 the purpose of this subsection, "undue economic concentration"
14 means that a person would have such actual or potential domination
15 of the casino gaming market in Atlantic City as to substantially
16 impede or suppress competition among casino licensees or
17 adversely impact the economic stability of the casino industry in
18 Atlantic City. In determining whether the issuance or holding of a
19 casino license by a person will result in undue economic
20 concentration, the commission shall consider the following criteria:

21 (1) The percentage share of the market presently controlled by
22 the person in each of the following categories:

- 23 The total number of licensed casinos in this State;
- 24 Total casino and casino simulcasting facility square footage;
- 25 Number of guest rooms;
- 26 Number of slot machines;
- 27 Number of table games;
- 28 Net revenue;
- 29 Table game win;
- 30 Slot machine win;
- 31 Table game drop;
- 32 Slot machine drop; and
- 33 Number of persons employed by the casino hotel;

34 (2) The estimated increase in the market shares in the categories
35 in (1) above if the person is issued or permitted to hold the casino
36 license;

37 (3) The relative position of other persons who hold casino
38 licenses, as evidenced by the market shares of each such person in
39 the categories in (1) above;

40 (4) The current and projected financial condition of the casino
41 industry;

42 (5) Current market conditions, including level of competition,
43 consumer demand, market concentration, any consolidation trends
44 in the industry and any other relevant characteristics of the market;

45 (6) Whether the licensed casinos held or to be held by the
46 person have separate organizational structures or other independent
47 obligations;

48 (7) The potential impact of licensure on the projected future

1 growth and development of the casino industry and Atlantic City;

2 (8) The barriers to entry into the casino industry, including the
3 licensure requirements of this act, P.L.1977, c.110 (C.5:12-1 et
4 seq.), and whether the issuance or holding of a casino license by the
5 person will operate as a barrier to new companies and individuals
6 desiring to enter the market;

7 (9) Whether the issuance or holding of the license by the person
8 will adversely impact on consumer interests, or whether such
9 issuance or holding is likely to result in enhancing the quality and
10 customer appeal of products and services offered by casino
11 licensees in order to maintain or increase their respective market
12 shares;

13 (10) Whether a restriction on the issuance or holding of an
14 additional license by the person is necessary in order to encourage
15 and preserve competition and to prevent undue economic
16 concentration in casino operations; and

17 (11) Any other evidence deemed relevant by the commission.

18 The commission shall, after conducting public hearings thereon,
19 promulgate rules and regulations in accordance with the
20 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
21 seq.) defining any additional criteria the commission will use in
22 determining what constitutes undue economic concentration.

23 For the purpose of this subsection a person shall be considered
24 the holder of a casino license if such license is issued to such person
25 or if such license is held by any holding, intermediary or subsidiary
26 company thereof, or by any person required to be qualified in
27 conjunction with such casino license.

28 (cf: P.L.2012, c.34, s.5)

29

30 ¹[38.] 33.¹ (New section) As used in P.L.1977, c.110 (C.5:12-1
31 et seq.), as amended and supplemented, "Internet gaming affiliate"
32 means a business entity licensed under that act that owns or
33 operates an Internet gaming system on the behalf of a licensed
34 casino.

35

36 ¹[39.] 34.¹ Section 1 of P.L.2008, c.12 (C.5:12-38a) is amended
37 to read as follows:

38 1. "Promotional gaming credit" - A slot machine credit or other
39 item approved by the division that is issued by a licensee to a patron
40 for the purpose of enabling the placement of a wager at a slot
41 machine in the licensee's casino or through the licensee's Internet
42 gaming system. No such credit shall be reported as a promotional
43 gaming credit unless the casino licensee can establish that the credit
44 was issued by the casino licensee and received from a patron as a
45 wager at a slot machine in the licensee's casino or Internet gaming
46 system.

47 (cf: P.L.2011, c.19, s.19)

1 ¹[40. (New section) a. In the case of an application for
2 licensure submitted by a prospective Internet gaming affiliate that is
3 headquartered outside of the United States or that does significant
4 business outside of the United States, as determined by the Division
5 of Gaming Enforcement, the division shall consult with officials of
6 the United States Department of Justice prior to making a
7 recommendation to the Casino Control Commission regarding
8 licensure of the applicant.

9 b. As part of their respective investigatory, licensing and
10 oversight powers, the Division of Gaming Enforcement and Casino
11 Control Commission shall review each Internet gaming affiliate
12 applicant's past history and its asset utilization in the context of
13 past and current Federal and State law and, following such review,
14 may impose limitations and conditions upon the granting of the
15 license or the utilization of its assets, or both, with respect to New
16 Jersey operations.]¹

17

18 ¹35. Section 4 of P.L.1981, c.142 (C.52:13D-17.2) is amended
19 to read as follows:

20 4. a. As used in this section "person" means:

21 (1) any State officer or employee subject to financial disclosure
22 by law or executive order and any other State officer or employee
23 with responsibility for matters affecting casino activity; any special
24 State officer or employee with responsibility for matters affecting
25 casino activity; the Governor; any member of the Legislature or any
26 full-time member of the Judiciary; any full-time professional
27 employee of the Office of the Governor, or the Legislature;
28 members of the Casino Reinvestment Development Authority; the
29 head of a principal department; the assistant or deputy heads of a
30 principal department, including all assistant and deputy
31 commissioners; the head of any division of a principal department;
32 or

33 (2) any member of the governing body, or the municipal judge
34 or the municipal attorney of a municipality wherein a casino is
35 located; any member of or attorney for the planning board or zoning
36 board of adjustment of a municipality wherein a casino is located,
37 or any professional planner, or consultant regularly employed or
38 retained by such planning board or zoning board of adjustment.

39 b. (1) No State officer or employee, nor any person, nor any
40 member of the immediate family of any State officer or employee,
41 or person, nor any partnership, firm or corporation with which any
42 such State officer or employee or person is associated or in which
43 he has an interest, nor any partner, officer, director or employee
44 while he is associated with such partnership, firm, or corporation,
45 shall hold, directly or indirectly, an interest in, or hold employment
46 with, or represent, appear for, or negotiate on behalf of, any holder
47 of, or applicant for, a casino license, or any holding or intermediary
48 company with respect thereto, in connection with any cause,

1 application, or matter, except as provided in section 3 of P.L.2009,
2 c.26 (C.52:13D-17.3), and except that (1) a State officer or
3 employee other than a State officer or employee included in the
4 definition of person, and (2) a member of the immediate family of a
5 State officer or employee, or of a person, may hold employment
6 with the holder of, or applicant for, a casino license if, in the
7 judgment of the State Ethics Commission, the Joint Legislative
8 Committee on Ethical Standards, or the Supreme Court, as
9 appropriate, such employment will not interfere with the
10 responsibilities of the State officer or employee, or person, and will
11 not create a conflict of interest, or reasonable risk of the public
12 perception of a conflict of interest, on the part of the State officer or
13 employee, or person. No special State officer or employee without
14 responsibility for matters affecting casino activity, excluding those
15 serving in the Departments of Education, Health and Senior
16 Services, and Human Services and the Commission on Higher
17 Education, shall hold, directly or indirectly, an interest in, or
18 represent, appear for, or negotiate on behalf of, any holder of, or
19 applicant for, a casino license, or any holding or intermediary
20 company with respect thereto, in connection with any cause,
21 application, or matter. However, a special State officer or employee
22 without responsibility for matters affecting casino activity may hold
23 employment directly with any holder of or applicant for a casino
24 license or any holding or intermediary company thereof and if so
25 employed may hold, directly or indirectly, an interest in, or
26 represent, appear for, or negotiate on behalf of, his employer,
27 except as otherwise prohibited by law.

28 (2) No State officer or employee, nor any person, nor any
29 member of the immediate family of any State officer or employee,
30 or person, nor any partnership, firm or corporation with which any
31 such State officer or employee or person is associated or in which
32 he has an interest, nor any partner, officer, director or employee
33 while he is associated with such partnership, firm, or corporation,
34 shall hold, directly or indirectly, an interest in, or hold employment
35 with, or represent, appear for, or negotiate on behalf of, or derive
36 any remuneration, payment, benefit or any other thing of value for
37 any services, including but not limited to consulting or similar
38 services, from any holder of, or applicant for, a license, permit, or
39 other approval to conduct Internet gaming, or any holding or
40 intermediary company with respect thereto, or any Internet gaming
41 affiliate of any holder of, or applicant for, a casino license, or any
42 holding or intermediary company with respect thereto, or any
43 business, association, enterprise or other entity that is organized, in
44 whole or in part, for the purpose of promoting, advocating for, or
45 advancing the interests of the Internet gaming industry generally or
46 any Internet gaming-related business or businesses in connection
47 with any cause, application, or matter, except as provided in section
48 3 of P.L.2009, c.26 (C.52:13D-17.3), and except that (1) a State

1 officer or employee other than a State officer or employee included
2 in the definition of person, and (2) a member of the immediate
3 family of a State officer or employee, or of a person, may hold
4 employment with the holder of, or applicant for, a license, permit,
5 or other approval to conduct Internet gaming, or any holding or
6 intermediary company with respect thereto, or any Internet gaming
7 affiliate of any holder of, or applicant for, a casino license, or any
8 holding or intermediary company with respect thereto if, in the
9 judgment of the State Ethics Commission, the Joint Legislative
10 Committee on Ethical Standards, or the Supreme Court, as
11 appropriate, such employment will not interfere with the
12 responsibilities of the State officer or employee, or person, and will
13 not create a conflict of interest, or reasonable risk of the public
14 perception of a conflict of interest, on the part of the State officer or
15 employee, or person.

16 c. No person or any member of his immediate family, nor any
17 partnership, firm or corporation with which such person is
18 associated or in which he has an interest, nor any partner, officer,
19 director or employee while he is associated with such partnership,
20 firm or corporation, shall, within two years next subsequent to the
21 termination of the office or employment of such person, hold,
22 directly or indirectly, an interest in, or hold employment with, or
23 represent, appear for or negotiate on behalf of, any holder of, or
24 applicant for, a casino license in connection with any cause,
25 application or matter, or any holding or intermediary company with
26 respect to such holder of, or applicant for, a casino license in
27 connection with any phase of casino development, permitting,
28 licensure or any other matter whatsoever related to casino activity,
29 except as provided in section 3 of P.L.2009, c.26 (C.52:13D-17.3),
30 and except that:

31 (1) a member of the immediate family of a person may hold
32 employment with the holder of, or applicant for, a casino license if,
33 in the judgment of the State Ethics Commission, the Joint
34 Legislative Committee on Ethical Standards, or the Supreme Court,
35 as appropriate, such employment will not interfere with the
36 responsibilities of the person and will not create a conflict of
37 interest, or reasonable risk of the public perception of a conflict of
38 interest, on the part of the person;

39 (2) an employee who is terminated as a result of a reduction in
40 the workforce at the agency where employed, other than an
41 employee who held a policy-making management position at any
42 time during the five years prior to termination of employment, may,
43 at any time prior to the end of the two-year period, accept
44 employment with the holder of, or applicant for, a casino license if,
45 in the judgment of the State Ethics Commission, the Joint
46 Legislative Committee on Ethical Standards, or the Supreme Court,
47 as appropriate, such employment will not create a conflict of
48 interest, or reasonable risk of the public perception of a conflict of

1 interest, on the part of the employee. In no case shall the restrictions
2 of this subsection apply to a secretarial or clerical employee.
3 Nothing herein contained shall alter or amend the post-employment
4 restrictions applicable to members and employees of the Casino
5 Control Commission and employees and agents of the Division of
6 Gaming Enforcement pursuant to subsection e. (2) of section 59 and
7 to section 60 of P.L.1977, c.110 (C.5:12-59 and C.5:12-60); and

8 (3) any partnership, firm or corporation engaged in the practice
9 of law or in providing any other professional services with which
10 any person included in paragraph (1) of subsection a. of this
11 section, or a member of the immediate family of that person, is
12 associated, and any partner, officer, director or employee thereof,
13 other than that person, or immediate family member, may
14 represent, appear for or negotiate on behalf of any holder of, or
15 applicant for, a casino license in connection with any cause,
16 application or matter or any holding company or intermediary
17 company with respect to such holder of, or applicant for, a casino
18 license in connection with any phase of casino development,
19 permitting, licensure or any other matter whatsoever related to
20 casino activity, and that person or immediate family member shall
21 not be barred from association with such partnership, firm or
22 corporation, if for a period of two years next subsequent to the
23 termination of the person's office or employment, the person or
24 immediate family member (a) is screened from personal
25 participation in any such representation, appearance or negotiation;
26 and (b) is associated with the partnership, firm or corporation in a
27 position which does not entail any equity interest in the
28 partnership, firm or corporation. The exception provided in this
29 paragraph shall not apply to a former Governor, Lieutenant
30 Governor, Attorney General, member of the Legislature, person
31 included in paragraph (2) of subsection a. of this section, or to the
32 members of their immediate families.

33 d. This section shall not apply to the spouse of a State officer
34 or employee, which State officer or employee is without
35 responsibility for matters affecting casino activity, who becomes
36 the spouse subsequent to the State officer's or employee's
37 appointment or employment as a State officer or employee and who
38 is not individually or directly employed by a holder of, or applicant
39 for, a casino license, or any holding or intermediary company.

40 e. The Joint Legislative Committee on Ethical Standards and
41 the State Ethics Commission, as appropriate, shall forthwith
42 determine and publish, and periodically update, a list of those
43 positions in State government with responsibility for matters
44 affecting casino activity.

45 f. No person shall solicit or accept, directly or indirectly, any
46 complimentary service or discount from any casino applicant or
47 licensee which he knows or has reason to know is other than a

1 service or discount that is offered to members of the general public
2 in like circumstance.

3 g. No person shall influence, or attempt to influence, by use of
4 his official authority, the decision of the commission or the
5 investigation of the division in any application for licensure or in
6 any proceeding to enforce the provisions of this act or the
7 regulations of the commission. Any such attempt shall be promptly
8 reported to the Attorney General; provided, however, that nothing
9 in this section shall be deemed to proscribe a request for
10 information by any person concerning the status of any application
11 for licensure or any proceeding to enforce the provisions of this act
12 or the regulations of the commission.

13 h. Any person who willfully violates the provisions of this
14 section is a disorderly person and shall be subject to a fine not to
15 exceed \$1,000, or imprisonment not to exceed six months, or both.

16 In addition, for violations of subsection c. of this section
17 occurring after the effective date of P.L.2005, c.382, a civil penalty
18 of not less than \$500 nor more than \$10,000 shall be imposed upon
19 a former State officer or employee or former special State officer or
20 employee of a State agency in the Executive Branch upon a finding
21 of a violation by the State Ethics Commission, which penalty may
22 be collected in a summary proceeding pursuant to the "Penalty
23 Enforcement Law of 1999," P.L.1999, c.274 (C.2A:58-10 et seq.).¹
24 (cf: P.L. 2009, c.193 s.1)

25
26 ¹[41.] 36.¹ (New section) ¹a.¹ The Division of Gaming
27 Enforcement shall select the date upon which the provisions of
28 P.L. , c. (C.) (pending before the Legislature as this bill)
29 shall become operative which shall not be less than three months,
30 nor more than nine months, after the date of enactment, except that
31 upon application by the division, the Casino Control Commission
32 may allow the division, for good cause, to extend the operative date
33 beyond nine months. The division shall provide all casino licensees
34 and applicants with 45 days notice of the operative date.
35 Notwithstanding this delayed operative date, the division and the
36 commission may take such anticipatory administrative action in
37 advance as may be necessary for the implementation of P.L. ,
38 c. (C.) (pending before the Legislature as this bill).

39 ¹b. The authorization to conduct games through the Internet as
40 provided for in P.L. , c. (pending before the Legislature as this
41 bill) shall expire 10 years following the operative date established
42 pursuant to subsection a. of this section, unless reauthorized by
43 law.¹

44
45 ¹[42.] 37.¹ This act shall take effect immediately but remain
46 inoperative until the date selected by the Division of Gaming
47 Enforcement pursuant to section 41 of P.L. , c. (C.)
48 (pending before the Legislature as this bill).

1

2

3

Authorizes Internet gaming at Atlantic City casinos under certain

4

circumstances.

ASSEMBLY, No. 2578

STATE OF NEW JERSEY

215th LEGISLATURE

INTRODUCED FEBRUARY 16, 2012

Sponsored by:

Assemblyman JOHN J. BURZICHELLI
District 3 (Cumberland, Gloucester and Salem)
Assemblyman VINCENT PRIETO
District 32 (Bergen and Hudson)
Assemblyman RUBEN J. RAMOS, JR.
District 33 (Hudson)

Co-Sponsored by:

Assemblyman Greenwald

SYNOPSIS

Authorizes Internet wagering at Atlantic City casinos under certain circumstances.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT authorizing Internet wagering at Atlantic City casinos
2 under certain circumstances and amending and supplementing
3 the "Casino Control Act", P.L.1977, c.110 (C.5:12-1 et seq.).
4

5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*
7

8 1. Section 5 of P.L.1977, c.110 (C.5:12-5) is amended to read
9 as follows:

10 5. "Authorized Game" or "Authorized Gambling Game"--
11 **[Roulette]** Poker, roulette, baccarat, blackjack, craps, big six
12 wheel, slot machines, minibaccarat, red dog, pai gow, and sic bo;
13 any variations or composites of such games, provided that such
14 variations or composites, and any above listed game or variation or
15 composite of such game to be offered through Internet wagering,
16 are found by the division suitable for use after an appropriate test or
17 experimental period under such terms and conditions as the division
18 may deem appropriate; and any other game which is determined by
19 the division to be compatible with the public interest and to be
20 suitable for casino use after such appropriate test or experimental
21 period as the division may deem appropriate. "Authorized game" or
22 "authorized gambling game" includes gaming tournaments in which
23 players compete against one another in one or more of the games
24 authorized herein or by the division or in approved variations or
25 composites thereof if the tournaments are authorized by the
26 division.

27 (cf: P.L.2011, c.19, s.4)
28

29 2. Section 6 of P.L.1977, c.110 (C.5:12-6) is amended to read
30 as follows:

31 6. "Casino" or "casino room" or "licensed casino" -- One or
32 more locations or rooms in a casino hotel facility that have been
33 approved by the division for the conduct of casino gaming in
34 accordance with the provisions of this act, including any part of the
35 facility where Internet wagering is conducted. "Casino" or "casino
36 room" or "licensed casino" shall not include any casino
37 simulcasting facility authorized pursuant to the "Casino
38 Simulcasting Act," P.L.1992, c.19 (C.5:12-191 et seq.).
39 (cf: P.L.2011, c.19, s.6)
40

41 3. (New section) "Internet wagering" means the placing of
42 wagers with a casino licensee at a casino located in Atlantic City
43 using a computer network of both federal and non-federal
44 interoperable packet switched data networks through which the
45 casino licensee may offer authorized games to residents of this State

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 who have established a wagering account with the casino licensee
2 and who are physically present in this State when placing a wager.

3
4 4. (New section) "Internet wagering gross revenue" means the
5 total of all sums actually received by a casino licensee from Internet
6 wagering operations, less only the total of all sums actually paid out
7 as winnings to patrons; provided, however, that the cash equivalent
8 value of any merchandise or thing of value included in a jackpot or
9 payout shall not be included in the total of all sums paid out as
10 winnings to players for purposes of determining Internet wagering
11 gross revenue.

12
13 5. Section 3 of P.L.1987, c.353 (C.5:12-43.1) is amended to
14 read as follows:

15 3. "Restricted Casino Areas"--The cashier's cage, the soft count
16 room, the hard count room, the slot cage booths and runway areas,
17 the interior of table game pits, the surveillance room and catwalk
18 areas, the slot machine repair room, any room or area related to
19 Internet wagering operations and any other area specifically
20 designated by the division as restricted in a licensee's operation
21 certificate.

22 (cf: P.L.2011, c.19, s.21)

23
24 6. Section 100 of P.L.1977, c.110 (C.5:12-100) is amended to
25 read as follows:

26 100. a. This act shall not be construed to permit any gaming
27 except the conduct of authorized games in a casino room or through
28 Internet wagering in accordance with this act and the regulations
29 promulgated hereunder and in a simulcasting facility to the extent
30 provided by the "Casino Simulcasting Act," P.L.1992, c.19 (C.5:12-
31 191 et al.). Notwithstanding the foregoing, if the division approves
32 the game of keno as an authorized game pursuant to section 5 of
33 P.L.1977, c.110 (C.5:12-5), as amended, keno tickets may be sold
34 or redeemed in accordance with division regulations.

35 b. Gaming equipment shall not be possessed, maintained or
36 exhibited by any person on the premises of a casino hotel except in
37 a casino room, in the simulcasting facility, or in restricted casino
38 areas used for the inspection, repair or storage of such equipment
39 and specifically designated for that purpose by the casino licensee
40 with the approval of the division. Gaming equipment which
41 supports the conduct of gaming in a casino or simulcasting facility
42 or through Internet wagering but does not permit or require patron
43 access, such as computers, or gaming software or other gaming
44 equipment used to conduct Internet wagering may be possessed and
45 maintained by a casino licensee or a qualified holding or
46 intermediary company of a casino licensee in restricted areas
47 specifically approved by the division. No gaming equipment shall
48 be possessed, maintained, exhibited, brought into or removed from

1 a casino room or simulcasting facility by any person unless such
2 equipment is necessary to the conduct of an authorized game, has
3 permanently affixed, imprinted, impressed or engraved thereon an
4 identification number or symbol authorized by the division, is under
5 the exclusive control of a casino licensee or casino licensee's
6 employees, or of any individually qualified employee of a holding
7 company or casino licensee and is brought into or removed from the
8 casino room or simulcasting facility following 24-hour prior notice
9 given to an authorized agent of the division.

10 Notwithstanding any other provision of this section, computer
11 equipment used by the slot system operator of a multi-casino
12 progressive slot system to link and communicate with the slot
13 machines of two or more casino licensees for the purpose of
14 calculating and displaying the amount of a progressive jackpot,
15 monitoring the operation of the system, and any other purpose that
16 the division deems necessary and appropriate to the operation or
17 maintenance of the multi-casino progressive slot machine system
18 may, with the prior approval of the division, be possessed,
19 maintained and operated by the slot system operator either in a
20 restricted area on the premises of a casino hotel or in a secure
21 facility inaccessible to the public and specifically designed for that
22 purpose off the premises of a casino hotel but within the territorial
23 limits of Atlantic County, New Jersey.

24 Notwithstanding the foregoing, a person may, with the prior
25 approval of the division and under such terms and conditions as
26 may be required by the division, possess, maintain or exhibit
27 gaming equipment in any other area of the casino hotel, provided
28 that such equipment is used for nongaming purposes.

29 c. Each casino hotel shall contain a count room and such other
30 secure facilities as may be required by the division for the counting
31 and storage of cash, coins, tokens, checks, plaques, gaming
32 vouchers, coupons, and other devices or items of value used in
33 wagering and approved by the division that are received in the
34 conduct of gaming and for the inspection, counting and storage of
35 dice, cards, chips and other representatives of value. The division
36 shall promulgate regulations for the security of drop boxes and
37 other devices in which the foregoing items are deposited at the
38 gaming tables or in slot machines, and all areas wherein such boxes
39 and devices are kept while in use, which regulations may include
40 certain locking devices. Said drop boxes and other devices shall not
41 be brought into or removed from a casino room or simulcasting
42 facility, or locked or unlocked, except at such times, in such places,
43 and according to such procedures as the division may require.

44 d. All chips used in gaming shall be of such size and uniform
45 color by denomination as the division shall require by regulation.

46 e. All gaming shall be conducted according to rules
47 promulgated by the division. All wagers and pay-offs of winning
48 wagers shall be made according to rules promulgated by the

1 division, which shall establish such limitations as may be necessary
2 to assure the vitality of casino operations and fair odds to patrons.
3 Each slot machine shall have a minimum payout of 83%.

4 f. Each casino licensee shall make available in printed form to
5 any patron upon request the complete text of the rules of the
6 division regarding games and the conduct of gaming, pay-offs of
7 winning wagers, an approximation of the odds of winning for each
8 wager, and such other advice to the player as the division shall
9 require. Each casino licensee shall prominently post within a casino
10 room and simulcasting facility, as appropriate, according to
11 regulations of the division such information about gaming rules,
12 pay-offs of winning wagers, the odds of winning for each wager,
13 and such other advice to the player as the division shall require.

14 g. Each gaming table shall be equipped with a sign indicating
15 the permissible minimum and maximum wagers pertaining thereto.
16 Each game offered through Internet wagering shall display online
17 the permissible minimum and maximum wagers pertaining thereto.
18 It shall be unlawful for a casino licensee to require any wager to be
19 greater than the stated minimum or less than the stated maximum;
20 provided, however, that any wager actually made by a patron and
21 not rejected by a casino licensee prior to the commencement of play
22 shall be treated as a valid wager.

23 h. (1) Except as herein provided, no slot machine shall be used
24 to conduct gaming unless it is identical in all electrical, mechanical
25 and other aspects to a model thereof which has been specifically
26 tested and licensed for use by the division. The division shall also
27 test any other gaming device, gaming equipment, gaming-related
28 device or gross-revenue related device, such as a slot management
29 system, electronic transfer credit system or gaming voucher system
30 as it deems appropriate. In its discretion and for the purpose of
31 expediting the approval process, the division may utilize the
32 services of a private testing laboratory that has obtained a plenary
33 license as a casino service industry enterprise pursuant to
34 subsection a. of section 92 of P.L.1977, c.110 (C.5:12-92) to
35 perform the testing, and may also utilize applicable data from any
36 such private testing laboratory or from a governmental agency of a
37 state other than New Jersey authorized to regulate slot machines
38 and other gaming devices, gaming equipment, gaming-related
39 devices and gross-revenue related devices used in casino gaming, if
40 the private testing laboratory or governmental agency uses a testing
41 methodology substantially similar to the methodology utilized by
42 the division. The division, in its discretion, may rely upon the data
43 provided by the private testing laboratory or governmental agency
44 and adopt the conclusions of such private testing laboratory or
45 governmental agency regarding any submitted device.

46 (2) Except as otherwise provided in paragraph (5) of subsection
47 h. of this section, the division shall, within 60 days of its receipt of
48 a complete application for the testing of a slot machine or other

1 gaming equipment model, approve or reject the slot machine or
2 other gaming equipment model. In so doing, the division shall
3 specify whether and to what extent any data from a private testing
4 laboratory or governmental agency of a state other than New Jersey
5 was used in reaching its conclusions and recommendation. If the
6 division is unable to complete the testing of a slot machine or other
7 gaming equipment model within this 60-day period, the division
8 may conditionally approve the slot machine or other gaming
9 equipment model for test use by a casino licensee provided that the
10 division represents that the use of the slot machine or other gaming
11 equipment model will not have a direct and materially adverse
12 impact on the integrity of gaming or the control of gross revenue.
13 The division shall give priority to the testing of slot machines or
14 other gaming equipment which a casino licensee has certified it will
15 use in its casino in this State.

16 (3) The division shall, by regulation, establish such technical
17 standards for licensure of slot machines, including mechanical and
18 electrical reliability, security against tampering, the
19 comprehensibility of wagering, and noise and light levels, as it may
20 deem necessary to protect the player from fraud or deception and to
21 insure the integrity of gaming. The denominations of such machines
22 shall be set by the licensee; the licensee shall simultaneously notify
23 the division of the settings.

24 (4) The division shall, by regulation, determine the permissible
25 number and density of slot machines in a licensed casino so as to:

- 26 (a) promote optimum security for casino operations;
- 27 (b) avoid deception or frequent distraction to players at gaming
28 tables;
- 29 (c) promote the comfort of patrons;
- 30 (d) create and maintain a gracious playing environment in the
31 casino; and
- 32 (e) encourage and preserve competition in casino operations by
33 assuring that a variety of gaming opportunities is offered to the
34 public.

35 Any such regulation promulgated by the division which
36 determines the permissible number and density of slot machines in a
37 licensed casino shall provide that all casino floor space and all
38 space within a casino licensee's casino simulcasting facility shall be
39 included in any calculation of the permissible number and density
40 of slot machines in a licensed casino.

41 (5) Any new gaming equipment or simulcast wagering
42 equipment that is submitted for testing to the division or to an
43 independent testing laboratory licensed pursuant to subsection a. of
44 section 92 of P.L.1977, c.110 (C.5:12-92) prior to or simultaneously
45 with submission of such new equipment for testing in a jurisdiction
46 other than New Jersey, may, consistent with regulations
47 promulgated by the division, be deployed by a casino licensee on
48 the casino floor 14 days after submission of such equipment for

1 testing. If the casino or casino service industry enterprise licensee
2 has not received approval for the equipment 14 days after
3 submission for testing, any interested casino licensee may,
4 consistent with division regulations, deploy the equipment on a
5 field test basis, unless otherwise directed by the director.

6 (6) All equipment used by a licensee to conduct Internet
7 wagering, including but not limited to computers, servers,
8 monitoring rooms, and hubs, shall be located, with the prior
9 approval of the division, either in a restricted area on the premises
10 of the casino hotel or in a secure facility inaccessible to the public
11 and specifically designed for that purpose off the premises of a
12 casino hotel but within the territorial limits of Atlantic City, New
13 Jersey. All Internet wagers shall be deemed to be placed when
14 received in Atlantic City by the licensee. Any intermediate routing
15 of electronic data in connection with a wager shall not affect the
16 fact that the wager is placed in Atlantic City.

17 No software, computer or other gaming equipment shall be used
18 to conduct Internet wagering unless it has been specifically tested
19 by the division. The division may, in its discretion, and for the
20 purpose of expediting the approval process, refer testing to any
21 testing laboratory with a plenary license as a casino service industry
22 enterprise pursuant to subsection a. of section 92 of P.L.1977, c.110
23 (C.5:12-92). The division shall give priority to the testing of
24 software, computers or other gaming equipment which a casino
25 licensee has certified it will use to conduct Internet wagering in this
26 State. The division shall, by regulation, establish such technical
27 standards for approval of software, computers and other gaming
28 equipment used to conduct Internet wagering, including
29 mechanical, electrical or program reliability, security against
30 tampering, the comprehensibility of wagering, and noise and light
31 levels, as it may deem necessary to protect the player from fraud or
32 deception and to insure the integrity of gaming. When appropriate,
33 the licensee shall set the denominations of Internet games and shall
34 simultaneously notify the commission of the settings.

35 No software, computer or other gaming equipment shall be used
36 to conduct Internet wagering unless it is able to verify that a player
37 placing a wager is physically present in this State at the time that
38 the wager is placed. The division shall confirm on a continuous
39 basis that the equipment used by every licensee to conduct Internet
40 wagering is, in fact, verifying every player's physical presence in
41 this State each time a wager is placed.

42 i. (Deleted by amendment, P.L.1991, c.182).

43 j. (Deleted by amendment, P.L.1991, c.182).

44 k. It shall be unlawful for any person to exchange or redeem
45 chips for anything whatsoever, except for currency, negotiable
46 personal checks, negotiable counter checks, other chips, coupons,
47 slot vouchers or complimentary vouchers distributed by the casino
48 licensee, or, if authorized by regulation of the division, a valid

1 charge to a credit or debit card account. A casino licensee shall,
2 upon the request of any person, redeem that licensee's gaming chips
3 surrendered by that person in any amount over \$100 with a check
4 drawn upon the licensee's account at any banking institution in this
5 State and made payable to that person.

6 l. It shall be unlawful for any casino licensee or its agents or
7 employees to employ, contract with, or use any shill or barker to
8 induce any person to enter a casino or simulcasting facility or play
9 at any game or for any purpose whatsoever.

10 m. It shall be unlawful for a dealer in any authorized game in
11 which cards are dealt to deal cards by hand or other than from a
12 device specifically designed for that purpose, unless otherwise
13 permitted by the rules of the division.

14 n. (1) It shall be unlawful for any casino key employee,
15 licensee or any person who is required to hold a casino key
16 employee license as a condition of employment or qualification to
17 wager in any casino or simulcasting facility in this State, or any
18 casino.

19 (2) It shall be unlawful for any other employee of a casino
20 licensee who, in the judgment of the division, is directly involved
21 with the conduct of gaming operations, including but not limited to
22 dealers, floor persons, box persons, security and surveillance
23 employees, to wager in any casino or simulcasting facility in the
24 casino hotel in which the employee is employed or in any other
25 casino or simulcasting facility in this State which is owned or
26 operated by an affiliated licensee.

27 (3) The prohibition against wagering set forth in paragraphs (1)
28 and (2) of this subsection shall continue for a period of 30 days
29 commencing upon the date that the employee either leaves
30 employment with a casino licensee or is terminated from
31 employment with a casino licensee.

32 o. (1) It shall be unlawful for any casino key employee or
33 boxman, floorman, or any other casino employee who shall serve in
34 a supervisory position to solicit or accept, and for any other casino
35 employee to solicit, any tip or gratuity from any player or patron at
36 the casino hotel or simulcasting facility where he is employed.

37 (2) A dealer may accept tips or gratuities from a patron at the
38 table at which such dealer is conducting play, subject to the
39 provisions of this subsection. All such tips or gratuities shall be
40 immediately deposited in a lockbox reserved for that purpose,
41 unless the tip or gratuity is authorized by a patron utilizing an
42 automated wagering system approved by the division. All tips or
43 gratuities shall be accounted for, and placed in a pool for
44 distribution pro rata among the dealers, with the distribution based
45 upon the number of hours each dealer has worked, except that the
46 division may, by regulation, permit a separate pool to be established
47 for dealers in the game of poker, or may permit tips or gratuities to
48 be retained by individual dealers in the game of poker.

1 (3) Notwithstanding the provisions of paragraph (1) of this
2 subsection, a casino licensee may require that a percentage of the
3 prize pool offered to participants pursuant to an authorized poker
4 tournament be withheld for distribution to the tournament dealers as
5 tips or gratuities as the division by regulation may approve.

6 p. Any slot system operator that offers an annuity jackpot shall
7 secure the payment of such jackpot by establishing an annuity
8 jackpot guarantee in accordance with the requirements of P.L.1977,
9 c.110 (C.5:12-1 et seq.), and the rules of the division.

10 (cf: P.L.2011, c.19, s.65)

11
12 7. Section 109 of P.L.1977, c.110 (C.5:12-109) is amended to
13 read as follows:

14 109. Notwithstanding any provisions of this article, the director
15 may issue an emergency order for the suspension, limitation or
16 conditioning of any operation certificate or any license, other than a
17 casino license, or any registration, or any permit to conduct Internet
18 wagering, or may issue an emergency order requiring the licensed
19 casino to keep an individual from the premises of such licensed
20 casino or from using or maintaining an Internet wagering account,
21 or not to pay such individual any remuneration for services or any
22 profits, income or accruals on his investment in such casino, in the
23 following manner:

24 a. An emergency order shall be issued only when the director
25 finds that:

26 (1) There has been charged a violation of any of the criminal
27 laws of this State by a licensee or registrant, or

28 (2) Such action is necessary to prevent a violation of any such
29 provision, or

30 (3) Such action is necessary immediately for the preservation of
31 the public peace, health, safety, morals, good order and general
32 welfare or to preserve the public policies declared by this act.

33 b. An emergency order shall set forth the grounds upon which
34 it is issued, including the statement of facts constituting the alleged
35 emergency necessitating such action.

36 c. The emergency order shall be effective immediately upon
37 issuance and service upon the licensee, registrant, or resident agent
38 of the licensee. The emergency order may suspend, limit, condition
39 or take other action in relation to the approval of one or more
40 individuals who were required to be approved in any operation,
41 without necessarily affecting any other individuals or the licensed
42 casino establishment. The emergency order shall remain effective
43 until further order of the director.

44 d. Within 5 days after issuance of an emergency order, the
45 division shall cause a complaint to be filed and served upon the
46 person or entity involved in accordance with the provisions of this
47 act.

48 e. Thereafter, the person or entity against whom the emergency

1 order has been issued and served shall show cause before the
2 director why the emergency order should not remain in effect in
3 accordance with the provisions of this act and the regulations
4 promulgated hereunder.

5 (cf: P.L.2011, c.19, s.77)

6

7 8. Section 1 of P.L.1999, c.352 (C.5:12-129.1) is amended to
8 read as follows:

9 1. The holder of any license issued under P.L.1977, c.110
10 (C.5:12-1 et seq.), or any person acting on behalf thereof, shall file
11 a report of any suspicious transaction with the Director of the
12 Division of Gaming Enforcement. For the purposes of P.L.1999,
13 c.352 (C.5:12-129.1 et al.), "suspicious transaction" means the
14 acceptance of cash **[or]**, the redeeming of chips or markers or other
15 cash equivalents, or a payment to establish credits in an Internet
16 wagering account involving or aggregating \$5,000 if the licensee or
17 person knows or suspects that the transaction:

18 a. involves funds derived from illegal activities or is intended
19 or conducted in order to conceal or disguise funds or assets derived
20 from illegal activities;

21 b. is part of a plan to violate or evade any law or regulation or
22 to avoid any transaction reporting requirement under the law or
23 regulations of this State or the United States, including a plan to
24 structure a series of transactions to avoid any transaction reporting
25 requirement under the laws or regulations of this State or the United
26 States; or

27 c. has no business or other apparent lawful purpose or is not
28 the sort of transaction in which a person would normally be
29 expected to engage and the licensee or person knows of no
30 reasonable explanation for the transaction after examining the
31 available facts, including the background and possible purpose of
32 the transaction.

33 (cf: P.L.1999, c.352, s.1)

34

35 9. (New section) There is hereby imposed an annual tax on
36 Internet wagering gross revenues in the amount of 10% of such
37 gross revenues which shall be paid into the Casino Revenue Fund.
38 The 8% tax on casino gross revenues shall not apply to Internet
39 wagering gross revenues. The investment alternative tax
40 established by section 3 of P.L.1984, c.218 (C.5:12-144.1) shall
41 apply to Internet wagering gross revenues, except that the
42 investment alternative tax on these revenues shall be 5% and the
43 investment alternative shall be 2.5%, with the proceeds thereof used
44 as provided in that section.

45

46 10. (New section) The Division of Gaming Enforcement may
47 establish an Office of Internet Wagering to which it may delegate
48 authority for the administration of Internet wagering conducted by

1 casino licensees. The division shall be responsible for
2 recommending regulations concerning Internet wagering for
3 consideration and possible adoption by the commission. Nothing
4 contained in this section shall be construed as affecting the
5 authority of the Division of Gaming Enforcement with respect to all
6 casino gaming activities, including Internet wagering. The division
7 shall adopt regulations for the implementation and conduct of
8 Internet wagering that are consistent with regulations governing
9 casino gambling generally.

10

11 11. (New section) Internet wagering in this State shall be
12 subject to the provisions of, and preempted and superseded by, any
13 applicable federal law.

14 Internet wagering in this State shall be deemed to take place
15 where a casino's server is located in Atlantic City regardless of the
16 player's physical location within this State.

17

18 12. (New section) a. No Internet wagering shall be opened to
19 the public, and no gaming, except for test purposes, may be
20 conducted therein, until a casino licensee with a valid operation
21 certificate receives from the division a permit to conduct Internet
22 wagering. Such permit, valid for one year, shall be issued by the
23 division upon a finding that the Internet wagering complies in all
24 respects with the requirements of this act, P.L. , c. (pending
25 before the Legislature as this bill) and regulations promulgated
26 hereunder, that the casino licensee has implemented necessary
27 management controls and security precautions for the efficient
28 operation of Internet wagering, that casino personnel having duties
29 relating to Internet wagering are licensed for the performance of
30 their respective responsibilities, and that the licensee is prepared in
31 all respects to receive and entertain the public.

32 b. The permit shall include an itemized list by category and
33 number of the authorized games offered through Internet wagering.

34 c. A casino licensee shall, in accordance with regulations
35 promulgated by the division, file any changes in the number of
36 authorized games featured through Internet wagering with the
37 division.

38 d. It shall be an express condition of the continued operation of
39 Internet wagering that a casino licensee shall maintain all books,
40 records, and documents pertaining to the licensee's Internet
41 wagering operations in a manner and location within this State
42 approved by the division. All such books, records and documents
43 shall be immediately available for inspection during all hours of
44 operation in accordance with the rules of the division and shall be
45 maintained for such period of time as the division shall require.

46 e. Subject to the power of the division to deny, revoke, or
47 suspend permits, any Internet wagering permit in force shall be
48 renewed by the commission for one year upon proper application

1 for renewal, completion of a review of Internet wagering
2 operations for compliance with this act, a review of all required
3 controls and payment of permit fees and taxes as required by law
4 and the regulations of the division. Upon renewal of an Internet
5 wagering permit the division shall issue an appropriate renewal
6 certificate or validating device or sticker which shall be attached to
7 the Internet wagering permit.

8 f. Notwithstanding subsections a. and e. of this section, an
9 Internet wagering permit shall remain in force only if the casino
10 licensee that holds the permit also holds a valid operation
11 certificate.

12
13 13. (New section) a. The entire Internet wagering operation,
14 including facilities, equipment and personnel, shall be located
15 within a restricted area on the premises of the casino hotel or in a
16 secure facility inaccessible to the public and specifically designed
17 for that purpose off the premises of a casino hotel but within the
18 territorial limits of Atlantic City, New Jersey.

19 b. Facilities used to conduct and support Internet wagering
20 shall:

21 (1) be arranged in a manner promoting optimum security for
22 Internet wagering;

23 (2) include a closed circuit visual monitoring system according
24 to specifications approved by the division, with access on the
25 licensed premises to the system or its signal provided to the
26 commission or the division;

27 (3) not be designed in any way that might interfere with the
28 ability of the division to supervise Internet wagering operations;
29 and

30 (4) comply in all respects with regulations of the division
31 pertaining thereto.

32
33 14. (New section) a. Notwithstanding section 99 of P.L.1977,
34 c.110 (C.5:12-99), each casino licensee who holds or has applied
35 for a permit to conduct Internet wagering shall submit to the
36 division a description of its system of internal procedures and
37 administrative and accounting controls for Internet wagering,
38 including provisions that provide for real time monitoring of all
39 games, and a description of any changes thereof. Such submission
40 shall be made at least 30 days before such operations are to
41 commence or at least 30 days before any change in those
42 procedures or controls is to take effect, unless otherwise directed by
43 the division. Notwithstanding the foregoing, the internal controls
44 described in paragraph (3) of this subsection may be implemented
45 by a casino licensee upon the filing of such internal controls with
46 the division. Each internal procedure or control submission shall
47 contain both narrative and diagrammatic representations of the
48 internal control system to be utilized with regard to Internet

1 wagering, including, but not limited to:

2 (1) accounting controls, including the standardization of forms
3 and definition of terms to be utilized in the wagering operations;

4 (2) procedures, forms, and, where appropriate, formulas
5 covering the calculation of hold percentages; revenue drop; expense
6 and overhead schedules; complimentary services; and cash
7 equivalent transactions;

8 (3) job descriptions and the system of personnel and chain-of-
9 command, establishing a diversity of responsibility among
10 employees engaged in Internet wagering operations and identifying
11 primary and secondary supervisory positions for areas of
12 responsibility; salary structure; and personnel practices;

13 (4) procedures for the establishment of wagering accounts,
14 including a procedure for authenticating the age of the applicant for
15 a wagering account;

16 (5) procedures for the termination of a wagering account by the
17 account holder and the return of any remaining funds in the
18 wagering account to the account holder;

19 (6) procedures for the termination of a dormant account;

20 (7) procedures for the logging in and authentication of a
21 wagering account holder in order to enable the holder to commence
22 Internet wagering, and the logging off of the holder of the wagering
23 account when the account holder has finished gaming, including a
24 procedure to automatically log off the holder after a specified
25 period of inactivity;

26 (8) procedures for the crediting and debiting of wagering
27 accounts;

28 (9) procedures for the cashing of checks to establish credit in a
29 wagering account; the receipt and security of cash to establish credit
30 in a wagering account, whether such cash is received by wire
31 transfer, advance on a credit card or debit card or by other
32 electronic means approved by the division; and receipt of other
33 electronic negotiable instruments approved by the division to
34 establish credit in a wagering account;

35 (10) procedures for the withdrawal of funds from a wagering
36 account by the account holder;

37 (11) the redemption of chips, tokens or other cash equivalents
38 used in gaming and the pay-off of jackpots;

39 (12) the recording of transactions pertaining to Internet
40 wagering;

41 (13) procedures for the security of information and funds in a
42 wagering account;

43 (14) procedures for the transfer of funds from wagering accounts
44 to the counting process;

45 (15) procedures and security for the counting and recordation of
46 revenue;

47 (16) procedures for the security of Internet wagering facilities
48 within a restricted area on the premises of the casino hotel or in a

1 secure facility inaccessible to the public and specifically designed
2 for that purpose off the premises of a casino hotel but within the
3 territorial limits of Atlantic City, New Jersey;

4 (17) procedures and security standards for the handling and
5 storage of software, computers and other electronic equipment used
6 to conduct Internet wagering;

7 (18) procedures and security standards to protect software,
8 computers and other gaming equipment used to conduct Internet
9 wagering from tampering by casino employees or any other person,
10 from a location inside or outside of the casino hotel facility;

11 (19) procedures for responding to tampering with software,
12 computers and other gaming equipment used to conduct Internet
13 wagering or any gaming-related equipment or hardware used in
14 support of gaming, including partial or complete suspension of
15 Internet wagering operations or the suspension of any or all
16 wagering accounts when warranted;

17 (20) procedures to verify a player's physical presence in this
18 State each time a wager is placed; and

19 (21) procedures to assist problem and compulsive gamblers.

20 b. Each casino licensee shall also submit a description of its
21 system of internal procedures and administrative and accounting
22 controls for non-gaming operations regarding the website on which
23 Internet wagering is accessed and a description of any changes
24 thereto no later than five days after those operations commence or
25 after any change in those procedures or controls takes effect.

26 c. The division shall review each submission required by
27 subsection a. and b. hereof, and shall determine whether it conforms
28 to the requirements of this act, P.L. , c. (C.) (pending before
29 the Legislature as this bill), and to the regulations promulgated
30 thereunder and whether the system submitted provides adequate and
31 effective controls for Internet wagering operations of the particular
32 casino hotel submitting it. If the division finds any insufficiencies,
33 it shall specify the insufficiencies in writing to the casino licensee,
34 who shall make appropriate alterations. When the division
35 determines a submission to be adequate in all respects, it shall
36 notify the casino licensee. Except as otherwise provided in
37 subsection a. of this section, no casino licensee shall commence or
38 alter Internet wagering operations unless and until such system of
39 procedures and controls is approved by the division.

40 d. It shall be lawful for a casino licensee to provide marketing
41 information by means of the Internet to players engaged in Internet
42 wagering and to offer those players incentives to visit the licensee's
43 casino in Atlantic City.

44

45 15. (New section) a. An Internet wagering account shall be in
46 the name of a natural person and may not be in the name of any
47 beneficiary, custodian, joint trust, corporation, partnership or other
48 organization or entity.

- 1 b. An account may be established by a person submitting an
2 application form approved by the division along with proof of age.
3 The division shall specify by regulation what types of proof are
4 sufficient to authenticate age and residency in this State. The
5 application form shall include the address of the principal residence
6 of the prospective account holder, an electronic mail address of the
7 prospective account holder and a statement that a false statement
8 made in regard to an application may subject the applicant to
9 prosecution.
- 10 c. As part of the application process, the casino licensee shall
11 provide the prospective account holder with a password to access
12 the wagering account, or shall establish some other mechanism
13 approved by the division to authenticate the player as the holder of
14 a wagering account and allow the holder access to the Internet
15 wagering account.
- 16 d. The prospective account holder shall submit the completed
17 application to the casino licensee. The licensee may accept or reject
18 an application after receipt and review of the application and proof
19 of age for compliance with this act, P.L. , c. (C.) (pending
20 before the Legislature as this bill).
- 21 e. Any prospective account holder who provides false or
22 misleading information on the application is subject to rejection of
23 the application or cancellation of the account by the casino licensee.
- 24 f. The licensee shall have the right to suspend or close any
25 wagering account at its discretion.
- 26 g. Any person on the list established by section 71 of P.L.1977,
27 c.110 (C.5:12-71) of persons who are to be excluded or ejected
28 from any licensed casino shall not be entitled to maintain a
29 wagering account.
- 30 h. Any of the following persons shall not be permitted to
31 maintain a wagering account:
- 32 (1) the Governor or Lieutenant Governor;
33 (2) any State officer or employee or special State officer or
34 employee;
35 (3) any member of the Judiciary;
36 (4) any member of the Legislature;
37 (5) any officer of Atlantic City; or
38 (6) any casino employee, casino key employee or principal
39 employee of a casino licensee.
- 40 i. The address provided by the applicant in the application
41 shall be deemed the proper address for the purposes of mailing
42 checks, account withdrawals, notices and other materials.
- 43 j. A wagering account shall not be assignable or otherwise
44 transferable.
- 45 k. The casino licensee may at any time declare all or any part
46 of Internet wagering to be closed for wagering.
- 47
- 48 16. (New section) a. Credits to an Internet wagering account

1 shall not be made except as provided by this subsection.

2 (1) The wagering account holder's deposits to the wagering
3 account shall be submitted by the account holder to the casino
4 licensee and shall be in the form of one of the following:

5 (a) cash given to the casino licensee;

6 (b) check, money order, negotiable order of withdrawal, or wire
7 or electronic transfer, payable and remitted to the casino licensee;

8 (c) charges made to an account holder's debit or credit card
9 upon the account holder's direct and personal instruction, which
10 instruction may be given by telephone communication or other
11 electronic means to the casino licensee by the account holder if the
12 use of the card has been approved by the casino licensee; or

13 (d) any other method approved by the division.

14 (2) When an account holder wins an account wager on a game,
15 the casino licensee shall pay to the holder Internet chips or tokens
16 or other cash equivalents in the appropriate amount pursuant to the
17 rules of that game for that particular type of wager. When the
18 account holder logs off or cashes out the Internet chips, tokens or
19 other cash equivalents, the casino licensee shall credit the holder's
20 wagering account in the amount of Internet chips, tokens or other
21 cash equivalents cashed in.

22 (3) The casino licensee shall have the right to credit a wagering
23 account as part of a promotion scheme.

24 (4) The casino licensee shall have the right to refuse, for any
25 valid reason, all or part of any wager or deposit to the account.

26 (5) Funds deposited in the account shall not bear interest to the
27 account holder.

28 b. Debits to an Internet wagering account shall not be made
29 except as provided by this subsection.

30 (1) When an account holder logs onto a wagering account and
31 exchanges account funds for Internet chips, tokens or other cash
32 equivalents, the licensee shall debit the holder's account in the
33 amount of funds exchanged. Upon receipt by a casino licensee of
34 an account wager or an account purchase order, the casino licensee
35 shall debit the account holder's Internet chips, tokens or other cash
36 equivalents in the amount of the wager or purchase.

37 (2) A casino licensee may authorize a withdrawal from a
38 wagering account when the account holder submits to the casino
39 licensee:

40 (a) proper identification;

41 (b) the correct authentication information for access to the
42 account; and

43 (c) a properly completed and executed withdrawal on a form
44 approved by the division.

45 Upon receipt of a properly completed and executed withdrawal
46 form, and if there are sufficient funds in the account to cover the
47 withdrawal, the licensee shall send, within three business days of
48 receipt, a check payable in the amount requested to the holder at the

1 address specified in the application for the wagering account or
2 shall transmit payment to the account holder electronically as
3 approved by the division by regulation.

4

5 17. (New section) A casino licensee may accept Internet
6 account wagers only as follows:

7 a. The account wager shall be placed directly with the casino
8 licensee by the holder of the wagering account and the casino
9 licensee has verified the account holder's physical presence in this
10 State.

11 b. The account holder placing the account wager shall provide
12 the casino licensee with the correct authentication information for
13 access to the wagering account.

14 c. A casino licensee may not accept an account wager in an
15 amount in excess of funds on deposit in the wagering account of the
16 holder placing the wager. Funds on deposit include amounts
17 credited under this act, P.L. c. (C.) (pending before the
18 Legislature as this bill), and in the account at the time the wager is
19 placed.

20

21 18. (New section) All amounts remaining in wagering accounts
22 inactive or dormant for such period and under such conditions as
23 established by regulation by the division shall be paid 50% to the
24 casino licensee and 50% to the casino control fund. Before closing
25 a wagering account pursuant to this section, the casino licensee
26 shall attempt to contact the account holder by mail, phone and
27 computer.

28

29 19. (New section) a. The casino licensee shall establish a log in
30 procedure for a holder of a wagering account to access Internet
31 wagering. Part of the log in procedure shall be the provision by the
32 account holder of the appropriate authentication information for
33 access to the wagering account. The casino licensee shall not allow
34 an account holder to participate in gaming before logging in and
35 providing the proper authentication information to access the
36 holder's wagering account.

37 b. Upon log in, the holder of a wagering account shall have the
38 option to exchange any amount of funds in the wagering account to
39 Internet chips, tokens or other cash equivalents, to be used for
40 Internet casino gaming.

41 c. Upon logging off, the current amount of the holders' Internet
42 chips, tokens or other cash equivalents shall be credited to the
43 holder's wagering account.

44

45 20. (New section) The casino licensee shall provide to a holder
46 of a wagering account who is logged in to his or her wagering
47 account access to a display of all of the following information:

48 a. the current amount of money in the holder's account,

- 1 including the current amount of the holder's Internet chips, tokens
2 or other cash equivalents;
- 3 b. the amount of money the account holder has won or lost on
4 Internet wagering since the account was established;
- 5 c. the amount of money the account holder has won or lost on
6 during the current gaming session, when a gaming session begins at
7 log on and ends at log off;
- 8 d. a detailed accounting of all other Internet gaming sessions,
9 when a session begins at log on and ends at log off, including time
10 and date of log on and log off and the amount of money won or lost
11 on gaming and the amount of money spent from the account on
12 merchandise or services; and
- 13 e. the complete text of the rules of the division regarding
14 games and the conduct of Internet wagering, pay-offs of winning
15 wagers, an approximation of the odds of winning for each wager,
16 and such other advice and information to the account holder as the
17 division shall require.

18

19 21. (New section) In order to assist those persons who may
20 have a gambling problem, a casino licensee shall:

21 a. cause the words "If you or someone you know has a
22 gambling problem and wants help, call 1-800 GAMBLER," or some
23 comparable language approved by the division, which language
24 shall include the words "gambling problem" and "call 1-800
25 GAMBLER," to be prominently and continuously displayed to any
26 person visiting or logged onto Internet wagering;

27 b. provide a mechanism by which a holder of a wagering
28 account may establish the following controls on wagering activity
29 through the wagering account:

30 (1) a limit on the amount of money lost within a specified period
31 of time and the length of time the holder will be unable to
32 participate in gaming if the holder reaches the established loss limit;

33 (2) a limit on the maximum amount of any single wager on any
34 game; and

35 (3) a temporary suspension of gaming through the account for
36 any number of hours or days.

37 The casino licensee shall not send gaming-related mail or
38 electronic mail to an account holder while gaming through his or
39 her wagering account is suspended. The casino licensee shall
40 provide a mechanism by which an account holder may change these
41 controls, except that while gaming through the wagering account is
42 suspended, the account holder may not change gaming controls
43 until the suspension expires, but the holder shall continue to have
44 access to the account and shall be permitted to withdraw funds from
45 the account upon proper application therefor; and

46 c. establish a system by which a holder of a wagering account
47 who sustains continuous losses of a sufficient level according to
48 standards set by the division by regulation, will have sent to his or

1 her postal address and electronic mail address a list detailing all
2 gaming winnings and losses through the wagering account, contact
3 information for assistance with identifying a potential gambling
4 problem and other information about gambling problems and
5 compulsive gambling deemed appropriate by the division.
6

7 22. (New section) a. Except as provided in this section, no
8 casino licensee or any person licensed under P.L.1977, c.110
9 (C.5:12-1 et seq.) and no person acting on behalf of, or under any
10 arrangement with, a casino licensee or other person licensed under
11 P.L.1977, c.110, shall:

12 (1) cash any check, make any loan, or otherwise provide credit
13 to any person for the purpose of crediting an Internet wagering
14 account; or

15 (2) release or discharge any debt, either in whole or in part, or
16 make any loan which represents any losses incurred by any account
17 holder in gaming activity through Internet wagering, without
18 maintaining a written record thereof in accordance with the rules of
19 the division.

20 b. Notwithstanding section 101 of P.L.1977, c.110 (C.5:12-
21 101), no casino licensee or any person licensed under P.L.1977,
22 c.110 (C.5:12-1 et seq.) and no person acting on behalf of, or under
23 any arrangement with, a casino licensee or other person licensed
24 under P.L.1977, c.110, may accept a check, other than a recognized
25 traveler's check or other cash equivalent from any person for the
26 purpose of crediting an Internet wagering account unless:

27 (1) the check is made payable to the casino licensee;

28 (2) the check is dated, but not postdated;

29 (3) the check is transmitted to the casino licensee and received
30 by the licensee in a manner approved by the division and is
31 exchanged for credits on the Internet wagering account established
32 by the drawer of the check; and

33 (4) the regulations concerning check cashing procedures are
34 observed by the casino licensee and its employees and agents.
35

36 23. (New section) Any person who offers games into play or
37 displays such games through Internet wagering without approval of
38 the division to do so is guilty of a crime of the fourth degree and
39 notwithstanding the provisions of N.J.S.2C:43-3, shall be subject to
40 a fine of not more than \$25,000 and in the case of a person other
41 than a natural person, to a fine of not more than \$100,000 and any
42 other appropriate disposition authorized by subsection b. of
43 N.J.S.2C:43-2.
44

45 24. (New section) a. Notwithstanding section 46 of P.L.1991,
46 c.182 (C.5:12-113.1), any person who knowingly tampers with
47 software, computers or other equipment used to conduct Internet
48 wagering to alter the odds or the payout of a game or disables the

1 game from operating according to the rules of the game as
2 promulgated by the division is guilty of a crime of the third degree
3 and notwithstanding the provisions of N.J.S.2C:43-3, shall be
4 subject to a fine of not more than \$50,000 and in the case of a
5 person other than a natural person, to a fine of not more than
6 \$200,000 and any other appropriate disposition authorized by
7 subsection b. of N.J.S.2C:43-2.

8 b. In addition to the penalties provided in subsection a., an
9 employee of the casino licensee who violates this section shall have
10 his or her license revoked and shall be subject to such further
11 penalty as the division deems appropriate.

12 c. In addition to the penalties provided in subsection a., a
13 casino licensee that violates this section shall have its permit to
14 conduct Internet wagering revoked and shall be subject to such
15 further penalty as the division deems appropriate.

16

17 25. (New section) a. Any person who knowingly offers or
18 allows to be offered any Internet game that has been tampered with
19 in a way that affects the odds or the payout of a game or disables
20 the game from operating according to the rules of the game as
21 promulgated by the division is guilty of a crime of the third degree
22 and notwithstanding the provisions of N.J.S.2C:43-3, shall be
23 subject to a fine of not more than \$50,000 and in the case of a
24 person other than a natural person, to a fine of not more than
25 \$200,000 and any other appropriate disposition authorized by
26 subsection b. of N.J.S.2C:43-2.

27 b. In addition to the penalties provided in subsection a., an
28 employee of the casino licensee who knowingly violates this section
29 shall have his or her license suspended for a period not less than 30
30 days.

31 c. In addition to the penalties provided in subsection a., a
32 casino licensee that violates this section shall have its permit to
33 conduct Internet wagering suspended for a period not less than 30
34 days.

35

36 26. (New section) a. No person under the age of 21 shall be
37 permitted to maintain an Internet wagering account. Any casino
38 licensee or employee of a casino licensee who allows a person
39 under the age of 21 to maintain a wagering account is guilty of a
40 crime of the fourth degree and subject to the penalties therefor;
41 except that the establishment of all of the following facts by a
42 licensee or employee allowing any such underage person to
43 maintain an account shall constitute a defense to any prosecution
44 therefor:

45 (1) that the underage person falsely represented during the
46 application process for an Internet wagering account that he or she
47 was at least 21 years of age; and

48 (2) that the establishment of the Internet wagering account was

1 made in good faith, relying upon such representation, and in the
2 reasonable belief that the underage person was actually 21 years of
3 age or older.

4 b. In addition to the penalties provided in subsection a. of this
5 section, an employee of the casino licensee who violates the
6 provisions of this section more than once shall have his or her
7 license revoked.

8 c. In addition to the penalties provided in subsection a. of this
9 section, a casino licensee that violates the provisions of this section
10 more than once shall have its permit to conduct Internet wagering
11 revoked.

12

13 27. (New section) a. The division shall, by regulation, establish
14 annual fees for the issuance or renewal of Internet wagering
15 permits. The issuance fee shall be based upon the cost of
16 investigation and consideration of the license application and shall
17 be not less than \$200,000. The renewal fee shall be based upon the
18 cost of maintaining enforcement, control and regulation of Internet
19 wagering operations and shall be not less than \$100,000.

20 b. The Attorney General shall certify to the division actual and
21 prospective costs of the investigative and enforcement functions of
22 the division, which costs shall be the basis, together with the
23 operating expenses of the division, for the establishment of annual
24 permit issuance and renewal fees.

25 c. A nonrefundable deposit of at least \$100,000 shall be
26 required to be posted with each application for an Internet wagering
27 permit and shall be applied to the initial permit fee if the application
28 is approved.

29 d. In addition to the permit issuance and renewal fees, a casino
30 licensee with an Internet wagering permit shall pay annually to the
31 division \$100,000 to be deposited into the State General Fund for
32 appropriation by the Legislature to the Department of Human
33 Services, \$85,000 of which shall be allocated to the Council on
34 Compulsive Gambling of New Jersey and \$15,000 of which shall be
35 used for compulsive gambling treatment programs in the State.

36

37 28. (New section) No organization or commercial enterprise,
38 other than a casino located in Atlantic City that has been issued a
39 permit to conduct Internet wagering and has located all of its
40 equipment used to conduct Internet wagering, including computers,
41 servers, monitoring rooms, and hubs, in Atlantic City, shall make its
42 premises available for placing wagers at casinos using the Internet
43 or advertise that its premises may be used for such purpose. An
44 organization or commercial enterprise that is determined by the
45 division to have violated the provisions of this section shall be
46 subject to a penalty of \$1,000 per player per day for making its
47 premises available for placing wagers at casinos using the Internet
48 and of \$10,000 per violation for advertising that its premises may

1 be used for such purpose.

2

3 29. (New section) It shall be a condition of conducting Internet
4 gambling that a casino licensee enters into an agreement with other
5 such licensees to contribute to a fund established by those licensees
6 that, through an assessment on the participating licensees in a
7 manner determined by them, will raise \$20 million annually in each
8 of the first three State fiscal years commencing with the State fiscal
9 year in which Internet wagering commences which amount shall be
10 contributed to the New Jersey Racing Commission to be used to
11 support the horse racing industry in this State through the
12 augmentation of purses.

13

14 30. This act shall take effect immediately.

15

16

17

STATEMENT

18

19 This bill authorizes Internet wagering at Atlantic City casinos to
20 enable New Jersey residents to place wagers on casino games via
21 the Internet.

22

Specifically, the bill provides:

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- all games, including poker, which may be played at a casino, as well as variations or composites thereof, may be offered through Internet wagering;
- all equipment used by a licensee to conduct Internet wagering, including but not limited to computers, servers, monitoring rooms, and hubs, must be located either in a restricted area on the premises of the casino hotel or in a secure facility inaccessible to the public and specifically designed for that purpose off the premises of a casino hotel but within the territorial limits of Atlantic City and all Internet wagers will be deemed to be placed when received in Atlantic City by the licensee regardless of the player's physical location within this State; any intermediate routing of electronic data in connection with a wager will not affect the fact that the wager is placed in Atlantic City;
- in order to participate in Internet wagering, a player must be physically present in New Jersey whenever a wager is placed by that player;
- each licensee that conducts Internet wagering must be able to verify that a player is physically present in New Jersey when placing a wager;
- the division must confirm on a continuing basis that a licensee's equipment is able to verify that the player is physically present in this State when placing a wager;
- Internet wagering in this State will be subject to the provisions of, and preempted and superseded by, any

- 1 applicable federal law;
- 2 • there is imposed an annual tax on Internet wagering gross
3 revenues in the amount of 10% of such gross revenues
4 which will be paid into the casino revenue fund; the 8% tax
5 on casino gross revenues will not apply to Internet wagering
6 gross revenues; and the investment alternative tax will
7 apply to Internet wagering gross revenues, except that the
8 investment alternative tax on these revenues will be 5% and
9 the investment alternative will be 2.5%, with the proceeds
10 thereof used as provided by law;
- 11 • the Division of Gaming Enforcement may establish an
12 Office of Internet Wagering to which it may delegate
13 authority for the administration of Internet wagering
14 conducted by casino licensees; the division would be
15 responsible for recommending regulations concerning
16 Internet wagering for consideration and possible adoption
17 by the commission; this would not affect the authority of
18 the Division of Gaming Enforcement with respect to all
19 casino gaming activities, including Internet wagering;
- 20 • the application process for a licensed casino to obtain a
21 permit to establish Internet wagering, with the permit valid
22 for one year and subject to renewal. As part of the
23 application process, a casino licensee must submit a
24 description of its system of internal procedures (including
25 security procedures) and administrative and accounting
26 controls for Internet wagering, including provisions that
27 provide for real time monitoring of all games. A casino
28 licensee must also submit its gaming software and other
29 Internet wagering equipment to the Division of Gaming
30 Enforcement for testing to ensure compliance with technical
31 standards for such equipment set by the commission;
- 32 • procedures for the crediting and debiting of a wagering
33 account;
- 34 • it will be lawful for a casino licensee to provide marketing
35 information by means of the Internet to players engaged in
36 Internet wagering and to offer those players incentives to
37 visit the licensee's casino in Atlantic City;
- 38 • required features of Internet wagering to assist the wagering
39 account holder;
- 40 • required features to assist problem gamblers and potential
41 problem gamblers;
- 42 • penalties for violations of the provisions of the bill;
- 43 • an annual fee for Internet wagering permit holders for the
44 initial permit and permit renewal to cover the costs of
45 regulation by the commission and the division, with the
46 initial fee to be at least \$200,000 and the renewal fee to be
47 at least \$100,000; and
- 48 • an annual fee for Internet wagering permit holders of

1 \$100,000 to be allocated to programs to prevent compulsive
2 gambling and to assist compulsive gamblers.

3 Except as otherwise provided in the bill, a licensed casino's
4 Internet wagering operation would be subject to the existing
5 provisions of the Casino Control Act and the regulations
6 promulgated thereunder, including, but not limited to:

- 7 • the licensure of all employees with gaming-related duties or
8 responsibilities;
- 9 • penalties for a violation of the act; and
- 10 • supplemental sanctions deemed appropriate by the
11 commission for violations.

12 The division will adopt regulations for the implementation and
13 conduct of Internet wagering that are consistent with regulations
14 governing casino gambling generally.

15 The bill provides that no organization or commercial enterprise,
16 other than a casino located in Atlantic City that has been issued a
17 permit to conduct Internet wagering and has located all of its
18 equipment used to conduct Internet wagering, including computers,
19 servers, monitoring rooms, and hubs, in Atlantic City, would be
20 able to make its premises available for placing wagers at casinos
21 using the Internet or advertise that its premises may be used for
22 such purpose. Violations would be punishable by a penalty of
23 \$1,000 per player per day for making a premises available for
24 placing wagers at casinos using the Internet and of \$10,000 per
25 violation for advertising that a premises may be used for such
26 purpose.

27 It also provides that it will be a condition of conducting Internet
28 gambling that a casino licensee enters into an agreement with other
29 such licensees to contribute to a fund established by those licensees
30 that, through an assessment on the participating licensees in a
31 manner determined by them, will raise \$20 million annually in each
32 of the first three State fiscal years commencing with the State fiscal
33 year in which Internet wagering commences which amount will be
34 contributed to the New Jersey Racing Commission to be used to
35 support the horse racing industry in this State through the
36 augmentation of purses.

37 The sponsors note that, in State v. Trump 160 N.J. 505 (1999), a
38 majority of the New Jersey Supreme Court adopted a purposive
39 reading of Article IV, Section 7, paragraph 2, subparagraph D, of
40 the State Constitution. The court clearly indicated that the purposes
41 of the provision were "a rejuvenated tourist industry, increased
42 employment, capital investment and much needed urban
43 redevelopment," and "to raise revenue to benefit senior and disabled
44 citizens." Trump, 160 N.J. at 516.

ASSEMBLY REGULATORY OVERSIGHT AND GAMING
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2578

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 10, 2012

The Assembly Regulatory Oversight and Gaming Committee reports favorably and with committee amendments Assembly Bill No. 2578.

This bill authorizes Internet gaming at Atlantic City casinos to enable New Jersey residents to place wagers on casino games via the Internet.

As amended by the committee, the bill provides that:

- all games, including poker, which may be played at a casino, as well as variations or composites thereof, may be offered through Internet gaming;
- all equipment used by a licensee to conduct Internet gaming, including but not limited to computers, servers, monitoring rooms, and hubs, must be located in a restricted area on the premises of the casino hotel within the territorial limits of Atlantic City, and all Internet wagers will be deemed to be placed when received in Atlantic City by the licensee regardless of the player's physical location within this State;
- in order to participate in Internet gaming, a player must be physically present in New Jersey whenever a wager is placed by that player, except that wagers may be accepted from persons located outside of the State if the division deems that activity to be lawful under federal law;
- each licensee that conducts Internet gaming must be able to verify that a player is physically present in New Jersey when placing a wager;
- the division must confirm on a continuing basis that a licensee's equipment is able to verify that the player is physically present in this State when placing a wager;
- Internet gaming in this State will be subject to the provisions of, and preempted and superseded by, any applicable federal law;
- there is imposed an annual tax on Internet gaming gross revenues in the amount of 20% of such gross revenues which

will be paid into the casino revenue fund; the 8% tax on casino gross revenues will not apply to Internet gaming gross revenues; and the investment alternative tax will apply to Internet gaming gross revenues, except that the investment alternative tax on these revenues will be 10% and the investment alternative will be 5%, with the proceeds thereof used as provided by law;

- the Division of Gaming Enforcement may establish an Office of Internet Gaming to which it may delegate authority for the administration of Internet gaming conducted by casino licensees; the division would be responsible for recommending regulations concerning Internet gaming for consideration and possible adoption by the commission; this would not affect the authority of the Division of Gaming Enforcement with respect to all casino gaming activities, including Internet gaming;
- the application process for a licensed casino to obtain a permit to establish Internet gaming, with the permit valid for one year and subject to renewal. As part of the application process, a casino licensee must submit a description of its system of internal procedures (including security procedures) and administrative and accounting controls for Internet gaming, including provisions that provide for real time monitoring of all games. A casino licensee must also submit its gaming hardware, software, and other Internet gaming equipment to the Division of Gaming Enforcement for testing to ensure compliance with technical standards for such equipment set by the commission;
- companies seeking to provide goods or services to a casino in connection with Internet gaming must be licensed as casino service industry enterprises, and would be permitted to enter into participation agreements with casino licensees in connection with the operation of Internet gaming;
- procedures established must be followed for the crediting and debiting of a wagering account;
- it will be lawful for a casino licensee to provide marketing information by means of the Internet to players engaged in Internet gaming and to offer those players incentives to visit the licensee's casino in Atlantic City;
- required features of Internet gaming must be in place to assist the wagering account holder;
- required features to assist problem gamblers and potential problem gamblers must be in place, including the provision of assistance with problem gambling at log on and log off times;
- penalties are imposed for violations of the provisions of the bill;
- an annual fee for Internet gaming permit holders for the initial

permit and permit renewal will be assessed to cover the costs of regulation by the commission and the division, with the initial fee to be at least \$200,000 and the renewal fee to be at least \$100,000; and

- an annual fee for Internet gaming permit holders of \$100,000 will be assessed and allocated to programs to prevent compulsive gambling and to assist compulsive gamblers.

Except as otherwise provided in the bill, a licensed casino's Internet gaming operation would be subject to the existing provisions of the Casino Control Act and the regulations promulgated thereunder, including, but not limited to:

- the licensure of all employees with gaming-related duties or responsibilities;
- penalties for a violation of the act; and
- supplemental sanctions deemed appropriate by the commission for violations.

The division will adopt regulations for the implementation and conduct of Internet gaming that are consistent with regulations governing casino gambling generally.

The bill provides that no organization or commercial enterprise, other than a casino located in Atlantic City that has been issued a permit to conduct Internet gaming and has located all of its equipment used to conduct Internet gaming, including computers, servers, monitoring rooms, and hubs, in Atlantic City, would be able to make its premises available for placing wagers at casinos using the Internet or advertise that its premises may be used for such purpose. Violations would be punishable by a penalty of \$1,000 per player per day for making a premises available for placing wagers at casinos using the Internet and of \$10,000 per violation for advertising that a premises may be used for such purpose.

The sponsors note that, in State v. Trump 160 N.J. 505 (1999), a majority of the New Jersey Supreme Court adopted a purposive reading of Article IV, Section 7, paragraph 2, subparagraph D, of the State Constitution. The court clearly indicated that the purposes of the provision were "a rejuvenated tourist industry, increased employment, capital investment and much needed urban redevelopment," and "to raise revenue to benefit senior and disabled citizens." Trump, 160 N.J. at 516.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

- (1) include a findings and declarations sections (section 1);
- (2) change references from "Internet wagering" to "Internet gaming";
- (3) add Internet gaming companies to the definition of "casino service industry enterprises" and to the licensing requirements applicable to those industries (sections 4 and 9);

(4) include additional language to provide that the division must tests both the hardware and software used in Internet gaming (section 10);

(5) require that all Internet gaming equipment must be located within the licensed casino hotel in Atlantic City, rather than within Atlantic City (sections 10 and 18);

(6) permit participation agreements between casino service industry enterprises providing Internet gaming goods and services and casino licensees (section 11);

(7) remove the horse racing industry funding allocations in the bill, and repeal such funding allocations provided for under sections 9 and 11 of P.L.2011, c.18 from casino regulatory savings and Internet gaming revenues (omits section 29 of the bill, and repeals under section 35);

(8) prohibit operators heretofore prohibited from conducting Internet gaming (section 37);

(9) include Internet gaming into the promotional gaming credits framework (section 8);

(10) increase the tax on Internet gaming gross revenue to 20%, and the investment alternative tax to 10% with an investment alternative of 5% (section 14);

(11) provide that wagers may be accepted from a person located outside of the State if the division determines that such wagers are not inconsistent with federal law (section 34);

(12) amend a provision in current law which currently directs the State to undertake an educational campaign on Internet gaming(section 36);

(13) require information to assist persons who have a compulsive gambling problem to be displayed prominently on the screen during log on and log off times, rather than continuously during an Internet gaming session (section 26); and

(14) provide for an immediate effective date, but delayed implementation of the actual conduct of Internet gaming until 270 following enactment (section 38).

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 2578

STATE OF NEW JERSEY

DATED: JUNE 18, 2012

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2578 (1R).

This bill authorizes Internet gaming at Atlantic City casinos to enable certain individuals who have established a wagering account with a casino licensee to place wagers on casino games via the Internet.

The bill provides that all authorized games, including poker, that may be played at a casino in Atlantic City, as well as variations or composites thereof, may be offered through Internet gaming.

The bill provides that equipment used by a licensee to conduct Internet gaming, including but not limited to computers, servers, monitoring rooms, and hubs, must be located in a restricted area on the premises of the casino hotel within the territorial limits of Atlantic City, and all Internet wagers will be deemed to be placed when received in Atlantic City by the licensee regardless of the player's physical location within this State.

The bill provides that to participate in Internet gaming, a player must be physically present in New Jersey whenever a wager is placed by that player, except that wagers may be accepted from persons located outside of the State if the Division of Gaming Enforcement in the Department of Law and Public Safety determines that activity is not inconsistent with federal law or the law of the jurisdiction in which any such person making a wager is located, or determines that activity is conducted pursuant to an interstate compact that is not inconsistent with federal law.

The bill provides that each licensee that conducts Internet gaming must be able to verify that a player is physically present in New Jersey when placing a wager. The bill specifies that the Division of Gaming Enforcement must confirm on a continuing basis that a licensee's equipment is able to verify that the player is physically present in this State each time a wager is placed.

The bill provides that Internet gaming in this State will be subject to the provisions of, and preempted and superseded by, any applicable federal law.

The bill imposes an annual tax on Internet gaming gross revenues

in the amount of 20 percent of such gross revenues and requires the revenues collected from the tax to be paid into the casino revenue fund. The bill defines Internet gaming gross revenues as the total of all sums actually received by a casino licensee from Internet gaming operations, less only the total of all sums actually paid out as winnings to patrons, provided that the cash equivalent value of any merchandise or thing of value included in a jackpot or payout is not included in the total of all sums paid out as winnings to players for purposes of determining Internet gaming gross revenue.

The bill provides that the eight percent tax on casino gross revenues will not apply to Internet gaming gross revenues, and provides that the investment alternative tax will apply to Internet gaming gross revenues, except that the investment alternative tax on these revenues will be 10 percent and the investment alternative will be five percent, with the proceeds thereof used as provided by law.

The bill provides that the Division of Gaming Enforcement may establish an Office of Internet Gaming to which it may delegate authority for the administration of Internet gaming. The bill specifies that the division will be responsible for recommending regulations concerning Internet gaming for consideration and possible adoption by the New Jersey Casino Control Commission.

The bill provides an application process for a licensed casino to obtain a permit to establish Internet gaming, with the permit valid for one year and subject to renewal. The bill specifies that as part of the application process, a casino licensee must submit a description of its system of internal procedures and administrative and accounting controls for Internet gaming, including provisions that provide for real time monitoring of all games. The bill specifies that a casino licensee also must submit its gaming hardware, software, and other Internet gaming equipment to the Division of Gaming Enforcement for testing to ensure compliance with technical standards for such equipment set by the New Jersey Casino Control Commission.

The bill provides that companies seeking to provide goods or services to a casino in connection with Internet gaming must be licensed as casino service industry enterprises. The bill specifies casino service industry enterprises will be permitted to enter into participation agreements with casino licensees in connection with the operation of Internet gaming.

The bill establishes certain procedures that must be followed for the crediting and debiting of a wagering account.

The bill provides that it is lawful for a casino licensee to provide marketing information by means of the Internet to players engaged in Internet gaming and to offer those players incentives to visit the licensee's casino in Atlantic City.

The bill provides that required features of Internet gaming must be in place to assist the wagering account holder.

The bill provides that required features to assist problem gamblers and potential problem gamblers must be in place, including the

provision of assistance with problem gambling at log on and log off times.

The bill imposes certain penalties for violations of the provisions of the bill.

The bill provides that an annual fee for Internet gaming permit holders for the initial permit and permit renewal will be assessed to cover the costs of regulation by the New Jersey Casino Control Commission and the Division of Gaming Enforcement, with the initial fee to be at least \$200,000 and the renewal fee to be at least \$100,000.

The bill provides that an annual fee for Internet gaming permit holders of \$100,000 will be assessed and allocated to programs to prevent compulsive gambling and to assist compulsive gamblers.

Except as otherwise provided by the bill, a licensed casino's Internet gaming operation will be subject to the existing provisions of the Casino Control Act and the regulations promulgated thereunder, including, but not limited to: the licensure of all employees with gaming-related duties or responsibilities; penalties for a violation of the act; and supplemental sanctions deemed appropriate by the New Jersey Casino Control Commission for violations.

The bill provides that the Division of Gaming Enforcement will adopt regulations for the implementation and conduct of Internet gaming that are consistent with regulations governing casino gambling.

The bill provides that no organization or commercial enterprise, other than a casino located in Atlantic City that has been issued a permit to conduct Internet gaming and has located all of its equipment used to conduct Internet gaming, including computers, servers, monitoring rooms, and hubs, in Atlantic City, will be able to make its premises available for placing wagers at casinos using the Internet or advertise that its premises may be used for such purpose. The bill specifies that violations are punishable by a penalty of \$1,000 per player per day for making premises available for placing wagers at casinos using the Internet and of \$10,000 per violation for advertising that premises may be used for such purpose.

The bill repeals sections 9 and 11 of P.L.2011, c.18 (C.5:12-223 and C.5:12-225) which provide for the allocation of funding to the horse racing industry from certain casino regulatory savings and Internet gaming revenues.

The bill prohibits certain operators heretofore prohibited from conducting Internet gaming.

The bill takes effect immediately upon enactment, but stipulates that Internet gaming will remain inoperative until 270 days following the date of enactment.

FISCAL IMPACT:

The Office of Legislative Services (OLS) notes that the authorization of Internet gaming in New Jersey will provide a new method of wagering on authorized casino games in Atlantic City. The

State may realize some amount of additional revenues derived from the taxes and fees and the fines and penalties authorized to be imposed and collected as a result of the bill as well as certain other indirect benefits that may be realized from existing taxes and fees imposed on the casino industry.

The OLS is, however, unaware of data that permits it to quantify the additional revenues that may be derived from the additional taxes and fees and the fines and penalties or to quantify any indirect benefits that may be derived as a result of the bill. No current data exists for actual online gaming to provide the necessary economic, demographic, and consumer behavior information needed to make an estimate and any online gaming data that is available is limited and dated.

The OLS also notes that it lacks sufficient data to estimate the administrative costs of the bill. The costs that may be incurred by the State in establishing the Office of Internet Gaming in the Division of Gaming Enforcement (if an office is established) and administering and enforcing the various provisions of the bill are currently unknown and may be unknowable until the bill is enacted.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY SUBSTITUTE FOR
ASSEMBLY, No. 2578
STATE OF NEW JERSEY
215th LEGISLATURE

DATED: DECEMBER 28, 2012

SUMMARY

Synopsis: Authorizes Internet gaming in Atlantic City casinos under certain circumstances.

Type of Impact: Revenue Increase: State General Fund; Casino Control Fund.

Agencies Affected: Department of Law and Public Safety, Division of Gaming Enforcement; Department of the Treasury, Casino Control Commission.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
State Revenue	Indeterminate Increase – See comments below		

- This bill authorizes casino games in Atlantic City to be offered through the Internet to residents of New Jersey and to be accepted from certain persons who are outside of New Jersey if the Division of Gaming Enforcement determines that it is not unlawful to do so.
- The Office of Legislative Services (OLS) cannot reliably estimate the increase in State revenue that could result from Internet gaming on authorized casino games offered by Atlantic City Casinos due to a lack of data.
- Internet gaming in New Jersey would provide a new method of wagering on authorized casino games in Atlantic City. No current data exists for actual online gambling to provide the necessary economic, demographic, and consumer behavior information needed to make an estimate and any online gambling data that is available is limited and dated.

BILL DESCRIPTION

The Assembly Substitute for Assembly Bill No. 2578 of 2012 authorizes Internet gaming at Atlantic City casinos to enable persons in New Jersey to place wagers on casino games via the Internet and provides for the regulation thereof. Under the substitute, any game that is authorized to be played in a casino could, with the approval of the Division of Gaming Enforcement, be offered through Internet gaming. The substitute provides for the licensure of Internet gaming affiliates who operate Internet gaming systems on behalf of licensed casinos and addresses the licensing as casino service industry enterprises of certain businesses providing goods or services in connection with Internet gaming. All Internet gaming would be deemed to take place in Atlantic City and all equipment used in Internet gaming would be required to be located in Atlantic City, except that backup equipment and certain other equipment could be located elsewhere. In addition, the substitute prescribes the permit fees and tax rates applicable to Internet gaming, provides for contributions to compulsive gambling programs, regulates the process for the placing of Internet wagers, provides penalties for violations, and provides that promotional gaming credits will include wagers placed through an Internet gaming system.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS cannot provide a reliable estimate of the increase in State revenue that could result from authorized casino games offered through the Internet by Atlantic City casinos. While Internet gambling is popular in Europe, Internet gambling has been limited in the United States and data describing the Internet gambling behavior of residents in New Jersey is not available. Furthermore, an estimate for New Jersey based on data extrapolated from international statistics would not be reliable. Nevertheless, in an effort to develop a fiscal estimate, information and projections for the online gambling market prior to the passage of the federal Unlawful Internet Gambling Enforcement Act (UIGEA), projections of the potential United States market for online gambling, and the current structure of the brick and mortar industry in Atlantic City were considered in an attempt to estimate potential additional State revenue.

The first methodology used brick and mortar casino gambling market share to attempt to estimate potential additional tax revenue from intra-State online gambling. A second methodology used derivations of the population of New Jersey and various projections from studies by Christiansen Capital Advisors, L.L.C. (CCA) and Goldman Sachs. It should be noted that in a market share-based estimate, the market share variable is highly dependent on consumer behavior in the brick and mortar industry and may not reflect consumer behavior in an online environment. In addition, in a population-based estimate the revenues are highly dependent on the numbers of players and gross gambling revenues realized per player.

According to an article in Online Casino Reports, [Goldman Sachs: US to Legalize Online Gambling](#), Goldman Sachs estimated, in a 2009 investor report, that online gambling could generate \$12 billion in annual United States gross gambling revenues. According to the article, Goldman Sachs assumed that 45 percent of the brick and mortar *poker* players may start playing online and that gross gambling revenue per player could be \$400, creating a \$6 billion online

poker market. Likewise, it assumed that 45 percent of *casino* players may start playing online and that gross gambling revenue per player could also be \$400 creating a \$6 billion online casino gambling market, or a potential \$12 billion online poker and casino gambling market. The article did not provide explanations of the essential principles of the assumptions underlying the estimate. In addition, the article did not mention whether the estimate accounted for other changes in consumer behavior associated with a new online casino gambling market. For example, will the brick and mortar players who migrate to play online continue to play in Atlantic City as well? Will new online players emerge who would not have otherwise gambled in a brick and mortar setting? Will new players through online gambling choose to also gamble in Atlantic City?

Questions which cannot be answered due to a lack of data include the effects of:

(1) new supply: will the total poker and casino gambling market expand? will online gambling complement, supplement, or contract the existing brick and mortar based industry?

(2) consumer behavior: will younger players use both online and brick and mortar or to gamble? will senior players prefer traditional brick and mortar gambling to online gambling? does online gambling provide a means to gamble comfortably for those who would not otherwise gamble in public or under the pressure of a casino table?

(3) change in services: will people be able to gamble online at casinos? will casinos offer additional entertainment services to attract new customers? will casinos change the pricing or delivery of other services such as hotels, parking, and food?

(4) changes in taxes and wagers: will taxes for online gambling offset losses in sales, luxury, and corporate business taxes? would a user fee be charged to offset potentially lower wager thresholds for online games? will minimum wagers for online games be established? will minimum wagers for online games be lower to increase the frequency of play?

While reliable estimates of additional tax revenue to the State cannot be determined at this time, using the Goldman Sachs data, a market share calculation of the casino gambling revenue only could generate \$60 million at a 10 percent gross revenue tax rate and \$15 million at a 2.5 percent investment alternative tax rate for the Casino Reinvestment Development Authority (CRDA). This estimate uses a 2002 and 2005 New Jersey table games and slot machine market share of approximately 17 percent¹. It should be noted, however, that the 17 percent market share figure is for Atlantic City and includes all those who played in Atlantic City, not adjusted for New Jersey players only. Thus, the estimate assumes that five percent of the 17 percent are New Jersey players, although no actual data on this percentage is available.

Under the population methodology based on 2000 Census Bureau data to estimate the adult population over 21 years of age (6 million), projections from CCA, and the Goldman Sachs gross revenue estimate, a ten percent gross revenue tax rate could derive \$56 million in tax revenue. This estimate also uses statistics from the 2004 Atlantic City Profile to estimate the percentage of the adult population that visits Atlantic City each year (26 percent). Goldman Sachs estimates that the gross gambling revenue for poker and casino games per player, per year would be a combined \$800. According to the Atlantic City Visitor Profile, gambling elsewhere does not “reduce the frequency of Atlantic City visits.” It should be noted that online gambling could change the frequency of visits to Atlantic City by New Jerseyans and others.

In addition to the above calculation of State tax revenue based on dated U.S. information, another study, Potential Economic and Fiscal Impacts of the Proposed New Jersey Intrastate i-Gaming Bill (June 2010), by Econsult Corporation, uses international Internet gambling statistics to project potential U.S. gross gambling revenues and New Jersey tax revenues. Econsult estimates that at a 20 percent tax rate, in the short run, New Jersey tax revenues could increase

¹ Christiansen Capital Advisors, L.L.C., eGaming Data Report (June 2005).

by \$46 million to \$55 million and, if New Jersey becomes the U.S. Internet gambling hub, State tax revenues could increase by \$205 million to \$472 million in the long run. Like the Goldman Sachs estimate, the OLS cannot substantiate this estimate because the report did not provide explanations of the essential principles of the assumptions underlying the estimate.

Actual online gambling data would provide answers to necessary economic, demographic, and consumer behavior questions and would allow for a more illustrative estimate. However, there is no actual current data and any online gambling information based on U.S. data that is available, is dated. Therefore, a more accurate estimate is not possible at this time².

No estimate has been available from the Executive Branch with regard to the costs of establishing and operating an Office of Internet Wagering for the administration and enforcement of Internet wagering. The office is also responsible for recommending regulations concerning Internet wagering for consideration and possible adoption by the commission. In addition, no estimate was provided with regard to the number of projected casino licensees with an Internet gaming permit who will each be required to pay annual fees for the issuance or renewal of Internet gaming permit totaling at least \$300,000 to \$350,000 including at least a \$150,000 annual permit renewal fee and a \$150,000 annual compulsive gambling fee or at least a \$200,000 issuance fee and a \$150,000 annual compulsive gambling fee. The various fines, fees, and penalties established by the bill for violation of the provisions of this bill would generate additional, but an indeterminate amount of, revenue.

Section: State Government

*Analyst: Kimberly McCord Clemmensen
Senior Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

² There are four major taxes that provide tax revenue to the State from the brick and mortar casino industry. They are the sales tax, luxury tax, corporate business tax, and the casino gross revenue tax. This analysis addresses only the potential additional tax revenues derived by the casino gross revenue tax deposited into the Casino Revenue Fund. The impact on other taxes such as the sales tax, luxury tax, and corporate business tax are not considered here.

**ASSEMBLY SUBSTITUTE FOR
ASSEMBLY BILL NO. 2578**

To the General Assembly:

The Assembly Substitute for Assembly Bill No. 2578 would revise and supplement the "Casino Control Act" to authorize Internet gaming through the licensed casinos operating in Atlantic City. This bill represents an important policy decision for the residents of New Jersey, and an historic opportunity to continue the State's leadership as a premiere destination for tourism and entertainment. Such a significant step must be carefully considered, balancing the benefits of job creation, economic development, and the continued revitalization of Atlantic City against the risks of addiction, corruption, and improper influence. It is my responsibility as Governor to make these determinations, always mindful of my duty to guarantee the continued welfare of our families, our neighbors, and the future generations who will call our State home.

With these goals in mind, I have concluded that now is the time for our State to move forward, again leading the way for the nation, by becoming one of the first States to permit Internet gaming. I authorize this step towards modernizing Atlantic City's entertainment attractions cautiously, with carefully constructed limitations that will ensure the highest integrity and the most robust oversight. Accordingly, pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning the Assembly Substitute for Assembly Bill No. 2578 with my recommendations for reconsideration.

The importance of the gaming and tourism industries in New Jersey cannot be overstated. Together, these businesses, and the tens of thousands of workers they employ, serve as a constant, critical engine of economic development. Since the first days of my Administration, I have stressed the need to confront the complex challenges threatening Atlantic City's unrivaled combination of natural seaside beauty, world-class attractions, and easy access from around the world. For these reasons, one of my earliest acts as Governor was to establish an Advisory Commission on Gaming, Sports and Entertainment to study the issues and to develop a comprehensive approach to preserving Atlantic City's stature as a premier resort destination. Through this effort, and working in collaboration with the Legislature, my Administration has implemented broad-based reforms to reinvigorate Atlantic City and create opportunities for economic growth in the region.

For example, in 2011, I signed into law the landmark legislation establishing a Tourism District in Atlantic City as the framework to launch comprehensive initiatives aimed at addressing blight and public safety. The Tourism District law has already led to a \$30 million marketing plan and the realignment of State gaming agencies to minimize bureaucracy while enhancing oversight. That same year, I signed a second bill into law enacting the most comprehensive overhaul of the State's casino regulations since 1977. This reform eliminated many significantly outdated regulatory burdens, allowing the casino industry to reinvest and redevelop throughout the Tourism District.

While still in their infancy, these initiatives have begun to take hold with tangible progress evident in new commercial and residential construction, demolition of blighted buildings,

investments in infrastructure, and an infusion of capital investment in new entertainment venues, convention facilities, retail and shopping attractions, and casinos. Our efforts have also led to the adoption of a Master Plan for the Tourism District, the establishment of a public safety task force, the formation of a Tourism Advisory Commission, and the creation of the Atlantic City Alliance to coordinate the collective marketing efforts of the casino industry.

Nonetheless, while these initiatives show that our shared commitment to the future of Atlantic City is bearing fruit, it is clear that much more work needs to be done. Since New Jersey took its first steps to authorize gaming in 1976, our State has been at the forefront of casino entertainment. Some experts predict that Internet gaming will infuse new opportunities and new development into Atlantic City, providing a mechanism to expand the State's already strong gaming options to a modern platform. Others caution that this type of convenience gaming will lead to declines in tourism, and a loss of visitors to the region. Moreover, important questions linger regarding what social impacts will follow the extension of casino wagering across the Internet. All of these issues counsel in favor of a narrowly tailored approach to Internet gaming that preserves the unique character of Atlantic City, while also embracing the tools that can reverse the trend of economic contraction in the State's gaming and tourism industries. Indeed, our State has a long history of sparingly granting the authorization for gambling, and only with the oversight and regulation that ensures entertainment does not descend into addiction.

Accordingly, I recommend that New Jersey's first Internet gaming law grant the Division of Gaming Enforcement in the Department of Law and Public Safety wide latitude and authority

to establish a regulatory framework that provides for the most effective controls, monitoring, and supervision. Moreover, I believe that Internet gaming should be developed in an open and transparent manner, free from suspicion of self-dealing and improper influence. I therefore recommend changes to this bill that will extend the existing prohibitions on casino-related employment for State employees and State legislators to Internet gaming licensees, and their promoters or affiliates. In addition, I propose a sensible requirement that State elected officials promptly disclose their past and present representation of entities seeking or holding Internet gaming licensees.

Next, the bill should be revised to do more to prevent the documented harms that can accompany excessive gambling. Our State cannot carelessly create a new generation of addicted gamers, sitting in their homes, using laptops or iPads, gambling away their salaries and their futures. For this reason, I recommend an enhanced level of funding for compulsive gambling treatment programs and additional financial support for other beneficial purposes for which casino gaming was originally authorized. I also recommend an annual analysis of the potential problems and harms associated with these new games to be undertaken at the expense of Internet gaming licensees.

Finally, I believe that Internet gaming in New Jersey should be carefully studied and periodically revisited. I recommend that this law authorizing Internet gaming in New Jersey sunset after a period of ten years, giving future leaders the perspective and opportunity to revise and renew Internet gaming as appropriate. Taken together, these recommendations will provide the balance of opportunity and oversight that has characterized gaming in New Jersey for more than three decades.

Like all of the most sensitive and significant policy matters, it is incumbent on the elected officials of this State to act with equal parts confidence and caution. In the wake of the devastating losses suffered by our residents in recent months, we must embrace new ideas to fuel our reconstruction and continued prosperity. Internet gaming should be a part of that effort. With the recommendations I propose today, we can revitalize one of our State's premier attractions, and reintroduce New Jersey and Atlantic City at the forefront of innovation and entertainment.

Accordingly, I herewith return the Assembly Substitute for Assembly Bill No. 2578 and recommend that it be amended as follows:

<u>Page 2, Title, Line 3:</u>	Before "and" insert "amending P.L.1981, c.142,"
<u>Page 4, Section 2, Lines 36-39:</u>	Delete in their entirety
<u>Page 4, Line 40:</u>	Insert "2. Section 5 of P.L.1977, c.110 (C.5:12-5) is amended to read as follows: "Authorized Game" or "Authorized Gambling Game" - Roulette, baccarat, blackjack, craps, big six wheel, slot machines, minibaccarat, red dog, paigow, and sic bo; any variations or composites of such games, provided that such variations or composites are found by the division suitable for use after an appropriate test or experimental period under such terms and conditions as the division may deem appropriate; and any other game which is determined by the division to be compatible with the public interest and to be suitable for casino use after such appropriate test or experimental period as the division may deem appropriate. "Authorized game" or "authorized gambling game" includes gaming tournaments in which

players compete against one another in one or more of the games authorized herein or by the division or in approved variations or composites thereof if the tournaments are authorized by the division. "Authorized game" or "Authorized gambling game" shall also include any game that the division may determine by regulation to be suitable for use for wagering through the Internet."

Page 4, Section 3, Line 47:

After "conducted" insert "," pursuant to rules established by the division"

Page 5, Section 5, Line 40:

After "State" insert "," as authorized by rules established by the division"

Page 5, Section 6, Line 45:

After "patrons" delete "and promotional Internet gaming credits;" and insert "."

Page 5, Section 6, Lines 46-47:

Delete in their entirety

Page 6, Section 6, Lines 1-2:

Delete in their entirety

Page 6, Section 7, Lines 4-13:

Delete in their entirety

Page 6, Line 14:

Insert new sections 7 through 11 as follows:
 "7. Section 70 of P.L. 1977, c. 110 (C. 5:12-70) is amended to read as follows:

70. Required regulations.
 a. The division shall, without limitation include the following specific provisions in its regulations in accordance with the provisions of this act:

(1) Prescribing the methods and forms of application and registration which any applicant or registrant shall follow and complete;

(2) Prescribing the methods, procedures and form for delivery of information concerning any person's family, habits, character, associates, criminal record, business

activities and financial affairs;

(3) Prescribing such procedures for the fingerprinting of an applicant, employee of a licensee, or registrant, and methods of identification which may be necessary to accomplish effective enforcement of restrictions on access to the casino floor, the simulcasting facility, and other restricted areas of the casino hotel complex;

(4) Prescribing the method of notice to an applicant, registrant or licensee concerning the release of any information or data provided to the commission or division by such applicant, registrant or licensee;

(5) Prescribing the manner and procedure of all hearings conducted by the division or any hearing examiner, including special rules of evidence applicable thereto and notices thereof;

(6) Prescribing the manner and method of collection of payments of taxes, fees, and penalties;

(7) Defining and limiting the areas of operation, the rules of authorized games, including games played upon and wagered through the Internet, odds, and devices permitted, and the method of operation of such games and devices;

(8) Regulating the practice and procedures for negotiable transactions involving patrons, including limitations on the circumstances and amounts of such transactions, and the establishment of forms and procedures for negotiable instrument transactions, redemptions, and consolidations;

(9) Prescribing grounds and procedures for the revocation or suspension of

operating certificates,
licenses and registrations;

(10) Governing the
manufacture, distribution,
sale, deployment, and
servicing of gaming devices
and equipment;

(11) Prescribing for
gaming operations the
procedures, forms and
methods of management
controls, including
employee and supervisory
tables of organization and
responsibility, and minimum
security and surveillance
standards, including
security personnel
structure, alarm and other
electrical or visual
security measures;
provided, however, that the
division shall grant an
applicant for a casino
license or a casino
licensee broad discretion
concerning the organization
and responsibilities of
management personnel who
are not directly involved
in the supervision of
gaming or simulcast
wagering operations;

(12) Prescribing the
qualifications of, and the
conditions pursuant to
which, engineers,
accountants, and others
shall be permitted to
practice before the
division or to submit
materials on behalf of any
applicant or licensee;
provided, however, that no
member of the Legislature,
nor any firm with which
said member is associated,
shall be permitted to
appear or practice or act
in any capacity whatsoever
before the commission or
division regarding any
matter whatsoever, nor
shall any member of the
family of the Governor or
of a member of the
Legislature be permitted to
so practice or appear in
any capacity whatsoever
before the commission or
division regarding any
matter whatsoever;

(13) Prescribing minimum
procedures for the exercise
of effective control over

the internal fiscal affairs of a licensee, including provisions for the safeguarding of assets and revenues, the recording of cash and evidence of indebtedness, and the maintenance of reliable records, accounts, and reports of transactions, operations and events, including reports to the division;

(14) Providing for a minimum uniform standard of accountancy methods, procedures and forms; a uniform code of accounts and accounting classifications; and such other standard operating procedures, including those controls listed in subsection a. of section 99 of P.L.1977, c.110 (C.5:12-99), as may be necessary to assure consistency, comparability, and effective disclosure of all financial information, including calculations of percentages of profit by games, tables, gaming devices and slot machines;

(15) Requiring quarterly financial reports and the form thereof, and an annual audit prepared by a certified public accountant licensed to do business in this State, attesting to the financial condition of a licensee and disclosing whether the accounts, records and control procedures examined are maintained by the licensee as required by this act and the regulations promulgated hereunder;

(16) Governing the gaming-related advertising of casino licensees, their employees and agents, with the view toward assuring that such advertisements are in no way deceptive; provided, however, that such regulations shall require the words "Bet with your head, not over it," or some comparable language approved by the division, to appear on all billboards, signs, and other on-site advertising of a casino operation and

shall require the words "If you or someone you know has a gambling problem and wants help, call 1-800 GAMBLER," or some comparable language approved by the division, which language shall include the words "gambling problem" and "call 1-800 GAMBLER," to appear legibly on all print, billboard, and sign advertising of a casino operation; and

(17) (Deleted by amendment, P.L.1991, c.182).

(18) Concerning the distribution and consumption of alcoholic beverages on the premises of the licensee, which regulations shall be insofar as possible consistent with Title 33 of the Revised Statutes, and shall deviate only insofar as necessary because of the unique character of the hotel casino premises and operations;

(19) (Deleted by amendment, P.L.1991, c.182).

b. The commission shall, in its regulations, prescribe the manner and procedure of all hearings conducted by the commission, including special rules of evidence applicable thereto and notices thereof.

8. (New section) Reports regarding the impact of gaming through the Internet.

The division shall annually cause a report to be prepared and distributed to the Governor on the impact of Internet gaming on problem gamblers and gambling addiction in New Jersey. The report shall be prepared by a private organization or entity with expertise in serving the needs of persons with gambling addictions, which organization or entity shall be selected by the division. The report shall be prepared and distributed under the supervision of,

and in coordination with, the division. Any costs associated with the preparation and distribution of the report shall be borne by casino licensees who have been authorized by the division to conduct Internet gaming and the division shall be authorized to assess a fee against such licensees for these purposes. The division may also report periodically to the Governor on the effectiveness of the statutory and regulatory controls in place to ensure the integrity of gaming operations through the Internet.

9. Section 43 of P.L. 2011, c.19 (C.5:12-74.1) is amended to read as follows:

43. a. Except as otherwise provided in this act, all information and data required by the division or commission to be furnished pursuant to the act or the regulations promulgated hereunder, or which may otherwise be obtained, relative to the internal controls specified in subsection a. of section 99 of P.L.1977, c.110 (C.5:12-99) or to the earnings or revenue of any applicant, registrant, or licensee shall be considered to be confidential and shall not be revealed in whole or in part except in the course of the necessary administration of this act, or upon the lawful order of a court of competent jurisdiction, or, with the approval of the Attorney General, to a duly authorized law enforcement agency.

b. All information and data pertaining to an applicant's criminal record, family, and background furnished to or obtained by the division or the commission from any source shall be considered confidential and shall be withheld in whole or in part, except that any information shall be

released upon the lawful order of a court of competent jurisdiction or, with the approval of the Attorney General, to a duly authorized law enforcement agency.

c. Notice of the contents of any information or data released, except to a duly authorized law enforcement agency pursuant to subsection a. or b. of this section, shall be given to any applicant, registrant, or licensee in a manner prescribed by the rules and regulations adopted by the division.

d. The following information to be reported periodically to the division by a casino licensee shall not be considered confidential and shall be made available for public inspection:

(1) A licensee's gross revenue from all authorized games as defined herein, and the licensee's gross revenue from simulcast wagering;

(2) (i) The dollar amount of patron checks initially accepted by a licensee, (ii) the dollar amount of patron checks deposited to the licensee's bank account, (iii) the dollar amount of such checks initially dishonored by the bank and returned to the licensee as uncollected, and (iv) the dollar amount ultimately uncollected after all reasonable efforts;

(3) The amount of gross revenue tax or investment alternative tax actually paid and the amount of investment, if any, required and allowed, pursuant to section 144 of P.L.1977, c.110 (C.5:12-144) and section 3 of P.L.1984, c.218 (C.5:12-144.1);

(4) A list of the premises and the nature of improvements, costs thereof and the payees for all such

improvements, which were the subject of an investment required and allowed pursuant to section 144 of P.L.1977, c.110 (C.5:12-144) and section 3 of P.L.1984, c.218 (C.5:12-144.1);

(5) The amount, if any, of tax in lieu of full local real property tax paid pursuant to section 146 of P.L.1977, c.110 (C.5:12-146), and the amount of profits, if any, recaptured pursuant to section 147 of P.L.1977, c.110 (C.5:12-147);

(6) A list of the premises, nature of improvements and costs thereof which constitute the cumulative investments by which a licensee has recaptured profits pursuant to section 147 of P.L.1977, c.110 (C.5:12-147); [and]

(7) All quarterly and annual financial statements presenting historical data which are submitted to the division, including all annual financial statements which have been audited by an independent certified public accountant licensed to practice in the State of New Jersey; and

(8) The identity and nature of services provided by any person or firm receiving payment in any form whatsoever for professional services in connection with the authorization or conduct of games conducted via the Internet by an entity holding any license, permit or registration pursuant to P.L.1977, c.110 (C.5:12-1 et seq.).

Nothing in this subsection shall be construed to limit access by the public to those forms and documents required to be filed pursuant to Article 11 of this act.

10. Section 76 of P.L.1977, c. 110 (C.5:12-76) is amended to read as follows:

76. General duties and powers.

The Division of Gaming Enforcement shall have the general responsibility for the implementation of P.L.1977, c.110, (C.5:12-1 et seq.), and to issue any approvals necessary as hereinafter provided, including without limitation, the responsibility to:

a. Enforce the provisions of this act and any regulations promulgated hereunder;

b. Promptly and in reasonable order investigate all applications for licensure and all registrations under this act;

c. Issue reports and recommendations to the commission with respect to all entities and natural persons required to qualify for a casino license, an application for interim casino authorization or a petition for a statement of compliance;

d. Promptly and in reasonable order review and approve or deny all casino service industry enterprise license applications;

e. Accept and maintain registrations for all casino employee and vendor registrants;

f. Revoke any registration or casino service industry enterprise license upon findings pursuant to the disqualification criteria in section 86 of P.L.1977, c.110 (C.5:12-86);

g. Promulgate such regulations as may be necessary to fulfill the policies of this act;

h. Initiate and decide any actions against licensees or registrants for violation of this act or regulations promulgated hereunder, and impose

sanctions and levy and collect penalties upon finding violations;

i. Provide the commission with all information that the director deems necessary for any action to be taken by the commission under Article 6 of P.L.1977, c.110 (C.5:12-80 through 95);

j. Initiate, prosecute and defend appeals, as the director may deem appropriate;

k. Conduct continuing reviews of casino operations through on-site observation and other reasonable means to assure compliance with this act and regulations promulgated hereunder, subject to subsection h. of section 63 of P.L.1977, c.110 (C.5:12-63);

l. Receive and take appropriate action on any referral from the commission relating to any evidence of a violation of P.L.1977, c.110 (C.5:12-1 et seq.) or the regulations promulgated thereunder;

m. Exchange fingerprint data with, and receive criminal history record information from, the Federal Bureau of Investigation for use in considering applicants for any license or registration issued pursuant to the provisions of P.L.1977, c.110 (C.5:12-1 et seq.);

n. Conduct audits of casino operations at such times, under such circumstances, and to such extent as the director shall determine, including reviews of accounting, administrative and financial records, and management control systems, procedures and records utilized by a casino licensee;

o. Request and receive information, materials and any other data from any

licensee or registrant, or applicant for a license or registration under this act; and

p. Report to the Attorney General recommendations that promote more efficient operations of the division.

q. Receive complaints from the public relating to the conduct of gaming and simulcasting operations, examine records and procedures, and conduct periodic reviews of operations and facilities for the purpose of evaluating current or suggested provisions of P.L.1977, c.110 (C.5:12-1 et. seq.) and the regulations promulgated thereunder, as the director deems appropriate;

r. Certify the revenue of any casino or simulcasting facility in such manner as the director deems appropriate;

s. Create and maintain a list of all excluded patrons;

t. Initiate and decide all actions for involuntary exclusion of patrons pursuant to section 71 of P.L.1977, c.110 (C.5:12-71);

u. Issue an operation certificate upon the commission's grant of an application for a casino license;

v. Recommend that the commission issue or revoke statements of compliance pursuant to section 81 of P.L.1977, c.110 (C.5:12-81) and the regulations promulgated thereunder;

w. Accept impact statements submitted by an applicant for a casino license pursuant to section 84 of P.L.1977, c.110 (C.5:12-84); [and]

x. Utilize, in its discretion, the services of a private entity for the purpose of expediting

criminal history record background checks required to be performed by the division pursuant to the provisions of P.L.1977, c.110 (C.5:12-1 et seq.), provided that the private entity has been awarded a contract in accordance with the public contracting laws of this State;

y. License, regulate, investigate and take any other action regarding all aspects of authorized games conducted through the Internet.

11. Section 85 of P.L. 1977 c. 110 (C. 5:12-85) is amended to read as follows:
85. Additional requirements.

a. In addition to other information required by this act, a corporation or other form of business organization applying for a casino license shall provide the following information, in such form as may be established by regulation:

(1) The organization, financial structure and nature of all businesses operated by the applicant; the names and personal employment and criminal histories of all officers, directors and such other employees of the applicant as the division may require; the names of all holding, intermediary and subsidiary companies of the applicant; and the organization, financial structure and nature of all businesses operated by such of its holding, intermediary and subsidiary companies as the division may require, including the names and personal employment and criminal histories of such corporate officers, directors and other employees of such holding, intermediary and subsidiary companies as the division may require;

(2) The rights and privileges acquired by the holders of different

classes of authorized securities of the applicant and such companies as the division may require, including the names, addresses and amounts held by all holders of such securities;

(3) The terms upon which securities have been or are to be offered;

(4) The terms and conditions of all outstanding loans, mortgages, trust deeds, pledges or any other indebtedness or security devices utilized by the applicant;

(5) The extent of the equity security holding in the applicant of all officers, directors and underwriters, and their remuneration in the form of salary, wages, fees or otherwise;

(6) Names of persons other than directors and officers who occupy positions specified by the division or whose compensation exceeds an amount determined by the division, and the amount of their compensation;

(7) A description of all bonus and profit-sharing arrangements;

(8) Copies of all management and service contracts;

(9) A listing of stock options existing or to be created; and

(10) Documentation establishing that it is qualified to do business in the State of New Jersey.

b. Each holding, intermediary and subsidiary company of an applicant for or holder of a casino license shall be required to qualify to do business in the State of New Jersey; and

(1) If it is a corporation, register with the division and furnish

the division with all the information required of a corporate licensee as specified in subsection a. (1), (2) and (3) of this section and such other information as the division may require; or

(2) If it is not a corporation, register with the division and furnish the division with such information as the division may prescribe.

c. (Deleted by amendment, P.L.2011, c.19).

d. (Deleted by amendment, P.L.2011, c.19).

e. (Deleted by amendment, P.L.2011, c.19).

f. (Deleted by amendment, P.L.2011, c.19).

g. (Deleted by amendment, P.L.2011, c.19).

h. Each applicant for or holder of a casino license, or any holding, intermediary and subsidiary company of an applicant for or holder of a casino license, and any affiliate thereof, and any other licensee, permit holder or vendor under P.L. 1977, c.110 (C.5:12-1 et seq.), including but not limited to an applicant or holder of any license, permit, or other approval to conduct Internet gaming, or any Internet gaming affiliate in accordance with the regulations of the division, shall provide to the division on a quarterly basis the following information with respect to games conducted through the internet:

(1) The name of any person, entity or firm to whom any payment, remuneration or other benefit or thing of value has been made or conferred for professional services, including but not limited to legal, consulting and lobbying services;

(2) The amount or value of such payments,

remuneration, benefit, or thing of value;

(3) The date on which such payments, remuneration, benefit, or thing of value were made; and

(4) The reason or purpose for the procurement of such services.

- Page 6, Section 8, Line 15: Delete "8." and insert "12."
- Page 7, Section 8, Lines 22-44: Delete in their entirety
- Page 10, Section 9, Line 5: Delete "9." and insert "13."
- Page 12, Section 9, Line 33: Delete "Each game" and insert "All gaming and wagering"
- Page 14, Section 9, Line 28: Delete "All" and insert "A casino's primary"
- Page 14, Section 9, Line 28: Delete "by a licensee"
- Page 14, Section 9, Line 31: Delete "and other"
- Page 14, Section 9, Line 32: Delete "not"
- Page 14, Section 9, Line 32: After "used" insert "on a temporary basis pursuant to rules established by the division"
- Page 14, Section 9, Lines 32-33: After "may" delete ", with the approval of the division,"
- Page 14, Section 9, Line 34: After "Atlantic City" insert ", provided no Internet gaming shall occur unless a wager is accepted by a casino within the territorial limits of Atlantic City, New Jersey"
- Page 15, Section 9, Line 7: Delete "commission" and insert "division"
- Page 15, Section 9, Line 11: Delete "confirm on a continuous basis" and insert "require by regulation"
- Page 16, Section 10, Line 31: Delete "10." and insert "14."
- Page 20, Section 11, Line 8: Delete "11." and insert "15."
- Page 21, Section 12, Line 4: Delete "12." and insert "16."

<u>Page 21, Section 13, Line 32:</u>	Delete "13." and insert "17."
<u>Page 21, Section 13, Line 33:</u>	Delete "10%" and insert "15%"
<u>Page 21, Section 14, Lines 42-48:</u>	Delete in their entirety
<u>Page 22, Section 14, Lines 1-5:</u>	Delete in their entirety
<u>Page 22, Section 15, Line 7:</u>	Delete "15." and insert "18."
<u>Page 22, Section 16, Line 14:</u>	Delete "16." and insert "19."
<u>Page 22, Section 16, Lines 24-48:</u>	Delete in their entirety
<u>Page 23, Section 16, Lines 1-11:</u>	Delete in their entirety and insert "by the division."
<u>Page 23, Section 17, Line 13:</u>	Delete "17." and insert "20."
<u>Page 23, Section 17, Line 13:</u>	Delete "The entire" and insert "A casino's primary"
<u>Page 23, Section 17, Line 17:</u>	Delete "Backup and other"
<u>Page 23, Section 17, Lines 18-20:</u>	Delete in their entirety and insert "Backup equipment used on a temporary basis pursuant to rules established by the division to conduct Internet gaming may, with the approval of the division, be located outside the territorial limits of Atlantic City, provided no internet gaming shall occur unless a wager is accepted by a casino within the territorial limits of Atlantic City, New Jersey."
<u>Page 23, Section 17, Line 27:</u>	Delete "commission or the"
<u>Page 23, Section 18, Lines 33-48:</u>	Delete in their entirety
<u>Page 24, Section 18, Lines 1-48:</u>	Delete in their entirety
<u>Page 25, Section 18, Lines 1-39:</u>	Delete in their entirety
<u>Page 25, Section 19, Lines 41-48:</u>	Delete in their entirety
<u>Page 26, Section 19, Lines 1-42:</u>	Delete in their entirety
<u>Page 26, Section 20, Lines 44-48:</u>	Delete in their entirety
<u>Page 27, Section 20, Lines 1-47:</u>	Delete in their entirety
<u>Page 28, Section 23, Lines 25-39:</u>	Delete in their entirety
<u>Page 28, Section 24, Lines 41-48:</u>	Delete in their entirety
<u>Page 29, Section 24, Lines 1-13:</u>	Delete in their entirety

<u>Page 29, Section 25, Line 15:</u>	Delete "25." and insert "23."
<u>Page 29, Section 26, Lines 43-48:</u>	Delete in their entirety
<u>Page 30, Section 26, Lines 1-22:</u>	Delete in their entirety
<u>Page 30, Section 27, Line 24:</u>	Delete "27." and insert "24."
<u>Page 30, Section 28, Line 33:</u>	Delete "28." and insert "25."
<u>Page 31, Section 29, Line 6:</u>	Delete "29." and insert "26."
<u>Page 31, Section 30, Lines 25-48:</u>	Delete in their entirety
<u>Page 32, Section 31, Line 1:</u>	Delete "31." and insert "27."
<u>Page 32, Section 31, Line 5:</u>	Delete "\$200,000" and insert "\$400,000"
<u>Page 32, Section 31, Line 7:</u>	Delete "\$150,000" and insert "\$250,000"
<u>Page 32, Section 31, Line 19:</u>	Delete "\$150,000" and insert "\$250,000"
<u>Page 32, Section 31, Line 21:</u>	Delete "\$85,000" and insert "\$140,000"
<u>Page 32, Section 31, Line 22:</u>	Delete "\$65,000" and insert "\$110,000"
<u>Page 32, Section 32, Line 25:</u>	Delete "32." and insert "28."
<u>Page 32, Section 33, Line 39:</u>	Delete "33." and insert "29."
<u>Page 32, Section 33, Line 47:</u>	Delete "an interstate compact" and insert "a reciprocal agreement"
<u>Page 33, Section 34, Line 1:</u>	Delete "34." and insert "30."
<u>Page 33, Section 35, Lines 3-44:</u>	Delete in their entirety
<u>Page 33, Section 36, Lines 46:</u>	Delete "36." And insert "31."
<u>Page 35, Section 37, Line 16:</u>	Delete "37." and insert "32."
<u>Page 41, Section 38, Line 14:</u>	Delete "38." and insert "33."
<u>Page 41, Section 39, Line 19:</u>	Delete "39." and insert "34."
<u>Page 41, Section 40, Lines 32-47:</u>	Delete in their entirety and insert "35. Section 4 of P.L.1981, c.142 (C.52:13D-17.2) is amended to read as follows:

4. a. As used in this section "person" means:

(1) any State officer or employee subject to financial disclosure by law or executive order and any other State officer or employee with responsibility for matters affecting casino activity; any special State officer or employee with responsibility for matters affecting casino activity; the Governor; any member of the Legislature or any full-time member of the Judiciary; any full-time professional employee of the Office of the Governor, or the Legislature; members of the Casino Reinvestment Development Authority; the head of a principal department; the assistant or deputy heads of a principal department, including all assistant and deputy commissioners; the head of any division of a principal department; or

(2) any member of the governing body, or the municipal judge or the municipal attorney of a municipality wherein a casino is located; any member of or attorney for the planning board or zoning board of adjustment of a municipality wherein a casino is located, or any professional planner, or consultant regularly employed or retained by such planning board or zoning board of adjustment.

b. (1) No State officer or employee, nor any person, nor any member of the immediate family of any State officer or employee, or person, nor any partnership, firm or corporation with which any such State officer or employee or person is associated or in which he has an interest, nor any partner, officer, director or employee while he is associated with such partnership, firm, or corporation, shall hold, directly or indirectly, an

interest in, or hold employment with, or represent, appear for, or negotiate on behalf of, any holder of, or applicant for, a casino license, in connection with any cause, application, or matter, except as provided in section 3 of P.L.2009, c.26 (C.52:13D-17.3), and except that (1) a State officer or employee other than a State officer or employee included in the definition of person, and (2) a member of the immediate family of a State officer or employee, or of a person, may hold employment with the holder of, or applicant for, a casino license if, in the judgment of the State Ethics Commission, the Joint Legislative Committee on Ethical Standards, or the Supreme Court, as appropriate, such employment will not interfere with the responsibilities of the State officer or employee, or person, and will not create a conflict of interest, or reasonable risk of the public perception of a conflict of interest, on the part of the State officer or employee, or person. No special State officer or employee without responsibility for matters affecting casino activity, excluding those serving in the Departments of Education, Health and Senior Services, and Human Services and the Commission on Higher Education, shall hold, directly or indirectly, an interest in, or represent, appear for, or negotiate on behalf of, any holder of, or applicant for, a casino license, or any holding or intermediary company with respect thereto, in connection with any cause, application, or matter. However, a special State officer or employee without responsibility for matters affecting casino activity may hold employment directly with any holder of or applicant for a casino license or any holding or intermediary

company thereof and if so employed may hold, directly or indirectly, an interest in, or represent, appear for, or negotiate on behalf of, his employer, except as otherwise prohibited by law.

(2) No State officer or employee, nor any person, nor any member of the immediate family of any State officer or employee, or person, nor any partnership, firm or corporation with which any such State officer or employee or person is associated or in which he has an interest, nor any partner, officer, director or employee while he is associated with such partnership, firm, or corporation, shall hold, directly or indirectly, an interest in, or hold employment with, or represent, appear for, or negotiate on behalf of, or derive any remuneration, payment, benefit or any other thing of value for any services, including but not limited to consulting or similar services, from any holder of, or applicant for, a license, permit, or other approval to conduct Internet gaming, or any holding or intermediary company with respect thereto, or any Internet gaming affiliate of any holder of, or applicant for, a casino license, or any holding or intermediary company with respect thereto, or any business, association, enterprise or other entity that is organized, in whole or in part, for the purpose of promoting, advocating for, or advancing the interests of the Internet gaming industry generally or any Internet gaming-related business or businesses in connection with any cause, application, or matter, except as provided in section 3 of P.L.2009, c.26 (C.52:13D-17.3), and except that (1) a State officer or employee other than a State officer or employee included in the definition

of person, and (2) a member of the immediate family of a State officer or employee, or of a person, may hold employment with the holder of, or applicant for, a license, permit, or other approval to conduct Internet gaming, or any holding or intermediary company with respect thereto, or any Internet gaming affiliate of any holder of, or applicant for, a casino license, or any holding or intermediary company with respect thereto if, in the judgment of the State Ethics Commission, the Joint Legislative Committee on Ethical Standards, or the Supreme Court, as appropriate, such employment will not interfere with the responsibilities of the State officer or employee, or person, and will not create a conflict of interest, or reasonable risk of the public perception of a conflict of interest, on the part of the State officer or employee, or person.

c. No person or any member of his immediate family, nor any partnership, firm or corporation with which such person is associated or in which he has an interest, nor any partner, officer, director or employee while he is associated with such partnership, firm or corporation, shall, within two years next subsequent to the termination of the office or employment of such person, hold, directly or indirectly, an interest in, or hold employment with, or represent, appear for or negotiate on behalf of, any holder of, or applicant for, a casino in connection with any cause, application or matter, or any holding or intermediary company with respect to such holder of, or applicant for, a casino license in connection with any phase of casino development, permitting, licensure or any other

matter whatsoever related to casino activity, except as provided in section 3 of P.L.2009, c.26 (C.52:13D-17.3), and except that:

(1) a member of the immediate family of a person may hold employment with the holder of, or applicant for, a casino license if, in the judgment of the State Ethics Commission, the Joint Legislative Committee on Ethical Standards, or the Supreme Court, as appropriate, such employment will not interfere with the responsibilities of the person and will not create a conflict of interest, or reasonable risk of the public perception of a conflict of interest, on the part of the person;

(2) an employee who is terminated as a result of a reduction in the workforce at the agency where employed, other than an employee who held a policy-making management position at any time during the five years prior to termination of employment, may, at any time prior to the end of the two-year period, accept employment with the holder of, or applicant for, a casino license if, in the judgment of the State Ethics Commission, the Joint Legislative Committee on Ethical Standards, or the Supreme Court, as appropriate, such employment will not create a conflict of interest, or reasonable risk of the public perception of a conflict of interest, on the part of the employee. In no case shall the restrictions of this subsection apply to a secretarial or clerical employee. Nothing herein contained shall alter or amend the post-employment restrictions applicable to members and employees of the Casino Control Commission and employees and agents of the Division of Gaming Enforcement pursuant to subsection e.

(2) of section 59 and to section 60 of P.L.1977, c.110 (C.5:12-59 and C.5:12-60); and

(3) any partnership, firm or corporation engaged in the practice of law or in providing any other professional services with which any person included in paragraph (1) of subsection a. of this section, or a member of the immediate family of that person, is associated, and any partner, officer, director or employee thereof, other than that person, or immediate family member, may represent, appear for or negotiate on behalf of any holder of, or applicant for, a casino license in connection with any cause, application or matter or any holding company or intermediary company with respect to such holder of, or applicant for, a casino license in connection with any phase of casino development, permitting, licensure or any other matter whatsoever related to casino activity, and that person or immediate family member shall not be barred from association with such partnership, firm or corporation, if for a period of two years next subsequent to the termination of the person's office or employment, the person or immediate family member (a) is screened from personal participation in any such representation, appearance or negotiation; and (b) is associated with the partnership, firm or corporation in a position which does not entail any equity interest in the partnership, firm or corporation. The exception provided in this paragraph shall not apply to a former Governor, Lieutenant Governor, Attorney General, member of the Legislature, person included in paragraph (2) of subsection a. of this section, or to the members of their immediate families.

d. This section shall not apply to the spouse of a State officer or employee, which State officer or employee is without responsibility for matters affecting casino activity, who becomes the spouse subsequent to the State officer's or employee's appointment or employment as a State officer or employee and who is not individually or directly employed by a holder of, or applicant for, a casino license, or any holding or intermediary company.

e. The Joint Legislative Committee on Ethical Standards and the State Ethics Commission, as appropriate, shall forthwith determine and publish, and periodically update, a list of those positions in State government with responsibility for matters affecting casino activity.

f. No person shall solicit or accept, directly or indirectly, any complimentary service or discount from any casino applicant or licensee which he knows or has reason to know is other than a service or discount that is offered to members of the general public in like circumstance.

g. No person shall influence, or attempt to influence, by use of his official authority, the decision of the commission or the investigation of the division in any application for licensure or in any proceeding to enforce the provisions of this act or the regulations of the commission. Any such attempt shall be promptly reported to the Attorney General; provided, however, that nothing in this section shall be deemed to proscribe a request for information by any person concerning the status of any application for licensure or any proceeding to enforce the provisions

of this act or the regulations of the commission.

h. Any person who willfully violates the provisions of this section is a disorderly person and shall be subject to a fine not to exceed \$1,000, or imprisonment not to exceed six months, or both.

In addition, for violations of subsection c. of this section occurring after the effective date of P.L.2005, c.382, a civil penalty of not less than \$500 nor more than \$10,000 shall be imposed upon a former State officer or employee or former special State officer or employee of a State agency in the Executive Branch upon a finding of a violation by the State Ethics Commission, which penalty may be collected in a summary proceeding pursuant to the "Penalty Enforcement Law of 1999," P.L.1999, c.274 (C.2A:58-10 et seq.)."

Page 42, Section 41, Line 1:

Delete "41." and insert "36."

Page 42, Section 41, Line 1:

After "(New section)" insert "a."

Page 42, Section 41, Line 13:

After "this bill)." Insert "b. The authorization to conduct games through the Internet as provided for in P.L. c. (pending before the Legislature as this bill) shall expire 10 years following the operative date established pursuant to subsection a. of this section, unless reauthorized by law."

Page 42, Section 42, Line 15:

Delete "42." and insert
"37."

Respectfully,

/s/ Chris Christie

Governor

[seal]

Attest:

/s/Charles B. McKenna

Chief Counsel to the Governor

SENATE, No. 1565

STATE OF NEW JERSEY 215th LEGISLATURE

INTRODUCED FEBRUARY 9, 2012

Sponsored by:

Senator RAYMOND J. LESNIAK

District 20 (Union)

Senator JIM WHELAN

District 2 (Atlantic)

SYNOPSIS

Authorizes Internet wagering at Atlantic City casinos under certain circumstances.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 2/10/2012)

1 AN ACT authorizing Internet wagering at Atlantic City casinos
2 under certain circumstances and amending and supplementing
3 the "Casino Control Act", P.L.1977, c.110 (C.5:12-1 et seq.).
4

5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*
7

8 1. Section 5 of P.L.1977, c.110 (C.5:12-5) is amended to read
9 as follows:

10 5. "Authorized Game" or "Authorized Gambling Game"--
11 **[Roulette]** Poker, roulette, baccarat, blackjack, craps, big six
12 wheel, slot machines, minibaccarat, red dog, pai gow, and sic bo;
13 any variations or composites of such games, provided that such
14 variations or composites, and any above listed game or variation or
15 composite of such game to be offered through Internet wagering,
16 are found by the division suitable for use after an appropriate test or
17 experimental period under such terms and conditions as the division
18 may deem appropriate; and any other game which is determined by
19 the division to be compatible with the public interest and to be
20 suitable for casino use after such appropriate test or experimental
21 period as the division may deem appropriate. "Authorized game" or
22 "authorized gambling game" includes gaming tournaments in which
23 players compete against one another in one or more of the games
24 authorized herein or by the division or in approved variations or
25 composites thereof if the tournaments are authorized by the
26 division.

27 (cf: P.L.2011, c.19, s.4)
28

29 2. Section 6 of P.L.1977, c.110 (C.5:12-6) is amended to read
30 as follows:

31 6. "Casino" or "casino room" or "licensed casino" -- One or
32 more locations or rooms in a casino hotel facility that have been
33 approved by the division for the conduct of casino gaming in
34 accordance with the provisions of this act, including any part of the
35 facility where Internet wagering is conducted. "Casino" or "casino
36 room" or "licensed casino" shall not include any casino
37 simulcasting facility authorized pursuant to the "Casino
38 Simulcasting Act," P.L.1992, c.19 (C.5:12-191 et seq.).
39 (cf: P.L.2011, c.19, s.6)
40

41 3. (New section) "Internet wagering" means the placing of
42 wagers with a casino licensee at a casino located in Atlantic City
43 using a computer network of both federal and non-federal
44 interoperable packet switched data networks through which the
45 casino licensee may offer authorized games to residents of this State

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 who have established a wagering account with the casino licensee
2 and who are physically present in this State when placing a wager.

3
4 4. (New section) "Internet wagering gross revenue" means the
5 total of all sums actually received by a casino licensee from Internet
6 wagering operations, less only the total of all sums actually paid out
7 as winnings to patrons; provided, however, that the cash equivalent
8 value of any merchandise or thing of value included in a jackpot or
9 payout shall not be included in the total of all sums paid out as
10 winnings to players for purposes of determining Internet wagering
11 gross revenue.

12
13 5. Section 3 of P.L.1987, c.353 (C.5:12-43.1) is amended to
14 read as follows:

15 3. "Restricted Casino Areas"--The cashier's cage, the soft count
16 room, the hard count room, the slot cage booths and runway areas,
17 the interior of table game pits, the surveillance room and catwalk
18 areas, the slot machine repair room, any room or area related to
19 Internet wagering operations and any other area specifically
20 designated by the division as restricted in a licensee's operation
21 certificate.

22 (cf: P.L.2011, c.19, s.21)

23
24 6. Section 100 of P.L.1977, c.110 (C.5:12-100) is amended to
25 read as follows:

26 100. a. This act shall not be construed to permit any gaming
27 except the conduct of authorized games in a casino room or through
28 Internet wagering in accordance with this act and the regulations
29 promulgated hereunder and in a simulcasting facility to the extent
30 provided by the "Casino Simulcasting Act," P.L.1992, c.19 (C.5:12-
31 191 et al.). Notwithstanding the foregoing, if the division approves
32 the game of keno as an authorized game pursuant to section 5 of
33 P.L.1977, c.110 (C.5:12-5), as amended, keno tickets may be sold
34 or redeemed in accordance with division regulations.

35 b. Gaming equipment shall not be possessed, maintained or
36 exhibited by any person on the premises of a casino hotel except in
37 a casino room, in the simulcasting facility, or in restricted casino
38 areas used for the inspection, repair or storage of such equipment
39 and specifically designated for that purpose by the casino licensee
40 with the approval of the division. Gaming equipment which
41 supports the conduct of gaming in a casino or simulcasting facility
42 or through Internet wagering but does not permit or require patron
43 access, such as computers, or gaming software or other gaming
44 equipment used to conduct Internet wagering may be possessed and
45 maintained by a casino licensee or a qualified holding or
46 intermediary company of a casino licensee in restricted areas
47 specifically approved by the division. No gaming equipment shall
48 be possessed, maintained, exhibited, brought into or removed from

1 a casino room or simulcasting facility by any person unless such
2 equipment is necessary to the conduct of an authorized game, has
3 permanently affixed, imprinted, impressed or engraved thereon an
4 identification number or symbol authorized by the division, is under
5 the exclusive control of a casino licensee or casino licensee's
6 employees, or of any individually qualified employee of a holding
7 company or casino licensee and is brought into or removed from the
8 casino room or simulcasting facility following 24-hour prior notice
9 given to an authorized agent of the division.

10 Notwithstanding any other provision of this section, computer
11 equipment used by the slot system operator of a multi-casino
12 progressive slot system to link and communicate with the slot
13 machines of two or more casino licensees for the purpose of
14 calculating and displaying the amount of a progressive jackpot,
15 monitoring the operation of the system, and any other purpose that
16 the division deems necessary and appropriate to the operation or
17 maintenance of the multi-casino progressive slot machine system
18 may, with the prior approval of the division, be possessed,
19 maintained and operated by the slot system operator either in a
20 restricted area on the premises of a casino hotel or in a secure
21 facility inaccessible to the public and specifically designed for that
22 purpose off the premises of a casino hotel but within the territorial
23 limits of Atlantic County, New Jersey.

24 Notwithstanding the foregoing, a person may, with the prior
25 approval of the division and under such terms and conditions as
26 may be required by the division, possess, maintain or exhibit
27 gaming equipment in any other area of the casino hotel, provided
28 that such equipment is used for nongaming purposes.

29 c. Each casino hotel shall contain a count room and such other
30 secure facilities as may be required by the division for the counting
31 and storage of cash, coins, tokens, checks, plaques, gaming
32 vouchers, coupons, and other devices or items of value used in
33 wagering and approved by the division that are received in the
34 conduct of gaming and for the inspection, counting and storage of
35 dice, cards, chips and other representatives of value. The division
36 shall promulgate regulations for the security of drop boxes and
37 other devices in which the foregoing items are deposited at the
38 gaming tables or in slot machines, and all areas wherein such boxes
39 and devices are kept while in use, which regulations may include
40 certain locking devices. Said drop boxes and other devices shall not
41 be brought into or removed from a casino room or simulcasting
42 facility, or locked or unlocked, except at such times, in such places,
43 and according to such procedures as the division may require.

44 d. All chips used in gaming shall be of such size and uniform
45 color by denomination as the division shall require by regulation.

46 e. All gaming shall be conducted according to rules
47 promulgated by the division. All wagers and pay-offs of winning
48 wagers shall be made according to rules promulgated by the

1 division, which shall establish such limitations as may be necessary
2 to assure the vitality of casino operations and fair odds to patrons.
3 Each slot machine shall have a minimum payout of 83%.

4 f. Each casino licensee shall make available in printed form to
5 any patron upon request the complete text of the rules of the
6 division regarding games and the conduct of gaming, pay-offs of
7 winning wagers, an approximation of the odds of winning for each
8 wager, and such other advice to the player as the division shall
9 require. Each casino licensee shall prominently post within a casino
10 room and simulcasting facility, as appropriate, according to
11 regulations of the division such information about gaming rules,
12 pay-offs of winning wagers, the odds of winning for each wager,
13 and such other advice to the player as the division shall require.

14 g. Each gaming table shall be equipped with a sign indicating
15 the permissible minimum and maximum wagers pertaining thereto.
16 Each game offered through Internet wagering shall display online
17 the permissible minimum and maximum wagers pertaining thereto.
18 It shall be unlawful for a casino licensee to require any wager to be
19 greater than the stated minimum or less than the stated maximum;
20 provided, however, that any wager actually made by a patron and
21 not rejected by a casino licensee prior to the commencement of play
22 shall be treated as a valid wager.

23 h. (1) Except as herein provided, no slot machine shall be used
24 to conduct gaming unless it is identical in all electrical, mechanical
25 and other aspects to a model thereof which has been specifically
26 tested and licensed for use by the division. The division shall also
27 test any other gaming device, gaming equipment, gaming-related
28 device or gross-revenue related device, such as a slot management
29 system, electronic transfer credit system or gaming voucher system
30 as it deems appropriate. In its discretion and for the purpose of
31 expediting the approval process, the division may utilize the
32 services of a private testing laboratory that has obtained a plenary
33 license as a casino service industry enterprise pursuant to
34 subsection a. of section 92 of P.L.1977, c.110 (C.5:12-92) to
35 perform the testing, and may also utilize applicable data from any
36 such private testing laboratory or from a governmental agency of a
37 state other than New Jersey authorized to regulate slot machines
38 and other gaming devices, gaming equipment, gaming-related
39 devices and gross-revenue related devices used in casino gaming, if
40 the private testing laboratory or governmental agency uses a testing
41 methodology substantially similar to the methodology utilized by
42 the division. The division, in its discretion, may rely upon the data
43 provided by the private testing laboratory or governmental agency
44 and adopt the conclusions of such private testing laboratory or
45 governmental agency regarding any submitted device.

46 (2) Except as otherwise provided in paragraph (5) of subsection
47 h. of this section, the division shall, within 60 days of its receipt of
48 a complete application for the testing of a slot machine or other

1 gaming equipment model, approve or reject the slot machine or
2 other gaming equipment model. In so doing, the division shall
3 specify whether and to what extent any data from a private testing
4 laboratory or governmental agency of a state other than New Jersey
5 was used in reaching its conclusions and recommendation. If the
6 division is unable to complete the testing of a slot machine or other
7 gaming equipment model within this 60-day period, the division
8 may conditionally approve the slot machine or other gaming
9 equipment model for test use by a casino licensee provided that the
10 division represents that the use of the slot machine or other gaming
11 equipment model will not have a direct and materially adverse
12 impact on the integrity of gaming or the control of gross revenue.
13 The division shall give priority to the testing of slot machines or
14 other gaming equipment which a casino licensee has certified it will
15 use in its casino in this State.

16 (3) The division shall, by regulation, establish such technical
17 standards for licensure of slot machines, including mechanical and
18 electrical reliability, security against tampering, the
19 comprehensibility of wagering, and noise and light levels, as it may
20 deem necessary to protect the player from fraud or deception and to
21 insure the integrity of gaming. The denominations of such machines
22 shall be set by the licensee; the licensee shall simultaneously notify
23 the division of the settings.

24 (4) The division shall, by regulation, determine the permissible
25 number and density of slot machines in a licensed casino so as to:

- 26 (a) promote optimum security for casino operations;
- 27 (b) avoid deception or frequent distraction to players at gaming
28 tables;
- 29 (c) promote the comfort of patrons;
- 30 (d) create and maintain a gracious playing environment in the
31 casino; and
- 32 (e) encourage and preserve competition in casino operations by
33 assuring that a variety of gaming opportunities is offered to the
34 public.

35 Any such regulation promulgated by the division which
36 determines the permissible number and density of slot machines in a
37 licensed casino shall provide that all casino floor space and all
38 space within a casino licensee's casino simulcasting facility shall be
39 included in any calculation of the permissible number and density
40 of slot machines in a licensed casino.

41 (5) Any new gaming equipment or simulcast wagering
42 equipment that is submitted for testing to the division or to an
43 independent testing laboratory licensed pursuant to subsection a. of
44 section 92 of P.L.1977, c.110 (C.5:12-92) prior to or simultaneously
45 with submission of such new equipment for testing in a jurisdiction
46 other than New Jersey, may, consistent with regulations
47 promulgated by the division, be deployed by a casino licensee on
48 the casino floor 14 days after submission of such equipment for

1 testing. If the casino or casino service industry enterprise licensee
2 has not received approval for the equipment 14 days after
3 submission for testing, any interested casino licensee may,
4 consistent with division regulations, deploy the equipment on a
5 field test basis, unless otherwise directed by the director.

6 (6) All equipment used by a licensee to conduct Internet
7 wagering, including but not limited to computers, servers,
8 monitoring rooms, and hubs, shall be located, with the prior
9 approval of the division, either in a restricted area on the premises
10 of the casino hotel or in a secure facility inaccessible to the public
11 and specifically designed for that purpose off the premises of a
12 casino hotel but within the territorial limits of Atlantic City, New
13 Jersey. All Internet wagers shall be deemed to be placed when
14 received in Atlantic City by the licensee. Any intermediate routing
15 of electronic data in connection with a wager shall not affect the
16 fact that the wager is placed in Atlantic City.

17 No software, computer or other gaming equipment shall be used
18 to conduct Internet wagering unless it has been specifically tested
19 by the division. The division may, in its discretion, and for the
20 purpose of expediting the approval process, refer testing to any
21 testing laboratory with a plenary license as a casino service industry
22 enterprise pursuant to subsection a. of section 92 of P.L.1977, c.110
23 (C.5:12-92). The division shall give priority to the testing of
24 software, computers or other gaming equipment which a casino
25 licensee has certified it will use to conduct Internet wagering in this
26 State. The division shall, by regulation, establish such technical
27 standards for approval of software, computers and other gaming
28 equipment used to conduct Internet wagering, including
29 mechanical, electrical or program reliability, security against
30 tampering, the comprehensibility of wagering, and noise and light
31 levels, as it may deem necessary to protect the player from fraud or
32 deception and to insure the integrity of gaming. When appropriate,
33 the licensee shall set the denominations of Internet games and shall
34 simultaneously notify the commission of the settings.

35 No software, computer or other gaming equipment shall be used
36 to conduct Internet wagering unless it is able to verify that a player
37 placing a wager is physically present in this State at the time that
38 the wager is placed. The division shall confirm on a continuous
39 basis that the equipment used by every licensee to conduct Internet
40 wagering is, in fact, verifying every player's physical presence in
41 this State each time a wager is placed.

42 i. (Deleted by amendment, P.L.1991, c.182).

43 j. (Deleted by amendment, P.L.1991, c.182).

44 k. It shall be unlawful for any person to exchange or redeem
45 chips for anything whatsoever, except for currency, negotiable
46 personal checks, negotiable counter checks, other chips, coupons,
47 slot vouchers or complimentary vouchers distributed by the casino
48 licensee, or, if authorized by regulation of the division, a valid

1 charge to a credit or debit card account. A casino licensee shall,
2 upon the request of any person, redeem that licensee's gaming chips
3 surrendered by that person in any amount over \$100 with a check
4 drawn upon the licensee's account at any banking institution in this
5 State and made payable to that person.

6 1. It shall be unlawful for any casino licensee or its agents or
7 employees to employ, contract with, or use any shill or barker to
8 induce any person to enter a casino or simulcasting facility or play
9 at any game or for any purpose whatsoever.

10 m. It shall be unlawful for a dealer in any authorized game in
11 which cards are dealt to deal cards by hand or other than from a
12 device specifically designed for that purpose, unless otherwise
13 permitted by the rules of the division.

14 n. (1) It shall be unlawful for any casino key employee,
15 licensee or any person who is required to hold a casino key
16 employee license as a condition of employment or qualification to
17 wager in any casino or simulcasting facility in this State, or any
18 casino.

19 (2) It shall be unlawful for any other employee of a casino
20 licensee who, in the judgment of the division, is directly involved
21 with the conduct of gaming operations, including but not limited to
22 dealers, floor persons, box persons, security and surveillance
23 employees, to wager in any casino or simulcasting facility in the
24 casino hotel in which the employee is employed or in any other
25 casino or simulcasting facility in this State which is owned or
26 operated by an affiliated licensee.

27 (3) The prohibition against wagering set forth in paragraphs (1)
28 and (2) of this subsection shall continue for a period of 30 days
29 commencing upon the date that the employee either leaves
30 employment with a casino licensee or is terminated from
31 employment with a casino licensee.

32 o. (1) It shall be unlawful for any casino key employee or
33 boxman, floorman, or any other casino employee who shall serve in
34 a supervisory position to solicit or accept, and for any other casino
35 employee to solicit, any tip or gratuity from any player or patron at
36 the casino hotel or simulcasting facility where he is employed.

37 (2) A dealer may accept tips or gratuities from a patron at the
38 table at which such dealer is conducting play, subject to the
39 provisions of this subsection. All such tips or gratuities shall be
40 immediately deposited in a lockbox reserved for that purpose,
41 unless the tip or gratuity is authorized by a patron utilizing an
42 automated wagering system approved by the division. All tips or
43 gratuities shall be accounted for, and placed in a pool for
44 distribution pro rata among the dealers, with the distribution based
45 upon the number of hours each dealer has worked, except that the
46 division may, by regulation, permit a separate pool to be established
47 for dealers in the game of poker, or may permit tips or gratuities to
48 be retained by individual dealers in the game of poker.

1 (3) Notwithstanding the provisions of paragraph (1) of this
2 subsection, a casino licensee may require that a percentage of the
3 prize pool offered to participants pursuant to an authorized poker
4 tournament be withheld for distribution to the tournament dealers as
5 tips or gratuities as the division by regulation may approve.

6 p. Any slot system operator that offers an annuity jackpot shall
7 secure the payment of such jackpot by establishing an annuity
8 jackpot guarantee in accordance with the requirements of P.L.1977,
9 c.110 (C.5:12-1 et seq.), and the rules of the division.

10 (cf: P.L.2011, c.19, s.65)

11
12 7. Section 109 of P.L.1977, c.110 (C.5:12-109) is amended to
13 read as follows:

14 109. Notwithstanding any provisions of this article, the director
15 may issue an emergency order for the suspension, limitation or
16 conditioning of any operation certificate or any license, other than a
17 casino license, or any registration, or any permit to conduct Internet
18 wagering, or may issue an emergency order requiring the licensed
19 casino to keep an individual from the premises of such licensed
20 casino or from using or maintaining an Internet wagering account,
21 or not to pay such individual any remuneration for services or any
22 profits, income or accruals on his investment in such casino, in the
23 following manner:

24 a. An emergency order shall be issued only when the director
25 finds that:

26 (1) There has been charged a violation of any of the criminal
27 laws of this State by a licensee or registrant, or

28 (2) Such action is necessary to prevent a violation of any such
29 provision, or

30 (3) Such action is necessary immediately for the preservation of
31 the public peace, health, safety, morals, good order and general
32 welfare or to preserve the public policies declared by this act.

33 b. An emergency order shall set forth the grounds upon which
34 it is issued, including the statement of facts constituting the alleged
35 emergency necessitating such action.

36 c. The emergency order shall be effective immediately upon
37 issuance and service upon the licensee, registrant, or resident agent
38 of the licensee. The emergency order may suspend, limit, condition
39 or take other action in relation to the approval of one or more
40 individuals who were required to be approved in any operation,
41 without necessarily affecting any other individuals or the licensed
42 casino establishment. The emergency order shall remain effective
43 until further order of the director.

44 d. Within 5 days after issuance of an emergency order, the
45 division shall cause a complaint to be filed and served upon the
46 person or entity involved in accordance with the provisions of this
47 act.

48 e. Thereafter, the person or entity against whom the emergency

1 order has been issued and served shall show cause before the
2 director why the emergency order should not remain in effect in
3 accordance with the provisions of this act and the regulations
4 promulgated hereunder.

5 (cf: P.L.2011, c.19, s.77)

6

7 8. Section 1 of P.L.1999, c.352 (C.5:12-129.1) is amended to
8 read as follows:

9 1. The holder of any license issued under P.L.1977, c.110
10 (C.5:12-1 et seq.), or any person acting on behalf thereof, shall file
11 a report of any suspicious transaction with the Director of the
12 Division of Gaming Enforcement. For the purposes of P.L.1999,
13 c.352 (C.5:12-129.1 et al.), "suspicious transaction" means the
14 acceptance of cash [or] , the redeeming of chips or markers or
15 other cash equivalents, or a payment to establish credits in an
16 Internet wagering account involving or aggregating \$5,000 if the
17 licensee or person knows or suspects that the transaction:

18 a. involves funds derived from illegal activities or is intended
19 or conducted in order to conceal or disguise funds or assets derived
20 from illegal activities;

21 b. is part of a plan to violate or evade any law or regulation or
22 to avoid any transaction reporting requirement under the law or
23 regulations of this State or the United States, including a plan to
24 structure a series of transactions to avoid any transaction reporting
25 requirement under the laws or regulations of this State or the United
26 States; or

27 c. has no business or other apparent lawful purpose or is not
28 the sort of transaction in which a person would normally be
29 expected to engage and the licensee or person knows of no
30 reasonable explanation for the transaction after examining the
31 available facts, including the background and possible purpose of
32 the transaction.

33 (cf: P.L.1999, c.352, s.1)

34

35 9. (New section) There is hereby imposed an annual tax on
36 Internet wagering gross revenues in the amount of 10% of such
37 gross revenues which shall be paid into the Casino Revenue Fund.
38 The 8% tax on casino gross revenues shall not apply to Internet
39 wagering gross revenues. The investment alternative tax
40 established by section 3 of P.L.1984, c.218 (C.5:12-144.1) shall
41 apply to Internet wagering gross revenues, except that the
42 investment alternative tax on these revenues shall be 5% and the
43 investment alternative shall be 2.5%, with the proceeds thereof used
44 as provided in that section.

45

46 10. (New section) The Division of Gaming Enforcement may
47 establish an Office of Internet Wagering to which it may delegate
48 authority for the administration of Internet wagering conducted by

1 casino licensees. The division shall be responsible for
2 recommending regulations concerning Internet wagering for
3 consideration and possible adoption by the commission. Nothing
4 contained in this section shall be construed as affecting the
5 authority of the Division of Gaming Enforcement with respect to all
6 casino gaming activities, including Internet wagering. The division
7 shall adopt regulations for the implementation and conduct of
8 Internet wagering that are consistent with regulations governing
9 casino gambling generally.

10

11 11. (New section) Internet wagering in this State shall be
12 subject to the provisions of, and preempted and superseded by, any
13 applicable federal law.

14 Internet wagering in this State shall be deemed to take place
15 where a casino's server is located in Atlantic City regardless of the
16 player's physical location within this State.

17

18 12. (New section) a. No Internet wagering shall be opened to
19 the public, and no gaming, except for test purposes, may be
20 conducted therein, until a casino licensee with a valid operation
21 certificate receives from the division a permit to conduct Internet
22 wagering. Such permit, valid for one year, shall be issued by the
23 division upon a finding that the Internet wagering complies in all
24 respects with the requirements of this act, P.L. , c. (pending
25 before the Legislature as this bill) and regulations promulgated
26 hereunder, that the casino licensee has implemented necessary
27 management controls and security precautions for the efficient
28 operation of Internet wagering, that casino personnel having duties
29 relating to Internet wagering are licensed for the performance of
30 their respective responsibilities, and that the licensee is prepared in
31 all respects to receive and entertain the public.

32 b. The permit shall include an itemized list by category and
33 number of the authorized games offered through Internet wagering.

34 c. A casino licensee shall, in accordance with regulations
35 promulgated by the division, file any changes in the number of
36 authorized games featured through Internet wagering with the
37 division.

38 d. It shall be an express condition of the continued operation of
39 Internet wagering that a casino licensee shall maintain all books,
40 records, and documents pertaining to the licensee's Internet
41 wagering operations in a manner and location within this State
42 approved by the division. All such books, records and documents
43 shall be immediately available for inspection during all hours of
44 operation in accordance with the rules of the division and shall be
45 maintained for such period of time as the division shall require.

46 e. Subject to the power of the division to deny, revoke, or
47 suspend permits, any Internet wagering permit in force shall be
48 renewed by the commission for one year upon proper application

1 for renewal, completion of a review of Internet wagering operations
2 for compliance with this act, a review of all required controls and
3 payment of permit fees and taxes as required by law and the
4 regulations of the division. Upon renewal of an Internet wagering
5 permit the division shall issue an appropriate renewal certificate or
6 validating device or sticker which shall be attached to the Internet
7 wagering permit.

8 f. Notwithstanding subsections a. and e. of this section, an
9 Internet wagering permit shall remain in force only if the casino
10 licensee that holds the permit also holds a valid operation
11 certificate.

12

13 13. (New section) a. The entire Internet wagering operation,
14 including facilities, equipment and personnel, shall be located
15 within a restricted area on the premises of the casino hotel or in a
16 secure facility inaccessible to the public and specifically designed
17 for that purpose off the premises of a casino hotel but within the
18 territorial limits of Atlantic City, New Jersey.

19 b. Facilities used to conduct and support Internet wagering
20 shall:

21 (1) be arranged in a manner promoting optimum security for
22 Internet wagering;

23 (2) include a closed circuit visual monitoring system according
24 to specifications approved by the division, with access on the
25 licensed premises to the system or its signal provided to the
26 commission or the division;

27 (3) not be designed in any way that might interfere with the
28 ability of the division to supervise Internet wagering operations;
29 and

30 (4) comply in all respects with regulations of the division
31 pertaining thereto.

32

33 14. (New section) a. Notwithstanding section 99 of P.L.1977,
34 c.110 (C.5:12-99), each casino licensee who holds or has applied
35 for a permit to conduct Internet wagering shall submit to the
36 division a description of its system of internal procedures and
37 administrative and accounting controls for Internet wagering,
38 including provisions that provide for real time monitoring of all
39 games, and a description of any changes thereof. Such submission
40 shall be made at least 30 days before such operations are to
41 commence or at least 30 days before any change in those
42 procedures or controls is to take effect, unless otherwise directed by
43 the division. Notwithstanding the foregoing, the internal controls
44 described in paragraph (3) of this subsection may be implemented
45 by a casino licensee upon the filing of such internal controls with
46 the division. Each internal procedure or control submission shall
47 contain both narrative and diagrammatic representations of the
48 internal control system to be utilized with regard to Internet

1 wagering, including, but not limited to:

2 (1) accounting controls, including the standardization of forms
3 and definition of terms to be utilized in the wagering operations;

4 (2) procedures, forms, and, where appropriate, formulas
5 covering the calculation of hold percentages; revenue drop; expense
6 and overhead schedules; complimentary services; and cash
7 equivalent transactions;

8 (3) job descriptions and the system of personnel and chain-of-
9 command, establishing a diversity of responsibility among
10 employees engaged in Internet wagering operations and identifying
11 primary and secondary supervisory positions for areas of
12 responsibility; salary structure; and personnel practices;

13 (4) procedures for the establishment of wagering accounts,
14 including a procedure for authenticating the age of the applicant for
15 a wagering account;

16 (5) procedures for the termination of a wagering account by the
17 account holder and the return of any remaining funds in the
18 wagering account to the account holder;

19 (6) procedures for the termination of a dormant account;

20 (7) procedures for the logging in and authentication of a
21 wagering account holder in order to enable the holder to commence
22 Internet wagering, and the logging off of the holder of the wagering
23 account when the account holder has finished gaming, including a
24 procedure to automatically log off the holder after a specified
25 period of inactivity;

26 (8) procedures for the crediting and debiting of wagering
27 accounts;

28 (9) procedures for the cashing of checks to establish credit in a
29 wagering account; the receipt and security of cash to establish credit
30 in a wagering account, whether such cash is received by wire
31 transfer, advance on a credit card or debit card or by other
32 electronic means approved by the division; and receipt of other
33 electronic negotiable instruments approved by the division to
34 establish credit in a wagering account;

35 (10) procedures for the withdrawal of funds from a wagering
36 account by the account holder;

37 (11) the redemption of chips, tokens or other cash equivalents
38 used in gaming and the pay-off of jackpots;

39 (12) the recording of transactions pertaining to Internet
40 wagering;

41 (13) procedures for the security of information and funds in a
42 wagering account;

43 (14) procedures for the transfer of funds from wagering accounts
44 to the counting process;

45 (15) procedures and security for the counting and recordation of
46 revenue;

47 (16) procedures for the security of Internet wagering facilities
48 within a restricted area on the premises of the casino hotel or in a

1 secure facility inaccessible to the public and specifically designed
2 for that purpose off the premises of a casino hotel but within the
3 territorial limits of Atlantic City, New Jersey;

4 (17) procedures and security standards for the handling and
5 storage of software, computers and other electronic equipment used
6 to conduct Internet wagering;

7 (18) procedures and security standards to protect software,
8 computers and other gaming equipment used to conduct Internet
9 wagering from tampering by casino employees or any other person,
10 from a location inside or outside of the casino hotel facility;

11 (19) procedures for responding to tampering with software,
12 computers and other gaming equipment used to conduct Internet
13 wagering or any gaming-related equipment or hardware used in
14 support of gaming, including partial or complete suspension of
15 Internet wagering operations or the suspension of any or all
16 wagering accounts when warranted;

17 (20) procedures to verify a player's physical presence in this
18 State each time a wager is placed; and

19 (21) procedures to assist problem and compulsive gamblers.

20 b. Each casino licensee shall also submit a description of its
21 system of internal procedures and administrative and accounting
22 controls for non-gaming operations regarding the website on which
23 Internet wagering is accessed and a description of any changes
24 thereto no later than five days after those operations commence or
25 after any change in those procedures or controls takes effect.

26 c. The division shall review each submission required by
27 subsection a. and b. hereof, and shall determine whether it conforms
28 to the requirements of this act, P.L. , c. (C.) (pending before
29 the Legislature as this bill), and to the regulations promulgated
30 thereunder and whether the system submitted provides adequate and
31 effective controls for Internet wagering operations of the particular
32 casino hotel submitting it. If the division finds any insufficiencies,
33 it shall specify the insufficiencies in writing to the casino licensee,
34 who shall make appropriate alterations. When the division
35 determines a submission to be adequate in all respects, it shall
36 notify the casino licensee. Except as otherwise provided in
37 subsection a. of this section, no casino licensee shall commence or
38 alter Internet wagering operations unless and until such system of
39 procedures and controls is approved by the division.

40 d. It shall be lawful for a casino licensee to provide marketing
41 information by means of the Internet to players engaged in Internet
42 wagering and to offer those players incentives to visit the licensee's
43 casino in Atlantic City.

44
45 15. (New section) a. An Internet wagering account shall be in
46 the name of a natural person and may not be in the name of any
47 beneficiary, custodian, joint trust, corporation, partnership or other
48 organization or entity.

- 1 b. An account may be established by a person submitting an
2 application form approved by the division along with proof of age.
3 The division shall specify by regulation what types of proof are
4 sufficient to authenticate age and residency in this State. The
5 application form shall include the address of the principal residence
6 of the prospective account holder, an electronic mail address of the
7 prospective account holder and a statement that a false statement
8 made in regard to an application may subject the applicant to
9 prosecution.
- 10 c. As part of the application process, the casino licensee shall
11 provide the prospective account holder with a password to access
12 the wagering account, or shall establish some other mechanism
13 approved by the division to authenticate the player as the holder of
14 a wagering account and allow the holder access to the Internet
15 wagering account.
- 16 d. The prospective account holder shall submit the completed
17 application to the casino licensee. The licensee may accept or reject
18 an application after receipt and review of the application and proof
19 of age for compliance with this act, P.L. , c. (C.) (pending
20 before the Legislature as this bill).
- 21 e. Any prospective account holder who provides false or
22 misleading information on the application is subject to rejection of
23 the application or cancellation of the account by the casino licensee.
- 24 f. The licensee shall have the right to suspend or close any
25 wagering account at its discretion.
- 26 g. Any person on the list established by section 71 of P.L.1977,
27 c.110 (C.5:12-71) of persons who are to be excluded or ejected
28 from any licensed casino shall not be entitled to maintain a
29 wagering account.
- 30 h. Any of the following persons shall not be permitted to
31 maintain a wagering account:
- 32 (1) the Governor or Lieutenant Governor;
33 (2) any State officer or employee or special State officer or
34 employee;
35 (3) any member of the Judiciary;
36 (4) any member of the Legislature;
37 (5) any officer of Atlantic City; or
38 (6) any casino employee, casino key employee or principal
39 employee of a casino licensee.
- 40 i. The address provided by the applicant in the application
41 shall be deemed the proper address for the purposes of mailing
42 checks, account withdrawals, notices and other materials.
- 43 j. A wagering account shall not be assignable or otherwise
44 transferable.
- 45 k. The casino licensee may at any time declare all or any part
46 of Internet wagering to be closed for wagering.

1 16. (New section) a. Credits to an Internet wagering account
2 shall not be made except as provided by this subsection.

3 (1) The wagering account holder's deposits to the wagering
4 account shall be submitted by the account holder to the casino
5 licensee and shall be in the form of one of the following:

6 (a) cash given to the casino licensee;

7 (b) check, money order, negotiable order of withdrawal, or wire
8 or electronic transfer, payable and remitted to the casino licensee;

9 (c) charges made to an account holder's debit or credit card
10 upon the account holder's direct and personal instruction, which
11 instruction may be given by telephone communication or other
12 electronic means to the casino licensee by the account holder if the
13 use of the card has been approved by the casino licensee; or

14 (d) any other method approved by the division.

15 (2) When an account holder wins an account wager on a game,
16 the casino licensee shall pay to the holder Internet chips or tokens
17 or other cash equivalents in the appropriate amount pursuant to the
18 rules of that game for that particular type of wager. When the
19 account holder logs off or cashes out the Internet chips, tokens or
20 other cash equivalents, the casino licensee shall credit the holder's
21 wagering account in the amount of Internet chips, tokens or other
22 cash equivalents cashed in.

23 (3) The casino licensee shall have the right to credit a wagering
24 account as part of a promotion scheme.

25 (4) The casino licensee shall have the right to refuse, for any
26 valid reason, all or part of any wager or deposit to the account.

27 (5) Funds deposited in the account shall not bear interest to the
28 account holder.

29 b. Debits to an Internet wagering account shall not be made
30 except as provided by this subsection.

31 (1) When an account holder logs onto a wagering account and
32 exchanges account funds for Internet chips, tokens or other cash
33 equivalents, the licensee shall debit the holder's account in the
34 amount of funds exchanged. Upon receipt by a casino licensee of
35 an account wager or an account purchase order, the casino licensee
36 shall debit the account holder's Internet chips, tokens or other cash
37 equivalents in the amount of the wager or purchase.

38 (2) A casino licensee may authorize a withdrawal from a
39 wagering account when the account holder submits to the casino
40 licensee:

41 (a) proper identification;

42 (b) the correct authentication information for access to the
43 account; and

44 (c) a properly completed and executed withdrawal on a form
45 approved by the division.

46 Upon receipt of a properly completed and executed withdrawal
47 form, and if there are sufficient funds in the account to cover the
48 withdrawal, the licensee shall send, within three business days of

1 receipt, a check payable in the amount requested to the holder at the
2 address specified in the application for the wagering account or
3 shall transmit payment to the account holder electronically as
4 approved by the division by regulation.

5

6 17. (New section) A casino licensee may accept Internet
7 account wagers only as follows:

8 a. The account wager shall be placed directly with the casino
9 licensee by the holder of the wagering account and the casino
10 licensee has verified the account holder's physical presence in this
11 State.

12 b. The account holder placing the account wager shall provide
13 the casino licensee with the correct authentication information for
14 access to the wagering account.

15 c. A casino licensee may not accept an account wager in an
16 amount in excess of funds on deposit in the wagering account of the
17 holder placing the wager. Funds on deposit include amounts
18 credited under this act, P.L. c. (C.) (pending before the
19 Legislature as this bill), and in the account at the time the wager is
20 placed.

21

22 18. (New section) All amounts remaining in wagering accounts
23 inactive or dormant for such period and under such conditions as
24 established by regulation by the division shall be paid 50% to the
25 casino licensee and 50% to the casino control fund. Before closing
26 a wagering account pursuant to this section, the casino licensee
27 shall attempt to contact the account holder by mail, phone and
28 computer.

29

30 19. (New section) a. The casino licensee shall establish a log in
31 procedure for a holder of a wagering account to access Internet
32 wagering. Part of the log in procedure shall be the provision by the
33 account holder of the appropriate authentication information for
34 access to the wagering account. The casino licensee shall not allow
35 an account holder to participate in gaming before logging in and
36 providing the proper authentication information to access the
37 holder's wagering account.

38 b. Upon log in, the holder of a wagering account shall have the
39 option to exchange any amount of funds in the wagering account to
40 Internet chips, tokens or other cash equivalents, to be used for
41 Internet casino gaming.

42 c. Upon logging off, the current amount of the holders' Internet
43 chips, tokens or other cash equivalents shall be credited to the
44 holder's wagering account.

45

46 20. (New section) The casino licensee shall provide to a holder
47 of a wagering account who is logged in to his or her wagering
48 account access to a display of all of the following information:

- 1 a. the current amount of money in the holder's account,
2 including the current amount of the holder's Internet chips, tokens
3 or other cash equivalents;
- 4 b. the amount of money the account holder has won or lost on
5 Internet wagering since the account was established;
- 6 c. the amount of money the account holder has won or lost on
7 during the current gaming session, when a gaming session begins at
8 log on and ends at log off;
- 9 d. a detailed accounting of all other Internet gaming sessions,
10 when a session begins at log on and ends at log off, including time
11 and date of log on and log off and the amount of money won or lost
12 on gaming and the amount of money spent from the account on
13 merchandise or services; and
- 14 e. the complete text of the rules of the division regarding
15 games and the conduct of Internet wagering, pay-offs of winning
16 wagers, an approximation of the odds of winning for each wager,
17 and such other advice and information to the account holder as the
18 division shall require.

19

20 21. (New section) In order to assist those persons who may
21 have a gambling problem, a casino licensee shall:

- 22 a. cause the words "If you or someone you know has a
23 gambling problem and wants help, call 1-800 GAMBLER," or some
24 comparable language approved by the division, which language
25 shall include the words "gambling problem" and "call 1-800
26 GAMBLER," to be prominently and continuously displayed to any
27 person visiting or logged onto Internet wagering;
- 28 b. provide a mechanism by which a holder of a wagering
29 account may establish the following controls on wagering activity
30 through the wagering account:

31 (1) a limit on the amount of money lost within a specified period
32 of time and the length of time the holder will be unable to
33 participate in gaming if the holder reaches the established loss limit;

34 (2) a limit on the maximum amount of any single wager on any
35 game; and

36 (3) a temporary suspension of gaming through the account for
37 any number of hours or days.

38 The casino licensee shall not send gaming-related mail or
39 electronic mail to an account holder while gaming through his or
40 her wagering account is suspended. The casino licensee shall
41 provide a mechanism by which an account holder may change these
42 controls, except that while gaming through the wagering account is
43 suspended, the account holder may not change gaming controls
44 until the suspension expires, but the holder shall continue to have
45 access to the account and shall be permitted to withdraw funds from
46 the account upon proper application therefor; and

47 c. establish a system by which a holder of a wagering account
48 who sustains continuous losses of a sufficient level according to

1 standards set by the division by regulation, will have sent to his or
2 her postal address and electronic mail address a list detailing all
3 gaming winnings and losses through the wagering account, contact
4 information for assistance with identifying a potential gambling
5 problem and other information about gambling problems and
6 compulsive gambling deemed appropriate by the division.

7
8 22. (New section) a. Except as provided in this section, no
9 casino licensee or any person licensed under P.L.1977, c.110
10 (C.5:12-1 et seq.) and no person acting on behalf of, or under any
11 arrangement with, a casino licensee or other person licensed under
12 P.L.1977, c.110, shall:

13 (1) cash any check, make any loan, or otherwise provide credit
14 to any person for the purpose of crediting an Internet wagering
15 account; or

16 (2) release or discharge any debt, either in whole or in part, or
17 make any loan which represents any losses incurred by any account
18 holder in gaming activity through Internet wagering, without
19 maintaining a written record thereof in accordance with the rules of
20 the division.

21 b. Notwithstanding section 101 of P.L.1977, c.110 (C.5:12-
22 101), no casino licensee or any person licensed under P.L.1977,
23 c.110 (C.5:12-1 et seq.) and no person acting on behalf of, or under
24 any arrangement with, a casino licensee or other person licensed
25 under P.L.1977, c.110, may accept a check, other than a recognized
26 traveler's check or other cash equivalent from any person for the
27 purpose of crediting an Internet wagering account unless:

28 (1) the check is made payable to the casino licensee;

29 (2) the check is dated, but not postdated;

30 (3) the check is transmitted to the casino licensee and received
31 by the licensee in a manner approved by the division and is
32 exchanged for credits on the Internet wagering account established
33 by the drawer of the check; and

34 (4) the regulations concerning check cashing procedures are
35 observed by the casino licensee and its employees and agents.

36
37 23. (New section) Any person who offers games into play or
38 displays such games through Internet wagering without approval of
39 the division to do so is guilty of a crime of the fourth degree and
40 notwithstanding the provisions of N.J.S.2C:43-3, shall be subject to
41 a fine of not more than \$25,000 and in the case of a person other
42 than a natural person, to a fine of not more than \$100,000 and any
43 other appropriate disposition authorized by subsection b. of
44 N.J.S.2C:43-2.

45
46 24. (New section) a. Notwithstanding section 46 of P.L.1991,
47 c.182 (C.5:12-113.1), any person who knowingly tampers with
48 software, computers or other equipment used to conduct Internet

1 wagering to alter the odds or the payout of a game or disables the
2 game from operating according to the rules of the game as
3 promulgated by the division is guilty of a crime of the third degree
4 and notwithstanding the provisions of N.J.S.2C:43-3, shall be
5 subject to a fine of not more than \$50,000 and in the case of a
6 person other than a natural person, to a fine of not more than
7 \$200,000 and any other appropriate disposition authorized by
8 subsection b. of N.J.S.2C:43-2.

9 b. In addition to the penalties provided in subsection a., an
10 employee of the casino licensee who violates this section shall have
11 his or her license revoked and shall be subject to such further
12 penalty as the division deems appropriate.

13 c. In addition to the penalties provided in subsection a., a
14 casino licensee that violates this section shall have its permit to
15 conduct Internet wagering revoked and shall be subject to such
16 further penalty as the division deems appropriate.

17

18 25. (New section) a. Any person who knowingly offers or
19 allows to be offered any Internet game that has been tampered with
20 in a way that affects the odds or the payout of a game or disables
21 the game from operating according to the rules of the game as
22 promulgated by the division is guilty of a crime of the third degree
23 and notwithstanding the provisions of N.J.S.2C:43-3, shall be
24 subject to a fine of not more than \$50,000 and in the case of a
25 person other than a natural person, to a fine of not more than
26 \$200,000 and any other appropriate disposition authorized by
27 subsection b. of N.J.S.2C:43-2.

28 b. In addition to the penalties provided in subsection a., an
29 employee of the casino licensee who knowingly violates this section
30 shall have his or her license suspended for a period not less than 30
31 days.

32 c. In addition to the penalties provided in subsection a., a
33 casino licensee that violates this section shall have its permit to
34 conduct Internet wagering suspended for a period not less than 30
35 days.

36

37 26. (New section) a. No person under the age of 21 shall be
38 permitted to maintain an Internet wagering account. Any casino
39 licensee or employee of a casino licensee who allows a person
40 under the age of 21 to maintain a wagering account is guilty of a
41 crime of the fourth degree and subject to the penalties therefor;
42 except that the establishment of all of the following facts by a
43 licensee or employee allowing any such underage person to
44 maintain an account shall constitute a defense to any prosecution
45 therefor:

46 (1) that the underage person falsely represented during the
47 application process for an Internet wagering account that he or she

1 was at least 21 years of age; and

2 (2) that the establishment of the Internet wagering account was
3 made in good faith, relying upon such representation, and in the
4 reasonable belief that the underage person was actually 21 years of
5 age or older.

6 b. In addition to the penalties provided in subsection a. of this
7 section, an employee of the casino licensee who violates the
8 provisions of this section more than once shall have his or her
9 license revoked.

10 c. In addition to the penalties provided in subsection a. of this
11 section, a casino licensee that violates the provisions of this section
12 more than once shall have its permit to conduct Internet wagering
13 revoked.

14

15 27. (New section) a. The division shall, by regulation, establish
16 annual fees for the issuance or renewal of Internet wagering
17 permits. The issuance fee shall be based upon the cost of
18 investigation and consideration of the license application and shall
19 be not less than \$200,000. The renewal fee shall be based upon the
20 cost of maintaining enforcement, control and regulation of Internet
21 wagering operations and shall be not less than \$100,000.

22 b. The Attorney General shall certify to the division actual and
23 prospective costs of the investigative and enforcement functions of
24 the division, which costs shall be the basis, together with the
25 operating expenses of the division, for the establishment of annual
26 permit issuance and renewal fees.

27 c. A nonrefundable deposit of at least \$100,000 shall be
28 required to be posted with each application for an Internet wagering
29 permit and shall be applied to the initial permit fee if the application
30 is approved.

31 d. In addition to the permit issuance and renewal fees, a casino
32 licensee with an Internet wagering permit shall pay annually to the
33 division \$100,000 to be deposited into the State General Fund for
34 appropriation by the Legislature to the Department of Human
35 Services, \$85,000 of which shall be allocated to the Council on
36 Compulsive Gambling of New Jersey and \$15,000 of which shall be
37 used for compulsive gambling treatment programs in the State.

38

39 28. (New section) No organization or commercial enterprise,
40 other than a casino located in Atlantic City that has been issued a
41 permit to conduct Internet wagering and has located all of its
42 equipment used to conduct Internet wagering, including computers,
43 servers, monitoring rooms, and hubs, in Atlantic City, shall make its
44 premises available for placing wagers at casinos using the Internet
45 or advertise that its premises may be used for such purpose. An
46 organization or commercial enterprise that is determined by the
47 division to have violated the provisions of this section shall be
48 subject to a penalty of \$1,000 per player per day for making its

1 premises available for placing wagers at casinos using the Internet
2 and of \$10,000 per violation for advertising that its premises may
3 be used for such purpose.

4
5 29. This act shall take effect immediately.

6
7
8 STATEMENT

9
10 This bill authorizes Internet wagering at Atlantic City casinos to
11 enable New Jersey residents to place wagers on casino games via
12 the Internet.

13 Specifically, the bill provides:

- 14 • all games, including poker, which may be played at a casino,
15 as well as variations or composites thereof, may be offered
16 through Internet wagering;
- 17 • all equipment used by a licensee to conduct Internet
18 wagering, including but not limited to computers, servers,
19 monitoring rooms, and hubs, must be located either in a
20 restricted area on the premises of the casino hotel or in a
21 secure facility inaccessible to the public and specifically
22 designed for that purpose off the premises of a casino hotel
23 but within the territorial limits of Atlantic City and all
24 Internet wagers will be deemed to be placed when received
25 in Atlantic City by the licensee regardless of the player's
26 physical location within this State; any intermediate routing
27 of electronic data in connection with a wager will not affect
28 the fact that the wager is placed in Atlantic City;
- 29 • in order to participate in Internet wagering, a player must be
30 physically present in New Jersey whenever a wager is
31 placed by that player;
- 32 • each licensee that conducts Internet wagering must be able
33 to verify that a player is physically present in New Jersey
34 when placing a wager;
- 35 • the division must confirm on a continuing basis that a
36 licensee's equipment is able to verify that the player is
37 physically present in this State when placing a wager;
- 38 • Internet wagering in this State will be subject to the
39 provisions of, and preempted and superseded by, any
40 applicable federal law;
- 41 • there is imposed an annual tax on Internet wagering gross
42 revenues in the amount of 10% of such gross revenues
43 which will be paid into the casino revenue fund; the 8% tax
44 on casino gross revenues will not apply to Internet wagering
45 gross revenues; and the investment alternative tax will
46 apply to Internet wagering gross revenues, except that the
47 investment alternative tax on these revenues will be 5% and
48 the investment alternative will be 2.5%, with the proceeds

- 1 thereof used as provided by law;
- 2 • the Division of Gaming Enforcement may establish an
- 3 Office of Internet Wagering to which it may delegate
- 4 authority for the administration of Internet wagering
- 5 conducted by casino licensees; the division would be
- 6 responsible for recommending regulations concerning
- 7 Internet wagering for consideration and possible adoption
- 8 by the commission; this would not affect the authority of
- 9 the Division of Gaming Enforcement with respect to all
- 10 casino gaming activities, including Internet wagering;
- 11 • the application process for a licensed casino to obtain a
- 12 permit to establish Internet wagering, with the permit valid
- 13 for one year and subject to renewal. As part of the
- 14 application process, a casino licensee must submit a
- 15 description of its system of internal procedures (including
- 16 security procedures) and administrative and accounting
- 17 controls for Internet wagering, including provisions that
- 18 provide for real time monitoring of all games. A casino
- 19 licensee must also submit its gaming software and other
- 20 Internet wagering equipment to the Division of Gaming
- 21 Enforcement for testing to ensure compliance with technical
- 22 standards for such equipment set by the commission;
- 23 • procedures for the crediting and debiting of a wagering
- 24 account;
- 25 • it will be lawful for a casino licensee to provide marketing
- 26 information by means of the Internet to players engaged in
- 27 Internet wagering and to offer those players incentives to
- 28 visit the licensee's casino in Atlantic City;
- 29 • required features of Internet wagering to assist the wagering
- 30 account holder;
- 31 • required features to assist problem gamblers and potential
- 32 problem gamblers;
- 33 • penalties for violations of the provisions of the bill;
- 34 • an annual fee for Internet wagering permit holders for the
- 35 initial permit and permit renewal to cover the costs of
- 36 regulation by the commission and the division, with the
- 37 initial fee to be at least \$200,000 and the renewal fee to be
- 38 at least \$100,000; and
- 39 • an annual fee for Internet wagering permit holders of
- 40 \$100,000 to be allocated to programs to prevent compulsive
- 41 gambling and to assist compulsive gamblers.

42 Except as otherwise provided in the bill, a licensed casino's

43 Internet wagering operation would be subject to the existing

44 provisions of the Casino Control Act and the regulations

45 promulgated thereunder, including, but not limited to:

- 46 • the licensure of all employees with gaming-related duties or
- 47 responsibilities;
- 48 • penalties for a violation of the act; and

1 • supplemental sanctions deemed appropriate by the
2 commission for violations.

3 The division will adopt regulations for the implementation and
4 conduct of Internet wagering that are consistent with regulations
5 governing casino gambling generally.

6 The bill provides that no organization or commercial enterprise,
7 other than a casino located in Atlantic City that has been issued a
8 permit to conduct Internet wagering and has located all of its
9 equipment used to conduct Internet wagering, including computers,
10 servers, monitoring rooms, and hubs, in Atlantic City, would be
11 able to make its premises available for placing wagers at casinos
12 using the Internet or advertise that its premises may be used for
13 such purpose. Violations would be punishable by a penalty of
14 \$1,000 per player per day for making a premises available for
15 placing wagers at casinos using the Internet and of \$10,000 per
16 violation for advertising that a premises may be used for such
17 purpose.

18 The sponsors note that, in State v. Trump 160 N.J. 505 (1999), a
19 majority of the New Jersey Supreme Court adopted a purposive
20 reading of Article IV, Section 7, paragraph 2, subparagraph D, of
21 the State Constitution. The court clearly indicated that the purposes
22 of the provision were "a rejuvenated tourist industry, increased
23 employment, capital investment and much needed urban
24 redevelopment," and "to raise revenue to benefit senior and disabled
25 citizens." Trump, 160 N.J. at 516.

SENATE STATE GOVERNMENT, WAGERING, TOURISM &
HISTORIC PRESERVATION COMMITTEE

STATEMENT TO

SENATE, No. 1565

with committee amendments

STATE OF NEW JERSEY

DATED: MARCH 5, 2012

The Senate State Government, Wagering, Tourism and Historic Preservation Committee reports favorably and with committee amendments Senate Bill No. 1565.

This bill authorizes Internet wagering at Atlantic City casinos to enable New Jersey residents to place wagers on casino games via the Internet.

Specifically, the bill provides:

- all games, including poker, which may be played at a casino, as well as variations or composites thereof, may be offered through Internet wagering;
- all equipment used by a licensee to conduct Internet wagering, including but not limited to computers, servers, monitoring rooms, and hubs, must be located either in a restricted area on the premises of the casino hotel or in a secure facility inaccessible to the public and specifically designed for that purpose off the premises of a casino hotel but within the territorial limits of Atlantic City and all Internet wagers will be deemed to be placed when received in Atlantic City by the licensee regardless of the player's physical location within this State; any intermediate routing of electronic data in connection with a wager will not affect the fact that the wager is placed in Atlantic City;
- in order to participate in Internet wagering, a player must be physically present in New Jersey whenever a wager is placed by that player;
- each licensee that conducts Internet wagering must be able to verify that a player is physically present in New Jersey when placing a wager;
- the division must confirm on a continuing basis that a licensee's equipment is able to verify that the player is physically present in this State when placing a wager;
- Internet wagering in this State will be subject to the provisions

of, and preempted and superseded by, any applicable federal law;

- there is imposed an annual tax on Internet wagering gross revenues in the amount of 10% of such gross revenues which will be paid into the casino revenue fund; the 8% tax on casino gross revenues will not apply to Internet wagering gross revenues; and the investment alternative tax will apply to Internet wagering gross revenues, except that the investment alternative tax on these revenues will be 5% and the investment alternative will be 2.5%, with the proceeds thereof used as provided by law;
- the Division of Gaming Enforcement may establish an Office of Internet Wagering to which it may delegate authority for the administration of Internet wagering conducted by casino licensees; the division would be responsible for recommending regulations concerning Internet wagering for consideration and possible adoption by the commission; this would not affect the authority of the Division of Gaming Enforcement with respect to all casino gaming activities, including Internet wagering;
- the application process for a licensed casino to obtain a permit to establish Internet wagering, with the permit valid for one year and subject to renewal. As part of the application process, a casino licensee must submit a description of its system of internal procedures (including security procedures) and administrative and accounting controls for Internet wagering, including provisions that provide for real time monitoring of all games. A casino licensee must also submit its gaming software and other Internet wagering equipment to the Division of Gaming Enforcement for testing to ensure compliance with technical standards for such equipment set by the commission;
- procedures for the crediting and debiting of a wagering account;
- it will be lawful for a casino licensee to provide marketing information by means of the Internet to players engaged in Internet wagering and to offer those players incentives to visit the licensee's casino in Atlantic City;
- required features of Internet wagering to assist the wagering account holder;
- required features to assist problem gamblers and potential problem gamblers;
- penalties for violations of the provisions of the bill;
- an annual fee for Internet wagering permit holders for the initial permit and permit renewal to cover the costs of regulation by the commission and the division, with the initial fee to be at least \$200,000 and the renewal fee to be at least

\$100,000; and

- an annual fee for Internet wagering permit holders of \$100,000 to be allocated to programs to prevent compulsive gambling and to assist compulsive gamblers.

Except as otherwise provided in the bill, a licensed casino's Internet wagering operation would be subject to the existing provisions of the Casino Control Act and the regulations promulgated thereunder, including, but not limited to:

- the licensure of all employees with gaming-related duties or responsibilities;
- penalties for a violation of the act; and
- supplemental sanctions deemed appropriate by the commission for violations.

The division will adopt regulations for the implementation and conduct of Internet wagering that are consistent with regulations governing casino gambling generally.

The bill provides that no organization or commercial enterprise, other than a casino located in Atlantic City that has been issued a permit to conduct Internet wagering and has located all of its equipment used to conduct Internet wagering, including computers, servers, monitoring rooms, and hubs, in Atlantic City, would be able to make its premises available for placing wagers at casinos using the Internet or advertise that its premises may be used for such purpose. Violations would be punishable by a penalty of \$1,000 per player per day for making a premises available for placing wagers at casinos using the Internet and of \$10,000 per violation for advertising that a premises may be used for such purpose.

Notwithstanding these provisions of the bill, it would permit wagers to be accepted from persons who are outside of New Jersey if the Division of Gaming Enforcement determines that this would not be inconsistent with federal law or the law of the jurisdiction, including any foreign nation, in which any such a person is located, or if such wagering is conducted pursuant to an interstate compact to which this State is a party that is not inconsistent with federal law.

The sponsors note that, in State v. Trump 160 N.J. 505 (1999), a majority of the New Jersey Supreme Court adopted a purposive reading of Article IV, Section 7, paragraph 2, subparagraph D, of the State Constitution. The court clearly indicated that the purposes of the provision were "a rejuvenated tourist industry, increased employment, capital investment and much needed urban redevelopment," and "to raise revenue to benefit senior and disabled citizens." Trump, 160 N.J. at 516.

COMMITTEE AMENDMENTS:

The committee amended the bill to permit wagers to be accepted from persons who are outside of New Jersey if the Division of Gaming

Enforcement determines that this would is not be inconsistent with federal law or the law of the jurisdiction, including any foreign nation, in which any such a person is located, or if such wagering is conducted pursuant to an interstate compact to which this State is a party that is not inconsistent with federal law.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 1565

STATE OF NEW JERSEY

DATED: APRIL 3, 2012

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1565 (1R).

This bill authorizes Internet wagering at Atlantic City casinos to enable New Jersey residents to place wagers on casino games via the Internet.

Specifically, the bill provides:

- all games, including poker, which may be played at a casino, as well as variations or composites thereof, may be offered through Internet wagering;
- all equipment used by a licensee to conduct Internet wagering, including but not limited to computers, servers, monitoring rooms, and hubs, must be located either in a restricted area on the premises of the casino hotel or in a secure facility inaccessible to the public and specifically designed for that purpose off the premises of a casino hotel but within the territorial limits of Atlantic City and all Internet wagers will be deemed to be placed when received in Atlantic City by the licensee regardless of the player's physical location within this State; any intermediate routing of electronic data in connection with a wager will not affect the fact that the wager is placed in Atlantic City;
- in order to participate in Internet wagering, a player must be physically present in New Jersey whenever a wager is placed by that player;
- each licensee that conducts Internet wagering must be able to verify that a player is physically present in New Jersey when placing a wager;
- the division must confirm on a continuing basis that a licensee's equipment is able to verify that the player is physically present in this State when placing a wager;
- Internet wagering in this State will be subject to the provisions

of, and preempted and superseded by, any applicable federal law;

- there is imposed an annual tax on Internet wagering gross revenues in the amount of 10% of such gross revenues which will be paid into the casino revenue fund; the 8% tax on casino gross revenues will not apply to Internet wagering gross revenues; and the investment alternative tax will apply to Internet wagering gross revenues, except that the investment alternative tax on these revenues will be 5% and the investment alternative will be 2.5%, with the proceeds thereof used as provided by law;
- the Division of Gaming Enforcement may establish an Office of Internet Wagering to which it may delegate authority for the administration of Internet wagering conducted by casino licensees; the division would be responsible for recommending regulations concerning Internet wagering for consideration and possible adoption by the commission; this would not affect the authority of the Division of Gaming Enforcement with respect to all casino gaming activities, including Internet wagering;
- the application process for a licensed casino to obtain a permit to establish Internet wagering, with the permit valid for one year and subject to renewal. As part of the application process, a casino licensee must submit a description of its system of internal procedures (including security procedures) and administrative and accounting controls for Internet wagering, including provisions that provide for real time monitoring of all games. A casino licensee must also submit its gaming software and other Internet wagering equipment to the Division of Gaming Enforcement for testing to ensure compliance with technical standards for such equipment set by the commission;
- procedures for the crediting and debiting of a wagering account;
- it will be lawful for a casino licensee to provide marketing information by means of the Internet to players engaged in Internet wagering and to offer those players incentives to visit the licensee's casino in Atlantic City;
- required features of Internet wagering to assist the wagering account holder;
- required features to assist problem gamblers and potential problem gamblers;
- penalties for violations of the provisions of the bill;
- an annual fee for Internet wagering permit holders for the initial permit and permit renewal to cover the costs of regulation by the commission and the division, with the initial fee to be at least \$200,000 and the renewal fee to be at least

\$100,000; and

- an annual fee for Internet wagering permit holders of \$100,000 to be allocated to programs to prevent compulsive gambling and to assist compulsive gamblers.

Except as otherwise provided in the bill, a licensed casino's Internet wagering operation would be subject to the existing provisions of the Casino Control Act and the regulations promulgated thereunder, including, but not limited to:

- the licensure of all employees with gaming-related duties or responsibilities;
- penalties for a violation of the act; and
- supplemental sanctions deemed appropriate by the commission for violations.

The division will adopt regulations for the implementation and conduct of Internet wagering that are consistent with regulations governing casino gambling generally.

The bill provides that no organization or commercial enterprise, other than a casino located in Atlantic City that has been issued a permit to conduct Internet wagering and has located all of its equipment used to conduct Internet wagering, including computers, servers, monitoring rooms, and hubs, in Atlantic City, would be able to make its premises available for placing wagers at casinos using the Internet or advertise that its premises may be used for such purpose. Violations would be punishable by a penalty of \$1,000 per player per day for making a premises available for placing wagers at casinos using the Internet and of \$10,000 per violation for advertising that a premises may be used for such purpose.

Notwithstanding these provisions of the bill, it would permit wagers to be accepted from persons who are outside of New Jersey if the Division of Gaming Enforcement determines that this would not be inconsistent with federal law or the law of the jurisdiction, including any foreign nation, in which any such a person is located, or if such wagering is conducted pursuant to an interstate compact to which this State is a party that is not inconsistent with federal law.

The sponsors note that, in State v. Trump 160 N.J. 505 (1999), a majority of the New Jersey Supreme Court adopted a purposive reading of Article IV, Section 7, paragraph 2, subparagraph D, of the State Constitution. The court clearly indicated that the purposes of the provision were "a rejuvenated tourist industry, increased employment, capital investment and much needed urban redevelopment," and "to raise revenue to benefit senior and disabled citizens." Trump, 160 N.J. at 516.

FISCAL IMPACT:

Internet gambling in New Jersey would provide a new method of wagering on authorized casino games in Atlantic City. No current data exists for actual online gaming to provide the necessary economic,

demographic, and consumer behavior information needed to make an estimate and any online gaming data that is available is limited and dated. The data on all of these variables will affect not only an estimate of the amount of State revenues derived from Internet gambling, but also an estimate of other tax revenues generated by the business activities of the casino industry such as State revenues from the sales tax and the corporate business tax. State revenues will increase as a result of this bill, but the amount is indeterminate.

No estimate was provided by the Executive Branch with regard to the costs of establishing and operating an Office of Internet Wagering for the administration and enforcement of Internet wagering. The office is also responsible for recommending regulations concerning Internet wagering for consideration and possible adoption by the commission. In addition, no estimate was provided with regard to the number of projected permit holders upon which initial annual fees would be assessed for the cost of regulation and for programs to prevent compulsive gambling and to assist compulsive gamblers. In addition, various fines, fees, and penalties are established by the bill for violation of the provisions of this bill.

STATEMENT TO
[First Reprint]
SENATE, No. 1565

with Senate Floor Amendments
(Proposed by Senators LESNIAK and WHELAN)

ADOPTED: MAY 24, 2012

These Senate amendments:

add a findings and declarations section to the bill;

clarify that any game authorized to be played in a casino may, with the approval of the division, be offered through Internet gaming;

replace references to “Internet wagering” with “Internet gaming”;

add Internet gaming companies to the definition of “casino service industry enterprises” and to the licensing requirements applicable to those industries;

include additional language to provide that the division must test both the hardware and software used in Internet gaming;

require that all Internet gaming equipment must be located within the licensed casino hotel in Atlantic city, rather than within Atlantic City;

permit participation agreements between casino service industry enterprises providing Internet gaming goods and services and casino licensees;

amend a provision in current law which directs the State to undertake an educational campaign on Internet gaming;

require information to assist persons who have a compulsive gambling problem to be displayed prominently on the screen during log on and log off times, rather than continuously during an Internet gaming session; and

increase funds available for compulsive gambling treatment.

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

SENATE, No. 1565

STATE OF NEW JERSEY 215th LEGISLATURE

DATED: AUGUST 22, 2012

SUMMARY

Synopsis: Authorizes Internet gaming at Atlantic City casinos under certain circumstances.

Type of Impact: Revenue Increase: State General Fund; Casino Revenue Fund; Casino Control Fund.

Agencies Affected: Department of Law and Public Safety, Division of Gambling Enforcement; Department of the Treasury, Casino Control Commission.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
State Revenue	Indeterminate – See comments below		

- This bill authorizes casino games in Atlantic City to be offered through the Internet to residents of New Jersey and to be accepted from certain persons who are outside of New Jersey as determined by the Division of Gambling Enforcement.
- The Office of Legislative Services (OLS) cannot reliably estimate the increase in State revenue that could result from Internet gambling on authorized casino games offered by Atlantic City Casinos due to a lack of data.
- Internet gambling in New Jersey would provide a new method of wagering on authorized casino games in Atlantic City. No current data exists for actual online gambling to provide the necessary economic, demographic, and consumer behavior information needed to make an estimate and any online gambling data that is available is limited and dated.

BILL DESCRIPTION

Senate Bill No. 1565 (2R) of 2012 authorizes Internet wagering at Atlantic City casinos to

enable New Jersey residents to place wagers on casino games via the Internet and to permit wagers to be accepted from persons who are outside of New Jersey if the Division of Gambling Enforcement determines that this would not be inconsistent with federal law or the law of the jurisdiction, including any foreign nation, in which any such a person is located, or if such wagering is conducted pursuant to an interstate compact to which this State is a party that is not inconsistent with federal law.

In summary, the bill provides that all games, including poker, which may be played at a casino, as well as variations or composites thereof, may be offered through Internet wagering. In addition, all equipment used by a licensee to conduct Internet wagering must be located in a restricted area on the premises of the casino hotel. In order to participate in Internet wagering, a player must be physically present in New Jersey whenever a wager is placed by that player or a player outside of the State must be determined to be eligible by the Division of Gambling Enforcement, as specified.

There is imposed an annual tax on Internet wagering gross revenues in the amount of 10 percent of such gross revenues which will be paid into the casino revenue fund; the current 8 percent tax on casino gross revenues will not apply to Internet wagering gross revenues; and the investment alternative tax will apply to Internet wagering gross revenues, except that the investment alternative tax on these revenues will be 5 percent and the investment alternative will be 2.5 percent, with the proceeds thereof used as provided by current law.

The Division of Gambling Enforcement may establish an Office of Internet Wagering to which it may delegate authority for the administration of Internet wagering conducted by casino licensees, and the division would be responsible for recommending regulations concerning Internet wagering for consideration and possible adoption by the commission. This would not affect the authority of the Division of Gambling Enforcement with respect to all casino gambling activities, including Internet wagering.

The bill establishes an annual fee for Internet wagering permit holders for the initial permit and permit renewal to cover the costs of regulation by the commission and the division, with the initial fee to be at least \$200,000 and the renewal fee to be at least \$100,000. In addition, an annual fee for Internet wagering permit holders of \$100,000 is to be established, the proceeds of which are to be allocated to programs to prevent compulsive gambling and to assist compulsive gamblers.

Except as otherwise provided in the bill, a licensed casino's Internet wagering operation would be subject to the existing provisions of the Casino Control Act and the regulations promulgated thereunder, including, but not limited to: the licensure of all employees with gambling-related duties or responsibilities; penalties for a violation of the act; and supplemental sanctions deemed appropriate by the commission for violations. The division will adopt regulations for the implementation and conduct of Internet wagering that are consistent with regulations governing casino gambling generally.

The bill provides that no organization or commercial enterprise, other than a casino located in Atlantic City that has been issued a permit to conduct Internet wagering and has located all of its equipment used to conduct Internet wagering, including computers, servers, monitoring rooms, and hubs, in its casino in Atlantic City, would be able to make its premises available for placing wagers at casinos using the Internet or advertise that its premises may be used for such purpose. Violations would be punishable by a penalty of \$1,000 per player per day for making a premises available for placing wagers at casinos using the Internet and of \$10,000 per violation for advertising that a premise may be used for such purpose.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS cannot provide a reliable estimate of the increase in State revenue that could be raised from authorized casino games offered through the Internet by Atlantic City casinos. While Internet gambling is popular in Europe, Internet gambling has been limited in the United States and data describing the Internet gambling behavior of residents in New Jersey is not available. Furthermore, an estimate for New Jersey based on data extrapolated from international statistics would not be reliable. Nevertheless, in an effort to develop a fiscal estimate, information and projections for the online gambling market prior to the passage of the federal Unlawful Internet Gambling Enforcement Act, projections of the potential United States market for online gambling, and the current structure of the brick and mortar industry in Atlantic City were considered in an attempt to estimate potential additional State revenue.

The first methodology used brick and mortar casino gambling market share to attempt to estimate potential additional tax revenue from intra-State online gambling and a second methodology used derivations of the population of New Jersey and various projections from studies by Christiansen Capital Advisors, L.L.C. (CCA) and Goldman Sachs. It should be noted that in a market share-based estimate, the market share variable is highly dependent on consumer behavior in the brick and mortar industry and may not reflect consumer behavior in an online environment. In addition, in a population-based estimate the revenues are highly dependent on the numbers of players and gross gambling revenues realized per player.

According to an article in Online Casino Reports, Goldman Sachs: US to Legalize Online Gambling, Goldman Sachs estimated, in a 2009 investor report, that online gambling could generate \$12 billion in annual United States gross gambling revenues. According to the article, Goldman Sachs assumed that 45 percent of the brick and mortar *poker* players may start playing online and that gross gambling revenue per player could be \$400, creating a \$6 billion online poker market. Likewise, it assumed that 45 percent of *casino* players may start playing online and that gross gambling revenue per player could also be \$400 creating a \$6 billion online casino gambling market, or a potential \$12 billion online poker and casino gambling market. The article did not provide explanations of the essential principles of the assumptions underlying the estimate. In addition, the article did not mention if the estimate accounted for other changes in consumer behavior associated with a new online casino gambling market. For example, will the brick and mortar players who migrate to play online continue to play in Atlantic City as well? Will new online players emerge who would not have otherwise gambled in a brick and mortar setting? Will new players through online gambling choose to gamble online and in Atlantic City?

Questions which cannot be answered due to a lack of data include the effects of:

- (1) new supply: will the total poker and casino gambling market expand? will online gambling complement, supplement, or contract the existing brick and mortar based industry?
- (2) consumer behavior: will younger players use both online and brick and mortar means to gamble? will senior players prefer traditional brick and mortar gambling to online gambling?

does online gambling provide a means to gamble comfortably for those who would not otherwise gamble in public or under the pressure of a casino table?

(3) change in services: will people be able to gamble online at casinos? will casinos offer additional entertainment services to attract new customers? will casinos change the pricing or delivery of other services such as hotels, parking, and food?

(4) changes in taxes and wagers: will taxes for online gambling offset losses in sales, luxury, and corporate business taxes? would a user fee be charged to offset potentially lower wager thresholds for online games? will minimum wagers for online games be established? will minimum wagers for online games be lower to increase the frequency of play?

While reliable estimates of additional tax revenue to the State cannot be determined at this time, using the Goldman Sachs data, a market share calculation of the casino gambling revenue only could generate \$60 million at a 10 percent gross revenue tax rate, using a 2002 and 2005 New Jersey table games and slot machine market share of approximately 17 percent¹. It should be noted, however, that the 17 percent market share figure is for Atlantic City and includes all those who played in Atlantic City, not adjusted for New Jersey players only. Thus, the estimate assumes that 5 percent of the 17 percent are New Jersey players, although no actual data on this percentage is available.

Under the population methodology based on 2000 Census Bureau data to estimate the adult population over 21 years of age (6 million), projections from CCA, and the Goldman Sachs gross revenue estimate, a 10 percent gross revenue tax rate could derive \$56 million in tax revenue. This estimate also uses statistics from the 2004 Atlantic City Profile to estimate the percentage of the adult population that visits Atlantic City each year (26 percent). Goldman Sachs estimates that the gross gambling revenue for poker and casino games per player, per year would be a combined \$800. According to the Atlantic City Visitor Profile, gambling elsewhere does not “reduce the frequency of Atlantic City visits.” It should be noted, that online gambling could change the frequency of visits to Atlantic City by New Jerseyans and others.

In addition to the above calculation of State tax revenue based on dated U.S. information, another study, Potential Economic and Fiscal Impacts of the Proposed New Jersey Intrastate i-Gaming Bill (June 2010), by Econsult Corporation, uses international Internet gambling statistics to project potential U.S. gross gambling revenues and New Jersey tax revenues. Econsult estimates that at a 20 percent tax rate, in the short run, New Jersey tax revenues could increase by \$46 million to \$55 million and, if New Jersey becomes the U.S. Internet gambling hub, State tax revenues could increase by \$205 million to \$472 million in the long run. Like the Goldman Sachs estimate, the OLS cannot substantiate this estimate because the report did not provide explanations of the essential principles of the assumptions underlying the estimate.

Actual online gambling data would provide answers to necessary economic, demographic, and consumer behavior questions and would allow for a more illustrative estimate. However, there is no actual current data and any online gambling information based on U.S. data that is available, is dated. Therefore, a more accurate estimate is not possible at this time².

No estimate has been available from the Executive Branch with regard to the costs of establishing and operating an Office of Internet Wagering for the administration and enforcement of Internet wagering. The office is also responsible for recommending regulations concerning Internet wagering for consideration and possible adoption by the commission. In addition, no

¹ Christiansen Capital Advisors, L.L.C., eGaming Data Report (June 2005).

² There are four major taxes that provide tax revenue to the State from the brick and mortar casino industry. They are the sales tax, luxury tax, corporate business tax, and the casino gross revenue tax. This analysis addresses only the potential additional tax revenues derived by the casino gross revenue tax deposited into the Casino Revenue Fund. The impact on other taxes such as the sales tax, luxury tax, and corporate business tax are not considered here.

estimate was provided with regard to the number of projected permit holders upon which initial annual fees would be assessed for the cost of regulation and for programs to prevent compulsive gambling and to assist compulsive gamblers. The various fines, fees, and penalties established by the bill for violation of the provisions of this bill would generate additional, but an indeterminate amount of, revenue.

Section: State Government

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*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

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Statement from Governor Chris Christie on Signing of Internet Gaming Bill

Tuesday, February 26, 2013 Tags: [Statements](#)

Trenton, NJ – Governor Chris Christie released the following statement today upon signing into law the Internet gaming bill:

"I am pleased to say that today I signed New Jersey's Internet Gaming Bill, opening the way for new opportunity to bolster our efforts to continue the revival of Atlantic City, its casinos and entertainment offerings. This was a critical decision, and one that I did not make lightly. But with the proper regulatory framework and safeguards that I insisted on including in the bill, I am confident that we are offering a responsible yet exciting option that will make Atlantic City more competitive while also bringing financial benefits to New Jersey as a whole. I want to thank the sponsors for working quickly to include my recommendations to improve the bill."

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