



103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

HB3850

Introduced 2/17/2023, by Rep. Cyril Nichols

SYNOPSIS AS INTRODUCED:

See Index

Amends the Illinois Gambling Act. Provides that the Illinois Gaming Oversight Officer is created with the Illinois Gaming Board under the Administrator. Provides for: duties of the Oversight Officer; funding required; a disparity and availability study; and compiling, collecting, or otherwise gathering data necessary for the Administration of the Act. Provides that the Oversight Officer shall work with the General Assembly to establish a pilot program for minority-owned business enterprises that apply for a terminal operator license. Amends the Sports Wagering Act. In provisions concerning the lottery sports wagering pilot program, provides that lottery games are part of the private management and competitive bidding process under the Illinois Lottery Law (rather than the Department issuing a central system provider license pursuant to an open and competitive bidding process). Requires that every sports lottery terminal offered in this State for play shall conform to an approved model that shall be ready for play in this State within 90 days after the effective date of the amendatory Act and any system testing dates designated by the Department of the Lottery. Makes changes in provisions concerning the placement of sports lottery terminals, wagers accepted, and the Department's powers. Provides that the Department shall be responsible for facilitating the purchase or lease of all sports lottery terminals. Removes the repeal date of January 1, 2024. Amends the Prizes and Gifts Act. Provides that it is unlawful for a person to operate on any premises a prize and gift kiosk that fails to meet the required technical standard. Provides that no prize and gift kiosk shall be connected directly or indirectly to the Internet, either by cellular modem, hard wire, or wireless connection, or to a set of interconnected networked devices in order to participate in the game or contest or to receive or retrieve any data related to the kiosk or device unless the connected device is a redemption vault. Makes other and corresponding changes. Effective immediately.

LRB103 29616 AMQ 56012 b

A BILL FOR

1 AN ACT concerning gaming.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Gambling Act is amended by adding
5 Section 5.5 as follows:

6 (230 ILCS 10/5.5 new)

7 Sec. 5.5. Illinois Gaming Oversight Officer.

8 (a) The position of Illinois Gaming Oversight Officer is
9 created within the Illinois Gaming Board under the
10 Administrator. The Oversight Officer shall be appointed by the
11 Governor with recommendations given by the Speaker of the
12 House of Representatives.

13 (b) The Oversight Officer may:

14 (1) maintain a staff;

15 (2) make recommendations for policy, statute, and rule
16 changes;

17 (3) collect data both in and outside this State
18 regarding the regulation of gaming and exempted or
19 quasi-gaming;

20 (4) compile or assist in the compilation of any
21 reports required by this Act;

22 (5) ensure the coordination of efforts between various
23 State agencies involved in regulating and taxing gaming

1 and exempted or quasi-gaming in this State; and

2 (6) encourage, promote, suggest, and report best
3 practices for ensuring diversity in the gaming and
4 exempted or quasi-gaming industry in this State.

5 (c) Any funding required for the Oversight Officer, its
6 staff, or its activities shall be appropriated as part of the
7 funding for the Illinois Gaming Board.

8 (d) The Oversight Officer shall commission and publish a
9 disparity and availability study on a biannual basis that: (i)
10 evaluates whether there exists discrimination in the State's
11 gaming industry; and (ii) if so, evaluates the impact of such
12 discrimination on the State and includes recommendations to
13 the Speaker of the House of Representatives for reducing or
14 eliminating any identified barriers to entry in the gaming
15 market. The Oversight Officer shall forward a copy of its
16 findings and recommendations to the Illinois Gaming Board, the
17 Department of Commerce and Economic Opportunity, the General
18 Assembly, and the Governor.

19 (e) The Oversight Officer shall have a budget set by the
20 General Assembly for the purpose of contracting with a third
21 party to assist in completing the disparity study. The
22 Oversight Officer shall have the authority to select and hire
23 outside firms for the purpose of completing the disparity
24 study.

25 (f) The Oversight Officer may compile, collect, or
26 otherwise gather data necessary for the administration of this

1 Act and to carry out the Officer's duty relating to the
2 recommendation of policy changes. The Oversight Officer may
3 direct the Illinois Gaming Board and Department of Commerce
4 and Economic Opportunity to assist in the compilation,
5 collection, and data gathering authorized pursuant to this
6 Section. The Oversight Officer shall compile all of the data
7 into a single report and submit the report to the Governor and
8 the General Assembly and publish the report on its website.

9 (g) The Oversight Officer shall pair eligible minority
10 businesses with terminal operator licensees or casino
11 licensees for mentoring. The Oversight Officer shall develop a
12 mentorship program to assist minority-owned businesses to
13 transition into gaming opportunities under the Illinois
14 Gambling Act and Video Gaming Act. An eligible minority-owned
15 business is one that operates or has applied to operate any
16 activity covered under subsection (b) of Section 28-1 of the
17 Criminal Code of 2012, like bingo, charitable games, lottery,
18 poker runs, raffles, and prize and gift kiosks.

19 (h) The Oversight Officer shall work with the General
20 Assembly to establish a pilot program for minority-owned
21 business enterprises that apply for a terminal operator
22 license. The pilot program shall establish a reduction in fees
23 to apply for and receive a license and set a limit for the
24 Illinois Gaming Board of up to 6 months from the date an
25 application is submitted for a determination on suitability
26 and licensure. The pilot program shall also create the process

1 for and terms related to subsidized or guaranteed loans for
2 video gaming terminals, redemption vaults, and related
3 equipment to licensed minority terminal operators as funded
4 and secured by the revenues from the sports lottery kiosk
5 program.

6 Section 10. The Video Gaming Act is amended by changing
7 Section 35 as follows:

8 (230 ILCS 40/35)

9 Sec. 35. Display of license; confiscation; violation as
10 felony.

11 (a) Each video gaming terminal shall be licensed by the
12 Board before placement or operation on the premises of a
13 licensed establishment, licensed truck stop establishment,
14 licensed large truck stop establishment, licensed fraternal
15 establishment, or licensed veterans establishment. The license
16 of each video gaming terminal shall be maintained at the
17 location where the video gaming terminal is operated. Failure
18 to do so is a petty offense with a fine not to exceed \$100. Any
19 licensed establishment, licensed truck stop establishment,
20 licensed large truck stop establishment, licensed fraternal
21 establishment, or licensed veterans establishment used for the
22 conduct of gambling games in violation of this Act shall be
23 considered a gambling place in violation of Section 28-3 of
24 the Criminal Code of 2012. Every gambling device found in a

1 licensed establishment, licensed truck stop establishment,
2 licensed large truck stop establishment, licensed fraternal
3 establishment, or licensed veterans establishment operating
4 gambling games in violation of this Act shall be subject to
5 seizure, confiscation, and destruction as provided in Section
6 28-5 of the Criminal Code of 2012. Any license issued under the
7 Liquor Control Act of 1934 to any owner or operator of a
8 licensed establishment, licensed truck stop establishment,
9 licensed large truck stop establishment, licensed fraternal
10 establishment, or licensed veterans establishment that
11 operates or permits the operation of a video gaming terminal
12 within its establishment in violation of this Act shall be
13 immediately revoked. No person may own, operate, have in his
14 or her possession or custody or under his or her control, or
15 permit to be kept in any place under his or her possession or
16 control, any device that awards credits and contains a
17 circuit, meter, or switch capable of removing and recording
18 the removal of credits when the award of credits is dependent
19 upon chance.

20 Nothing in this Section shall be deemed to prohibit the
21 use of a game device only if the game device is used in an
22 activity that is not gambling under subsection (b) of Section
23 28-1 of the Criminal Code of 2012.

24 A violation of this Section is a Class 4 felony. All
25 devices that are owned, operated, or possessed in violation of
26 this Section are hereby declared to be public nuisances and

1 shall be subject to seizure, confiscation, and destruction as
2 provided in Section 28-5 of the Criminal Code of 2012. An
3 applicant or licensee under this Act is not in violation of
4 this Act or its rules and shall not be subject to disciplinary
5 action or denial or non-renewal for operating a game device if
6 operation of the gaming device is in compliance with and not
7 considered gambling under subsection (b) of Section 28-1 of
8 the Criminal Code of 2012.

9 The provisions of this Section do not apply to devices or
10 electronic video game terminals licensed pursuant to this Act.
11 A video gaming terminal operated for amusement only and
12 bearing a valid amusement tax sticker shall not be subject to
13 this Section until 30 days after the Board establishes that
14 the central communications system is functional.

15 (b) (1) The odds of winning each video game shall be posted
16 on or near each video gaming terminal. The manner in which the
17 odds are calculated and how they are posted shall be
18 determined by the Board by rule.

19 (2) No video gaming terminal licensed under this Act may
20 be played except during the legal hours of operation allowed
21 for the consumption of alcoholic beverages at the licensed
22 establishment, licensed fraternal establishment, or licensed
23 veterans establishment. A licensed establishment, licensed
24 fraternal establishment, or licensed veterans establishment
25 that violates this subsection is subject to termination of its
26 license by the Board.

1 (Source: P.A. 101-31, eff. 6-28-19.)

2 Section 15. The Sports Wagering Act is amended by changing
3 Section 25-70 as follows:

4 (230 ILCS 45/25-70)

5 (Section scheduled to be repealed on January 1, 2024)

6 Sec. 25-70. Lottery sports wagering pilot program.

7 (a) As used in this Section:

8 "Central lottery system" means the hardware, software,
9 peripherals, platform, and network components ~~provided by the~~
10 ~~Department's central system provider~~ that link and support all
11 required lottery games, programs, and lottery terminals,
12 including, but not limited to, sports betting games in this
13 State and programs through sports lottery terminals ~~and the~~
14 ~~central site and that are unique and separate from the lottery~~
15 ~~central system for draw and instant games.~~

16 "Central lottery system provider" means an individual,
17 partnership, corporation, or limited liability company that
18 provides the hardware, software, peripherals, platform, risk
19 management, operations, support services, and network
20 components that link and support all required lottery games
21 and lottery terminals, including, but not limited to, lottery
22 sports betting games in this State and program through ~~has~~
23 ~~been licensed for the purpose of providing and maintaining a~~
24 ~~central system and the related management facilities~~

1 ~~specifically for the management of sports lottery terminals.~~

2 "Electronic card" means a card purchased from a lottery
3 retailer.

4 "Lottery game" means any game provided for sale or
5 distribution by the State lottery, including, but not limited
6 to, sports betting games in this State and program through
7 sports lottery terminals.

8 "Lottery retailer" means a location licensed by the
9 Department or otherwise eligible for a license to sell lottery
10 tickets or shares, including any licensed retail establishment
11 where alcoholic liquor is drawn, poured, mixed, or otherwise
12 served for consumption on premises, whether the establishment
13 operates on a nonprofit or for-profit basis, any location or
14 establishment that is licensed to operate video gaming
15 terminals, and any other retail food establishment.

16 "Sports lottery systems" means systems provided by the
17 central system provider consisting of sports wagering
18 products, risk management, operations, and support services.

19 "Sports lottery terminal" means a terminal linked to the
20 central system in which bills or coins are deposited or an
21 electronic card is inserted in order to place wagers on a
22 sports event and lottery offerings and includes sports
23 wagering conducted over the Internet or through mobile
24 applications or other digital platform.

25 (b) Lottery games are a part of the private management
26 agreement and competitive bidding process as defined in

1 Section 9.1 of the Illinois Lottery Law. ~~The Department shall~~
2 ~~issue one central system provider license pursuant to an open~~
3 ~~and competitive bidding process that uses the following~~
4 ~~procedures:~~

5 ~~(1) The Department shall make applications for the~~
6 ~~central system provider license available to the public~~
7 ~~and allow a reasonable time for applicants to submit~~
8 ~~applications to the Department.~~

9 ~~(2) During the filing period for central system~~
10 ~~provider license applications, the Department may retain~~
11 ~~professional services to assist the Department in~~
12 ~~conducting the open and competitive bidding process.~~

13 ~~(3) After receiving all of the bid proposals, the~~
14 ~~Department shall open all of the proposals in a public~~
15 ~~forum and disclose the prospective central system provider~~
16 ~~names and venture partners, if any.~~

17 ~~(4) The Department shall summarize the terms of the~~
18 ~~bid proposals and may make this summary available to the~~
19 ~~public.~~

20 ~~(5) The Department shall evaluate the bid proposals~~
21 ~~within a reasonable time and select no more than 3 final~~
22 ~~applicants to make presentations of their bid proposals to~~
23 ~~the Department.~~

24 ~~(6) The final applicants shall make their~~
25 ~~presentations to the Department on the same day during an~~
26 ~~open session of the Department.~~

1 ~~(7) As soon as practicable after the public~~
2 ~~presentations by the final applicants, the Department, in~~
3 ~~its discretion, may conduct further negotiations among the~~
4 ~~3 final applicants. At the conclusion of such~~
5 ~~negotiations, the Department shall select the winning bid.~~

6 ~~(8) Upon selection of the winning bid, the Department~~
7 ~~shall evaluate the winning bid within a reasonable period~~
8 ~~of time for licensee suitability in accordance with all~~
9 ~~applicable statutory and regulatory criteria.~~

10 ~~(9) If the winning bidder is unable or otherwise fails~~
11 ~~to consummate the transaction, (including if the~~
12 ~~Department determines that the winning bidder does not~~
13 ~~satisfy the suitability requirements), the Department may,~~
14 ~~on the same criteria, select from the remaining bidders.~~

15 ~~(10) The winning bidder shall pay \$20,000,000 to the~~
16 ~~Department upon being issued the central system provider~~
17 ~~license.~~

18 (c) Every sports lottery terminal offered in this State
19 for play shall first be tested and approved pursuant to the
20 rules of the Department, and each sports lottery terminal
21 offered in this State for play shall conform to an approved
22 model that shall be ready for play in this State within 90 days
23 after the effective date of this amendatory Act of the 103rd
24 General Assembly and any system testing dates designated by
25 the Department. For the examination of sports lottery
26 terminals and associated equipment as required by this

1 Section, the central lottery system provider may utilize the
2 services of one or more independent outside testing
3 laboratories that have been accredited by a national
4 accreditation body and that, in the judgment of the
5 Department, are qualified to perform such examinations. Every
6 sports lottery terminal offered in this State for play must
7 meet minimum standards set by an independent outside testing
8 laboratory approved by the Department.

9 (d) ~~Sports~~ ~~During the first 360 days after the effective~~
10 ~~date of this Act,~~ sport lottery terminals may be placed in any
11 lottery ~~no more than 2,500 Lottery retail location~~ locations
12 in the State. ~~Sports lottery terminals may be placed in an~~
13 ~~additional 2,500 Lottery retail locations during the second~~
14 ~~year after the effective date of this Act.~~

15 (e) A sports lottery terminal may not directly dispense
16 coins, cash, tokens, or any other article of exchange or value
17 except for receipt tickets. Tickets shall be dispensed by
18 pressing the ticket dispensing button on the sports lottery
19 terminal at the end of the placement of one's wager or wagers.
20 The ticket shall indicate the total amount wagered, odds for
21 each wager placed, and the cash award for each bet placed, the
22 time of day in a 24-hour format showing hours and minutes, the
23 date, the terminal serial number, the sequential number of the
24 ticket, and an encrypted validation number from which the
25 validity of the prize may be determined. The player shall turn
26 in this ticket to the appropriate person at a lottery retailer

1 to receive the cash award.

2 (f) No lottery retailer may cause or permit any person
3 under the age of 21 years to use a sports lottery terminal or
4 sports wagering application. A lottery retailer who knowingly
5 causes or permits a person under the age of 21 years to use a
6 sports lottery terminal or sports wagering application is
7 guilty of a business offense and shall be fined an amount not
8 to exceed \$5,000.

9 (g) A sports lottery terminal shall ~~only~~ accept any wagers
10 as determined by rule by the Department ~~parlay wagers and~~
11 ~~fixed odds parlay wagers.~~ The payouts for the sports lottery
12 program shall be as follows: ~~The Department shall, by rule,~~
13 ~~establish the total amount, as a percentage, of all wagers~~
14 ~~placed that a lottery retailer may retain.~~

15 (1) 80% or less of gross dollars played to be
16 distributed as prizes and awards; this amount to be
17 calculated as an average based on a 2-year anniversary
18 date to be determined by the Department and guaranteed by
19 the central lottery system provider; and

20 (2) the remaining 20% gross gaming revenue, which is
21 gross dollars played minus prizes paid, to be distributed
22 as follows:

23 (A) 8% to the central lottery system provider; and

24 (B) except as provided in items (1) and (2), 12% to
25 the State, of which the local municipality shall
26 receive 0.5% if the State is responsible for the

1 retailer commissions and payment of the sports lottery
2 terminal;

3 (i) if a terminal operator under the Video
4 Gaming Act purchases and distributes the sports
5 lottery terminal, then 4% to the State, 3% to the
6 lottery retailer, 4.5% to the licensed terminal
7 operator, and 0.5% to the local municipality; or

8 (ii) if a Lottery retail location purchases
9 the sports lottery terminal, then 7.% goes to the
10 lottery retailer and 4% to the State, of which the
11 local municipality shall receive 0.5%.

12 (h) The Department shall have jurisdiction over and shall
13 supervise all lottery sports wagering operations governed by
14 this Section. The Department shall implement and administer
15 the lottery sports wagering program no later than June 30,
16 2023. The Department shall have all powers necessary and
17 proper to fully and effectively execute the provisions of this
18 Section, including, but not limited to, the following:

19 (1) To investigate applicants and determine the
20 eligibility of applicants for licenses with a goal of
21 advancing minority business opportunities including
22 lottery retailer ownership of sports lottery terminals ~~and~~
23 ~~to select among competing applicants the applicants which~~
24 ~~best serve the interests of the citizens of Illinois.~~

25 (2) To have jurisdiction and supervision over all
26 lottery sports wagering operations in this State.

1 (3) To adopt rules for the purpose of administering
2 the provisions of this Section and to adopt rules and
3 conditions under which all lottery sports wagering in the
4 State shall be conducted. Such rules are to provide for
5 the prevention of practices detrimental to the public
6 interest and for the best interests of lottery sports
7 wagering, including rules (i) regarding the inspection of
8 such licensees necessary to operate a lottery retailer
9 under any laws or rules applicable to licensees, (ii) to
10 impose penalties for violations of the Act and its rules,
11 ~~and~~ (iii) establishing standards for advertising lottery
12 sports wagering, (iv) to effectuate policies that advance
13 minority business ownership and participation in the
14 sports lottery program, and (v) on apportionment of the
15 total revenues accruing from the lottery sports wagering
16 program for the purchase or lease of the hardware.

17 (i) The Department shall adopt emergency rules to
18 administer this Section in accordance with Section 5-45 of the
19 Illinois Administrative Procedure Act. For the purposes of the
20 Illinois Administrative Procedure Act, the General Assembly
21 finds that the adoption of rules to implement this Section is
22 deemed an emergency and necessary to the public interest,
23 safety, and welfare.

24 (j) For the privilege of operating lottery sports wagering
25 under this Section, all proceeds minus net of proceeds
26 returned to players shall be electronically transferred daily

1 or weekly, at the discretion of the Director of the Lottery,
2 into the State Lottery Fund. After amounts owed to the central
3 system provider and licensed agents, as determined by the
4 Department, are paid from the moneys deposited into the State
5 Lottery Fund under this subsection, the remainder shall be
6 transferred on the 15th of each month to the Capital Projects
7 Fund.

8 (k) The Department shall be responsible for facilitating
9 either the purchase or lease of all sports lottery terminals
10 including opportunities for minority business lottery
11 retailers to obtain suitable financing. The Department shall
12 allow for any licensed video gambling terminal operator to
13 purchase or lease the sports lottery terminals and also allow
14 for a lottery retail location to own or lease the sports
15 lottery terminals. In addition, a percentage of the revenue
16 generated by the Department from this program shall be
17 allocated to funding through low interest loans or guarantee
18 of loans for equipment needed for minority-owned terminal
19 operators. This Section is repealed on January 1, 2024.

20 (Source: P.A. 101-31, eff. 6-28-19.)

21 Section 20. The Prizes and Gifts Act is amended by
22 changing Section 10 and by adding Sections 33 and 45 as
23 follows:

24 (815 ILCS 525/10)

1 Sec. 10. Definitions. As used in this Act:

2 "Catalog seller" means an entity (and its subsidiaries) or
3 a person at least 50% of whose annual revenues are derived from
4 the sale of products sold in connection with the distribution
5 of catalogs of at least 24 pages, which contain written
6 descriptions or illustrations and sale prices for each item of
7 merchandise and which are distributed in more than one state
8 with a total annual distribution of at least 250,000.

9 "Person" means a corporation, partnership, limited
10 liability company, sole proprietorship, or natural person.

11 "Prize" means a gift, award, or other item or service of
12 value that is offered or awarded to a participant in a real or
13 purported contest, competition, sweepstakes, scheme, plan, or
14 other selection process that involves an element of chance.

15 "Prize and gift kiosk" means a device that: (i) is used to
16 promote the purchase of a bona fide product and offers or
17 awards a prize, including cash, without requiring payment or
18 purchase to participate in compliance with paragraph (12) of
19 subsection (a) and paragraph (13) of subsection (b) of Section
20 28-1 of the Criminal Code of 2012; (ii) contains a fill system
21 which permits the operation of the device solely determined on
22 a fee basis or the amount of revenue generated but does not
23 include a system based on time, number of spins or spin
24 equivalent, or other non-revenue based system and
25 automatically ceases to operate upon the completion of a
26 predetermined cycle; and (iii) is not connected directly or

1 indirectly to the Internet, either by cellular modem,
2 hardwire, or wireless connection, or to a set of
3 interconnected networked devices in order to participate in
4 the game or contest or to receive or retrieve any data related
5 to the device unless the connected device is a redemption
6 vault that is for the sole purpose of redeeming a prize or
7 award.

8 "Retail value" of a prize means:

9 (1) a price at which the sponsor can substantiate that
10 a substantial quantity of the item or service offered as a
11 prize has been sold to the public; or

12 (2) if the sponsor is unable to satisfy the
13 requirement in subdivision (1), no more than 3 times the
14 amount the sponsor paid for the prize in a bona fide
15 purchase from an unaffiliated seller.

16 "Sponsor" means a person on whose behalf a promotion is
17 conducted to promote or advertise goods, services, or property
18 of that person. "Sponsor" includes a person who conducts a
19 promotion on behalf of another sponsor.

20 (Source: P.A. 92-436, eff. 1-1-02.)

21 (815 ILCS 525/33 new)

22 Sec. 33. Prize and gift kiosk operation.

23 (a) It is unlawful for a person to operate on any premises
24 a prize and gift kiosk that fails to meet the technical
25 standard set in the definition.

1 (b) No prize and gift kiosk shall be connected directly or
2 indirectly to the Internet, either by cellular modem, hard
3 wire, or wireless connection, or to a set of interconnected
4 networked devices in order to participate in the game or
5 contest or to receive or retrieve any data related to the kiosk
6 or device unless the connected device is a redemption vault.

7 (c) It is unlawful for a prize and gift kiosk to offer the
8 sale of anything other than a bona fide product.

9 (d) It is unlawful to operate a prize and gift kiosk
10 without a self-contained fill system which permits the
11 operation of the device solely determined on a fee basis or the
12 amount of revenue generated but does not include a system
13 based on time, number of spins or spin equivalent, or other
14 non-revenue based system and automatically ceases to operate
15 upon the completion of a predetermined cycle.

16 (815 ILCS 525/45 new)

17 Sec. 45. Fee. A prize and gift kiosk shall be registered
18 with the Department of Revenue under section 8i ("other
19 devices") of the REG-1A form of the Coin Operated Amusement
20 Device (COAD) accounts and remit the annual fee as set by the
21 Department. Filing for a device other than a prize and gift
22 kiosk as defined in this Act shall be deemed a violation of
23 filing a false report or form with the State. Violators shall
24 be subject to any and all penalties for such violation
25 including, but not limited to, the seizure of the device. The

1 Department of Revenue and the Illinois Liquor Control
2 Commission or its designee, including any public-private task
3 force, shall have jurisdiction.

4 Section 99. Effective date. This Act takes effect upon
5 becoming law.

1 INDEX

2 Statutes amended in order of appearance

3 230 ILCS 10/5.5 new

4 230 ILCS 40/35

5 230 ILCS 45/25-70

6 815 ILCS 525/10

7 815 ILCS 525/33 new

8 815 ILCS 525/45 new