

Senate File 458 - Introduced

SENATE FILE 458
BY COMMITTEE ON STATE
GOVERNMENT

(SUCCESSOR TO SSB 1165)

A BILL FOR

1 An Act relating to certain forms of gambling, including horse
2 racing, pari-mutuel wagering, gambling games, and intrastate
3 internet poker, creating regulatory and tax structures, and
4 providing penalties.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I
HORSE RACING

Section 1. Section 99D.7, Code 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 2A. To adopt standards regarding the duration of thoroughbred and quarter horse racing seasons, so that a thoroughbred racing season shall not be less than sixty-seven days, and so that a quarter horse racing season shall not be less than twenty-six days.

Sec. 2. Section 99D.7, subsection 4, Code 2011, is amended to read as follows:

4. a. To regulate the purse structure for race meetings including establishing a minimum purse.

b. The commission shall, beginning July 1, 2012, regulate the purse structure for all horse racing so that seventy-six percent is designated for thoroughbred racing, fifteen and one-quarter percent is designated for quarter horse racing, and eight and three-quarter percent is designated for standardbred racing. The purse moneys designated for standardbred racing may only be used to support standardbred harness racing purses at county fairs or for the maintenance or repair of harness racing tracks at the fairgrounds for such county fairs. The horse racetrack in Polk county shall not provide funding to support standardbred racing at such county fairs that is not otherwise provided for in this paragraph.

Sec. 3. Section 99D.11, subsection 2, Code 2011, is amended to read as follows:

2. Licensees shall only permit the pari-mutuel or certificate method of wagering, or the advanced deposit method of wagering, as defined in this section.

Sec. 4. Section 99D.11, subsection 3, Code 2011, is amended to read as follows:

3. The licensee may receive wagers of money only from a person present in a licensed racetrack enclosure on a horse or dog in the race selected by the person making the wager

1 to finish first in the race or from a person engaging in
2 advanced deposit wagering as defined in this section. The
3 person wagering shall acquire an interest in the total money
4 wagered on all horses or dogs in the race as first winners in
5 proportion to the amount of money wagered by the person.

6 Sec. 5. Section 99D.11, subsection 6, paragraph a, Code
7 2011, is amended to read as follows:

8 a. All wagering shall be conducted within the racetrack
9 enclosure where the licensed race is held, except as provided
10 in ~~paragraph~~ paragraphs "b" and "c".

11 Sec. 6. Section 99D.11, subsection 6, Code 2011, is amended
12 by adding the following new paragraph:

13 NEW PARAGRAPH. c. (1) The commission shall authorize the
14 licensee to conduct advanced deposit wagering. An advanced
15 deposit wager may be placed in person at a licensed racetrack
16 enclosure, or from any other location via a telephone-type
17 device or any other electronic means.

18 (2) For the purposes of this section, "advanced deposit
19 wagering" means a method of pari-mutuel wagering in which an
20 individual may establish an account, deposit money into the
21 account, and use the account balance to pay for pari-mutuel
22 wagering. Of the net revenue received through advanced deposit
23 wagering, fifty percent shall be directed to horse purses
24 created pursuant to section 99D.7, subsection 4, and fifty
25 percent shall be directed to the licensee for the pari-mutuel
26 horse racetrack located in Polk county.

27 Sec. 7. Section 99D.22, subsection 1, Code 2011, is amended
28 to read as follows:

29 1. a. A licensee shall hold at least one race on each
30 racing day limited to Iowa-foaled horses or Iowa-whelped
31 dogs as defined by the department of agriculture and land
32 stewardship using standards consistent with this section.
33 However, if sufficient competition cannot be had among that
34 class of horses or dogs on any day, another race for the day may
35 be substituted.

1 b. A sum equal to twelve percent of the purse won by
2 an Iowa-foaled horse or Iowa-whelped dog shall be used to
3 promote the horse and dog breeding industries. The twelve
4 percent shall be withheld by the licensee from the breakage
5 and shall be paid at the end of the race meeting to the state
6 department of agriculture and land stewardship which in turn
7 shall deposit it in a special fund to be known as the Iowa horse
8 and dog breeders fund. The department shall pay the amount
9 deposited in the fund that is withheld from the purse won by
10 an Iowa-foaled horse to the breeder of the winning Iowa-foaled
11 horse by December 31 of each calendar year. The department
12 shall pay the amount deposited in the fund that is withheld
13 from the purse won by an Iowa-whelped dog to the breeder of the
14 winning Iowa-whelped dog by March 31 of each calendar year.
15 For the purposes of this section, the breeder of a horse shall
16 be considered to be the owner of the brood mare at the time the
17 foal is dropped.

18 c. No less than twenty percent of all net purse moneys
19 distributed to each breed, as described in section 99D.7,
20 subsection 4, paragraph "b", shall be designated for registered
21 Iowa-bred foals in the form of breeder's awards or purse
22 supplement awards to enhance and foster the growth of the horse
23 breeding industry.

24 Sec. 8. Section 99F.6, subsection 4, paragraph a, Code 2011,
25 is amended to read as follows:

26 a. (1) Before a license is granted, the division of
27 criminal investigation of the department of public safety
28 shall conduct a thorough background investigation of the
29 applicant for a license to operate a gambling game operation
30 on an excursion gambling boat. The applicant shall provide
31 information on a form as required by the division of criminal
32 investigation.

33 (2) A qualified sponsoring organization licensed to operate
34 gambling games under this chapter shall distribute the receipts
35 of all gambling games, less reasonable expenses, charges,

1 taxes, fees, and deductions allowed under this chapter, as
 2 winnings to players or participants or shall distribute the
 3 receipts for educational, civic, public, charitable, patriotic,
 4 or religious uses as defined in section 99B.7, subsection 3,
 5 paragraph "b". However, a licensee to conduct gambling games
 6 under this chapter shall, unless an operating agreement for an
 7 excursion gambling boat otherwise provides, distribute at least
 8 three percent of the adjusted gross receipts for each license
 9 year for educational, civic, public, charitable, patriotic,
 10 or religious uses as defined in section 99B.7, subsection 3,
 11 paragraph "b". However, if a licensee who is also licensed to
 12 conduct pari-mutuel wagering at a horse racetrack has unpaid
 13 debt from the pari-mutuel racetrack operations, the first
 14 receipts of the gambling games operated within the racetrack
 15 enclosure less reasonable operating expenses, taxes, and fees
 16 allowed under this chapter shall be first used to pay the
 17 annual indebtedness.

18 (3) The commission shall authorize, subject to the debt
 19 payments for horse racetracks and the provisions of paragraph
 20 "b" for dog racetracks, a licensee who is also licensed to
 21 conduct pari-mutuel dog or horse racing to use receipts from
 22 gambling games within the racetrack enclosure to supplement
 23 purses for races particularly for Iowa-bred horses pursuant to
 24 an agreement which shall be negotiated between the licensee and
 25 representatives of the dog or horse owners. For agreements
 26 subject to commission approval concerning purses for horse
 27 racing beginning on or after January 1, 2006, ~~and ending~~
 28 ~~before January 1, 2021,~~ the agreements shall provide that
 29 total annual purses for all horse racing shall be no less than
 30 eleven percent of the first two hundred million dollars of net
 31 receipts, and six percent of net receipts above two hundred
 32 million dollars. In addition, live standardbred horse racing
 33 shall not be featured at the horse racetrack in Polk county.
 34 Agreements that are subject to commission approval concerning
 35 horse purses for a particular period of time beginning on or

1 after January 1, 2006, ~~and ending before January 1, 2021,~~ shall
2 be jointly submitted to the commission for approval.

3 (4) A qualified sponsoring organization shall not make a
4 contribution to a candidate, political committee, candidate's
5 committee, state statutory political committee, county
6 statutory political committee, national political party, or
7 fund-raising event as these terms are defined in section
8 68A.102. The membership of the board of directors of a
9 qualified sponsoring organization shall represent a broad
10 interest of the communities.

11 (5) For purposes of this paragraph, "*net receipts*" means the
12 annual adjusted gross receipts from all gambling games less the
13 annual amount of money pledged by the owner of the facility to
14 fund a project approved to receive vision Iowa funds as of July
15 1, 2004.

16 DIVISION II

17 COUNTY REFERENDUMS AND

18 GAMBLING GAME LICENSING

19 Sec. 9. Section 99F.4A, subsection 8, paragraph a, Code
20 2011, is amended to read as follows:

21 a. The commission shall, upon the immediate payment
22 of the applicable table games license fee and submission
23 to the commission by June 1, 2005, of an application by a
24 licensee of a pari-mutuel dog or horse racetrack licensed to
25 conduct gambling games at a pari-mutuel racetrack enclosure,
26 issue a license to the licensee to conduct table games of
27 chance, including video machines that simulate table games
28 of chance, at the pari-mutuel racetrack enclosure subject to
29 the requirements of this subsection. However, a table games
30 license may only be issued to a licensee required to pay a
31 table games license fee of three million dollars under this
32 subsection if the licensee, and all other licensees of an
33 excursion gambling boat in that county, file an agreement
34 with the commission authorizing the granting of a table games
35 license under this subsection and permitting all licensees

1 of an excursion gambling boat to operate a moored barge as
2 of a specific date. The licensee shall be granted a table
3 games license by the commission ~~without conducting a separate~~
4 ~~referendum authorizing table games~~ upon payment of the
5 applicable license fee to the commission which table games
6 license fee may be offset by the licensee against taxes imposed
7 on the licensee by section 99F.11, to the extent of twenty
8 percent of the table games license fee paid pursuant to this
9 subsection for each of five consecutive fiscal years beginning
10 with the fiscal year beginning July 1, 2008. Fees paid
11 pursuant to this subsection are not refundable to the licensee.
12 A licensee shall not be required to pay a fee to renew a table
13 games license issued pursuant to this subsection. Moneys
14 collected by the commission from a table games license fee paid
15 under this subsection shall be deposited in the rebuild Iowa
16 infrastructure fund created in section 8.57.

17 Sec. 10. Section 99F.7, subsection 11, Code 2011, is amended
18 by striking the subsection.

19 Sec. 11. Section 99F.7, subsection 15, Code 2011, is amended
20 to read as follows:

21 15. If a licensed excursion boat stops at more than one
22 harbor and travels past a county without stopping at any port
23 in that county, the commission shall require the excursion boat
24 operator to develop a schedule for ports of call ~~in which a~~
25 ~~county referendum has been approved, and the port of call has~~
26 that have the necessary facilities to handle the boat. The
27 commission may limit the schedule to only one port of call per
28 county.

29 DIVISION III
30 INTERNET POKER

31 Sec. 12. NEW SECTION. 99H.1 Internet poker — purpose.

32 1. This chapter may be cited as the "*Iowa Internet Poker*
33 *Consumer Protection and Revenue Generation Act of 2011*".

34 2. It is the purpose of this chapter to create a framework
35 for the state to regulate intrastate internet poker in order to

1 ensure consumer protections and provide to the state additional
2 revenue that otherwise escapes Iowa taxation, by authorizing,
3 creating, and implementing a licensing and regulatory structure
4 and system of intrastate internet poker to do all of the
5 following:

6 *a.* Provide that intrastate internet poker is only offered
7 for play in a manner that is lawful under the federal Unlawful
8 Internet Gambling Enforcement Act of the federal Security and
9 Accountability for Every Port Act of 2006, Pub. L. No. 109-347,
10 which authorizes a state to regulate and conduct intrastate
11 internet gambling, such as poker.

12 *b.* Provide a new source of revenue that will generate
13 economic benefits to the state through the authorization of
14 lawful and regulated intrastate internet poker in Iowa instead
15 of allowing economic benefits to flow to unregulated foreign
16 operators and markets.

17 *c.* Create a contractual relationship between licensed
18 affiliates and an internet poker hub operator with the
19 technical expertise to ensure that wagering authorized by this
20 chapter is only offered to registered players who are at least
21 twenty-one years of age and physically present within the
22 borders of this state at the time of play.

23 *d.* Ensure that the internet poker hub operator is qualified
24 to be licensed by the state and to meet all statutory,
25 regulatory, and contractual requirements of the state while
26 protecting registered poker players.

27 *e.* Allow a licensee authorized to conduct gambling games
28 on or in an excursion gambling boat, gambling structure, or
29 racetrack enclosure to become an affiliate of the internet
30 poker hub operator.

31 *f.* Ensure that the state is able to collect all taxes and
32 fees from the play of intrastate internet poker.

33 *g.* Create a system to protect each registered player's
34 private information and prevent fraud and identity theft and
35 ensure that the registered player's financial transactions are

1 processed in a secure and transparent fashion.

2 *h.* Ensure that the regulatory agency has unlimited access
3 to the premises and records of the internet poker hub operator
4 and affiliates to ensure strict compliance with its regulations
5 concerning credit authorization, account access, and other
6 security provisions.

7 *i.* Require the internet poker hub operator to provide
8 accessible customer service to registered players.

9 *j.* Require the internet poker hub operator's internet site
10 to contain information relating to problem gambling, including
11 a telephone number that an individual may call to seek
12 information and assistance for a potential gambling addiction.

13 **Sec. 13. NEW SECTION. 99H.2 Definitions.**

14 As used in this chapter, unless otherwise required by the
15 context:

16 1. "*Adjusted gross receipts*" means the total amount of
17 money received by the internet poker affiliates from registered
18 players for participation in authorized games less winnings
19 paid to registered players.

20 2. "*Affiliate*" means an operator licensed under chapter 99D
21 or 99F that maintains an internet site as a portal into the
22 state internet poker network.

23 3. "*Authorized game*" means a game or series of games of
24 poker which are played as a nonbanking game on the state
25 internet poker network.

26 4. "*Commission*" means the Iowa racing and gaming commission.

27 5. "*Convicted*" means having been found guilty, regardless of
28 adjudication, as a result of a jury verdict, nonjury trial, or
29 entry of a plea of guilty or nolo contendere.

30 6. "*Internet poker hub operator*" or "*poker hub operator*"
31 means a computer system operator that is licensed by the state
32 and contracts with the state to operate the state internet
33 poker network.

34 7. "*Intrastate internet poker*" means authorized games of
35 poker played over the internet by registered players who are

1 physically present within the borders of this state at the time
2 of play.

3 8. "*Nonbanking game*" means an authorized game in which an
4 internet poker hub operator or affiliate is not a participant
5 and has no financial stake in the outcome of the authorized
6 game.

7 9. "*Player incentives*" means any bonuses, rewards, prizes,
8 or other types of promotional items provided to a registered
9 player by an internet poker hub operator or affiliate as an
10 incentive to begin or continue playing on the state internet
11 poker network.

12 10. "*Rake*" means a set fee or percentage of the pot
13 assessed by an internet poker hub operator for providing the
14 internet poker services to registered players for the right to
15 participate in an authorized game conducted by the internet
16 poker hub operator or affiliates.

17 11. "*Registered player*" means a person who is registered
18 with an affiliate to participate in an authorized game
19 conducted on the state internet poker network.

20 12. "*State internet poker network*" means the computer system
21 operated by the internet poker hub operator and affiliates that
22 authorizes the playing of and wagering on intrastate internet
23 poker by registered players through the internet site portals
24 of affiliates.

25 13. "*Tournament fee*" means a set fee assessed to registered
26 players by the internet poker hub operator for providing the
27 internet poker tournament services.

28 Sec. 14. NEW SECTION. **99H.3 Intrastate internet poker**
29 **authorized.**

30 1. Under the federal Unlawful Internet Gambling Enforcement
31 Act of the federal Security and Accountability for Every Port
32 Act of 2006, Pub. L. No. 109-347, a state is authorized to
33 regulate and conduct intrastate internet poker as long as all
34 players and the internet wagering activities are located within
35 the state.

1 2. Notwithstanding any other provision of law, a person may
2 operate a state internet poker network as an internet poker hub
3 operator and a person may participate as a registered player in
4 an authorized game or tournament provided on the state internet
5 poker network by an affiliate if such game or tournament and
6 poker operations are conducted strictly in accordance with the
7 provisions of this chapter and federal law.

8 Sec. 15. NEW SECTION. **99H.4 Authority of the commission.**

9 The commission shall regulate the operation of the state
10 internet poker network, the internet poker hub operator, the
11 affiliates, and the play of intrastate internet poker under
12 this chapter and rules adopted pursuant to this chapter. The
13 commission may do all of the following:

14 1. Adopt rules related to intrastate internet poker,
15 including but not limited to rules governing all of the
16 following:

17 a. The issuance of operator and individual occupational
18 licenses to an internet poker hub operator, affiliates, and
19 their employees.

20 b. The operation of the state internet poker network and
21 technical system requirements.

22 c. Security of the financial information of registered
23 players and registered player accounts.

24 d. Bonuses, awards, promotions, and other incentives to
25 registered players.

26 e. Recordkeeping and reporting requirements.

27 f. The distribution of intrastate internet poker income.

28 g. The imposition and collection of all fees and taxes
29 imposed by this chapter.

30 2. Conduct investigations and monitor operation of the
31 state internet poker network and the playing of authorized
32 games on the state internet poker network.

33 3. Review the books, accounts, and records of any current or
34 former internet poker hub operator or affiliate.

35 4. Suspend or revoke any license or permit, after hearing,

1 for any violation of this chapter or the rules adopted pursuant
2 to this chapter.

3 5. Take testimony, issue summons and subpoenas for any
4 witness, and issue subpoenas duces tecum in connection with any
5 matter within its jurisdiction.

6 6. Monitor and ensure proper collection of taxes and fees
7 imposed by this chapter.

8 7. Require the internet poker hub operator to adopt internal
9 controls to ensure no compromise of revenue to the state.

10 8. Monitor, audit, and verify the cash flow and accounting
11 of state internet poker network revenue for any given operating
12 day.

13 9. Monitor and ensure that the playing of intrastate
14 internet poker is conducted fairly and that all personal
15 and financial information provided by registered players is
16 protected by the internet poker hub operator.

17 Sec. 16. NEW SECTION. 99H.5 Internet poker hub operator —
18 license required.

19 1. A person shall not operate as the internet poker hub
20 operator in this state unless the person holds a valid internet
21 poker hub operator license issued under this section.

22 2. Only a person holding a valid intrastate internet
23 poker license issued by the commission may provide intrastate
24 internet poker for play to registered players.

25 3. An internet poker hub operator must be an entity
26 authorized to conduct business in this state.

27 4. A person seeking a license or renewal of a license
28 to operate as the internet poker hub operator shall
29 make application on forms prescribed by the commission.
30 Applications for an internet poker hub operator license
31 shall contain all of the information the commission, by
32 rule, determines is required to ensure eligibility under this
33 section.

34 5. As a condition of licensure and to maintain continued
35 authority to conduct intrastate internet poker, an internet

1 poker hub operator licensee must provide the documentation
2 required under this section on a timely basis to the commission
3 and the documentation must be appropriate, current, and
4 accurate.

5 Sec. 17. NEW SECTION. **99H.6 Selection of an internet poker**
6 **hub operator — negotiated agreement.**

7 The commission shall, subject to agreement by a majority of
8 licensed affiliates, select an internet poker hub operator that
9 meets the licensure and technical requirements and expertise
10 to provide services for lawful intrastate internet poker and
11 authorized games in Iowa. The applicant must demonstrate
12 the ability to ensure that intrastate internet poker is only
13 offered to registered players who are at least twenty-one years
14 of age and who are physically present within the borders of
15 this state at the time of play.

16 Sec. 18. NEW SECTION. **99H.7 Internet poker hub operator**
17 **— qualifications.**

18 For the purposes of this chapter, the commission shall
19 consider all of the following as minimum qualifications to
20 determine whether an internet poker hub operator applicant
21 together with an applicant's proposed subcontractor is legally,
22 technically, and financially qualified to become the state's
23 internet poker hub operator:

24 1. The applicant, and any subcontractor, is an entity
25 authorized to conduct business in this state.

26 2. The applicant, and any subcontractor, has not in the
27 past accepted any wagers of moneys or other consideration on
28 any internet gambling activity, including poker, from any Iowa
29 resident. However, this subsection does not disqualify an
30 applicant or subcontractor who accepts internet pari-mutuel
31 wagers from any Iowa resident through a legal internet
32 pari-mutuel wagering entity authorized in another state.

33 3. The applicant's, and any subcontractor's, executives
34 and key employees meet the requirements to obtain intrastate
35 internet poker occupational licenses from the commission, as

1 set forth in section 99H.11.

2 4. The applicant, any subcontractors, and all entities with
3 an ownership interest in the applicant or any subcontractors
4 have demonstrated compliance with all federal and state laws in
5 the jurisdictions in which they provide services.

6 5. The applicant has provided all necessary documentation
7 and information relating to all proposed subcontractors of the
8 applicant.

9 6. The applicant has provided a description of the manner in
10 which the applicant will facilitate compliance with all of the
11 standards set forth in this chapter, including but not limited
12 to all of the following:

13 a. Registered player processes and requirements relating
14 to intrastate play, age verification, and exclusion of problem
15 gamblers.

16 b. Network system requirements, including but not limited
17 to connectivity, hardware, software, anti-fraud systems, virus
18 prevention, data protection, access controls, firewalls,
19 disaster recovery, and redundancy.

20 c. Gaming systems, including but not limited to hardware
21 and software that ensures that games are legal, games are
22 independent and fair, game and betting rules are available to
23 all registered players, and all data used for the conduct of
24 each game is randomly generated and unpredictable.

25 d. Ongoing auditing by the commission and accounting
26 systems, including but not limited to those for registered
27 player accounts, participation fees, distribution of funds to
28 registered players, and distribution of revenue to the state.

29 7. The applicant has provided all other documentation or
30 information that the commission, by rule, has determined is
31 required to ensure that the applicant is legally, technically,
32 and financially qualified to enter into a contract to become
33 the state's internet poker hub operator.

34 **Sec. 19. NEW SECTION. 99H.8 Annual bond required.**

35 The holder of a license to be the internet poker hub operator

1 in this state shall be financially and otherwise responsible
2 for the operation of the state internet poker network and
3 for the conduct of any employee involved in the operation of
4 the state internet poker network. Before the issuance of an
5 internet poker hub operator license, a qualified applicant for
6 such a license must provide evidence of a surety bond in the
7 amount of one million dollars, payable to the state, for each
8 year that the licensee is licensed to be the internet poker hub
9 operator in this state. The bond shall be issued by a surety or
10 sureties authorized to do business in this state and approved
11 by the commission. The bond shall guarantee that the internet
12 poker hub operator fulfills all financial requirements of the
13 contract. Such bond shall be kept in full force and effect by
14 an internet poker hub operator during the term of the license.

15 Sec. 20. NEW SECTION. **99H.9 Internet poker hub operator**
16 **— obligations.**

17 An internet poker hub operator shall comply with the terms of
18 its contract with the state and with all of the following:

19 1. The accepted proposal agreed to by the affiliates
20 and an internet poker hub operator applicant shall govern
21 the interpretation of the contract creating a contractual
22 relationship entered into between the affiliates and the
23 internet poker hub operator.

24 2. The contract between the affiliates and the internet
25 poker hub operator is for a five-year period and may be renewed
26 for a period equal to the original contract, if agreed to by
27 both parties.

28 3. The contract between the affiliates and the internet
29 poker hub operator may be amended by mutual written agreement
30 of the affiliates and the internet poker hub operator.

31 4. If this chapter is amended, the internet poker hub
32 operator may declare the contract null and void within sixty
33 days after the effective date of the amendment and must provide
34 at least ninety days' prior written notice to the affiliates of
35 such intent; otherwise, the internet poker hub operator agrees

1 to be bound by the amendments to this chapter enacted after the
2 terms of the contract are established.

3 5. In the event of commercial infeasibility due to a change
4 in federal law rendering the provision of intrastate internet
5 poker services illegal, the internet poker hub operator may
6 abandon the contract after providing the affiliates with at
7 least ninety days' prior written notice of its intent to end
8 the contract and a statement explaining its interpretation
9 that continuing to provide services under the contract is
10 commercially infeasible.

11 6. If a dispute arises between the parties to the contract,
12 the affiliates or the internet poker hub operator may pursue an
13 administrative law or district court remedy interpreting the
14 contract and the rights and responsibilities in the contract.

15 Sec. 21. NEW SECTION. **99H.10 Excursion gambling boat,
16 gambling structure, or racetrack enclosure affiliate license
17 required — application — fees.**

18 An affiliate license may only be issued to an excursion
19 gambling boat or gambling structure operator licensed under
20 section 99F.5, or to a racetrack enclosure operator licensed
21 under section 99F.4A, who actively operates an excursion
22 gambling boat, gambling structure, or racetrack enclosure with
23 a minimum of ten tables, complies with all the requirements of
24 chapter 99F and the rules adopted pursuant to that chapter, and
25 complies with the following requirements:

26 1. The affiliate may only provide intrastate internet poker
27 for play to registered players through the state internet poker
28 network.

29 2. After the initial affiliate license is granted, the
30 affiliate's application for the renewal of that license shall
31 be made in conjunction with the affiliate's renewal application
32 for its license issued under section 99F.4A or 99F.5.

33 3. A person seeking a license or renewal of a license to
34 operate as an affiliate shall make the application on forms
35 prescribed by the commission. An application for an affiliate

1 license shall contain all of the information the commission, by
2 rule, determines is required to ensure eligibility.

3 4. As a condition of licensure and to maintain continued
4 authority for the conduct of intrastate internet poker, the
5 affiliate licensee must provide the documentation required
6 under this section on a timely basis to the commission and the
7 documentation must be appropriate, current, and accurate.

8 5. An affiliate licensee shall not sell or lease all or any
9 portion of its excursion gambling boat, gambling structure, or
10 racetrack enclosure licensed under chapter 99F to any person or
11 entity, or contract with any person or entity to operate its
12 internet site, conduct marketing or promotional activities, or
13 conduct any other aspects of business associated with the play
14 of poker under chapter 99F or the play of intrastate internet
15 poker under this chapter, that does not meet and comply with
16 all requirements and provisions of this chapter and chapter
17 99F.

18 6. The annual affiliate license fee shall be two hundred
19 fifty thousand dollars, payable to the commission.

20 7. The commission shall adopt rules regarding affiliate
21 licenses and renewals.

22 Sec. 22. NEW SECTION. **99H.11 Business and employee**
23 **occupational license required — applications — fees.**

24 1. A person employed by or otherwise working for the
25 internet poker hub operator or an affiliate in any capacity
26 related to and while conducting intrastate internet poker
27 operations must hold a valid employee occupational license
28 issued by the commission.

29 2. The internet poker hub operator or an affiliate shall
30 not employ or allow to be employed any person in any capacity
31 related to the operation of intrastate internet poker unless
32 the person holds a valid employee occupational license.

33 3. The internet poker hub operator or affiliate shall
34 not contract with, or otherwise do business with, a business
35 required to hold a valid intrastate internet poker business

1 occupational license, unless the business holds such a valid
2 license.

3 4. A proprietorship, partnership, corporation,
4 subcontractor, or other entity must obtain a valid intrastate
5 internet poker business occupational license issued by the
6 commission to partner with, contract with, be associated
7 with, or participate in the conduct of intrastate internet
8 poker operations with the internet poker hub operator or an
9 affiliate.

10 5. The commission shall establish, by rule, a schedule for
11 the annual renewal of internet poker hub operator and affiliate
12 occupational licenses. Intrastate internet poker occupational
13 licenses are not transferable.

14 6. A person seeking an intrastate internet poker
15 occupational license, or renewal of such a license, shall
16 make the application on forms prescribed by the commission
17 and include payment of the appropriate application fee. An
18 application for an intrastate internet poker occupational
19 license shall contain all of the information the commission, by
20 rule, determines is required to ensure eligibility under this
21 section.

22 7. The commission shall adopt rules regarding intrastate
23 internet poker occupational licenses and renewals.

24 8. Pursuant to rules adopted by the commission, any person
25 may apply for and, if qualified, be issued an intrastate
26 internet poker occupational license valid for a period of three
27 years upon payment of the full occupational license fee for
28 each of the three years for which the license is issued. The
29 intrastate internet poker occupational license is valid during
30 its specified term at the internet poker hub operator or an
31 affiliate where intrastate internet poker is authorized to be
32 conducted.

33 9. The intrastate internet poker occupational license fee
34 for initial application and annual renewal shall be determined
35 by rule of the commission but shall not exceed fifty dollars

1 for an occupational license for an employee of the internet
2 poker hub operator or an affiliate licensee or one thousand
3 dollars for a business occupational license for nonemployees
4 of the licensee providing goods or services to an internet
5 poker hub operator or an affiliate licensee. Failure to pay
6 the required fee constitutes grounds for disciplinary action
7 by the commission against the internet poker hub operator or
8 an affiliate licensee.

9 10. A person holding a valid individual occupational
10 license issued by the commission under section 99F.6 is not
11 required to obtain an individual employee occupational license
12 under this section.

13 Sec. 23. NEW SECTION. **99H.12 Business and employee**
14 **occupational license denial, revocation, suspension, limitation,**
15 **or nonrenewal.**

16 The commission may do all of the following:

17 1. Deny an application for, or revoke, suspend, or place
18 conditions or restrictions on, a license of an employee or
19 business that has been refused a license by any other state
20 gaming commission, governmental department, agency, or other
21 authority exercising regulatory jurisdiction over gaming in
22 another state or jurisdiction.

23 2. Deny an application for, or suspend or place conditions
24 or restrictions on, a license of any employee or business that
25 is under suspension or has unpaid fines in another state or
26 jurisdiction.

27 3. Deny, suspend, revoke, or refuse to renew any internet
28 poker hub operator or affiliate occupational license if the
29 applicant for the license or the licensee has violated this
30 chapter or the rules of the commission governing the conduct of
31 persons connected with the play of intrastate internet poker.

32 4. Deny, suspend, revoke, or refuse to renew any internet
33 poker hub operator or affiliate occupational license if the
34 applicant for the license or the licensee has been convicted
35 in this state, in any other state, or under the laws of the

1 United States of a capital felony, a felony, or an offense in
2 any other state that would be a felony under the laws of this
3 state involving arson; trafficking in, conspiracy to traffic
4 in, smuggling, importing, conspiracy to smuggle or import, or
5 delivery, sale, or distribution of a controlled substance;
6 racketeering; or a crime involving a lack of good moral
7 character; or the applicant has had a gaming license revoked
8 by this state or any other jurisdiction for any gaming-related
9 offense.

10 5. Deny, revoke, or refuse to renew any internet poker hub
11 operator or affiliate occupational license if the applicant
12 for the license or the licensee has been convicted of a felony
13 or misdemeanor in this state, in any other state, or under the
14 laws of the United States if such felony or misdemeanor is
15 related to gambling or bookmaking as described in chapter 725.

16 Sec. 24. NEW SECTION. 99H.13 Registered players —
17 eligibility.

18 1. All registered players must be located within this state
19 at the time of play of intrastate internet poker.

20 2. A person who has not attained twenty-one years of age
21 shall not be a registered player or play intrastate internet
22 poker.

23 3. The internet poker hub operator and affiliates shall
24 exclude from play any person who has submitted a completed
25 internet poker self-exclusion form.

26 a. The internet poker hub operator and affiliates shall have
27 an internet poker self-exclusion form available and accessible
28 on the internet site page that is displayed when either of the
29 following occur:

30 (1) A person opens the internet site page to register as a
31 registered player.

32 (2) A registered player accesses the first internet site
33 page prior to playing.

34 b. Upon receipt of a completed internet poker self-exclusion
35 form, the affiliate shall immediately provide a copy of

1 the completed form to the internet poker hub operator, each
2 affiliate, and the commission. The commission shall ensure
3 that all other affiliates exclude the person from the play of
4 intrastate internet poker.

5 *c.* The internet poker hub operator and affiliate shall
6 retain the original form to identify persons who request to be
7 excluded from play.

8 *d.* The internet poker hub operator and affiliate shall
9 prominently display a link to the internet site of a
10 responsible gaming organization as identified by the commission
11 for services related to the prevention of compulsive and
12 addictive gambling.

13 *e.* A person shall not bring any action against the internet
14 poker hub operator or an affiliate for negligence or any
15 other claim if a person who has filled out an internet poker
16 self-exclusion form gains access and plays intrastate internet
17 poker despite the request to be excluded.

18 **Sec. 25. NEW SECTION. 99H.14 Intrastate internet poker —**
19 **authorized games.**

20 1. In order to offer a specific game of poker for play, the
21 internet poker hub operator shall provide the commission with
22 all of the following:

23 *a.* A description of any game of poker and the betting rules
24 it proposes to offer to registered players.

25 *b.* Documentation relating to development and testing of the
26 game's software.

27 2. Upon submission of the information required in
28 subsection 1, the internet poker hub operator may begin
29 offering the game. If the commission does not object to the
30 proposed game of poker within thirty days after receipt of
31 the submission, the game shall be considered authorized and
32 the internet poker hub operator submitting the proposal may
33 continue to offer the game to registered players.

34 3. Games and betting events shall be operated strictly in
35 accordance with the specified game and betting rules.

1 4. The internet poker hub operator shall ensure that the
2 authorized games of poker are fair. For each proposed or
3 authorized game offered for play, the gaming system shall
4 display all of the following information:

- 5 a. The name of the game.
- 6 b. Any restrictions on play.
- 7 c. The rules of the game.
- 8 d. All instructions on how to play.
- 9 e. The unit and total bets permitted.
- 10 f. The registered player's current account balance, which
11 shall be updated in real time.
- 12 g. Any other information that the internet poker hub
13 operator determines is necessary for the registered player
14 to have in real time to compete fairly in the proposed or
15 authorized game.

16 5. All proposed and authorized game results shall be
17 conducted in such a fashion so that data used to create results
18 shall be unpredictable such that it is infeasible to predict
19 the next occurrence in a game, given complete knowledge of
20 the algorithm and hardware generating the sequence, and all
21 previously generated numbers.

22 6. The internet poker hub operator shall deploy controls and
23 technology to ensure the ability to minimize fraud or cheating
24 through collusion, such as external exchange of information
25 between different players, or any other means.

26 a. If the internet poker hub operator becomes aware that
27 fraud or cheating is taking place or has taken place, the
28 internet poker hub operator shall immediately take steps to
29 stop such activities and inform the commission of all relevant
30 facts.

31 b. The internet poker hub operator shall immediately inform
32 the commission of any complaints and investigate whether the
33 complaints are true and shall expeditiously act to prevent
34 further fraud or collusion from taking place on the state
35 internet poker network. The internet poker hub operator shall

1 report the results of the investigation in writing to the
2 commission within twenty-four hours after the complaint and
3 shall continue to report every twenty-four hours until its
4 investigation is concluded. This paragraph does not prevent
5 the commission from conducting an independent investigation
6 or initiating an administrative action to protect registered
7 players from fraud and collusion on the state internet poker
8 network and does not prohibit a registered player, the internet
9 poker hub operator, an affiliate, or the commission from
10 reporting suspected criminal activities to law enforcement
11 officials.

12 c. A registered player shall not bring an action for damages
13 against the internet poker hub operator for attempting to
14 prevent fraud or cheating if the internet poker hub operator
15 can demonstrate that the internet poker hub operator acted to
16 prevent such actions as soon as it became aware of them.

17 7. If the gaming server or software does not allow a game to
18 be completed, the hand shall be voided and all funds relating
19 to the incomplete hand shall be returned to the registered
20 player's account.

21 Sec. 26. NEW SECTION. **99H.15 Registered players accounts.**

22 1. The internet poker hub operator shall register players
23 and establish registered player accounts prior to play and
24 shall ensure that personally identifiable information is
25 accessible to an individual registered player and to regulators
26 but is otherwise secure.

27 2. A person shall not participate in any game on the state
28 internet poker network unless the person is registered as a
29 player and holds an account.

30 3. Accounts may be established in person or by mail,
31 telephone, or any electronic means.

32 4. To register and establish an account, a person must
33 provide all of the following registration information:

34 a. First name and surname.

35 b. Principal residence address.

1 *c.* Telephone number.

2 *d.* Social security number.

3 *e.* Legal identification or certification to prove that the
4 person is at least twenty-one years of age.

5 *f.* Valid electronic mail address.

6 *g.* The source of funds to be used to establish the account
7 after the registration process is complete.

8 5. An individual shall not register for more than three
9 registered player accounts per calendar year. A registered
10 player shall not have more than three registered player
11 accounts at any time.

12 6. Prior to completing the registration process, the
13 internet poker hub operator shall explain to the person in a
14 conspicuous fashion the privacy policies of the state internet
15 poker network, and the person must assent to all of the
16 following policies:

17 *a.* Personal identifying information shall not be shared
18 with any nongovernment third parties except for licensed
19 subcontractors of an internet poker hub operator for the sole
20 purpose of permitting registered players to participate in
21 games on the state internet poker network or upon receipt of
22 a court order to subpoena such information from the internet
23 poker hub operator.

24 *b.* All personally identifiable information about registered
25 players shall be shared with the commission, and any other
26 governmental agency that receives a court order to subpoena
27 such information.

28 7. The internet poker hub operator shall also require that
29 a person agree to the terms of a use agreement applying to
30 registered players.

31 8. The internet poker hub operator shall provide a
32 registered player with the means to update the information
33 provided in subsection 4.

34 9. The internet poker hub operator may revoke the accounts
35 of a registered player for any of the following reasons:

1 *a.* The registered player provided false information in the
2 registration process.

3 *b.* The registered player has not updated registration
4 information to keep it current.

5 *c.* The registered player has violated the internet poker hub
6 operator's terms of use agreement.

7 10. The internet poker hub operator may suspend or revoke
8 the account of a registered player if the internet poker hub
9 operator suspects the registered player has participated in
10 illegal activity on the state internet poker network.

11 11. The internet poker hub operator shall establish and
12 maintain an account for each registered player. The internet
13 poker hub operator shall do all of the following:

14 *a.* Provide a means for a registered player to put funds into
15 an account; however, a registered player shall not increase the
16 amount in an account after a game has started and before the
17 game has been completed.

18 *b.* Maintain records on the balance of each registered
19 player's account.

20 *c.* Prohibit a registered player from placing a wager unless
21 the registered player's account has sufficient funds to cover
22 the amount of the wager.

23 *d.* Not provide credit to a registered player's account
24 or act as an agent for a credit provider to facilitate the
25 provision of funds.

26 *e.* Provide a means for a registered player to transfer money
27 out of the registered player's account.

28 12. The internet poker hub operator shall put in place
29 other systems that provide registered players with the ability
30 to control aspects of their play. Upon registration and at
31 each time when a registered player logs onto the state internet
32 poker network, the internet poker hub operator shall permit
33 the registered player to adjust the registered player's play
34 settings to do any of the following:

35 *a.* Set a limit on the deposits that can be made per day.

1 *b.* Set a limit on the amount that can be wagered within a
2 specified period of time.

3 *c.* Set a limit on the losses that may incur within a
4 specified period of time.

5 *d.* Set a limit on the amount of time that can be played
6 after logging on to the state internet poker network.

7 *e.* Prevent the state internet poker network from allowing
8 the registered player to play for a definite or indefinite
9 period of time.

10 13. During play, in order to assist a registered player to
11 decide whether to suspend play, the registered player's screen
12 shall do all of the following:

13 *a.* Indicate how long the registered player has been playing.

14 *b.* Indicate the registered player's winnings or losses since
15 the time of last logging in.

16 *c.* Give an option to the registered player to end the
17 session or return to the game.

18 *d.* Require the registered player to confirm that the
19 registered player has read the message.

20 Sec. 27. NEW SECTION. **99H.16 Registered players accounts**
21 **— records and reports.**

22 1. The internet poker hub operator shall establish a book
23 of accounts, regularly audit, and make all financial records
24 available to the commission. The internet poker hub operator
25 shall demonstrate that it has a system of maintaining records
26 and reports that is readily available to the commission. The
27 records and reports shall include all of the following:

28 *a.* Monthly auditable and aggregate financial statements of
29 gaming transactions.

30 *b.* Calculation of all fees payable to government.

31 *c.* The identity of registered players.

32 *d.* The balance on a registered player's account at the start
33 of a session of play.

34 *e.* The wagers placed on each game time stamped by the games
35 server.

- 1 *f.* The result of each game time stamped by the games server.
- 2 *g.* The amount won or lost by a registered player.
- 3 *h.* The balance on a registered player's account at the end
- 4 of the game.

5 2. The internet poker hub operator shall reconcile all
6 data log files regarding the registered players' accounts on a
7 monthly basis.

8 Sec. 28. NEW SECTION. 99H.17 Internet poker hub operator —
9 **technical systems.**

10 1. An internet poker hub operator shall put in place
11 technical systems that materially aid the commission
12 in fulfilling its regulatory, consumer protection, and
13 revenue-raising functions and allow the commission unrestricted
14 access to and the right to inspect the technical systems.

15 2. The internet poker hub operator shall ensure that the
16 state internet poker network is protected from manipulation or
17 tampering to affect the random probabilities of winning plays.

18 3. The internet poker hub operator shall define and document
19 its methodology for all of the following:

20 *a.* The development, implementation, and maintenance of
21 gaming software in a manner representative of industry best
22 practice standards.

23 *b.* Server connectivity requirements that include all of the
24 following:

25 (1) Minimum game server connectivity requirements that
26 ensure players are protected from losses due to connectivity
27 problems.

28 (2) The system's ability to recover all transactions
29 involving player funds in the event of a failure or
30 malfunction.

31 (3) Aborted game procedures.

32 *c.* Ability of the system to recover all information required
33 for viewing a game interrupted due to loss of connectivity.

34 *d.* Consumer protection requirements.

35 *e.* Responsible advertising, marketing, and promotion

1 that ensure that registered players are not misled through
2 advertising or promotional activities, and ensure that the
3 terms and conditions of promotions are followed.

4 *f.* Anti-money-laundering controls.

5 *g.* Preventive and detective controls addressing money
6 laundering and fraud risks which shall be documented and
7 implemented.

8 4. The internet poker hub operator shall retain all such
9 documentation for at least twelve months.

10 Sec. 29. NEW SECTION. **99H.18 Participation fee.**

11 The internet poker hub operator shall charge a fee or
12 a tournament fee to registered players for the right to
13 participate in authorized games or tournaments conducted on the
14 state internet poker network. The participation fee may be a
15 per-hand charge, a flat fee, an hourly rate, or a rake subject
16 to the posted maximum amount but shall not be based on the
17 amount won by registered players. The fee shall be designated
18 and conspicuously posted on the registered player's screen
19 prior to the start of each proposed or authorized game.

20 Sec. 30. NEW SECTION. **99H.19 Prohibited relationships.**

21 1. A proprietorship, partnership, corporation,
22 subcontractor, or other entity must obtain a valid intrastate
23 internet poker business occupational license issued by the
24 commission to partner with, contract with, be associated
25 with, or participate in the conduct of intrastate internet
26 poker operations with the internet poker hub operator or an
27 affiliate.

28 2. A person employed by or performing any function on behalf
29 of the commission shall not do any of the following:

30 *a.* Be an officer, director, owner, or employee of any person
31 or entity licensed by the commission.

32 *b.* Have or hold any interest, direct or indirect, in or
33 engage in any commerce or business relationship with any person
34 licensed by the commission.

35 3. An employee of the commission or a relative living in the

1 same household as the employee shall not play at any time on
2 the state internet poker network.

3 4. An occupational licensee of the internet poker hub
4 operator or a relative living in the same household as the
5 occupational licensee shall not play at any time on the state
6 internet poker network. This subsection does not apply to an
7 occupational licensee of an affiliate.

8 Sec. 31. NEW SECTION. **99H.20 Prohibited acts — penalties.**

9 1. The internet poker hub operator may conduct any proposed
10 or authorized game under section 99H.14 unless specifically
11 prohibited by the commission or by this chapter.

12 2. A person who has not attained twenty-one years of age
13 shall not hold an intrastate internet poker occupational
14 license or engage in any game conducted on the state internet
15 poker network.

16 3. An entity shall not offer intrastate internet poker for
17 free or for money or any other consideration to individuals
18 present in this state unless the entity can demonstrate that
19 it is in compliance with the laws and tax regulations of the
20 United States and of this state.

21 4. An entity that has accepted any wager of money or other
22 consideration on any internet gambling activity, including
23 poker, from any Iowa resident is not eligible to apply for
24 licensure and participate in intrastate internet poker in this
25 state.

26 5. Except as otherwise provided by law and in addition to
27 any other penalty, a person who knowingly makes or causes to be
28 made, or aids, assists, or procures another to make, a false
29 statement in any report, disclosure, application, or any other
30 document required under this chapter or any rule adopted under
31 this chapter is subject to an administrative penalty of up to
32 ten thousand dollars.

33 6. A person who manipulates or attempts to manipulate
34 the outcome, payoff, or operation of the play of intrastate
35 internet poker by tampering, collusion, or fraud, or by the use

1 of any object, instrument, or device, by any means, commits a
2 class "C" felony.

3 Sec. 32. NEW SECTION. **99H.21 License fees.**

4 1. Upon the submission of the initial application for an
5 internet poker hub operator license and annually thereafter,
6 on the anniversary date of the issuance of the initial
7 license, the internet poker hub operator licensee shall pay a
8 nonrefundable license fee of two hundred fifty thousand dollars
9 for the succeeding twelve months of licensure.

10 2. Upon submission of the initial application for an
11 affiliate license and annually thereafter, as prescribed by
12 the commission, the licensee shall pay to the commission a
13 nonrefundable license fee of one thousand dollars for the
14 succeeding twelve months of licensure.

15 3. The license fees required under this section shall
16 be considered repayment receipts as defined in section 8.2
17 and shall be used by the commission for the regulation,
18 investigation, and enforcement of the intrastate internet poker
19 provisions under this chapter. These fees shall be accounted
20 for separately from taxes or fees paid pursuant to chapters 99D
21 and 99F.

22 Sec. 33. NEW SECTION. **99H.22 Internet poker hub operator
23 — advance payment.**

24 Upon the awarding of a contract to be the internet poker
25 hub operator by the affiliates pursuant to its selection under
26 section 99H.6, the internet poker hub operator licensee shall
27 pay to the commission a nonrefundable payment of three million
28 dollars. This payment shall be treated as an advance payment
29 to the state by the internet poker hub operator and shall be
30 credited against the tax on adjusted gross receipts derived
31 from the play of intrastate internet poker.

32 Sec. 34. NEW SECTION. **99H.23 Wagering tax on adjusted gross
33 receipts.**

34 For the purposes of this chapter, a tax is imposed on the
35 adjusted gross receipts received each fiscal year, applicable

1 to the affiliate as a licensee, in the same manner and at the
2 rate described in section 99F.11.

3 Sec. 35. NEW SECTION. **99H.24 Rulemaking — more than one**
4 **internet hub operator.**

5 The commission shall adopt rules pursuant to chapter 17A
6 relating to the operation and administration of intrastate
7 internet poker under this chapter. The commission may also
8 adopt rules to allow for the operation and licensing of more
9 than one internet hub operator.

10 Sec. 36. NEW SECTION. **99H.25 Legislative authority —**
11 **administration of chapter.**

12 The general assembly finds and declares that it has
13 exclusive authority over the conduct of intrastate internet
14 poker in this state. Only the commission and other authorized
15 state agencies shall administer this chapter and regulate
16 the intrastate internet poker industry in this state,
17 including operation of the internet poker hub operator, play
18 of authorized games, and the state internet poker network
19 authorized in this chapter, as provided by law and as provided
20 in rules adopted by the commission.

21 EXPLANATION

22 This bill relates to gambling establishments within the
23 state.

24 The bill would allow for gambling games at pari-mutuel
25 facilities to be used to supplement racing purses in
26 perpetuity. Current law requires that such supplements end
27 before 2021.

28 The bill requires that the Iowa racing and gaming commission
29 adopt standards for the length of the thoroughbred and quarter
30 horse racing seasons, so that the thoroughbred racing season
31 be not less than 67 days in duration and so that the quarter
32 horse racing season be not less than 26 days in duration.
33 The bill requires that no less than 20 percent of all net
34 purse moneys distributed to each breed must be designated
35 for certain purposes to foster the growth of the Iowa horse

1 breeding industry. The bill also sets requirements for the
2 proportionate use of horse purses, so that 76 percent of purse
3 funds are designated for thoroughbred races, 15.25 percent of
4 purse funds are designated for quarter horse races, and 8.75
5 percent of purse funds are designated for standardbred races.
6 The bill states that moneys designated for standardbred racing
7 can only be used to support harness racing at county fairs.
8 The bill also prohibits the horse racetrack in Polk county
9 from contributing other funding for such racing that is not
10 otherwise provided for under the purse structure designations
11 of the bill.

12 The bill permits advanced deposit wagering for pari-mutuel
13 licensees. The bill would allow for an advanced deposit wager
14 to be placed in person at a licensed racetrack enclosure or
15 from any other location by telephone or other electronic
16 means. In this form of wagering an individual creates an
17 account, deposits money into that account, and can use the
18 balance within the account for pari-mutuel wagering. The bill
19 specifies that 50 percent of the revenue from advanced deposit
20 wagering be distributed to certain race purses and the other 50
21 percent be directed to the licensee for the pari-mutuel horse
22 racetrack in Polk county.

23 The bill would prohibit live standardbred horse racing
24 by the licensee for the pari-mutuel horse racetrack in Polk
25 county.

26 The bill eliminates the requirement that county referenda be
27 conducted to approve the continued licensing of gambling games
28 on excursion boats, in gambling structures, and in racetrack
29 enclosures, and makes conforming amendments.

30 The bill authorizes the creation of an intrastate internet
31 poker network and provides a regulatory structure for its
32 implementation, operation, and taxation.

33 The bill provides that it may be cited as the "Internet Poker
34 Consumer Protection and Revenue Generation Act of 2011". The
35 bill states that its purpose is to provide intrastate internet

1 poker play only in accordance with federal law, provide a
2 new source of revenue for the state, create a contractual
3 relationship with an internet poker hub operator with certain
4 technical expertise, provide for a negotiated agreement between
5 the internet poker hub operator and affiliate licensees, allow
6 physical gambling facilities to operate affiliate internet
7 sites, ensure taxability, protect player information, ensure
8 regulatory access to data and information, ensure customer
9 service, and provide information on problem gambling.

10 The bill defines certain terms used in new Code chapter 99H.

11 The bill provides authority over intrastate internet
12 poker to the Iowa racing and gaming commission. The bill
13 provides that the commission may adopt certain rules, conduct
14 investigations, monitor operations, review books and accounts,
15 suspend or revoke licenses upon a hearing, take testimony,
16 issue summons and certain subpoenas, monitor and ensure
17 collection of taxes, monitor and ensure fairness of games
18 conducted, and ensure the protection of player information.

19 The bill provides for the licensing of an internet poker
20 hub operator by the commission. The bill provides that only a
21 person holding the internet poker hub operator license issued
22 by the commission and certain affiliates can provide intrastate
23 internet poker to registered players. The hub operator must
24 be authorized to conduct business in the state, must complete
25 an application, and must provide all documentation as required
26 by the commission.

27 The bill provides that the selection of an internet poker hub
28 operator must be by a negotiated agreement with the affiliates,
29 and requires that the successful applicant demonstrate the
30 ability to ensure that players are at least 21 years of age and
31 present within the state at the time of play.

32 The bill includes other selection qualifications of
33 the internet poker hub operator. The applicant and any
34 subcontractor must be authorized to conduct business in Iowa
35 and must not have accepted certain types of wagers previously.

1 Certain executives or employees of the applicant, and any
2 subcontractor, must meet the requirements to obtain an
3 intrastate internet poker occupational or business license
4 from the commission. The bill does not require here that
5 these officers actually obtain such licenses. The applicant,
6 subcontractor, and all entities with an ownership interest in
7 either must have demonstrated compliance with all federal and
8 state laws under which they provide services. The applicant
9 must provide certain information on subcontractors and provide
10 certain descriptions of how the applicant will comply with the
11 standards set under this new Code chapter. The commission may
12 by rule require and an applicant must provide any additional
13 documentation or information to ensure that an applicant is
14 legally, technically, and financially qualified to become the
15 state's internet poker hub operator.

16 The bill provides for an internet poker hub operator
17 license, along with a corresponding application and fees.
18 The licensing application requires disclosure of certain
19 information related to the applicant and its direct or indirect
20 owners. This information includes authorization to conduct
21 business in the state, current and historical financial
22 information, documents related to legal and regulatory
23 proceedings, documents related to business history including
24 state and federal tax filings, documents related to the
25 nature and sources of financing, documentation of financial
26 qualification, and any other information required by the
27 commission by rule in order to ensure eligibility.

28 The bill requires that internet poker hub operator license
29 applicants provide subcontractor information including
30 all necessary documentation and information related to
31 subcontractors of the internet poker hub operator. This
32 information includes but is not limited to a description of
33 subcontractor services to be provided, additional subcontractor
34 information, and any other information required by the
35 commission by rule in order to ensure eligibility.

1 The bill requires that an internet poker hub operator
2 license applicant provide a description of how it will
3 facilitate compliance with the requirements of the chapter
4 related to but not limited to registered player requirements
5 including intrastate play, age verification, and exclusion of
6 problem gamblers; system requirements including connectivity,
7 hardware, software, anti-fraud systems, virus prevention, data
8 protection, access controls, firewalls, disaster recovery, and
9 redundancy; gaming systems requirements including legality,
10 independence and fairness, availability of rules, randomness,
11 and unpredictability; and accounting systems requirements
12 including player accounts, participation fees, transparency and
13 reporting, distribution of revenue, and ongoing auditing.

14 The bill requires that before the commission issues an
15 internet poker hub operator license, that each qualified
16 applicant provide evidence of a surety bond of \$1 million
17 payable to the state for each year that the licensee is so
18 licensed. The bond shall be held in full force and effect
19 during the term of the license.

20 The internet poker hub operator must comply with the
21 contract between the affiliates and the operator. The contract
22 will be for five years and may be renewed for additional
23 five-year periods. The contract may be amended by written
24 agreement of the affiliates and the operator. If this new
25 Code chapter is amended, the operator may declare the contract
26 null and void within 60 days after the effective date of the
27 amendment. If the operator fails to make such a declaration,
28 the operator shall be bound to the requirements of the new Code
29 chapter as amended. In the event that a change in federal law
30 renders the provisions of intrastate internet poker illegal,
31 the operator may abandon the contract after providing the
32 affiliates at least 90 days prior written notice explaining its
33 interpretation that continuing to provide services under the
34 contract is commercially infeasible.

35 The bill provides that only those holding a valid excursion

1 gambling boat, gambling structure, or racetrack enclosure
2 affiliate license, also referred to as an affiliate license,
3 may provide intrastate internet poker for play to registered
4 players through the state internet poker network. The bill
5 provides that after an affiliate license is issued that it
6 must be renewed in conjunction with its excursion gambling
7 boat, gambling structure, or racetrack enclosure license
8 respectively. The bill requires that any affiliate application
9 be made on forms prescribed by the commission and contain all
10 information required by the commission by rule. The applicant
11 must provide all documentation required, and shall not sell or
12 lease licensed property, or contract with any person or entity
13 to operate its internet site unless the individual or entity
14 purchasing leasing or contracting with the licensee meets and
15 complies with all the requirement of Code chapter 99F and this
16 new Code chapter. The annual affiliate license fee shall be
17 \$250,000 payable to the commission and the commission shall
18 adopt rules related to affiliate licenses.

19 The bill requires business and employee occupational
20 licenses. The bill requires that any person employed or
21 otherwise working for the internet poker hub operator or an
22 affiliate must hold a valid occupational license issued by the
23 commission. The bill requires that the internet hub operator
24 and any affiliate not employ any individual in any capacity
25 related to the operation of intrastate internet poker who does
26 not hold a valid occupational license. The bill requires that
27 an internet hub operator and any affiliate not contract with
28 or employ a business required to hold a business occupational
29 license which does not hold such a license. The bill
30 requires that any proprietorship, partnership, corporation,
31 subcontractor, or other entity must obtain a business
32 occupational license issued by the commission to conduct
33 business with the internet poker hub operator or any affiliate.

34 The bill requires the commission to adopt a schedule
35 for occupational license renewals and requires that all

1 occupational licenses be nontransferable. The bill requires
2 that one apply for an occupational license or renewal, pay
3 an appropriate fee and provide all required information or
4 documentation. The commission must adopt rules regarding
5 license applications and renewals. Licenses will be valid for
6 three years upon payment of a full occupational license fee for
7 the three years. The initial employee occupational license
8 fee shall not exceed \$50 annually. The initial business
9 occupational license fee shall not exceed \$1,000 annually. An
10 individual holding a valid individual occupational license
11 issued by the commission under Code section 99F.6 is not
12 required to obtain a license under this new Code section
13 99H.11.

14 The bill provides that the commission may deny an
15 application for, or revoke, suspend, or place restrictions on,
16 a license of any person or entity that was refused a similar
17 license elsewhere, that is under suspension or has unpaid fines
18 elsewhere, that has violated this new Code chapter or the
19 rules adopted by the commission, or that has been convicted of
20 certain offenses.

21 The bill sets eligibility requirements for registered
22 players. The bill requires that a registered player be located
23 within the state, be at least 21 years of age, and must not have
24 submitted a completed internet poker self-exclusion form. The
25 bill provides certain requirements for the creation and use of
26 an internet poker self-exclusion form. The bill provides that
27 a person shall not bring any action of negligence or any other
28 claim resulting from a self-excluded individual gaining access
29 to play despite their request to be excluded.

30 The bill requires that in order for an internet poker hub
31 operator to offer a specific game, the hub operator must
32 provide the commission with certain information, including
33 a description of the game and documentation related to the
34 development and testing of the game. After submission of this
35 information, the internet poker hub operator may begin offering

1 the game and the game shall be considered authorized if not
2 disapproved by the commission within 30 days. All games must
3 be conducted in accordance with game and betting rules. The
4 internet poker hub operator must ensure the fairness of all
5 games and must ensure the display of the game's name, any
6 restrictions on play, the rules of the game, play instructions,
7 unit and total bets permitted, the player's current account
8 balance, and any other information deemed necessary by the
9 internet poker hub operator.

10 The bill requires that all proposed and authorized game
11 results be unpredictable even given complete knowledge of
12 algorithms and hardware generating sequence, and all previously
13 generated numbers. The bill requires the internet poker hub
14 operator to take steps to minimize fraud and cheating through
15 collusion. The bill requires that if the operator becomes
16 aware of fraud or cheating actually taking place, the operator
17 must attempt to end those activities and report relevant facts
18 to the commission. The operator is required to inform the
19 commission of complaints and investigate such complaints. The
20 bill limits legal actions against the operator in the event
21 that the operator can demonstrate taking action upon becoming
22 aware of fraud or cheating. The bill requires that if a server
23 or software does not allow a game to be completed, that the
24 hand be voided and all funds relating to the incomplete hand
25 shall be returned to the registered player's account.

26 The bill provides for the creation of registered player
27 accounts by the internet poker hub operator. The operator
28 must ensure that personally identifiable information is secure
29 but accessible to individual players and regulators. The
30 bill requires that an individual be a registered player to
31 participate in any game on the state internet poker network.
32 The bill allows for accounts to be established in person,
33 by mail, by telephone, or by electronic means. The bill
34 requires that an individual establishing an account provide
35 the individual's first name and surname, the address of the

1 individual's principal residence, telephone number, social
2 security number, proof of age, a valid e-mail address, and the
3 source of funds used to establish the account. An individual
4 may register up to three registered player accounts per year
5 and shall not have more than three registered player accounts
6 at any time. The hub operator must conspicuously present its
7 privacy policies before such registration may be completed.

8 The bill requires that personally identifiable information
9 not be shared with any nongovernmental individual or entity
10 not acting as a subcontractor. All information will be shared
11 with the commission. The hub operator must require that an
12 individual agree with the terms of use before the individual
13 may become a registered player. The hub operator must provide
14 registered players with the means to update their information,
15 and may suspend or revoke the accounts of registered players
16 for certain reasons. The hub operator must establish and
17 maintain and account for each registered player with means of
18 placing funds into the account. The bill requires the hub
19 operator to maintain certain records, to prohibit certain
20 wagers, not provide credit for a player's account, and to
21 provide a registered player with the means to transfer money
22 out of the player's account. The bill requires the hub
23 operator to provide registered players with certain functional
24 controls related to their wagering and to provide them with
25 certain information related to their play.

26 The bill requires the internet poker hub operator to
27 establish a book of accounts and make all financial records
28 available to the commission. The hub operator must demonstrate
29 its system of maintaining records and reports readily available
30 to the commission. The records and reports must include
31 certain monthly statements, a calculation of fees payable to
32 government, the identity of registered players, certain player
33 account balances, wagers, and results of each game with time
34 stamps. The hub operator must reconcile registered players'
35 accounts monthly.

1 The bill provides technical requirements. An internet poker
2 hub operator must put in place certain technical systems to
3 aid the commission in its regulatory, consumer protection,
4 and revenue-raising functions. The operator must ensure
5 against tampering or manipulation with relevant systems, and
6 both define and document certain methodologies related to
7 gaming software, server connectivity, certain game procedures,
8 consumer protections, advertising, money-laundering, and
9 certain preventive and detective controls.

10 The bill provides that the internet hub operator must charge
11 certain fees. The bill explicitly prohibits certain employees
12 of the commission and employees' relatives living in the same
13 household from playing on the state internet poker network.
14 The same limitation applies to occupational licensees and their
15 relatives. The bill provides additional limits for commission
16 employees.

17 The bill enumerates certain prohibited acts and provides
18 penalties. The bill provides that the internet poker hub
19 operator may conduct any proposed game unless prohibited by the
20 commission or the new Code chapter. The bill provides that
21 a person under the age of 21 shall not hold an occupational
22 license or participate in any of these games.

23 The bill provides that it is a violation of state law for
24 any entity to offer internet poker for free, for money, or
25 for any other consideration to individuals within this state
26 unless that entity can demonstrate compliance with the laws
27 and tax regulations of this state and the United States. The
28 bill prohibits any entity that has accepted any wager of money
29 or other consideration on any internet gambling activity from
30 being eligible to apply for licensure in intrastate internet
31 poker in this state.

32 The bill provides for an administrative penalty of up to
33 \$10,000 to be assessed on any individual who knowingly makes,
34 causes to be made, aids, assists, or procures another to make a
35 false statement in any report, disclosure, application, or any

1 other document required in this new Code chapter in addition to
2 any other penalty, and except as otherwise provided by law.

3 The bill creates a class "C" felony for manipulating or
4 attempting to manipulate the outcome, payoff, or operation of
5 intrastate internet poker by tampering, collusion, fraud, or by
6 the use of any object, instrument, or device.

7 The bill provides for license fees for the internet poker hub
8 operator and affiliates. The hub operator licensee is required
9 to pay an annual fee of \$250,000 and the affiliates licensees
10 are required to pay an annual fee of \$1,000 each. These fees
11 are nonrefundable. The commission is required to use these
12 fees to cover costs related to regulating, investigating, and
13 enforcing this new Code chapter. The bill further requires
14 that these fees be accounted for separately from taxes or fees
15 paid pursuant to Code chapters 99D and 99F.

16 The bill requires that the selected internet poker hub
17 operator licensee pay the commission a nonrefundable \$3 million
18 upon being awarded such license. This payment shall be treated
19 as an advance payment to the state by the hub operator and this
20 payment will be credited against the tax on adjusted gross
21 receipts derived from the play of intrastate internet poker.
22 For the purposes of the new Code chapter, a tax is imposed
23 on the adjusted gross receipts received each fiscal year in
24 the same manner and at the rate described in section 99F.11,
25 applicable to affiliates as licensees.

26 The bill provides the commission with rulemaking authority
27 and allows for the operation and licensing of more than one
28 internet hub operator. The bill also provides a legislative
29 finding that the general assembly has exclusive authority
30 over intrastate internet poker. The bill provides that the
31 commission and other authorized state agencies must administer
32 this new Code chapter and regulate the industry as provided by
33 law and by rules adopted by the commission.