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## A BILL FOR AN ACT

RELATING TO ONLINE SPORTS WAGERING.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that tens of thousands of  
2 Hawaii residents are estimated to participate in illegal online  
3 sports gambling on unregulated internet web sites. These  
4 gambling web sites are operated by illegal offshore operators  
5 not subject to regulation or taxation in the United States.  
6 Questions often arise about the honesty and the fairness of the  
7 games offered to Hawaii residents, but neither federal nor state  
8 laws currently provide any consumer protections for Hawaii  
9 residents who play on these web sites. Moreover, tens of  
10 millions of dollars in revenues generated from online gambling  
11 are being realized by offshore operators serving Hawaii  
12 residents, but no benefits are provided to the State.

13           To protect Hawaii residents who gamble on the Internet, and  
14 to capture revenues generated from internet sports wagering in  
15 Hawaii, it is in the best interest of the State and its citizens  
16 to regulate this existing activity by authorizing and  
17 implementing a secure, responsible, and legal system for online



1 sports wagering. The State's interests are best met by doing so  
2 through an online sports wagering corporation, which shall be a  
3 public instrumentality, operating for the sole benefit of the  
4 State, and accountable to the legislature and to the public  
5 through a system of audits and reports.

6 The purpose of this Act is to create a body politic, known  
7 as the online sports wagering corporation, authorized to offer a  
8 regulated, secure, and responsible framework for the conduct of  
9 sports wagering in Hawaii that will provide consumer protections  
10 and capture additional revenues for the benefit of the State.

11 SECTION 2. The Hawaii Revised Statutes is amended by  
12 adding a new chapter to be appropriately designated and to read  
13 as follows:

14 **"CHAPTER**

15 **ONLINE SPORTS WAGERING CORPORATION**

16 **§ -1 Definitions.** As used in this chapter, unless the  
17 context requires otherwise:

18 "Board" means the board of directors of the corporation.

19 "Chief executive officer" means the chief executive officer  
20 of the corporation.

21 "Corporation" means the online sports wagering corporation.



1 "Member" or "members" means a member or members of the  
2 board of directors of the corporation.

3 "Net proceeds" means all revenue derived from the  
4 operations of the corporation, less operating expenses.

5 "Operating expenses" means all costs of doing business,  
6 including advertising and marketing costs, costs related to the  
7 internet wagering providers, personnel costs, capital costs,  
8 funds for problem gambling education and treatment, and other  
9 operating costs.

10 "Person" means any individual, corporation, partnership,  
11 unincorporated association, or other legal entity.

12 "Vendor" means a person who provides or proposes to provide  
13 goods or services to the corporation pursuant to a procurement  
14 contract, but does not include an employee of the corporation,  
15 or an agency or instrumentality of the State.

16 **§ -2 Online sports wagering corporation established.**

17 (a) There is established the online sports wagering corporation  
18 to be placed within the department of business, economic  
19 development, and tourism for administrative purposes only. The  
20 corporation shall be a public body and a body corporate and  
21 politic.



1           (b) The corporation shall employ, exempt from chapter 76  
2 and section 26-35(a)(4), an executive director and executive  
3 assistant. The corporation may employ, subject to chapter 76,  
4 technical experts and officers, agents, and employees, permanent  
5 and temporary, as required. The corporation may also employ  
6 officers, agents, and employees, prescribe their duties and  
7 qualifications, and fix their salaries, not subject to chapter  
8 76, when in the determination of the corporation, the services  
9 to be performed are unique and essential to the execution of the  
10 functions of the corporation. The corporation may call upon the  
11 attorney general for legal services as it may require. The  
12 corporation may delegate to one or more of its agents or  
13 employees its powers and duties as it deems proper.

14           **§ -3 Purpose and authority of corporation.** (a) The  
15 corporation shall conduct and regulate sports wagering for the  
16 benefit of the State, with the assistance of a private sports  
17 wagering provider, pursuant to this chapter and rules adopted by  
18 the corporation.

19           (b) The corporation may:



- 1           (1) Offer sports wagering on sporting events or sporting
- 2                   contests to individuals over the age of eighteen
- 3                   years; and
- 4           (2) Engage in other activities consistent with the purpose
- 5                   of this chapter and rules adopted.

6           **§ -4 General powers of the corporation.** (a) The

7 corporation is granted comprehensive and extensive powers as

8 generally exercised by corporations engaged in for-profit

9 business activities and all powers as are necessary or

10 convenient to effectuate those purposes and provisions of this

11 chapter that are not in conflict with state or federal law,

12 including to:

- 13           (1) Sue and be sued;
- 14           (2) Have a seal and alter the same at pleasure;
- 15           (3) Make and execute contracts, pursuant to chapter 103D,
- 16                   and other instruments necessary or convenient to the
- 17                   exercise of its powers;
- 18           (4) Adopt bylaws and rules in accordance with chapter 91
- 19                   for its organization, internal management, and to
- 20                   carry into effect its purposes, powers, and programs;
- 21                   and



1           (5) Elect and prescribe the duties of officers and  
2           employees of the corporation and to perform such other  
3           matters as the corporation may determine.

4           (b) In addition to other powers conferred upon it, the  
5           corporation may do all things necessary and convenient to carry  
6           out the powers expressly provided in this chapter.

7           §   -5 **Board of directors; membership; reimbursement for**  
8           **expenses; conflict of interests; quorum.** (a) The corporation  
9           shall be governed by a board of directors composed of seven  
10          members. Three members shall be appointed by the governor, two  
11          shall be appointed by the president of the senate, and two shall  
12          be appointed by the speaker of the house of representatives.

13          (b) Members of the board shall be prominent persons in  
14          their business or profession and shall not have been convicted  
15          of any felony offense. The board shall include individuals with  
16          knowledge and expertise in sports wagering or gaming, marketing  
17          and entertainment, technology, accounting, law, and operation of  
18          a business enterprise.

19          (c) Members of the board shall serve for terms of five  
20          years; provided that, of the initial members appointed, three  
21          shall be appointed for a term of two years, two shall be



1 appointed for a term of four years, and two shall be appointed  
2 for a term of five years. Any vacancy occurring on the board  
3 shall be filled by the governor by appointment for the unexpired  
4 term.

5 (d) Members of the board shall not have any interest in an  
6 undertaking that puts their personal interest in conflict with  
7 that of the corporation, including an interest in a procurement  
8 contract or a participating vendor.

9 (e) The board may delegate to any one or more of its  
10 members, to the chief executive officer, or to any agent or  
11 employee of the corporation any powers and duties as it may deem  
12 proper.

13 (f) A majority of members of the board shall constitute a  
14 quorum for the transaction of any business and for the exercise  
15 of any power or function of the corporation.

16 (g) The members of the board shall be compensated in an  
17 amount determined by the board and shall be reimbursed for  
18 expenses, including travel expenses, necessary for the  
19 performance of their duties.



1           §   -6 **Board of directors; powers and duties.** In addition  
2 to any other powers and duties authorized by law, the board  
3 shall:

- 4           (1) Select sports wagering providers, pursuant to the  
5 requirements of this chapter;
- 6           (2) Adopt regulations, policies, and procedures relating  
7 to the conduct of sports wagering providers, including  
8 rules governing:
  - 9           (A) The type of wagers to be taken on certain sports;
  - 10           (B) The physical location where the sports wagering  
11 providers may conduct business;
  - 12           (C) Forms of payment accepted and prohibited;
  - 13           (D) Method of validating winnings;
  - 14           (E) Manner and time of payment;
  - 15           (F) Responsible sports wagering;
  - 16           (G) The conduct of sports wagering providers;
  - 17           (H) The sports wagering platform; and
  - 18           (I) Any and all other matters necessary, desirable,  
19 or convenient toward ensuring the efficient and  
20 effective operation of sports wagering;



- 1           (3) Provide the chief executive officer with private
- 2           sector perspective and direction;
- 3           (4) Approve, disapprove, amend, or modify the budget
- 4           recommended by the chief executive officer for the
- 5           operation of the corporation;
- 6           (5) Approve, disapprove, amend, or modify the terms of the
- 7           major procurements recommended by the chief executive
- 8           officer; and
- 9           (6) Perform other functions as necessary to carry out the
- 10          purposes of this chapter.

11           **§ -7 Chief executive officer; appointment; compensation.**

12 The board of directors shall appoint and provide for the  
13 compensation of a chief executive officer who shall be an  
14 employee of the corporation and who shall serve at the pleasure  
15 of the board. The chief executive officer shall direct the day-  
16 to-day operations and management of the corporation and shall be  
17 vested with powers and duties as specified by the board and by  
18 law.

19           **§ -8 Chief executive officer; powers and duties.** The  
20 chief executive officer of the corporation shall direct and  
21 supervise all administrative and technical activities in



1 accordance with this chapter and with regulations, policies, and  
2 procedures adopted by the board. It shall be the duty of the  
3 chief executive officer to:

- 4 (1) Supervise and exercise active oversight of the  
5 operations of sports wagering providers;
- 6 (2) Hire and supervise a small staff of employees, as  
7 deemed necessary; provided that all applicants for  
8 employment shall be subject to a background check;  
9 provided further that no person who has been convicted  
10 of a felony or bookmaking or other forms of illegal  
11 gambling or of a crime involving moral turpitude shall  
12 be employed by the corporation;
- 13 (3) In consultation with sports wagering providers,  
14 prepare an annual budget, including a marketing  
15 budget, to be approved by the board;
- 16 (4) Enter into agreements with state or county law  
17 enforcement agencies for the performance of law  
18 enforcement, background investigations, and security  
19 checks;



1 (5) Report quarterly to the board a full and complete  
2 statement of sports wagering revenues and expenses for  
3 the preceding quarter; and

4 (6) Perform any other duties customary of the position of  
5 chief executive officer.

6 **§ -9 Corporation restriction on use of money in state**  
7 **general fund.** (a) The corporation, in accordance with this  
8 chapter, may borrow or accept and expend moneys received from  
9 any source, including income from the corporation's operations,  
10 for effectuating its corporate purposes, including the payment  
11 of the initial expenses of initiation, administration, and  
12 operation of the corporation.

13 (b) The corporation shall be self-sustaining and self-  
14 funded. Moneys in the state general fund shall not be used or  
15 obligated to pay the expenses of the corporation, and no claim  
16 for the payment of an expense of the corporation shall be made  
17 against any moneys other than moneys credited to the sports  
18 wagering special fund.

19 **§ -10 Sports wagering special fund.** (a) There is  
20 created within the state treasury a special fund to be known as



1 the sports wagering special fund. Moneys authorized under this  
2 chapter may be deposited into the special fund.

3 (b) All proceeds of the corporation shall be deposited  
4 into the special fund pursuant to section -16.

5 (c) The sports wagering special fund shall be used for  
6 operating expenses of the corporation.

7 (d) The unexpended and unencumbered moneys in the fund in  
8 excess of \$ on June 30 of each fiscal year shall be  
9 transferred by the director of finance into and become a  
10 realization of the general fund on that date.

11 **§ -11 Reports by the corporation.** To ensure the  
12 financial integrity of the sports wagering operations, the  
13 corporation through the board of directors shall:

14 (1) Submit quarterly and annual reports to the governor  
15 and legislature, disclosing the total revenues,  
16 disbursements, operating expenses, and administrative  
17 expenses of the corporation during the reporting  
18 period;

19 (2) Adopt a system of internal audits and controls;

20 (3) Maintain regular records of transactions; and



1           (4) Contract with a certified public accountant or firm  
2           for an annual financial audit of the corporation;  
3           provided that the certified public accountant or firm  
4           shall have no financial interest in any vendor with  
5           whom the corporation is under contract.

6           §   -12   **Adoption of sports wagering rules.** Within one  
7 hundred eighty days of the appointment of all members of the  
8 board, the board shall adopt rules and policies governing its  
9 sports wagering operations, consistent with the requirements of  
10 this chapter. The board may retain a neutral advisor with  
11 expertise in sports wagering and gaming to assist the board in  
12 adopting its rules.

13           §   -13   **Selection of sports wagering providers; license**  
14 **fees.** (a) Within one hundred eighty days of the appointment of  
15 all members of the board, the board shall commence a competitive  
16 process for the selection of qualified and suitable sports  
17 wagering providers. The selection of the sports wagering  
18 providers shall be done through a request for qualifications,  
19 which shall take into account the following factors:

20           (1) The provider's knowledge and expertise with regard to:



1 (A) United States regulated gaming and lottery  
2 operations;  
3 (B) Interactive digital media and entertainment; and  
4 (C) Internet technology; and  
5 (2) The suitability of the provider's executives and key  
6 employees to operate a legally compliant gaming  
7 enterprise with honesty, fairness, and integrity;  
8 provided that a provider that has engaged in any of  
9 the following activities shall be deemed unsuitable to  
10 serve as the corporation's online sports wagering  
11 provider:  
12 (A) The provider has operated in violation of the  
13 laws of any country or state in which it has  
14 operated; or  
15 (B) The provider has been indicted or convicted of a  
16 crime related to its gaming operations in any  
17 state or foreign jurisdiction.  
18 (b) The initial license fee for a sports wagering provider  
19 shall be \$ , and the annual license renewal fee shall  
20 be \$ , to be paid to the corporation for conducting  
21 business in the State.



1 (c) The board shall select sports wagering providers that  
2 offers the greatest integrity for the corporation, the greatest  
3 long-term benefit to the State, and the best service and  
4 products for the public.

5 § -14 Responsibilities of sports wagering providers. A  
6 sports wagering provider shall be responsible for operating a  
7 legally compliant, secure, and responsible sports wagering  
8 operation. A sports wagering provider's general  
9 responsibilities shall include, among other things:

10 (1) Providing all the technology infrastructure, software,  
11 and operational support necessary for the development,  
12 operation, and maintenance of the facility and  
13 website, including:

14 (A) Game software and graphics;

15 (B) Computer hardware;

16 (C) Server hosting;

17 (D) Player account registration and management;

18 (E) Geo-location services limited to those only  
19 within the State;

20 (F) Age-verification services;

21 (G) Responsible gaming controls;



- 1 (H) Anti-collusion and security tools;
- 2 (I) Payment gateway software functionality;
- 3 (J) Deposit and decline tools and services;
- 4 (K) Charge back reporting software;
- 5 (L) Network reconciliation and controls;
- 6 (M) Financial reporting and player management;
- 7 (N) Collection and remittance of the appropriate tax
- 8 pursuant to section -15; and
- 9 (O) Other related administrative back office
- 10 functionality and operational support;
- 11 (2) Providing marketing services, including a
- 12 comprehensive, customized marketing plan for the
- 13 corporation, consisting of both on-line and off-line
- 14 marketing components aimed at maximizing revenues in a
- 15 responsible manner and attracting tourism for the
- 16 State through the corporation's sports wagering
- 17 operations; and
- 18 (3) Providing customer support and trained personnel to
- 19 respond to inquiries from players regarding
- 20 technological problems, investigate fraud and
- 21 collusion, and any other issues that may arise.



1           §   -15   **Sports wagering tax.**  There shall be levied,  
2 assessed, and collected a tax of fifty-five per cent on all  
3 winnings paid out to any person by a sports wagering provider.  
4 The tax revenues shall be deposited into the sports wagering  
5 special fund.

6           §   -16   **Disposition of proceeds.**  (a)  All proceeds of  
7 sports wagering conducted under this chapter shall be the  
8 property of the corporation.  The corporation shall pay its  
9 operating expenses from the proceeds.

10           (b)  On or before the fifteenth day of each quarter, the  
11 corporation shall deposit into the sports wagering special fund  
12 all net proceeds derived from sports wagering activities during  
13 the preceding quarter.

14           §   -17   **Tax treatment.**  The activities of the corporation  
15 shall be deemed to constitute an essential government function,  
16 and all operations of the corporation shall be exempt from any  
17 form of taxation under state law and, to the extent allowed,  
18 under federal law.  In addition, the corporation shall not be  
19 required to pay any taxes or assessments upon or in respect to  
20 any property or moneys of the corporation, levied by the State  
21 or any political subdivision thereof, except as required by



1 federal law. The corporation and its assets, property, and  
 2 revenues shall at all times be exempt from taxation of every  
 3 kind by the State and any political subdivision thereof,  
 4 including any special districts in the State with powers of  
 5 taxation.

6 § -18 **Responsible gaming measures.** The corporation  
 7 shall provide information on problem gambling, including a  
 8 problem gambling hotline telephone number that a person may call  
 9 to seek information and assistance for a potential gambling  
 10 addiction. The corporation shall offer responsible gambling  
 11 services, such as self-exclusion, limits on losses, amounts  
 12 wagered, and playing time, and other services as the corporation  
 13 reasonably may determine are necessary and appropriate to reduce  
 14 and prevent problem gambling."

15 SECTION 3. Chapter 712, Hawaii Revised Statutes, is  
 16 amended by adding a new section to part III to be appropriately  
 17 designated and to read as follows:

18 "§712- Online sports wagering contests. Online sports  
 19 wagering conducted and administered pursuant to chapter is  
 20 exempt from this part."



1 SECTION 4. If any provision of this Act, or the  
2 application thereof to any person or circumstance, is held  
3 invalid, the invalidity does not affect other provisions or  
4 applications of the Act that can be given effect without the  
5 invalid provision or application, and to this end the provisions  
6 of this Act are severable.

7 SECTION 5. This Act does not affect rights and duties that  
8 matured, penalties that were incurred, and proceedings that were  
9 begun before its effective date.

10 SECTION 6. New statutory material is underscored.

11 SECTION 7. This Act shall take effect on July 1, 2022.

12

INTRODUCED BY:   
JAN 21 2022



# H.B. NO. 1815

**Report Title:**

Online Sports Wagering Corporation

**Description:**

Creates the online sports wagering corporation to regulate and administer sports wagering in the State over the internet.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

