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Legislative Testimony
Veterans and Legal Affairs Committee
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Gambling Control Unit
Department of Public Safety
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Senator Hickman, Representative Supica and Distinguished Members of the Veterans and Legal Affairs Committee, I am Milton Champion, Executive Director of the Gambling Control Unit within the Department of Public Safety. I am here today on behalf of the Department of Public Safety to testify "In Favor of" LD 2007 which is "An Act Regarding the Prohibition of Online Sweepstakes games." And I thank Senator Hickman for sponsoring this important measure.

With the passing of this bill, Maine will join New York, New Jersey, Connecticut, Nevada, Montana and California with more states to follow. This bill clarifies that operating or promoting an online sweepstakes game constitutes "unlawful gambling" within the meaning of the Maine Criminal Code and establishes additional civil penalties related to that unlawful conduct.

The bill impacts online games or contests that use a dual-currency system of payment and that simulate casino-style gaming, including, but not limited to, slot machines, poker and other table games, lottery games, bingo or sports wagering. "Dual-currency system of payment" refers to the practice of using more than one system of coins or tokens to facilitate game play and is further defined in the bill.

The bill provides that a person that operates or promotes an online sweepstakes game is subject to a fine of not less than \$10,000 and not more than \$100,000. The bill requires that all fines collected be distributed to the Gambling Addiction Prevention and Treatment Fund.

Under the bill, if a person is found to operate or promote an online sweepstakes game and that person holds a license with the Gambling Control Unit or Gambling Control Board within the Department of Public Safety to operate a casino, fantasy, sports and even charitable gambling activities, the licensing entity must revoke that license. A person that

violates the online sweepstakes games prohibition is also ineligible to receive one of the licenses specified by the bill in the future.

Thank you for the opportunity to appear before the committee today, and I would be happy to answer any questions you may have at this time.

Respectfully



Executive Director
Gambling Control Unit

Sweepstakes casinos operate under a unique legal framework that allows players to enjoy casino-style games without direct monetary stakes, using a dual-currency system to facilitate gameplay and prize winnings.

Legal Framework

Sweepstakes casinos are designed to comply with U.S sweepstakes laws, which govern promotional contests and giveaways. This legal structure allows them to operate in most states where traditional online gambling may be restricted. Key aspects of their legality include:

- **No Purchase Necessary:** Players can participate without spending money, often through Alternative Methods of Entry (AMOE), such as mail-in requests for Sweeps Coins.
- **Prize-based Gameplay:** Only Sweeps Coins provide the chance to win real prizes, while Gold Coins are used purely for entertainment and cannot be converted to cash.

Dual-Currency System

Sweepstakes casinos utilize a dual-currency model, which includes:

- **Gold Coins:** These are used for regular gameplay and can be purchased or awarded as bonuses. They have no cash value and are meant for entertainment purposes only.
- **Sweeps Coins:** These are the currency that players can use to enter sweepstakes and potentially win real prizes. Players typically earn Sweeps Coins through promotions, social media activities, or as bonuses when purchasing Gold Coins.

Gameplay Mechanics

Players can enjoy a variety of games similar to those found in traditional online casinos (Igaming), including slots, blackjack, and poker. The games are designed to provide an authentic casino experience while adhering to the sweepstakes model. Here's how it works:

- Players use Sweeps Coins to participate in games, and any winnings are also awarded in Sweeps Coins.
- The chances of winning are determined by random number generators, ensuring fair gameplay.

Accessibility and Popularity

One of the significant advantages of sweepstakes casinos is their broader availability across the United States. Unlike real-money online casinos, which are limited to specific states, sweepstakes casinos can serve players in most states due to their compliance with sweepstakes laws see below Title 28-A, §708-A. This accessibility has contributed to their growing popularity among players seeking an alternative to traditional gambling.

Conclusion

Sweepstakes casinos represent an innovative approach to online gaming, allowing players to engage in casino-style entertainment while navigating the complexities of legal regulations. By understanding their operational model, players can make informed decisions and enjoy the unique experiences these platforms offer. As the industry evolves, staying informed about the features and promotional opportunities available can enhance the overall gaming experience.

According to Title 17-A Chapter 39, §952. DEFINITIONS:

11. "Unlawful" means not expressly authorized by statute. An activity not expressly authorized by statute does not cease to be unlawful solely because it is authorized under federal law or the laws of another state or jurisdiction, and

§954. UNLAWFUL GAMBLING

1. Any person is guilty of unlawful gambling if that person intentionally or knowingly advances or profits from unlawful gambling activity.

To our knowledge only the Attorney General's office has guidelines for sweepstakes and BABLO under Title 28-A, §708-A. In-pack sweepstakes, contests and games states:

Notwithstanding any provision of law to the contrary, a certificate of approval holder, spirits supplier, wholesale licensee or retail licensee may offer sweepstakes, games and contests inside packages of liquor, if that offer is not contingent on the purchase of liquor. The certificate of approval holder, spirits supplier, wholesale licensee or retail licensee shall provide information about access to participate in a sweepstakes, game or contest by providing either a sign in the retail outlet or a notice on the primary or secondary packaging of the brand offering the sweepstakes, game or contest.

The VLA committee may want to consider requiring anyone who wants to offer a sweepstakes has to register with the Gambling Control Unit and the Executive Director has the ability to adopt rules with some or no direction from the legislature. The primary ability for a business or person to offer a sweepstakes is that "No purchase is necessary" and that it can not be in a form of casino activities like slots or table games which is Igaming.