ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 5447

STATE OF NEW JERSEY

DATED: JUNE 19, 2025

The Assembly Appropriations Committee reports favorably Assembly Bill No. 5447 (1R).

As reported, this bill prohibits unlawful gambling operations in this State, including a model of wagering frequently referred to as "sweepstakes," and establishes new penalties for unlawful gambling operations and practices.

Under the bill, "sweepstakes" are expressly prohibited. The bill defines "sweepstakes" to mean a promotional, advertising, or marketing event, contest, or game, whether played online or in-person, in which something of value, such as a prize or prize equivalent, is awarded, either directly or indirectly through means such as a dual-currency system of payment that allows a participant to exchange the currency for a prize or prize equivalent.

The bill creates an exception to this prohibition, if:

(1) there exists a method of entry to participate in the sweepstakes at no cost to the participant;

(2) any method of entry that is not free to the participant is ancillary to the purchase of food, non-alcoholic beverages, or other merchandise not exceeding $20 in value or such other amount to be determined by the Director of the Division of Consumer Affairs in the Department of Law and Public Safety; provided, however, that such other items of merchandise will not include coins, tokens, or online credits that have no value other than permitting sweepstakes entry or that are able to be exchanged for money or merchandise from the sweepstakes operator or an affiliated company;

(3) determination of the winner or winners of the sweepstakes is not in any way based on the results of any sports event or contest or the performance or any facet thereof of any individual or team, or the performance of a combination of any individuals or teams in any sports event or contest, unless the sole and exclusive method of entry to participate in the sweepstakes is at no cost to all participants;

(4) the sweepstakes entry form or the website or application used to enter an online or telephone sweepstakes clearly discloses to participants: the rules of the sweepstakes; the odds of a winning any and all prizes, unless the sweepstakes permits an unlimited number of entries, in which case the sponsor or operator must disclose that the

sweepstakes permits unlimited entry; and the nature and number of any prizes that may be awarded;

(5) the value of any cash or merchandise prize will be considered income for purposes of New Jersey income tax;

(6) no person under the age of 18 will be permitted to claim a sweepstakes prize exceeding $1,000 in value without the consent of their parent or guardian; and

(7) the odds of winning any particular prize will be identical regardless of whether the contest was entered by purchasing an entry or by entering at no cost to the participant.

The bill expands the scope of criminal conduct concerning the maintenance of a gambling resort to include the maintenance of an online gambling resort, and increases the penalty from a crime of the fourth degree to a crime of the third degree. The bill defines an online gambling resort as a website or application accessed via the Internet or other computer or mobile connection to which persons may resort for engaging in gambling activity.

The bill expands the definition of "gambling" within the criminal statutes to include the buying, selling, or trading something of value upon an agreement or understanding that the actor will receive something of value in the event of a certain outcome in a contest of chance. A contest of chance or a future contingent event not under the actor's control or influence would include, but need not be limited to, a sports event on which a wager may be placed with a sports wagering licensee.

This bill also expands the scope of conduct which would constitute the illegal "rigging" of publicly exhibited contests to include improper influences and sporting events. Under the bill, it would be a crime whenever a person:

(1) gives, offers, or promises, or attempts to give to or offer, or asks, receives, or offers to receive directly or indirectly from any other person any compensation, gratuity, or thing of value, or any promise thereof, with the intention, understanding, or agreement that that person or any player, participant, manager, coach, or other official on or associated with a competitor or team in the contest or sports event, regardless of by whom such person is employed will not use best efforts to win the contest or sports event or will cause themselves or their team to lose the contest or sports event or will engage in conduct so as to limit their or their team's margin of victory or defeat; or

(2) gives, offers, or promises, or attempts to give to or offer, or asks, receives, or offers to receive directly or indirectly from any other person any compensation, gratuity, or thing of value, or any promise thereof, with the intention, understanding, or agreement that that person or any judge, referee, or other person officiating in the contest or sports event will fraudulently or corruptly judge, referee, or officiate the contest or sports event.

The bill also revises the prohibition against swindling or cheating to include purposely or knowingly placing any sports wager having knowledge of information not available to the general public bearing upon that wager and winning, or attempting to win, money or property or a representative of either, and using another person's gaming account to place a wager and winning or attempting to win money or property or a representative of either.

Additionally, the bill makes it illegal to engage in proxy betting, in which a person risks property with a value of $1,000 or more, having agreed to pay 10 percent or more of the proceeds of the gambling activity to another. A person who engages in proxy betting is guilty of a disorderly persons offense, unless the person exercises sole control over whether, and in what manner, the property involved is risked. A person who conspires to engage in proxy betting is also guilty of a disorderly persons offense.

In order to enforce the provisions of the bill, the Division of Consumer Affairs (DCA) is tasked with the regulation and enforcement of all provisions related to the conduct of sweepstakes in this State, and the Division of Gaming Enforcement (DGE) is given the authority to enforce all other prohibitions against unlawful gambling.

The bill authorizes DCA and DGE, as appropriate, to:

(1) seek and obtain injunctive relief to halt any unlawful gambling operation;

(2) enforce civil penalties against the operators of unlawful gambling operations in the amount of $100,000 for the first offense and $250,000 for every subsequent offense;

(3) conduct investigations into the suspected operators and accomplices of unlawful gambling operations, including the issuance of subpoenas to collect necessary information and interview necessary parties;

(4) apply to the Superior Court for relief from parties who have refused to comply with subpoenas, including a finding of the parties in contempt of court and the revocation of any licenses or operating permits issued in the State;

(5) order that any moneys or property, real or personal, which have been acquired by means of an unlawful gambling operation be restored to any person in interest, and be returned in twice the amount to any senior citizen;

(6) issue cease and desist order upon a finding that an unlawful gambling operation is being conducted, and seek a civil penalty of $25,000 for each violation of a cease and desist order; and

(7) impose a lien on any property or assets held by a party who has been fined in accordance with the provisions of this bill in the preceding five years.

FISCAL IMPACT:

The Office of Legislative Services (OLS) finds that broadening the scope of unlawful gambling practices and establishing penalties for such practices may result in indeterminate annual revenue increases to the State by virtue of the enforcement powers granted to the Division of Consumer Affairs and the Division of Gaming Enforcement in the Department of Law and Public Safety.

The OLS anticipates that the Division of Consumer Affairs and the Division of Gaming Enforcement, in addition to the Judiciary, will also experience workload and administrative cost increases due to their expanded responsibilities.