

1 HB354  
2 183292-1  
3 By Representatives Boothe, Clouse, Rowe and Martin  
4 RFD: State Government  
5 First Read: 02-MAR-17

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8 SYNOPSIS: Under existing law, there are no regulations  
9 relating to fantasy contests.

10 This bill would establish the Fantasy  
11 Contests Act. This bill would provide for the  
12 registration of certain fantasy sports operators  
13 conducting fantasy sports contests within the  
14 state. This bill would require the implementation  
15 of procedures for consumer protection of fantasy  
16 contest players and would provide for penalties for  
17 violations of the act. This bill would also exempt  
18 fantasy contests from the state prohibition against  
19 gambling.

20  
21 A BILL  
22 TO BE ENTITLED  
23 AN ACT

24  
25 Relating to regulating fantasy contests; to  
26 establish the Fantasy Contests Act; to provide definitions of  
27 certain terms; to require registration of certain fantasy

1 contest operators; to require certain fantasy contest  
2 operators to implement procedures for consumer protection of  
3 fantasy contest players; to provide penalties for violations  
4 of the act; and to exempt fantasy contests from the  
5 prohibition against gambling.

6 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

7 Section 1. This act shall be known and may be cited  
8 as the Fantasy Contests Act.

9 Section 2. For the purposes of this act, the  
10 following terms shall have the following meanings:

11 (1) CONFIDENTIAL INFORMATION. Information related to  
12 the play of a fantasy contest by fantasy contest players  
13 obtained as a result of or by virtue of a person's employment.

14 (2) ENTRY FEE. Cash or cash equivalent that is  
15 required to be paid by a fantasy contest player to a fantasy  
16 contest operator in order to participate in a fantasy contest.

17 (3) FANTASY CONTEST. Any fantasy or simulated game  
18 or contest in which one or more players compete against each  
19 other and winning outcomes reflect the relative knowledge and  
20 skill of the players and are determined predominantly by  
21 accumulated statistical results of the performance of  
22 individuals, including athletes in the case of sporting  
23 events.

24 (4) FANTASY CONTEST OPERATOR. A person or entity  
25 that offers fantasy contests with an entry fee for a cash  
26 prize to the general public.

1 (5) FANTASY CONTEST PLAYER. A person who  
2 participates in a fantasy contest offered by a fantasy contest  
3 operator.

4 (6) GROSS FANTASY CONTEST REVENUES. The amount equal  
5 to the total of all entry fees that a fantasy contest operator  
6 collects from all fantasy contest players, less the total of  
7 all sums paid out as winnings to all fantasy contest players,  
8 multiplied by the location percentage for Alabama.

9 (7) LOCATION PERCENTAGE. The percentage, rounded to  
10 the nearest tenth of a percent, of the total of all entry fees  
11 collected from fantasy contest players located in Alabama,  
12 divided by the total entry fees collected from all fantasy  
13 contest players in fantasy contests.

14 (8) REGULATOR. The Office of the Attorney General.

15 Section 3. (a) (1) Except as provided in subdivision  
16 (2), no fantasy contest operator shall offer any fantasy  
17 contest with an entry free in this state without first being  
18 registered with the Office of the Attorney General.

19 (2) A fantasy contest operator that offered fantasy  
20 contests in this state prior to May 1, 2016, may be entitled  
21 to a temporary registration to operate fantasy contests in  
22 this state, provided such operator files an application for  
23 registration with the Office of the Attorney General within 60  
24 days of the application's availability, until the application  
25 for registration has been approved or denied.

1 (b) A fantasy contest operator's application for  
2 registration, and all attachments, shall be confidential and  
3 not subject to public disclosure or inspection.

4 (c) The Attorney General may not adopt rules or  
5 regulations limiting or regulating the rules or administration  
6 of an individual fantasy contest, the statistical makeup of a  
7 fantasy contest, or the digital platform of a fantasy contest  
8 operator.

9 (d) Before obtaining a registration to offer fantasy  
10 contests with an entry fee in this state, a fantasy contest  
11 operator must pay to the Office of the Attorney General an  
12 initial registration fee as follows:

13 (1) For a fantasy contest operator with gross  
14 fantasy contest revenues for the preceding 12 months greater  
15 than or equal to two million dollars (\$2,000,000), the fantasy  
16 contest operator shall pay seventy-five thousand dollar  
17 (\$75,000).

18 (2) For a fantasy contest operator with gross  
19 fantasy contest revenues for the preceding 12 months greater  
20 than or equal to one million dollars (\$1,000,000), but less  
21 than two million dollars (\$2,000,000), the fantasy contest  
22 operator shall pay fifty thousand dollars (\$50,000).

23 (3) For a fantasy contest operator with gross  
24 fantasy contest revenues for the preceding 12 months greater  
25 than or equal to five hundred thousand dollars (\$500,000), but  
26 less than one million dollars (\$1,000,000), the fantasy

1 contest operator shall pay twenty-two thousand five hundred  
2 dollars (\$22,500).

3 (4) For a fantasy contest operator with gross  
4 fantasy contest revenues for the preceding 12 months greater  
5 than or equal to one hundred thousand dollars (\$100,000), but  
6 less than five hundred thousand dollars (\$500,000), the  
7 fantasy contest operator shall pay ten thousand dollars  
8 (\$10,000).

9 (5) For a fantasy contest operator with gross  
10 fantasy contest revenues for the preceding 12 months greater  
11 than or equal to fifty thousand dollars (\$50,000), but less  
12 than one hundred thousand dollars (\$100,000), the fantasy  
13 contest operator shall pay five thousand dollars (\$5,000).

14 (6) For a fantasy contest operator with gross  
15 fantasy contest revenues for the preceding 12 months greater  
16 than or equal to ten thousand dollars (\$10,000), but less than  
17 fifty thousand dollars (\$50,000), the fantasy contest operator  
18 shall pay two thousand five hundred dollars (\$2,500).

19 (7) For a fantasy contest operator with gross  
20 fantasy contest revenues for the preceding 12 months less than  
21 ten thousand dollars (\$10,000), the fantasy contest operator  
22 shall pay one thousand (\$1,000).

23 (e) A fantasy contest operator that has operated in  
24 this state, but not immediately preceding its application for  
25 registration, shall pay the initial registration fee based  
26 upon the gross fantasy contest revenues for the most recent  
27 12-month period of operation in this state.

1 (f) On the anniversary date of the fantasy contest  
2 operator's registration, the fantasy contest operator shall  
3 annually pay to the Office of the Attorney General a  
4 registration renewal fee in accordance with the fee schedule  
5 in subsection (d).

6 (g) Any operator applying for registration, renewal,  
7 or transfer of a registration may operate during the  
8 application period unless the Office of the Attorney General  
9 has reasonable cause to believe that the operator is or may be  
10 in violation of this act and the Attorney General requires the  
11 operator to suspend the operation of any fantasy contest until  
12 registration or renewal of registration is issued.

13 (h) A registration is transferable.

14 Section 4. (a) A fantasy contest operator shall  
15 implement commercially reasonable procedures for fantasy  
16 contests with an entry fee that are intended to accomplish all  
17 of the following:

18 (1) Prevent employees of the fantasy contest  
19 operator, and relatives living in the same household as such  
20 employees, from competing in any such public fantasy contest  
21 offered by any fantasy contest operator in which the operator  
22 offers a cash prize to the general public.

23 (2) Prevent sharing of confidential information that  
24 could affect fantasy contest play with third parties until the  
25 information is made publicly available.

26 (3) Prevent the fantasy contest operator from  
27 participating in a fantasy contest he or she offers.

1           (4) Verify that a fantasy contest player in a  
2 fantasy contest is 19 years of age or older.

3           (5) Prevent the fantasy contest operator from  
4 offering fantasy contests based on the performances of  
5 participants in collegiate, high school, or youth athletic  
6 events.

7           (6) Prevent the fantasy contest operator from  
8 offering a fantasy contest open to the general public that  
9 does not establish and make known all prizes and awards  
10 offered to winning participants in advance of the game or  
11 contest.

12           (7) Provide that no winning outcome is based on the  
13 score, point spread, or any performance of any single actual  
14 sports team or combination of such teams or solely on any  
15 single performance of an individual athlete or participant in  
16 any single actual sporting event.

17           (8) Ensure that an individual who is a player in a  
18 real-world game or sporting event is restricted from  
19 participating in such a fantasy contest that is determined, in  
20 whole or in part, on the accumulated statistical results of  
21 that player, the player's real-world team, or the sport or  
22 competition in which he or she is a player.

23           (9) Allow individuals to restrict themselves from  
24 entering a fantasy contest upon request and provide reasonable  
25 steps to prevent the person from entering fantasy contests  
26 offered by the fantasy contest operator.



1           (10) Disclose the number of entries that a fantasy  
2 contest player may submit to each such fantasy contest and  
3 provide reasonable steps to prevent players from submitting  
4 more than the allowable number.

5           (11) Segregate fantasy contest player funds from  
6 operational funds or maintain a reserve that equals or exceeds  
7 the amount of player funds on deposit, which reserve may not  
8 be used for operational activities. These reserve funds may  
9 take the form of cash, cash equivalents, payment processor  
10 reserves, payment processor receivables, an irrevocable letter  
11 of credit, a bond, or a combination thereof, in the amount  
12 that must exceed the total balances of the fantasy contest  
13 players' accounts.

14           (b) A fantasy contest operator offering fantasy  
15 contests with an entry fee in this state must contract with a  
16 third party to annually perform an independent audit,  
17 consistent with the standards established by the American  
18 Institute of Certified Public Accountants, to ensure  
19 compliance with this act and must submit the results of the  
20 audit to the Attorney General.

21           (c) A fantasy contest operator offering fantasy  
22 contests with an entry fee in this state shall not target  
23 minors or other excluded players in any advertising.

24           (d) A fantasy contest operator may not offer a  
25 fantasy contest to the general public that does not establish  
26 and make known all prizes and awards offered to winning  
27 participants in advance of the game or contest.

1                   Section 5. Any person, firm, corporation,  
2                   association, agent, or employee who violates this act is  
3                   subject to a civil penalty of not more than one thousand  
4                   dollars (\$1,000) for each violation, not to exceed five  
5                   thousand dollars (\$5,000) for violations arising out of the  
6                   same transaction or occurrence, which shall accrue to the  
7                   state and may be recovered in a civil action brought by the  
8                   Attorney General.

9                   Section 6. Article 2 of Chapter 12 of Title 13A,  
10                  Code of Alabama 1975, does not apply to fantasy contests.

11                  Section 7. This act shall become effective on the  
12                  first day of the third month following its passage and  
13                  approval by the Governor, or its otherwise becoming law.