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3 HOUSE STATE GOVERNMENT COMMITTEE SUBSTITUTE FOR HB354  
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8 SYNOPSIS: Under existing law, there are no regulations  
9 relating to fantasy sports.

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. This bill would also exempt  
17 fantasy contests from the state prohibition against  
18 gambling.

19 Amendment 621 of the Constitution of Alabama  
20 of 1901, now appearing as Section 111.05 of the  
21 Official Recompilation of the Constitution of  
22 Alabama of 1901, as amended, prohibits a general  
23 law whose purpose or effect would be to require a  
24 new or increased expenditure of local funds from  
25 becoming effective with regard to a local  
26 governmental entity without enactment by a 2/3 vote  
27 unless: it comes within one of a number of

1 specified exceptions; it is approved by the  
2 affected entity; or the Legislature appropriates  
3 funds, or provides a local source of revenue, to  
4 the entity for the purpose.

5 The purpose or effect of this bill would be  
6 to require a new or increased expenditure of local  
7 funds within the meaning of the amendment. However,  
8 the bill does not require approval of a local  
9 governmental entity or enactment by a 2/3 vote to  
10 become effective because it comes within one of the  
11 specified exceptions contained in the amendment.

12  
13 A BILL  
14 TO BE ENTITLED  
15 AN ACT  
16

17 Relating to regulating fantasy contests; to  
18 establish the Fantasy Contests Act; to provide definitions of  
19 certain terms; to require registration of certain fantasy  
20 contest operators; to require certain fantasy contest  
21 operators to implement procedures for consumer protection of  
22 fantasy contest players; and to exempt fantasy contests from  
23 the prohibition against gambling; and in connection therewith  
24 would have as its purpose or effect the requirement of a new  
25 or increased expenditure of local funds within the meaning of  
26 Amendment 621 of the Constitution of Alabama of 1901, now

1 appearing as Section 111.05 of the Official Recompilation of  
2 the Constitution of Alabama of 1901, as amended.

3 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

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

8 (1) ACTIVE FANTASY CONTEST PLAYER ACCOUNT. A user  
9 who has participated in a fantasy contest for an entry fee in  
10 the State of Alabama in the preceding 24 months.

11 (2) 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  
14 employment.

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

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

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

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

4 (7) 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 winning to all fantasy contest players  
8 multiplied by the location percentage for Alabama.

9 (8) 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 (9) REGULATOR. The Office of the Attorney General.

15 Section 3. (a) (1) No fantasy contest operator shall  
16 offer any fantasy contest with an entry fee in this state  
17 without first being registered with the Office of the Attorney  
18 General. Applications for registration and renewal shall be  
19 under oath, in the form prescribed by the Attorney General.  
20 The Office of the Attorney General shall make applications for  
21 operators available within 180 days of the effective date of  
22 this act.

23 (2) A fantasy contest operator that offered fantasy  
24 contests in this state prior to May 1, 2016, is entitled to  
25 operate fantasy contests in this state upon the effective date  
26 of this act, provided such operator files an application for

1 registration with the Office of the Attorney General within 60  
2 days of availability of the application.

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

8 (c) At the time of initial registration to offer  
9 fantasy contests with an entry fee in this state, a fantasy  
10 contest operator shall pay to the Office of the Attorney  
11 General an initial registration fee as follows:

12 (1) A fantasy contest operator with 5,000 or more  
13 active player accounts shall pay an initial registration fee  
14 of eighty-five thousand dollars (\$85,000). A fantasy contest  
15 operator with fewer than 5,000 active fantasy contest player  
16 accounts shall pay an initial registration fee of five  
17 thousand dollars (\$5,000).

18 (2) A fantasy contest operator that has operated in  
19 this state, but not immediately preceding its application for  
20 registration, shall pay the initial registration fee based  
21 upon the total number of active fantasy contest player  
22 accounts it had over the most recent 24-month period of  
23 operation in the state.

24 (3) A fantasy contest operator that has never  
25 operated in this state shall pay an initial registration fee  
26 of five thousand dollars (\$5,000).

1 (d) 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 subdivision (1) of subsection (c).

6 (e) 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 Office of the Attorney  
11 General requires the operator to suspend the operation of any  
12 fantasy contest until registration, transfer, or renewal of  
13 registration is approved.

14 Section 4. In addition to the registration and  
15 renewal fees, a fantasy contest operator shall annually pay to  
16 the state General Fund a regulatory assessment of six percent  
17 of the fantasy contest operator's gross fantasy contest  
18 revenues for the preceding 12 months of operation.

19 Section 5. (a) A fantasy contest operator who  
20 operates fantasy contests with an entry fee shall implement  
21 commercially reasonable procedures that are intended to  
22 accomplish all of the following:

23 (1) Prevent employees of the fantasy contest  
24 operator, and relatives living in the same household as such  
25 employees, from competing in any such public fantasy contest  
26 offered by any fantasy contest operator in which the operator  
27 offers a cash prize to the general public.

1           (2) Prevent sharing of confidential information that  
2 could affect fantasy contest play with third parties until  
3 information is made publicly available.

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

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

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

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

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

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

1           (9) Allow individuals to restrict themselves from  
2 entering a fantasy contest upon request and provide reasonable  
3 steps to prevent the person from entering fantasy contests  
4 offered by the fantasy contest operator.

5           (10) Disclose the number of entries that a fantasy  
6 contest player may submit to each such fantasy contest and  
7 provide reasonable steps to prevent players from submitting  
8 more than the allowable number.

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

17           (12) A fantasy contest operator offering fantasy  
18 contests with an entry fee in this state shall contract with a  
19 third party to annually perform an independent audit,  
20 consistent with the standards established by the American  
21 Institute of Certified Public Accountants, to ensure  
22 compliance with this act and shall submit the results of the  
23 audit to the Office of the Attorney General within 270 days of  
24 the end of the operator's fiscal year.

25           (13) A fantasy contest operator offering fantasy  
26 contests with an entry fee in this state shall not target  
27 minors or other excluded players in any advertising.



1           Section 6. A violation of this act is a deceptive  
2 trade practice under the Deceptive Trade Practices Act,  
3 Chapter 19 of Title 8, Code of Alabama 1975.

4           Section 7. The provisions of this act shall be  
5 construed liberally to promote the general welfare of the  
6 public and integrity of the fantasy sports industry.

7           Section 8. The Office of the Attorney General shall  
8 have the authority to adopt rules to implement and administer  
9 this act.

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

12          Section 10. Although this bill would have as its  
13 purpose or effect the requirement of a new or increased  
14 expenditure of local funds, the bill is excluded from further  
15 requirements and application under Amendment 621, now  
16 appearing as Section 111.05 of the Official Recompilation of  
17 the Constitution of Alabama of 1901, as amended, because the  
18 bill defines a new crime or amends the definition of an  
19 existing crime.

20          Section 11. This act shall become effective  
21 immediately following its passage and approval by the  
22 Governor, or its otherwise becoming law.