

1 SB270
2 183292-1
3 By Senator Sanford
4 RFD: Tourism and Marketing
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.