

HCS HB 502 -- FANTASY SPORTS CONTESTS

SPONSOR: Fitzpatrick

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on General Laws by a vote of 7 to 4. Voted "Return to Committee of Origin" by the Committee on Rules - Legislative Oversight by a vote of 11 to 0. Voted "Do Pass with HCS" by the Standing Committee on General Laws by a vote of 8 to 4. Voted "Do Pass" by the Committee on Rules - Legislative Oversight by a vote of 8 to 2.

This bill makes changes to the law regarding fantasy sports contests passed in SS SCS HCS HB 1941 (2016).

The bill modifies the definitions of "fantasy sports contest" and "fantasy sports contest operator."

Currently, a fantasy sport contest operator is required to maintain a reserve in the form of cash or cash equivalents in the amount of the deposits made to the accounts of fantasy sports contest players. This bill specifies that the reserve can be in the form of cash, cash equivalents, payment processor reserves, payment processor receivables, an escrow account, or a combination thereof, in the amount that shall equal or exceed the total balances of the fantasy contest players' accounts.

This bill changes the requirement that any prize won by a registered player from a contest be deposited into the player's account within 48 hours of winning, to also allow a prize to be mailed within five business days. However, when the licensed operator believes in good faith that the registered player engaged in either fraudulent conduct or other conduct that would put the licensed operator in violation of the law, the operator may delay the deposit for up to 15 days while it investigates. If the operator finds that such conduct did occur, the operator can refuse payment but the player has up to 30 days to bring the issue before the Gaming Commission. Once the Gaming Commission has issued a decision, the licensed operator and the registered player have up to 30 days to appeal that decision to the Administrative Hearing Commission.

This bill reduces the annual license renewal fee from \$10,000 to a lower amount based upon the net revenue of the operator from the previous calendar year. An operator that made \$250,000 or less would not be required to pay an annual license renewal fee. The bill also reduces the annual operation fee from 11.5% of the operator's net revenue from the previous calendar year to 6%.

The bill removes the date the operation fee is due and instead of an automatic suspension of the license of an operator who fails to apply for a license renewal or pay the annual operation fee by that date, allows the commission to suspend the license or deny the pending license application at its discretion.

This bill also limits the amount of money the applicant is required to remit to the commission for the cost of its investigation into the operator's employees, officers, directors, trustees, and principal salaries executive staff officers to \$10,000 from \$50,000.

The bill creates an exception to the audit requirement for operators with a net revenue of \$250,000 or less in a calendar year. However, the commission can perform an audit on such operators at its own expense. If an audit uncovers evidence of a violation then the operator would have to pay the cost of the audit.

This bill reduces the administrative penalty from not more than \$10,000 to not more than \$1,000 per violation, and from not more than \$100,000 to not more than \$10,000 for violations arising out of the same transaction or occurrence.

PROPONENTS: Supporters say that this bill makes changes to the law to relieve some of the burden on small operators.

Testifying for the bill were Representative Fitzpatrick; The Small Business of Fantasy Sports Trade Association; DraftKings, Inc.; Timothy Jensen, Real Time Fantasy Sports; Fan Duel; and Mark Taylor, Mobidraft.

OPPONENTS: There was no opposition voiced to the committee.