

HB 502 -- FANTASY SPORTS CONTESTS

SPONSOR: Fitzpatrick

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 irrevocable letter of credit, a bond, 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. The bill creates an exception if 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, in which case the licensed operator may delay the deposit for an unspecified reasonable investigatory period until its investigation is resolved, so long as the operator provides notice of the nature of the investigation to the player.

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 over \$2 million would have to pay a fee of \$5,000, an operator that made less than \$2 million but more than \$1 million would have to pay a fee of \$2,500 and an operator that made less than \$1 million but more than \$100,000 would have to pay \$1,000. An operator that made \$100,000 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 on which 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 commission's investigation into the

operator's employees, officers, directors, trustees, and principal salaries executive staff officers to \$10,000 rather than \$50,000.

The bill creates an exception to the audit requirement for operators with a net revenue of \$100,000 or less in a calendar year.

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.