



HOUSE BILL 279: Fantasy Sports Regulation.

2017-2018 General Assembly

Committee:	House Regulatory Reform. If favorable, re-	Date:	May 17, 2017
	refer to Finance		
Introduced by:	Reps. Saine, Hardister, Hanes, Duane Hall	Prepared by:	Jeremy Ray
Analysis of:	PCS to First Edition		Committee Co-Counsel
	H279-CSBHf-7		

OVERVIEW: *The PCS to House Bill 279 would require registration of fantasy contest operations with the Secretary of State ("Department"); require registration renewal every five years after issuance or renewal; impose fees for registration and subsequent renewals; provide the Department with authority to deny, revoke, or suspend registrations for certain violations; require audits and reports to be submitted to the Department; and authorize Alcohol Law Enforcement (ALE) agents to enforce registration requirements.*

[As introduced, this bill was identical to S589, as introduced by Sens. Gunn, Blue, Lee, which is currently in Senate Rules and Operations of the Senate.]

CURRENT LAW: G.S. 14-292 regulates the operation of gambling in North Carolina. "Except as provided in Chapter 18C of the General Statutes or in Part 2 of this Article, any person or organization that operates any *game of chance* or any person who plays at or bets on any game of chance at which any money, property or other thing of value is bet, whether the same be in stake or not, shall be guilty of a Class 2 misdemeanor.

The PCS would create a new Chapter 78E regulating fantasy contests and exempting it from the provisions of Chapter 14 of the General Statutes.

BACKGROUND: Fantasy contests ordinarily involve players creating a lineup from selectively chosen athletes of a specific sports league, such as professional basketball, football, hockey, or other sport. Players compete against one another by comparing the statistical performance of each player's lineup during a designated period, such as a season, or single game, to decide whose lineup performed better during that designated period – this is generally determined by points. Athletes are awarded points for their statistical performance in certain categories and the players' lineup with the most accumulated points wins. Players are rewarded for their performance with various prizes after paying an entry fee to an operator for the chance to compete against other players.

BILL ANALYSIS: SECTION 1 would create a new Chapter entitled: "**Fantasy Sports Contests.**" The following statutes would be created under this new Chapter:

§ 78E-1. Title.

- The Chapter would be formerly known and cited as the "Fantasy Sports Contests Act."

§ 78E-2. Definitions.

- Would create a definition section for terms specifically used under Chapter 78E.

§ 78E-3. Application for registration; expiration and renewal.

Karen Cochrane-Brown
Director



Legislative Analysis
Division
919-733-2578

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- Would require every operator of a fantasy contest to register with the Department.
- An applicant would be required to meet all of the following for registration as a fantasy contest operator:
 - Submission of application prescribed by the Department.
 - Submission of evidence to the Department that the operator has established commercially reasonable procedures intended to protect players. This includes:
 - Preventing operators and their families and employees from participating in fantasy contests where a cash prize is offered.
 - Prohibiting sharing of publically unavailable information for an advantage.
 - Ensuring players are at least eighteen years of age.
 - Prohibiting fantasy contests where outcomes are determined by the statistical results of a team of individuals.
 - Allowing individuals upon request, to restrict themselves from continuing to participate in fantasy contests.
 - Disclosing the maximum number of entries allowed per player in each fantasy contest and preventing any more than allowed per contest from being submitted.
 - Segregating operational and player funds and providing reserves adequate to pay out prizes and awards.
 - Only allowing fantasy contests based on professional sports. No collegiate, high school, or youth athletic competitions.
- Impose registration fees. Initial registration fees for applicants would be equal to ten percent of the operator's gross revenues from the previous calendar year, which would be no less than \$2,500 dollars, but no greater than \$10,000 dollars.
- Each registration would expire after five years and a new application would be submitted for a renewal. The fee for renewal would equal the lesser of \$5,000 dollars, or ten percent of the operator's net revenue from the previous calendar year.
- A grace period for registration would be allowed for operators who have been in operation for at least 180 days as of the effective date of this act. Operators would also be allowed to continue operations while applying for registration or renewal when certain conditions are met.
- The Department must issue registrations within 60 days of receipt of application, and if not, provide the operator with specific justification for not issuing a registration.

§78E-4. Denial, revocation, or suspension of registration; hearings; civil penalties.

- The Department may deny, revoke, or suspend a registration for the following reasons:
 - Applicant knowingly made a false statement of material fact, or deliberately failed to disclose any information requested.
 - Illegal, corrupt, or fraudulent activity in connection with a fantasy contest in any jurisdiction; conviction of a felony, crime of moral turpitude, or breach of trust within ten years of date of application.
 - Failure to comply with any provision of this Chapter.
 - Default in payment of obligation or debt due to the State.

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- Not qualified to do business in this State or not subject to the jurisdiction of this State's courts.
- After a hearing with 30 days' notice, the Department may act on a violation of this Chapter upon a preponderance of the evidence. A civil penalty may be assessed not to exceed \$1,000 dollars, and may not exceed \$10,000 dollars for a continuing violation. The proceeds of such penalty shall be remitted to the Civil Penalty and Forfeiture fund.
- The Department may temporarily suspend a registration for no more than seven days to protect the public health, safety and welfare.
- In the event the Department denies, suspends, or revokes a registration, or assesses a civil penalty, the Department must issue written notice, and an aggrieved operator may seek review in accordance with Chapter 150B of the General Statutes.

§ 78E-5. Reporting and audit requirements.

- An operator would be required to file an annual report with the Department and conduct an independent financial audit and submit such audit report every two years.

§ 78E-6. Change of ownership or acquisition in operator.

- Any change in control of ownership would require registration with the Department.

§ 78E-7. Powers and Duties of the Department.

- Provides the Department with rulemaking authority under this Chapter.
- The Department may apply for an injunction with the superior court for violations arising under this Chapter.
- The Department may request that ALE conduct an investigation into any operator when reasonable cause exists that a violation of this Chapter has occurred.
- Allows ALE to assess reasonable costs for an investigation related to the provisions of this Chapter to an operator up to \$2,500 dollars.

§ 78E-8. Confidential information.

- Information disclosed for audits under this Chapter are not considered public records under Chapter 132 of the General Statutes.

§ 78E-9. Fantasy contests not considered gambling.

- Exempts fantasy contests from gambling, lotteries, gaming or any activity prohibited under Chapters 14, 16, or 19 of the General Statutes.

§ 78E-10. Operator control of contests.

- Allows operators the ability to conduct contests consistent with the requirements of this Chapter, and maintain uniform gameplay in multiple jurisdictions.

SECTION 2 adds the provisions of Chapter 78E as a new law enforcement responsibility for ALE.

§ 18B-500. Alcohol law enforcement agents.

- Adds enforcement of the provisions of Chapter 78E to ALE agent's subject matter jurisdiction.
- Allows ALE agents to execute notices, orders, or demands issued by the Department arising under Chapter 78E.

EFFECTIVE DATE: This act becomes effective January 1, 2018.