

## RÉSUMÉ DIGEST

**HB 459**

**2019 Regular Session**

**Talbot**

Present law provides for the "Louisiana Fantasy Sports Contests Act", which called for a proposition election held on Nov. 6, 2018, to determine whether fantasy sports contests were to be permitted in a particular parish.

Present law provides for a definition of "fantasy sports contests", which means any fantasy or simulation sports game or contest played through the internet or a mobile device with all of the following elements:

- (1) Participants create a simulation sports team based on the current membership of actual amateur or professional sports organizations.
- (2) All prizes and awards offered to winning participants are established and made known to the participants in advance of the game or contest, and the value of the prizes or awards is not determined by the number of participants or the amount of any fees paid by those participants.
- (3) All winning outcomes reflect the relative knowledge and skill of the participant and are predominantly determined by accumulated statistical results of the performance of the individuals, including athletes in the case of sporting events.
- (4) No winning outcome is based on either of the following:
  - (a) On the score, point-spread, or any performance or performances of any single real-world team or any combination of such teams.
  - (b) Solely on any single performance of an individual athlete in any single real-world sporting or other event.

Proposed law would have retained present law and added definitions for the terms "confidential information", "entry fee", "fantasy sports contest operator", "fantasy sports contest player", "gross fantasy sports contests revenues", "location percentage", and "net revenue".

Present law authorizes the La. Gaming Control Board to adopt rules in accordance with the Administrative Procedure Act to implement, administer, and regulate fantasy sports contests.

Proposed law would have required the rules adopted by the board to include the following:

- (1) The issuance of any license, contract, or permit, subject to regulation of the board.
- (2) The methods of and forms and procedures for making an application for a license, contract, or permit to be considered by the board.
- (3) The methods of and forms for providing to the board information concerning a person's family, habits, character, associates, criminal record, business activities, and financial affairs.
- (4) A procedure requiring the withholding of winnings of persons who have outstanding child support arrearages or owing child support overpayments. Winnings would only include payments for which the operator licensed under proposed law would have been required to file a W2-G form, or a substantially equivalent form, with the U.S. Internal Revenue Service.

Proposed law would have required a fantasy sports contest operator to be licensed by the La. Gaming Control Board. Additionally, would have provided that a fantasy sports contest operator must:

- (1) Be a person domiciled in La. or a domestic business entity with a certificate of existence from the secretary of state and in good standing or a foreign corporation

with a certificate of authority to transact business in the state from the secretary of state and in good standing.

- (2) Demonstrate to the La. Gaming Control Board that the operator is suitable for licensing pursuant to present law.

Proposed law would have required any fantasy sports contest operator that allowed its license to lapse, without requesting an extension of time to file for a renewal, to resubmit an initial application for licensure. Further would have prohibited the transfer of a fantasy sports contest operator's license.

Proposed law would have required the board to issue or deny a fantasy sports contest operator's license within 60 days of receipt of application for licensure. Also would have required the board to provide an operator with specific reasons if a license was not issued, and would have prohibited the transfer of a fantasy sports contest operator's license.

Proposed law would have required, as a condition of licensure, a fantasy sports contest operator to submit evidence to the board that the operator established and would implement certain commercially reasonable procedures for fantasy sports contests which would include but not be limited to the following:

- (1) Prevent employees of the fantasy sports contest operator, and relatives of an employee living in the same household as an employee of an operator, from competing in fantasy sports contests offered by an operator in which the operator offers a cash prize to the general public.
- (2) Prevent sharing of confidential information that could affect fantasy sports contests with third parties until the information is made publicly available.
- (3) Provide that no winning outcome is based on the score, point spread, or any performance of any single actual sports team or combination of such teams or solely on any single performance of an individual athlete or participant in any single actual sporting event.
- (4) Ensure that any athletes and individuals who participate in or officiate a game or competition that is the subject of a fantasy sports contest or any sports agent, team employee, referee, or league official associated with a sport or athletic event do not participate in fantasy sports contests
- (5) Verify that a fantasy sports contest player is 21 years of age or older.
- (6) Provide fantasy sports contest players with access to information on responsible play.
- (7) Provide fantasy sports contest players with access to information on seeking assistance regarding compulsive or problem gambling.
- (8) Provide fantasy sports contest players with access to the fantasy sports contest player's play history and account details.
- (9) Allow individuals to restrict themselves from entering a fantasy sports contest upon request and provide reasonable steps to prevent the person entering fantasy sports contests offered by an operator.
- (10) Disclose the limit on the number of entries that a fantasy sports contest player may submit in a fantasy sports contest and provide reasonable steps to prevent players from submitting more than the limit.
- (11) Segregate fantasy sports contest player funds from operational funds or maintain a reserve that exceeds the amount of player funds on deposit, which may not be used for operational activities. Provide that reserve funds may take the form of cash, cash equivalents, payment process reserves, payment processor receivables, an irrevocable letter of credit, a bond, or a combination thereof, in the amount that must exceed the total balances of the fantasy sports contest players' accounts.

Proposed law would have prohibited fantasy sports contests operators from offering fantasy sports contests based on the performances of participants in high school or youth athletic events.

Proposed law would have required a licensed fantasy sports contest operator to:

- (1) Annually contract with a certified public accountant to conduct an audit consistent with the standards accepted by the American Institute of Certified Public Accountants.
- (2) Submit to the board a copy of the audit report.

Proposed law would have prohibited any person licensed pursuant to proposed law, or any agent or employee thereof, from allowing a person under the age of 21 to be a fantasy sports contest player and from allowing a person to participate in a fantasy sports contest in a parish in which a majority of the qualified electors in the parish voting on the proposition to authorize fantasy sports in the parish voted against the proposition. Proposed law would have required the licensee to withhold the winnings of such persons. Proposed law would have further provided for the imposition of fines and authorized license revocation for licensees who violate the proposed law prohibition.

Proposed law would have required periodic reporting of gross fantasy sports contests revenues, net revenue, and financial statements regarding a fantasy sports contest operator's operations in La.

Proposed law would have required the Dept. of Children and Family Services to annually report to the House Committee on Civil Law and Procedure and the Senate Committee on Judiciary A on the interception and seizure of gaming winnings for the payment of child support and overpayment owed to the department.

Proposed law would have provided for criteria for the revocation or suspension of a license, including the following:

- (1) Failure to meet the requirements of suitability.
- (2) Failure to meet the requirements for the issuance of a license.
- (3) Repeated violations of proposed law or rule of the board. Proposed law would have defined "repeated violations" as three violations of the same law or rule which had occurred on separate occasions by the same operator within a one-year period.

Proposed law would have authorized the board to impose a fine or reach a settlement agreement with the operator in addition to or in lieu of revocation or suspension of a license. Proposed law would have limited suspension of a license to 30 days.

Proposed law would have authorized the division of state police to conduct investigations, hearings, and inquiries as it deemed necessary to fulfill its responsibilities. Proposed law would have authorized the suspension of a license prior to a hearing if there was a written finding of danger to public health and welfare.

Proposed law would have provided that as a condition of receiving a license, an operator would have to allow the division and its agents and employees unrestricted access and the right to inspect any premises under the control of the operator in which any activity relating to the provisions of proposed law was conducted.

Proposed law, regarding active accounts, would have required an operator to:

- (1) Limit each authorized player to one active and continuously used account.
- (2) Publish and facilitate parental control procedures to allow parents or guardians to exclude minors from access to any contest or platform. Further would have required procedures to include a toll-free number to call for help in establishing such parental controls.

- (3) Make clear conspicuous statements that are not inaccurate or misleading concerning the chances of winning and the number of winners when referencing the chances or likelihood of winning.
- (4) Permit any authorized player to permanently close an account registered to the player, on any and all platforms supported by the operator or registrant, at any time and for any reason.
- (5) Identify all highly experienced players in any contest by a symbol attached to the players' username, or by other visible means, on all platforms supported by the operator or registrant.
- (6) Disclose the number of entries a single authorized player may submit to each contest.
- (7) Disclose the maximum number of total entries allowed for each contest.
- (8) Implement measures to protect the privacy and online security of authorized players, their account, and their personal financial information.

Proposed law would have prohibited an operator from charging players for inactive accounts and would have allowed an operator to only charge players for entry fees placed or contests entered.

(Proposed to amend R.S. 27:302 and 304; proposed to add R.S. 27:306-316)

**VETO MESSAGE:**

"I am supportive of this legislation, and I firmly believe that the will of the voters of Louisiana who overwhelmingly approved of fantasy sports contests in the November 2018 election should be respected. Unfortunately, I am required to veto this bill because it will not become effective even if I were to sign it. House Bill 459 was expressly tied to the passage of House Bill 600, which did not finally pass."