

# HOUSE BILL NO. 4308

March 07, 2019, Introduced by Rep. Iden and referred to the Committee on Regulatory Reform.

A bill to regulate the conduct of fantasy contests; to protect Michigan participants in fantasy contests; to require licensing of the operators of fantasy contests; to impose fees on the operators of fantasy contests; to provide for the powers and duties of certain state governmental officers and entities; to prohibit violations of this act; to prescribe civil sanctions; and to prescribe penalties.

## **THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 1. This act shall be known and may be cited as the  
2 "fantasy contests consumer protection act".

3           Sec. 2. As used in this act:



1 (a) "Athletic event" means a real world professional,  
2 collegiate, or nationally recognized sports game, contest, or  
3 competition that involves the physical exertion and skill of the  
4 participating individual athletes, as to which each participant is  
5 physically present at the location in which the sports game,  
6 contest, or competition occurs, and the outcome of the sports game,  
7 contest, or competition is directly dependent on the performance of  
8 the participating athletes.

9 (b) "Board" means the Michigan gaming control board created  
10 under section 4 of the Michigan gaming control and revenue act,  
11 1996 IL 1, MCL 432.204.

12 (c) "Entry fee" means a cash or cash equivalent amount that a  
13 fantasy contest operator requires to be paid by a fantasy contest  
14 player to participate in a fantasy contest.

15 (d) "Fantasy contest" means a simulated game or contest with  
16 an entry fee that meets all of the following conditions:

17 (i) No fantasy contest team is composed of the entire roster of  
18 a real world sports team.

19 (ii) No fantasy contest team is composed entirely of individual  
20 athletes who are members of the same real world sports team.

21 (iii) Each prize and award or the value of all prizes and awards  
22 offered to winning fantasy contest players is made known to the  
23 fantasy contest players in advance of the fantasy contest.

24 (iv) Each winning outcome reflects the relative knowledge and  
25 skill of the fantasy contest players and are determined by the  
26 aggregated statistical results of the performance of multiple  
27 individual athletes selected by the fantasy contest player to form  
28 the fantasy contest team, whose individual performances in the  
29 fantasy contest directly correspond with the actual performance of



1 those athletes in the athletic event in which those individual  
2 athletes participated.

3 (v) A winning outcome is not based on randomized or historical  
4 events, or on the score, point spread, or performance in an  
5 athletic event of a single real-world sports team, a single  
6 athlete, or any combination of real-world sports teams.

7 (vi) The fantasy contest does not constitute or involve and is  
8 not based on any of the following:

9 (A) Racing involving animals.

10 (B) A game or contest ordinarily offered by a horse track or  
11 casino for money, credit, or any representative of value, including  
12 any races, games, or contests involving horses or that are played  
13 with cards or dice.

14 (C) A slot machine or other mechanical, electromechanical, or  
15 electronic device, equipment, or machine, including computers and  
16 other cashless wagering systems.

17 (D) Poker, blackjack, faro, monte, keno, bingo, fan tan,  
18 twenty one, seven and a half, Klondike, craps, chuck a luck,  
19 Chinese chuck a luck, Wheel of Fortune, Chemin de Fer, Baccarat,  
20 Pai Gow, Beat the Banker, Panguingui, roulette, or other banking or  
21 percentage games.

22 (E) Any other game or device authorized by the board under the  
23 Michigan gaming control and revenue act, 1996 IL 1, MCL 432.201 to  
24 432.226.

25 (vii) A fantasy contest must not be based on a high school or  
26 youth sporting event or any event that is not an athletic event.

27 (viii) A fantasy contest must not be conducted in a manner that  
28 involves or results in betting on a race, game, contest, or on  
29 sports.



(e) "Fantasy contest operator" means a person that operates, carries on, conducts, maintains, exposes, or offers for play fantasy contests and awards prizes of value.

(f) "Fantasy contest platform" means any digital or online method through which a fantasy contest operator provides access to a fantasy contest.

(g) "Fantasy contest player" means an individual who participates in a fantasy contest offered by a fantasy contest operator.

(h) "Fantasy contest team" means the simulated team composed of multiple individual athletes, each of whom is a member of a real world sports team, that a fantasy contest player selects to compete in a fantasy contest.

(i) "Highly experienced player" means a fantasy contest player who has done at least 1 of the following:

(i) Entered more than 1,000 fantasy contests offered by a single fantasy contest operator.

(ii) Won more than 3 prizes valued at \$1,000.00 each or more from a single fantasy contest operator.

(j) "Holding company" means a corporation, firm, partnership, limited partnership, limited liability company, trust, or other form of business organization that is not an individual and that directly or indirectly does either of the following:

(i) Holds an ownership interest of 5% or more, as determined by the board, in a fantasy contest operator.

(ii) Holds voting rights with the power to vote 5% or more of the outstanding voting rights of a fantasy contest operator.

(k) "Key employee" means an employee of a fantasy contest operator who has the power to exercise significant influence over



1 decisions concerning the fantasy contest operator.

2 (l) "Licensed fantasy contest operator" means a fantasy contest  
3 operator that is licensed by the board under this act.

4 (m) "Management company" means a person retained by a fantasy  
5 contest operator to manage a fantasy contest platform and provide  
6 general administration and other operational services.

7 (n) "Person" means an individual, partnership, corporation,  
8 association, or other legal entity. Person includes a sovereign  
9 tribal government and its business entities.

10 (o) "Protected information" means information related to the  
11 playing of fantasy contests by fantasy contest players that is  
12 obtained by a fantasy contest operator.

13 (p) "Script" means a list of commands that a fantasy-contest-  
14 related computer program can execute and that is created by a  
15 fantasy contest player, or by a third party for a fantasy contest  
16 player, to automate processes on a fantasy contest platform.

17 Sec. 3. (1) Except as otherwise provided in this section, a  
18 person shall not offer fantasy contests in this state unless the  
19 person is a licensed fantasy contest operator.

20 (2) An individual may offer, solely from his or her private  
21 residence, 1 or more fantasy contests, if none of the contests are  
22 made available to the general public, each of the contests is  
23 limited to no more than 15 total fantasy contest players, and the  
24 individual collects no more than \$10,000.00 in total entry fees for  
25 all fantasy contests offered in a calendar year, at least 95% of  
26 which entry fees are awarded to the fantasy contest players.

27 (3) A person that met the definition of fantasy contest  
28 operator in this state on May 1, 2017 may continue offering fantasy  
29 contests until the fantasy contest operator is issued or denied a



1 license under this act if the person applies for a license within  
2 60 days after the date the application for the license is made  
3 available by the board.

4 (4) A casino licensee licensed by the board under the Michigan  
5 gaming control and revenue act, 1996 IL 1, MCL 432.201 to 432.226,  
6 may offer and conduct fantasy contests without applying for or  
7 holding a license under this act.

8 (5) To ensure the integrity of fantasy contests, the board has  
9 jurisdiction over each person involved in the conduct of a fantasy  
10 contest. The board may promulgate rules related to the conduct of  
11 fantasy contests, including rules setting forth penalties for  
12 violations of this act or any rules promulgated under this act.

13 (6) A person seeking to be licensed as a fantasy contest  
14 operator shall submit an application, with the applicable fee, to  
15 the board. The applicant shall provide sufficient documentation to  
16 the board to ensure that the applicant meets the requirements for  
17 licensure as determined by the board, including, but not limited  
18 to, documentation of all of the following:

19 (a) The name of the applicant.

20 (b) The location of the applicant's principal place of  
21 business.

22 (c) The applicant's telephone number.

23 (d) The applicant's Social Security number or, if applicable,  
24 the applicant's federal tax identification number.

25 (e) The name and address of each person that holds a 5% or  
26 greater ownership interest in the applicant or in shares of the  
27 applicant.

28 (f) The applicant's criminal record, if any, or, if the  
29 applicant is a business entity, any criminal record of an



1 individual who is a director, officer, or key employee of, or who  
2 has a 5% or greater ownership interest in, the applicant.

3 (g) Any ownership interest that a director, officer, key  
4 employee, or individual owner of 5% or greater of the applicant  
5 holds in a person that is or was a fantasy contest operator or  
6 similar entity in any jurisdiction.

7 (h) An identification of any business, including, if  
8 applicable, the state of incorporation or registration, in which an  
9 applicant, director, officer, key employee, or individual owner of  
10 5% or greater, has an equity interest of 5% or more.

11 (i) Whether an applicant, director, officer, key employee, or  
12 individual owner of 5% or greater has ever applied for or been  
13 granted any license, registration, or certificate issued by a  
14 licensing authority in this state or any other jurisdiction.

15 (j) Whether an applicant, director, officer, key employee, or  
16 individual owner of 5% or greater has filed, or been served with, a  
17 complaint or other notice filed by a public body regarding the  
18 delinquency in payment of, or dispute over filings concerning, the  
19 payment of any tax required under federal, state, or local law,  
20 including the amount, the type of tax, the taxing agency, and the  
21 time periods involved.

22 (k) A description of any physical facility operated by the  
23 applicant in this state, the employees who work at the facility,  
24 and the nature of the business conducted at the facility.

25 (l) Information sufficient to show, as determined by the board,  
26 that the applicant can meet the requirements of procedures  
27 submitted by the applicant under this act and under any rules  
28 promulgated under this act.

29 (7) The board may require licensure of a holding company,



1 management company, or any other person it considers sufficiently  
2 connected to the fantasy contest operator if that licensure is  
3 necessary to preserve the integrity of fantasy contests and protect  
4 fantasy contest players.

5 (8) A license issued under this section is valid for 1 year.  
6 The board shall renew a license each year if the applicant  
7 demonstrates continued eligibility for licensure under this act and  
8 pays the renewal fee. Notwithstanding this subsection, the board  
9 may investigate a licensee at any time the board determines it is  
10 necessary to ensure that the licensee remains in compliance with  
11 this act and the rules promulgated under this act.

12 (9) The initial license fee is \$50,000.00. The annual license  
13 renewal fee is \$20,000.00. The board may assess investigative costs  
14 if the cost of a licensure investigation exceeds the amount of the  
15 license or renewal fee.

16 Sec. 4. (1) As a condition of licensure, a fantasy contest  
17 operator must submit to, and receive approval from, the board  
18 commercially reasonable procedures and internal controls intended  
19 to accomplish all of the following:

20 (a) Prevent the fantasy contest operator, its owners,  
21 directors, officers, and employees, and any relative of any of  
22 these individuals living in the same household, from participating  
23 in a fantasy contest other than a fantasy contest offered by the  
24 fantasy contest operator for which participation is limited to the  
25 persons described in this subdivision.

26 (b) Prevent the employees or agents of the fantasy contest  
27 operator from sharing protected information with third parties  
28 unless the protected information is otherwise made publicly  
29 available.





1 (c) Prevent participants and officials in an athletic event  
2 from participating in a fantasy contest that is based on the  
3 athletic event.

4 (d) Establish the number of entries a single fantasy contest  
5 player may enter in a single fantasy contest and take reasonable  
6 steps to prevent fantasy contest players from submitting more than  
7 the allowable number of entries.

8 (e) Identify each highly experienced fantasy contest player by  
9 a symbol attached to the highly experienced fantasy contest  
10 player's username.

11 (f) Offer some fantasy contests that are open only to players  
12 other than highly experienced fantasy contest players.

13 (g) Either of the following:

14 (i) Segregate the deposits in the fantasy contest players'  
15 accounts from operational money.

16 (ii) Maintain a reserve in the form of cash, cash equivalents,  
17 an irrevocable letter of credit, a bond, or a combination of these,  
18 the aggregate amount of which exceeds the total dollar value amount  
19 of deposits in the fantasy contest players' accounts, and which  
20 reserve must not be used for operational activities.

21 (h) Ensure compliance with the applicable state and federal  
22 requirements to protect the privacy and online security of a  
23 fantasy contest player and the fantasy contest player's account.

24 (i) Otherwise ensure the integrity of fantasy contests.

25 (2) A licensed fantasy contest operator shall comply with the  
26 procedures and internal controls that are submitted to the board  
27 under subsection (1) and approved by the board. A licensed fantasy  
28 contest operator may make technical adjustments to its procedures  
29 and internal controls if the adjustments are not material and it



1 notifies the board in advance and continues to meet or exceed the  
2 standards required by this act and any rules promulgated by the  
3 board.

4 (3) Procedures submitted to the board under subsection (1) are  
5 confidential and privileged, are not subject to disclosure under  
6 the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246,  
7 are not subject to subpoena, and are not subject to discovery or  
8 admissible in evidence in a private civil action.

9 Sec. 5. By July 1 of each year, a licensed fantasy contest  
10 operator shall contract with a certified public accountant to  
11 perform an independent audit in accordance with generally accepted  
12 accounting principles of the financial condition of the licensed  
13 fantasy contest operator's total operations for the previous fiscal  
14 year and to ensure compliance with section 4(1)(g) and for any  
15 other purpose the board considers appropriate. A licensed fantasy  
16 contest operator shall submit the audit results under this section  
17 to the board not later than 180 days after the end of the fantasy  
18 contest operator's fiscal year. The results of an audit submitted  
19 to the board under this section is confidential and privileged, is  
20 not subject to disclosure under the freedom of information act,  
21 1976 PA 442, MCL 15.231 to 15.246, is not subject to subpoena, and  
22 is not subject to discovery or admissible in evidence in a private  
23 civil action.

24 Sec. 6. A fantasy contest operator shall prohibit an  
25 individual who is less than 18 years of age from participating in a  
26 fantasy contest.

27 Sec. 7. A licensed fantasy contest operator shall not do any  
28 of the following:

29 (a) Allow the use of a script unless the script is made



1 readily available to all fantasy contest players.

2 (b) Employ false, deceptive, or misleading advertising, or  
3 advertising that is not based on fact.

4 (c) Target, in advertising or promotions, either of the  
5 following:

6 (i) Individuals who have restricted themselves from entering a  
7 fantasy contest under the procedures established by the board.

8 (ii) Individuals who are less than 18 years of age.

9 Sec. 8. (1) A fantasy contest must not be offered on, at, or  
10 from any of the following:

11 (a) A kiosk or machine physically located in a retail business  
12 location, bar, restaurant, or other commercial establishment.

13 (b) A place of public accommodation.

14 (c) A facility owned, operated, or occupied by a private club,  
15 association, or similar membership-based organization.

16 (2) This section does not apply to a casino licensee licensed  
17 by the board under the Michigan gaming control and revenue act,  
18 1996 IL 1, 432.201 to 432.226.

19 Sec. 9. (1) A licensed fantasy contest operator shall make  
20 available on the licensed fantasy contest operator's website  
21 information about resources relating to compulsive gaming behavior  
22 including a telephone number or link to information on compulsive  
23 gaming behavior and where to seek assistance for compulsive gaming  
24 behavior.

25 (2) A licensed fantasy contest operator shall make available,  
26 by website, telephone, or online chat, a means to allow an  
27 individual to irrevocably restrict the individual's ability to  
28 enter a fantasy contest and to select the length of time the  
29 restriction will be in effect.



1 (3) A licensed fantasy contest operator shall offer a fantasy  
2 contest player access to the fantasy contest player's playing  
3 history, including a summary of entry fees expended, games played,  
4 previous lineups, and prizes awarded.

5 Sec. 10. The board shall promulgate rules to implement this  
6 act under the administrative procedures act of 1969, 1969 PA 306,  
7 MCL 24.201 to 24.328, including, but not limited to, rules that  
8 address all of the following:

9 (a) Requiring a fantasy contest operator to implement  
10 commercially reasonable procedures to prohibit access to both of  
11 the following:

12 (i) Individuals who request to restrict themselves from playing  
13 fantasy contests.

14 (ii) Individuals who are less than 18 years of age.

15 (b) Prescribing requirements related to beginning players and  
16 highly experienced players.

17 (c) Suspending the account of a fantasy contest player who  
18 violates this act or a rule promulgated under this act.

19 (d) Providing a fantasy contest player with access to  
20 information on playing responsibly and how to ask for assistance  
21 for compulsive gaming behavior.

22 (e) Requiring an applicant for a fantasy contest operator  
23 license to designate at least 1 key employee as a condition for  
24 obtaining a license.

25 (f) Any other rule the board determines is necessary to ensure  
26 the integrity of fantasy contests.

27 Sec. 11. (1) A licensed fantasy contest operator shall retain  
28 and maintain in a place secure from theft, loss, or destruction all  
29 of the records required to be maintained under this act and the



1 rules promulgated under this act for at least 3 years after the  
2 date of the record's creation.

3 (2) A licensed fantasy contest operator shall organize all  
4 records under subsection (1) in a manner that enables the licensed  
5 fantasy contest operator to provide the board with the records.

6 (3) Information obtained under this section is confidential  
7 and privileged, is not subject to disclosure under the freedom of  
8 information act, 1976 PA 442, MCL 15.231 to 15.246, is not subject  
9 to subpoena, and is not subject to discovery or admissible as  
10 evidence in a private civil action.

11 Sec. 12. (1) The board may suspend, revoke, or restrict the  
12 license of a fantasy contest operator that violates this act, a  
13 rule promulgated under this act, or an order of the board.

14 (2) The board may impose a civil fine of not more than  
15 \$20,000.00 for a violation of this act, a rule promulgated under  
16 this act, or an order of the board.

17 (3) A fine imposed under this section is payable to this state  
18 and may be recovered in a civil action brought by the board.

19 Sec. 13. (1) A person shall not do any of the following:

20 (a) Except as otherwise provided in section 4, offer a fantasy  
21 contest in this state unless the person is licensed by the board.

22 (b) Knowingly make a false statement on an application for a  
23 license to be issued under this act.

24 (c) Knowingly provide false testimony to the board or any  
25 authorized representative of the board while under oath.

26 (2) The board shall not issue a license under this act to a  
27 person that violates subsection (1).

28 (3) A person that violates subsection (1)(a) is guilty of a  
29 crime as follows:



1 (a) For the first or second violation, the person is guilty of  
2 a misdemeanor punishable by imprisonment for not more than 1 year  
3 or a fine of not more than \$10,000.00, or both.

4 (b) For a third or subsequent violation, the person is guilty  
5 of a felony punishable by imprisonment for not more than 5 years or  
6 a fine of not more than \$50,000.00, or both.

7 (4) The board may issue a cease and desist order and obtain  
8 injunctive relief against a person that violates this act.

9 Sec. 14. A fantasy contest conducted under this act does not  
10 violate the Michigan penal code, 1931 PA 328, MCL 750.1 to 750.568.  
11 This act does not create an exemption to a violation of chapter  
12 XLIV of the Michigan penal code, 1931 PA 328, MCL 750.301 to  
13 750.315a.

14 Enacting section 1. This act takes effect 90 days after the  
15 date it is enacted into law.

