

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 1324

PRINTER NO. 2001

AMOUNT

See Fiscal Impact

FUND

General Fund

DATE INTRODUCED

June 17, 2016

PRIME SPONSOR

Senator Williams

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 1324 establishes the Fantasy Sports Consumer Protection Act, which provides for the licensing and regulation of fantasy contests and imposes duties upon the Department of Revenue, the Department of Drug and Alcohol Programs and the Pennsylvania Gaming Control Board (“board” or “PGCB”). The legislation also makes appropriations.

More specifically, the legislation provides for the licensing and regulation of fantasy contests as follows:

- A fantasy contest license that authorizes existing entities and/or PA casinos to offer fantasy contests in Pennsylvania to participants whether the individual is located in PA or another jurisdiction (and would now prohibit fantasy contests in PA without a license).
- Basically defines a “Fantasy contest” as an online fantasy or simulated game or contest with an entry fee and prize or award (etc.).
- PGCB shall have regulatory authority over licensed operators, principals and key employees and shall ensure the integrity of fantasy contests.
- At PGCB’s discretion, permits the placement and operation of fantasy contest terminals within licensed facilities (PA casinos).
- A licensed entity representative (i.e., attorney, agent or lobbyist) must register with the board and has an affirmative duty to update registration information (a failure to update is punishable by the board), and the board is required to maintain a list of licensed entity representatives that shall be available to the public.
- PGCB may only require background checks for key employees and principals.
- Nonrefundable application fee to reimburse the costs of the board in relation to the application and the issuance and denial of a license.

SENATE APPROPRIATIONS COMMITTEE

FISCAL NOTE

- License fee (deposited in General Fund):
 - \$50,000 (to be paid to board within 30 days of issuance of fantasy contest license) or 7.5% of the applicant's fantasy contest adjusted revenue for the previous calendar year (whichever less).
 - \$50,000 (to be paid to board within 30 days of issuance of fantasy contest license) if the applicant is also a licensed gaming entity.
- A license is valid for five (5) years.
- Renewal fee (deposited in General Fund):
 - \$5,000 (to be paid to board within 30 days of the renewal of a fantasy contest license) or 7.5% of the applicant's fantasy contest adjusted revenue (whichever is less).
- A participant must be at least 18 years old.
- A licensed operator shall establish and implement procedures that allow a person to restrict (self-exclude) himself from entering a fantasy contest or accessing a fantasy contest account.
- Requires a licensed operator to conspicuously post compulsive and problem play notices at fantasy contest registration points and provide a single toll-free telephone number.
- Prohibits the use of scripts (unapproved automated processes/computer programs created by a participant or third party) by a participant on a licensed operator's fantasy contest platform if not approved by the licensed operator.
- Precludes fantasy contests based on collegiate or high school athletic events.
- Prohibits a licensed operator from issuing credit to a participant to establish or fund a fantasy contest account.
- Licensed operators are prohibited from knowingly marketing to a self-excluded individual or allowing them to enter a fantasy contest.
- Licensed operators are prohibited from offering a fantasy contest where winning outcomes do not reflect the relative knowledge and skill of participants.
- A 12% tax is imposed on the quarterly fantasy contest adjusted revenue of a licensed operator.
- Fantasy contest terminals – A licensed gaming entity (PA casino) may place and operate fantasy contest terminals within a PA casino (subject to board approval) so long as they are not placed on the gaming floor.

SENATE APPROPRIATIONS COMMITTEE

FISCAL NOTE

- Gaming service providers – A licensed operator who is not a licensed gaming entity may, at the discretion of the board, be certified or registered as a gaming service provider under 4 Pa.C.S. § 1317.2 (relating to gaming service provider) in order to operate fantasy contests on behalf of a PA casino.
- Appropriations:
 - \$1.25 million (FY 16-17) is appropriated to board for implementing and administering.
 - \$500,000 (FY 16-17) is appropriated to the Department of Revenue for implementing and administering.
 - Repayment – The appropriations are a loan from the General Fund and shall be repaid quarterly (over a period of no more than 10 years) through assessments on licensed operators to their Section 702 accounts.
 - Unused amounts – Any portion of appropriated amounts unused as of July 1, 2017 is automatically transferred to the General Fund.

The section of the act providing for appropriations takes effect immediately, and the remainder of the act shall take effect in 180 days.

FISCAL IMPACT:

The sum of \$1.25 million shall be appropriated to the board and the sum of \$500,000 shall be appropriated to the Department of Revenue from the General Fund for fiscal year 2016-17 to implement the provisions of fantasy contests. The amount shall be repaid through assessments on licensed operators to the General Fund no later than 10 years from the date the board issues the first fantasy contest license.

Senate Bill 1324 imposes a 12% tax on the quarterly fantasy contest adjusted revenue of a licensed operator to be deposited into the General Fund. The receipt of tax revenues from this act depends on the ability of the board to approve licenses authorizing the entities and the ability of the entities to begin providing the fantasy sports contests to customers. It is uncertain whether the General Fund will begin to see a portion of this tax revenue in 2016-17.