CHAPTER 269

REVENUE - ACTIVITIES REGULATION

HOUSE BILL 20-1286

BY REPRESENTATIVE(S) Garnett and Williams D., Kraft-Tharp, McKean, Snyder, Bird, Neville, Gray, Valdez D., Van Winkle, Woodrow:

also SENATOR(S) Story and Cooke.

AN ACT

CONCERNING THE CONTINUATION OF THE REGULATION OF FANTASY CONTEST OPERATORS, AND, IN CONNECTION THEREWITH, IMPLEMENTING RECOMMENDATIONS CONTAINED IN THE 2019 SUNSET REPORT BY THE DEPARTMENT OF REGULATORY AGENCIES AND REDUCING AN APPROPRIATION.

Be it enacted by the General Assembly of the State of Colorado:

- **SECTION 1.** In Colorado Revised Statutes, 24-34-104, **repeal** (19)(a)(X) as follows:
- **24-34-104.** General assembly review of regulatory agencies and functions for repeal, continuation, or reestablishment legislative declaration repeal. (19) (a) The following agencies, functions, or both, are scheduled for repeal on September 1, 2020:
- (X) The regulation of fantasy contest operators by the director of the division of professions and occupations in the department pursuant to sections 12-125-104 to 12-125-108, 12-125-110, and 12-125-111;
- **SECTION 2.** In Colorado Revised Statutes, **add with amended and relocated provisions** part 16 to article 30 of title 44 as follows:

PART 16 FANTASY CONTESTS

44-30-1601. [Formerly 12-125-101] Short title. The short title of this article 125 PART 16 is the "Fantasy Contests Act".

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

- **44-30-1602.** [Formerly 12-125-102] Applicability of common provisions. Articles Parts 1 and 20 3 of this title 12 article 30 apply, according to their terms, to this article 125 Part 16 unless the context otherwise requires.
- **44-30-1603.** [Formerly 12-125-103] **Definitions.** As used in this article 125 PART 16, unless the context otherwise requires:
- (1) "Confidential information" means information related to the play of a fantasy contest by fantasy contest players obtained as a result of or by virtue of a person's employment.
- (2) "DIRECTOR" MEANS THE DIRECTOR OF THE DIVISION OF GAMING OR THE DIRECTOR'S DESIGNEE.
- (2) (3) "Entry fee" means cash or cash equivalents that are required to be paid by a fantasy contest player to a fantasy contest operator in order to participate in a fantasy contest.
 - (3) (4) "Fantasy contest" means a fantasy or simulated game or contest in which:
- (a) The value of all prizes and awards offered to winning participants is established and made known to the participants in advance of the contest;
- (b) All winning outcomes reflect the relative knowledge and skill of the participants and are determined predominantly by accumulated statistical results of the performance of athletes in fully completed sporting events; except that a sporting event that has been called or suspended due to weather or any other natural or unforseen event is considered fully completed; and
- (c) Winning outcomes are not based on randomized or historical events or on the score, point spread, or any performance of any single actual sports team or combination of the teams or solely on any single performance of an individual athlete in any single actual sporting event.
- (4) (5) "Fantasy contest operator" means a person or entity that offers fantasy contests with an entry fee for a cash prize to members of the public.
- (5) (6) "Fantasy contest player" means a person who participates in a fantasy contest with an entry fee offered by a fantasy contest operator.
- (6) (7) "Small fantasy contest operator" means a fantasy contest operator that has no more than seven thousand five hundred fantasy contest players in Colorado with active accounts who participate in fantasy contests with an entry fee.
- **44-30-1604.** [Formerly 12-125-104] Rules procedures continuity of provisions and enforcement actions repeal. (1) (a) The director of the division of gaming shall promulgate reasonable rules for the administration and enforcement of this part 16, including rules governing the identification, licensing, and fingerprinting of applicants for licensure.
 - (b) (I) Any rules of the director of the division of professions and

OCCUPATIONS IN THE DEPARTMENT OF REGULATORY AGENCIES IN EFFECT ON SEPTEMBER 1, 2020, UNDER ARTICLE 125 OF TITLE 12 CONTINUE IN EFFECT THEREAFTER AS THOUGH THEY HAD BEEN PROMULGATED BY THE DIRECTOR OF THE DIVISION OF GAMING UNDER THIS PART 16. REFERENCES IN ANY SUCH RULE TO THE DIRECTOR OF THE DIVISION OF PROFESSIONS AND OCCUPATIONS ARE DEEMED TO REFER TO THE DIRECTOR OF THE DIVISION OF GAMING.

- (II) This subsection (1)(b) will be repealed if the director of the division of gaming promulgates rules pursuant to subsection (1)(a) of this section and the rules take effect. The director of the division of gaming shall notify the revisor of statutes in writing of the date on which the condition specified in this subsection (1)(b)(II) has occurred by e-mailing the notice to revisorof statutes. Ga@state.co.us. This subsection (1)(b) is repealed, effective upon the date identified in the notice that the rules take effect or, if the notice does not specify that date, upon the date of the notice to the revisor of statutes.
- (2) (a) For purposes of Any hearing, investigation, accusation, or other matter coming before the director pursuant to this article 125, section 12-20-403 (2) and (3) apply initiated by or pending before the director of the division of professions and occupations as of September 1, 2020, under article 125 of title 12 continues thereafter as though initiated by or pending before the director of the division of gaming under this part 16. In any such matter, references in pleadings or other documents to the director of the division of professions and occupations are deemed to refer to the director of the division of gaming.
- (b) This subsection (2) will be repealed if the director of the division of gaming resolves all matters specified in subsection (2)(a) of this section and all applicable judicial review of the matters have been finalized. The director of the division of gaming shall notify the revisor of statutes in writing of the date on which the condition specified in this subsection (2)(b) has occurred by e-mailing the notice to revisorofstatutes. Ga@state.co.us. This subsection (2) is repealed, effective upon the date identified in the notice that the condition has occurred or, if the notice does not specify that date, upon the date of the notice to the revisor of statutes.
- **44-30-1605.** [Formerly 12-125-105] Registration. (1) On and after July 1, 2017 September 1, 2020, an entity shall not operate as a small fantasy contest operator unless the entity is registered with the director. On and after July 1, 2017 September 1, 2020, an individual who is not operating through an entity shall not operate as a small fantasy contest operator unless the individual is registered with the director.
- (2) A small fantasy contest operator is subject to all of the provisions of this article 125 PART 16; except that:
- (a) A small fantasy contest operator need only be registered, not licensed, in order to offer fantasy contests for a fee, a small fantasy contest operator is not subject to the requirements of section 12-125-107 (2) regarding an annual audit; and a small

fantasy operator is subject to section 12-125-106 (3) 44-30-1606 (3); and

- (b) The director shall:
- (I) Establish a registration process for small fantasy contest operators; and
- (II) Not initiate an investigation of a potential violation of this article 125 PART 16 by a small fantasy contest operator except upon the filing of a complaint with the director that the director reasonably believes warrants investigation.
- **44-30-1606.** [Formerly 12-125-106] Licensing rules. (1) (a) On and after July 1, 2017 September 1, 2020, an entity shall not operate as a fantasy contest operator unless the entity is licensed by the director. On and after July 1, 2017 September 1, 2020, an individual who is not operating through an entity shall not operate as a fantasy contest operator unless the individual is licensed as a fantasy contest operator by the director. Notwithstanding any provision of this part 16 to the Contrary, the director shall issue a license to operate as a fantasy contest operator to any entity or individual that, as of August 30, 2020, Held a valid license issued by the department of regulatory agencies to operate as a fantasy contest operator.
- (b) An applicant for licensure must pay license, renewal, and reinstatement fees established by the director consistent with section 12-20-105 44-30-203 and other authorities. A license issued pursuant to this article 125 is subject to the renewal, expiration, reinstatement, and delinquency fee provisions specified in section 12-20-202 (1) and (2). A person that continues to practice once a license has expired is subject to the penalties provided in this article 125 and section 12-20-202 (1) THE DIRECTOR MAY PROMULGATE REASONABLE RULES PERTAINING TO THE RENEWAL, EXPIRATION, AND REINSTATEMENT OF LICENSES. THE DIRECTOR SHALL TRANSMIT ALL FEES COLLECTED TO THE STATE TREASURER, WHO SHALL CREDIT THEM TO THE SPORTS BETTING FUND CREATED IN SECTION 44-30-1509.
 - (2) Applications for licensure as a fantasy contest operator must:
- (a) Be verified by the oath or affirmation of the person or persons as the director may prescribe;
 - (b) Be made to the director on forms prepared and furnished by the director; and
- (c) Set forth such information as the director may require to enable the director to determine whether an applicant meets the requirements for licensure under this article 125 PART 16. The information must include:
 - (I) The name and address of the applicant;
- (II) If a partnership, the names and addresses of all of the partners, and if a corporation, association, or other organization, the names and addresses of the president, vice president, secretary, and managing officer, together with all other information deemed necessary by the director; and
 - (III) A designation of the responsible party who is the agent for the licensee for

all communications with the director.

- (3) (a) An applicant may not be eligible for licensure or registration as a fantasy contest operator or licensure renewal if the applicant or any of its officers, directors, or general partners has been convicted of or has entered a plea of nolo contendere or guilty to a felony.
- (b) The director is governed by section 24-5-101 in considering the conviction or plea of nolo contendere to a felony for any individual subject to a criminal history record check pursuant to subsection (4) of this section.
- (4) With the submission of an application for a license granted pursuant to this section, each applicant and its officers, directors, and general partners shall submit a complete set of his or her fingerprints to the Colorado bureau of investigation for the purpose of conducting fingerprint-based criminal history record checks. The Colorado bureau of investigation shall forward the fingerprints to the federal bureau of investigation for the purpose of conducting fingerprint-based criminal history record checks. A person who has previously submitted fingerprints for state or local licensing purposes may request the use of the fingerprints on file. The director shall require a name-based criminal history record check, as defined in section 22-2-119.3 (6)(d), for a person who has twice submitted to a fingerprint-based criminal history record check and whose fingerprints are unclassifiable or when the results of a fingerprint-based criminal history record check of a person performed pursuant to this subsection (4) reveal a record of arrest without a disposition. The director shall use the information resulting from the fingerprint-based or name-based criminal history record check to investigate and determine whether an applicant is qualified to hold a license pursuant to this section. The director may verify the information an applicant is required to submit. The applicant shall pay the costs associated with the fingerprint-based criminal history record check to the Colorado bureau of investigation. The applicant is responsible for the costs associated with a name-based criminal history record check.
- (5) A fantasy contest operator shall not conduct, operate, or offer a fantasy contest that:
 - (a) Utilizes:
- (I) Video or mechanical reels or symbols or any other depictions of slot machines, poker, blackjack, craps, or roulette; or
- (II) Any device that qualifies as or replicates games that constitute limited gaming under section 9 of article XVIII of the Colorado constitution; or
 - (b) Includes a university, college, high school or youth sporting event.
- **44-30-1607.** [Formerly 12-125-107] Consumer protections. (1) A fantasy contest operator, including a small fantasy contest operator, shall implement commercially reasonable procedures for fantasy contests with an entry fee, which procedures are designed to:
 - (a) Prevent employees of the fantasy contest operator, including a small fantasy

contest operator, and relatives living in the same household as the employees, from competing in any fantasy contests offered by any fantasy contest operator in which the operator offers a cash prize; EXCEPT THAT ANY OF SUCH INDIVIDUALS MAY PLAY IN A PRIVATE CONTEST ON A FANTASY CONTEST PLATFORM IN WHICH THE INDIVIDUAL'S RELEVANT AFFILIATION TO THE FANTASY CONTEST OPERATOR IS DISCLOSED TO ALL OTHER PLAYERS;

- (b) Prevent sharing of confidential information that could affect the fantasy contest play with third parties until the information is made publicly available;
- (c) Verify that a fantasy contest player in such a fantasy contest is eighteen years of age or older;
- (d) Ensure that individuals who participate or officiate in a game or contest that is the subject of such a fantasy contest will be restricted from entering such a fantasy contest that is determined, in whole or in part, on the accumulated statistical results of a team of individuals in the game or contest in which they are a player or official;
- (e) Allow individuals to restrict themselves from entering such a fantasy contest upon request and provide reasonable steps to prevent the person from entering the fantasy contests offered by the fantasy contest operator, including a small fantasy contest operator;
- (f) Disclose the number of entries that a fantasy contest player may submit to each such fantasy contest, provide reasonable steps to prevent players from submitting more than the allowable number, and, in any contest involving at least one hundred one entries, not allow a player to submit more than the lesser of three percent of all entries or one hundred fifty entries;
- (g) Segregate fantasy contest player funds from operational funds and maintain a reserve in the form of cash, cash equivalents, an irrevocable letter of credit, a bond, or a combination thereof, in the amount of the deposits made to the accounts of fantasy contest players for the benefit and protection of the funds held in the accounts;
- (h) Distinguish highly experienced players and beginner players and ensure that highly experienced players are conspicuously identified as such to all players;
- (i) Prohibit the use of scripts in fantasy contests that give a player an unfair advantage over other players and make all authorized scripts readily available to all fantasy contest players;
- (j) Clearly and conspicuously disclose all rules that govern its contests, including the material terms of each promotional offer at the time the offer is advertised; and
- (k) Use technologically reasonable measures to limit each fantasy contest player to one active account with that operator.
- (2) A fantasy contest operator, INCLUDING A SMALL FANTASY CONTEST OPERATOR, offering fantasy contests in this state shall:

- (a) Contract with a third party to annually perform an independent audit, consistent with the standards established by the Public Company Accounting Oversight Board, to ensure compliance with this article 125 PART 16; and
 - (b) Submit the results of the audit to the director.
- **44-30-1608.** [Formerly 12-125-108] Duty to maintain records. Each fantasy contest operator shall keep daily records of its operations and shall maintain the records for at least three years. The records must sufficiently detail all financial transactions to determine compliance with the requirements of this article 125 PART 16 and must be available for audit and inspection by the director during the fantasy contest operator's regular business hours.
- **44-30-1609.** [Formerly 12-125-109] Authorization to conduct fantasy contests. (1) Fantasy contests are authorized and may be conducted by a fantasy contest operator at a licensed gaming establishment. as that term is defined in section 44-30-103 (18). A gaming retailer as that term is defined in section 44-30-103 (27), may conduct fantasy contests if the gaming retailer is licensed as a fantasy contest operator.
- (2) Fantasy contests are authorized and may be conducted by a fantasy contest operator at a licensed facility at which pari-mutuel wagering, as that term is defined in section 44-32-102 (18), may occur. An operator of a class B track, as that term is defined in section 44-32-102 (3), may conduct fantasy contests if the operator is licensed as a fantasy contest operator.
- (3) A fantasy contest conducted in compliance with this article 125 PART 16 does not violate article 10 or 10.5 of title 18.
- **44-30-1610.** [Formerly 12-125-110] Grounds for discipline. (1) The director may take disciplinary action as authorized in section 12-20-404 SUSPEND, REVOKE, OR REFUSE TO RENEW THE LICENSE OR REGISTRATION OF OR IMPOSE AN ADMINISTRATIVE FINE against a licensee or registrant if the fantasy contest operator, including a small fantasy contest operator:
- (a) Violates any order of the director, any provision of this article 125, an applicable provision of article 20 of this title 12 PART 16, or the rules established under this article 125 PART 16;
 - (b) Fails to meet the requirements for licensure under this article 125 PART 16; or
- (c) Uses fraud, misrepresentation, or deceit in applying for or attempting to apply for licensure or registration or otherwise in operating or offering to operate a fantasy contest.
- (2) If it appears to the director, based upon credible evidence as presented in a written complaint, that a person is operating or offering to operate a fantasy contest without having obtained a registration or license, the director may issue an order to cease and desist the activity. The director shall set forth in the order the statutes and rules alleged to have been violated, the facts alleged to have constituted the violation, and the requirement that all unauthorized practices immediately cease.

Within ten days after service of the order to cease and desist pursuant to this subsection (2), the person may request a hearing on the question of whether acts or practices in violation of this article 125 PART 16 have occurred. The hearing shall be conducted pursuant to section 24-4-105.

- **44-30-1611.** [Formerly 12-125-111] Civil fines. In addition to any other remedy provided by law, a fantasy contest operator, or an employee or agent thereof, who violates this article 125 PART 16 is subject to a civil fine of not more than one thousand dollars for each such violation, which the state treasurer shall credit to the general SPORTS BETTING fund CREATED IN SECTION 44-30-1509. The director may file a civil action to collect the fine.
- **44-30-1612.** [Formerly 12-125-112] Applicability. This article 125 PART 16 applies to conduct occurring on or after July 1, 2017 SEPTEMBER 1, 2020.
 - **SECTION 3.** In Colorado Revised Statutes, 44-30-1501, **amend** (3) as follows:
- **44-30-1501. Definitions rules.** Definitions applicable to this part 15 also appear in section 44-30-103 and article 1 of this title 44. As used in this part 15, unless the context otherwise requires:
- (3) "Fantasy sports activity" means the conduct of, or participation in, a fantasy contest as defined in section 12-125-103 (3) 44-30-1603 (4).
- **SECTION 4.** In Colorado Revised Statutes, 44-30-1509, **amend** (1), (6), and (7) as follows:
- **44-30-1509. Sports betting fund creation rules definitions.** (1) (a) There is hereby created, in the state treasury, the sports betting fund, referred to in this section as the "fund". The initial appropriation to the division for sports betting regulation and all subsequent revenues of the division derived from sports betting activity AND THE REGULATION OF FANTASY CONTEST OPERATORS UNDER PART 16 OF THIS ARTICLE 30, including license fees, fines and penalties, and collection of the sports betting tax, shall be deposited into the fund. All expenses of the division related to sports betting AND FANTASY CONTEST regulation, including the expenses of investigation and prosecution relating to sports betting AND THE REGULATION OF FANTASY CONTEST OPERATORS, shall be paid from the fund.
- (b) All money paid into the fund is continuously appropriated for the purposes of implementing this part 15 AND PART 16 OF THIS ARTICLE 30. Payment shall be made upon proper presentation of a voucher prepared by the commission in accordance with other statutes governing payments of liabilities incurred on behalf of the state and shall not be conditioned on any appropriation by the general assembly. Receipt of the payment constitutes spending authority by the division.
- (6) The division shall be operated so that, after the initial state appropriation, its administration of this part 15 AND PART 16 OF THIS ARTICLE 30 is financially self-sustaining.
- (7) No claim for the payment of any expense of the division relating to administering this part 15 OR PART 16 OF THIS ARTICLE 30 can be made unless it is

against the fund. No other money of the state shall be used or obligated to pay the expenses of the division or commission related to sports betting OR FANTASY SPORTS ACTIVITY.

- **SECTION 5.** Repeal of relocated and nonrelocated provisions in this act. In Colorado Revised Statutes, repeal article 125 of title 12; except that 12-125-113 is not relocated.
 - **SECTION 6.** In Colorado Revised Statutes, 12-20-204, repeal (2)(b) as follows:
- **12-20-204. Regulator's rule-making authority.** (2) Subsection (1) of this section does not apply to the following:
 - (b) Article 125 of this title 12 concerning fantasy contests;
 - **SECTION 7.** In Colorado Revised Statutes, 12-20-402, **amend** (4) as follows:
- **12-20-402. Immunity.** (4) This section does not apply to articles 125, 140, 150, and 250 of this title 12 concerning fantasy contests, nontransplant tissue banks, passenger tramways, and naturopathic doctors, respectively.
- **SECTION 8.** In Colorado Revised Statutes, 12-20-404, **repeal** (1)(c)(II)(A), (1)(d)(II)(C), (2)(b)(I), (3)(c)(II), and (5)(b)(I) as follows:
- **12-20-404.** Disciplinary actions regulator powers disposition of fines. (1) General disciplinary authority. If a regulator determines that an applicant, licensee, certificate holder, or registrant has committed an act or engaged in conduct that constitutes grounds for discipline or unprofessional conduct under a part or article of this title 12 governing the particular profession or occupation, the regulator may:
- (c) (II) A regulator is not authorized under this subsection (1)(c) to impose a fine on a licensee, certificate holder, or registrant regulated under the following:
 - (A) Article 125 of this title 12 concerning fantasy contests;
- (d) (II) A regulator is not authorized under this subsection (1)(d) to refuse to renew the license, certification, or registration of a licensee, certificate holder, or registrant regulated under the following:
 - (C) Article 125 of this title 12 concerning fantasy contests;
 - (2) **Deferral precluded.** (b) This subsection (2) does not apply to the following:
 - (I) Article 125 of this title 12 concerning fantasy contests;
- (3) Waiting period after revocation or surrender. (c) This subsection (3) does not apply to the following:
 - (II) Article 125 of this title 12 concerning fantasy contests;

- (5) **Confidential letter of concern.** (b) This subsection (5) does not apply to the following:
 - (I) Article 125 of this title 12 concerning fantasy contests;
 - **SECTION 9.** In Colorado Revised Statutes, 12-20-405, **amend** (6) as follows:
- **12-20-405.** Cease-and-desist orders. (6) This section does not apply to articles 125, 140 and 150 of this title 12 concerning fantasy contests, nontransplant tissue banks and passenger tramways, respectively.
- **SECTION 10.** In Colorado Revised Statutes, 12-20-406, **repeal** (3)(c) as follows:
 - **12-20-406. Injunctive relief.** (3) This section does not apply to the following:
 - (c) Article 125 of this title 12 concerning fantasy contests;
- **SECTION 11.** In Colorado Revised Statutes, 12-20-408, **repeal** (2)(a) as follows:
- **12-20-408. Judicial review.** (2) A district court of competent jurisdiction has initial jurisdiction to review all final actions and orders of a regulator that are subject to judicial review and shall conduct the judicial review proceedings in accordance with section 24-4-106 (3) for the following:
 - (a) Article 125 of this title 12 concerning fantasy contests;
- **SECTION 12.** In Colorado Revised Statutes, 44-30-203, **amend** (2) introductory portion; and **add** (2)(a.5) as follows:
- **44-30-203. Director qualification powers and duties.** (2) In addition to the duties imposed upon the director elsewhere in this part 2 and in part 15 PARTS 15 AND 16 of this article 30, the director shall:
- (a.5) Supervise and administer the regulation of fantasy contest operators in accordance with part 16 of this article 30, including the establishment of fees for registration of small fantasy contest operators under section 44-30-1605 and fees for licensing, renewal, and reinstatement of licenses of fantasy contest operators under section 44-30-1606;
- **SECTION 13. Appropriation adjustment to the 2020 long bill.** To implement this act, the cash funds appropriation from the division of professions and occupations cash fund created in section 12-20-105 (3), C.R.S., made in the annual general appropriation act for the 2020-21 state fiscal year to the department of regulatory agencies for use by the division of professions and occupations is decreased by \$11,252, and the related FTE is decreased by 0.2 FTE.

SECTION 14. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, or safety.

Approved: July 10, 2020