



**ARIZONA STATE SENATE**  
*Fifty-Fifth Legislature, First Regular Session*

**ENACTED**

**AMENDED**

FACT SHEET FOR H.B. 2772/S.B. 1797

fantasy sports betting; event wagering.

Purpose

An emergency measure that authorizes electronic keno and mobile draw games outside the jurisdiction of an Indian tribe and authorizes event wagering and fantasy sports betting in Arizona. Prescribes requirements for event wagering and fantasy sports betting off of Indian lands and establishes related funds. Conditions the enactment of expanded gaming authorizations on certain Indian tribes entering into the 2021 gaming compact amendments (2021 compact amendments).

Background

Arizona's Criminal Code prohibits: 1) the promotion of gambling, except for amusement gambling, regulated gambling or social gambling; and 2) benefiting from gambling, except for amusement gambling or regulated gambling (A.R.S. §§ [13-3303](#) and [13-3304](#)). *Regulated gambling* is gambling conducted in accordance with: 1) an Arizona tribal-state gaming compact (gaming compact); or 2) Arizona or federal statute, rule or order ([A.R.S. § 13-3301](#)). Except for pari-mutuel wagering on horse races, a person may not engage in the business of betting and wagering, for a fee, property, salary or reward, on the result or purported result of a race, sporting event, contest or other game of skill or chance or any other unknown future event or occurrence ([A.R.S. § 13-3305](#)).

Federal law requires an Indian tribe and the state to negotiate for a tribal-state compact governing the conduct of class III gaming activities on tribal lands ([25 U.S.C. § 2710 \(d\)\(3\)\(B\)](#)). The gaming compacts between Arizona and the 22 federally-recognized Indian tribes in Arizona are substantially identical and outline the regulatory framework governing class III gaming. In accordance with statute and the gaming compacts, the Arizona Department of Gaming (ADG): 1) monitors tribal gaming operations; 2) investigates suspected compact violations; 3) conducts compact compliance reviews of gaming operations, facilities and activities of facility operators; 4) certifies gaming employees who are not enrolled tribal members; 5) certifies management contractors, financiers, manufacturers and suppliers of gaming devices, providers of gaming services and management officials; 6) administers the transfer of unused gaming device allocations; 7) provides problem gambling prevention, treatment and education; and 8) administers and allocates Indian tribes' state contributions through the Arizona Benefits Fund as outlined ([A.R.S. Title 5, Chapter 6](#)).

The Joint Legislative Budget Committee fiscal note on S.B. 1797, as amended by the Senate Commerce Committee, estimates that this legislation may generate \$34.2 million in annual state General Fund revenue by FY 2024 ([JLBC](#)).

Provisions

***2021 Compact Trust Fund (Trust Fund)***

1. Establishes the Trust Fund consisting of contributions from Indian tribes as designated in the 2021 compact amendments and directs the ADG to administer the Trust Fund as trustee.
2. Requires Trust Fund monies to be disbursed in accordance with the 2021 compact amendment for the exclusive purposes of:
  - a) mitigating impacts to Indian tribes from gaming authorized by a 2021 compact amendment; and
  - b) providing economic benefits to beneficiary Indian tribes.
3. Specifies that Trust Fund beneficiary tribes are federally-recognized Indian tribes with a 2021 compact amendment that:
  - a) are eligible to receive payments according to the 2021 compact amendment terms; and
  - b) include tribes that do not engage in gaming but have a 2021 compact amendment.
4. Requires the State Treasurer to:
  - a) accept, separately account for and hold Trust Fund monies in trust;
  - b) on notice from the Director of the ADG, invest and divest any Trust Fund monies deposited in the State Treasury; and
  - c) credit any earned investment monies to the Trust Fund.
5. Requires surplus Trust Fund monies, including any unexpended and unencumbered balance at the end of a fiscal year, to be carried forward and not reverted or transferred to any other fund and exempts Trust Fund monies from lapsing.
6. Prohibits the State Treasurer from commingling trust monies with any other monies except for investment purposes.
7. Specifies that the Trust Fund does not include tribal contributions made into the Arizona Benefits Fund.
8. Requires, by September 30 of each year, the ADG to report all monies deposited in and disbursed from the Trust Fund during the prior fiscal year to:
  - a) the Governor;
  - b) the President of the Senate and the Speaker of the House of Representatives; and
  - c) each Indian tribe with an executed 2021 compact amendment.
9. Defines *2021 gaming compact amendment*, for the purposes of the Trust Fund, as a tribal-state gaming compact amendment that becomes effective after January 1, 2021.

***Electronic Keno and Mobile Draw Games***

10. Authorizes the State Lottery Commission or the Lottery Director to establish and operate a single electronic keno game and single mobile draw game on a lottery-controlled centralized computer system allowing a player to, over the internet including on a personal electronic device:
  - a) place wagers;
  - b) view the outcome of a game; and
  - c) receive winnings.

11. Limits licensing for operation of an electronic keno game to:
  - a) a fraternal or veterans' organization, a racetrack enclosure or additional wagering facility where pari-mutuel wagering on horse races is conducted; and
  - b) a physical facility at least five miles from an Indian gaming facility.
12. Caps the number of authorized keno locations at the total number of:
  - a) licensed live horse race wagering and simulcast wagering establishments; and
  - b) class 14 liquor licenses issued to fraternal or veterans' organizations as of January 1, 2021.
13. Increases, by two percent every two years, the total number of authorized keno locations.
14. Requires players of an electronic keno game on personal electronic devices to be restricted by geofencing to authorized keno locations.
15. Limits the frequency of:
  - a) electronic keno game draws to once every four minutes; and
  - b) a person playing or winning a prize for a mobile draw game to once an hour.
16. Allows a mobile draw game to offer multiple game play styles and wagering options.
17. Prohibits an electronic keno game or mobile draw game from presenting a user interface that:
  - a) depicts spinning reels; or
  - b) replicates a slot machine, blackjack, poker roulette, craps or any other casino-style game other than traditional keno or lottery draw games.
18. Exempts an electronic keno game or mobile draw game from the prohibition on a lottery game using gaming devices or video lottery terminals.
19. Allows the Director of the State Lottery Commission to adopt rules for the licensing of authorized keno locations, including the person that controls the business or other activity conducted at the location.
20. Specifies that the method of selecting winning tickets or shares for State Lottery noncomputerized online games may not depend on the results of any gaming activity conducted according to the 2021 compact amendments or the results of any event.

#### *Authorization of Event Wagering*

21. Authorizes accepting wagers on sports, including e-sports, or other events, portions of events, individual performance in events or any combination by any method including in person or over the internet (event wagering) that is conducted:
  - a) in accordance with an ADG-issued event wagering license; or
  - b) by an Indian tribe exclusively on Indian lands in accordance with a gaming compact and any amendments.
22. Authorizes the ADG to issue event wagering operator licenses to:
  - a) up to 10 applicants other than an Indian tribe; and
  - b) up to 10 Indian tribes in Arizona if the receiving tribe has signed the most recent gaming compact and applicable amendments or appendices.

23. Limits persons eligible for event wagering operator licenses to:
  - a) an Indian tribe, or entity fully owned by an Indian tribe, or its designee contracted to operate mobile event wagering in Arizona but outside the boundaries of its lands; and
  - b) an owner of an Arizona professional sports team or franchise, operator of a sports facility that hosts an annual tournament on the PGA Tour, the promoter of a national association for stock car auto racing national touring race in Arizona or the owner's, operator's or promoter's designee contracted to operate both retail event wagering at a sports facility or complex and mobile event wagering throughout Arizona.
24. Specifies that an event wagering operator licensee that is an Indian tribe, entity fully owned by an Indian tribe, or its designee, is authorized to operate only mobile event wagering.
25. Authorizes an event wagering operator licensee that is not an Indian tribe or tribal-owned entity to offer:
  - a) event wagering at an event wagering facility within a five-block radius of the operator's sports facility; and
  - b) mobile event wagering, including through an event wagering platform, as the ADG specifies.
26. Prohibits a licensed event wagering operator from accepting a wager from a person physically present on Indian lands at wager initiation.
27. Deems, as not responsible for the designee's conduct, an owner, operator, promoter or Indian tribe that qualifies for an event wagering operator license and appoints a designee to be a licensed event wagering operator.
28. Allows an event wagering operator to:
  - a) contract with an ADG-licensed management services provider to conduct event wagering; and
  - b) partner with an ADG Division of Racing-permitted racetrack enclosure or additional wagering facility to obtain a limited event wagering license (limited wagering license) for wagering at a single, specific physical location.
29. Authorizes the ADG to issue 10 limited wagering licenses for event wagering at 10 locations.
30. Allows wagers on racing meetings or simulcasted races to be made, offered or received through the same means as other wagers in addition to according to existing law, unless otherwise prohibited by federal law.
31. Requires an event wagering facility within one mile of a tribal gaming facility to be:
  - a) within a sports complex with retail centers adjacent to the sports facility; and
  - b) one fourth of a mile or less from a sports facility within the sports complex.
32. Restricts, to an event wagering operator or its management services provider, the authority to process, accept, offer or solicit wagers.
33. Requires an event wagering operator to clearly display its own or affiliate brand on the event wagering platform.

34. Allows an event wagering operator to use:
  - a) more than one event wagering platform; and
  - b) the management services provider's brand as the platform's name and logos, if the platform also clearly displays the operator's own trademarks and logos or those of an affiliate.
35. Specifies that Indian tribes operating event wagering exclusively on Indian lands are exempt from licensure requirements and are governed by the gaming compact, its appendices and any amendments, and the Indian Gaming Regulatory Act.

#### ***Event Wagering Fund and Licensure Fees***

36. Establishes the Event Wagering Fund consisting of licensure fees and all monies collected relating to event wagering.
37. Authorizes the ADG, unless otherwise provided by the Legislature, to spend up to 10 percent of Event Wagering Fund monies on the annual event wagering regulation and enforcement costs and reverts remaining monies to the state General Fund.
38. Transfers, to the state General Fund, Event Wagering Fund monies remaining on the 25th day of each month.
39. Directs the ADG to establish and collect fees for event wagering licenses and deposit event wagering license, limited wagering license, supplier license and management services provider fees in the Event Wagering Fund.
40. Requires the ADG to establish a fee for the privilege of operating event wagering and to consider, when determining the fee, the highest revenue share that an Indian tribe pays to the state according to the gaming compacts.
41. Specifies that the fee is due on the 25th of each month following the month in which adjusted gross event wagering receipts were received and the obligation was accrued.
42. Grants the event wagering operator or its designee the option to calculate the amount of fee by the cash accrual or modified accrual basis method of accounting.

#### ***Authorization of Fantasy Sports Betting***

43. Prohibits a person from offering fantasy sports contests in Arizona without a license from the ADG as a fantasy sports contest operator and grants the ADG jurisdiction over each person involved in conducting a fantasy sports contest to ensure the integrity of the contests.
44. Deems a fantasy sports contest license to be valid for two years and renewable if the applicant demonstrates continued eligibility and pays the renewal fee.
45. Excludes, from licensure requirements, an Indian tribe that lawfully conducts class III gaming in accordance with a gaming compact and conducts fantasy sports contests directly or through a third-party operator if:
  - a) all contest activities occur within the boundary of its Indian lands; and
  - b) the Indian tribe complies with fantasy sports contest regulations in the compact or its appendices.

46. Allows an individual to offer fantasy sports contests if:
  - a) the fantasy sports contests are not available to the general public;
  - b) each contest is limited to 15 total fantasy sports contest players;
  - c) the individual collects no more than \$10,000 in total entry fees for all contests in a calendar year; and
  - d) at least 95 percent of the entry fees are awarded to the players.
47. Prohibits a fantasy sports contest from being offered on, at or from a kiosk or machine in a retail business location, bar, restaurant or other commercial establishment, or public accommodation.
48. Allows a fraternal organization, veterans' organization or licensed racetrack to operate two kiosks for offering fantasy sports contests.

#### ***Fantasy Sports Contest Fund and Licensure Fees***

49. Establishes the Fantasy Sports Contest Fund administered by the ADG and consisting of licensing fees and penalties or any other sources.
50. Authorizes the ADG, unless otherwise provided by the Legislature, to spend up to 10 percent of monies on the ADG's annual fantasy sports contest regulating and enforcement costs and subjects Fantasy Sports Contest Fund monies to legislative appropriation.
51. Requires the State Treasurer, on notice from the ADG, to invest and divest Fantasy Sports Contest Fund monies and credit earned investments to the Fund.
52. Directs the ADG to establish initial and renewal fantasy sports contest license fees and deposit collected fees in the Fantasy Sports Contest Fund, and directs a fantasy sports contest operator to report and pay from its monthly fantasy sports contest adjusted revenues as the ADG prescribes.
53. Requires the ADG to establish a fee for the privilege of operating a fantasy sports contest that is:
  - a) due on the 25th of each month; and
  - b) based on monthly fantasy sports contest adjusted revenue derived in the previous month.
54. Requires the ADG, when determining the fee, to consider the highest revenue share that an Indian tribe pays to the state according to the gaming compacts.
55. Deems a fantasy sports contest operator who fails to remit required fees liable for a penalty of 5 percent per month, up to 25 percent, of the due amounts and requires the ADG to deposit collected penalties in the Fantasy Sports Contest Fund.

#### ***Licensure Enforcement***

56. Allows the ADG to summarily suspend an event wagering or fantasy sports contest license if continued licensure constitutes an immediate threat to public health, safety and welfare.

57. Outlines grounds for the ADG to revoke, suspend or deny an event wagering or fantasy sports contest license, including:
- a) violation, failure or refusal to comply with law, rule or order, knowingly causing, aiding or conspiring to cause a violation, or if a violation occurs on a platform or system over which the person has substantial control;
  - b) obtaining a license by fraud, misrepresentation, concealment or mistake;
  - c) gaming license revocation or denial by any U.S. jurisdiction or willful disregard for compliance with gaming regulatory authority in any jurisdiction;
  - d) conviction or forfeiture of a bond on a charge of, pleading guilty to, or prosecution or pending charges for outlined offenses relating to fraud, willful failure to make payments or reports, bribery and gaming activity, physical harm or moral turpitude;
  - e) misrepresentation or failure to disclose material fact or failure to prove qualification for licensure or provide the ADG-requested information within seven days;
  - f) pursuit of economic gain in an occupational manner in violation of any state's criminal laws or membership or association with an individual or group operating as a career offender; and
  - g) prior activities, criminal record or reputation that pose a threat to public interest or gaming regulation and control.
58. Classifies, as a class 3 misdemeanor, a first offense of an event wagering licensee that:
- a) allows a person under 21 years old to place a wager or targets minors in advertising;
  - b) offers, accepts or extends credit to a bettor;
  - c) offers or accepts a wager on any unauthorized event, including a high school sports event offered, sponsored or played in connection with an institution offering secondary education; or
  - d) accepts a wager from a prohibited participant or self-excluded person.
59. Classifies, as a class 1 misdemeanor, a second or subsequent offense of prohibited acts.
60. Classifies offering a fantasy sports contest without a license as a:
- a) class 3 misdemeanor for the first or second violation; and
  - b) class 1 misdemeanor for a third or subsequent violation.
61. Allows the ADG to:
- a) issue a cease and desist order and obtain injunctive relief against a person that violates fantasy sports contest statutes; and
  - b) impose a civil penalty of up to \$10,000 for violation of fantasy sports contest statutes, rules or ADG orders.
62. Specifies that a fantasy sports contest or event wagering applicant agrees to be subject to state jurisdiction as necessary to determine the applicant's qualifications.

### ***Event Wagering Administration***

63. Authorizes the ADG to issue event wagering licenses with terms of validity as follows:
- a) five years for an event wagering operator license;
  - b) two years for a limited wagering license;
  - c) two years for a supplier license; and
  - d) two years for a management services provider license.

64. Requires the ADG to establish:
  - a) the amount of a bond in escrow and amount of required cash on hand for adequate payout reserves;
  - b) audit requirements and minimum requirements for licensees to exercise effective control over fiscal affairs as outlined;
  - c) the form of periodic financial reports and the type of information deemed confidential and not subject to reporting requirements; and
  - d) any post-employment restrictions for ADG employees.
65. Requires each licensee to conspicuously display its license or have the license available for inspection by the ADG or a law enforcement agency and requires an event wagering platform to conspicuously display a notice of license on the platform's landing page.
66. Directs the ADG, on receipt of an event wagering license application and fee, to:
  - a) conduct a background investigation to determine if the applicant meets license qualifications;
  - b) issue the license not later than 60 days after receipt, unless the investigation discloses a criminal history or other disqualifying grounds that are apparent on the face of the application; and
  - c) if the application is denied, forward a statement to the applicant with the grounds for denial and all documents relied on for the decision.
67. Directs the ADG to adopt a process to ensure an equal opportunity for all qualified applicants to obtain a license, unless more than 10 applicants for each type of license are received for a particular license type.
68. Requires the ADG to issue a limited wagering license if the applicant:
  - a) has an ADG Division of Racing license and is in compliance with racing rules;
  - b) is not the subject of a current investigation for racing rules violations; and
  - c) submits required fees.
69. Excludes, from event wagering licensure, the following individuals and their immediate family members:
  - a) employees of the ADG or a professional sports team;
  - b) a collegiate, professional or Olympic coach or player; and
  - c) an individual who has been convicted of outlined crimes or has the ability to directly affect event outcomes for which wagers are allowed.
70. Allows the ADG to:
  - a) assess a license applicant for background investigation costs that exceed licensure fees; and
  - b) require event wagering operators, limited wagering operators and suppliers to post a bond to cover the anticipated investigative costs.
71. Prohibits an event wagering license from being transferred without prior ADG approval and directs the ADG to work with applicants and licensees to prevent a gap in license validity.
72. Prohibits a person from applying for or obtaining more than one event wagering operator license.
73. Allows a management services provider to offer services to more than one event wagering operator.



74. Requires an event wagering license applicant to submit to ADG-prescribed information relating to:
  - a) identification and fingerprints of the applicant and associated persons;
  - b) reasonable information from the preceding 10 years to establish good character, honesty and integrity;
  - c) notice and description of civil judgments pertaining to antitrust or security regulation laws of any jurisdiction;
  - d) if applicable, any letters of compliance from a gaming activity regulatory body;
  - e) financial standing, financial background and resources to establish financial stability, integrity and responsibility of the applicant or its management services provider;
  - f) sufficient business ability and gaming experience;
  - g) the expected amount of adjusted gross event wagering receipts and associated adjusted gross receipts; and
  - h) any additional information the ADG requires.
75. Outlines criteria for an applicant to be presumed financially stable relating to maintaining a bankroll or its equivalent to pay bettors winning wages, ability to meet ongoing operating expenses, and ability to pay all state and federal taxes.
76. Requires a limited wagering license applicant to provide to the ADG:
  - a) a copy of its current ADG Division of Racing approval to conduct racing meetings or approval as an additional wagering facility;
  - b) a letter from an event wagering operator of its partnership for event wagering; and
  - c) demonstration that the physical location is at least five miles from a tribal gaming facility, the event wagering operator's wagering facility and any other limited wagering licensee's facility.
77. Requires a limited wagering license to include each principal, primary management official and key employees.
78. Requires a supplier license applicant to:
  - a) demonstrate that the offered items and services conform to ADG standards and applicable law;
  - b) submit a list of all wagering equipment and services provided to an event wagering operator; and
  - c) have equipment and services tested and approved by an ADG-approved independent testing laboratory.
79. Allows the ADG to accept, as evidence that the applicant meets license requirements, a supplier or management services provider license issued by another jurisdiction with similar licensure requirements.
80. Requires the ADG to credit any application fee toward the license fee and requires a licensee to remit the owed balance upon license approval.
81. Deems an event wagering license to be renewable if the licensee:
  - a) submits the required fee;
  - b) maintains licensure qualifications; and
  - c) substantially complies with event wagering laws and rules.

82. Requires an event wagering licensee to notify the ADG within 30 days after a material change to license application or renewal information.
83. Requires the ADG to keep all information, records and other data in application review and investigation confidential and exempts the materials from public records disclosure requirements.
84. Specifies that license issuance does not create or imply a right of employment or continued employment.

### *Event Wagering Operation*

85. Prescribes ADG powers and duties for the regulation and control of event wagering in Arizona to include:
  - a) evaluating applicants for licensure suitability;
  - b) investigating and conducting background checks of an event wagering licensee at any time;
  - c) monitoring and conducting audits of event wagering operations and providers;
  - d) developing and enforcing event wagering standards and procedures; and
  - e) prescribing additional requirements for a supplier license, system or equipment used for event wagering.
86. Requires ADG event wagering standards and procedures to include:
  - a) collection, deposit and disbursement of required license fees;
  - b) event wagering account, platform, hardware, software and data maintenance, inspection, testing and audits;
  - c) event wagering facilities, including location, security, ADG access and approval;
  - d) geolocation services licensing and requirements;
  - e) approval of events on which wagers may be taken;
  - f) mechanisms to detect and prevent unauthorized player account use, fraud, money laundering and collusion including contracts with ADG-licensed integrity monitoring providers; and
  - g) paying winning wagers, reporting taxes and collecting debt setoffs.
87. Requires the ADG to adopt rules regarding:
  - a) accepting wagers from and issuing payouts to bettors, including payouts over \$10,000; and
  - b) requirements for reporting suspicious wagers to comply with the federal Bank Secrecy Act, the federal Patriot Act and any other applicable laws.
88. Deems each event wager to be an enforceable contract and requires each event wagering operator to adopt, and the ADG to approve, a written policy outlining house rules for wagers and payouts.
89. Requires an event wagering operator to exclusively use official league data for tier two sports wagers, if provided by the governing body of a sport or sports league, organization or association or other authorized entity and unless the governing body or authorized entity cannot provide an official data feed in accordance with ADG-determined commercially reasonable terms.

90. Allows ADG rules to authorize event wagering operators to offset loss and manage risk through a liquidity pool and specifies that a liquidity pool does not eliminate the operator's duty to ensure sufficient monies to pay bettors.
91. Prohibits a person from wagering on:
  - a) injuries and penalties; and
  - b) individual actions, events, occurrences or non-occurrences during a collegiate sports event.
92. Restricts an event wagering operator from offering parlay and proposition bets of any type or category other than as the ADG prescribes.
93. Allows an event wagering operator, professional sports team, league, association or higher education institution to request the ADG in writing to prohibit a type or form of event wagering or to prohibit a category of persons from event wagering and requires the ADG to determine if good cause exists to grant the request.
94. Requires an event wagering licensee to report in real time, to the ADG and a requesting sports governing body, outlined information on a bettor and bet related to:
  - a) abnormal betting activity or patterns or conduct indicating concern with the event integrity or that corrupts a betting outcome for financial gain;
  - b) potential breach of a sports governing body's internal rules and codes of conduct; and
  - c) suspicious or illegal wagering activities.
95. Requires the ADG to:
  - a) establish a hotline allowing a person to confidentially report prohibited conduct;
  - b) investigate allegations and refer prohibited conduct to prosecutorial entities; and
  - c) notify the appropriate sports governing body on receipt of a complaint of prohibited conduct by an athlete.
96. Allows the ADG to provide account-level betting information and data files on a notification by the sports governing body of an official investigation into persons prohibited from wagering or whose actions are believed to have affected the integrity of the sport.
97. Allows a sports governing body, without obtaining a license, to enter into an agreement with a licensee to share in the amount bet from sports wagering on the governing body's events.

#### ***Fantasy Sports Contest License Administration***

98. Directs the ADG, on receipt of a fantasy sports contest application and fee, to:
  - a) conduct a background investigation to determine if the applicant meets license qualifications;
  - b) issue or deny the application; and
  - c) if the application is denied, forward a statement to the applicant with the grounds for denial and all documents relied on by the ADG for the decision.
99. Allows the ADG to require licensure of a holding company, a management company or any other person it considers sufficiently connected to the fantasy sports operator if necessary to preserve the integrity of fantasy sports contests and protect fantasy sports contest players.

100. Allows the ADG to:

- a) investigate a fantasy sports contest licensee at any time to ensure the licensee remains in compliance; and
- b) assess investigative costs if investigation costs exceed the initial or renewal fee amount.

101. Prohibits the ADG from licensing a person that offers a fantasy sports contest without a license, knowingly makes a false statement on an application or provides false testimony to the ADG or an authorized representative.

102. Requires every fantasy sports contest license applicant to submit to the ADG:

- a) a completed application in a form and including content as the ADG determines;
- b) the applicant's current photograph;
- c) a full set of fingerprints for the purpose of obtaining a state and federal criminal records check; and
- d) the ADG-required fee.

103. Directs the ADG to require documentation of information relating to:

- a) applicant identity and the location of the applicant's principal place of business;
- b) each individual holding at least 10 percent ownership interest in the applicant;
- c) the applicant's criminal record or, for a business entity, the criminal record of specified individuals, on request;
- d) any ownership interest that an applicant or associated individual holds in a person that is or was a fantasy sports contest operator or similar entity in any jurisdiction;
- e) identification of any business in which an applicant or outlined individual has an equity interest of at least five percent, including the state of incorporation or registration if applicable;
- f) application history for a gaming activity license, registration or certificate in any jurisdiction;
- g) delinquency in payment of or dispute over filings concerning any federal, state or local tax including the tax amount and type, the taxing agency and the time periods involved;
- h) any physical facility the applicant operates, facility employees and facility business; and
- i) sufficient information to show that the applicant can meet the required procedures.

104. Allows the Department of Public Safety to exchange submitted fingerprint data with the Federal Bureau of Investigation.

105. Requires a fantasy sports contest operator to report any change to its ownership information to the ADG within 30 days and deems the operator's license valid unless the ADG determines the change disqualifies the operator.

106. Prohibits a fantasy sports contest license applicant from withdrawing an application without the ADG's written permission which may not be unreasonably withheld.

### ***Licensed Fantasy Sports Contest Operation***

107. Directs a fantasy sports operator to prohibit an individual under 21 years old from participating in a fantasy sports contest.

108. Requires a fantasy sports operator, as a condition of licensure, to submit for ADG approval commercially reasonable procedures and internal controls intended to:
- a) prevent the operator, its owners, directors, officers, employees and any relatives of the individuals living in the same household from participating in a fantasy sports contest offered to the public;
  - b) prevent employees or agents from sharing protected information;
  - c) prevent athletic event participants and officials from participating in a fantasy sports contest based on the athletic event;
  - d) establish the number of entries a player may enter in a single contest and take reasonable steps to prevent more than the allowable entries;
  - e) identify each highly experienced player by a symbol attached to the player's username;
  - f) offer contests open only to players that are not highly experienced;
  - g) segregate deposits in the players' accounts from operational money or maintain a reserve that exceeds the value of deposits in the fantasy players' accounts and may not be used for operational activities; and
  - h) ensure compliance with privacy and online security requirements and ensure the integrity of fantasy sports contests.
109. Prohibits a fantasy sports operator from:
- a) allowing the use of a script providing a player with an unfair competitive advantage, except that a script provided to all players does not provide an unfair advantage; and
  - b) using advertising that is false, deceptive, misleading or not based on fact or targets individuals under 21 years old or who are on the self-exclusion list.
110. Authorizes the ADG to adopt any rule necessary to ensure fantasy sports contest integrity, including penalties for violations, and requires rules to:
- a) require a fantasy sports contest operator to designate at least one key employee;
  - b) require a fantasy sports contest operator to implement procedures to prohibit access to individuals who are self-excluded or under 21 years old;
  - c) prescribe beginning player and highly experienced player requirements;
  - d) suspend a player account on violation of fantasy sports contest statutes or rules; and
  - e) provide a fantasy sports contest player with access to information on responsible play and assistance for compulsive play behavior.
111. Allows a licensed operator to make technical adjustments to the procedures and internal controls if the operator notifies the ADG within 21 days of the changes becoming effective.
112. Deems a fantasy sports operator's procedures to be confidential, privileged and not subject to public records disclosure requirements.
113. Requires a fantasy sports contest operator to retain and maintain required records in a secure place for at least three years and organize the records in a manner that enables the operator to provide the records to the ADG.

***Prohibited Employees and Prize Withholding***

114. Prohibits a fantasy sports contest, event wagering or limited event wagering operator from employing an individual that, as identified through ADG regulations:
- a) has been convicted of a gaming offense;

- b) convicted of a felony within the last seven years that has not been set aside;
  - c) has ever been convicted of a felony related to extortion, burglary, larceny, bribery, embezzlement, robbery, racketeering, money laundering, forgery, fraud, murder, voluntary manslaughter, kidnapping or an offense that requires registry as a sex offender;
  - d) knowingly and willfully provided or omitted materially important false statements or information on application or background questionnaire; or
  - e) has prior activities, any criminal record, reputation, habits and associations that pose a threat to the public interest or effective regulation and control of gaming.
115. Requires a fantasy sports contest, event wagering or limited event wagering operator to terminate an employed individual that that meets any of the prohibited employee criteria.
116. Requires the ADG to provide, to a fantasy sports contest operator or event wagering facility operator, information on persons with outstanding obligations identified by:
- a) the Administrative Office of the Courts;
  - b) the Department of Economic Security (DES) Division of Child Support Enforcement;
  - c) the DES Supplemental Nutrition Assistance Program and Assistance Overpayment; or
  - d) the Arizona Health Care Cost Containment System Administration.
117. Requires the withholding, from a prize, award or winnings, of any amount, after tax liabilities, that satisfies a person's past-due, setoff obligation by:
- a) a fantasy sports contest operator, if required to file a 1099-MISC or substantially equivalent form with the U.S. Internal Revenue Service (U.S. IRS); and
  - b) an event wagering facility operator if required to file a W-2G or substantially equivalent form with the U.S. IRS.
118. Prescribes the following order of priority if the identified person has multiple liabilities:
- a) the DES Division of Child Support Enforcement;
  - b) the DES Supplemental Nutrition Assistance Program and Assistance Overpayment;
  - c) the courts; or
  - d) the Arizona Health Care Cost Containment System Administration.
119. Specifies that if a person with tax liabilities and setoff obligations is also self-excluded, the liabilities and obligations must be satisfied before monies are donated to the ADG's Division of Problem Gambling.
120. Requires the fantasy sports contest operator, if notified, to withhold the owed obligations at the time the form is issued and transmit the withheld amount and any requested information to the ADG.
121. Deems, as confidential, privileged and not subject to public record disclosure requirements, information provided by the outlined agencies relating to past-due, setoff obligations.
122. Specifies that withholding requirements do not waive an Indian tribe's sovereign immunity from a suit by a person whose winnings are withheld for an identified obligation.

### ***Problem Gambling***

123. Requires a fantasy sports contest operator or event wagering licensee to develop:
- a) a procedure to inform players that problem gambling help is available and provide the ADG-established helpline telephone number, text message and website information; and
  - b) a program to mitigate and curtail compulsive play or problem gambling.

124. Directs the ADG to establish a list of persons who voluntarily seek to exclude themselves from fantasy sports contests and a list of persons who voluntarily seek to exclude themselves from event wagering (self-excluded persons).
125. Requires the ADG to:
- a) establish procedures for placement on and removal from the self-exclusion lists, except that only the person seeking self-exclusion may include their name;
  - b) compile outlined identifying information concerning self-excluded persons; and
  - c) weekly provide the compiled list to fantasy sports contest operators, event wagering operators, commercial sports license holders and limited event wagering operators.
126. Requires a fantasy sports operator, event wagering operator, commercial sports license holder and limited event wagering operator to:
- a) check the most recent self-exclusion list before creating a player account;
  - b) revoke a player account and remove all self-excluded persons from marketing or mailing lists;
  - c) take commercially reasonable steps to identify self-excluded persons and deny self-excluded persons access to all fantasy sports contests; and
  - d) report outlined information to the ADG within 24 hours of discovering that a self-excluded person participated in a fantasy sports contest.
127. Deems a prize or award won by a self-excluded person to be forfeited and requires a fantasy sports contest operator, event wagering operator, commercial sports license holder or limited event wagering operator to donate the prize or award to the ADG's Division of Problem Gambling on a quarterly basis.
128. Directs a fantasy sports contest operator, event wagering operator, commercial sports license holder and limited event wagering operator to:
- a) establish procedures for advising persons who inquire about self-exclusion and, when requested, offer self-exclusion application forms; and
  - b) treat the self-exclusion lists as confidential and disclosable only to ADG-approved vendors for compliance, law enforcement agencies for an official investigation or a court of competent jurisdiction, if ordered.
129. Specifies that self-exclusion lists are not open to public inspection.

#### *Miscellaneous*

130. Requires, by July 1 of each year, a licensed fantasy sports contest operator, licensed event wagering operator and licensed management services provider to contract with a certified public accountant to:
- a) perform an independent audit of the financial condition of the operator's or management services provider's total operation for the previous fiscal year; and
  - b) ensure compliance with applicable laws and any other purpose prescribed by rule.
131. Requires the licensed fantasy sports contest operator, licensed event wagering operator or licensed management services provider to submit the audit results to the ADG within 180 days after the operator's fiscal year ends.

132. Deems the audit results to be confidential, privileged and not subject to public records disclosure requirements.
133. Requires the ADG to initiate rulemaking and adopt rules relating to fantasy sports betting, event wagering and State Lottery electronic keno and mobile draw games within 60 days after the effective date and exempts the ADG from rulemaking requirements for one year.
134. Requires all fantasy sports contest and event wagering license application or licensure decisions to be conducted according to statutory Uniform Administrative Hearing Procedures.
135. Requires the ADG to submit an annual report to the Governor, President of the Senate, Speaker of the House of Representatives and Secretary of State, including:
  - a) the number of active licensees by type;
  - b) the aggregate gross and net revenue of all licensees;
  - c) the number of conducted enforcement investigations; and
  - d) the financial impact of event wagering in Arizona.
136. Excludes fantasy sports contests from Arizona Criminal Code definitions of *gambling*, *gamble*, or *wager*.
137. Includes event wagering in *regulated gambling* as it relates to the Arizona Criminal Code.
138. Defines terms.
139. Contains a statement of legislative intent.
140. Makes technical and conforming changes.
141. Conditions the enactment of fantasy sports betting, event wagering and State Lottery electronic keno and mobile draw game authorizations and requirements on:
  - a) each Indian tribe with a gaming facility in Pima County and each Indian tribe with a gaming facility in the Phoenix Metropolitan Area entering into a 2021 compact amendment; and
  - b) notice being published in the Federal Register of the U.S. Secretary of the Interior's approval or approval by operation of law.
142. Requires the ADG to notify the Director of the Arizona Legislative Council in writing of the date the condition was met.
143. Becomes effective on signature of the Governor, if the emergency clause is enacted, subject to the conditional enactment.

Amendments Adopted by Committee

1. Subjects, to provision by the Legislature, the authorization for the ADG to spend up to 10 percent of Fantasy Sports Contest Fund monies and Event Wagering Fund monies for regulation and enforcement.



2. Deems an entity that appoints a designee to be a licensed event wagering operator not responsible for the designee's conduct.
3. Allows the ADG to authorize event wagering on an *other event*, regardless of the event being a competition of relative skill.
4. Specifies that an event wagering operator licensee that is an Indian tribe, entity fully owned by an Indian tribe or its designee is authorized to operate only mobile event wagering.
5. Provides the ADG with 60 days, rather than 30 days, to grant an event wagering operator license or deny the application.
6. Directs the ADG to adopt a process to ensure an equal opportunity for all qualified applicants to obtain a license, unless more than 10 applicants for each type of license are received for a particular license type.
7. Requires ADG event wagering standards and procedures to include requirements, rather than contracting, for geolocation services.
8. Requires an event wagering operator to exclusively use official league data for a tier two wager, rather than for live betting.
9. Replaces the authorization for an event wagering platform to process, accept, offer or solicit wagers with that authorization for a management services provider.
10. Deems the promoter of a national association for stock car auto racing national touring race as eligible for an event wagering operator license, rather than the promoter of a sanctioned national touring motorsports racing event.
11. Replaces the exclusion of entry fees and other compensation, from an event wagering operator's *adjusted gross event wagering receipts* which is used to calculate the operation fee, with a deduction, subject to an annually decreasing cap, for free bets or promotional credits for the first five years as follows:
  - a) for the first and second year, up to 20 percent of the operator's gross wagering receipts;
  - b) for the third year, up to 15 percent of the operator's gross wagering receipts; and
  - c) for the fourth and fifth years, up to 10 percent of the operator's gross wagering receipts.
12. Requires a fantasy sports contest operator and event wagering operator to withhold outstanding state agency obligations from winnings for which the operator is required to file a 1099-MISC or W-2G or substantially equivalent form, rather than from any winnings.
13. Requires the ADG, rather than the respective state agency, to provide a fantasy sports contest operator with information relating to persons with outstanding state agency obligations.
14. Requires a fantasy sports contest operator to:
  - a) withhold a player's outstanding state-agency obligations at the time of filing the required tax forms; and
  - b) remit the monies to the ADG, rather than the respective agency.

15. Modifies the requirement for a fantasy sports contest operator applicant that is a business entity to submit the criminal record of any director, officer, key employee or individual who has a 10 percent or higher ownership to be on request.
16. Conforms definitions of *event wagering operator* to the entities authorized to receive a license.
17. Specifies that a *sports governing body* must be headquartered in the United States.
18. Specifies that *athletic events* for fantasy sports contests include events involving motor vehicles.

Amendments Adopted by Committee of the Whole

1. Requires the ADG, when establishing the fee for the privilege of operating event wagering or operating a fantasy sports contest, to consider the highest percentage of revenue share that an Indian tribe pays to the state under the gaming compacts, rather than requiring the ADG to establish the fee that is at least the highest percentage of revenue share.
2. Requires the ADG, if more than 10 applications are received for a license type, to adopt a process to ensure equal opportunity for all qualified applicants to obtain a license, rather than requiring the ADG to adopt a process ensuring equal opportunity unless more than 10 applications are received.
3. Modifies the process for withholding past-due setoff obligations by:
  - a) requiring a fantasy sports contest to withhold monies if required to file a form 1099-MISC or equivalent form and requiring an event wagering operator to withhold monies if required to file a form W-2G or equivalent form, rather than requiring either operator to withhold monies if required to file either form;
  - b) requiring the ADG to provide the information to event wagering facility operators from periodic information the state agencies provide to the ADG, rather than requiring agencies to provide the information to each facility operator;
  - c) replacing the Arizona Supreme Court with the Administrative Office of the Courts as an entity who may identify a person with a past-due setoff obligation; and
  - d) replacing the Arizona Supreme Court with the courts as a category in the order of priority prescribed for liability satisfaction if a person has multiple liabilities.
4. Clarifies the conditional enactment for the expanded gaming authorizations to be when each Indian tribe with a gaming facility in Pima County and each Indian tribe with a gaming facility in the Phoenix Metropolitan Area have entered into a 2021 compact amendment, rather than each Indian tribe with a gaming facility in Pima County and the Phoenix Metropolitan Area.
5. Specifies that a licensee may not offer a wager on an event, outcome or occurrence, including a high school sports event offered, sponsored or played in connection with an institution offering secondary education, other than a sports event or *other event*.
6. Specifies that free bets, rather than free play, may not be deducted from *adjusted gross event wagering receipts* after the fifth year.

7. Specifies that the State Treasurer must invest and divest any 2021 Compact Trust Fund monies on notice from the Director of the ADG.
8. Removes the inclusion of computers and other cashless wagering systems in the prohibition on a fantasy sports constituting, involving or being based on a mechanical, electromechanical or electronic device, equipment or machine.
9. Modifies the definition of *event wagering operator* to specify that a designee of an entity qualified for an event wagering operator license is considered the operator and licensee.
10. Modifies the definition of *script* relating to fantasy sports contests.
11. Makes technical and conforming changes.

House Action

COM            2/9/21        DPA    9-1-0-0  
3<sup>rd</sup> Read        3/4/21                    48-12-0

Senate Action

COM            2/17/21        DPA    6-3-0  
APPROP        4/8/21        W/D  
3<sup>rd</sup> Read        4/12/21                    23-6-1  
(H.B. 2772 was substituted for S.B. 1797 on  
3<sup>rd</sup> Read)

Signed by the Governor 4/15/21  
Chapter 234

Prepared by Senate Research  
April 20, 2021  
LB/kja