SENATE FILE 617
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 366)
(SUCCESSOR TO SSB 1168)

(As Amended and Passed by the Senate April 17, 2019)
_____ and [= New Language by the Senate
* = Language Stricken by the Senate

A BILL FOR

An Act relating to gambling regulation and wagering, by providing for sports wagering and fantasy sports contests, providing for taxes and fees, making penalties applicable, and including implementation and effective date provisions.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

SPORTS WAGERING

Section 1. Section 99D.7, subsection 23, Code 2019, is amended to read as follows:

23. To establish a process to allow a person to be voluntarily excluded from advance deposit wagering as defined in section 99D.11, from an internet fantasy sports contest as defined in section 99E.1, from advance deposit sports wagering as defined in section 99F.9, from the wagering area of a racetrack enclosure and from the gaming floor and sports wagering area, as defined in section 99F.1, of all other licensed facilities under this chapter and chapter 99F as provided in this subsection. The process shall provide that an initial request by a person to be voluntarily excluded shall be for a period of five years or life and any subsequent request following any five-year period shall be for a period of five years or life. The process established shall require that licensees be provided electronic access to names and social security numbers of persons voluntarily excluded through a secured interactive internet site maintained by the commission and information regarding persons voluntarily excluded shall be disseminated to all licensees under this chapter, chapter 99E, and chapter 99F. The names, social security numbers, and information regarding persons voluntarily excluded shall be kept confidential unless otherwise ordered by a court or by another person duly authorized to release such information. The process established shall also require a person requesting to be voluntarily excluded be provided information compiled by the Iowa department of public health on gambling treatment options. The state and any licensee under this chapter, chapter 99E, or chapter 99F shall not be liable to any person for any claim which may arise from this process. In addition to any other penalty provided by law, any money or thing of value that has been obtained by, or is owed to, a voluntarily excluded person as a result of wagers made by the person after

the person has been voluntarily excluded shall be forfeited by the person and shall be credited to the general fund of the state.

Sec. 2. Section 99F.1, subsection 1, Code 2019, is amended to read as follows:

1. *"Adjusted gross receipts"* means the gross receipts less winnings paid to wagerers on gambling games. However, *"adjusted gross receipts"* does not include promotional play receipts received after the date in any fiscal year that the commission determines that the wagering tax imposed pursuant to section 99F.11 on all licensees in that fiscal year on promotional play receipts exceeds twenty-five million eight hundred twenty thousand dollars.

Sec. 3. Section 99F.1, Code 2019, is amended by adding the following new subsections:

NEW SUBSECTION. 2A. *"Authorized sporting event"* means a professional sporting event, collegiate sporting event, international sporting event, or professional motor race event. *"Authorized sporting event"* does not include a race as defined in section 99D.2, a fantasy sports contest as defined in section 99E.1, minor league sporting event, or any athletic event or competition of an interscholastic sport as defined in section 9A.102.

NEW SUBSECTION. 4A. *"Collegiate sporting event"* means an athletic event or competition of an intercollegiate sport as defined in section 9A.102.

NEW SUBSECTION. 16A. *"International sporting event"* means an international team or individual sporting event governed by an international sports federation or sports governing body, including sporting events governed by the international olympic committee and the international federation of association football.

NEW SUBSECTION. 18A. *"Minor league sporting event"* means a sporting event conducted by a sports league which is not regarded as the premier league in the sport as determined by

the commission.

NEW SUBSECTION. 19A. *"Professional sporting event"* means an event, excluding a minor league sporting event, at which two or more persons participate in sports or athletic events and receive compensation in excess of actual expenses for their participation in such event.

NEW SUBSECTION. 23. *"Sports wagering"* means the acceptance of wagers on an authorized sporting event by any system of wagering as authorized by the commission. *"Sports wagering"* does not include placing a wager on the performance or nonperformance of any individual athlete participating in a single game or match of a collegiate sporting event in which a collegiate team from this state is a participant, or placing a wager on the performance of athletes in an individual international sporting event governed by the international olympic committee in which any participant in the international sporting event is under eighteen years of age.

NEW SUBSECTION. 24. *"Sports wagering area"* means an area, as designated by the commission, in which sports wagering is conducted.

NEW SUBSECTION. 25. *"Sports wagering net receipts"* means the gross receipts less winnings paid to wagerers on sports wagering.

Sec. 4. Section 99F.1, subsection 17, Code 2019, is amended to read as follows:

17. *"Licensee"* means any person licensed under section 99F.7 or 99F.7A.

Sec. 5. Section 99F.3, Code 2019, is amended to read as follows:

99F.3 Gambling games and sports wagering authorized.

The system of wagering on a gambling game and sports wagering as provided by this chapter is legal, when conducted ~~on an excursion gambling boat, gambling structure, or racetrack enclosure at authorized locations~~ by a licensee as provided in this chapter.

Sec. 6. Section 99F.4, subsections 3 and 22, Code 2019, are amended to read as follows:

3. To adopt standards under which all excursion gambling boat operations shall be held and standards for the facilities within which the gambling operations are to be held. The commission may authorize the operation of gambling games on an excursion gambling boat and sports wagering in a sports wagering area which is also licensed to sell or serve alcoholic beverages, wine, or beer as defined in section 123.3.

22. To establish a process to allow a person to be voluntarily excluded from advance deposit wagering as defined in section 99D.11, from an internet fantasy sports contest as defined in section 99E.1, from advance deposit sports wagering as defined in section 99F.9, from the gaming floor and sports wagering area of an excursion gambling boat, from the wagering area, as defined in section 99D.2, and from the gaming floor and sports wagering area of all other licensed facilities under this chapter and chapter 99D as provided in this subsection. The process shall provide that an initial request by a person to be voluntarily excluded shall be for a period of five years or life and any subsequent request following any five-year period shall be for a period of five years or life. The process established shall require that licensees be provided electronic access to names and social security numbers of persons voluntarily excluded through a secured interactive internet site maintained by the commission and information regarding persons voluntarily excluded shall be disseminated to all licensees underthis chapter, ~~and~~ chapter 99D, and chapter 99E. The names, social security numbers, and information regarding persons voluntarily excluded shall be kept confidential unless otherwise ordered by a court or by another person duly authorized to release such information. The process established shall also require a person requesting to be voluntarily excluded be provided information compiled by the Iowa department of public health on gambling treatment options.

The state and any licensee under this chapter, ~~or~~ chapter 99D , or chapter 99E shall not be liable to any person for any claim which may arise from this process. In addition to any other penalty provided by law, any money or thing of value that has been obtained by, or is owed to, a voluntarily excluded person as a result of wagers made by the person after the person has been voluntarily excluded shall be forfeited by the person and shall be credited to the general fund of the state.

Sec. 7. Section 99F.4, Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 27. To adopt standards under which all sports wagering is conducted, including the scope and type of wagers allowed, to identify occupations within sports wagering which require licensing, and to adopt standards for licensing and background qualifications for occupations including establishing fees for the occupational license. All revenue received by the commission under this chapter from license fees shall be deposited in the general fund of the state and shall be subject to the requirements of section 8.60. All revenue received by the commission from regulatory fees shall be deposited into the gaming regulatory revolving fund established in section 99F.20.

Sec. 8. Section 99F.5, subsection 1, Code 2019, is amended to read as follows:

1. A qualified sponsoring organization may apply to the commission for a license to conduct gambling games on an excursion gambling boat or gambling structure as provided in this chapter. A person may apply to the commission for a license to operate an excursion gambling boat. An operating agreement entered into on or after May 6, 2004, between a qualified sponsoring organization and an operator of an excursion gambling boat or gambling structure shall provide for a minimum distribution by the qualified sponsoring organization for educational, civic, public, charitable, patriotic, or religious uses as defined in section 99B.1, that averages at

least three percent of the adjusted gross receipts for each license year and, if applicable, three-quarters of one percent of sports wagering net receipts for each license year. The application shall be filed with the administrator of the commission at least ninety days before the first day of the next excursion season as determined by the commission, shall identify the excursion gambling boat upon which gambling games will be authorized, shall specify the exact location where the excursion gambling boat will be docked, and shall be in a form and contain information as the commission prescribes. The minimum capacity of an excursion gambling boat or gambling structure is two hundred fifty persons.

Sec. 9. Section 99F.6, subsection 4, paragraph a, subparagraphs (2) and (3), Code 2019, are amended to read as follows:

(2) A qualified sponsoring organization licensed to operate gambling games under this chapter shall distribute the receipts of all gambling games, less reasonable expenses, charges, taxes, fees, and deductions allowed under this chapter, as winnings to players or participants or shall distribute the receipts for educational, civic, public, charitable, patriotic, or religious uses as defined in section 99B.1. However, a licensee to conduct gambling games under this chapter shall, unless an operating agreement for an excursion gambling boat otherwise provides, distribute at least three percent of the adjusted gross receipts and, if applicable, three-quarters of one percent of sports wagering net receipts for each license year for educational, civic, public, charitable, patriotic, or religious uses as defined in section 99B.1. However, if a licensee who is also licensed to conduct pari-mutuel wagering at a horse racetrack has unpaid debt from the pari-mutuel racetrack operations, the first receipts of the gambling games operated within the racetrack enclosure less reasonable operating expenses, taxes, and fees allowed under this chapter shall be first used to pay the annual indebtedness.

(3) The commission shall authorize, subject to the debt payments for horse racetracks and the provisions of paragraph "b" for dog racetracks, a licensee who is also licensed to conduct pari-mutuel dog or horse racing to use receipts from gambling games and sports wagering within the racetrack enclosure to supplement purses for races particularly for Iowa-bred horses pursuant to an agreement which shall be negotiated between the licensee and representatives of the dog or horse owners. For agreements subject to commission approval concerning purses for horse racing beginning on or after January 1, 2006, the agreements shall provide that total annual purses for all horse racing shall be four percent of sports wagering net receipts and no less than eleven percent of the first two hundred million dollars of net receipts, and six percent of net receipts above two hundred million dollars. In addition, live standardbred horse racing shall not be conducted at the horse racetrack in Polk county, but the purse moneys designated for standardbred racing pursuant to section 99D.7, subsection 5, paragraph "b", shall be included in calculating the total annual purses required to be paid pursuant to this subsection. Agreements that are subject to commission approval concerning horse purses for a period of time beginning on or after January 1, 2006, shall be jointly submitted to the commission for approval.

* Sec. 10. NEW SECTION. **99F.7A Sports wagering — license — terms and conditions — fees.**

1. The commission shall, upon payment of an initial license fee of forty-five thousand dollars and submission of an application to the commission consistent with the requirements of section 99F.6, issue a license to conduct sports wagering to a licensee authorized to conduct gambling games at a pari-mutuel racetrack enclosure or a licensee authorized to operate an excursion gambling boat or gambling structure, subject to the requirements of this chapter. The annual renewal fee for a license to conduct sports wagering shall be *

ten thousand dollars.

2. A licensee under this section shall do all of the following:

a. Include on the internet site or mobile application used by the licensee to conduct advance deposit sports wagering as authorized in section 99F.9 the statewide telephone number authorized by the Iowa department of public health to provide problem gambling information and extensive responsible gaming features in addition to those described in section 99F.4, subsection 22.

b. Establish, subject to commission approval, sports wagering rules that specify the amounts to be paid on winning sports wagers, the effect of changes in the scheduling of an authorized sporting event subject to sports wagering, and the source of the information used to determine the outcome of a sports wager. The sports wagering rules shall be displayed in the licensee's sports wagering area, posted on the internet site or mobile application used by the licensee to conduct advance deposit sports wagering as authorized in section 99F.9, and included in the terms and conditions of the licensee's advance deposit sports wagering system.

3. A licensee under this section may enter into operating agreements with one or two entities to have up to a total of two individually branded internet sites to conduct advance deposit sports wagering for the licensee, unless one additional operating agreement or individually branded internet site is authorized by the commission.

4. A licensee issued a license to conduct sports wagering under this section shall employ reasonable steps to prohibit coaches, athletic trainers, officials, players, or other individuals who participate in an authorized sporting event that is the subject of sports wagering from sports wagering under this chapter. In addition, a licensee shall employ reasonable steps to prohibit persons who are employed in a position with direct involvement with coaches, players,

athletic trainers, officials, players, or participants in an authorized sporting event that is the subject of sports wagering from sports wagering under this chapter.

Sec. 11. Section 99F.8, Code 2019, is amended to read as follows:

99F.8 Bond of licensee.

A licensee licensed under section 99F.7 shall post a bond to the state of Iowa before the license is issued in a sum as the commission shall fix, with sureties to be approved by the commission. The bond shall be used to guarantee that the licensee faithfully makes the payments, keeps its books and records and makes reports, and conducts its gambling games and sports wagering in conformity with this chapter and the rules adopted by the commission. The bond shall not be canceled by a surety on less than thirty days' notice in writing to the commission. If a bond is canceled and the licensee fails to file a new bond with the commission in the required amount on or before the effective date of cancellation, the licensee's license shall be revoked. The total and aggregate liability of the surety on the bond is limited to the amount specified in the bond.

Sec. 12. Section 99F.9, subsection 1, Code 2019, is amended to read as follows:

1. Except as permitted in this section, the licensee shall not permit ~~no~~ sports wagering or any form of wagering on gambling games.

Sec. 13. Section 99F.9, Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 3A. *a.* For the purposes of this section, unless the context otherwise requires:

(1) *"Advance deposit sports wagering"* means a method of sports wagering in which an eligible individual may, in an account established with a licensee under section 99F.7A, deposit moneys into the account and use the account balance to pay for sports wagering. Prior to January 1, 2021, an account

must be established by an eligible individual in person with a licensee.

(2) *"Advance deposit sports wagering operator"* means an advance deposit sports wagering operator licensed by the commission who has entered into an agreement with a licensee under section 99F.7A to provide advance deposit sports wagering.

(3) *"Eligible individual"* means an individual who is at least twenty-one years of age or older who is located within this state.

b. The commission may authorize a licensee under section 99F.7A to conduct advance deposit sports wagering. An advance deposit sports wager may be placed in person in the sports wagering area, or from any other location via a telephone-type device or any other electronic means. The commission may also issue an advance deposit sports wagering operator license to an entity who complies with this subsection and section 99F.6 and may require the advance deposit sports wagering operator to conduct an audit consistent with the requirements of section 99F.13.

c. An unlicensed person taking or receiving sports wagers from residents of this state is guilty of a class "D" felony.

Sec. 14. Section 99F.9, subsection 4, Code 2019, is amended to read as follows:

4. A person under the age of twenty-one years shall not make or attempt to make a wager pursuant to subsection 3A or on an excursion gambling boat, gambling structure, or in a racetrack enclosure and shall not be allowed on the gaming floor of an excursion gambling boat or gambling structure or in the wagering area, as defined in section 99D.2, or on the gaming floor of a racetrack enclosure. However, a person eighteen years of age or older may be employed to work on the gaming floor of an excursion gambling boat or gambling structure or in the wagering area or on the gaming floor of a racetrack enclosure. A person who violates this subsection with respect

to making or attempting to make a wager commits a scheduled violation under section 805.8C, subsection 5, paragraph "a".

Sec. 15. Section 99F.11, subsection 3, unnumbered paragraph 1, Code 2019, is amended to read as follows:

The taxes imposed by this section on adjusted gross receipts from gambling games authorized under this chapter shall be paid by the licensee to the treasurer of state within ten days after the close of the day when the wagers were made and shall be distributed as follows:

Sec. 16. Section 99F.11, Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 4. *a.* A tax is imposed on the sports wagering net receipts received each fiscal year by a licensed operator from sports wagering authorized under this chapter at the rate of six and three-quarters percent.

b. The taxes imposed by this subsection for sports wagering authorized under this chapter shall be paid by the licensed operator to the treasurer of state as determined by the commission and shall be credited as provided in section 8.57, subsection 6.

Sec. 17. Section 99F.12, subsection 2, Code 2019, is amended to read as follows:

2. *a.* The licensee shall furnish to the commission reports and information as the commission may require with respect to the licensee's activities.

b. A licensee under section 99F.7A shall promptly report to the commission any criminal or disciplinary proceedings commenced against the licensee or its employees in connection with the licensee conducting sports wagering or advance deposit sports wagering, any abnormal wagering activity or patterns that may indicate a concern about the integrity of an authorized sporting event or events, and any other conduct with the potential to corrupt a wagering outcome of an authorized sporting event for purposes of financial gain, including but not limited to match fixing, and suspicious or illegal

wagering activities, including the use of funds derived from illegal activity, wagers to conceal or launder funds derived from illegal activity, use of agents to place wagers, or use of false identification. The commission is required to share any information received pursuant to this paragraph with the division of criminal investigation, any other law enforcement entity upon request, or any regulatory agency the commission deems appropriate. The commission shall promptly report any information received pursuant to this paragraph with any sports team or sports governing body as the commission deems appropriate, but shall not share any information that would interfere with an ongoing criminal investigation.

c. The gross receipts and adjusted gross receipts from gambling shall be separately handled and accounted for from all other moneys received from operation of an excursion gambling boat or from operation of a racetrack enclosure or gambling structure licensed to conduct gambling games. The commission may designate a representative to board a licensed excursion gambling boat or to enter a racetrack enclosure or gambling structure licensed to conduct gambling games. The representative shall have full access to all places within the enclosure of the boat, the gambling structure, or the racetrack enclosure and shall directly supervise the handling and accounting of all gross receipts and adjusted gross receipts from gambling. The representative shall supervise and check the admissions. The compensation of a representative shall be fixed by the commission but shall be paid by the licensee.

d. With the approval of the commission, a licensee under section 99F.7A shall cooperate with investigations conducted by sports governing bodies, including but not limited to providing or facilitating the provision of account-level betting information and audio or video files relating to persons placing wagers. However, a licensee shall not share information that would interfere with an ongoing criminal investigation.

Sec. 18. Section 99F.15, subsection 1, paragraph c, Code 2019, is amended to read as follows:

c. Acting, or employing a person to act, as a shill or decoy to encourage participation in a gambling game or sports wagering.

Sec. 19. Section 99F.15, subsection 4, paragraphs d, h, and i, Code 2019, are amended to read as follows:

d. Cheats at a gambling game, including but not limited to committing any act which alters the outcome of the game, or cheats at sports wagering.

h. Claims, collects, or takes, or attempts to claim, collect, or take, money or anything of value in or from the gambling games or sports wagering, with intent to defraud, without having made a wager contingent on winning a gambling game or sports wager, or claims, collects, or takes an amount of money or thing of value of greater value than the amount won.

i. Knowingly entices or induces a person to go to any place where a gambling game or sports wagering is being conducted or operated in violation of the provisions of this chapter with the intent that the other person plays or participates in that gambling game or sports wagering.

Sec. 20. Section 99F.20, subsection 1, Code 2019, is amended to read as follows:

1. A gaming regulatory revolving fund is created in the state treasury under the control of the department of inspections and appeals. The fund shall consist of fees collected and deposited into the fund paid by licensees pursuant to section 99D.14, subsection 2, paragraph *"c"*, fees paid by licensees pursuant to section 99E.5, subsection 4, paragraph *"c"*, regulatory fees paid by licensees pursuant to section 99F.4, subsection 27, and fees paid by licensees pursuant to section 99F.10, subsection 4, paragraph *"c"*. All costs relating to racetrack, excursion boat, ~~and~~ gambling structure, internet fantasy sports contests as defined in

section 99E.1, and sports wagering regulation shall be paid from the fund as provided in appropriations made for this purpose by the general assembly. The department shall provide quarterly reports to the department of management and the legislative services agency specifying revenues billed and collected and expenditures from the fund in a format as determined by the department of management in consultation with the legislative services agency.

Sec. 21. EMERGENCY RULES. The state racing and gaming commission created under section 99D.5 may adopt emergency rules under section 17A.4, subsection 3, and section 17A.5, subsection 2, paragraph "b", to implement the provisions of this division of this Act and the rules shall be effective immediately upon filing unless a later date is specified in the rules but in no event earlier than July 4, 2019. Any rules adopted in accordance with this section shall also be published as a notice of intended action as provided in section 17A.4.

Sec. 22. IMPLEMENTATION. The racing and gaming commission shall not implement this division of this Act until the later of July 4, 2019, or the date the commission has adopted rules pursuant to chapter 17A providing for such implementation and such rules have become effective.

Sec. 23. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION II

FANTASY SPORTS CONTESTS

Sec. 24. Section 80.25A, Code 2019, is amended to read as follows:

80.25A ~~Pari-mutuel and gambling game~~ Gaming operations investigation and enforcement.

The commissioner of public safety shall direct the chief of the division of criminal investigation to establish a subdivision to be the primary criminal investigative and enforcement agency for the purpose of enforcement of chapters 99D, 99E, and 99F. The commissioner of public safety shall

appoint or assign other agents to the division as necessary to enforce chapters 99D, 99E, and 99F. All enforcement officers, assistants, and agents of the division are subject to section 80.15 except clerical workers.

Sec. 25. Section 80.43, subsection 1, Code 2019, is amended to read as follows:

1. A gaming enforcement revolving fund is created in the state treasury under the control of the department. The fund shall consist of fees collected and deposited into the fund paid by licensees pursuant to section 99D.14, subsection 2, paragraph "*b*", fees and costs paid by applicants pursuant to section 99E.4, subsection 4, and fees paid by licensees pursuant to section 99F.10, subsection 4, paragraph "*b*". All costs for agents and officers plus any direct support costs for such agents and officers of the division of criminal investigation's racetrack, excursion boat, ~~or~~ gambling structure, and internet fantasy sports contests as defined in section 99E.1 enforcement activities shall be paid from the fund as provided in appropriations made for this purpose by the general assembly.

Sec. 26. NEW SECTION. **99E.1 Definitions.**

As used in this chapter, unless the context otherwise requires:

1. "*Applicant*" means an internet fantasy sports contest service provider applying for a license to conduct internet fantasy sports contests under this chapter.

2. "*Commission*" means the state racing and gaming commission created under section 99D.5.

3. "*Fantasy sports contest*" includes any fantasy or simulated game or contest in which the fantasy sports contest operator is not a participant in the game or contest, the value of all prizes and awards offered to winning participants are established and made known to the participants in advance of the contest, all winning outcomes reflect the relative knowledge and skill of the participants and shall be determined

by accumulated statistical results of the performance of individuals, including athletes in the case of sporting events, and no winning outcome is solely based on the score, point spread, or any performance or performances of any single actual team or solely on any single performance of an individual athlete or player in any single actual event. However, until May 1, 2020, "*fantasy sports contest*" does not include any fantasy or simulated game or contest in which any winning outcomes are based on statistical results from a collegiate sporting event as defined in section 99F.1.

4. "*Internet fantasy sports contest*" means a method of entering a fantasy sports contest by which a person may establish an account with an internet fantasy sports contest service provider, deposit money into the account, and use the account balance for entering a fantasy sports contest by utilizing electronic communication.

5. "*Internet fantasy sports contest adjusted revenues*" means, for each internet fantasy sports contest, the amount equal to the total charges and fees collected from all participants entering the internet fantasy sports contest less winnings paid to participants in the contest, multiplied by the location percentage.

6. "*Internet fantasy sports contest player*" means a person who is at least twenty-one years of age and participates in an internet fantasy sports contest operated by an internet fantasy sports contest service provider.

7. "*Internet fantasy sports contest service provider*" means a person, including a licensee under chapter 99D or 99F, who conducts an internet fantasy sports contest as authorized by this chapter.

8. "*Licensee*" means any person licensed under section 99E.5 to conduct internet fantasy sports contests.

9. "*Location percentage*" means, for each internet fantasy sports contest, the percentage, rounded to the nearest tenth of a percent, equal to the total charges and fees collected from

all internet fantasy sports contest players located in this state divided by the total charges and fees collected from all participants in the internet fantasy sports contest.

Sec. 27. NEW SECTION. **99E.2 Internet fantasy sports contests authorized.**

The system of entering an internet fantasy sports contest as provided by this chapter is legal when conducted by a licensed internet fantasy sports contest service provider as provided in this chapter.

Sec. 28. NEW SECTION. **99E.3 Commission — powers.**

1. The commission shall have full jurisdiction over and shall supervise internet fantasy sports contests and internet fantasy sports contest service providers as governed by this chapter.

2. The commission shall have the following powers and shall adopt rules pursuant to chapter 17A to administer and implement this chapter:

a. To review and investigate applicants and determine the eligibility of applicants for a license to conduct internet fantasy sports contests, pursuant to rules adopted by the commission.

b. To license and regulate internet fantasy sports contest service providers subject to the requirements of this chapter.

c. To provide for the prevention of practices detrimental to the public and to provide for the best interests of internet fantasy sports contests.

d. To investigate alleged violations of this chapter or the commission rules, orders, or final decisions and to take appropriate disciplinary action against a licensee, or institute appropriate legal action for enforcement, or both. Information gathered during an investigation is confidential during the pendency of the investigation.

e. To assess fines and revoke or suspend licenses and to impose penalties for violations of this chapter.

f. To take any other action as may be reasonable or

appropriate to enforce this chapter and the commission rules.

Sec. 29. NEW SECTION. **99E.4 Requirements of applicant — fee.**

1. An applicant for a license to conduct internet fantasy sports contests shall complete and sign an application on the form prescribed and published by the commission. The application shall include such information of the applicant that the commission deems necessary for purposes of issuing a license pursuant to this chapter.

2. An applicant shall submit fingerprints and information that the commission deems necessary to the commission in the manner prescribed on the application forms. The fingerprints may be submitted to the federal bureau of investigation by the department of public safety through the state criminal history repository for the purpose of a national criminal history check. The results of a criminal history record check conducted pursuant to this subsection shall be considered a confidential record under chapter 22.

3. Before a license is granted, the division of criminal investigation of the department of public safety shall conduct a thorough background investigation of the applicant for a license to conduct internet fantasy sports contests. The applicant shall provide information on a form as required by the division of criminal investigation.

4. The commission shall charge the applicant a reasonable fee set by the division of criminal investigation of the department of public safety, to defray those costs associated with the fingerprint and national criminal history check requirements of subsection 2 and background investigations conducted by agents of the division of criminal investigation as provided in subsection 3. These fees and costs are in addition to any other license fees and costs charged by the commission. The fees and costs received by the commission shall be deposited in the gaming enforcement revolving fund established in section 80.43.

5. The commission shall not grant a license to an applicant if there is substantial evidence that any of the following apply:

a. A license issued to the applicant to conduct internet fantasy sports contests in another jurisdiction has been revoked, or a request for a license to conduct internet fantasy sports contests in another jurisdiction has been denied, by an entity licensing persons to conduct such contests in that jurisdiction.

b. The applicant has not demonstrated financial responsibility sufficient to adequately meet the requirements of the enterprise proposed.

c. The applicant does not adequately disclose the true owners of the enterprise proposed.

d. The applicant has knowingly made a false statement of a material fact to the commission.

e. The applicant has failed to meet a monetary obligation in connection with conducting an internet fantasy sports contest.

f. The applicant is not of good repute and moral character or the applicant has pled guilty to, or has been convicted of, a felony.

g. Any member of the board of directors of the applicant is not twenty-one years of age or older.

6. A person who knowingly makes a false statement on the application is guilty of an aggravated misdemeanor.

7. For the purposes of this section, "*applicant*" includes each member of the board of directors of an internet fantasy sports contest service provider.

Sec. 30. NEW SECTION. **99E.5 Licenses — fees — terms and conditions — revocation.**

1. If the commission is satisfied that the requirements of this chapter and its rules adopted under this chapter applicable to licensees have been or will be complied with, the commission shall, upon payment of an initial license fee of five thousand dollars, issue a license for a period of not more

than three years to an applicant to conduct internet fantasy sports contests in this state.

2. A licensed internet fantasy sports contest service provider shall use reasonable methods to comply with all of the following requirements:

a. Prevent employees of the internet fantasy sports contest service provider and relatives living in the same household of such employees from competing in any internet fantasy sports contest on the service provider's digital platform in which the service provider offers a cash prize to the public.

b. Verify that an internet fantasy sports contest player located in this state is twenty-one years of age or older.

c. Ensure that coaches, officials, players, contestants, or other individuals who participate in a game or contest that is the subject of an internet fantasy sports contest are restricted from entering an internet fantasy sports contest in which the outcome is determined, in whole or in part, by the accumulated statistical results of a team of individuals in the game or contest in which they participate.

d. Include on the internet site or mobile application used by the licensee to conduct internet fantasy sports contests the statewide telephone number authorized by the Iowa department of public health to provide problem gambling information and extensive responsible gaming features in addition to those described in section 99F.4, subsection 22.

e. Allow individuals to establish an account with an internet fantasy sports contest service provider by utilizing electronic communication.

f. Disclose the number of entries a single internet fantasy sports contest player may submit to each internet fantasy sports contest and take reasonable steps to prevent players from submitting more than the allowable number of entries for that internet fantasy sports contest.

g. Segregate internet fantasy sports contest player funds from operational funds or maintain a reserve in the form of

cash, cash equivalents, an irrevocable letter of credit, payment processor reserves and receivables, a bond, or a combination thereof in the amount of the deposits in internet fantasy sports contest player accounts for the benefit and protection of internet fantasy sports contest player funds held in internet fantasy sports contest accounts by the internet fantasy sports contest service provider.

h. Conduct an annual audit under section 99E.9.

i. Pay the tax as provided in section 99E.6.

3. The annual license fee to conduct internet fantasy sports contests shall be one thousand dollars or, for a licensed internet fantasy sports contest service provider with total annual internet fantasy sports contest adjusted revenues for the year prior to the annual license fee renewal date of one hundred fifty thousand dollars or greater, five thousand dollars. Moneys collected by the commission from the license fees paid under this section shall be considered repayment receipts as defined in section 8.2.

4. *a.* A licensed internet fantasy sports contest service provider shall pay a regulatory fee to the commission. The regulatory fee shall be established by the commission based on the costs of administering and enforcing this chapter.

b. A licensed internet fantasy sports contest service provider shall receive a credit for the amount of the regulatory fee paid by the provider against the taxes to be paid pursuant to section 99E.6.

c. Notwithstanding section 8.60, the portion of the fee paid pursuant to paragraph *"a"* relating to the costs of the commission shall be deposited into the gaming regulatory revolving fund established in section 99F.20.

5. Upon a violation of any of the conditions listed in section 99E.4 or this section by a licensee, the commission shall immediately revoke the license.

Sec. 31. NEW SECTION. **99E.6 Internet fantasy sports contest tax — rate.**

1. A tax is imposed on internet fantasy sports contest adjusted revenues received each fiscal year by an internet fantasy sports contest service provider from internet fantasy sports contests authorized under this chapter at the rate of six and three-quarters percent.

2. The taxes imposed by this section for internet fantasy sports contests authorized under this chapter shall be paid by the internet fantasy sports contest service provider to the treasurer of state as determined by the commission and shall be credited as provided in section 8.57, subsection 6.

Sec. 32. NEW SECTION. **99E.7 Internet fantasy sports contests — age restrictions.**

A person under the age of twenty-one years shall not enter an internet fantasy sports contest. A person who violates this section with respect to entering an internet fantasy sports contest commits a scheduled violation under section 805.8C, subsection 12.

Sec. 33. NEW SECTION. **99E.8 Licensees — records — reports — confidentiality.**

1. An internet fantasy sports contest service provider shall keep its books and records so as to clearly show the internet fantasy sports contest adjusted revenues for each internet fantasy sports contest subject to tax in this state.

2. *a.* The licensee shall furnish to the commission reports and information as the commission may require with respect to the licensee's activities.

b. A licensee shall promptly report to the commission any criminal or disciplinary proceedings commenced against the licensee or its employees in connection with the licensee conducting an internet fantasy sports contest, any abnormal contest activity or patterns that may indicate a concern about the integrity of an internet fantasy sports contest, and any other conduct with the potential to corrupt an outcome of an internet fantasy sports contest for purposes of financial gain, including but not limited to match fixing, and suspicious or

illegal internet fantasy sports contest activities, including the use of funds derived from illegal activity, deposits of money to enter an internet fantasy sports contest to conceal or launder funds derived from illegal activity, use of agents to enter an internet fantasy sports contest, or use of false identification. The commission is required to share any information received pursuant to this paragraph with the division of criminal investigation, any other law enforcement entity upon request, or any regulatory agency the commission deems appropriate. The commission shall promptly report any information received pursuant to this paragraph with any sports team or sports governing body as the commission deems appropriate, but shall not share any information that would interfere with an ongoing criminal investigation.

3. Except as provided in subsection 4, the books and records kept by a licensee as provided by this section are public records and the examination, publication, and dissemination of the books and records are governed by the provisions of chapter 22.

4. The records of the commission shall be governed by the provisions of chapter 22, provided that, in addition to records that may be kept confidential pursuant to section 22.7, the following records provided by a licensee to the commission shall be kept confidential, unless otherwise ordered by a court, by the lawful custodian of the records, or by another person duly authorized to release such information:

a. Patron and customer records.

b. Security reports and network audits.

c. Internal control and compliance records.

d. Employee records.

e. Marketing expenses.

f. Supplemental schedules to the certified audit, except for those books and records as described in subsection 1 of this section, that are obtained by the commission in connection with the annual audit under section 99E.9.

g. Any information specifically requested for inspection by the commission or a representative of the commission.

Sec. 34. NEW SECTION. **99E.9 Annual audit of licensee operations.**

Within one hundred eighty days after the end of the licensee's fiscal year, the licensee shall transmit to the commission an audit of the licensee's total internet fantasy sports contest operations, including an itemization of all expenses and subsidies. Each audit shall be conducted by a certified public accountant authorized to practice in the state of Iowa under chapter 542 who is selected by the licensee and approved by the commission.

Sec. 35. NEW SECTION. **99E.10 Civil penalty.**

A person who willfully fails to comply with the requirements of this chapter and the rules adopted pursuant to chapter 17A under this chapter shall be liable for a civil penalty of not more than one thousand dollars for each violation, not to exceed ten thousand dollars for violations arising out of the same transaction or occurrence, which shall accrue to the state and may be recovered in a civil action.

Sec. 36. Section 99F.2, Code 2019, is amended to read as follows:

99F.2 Scope of provisions.

This chapter does not apply to the pari-mutuel system of wagering used or intended to be used in connection with the horse-race or dog-race meetings as authorized under chapter 99D, internet fantasy sports contests authorized under chapter 99E, lottery or lotto games authorized under chapter 99G, or bingo or games of skill or chance authorized under chapter 99B.

Sec. 37. Section 99F.4B, Code 2019, is amended to read as follows:

99F.4B Rules.

The department of inspections and appeals shall cooperate to the maximum extent possible with the division of criminal investigation in adopting rules relating to the gaming

operations in this chapter and ~~chapter~~ chapters 99D and 99E.

Sec. 38. Section 232C.4, subsection 3, Code 2019, is amended to read as follows:

3. An emancipated minor shall remain subject to voting restrictions under chapter 48A, gambling restrictions under chapter 99B, 99D, 99F, 99G, or 725, internet fantasy sports contest restrictions under chapter 99E, alcohol restrictions under chapter 123, compulsory attendance requirements under chapter 299, and cigarette tobacco restrictions under chapter 453A.

Sec. 39. Section 714B.10, subsection 1, Code 2019, is amended to read as follows:

1. Advertising by sponsors registered pursuant to chapter 557B, licensed pursuant to chapter 99B, or regulated pursuant to chapter 99D, 99E, 99F, or 99G.

Sec. 40. Section 725.7, subsection 1, paragraph e, Code 2019, is amended to read as follows:

e. Engage in bookmaking, except as permitted in chapters 99E and 99F.

Sec. 41. Section 725.13, Code 2019, is amended to read as follows:

725.13 Definition of bookmaking.

"*Bookmaking*" means advancing gambling activity by accepting bets upon the outcome of future contingent events as a business other than as permitted in chapters 99B, 99D, 99E, and 99F. These events include, but are not limited to, the results of a trial or contest of skill, speed, power, or endurance of a person or beast or between persons, beasts, fowl, motor vehicles, or mechanical apparatus or upon the result of any chance, casualty, unknown, or contingent event.

Sec. 42. Section 725.15, Code 2019, is amended to read as follows:

725.15 Exceptions for legal gambling.

Sections 725.5 through 725.10 and 725.12 do not apply to a game, activity, ticket, or device when lawfully possessed,

used, conducted, or participated in pursuant to chapter 99B, 99E, 99F, or 99G.

Sec. 43. Section 805.8C, Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 12. *Internet fantasy sports contest violations.* For violations of legal age for entering an internet fantasy sports contest under section 99E.7, the scheduled fine is five hundred dollars. Failure to pay the fine by a person under the age of eighteen shall not result in the person being detained in a secure facility.

Sec. 44. EMERGENCY RULES. The state racing and gaming commission created under section 99D.5 may adopt emergency rules under section 17A.4, subsection 3, and section 17A.5, subsection 2, paragraph "b", to implement the provisions of this division of this Act and the rules shall be effective immediately upon filing unless a later date is specified in the rules but in no event earlier than July 4, 2019. Any rules adopted in accordance with this section shall also be published as a notice of intended action as provided in section 17A.4.

Sec. 45. IMPLEMENTATION. The racing and gaming commission shall not implement this division of this Act until the later of July 4, 2019, or the date the commission has adopted rules pursuant to chapter 17A providing for such implementation and such rules have become effective.

Sec. 46. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION III

GAMBLING REGULATION

Sec. 47. Section 8.57, Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 6. *a.* A sports wagering receipts fund is created under the authority of the department of management. The fund shall consist of appropriations made to the fund and transfers of interest, earnings, and moneys from other funds or sources as provided by law. The sports wagering receipts

fund shall be separate from the general fund of the state and the balance in the sports wagering receipts fund shall not be considered part of the balance of the general fund of the state. However, the sports wagering receipts fund shall be considered a special account for the purposes of section 8.53, relating to generally accepted accounting principles.

b. Moneys in the sports wagering receipts fund are not subject to section 8.33. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys in the sports wagering receipts fund shall be credited to the fund. Moneys in the sports wagering receipts fund may be used for cash flow purposes during a fiscal year provided that any moneys so allocated are returned to the fund by the end of that fiscal year.

c. Moneys in the sports wagering receipts fund in a fiscal year shall be used as directed by the general assembly.

d. Annually, on or before January 15 of each year, a state agency that received an appropriation from the sports wagering receipts fund shall report to the legislative services agency and the department of management the status of all projects completed or in progress. The report shall include a description of the project, the progress of work completed, the total estimated cost of the project, a list of all revenue sources being used to fund the project, the amount of funds expended, the amount of funds obligated, and the date the project was completed or an estimated completion date of the project, where applicable.

e. Annually, on or before December 31 of each year, a recipient of moneys from the sports wagering receipts fund for any purpose shall report to the state agency to which the moneys are appropriated the status of all projects completed or in progress. The report shall include a description of the project, the progress of work completed, the total estimated cost of the project, a list of all revenue sources being used to fund the project, the amount of funds expended, the amount

of funds obligated, and the date the project was completed or an estimated completion date of the project, where applicable.

Sec. 48. Section 15E.311, subsection 3, paragraph a, Code 2019, is amended to read as follows:

a. At the end of each fiscal year, moneys in the fund shall be transferred into separate accounts within the fund and designated for use by each county in which no licensee authorized to conduct gambling games under chapter 99F was located during that fiscal year. Moneys transferred to county accounts shall be divided equally among the counties. Moneys transferred into an account for a county shall be transferred by the department to an eligible county recipient for that county. Of the moneys transferred, an eligible county recipient shall distribute seventy-five percent of the moneys as grants to charitable organizations for charitable purposes in that county and shall retain twenty-five percent of the moneys for use in establishing a permanent endowment fund for the benefit of charitable organizations for charitable purposes. In addition, of the moneys transferred from moneys appropriated to the fund from the sports wagering receipts fund created in section 8.57, subsection 6, and distributed, eligible county recipients shall give consideration for grants, upon application, to a charitable organization that operates a racetrack facility that conducts automobile races in that county. Of the amounts distributed, eligible county recipients shall give special consideration to grants for projects that include significant vertical infrastructure components designed to enhance quality of life aspects within local communities. In addition, as a condition of receiving a grant, the governing body of a charitable organization receiving a grant shall approve all expenditures of grant moneys and shall allow a state audit of expenditures of all grant moneys.

Sec. 49. Section 99B.41, Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 1A. *"Social fantasy sports contest"* means

any fantasy or simulated game or contest in which the value of all prizes and awards offered to winning participants are established and made known to the participants in advance of the contest and do not exceed a total of one thousand dollars or equivalent consideration, all winning outcomes reflect the relative knowledge and skill of the participants and shall be determined by accumulated statistical results of the performance of individuals in events occurring over more than a twenty-four-hour period, including athletes in the case of sporting events, and no winning outcome is solely based on the score, point spread, or any performance or performances of any single actual team or solely on any single performance of an individual athlete or player in any single actual event. *"Social fantasy sports contest"* does not include an internet fantasy sports contest as defined in section 99E.1.

Sec. 50. Section 99B.45, subsection 2, Code 2019, is amended by adding the following new paragraph:

NEW PARAGRAPH. *c.* A social fantasy sports contest.

Sec. 51. Section 99F.6, Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 9. The board of directors of a qualified sponsoring organization licensed to operate gambling games under this chapter shall be residents of this state and shall include, as ex officio, nonvoting members of the board, a member of the county board of supervisors and a member of a city council for each county and city that has a licensed gambling games facility operated by the qualified sponsoring organization. The ex officio members shall serve terms of the same duration as voting members of the board. However, this subsection shall not apply to an agency, instrumentality, or political subdivision of the state that is licensed to conduct gambling games under this chapter.

Sec. 52. EFFECTIVE DATE. The following, being deemed of immediate importance, takes effect upon enactment:

The section of this division of this Act amending section

l 8.57.