

By: Kolkhorst

S.B. No. 715

A BILL TO BE ENTITLED

AN ACT

relating to the regulation of sports wagering; requiring occupational permits; authorizing fees; imposing a tax; decriminalizing wagering on certain sports events; creating criminal offenses; providing administrative penalties.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. The Legislature finds the following:

(1) consistent with a 2018 United States Supreme Court decision authorizing states to exercise their lawful prerogative to license and regulate sports wagering activity, it is in the interest of this state to authorize a strict regulatory model for sports wagering;

(2) a legal, regulated sports wagering market will help to deter unlawful sports wagering and provide for more regulatory and law enforcement oversight over sports wagering, while generating state revenue;

(3) any sports wagering enforcement and regulatory structure must begin from the bedrock premise that participation in a lawful and licensed sports wagering industry is a privilege and not a right and that strict regulatory oversight is intended to safeguard the integrity of wagering on sporting events and to ensure accountability and the public trust;

(4) the most expeditious way to legalize sports wagering in this state and to strictly regulate this activity is to

utilize the resources of the Texas Lottery Commission; and

(5) sports wagering within this state will be vested in operators acting under authority of state law and will promote trust and integrity in all sports wagering operations.

SECTION 2. Subtitle A, Title 13, Occupations Code, is amended by adding Chapter 2005 to read as follows:

CHAPTER 2005. SPORTS WAGERING

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2005.001. SHORT TITLE. This chapter may be cited as the Texas Sports and Entertainment Recovery Act.

Sec. 2005.002. DEFINITIONS. In this chapter:

(1) "Authorized sports entity" means:

(A) a sports entity; or

(B) a sports entity designee.

(2) "Cash equivalent" means an asset that is convertible to cash and approved for use in connection with authorized sports wagering, including the following approved cash equivalents:

(A) traveler's checks;

(B) foreign currency;

(C) certified checks, cashier's checks, and money orders;

(D) personal checks and drafts;

(E) digital and virtual currencies and cryptocurrencies;

(F) online and mobile payment systems that support online money transfers;

1 (G) credit cards and debit cards;

2 (H) electronic devices with prepaid access, as
3 defined by 31 C.F.R. Section 1010.100(w); and

4 (I) any other form approved by the commission.

5 (3) "Class 1 racetrack" means a class 1 racetrack
6 described by Section 2026.102 that was in existence on January 1,
7 2023. The term includes an entity that operates a class 1
8 racetrack.

9 (4) "College sport" means an athletic or sporting
10 event in which at least one participant is a team or contestant
11 competing on behalf or under the sponsorship of a public or private
12 institution of higher education, regardless of where the
13 institution is located.

14 (5) "Commission" means the Texas Lottery Commission.

15 (6) "Covered service" means any service that involves
16 the operation, management, or control of wagers authorized by this
17 chapter, including the development or operation of sports wagering
18 platforms and the provision of sports wagering odds and line
19 information and sports wagering risk management information. The
20 term does not include:

21 (A) payment processing and similar financial
22 services;

23 (B) customer identity, age verification, and
24 geolocation services;

25 (C) streaming or other video and data that do not
26 include sports wagering odds or line information;

27 (D) telecommunications, Internet service

providers, and other similar services not specifically designed for use in connection with sports wagering;

(E) other goods or services designed to support the operation, management, or control of a sports wagering platform; and

(F) other goods or services not specifically designed for use in connection with sports wagering.

(7) "Executive director" means the executive director of the commission.

(8) "Fantasy sports contest" has the meaning assigned by Section 47.01, Penal Code.

(9) "Interactive sports wagering" means the conduct of sports wagering through or by means of the Internet, a mobile device, or any other telecommunications service.

(10) "Interactive sports wagering operator" means the holder of an interactive sports wagering permit.

(11) "Interactive sports wagering permit" means a permit issued by the commission that authorizes the operation of interactive sports wagering under this chapter.

(12) "Key person" means an officer or director of an interactive sports wagering operator who:

(A) is directly involved in the operation, management, or control of the conduct of sports wagering under this chapter; or

(B) exercises substantial influence or control over the interactive sports wagering operator's wagering activities.

1 (13) "Official league data" means statistics,
2 results, outcomes, and other sporting event data obtained for
3 determining the outcome of tier two sports wagers under an
4 agreement between an interactive sports wagering operator and:

5 (A) the relevant sports governing body that
6 authorizes the use of the data for determining the outcome of tier
7 two sports wagers; or

8 (B) an entity expressly authorized by the sports
9 governing body to provide the information described by this
10 subdivision to interactive sports wagering operators.

11 (14) "Permit holder" means a person who holds an
12 interactive sports wagering permit or service provider permit
13 issued under this chapter.

14 (15) "Professional sports" means an athletic or
15 sporting event involving at least two competitors, at least one of
16 whom receives compensation for participating in the event.

17 (16) "Service provider" means the holder of a service
18 provider permit.

19 (17) "Service provider permit" means a permit issued
20 by the commission that authorizes the provision of covered
21 services.

22 (18) "Sporting event" or "sports event" means a
23 professional sports or athletic event, college sports or athletic
24 event, amateur sports or athletic event, motor race event,
25 electronic sports event, competitive video game event, or any other
26 event approved by the commission.

27 (19) "Sports entity" means:

1 (A) a sports team;

2 (B) a sports organization that:

3 (i) holds in this state sanctioned annual
4 professional golf tournaments as part of a national tour of
5 professional golfers; and

6 (ii) held events described by Subparagraph
7 (i) before January 1, 2023; or

8 (C) a class 1 racetrack.

9 (20) "Sports entity designee" means any person, other
10 than an individual, that is designated and authorized by a sports
11 entity to receive an interactive sports wagering permit on behalf
12 of the sports entity.

13 (21) "Sports facility" means:

14 (A) a facility in this state that is the primary
15 host of:

16 (i) a Major League Baseball, National
17 Basketball Association, Women's National Basketball Association,
18 National Football League, Major League Soccer, or National Hockey
19 League professional sports franchise; or

20 (ii) a sanctioned annual professional golf
21 tournament that is part of a national tour of professional golfers;
22 or

23 (B) a class 1 racetrack.

24 (22) "Sports governing body" means the organization
25 that:

26 (A) prescribes final rules and enforces codes of
27 conduct with respect to a professional sporting event and

1 participants in the professional sporting event; and

2 (B) has corporate headquarters located in the
3 United States.

4 (23) "Sports team" means a Major League Baseball,
5 National Basketball Association, Women's National Basketball
6 Association, National Football League, Major League Soccer, or
7 National Hockey League professional sports franchise located in
8 this state that:

9 (A) leases, subleases, or exclusively or jointly
10 operates a sports facility; and

11 (B) existed on January 1, 2023.

12 (24) "Sports wagering" means a bet placed on sporting
13 events or portions of sporting events, or on the individual
14 performance statistics of athletes in a sporting event or
15 combination of sporting events. The term includes single-game
16 wagers, teaser wagers, parlays, over-unders, moneylines, pools,
17 exchange wagering, in-game wagering, in-play wagers, proposition
18 wagers, and straight wagers. The term does not include:

19 (A) fantasy sports contests; or

20 (B) horse racing or greyhound racing regulated
21 under Subtitle A-1 (Texas Racing Act).

22 (25) "Sports wagering brand" means the names, logos,
23 and brands by which an interactive sports wagering operator
24 advertises, promotes, or otherwise holds out to the public its
25 sports wagering platform.

26 (26) "Sports wagering platform" means an Internet
27 website, mobile application, or other interactive platform

1 accessible through or by means of the Internet, a mobile device, or
2 any other telecommunications service that sports wagering players
3 may use to place sports wagers and participate in sports wagering
4 authorized under this chapter.

5 (27) "Tier one sports wager" means any sports wager
6 other than a tier two sports wager.

7 (28) "Tier two sports wager" means a sports wager
8 placed after a sporting event begins.

9 (29) "Youth sports" means an athletic or sporting
10 event in which the majority of participants are under the age of 18
11 or are competing on behalf of or under the sponsorship of one or
12 more public or private preschools or public or private elementary,
13 middle or junior high, or high schools. The term does not include
14 professional sports or events that occur under the sponsorship or
15 oversight of national or international athletic bodies that are not
16 educational institutions and that include participants both over
17 and under the age of 18.

18 Sec. 2005.003. COMPLIANCE WITH FEDERAL AND STATE LAW. (a)
19 All sports wagering authorized under this chapter must be
20 initiated, received, and otherwise placed within the boundaries of
21 this state unless otherwise authorized by commission rule adopted
22 in accordance with applicable federal and state laws.

23 (b) The intermediate routing of electronic data relating to
24 Internet sports wagering authorized under this chapter, including
25 routing across state lines, does not determine the location in
26 which wagers are initiated, received, or otherwise placed,
27 consistent with the Unlawful Internet Gambling Enforcement Act of

2006 (31 U.S.C. Section 5361, et seq.).

Sec. 2005.004. INAPPLICABILITY OF CHAPTER TO CERTAIN
EVENTS. This chapter does not to apply to:

(1) fantasy sports contests; or

(2) pari-mutuel wagering on horse-racing or greyhound
racing under Subtitle A-1 (Texas Racing Act).

Sec. 2005.005. REVIEW OF COMMISSION ACTION. Except as
otherwise provided by this chapter, an action of the commission
under this chapter is subject to review under Chapter [2001](#),
Government Code.

Sec. 2005.006. ALLOCATION OF EXCESS FEE REVENUE. Any fees
collected by the commission under this chapter in amounts that
exceed the amount the commission requires to implement this chapter
shall be remitted to the comptroller to be deposited as prescribed
by Section 2005.258.

SUBCHAPTER B. COMMISSION POWERS AND DUTIES

Sec. 2005.051. SPORTS WAGERING PROGRAM. (a) The commission
shall by rule establish an interactive sports wagering program
under this chapter and issue permits to operate interactive sports
wagering on sporting events as authorized by this chapter and
commission rule.

(b) The commission may not authorize sports wagering
involving youth sports.

Sec. 2005.052. RULES. The commission shall adopt all
necessary rules to administer this chapter and regulate sports
wagering in this state.

Sec. 2005.053. ADMINISTRATION AND ENFORCEMENT. The

1 executive director under direction of the commission shall
2 administer and enforce this chapter.

3 Sec. 2005.054. CERTIFICATION OF REVENUES AND EXPENSES. The
4 commission shall:

5 (1) each month certify to the comptroller in the form
6 and manner required by the comptroller a full and complete
7 statement of sports wagering revenue and expenses for the preceding
8 month; and

9 (2) not later than September 30 of each year, provide
10 to the comptroller a full and complete statement of sports wagering
11 revenue and expenses for the preceding state fiscal year and any
12 recommendations for amendments to this chapter that may be
13 warranted and prudent to protect the public interest.

14 Sec. 2005.055. AUDITS. (a) To ensure a proper accounting
15 of all revenue due to this state, the commission and the comptroller
16 each independently shall have the right to audit the books and
17 records of interactive sports wagering operators and service
18 providers that are related to sports wagering activities authorized
19 under this chapter. The commission and comptroller shall
20 coordinate to ensure audits are not duplicative or overly
21 burdensome on the operators or providers.

22 (b) The comptroller may conduct an audit of any taxes or
23 fees imposed under this chapter in the same manner the comptroller
24 conducts an audit of taxes imposed under Title 2, Tax Code.

25 Sec. 2005.056. VOLUNTARY EXCLUSION PROGRAM. (a) The
26 commission by rule shall establish, implement, and administer a
27 voluntary exclusion program.

1 (b) The rules adopted under this section must require:

2 (1) the commission to establish and administer a
3 statewide self-exclusion list that allows an individual to register
4 on the commission's public Internet website for self-exclusion for
5 the period specified in the exclusion registration agreement and
6 requires the commission to regularly distribute the list to each
7 interactive sports wagering operator;

8 (2) each interactive sports wagering operator to
9 provide information on the procedures for individuals to request to
10 be added to the commission's self-exclusion list and for operators
11 to bar individuals on the self-exclusion list from any further
12 participation in sports wagering for the period the individuals are
13 included on the list;

14 (3) except as otherwise provided by commission rule,
15 an individual who participates in the voluntary exclusion program
16 to agree to refrain from participating in sports wagering for the
17 period specified in the exclusion registration agreement;

18 (4) except as otherwise provided by commission rule,
19 an individual who participates in the voluntary exclusion program
20 to agree not to petition the commission for removal from the program
21 for the period specified in the exclusion registration agreement;
22 and

23 (5) a permit holder to make all commercially
24 reasonable attempts and cause its sales agents and others operating
25 on its behalf to make reasonable efforts to cease all direct
26 marketing efforts to individuals participating in the voluntary
27 exclusion program.

1 (c) An individual's registration under the voluntary
2 exclusion program does not prevent a permit holder and its agents
3 and others operating on their behalf from seeking payment of a debt
4 accrued by the individual before the individual entered the
5 program.

6 Sec. 2005.057. RISK MANAGEMENT. (a) The commission shall
7 adopt rules allowing interactive sports wagering operators and
8 their service providers to use systems that offset loss or manage
9 risk in the operation of sports wagering under this chapter,
10 including through liquidity pools, exchanges, or similar
11 mechanisms in other approved jurisdictions in which the interactive
12 sports wagering operator, service provider, affiliate of either, or
13 other third party also holds an equivalent permit or license.

14 (b) Notwithstanding Subsection (a), the rules adopted under
15 this section must require that adequate protections be maintained
16 at all times to ensure sufficient funds are available to pay all
17 sports wagering players.

18 Sec. 2005.058. PLACES OF PUBLIC ACCOMMODATION. The
19 commission may not authorize or allow a person to:

20 (1) operate or to allow the operation of a place of
21 public accommodation, a club, or a similar establishment in which
22 computer terminals or similar access devices are intended or are
23 made available for the primary use of accessing a sports wagering
24 platform; or

25 (2) otherwise advertise to the general public that the
26 place of public accommodation, club, or similar establishment is
27 available to engage in sports wagering.

Sec. 2005.059. AUTHORITY TO SUSPEND WAGERING. The commission, as necessary to protect the integrity of a competition or its participants or as described in Section 2005.060, may suspend wagering on any competition, category or type of competition, or other aspect of a competition.

Sec. 2005.060. LIMITATIONS ON CERTAIN SPORTS WAGERING FOR GOOD CAUSE. (a) If a sports governing body believes that the type, form, or category of sports wagering on that sports governing body's sporting events has the potential to undermine the integrity or perceived integrity of the sports governing body or its sporting events, the sports governing body may submit to the commission a written request to restrict, limit, or exclude a certain type, form, or category of sports wagering for that sports governing body's sporting events. The sports governing body shall provide the request in the form and manner prescribed by commission rule.

(b) The commission shall request comment from interactive sports wagering operators on each request described by Subsection (a) before granting the request.

(c) After giving due consideration to all comments received under Subsection (b), the commission shall, on a demonstration of good cause from the requestor that the type, form, or category of sports wagering is likely to undermine the perceived integrity or the integrity of the sports governing body or its sporting events, grant the request.

(d) The commission shall:

(1) if feasible, respond to a request under Subsection (a) concerning a particular event before the event begins; or

1 (2) if not feasible, respond not later than the
2 seventh day after the date the request is submitted.

3 (e) If the commission determines the requestor who
4 submitted a request under Subsection (a) is likely to prevail in
5 successfully demonstrating good cause for its request, the
6 commission may provisionally grant the request until the commission
7 issues a final determination on whether the requestor has
8 demonstrated good cause. Absent a provisional grant by the
9 commission, an interactive sports wagering operator may continue to
10 offer sports wagering on sporting events that are the subject of a
11 request under this section during the commission's consideration of
12 the request.

13 Sec. 2005.061. MONITORING PROGRAM. The commission by rule
14 shall adopt and administer a monitoring program sufficient to
15 protect the integrity of all sports wagering regulated under this
16 chapter. The program must provide for the sharing of suspicious
17 activities on wagering with operators and regulators in other
18 states.

19 SUBCHAPTER C. SPORTS WAGERING PERMITS

20 Sec. 2005.101. INTERACTIVE SPORTS WAGERING PERMIT
21 APPLICATION; FEE. (a) The commission shall issue not more than one
22 interactive sports wagering permit for each authorized sports
23 entity under this chapter. Each sports entity may designate only
24 one sports entity designee as an authorized sports entity.

25 (b) The commission shall issue an interactive sports
26 wagering permit to an authorized sports entity that:

27 (1) submits a completed application to the commission,

1 on a form prescribed by the commission, containing the information
2 required by this section; and

3 (2) pays to the commission a permitting fee in an
4 amount equal to \$500,000, which the commission must refund if the
5 applicant's application is denied after deducting the commission's
6 expenses incurred in considering the application.

7 (c) The commission may issue an interactive sports wagering
8 permit to an authorized sports entity that is a sports entity
9 designee only if the designee is based in the United States.

10 (d) The commission shall prescribe an application form for
11 an interactive sports wagering permit that requires an applicant to
12 submit:

13 (1) the applicant's proposed initial business plan,
14 including the range of contemplated types and modes of sports
15 wagering;

16 (2) the applicant's proposed measures to address age
17 and identity verification and geolocation requirements;

18 (3) the applicant's proposed internal controls,
19 including controls to ensure that an ineligible person does not
20 participate in sports wagering;

21 (4) the applicant's history of preventing problem
22 gambling, including training programs for its employees;

23 (5) the applicant's written information security
24 program, including information security governance and the
25 designation of a chief security officer or equivalent;

26 (6) the single sports wagering brand under which an
27 interactive sports wagering operator plans to hold out its sports

wagering platform to the public;

(7) any personal information the commission by rule may determine is required for the applicant's key persons; and

(8) any other information the commission considers necessary.

Sec. 2005.102. SERVICE PROVIDER PERMIT APPLICATION; FEE.

(a) An applicant for a service provider permit shall:

(1) submit an application to the commission, on a form prescribed by the commission, containing the information required by this section; and

(2) pay to the commission an application fee in an amount equal to \$25,000.

(b) An application submitted under this section must include:

(1) the applicant's background in sports wagering or a covered service;

(2) the applicant's experience in connection with sports wagering or other wagering activities in other jurisdictions, including the applicant's history and reputation of integrity and compliance, a list of all active or lapsed permits or licenses for sports wagering or other wagering activities, and the reason for any lapse;

(3) the applicant's written information security program, including information security governance and the designation of a chief security officer or equivalent;

(4) any personal information the commission by rule determines should be required concerning the applicant's key

1 persons; and

2 (5) any other information the commission considers
3 necessary.

4 Sec. 2005.103. BACKGROUND CHECK. The commission shall
5 conduct a background check on each service provider applicant,
6 including any key persons of the applicant, as required by
7 commission rule. A background check conducted under this section
8 must include a credit history check, a tax record check, and a
9 criminal history record information check.

10 Sec. 2005.104. GRANT OR DENIAL. (a) The commission shall
11 grant or deny a completed application under this subchapter not
12 later than the 90th day after the date the commission receives the
13 application. The commission's decision is final and not
14 appealable, except as otherwise required under state law.

15 (b) The commission may accept a license, permit, or any
16 other authorization to operate sports wagering issued by another
17 jurisdiction that the commission specifically determines has
18 similar permitting requirements as evidence that the applicant
19 meets the interactive sports wagering operator requirements. The
20 commission may accept another jurisdiction's or an approved third
21 party's testing of the interactive sports wagering platform as
22 evidence that the platform meets any requirements mandated by
23 commission rule.

24 (c) The commission shall grant a permit to an applicant for
25 a service provider permit unless:

26 (1) the commission reasonably believes:

27 (A) the applicant will be unable to satisfy the

duties of a service provider under this chapter;

(B) the applicant or a key person of the applicant is not of good character, honesty, or integrity; or

(C) the applicant's or a key person of the applicant's prior activities, criminal record, reputation, or associations are likely to:

(i) pose a threat to the public interest;

(ii) impede the regulation of sports wagering; or

(iii) promote unfair or illegal activities in the conduct of sports wagering;

(2) the applicant or a key person of the applicant knowingly fails to comply with the provisions of this chapter or a commission rule under this chapter;

(3) the applicant or a key person of the applicant has been previously convicted of a felony, a crime of moral turpitude, or any criminal offense involving dishonesty or breach of trust in the 10 years preceding the date the application is submitted;

(4) the applicant's or a key person of the applicant's license, registration, or permit to conduct sports wagering, other forms of gambling activity, or a covered service issued by another state has been revoked; or

(5) the applicant defaults in payment of any obligation or debt due to this state.

Sec. 2005.105. CONFIDENTIAL INFORMATION. Notwithstanding any other law, the information an applicant submits under this subchapter is confidential and exempt from public disclosure.

1 Sec. 2005.106. PERMIT RENEWAL. (a) Except as provided by
2 Subsection (b), a permit issued under this chapter expires on the
3 third anniversary of the date of issuance.

4 (b) If the permit application is submitted by a designee of
5 a sports entity or the sports entity's affiliate, a permit under
6 this chapter expires on the earlier of:

7 (1) the third anniversary of the date of issuance; or
8 (2) the expiration date of any contract between the
9 sports entity or an affiliate of the sports entity and the designee
10 of the sports entity or affiliate authorizing the designee to
11 manage and operate the sports entity's or affiliate's sports
12 wagering activities.

13 (c) At least 60 days before the expiration date of a permit,
14 a permit holder may renew a permit by submitting a renewal
15 application on a form prescribed by the commission. The permit
16 holder must include a renewal fee in an amount equal to:

17 (1) \$100,000 for renewal of an interactive sports
18 wagering permit; or

19 (2) \$10,000 for renewal of a service provider permit.

20 (d) The commission may deny an application for permit
21 renewal if the commission finds grounds for denial as provided in
22 Section 2005.101 for an interactive sports wagering permit or
23 Section 2005.102 for a service provider permit.

24 SUBCHAPTER D. SPORTS WAGERING OPERATORS

25 Sec. 2005.151. INTERACTIVE SPORTS WAGERING OPERATOR. An
26 interactive sports wagering operator or a service provider on
27 behalf of an interactive sports wagering operator may conduct

1 statewide interactive sports wagering.

2 Sec. 2005.152. DUTIES OF INTERACTIVE SPORTS WAGERING
3 OPERATORS. (a) An interactive sports wagering operator and its
4 service provider shall implement reasonable measures to:

5 (1) ensure that only individuals physically located in
6 this state or as otherwise authorized by commission rule may place a
7 wager through its sports wagering platform;

8 (2) protect the confidential information of players
9 using its sports wagering platform;

10 (3) prevent wagering on events that are prohibited
11 events, as provided by this chapter or commission rule;

12 (4) prevent individuals from placing wagers as agents
13 or proxies for other individuals;

14 (5) allow individuals to restrict themselves from
15 placing wagers through the sports wagering platform under the
16 voluntary exclusion program established under Section 2005.056;

17 (6) establish procedures to detect suspicious or
18 illegal wagering activity, including measures to report suspicious
19 or illegal wagering activity to the commission; and

20 (7) provide for the withholding or reporting of income
21 tax of players as required by applicable state or federal law.

22 (b) An interactive sports wagering operator shall maintain
23 until the third anniversary of the date of a sporting event records
24 of:

25 (1) all sports wagers placed on the event, including:

26 (A) the identity of the player;

27 (B) the amount and type of wager;

1 (C) the time and location of the wager, including
2 an Internet Protocol address, if available; and

3 (D) the outcome of the wager; and

4 (2) suspicious or illegal wagering activity.

5 (c) An interactive sports wagering operator must disclose
6 the records described in Subsection (b) to the commission on
7 request.

8 (d) If a sports governing body notifies the commission that
9 real-time information sharing for wagers placed on its sporting
10 events is necessary and desirable, interactive sports wagering
11 operators must share with that sports governing body or its
12 designee in real time, at the account level:

13 (1) anonymized information regarding an individual
14 who places a wager;

15 (2) the amount and type of wager;

16 (3) the time the wager was placed;

17 (4) the location of the wager, including the Internet
18 Protocol address if applicable;

19 (5) the outcome of the wager; and

20 (6) records of abnormal wagering activity.

21 (e) A sports governing body may use the information
22 described by Subsection (d) solely for sports wagering integrity
23 purposes.

24 (f) In advertising its sports wagering platform, an
25 interactive sports wagering operator must ensure that its
26 advertisements:

27 (1) are not targeted to individuals under the age of

1 21;

2 (2) disclose the identity of the interactive sports
3 wagering operator's brand;

4 (3) provide information about or links to resources
5 related to problem gambling and prevention, including a toll-free
6 crisis help telephone number approved by the commission; and

7 (4) are not misleading to a reasonable individual.

8 (g) For purposes of Subsection (d), "real-time information
9 sharing" means the sharing of information at a commercially
10 reasonable periodic interval of not less than once every 72 hours.

11 Sec. 2005.153. ESTABLISHMENT OF INTERACTIVE ACCOUNTS. (a)

12 An interactive sports wagering operator:

13 (1) is responsible for verifying the identity of a
14 sports wagering player and ensuring that the player is at least 21
15 years of age; and

16 (2) may remotely verify the identity of a sports
17 wagering player in order to establish the player's interactive
18 sports wagering account.

19 (b) A sports wagering player may not establish more than one
20 account with any interactive sports wagering operator.

21 (c) The following individuals are prohibited from placing
22 sports wagers:

23 (1) any individual under 21 years of age;

24 (2) any individual who has requested and has not
25 revoked exclusion from sports wagering under the voluntary
26 exclusion program established under Section 2005.056, or who
27 otherwise has been adjudicated by law as prohibited from engaging

1 in sports wagering;

2 (3) any member, officer, or employee of the
3 commission;

4 (4) any employee or key person of a permit holder for
5 that permit holder's sports wagering platform;

6 (5) any participant, including an athlete, coach,
7 trainer, referee, or other official, and any employee or other
8 staff of a participant, in a competition that is the subject of
9 sports wagering under this chapter for the league with which the
10 participant is affiliated; and

11 (6) any employee or other staff of a sports governing
12 body or authorizing league or similar sponsoring organization for a
13 competition subject to sports wagering under this chapter for the
14 sports governing body, authorizing league, or similar sponsoring
15 organization with which the individual is employed or otherwise
16 affiliated.

17 (d) An interactive sports wagering operator and, as
18 applicable, the operator's service providers may not accept a
19 sports wager from an individual described by Subsection (c)(5) or
20 (6) if the interactive sports wagering operator or, as applicable,
21 the operator's service provider, has notice or actual knowledge
22 that the individual is prohibited from placing a sports wager under
23 those subsections.

24 (e) An interactive sports wagering account must:

25 (1) be established in the name or on behalf of a player
26 who is a natural person and may not be in the name of any
27 beneficiary, custodian, joint trust, corporation, partnership, or

any other entity;

(2) be established:

(A) through the interactive sports wagering operator's sports wagering platform or a specialized Internet website or other interface established for that purpose; or

(B) by any other means approved by the commission; and

(3) include terms that:

(A) prohibit the transfer or sale of an account or account balance to another registered player;

(B) prohibit the use of any virtual private network or other technology that may obscure or falsify the player's physical location;

(C) prohibit any form of collusion, cheating, or other unlawful activity;

(D) affirm that the player meets all eligibility requirements for registration; and

(E) authorize the provision of notices and other required communications either through a designated mobile or other interface or to an electronic mail address designated by the player.

(f) The interactive sports wagering operator may allow for the establishment, verification, and funding of an account remotely, provided the operator has in place measures sufficient to remotely verify the age and identity of the player.

(g) An interactive sports wagering operator may suspend or terminate an account:

1 (1) if the operator determines the player has provided
2 any false or misleading information in connection with the opening
3 of the account or has engaged in cheating or other unlawful conduct;

4 (2) if the player is or has been barred from placing
5 sports wagers in this state;

6 (3) if the player is or otherwise becomes ineligible
7 under this chapter;

8 (4) if the interactive sports wagering operator
9 determines it lacks sufficient information to verify the age and
10 eligibility of the player; or

11 (5) for any other reason at the sole discretion of the
12 operator, provided that reason is not based on a player's actual or
13 believed sex, gender identity, race, religion, national origin,
14 sexual orientation, or other lawfully protected characteristic.

15 (h) On termination for any reason other than the reason
16 described in Subsection (g)(1), an interactive sports wagering
17 operator must provide the player sufficient time and access to
18 withdraw any funds remaining in the account.

19 Sec. 2005.154. BRAND LIMITATION. An interactive sports
20 wagering operator may hold out the operator's sports wagering
21 platform to the public under only one sports wagering brand.

22 Sec. 2005.155. ASSIGNMENT OF SPORTS WAGERING OPERATIONS TO
23 THIRD PARTY. (a) Subject to commission approval, an interactive
24 sports wagering operator may assign the operator's interactive
25 sports wagering operations to a third-party designee to manage and
26 operate the operator's sports wagering activities.

27 (b) A third-party designee described by Subsection (a) must

1 submit to the commission the information required for an applicant
2 under Subchapter C in accordance with procedures prescribed by
3 commission rule.

4 Sec. 2005.156. FANTASY SPORTS CONTESTS. An interactive
5 sports wagering operator may offer fantasy sports contests to the
6 extent those contests are authorized by law.

7 Sec. 2005.157. RISK MANAGEMENT MEASURES. An interactive
8 sports wagering operator may engage in risk management measures,
9 commonly known as layoff wagering, in the ordinary course of
10 business.

11 Sec. 2005.158. DATA SOURCES. (a) An interactive sports
12 wagering operator is not required to use official league data in
13 determining the result of a tier one sports wager.

14 (b) A sports governing body may notify the commission in
15 accordance with forms and procedures prescribed by the commission
16 of the governing body's determination that an interactive sports
17 wagering operator must use official league data to settle tier two
18 sports wagers. The commission shall notify each interactive sports
19 wagering operator of the sports governing body's notification not
20 later than the fifth day after the date the commission receives the
21 notification. If a sports governing body does not notify the
22 commission of its determination to provide official league data, an
23 operator is not required to use official league data in determining
24 the result of a tier two sports wager on a professional sports event
25 of the league governed by the sports governing body.

26 (c) Not later than the 60th day after the date the
27 commission notifies each interactive sports wagering operator as

1 required by Subsection (b), a permit holder may only use official
2 league data to determine the results of tier two sports wagers on
3 professional sports events of the league governed by the sports
4 governing body, unless:

5 (1) the sports governing body or its applicable
6 designee is unable to provide a feed, on commercially reasonable
7 terms, of official league data to determine the results of a tier
8 two sports wager, in which case an operator is not required to use
9 official league data in determining the results of tier two sports
10 wagers until the data feed becomes available on commercially
11 reasonable terms; or

12 (2) an operator demonstrates to the commission that
13 the sports governing body has not provided or offered to provide a
14 feed of official league data to the operator on commercially
15 reasonable terms.

16 (d) The commission may consider the following nonexclusive
17 factors in evaluating whether a sports governing body has provided
18 or offered to provide a feed of official league data on commercially
19 reasonable terms:

20 (1) the availability of a sports governing body's
21 official league data for tier two sports wagers from more than one
22 authorized source;

23 (2) market information, including price, terms, and
24 conditions, regarding the purchase, in this state and other states,
25 by interactive sports wagering operators of comparable data for the
26 purpose of settling sports wagers;

27 (3) the nature and quantity of the data, including the

1 quality and complexity of the process used for collecting the data;
2 and

3 (4) the extent to which sports governing bodies or
4 their designees have made data used to settle tier two sports wagers
5 available to sports wagering operators and any terms and conditions
6 relating to the use of that data.

7 (e) During any period in which the commission is determining
8 whether official league data is available on commercially
9 reasonable terms under Subsections (c) and (d), an interactive
10 sports wagering operator is not required to use official league
11 data in determining the results of any tier two sports wagers. The
12 commission shall make a determination under Subsections (c) and (d)
13 not later than the 60th day after the date an operator notifies the
14 commission that it desires to demonstrate that a sports governing
15 body has not provided or offered to provide a feed of official
16 league data to the operator on commercially reasonable terms. If
17 the commission determines that the requesting operator is likely to
18 fail in successfully making the demonstration under this
19 subsection, the commission may provisionally deny the request until
20 the commission makes a final determination as to whether the
21 requesting operator has made the demonstration.

22 Sec. 2005.159. COMMERCIAL AGREEMENTS. (a) Any sports
23 governing body may enter into a commercial agreement with an
24 interactive sports wagering operator under which the sports
25 governing body may share in the amounts wagered or revenues derived
26 from sports wagering on the sports governing body's sporting
27 events.

1 (b) A sports governing body is not required to obtain a
2 permit or other approval from the commission to lawfully accept
3 amounts or revenues described by Subsection (a).

4 SUBCHAPTER E. COMPETITION INTEGRITY: PROHIBITED EVENTS;
5 INVESTIGATIONS; PROMPT REPORTING

6 Sec. 2005.201. PROHIBITION ON YOUTH SPORTS WAGERING. A
7 person may not place or accept a sports wager on youth sports.

8 Sec. 2005.202. COOPERATION WITH INVESTIGATIONS. The
9 commission and interactive sports wagering operators shall
10 cooperate with investigations conducted by sports governing bodies
11 or law enforcement agencies, including by providing or facilitating
12 the provision of account-level wagering information and audio or
13 video files relating to individuals placing wagers.

14 Sec. 2005.203. REQUIRED REPORT TO COMMISSION. (a) An
15 interactive sports wagering operator must promptly report to the
16 commission any information relating to:

17 (1) criminal or disciplinary proceedings commenced
18 against the interactive sports wagering operator in connection with
19 its operations;

20 (2) abnormal wagering activity or patterns that may
21 indicate a concern with the integrity of a sporting event;

22 (3) any potential breach of the relevant sports
23 governing body's internal rules and codes of conduct pertaining to
24 sports wagering, to the extent the operator has actual knowledge of
25 the potential breach;

26 (4) any other conduct that corrupts a wagering outcome
27 of a sporting event for purposes of financial gain, including match

fixing; and

(5) suspicious or illegal wagering activities, including the use of funds derived from illegal activity, the placement of wagers to conceal or launder funds derived from illegal activity, the use of agents to place wagers, and the use of false identification in placing wagers.

(b) Interactive sports wagering operators must promptly report information relating to conduct described in Subsections (a)(2), (3), and (4) to the relevant sports governing body.

Sec. 2005.204. CONFIDENTIALITY OF CERTAIN REPORTED INFORMATION. (a) An interactive sports wagering operator must maintain the confidentiality of information provided by a sports governing body to the operator unless disclosure is required by this chapter, the commission, other law, or court order.

(b) The commission, sports governing bodies, and interactive sports wagering operators must maintain the confidentiality of all information relating to conduct described in Sections 2005.203(a)(2), (3), and (4) unless disclosure is required by this chapter, other law, or court order, or as authorized by the relevant sports governing body.

(c) The commission must maintain the confidentiality of all information provided by sports wagering operators for compliance purposes unless disclosure is required by this chapter, other law, or court order.

(d) The commission and an interactive sports wagering operator may disclose confidential information to another interactive sports wagering operator, a sports governing body, a

1 sports wagering regulating entity, a law enforcement entity, or
2 other party for the purpose of preventing or investigating conduct
3 that corrupts or could corrupt the outcome of a sporting event,
4 including match fixing.

5 SUBCHAPTER F. WAGERING REVENUE TAX

6 Sec. 2005.251. IMPOSITION OF TAX. A tax is imposed on the
7 adjusted gross wagering revenue of an interactive sports wagering
8 operator.

9 Sec. 2005.252. COMPUTATION OF ADJUSTED GROSS WAGERING
10 REVENUE; LOSS CARRYFORWARD. (a) For purposes of the tax imposed
11 under this subchapter, an interactive sports wagering operator
12 shall compute the operator's adjusted gross wagering revenue for a
13 reporting period by determining the total amount of wagering
14 revenue the operator received from all sports wagers authorized
15 under this chapter, excluding wagers placed using free bets or
16 promotional credits, during the period and subtracting the
17 following for the period:

18 (1) all cash or cash equivalents the operator paid as
19 winnings to players;

20 (2) the actual cost paid by the operator for any
21 personal property the operator distributed to a player as a result
22 of a sports wager authorized under this chapter;

23 (3) uncollectible receivables, not to exceed four
24 percent of the amount of gross wagering revenue except as provided
25 by Subsection (b);

26 (4) any federal excise tax payments on sports wagers
27 the operator remitted to the federal government; and

1 (5) amounts returned to an authorized participant due
2 to technical malfunction or due to concerns regarding the integrity
3 of the wager or the sporting event.

4 (b) The commission may increase the percentage of gross
5 wagering revenue that an interactive sports wagering operator may
6 deduct as uncollectible receivables under Subsection (a)(3) on a
7 showing that a greater percentage is reasonable and warranted.

8 (c) An interactive sports wagering operator that has an
9 adjusted gross wagering revenue for a reporting period computed
10 under Subsection (a) that is less than zero may carry that amount
11 forward and deduct the amount from the operator's adjusted gross
12 wagering revenue for one or more of the succeeding 12 reporting
13 periods before determining the amount of tax due under this
14 subchapter for the applicable reporting period.

15 Sec. 2005.253. RATE OF TAX. The rate of the tax imposed
16 under this subchapter is 10 percent of the adjusted gross wagering
17 revenue for a reporting period, subject to Section 2005.252(c).

18 Sec. 2005.254. PAYMENT OF TAX. The tax imposed under this
19 subchapter is due and payable to the comptroller on or before the
20 20th day of the month following the month in which the adjusted
21 gross wagering revenue on which the tax is based is received.

22 Sec. 2005.255. TAX REPORT. (a) A person required to pay a
23 tax under this subchapter shall file a tax report with the
24 comptroller on a form prescribed by the comptroller. The tax report
25 is due on the date the tax is due under Section 2005.254.

26 (b) The tax report must include separate statements of:

27 (1) the amount of the gross wagering revenue the

1 person received from all sports wagers authorized under this
2 chapter during the reporting period;

3 (2) the total amount of cash or cash equivalents the
4 person paid as winnings to players during the reporting period;

5 (3) the amount of the actual cost the person paid
6 during the reporting period for any personal property the person
7 distributed to a player as a result of a sports wager authorized
8 under this chapter;

9 (4) the cash value of any bonuses or promotional
10 credits provided to players that are returned to the person in the
11 form of a deposit or wager during the reporting period;

12 (5) the person's total amount of uncollectible
13 receivables during the reporting period as determined under Section
14 2005.252;

15 (6) the amount of any federal excise tax payments on
16 sports wagers the person remitted to the federal government during
17 the reporting period; and

18 (7) the total negative amount of adjusted gross
19 wagering revenue that is eligible to be deducted under Section
20 2005.252(c), the amount of that revenue the person actually
21 deducted for the report in determining the tax due, and the
22 remaining amount of that revenue that is eligible to be deducted on
23 a subsequent report.

24 Sec. 2005.256. RECORDS. A person required to pay a tax
25 under this subchapter shall keep a record of:

26 (1) the amounts the person is required to report under
27 Section 2005.255; and

1 (2) any other information the comptroller requires.

2 Sec. 2005.257. ADMINISTRATION AND ENFORCEMENT; RULES. (a)
3 The comptroller shall administer, collect, and enforce the tax
4 imposed under this subchapter in the manner the comptroller
5 administers, collects, and enforces taxes imposed under Title 2,
6 Tax Code, except as otherwise provided by this subchapter.

7 (b) The comptroller shall adopt rules providing for the
8 manner in which a person required to pay a tax under this subchapter
9 may file an amended tax report for a reporting period or otherwise
10 account for errors or omissions in a tax report filed under this
11 subchapter. The comptroller may adopt other rules as necessary to
12 implement this subchapter.

13 Sec. 2005.258. ALLOCATION OF TAX REVENUE AND EXCESS FEE
14 REVENUE. The comptroller shall deposit the net revenue from the tax
15 collected under this subchapter and the excess fee revenue
16 collected under Section 2005.006 as follows:

17 (1) two percent to the problem gambling and addiction
18 grant fund established under Section 2005.259; and

19 (2) the remainder to the general revenue fund to be
20 appropriated to the Texas Education Agency for use in providing
21 property tax relief through the reduction of the state compression
22 percentage, as defined by Section 48.255, Education Code.

23 Sec. 2005.259. PROBLEM GAMBLING AND ADDICTION GRANT FUND.
24 (a) The problem gambling and addiction grant fund is established as
25 an account in the general revenue fund.

26 (b) Money credited to the fund may be used only for awarding
27 grants under this section. The fund shall be administered in

accordance with this section.

(c) An expenditure from the problem gambling and addiction grant fund shall be made in accordance with the General Appropriations Act.

(d) From funds appropriated as described by Subsection (c), the commission shall administer a grant program to provide:

(1) assistance for the direct treatment of persons diagnosed as suffering from pathological gambling and other addictive behaviors; and

(2) funding for research regarding the impact of gambling on residents of this state.

(e) Research grants awarded under Subsection (d)(2) may include grants for determining the effectiveness of education and prevention efforts on the prevalence of pathological gambling in this state.

Sec. 2005.260. INAPPLICABILITY OF OTHER TAXES. Notwithstanding any other law, except this chapter, an interactive sports wagering operator is exempt from all excise taxes, license taxes, permit taxes, privilege taxes, amusement taxes, and occupation taxes imposed by this state or any political subdivision of this state.

SUBCHAPTER G. PENALTIES

Sec. 2005.301. CRIMINAL PENALTIES. (a) A person commits an offense if the person knowingly offers or engages in sports wagering in violation of this chapter. An offense under this subsection is a Class B misdemeanor.

(b) A person commits an offense if the person knowingly

1 attempts to suborn, collude, or otherwise conspire to impermissibly
2 influence the outcome of any competition or aspect of any
3 competition that is the subject of sports wagering under this
4 chapter. An offense under this subsection is a state jail felony.

5 (c) A person commits an offense if the person knowingly or
6 wilfully falsifies, conceals, or misrepresents a material fact or
7 knowingly or wilfully makes a false, fictitious, or fraudulent
8 statement or representation in an application submitted under this
9 chapter. An offense under this subsection is a state jail felony.

10 (d) If conduct constituting an offense under this chapter
11 also constitutes an offense under Chapter 47, Penal Code, the actor
12 may be prosecuted under either chapter or under both chapters.

13 Sec. 2005.302. CIVIL PENALTIES. If the commission
14 determines that a permit holder has intentionally violated any
15 material provision of this chapter or a rule adopted by the
16 commission under this chapter, the commission, after providing at
17 least 15 days' notice and a hearing, may:

18 (1) suspend or revoke the permit holder's permit; and
19 (2) impose a monetary penalty not to exceed \$10,000
20 for each violation.

21 SECTION 3. Section 47.01, Penal Code, is amended by
22 amending Subdivision (1) and adding Subdivision (2-a) to read as
23 follows:

24 (1) "Bet" means an agreement to win or lose something
25 of value solely or partially by chance. A bet does not include:

26 (A) contracts of indemnity or guaranty, or life,
27 health, property, or accident insurance;

1 (B) an offer of a prize, award, or compensation
2 to the actual contestants or participants in a bona fide contest for
3 the determination of skill, speed, strength, or endurance or to the
4 owners of animals, vehicles, watercraft, or aircraft entered in a
5 contest; ~~[or]~~

6 (C) an offer of merchandise, with a value not
7 greater than \$25, made by the proprietor of a bona fide carnival
8 contest conducted at a carnival sponsored by a nonprofit religious,
9 fraternal, school, law enforcement, youth, agricultural, or civic
10 group, including any nonprofit agricultural or civic group
11 incorporated by the state before 1955, if the person to receive the
12 merchandise from the proprietor is the person who performs the
13 carnival contest; or

14 (D) an offer of a prize, award, or compensation
15 to the participants in a fantasy sports contest.

16 (2-a) "Fantasy sports contest" means a bona fide
17 contest, reflecting the relative knowledge and skill of the
18 participants, in which:

19 (A) participants assemble a fictional sports
20 team composed of actual professional or amateur athletes to compete
21 against other fictional sports teams assembled by other
22 participants for a prize, award, or compensation;

23 (B) the value of any prize, award, or
24 compensation is established in advance of the beginning of the game
25 or contest;

26 (C) the outcome of the game or contest is
27 determined by the accumulated statistical performances of the

1 individual athletes on a participant's fictional sports team; and
2 (D) the outcome of the game or contest is not
3 based solely on the score, point spread, or performance of a single
4 professional or amateur team or athlete.

5 SECTION 4. Section 47.02(c), Penal Code, is amended to read
6 as follows:

7 (c) It is a defense to prosecution under this section that
8 the actor reasonably believed that the conduct:

9 (1) was permitted under Chapter 2001, Occupations
10 Code;

11 (2) was permitted under Chapter 2002, Occupations
12 Code;

13 (3) was permitted under Chapter 2004, Occupations
14 Code;

15 (4) was permitted under Chapter 2005, Occupations
16 Code;

17 (5) consisted entirely of participation in the state
18 lottery authorized by the State Lottery Act (Chapter 466,
19 Government Code);

20 (6) ~~[(5)]~~ was permitted under Subtitle A-1, Title 13,
21 Occupations Code (Texas Racing Act); or

22 (7) ~~[(6)]~~ consisted entirely of participation in a
23 drawing for the opportunity to participate in a hunting, fishing,
24 or other recreational event conducted by the Parks and Wildlife
25 Department.

26 SECTION 5. Section 47.09(a), Penal Code, is amended to read
27 as follows:

(a) It is a defense to prosecution under this chapter that the conduct:

(1) was authorized under:

(A) Chapter 2001, Occupations Code;

(B) Chapter 2002, Occupations Code;

(C) Chapter 2004, Occupations Code;

(D) Chapter 2005, Occupations Code;

(E) Subtitle A-1, Title 13, Occupations Code (Texas Racing Act); or

(F) [~~(E)~~] Chapter 280, Finance Code;

(2) consisted entirely of participation in the state lottery authorized by Chapter 466, Government Code; or

(3) was a necessary incident to the operation of the state lottery and was directly or indirectly authorized by:

(A) Chapter 466, Government Code;

(B) the lottery division of the Texas Lottery Commission;

(C) the Texas Lottery Commission; or

(D) the director of the lottery division of the Texas Lottery Commission.

SECTION 6. (a) Not later than the 90th day after the effective date of this Act, the Texas Lottery Commission shall post on the commission's Internet website the application forms and adopt rules allowing for the submission of applications for interactive sports wagering permits and service provider permits, as required by Chapter 2005, Occupations Code, as added by this Act.

(b) Not later than the 45th day after the date the

1 application forms are posted and rules are adopted as required by
2 Subsection (a) of this section, the Texas Lottery Commission shall
3 open an initial application period for issuance of permits under
4 Chapter 2005, Occupations Code, as added by this Act.

5 (c) Not later than the 30th day after the date the initial
6 application period described by Subsection (b) of this section
7 commences, the Texas Lottery Commission shall complete the review
8 of all applications received during the initial application period
9 and award interactive sports wagering permits in accordance with
10 Chapter 2005, Occupations Code, as added by this Act.

11 (d) Following the close of the initial application period
12 described by Subsection (c) of this section, the Texas Lottery
13 Commission shall issue additional available permits on a rolling
14 basis.

15 SECTION 7. The changes in law made by this Act to Chapter
16 47, Penal Code, apply only to an offense committed on or after the
17 effective date of this Act. An offense committed before the
18 effective date of this Act is governed by the law in effect on the
19 date the offense was committed, and the former law is continued in
20 effect for that purpose. For purposes of this section, an offense
21 was committed before the effective date of this Act if any element
22 of the offense occurred before that date.

23 SECTION 8. This Act takes effect January 1, 2024, but only
24 if the constitutional amendment authorizing the legislature to
25 legalize wagering in this state on certain sporting events is
26 approved by the voters. If that amendment is not approved by the
27 voters, this Act has no effect.