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USA TODAY

Fantasy sports debate: Gambling or not gambling?

[Brent Schrottenboer](#), USA TODAY Sports 7:26 a.m. EST January 12, 2015

LAS VEGAS -- The head honchos at FanDuel want to make something very clear.

The product they sell is not sports betting, they say. It's something different. In exchange for an entry fee, FanDuel allows sports fans the chance to win cash prizes every day based on the performance of players in professional or college sports.

"We look at it and say, 'It's not gambling,'" said Matt King, FanDuel's chief financial officer. "It's an entertainment product."

But not everybody sees it that way. And that's why the topic was up for debate Sunday at a meeting of legislators and gambling industry officials at the Paris Las Vegas hotel and casino.

Led by FanDuel, the daily fantasy sports industry has soared in popularity recently, with promises of payouts ranging from hundreds to millions of dollars.

The question on Sunday was whether it crossed the line into sports gambling and should be regulated as such.

"Of course it's gambling," said Joe Asher, CEO of the sports gambling company William Hill US. "Of course it's sports betting. It doesn't mean that it's subject necessarily to the same laws. You're risking money on something of an uncertain outcome, and to me that sounds like gambling."

Asher, King and other experts discussed the subject at a panel for the National Council of Legislators from Gaming States, an organization of state lawmakers that meets to discuss gaming issues.

The topic [was ripe](#). Though American pro sports leagues historically have opposed the spread of sports betting, they all have embraced daily fantasy games in the last two years, largely because it leads to more television viewership and revenue. If fans have money at stake in daily fantasy sports, they are more likely to watch more games than they otherwise would.

"You're going to see continued integration between fantasy and the team and the league experience," King said.

In November, the NBA even announced it had become an equity investor in FanDuel, making itself part owner of a company that says it pays out more than \$10 million in prize money every week.

A day after that announcement, NBA Commissioner Adam Silver declared in the New York Times that sports betting should be legalized and regulated.

Many observers didn't believe the timing of those two announcements was by accident.

Daily fantasy sports is "a bridge to legalized sports gambling because that's where the big money is," said Les Bernal, national director of Stop Predatory Gambling, a nonprofit in Washington, D.C.

King said the NBA's timing was coincidental.

"We view sports betting to be a totally separate question relative to where our business is going," King said. "We called our counterparts at the NBA when (Silver's editorial) came out and said, 'Hey guys, it would have been nice to have a head's up on this.'"

King and his industry colleagues have reason to object to any association with gambling. U.S. law forbids state-sponsored sports betting except in a few states, including Nevada. Another federal law cracks down on online gambling while specifically stating that paid fantasy sports games are legal, provided they meet certain conditions, including having winning outcomes that reflect the skill of participants, as opposed to mere chance.

But that law was passed in 2006, before the rise of FanDuel and other daily fantasy sports companies. New technology has led to new and faster ways to make money for fans who play fantasy sports, raising questions about whether it has entered an area that should be regulated.

With sports betting, "the question is do you regulate it or ignore the fact that it is happening?" Asher said. "Should fantasy be subject to some form of regulation? I think most people would say yes, right? You want to make sure the advertising is legitimate. You want to have age restrictions on people who are playing."

In traditional fantasy sports, participants generally would draft a team of real-life players before the season and then wait until season's end to see who won the top prize based on their players' statistics.

The rise of the internet changed all that, allowing fantasy fans the chance to win money every day and not just once a year. To play, they generally just need to set up an online account, pay an entry fee and select a team of real-life players. If their players put up the best statistics that day, they win cash prizes.

Bernal called it a "complex parlay wager" and said daily fantasy sports share similar traits with online poker because the entry fees of many low- or middle-income "fish" are pooled to feed the sharks who use data-driven strategies to win big money.

King disputed this and said novice players can compete against each other in rookie leagues. He said the average deposit was \$65.

He also said one of the biggest distinctions between sports betting and fantasy sports is that "you can't fix the outcome" in fantasy.

American pro sports leagues historically opposed traditional sports gambling because they worried it would lead to point-shaving scandals and bribery to fix outcomes for bettors. With fantasy sports, this risk doesn't appear to exist because fixing an outcome likely would require too large of conspiracy involving multiple players on multiple real-life teams.

Bernal said his bigger concern is the effect it has on society.

"The question about daily fantasy sports isn't about shaving points," he said. "It's about shaving money from the wallets of low-income and middle-income people."

Some states still have issues with it. FanDuel doesn't offer paid entry games in Arizona, Iowa, Louisiana, Montana or Washington because the laws there are against or unclear about paid fantasy sports.

"Sometimes the name you call it is important," said I. Nelson Rose, a gambling law expert. "Calling it video lottery terminals is more acceptable than slot machines. If fantasy sports is gambling, calling it fantasy sports makes it more acceptable than sports betting."