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5 Things To Know Before You Get Sucked In By All Those DraftKings Ads

BY JOSH ISRAEL SEP 16, 2015 3:43PM

If you watched a National Football League game last weekend, chances are you saw at least one advertisement suggesting you could become a millionaire playing daily fantasy football.

And if you didn't, odds are still pretty high that DraftKings, FanDuel, or both have advertised on your television, computer screen, smartphone, or stadium scoreboard.

The Wall Street Journal reported on Wednesday that these two competitors have spent more than \$101 million dollars on television ads over the past month and a half, buying nearly 30,000 airings.

Both companies' spots promise millions of dollars in prizes and minimal time commitment for players. Both rely on a loophole in the 2006 Unlawful Internet Gaming Enforcement Act that exempted fantasy sports in general from a federal crackdown on Internet gambling — a carve-out that the law's author intended to protect season-long rotisserie leagues played by groups of friends, not pay-to-play daily fantasy leagues that did not even exist at the time.

But before you reach for your credit card to join one of these leagues, here are five things you should know:

1. It is probably illegal in some states — and may be questionable in others.

On Monday, Rep. Frank Pallone (D-NJ), the top Democrat on the House Committee on Energy and Commerce, requested a Congressional hearing on the legal status of daily fantasy sports. The industry generally does not allow players from a handful of states where it believes state laws create “gray areas” for their contests. Thanks to a 1992 federal law, some experts believe those states cannot act to legalize a “wagering scheme” based on “on one or more competitive games in which amateur or professional athletes participate, or are intended to participate, or on one or more performances of such athletes in such games.”

While one former federal prosecutor who handled at least 30 online gambling cases believes this law could be used to crack down on daily fantasy sports companies in any U.S. state, other experts believe it is probably legal in most states at the moment. It remains to be seen whether Congress will heed Pallone's call for an inquiry.

2. Professional sports leagues are profiting heavily from the ads and the sites.

In April, 15 NFL teams signed exclusive partnership agreements with FanDuel. The National Basketball Association not only has a partnership agreement with the FanDuel, but is an investor in the company. DraftKings has a similar exclusive agreement with and investment from Major League Baseball and has an exclusive partnership with the National Hockey League as well. So beyond the dozens of ads the companies have paid to advertise on broadcasts and in arenas, the professional sports leagues are getting a significant piece of the action and, in some cases, may even share in the profits.

3. It could well prove addictive.

Advocates for daily fantasy sports — like those who defend online poker — argue that the games are more about skill than chance. But a counselor who deals with gambling addiction told ThinkProgres earlier this year that daily fantasy sports games, like all sports gambling, can be addictive. “I draw a line with people who say that daily fantasy sports isn’t gambling; if there is money placed on it, it’s gambling. The distinction of skill does not matter,” she observed. Because sites like FanDuel and DraftKings do not consider their product “gambling,” many of the resources that traditional casinos provide to players to promote “responsible gaming,” such as information about hotlines and warning signs, have not yet show up on daily fantasy sport sites. An industry spokesman did not though that the sites have software algorithms designed to interrupt and even halt play by those with “compulsive tendencies.”

4. There are few rules to stop people with inside information from benefiting from it, against you.

While the collective bargaining agreement for Major League Baseball prohibits players and non-player personnel from participating in daily fantasy sports leagues, this is far from the norm. And while most major daily fantasy sites prohibit athletes from playing games involving their own league, their rules include no such prohibitions for players’ families nor other team employees. Therefore, an NBA team doctor, NHL trainer, or NFL player’s significant other might have access to inside information about injuries, playing time, or benchings that could provide an advantage to a daily fantasy team player is most likely free to use or sell this information. The multiple players required for each roster limit somewhat the advantage that could be gained from inside information about any one player, but it could mean your opponents know more than you do.

5. Most players do not seriously contend for the seven-figure prizes.

Les Bernal of Stop Predatory Gambling told ThinkProgress earlier this year that, like online poker, there are two general types of players on daily fantasy sites: “sharks” and “minnows.” The “sharks” are the more professional players who spend hours studying, researching, and preparing their daily and weekly fantasy rosters. More casual “fish” generally find their money gets eaten by the sharks. The companies’ aim, he said, is a mix of the both. “They make their money from the rake. They don’t care who wins. They want to give the impression that these things are fair,” while getting players to increase what they spend. But if the fish consistently lose to the sharks, their enthusiasm for daily fantasy games could wane quickly.”

In other words, most casual players are not going to win \$1 million with their \$2 entry fee.