

Fantasy sports industry seeks legal status; opponents say it's gambling

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In this Wednesday, Sept. 9, 2015, photo, Bear Duker, a marketing manager for strategic partnerships at DraftKings, a daily fantasy sports company, works at his computer in Boston.

Stephan Savoia, AP

The daily fantasy sports industry is close to a sweeping victory at the Legislature, which would ensure that thousands of Minnesotans can continue to test their skill and luck against other players for cash every day at the touch of a cellphone.

The issue has reopened a heated debate on the nature of gambling in Minnesota. Legislators trying to legalize the games — and at least a half-dozen lobbyists swarming the State Capitol — say fantasy sports are not gambling but rather a skill-based hobby that tens

of thousands of Minnesotans enjoy safely. The players should be granted the certainty that their activity — and in some cases livelihood — is legal, say industry advocates.

“The horse is out of the barn,” said Sen. Sandy Pappas, DFL-St. Paul, who is the author of a bill legalizing fantasy sports but with consumer protections attached. The Senate could take it up as soon as next week after the House overwhelmingly passed a version earlier in April. “So what do we do to make sure people don’t go broke or get addicted and make sure we don’t have children playing?” Pappas asked.

Ongoing national debate

Opponents fear the Legislature’s move amounts to a massive expansion of gambling without a thorough debate about the social and economic costs, particularly as states like New York and Nevada have paused the daily fantasy games they liken to sports betting.

Minnesota’s move comes amid a raging national debate about whether playing daily fantasy sports constitutes a backdoor expansion of gambling.

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Many Minnesotans hold traditional fantasy drafts at the beginning of the season and then obsessively check their player rosters and stats, hoping to take home a modest jackpot at season’s end.

Daily fantasy games are different: They allow customers to pay for the privilege of choosing a fresh roster every day and, with the touch of a smartphone, allowing winnings — and losses — to accumulate quickly.

In 2006, Congress passed the Unlawful Internet Gambling Enforcement Act but left an exception for “skill-based” contests such as fantasy sports, which quickly became a multimillion-dollar market dominated by DraftKings and FanDuel.

The two companies have overwhelmed the sports world with advertisements featuring big payouts. The 50,000 sets of eyes and millions more watching Minnesota’s first outdoor NHL game could not avoid the DraftKings promotion near the center of the rink, a local example of a marketing blitz in which one widely aired DraftKings commercial proclaims: “This is a feeling of turning a game you love into a lifetime of cash.”

The marketing campaigns have been wed to a state-by-state lobbying blitz to ensure that fantasy sports are legal. DraftKings has enlisted its own players, sending them e-mails

under the subject “Help protect fantasy sports in Minnesota!” with instructions on how to contact legislators.

Susan Campion, a gambling addiction counselor who has worked in social services for 25 years, said she feels helpless given the massive marketing power of the companies, which also have partnership deals with all of the major sports leagues.

But some states are slowing the fantasy sports craze. Attorneys general in New York and Illinois are among several across the country who have ruled daily fantasy — not the kind played by most casual players — to be gambling. The Nevada Gaming Control Board has also said daily fantasy play constitutes gambling and thus requires licensing in the nation’s only state with legal sports betting — and one that is influential on gambling regulatory issues.

The FBI and the U.S. Justice Department have opened an investigation to determine if daily fantasy games are a form of gambling.

FanDuel and DraftKings say their games are not gambling but more like a general manager or coach running a team. The companies use another analogy: stock market trading. The games require research and strategy, unlike throwing a quarter in a slot machine, for instance.

Gene Schaum of Brooklyn Park turned his \$25 in fantasy football play into \$1 million on FanDuel by picking an unlikely selection of players who performed well and delivered him a big jackpot.

Industry leaders also say the game is a form of community: “It helps [fans] enjoy the sports that they love more and vice versa,” said Sean Ostrow, FanDuel’s manager of government affairs. “It brings friends and family and co-workers together. And they deserve to know they’re going to be able to continue to play legally and also that there are consumer protections in place.”

The industry claims that Minnesota has the highest per-capita fantasy sports participation in the country, with nearly 1 million players, about 1 out of 5 Minnesotans. More than a dozen fantasy sports companies call Minnesota home.

‘Like light beer ... it’s still beer’

For some, this causes concerns about an expansion of gambling: “It’s kind of like light beer isn’t really beer, but it’s still beer. My opinion: Yeah it’s gambling,” said Cathie Perrault, executive director of the Northstar Problem Gambling Alliance.

Les Bernal of the national group Stop Predatory Gambling said the games rely too much on fortune — and misfortune — to be truly games of skill: “Adrian Peterson blows out his knee, you’re done. There’s an incredible element of chance,” he said, comparing fantasy sports to a game like chess when weather, injuries and mistaken officiating are rarely factors in the outcome.

Jason Robins, co-founder and CEO of DraftKings, once said the business model is “almost identical to a casino,” according to the Nevada attorney general.

The industry acknowledges the risks to customers who go overboard.

FanDuel currently offers a “self-exclusion” option that allows players to suspend their account for up to a year. There is also information to receive help for responsible gaming.

Pappas said her bill would protect consumers by requiring players be 18; preventing employees of game operators and their relatives from playing; prohibiting sharing of confidential information akin to stock market insider trading; auditing the companies for irregularities, and limiting the amount of play by a single player, among other provisions.

Tony M., a 40-year-old father of three from the Shoreview area, is concerned that daily fantasy sports could become “akin to a gateway drug” toward sports gambling addiction.

He started off playing fantasy hockey, football and golf with his buddies until he needed more. So he and a friend began betting online late at night, making illegal wagers with offshore companies.

Now Tony M. is a recovering sports gambling addict. He requested that his full name not be used to respect the anonymity of the treatment he still receives. He lost \$250,000 to his gambling addiction and is still trying to regain the trust lost with loved ones. He is concerned about this burgeoning industry and its effect on kids, especially.

“You can’t avoid commercials for FanDuel or DraftKings if you watch an athletic event,” he said. “The exposure of it is huge, and my 12-year-old always asks questions about it.”

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8 THINGS TO KNOW ABOUT DAILY FANTASY SPORTS

What they are: Daily fantasy sports are a much more aggressive version of the traditional fantasy leagues. The contests are one day, instead of a full season, and offer big payouts, sometimes in the millions.

How do they work: Users pick a team of players based on a salary cap, and the players earn points based on their success on the field, court, course, etc. You win or lose money based on the results and get paid the same night.

When did this start: FanDuel was founded in 2009 and quickly raised \$360 million dollars in funding. DraftKings was founded in 2012 and secured \$375 million in funding. These two companies control the industry's market share.

Rapid growth: In 2014, there was an 847 percent increase in daily fantasy sports participation. There were an estimated 319,000 daily players in 2013 and 8.9 million in 2015. Almost 1 in 5 fantasy sports participants play daily fantasy games exclusively. Assuming daily fantasy sports continue to remain legal, it is projected that by 2020 player entry fees will hit \$30.7 billion. In 2015, projections were \$3.2 billion.

Big payouts: In 2015, FanDuel and DraftKings were expected to pay more than \$3 billion in prizes.

Strong supporters: In 2015, all four major leagues (NFL, MLB, NBA, NHL) signed contracts with daily fantasy sports websites. The MLB, NHL and MLS are major investors in DraftKings. FanDuel's major investors include Turner Sports, Google, Comcast and Time Warner.

Marketing blitz: FanDuel and DraftKings reportedly spent more than \$250,000 on advertising in 2015.

Gambling or not gambling: Several attorneys general across the country have declared daily fantasy sports illegal. Minnesota is in the process of legalizing them. If you're seeking information or help for a gambling problem, call Minnesota's state help line: 1-800-333-HOPE.

Source: fantasysportsdaily.com

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