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At least 6 states adopt fantasy sports laws; 21 others don't

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By [PHILIP MARCELO](#) Jul. 18, 2016 12:38 AM EDT

BOSTON (AP) — The daily fantasy sports industry notched some wins but failed to capture a majority of states after an all-out push this year to preserve its legality amid concerns the online games amount to illegal sports betting operations.

Six states — Colorado, Missouri, Mississippi, Tennessee, Indiana and Virginia — enacted laws legalizing and regulating games offered by Boston's DraftKings, New York's FanDuel and dozens of other smaller operators. They join Kansas, which passed a law legalizing the games last year.

But 21 other legislatures, including Arizona, Florida, Maryland and Washington, declined to take action this year before adjourning.

And six more are still in session and could enact regulations, including key, high population states like California, New Jersey and Pennsylvania.

In New York, a bill awaits the governor's signature and in Massachusetts, the state attorney general issued consumer protection rules earlier this year but other fantasy sports-related bills are also before lawmakers.

Many bills introduced this year would cover not just controversial daily fantasy sports games, but traditional, season long fantasy sports competitions played by millions.

Some, like a proposal that died in Hawaii, would have banned fantasy games outright. Others, like proposals in Maryland, would have called for a voter referendum.

Most bills, however, treat the games as distinct from legalized gambling and impose a range of requirements like licensing and registration fees, taxes on revenues, independent audits, minimum age requirements and state oversight.

Players in fantasy sports contests generally pick teams of real life athletes and score points based on how well those players do in games. The contests can be for free, as the season long variety often are, or can require entry fees and offer lucrative cash prizes, as the daily games tend to do.

Spokespersons for DraftKings and FanDuel, the daily fantasy industry's largest companies, said they're pleased with the progress so far.

"It's pretty amazing what we were able to accomplish in such a short period of time," says Peter Schoenke, chairman of the Fantasy Sports Trade Association, which hired about 65 lobbying firms across the country to advocate on bills in over 30 states. "It's hard to pass legislation in the first year. Most of the time, it's a multiple-year effort."

But Chris Krafcik, a research director at GamblingCompliance Research Services, a firm that's been tracking the legislation, says the patchwork of differing state regulations taking shape could have serious implications for the relatively new industry.

"Fifty states with 50 different sets of regulations will likely give rise to compliance costs that the fantasy industry — particularly smaller players — will struggle to absorb," he says. "We can easily imagine a future, cost-prohibitive market controlled by a small number of large players."

Small operators say the new laws are beginning that winnowing process.

"The impact has been devastating. We simply can't afford the fees," says Rishi Nangia, who's considering relocating Syde, the daily fantasy sports company he co-founded, after its home state of Virginia imposed a \$50,000 registration fee. "So even in states where we technically won a right to exist, we are unable to offer our games."

The industry also encountered pushback from anti-gambling activists, who complained proposed requirements to protect players from fraud, gambling addiction and other problems weren't stringent enough.

Les Bernal, national director for the Washington, D.C.-based Stop Predatory Gambling, said that in many proposals, audits are conducted by a third party hired by the company, which he argues amounts to self-regulation.

"The point of these online gambling bills is to give the appearance of regulation and create the impression this is being done on behalf of consumers," he said. "The so-called 'consumer protections' are toothless."

In Illinois, legislation was effectively shelved after a Democratic state representative alleged a fantasy sports lobbyist had offered lawmakers donations in exchange for support of the bill, a charge the industry vehemently denied.

And in California, Oklahoma and elsewhere, some influential American Indian tribes operating casinos have slowed or blocked passage of legislation by raising concerns that legalizing fantasy sports might, among other things, undermine tribal gambling compacts.

Going forward, Schoenke says the association will be pushing for laws like those passed in Colorado and proposed in Florida that either waive or reduce fees and other regulatory requirements for smaller companies.

The industry will also be looking to push bills in big market states like Texas where the legislature did not meet this year but where regulators or elected officials have issued regulations and opinions unfavorable to the industry.

"Next year, we're going in with a bunch of momentum," Schoenke said.

Here's where the states that considered fantasy sports bills this year stand:

LEGISLATION ENACTED: Colorado, Missouri, Mississippi, Tennessee, Indiana, Virginia

LEGISLATION PENDING: Illinois, California, Massachusetts, Michigan, New Jersey, New York (awaiting governor's signature), Pennsylvania

LEGISLATION FAILED OR NO ACTION TAKEN: Alabama, Arizona, Connecticut, Delaware, Florida, Georgia, Hawaii, Iowa, Kentucky, Louisiana, Maryland, Minnesota, Nebraska, New Mexico, Oklahoma, Rhode Island, South Carolina, Vermont, Washington, West Virginia, Wisconsin.