

Growth of Gambling Across US Is Helping to Pull NFL Wagering out of the Shadows

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Ten years from now, everything will be legal.

Well, not *everything*. Just many of the things folks do to add a little sizzle to Sunday's [NFL](#) action.

Wanna place a wager? No need to book a flight to Las Vegas, call your uncle (who knows a guy) or risk your credit card to some sportsbook licensed on Madripoor Island. Just head to the nearest casino. Or race track. Or your laptop. Or maybe even the stadium.

Maybe daily fantasy is your thing...or would be your thing if you were certain it was legal and your opponent wasn't some lineup-spamming robot. Those worries will be long forgotten in a few years. You'll play pickup daily fantasy games with your friends whenever you want, or enter bigger contests for all kinds of jackpots, not just big wads of cash, but perhaps the chance to have a catch with your favorite quarterback.

Don't worry: It'll be OK to call your fantasy winnings *jackpots* in the future. Gambling is legal, remember? And everything is a swipe of your smartphone away, from wagers to a customized stream of news and highlights.

Whether you play for big bucks or bragging rights, all the action you crave is coming soon.

Which is amazing, because just months ago, it looked like all of it would disappear.

After the DFS Gold Rush

Jason Robins has good reason to sound a little like a man who just stepped off the scariest roller coaster on earth.

Robins is the CEO of DraftKings. Along with top competitor FanDuel, DraftKings grew from a nutty idea by some college buddies to a superpower on the sports landscape in a few dizzying years. The two rival daily fantasy sports (DFS) services then nearly collapsed beneath legal challenges and severe marketplace backlash. It was a classic rise-and-fall-of-empire tale, speed-plotted for the YouTube generation.

Yet Robins hardly sounded like The Wolf of Fantasy Street in a September interview as he looked back on the near extinction of the industry he helped create. Instead, he sounded optimistic, if a little humbled.

"It was a challenging year. But in some ways, it was also a very important and positive year for the industry," he said. "Hopefully, the worst is behind us. But where we've gotten to, I'm very happy."

[An ESPN expose](#) in August documented how the DFS industry suddenly burst onto the scene, dominated commercial breaks during televised games, blanketed sidelines and courtsides with company logos, and became corporate partners and bosom buddies with some of the leagues themselves, only to nearly disappear as quickly as it appeared.

The more popular and powerful the DFS powerhouses became, the more blithely they tap-danced into the blurry neutral zone between fantasy sports and illegal gambling. Meanwhile, opportunists created "scripts," computer programs that could spam thousands of lineups, instantaneously react to injury reports and troll the sites for inexperienced gamers to clobber for easy cash.

The lethal combination of disgruntled customers and dubious legality resulted in intense scrutiny and legal pressure. DraftKings and FanDuel were forced to suspend operations in New York for months, costing the companies hundreds of millions of dollars and scaring away untold numbers of potential customers, investors and partners.

But the DFS industry pulled a fourth-quarter comeback. New York legalized daily fantasy and set regulatory guidelines in early August. Robins hopes that New York will become a model for all 50 states.

"We're taking the role of being very collaborative, very cooperative," he said. "We say, 'Look, we welcome regulation. We want to get laws passed.'"

DraftKings received an [influx of investments](#) after reopening for business in New York. The major partners of the DFS industry, from Major League Baseball to many individual NFL teams, appear a little less nervous about their relationships than they did at the start of summer. There are even loud rumblings of a DraftKings-FanDuel merger in the news, courtesy of a report from [ESPN](#), though the companies offer only official "no comments."

There are still some legal hurdles ahead. A lawsuit filed in New York in October alleges that the new legislation legalizing DFS [is unconstitutional](#). Amendments to gambling (and gambling-related) laws in New York are supposed to go through several bouts of legislation, then onto a public ballot.

"The legislation was powered by very powerful interests with an enormous financial stake," said Les Bernal, national director of Stop Predatory Gambling, which coordinated the opposition. "They overlooked the role of the people of New York to vote for it. This wasn't driven by citizen demand. If it went to the ballot, it wouldn't have won."

Legal experts say the lawsuit has merit and could cause problems for the DFS companies for years to come in New York. Still, it faces a steep uphill battle against both those powerful interests (including sports teams, leagues and broadcasters) and a DFS industry that's striving to look more like the video game industry than a get-rich-quick scheme for the throwback-jersey set.

Robins acknowledged that the industry both invited gambling scrutiny and damaged its own perception with advertising campaigns that made DFS sound like barely legal gambling.

"Before, we were selling a very narrow aspect of the product. We weren't really describing the product in our advertising. It was, 'Come win money.'"

DraftKings' own market research revealed that few fantasy gamers are hoping to get rich. Most are just trying to liven up a slate of games or earn some bragging rights with buddies.

"We did ourselves and the industry a disservice by only focusing on that one aspect of it. Now, we're going to focus on more."

DraftKings is now emphasizing its Leagues service, which creates a friends-family-office-style experience for players. No whiz-kid wise guys with a zillion autocorrecting lineups, no brothers-in-law who orphan their teams after two weeks. Gamers can play in weekly pickup contests against others in their league in any sport.

"We were taking the low-commitment, play-what-you-want aspect that made the original daily products so great and blending it with the friends-group league concept," Robins said. DraftKings reported a 25 percent increase in Leagues players over the first two weeks of the 2016 season, a sign that casual gamers are starting to embrace the product. Another change is the rise of experiential prizes.

"Imagine winning contests where you can go meet [Rob Gronkowski](#), or catch a pass from Aaron Rodgers," Robins said. The company offered opportunities to throw out the first pitch at baseball games and other perks in the past but rarely highlighted them in their advertising.

DraftKings also launched an app in early September, which is a mix of live game highlights, news and social networking, but customized for that day's fantasy experience. Robins said that eventually "you're going to watch a customized version of Red Zone that will have news and information coming in that's only relevant to you and your fantasy team, all while communicating with friends who are experiencing sports in the same way."

As it shifts toward a friends-and-family experience and de-emphasizes the giant checks and jackpots, daily fantasy will start to look a lot more like old-fashioned fantasy football.

Meanwhile, the folks trying to legalize sports gambling are learning lessons from daily fantasy.

The Gift That Keeps on Giving

Let's get real for a moment: Daily fantasy gaming is gambling.

The industry dressed itself up as gambling's nerdy nephew. It clung to legality with fingers and toes in every loophole. It fooled leagues, broadcasters and some laissez-faire legislators. But it didn't fool gamblers for a moment.

"Anybody being intellectually honest clearly sees it as gambling," said Joe Asher, CEO of William Hill U.S., the American division of one of the world's largest sportsbooks. "It's gambling, and everybody knows it."

Sports gambling is illegal in all but four states, according to the [Professional and Amateur Sports Protection Act \(PASPA\)](#), a federal law enacted in 1992. That law grandfathered Nevada sports gambling as legal and provided "carve-outs" for sports-related lotteries and other limited games in Delaware, Montana and Oregon.

A 2006 federal law called the [Unlawful Internet Gambling Enforcement Act \(UIGEA\)](#) provided a fresh set of carve-outs to protect fantasy sports, classifying them as games of skill, not chance, with capped prizes instead of jackpots, which hinge on the outcomes of multiple real-world sporting events (making them harder to fix).

The distinction was fairly clear back when fantasy sports meant months of adjusting lineups and making waiver claims. But DFS shrunk fantasy gaming from season-long to a daily activity, offering contests based on slates of games as small as your standard three-team parlay, and grew more cavalier about luring players with jackpots. Soon, the difference between placing, say, a prop bet on [Cam Newton](#)'s yardage total and making Newton your quarterback in a short-schedule DFS contest became hazy.

Gambling interests took note of how quickly DFS gained acceptance among teams, leagues and broadcasters.

"Daily fantasy sports has been the gift that keeps on giving for us," said Sara Rayme, spokesperson for the American Gaming Association.

"It has mainstreamed the business. You can go back and forth on whether it's gambling or a game of skill. But the bottom line is that leagues and team owners are involved in

daily fantasy sports. They've obviously seen the benefit of a more direct fantasy experience."

Much has changed since PASPA became the law of (most of) the land in 1992. Casino gambling has spread from Nevada, Atlantic City and a few Native American reservations to cities like Chicago, Detroit, Philadelphia, Pittsburgh, New Orleans and elsewhere. As a result, public anxiety about gambling turning downtowns into crime alleys has gradually receded.

States like New Jersey (where Atlantic City has felt the heavy pinch of Pennsylvania casinos) seek differentiators to drive business. Legal sports gambling would certainly fit the bill, but New Jersey's seven-year effort to legalize sports gambling in the face of PASPA [failed by a 9-3 circuit court ruling](#) earlier this year.

New Jersey legislators responded to the circuit court loss by introducing a bill in the state legislature at the end of October that would essentially decriminalize sports gambling throughout the state. Forget sportsbooks in Atlantic City; this bill would allow your neighborhood bookie to set up shop right at the bar of your local tavern.

"It would be open season on sports gambling throughout the Garden State," said Daniel Wallach, gambling attorney and sports law analyst. Wallach called the bill "a bluff or a dare," adding, "They want to hold the sports leagues' and Congress' feet to the fire."

Still, the threat of uncontrolled gambling in the home of the Giants and Jets and a short drive from the Eagles, Ravens and Redskins could make the NFL willing to help lawmakers explore compromise solutions.

"New Jersey was never going to take its ball and go home," Wallach explained. "It's going to continue to try to thread the needle until sports betting is legal. It's a matter of necessity for the struggling casinos and race tracks. They can't do without it."

With states increasingly challenging PASPA and generating significant revenues from lotteries, momentum is clearly on gambling's side. Rayme estimates that the AGA will lobby and bolster support for another three to five years before "marching up to Congress and telling them what we want."

In the interim, the DFS industry and its powerful partners will push for uniform fantasy sports regulation. States themselves may mount additional challenges.

Even leagues themselves, having seen the power DFS has to expand interest and boost ratings, may finally stop envisioning sports gambling as a dude in a zoot suit and fedora flipping a silver dollar outside the locker room. The NHL is moving a franchise to Las Vegas. The Raiders, of course, might join them. And NBA Commissioner Adam Silver conceded in a [New York Times essay](#) that legal gambling would bring regulation—and the chance to monitor suspicious activity—to what is currently a multibillion-dollar black market.

The consistent pressure is taking its toll on the long-term lifespan of PASPA.

"We will have a legalized, regulated, national sports betting system in place in 10 years," Rayme predicted.

Wallach agrees: "In 10 years, the American public will be able to wager on sporting events in any state that wants it, not just inside brick-and-mortar gaming venues. They'll be able to do it at home, from their laptops, from their apps. They'll be able to wager inside the arenas while the games are taking place.

"They'll be wagering on in-play events, like who will score more points in the second quarter. The leagues will monetize sports betting to the maximum extent possible. There will be DFS-like sponsorships with the major sportsbooks. The leagues will have a cut of the action."

The Starbucks Effect

If you legalize it, they will come. But that doesn't mean that they will keep coming.

Delaware used its PASPA exemption to legalize sports gambling in its race-track casinos seven years ago. [I visited Delaware Park in 2009](#) and wrote about the experience for Football Outsiders. It was dreadful: uncomfortable viewing rooms, bad food, broken beer taps, overworked/unfriendly staff. Provide a lousy gambling experience, and you may as well provide none.

Three-team parlay cards are still legal in Delaware and [generated \\$37.9 million in revenue last year.](#)

Out-of-state residents can even purchase cards in gas stations. But the parlay requirement and lack of Vegas-style atmosphere at antiquated race-track casinos make NFL gambling in Delaware feel more like rubbing lottery scratchers than being part of the action. Seriously, who wants to run to the *gas station* to place a bet?

That's where experienced bookmakers like William Hill U.S. come in. If PASPA eventually topples and multiple states begin legalizing sports gambling online and in casinos, William Hill plans to provide a recognizably 21st-century gaming experience. "The folks who I think have nailed it are Starbucks," said Asher. "They made it so easy to use my Starbucks app. They develop a consistent product over many different venues. We try to do the same thing on the sports betting side."

William Hill has a sports gambling app, of course, equipped with position-tracking software that ensures you are within Nevada state lines when placing your wager. Assuming you are, the app allows users to set default wager amounts, quickly navigate parlay options or add a little cash to their online kitty.

It's a given that everyone will be able to do everything they want, whenever they want, using whatever smartphones evolve into 10 years from now. But some folks might not want to use an app to place a wager. A band of buddies spending a football Sunday in Atlantic City or Tunica, Mississippi, will want a variation on the Vegas experience—drinks, excitement, atmosphere—that Delaware's "racinos" don't provide very well. The legal bookmakers have that covered, too. Asher explained that William Hill has fully remodeled several of its Nevada books, including one inside Reno's Silver Legacy casino.

"The sportsbook is integrated into a really great bar," Asher said. "You have a drink, watch the game, and you are steps away from making your bet."

The sportsbooks with cold beers and jumbo televisions might not just be limited to casinos and tracks. Some stadiums already have "fantasy lounges," sponsored by

DraftKings or FanDuel. If wagering becomes as socially acceptable as fantasy football, it may not be long before we see in-stadium sportsbooks.

"There will be mechanisms for in-stadium wagering," Wallach predicted, noting that they will not arrive until a few years after casino betting.

Wherever they are located, those future sportsbooks will allow people to wager on much more than sports and card games while drinking and dining. Spurred by the popularity of strategy-oriented daily fantasy, casinos are searching for ways to let consumers do more than try their luck.

"You're seeing a lot more interest on the skill-based side," Rayme said. "You see throwback games like Pac-Man and Super Mario Bros. They are trying to tie in a gambling element to them. There has been more discussion about esports and how that fits into gambling."

So if your early-game wagers flame out by halftime, you could play a little Donkey Kong for money. And if esports are on the table, you could scratch a summertime NFL wagering itch with, say, a Memorial Day Madden tournament on the beach.

Asher's observations about trends in the gaming market match Robins' research into the fantasy market. Few players are all about the big money. Most want the experience—four pals in Seattle hugging and high-fiving over a Cleveland Browns field goal, Patriots fans sweating through a 38-10 fourth quarter because the over/under was 52.

It's a far cry from the image of the degenerate gambler, chain-smoking and betting the mortgage payment on a big Monday night score. If the gaming industry has its way, that image will be gone in 10 years as well.

Reputable Businesspeople

Your smartphone is updated. You've set a responsible budget for yourself. Your bags are packed for a playoff casino junket to someplace warm, fun and affordable. You are ready for reinvigorated daily fantasy at your fingertips, *Call of Duty for Dollars* or any of the other gambling-related innovations on the immediate horizon.

But maybe there's a voice whispering in the back of your mind: your grandma, your pastor or a league commissioner. That voice is reminding you that gambling leads down the road to perdition, or simply making a bad civic choice.

Bernal predicts that the legal gambling bubble will soon burst.

"It's inevitable that predatory gambling in America is going to be repealed in a significant way," he said, comparing state-sponsored gambling to the subprime mortgage crisis of the 2000s. Once municipalities realize that gambling's long-term risks outweigh short-term revenue boosts, it will lead to a rollback in everything from casinos and race tracks to daily lotteries and scratchers.

Bernal's arguments are compelling, but his projection seems idealistic. His research indicates that two-thirds of Americans have never placed a real wager, not counting office bracket pools and such. If that figure is accurate, it means that 80 million Americans (one-third of the adult population) have gambled. Not all of them go to Vegas to do so.

American Gaming Association research finds that gamblers wagered \$90 billion on the NFL and college football in 2015: \$2 billion legally, \$88 billion illegally. Other estimates, like those cited in [this NBC News story](#) last year, place the illegal gambling totals for college football alone over \$60 billion. NBA Commissioner Adam Silver cited statistics that placed the entire [illegal sports gambling industry](#) at \$400 billion.

That's billions of dollars going to criminals who are not actually as charming as the ones in *Guys and Dolls*.

The AGA research also states that 80 percent of Americans want the current sports gambling laws changed; 66 percent believe it should be a state-by-state issue. If PASPA goes the way of Prohibition, the 40 states that already have casinos could easily layer sports gambling atop blackjack and slots.

Asher described the intensive regulation under which the Nevada system thrives. The days of Fredo Corleone are long gone. Getting a gaming license requires a background check that a major presidential candidate could flunk. Suspicious wager patterns—the kind that could point to a fixed game—are immediately reported. (An international

bookmaker did precisely that [during the tennis U.S. Open](#)). There are basic customer safeguards in place, including hotlines and resources for problem gamblers.

"The Nevada structure has stood the test of time," Asher said. "It's very heavily regulated. The people who operate it are reputable businesspeople who have been fully vetted, and suspicious activity is closely monitored and reported."

The DFS folks may have made some mistakes in the past two years, but they are striving for the same kind of reputability, the kind that comes with intensive regulation and a well-established business model.

When you place your wager in 10 years, a cut will go to the house, which means it will go to local waitresses and bartenders, IT professionals and custodians. A cut will go to the government. Cuts could even go to the leagues to be profit-shared with the players.

Gambling opponents are probably right when they decry government's reliance on lotteries and warn that easy-access sports gambling won't save casinos or the communities around them.

But lots of us are going to gamble away billions of dollars, anyway. In the future, we will at least feel a little bit better about where it goes.