

Calif. lawmakers ask if fantasy betting is skill or chance

By Juliet Williams, AP

SACRAMENTO – Purveyors of daily fantasy sports gaming made their pitch for minimal regulations for the fast-growing industry before a panel of California lawmakers on Wednesday, arguing that the online sports match ups are a harmless outlet for fans and purely based on skill, not chance.

“These are games of skill, skill that rewards knowledge of sports,” said Griffin Finan, an attorney for DraftKings, one of the nation’s two largest operators, along with FanDuel. Griffin said that unlike gambling, the games rely on entry fees rather than wagers, and customers are not pitted against the company in the competition.

Whether the games rely upon skill or chance is key to the next regulatory steps. If they are based upon skill, lawmakers can impose regulations – from requiring transparency in their operations, imposing licensing and fees or taxing their business. If they are determined to be games of chance, lawmakers cannot intervene, but it’s unclear if the leagues could continue operating.

Critics argue that the games in which participants “draft” players and win money based on the athletes’ performances in the real world are illegal online gambling that should either be shut down or heavily regulated.

Assemblyman Marc Levine, D-San Rafael, asked the representatives how they can say anyone in a jersey on the couch can win, if it’s a game based on skill. “How do you justify the marketing? Unless you are pretty sophisticated,

you are going to lose your money," Levine asked.

Peter Schoenke, president of RotoWire.com, which syndicates the fantasy content to online companies such as NFL.com, said players can improve as they learn more and play more. Winning requires "judgment-making skills similar to a coach or a general manager," he said.

California lawmakers are the latest to wade into the issue, which sprang to public attention after an onslaught of advertising at the start of the NFL season last September. As many as 20 states are expected to consider regulations next year.

Nevada regulators declared the bets illegal gambling and ordered the sites out of the state unless they acquire gambling licenses. New York's attorney general this week ordered DraftKings and FanDuel to stop operating, but the companies won a temporary reprieve allowing them to continue operating through January.

The companies have also become a major source of revenue for professional sports teams, setting up comfortable lounges for players inside arenas and helping marketers connect with millennial fans, who want "second-screen content," said Peter Thuresson, vice president of the LA Clippers.

Assemblyman Adam Gray, D-Merced, who led Wednesday's hearing, has proposed legislation that would require league operators to be licensed by the state Department of Justice.

Representatives said they are eager to work with lawmakers – to a point. Martha Coakley, the former attorney general of Massachusetts, testified on behalf of DraftKings. She said the company supports regulations to address "compulsive behavior," prevent underage players and transparency about fees.

When asked in an interview if the companies should be required to pay taxes, she said the companies already pay business

taxes in the states where they are based, and everyone who wins more than \$600 receives a 1099 IRS tax form.

“So what would be the rationale to say, ‘We the state of California want, you know, a chunk of this?’ she said. “We are a business, we’re going to play by business rules, we do what other businesses do.”