



COMMITTEE ON  
**ENERGY & COMMERCE**  
DEMOCRATS  
RANKING MEMBER FRANK PALLONE, JR.

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## **Pallone Statement at Hearing on Daily Fantasy Sports**

*Energy and Commerce Ranking Member Frank Pallone, Jr. (D-NJ) gave the following opening statement today at a Subcommittee on Commerce, Manufacturing and Trade Hearing on “Daily Fantasy Sports: Issues and Perspectives.”*

Daily fantasy sports have become an integral part of the game for millions of fans across the country. What started as small, informal betting pools among friends over the course of a season is now a sophisticated online platform where millions of dollars are exchanged across state lines every day. Entry fees for daily fantasy sports range from a few cents to several thousand dollars, and the major DFS operators have posted revenues of more than \$1 billion in recent years.

Casual fans and diehards alike have embraced daily fantasy sports as a way to interact with the games and players they enjoy— and the leagues have taken notice. Within the past two years, Major League Baseball, the NBA, the NHL, and Major League Soccer have each purchased ownership stakes or invested in daily fantasy sports operators. Individual teams across professional sports have also formed lucrative partnerships with DFS operators—including nearly all NFL and MLB teams and about half of the NBA teams.

These teams and their leagues know that daily fantasy sports participants watch more games than the average fan and will even watch a one-sided contest until the end if a player’s performance could improve their stats and earn them money. For the leagues, this presents a massive ratings and advertising opportunity.

Despite its growing popularity, however, daily fantasy sports are currently operating in a murky legal framework by an industry that is mostly unregulated. It is crucial that consumers know what they are purchasing when they sign up for DFS and that they understand the risk of losing money in the process. For example, there are reports that 90 percent of payouts were won by just one percent of winners. With the allegations of “insider trading” at two major DFS operators, the potential harm to consumers is real and today we will explore, not how to stop people from playing, but how to bring fairness and transparency to the industry.

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I must also mention the hypocrisy of those arguing that daily fantasy sports is readily distinguishable from traditional sports betting. While quietly applying for and receiving gambling licenses in the United Kingdom, DFS operators continue to argue to interested states in the U.S. that—unlike sports betting—DFS is not gambling. Their reliance on the arbitrary distinction of skill and chance is also unconvincing, especially since both the Department of Justice and the NFL have asserted that sports betting also is a game of skill.

And speaking of the professional sports leagues, they have reaped huge profits from their partnerships with daily fantasy sports operators. At the same time, most remain stubbornly opposed to sports betting on the grounds that their players could become involved in gambling and organized crime if it were legalized. Yet, of the estimated \$400 billion spent annually in the U.S. on sports betting, 99 percent is illegal and functions almost exclusively through organized crime.

In New Jersey, voters approved a 2-to-1 referendum in 2011 to allow sports betting at casinos and racetracks. In response, every major professional sports league joined together and sued the state to stop the plan's implementation and stifle the will of the voters. How can the professional sports leagues oppose sports betting at casinos and racetracks, but support and prosper from the betting that is taking place every day in daily fantasy sports? To date, the leagues and others have not sufficiently explained the difference between fantasy sports, sports betting and other forms of gambling. I look forward to hearing from the witnesses on this topic as well.

I want to conclude by thanking Chairmen Upton and Burgess for holding this hearing at my request. While I am disappointed that some of the relevant actors in this space, like FanDuel and DraftKings, refused to participate today, I am confident that this hearing will be a good beginning to our efforts to level the playing field between DFS, traditional sports betting, and gaming.

Thank you and I yield back the balance of my time.

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