



# the campaign for *fairer gambling*

**U.S. Senate Committee on the Judiciary  
Hearing: “America’s High-Stakes Bet on Legalized Sports Gambling”**

**December 17, 2024**

**Statement by the  
Campaign for Fairer Gambling**

Chairman Durbin, Ranking Member Graham, and distinguished members of the committee, thank you for calling this hearing: “America’s High-Stakes Bet on Legalized Sports Gambling.” The need to begin an examination of gambling in America by the federal government cannot be overstated. We thank you for your leadership.

The Campaign for Fairer Gambling (CFG) is pleased to submit these comments on gambling issues facing the United States. CFG is a non-partisan, evidence-based organization focusing on gambling reform by the federal government with the goals of promoting a fairer marketplace, advancing consumer protections, and reducing gambling-related harm to people and communities. CFG launched in the U.S. in 2023 after many years of successful advocacy in the United Kingdom.

## *Introduction*

The U.S. gambling sector has undergone a major transformation since the Supreme Court’s 2018 ruling in *Murphy v. NCAA*. Sports betting and online gambling have quickly proliferated, inevitably increasing gambling-associated harm, as demonstrated by Total Consumption Model research.<sup>1</sup> The Supreme Court’s decision does not abdicate the responsibility to the States – on the contrary, the Court has opened the door for the federal government to understand and engage on this important issue.

Since the repeal of the Professional and Amateur Sports Protection Act (PASPA), changes to the gambling market and demands placed on consumers have demonstrated the need for Congressional action. CFG advocates for Congress to enact legislative reforms that include stronger consumer protections and regulatory guardrails to ensure transparency and fair play.

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<sup>1</sup> <https://www.tandfonline.com/doi/full/10.1080/16066359.2024.2430486>

As legal sports betting spreads across the U.S. and states rush to liberalize their gambling laws, concerns continue to escalate regarding the potential impacts on markets, communities, and – most alarmingly – vulnerable populations including children, young adults, and veterans.

New business relationships between professional and college sports leagues, entertainment companies, and gambling conglomerates have attracted new audiences and saturated the market with easy access to gambling, especially online. Online gambling is now at our fingertips, available 24/7 via smartphones and web apps. With access to gambling now available anytime, anywhere, there are now more customers yet fewer rules of the road.

Recent news coverage of the sector has clarified the risks. Reports have repeatedly surfaced of college and professional athletes placing illegal bets. Calls to problem gambling hotlines are rising across the states where sports betting has been legalized. Public health groups have spoken out about the health impacts of rapid commercial gambling expansion, emphasizing that gambling-related harm disproportionately affects the vulnerable<sup>2</sup> – children, adolescents, young men,<sup>3</sup> and individuals from socioeconomically disadvantaged groups.

Our view is that expanded legal gambling needs adequate regulation, coordination, and services to address the consequences of a product that is known to be addictive and harmful. Gambling companies, and those that act in cooperation with them, should not be able to write all the rules permitting predatory practices and behavior which harms consumers. We need law enforcement and international cooperation to step up efforts to root out illegal operators and for regulated gambling sites to act with a duty of care for their customers.

### *Introduction of Federal Legislation*

CFG welcomes the introduction of federal legislation to rein in abuses in gambling. Legislation like the SAFE Bet Act and the GRIT Act is needed amidst the excesses of the proliferating gambling sector. Only legislative action can bring necessary federal oversight and accountability to a rapidly growing sector that has seen few guardrails since the 2018 repeal of PASPA.

The SAFE Bet Act includes provisions addressing advertising, affordability, and the growing use of AI in sports betting. These provisions echo longstanding priorities raised by CFG and other advocates about the harm caused by unfettered gambling expansion.

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<sup>2</sup> [https://www.thelancet.com/journals/lanpub/article/PIIS2468-2667\(24\)00167-1/fulltext?dgcid=tlcom\\_carousel2\\_lanpubgambling24r](https://www.thelancet.com/journals/lanpub/article/PIIS2468-2667(24)00167-1/fulltext?dgcid=tlcom_carousel2_lanpubgambling24r)

<sup>3</sup> <https://apnews.com/article/sports-betting-compulsive-gambling-addiction-d4d0b7a8465e5be0b451b115cab0fb15>

Key provisions include:

- Stricter limits on predatory advertising intended to reduce exposure to harmful betting ads, particularly for young and vulnerable audiences.
- Deposit and other restrictions to limit bettors' losses and prohibit the use of credit cards for deposits, ensuring that users gamble only what they can afford.
- Safeguards against AI and predatory practices to prevent AI-driven gambling products like personalized offers and microbets from exacerbating addictive behaviors.

Importantly, the SAFE Bet Act includes public health measures that will bring greater attention to gambling addiction. The bill requires a Surgeon General's report on gambling and instructs the Centers for Disease Control (CDC) to enhance tracking of gambling-related harms.

CFG also proudly supports passage of the Gambling Addiction, Recovery, Investment, and Treatment (GRIT) Act to help mitigate mounting concerns about gambling's harm to health. Despite the reality that millions of Americans suffer from gambling addiction, there are currently no federal funds aimed specifically at gambling harm prevention.

Federal excise tax revenues are growing thanks to the expansion of sports betting. The GRIT Act wisely seeks to invest some of that windfall on gambling addiction prevention, treatment, recovery, and research.

The collection of gambling taxes is important to balancing the harm of gambling activities at the state and federal level.<sup>4</sup> Excise tax compliance could also be improved. Congress should ensure betting operators continue to pay their obligations under the excise tax. For example, some Daily Fantasy Sports operations are now challenging the validity of excise tax obligations.<sup>5</sup> The IRS has been clear in its view since 2020, but operators are still not paying some of the tax owed.<sup>6</sup>

Earlier this month, the World Health Organization (WHO) projected the legal global online gambling market will reach \$700 billion annually by 2028.<sup>7</sup> Meanwhile, YieldSec, in a study commissioned by CFG, estimated that the U.S. illegal online gambling market was valued at over \$40 billion in 2023.<sup>8</sup> Considering the market has been active for nearly 25 years, U.S.

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<sup>4</sup> <https://www.tigta.gov/sites/default/files/reports/2024-10/2024300064fr.pdf>

<sup>5</sup> <https://www.taxnotes.com/research/federal/other-documents/irs-tax-correspondence/attorneys-seek-certainty-on-treatment-of-fantasy-sports-contests/7dggv>

<sup>6</sup> <https://www.irs.gov/pub/lanoa/am-2020-009.pdf>

<sup>7</sup> [https://www.who.int/news-room/fact-sheets/detail/gambling#:~:text=Industry%20analysts%20estimate%20global%20gambling,gambling%20revenue%20\(2\).](https://www.who.int/news-room/fact-sheets/detail/gambling#:~:text=Industry%20analysts%20estimate%20global%20gambling,gambling%20revenue%20(2).)

<sup>8</sup> <https://cdn.sanity.io/files/42ezp3kj/production/afec099c776e5dec89db024b9098219e71bf2abf.pdf>

consumers and the economy are projected to lose at least \$1 trillion to online gambling by 2028.<sup>9</sup>

The truth is, gambling companies generate the most profit from the relatively small number of gamblers whose behavior becomes compulsive, a harmful dynamic that incentivizes gambling operators to aggressively market their products to bettors who are most vulnerable to problem gambling and gambling addiction.<sup>10</sup> Fairness dictates that a portion of the revenue generated by gambling activity ought to be invested for the purpose of mitigating the harm caused by this known addictive product.

It is worthy of note that when Illinois proposed increasing the online betting tax from 15% to 40%, the two biggest legal operators, FanDuel (owned by Flutter) and DraftKings, threatened to leave the state. Then, DraftKings decided to stay but apply a fee on gambler winnings. The tax increased, both operators are still doing business in Illinois, and there are now no fees. Flutter admitted the higher tax would be absorbed by reductions in offers and marketing.

The gambling sector persistently advocates for low tax rates on the pretext that lower taxes are better for the consumer. However, this assertion is not supported by the facts when comparing hold percentage, or the amount of gross gambling revenue relative to turnover. New York has a hold of 8.8% and a tax rate of 51%, whereas Louisiana has a hold of 11.8% and a tax rate of 15%.

CFG also supports the Gambling Addiction Prevention (GAP) Act, which was designed to address gambling harm to veterans and active military. A study authored by Professor Straus of the University of Nevada, Las Vegas (UNLV) and Professor Grubbs of Bowling Green State University found that problem gambling rates are 3.5 times higher among active military personnel than the regular population.<sup>11</sup> The U.S. Department of Defense (DoD) operates over 3,000 slot machines on various overseas military bases, earning a combined annual revenue of around \$100 million. The Government Accountability Office (GAO) was required to study this gambling activity in the FY25 National Defense Authorization Act, and we anticipate a publication of their report soon.

Lastly, CFG supports the Kids Online Safety Act (KOSA) introduced by Judiciary Committee members Senator Blackburn and Senator Blumenthal. There is an urgent need to conclude the debate and pass this legislation. Gambling continues to be too accessible by children, despite its illegality. Gambling sites advertise extensively on social media. We believe it is doubtful online illegal gambling, particularly by minors, can be adequately curtailed without federal intervention in social media, through legislation like KOSA.

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<sup>9</sup> <https://www.prnewswire.com/news-releases/us-online-gambling-losses-to-pass-1-trillion-by-2028-302329293.html>

<sup>10</sup> <https://www.nationalreview.com/corner/how-sports-gambling-companies-profit-from-addiction/>

<sup>11</sup> <https://www.gamblingnews.com/news/links-between-problem-gaming-and-the-military-might-exist/>

### *Competition and Antitrust*

Fairness and competition go hand-in-hand in a healthy marketplace, yet online casino operators and sportsbooks are consolidating as state license practices provide significant incentives to engage in customer acquisition rather than market competition.

Market consolidation is a common feature across the tech industry and gambling sector, with similar business models targeting user acquisition and annual recurring revenue growth targets. According to media reports, two companies in the online sports gambling industry have generated more than 70% of the online legalized sports-betting market.<sup>12</sup> Experts have cautioned that market consolidation in online gaming should be seen as even more bothersome than market consolidation in other high-tech industries; tech companies such as Google and Amazon gained substantial market share through product innovation, but gambling companies such as DraftKings and FanDuel gained their initial market share through regulatory arbitrage.

CFG supports regulatory reforms aimed at preventing market consolidation by gambling companies and ensuring fair and robust competition within the legal gambling sector.

DraftKings and FanDuel obtained market dominance in daily fantasy sports betting when marketing the activity as an opportunity to use skill to win. This duopoly used their customer data to market sports gambling, changing to a business model excluding winners and constraining sharp bettors. They also used the data to market casino gambling, where no one can expect to be a winner.

We applaud the actions by Judiciary Committee members Senator Lee and Senator Welch to raise questions about anti-competitive conduct.

### *Technology and Data Abuse*

Rapid digitalization of the gambling sector and adoption of AI have led to concerns about predatory practices and data abuse by online gambling operators. Online gambling data abuse is worrisome as it exploits vulnerable individuals, erodes trust, raises privacy concerns, and exacerbates problems related to gambling addiction. Addressing this issue is crucial to protect consumers in the digital age.

The Federal Trade Commission has identified practices that it regards as “dark patterns” in a 2022 staff report.<sup>13</sup> Both legal and illegal operators use these techniques to lure players.

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<sup>12</sup> <https://www.wsj.com/articles/fox-to-wind-down-sports-betting-site-fox-bet-f9fda8d2?page=1>

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[https://www.ftc.gov/system/files/ftc\\_gov/pdf/P214800%20Dark%20Patterns%20Report%209.14.2022%20-%20FINAL.pdf](https://www.ftc.gov/system/files/ftc_gov/pdf/P214800%20Dark%20Patterns%20Report%209.14.2022%20-%20FINAL.pdf)

Data abuse and dark patterns by gambling services must be better studied and understood, and adequate legal and regulatory measures must be put in place – and enforced.

The global online gambling market is estimated to grow by \$181 billion from 2024-2028, fueled by growing adoption of digital technologies enabling innovative features like live betting and virtual reality experiences.<sup>14</sup> As these advances in technology enable gambling operators to cater to online gamblers' unique preferences,<sup>15</sup> legal and regulatory guardrails must keep pace to ensure that operators' data and marketing practices do not become predatory or violate consumers' digital privacy.

Online sports betting is the gateway for interest in more addictive online gambling products and online casinos. Driven by advancements in technology and a permissive privacy regime, gambling operators continue to shrewdly employ sophisticated data practices, enabled by AI, to exploit specific consumers, induce play, and boost their bottom lines.

The UK data oversight agency of the Information Commissioners Office recently reprimanded Sky Betting and Gaming, (owned by Flutter) for abusive conduct.<sup>16</sup>

While technology is simultaneously driving gambling sector growth and opening doors to potential abuses and exploitation, innovations like AI should be directed towards player protection and fairness, rather than solely monetization.

### *Misleading Ads and Promotions*

Marketing and advertising practices are of tremendous concern. Promises of “free bets” and “bonuses” frequently mislead consumers, as these enticements are attached to wagering requirements that prevent the withdrawal of winnings unless the combined deposit and bonus amount is gambled a certain number of times – often around 100.

In the U.K., the Competition and Markets Authority has ruled that these promotions are in breach of consumer protection law, yet these tactics have been replicated in the U.S. by the same gambling operators. Gambling advertising requires regulation to ensure consumers are protected from misleading offers – especially as AI enables these enticements to be personalized and targeted to gamblers with increasing specificity.

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<sup>14</sup> <https://www.prnewswire.com/news-releases/online-gambling-market-to-grow-by-usd-181-47-billion-2024-2028-fueled-by-digital-tech-adoption-with-ai-driving-market-transformation---technavio-302309652.html>

<sup>15</sup> <https://cronkitenews.azpbs.org/2024/11/26/ai-in-sports-gambling-opens-door-for-predatory-behavior/>

<sup>16</sup> <https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2024/09/action-taken-against-sky-betting-and-gaming-for-using-cookies-without-consent/>

### *Gambling Advertising and Children*

As sports betting and sports betting advertising become increasingly ubiquitous, the impact of gambling ads on children and adolescents is of more and more concern.

In the past three years, major media companies, including ESPN, NBC, CBS, and FOX, have formed lucrative business deals with leading sportsbooks. The profitability of these partnerships raises doubts that self-imposed standards will be enough to maintain a fair and ethical gambling market. These partnerships also raise questions about whether news media organizations can fulfill their role as the impartial fourth estate that helps bring attention to problematic gambling sector practices.

Gambling sites advertise extensively on various social media and traditional media platforms as well, posting as many as 230 ads each day.<sup>17</sup> It is crucial that advertising practices are scrutinized and that the effects on children, adolescents, and young adults are thoroughly examined.

We believe behavioral, clinical, and sector data must be better studied to fully understand the impact of gambling advertising.

### *Online Gambling Reduces Local Economic Activity*

Money spent on online gambling does not stay local. Most gambling websites are run by large companies, often located outside the states where gamblers reside. This reality means that the revenue generated from U.S. consumers benefits out-of-state and sometimes even offshore entities, rather than supporting local economies. Local businesses also feel the pinch when consumers divert their spending from tangible goods and services to online gambling.

Beyond diverting money away from local economies, online gambling also comes with hidden costs, particularly with regard to public health. Problem gambling has been shown to increase financial instability for individuals and families, resulting in lost productivity, higher medical costs, and a greater strain on public health systems and inevitably the justice system. These burdens are carried by the local communities that fund treatment programs and other social services for those affected, draining wealth from U.S. towns and cities rather than driving economic growth.

In the U.K., the negative economic impact of online gambling has become impossible to ignore. A new report<sup>18</sup> shows that the supposed benefits of internet gambling – jobs, tax revenue, and economic activity – have been outweighed by the damage done to household

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<sup>17</sup> <https://phys.org/news/2024-09-reveals-huge-volume-sports-gambling.html>

<sup>18</sup> <https://www.theguardian.com/society/article/2024/sep/08/online-gambling-industry-has-negative-impact-on-uk-economy-says-thinktank>



wealth and local economies. The U.K. experience should be a cautionary tale for U.S. policymakers: gambling does not benefit communities in the long run. Rather, gambling profits line the pockets of large operators while the public is left to face the consequences.

Further, in some U.S. studies including a recent example in Connecticut,<sup>19</sup> “researchers found that nearly 71% of all legal gambling revenue in the state comes from the fewer than 7% of residents who are problem (1.8%) or at-risk gamblers (4.9%) ... and the proportion of Connecticut gambling revenue from the 1.8% of people with gambling problems ranges from 12.4% for lottery products to 51.0% for sports betting, and is 21.5% for all legalized gambling.”<sup>20</sup>

#### *Update the U.S. National Gambling Impact Study*

In 1999, the U.S. Department of Justice released a major report examining the impact of gambling on the U.S. economy. The 1999 report provided valuable insights into the state of gambling in the country at the time. However, the landscape of gambling has significantly changed over the last 25 years. The rise of online gambling and sports betting, changes in state laws, and shifts in societal attitudes towards gambling necessitate a fresh look at the impact and potential harm associated with gambling expansion.

We propose a new research study to provide a thorough and up-to-date understanding of the impact of gambling in the U.S., informing effective policymaking and regulation. The UK and other governments are investing significantly in research to understand their markets. Great Britain has an official gambling study, including surveying for the prevalence of online gambling which indicates a population-wide problem gambling prevalence rate of 2.5%.<sup>21</sup> The U.S. has no official mechanism at the state or federal level to assess the prevalence of harm.

CFG has contracted YieldSec to study the black market, finding that it continues to represent a significant portion of the gambling market in the U.S. This reality impacts sports integrity and many other issues. Unfortunately, state regulators often lack full transparency when conducting licensing reviews and many applicants achieve a position in the market despite revenue generated from the black market. For example, electronic gaming machines are operational in betting shops in Northern Ireland in contravention of a 1985 Order. Greater transparency is needed to understand the connections and compliance with legal and licensing regimes.

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<sup>19</sup> <https://portal.ct.gov/-/media/dmhas/publications/2023-ct-final-report-jan312024.pdf>

<sup>20</sup> <https://ctmirror.org/2024/02/13/ct-sports-betting-problem-gambling/>

<sup>21</sup> <https://www.gamblingcommission.gov.uk/about-us/statistics-and-research/gambling-survey>



### *Addressing Harm*

There is clear medical agreement that gambling, including sports betting, can lead to addiction for some individuals. Gambling addiction is recognized as a behavioral addiction in the Diagnostic and Statistical Manual of Mental Disorders (DSM-5). Gambling activates the brains reward system, releasing dopamine. Over time, repeated gambling desensitizes this system. Early, frequent and high stakes gambling opportunities are often associated with a higher risk of developing a gambling disorder. The Substance Abuse and Mental Health Services Administration (SAMSHA), as part of the Department of Health and Human Services, can study these cases in a limited way, often as a part of a related mental health disorder or addiction. CFG advocates that the U.S. government prioritize several policies. First, access to treatment – making sure that everyone harmed gets the care they need, including recognizing gambling disorders through the Affordable Care Act. Second, ensuring sufficient funding of treatment by ensuring that those who profit from gambling contribute to treatment of gambling disorders. Third, establishing expert and independent public health approaches to research, prevention, treatment, and recovery.

### *Conclusion*

In conclusion, CFG urges Congress to enact legislation that prioritizes transparency, and integrity, and requires the gambling operators to conduct business responsibly. We believe that a comprehensive, bipartisan, evidence-based approach, including enhanced consumer protections and robust federal enforcement mechanisms, is crucial to safeguarding the well-being of individuals, families, and communities.

Thank you again Chairman Durbin and members of the committee.