

# The Dangers of Online Sports Betting



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# CONTENTS

<b>Introduction</b>	<b>4</b>
No Guardrails for Online Sports Betting	
<b>Chapter One</b>	<b>8</b>
The Boom in Online Sports Betting	
<b>Chapter Two</b>	<b>18</b>
The Lure of the Sports Betting Industry	
<b>Chapter Three</b>	<b>28</b>
The Hazards of Online Sports Betting	
<b>Chapter Four</b>	<b>37</b>
Dealing with a Sports Gambling Addiction	
<b>Chapter Five</b>	<b>47</b>
The Future of Online Sports Betting	
<b>Source Notes</b>	<b>57</b>
<b>For Further Research</b>	<b>60</b>
<b>Index</b>	<b>62</b>

## CHAPTER FIVE

# The Future of Online Sports Betting

On November 5, 2024, voters in Missouri approved an amendment to allow sports betting, including online sportsbooks, in the state. Amendment 2 calls for the Missouri Gaming Commission to regulate sports betting for online apps, casinos, and other sources, such as gambling boats on the Mississippi and Missouri Rivers. After years of political wrangling, the measure passed by the narrowest of margins. Of the more than 2.9 million ballots cast on the amendment, it won by slightly more than four thousand votes, or a margin of 0.3 percent. Surprisingly, funding for the main opposition group came from gambling titan Caesars, which apparently sought to protect its three Missouri casinos from more competition. At any rate, with passage of the amendment, Caesars will now be able to operate its own online sportsbook in the Show Me State, along with FanDuel, DraftKings, BetMGM, and other major players.

Missouri will be the thirty-ninth state to allow sports gambling. According to Amendment 2, it is restricted to people who are physically within the state and at least twenty-one years of age. The heated campaign to legalize sports gambling in Missouri also highlighted issues that promise to linger. To win support, authors of the amendment had to show tangible benefits for Missourians. They estimated that legal sports betting could add nearly \$28.9 million in annual tax

revenue. They included a 10 percent tax on sports gambling revenues to pay for education in the state. Also, to address worries about the social drawbacks of gambling, a slice of tax revenue was earmarked for a compulsive gambling prevention fund. However, opponents say that the amendment does not do nearly enough to address problem gambling. “Over time, [Missourians] may see more bankruptcies, suicide attempts [and] embezzlements,” says Stephanie Roberts, a certified gambling addiction counselor. “When people find themselves suddenly in debt, they get desperate. Once your brain gets hooked, it’s like any other addiction.”<sup>34</sup>

## **Prospects of Expansion for Online Sports Betting**

Most experts agree that the business of online sports betting is likely to expand and become more profitable. In a February 2024 report, investment firm Goldman Sachs predicted that sports betting will balloon into a \$45 billion industry in coming years. Goldman analysts base their forecast on the likelihood of more states opting to legalize online sports betting very soon. They also expect profits to rise from all the exotic new types of in-game bets made possible by computer algorithms and AI. For example, as Steph Curry of the Golden State Warriors steps to the free throw line, a pop-up feature on the app could allow a one-click bet on whether Curry makes or misses the foul shot. “We’re in the middle innings of the development of the [online sports gambling] market,” says Noah Naparst, who evaluates sports betting companies for Goldman Sachs Asset Management. “At this point, about half the states have legalized mobile sports betting. The product is continuing to get better, with more sports being offered. Promotions are continuing to come down. Existing markets are still growing at a rapid clip. So we’re not mature yet, but we’re not in the early wildcat days of the market anymore, either.”<sup>35</sup>

Other industry experts are less certain about how quickly online sports betting can expand to other states. They note that five



*With AI, exotic new types of in-game bets are becoming more available. For example, if Golden State's Steph Curry (shown) steps to the free throw line, the app pops-up a one-click bet on whether he makes the shot.*

states—Alabama, Alaska, California, Idaho, and Utah—have yet to introduce any bills to legalize sports betting. And several more states, including Georgia, Oklahoma, and Texas, have so-called dead legislation, which has been introduced but not passed. Situations can vary with each state. Oklahoma's 2004 State-Tribal Gaming Act authorized agreements with Native American tribes to operate casino-style gambling businesses. Various tribes run 113 casinos in Oklahoma, the most of any state. But Native American groups have balked at legalizing online sports betting despite efforts by the governor and legislators.

As for Texas, it has a provision in its constitution that makes gambling illegal. Overriding this provision would require two-thirds support in its House of Representatives and Senate, plus voter approval. Lobbyist groups like the Sports Betting Alliance,

bankrolled by Texas sports teams such as the Dallas Cowboys and the Houston Astros, have pushed for sports gambling with no success. For now, in states like Oklahoma and Texas, people can access apps such as FanDuel or DraftKings only for fantasy sports, not for wagering money on games.

## Proposals to Regulate Sports Gambling

Rather than expand online sports betting, some legislators are seeking stiff new regulations. In September 2024, two outspoken critics of the online sports betting industry urged Congress to protect young people from the hazards of sports gambling. Connecticut senator Richard Blumenthal and New York congressman Paul Tonko believe that states are not doing enough to monitor online gambling sites. Their solution is called the Supporting Affordability and Fairness with Every (SAFE) Bet Act. If passed,

the law would immediately ban sports betting nationwide. Then, all states where sports betting had already been legalized would be forced to make new applications with the US Department of Justice. Applications would be approved only if the states demonstrated efforts to follow national standards and regulate in-state gambling activity. States would also have to reapply every three years. “State regulation is faint-hearted and half-baked,” says Blumenthal. “That’s why we need a national standard—not to ban gambling—but simply to take back control over an industry that is out of bounds.”<sup>36</sup>

**“State regulation is faint-hearted and half-baked. That’s why we need a national standard—not to ban gambling—but simply to take back control over an industry that is out of bounds.”<sup>36</sup>**

—Richard Blumenthal, US senator from Connecticut

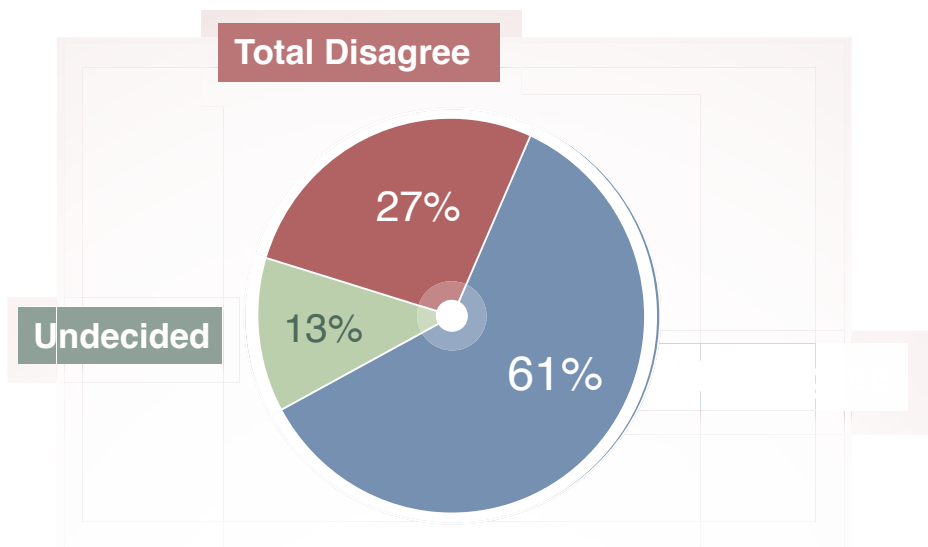
national standard—not to ban gambling—but simply to take back control over an industry that is out of bounds.”<sup>36</sup>

New federal standards under the SAFE Bet Act would focus on advertising, customer finances, and AI. The proposal would prohibit sports betting firms from running ads between 8 a.m. and 10 p.m. or during game broadcasts. Ads that include so-called bonus bets would end. To protect customer finances, the proposed legislation would prevent sportsbook operators from

# Federal Regulation of Online Sports Betting Is Needed

According to the National Council on Problem Gambling, millions of Americans have a gambling problem. For about 2.5 million adults that problem is severe. For another 5 to 8 million people that problem is moderate or mild. These numbers help explain why many Americans believe that the federal government must play an active role in regulating online sports betting. Sixty-one percent of participants in the American Sports Fanship Survey, published in 2024, said they strongly believe that the federal government should actively regulate online sports betting.

*The Federal Government Should Aggressively Regulate Online Sports Betting to Specifically Protect Customers from Compulsive Gambling*



Source: "American Sports Fanship Survey," Siena College Research Institute and St. Bonaventure University's Jandoli School of Communication, February 2024. <https://scri.siena.edu>.

accepting more than five deposits from a customer over a period of twenty-four hours. It would also prohibit credit card deposits and require that customers pass a financial checkup before placing bets over \$1,000. Prop bets on college sports would be outlawed nationwide. As for AI, the SAFE Bet Act would prohibit its use to track customers' betting behavior. It would also ban the

## Predicting Problem Gambling with AI

Researchers in Denmark believe AI can predict when sports gamblers are on the brink of problem gambling. Their company is called Mindway AI, and its innovative system emerged from research at Denmark's Aarhus University. Mindway's founder, Kim Mouridsen, employs psychologists that teach AI to spot behaviors linked with problem gambling. Unlike most casinos, which focus on just one or two possible risks—such as time spent and money wagered—Mindway's system considers fourteen risk factors. These include rejected bank withdrawals and sudden changes in betting patterns. By giving each factor a score from one to one hundred, the AI system creates a detailed assessment of risk for problem gambling. Scores are relayed in colors, with green showing responsible play, yellow indicating a player at risk, and red meaning stop play at once. According to Rasmus Kjaergaard, Mindway's CEO, "As soon as a player profile or player behavior goes from green to yellow and to the other steps as well, we are able to do something about it."

Mindway has already installed its system in European sportsbooks with some success. The company hopes to adapt its technology to the data sets of American sportsbooks and casinos in the future.

Quoted in Pause Before You Play, "Artificial Intelligence Is Here. What Does It Mean for Problem Gambling?," May 22, 2023. <https://pausebeforeyouplay.org>.

creation of AI-powered microbets, or special wagers tailored to certain customers.

Blumenthal and Tonko received pushback on their proposals, some from fellow Democrats in Congress. Sportsbook companies noted that sports gambling produces millions in tax revenues to benefit states. They also contended that states and tribal governments have already set up tough controls on the industry. Legal experts question whether Congress has the authority to compel states to perform regulatory functions on the federal government's behalf. But the SAFE Bet Act also won support from Northeastern University's Public Health Advocacy Institute. "This bill is a matter of public health," says Blumenthal. "It is a matter of stopping addiction, saving lives and making sure that young people particularly are protected against this exploitation."<sup>37</sup>

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# INDEX

*Note: Boldface page numbers indicate illustrations.*

- addiction. *See* gambling
  - addiction/compulsive gambling
- advertising. *See* marketing
- AI (artificial intelligence), 24, **24**
  - impact of, 54–56
  - pitfalls of relying on, in sports betting, 21
- Algamus Recovery Services (AZ), 45
- Alito, Samuel, 9
- American Gambling Association
  - on growth in Americans
  - placing sports bets, 23
- American Gaming Association, 5, 17
- American Psychiatric Association, 43
- André, Eric, 14
- apps
  - confirm shaming and, 32
  - youth are especially vulnerable to gambling problems associated with, 26
- augmented reality (AR), 55
  
- Ball, Tristyn, 44
- Belson, Ken, 8
- Beynon, Chad, 14
- binge drinking, 41, 43
- Black Sox Scandal (1919), 15
- Blumenthal, Richard, 50, 52
- Buzzelli, Michael, 39
  
- cash-out option (live ticket system), 16
  
- Cassino, Dan, 40
- Clark, Casey, 17
- College GameDay* (ESPN), 6
- college sports, 6
- compulsive gambling.
  - See* gambling addiction/compulsive gambling
- Curry, Steph, 48, **49**
  
- Daynard, Richard, 20
- Deubert, Chris, 21
- disclaimers, 35
- Dockens, Ashley, 21
- dopamine, 42
- DraftKings, 5, 6, **6**, 7, 12–14
- Drape, Joe, 8
  
- Eccles, Nigel, 27
- Espinal, Yanely, 31–32
- ESPN sports network
  - online betting app, 5
  
- Facebook, 7
- FanDuel, 5, 6, **6**, 7, 12, 13, 14, **14**
- fantasy leagues, 12–13, 35
- Feldman, Alan, 56
- Fliff (mobile gaming app), 26
- Fong, Timothy, 45–46
  
- Gamblers Anonymous (GA), 38, 44–45, **44**, 61
- gambling addiction/compulsive gambling
  - causes of, 42
  - hazards of, 7
  - increases in rate/severity of, 35–36
  - prevalence of, 21, 29, 30
  - recognizing signs of, 40–41