

TESTIMONY OF PETER SCHOENKE

PRESIDENT, ROTOWIRE.COM

CHAIRMAN, FANTASY SPORTS TRADE ASSOCIATION

Chairman Burgess, Ranking Member Schakowsky, and Members of the Subcommittee, thank you for the opportunity to testify before you today. My name is Peter Schoenke and I am testifying today as the Chairman of the Fantasy Sports Trade Association (the FSTA).

The FSTA has over 300 members – including major media companies such as ESPN, CBS, Yahoo!, NBC and FOX Sports, content and data providers like USA Today, RotoGrinders and STATS, Inc. and contest and league management operators such as RealTime Fantasy Sports, MyFantasyLeague, FanDuel and DraftKings. Fantasy sports have become a new national pastime, with over 50 million Americans participating in some form of fantasy sports last year. Americans enjoy fantasy sports as a hobby and as a form of entertainment that gives them an enhanced experience and a deeper appreciation for the sports they love.

I am also the founder and President of RotoWire.com, a leading information web site for fans who enjoy playing fantasy sports. I founded the website almost 20 years ago – when fantasy sports were just beginning to be played on the Internet. I am a small business owner based in Madison, WI, and I chose a career in this industry because I am passionate about playing fantasy sports myself as well as helping millions of others enjoy the hobby.

There are three points I would like to make with my testimony today. First, playing daily fantasy sports (or DFS) is a very popular hobby – just like season-long fantasy sports. For anyone who does not play fantasy sports, I will give a brief primer on what these contests entail, including a description of the daily format. Second, the states are regulating the fantasy sports industry and the FSTA has embraced common sense regulation. Third, Congress has empowered the Federal Trade Commission to protect consumers from “unfair or deceptive acts or practices” and Congress certainly has an oversight role on this issue.

First, a short introduction to fantasy sports. Although it may seem to some as if fantasy sports started last fall with the barrage of ads during football season, the truth is that fantasy sports have been played for over 35 years. While there have been innovations, like head-to-head contests, live scoring, and most recently, the daily or weekly variety, the basic concept has remained the same. The objective is for a player to select a team of real world athletes and compete against opponents based on a scoring system that uses statistical measures of individual athletes’ performances. Take fantasy football as an example: players draft a team of eight real-world football players from different teams to play positions like quarterback, running back, wide receiver, and so forth. The goal is to assemble a “fantasy” team that will earn the most points – NOT to pick the winner of any particular game. A running back, for example, earns one point for every ten rushing yards and six points for each touchdown.

This format is typical for both season-long fantasy contests as well as daily. Some may have the impression that the daily format is dramatically different than season-long fantasy

sports, but it is virtually identical in the way it assigns points for players' performance. All of the same basic principles apply – an “owner” still assembles teams of real-world players from different teams for multiple positions and those players earn points through the same scoring system as in the season-long leagues. The only difference is the duration of the contest – rather than taking place over a seventeen-week football season before crowning a champion, for instance, these contests take place over a single day or weekend. In essence, every week is akin to the playoff rounds in season-long leagues. Or, by way of analogy, think speed chess versus regular chess.

Many sports observers recognize that fantasy sports are having a transformative effect on how fans enjoy sports. Anyone who reads sports coverage online or tunes in to NFL Sunday pre-game or halftime shows is well aware of the integration of fantasy football discussion into the broader conversation about the day's games. Some suggest that fan interaction with the games will even affect how sports venues are designed and how the games are enjoyed on various viewing platforms. Ultimately this innovation can enhance fans' overall experience to the benefit of all – the teams, leagues, players, and media companies.

Second, states are actively regulating our industry. We support common sense state regulation to ensure transparency and fairness and to maintain consumer confidence. States have traditionally taken the leading role in regulating these issues, and states have taken varying approaches in the context of fantasy sports. In many states, paid fantasy sports operate under the existing legal framework without separate legislation or regulation, but bound by state laws on fair commercial practices. Some states (including Virginia, Indiana and Tennessee) have

enacted legislation to clarify the legality of paid fantasy sports contests and to ensure consumer protections. Other states are currently crafting legislation tailored to their own state's needs and interests as they pertain to this industry. We stand ready to work with any state interested in developing a common sense regulatory framework that would allow residents to play fantasy sports while ensuring appropriate consumer protections and without dampening innovation or denying consumer choice.

Third, at the federal level, Congress has empowered the FTC to protect American consumers from "unfair or deceptive acts or practices" and we as an industry appreciate that our businesses must comply with these standards just as all other online businesses do. In fact, when asked whether the FTC needed additional authority to protect paid fantasy sports players, the Chairman of the FTC reportedly confirmed that Congress has given the FTC sufficient power and authority. We stand ready to work with the FTC and with this Subcommittee in moving forward to ensure the fairness and transparency of paid daily fantasy sports as well as season-long fantasy sports and to ensure that we maintain the trust and confidence of fans that choose to play fantasy sports. We also hope that, in doing so, we preserve the ability of states to regulate this activity and that they do so without killing the innovative spirit and new and exciting choices for millions of fans who enjoy fantasy sports.

Thank you again for the opportunity to testify today. I look forward to answering any questions you may have.