

November 5, 2015

To: The Office of the Attorney General  
ATTN: Ashley Johansson  
Initiative Coordinator  
P.O. Box 944255  
Sacramento, CA 94244-2550  
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**Request for Title and Summary for Proposed Initiative**

Dear Initiative Coordinator Ashley Johansson,

Pursuant the Elections Code, § 9002(b), please find enclosed the amended Constitutional Amendment Initiative titled "*Sports Integrity Protection Amendment*" (SIPA), which supersedes the original version submitted to your office on October 8, 2015, and the amended version submitted on October 28, 2015. The amendments to the original version and the amended version are minor, which I can provide under separate cover if desired.

Please direct all inquiries and correspondence to:

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Sincerely,

Zack Ward

## Section I. Title

This amendment shall be known and cited as the Sports Integrity Protection Amendment (SIPA).

## Section II. Findings and Declarations

The people of the State of California find and declare as follows:

1. For time eternal or nearly, the intersection of sports and money has been an undeniably attractive destination. It has the potential to create a prosperous economy and take the State of California and our entire nation to unprecedented new heights. However, so far, it has manifested itself through sports betting and daily fantasy sports and produced nothing but problems and agony along with financial benefits to a very select few.
2. Sports betting is ubiquitous and growing. 118 million Americans admitted to betting on sports in 2008.<sup>1</sup> Legal sports wagering in Nevada was \$3.9 billion in 2014 and the illegal wagering market, according to some estimates, is nearly \$400 billion.<sup>2</sup>
3. At the moment, there appears to be a strangely increased tolerance toward potential legalization of sports betting, jumpstarted when Adam Silver, NBA Commissioner, published an opinion piece in New York Times on November 13, 2014.<sup>3</sup>
4. A bill that would legalize and regulate sports betting in California has been recently introduced (AB 1441: California Interactive Sports Wagering Consumer Protection Act.)
5. There is a dangerous growing interest in daily fantasy sports. In 2014, entry fees were estimated to be \$1 billion, and they could reach as much as \$30 billion in 2020.<sup>4</sup>
6. A bill that would require licensing and regulation for daily fantasy sports in California has been recently introduced (AB 1437: The Internet Fantasy Sports Game Protection Act.)
7. Both daily fantasy sports and sports betting in general are forms of gambling that are positively destructive to society at large.
8. Both sports betting and daily fantasy sports may require skill, but that doesn't negate their definition as gambling. They are markets, not games, but unlike nationally regulated markets such as the stock markets and the derivatives markets, they do not provide any public benefit whatsoever or helpful purpose for society at large. They are

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<sup>1</sup> <http://www.ncpgambling.org/wp-content/uploads/2015/01/Sports-Gambling-Facts-and-Statistics.pdf>

<sup>2</sup> AB 1441: California Interactive Sports Wagering Consumer Protection Act

<sup>3</sup> <http://www.nytimes.com/2014/11/14/opinion/nba-commissioner-adam-silver-legalize-sports-betting.html>

<sup>4</sup> <http://www.legalsportsreport.com/170/revenue-projections-for-daily-fantasy-sports-sites/>

betting markets that are purely entertainment vehicles and massive profit generators for their owners and operators, at the expense of participants and the public.

9. Sports betting and daily fantasy sports seriously threaten the integrity of sports because of the perverse incentives they create. In the United States and throughout the world, there have been numerous examples of game fixing, point shaving and similar unethical and/or criminal acts driven by gambling interests. Recently daily fantasy exploded in controversy with allegations of insider trading and potential corruption including player participation.<sup>5</sup>
10. AB 1441 openly acknowledges the threat that legalized gambling poses to the State of California, and expressly prohibits betting on “any collegiate sport or athletic event that takes place in California, or a sports event in which any California college team participates, regardless of where the event takes place.”<sup>6</sup>
11. Contrary to popular belief, a mixture of sports and money does not always imply gambling. Socially beneficial combinations of sports and money can, and do exist.
12. Responsible, regulated, non-gambling sports markets capture the desire of taking short-term or long-term positions in sports (performance or non-performance related) by fans, speculators, investors, the sports industry and other stakeholders, and produce socially beneficial functions akin to those provided by the financial markets. As such it would be in the State of California's best interest to allow such markets to develop and thrive.
13. Preserving integrity is crucial for the sports industry and its stakeholders. Gambling proponents often cite the need to monitor the gambling activity to manage integrity issues. Such monitoring is not only costly, but it generally does not work and corrective actions take place after the damage is done. Instead of attacking the symptom, the root cause of the problem should be addressed, which is removing the perverse incentives gambling creates in the first place. Responsible, regulated, non-gambling sports markets can be set up in a way that integrity is preserved by design.

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<sup>5</sup> See, for example, [http://www.nytimes.com/2015/10/06/sports/fanduel-draftkings-fantasy-employees-bet-rivals.html?\\_r=0](http://www.nytimes.com/2015/10/06/sports/fanduel-draftkings-fantasy-employees-bet-rivals.html?_r=0). Regarding player participation, Congressman Frank Pallone requested that the two top operators provide a list of all NFL players engaged in daily fantasy sports, along with referees, coaches, trainers and team management.

<sup>6</sup> AB 1441: Chapter 4.6, 19722(e).

14. Responsible, regulated, non-gambling sports markets will boost economic activity, create jobs and increase tax receipts. Critically, these benefits should not come at the expense of the integrity of the sports, the welfare of the athletes, the sports community, residents of California, and the national citizenry.
15. Responsible, regulated, non-gambling sports markets combined with a carefully crafted educational program using sports at the core will attract and allow the public to master complex financial concepts. An educational effort based on sports will significantly increase financial literacy, further increasing the welfare of the State's residents and grow the economy.
16. Anchoring the "NASDAQ of Sports" in California will establish the state as the sports financial capital of the world. Benefits will accrue into perpetuity regardless of the final regulatory structure. Responsible, non-gambling socially beneficial sports markets will spawn a brand-new ecosystem boosting the economy through capital inflows, industry and job creation, rising tax receipts and reduction of gambling-related costs.

### **Section III. Statement of Purpose**

Enacted, SIPA lays the enabling foundation for all responsible, regulated, non-gambling sports markets to grow and flourish creating a brand new socio-economic ecosystem called the new sports economy. Sports betting and daily fantasy sports, both with active California bills, are presently the only known combinations of sports and money and they net disappointing results. However, the proper fusion will greatly benefit our economy and society. Smart innovations will turn a \$400 billion+ mostly underground market into a thriving regulated marketplace thereby creating jobs, boosting the economy, increasing tax receipts, reforming education, reducing gambling-related costs and protecting the integrity of sports.

### **Proposed Amendment to the California State Constitution to be added to Article I, Section 32.**

Therefore, it is Proposed:

That any California resident, 18 years or older, has the right to trade on responsible, carefully regulated, non-gambling, and socially beneficial sports markets.