

**The Consequences and Future of Sports Gambling: Investigating the Legal Effects and
Direction of the 2018 Overturning of PASPA**

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SMGT 505-001: Legal Issues in Sport

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Abstract

In 2018, the United States Supreme Court made the decision to overturn a federal ruling from 1992. The ruling was known as the Professional and Amateur Sports Protection Act, or PASPA. This federal decision made it unlawful for all states to create legislation that legalized sports gambling. In 2018, that all changed. The decision, coming from the Supreme Court has created a wave of both positive and negative consequences. Institutions such as smaller collegiate athletic departments have benefited greatly from tax legislation regarding state legalization. However, many express concerns for addiction, current taxation and overruling government power as well as concerning income through tax revenue. The following research will address both consequences of the issue and will provide further insight on legal direction that may prove more helpful than harmful within a long-term perspective.

Introduction

Since 2018, individual states have moved at a rapid pace in the legalization and regulations of sports gambling. However, poses no federal framework to be inspired by. Many are concerned that the United States is moving too fast, not thinking about critical consequences that could result in the near future, some of which Europe is familiar with. The cause for concern is great, but it is not too late to make adjustments to gain better control. Lawsuits have brought to the table legislation that they believe has violated certain state laws, such as _____ in Florida. The main concern was the beginning of a monopoly for the Seminole tribe, which will be explored later on. Others address concerns of addiction and advertising, which only bring in more money for the government. On the other hand, tax regulations have served smaller programs well in revenue that they could not afford otherwise such as smaller universities and colleges in North Carolina. So, is the United States doing too much, too quick? Are they too deep to get this under control? This paper will look to explore the evidence from tax regulation, mental health and addiction crises, Olympic efforts, and other factors to draw a conclusion to if the 2018 decision has proved for better or for worse. Then if for worse, how the states can improve regulation in the best interest of the taxpayers. Part I will explore what is already known pertaining to what is already known. This will go into depth about current regulation, and how it has impacted bettors in different ways such as mentally. This will include data from the COVID-19 pandemic and the rise of addiction, and government spending efforts. Part II will explore what taxation regulation does as well as the detail of integrity fees. To be clearer, how the government has benefited from different tax legislation, and how it has made integrity questionable as well as

how it has benefited institutions. It will also include why integrity fees would also be needed, for reasons such as match-fixing, the soft accountability of the International Olympic Committee, and what it the compromise of integrity due to monopolization efforts. Part III will draw suggestions for federal framework for states to work with, especially for those who have still not decided on legalization in the United States. The question of whether this issue should be in the hands of the federal government will also be addressed, as some may think differently about this issue. Lastly, how the United States can learn from the mistakes of Europe's sports gambling spiral, restoring integrity to tax-payers, bettors, and sports fans all around. All these arguments and evidence will culminate a conclusion about the 2018 decision, whether it was a poor or beneficial decision, and where to go from there.

Part I

A. The COVID-19 Pandemic's Impact on Online Gambling, Mental Health, and Addiction

In 2018, the United States Supreme Court could have never seen coming what would come to the world two years following. The 2018 decision was not the alone factor in mental health effects of sports bettors, nor would it be the only effect of the betting market in 2020. As a result of the COVID-19 pandemic, the habits of people began to severely change. The people, depending on where, lived under governmental restrictions in which would impact gambling and the means it was consumed in by the public.

Volume 155 of *Addictive Behaviors* was written by Alberto Catalano and others, published in August of 2024. This study focuses in on Covid's impact on gambling. The research used two

separate databases (Pubmed and CINAHL) to analyze both the general population subjects who gambled prior to the pandemic (Catalano, 2024, p.1). The researchers of this volume collected 408 reports, and used 28 of them in their systematic review. Through cross-sectional and longitudinal studies, data was collected pertaining to the subject populations. One data point that is worth noting, is that a small percentage of overall people across studies either began or increased their gambling habits. This ranged from “about 4 to 16%,” (Catalano et. Al, 2024, p.6). This means that the majority did not change their gambling frequency habits during the pandemic compared to prior, which is interesting considering restrictions were placed on sports causing inactivity. However, the younger age subjects were ones who through studying them resulted increased predictors for “higher gambling severity level, spending more time at home, higher alcohol consumption, psychological distress, worry about mental health, irregular occupation, job loss or reduced working hours, and playing in more types of gambling,” (Catalano et. Al, 2024, p. 7). This data all comes from longitudinal and cross-sectional studies conducted from 2020-2022.

B.

Catalano’s studies serve only as a genesis to be aware of the current state in which we are at in terms of the physiological effects the legalization of sports gambling has opened the door to. Sean McLaughlin goes in deeper of how in the first five years bettors have been affected financially, as well as how the state is benefitting. This information is to continue to give a picture about what is happening currently, and to establish the issue of far too much government benefit. State governments have fooled bettors to think that legalization is for their pleasure and a statement of freedom. While many people think they can finally earn passive income by

ruthlessly making a hobby from sports gambling as if it is an accolade, state governments are steps ahead in taking advantage of the people.

Sure, sports betting is one more legal thing people can finally do. But what is it truly costing? In the first five years of legalization, “Americans sunk an absolutely staggering \$220 billion into legal sports betting,” which in turn created an “untapped tax pool for every state that opted in.” (McLaughlin, 2024, p. 34). Since there is no federal framework, which is the height of the issue today, states are running rampant in their greed to take this money for themselves. What this means is due to the lack of uniformity, the tax all differs. For example, in Iowa, there is a low 6.75% tax applied to sports betting. However, New York and Rhode Island have applied a 51% tax within their regulations (McLaughlin, 2024, p.35). What this means is, this income is taxable under the broad regulations of the IRS. Going back to the New York example, this resulted in a \$189 million revenue for the state government “in the third quarter of 2023 alone,” (McLaughlin, 2024, p.35). Some may at first argue that this is a positive thing. The government is getting more money, enabling a working out of debt or to put that money where it matters. However, that may not be further from the truth.

The revenue is increasingly growing, but McLaughlin argues that it seems as state governments are seeing so much money that they do not want to bother taking an anti-advertisement approach like they do to cigarettes. While long-term effects are not generally known since legalization has still not been around for that long, we do know that “countries with more mature gambling markets, has shown clear evidence for negative outcomes in financial health, personal relationships, education, employment and crime,” (McLaughlin, 2024, p.35). The number of Americans suffering from what is called “problem gambling,” or a gambling addiction is consistently rising, and there are examples of professional athletes being affected

and even losing their jobs because of it. Despite all this, what is being offered for help clearly is not satisfying to McLaughlin nor is it really proving to be for those who are really struggling. The National Council of Problem Gambling does advocate for government spending reallocation efforts, however, have little backing from the states. Problem gambling has always costed a hefty amount per gambler, but what it costs post-legalization is problematic.

Government and Organization Benefits

In 2021, Victor Matheson introduced the symposium concerning the direction of legalized sports gambling. He took examples from the U.K. pertaining predicted revenue figures over time. Considering that the revenue benefits are high, it is no wonder why the states are all in. The popularity in the United States has likely surpassed that of the U.K. dozens of millions of dollars were predicted to be received in sports betting revenue per year. Matheson suggests that if the U.S. appears similar to the U.K. numbers of revenue from 2020, the total revenue of sports betting alone could be \$32 billion a year, which is “twice the net gambling revenue generated by state lotteries across the country and slightly less than the \$42 billion in net casino gambling revenue generated across the USA,” (Matheson, 2021, p.5).

Integrity Fees

One form of taxation is called integrity fees. These are fees that are taxes upon the entire amount bet on games to prevent match-fixing and corrupt behavior, (Depken II, 2021, p.76). This directly affects the ability to collect tax and where that tax goes. The integrity fee is provided to leagues as they attempt to actively battle game manipulation. There are two ways in which sports gambling is taxed; the handle and the hold. The handle is an “ad valorem tax on total dollars bet, while the hold is an “ad valorem tax on betting revenues less total winnings,” (Depken II, 2021,

p.77). The hold tax does not influence any of the parties within sports betting, such as the book maker or bettor. However, the hold “does alter the profitability of servicing bets and might push smaller bookmakers out of the market for certain bets, which, in turn, could alter the concentration of the (legitimate) betting market,” (Depken II, 2021, p.77). On the contrary, the handle does in fact alter the incentives of the parties.

Most states impose a hold tax, and due to there being no federal framework, the tax rate varies from state to state. For example, Nevada has imposed a “6.75% tax on total hold,” New Jersey an “online hold at 13%,” and Pennsylvania a “tax of 36% on sports gambling hold,” (Depken II, 2021, p.78). The integrity fee taxes are collected by the state and are then given to the leagues so that they may monitor game-honesty from the athletes. The tax percentages do not always have to be reflected as listed in the legislation. Depken reveals what the is not commonly known, using the example of Nevada. He writes that if Nevada who saw \$1 million in betting revenue, but they retained 5% of it in gross wagering profit or hold. Now, “Of the \$50,000 in hold, the sports book would pay 6.75% in state taxes or \$3375,” (Depken II, 2021, p.79). Further, if there is a 1% integrity fee upon the handle of \$10,000, which raises “the effective average tax on operating income from 6.75 to 26.75% and would reduce the total operating income to \$36,625,” (Depken II, 2021, p.79). He concludes by saying that this is ultimately a blow to the sports books, and they would find larger profits in other industries. Ultimately, the state gets to hold the power in how much is taxed from revenue, with no cap and at the league’s requests. This could mean that if problem gambling and match-fixing continue to rise, the integrity fees can rise creating a disadvantage for sports books but greater revenue for state governments and sports leagues.

North Carolina \$144M tax benefit

It is not only sports leagues who receive financial benefits from tax revenue on sports betting, but also athletic departments of colleges and universities. In North Carolina, betting companies pay an 18% tax rate. These taxes are distributed to North Carolina's universities, specifically their athletic departments. This tax revenue "provided more than \$1.66 million to each department," (Lee, 2025). This list included 13 different colleges and universities, excluding North Carolina Chapel Hill and N.C. State, citing that they already have sufficient revenue. The smaller colleges and universities do not have media rights contracts. Therefore, they were "funding their athletic departments with student fees, ticket sales and donations," (Lee, 2025). Now, they receive a cumulative \$21 million dollars, covering various concerns for each of the universities. There is some form of regulation on how to spend this money, which includes first paying off any incurred debt. After that, each institution has free reign to use the revenue however they so please.

This example coming out of North Carolina goes to show that tax revenue can be used in ways that prove to be helpful. Since these universities only get minimal-to-no TV time, they struggle to work their way out of debt from projects. Overall, these taxes can be used for good purposes. That does not neglect the fact that there are people still hurting: the bettors. Governments are willing to spend money to "promise integrity" or assist college and university of athletic departments. While these allocations are seemingly good things, the taxpayers continue to be neglected. Problem gambling continues to rise, which begs the wonder about if there will be tax increases. This may be needed, as state governments are looked to, to provide help for addicts. Sports gambling is clearly linked to behaviors such as "substance abuse, pornography use, video game use, and symptoms of addiction or dysregulation in all such

behaviors,” (Grubbs et al, 2024). With studies showing that it is younger people suffering from this more often, there lies the possibility of North Carolina for example, having to raise their tax on sports betting companies to help fund addiction treatment programs especially at these universities. This could serve as possible future legislation and could prove needed in the near future that other U.S. states could follow in.

James Beyer and Wyatt Robinson v. DraftKings, Inc.

A recent lawsuit has looked to expose the corruption of a particular sports betting organization, setting out to prove the lack of care for bettors. DraftKings has recently become the defendant in a lawsuit in a class action complaint. James Beyer and Wyatt Robinson represent not only themselves but also others. They as the Plaintiff, make multiple allegations around the central allegation of false advertising. They claim deceptive tactics by DraftKings so that they increase their revenue, essentially misleading customers. This lawsuit comes out of Kentucky, where sports gambling was legalized in all forms in 2024. The Plaintiff claims that what should be a “natural deterrent to continuing as a customer of DraftKings,” in their 96% loss rate for bettors, meaning that 96% of them lose, has driven DraftKings to having “crossed the line in its efforts to recruit fresh blood,” (James Beyer and Wyatt Robinson v. DraftKings, Inc.; Crown KY Gaming LLC, 2025).

Here is where betting companies seek to unfairly benefit. These companies are not unaware of the rising rate of gambling addiction, especially in young adults. They are also not unaware of the rising rate of depression, anxiety, and other mental health effects in those addicted to gambling. To them, there is no better way to take advantage than to use “false promises of the opportunity to win big with no risk to lure users into committing more money to the platform than they otherwise would have,” (James Beyer and Wyatt Robinson v. DraftKings,

Inc.; Crown KY Gaming LLC, 2025). Apparently, through their program there is a noticeable pattern of promising all upside bets, which are advertised as “free” or “no risk” but then suggesting progressively worse bets, resulting in bettors spending more money than they lose majority of the time anyways. According to the Plaintiff, these practices ignore “laws and regulations intended to protect consumers,” (James Beyer and Wyatt Robinson v. DraftKings, Inc.; Crown KY Gaming LLC, 2025). DraftKings does not put their own money on the line to create an upside for consumers, rather convincing users to believe that creating and funding their account will present more advantages. A direct example of this is the way the app forces bets for new users to intentionally create poor gambling habits. They go as far as requiring bets, which are “more bets than they initially were led to believe would be required,” through in-app advertisements and promotions (James Beyer and Wyatt Robinson v. DraftKings, Inc.; Crown KY Gaming LLC, 2025).

Risks and Match-Fixing

Suddenly, it seems reasonable to question if integrity fees indeed do work. Total bets are taxed from sports betting platforms, however companies like DraftKings are not operating out of integrity in the first place. That is, upholding a trustworthy standard without the interest of personal gain at the personal expense of the consumer. Do platforms such as DraftKings look to manipulate consumers because they know something their consumer base does not? If their total revenue is taxed and distributed for other purposes, this makes total sense in the eyes of the betting company. Especially with such a high and probably alarming loss rate of 96%.

Let us take for example the adaptation of the live-betting market. In its earliest days, sports wagers were able to be placed up until the initiating whistle or the beginning of the broadcast. However, betting companies have adjusted their framework to gain more money,

which again is resulting in overwhelming majority of losses. This adaptation is known as in-play betting. In Europe and in other countries, in-play live bets account “for approximately 70% of money staked in bets,” (Lopez-Gonzalez, 2025, p. 503). Studies have shown that sports gambling has resulted or rooted from impulsivity (Grubbs et al, 2024). In-play betting heightens this impulsivity by offering wagers “based on quick reactions to ongoing in-game stimuli,” (Lopez-Gonzalez, 2025, p. 503). The time to act on these are extremely quick, as the props and lines can be changing minute-by-minute. This results in individuals being “required to resort to cognitive shortcuts to make decisions,” (Lopez-Gonzalez, 2025, p. 503). If lines are ever-changing during the few hours of competition, how much can the bookmakers really be trusted in the first place about their knowledge? In-play betting encourages a “continuous form of gambling,” (Lopez-Gonzalez, 2025, p. 503). This could be a measure of desperation to make back the money from what these companies are taxed by state governments. Since there is no federal framework with taxation rates, there is no foreseeable legal limit betting corporations will reach to make up for their lost ground in taxes.

IOC Efforts and Future Direction

It is not just leagues and betting companies that show evidence of a lack of integrity. This even reaches to the top, to the International Olympic Committee. In the Olympics, such actions are referred to as competition manipulation. There are two types of competition manipulation. The first is where the athlete looks to “profit in the gambling market.” The second being “sporting-motivated manipulation that is unrelated to betting and does not usually involve criminal activity, even if someone profits from the eventual outcome,” (Helgren, 2024, p.307). Match-fixing is categorized under competition manipulation, and the Olympics has a history since its earliest time of athletes competing in attempts to force a predetermined result, (Helgren,

2024, p.307). Helgren writes that the International Olympic Committee is fully aware of sports betting entities supporting athletes and causes.

The IOC, according to Helgren does not have an extensive action list in the punishing of match-fixing performances. Helgren observes that the IOC seems to be moving slowly in the direction of enforcement, which has only begun to be serious since 2012 compared to the rapid speed of the growth of sports gambling (Helgren, 2024, p.310). Soon following the conclusion of the 2012 games came the establishment of the Joint Integrity Intelligence Unit, (Helgren, 2024, p.311). It is clear that the Olympics, which Helgren references, has had many past issues with athletes manipulating their competitions for either financial gain or easier placements. However, the IOC continues to face challenges in enforcing consequences for manipulation. Their challenges come about in a few ways, including “(A) lack of recorded history and legal precedent for the crime of match-fixing; (B) rapid legalization of sports gambling around the world; (C) expedited growth in technology facilitating sports betting; (D) lack of established frameworks for regulating betting-related competition manipulation; (E) general reluctance to enforce established sports betting laws; and (F) targeting of vulnerable individuals by the illegal gambling industry,” (Helgren, 2024, p.314).

It does not make invoking consequences any easier when history has shown that the judicial system has treated guilty parties sparsely (Helgren, 2024, p.314). Disciplinary actions have historically been delegated to sports organizations, and the penalties have been slim-to-none. It is believed with such lack of documentation and framework, enforcing regulations will be an uphill battle and will continue to show critical inconsistencies (Helgren, 2024, p.314-315). The heavy increase of sports gambling, both online and on land remains a massive influence, as it is global especially in Europe and not just the United States. (Helgren, 2024, p.315). What may

prove as a helpful start in framework, is following regulations such as the Olympic Movement Code. The code is carried out to “outline violations including betting on a participant’s own competition, manipulating an event, using or disclosing inside information, failing to report a concerned disclosure, and refusing to cooperate with an investigation,” (Helgren, 2024, p.311-312). Perhaps this code could serve as a good model for professional leagues and the NCAA to look at and follow in their own creative terms.

Monopoly Risk: Florida and the Seminole Tribe

Another interesting perspective of issue has raised slowly over the last three years. It is the issue of sports betting on tribal lands. This started in 2021, when the Seminole Tribe of Florida entered a gaming compact with the State which allowed the Tribe to facilitate offering mobile sports wagering. The big condition that came with this though, is that the wagers had to take place at the site of the servers themselves, which are all on Seminole property (W. Flagler Assocs. v. Haaland, 573 F. Supp. 3d 260 (D.D.C. 2021)). Later that year, the compact was invalidated by a district court, citing that this regulation was not permissible by the Indian Gaming Regulatory Act.

This case has had a lot of movement, whereas two years later in 2023 the United States Court of Appeals overturned the District Courts ruling (W. Flagler Assocs. v. Haaland, 71 F. 4th 10590 (D.C. Cir. 2023)). The overturning cites that such activity is permitted by Florida law on state land, and that all actions were permissible “because they are directly related to the operation of gaming activities pursuant to the IGRA,” (Hart, 2024). Finally in June of 2024, West Flagler Associates was denied by the Supreme Court were denied the filing, and would not hear the case any further. (West Flagler Associates v. Haaland, 2024). The Supreme Court’s decision opens the

door for many other Tribes in states to walk through. The denial was made in October of 2023, while it was made official in June of 2024.

Maverick Gaming LLC v. United States

Moving over to the state of Washington, the Shoalwater Bay Indian Tribe was left absent from a ruling in the Ninth Circuit Court of Appeals in 2024. Maverick Gaming LLC attempted to challenge Washington's tribal-state compact, which "allowed sports betting on tribal lands," (Staudenmaier, 2024). Maverick Gaming LLC believes that the tribal-state compacts violate federal law, taking the complaint even further than West Flagler Associates. Specifically, Maverick Gaming LLC claims a violation of the IRGA, the Equal Protection Clause, and the Tenth Amendment (Maverick Gaming LLC v. United States, (D.C. No. 3:22, 2024, p.3). The District court dismissed the action attempted by Maverick Gaming LLC, citing that the Shoalwater Bay Indian tribe was required to be joined in the litigation and they failed to do so. This is a requirement "under Fed. R. Civ. P. 19(a) because the Tribe has a legally protected interest in the lawsuit that may be impaired or impeded in the Tribe's absence, and rejected Maverick's argument that the federal government could adequately represent the Tribe's interests," (D.C. No. 3:22, 2024, p.4).

The main concern with these jurisdictions is that these compacts create loopholes around state laws, and the amount of money at stake with the revenue could lead to a monopoly, which is against the Sherman Anti-Trust Act (Greenburg, 2024). The stakes raise the concern of revenue to over \$120 million dollars, as that was Florida's 2024 revenue share. It is predicted to be around "\$.4 billion through the end of this decade," (Schneider, 2024). As much as federal framework is needed with state regulations, it may or may not be helpful in this case. Congress does appear to be trying to work their way in to "maintain Federal interest in the integrity and

character of professional and amateur sporting contests, and for other purposes,” (Harris, 2020, p.111). The author of this journal, Becky Harris raises the point that the Federal government simply cannot possibly know more about sports betting regulations than states like Nevada, who has been legislating on this issue since 1869 (Harris, 2024, p.112). Harris gets at the facts that states and tribes have handled jurisdictions so far with the upmost integrity and do not need the help of the federal government. She says that since they have historically never had a role in these regulations, then that is the way it should stay (Harris, 2024, p. 113). Due to the federal government possessing no experience or proficiency in gambling regulations, unlike states and tribes, that Congress should stay out of this matter and continue to allow the states to handle legislation. Congress has also partnered with SWMIA to try to form federal regulatory framework, (Harris, 2024, p.115).

Perhaps Becky Harris could be correct in this matter, but I am not sure if I could completely agree. The Supreme Court has made a consistent effort to keep decisions in the hands of the states. It is reasonable that the federal government should not have involvement pertaining state-tribal compacts. The federal government has yet to find throughout different lawsuits like the ones previously address, that the Tenth Amendment has been violated. Therefore complaints are being filed that are not even worth continuing to hear at the Supreme Court level. However with general regulations, the federal government could create an overarching framework to address tax rates, revenue shares, financial reallocation, and a legal guarantee that certain requests are met such as the NCAA President desiring for prop betting not even be made available for bettors over NCAA competition.

Moving forward

The United States could also learn from the mistakes of the European Union, since they have had legalized sports gambling for a much longer period of time. The European Union has struggled significantly with match-fixing, and online sports betting platforms. A huge issue in the rise of addiction starts with advertising, which is a factor in the “rise of sports betting in young people,” (Corbett, 2019, IIIB). These are all significant issues that need to be addressed, however have lacked a lot of thought due to the rush of legalization in the United States. For example, advertising has brought about significant challenges and could be considered a major contributor. With platforms such as DraftKings reeling bettors in through misleading promises by using advertisements, banning them could be a great first step. The counter to this, is that platforms could argue a violation of free speech within the first amendment.

Another helpful direction of legislation would be for some form of federal framework. It is clearly controversial to have different taxation rates among each of the states, especially with how integrity fees are worked in and do not still guarantee integrity. Similar to North Carolina, the tax revenue could be allocated in much better ways. These ways would include allocating them towards colleges and universities who do not get TV revenue and are smaller in size. Next, problem gambling is an increasingly common issue in young Americans. This issue is consistently poring over into mental health issues, and even unemployment. For places such as New York and their 51% tax on sports betting, similar approaches should be taken as to the ones which accommodate drug and alcohol addicts. A base tax is agreeable in federal legislation with proper allocation guidelines, especially to offer quality help to those experiencing addiction, with counseling for recovery.

Lastly, the United States has the opportunity to freely learn from the IOC and the EU. If the NBA and NCAA can conduct thorough investigations. The IOC has an opportunity to

colaborate with government officials from the EU and the United States, since both find themselves addressing the issue of integrity and match-fixing. Such agreements upon regulation could include investigation processes, specific regulations about match-fixing and legal repercussions for this one who are caught. Considering now that a greater amount of the world has rushed legalization, it could be theorized that we could risk seeing the IOC “legalizing” sports gambling.

Conclusion

Overall, the overturning of the the PASPA act in 2018 is not an inherently bad thing. However, it is clear that there have been many mistakes along the way. Integrity has been a scarcity, despite integrity fees being enforced. Bettors are struggling and not getting the help that they need. Taxation is arguably too high, and not allocated properly. Solutions include learning the mistakes of the EU, reallocating financial resources, writing a federal framework excluding state-tribal relations, and the state governments providing resources for problem gamblers. If this direction is taken seriously, it is not too late to reverse the damage that the EU has experienced, and the United States is struggling to endure.

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