April 13, 2026

Chair Senator Matt D. Klein
Commerce and Consumer Protection
RE: SF 4511

Dear Chair Klein and Committee Members,

The Minnesota Alliance on Problem Gambling (MNAPG), the state affiliate to the National Council on Problem Gambling (NCPG) would like to express our concerns about the growing use of prediction markets and their potential negative impacts on consumers, public trust, and the broader sports betting ecosystem. Please note that while our organization takes a pledge of neutrality to legalization, the pace in which these activities are flourishing without a thought to consumer protections, is quite alarming.

What are Event Contracts and Prediction Markets?

Event contracts, also known as futures contracts, allow people to speculate on the outcome of a specific event, such as upcoming economic indicators, the cost of a specific commodity, or the closing point value of a benchmark average like the S&P 500. These contracts are traded on markets referred to as prediction markets, because the contracts predict a future event. In summary, event contracts are the specific thing being bought and sold by individuals, while prediction markets are the markets on which these contracts exist.

How Event Contracts Work

All event contracts are sold for price that is less than $1.00. These contracts allow purchasers to choose their answer to a yes or no question, such as “Will the price of corn increase by May 2026?” If the purchaser correctly predicts whether the event does or does not occur, they are paid $1.00. If they predict incorrectly, they are paid nothing. Market prices for events move in real time based on how many “yes” or “no” contracts are bought. The company running the prediction market offering the contract (also known as the “operator”) will charge a small fee on each contract to make money. It is important to note that, even though each contract only pays $1.00, players often purchase hundreds or even thousands (and in some cases millions) of the same contract at once. Therefore, they are gambling large sums of money on the outcome of the future event.

Which Governmental Entity Oversees this Activity?

Event futures contracts are regulated federally by the Commodity Futures Trading Commission (CFTC). The CFTC is permitted to bar event futures contracts that deal with Terrorism, Assassination, War, *Gaming*, or any activity that is unlawful under any state or

federal law (the "TAWGA" activities, emphasis added). The CFTC has one or more Commissioners who are appointed by the President and confirmed by the United States Senate.

What are Sporting Event Contracts?

Over the last two years, various CFTC-licensed prediction markets such as Kalshi, Polymarket, and even recently DraftKings and FanDuel, have begun offering event future contracts on sporting event outcomes via mobile apps. These markets have also begun offering these contracts on in-game outcomes as well, such as whether a specific player will hit a homerun.

The CFTC is currently evaluating whether to permit these markets, and whether they violate the TAWGA activities above (specifically, the "gaming" activity ban). So far, the CFTC has not shown an interest in restricting sporting event contracts. The CFTC has not yet made an official ruling on whether rthey should be permitted, despite multiple lawsuits alleging that these contracts violate various federal and state laws. The current CFTC Chairman, recently appointed by President Trump, has said he has no plans to restrict or regulate this activity.

Federal courts are examining the question and have not all ruled unanimously, meaning the issues will be appealed to appellate courts.

Are Sporting Event Contracts Legally Considered Gambling?

Different states have taken different positions on whether sporting event contracts conflict with their state's gambling laws. The CFTC has done little to evaluate this issue, and is allowing these contracts to continue, despite what the state finds. Regardless of whether Sporting Event Contracts are or are not legally considered gambling, NCPG/MNAPG believes that sporting event contracts are *functionally gambling* and can lead to gambling addiction, just like more traditional forms of gambling.

Does MNAPG/NCPG Support Banning Sporting Event Contracts?

MNAPG and NCPG remain neutral on legalized gambling, and therefore does not take a stance on whether these contracts should ultimately be permitted. However, MNAPG/NCPG believes that all legalized gambling should be regulated. As an affiliate to NCPG, we have long advocated for gambling to be regulated with a focus on prioritizing player health. Either the CFTC must regulate sporting event contracts thoroughly, or disallow the activity and leave sports betting to experienced state and tribal regulators.

Why Are We Concerned about Sports Event Contracts and their Regulation?

<u>Regulations Protecting Players</u>

Currently, sporting event contracts are operating free of any gambling regulations. This

includes regulations that ensure players are given information on their play (wins, losses, and time spent gambling), can limit such play (requesting a time-out or a limit on the amount of time and/or money spent gambling), know how to get help for a gambling problem immediately if needed, and can easily access self-exclusion should they decide they no longer want access to gambling. These are just a few of the responsible gambling features most states require of their licensed sports betting operators. Sporting event contracts should be regulated to ensure similar protections.

Risks of Youth/Underage Gambling

Further, most states have limited sports betting to 21+ years of age. (This would be true if Minnesota passed a sports betting bill.) Young people have a higher risk of developing a gambling problem than adults, as their brains are still maturing. NCPG?MNAPG strongly supports the restriction of gambling to those 21+, and believes that the CFTC should apply the same restriction to sporting event contracts. At this time, prediction markets are open to anyone who is 18 or older.

Prediction Markets Are Not an Investment

Finally, prediction market operators sometimes present sporting event contracts as an investible financial product, like purchasing into a portfolio of stocks and bonds. Sports betting, like all forms of gambling, should be seen as entertainment, not a way to make money. The vast majority of bettors end up losing more money than they win. By presenting sports betting as an investible financial contract, operators may lead many to believe that sports betting is a reliable way to make money over time. Rules around marketing must be implemented to help dispel this notion.

What are other states doing about this?

Many state gambling commissions and attorneys general have sued to ban prediction markets in their state. However, most federal courts thus far have ruled that only the CFTC can regulate prediction markets, not state legislatures, gambling commissions, or attorneys general.

This will likely end up in the courts or through pressure from Congress to examine the issue. MNAPG has sent letters to the entire Minnesota Congressional Delegation asking them to insist that the CFTC examine this issue more closely. Passage of the bill would make a statement that Minnesota will not tolerate unregulated gambling.

Respectfully submitted,



Susan Sheridan Tucker
Executive Director