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State Regulated Sports Betting: Considerations for Elected Officials

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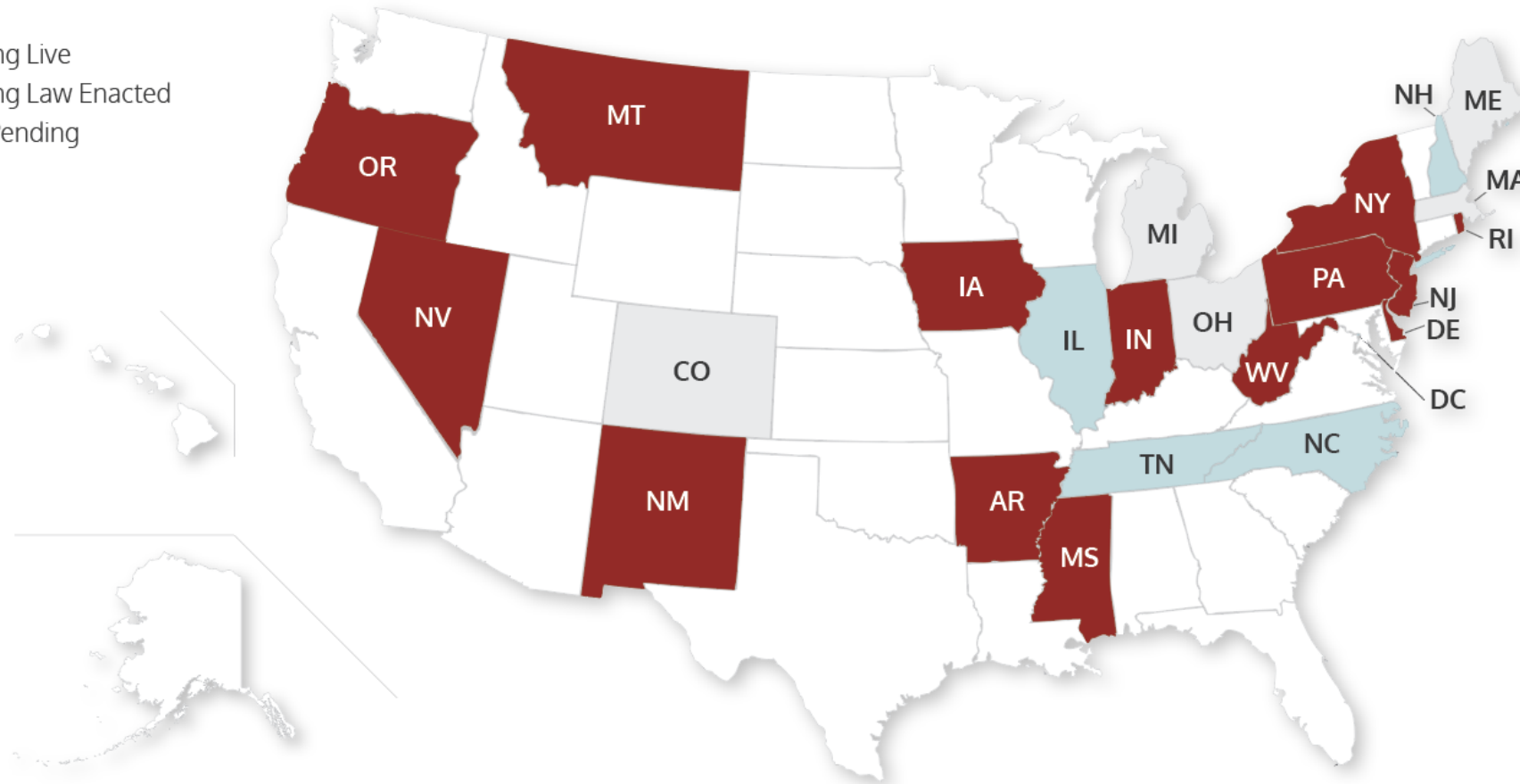
Distinguished Fellow, Gaming & Leadership



The State Of The States

October 2019

- Sports Betting Live
- Sports Betting Law Enacted
- Legislation Pending





Poll: sports betting leads to fan engagement

- 70% of Americans say they would be more likely to watch a game they bet on.
- 61% of those polled said they believe that legal betting on sports events leads to cheating or the fixing of games.
- 40% of those polled said they would bet using their cell phone

Source: <https://sbcamericas.com/2018/12/07/new-poll-links-sports-betting-to-increased-fan-engagement/>.

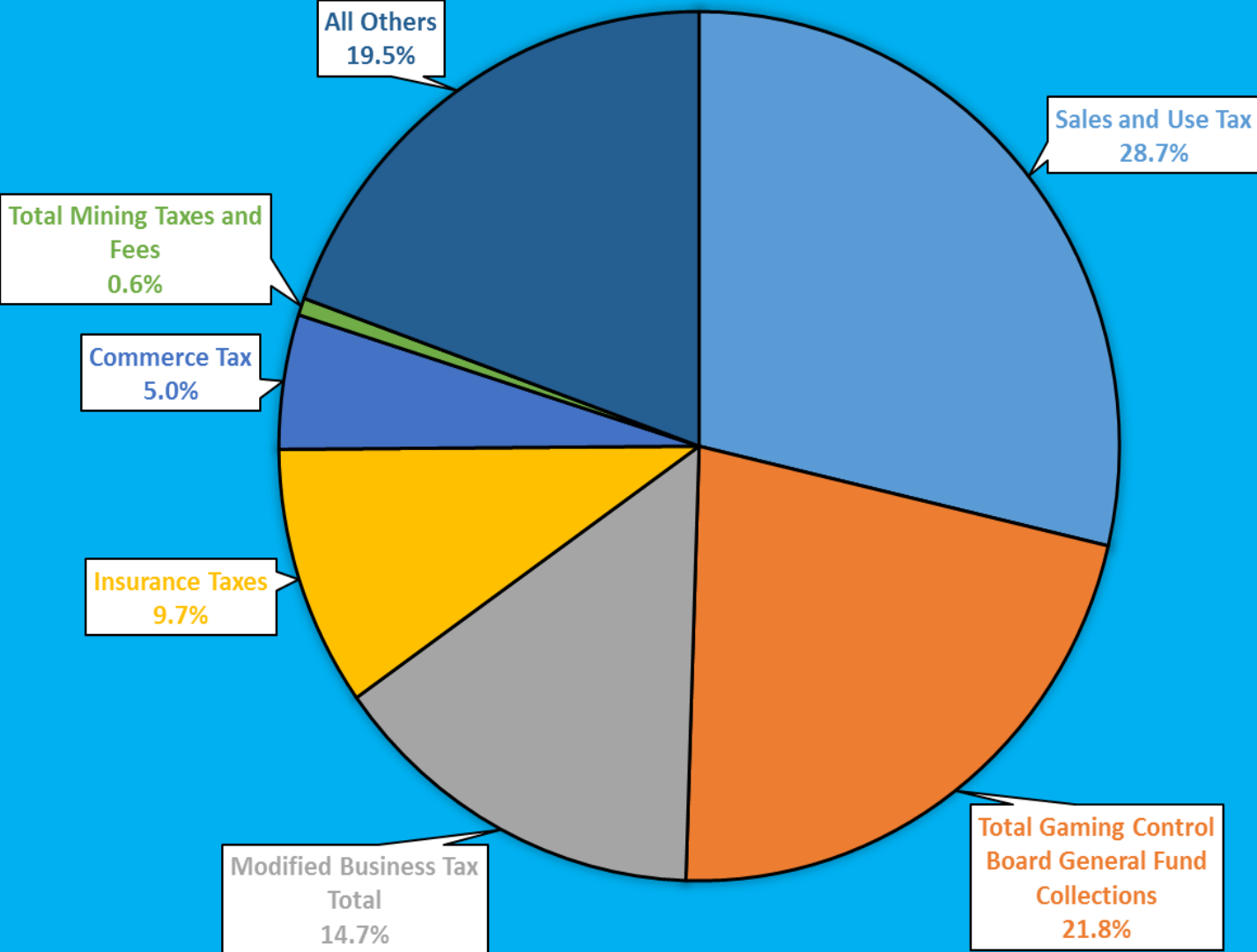
1. Good Regulation

A well-regulated gaming market shifts betting away from the illegal market to the degree the legal market satisfies a given bettor!

2. Taxes and Fees



STATE OF NEVADA MAJOR REVENUE SOURCES PERCENTAGE OF TOTAL GENERAL FUND COLLECTIONS FISCAL YEAR 2017



Nevada Super Bowl Historic Write and Win					
Year	Super Bowl Write	Super Bowl Win Amounts	1% Fee (Super Bowl Write X 1% Fee)	Win less 1% Fee (Super Bowl Win Amount less 1% Fee)	Estimated Percentage Fee Collections from Super Bowl Win (Super Bowl Win Amount X 6.75%)
1991	\$ 40,080,409	\$ 3,512,241	\$ 400,804	\$ 3,111,437	\$ 237,076
1992	\$ 50,334,277	\$ 301,280	\$ 503,343	\$ (202,063)	\$ 20,336
1993	\$ 56,811,405	\$ 7,174,869	\$ 568,114	\$ 6,606,755	\$ 484,304
1994	\$ 54,483,221	\$ 7,481,541	\$ 544,832	\$ 6,936,709	\$ 505,004
1995	\$ 69,591,818	\$ (396,674)	\$ 695,918	\$ (1,092,592)	\$ -
1996	\$ 70,907,801	\$ 7,126,145	\$ 709,078	\$ 6,417,067	\$ 481,015
1997	\$ 70,853,211	\$ 2,265,701	\$ 708,532	\$ 1,557,169	\$ 152,935
1998	\$ 77,253,246	\$ 472,033	\$ 772,532	\$ (300,499)	\$ 31,862
1999	\$ 75,986,520	\$ 2,906,601	\$ 759,865	\$ 2,146,736	\$ 196,196
2000	\$ 71,046,751	\$ 4,237,978	\$ 710,468	\$ 3,527,510	\$ 286,064
2001	\$ 67,661,425	\$ 11,002,636	\$ 676,614	\$ 10,326,022	\$ 742,678
2002	\$ 71,513,304	\$ 2,331,607	\$ 715,133	\$ 1,616,474	\$ 157,383
2003	\$ 71,693,032	\$ 5,264,963	\$ 716,930	\$ 4,548,033	\$ 355,385
2004	\$ 81,242,191	\$ 12,440,698	\$ 812,422	\$ 11,628,276	\$ 839,747
2005	\$ 90,759,236	\$ 15,430,138	\$ 907,592	\$ 14,522,546	\$ 1,041,534
2006	\$ 94,534,372	\$ 8,828,431	\$ 945,344	\$ 7,883,087	\$ 595,919
2007	\$ 93,067,358	\$ 12,930,175	\$ 930,674	\$ 11,999,501	\$ 872,787
2008	\$ 92,055,833	\$ (2,573,103)	\$ 920,558	\$ (3,493,661)	\$ -
2009	\$ 81,514,748	\$ 6,678,044	\$ 815,147	\$ 5,862,897	\$ 450,768
2010	\$ 82,726,367	\$ 6,857,101	\$ 827,264	\$ 6,029,837	\$ 462,854
2011	\$ 87,491,098	\$ 724,176	\$ 874,911	\$ (150,735)	\$ 48,882
2012	\$ 93,899,840	\$ 5,064,470	\$ 938,998	\$ 4,125,472	\$ 341,852
2013	\$ 98,936,798	\$ 7,206,460	\$ 989,368	\$ 6,217,092	\$ 486,436
2014	\$ 119,400,822	\$ 19,673,960	\$ 1,194,008	\$ 18,479,952	\$ 1,327,992
2015	\$ 115,986,086	\$ 3,261,066	\$ 1,159,861	\$ 2,101,205	\$ 220,122
2016	\$ 132,545,587	\$ 13,314,539	\$ 1,325,456	\$ 11,989,083	\$ 898,731
2017	\$ 138,480,136	\$ 10,937,826	\$ 1,384,801	\$ 9,553,024	\$ 738,303
2018	\$ 158,586,934	\$ 1,170,432	\$ 1,585,869	\$ (415,437)	\$ 79,004
Totals	\$ 2,409,443,826	\$ 175,625,334	\$ 24,094,438	\$ 151,530,895	\$ 11,854,710



3. Licensing

IL:	Management Service Providers	\$1M + \$500K renewal (4)
PA:	Sports Wagering Operator	\$50,000 + \$50K renewal (5)
	Interactive Gaming Operator	\$1M + \$100K renewal (5)
NV:	Service Provider	\$1,000 annually
NJ:	Casino Service Industry Enterprise	\$5,000 + Investigation

4. Enforcement

Enforcement Issues

- Criminal Statutes
- Use of traditional law enforcement officers v. regulatory agency enforcement officers
- Ability to work with other jurisdictions
 - State
 - Federal
- Role of the State Attorney General
- Role of the Gaming Regulatory Body

Coordinated action among jurisdictions offering sports betting against illegal bookmaking, illegal gambling activities, and any unsuitable associations, along with ***strong support from federal level enforcement agencies is the best way*** to eradicate illegal activities.

5. Integrity

“Integrity is what you do when no one is watching; it’s doing the right thing all the time, even when it may work to your disadvantage.”

**Cheaters never win, and
winners never cheat;
except sometimes they do . . .**

BURYING THE BLACK SOX

How Baseball's Cover-Up of the 1919
World Series Fix Almost Succeeded



GENE CARNEY

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Eight Chicago White Sox Players were banned from baseball for life for conspiring with gamblers to throw the 1919 World Series in exchange for cash.

Sports Controversies around the world

Pete Rose Betting Scandal

1963 MLB switch hitter associated with 1986

Cincinnati Reds Philadelphia Phillies Montreal Expos

Celebrated player throughout his career

Most Valuable Player Gold | Gloves World Series rings

Canada
USA

1989 Accusations of gambling on MLB games were investigated

52 ALLEGED
bets on Reds games

2004 Finally confessed

© Wikipedia/Atlanta 2014

Allow Gambling Regulators to Protect Integrity

Gambling Regulators:

- Should work closely with Sports Book Operators
- Must be informed when suspicious wagers are made.
- Must have the ability to allow Sportsbook Operators to rescind bets.
- Must communicate with Law Enforcement at state and federal levels.
- Must have the power to conduct their own investigations and participate in law enforcement, and collegiate investigations.
- Should have wiretapping authority.

Nevada Gaming Control Board

22.1205 Prohibited wagers. No wagers may be accepted or paid by any book on:

1. Any amateur sport or athletic event other than Olympic sporting or athletic events and collegiate sporting or athletic events as set out in this Regulation;
2. Any sporting event or other event which the licensee knows or reasonably should know is being placed by, or on behalf of, an official, owner, coach, or staff of a participant or team or participant in that event. Each licensee shall take reasonable steps to prevent the circumvention of this regulation;
3. The outcome of any election for any public office both within and without the State of Nevada; and

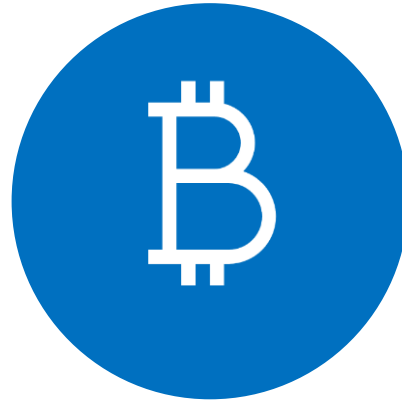
2011 University of San Diego

- **Five or six games had been compromised.**
- **The majority of the wagers were placed with off-shore bookies.**
- Richard Thweni, 26, pleaded guilty to conspiracy to commit sports bribery, conduct an illegal gambling business and distribute marijuana (May 19, 2012).
 - Thweni faces up to five years in prison at sentencing.
- **The indictment listed 10 defendants.**
 - Including former USD assistant coach Thaddeus Brown, and
 - Two former players including Brandon Johnson, the school's leader in several key categories and Brandon Dowdy, who played during the 2006-2007 season.
 - Prosecutors said Johnson was recruited to throw games as part of the scheme.

2012 Auburn University Point-Shaving Scandal



FORMER BASKETBALL PLAYER, VAREZ WARD WAS INDICTED FOR "TWO COUNTS RELATED TO POINT-SHAVING ACCUSATIONS."

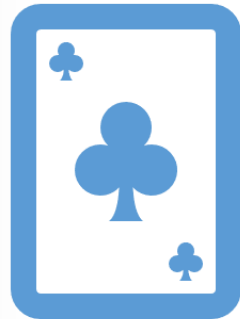


WARD WAS ALLEGED TO "HAVE CONSPIRED WITH OTHERS TO BRIBE OR SOLICIT ONE OR MORE INDIVIDUALS TO INFLUENCE AN AUBURN GAME" AND FOR TRYING "TO FIX GAMES" AND OFFER "MONEY TO HIS TEAMMATES."



WARD FACED UP TO FIVE YEARS IN PRISON IF CONVICTED AND UP TO \$250,000 IN FINES.

2014 University of Texas El Paso



A bookmaker unsuccessfully attempted to recruit the players to fix a game, but did not get them to bet.



Michael Karpus, a former UTEP student, plead guilty to misprision of felony (October 21, 2016)

6. Illegal Bookmaking

Illegal Bookmakers

Combatting the *illegal operators* is and will be *an ongoing reality* and focus regardless of any federal legislation.

Illegal Bookmakers

- Don't worry about complying with:
 - State laws,
 - Regulations,
 - Licensing requirements,
 - Paying taxes, or
 - Paying sports leagues fees

Illegal Bookmakers

- Don't have the same:
 - Regulatory infrastructure costs,
 - Can offer more betting options,
 - Are more convenient,
 - Have payment plans, and
 - Extend credit

7. Responsible Gaming

Wagering Accounts

- Higher standards than for other types of e-commerce account creators.
- Must “know the customers” when creating an account.
- Must take additional steps to verify identity of the account creator.
- Once created and verified, must create a secure personal identifier for each patron
 - Designed to prevent the unauthorized access to, or use of, the wagering account by any other person.

Use By Minors

- This is an issue that exists in *any* ecommerce online activity
 - Think toddler purchases on Amazon
- The volume of transactions in online banking and e-commerce retail sites is exponentially greater than online gambling.
- **Ultimately**, whether the wagering account was created in person or online, **it is up to the account creator to ensure their account credentials are protected!**
- If account creators refuse to exercise reasonable precautions against unauthorized use, regulations forbidding access to and resources dedicated to responsible gambling choices will not be as effective as they might otherwise be.

E-Commerce Comparison

- Approximately **1.8 billion** people purchased products online in 2018.
- **518 million** gambling transactions occurred during the same period.

Source: <https://www.statista.com/topics/871/on-line-shopping/>;
<https://content.iovation.com/resources/iovation-report-2019-gambling-industry.pdf?mtime=20190201115903>.

Patron Dispute Resolution Process

- Nevada has a time-tested patron dispute process that is effective.
- Nevada Gaming Commission Regulation 7A specifically directs: “[t]his regulation should be liberally construed to achieve fair, just, equitable, and expedient resolutions of all disputes.”
- If the dispute is less than \$500, the licensee is required to provide the Board’s information to the patron.
- In disputes of \$500 or more, the licensee is required to contact the Board.
- The patron dispute process is intended to be patron “friendly” and the hearing is not conducted pursuant to normal rules of evidence as any relevant evidence is allowed.

State Funding for Problem Gambling

- State of Nevada provides:
 - Problem gambling treatment, prevention, workforce development, and
 - Program evaluation services
- Funding comes from:
 - Dedicated funding from the state budget,
 - Grant funding

Non-Profit Resources for Problem Gambling

- Identify Community Partners
- Work collaboratively to assure effective public policy
- The Nevada Council on Problem Gambling addresses problem gambling as a community health issue and does not take a position for or against legal gambling

Problem Gambling Diversion Programs

Clark County, Nevada has instituted a diversion program for problem gamblers through its court system.

“Instead of prison or probation, judges now have the discretion to order counseling for those addicted to gambling and retain oversight of their recovery. Advocates say it’s more cost-effective than incarceration and a proactive way to reduce the number of repeat offenses.”

Source: Help, Not Prison, Offered at New Clark County Gambling Court, AP,
<https://www.usnews.com/news/best-states/nevada/articles/2018-10-28/help-not-prison-offered-at-new-clark-county-gambling-court>, USNews.com, October 28, 2018.

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