

## **Sports Betting with a Mobile Component in New York State**

Thank you Chairman Addabbo and honorable members of the Committee for holding this important public hearing and for the opportunity to testify before you today. My name is James Sottile and I am the Executive Vice President and Chief Legal Officer of Scientific Games (SG). SG is the only US based company providing a fully integrated portfolio of games, advanced technology systems and platforms, to the global gaming, lottery and casino industry. We operate in over 50 countries on six continents with over 9000 employees and 180 offices. In addition, we own and operate one of the largest digital and land-based sports betting systems in the world.

Here in New York, SG has been a trusted gaming and lottery partner for decades. We are the primary State partner for Lottery on the instant game program, which produces more than \$4 billion in annual revenue with proceeds directly benefiting New York's education system. We provide and operate over 10,000 video lottery terminals at the State racinos, which have driven over \$5 billion in revenue to the state education fund since 2004. And we have been very pleased to be a partner on the gaming floors for all of the State's commercial casinos, and for the tribal casinos for the Oneida and Seneca nations.

The Supreme Court's *Murphy* decision overturning PAPSA has returned to the states, where it should be, the decision whether to allow sports betting and, if so, how to regulate it. Mr. Chairman, we commend you for the thoughtful approach you have taken to these decisions, and offer some views based on our experience operating sports betting platforms around the world and in the first states to authorize sports betting in the US.

The reality is that New Yorkers are betting on sports events on-line right now – they are just doing it illegally. The money generated from illegal sports betting is not going to New York to benefit the citizens of this state but is instead going to people breaking the law. Legalizing

sports betting will bring it out of the shadows and allow you to effectively regulate it and protect consumers here in New York.

If New York decides to permit sports betting, you will need to decide how best to regulate it in the public interest. Fortunately, New York has been regulating gambling and lotteries for decades. You have mature gaming laws, and sophisticated, experienced regulators that have proven themselves capable of ensuring the integrity of the process and protecting the citizens of New York. As you consider expansion of regulation to sports betting, I would like to focus on two key areas of regulation both of which are well addressed by your pending legislation – Senate bill 17-A.

First, how do you protect your citizens from irresponsible betting? As with alcohol and other forms of gambling, people below a certain age likely don't have the maturity to act responsibly in sports betting. The states that have adopted regulations governing sports betting to date have typically excluded persons under a set age from betting. Similarly, some persons who meet whatever age threshold New York adopts are, for a variety of reasons, unable to bet responsibly. Of course, this issue is particularly important with respect to mobile sports betting, because smartphones and computers are readily and privately accessible to everyone, including minors. Commendably, your pending legislation contains several key provisions to ensure minors and compulsive gamblers are adequately protected from mobile sports betting, including requiring operators to adopt a litany of safeguards and control procedures as a condition of registration. SG fully supports all of these vital protections for minors and compulsive gamblers, and strongly urges you to retain all of them as the legislation moves forward.

The second, and critically important, issue to consider is how New York can ensure the integrity of sports betting, both when it comes to the integrity of the games and the betting

process. Unlike with age restrictions, here the states that have acted have gone in somewhat different directions. Integrity is important for a series of reasons. First, consumer protection. If your citizens are going to be legally betting on sports events, they will want to know that the betting process itself is fair and that the outcome of sports events and setting of odds isn't going to be influenced by somebody's financial interest. Likewise, if you are going to permit companies to offer sports betting, you need to consider how to ensure the integrity of the gaming industry in the state. Finally, there is a broad public interest in ensuring the integrity of sports events. Tens of millions of people watch baseball, football, basketball and other sports events every week. They expect that those games will be hard fought and not tainted by anyone's financial interest in betting on the outcome.

There are good models to look to in the approaches many states, including New York, have taken with respect to casino gambling and in the laws and regulations states are beginning to adopt with respect to sports betting. The key mechanism New York and other states have used to ensure integrity with respect to casino gambling is excluding persons with some ability to influence the outcome from gambling so that they don't have financial incentives to skew the outcomes for themselves. We believe the same approach will work effectively for sports betting – and that's the approach several states have taken or are actively considering. The issue, however, is which persons have such influence and need to be excluded. For casino gambling, the persons with potential influence over the process are typically persons associated with the casinos themselves and the gambling process. For sports betting, it is also important to exclude persons with the ability to influence the outcome of sports events or inside information concerning such events, such as players, coaches and other similar persons. The Pete Rose

scandal, in which one of baseball's greatest players was banned for life, is a graphic lesson in the need to bar such persons from betting on sports events.

In addition to excluding people who could influence the outcome from betting, it's important to ensure that the licensing process your states use for sports betting operators, suppliers and other participants is as strict as provided for in existing gaming regulations. Actors with criminal history here or abroad have no place in sports betting or any other part of the gaming industry.

On these critical integrity issues, your pending legislation here in New York again commendably covers all the bases. Senate bill 17-A includes both: (1) a comprehensive list of individuals who are "prohibited sports bettors" based on their ability to influence the outcome of a sporting event; and (2) strict licensing and background check requirements for sports betting operators, suppliers and other key vendors. SG fully supports all of these vital integrity protections, and strongly urges you to retain all of them as the legislation moves forward.

While nine states so far have adopted regulations governing sports betting, sports betting is a new frontier for New York. It offers the opportunity for the state to increase revenues without raising taxes. It also allows you to protect the citizens of your states from the abuses common in illegal sports betting, ensuring a fair and open market for your citizens. Sports betting also comes with a new challenge – how to ensure the integrity of sports betting for bettors and sports events. If New York maintains these protections in your bill as I have discussed, Mr. Chairman, and works in concert with the professional regulators at the NY Gaming Commission, this state will be among the leaders in ensuring the integrity of the sports betting system.