



Future of Sports Betting: Reimagining its Public Value Transcript

First Panel Discussion

Tom Farrey:

Hello everybody, we're going to get started here. Anybody who's outside can come in and grab their seat. I'd like to say welcome to the Aspen Institute. Not happening today. We have a beautiful new facility across the way that many of you probably have not been to so far. We had it all set up, everything was laid out, all the roles, all the lighting, the live stream, the whole darn thing. And then we got word this morning that there was some construction accident in the basement and was being flooded and water was getting into the electronics and we all had to abandon the place.

Thank you to my incredible staff for getting this over here today and getting everything in place and hopefully everything goes well. So far so good. You know, at some level it's a little metaphor for the topic we're talking about today, the flood of issues that are related to sports gambling moving forward. Right? And we're going to try and work through as many as them as we can in the two hours that we have.

But let me step back a little bit here and just understand, help you understand, who we are. We are the Sports & Society Program of the Aspen Institute. Our mission is to convene leaders, facilitate dialogue and inspire solutions that help sports serve the public interest. Now our signature initiative, which some of you may be aware of, is called Project Play, which is really focused on the development of healthy children in communities through sports. We work with an array of organizations the leagues, media companies, apparel manufacturers, YMCAs, Olympic Committee, all of them really to be, you know, to begin to kind of align interests and support of getting and keeping more kids active through sports in this country.

So, there's a little bit of a bias. We really believe in the value of kids playing sports. I wrote an article recently on the Aspen blog, also co-published in the Denver Post, on what Norway is doing in terms of sports betting, because I was covering the Olympics for NBC Sports, a podcast there. Norway, this country of 5 million people, won more medals than any nation in the history of the Winter Olympics. I'm like, how in the world did they do that? So, I dug around, I talked to their sports scientists and policy leaders and otherwise, and realize they just have, they do many things right. But one of the key pieces is the grassroots are funded, sports betting is legal in that country and most of the revenue goes right back into communities to build facilities, equipment, coach training, education that makes administrators smarter and creating programming for kids. I said, wow, they're really onto something here and we should really pump this big idea into the bloodstream and try to think it through a bit.

So, you know, that's what today's conversation is about. It's about what if sports betting in this country could be used for public good, how would we do that? Exactly. It's part of our Future of Sport series,



which is something we launched this year, the goal of which is to take these really big topics at the center or at the intersection of sports and society and really think through almost do some scenario planning. Really get ahead of the conversation always with the filter of what is in the public interest. So, the first couple of topics that we dug into this year were the future of football. In fact, we recently released a paper just in the past 48 hours on what if a flag becomes the standard way of playing football until high school. It's 27 pages, really thinking through the implications on public health, on youth participation on a high school football industry and our values as a nation. We also looked at college sports and posed the question of what if athletes were allowed to receive sponsorship money? You know, at the D-1 level, a diverse array of speakers have contributed to it. And Jon Solomon, our editorial director, wrote a fantastic a companion piece. It was presented at the ABA and so this one is another big meaty topic.

It is sports betting. It's a big meaty topic because a lot of money is on the table. This is information data that comes from Gambling Compliance, which we are fortunate to have James Kilsby with us here to moderate the panel. He's from Gambling Compliance – wrote this report, very thorough. You have an executive summary that is available on a table out there. I don't know if you grabbed a copy of it or not, there's a longer version that they have available. We will send out after this event in electronic form, really allow you to dig into it. But basically, sports betting in the US, as you know, the Supreme Court back in May opened the door for a much greater expansion of sports betting and taking it beyond the three states that have already done it and said, you know, go for it. The federal government can no longer tell you to stop doing it. So according to Gambling Compliance, they project that it will be legalized in 25 to 37 states by 2023, that it is a market worth \$3.1 billion to \$5.2 billion in annual revenue. It will be offered at venues including casinos and race tracks, retail locations, lotteries and mobile and online. They also threw out a blue-sky scenario for industry, which is that it will be legalized in all 50 states.

Now, of course this will be a great challenge, but I think they really want to think through the potential here and that the blue sky scenario holds that each state would allow casino, retail and online betting that there would be no political or legal obstacles to expansion, which of course there will be, but that if such a scenario comes into play, we're talking about \$8 billion in revenue opportunity. Of course, with this opportunity comes challenges. And we're going to talk about those today.

One is problem gambling. We know where it is legalized in other countries. There are real issues with youth and other folks being addicted to gambling, real concerns about it. Game integrity. How do we make sure that with all this gambling activity that games are not being thrown? Game experience with gambling ads, this is something we can anticipate is we're not just watching our game and we're getting the Viagra commercial and the Toyota Camry, Toyota truck commercial, we're now getting potentially hit hard with ads encouraging you to win a little bit of money on that game or you know, some moment that's happening, some event that's happening within that game. Other challenges are a little more vague, but you know, the values that are transmitted through sports, you know, sports in this country are sort of a special institution. The courts, Congress, they've treated sports with some deference, because it is seen as a tool of nation building and if we move towards this model where we're constantly



being told that this is a betting, a transactional opportunity that's right before you. How does that change our relationship? Are we able to teach children the same kind of values that we want them to learn through sports or are they going to be so distracted with these other types of messages? So how do we control for all that? So that is the conversation we have today is, okay, that's fine, there's a lot of money out there. But like, what if sports betting serves the public good, right? And what is the blue-sky model, not just for revenue out there, but for our society? How do we turn this potential negative into a positive? It has been done elsewhere. Maybe we can do that here in the U.S.

One of the quotes that sticks with us and we've talked about it in Project Play is from Peter Drucker, the great management consultant, which is the best way to predict the future, is to create it. And I think the future of sports betting is being created right now by the key policymakers, by the folks who care about this issue. So, today's conversation is not just what will happen, but I'm really encouraging everyone in the panels to think about what could happen because we all want this to be a good thing. We all care about this country. We all, you know, so how do we, how do we get there? How do we, how do we add that filter to what we're doing?

There will be an opportunity for you to ask questions. It'll be 10 minutes of Q&A at the end. Please send your questions, we will do it through email. It's at Martin.fox@aspeninstitute.org and one of our staff members will read the best questions at the end of the session. Also, please join the conversation. The first two conversations in this series trended on Twitter. That was with a crowd that was even a little smaller than yours. This has a lot of buzz to it. There's a lot [to] think through. We want to extend, we want to knock down the walls of this room and really bring other folks into this conversation. So please pull out your mobile. We know if you're on your mobile it's because you're extending the conversation. You can see the Hashtag there.

So, with that, I'd like to introduce the first panel. Where actually the moderator for the first panel and that would be James Kilsby, who is the Managing Director for the Americas for Gambling Compliance. So, James come on up.

James Kilsby:

Thank you. Thank you. All right, so good afternoon everybody and I thank you for joining us and I'm glad that I'm able to do so despite the, despite the flooding over the road that caused the last-minute change of change of venue. Thanks for Tom's kind introduction.

Just a little bit about Gambling Compliance. We are an independent research and business intelligence service based here in DC and in London in England, providing information on regulation and legislation on their gambling and sports betting industry worldwide.



Before I introduce our very well qualified panel today to dig into some of these issues, I thought I would very briefly introduce the subject of sports betting and catch up with where we are today because this is an extremely fast-moving area of public policy in light of the Supreme Court's decision for me, which Tom referenced. Since 1992, when Congress passed a law to ban sports betting or more specifically ban states from legalizing sports betting, the only place in effect that you could gamble on sports was in Nevada, but already since May 14th, which was when the Supreme Court overturned that law, we now have four other states offering sports betting today: New Jersey, West Virginia, Mississippi and Delaware, and at least two more – Pennsylvania and Rhode Island – are going to follow up before the end of the year, and possibly in a more limited form in New York as well.

So at least seven states already jumping into sports betting. And this is really the tip of the iceberg. I think it's realistic to expect that some state legislators reconvene next year for the, for their sessions, many perhaps have to be very active in considering legislation in this, in this area. And indeed, this is also an area that Congress seems to be showing at least some interest in, in thinking about whether there's a role for the federal government, not necessarily in regulating nor in suppressing the expansion of sports betting, but in setting some ground rules for states to follow as I proceed.

Tom referenced a Gambling Compliance's projections for how we see this mapping out as to perhaps legalized in 25 to 37 states within, within five years. So, we do believe this is something that's going to spread very quickly, and ultimately, the policy questions as to how to establish the right framework for sports betting are going to be subjects that state and federal policy makers are going to have to get to grip with sooner rather than later. The good news is that, while sports betting has not been very limited here in the United States, most countries in other parts of the world, Europe and Australia among others, have already regulated sports betting and done so far for a number of years. So, there are examples to follow and lessons to be learned about different options available.

So, with the introductions, just would like to invite my fellow panelists to join me on the stage and have each of them introduce themselves as to, where they're coming from and what their interest is in, sports betting.

Morgan Sword:

Good afternoon. My name is Morgan Sword. I work at a Major League Baseball and I am part of a small group of people in our office who has learned a whole lot about sports betting in the last, year or two. As you know, the world has begun to change, and we have been part of our lead preparation to operate in a country with much more widespread sports betting. So that effort has involved certainly thinking about a lot about what the right framework is for the United States and you know, the elements of legislation that would best protect the interests of sports, of our athletes, of our teams, of the betting public, and the casinos offering to vet. So excited for the conversation today. Thanks for having me.



Keith Whyte:

Hi, I'm Keith Whyte, I'm the executive director of the National Council on Problem Gambling and we've been thinking about the issues involved with a gambling, legal and illegal gambling on sports since we were founded in 1972. And we're interested to be part of this dialogue and part of the solutions that I think that we're all focused on how to make sure if and when this happens, it's done so we can minimize harm, so we can maximize benefit.

Dr. Laila Mintas:

Okay. Hi, my name is Laila Mintas and I'm a deputy president of Sportsradar US, which is a data company. We have a whole bunch of different data solutions, one of our services is an integrity service where we do integrity monitoring on behalf of the different stakeholders. I'm a lawyer by trade myself, but I have worked also a couple of years for FIFA and for Conquer Club and we're running their integrity efforts in safeguarding sport.

James Kilsby:

Perhaps let's start off, going back to you Morgan, I think it's fair to say that Major League Baseball and the other major pro sports leagues, traditionally have actually been opposed to lawful wagering. And of course, that we're on the other side of the courtroom against New Jersey when New Jersey challenged the federal law. At the same time the MLB and along with the NBA and others have started to appear before state legislatures to advocate for the legalization and regulation of sports betting. So that seems to have been a significant shift in how, at least Major League Baseball considers sports betting. Could you explain how, how you've evolved to this position and then now in favor it seems on regulation?

Morgan Sword:

Yeah, sure. So as Tom mentioned, I think, you know, we run a little bit of a unique business in that, you know, we are, in large part custodians of this sport that means so much to our country and to our citizens. And that obligation informs a lot of the decisions that we make about the way the league operates. And I think, you know, all the leagues would probably tell you the same thing. And, you know, it's a really interesting question. I think there's legitimate arguments on both sides of that question. Whether or not legalized sports betting is good, a good thing in aggregate for the country.

But I think what we realized is it no longer matters what our position is on that because it's here and rather than hand wringing about whether we are for it or against it, we decided that we would do everything we could to study the countries around the world that offers sports betting and the absolute best way to do this so that we can maintain what I feel is like a really unique sports culture in the United States that is such a big part of being an American.



So, we are active in the states because that's where the action is, and states are moving forward, and we think it's really important that the leagues, who were creating all of these events, you know, have a seat at the table.

James Kilsby:

Just to end, you obviously have to say, I have a specific vision in mind for what states should do and to tackle one issue head on. Much has been written in the media about the desire of at least MLB and the NBA for a so-called integrity fee or a royalty fee from sports betting. So, for every dollar bet on a game, a small percentage of that would go to the league when a new game is bet. And it's fair to say that that's not exactly a popular proposal with the gaming industry, with casinos or the sports book operators and it actually doesn't seem to be actually picking up traction in the states themselves. And none of the seven states I've mentioned is agreeing to give a slice of the pie directly to Major League Baseball. Is there something that you can continue to advocate for given that we now have seven states moving in with sports betting and integrity fees and not part of their regimes?

Morgan Sword:

Sure. Yeah. I mean, I guess just to address that quickly. A lot of the states that have already moved forward with sports betting had laws on the books far in advance of any of this happening. So, I don't know that it's really fair to say that states have decided not to include fees and in fact a lot of the more populous states, where there's going to be a lot more betting volume that may come online in '19 and '20. You know, we're very optimistic about those states enacting a framework that's a lot more collaborative between the leagues and includes, you know, the fee that we're talking about, but I guess maybe it's helpful to reset here for a second.

So, you know, each state is going to make a decision about whether to create this new industry and it's state right, and award a casino or a group of casinos, a monopoly to offer sports betting and all of the millions of dollars of revenue associated with it, right? And that industry, is 100 percent entirely reliant on the sports leagues to create the events on which the best take. Right? So, we think it's reasonable that the league that is spending all this money to create the events on which the bets are happening, receive some small compensation from the casino that's offering the bet. Now, it doesn't cost the state a dime. It comes from the casino. And probably most importantly, I, you know, in our view, it's good policy. I mean, you're providing a small financial incentive to the league to grow the legalized regulated market in a given state or in a country, creates a partnership between the League, the operator and the government toward creating a vibrant, healthy, safe sports betting environment.

In a given state and we think that makes a lot of sense. And you know, there's a lot of countries around the world that have model's very much like this where the leagues are receiving compensation from the casinos in exchange for, you know, putting on the events. And, now that's why we're advocating for it.



James Kilsby:

Laila, perhaps, based on Sportsradar experience in different countries around the world where betting is legal. Could you explain, what benefits does regulation bring, particularly when it comes to being able to monitor the activity and looking at integrity of the sporting events under that being best one?

Dr. Laila Mintas:

When we look back, at the last decades, people inside the US have placed bets offshore. So according to estimates, \$2 billion US dollar were spent outside of the US, every year for people that were just betting offshore and the negative side of that is not only that, there are no tax revenues for the states or for other stakeholders, no fees, but I'm also, there's no consumer protection and there's no transparency. So, from an integrity standpoint and it's very hard to monitor what's going on in the market like that.

As I said before, we provide the integrity services to the industry, to different stakeholders and from our perspective, what's really needed is to convert that whole illegal market and the whole illegal betting. Well, you're now into a legal framework where you have consumer protection where you have the possibility to implement reasonable taxation and where you can monitor the integrity of the games. So, what we suggest is that there should be an integrity monitoring that we do for some of the leagues already, like NBA and NHL and hundred plus other sport organizations around the globe.

But I should be also, kind of a lead in the US from the site of a regulator, for example, to look into what's going on than the market. So, we, for example, think that systems that we have seen overseas, for example, Italy and France where the regulator sees kind of on an account level monitoring and sees every bet that comes through the system who placed the bet, what kind of bet is that? What kind of bet type? What's the stake, what's the outcome of the bet? So, this information is very important for a regulator to have also for the different stakeholders to have that information needs to be provided in real time. So, the leagues need to get that information in real time and at different models, how they can get that information, to a regulator or directly. But it's important for a league to have that information real time so they can go and protect us for it if they know there's a potential match fixing case going on. At the same time, the bookmakers need to have that information, so they can suspend the betting markets and then they don't accept any illegal bets. And, also, law enforcement needs to have that information because of much manipulation goes on, they need to take steps that need to go off the criminals etc., match fixing as a crime. That's why it's difficult to prove.

So therefore, it's really important to have that information as soon as possible. When I worked at FIFA, we had an agreement with Interpol and end up with basically had us educating the market opposed to a threat of match fixing. And they said that match fixing is so interesting for criminals because it's a, it's a high profit business and it's a very low risk business for them because it's so difficult to prove.



James Kilsby:

Morgan, how are the pros, how does, from a sporting perspective, if that's something, you know, what to monitor activity on your games as part of what you are advocating for?

Morgan Sword:

Laila mentioned, I mean, almost all of the betting activity on baseball right now happens illegally, either offshore or with your corner guy that runs your Bodega or whatever it may be. As a result, we have no visibility MLB into the betting activity that's going on baseball, right? So, um, and that is, as I'm sure Laila would tell you, the number one way to try to catch and defend your sport against threats like this.

So, one thing that's going to happen, you know, if, if states do come online, is that we are going to start getting a lot of good data coming back to us about the bets that are occurring on baseball. And hopefully we're going to be able to set up a system either ourselves or in partnership with a company like sport radar, to track betting patterns, identify suspicious bets, and try to act on things before they happen and every country around the world that we talked to say you got to do that if you're serious about protecting the integrity of your sports and the culture around it. Australia is doing it right now. And they have, you know, probably a best in class system and I think it's important that the US do the same.

James Kilsby:

Keith, the National Council Problem Gambling, earlier this year, adopted best practices for a sports betting legislation. Of course, in the area of mitigating risks of problem gambling. Could you just highlight what those main principles are and maybe provide some perspective on as an advocate for problem gambling services? What most concerns you about the spread of sports betting?

Keith Whyte:

Yeah, absolutely. I should say we are neutral on legalized gambling. So, we're not up here to be moral, judges or arbitrators, in fact, we take this position because we do want to work with not just all the stakeholders here on the stage and here in this room, but most importantly, people who are at risk or who are problem gamblers themselves, they face enormous shame and stigma. And so it's, we need to be neutral so they can feel free to come to us and seek help. And we certainly have had major league players seek help scientists, others, you know, so this is a, it's an equal opportunity to addiction.

And so, as we've seen this debate, go on and we've been working with these partners, we advanced five principles for sports betting legislation. We've got it. We've got a larger set of resolutions that address media companies and the public at large, but here today where we'll focus on those five principles.



The first one, of course, is money, that much like the leagues, we are looking for a cut of the net revenue, not the handle, but the net to go to prevention and treatment education programs for problem gambling. We think that's just neat and it's way a lot of states, but not all of them do. They're legalized gambling already.

The second thing is simply that there'd be a regulatory authority assigned. Now that seems silly because in every state that we've looked at, they actually have a regulator. But if you look at the experience a few years ago with daily fantasy sports, incredibly enough, many states legalized fantasy sports with little or no regulatory agency in fact in Virginia goes into our department of Agriculture. And I think we can do better than that. We must do better that with sports betting.

Third is that there'll be responsible, even principals in, in legislation. We further articulated those principles, but even when you look at the seven states now, a few of them had really significant kinds of principles that we've laid out there.

Then, of course, interestingly enough that there should be a minimum age for sports betting and daily fantasy. And a lot of states now already we're seeing a split where you can play daily fantasy at any age or maybe 18, but your sports betting is 21.

And then last but not least, we suggested there'll be a baseline study of gambling participation in gambling problems put in place prior to the expansion of sports betting, so that we can all have a good public policy discussion about this and we don't want, you know, the myths and speculations don't benefit us and they don't benefit anyone in this room to have some actual data to start from. We think makes a tremendous amount of sense.

And if those five principles seem very common sense and we think they are not a single state that has legalized sports, betting has put every one of those five principles in place so far. So, we're disappointed, I guess, with, with the way this expansion has gone. And, but again, we have high hopes that it will be able to make some inroads with the next wave of states in 2019.

Morgan Sword:

And we're very much supportive of everything you just said, I think that the fact that we've been a little unsatisfied and you guys have been a little unsatisfied with the bills to date I think is a evidence of, you know, there was a small group of states that have rushed to have sports betting available as soon as humanly possible and thought groups like, problem gambling groups and sports leagues, and did everything they could do, allow the casinos to operate as soon as humanly possible. And some of the larger states who frankly have been a little more thoughtful about this are going slower and are taking meetings with us and listening to are valid concerns. And, you know, what I did. That's how you reason for optimism that, you know, we were going to have a better framework going forward.



James Kilsby:

In addition to some of the monitoring of integrity aspects of sports betting, it does appear as though Major League Baseball and other sports that are advocating for legalization sports betting to include the ability to offer games by online and mobile, which sorts of go back to an earlier presentation, gambling compliance along with many others. The consensus is that the biggest revenue opportunity is through mobile devices, but for sports betting and this does appear to be a policy plank of Major League Baseball, if I'm not mistaken. Can you explain why you think having Internet and mobile sports betting is important?

Morgan Sword:

Sure. Two main reasons. One that the illegal market right now exists almost exclusively or large, large majority on online and mobile. So some of you probably have an app on your phone and it connects you to an offshore sports book where you can make sports bets. It's very easy to do. And, that is what we're competing with the legal regulated market. So, in order to convert people, you're going to need to offer them an alternative that is comparable. And then the second reason is it dramatically improves our ability to protect the sport against some of the threats we were talking about earlier because when you walk into a sports book and you make a bet at a window, we have no information about who you are, what are their bets you've made. And, when you've been making a bet on a mobile phone, we know a lot more than that. And, our ability to combine information, across betters, across casinos, across states is dramatically improved. So, you know, those are kind of our main two reasons.

Dr. Laila Mintas:

To add on that, so once the UK, as an example, they have a channeling rate of around 95 percent. So, 95 percent of all the betting happened an illegal market and it's a way we live around the market and they have a huge retail system. So, you have basically in every corner of the three do you have a betting shop but still around 70 percent of all the betting. That's happening is happening mobile on a mobile phone and therefore it's very important to offer that channel to people because people want to place a bet no matter where they are and whenever they want to do it. And if you don't give them the possibility to do that on their phone, they will simply continue doing that offshore and, that's a big risk that we're seeing.

Keith Whyte:

But then there's also obviously a risk, you know, on mobile for, for gambling problems and you know, we're technological optimists. We believe it was Morgan said, we can use this technology for good. You know, the relationship that you have with your phone. There can be limits that you can select global limit default limits their messages sent to you that you're betting profile is radically changed. I mean there's an enormous amount of stuff we can do with this information and data. It's a matter of intention and intentionality to it and how, how we do that. We know obviously that people with gambling



problems are more likely to prefer bets they can make extremely quickly. And, you know, at this point, when we're commoditizing not just the sport but data, I think you have this interesting Frankenstein's hybrid, if you will.

We're taking some of the features from daily fantasy, about everything, betting, everything except the outcome of the game. And we're merging that with mobile technology and our massive sports, but the market and uh, you know, obviously there's an enormous economic growth there, but there's, there's some, there's some additional risk to when you can bet on every action by every player on every play in every game and every sport, if you're someone who already has a gambling problem or propensity to do so, that's a lot of information and opportunity, that can really get you in fairly deep.

James Kilsby:

I'm from. Yeah. Do you think that having online and mobile and the immediacy of it, does that present greater risks of problem gambling or bigger opportunity to communicate with the use the data to communicate to the player?

Keith Whyte:

Depends on how we're going to do it. You know, as Tom said there, there will be in game advertising and it'll probably be advertising for employee betting. You know, it'd be wonderful, and we've talked to MLB and others, NFL a lot about having this could be like the united way, you know, there could be major league stars saying, hey, get with your head, but not over it, you know, there could be, there's enormous opportunities to, to marry where we have enlightened self-interest in doing so. Or it can be, it can look like a UK can't Australia where there's enormous backlash. I'm 70 percent of the ads that were showing during the World Cup in the UK were for betting shops. There's ads on the youth clubs sites, to go bet even though the kids on the youth clubs are by definition not of legal age.

So, it, it depends on how we do it. I mean, I think we've had very good discussions with the leagues, with the casinos, with government. We're not there yet, but the potential is there frankly, you know, the potential we're going to America is going to break the mold, you know, we're not going to do it like it's been done in the UK. I think this is going to be sports bidding on steroids and that out, but that also offers an opportunity to get out ahead of it and try and think about better ways to do harm minimization at the same time. We're doing revenue maximization as to kind of should go hand in hand.

James Kilsby:

Touch with uh on a somewhat and then mentioning the, you know, how extensive a sports betting in, in the UK, probably above anywhere, anywhere else.

Morgan, you know, we're not just talking about the ability to, that on, you know, whether the nets will make the playoffs so you know, who's gonna win the Nats and the Orioles. Okay. The number of markets that could theoretically be offered on anyone major league baseball game that you're doing



hundreds if not thousands of employees' better opportunities. And that's, that's something that's where the sports betting world is transformed in the past decade or so. Globally, particular types of bets like give you and give sports leagues concern. And do you believe that disperse speaks through tufts some influence or authority to determine what types of batch should be offered on their, on their games?

Morgan Sword:

Yeah. Good question. There probably two broad categories of bets that we think are problematic, that types. The first is on events where there is not currently a market for betting. Typically, that's lower level, lower division, Minor League Baseball, for example, college volleyball. You know, there's not a vibrant market for betting on college volleyball at the moment. And creating one is probably not in many people's best interests.

Then also these smaller bets that happen during the course of the game. and will happen a lot more like, you know, will the first pitch of the game be a ball or a strike. That's that, that is problematic for us because it's very easy for an individual player to manipulate the outcome of that debt and very hard for us to detect. And you know, that's why we're asking states to have a voice in the process as they determined what are and aren't appropriate types of bets. I'll actually give you a great example. So, I don't know if anybody from DC watch[ed] the home run derby this year where a hometown hero, Bryce Harper, one came back to win. So, it was kind of a dramatic finish and he barely won and a sports book in New Jersey that had just gone online, was offering bets on the home run derby. And there was a question again through of any baseball fans in the room, there was a question that emerged the next morning about whether or not Harper and his picture had technically violated the rules of the home run derby by pitching too quickly. Or you guys may remember this, um, and uh, it caused this firestorm because people that had bet on Kyle Schwarber in New Jersey who was the runner up were furious. And guess who they were furious at, not the sports book that they placed the bet, right? We're, we're getting social media posts about how MLB needs to fix the home run derby because the betting on it is insufficient and that sounds crazy, but it's an, it's an example of what we're talking about, which is that this is, this is a big behemoth kind of being hoisted forced it upon the leagues and you know, if anyone asked us, we would tell you don't offer bets on the home run derby. It's an exhibition event that's meant to, you know, for people to enjoy and have fun.

But left unchecked, what we see in more developed markets is that casinos will offer betting on anything that you allow them to bet. That, that is crystal clear to me that they will offer betting on youth sports, high school sports, JV Sports, political elections, anything that they can get you to log on and bet on they will, they will do it. So, it's really important for the regulator and the government to step in and place sensible limits on their ability to do that.



Keith Whyte:

I think a lot of us probably knows. This example, there was a Greg Sutton, the Yuki go, there was a bet offered that a player, I think I may not have been him specifically been a player, would eat a pie. It's sometime during the match on the sidelines. And sure enough, Greg Sutton, this were 40 something-year-old reserve goalkeeper for, for a team, but in English, soccer player, and it was, it was a nationally televised game, went out and bought a pie and ate it, you know, during the [game]. And it turns out that three of his friends had placed the bet at this enormous odds and you know, the bet was properly tracked, but those sorts of things can happen. And it's, gonna be an interesting discussion.

You know, where do you set that threshold? I mean, I know, you know, we know a good friend of mine who, was a recovering sports better, when there wasn't a game on that he followed, and he had his masters in sports management. He would just go and find a bet. And he was actually at the end of it betting on women's volleyball because that's the only thing at 3:00 AM on a Tuesday you can get a line on it. But he was wiring money to Philippines and Uzbekistan and you know, it was the outcomes were not good, you know, across the board either from the integrity perspective, from economics, from the policy. And certainly, from the addiction perspective.

Dr. Laila Mintas:

I think that their different exemptions around, for example, the UK in the UK there are no restrictions on any bearing types, so you can basically bet on whatever is offered and they bookmakers are offering whatever makes sense for them commercially.

Another example is Australia where actually the leagues and the betting operators, they make agreements, commercial agreements behind closed doors and the leagues give that info to the bookmakers and tell them what the website bet types that don't want to be offered on the betting market or which tournaments they don't want to be included, etc. So, I think Australia shows a good example of how, the leagues and then also the upper right operators have to work together to really safe guard the sport. So, a, I think a good example to show that on the other side would we always think as, and what we see on our global experiences.

Then if you prohibit something and there's a market for it offshore, then there's always a risk that people would go offshore and keep playing and betting offshore and then you have no control of what's going on. Minor League Baseball is a good example because for example, no offshore market, so, there would be no risk to prohibit that because people have no alternative. They cannot go offshore and bet on it. So, in that case for example, would make sense to not allow a betting type or bet for that. But then there might be other sports where if you prohibited, people would go offshore, you have no control and therefore it's always. Or sometimes it's better to allow betting and control it and gets the transparency and information what's going on. And set off prohibiting yes.



James Kilsby:

We obviously don't have a representative from the casino industry or a sports betting operator up on the panel today. So I will do my best to channel how they may approach this question, and try to get your reaction to it, but a casino point, some may say the, the operator for sports bet that exactly what Laila has said that if you do not allow a broad range of betting options, including implant wagering, then either underground bookmaker or an illegal operator will. So, if leagues, it's, I had the influence all governments and regulators himself with too restrictive in markets they offer, then that doesn't benefit the legal market. And then secondly, I think we probably should bear in mind that, the betting operator, the bookmaker has a lot at stake in the outcome of, you know, they're offering odds on games that they believe to be legitimate as well. And if there is a fixed and the, they have a direct financial interest in that and that certainly casinos and bookmakers are very good. That business is managing risk and judging risk and they would say that they can appropriately left to themselves judge which contests or fair to be offered. Then they can, you know, manage their risk appropriately given the, in and in the UK. A sports betting operator are able to decide for themselves, how would you respond?

Morgan Sword:

Let me take those one at a time. So, on the, on the bet types, I agree with you. I mean, I think if, if there's a large illegal market on a particular bet type, it's in everybody's interest to make that market legal unless it presents really significant integrity risks to the game. Right? So, I think one thing that gets lost here is that people say, oh, it's happening illegally, so therefore we should legalize everything.

But don't forget there's a very large group of people in this country who don't do illegal things. Right? And, and may now start betting on sports if it's legalized. So that volume of betting will grow substantially if it's legalized.

So, it's not as simple as, um, all right, well there's an illegal market for betting. Whether the first pitch will be a ball or strike, therefore we should make it legal, right? The, the calculus is, should, should we add the risks to our games in order to get the monitoring advantage?

Keith Whyte:

Well, I think the real quick on that, just I think the problem here in United States is there's going to be a race to the bottom and so you don't want to be the last state. You don't want to be the only state. It's not going to offer betting and for example, in college football, you know, and unfortunately this is, we've seen as the stage jumped into this without much concern at all for good policy, you know, it's going to be very hard to hold the line if you're not taking bets on college football, the neighboring state is. And then when that combos, because there's an enormous competitive advantage to being a state that has the biggest amount of it.



So, I think, and I think you're right, but I think it's going to be incredibly difficult and already you're seeing states they've started so low. I don't know how much lower we can go. I mean we literally are going to be talking about things like high school and I would wager money. someone's going to start taking action on that because it's out there already and we're capturing, you know, all the good arguments you would make, but it's very, I mean, it's not too slippery slope. It's really hard to see where that stops. Right. In terms of the competitive advantages that states and states are seeing this. Absolutely. It's competitive and you know, as economic game.

Morgan Sword:

Yeah, I mean that's the policy folks in the room. This is a classic example of where the federal government as a logical role to play, to prevent the race to the bottom dynamics that happened. So, and I guess on your second point about the casinos interest in the integrity of sports, you know, that's something that we also hear a lot. I agree. In the most macro sense possible that the casino has an interest in games being on the level. However they have a much larger and often conflicting incentive to make money. And I'll give you an example, you know, the, the eating the pie is a perfect example, right? Do you think the casino offering the eating the pie event gave, you know, any thought to whether that might harm the brand or the, you know, the integrity of the sports league that of course not right. And, and we're going to see more and more examples like that. If you know, if regulators don't step in and keep the interest of the public in the sports in mind.

James Kilsby:

Before we open the floor to questions, I did just want to touch on the, you raised it just there two weeks ago, a senate minority leader, Chuck Schumer issued a statement calling for some baseline standards and the expressed, his support for exploring a role for congress in, in this area. I'm starting with you. I guess Morgan is, as you raised it, states have been left to themselves to regulate other forms of gambling, casinos, lotteries, horse racing. Is there a role for congress to play here? And why should sports betting be any different than those forms of gaming that had been deferred to?

Morgan Sword:

Yes, well, as a newbie to this industry, I've always been confused why sports betting gets locked in with table games and slot machines and other forms of gambling. Because to me it's extremely different. The most obvious difference is that we are a national sport, right? I mean we have people betting in New Jersey on a game occurring between the Los Angeles Angels and the Seattle Mariners. Right? No element of that is state specific.

And you know, we've touched on a lot of the advantages to having the federal government involved in this. That is our strong preference. I think a set of federal standards for any state that wanted to offer sports, betting, we'd be very much in favor of. But we're also realistic, as you mentioned in the



beginning, the pace at the state level is far exceeding at the moment, the pace of the federal level. And, you know, it's important to us to you know, just have a seat at the table while those states consider legislation.

James Kilsby:

Laila or Keith do you see a role for federal legislation in any specific area?

Dr. Laila Mintas:

I think certain, uniform standards would be easier to implement on a federal level if that's realistic or not. It's not up to me unfortunately. But, I think what would make sense to have a centralized hub that correlates and analyzes bets and a cross crosscheck that information on a lot was a global betting market in real time. And this is something that would be easier to implement on a federal level. And that responsibility to do that integrity monitoring should search for my opinion from sportswriter's opinion was a neutral body like a regulator and should not be up to the operators to do. And, I certainly think that also the league should be implemented into that system and that are connected into the system to receive that information in real time.

But I think that's really something that's needed. And if I look into all the regulations that are out there so far, the integrity monitoring is left to operators, so as a bookmaker has to be proactive, has to self-report suspicious betting and I'm not saying that they wouldn't want to do so, but there are also limits because they see only the book that they are operating, they have no global information on what's going on. So, they might miss trends and suspicious activities, you can only have a full picture of what's going on if you have an aggregation of information that's missing if you only look into one book that you're seeing and therefore there's a big need to have a centralized hub that kind of collects that information. Shares, that was all the different stakeholders

James Kilsby:

I get a chance to now open up the floor for questions if anybody would like to propose. We certainly have other areas we can, touch on our first.

Marty Fox:

Our first question from email gets it the conversation around regulation and given the very real problem of gambling addiction, did we correspondingly need regulation, of sports betting, advertising? And whose responsibility would that be?



Keith Whyte:

I'll take that softball. Yes. Yeah. I think that's critical. In the way we do gambling now and, in many states, there, there's little, if any, regulation of advertising. I think there's some examples from UK and Australia where we've seen that there can be, it can be problematic, especially when it's coupled with inflated betting. We don't have good solutions yet, but, you know, I, I do think there's a real opportunity for collaboration and partnerships and you know, I think this goes down to one of the fundamental principles so that while we don't do gambling regulation on a national level, we also don't do problem gambling or national level.

So, there's not a single cent of the \$7 billion that the government collected in federal tax revenue, the fee, the 30 percent withholding tax on betting winnings, not a single cent of that goes back into gambling addiction. So, NIH, HHS, CDC, none of do anything. And so, none of them are supporting you at the state level. There's still 20 percent of US states that don't provide any public funding for problem gambling services, so yes, it will be important to have response gambling standards for ads, but if you're in one of those states that 20 percent of the United States population that has no services whatsoever, I don't care if you put my helpline number on the ad, if there's nowhere for anybody to get help and there never has been. That's it's, it's a hollow system.

So, we're expanded sports betting on top of a very, very rickety and in some cases not existed. Public health infrastructure. So responsible gaming is important. I think everybody agrees there's going to be, you know, numbers on the ad, but when there's no one there to answer that phone, you know, that's how we've done gambling and a lot of states. Nevada only got public funding in 2005, so between 1931 and 2005, the capital gambling in America did not put a single cent of public money into problem gambling programs. And again, most of the states that have legalized so far have followed suit. So, we've got a fundamental baseline problem here.

I'm not as worried about the ad as I'm worried about in places like DC, there's no public funding for problem gambling programs or Virginia or 10 other states across the country. So, it ads would be a luxury, you know, I'm looking at just basic help right now, which does not exist in a lot of places.

Morgan Sword:

Yeah. And I guess on the advertising question just briefly. So, it's a really good question and we're kind of grappling with that right now because we have, won't surprise you to learn a lot of sports books that are approaching us and our broadcasters and, interested in advertising to our fans. And right now, we prohibit all kinds of sports betting advertising on all our telecast-on kind of everywhere in baseball.

And, it's been really interesting to watch the experience of other countries with this man. I think that the folks in Australia would probably tell you that, they took way too much, and it started to impact the way that people consume sports in Australia and we're really nervous about that. Especially because we're



baseball and every sport is going to have a little bit of a different approach to it, but it's something that we've spent a lot of time thinking about and, we'll see where it goes.

James Kilsby:

Which you've seen in the past months or so, there's been a big expansion of sports betting advertising in Italy and they've had a new government that's come in and banned all advertising of gambling altogether and so, yeah, I think there's a clear case studies for, public policy, a pendulum swinging of a sports betting as I'll give me becoming too prevalent and then policymakers coming in later and bringing down the hammer. It seems a very appropriate area to be focusing on getting, getting it right first time.

Keith Whyte:

In the NFL, you already have Jerry Jones who struck a partnership with a massive Indian casino with Windstar up, ended up in Oklahoma and they've, they've recently really changed their rules and. Yeah. And so, I mean, I think they're getting a good policy is going to depend on evaluation and you know, we're, we're eager to work with leagues and the operators to try and find where that, where that harmony is again, minimize harm so that everyone can maximize public benefit. Public goods. This is evidence and it's going to be a heck of a challenge. You know, we don't, we don't have the answers yet. But, you know, I think that's the only way to get there. Is that kind of those sort of voluntary partnerships.

Michael Glosserman:

Okay. Everybody wants a piece the first folks, that want the biggest piece are each of the states of the state, then you've got a variety of leagues. Each feel, the way you feel and going down, were at some point the pie is, gets to a point where the pie is not big enough. As big as these numbers are, there's not an economic motivation. So how, how are you working if you are at all with soccer, NFL, NBA, everybody. And then it goes to high school, so, you know, so where does this all end?

Morgan Sword:

Yeah. So maybe I should clarify. So, the royalty fee, whatever you wanna call it, that, we're asking for is only paid to the sport on which the bet is being placed. So there's never, there's no kind of incremental effect. It's always point two, five percent of the total amount that, um, but you're right that, uh, you know, it's probably um, uh, you know, the state needs to tax the revenue that we probably need to devote some money to problem gambling. We'd like to be compensated.

What's interesting though, I think is what we've seen in the early days of sports betting is that you have more room than you think, um, of the pie to give out to people. So, Pennsylvania, for example, has a very high Tax rate on sports betting revenue. And when they first announced their bill, all of the casino



said, we will never go to Pennsylvania. You know, this is preventing us from operating in Pennsylvania. Below and behold, everybody wants to offer sports betting in Pennsylvania despite that high tax rate.

And, so I think that's one thing that we've learned early on is that we do have more room to play with than you think, and you know, the casino is going to be great at the end of the day because this is brand new revenue for that. Right, right. I mean don't forget like the State is creating a business for this casino, giving them a monopoly on that business and you know, and they're going to make plenty of money from it. So that, that's our view there.

Keith Whyte:

I think there's a windfall opportunity. Certainly, the margins are going to be small because remember most of the money taken, it goes right back out and you know, so you're only looking at best 10 percent and then fees and taxes and costs and all that. But it is still, it's an opportunity and where there is new revenue where you're bringing especially offshore onshore. Yeah, it gives, I think there's a way to do right by the major stakeholders with this.

James Kilsby:

I'm afraid we are, we have run out of time, and there's no overtime. It does feel like we have barely scratched the surface of many different topics that we could go into, so I'm sure will be available later to meet and speak with any other questions that you have offline. But as we exit the stage, please can we thank Laila, Keith and Morgan.

Second Panel Discussion

Tom Farrey:

We are going to make quick a transition. We're going to bring the next set of panelists on, so we're going to get started immediately. Thank you all really. Absolutely. Absolutely. Thanks. Thanks, Laila.

So, this next panel. The first panel was on the ethics of a sports betting. This next one is on the funding equation. How do we maximize the amount of money that state governments are receiving from the sports betting landscape and then how best to use those for the public good?

I have a terrific panel here to explore these topics. We have Bill Coley, we have Daniel Wallach, and we have Tom Cove on the far end. So, I'll let you all introduce yourselves. How about you all kind of explain your role in the ecosystem, start with you Daniel.



Daniel Wallach:

Right. Thanks for having me. Tom. I don't know. Is the mic on? Can everybody hear me? Okay. My name is Daniel Wallach. Probably one of the few voices in the space that has been on both the sports side and the gaming side. I'm a, I'm an attorney by trade, a member of the International Masters of Gaming Law. I've been in the gaming industry for at least the last 10 to 12 years, but I've also represented in addition to casinos and race tracks and been well immersed in the gaming industry.

I've also had the occasion to represent clients in the sports related industries such as teams, I've worked with the Orlando Magic and the Jacksonville Jaguars and Florida. I've represented some sports data companies. So, a lot of the conversation that you're hearing is kind of filtered through the lens of particular stakeholders and I view myself as kind of somebody who has, you know, understands the issues pertinent to all stakeholders. And I've been writing about a sports betting for Forbes, for legal sports report, for sports law blog. I've been to every federal court hearing as Mr. Brandon, Mr. Bat, who are in the audience may very well know. So, I've closely followed the saga of the New Jersey sports betting case.

And in addition to that I've thought a lot about some of the future legal issues that are going to surround sports betting as well as the integrity issues. And you know, where I come out on this is kind of a little bit of everything. I believe that there to echo Morgan Sword and Laila Mintas, there is an imperative need for transparency and what I consider a centralized, you know, betting hub through which information travels in real time to act as an early warning system. Our current state models a while they're well intentioned, lack that kind of an early warning system and leave the sports industry in the gaming industry somewhat at a, at a high risk, absent some kind of an early warning system that aggregates everything and makes it available to regulators, the leagues and other stakeholders in real time.

So, I've been talking and writing about a lot of these issues for years and now the, now that the future is finally here, I'm definitely enjoying being part of the national conversation and hopefully we can, you know, have fun with some of these issues today.

Tom Farrey:

Bill won't you to explain your role in the ecosystem.

Bill Coley:

Hi, I'm State Senator Bill Coley. I'm the chairman of the government oversight and reform committee in the state of Ohio and I'm also the president of the National Council of Legislators from Gaming States (NCLGS) and in my duties as chairman and my duties at NCLGS we're not pro gaming. We're not anti-gambling, were for good policy and whether your state is for a ban on illegal gambling, don't allow sports betting or you want to allow sports betting in your state. Our goal is to make sure you have good, effective policy.



One of the things that we thought we did some research in Ohio and I'm glad, I'm very proud to tell you that a gambling sports betting must not be a problem in Ohio because since January of 2008, there have been 12 arrests for bookmaking in the state of Ohio, 12 arrests. So apparently, we don't have a problem in Ohio and sports, but thank you for getting the joke.

But you know, it's one of the Supreme Court has, is given the states another tool with which to fight illegal gaming and that is legalize it. And uh, we've got some great ideas. You know, you hear a lot of discussion about ways to solve these problems. And, just to hit on what you heard before, you know, the problems are, you know, first you have to have consumer protections. The book, you know, I, I like to tell people, legislators are a lot like married guys and married guys. I'm sorry, women in the room. Let me explain how married guys work. We get up in the morning, we have one goal in life. we say, please god, don't let me do anything that is so stupid that she has to yell at today. Okay, well, legislators be they men or women, they don't want their constituents to yell at them. So, you've got to make sure you get things right. And the first thing you got to get right as consumer protections, the bookies have to be able to pay the bets. And, and if the bookies don't pay the bets, they're going to call the legislature. So, you got to get that right.

You have to get problem gaming, right. If the, if the guy's gambling the rent money or the house money and he's losing it, the families are going to call the legislators. They don't like that. You got to make sure you have a problem gaming piece fixed. You have to make sure you have sports integrity. You know, were Morgan and I may disagree on an integrity fee to the leagues, I don't think, you know, when you talk about making sure that illegal activity around sports doesn't go on, that's not the leagues fault. That's a governmental function. And, and as, as has been pointed out, if you decide to legalize sports, betting in your state, whatever level you have now of illegal sports betting, you're going to have at least that and more so you have to make sure that you take seriously the match fixing a Laila and the folks at Sportsradar have done, that's their career and, and they can show you some great stuff that they've done in a world of, match fixing. So you have to get that right.

You have to have those protections in place. You have to get the revenues in which to pay for all of this. As dan alluded to, one of the concepts that we're talking about under, under the Isa system where it's a voluntary thing. I'm a bookie. I am supposed to report any improper sports bet in anything that's suspicious. I'm supposed to report that to the agency. That doesn't always work, right. You know, if I'm a guy who's betting \$10,000 every time I take place at that with you when I come in and bet \$20,000 one time, you know, that's not particularly suspicious. Would you report that? No. What you don't know is I've got 10 other bookies and I rotate between and now I fixed the match for that night and I bet \$2,000,000. I bet \$20,000 with each of you. none of you report it because it's not suspicious. we've got a solution for that. Technology is there.

We can run a portal as Dan alluded to, you can run a portal in your state that all the bets go through. So we know exactly who's doing what, where and when and how much. And now if somebody bets half a million dollars on the patriots and somebody and they also bought a half a million dollars on the eagles, they're not betting their money laundering. Boom. Well, you know, you have a portal that catches that



into place when you get somebody that you know, is related to one of the players and you've seen a bet that's suspicious. Then you run through another database. You use a big database search. We have a company in Ohio that's fantastic, called Factgem and so you get the suspicious bet you think these people are involved. Then you have a company like Factgem run it through and they look for all the links between the two entities, in which case then you can, can investigate and see if there was illegal activity going on.

So there's a lot of things that you can do today in a technology based that you can do that are not in place in other countries, are not in place in Nevada and states that decide to allow betting in their state should include a portal and then you have an interstate compact between the various states to show the data state to state not a violation of the wire act because you're not doing anything in the furtherance of gambling. You're fighting crime and you can share that data with those things in place.

We might be able to do actually do something and do it in a safe way and fight a lot of illegal betting and thus also create, creates from revenues from which to do a lot of good things.

Daniel Wallach:

As the wire act expert, there's no wire act issue with that whatsoever. States aren't in the business of betting or wagering, it would in any event be subjected to a safe harbor under the wire act. So sharing of information between legal jurisdictions is a perfectly legal, it's just the bets and the wagers that can't cross state lines.

Tom Farrey:

Want to bring Tom into this, so, tom, you're a new voice in this conversation and a quite deliberately so because I think you bring in a really interesting perspective. So why don't you explain who you are, your role in this conversation and if there's anything on that first panel had both Daniel and Bill sort of riff on a couple of ideas there that struck you as particularly compelling.

Tom Cove:

Sure. So, I'm Tom Cove. I'm the president, CEO of the Sports and Fitness Industry Association, that's a national trade association of sports, product makers, sellers, designers, marketers, etcetera, and our biggest companies are those that you know best with brands like Nike and Adidas and Rawlings and Wilson and Under Armour, but also all the professional leagues and a number of our partners are in the business of providing sports to Americans primarily.

I'm clearly in a different place here and what we came to this discussion with is our mission is to promote sports and fitness participation. We're all about getting people active. It's good for our business. It's also good for the country. It's a fundamental social good public health, etcetera, so it's a



great place to be. This is a particular opportunity to address a particular need that is vitally under resourced as of now, which is support for sports, youth, sports, physical activity, etc., etc. We do the best research in the world and who plays, what were they do it, how they do it, how many people do up down or whatever.

And we are seeing in this country a dramatic increase in the access gap between disparity around household incomes and those who are active as you go up the household income line, people become more active. It particularly at the youth sports level, so we are very attuned to the idea that we need to put more investment into closing the access gap in sports and fitness and we have number of so. So that's that. That's our big mission.

So, I'm clearly in a different place here. We're not as sexy necessarily to all the questions that are going to come up and clearly questions that have to be addressed early on, but what we are concerned about and speaks down to what I heard in the previous panel is we have a public policy imperative and there's a public policy solution here and there are many historical and particularly current analogies that suggest that we could take resources from this need. Circle them right back. There is a logical and a, an immoral relationship between sports betting and youth sports. Whether they be protecting against concussion or inner city or whatever the need is. So, we see that connection, we've seen it before and we know that when we do invest that way, we take money that's potentially kind of, you know, it's happening in current time and it'll be flattered away, and we invest for the long term that's good public policy, not to mention its relationship to healthcare and other benefits. Okay.

What I heard on the panel was we ought to race to the bottom and that concerns us tremendously because once the money is associated with somebody, it's hard to take away from second one is there's such a focus on some of the things that are the, the organic challenges of how to make a fair and equitable and I'm betting system that we're not going to spend time on what we should be from a public policy, which is what can we do with this money at the end that will have a lasting impact.

And third, I would associate myself with what I think Morgan said, which is there's a lot more room for it with the money that, that yes, everybody wants a piece. I think that's a really good point. And that's what everybody does, but the fact is its new revenue, it's not tied to someone. It's much easier to put it in the right place before you're taking it away from somebody.

And as of right now, it's not in anyone, so to speak pocket, whether they be the private sector and casinos or whether it be the government or whether they be other good uses like prisons and you know. And. So the last thing I would say is if you look at our historical examples, something like the cop, the lotteries, lotteries are used to fund other social and public goods. Almost always there. They're often justified by. We will put them into this good thing in Colorado. The lottery goes to outdoor recreation because that's a benefit to them and it's an important economic benefit. And in fact it turns out it works out great. What is doesn't work out great is when you don't put a lockbox on something like that. And every year you have to argue about whatever the public policy need is. And in the place like, I think it's New Jersey, they've actually had to take some money out. They're not, I know it's in New Jersey and



they have taken a lot of money out of what was dedicated for one thing to pay for the public pension, pickup. There was a big gap. That's a, that's a priority, but that's why you ended up having kids not playing sports and not having physical education and not having safe parks in dangerous places because the money was taken from other, some other priorities. So, we would like to see a discussion early on about how you can spend the money later or now have benefits for the in perpetuity.

Tom Farrey:

There's a lot to unpack. And those three different sets of comments there, they'll only just sort of pull it back a little bit. We'll do it on them one by one here, Colorado for instance, just to flesh out a little bit further in. And I wrote it that it's in the piece that you may have picked it up out there. The lottery in the early 1990s was introduced and it goes back into funding community, sports recreation, conservation efforts like has that kind of thing. \$1 billion dollars since the early 1990s. Colorado was one of the most active states in the country. They're, they're building so many homes there that the folks who are building the homes can, can't keep up.

So many people want to live in, in Colorado is clearly as a good example, but you know, Norway just want to kind of put a little meat on that bone as well. Here's the way it works in, in Norway. I don't want to get your thoughts on whether if such a model. Could work here on a state by state basis. Grid works is if you go into it, you know, you want to place a bet in Norway at that moment, you placed the bet you can actually direct seven percent of the, um, of the, of the companies take it's a government monopoly take to your local club. So your local boys and girls club, whatever your favorite place may be as long as it's approved right? And at the end of the year, the surplus is then all given back to the government and then it is distributed to, um, you know, the sports infrastructure, 64 percent of it goes to a building, facilities and equipment and so forth.

Norway is obviously not just good at making elite athletes are also one of the healthiest nations, in the world. Is that type of model? I mean, Bill, let me start with you. Is that type of model when you hear that is it possible here?

Bill Coley:

You can do that. I mean, almost all states have, as Tom pointed out, almost all states have a lockbox thing. But remember, if your state does a biennium every two-year budget, all guarantees are good for two years. And if you do it annually, it's one-year guarantee.

So, what happens, you get an in Ohio, all the money for the lottery goes to k through 12 education are \$1 billion dollar in the lottery goes to help us with the \$15 billion dollar we spend on that. You know it's not if it, if it's a new program like tom's talking about where you're coming in and you're saying we're going to create this new fund to do this and all this revenue is going to do that. Well that then you can create it and have a fund.



But what happens if it's an established program and you're using that to supplement the fund first time the budget gets tight, okay, that's got to go there. That money will go there, but you know, we're not going to add any more money. So, you just kind of get the supplement supplanting funds, you know, we always say, you know, you want me to take the money out of my right pocket and put it into my left pocket and, it's all the budget.

And so those are the kinds of things you deal with. So conceptually it could work, but if it's not a totally new program and, and that you might just be supplanting money back for different fields at a time.

Daniel Wallach:

I mean, Norway would be a classic example of a state monopoly. And in the United States, we have states that by operation of state constitutions, which limit gambling expansion to state lotteries, we have a fair number of growing states that sports were sports betting can only be conducted through a state enterprise such as the state lottery.

We're seeing that in Delaware, West Virginia and soon to be Rhode Island. And there are probably about eight to 10 of those states where unless the voters go to the ballot and amend the state constitution, the only way to operate sports betting is through state lotteries a question whether a game of skill such as sports betting fits within the prism of a lottery. But that's a question for another day.

But Delaware and Rhode Island tax sports betting at a 50 percent rate in that their partners, the state's revenue percentage of revenue is closer to 50 percent. By contrast, the licensing model that is in existence in most of the other states, imposes a tax rate on sports betting revenues of anywhere between six percent at the low end and Pennsylvania being an anomaly at 34 percent.

So, if you look to a lottery-based model, that might be the environment that could be most suitable for earmarking a higher amount of these revenues to special programs, to fund recreation, to, you know, remedy problem and compulsive gambling and to do all the other things that the states that have money in a general fund can do. But I think he can do a lot more of it in those states with state is actually a partner.

Bill Coley:

Dan, you, you hit on one thing though. It's what product are you talking about? You know, a lot of us, when we think of sports betting and you've heard, and I agree [with] those statements.

When you talk about traditional line of sports betting where you know what are the odds that the Bears are going to beat the Packers and the next game and what are this and all that kind of stuff that goes on



that, that's a product that has a very tight margin and Bovada and some of the illegal websites take two, three percent and 97, 98 percent of the money goes back to the players. And if you're going to have high tax or like the Pennsylvania with 36 percent tax rates, you're not going to compete. You're just sending more people off shore to illegally bet.

However, when you look at the product inner lot, who's Ohio's a lottery advisor in Greece? They have a product that's, it's a partly bet. And so, when we were at the ice conference in London this year, we happen to go up to the machine. You hit the machine and it came out a 10-pound bet, paid over 760,000 pounds. Well, when you looked at the boats, three soccer matches that night, who was going to win the first one, the massive underdog was going to win. And the second one, some guy who usually rides the bench was going to score the first goal and the third match of the night was going to end in a four, four tie.

Well, you know, that's, that's the, that's why it's 760,000 pounds then a 10-pound bet. So you know, you get into those kind of bets and that kind of product and it's a different product altogether and that's more of an entertainment product that's more of a product that could be available in the bars and clubs and where people will stay with their friends and have another beer, have another order of chicken wings and watch the last match to see if they, when they're parlay bet. And so, you have to remember that as we go into that there are different products here in different markets that you're dealing with.

Daniel Wallach:

Yeah. The Delaware for, for example, the last, two reporting periods. The first two months of Delaware sports betting operations of their retention, their revenues on the overall amount of wages has been close to nine percent. So, this profit margin there and, and Delaware's like Harley lottery for sports betting annually does about \$5 million in revenue, but for the single game wagering, the Delaware has rolled out the last two months. They've come about two and a half million halfway towards the amount that they do for parlaying wagering annually in only two months.

So, I think the notion that sports betting operates on razor thin margins is kind of a myth. Looking at the first two months in Delaware, even Nevada has had months where the retention has been six percent, seven percent, and let's not overlook the fact that just as sports betting drives fan engagement.

By the same token, there's the other side of the coin and it drives visitation to the state's casinos. So whether it's viewed as a narrow profitability raised within profitability, it creates a, it creates engagement and all of the amenities that take place at brick and mortar, casinos and race tracks.

So, I like to kind of do away with this myth that that one or the other stakeholder isn't making enough money at it. There's plenty of money out there to distribute and I think for the states that want to



distribute as much as possible in earmark to programs that really need it a state lottery centric model might make the most sense in those states. Works the only vehicle available for illegally operating sports.

Tom Farrey:

I mean, one of the advantages of a lottery type model is there retail locations, which they're all over the place, right? You don't have to go to the casino, right, you, it's just a matter of layering on the sports.

Daniel Wallach:

But online is king. Let's face it, for this to work to maximize revenues, you must have mobile and online. Otherwise you're confining, the opportunity available and you're leaving so much of the money in black, unregulated markets, New Jersey as an illustration, over the last month they've only had three.

I think we only have three online sports book so far with capability to have up to 42. Those three online sports books generated one slash third of the total sports revenue sports betting revenue in New Jersey just for the month of August, and you've got, you've got four casinos now, eight casinos, three or four racetracks, and the land based retail aspect of it, aspect of it was two thirds, three online sports books were one third, I think the September, beginning of the NFL season you're going to see a dramatic shift and the vast majority of betting that takes place in New Jersey will be through the online vehicle. So that is equally available for state lotteries. It's not just, you know, retail locations and ended up in Delaware. It's confined to the three, you know, race tracks. You can't go to 7-Elevens and that single game sports wagering like you can, you know, multi game parlays.

Tom Farrey:

You know, we know there's an appetite for gambling in this country. Obviously the huge illegal market. I mean even to the point where we're going to be releasing a paper next month. a state of play mobile county where I'm Jon Solomon, our editorial director went down there and uh, and really just look at what, you know, how many kids are playing, what sports, what are the challenges.

One of the things we found, I can't give it away until next month is, but there's an awful lot of gambling activity on youth sports. I'm like kids games endemic. Not like one person here and there, but it's happening all over the place as, I shouldn't say all over the place, in a certain area of mobile county that we were looking at. As this thing. Real curious how the electorate is going to look at this. I mean, if people who scream at the politicians and either keep them at all or don't. As this thing moves forward, what do you think will alarm people and what do you think will excite folks moving forward? What is politically passable?



Bill Coley:

One of the things that I've learned in my duties in the most shocking, 70 percent of the total value of wagers in Europe, are prop bets 70 percent of the wagers are, who's going to score the next goal is they're going to be a yellow card in the next 15 minutes. Is there all those kind of things. And, and those are the kind of numbers and percentages that are just shocking to people.

I mean, you know, I'm used to being around baseball stadiums where you know, it's just like as the, in a mountain ball for those, there's a bulb and ended up on the picture of the monitor off the pitcher's mound and you know, guys all bet a dollar each, each half of an ending on it and it's goofy stuff. But you know what, when you look at the industry as a whole, and I think what it'll get people excited about is when they, they see that, oh my god did the huge amount of the budget is what's going on during the game. Not just the ultimate outcome. And, that's really important because it, it can be a source of problem gaming, but it could also be a source of a lot of fun.

I mean, one of the statistics I'm always shocked about is, at your office pool for the NCAA tournament when, if you fill out an office poll and not make a wager, if you fill out an office pool to turn in for the competition at your office, you will watch, I believe it's 88 or 82 more minutes of the NCAA tournament on tv than someone who doesn't. Now, you know, there's a lot of variables in those statistics. I get that. But the point of the matter is to our friends in Major League Baseball, major league sports in general, you know, what's our payoff that 82 or 87 more minutes a day equates to a huge dollars to the leagues for their, their television contracts. And it creates a lot of wealth. Well, you know, is that a source of revenue that should be, should be flowing through to youth sports and things like that, you know, are all these kinds of things. These were presented.

This Supreme Court decision has presented us with a lot of options and I'm glad thoughtful places like Aspen are talking about it from all different angles on how do we address this situation that we're in now and make sure we maximize it for the entire country.

Tom Cove:

I can't say that, it's interesting where the conversation was going so it's reality check, right? One is its kind of interesting that the discussion around the country for the most part that we see, there's not that much opposition to it during certain pockets in general. It's sort of fait accompli. Everybody's going to do it or not do it, but they're not like. It's not a big tension against the other side of it.

Tom Farrey:

But they haven't seen it in practice. They haven't been hit with the ads.



Tom Cove:

And that's where I was going. The second part is it's pretty clear that those who are involved in betting, they would just want to make the bet they don't really care about and the thing they care most about is the takeout or what the potential payback is, but for the most part they're not saying, hey, you know, that's great. I'm going to help. The little kid is I'm betting on green bay tomorrow night and it's just not happening that way.

But at some point, there's a distinction between those who were betting and this whole bigger group of people in this state or federal in the country for work who were benefiting or not benefiting and part of this conversation is going to have to be. Let's get there. Let's assume there's. This is going to happen. Assume that there's a lot of details that have to be fixed and let's get to a policy conversation that is much bigger than what we're spending all our time on. Because what we're spending our time on, our practical considerations about. Get one about the betting proposition and it's kinda cool to talk about. Are there going to be prop bets, et cetera, et cetera. At the end of the day that's going to be worked out, but the bigger question is once it's done, it's done and we missed out on the bigger potential positive, so I guess the frustration that some of us feel is that we get while it's so it's complicated to put together, but we've got to sell this thing as a positive thing for a bigger community because I don't know how many people actually bet and I you know, and how many gun it's going to be a bigger number than usual, but there's still a massive number of people that are not going to be involved in the front end that might be involved in the back end. From a political point of view, we should figure out a way to access that potential support.

Tom Farrey:

Bill, I'm curious to know. You get your thought on is how the expansion of betting and the expansion of revenue related to betting, how much of that is tied to the public's interpretation of the downstream benefit of doing so? The why like in other words, because it's funding education or because it's funding recreation or because it's paying down our pension liabilities and wherever.

Bill Coley:

I think it has a large effect. I, you know, as you guys talk about Norway and I think people feel better about that so much. It's so funny if you've ever bought a new car and then for a year or two or forever after you keep getting letters from the company, you bought the car from saying what a wise purchase you made and that product dissonance and, and you know it's, I think it's when you, when you're helping to use sports or you're helping in Ohio, every time I buy a lottery ticket, well I'm helping education in the state of Ohio. When you have those kinds of things, I think it does make a difference and how people perceive what they're doing.



But you know, the, the main thing, the how, the who, the what, the where, the why and the how. I just can't underscore enough. You gotta you gotta embrace technology. You got to run that portal to run everything because that's the only way in and you have to empower law enforcement to go after the old lingo operators because you're going to, as has been pointed out, there's going to be more if you legalize, they're going to more people wagering and when they just look at, hey, what do I get?

The better return it's going to be the illegal product because they're not helping anybody but themselves and they don't really care if you've got a gambling problem or helping out kids in that stuff. They just want to maximize the illegal gains and you want to make sure that you're going after those guys and the people who participate in that and to try to channel that all into a legal market. So, the how is important.

Tom Farrey:

You know, the second largest lottery in the world? You guys know what it is? I'll give you the answer. It's China's sports lottery. China's sports lottery produces 7.6 billion dollars in revenue per year. And all of that goes back to sports. Seventy-six percent of it goes into promoting mass participation Sports in 23 percent goes into elite sports. Interesting. Right? So, in China, they don't have to sell anything to anybody, they just, they just do it.

So, let me sort of build on your last question there. If there, if the how is important, how important is, you know, this idea of pulling from the top of the sports pyramid to fund the bottom of the sports pyramid versus pulling from the top of the sports pyramid to fund whatever need there is in that particular state. What's the political calculus on that?

Bill Coley:

That's where, that's where it gets, that's where we get into that argument, you know, should I my right pocket in my left pocket? Look if I, if I'm Kentucky and I have a pension system that's in deep trouble, then I've got to look at every available dollar estate to get that. And that's where I start pulling money away from programs that I would otherwise have funded and that that's what's important about the whole budget process and in each of our states. I think it can just, you know, the, as you said, you know, you can have all this theory you want, but the bottom line policemen and firemen have to be paid.

Pensions have commitments to other, you know, prior workers and stuff have to be honored and you got to keep the streets safe. And, and it, it's funny, we tell people as legislators, you know, I'll get every budgetary, you know, they'll come in and they'll say, you have making sure we educate our kids is the most important thing we do. I go, you're absolutely right. And then my next meeting, 15 minutes later, I'll be somebody going, taking care of our most vulnerable citizens is most important than we do. I go, you're absolutely right. And the next person will come in and they'll say, you know, talk about some crime that's going on, making sure our citizens are safer is most important than we do.



It's all the most important thing as a legislature, you educate, you medicate and you incarcerate and that's 90 percent of your budget and the other 10 percent you get to work on the other things with, so it's important when you have to meet those commitments and you have to educate, medicate and incarcerate and that doesn't give you a whole lot extra, so these are important programs that help feed the health and maybe cut down the costs down the road, but their expenses in the present to save down the road. Sometimes the present is so big and ugly, but you can't spend the money for the other things.

Tom Cove:

I'll put my lobbying hat on and say put every kid into a good youth sports programs and you're good. They're going to educate better. You're going to Medicaid less than. You're going to incarcerate much less.

Bill Coley:

My early childhood development people will tell me that every year.

Daniel Wallach:

And to be fair for the professional sports leagues and the teams are already doing that at the grassroots level, grassroots level. Everywhere I live in, in Florida, Florida, Marlin's Miami Marlins and the Yankees, the Mets, all the leagues and teams engage. You know, their local communities. It's not mandated by statute, but those efforts are already underway, and I think the leagues and teams are probably doing a pretty robust job and giving back to the community already know.

Tom Farrey:

They'll also tell you that they don't have the money to fund all these. All these low income areas where they need fields and programs and they can do. There's only so much they can do definitely.

Daniel Wallach:

Definitely, definitely could benefit from more of it.

Tom Farrey:

So, Tom, how much confidence do you think how much confidence do you have in building a coalition around your idea? Given what Bill said.



Tom Cove:

I think that that this conversation is exactly right, so the people on my side or any other coalition side need to hear that reality because it's true. Everybody's got a good story, so it's about building the broadest coalition and then connecting it to bigger stories.

The bigger story for us is health care is a dominant, dominant issue that you're going to have to pay more for. You'll pay me now, pay me later and create, create kind of a data and stories and connections to say, invest in this and it'll do it. You get a two for three, for four and I think there's a lot there.

The other part is people have no idea in this country that 50 percent of kids in America don't have physical education. You just don't have any awareness of the depth of that problem. No physical education, physical literacy means bad things all the way around. so we say the key of your question is we have to communicate a big broad message. Not just like, hey, be good at sports. It's got nothing to do with winning medals. It's got to do with a healthy population and then related in a way that says it's not just one group but a whole group of the population. So you're not hearing from one after another. You're hearing all of us at once. That's what I would suggest.

Bill Coley:

The other thing, you mentioned the health aspects of sports, but also the community aspects of sports. I mean, you know, I don't know how many business employers I talked to that, you know, they get, they get these kids that, you know, one thing about kids who, especially playing team sports, they're used to working together, they're used to hey, if somebody else has a bad day, we can all suffer as a result and all that kind of stuff. So they're used to that concept. So, when they show up at McDonald's to go to work, you know, making fries, they understand that there are a piece of the whole puzzle and it's not all about them.

And, those are benefits to a society that we get from sports that I, I think are huge and, it's an important piece, but, you hit on the point we have to be, especially as we go into town with this new money and funding, we should make sure we partner up with our institution in our statistical people. And let's see if we can track what the benefits are.

Let's see if we can, you know, we can show the benefits because we spend so on the Medicaid and educate and crime on the Medicaid portion now spend a boatload of, thanks to my governor a lot more than I wanted to, but you know, I, I meet with my managed care organizations all the time to come up with what about this idea, can we statistically show that this is driving down cost numbers and, and that kind of stuff as we work in, as we can show participation in sports, does these things that drive down costs numbers as far as healthcare but also improve productivity numbers. Those are kinds of things that are real meat and potatoes that we can help sell to a legislature.



Tom Farrey:

So, Pennsylvania has an extremely high tax rate, was it 36 percent, 34 percent. And yet we're still seeing people say they want to do business there, right?

Daniel Wallach:

Not only is it the tax rate, that's a disincentive, but the application for a license, a gaming license to offer sports betting \$10 million dollars per operator, it's the highest of the highest that we've seen in the United States. Yet.

Bill Coley:

Has anybody filed an application? Of course, of course.

Tom Farrey:

Why would a state take less than Pennsylvania moving forward? I mean, what have we learned from Pennsylvania's situation in terms of how states respond?

Daniel Wallach:

You know it's going to have a dragging effect on pricing odds and lines, you know, not all states have created equal. Those states that grant licenses to sports book operators that operate in a less economically viable state are not going to make as much money. They could potentially lose money in a situation with the tax rate is that high and their odds and pricing might not be to begin with, it probably won't be competitive with the illegal market, which does not have to subject itself to any regulation or tax rate or taxation. So, the more difficult economically you make it for operators to offer the product, it creates an even greater disparity with the illegal market.

So, you have to kind of find the right sweet spot for both taxation, a licensing fee, even in a royalty and integrity fee for the leagues. There's a sweet spot for everything and I think the optimal tax rate is probably somewhere between six and 15 percent of the licensing fees. I guess that's, that's a function of cost to regulate.

And even the integrity fee all of the drama and histrionics surrounding the debate over and integrity fee. The leagues are really asking for, I believe is what a quarter of one percent of handle. And in my, in my economics, the way I break this down if the margins are between five and seven percent, but the legs are asking for is probably no more than five percent of a sports book. Operators revenues associated with sports betting.



So, I think there's, on each of these economic issues, there is room for compromise to achieve all of the goals of the industry and to benefit the state and the public and most importantly to protect integrity. Okay.

Bill Coley:

How much do I kick in for those stadiums? How, how, how, how much, how much do I pay in law enforcement and as, as a governmental entity for all that. I understand dan, but you know, it's not for them bearing all the extra costs. I have said that, but, but the, you know, they asked him for an integrity fee.

I mean, you know, hey, look, if, if there's a problem with somebody breaking the law, well that's my job man. Anyhow, I'm the government. I'm supposed to enforce the law. if, if someone's, you know, someone's broken a league rule, that's your baby, but when, when they're breaking the law, it's my. If someone's being threatened, if a player or an owner or a member of an employee of the organization has a physical threat or something, well that's, that's a law enforcement function to protect them. That's not, that shouldn't have land on the league and those kinds of things.

Daniel Wallach:

But Bill it's a simple calculus we're talking about added risk to the leagues. This is not just simply sports. Betting legalized in the United States isn't simply moving and migrating betters from the illegal market into legal, regulated and monitored markets, but the but the overwhelming majority of this ecosystem will consist of new betters.

I mean, I was at Monmouth Park's grand opening in New Jersey, I think it was on June 14th or June 15th. Everybody I talked to, nobody would cop to have, you know, betting in, in offshore books, but it seems pretty intuitive that the vast majority of the betting that is taking place will be from betters who have not previously that in a illegal markets.

So, the legs are going to bear extra risk. They're going to bear a monitoring expense that didn't exist at that magnitude previously and they do create the foundation for which the bets occurred. Yet they're going to be shut out entirely and they are the most critical stakeholder to ensure a monitoring and integrity because while state licensed operators and regulators have their jurisdictional limits cutoff at the state border, I think the leagues at this point are really the only stakeholder that can bring cross border, multi-jurisdictional investigation to bear. Otherwise, a gaming regulators authority ends at the state border.



Bill Coley:

I'm curious, how much of that 87 minutes of tv time extra do I get, you know, because I allowed gaming and I put more people, you know, I mean, those are the kinds of things, you know. My first job when I got out of law school, I was a worker. Maury Weltman was in his eighties then and he took me to lunch and he said, Bill, never be, hussa, you know, you got to learn that don't be a pig, don't you know. And, and sometimes, I know that they're saying, oh, it's only this much, you're just kind of, I think more would say you sound like a husband.

Daniel Wallach:

So, I think this proves the point that if a radio network or a tv broadcast network, cable station created integrity fee tv, we could talk about this around the clock. probably the most divisive issue in the, in the sports betting debate.

Tom Farrey:

Right, we need to go to Q&A couple of quickies for me before we do that. One would be the legalization of marijuana, is there anything to learn from states doing that? And I'm sort of building on this idea that um, you know, people, if you don't make it competitive, if you don't price it, you know, in a competitive way locally, then they're going to go do business with the illegal market. I don't know the answer, has that happened with marijuana? Any lessons to pull from there though?

Bill Coley:

I can only tell you what my Department of commerce has screwed up our medical marijuana program. So we're still not up and running. So I couldn't tell you from experience. I know that the price, I am told that on the illegal market, the price on the legal market in Colorado is as they came on online, you know, dropped precipitously from I think \$2,800 a pound to \$700-\$800 a pound, like over a six-month period. And I know, you know, and those kinds of, those kinds of prices for commodities if you will.

Tom Farrey:

I mean, I just wonder if someone who is being presented with an ad on tv that's approved from a, you know, licensed bookmaker and otherwise they're going online, or they can say, oh, you know, what, I can actually get better odds by going to this, you know, offshore book. I don't know the psychology of the behavior there.



Bill Coley:

I think. I think it's something we definitely have to be concerned on. I mean, you know, you just made me think of, you know, it wasn't marijuana, but in opioids, you know, if anybody's read Dreamland and you learn. I mean Ohio was the epicenter of all of that and uh, you know, it was, it was funny, the price, the price of the illegal market, they decided this cartel decided they were going to slash their prices far below and just exploit them market advantage that we created when we went after the pill mills and stuff. So, the illegal market is much more sophisticated than we give them credit before.

Tom Farrey:

Last one before we go to Q&A. Do we know if, if sports betting sports lotteries are a regressive tax and we know the type of people who bet, this one of the comments I got when I wrote my article, about, hey, maybe we should take them up? The Norway model. People are like, well, you just be pulling from poor people. And I said, I don't know if that's true or not. I don't know who the better is, who the vendors are, what do, what do we know about weather this is regressive or not?

Bill Coley:

That is a great question. I would check. I'm going to check with our prior panelists and also my problem gaming people in Ohio and I'll get back to you on it.

Daniel Wallach:

I think there's, I agree that in some party it could be, but unlike other forms of gambling poker, slot machines, table games, it doesn't necessarily feed into only the gambling aspect of it. It is a fan engagement. You know, football, baseball were such a sports-obsessed and centric society that it makes the games more interesting. And, I think there's a different consumer, in large part at different consumer involved in, you know, most mainstream sports betting a so that that's a different angle than most forms of betting.

Tom Farrey:

Marty, any questions?

Marty Fox:

An email question from Brian. Brian note gets it the race to the bottom. Discussion from the first panel, what do you see as the domain for federal regulation in this space and where do you see the states taking the lead?



Daniel Wallach:

I don't know that I see states taking the lead here. There is a race to bring sports betting to the public as quickly as possible, but what's missing here is an integrated, uh, integrity platform. And, if we're talking about sports betting to serve the public interest and to serve the public trust, a critical element of that is public confidence in the integrity of the games.

And to me it's state only or state centric regulation without integration is a solution in search of a problem because without an early warning system or information sharing and cooperation across state lines on a mandatory basis with accountability. And I'll go on record as saying, and as a model is certainly better than a state centric model, which is certainly better than non-regulated, but the gold standard here is a mandatory national integrity framework in which all operators and stakeholders participate share information and cooperated, if you make it voluntary and some participate, and others don't. It's a c plus, b minus. It's a band aid. It's, it's self-regulation. And certainly, in many industries, those that profit the most from it, we prefer sort of self-regulation over government regulation.

But here, given the risks associated with match corruption, problem gambling, all the, all the parade of horrors that could take place, a self-regulatory system of sharing and exchanging information and cooperation is certainly subservient and substandard to one that's mandated on a federal level. And, I'm one of those, you know, gaming industry attorneys that veers from the, from the crowd and believes that a federalized system, not federal regulation, but federal standards and a federal solution with an active role for state regulators and state licensed providers.

There's an important role that the states can play. But I think the rules of the road and the integrity protections should be made kind of, I wouldn't say modernize, but comprehensive and uniform on a federal level with an overarching framework and Bill will talk about a hub or a, some kind of coal later, but it has to be mandated federally rather than as a voluntary measure through memoranda of understanding and voluntary agreements that has to have some teeth to it and they have to be consequences. And it can't be aspirational. There are, there are seven states with legalized sports betting and I've heard all this talk about an essence type model and right now we don't have it. And federal regulation could provide that solution.

Bill Coley:

Well Dan, Nevada has an asset type model. I don't think we can, to answer the question, I don't think we need a federal, I agree with Dan, if we have a federal model than it definitely should not require each state to authorize gambling because some states are vehemently opposed. I think it should, we should expect states that legalized sports betting to vigorously enforced actions against illegal sports betting.

But I, and I believe we should ask each state that has legal sports betting to have a portal where we see in the federal interest in there on anti-money laundering is huge because if you've got, the state that



doesn't have the portal, that's where the bad guys are going to go because there's less risk of that getting caught.

The Nevada system is very similar to the Isa model. It's a voluntary reporting system. They would be part of any portal project that you have because they have information to kick into the portal to help route out the bad players. But uh, I think as Dan pointed out, a portal that, that everybody goes through in each of these states in a compact between the states to share that data is it should be mandatory at each stage.

Daniel Wallach:

Yeah totally. I agree with so much of what you're saying though. I have a great deal of respect for you. I really do.

But I would look at it as a securities system or a financial market. Would you want to have 50 separate stock exchanges where you share information on a voluntary basis or would you rather have one overarching, integrity framework that is overseen by a regulatory body or a quasi-public agency and I think that would be the king of the hill in terms of a gold standard for integrity monitoring rather than one that is, you know, purely voluntary because there is no disincentive for states to participate in an ESA framework, but there's no obligation either and I think it's somewhat less efficient than a mandated framework from the top down.

Michael Glosserman:

So, it is a bit of a mechanical question is related to what you have just been discussing. And that is, it seems to me that technology, you can't even imagine how tech knowledge is going to disrupt all of this in the future. And I'm speaking to the technology issue. How so today, if, if somebody had raised a \$2 billion-dollar fund, and let's say it was even maybe a public fund. So you had to make all the public disclosures and so forth and you were running, you basically traded it. I'm going to your point, just the way you're trading securities today went, did you have algorithms and you wanted to place bets and you could place bets in 45 different, you know, you could just go allocate them. You made an example early on about, you know, the portals, mechanically, could you do that today and how does that affect what you're talking about? It seems to me that your federal framework is the only way to get to that issue. I'm just curious, how would that work today?

Bill Coley:

I don't know that you need a federal framework in a sense that, I mean to the extent you're not allowing bets across state lines. So, so maybe the identifier numbers, the driver's license number and you know, and then you GTrack it, that it has to. The bet has to occur inside that state boundary. And so now you're tracking the bets and they had, and you have to have identity and, you have integrity things in



that model that would protect to make sure That person is the person that's betting. An entity? I don't believe that an entity...

Daniel Wallach:

In Nevada, yeah, I mean, there is entity wagering in Nevada. Are you asking about how this can be tracked or monitored? I'm not sure of your question.

Michael Glosserman:

No, I'm just trying to get to the issue of the notion of prevent you. You had an example earlier on where you said you can, you can place bets and you could influence the outcome. This seems to me to be a way to influence the outcome.

Bill Coley:

It's definitely and those are the kinds of things that you're going to have to take care of in your rulemaking authority in that to make sure that, that no one gets an unfair advantage. An entity wouldn't have an unfair advantage to a nonentity those are kind of things that, that your rule making authority will do that.

I mean, gosh guys, I mean baseball or any sport, you got signal delay. I mean, you got to deal with that. You can't, you want to allow these prop bets to go on. But you have to have, you have to have a time frame that cuts that off so that no one, you know, somebody sitting in the stands, can't get an advantage over somebody watching on tv, you know, you have to have protections and investigations on insider stuff to the leagues concern or the cost of monitoring, all that.

Those are all important things they have to be done and there's an expense associated with that which is part of what the state is going to have to, or the governmental entity involved it's going to have to expend money on to make sure that, that the consumer protections and the things.

Daniel Wallach:

The more transparency you have, whether it's an entity or an individual, if the bets are made online over the internet, what have you, when they're flowing through a portal or an integrity hub where it can be evaluated in real time, by companies like Sportradar, you can, you can detect it at the earliest time possible.

In the current state by state framework lacks that protection. It leaves too much discretion in the hands of the individual sports betting operators, so I think the future of sports betting integrity monitoring is through an information hub that centralized and evaluated with real time wagers flowing through that



portal and being analyzed and correlated in broken down by regulators. A third-party technology companies like Sportsradar or the leagues operators, a broader coalition, regardless of the identity of who the better is, you'll be able to spot trends in real time.

Bill Coley:

And it all works together. You know, a sports writer, I'll tell you, the way they caught that problem in the Senegal qualifier match was the line which was a volunteer or report from Isa, the line for the over two goals number just got way out of whack and everybody, you know, warning sign, you know, for the older people in the audience, a danger Will Robinson warning, was going on and you know, they knew it and so they were, they were honed in on everything that happened in that game. And when you see the video that they had, it was just really amazing. And you know, yellow card goes flying and there was no way, and if that guy gets banned for life and, and everybody, you know, it all worked together. Well, the system we're talking about, it will be a mandatory system and you'll be able to route out a lot more and I think it'll be a positive. But even if you want to ban, make sure you have an effective ban that is really enforced. And that's the key.

Tom Farrey:

So, I'd like to wrap up here, so we can stay on time. But one last question in one sentence or less, five years from now, I know it's gonna be hard, five years from now, who is the biggest, who or what is the biggest winner? And who or what is the biggest loser as sports betting expands around the country? Daniel.

Daniel Wallach:

The public will be the biggest winner through having consumer protections, safeguards and recourse that does not exist in an illegal, unregulated environment. The biggest loser, biggest loser to be determined. But I believe over time as we see sports betting allowed through channels going beyond brick and mortar venues. I think the biggest losers potentially could be those operations that are land based because the future will be mobile online. And yes, even in stadium betting.

Tom Farrey:

So, the biggest winner.

Bill Coley:

I think the biggest winner will be the sports, I think, uh, I'm not the first, I believe...



Tom Farrey:

You mean the leagues?

Bill Coley:

I mean the owners of the leagues, you know, I think they're gonna...

Tom Farrey:

Mark Cuban says franchise values doubled on the date the bill was passed.

Bill Coley:

I think they're going to be the biggest winners that eighties, that 87 or 82 minutes or whatever it is that's, that's a, that's a real dollar figure for the leagues. And that's a real positive.

Daniel Wallach:

Those casino industry share prices seem to be spiking recently? There doing well.

Bill Coley:

You know when you look at, when you look at overall revenues that sports spreading brings to casinos its very, very small, but, but you know it. But to your point, that's still a big number.

But I think, you know, the biggest loser if we don't do it right will be the leagues. And, the same people could be. If we do it right, they can be the biggest winners. If we do it wrong, everybody's gonna look at pro sports like pro wrestling and you don't want that. And, it's important that we get this right and it's, you know, because that the kid on the soccer field, you know, from my age and he wants to be in the next Pele, but, you know, or the kid on the baseball field, you know, wants to be the next Barry bonds, Ernie Banks, I'll stick with my old age, but you know, those kids, if you get this wrong, those kids don't care. Then all of a sudden, they're going to go to the next, they're going to go to the next thing. Maybe it'd be a video game and will be here 10 years from now talking about esports. And, and, so I, I think that that's the biggest one, or it could be the biggest loser.

Daniel Wallach:

Great point.



Tom Cove:

I'm going to say the biggest winners going to be those states that institute programs to deliver back for the generations in perpetuity, focused on a social good, particularly for us physical activity and health of kids. I do think the leagues, but not just the leagues, the players professional, the interest in sport will benefit from dramatically and that's correct. I believe the losers I'd say is the people who, who go into this without with the short-term view and in particular specifically those who don't understand impact of mobile. Anyone who's going to focus on a non-mobile solution, it's going to end up a loser.

Tom Farrey:

Well, terrific. Well, thank you. That was a great way to wrap up. A few closing comments here. Well, first of all, thank you for a great discussion. That's really terrific. Thank you. To the first panel as well. Amazing dense conversation was different than our first two.

The first one was on the future of football, which has been a lot of public conversation about second one, college players being paid. Plenty of conversation. We try to advance it forward. This one had so much rich new material and we'll stay with it over time. We will follow. We'll tweet on and make sure you follow at @AspenInstSports. Look for a survey in your box. Afterward, we'll try and capture your opinions and aggregate and a little bit and, share the results, over our twitter.

I'd like to thank, the researchers who, who provided some of, the help in me understanding this issue. Steve Ditmore from university of Arkansas, Belize from St. Ambrose University and rocco horeca specifically. They looked at what other countries are doing, China and otherwise to help us understand these, these models that are in place that really appreciate that. A huge thank you as well. So, Michael Glosserman man who is here at this table, please everybody give him a hand. The Future Sport series got started because Michael stepped forward and said, I want quality conversations around sports and society and we're extremely grateful to you, Michael and your lovely wife, Marilyn, who can't be with us today for supporting, for supporting this whole, this whole series.

I'd like to thank our Aspen team, Jon, Risa, Marty, Andre, Emily, Funmi and the aspen support staff who rallied when that building got shut down and boy, a half dozen about what came over here and say, what can we do? How can we help? It's really an amazing organization that I work with and I'm very grateful for all of their help.

On deck next, the fourth conversation, our series this year will be December 10th. We're announcing it here today, will be on the future of sports activism. Obviously, Colin Kaepernick raises some interesting questions. We're going to look through the prism of sports business when his activism, good business and when is it not good business? So, we're going to try and advance conversation around that a bit as we move forward. We will also take the ideas here. I wouldn't surprise me if you see some of them show up in the project Play Summit on October 16th here at the Newseum where Kobe Bryant is our keynote



speaker and Jackie Joyner-Kersey and Mary Carillo is emceeding, it's our big annual event each year. It sold out a couple months ago. Um, but obviously there are here with this conversation with the whole idea of getting and keeping kids active through sports.

So, thank you for helping us, everyone really advance our knowledge in that space. I hope you enjoyed the event. Hope you enjoyed lunch and please stay in touch with us as we move.