

A D D E N D U M
to
AMERICA’S HIGH-STAKES BET
ON LEGALIZED SPORTS GAMBLING

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Statement for the United States Senate Committee on the Judiciary
For a Hearing on
"America's High-Stakes Bet on Legalized Sports Betting"

Submitted by the Advocacy & Legal Affairs Committee of Stop Predatory Gambling
(www.stoppredatorygambling.org)
December 17, 2024

The explosive spread of online sports gambling across America, in the wake of the Supreme Court's 2018 decision declaring the Professional and Amateur Sports Protection Act of 1992 (PASPA)¹ unconstitutional,² is causing substantial harm to an increasing number of American families.

For many American families the harm is ruinous. The suffering includes association with intimate partner violence and abuse, family unit dissolutions, suicides, financial devastation and bankruptcies,³ money laundering, sex trafficking, and embezzlement and other crimes.

The suffering can be mitigated via many protective measures. We hope other organizations interested in public well-being submit statements to the Committee identifying those measures. This statement will briefly describe only two such measures.

1-Achieve PASPA's Objectives with a New Act. PASPA was ruled unconstitutional based on an "anti-commandeering" doctrine, leaving Congress' bi-partisan objectives unmet. Legal scholars observe that the unachieved objectives of PAPSAs can be achieved by passage of new federal act with the same objectives but with different text, relying and with emphasis on the Constitution's commerce clause. Although such an act no doubt will be challenged in court by the commercial gambling industry, such an act should pass constitutional muster.

2-Establish a Duty of Care. The commercial online sports gambling industry has been relatively successful in introducing into common usage a concept known as "responsible gambling." The concept reinforces an unfounded narrative: that problem gambling and gambling addictions⁴ are the fault of the gambler. In fact, through sophisticated data collection and sometimes a gambling company's assignment of individuals known as "hosts" to gamblers, a gambling company can identify and then prey upon and exploit vulnerable customers.⁵ A gambling company will not infrequently go to considerable lengths in furtherance of that exploitation. Doing so is key to gambling companies' business model

¹ 28 U.S.C. Section 3701 et seq.

² *Murphy v. NCAA*, 584 U.S. 453 (2018).

³ The Campaign for Fairer Gambling recently projected that the U.S. economy and consumers are expected to lose a minimum of \$1 trillion to online gambling by 2028.

⁴ The American Psychiatric Association recognizes that gambling is as addictive as heroin, opioids, and cocaine. See *Diagnostic and Statistical Manual of Mental Disorders (DSM-5)*, American Psychiatric Association (2024).

⁵ See the allegations in *D'Alessandro et al. v. DraftKings, Inc. et al.*, filed December 5, 2024, available at <https://www.stoppredatorygambling.org/wp-content/uploads/2024/12/2024-Lisa-DAlessandro-Complaint-Filed.pdf> (retrieved December 16, 2024).

since, as *The Wall Street Journal* reported, an estimated seventy percent (70%) of online gambling revenue comes from less than one-half of one percent (1/2 of 1%) of all gambling customers.⁶

A federal statute establishing a sports gambling company's minimal duty of care to its customers can be an effective gambler-protective measure.

Today's committee hearing has a specific, limited scope. We welcome this hearing as a helpful first step - but just a first step in a much needed multi-faceted Congressional exploration and investigation, with future hearings on related topics sooner rather later, to protect American families.

We thank Senators. Durbin and Graham and their senate colleagues for convening today's hearing and we thank them and their staffs for their attention to this incipient national epidemic.

Respectfully submitted,

Russell F. Coleman
for the Advocacy & Legal Affairs Committee
of Stop Predatory Gambling

⁶ "A Child Psychiatrist Tried to Quit Gambling – Betting Apps Kept Her Hooked," *The Wall Street Journal*, February 18, 2024.

I hold the title of Distinguished Professor of Law at UC Davis, and was the Dean and an endowed professor of law at the University of Illinois, Urbana-Champaign, College of Law from 2015-2023. I am a graduate of the Yale Law School, a former U.S. Supreme Court clerk, and a nationally recognized expert in constitutional law. I have written extensively about the so-called "anticommandeering" doctrine and the *Murphy v. NCAA* case. *Murphy* is a hard case to understand — its result may be defensible, indeed correct, even as its explanations were confused and confusing. But as I explain in detail in a short law review essay (that interested persons can consult for more background) published at 2021 Illinois L. Rev. 1699 (2021), one thing is crystal clear: the constitutional defects the Court perceived in the federal Professional and Amateur Sports Protection Act (PASPA) *have nothing to do with whether Congress possesses power to effectively regulate the sports-gambling industry throughout the nation*. For this important reason, the federal government can easily reinstate PASPA's apparent policy preferences concerning sports gambling if our leaders in D.C. choose to so do. The sample statute below illustrates how Congress could (re)assert its authority to accomplish PASPA's objectives, without running afoul of anything in the Constitution or anything said or suggested by the *Murphy* Court:

THE SPORTS INTEGRITY RESTORATION ACT (SIRA) OF 2025

Whereas sports gambling poses risks to the economic well-being of individuals and the nation, as well as to the integrity of organized sports;

Whereas the Supreme Court in *Murphy v. NCAA* found parts of PASPA unconstitutional violations of the anticommandeering principle of federalism;

Whereas the Supreme Court found inseverable all other parts of PASPA, including the provisions that regulated private and public actors in ways that do not implicate the anticommandeering doctrine;

Whereas Congress would prefer to maintain the regulatory aspects of PASPA that do not implicate the anticommandeering doctrine in any way;

The following is hereby enacted:

It shall be unlawful for—

a governmental entity to sponsor or operate a lottery, sweepstakes, or other betting, gambling, or wagering scheme based, directly or indirectly (through the use of geographical references or otherwise), on one or more competitive games in which amateur or professional athletes participate, or are intended to participate, or on one or more performances of such athletes in such games; or

a person, regardless of what applicable state law permits, to sponsor, operate, advertise, or promote a lottery, sweepstakes, or other betting, gambling, or wagering scheme based, directly or indirectly (through the use of geographical references or otherwise), on one or more competitive games in which amateur or professional athletes participate, or are intended to participate, or on one or more performances of such athletes in such games.

A civil action to enjoin a violation of this section may be commenced in an appropriate district court of the United States by the Attorney General of the United States, or by a professional sports

organization or amateur sports organization whose competitive game is alleged to be the basis of such violation.

For purposes of this chapter—

(1) the term “amateur sports organization” means—

(A) a person or governmental entity that sponsors, organizes, schedules, or conducts a competitive game in which one or more amateur athletes participate, or

(B) a league or association of persons or governmental entities described in subparagraph (A),

(2) the term “governmental entity” means a State, a political subdivision of a State, or an entity or organization, including an entity or organization described in section 4(5) of the Indian Gaming Regulatory Act (25 U.S.C. § 2703(5)), that has governmental authority within the territorial boundaries of the United States, including on lands described in section 4(4) of such Act (25 U.S.C. § 2703(4)),

(3) the term “professional sports organization” means— (A) a person or governmental entity that sponsors, organizes, schedules, or conducts a competitive game in which one or more professional athletes participate, or (B) a league or association of persons or governmental entities described in subparagraph (A),

(4) the term “person” has the meaning given such term in section 1 of title 1, and (5) the term “State” means any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Palau, or any territory or possession of the United States.

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Prepared Statement

By **Les Bernal, National Director, Stop Predatory Gambling**

U.S. Senate Committee on the Judiciary Legislative Hearing

“America’s High-Stakes Bet on Legalized Sports Betting”

December 17, 2024

I am submitting this statement on behalf of Stop Predatory Gambling, a national nonprofit organization with members in all 50 states whose mission is to reveal the truth behind commercialized gambling to advocate for those who have suffered harm, to prevent more victims, and to champion policy reforms that stop *predatory* gambling.

To be clear, we are *not* talking about *social gambling* like the Super Bowl office pool, March Madness brackets, Friday night poker games, or casual wagers on the golf course with friends.

Predatory gambling is when state governments partner with powerful corporate gambling interests to use *commercialized* gambling - *gambling being run as a business* - to exploit citizens and their communities. Unlike any other business, in commercialized gambling there is *a predatory and adversarial relationship* between the gambling operator and its customer, the gambler. *They are trying to take you down.*

Sports gambling operators, their partners in government, and gambling industry lobbyists like to call it “regulated gaming.” But for the rest of us, the only term that accurately describes it is predatory gambling.

When the US Supreme Court overturned the Professional and Amateur Sports Protection Act (PASPA) because of how it was *written* (not its *intent*) in 2018, and Congress did not respond, the gambling industry rapidly filled the void with a lavish multi-state lobbying campaign, rushing through new commercialized sports gambling laws in one state capitol after another. These new laws were *not* the result of a grassroots citizens movement calling for commercialized sports gambling or online casino gambling.

There is a false perception promoted by gambling operators and others who profit from sports gambling that betting on sports was illegal outside of Nevada prior to 2018. It's untrue. Americans *were already free* to place a bet with one another on sporting events. What was illegal was the ability *to act as a bookie, to operate a sports book*. Individuals could not run a sports betting scheme *as a business for profit*.

At least three urgent and important areas require immediate action by U.S. Senate members:

1) The Use of So-Called “VIP” Programs By Online Gambling Operators

The corporate online gambling industry is relentlessly targeting individuals who are demonstrating fundamental and visible symptoms of suffering from a gambling addiction. Operators have precise records and data about an individual's online gambling behavior and patterns such as the amount of money an individual gambles, the *frequency* with which he or she gambles, whether an individual “chases” one's losses, and whether the person demonstrates a preoccupation with gambling.

Operators often assign “hosts” to keep in continuous contact with these individuals, creating a “personal” relationship that usually involves hundreds of text messages that can begin first thing in the morning and continue throughout regular working hours, the subject of which are almost always special financial bonuses, deposit incentives, and credits for past gambling losses. This predatory behavior is essential to the online gambling industry's business model: as reported by *The Wall Street Journal*, 70% of online gambling revenue comes from *less than 1/2 of 1% of all gambling customers*.¹

2) The Exploitation and Manipulation of Young Adults and Teens

An epidemic of sports gambling addiction among young people is metastasizing across the US because young people are being targeted by online gambling apps and exposed to a barrage of

¹ "A Child Psychiatrist Tried to Quit Gambling - Betting Apps Kept Her Hooked," *The Wall Street Journal*, by Katherine Sayre, February 18, 2024. https://www.wsj.com/business/hospitality/gambling-addiction-sports-betting-apps-4463cde0?mod=Searchresults_pos1&page=1

gambling advertising. States are reporting the number one demographic calling gambling addiction hotlines today are young adults and teens.²

Several national news organizations have reported on the epidemic of gambling addiction among young people metastasizing across the US.³

Exposing kids to gambling ads normalizes and desensitizes them to the dangers of gambling and makes them more likely to develop problems later in life. They grow up mistakenly thinking it's a harmless activity. The younger children start gambling, the more likely it is they will become habitual and addicted gamblers.

3) The Use of Deceptive Marketing Tactics to Minimize the Public Health and Financial Risks of Online Sports Gambling

The American Psychiatric Association now recognizes that commercialized gambling is as addictive as cocaine, opioids, and heroin.⁴ Despite its status as a known, dangerous addictive product, the corporate online gambling industry currently markets its offerings as harmless fun, making itself attractive to young people by offering “free bets” and normalizing the activity with massive advertising and marketing.

But these corporations are also deceptively minimizing the actual financial harm their products cause. Many citizens who have become addicted now have personal debt levels *close to \$100,000*.⁵

In addition, a recent major national study found that online sports gambling has decreased the consumer financial health of everyday Americans, especially young men.⁶ According to the study, states with legal online sports gambling saw a significant drop in average credit

² “Teens Are Developing ‘Severe Gambling Problems’ as Online Betting Surges: An increasing amount of evidence suggests that young adults and even minors are easily able to bet online despite a variety of industry safeguards.” *Vice*, October 11, 2023. <https://www.vice.com/en/article/4a37mp/teens-are-developing-severe-gambling-problems-as-online-betting-surges>

³ “‘We’re killing the youth of America’: calls grow for crackdown on US gambling,” *The Guardian*, December 1, 2023. <https://www.theguardian.com/us-news/2023/dec/01/sports-betting-regulation-gambling-addiction>

⁴ American Psychiatric Association, Diagnostic and Statistical Manual of Mental Disorders (DSM-5), 2024. <https://www.apa.org/monitor/2023/07/how-gambling-affects-the-brain>

⁵ “The Human Cost of the Sports-Betting Boom: Sports betting has exploded, and experts are warning about the dangerous effects of its widespread legalization. Why is no one paying attention?” *Men’s Health Magazine*, September 2023. <https://www.menshealth.com/health/a44652587/sports-betting-gambling-dangers/>

⁶ “The Financial Consequences of Legalized Sports Gambling,” a study by Dr. Brett Hollenbeck of UCLA, Poet Larsen of USC, and Dr. Davide Proserpio of USC, July 2024. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4903302

score and significant increases in both the amount of money in debt collections and bankruptcy filings and the amount of money in debt collections.⁷

If you add up all of the financial losses to commercialized sports gambling, regional casinos, state lotteries, and video gambling machine venues, over the next five years the American people are on a downward spiral *to lose almost \$1 trillion of their personal wealth* to commercialized gambling, more than \$150 billion in lost wealth each year.⁸ **That means the American people are losing almost \$300,000 of personal wealth every minute.**

Predatory gambling, including its latest form of commercialized sports gambling, is an antiquated, outdated public policy and a relic of past failures of leadership. It has inflicted life-changing financial losses on tens of millions of Americans.⁹ Its profits are based upon cultivating an addiction that causes a degree of human misery like very few things can including significant increases in rates of personal bankruptcy, divorce, domestic violence, and suicides.¹⁰ And lastly, it has proven to be the ultimate budget gimmick as a state government revenue source, leading to higher taxes for less services over the long term.¹¹ *You pay even if you don't play.*

“No Taxation Without Representation” is one of the core democratic principles of our nation’s founding. The time has come to add the principle of “No Taxation By Exploitation” right alongside it.

⁷ *Ibid.*

⁸ H2 Gambling Capital, 2024. h2gc.com

⁹ *Ibid*

¹⁰ Institute for American Values, Why Casinos Matter Institute for American Values, Council on Casinos, Why Casinos Matter, Thirty-One Evidence-Based Propositions from the Health and Social Sciences, September 2013, at 29, <https://stoppredatorygambling.org/wp-content/uploads/2013/09/2013-Why-Casinos-Matter-FINAL.pdf>

¹¹ “State Revenues from Gambling: Short-Term Relief, Long-Term Disappointment,” Nelson A. Rockefeller Institute of Government, SUNY-Albany, April 2016, http://www.rockinst.org/pdf/government_finance/2016-04-12-Blinken_Report_Three.pdf



**U.S. Senate Committee on the Judiciary
Hearing: “America’s High-Stakes Bet on Legalized Sports Gambling”**

December 17, 2024

**Statement by the
Campaign for Fairer Gambling**

Chairman Durbin, Ranking Member Graham, and distinguished members of the committee, thank you for calling this hearing: “America’s High-Stakes Bet on Legalized Sports Gambling.” The need to begin an examination of gambling in America by the federal government cannot be overstated. We thank you for your leadership.

The Campaign for Fairer Gambling (CFG) is pleased to submit these comments on gambling issues facing the United States. CFG is a non-partisan, evidence-based organization focusing on gambling reform by the federal government and states with the goals of promoting a fairer marketplace, advancing consumer protections, and reducing gambling-related harm to people and communities. CFG launched in the U.S. in 2023 after many years of successful advocacy in the United Kingdom.

Introduction

The U.S. gambling sector has undergone a major transformation since the Supreme Court’s 2018 ruling in *Murphy v. NCAA*. Sports betting and online gambling have quickly proliferated, inevitably increasing gambling-associated harm, as demonstrated by Total Consumption Model research.¹ The Supreme Court’s decision does not abdicate the responsibility to the States – on the contrary, the Court has opened the door for the federal government to understand and engage on this important issue.

Since the repeal of the Professional and Amateur Sports Protection Act (PASPA), changes to the gambling market and demands placed on consumers have demonstrated the need for Congressional action. CFG advocates for Congress to enact legislative reforms that include stronger consumer protections and regulatory guardrails to ensure transparency and fair play.

¹ <https://www.tandfonline.com/doi/full/10.1080/16066359.2024.2430486>

As legal sports betting spreads across the U.S. and states rush to liberalize their gambling laws, concerns continue to escalate regarding the potential impacts on markets, communities, and – most alarmingly – vulnerable populations including children, young adults, and veterans. The bottom line, today’s patchwork approach gambling regulation is not effective in protecting consumers interests.

New business relationships between professional and college sports leagues, entertainment companies, and gambling conglomerates have attracted new audiences and saturated the market with easy access to gambling, especially online. Online gambling is now at our fingertips, available 24/7 via smartphones and web apps. With access to gambling now available anytime, anywhere, there are now more customers yet fewer rules of the road.

Recent news coverage of the sector has clarified the risks. Reports have repeatedly surfaced of college and professional athletes placing bets. Calls to problem gambling hotlines are rising across the states where sports betting has been legalized. Public health groups have spoken out about the health impacts of rapid commercial gambling expansion, emphasizing that gambling-related harm disproportionately affects the vulnerable² – children, adolescents, young men,³ and individuals from socioeconomically disadvantaged groups.

Our view is that expanded legal gambling needs adequate regulation, coordination, and services to address the consequences of a product that is known to be addictive and harmful. Gambling companies, and those that act in cooperation with them, should not be able to write all the rules permitting predatory practices and behavior which harms consumers. We need law enforcement and international cooperation to step up efforts to root out illegal operators and for regulated gambling sites to act with a duty of care for their customers.

Introduction of Federal Legislation

CFG welcomes the introduction of federal legislation to rein in abuses in gambling. Legislation like the SAFE Bet Act and the GRIT Act is needed amidst the excesses of the proliferating gambling sector. Only legislative action can bring necessary federal oversight and accountability to a rapidly growing sector that has seen few guardrails since the 2018 repeal of PASPA.

² [https://www.thelancet.com/journals/lanpub/article/PIIS2468-2667\(24\)00167-1/fulltext?dgcid=tlcom_carousel2_lanpubgambling24r](https://www.thelancet.com/journals/lanpub/article/PIIS2468-2667(24)00167-1/fulltext?dgcid=tlcom_carousel2_lanpubgambling24r)

³ <https://apnews.com/article/sports-betting-compulsive-gambling-addiction-d4d0b7a8465e5be0b451b115cab0fb15>

The SAFE Bet Act includes provisions addressing advertising, affordability, and the growing use of AI in sports betting. These provisions echo longstanding priorities raised by CFG and other advocates about the harm caused by unfettered gambling expansion.

Key provisions include:

- Stricter limits on predatory advertising intended to reduce exposure to harmful betting ads, particularly for young and vulnerable audiences.
- Deposit and other restrictions to limit bettors' losses and prohibit the use of credit cards for deposits, ensuring that users gamble only what they can afford.
- Safeguards against AI and predatory practices to prevent AI-driven gambling products like personalized offers and microbets from exacerbating addictive behaviors.

Importantly, the SAFE Bet Act includes public health measures that will bring greater attention to gambling addiction. The bill requires a Surgeon General's report on gambling and instructs the Centers for Disease Control (CDC) to enhance tracking of gambling-related harms.

CFG also proudly supports passage of the Gambling Addiction, Recovery, Investment, and Treatment (GRIT) Act to help mitigate mounting concerns about gambling's harm to health. Despite the reality that millions of Americans suffer from gambling addiction, there are currently no federal funds aimed specifically at gambling harm prevention.

Federal excise tax revenues are growing thanks to the expansion of sports betting. The GRIT Act wisely seeks to invest some of that windfall on gambling addiction prevention, treatment, recovery, and research.

The collection of gambling taxes is important to balancing the harm of gambling activities at the state and federal level.⁴ Excise tax compliance could also be improved. Congress should ensure betting operators continue to pay their obligations under the excise tax. For example, some Daily Fantasy Sports operations are now challenging the validity of excise tax obligations.⁵ The IRS has been clear in its view since 2020, but operators are still not paying some of the tax owed.⁶

Earlier this month, the World Health Organization (WHO) projected the legal global online gambling market will reach \$700 billion annually by 2028.⁷ Meanwhile, YieldSec, in a study

⁴ <https://www.tigta.gov/sites/default/files/reports/2024-10/2024300064fr.pdf>

⁵ <https://www.taxnotes.com/research/federal/other-documents/irs-tax-correspondence/attorneys-seek-certainty-on-treatment-of-fantasy-sports-contests/7dggv>

⁶ <https://www.irs.gov/pub/lanoa/am-2020-009.pdf>

⁷ [https://www.who.int/news-room/fact-sheets/detail/gambling#:~:text=Industry%20analysts%20estimate%20global%20gambling,gambling%20revenue%20\(2\).](https://www.who.int/news-room/fact-sheets/detail/gambling#:~:text=Industry%20analysts%20estimate%20global%20gambling,gambling%20revenue%20(2).)

commissioned by CFG, estimated that the U.S. illegal online gambling market was valued at over \$40 billion in 2023.⁸ Considering the market has been active for nearly 25 years, U.S. consumers and the economy are projected to lose at least \$1 trillion to online gambling by 2028.⁹

The truth is, gambling companies generate the most profit from the relatively small number of gamblers whose behavior becomes compulsive, a harmful dynamic that incentivizes gambling operators to aggressively market their products to bettors who are most vulnerable to problem gambling and gambling addiction.¹⁰ Fairness dictates that a portion of the revenue generated by gambling activity ought to be invested for the purpose of mitigating the harm caused by this known addictive product.

It is worthy of note that when Illinois proposed increasing the online betting tax from 15% to 40%, the two biggest legal operators, FanDuel (owned by Flutter) and DraftKings, threatened to leave the state. Then, DraftKings decided to stay but apply a fee on gambler winnings. The tax increased, both operators are still doing business in Illinois, and there are now no fees. Flutter admitted the higher tax would be absorbed by reductions in offers and marketing.

The gambling sector persistently advocates for low tax rates on the pretext that lower taxes are better for the consumer. However, this assertion is not supported by the facts when comparing hold percentage, or the amount of gross gambling revenue relative to turnover. New York has a hold of 8.8% and a tax rate of 51%, whereas Louisiana has a hold of 11.8% and a tax rate of 15%.

CFG also supports the Gambling Addiction Prevention (GAP) Act, which was designed to address gambling harm to veterans and active military. A study authored by Professor Straus of the University of Nevada, Las Vegas (UNLV) and Professor Grubbs of Bowling Green State University found that problem gambling rates are 3.5 times higher among active military personnel than the regular population.¹¹ The U.S. Department of Defense (DoD) operates over 3,000 slot machines on various overseas military bases, earning a combined annual revenue of around \$100 million. The Government Accountability Office (GAO) was required to study this gambling activity in the FY25 National Defense Authorization Act, and we anticipate a publication of their report soon.

Lastly, CFG supports the Kids Online Safety Act (KOSA) introduced by Judiciary Committee members Senator Blackburn and Senator Blumenthal. There is an urgent need to conclude the debate and pass this legislation. Gambling continues to be too accessible by children, despite its illegality. Gambling sites advertise extensively on social media. We believe it is

⁸ <https://cdn.sanity.io/files/42ezp3kj/production/afec099c776e5dec89db024b9098219e71bf2abf.pdf>

⁹ <https://www.prnewswire.com/news-releases/us-online-gambling-losses-to-pass-1-trillion-by-2028-302329293.html>

¹⁰ <https://www.nationalreview.com/corner/how-sports-gambling-companies-profit-from-addiction/>

¹¹ <https://www.gamblingnews.com/news/links-between-problem-gaming-and-the-military-might-exist/>

doubtful online illegal gambling, particularly by minors, can be adequately curtailed without federal intervention in social media, through legislation like KOSA.

Competition and Antitrust

Fairness and competition go hand-in-hand in a healthy marketplace, yet online casino operators and sportsbooks are consolidating as state license practices provide significant incentives to engage in customer acquisition rather than market competition.

Market consolidation is a common feature across the tech industry and gambling sector, with similar business models targeting user acquisition and annual recurring revenue growth targets. According to media reports, two companies in the online sports gambling industry have generated more than 70% of the online legalized sports-betting market.¹² Experts have cautioned that market consolidation in online gaming should be seen as even more bothersome than market consolidation in other high-tech industries; tech companies such as Google and Amazon gained substantial market share through product innovation, but gambling companies such as DraftKings and FanDuel gained their initial market share through regulatory arbitrage.

CFG supports regulatory reforms aimed at preventing market consolidation by gambling companies and ensuring fair and robust competition within the legal gambling sector.

DraftKings and FanDuel obtained market dominance in daily fantasy sports betting when marketing the activity as an opportunity to use skill to win. This duopoly used their customer data to market sports gambling, changing to a business model excluding winners and constraining sharp bettors. They also used the data to market casino gambling, where no one can expect to be a winner.

We applaud the actions by Judiciary Committee members Senator Lee and Senator Welch to raise questions about anti-competitive conduct.

Technology and Data Abuse

Rapid digitalization of the gambling sector and adoption of AI have led to concerns about predatory practices and data abuse by online gambling operators. Online gambling data abuse is worrisome as it exploits vulnerable individuals, erodes trust, raises privacy concerns, and exacerbates problems related to gambling addiction. Addressing this issue is crucial to protect consumers in the digital age.

¹² <https://www.wsj.com/articles/fox-to-wind-down-sports-betting-site-fox-bet-f9fda8d2?page=1>

The Federal Trade Commission has identified practices that it regards as “dark patterns” in a 2022 staff report.¹³ Both legal and illegal operators use these techniques to lure players. Data abuse and dark patterns by gambling services must be better studied and understood, and adequate legal and regulatory measures must be put in place – and enforced.

The global online gambling market is estimated to grow by \$181 billion from 2024-2028, fueled by growing adoption of digital technologies enabling innovative features like live betting and virtual reality experiences.¹⁴ As these advances in technology enable gambling operators to cater to online gamblers’ unique preferences,¹⁵ legal and regulatory guardrails must keep pace to ensure that operators’ data and marketing practices do not become predatory or violate consumers’ digital privacy.

Online sports betting is the gateway for interest in more addictive online gambling products and online casinos. Driven by advancements in technology and a permissive privacy regime, gambling operators continue to shrewdly employ sophisticated data practices, enabled by AI, to exploit specific consumers, induce play, and boost their bottom lines.

The UK data oversight agency of the Information Commissioners Office recently reprimanded Sky Betting and Gaming, (owned by Flutter) for abusive conduct.¹⁶

While technology is simultaneously driving gambling sector growth and opening doors to potential abuses and exploitation, innovations like AI should be directed towards player protection and fairness, rather than solely monetization.

Misleading Ads and Promotions

Marketing and advertising practices are of tremendous concern. Promises of “free bets” and “bonuses” frequently mislead consumers, as these enticements are attached to wagering requirements that prevent the withdrawal of winnings unless the combined deposit and bonus amount is gambled a certain number of times – often around 100.

In the U.K., the Competition and Markets Authority has ruled that these promotions are in breach of consumer protection law, yet these tactics have been replicated in the U.S. by the same gambling operators. Gambling advertising requires regulation to ensure

¹³

https://www.ftc.gov/system/files/ftc_gov/pdf/P214800%20Dark%20Patterns%20Report%209.14.2022%20-%20FINAL.pdf

¹⁴ <https://www.prnewswire.com/news-releases/online-gambling-market-to-grow-by-usd-181-47-billion-2024-2028-fueled-by-digital-tech-adoption-with-ai-driving-market-transformation---technavio-302309652.html>

¹⁵ <https://cronkitenews.azpbs.org/2024/11/26/ai-in-sports-gambling-opens-door-for-predatory-behavior/>

¹⁶ <https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2024/09/action-taken-against-sky-betting-and-gaming-for-using-cookies-without-consent/>

consumers are protected from misleading offers – especially as AI enables these enticements to be personalized and targeted to gamblers with increasing specificity.

Gambling Advertising and Children

As sports betting and sports betting advertising become increasingly ubiquitous, the impact of gambling ads on children and adolescents is of more and more concern.

In the past three years, major media companies, including ESPN, NBC, CBS, and FOX, have formed lucrative business deals with leading sportsbooks. The profitability of these partnerships raises doubts that self-imposed standards will be enough to maintain a fair and ethical gambling market. These partnerships also raise questions about whether news media organizations can fulfill their role as the impartial fourth estate that helps bring attention to problematic gambling sector practices.

Gambling sites advertise extensively on various social media and traditional media platforms as well, posting as many as 230 ads each day.¹⁷ It is crucial that advertising practices are scrutinized and that the effects on children, adolescents, and young adults are thoroughly examined.

We believe behavioral, clinical, and sector data must be better studied to fully understand the impact of gambling advertising.

Online Gambling Reduces Local Economic Activity

Money spent on online gambling does not stay local. Most gambling websites are run by large companies, often located outside the states where gamblers reside. This reality means that the revenue generated from U.S. consumers benefits out-of-state and sometimes even offshore entities, rather than supporting local economies. Local businesses also feel the pinch when consumers divert their spending from tangible goods and services to online gambling.

Beyond diverting money away from local economies, online gambling also comes with hidden costs, particularly with regard to public health. Problem gambling has been shown to increase financial instability for individuals and families, resulting in lost productivity, higher medical costs, and a greater strain on public health systems and inevitably the justice system. These burdens are carried by the local communities that fund treatment programs and other social services for those affected, draining wealth from U.S. towns and cities rather than driving economic growth.

¹⁷ <https://phys.org/news/2024-09-reveals-huge-volume-sports-gambling.html>

In the U.K., the negative economic impact of online gambling has become impossible to ignore. A new report¹⁸ shows that the supposed benefits of internet gambling – jobs, tax revenue, and economic activity – have been outweighed by the damage done to household wealth and local economies. The U.K. experience should be a cautionary tale for U.S. policymakers: gambling does not benefit communities in the long run. Rather, gambling profits line the pockets of large operators while the public is left to face the consequences.

Further, in some U.S. studies including a recent example in Connecticut,¹⁹ “researchers found that nearly 71% of all legal gambling revenue in the state comes from the fewer than 7% of residents who are problem (1.8%) or at-risk gamblers (4.9%) ... and the proportion of Connecticut gambling revenue from the 1.8% of people with gambling problems ranges from 12.4% for lottery products to 51.0% for sports betting, and is 21.5% for all legalized gambling.”²⁰

Update the U.S. National Gambling Impact Study

In 1999, the U.S. Department of Justice released a major report examining the impact of gambling on the U.S. economy. The 1999 report provided valuable insights into the state of gambling in the country at the time. However, the landscape of gambling has significantly changed over the last 25 years. The rise of online gambling and sports betting, changes in state laws, and shifts in societal attitudes towards gambling necessitate a fresh look at the impact and potential harm associated with gambling expansion.

We propose a new research study to provide a thorough and up-to-date understanding of the impact of gambling in the U.S., informing effective policymaking and regulation. The UK and other governments are investing significantly in research to understand their markets. Great Britain has an official gambling study, including surveying for the prevalence of online gambling which indicates a population-wide problem gambling prevalence rate of 2.5%.²¹ The U.S. has no official mechanism at the state or federal level to assess the prevalence of harm.

CFG has contracted YieldSec to study the black market, finding that it continues to represent a significant portion of the gambling market in the U.S. This reality impacts sports integrity and many other issues. Unfortunately, state regulators often lack full transparency when conducting licensing reviews and many applicants achieve a position in the market despite revenue generated from the black market. For example, electronic gaming

¹⁸ <https://www.theguardian.com/society/article/2024/sep/08/online-gambling-industry-has-negative-impact-on-uk-economy-says-thinktank>

¹⁹ <https://portal.ct.gov/-/media/dmhas/publications/2023-ct-final-report-jan312024.pdf>

²⁰ <https://ctmirror.org/2024/02/13/ct-sports-betting-problem-gambling/>

²¹ <https://www.gamblingcommission.gov.uk/about-us/statistics-and-research/gambling-survey>

machines are operational in betting shops in Northern Ireland in contravention of a 1985 Order. Greater transparency is needed to understand the connections and compliance with legal and licensing regimes.

Addressing Harm

There is clear medical agreement that gambling, including sports betting, can lead to addiction for some individuals. Gambling addiction is recognized as a behavioral addiction in the Diagnostic and Statistical Manual of Mental Disorders (DSM-5). Gambling activates the brains reward system, releasing dopamine. Over time, repeated gambling desensitizes this system. Early, frequent and high stakes gambling opportunities are often associated with a higher risk of developing a gambling disorder. The Substance Abuse and Mental Health Services Administration (SAMSHA), as part of the Department of Health and Human Services, can study these cases in a limited way, often as a part of a related mental health disorder or addiction. CFG advocates that the U.S. government prioritize several policies. First, access to treatment – making sure that everyone harmed gets the care they need, including recognizing gambling disorders through the Affordable Care Act. Second, ensuring sufficient funding of treatment by ensuring that those who profit from gambling contribute to treatment of gambling disorders. Third, establishing expert and independent public health approaches to research, prevention, treatment, and recovery.

Conclusion

In conclusion, CFG urges Congress to enact legislation that prioritizes transparency, and integrity, and requires the gambling operators to conduct business responsibly. We believe that a comprehensive, bipartisan, evidence-based approach, including enhanced consumer protections and robust federal enforcement mechanisms, is crucial to safeguarding the well-being of individuals, families, and communities.

Thank you again Chairman Durbin and members of the committee.



the campaign for *fairer gambling*

UNITED STATES OF AMERICA

REPORT ONE

iGambling Marketplace Report 2023.

FINAL -
SUBJECT TO
PRESS
EMBARGO
UNTIL MARCH
21, 2024 AT
1200pm
EASTERN USA
TIME

MONITORING, DATA & ANALYSIS BY



The Campaign for Fairer Gambling: USA - Introduction

The Campaign for Fairer Gambling (CFG) has a history of success in the gambling reform space in Great Britain (GB).

The primary opponent of reform in GB is the Betting and Gaming Council (BGC), a trade body which lobbies to advance the financial interests of BGC members based on misrepresentations.

With GB's history of legal betting shops throughout the country taking racing and sports bets for decades, there was never the same opportunity for illegal bookmakers to get a foothold in the market, unlike in the US.

With gambling reform high on GB's political agenda, the BGC has used the threat of the black-market in online sports betting and casino gaming (iGambling) to argue against improved regulations.

However, the majority of GB facing illegal iGambling is targeted towards underage persons and persons that have previously self-excluded from legal iGambling: in other words, people that shouldn't be in the regulated market anyway.

In fact, the BGC commissioned a report from Yield Sec (YS) in 2022 that revealed where the growth in the black market was coming from, albeit from a low baseline.

However, the BGC distorted the findings of that report to reinforce its lobbying against affordability checks, whilst not publishing the report showing where the growth was actually coming from.

In 2022 the American Gaming Association (AGA), the US lobbying trade body, with some members in common with the BGC, failed to commission a report from YS.

Instead, the AGA relied on a report based on a survey of a few thousand people, which was never going to give an accurate picture of the black market.

The AGA wrote to federal politicians and the Department of Justice (DoJ) with the report, claiming that AGA members were subject to "strict suitability standards" by state regulators and praising members' "responsible gambling" agenda.

It was this AGA letter and report that prompted Derek Webb, the founder of CFG, to restart CFG as a US facing entity.

The Campaign for Fairer Gambling: USA – Introduction (continued)

CFG does not agree that states have “strict suitability standards” and regards the “responsible gambling” representations as political expediency.

US state legislators and regulators have allowed market entry to operators that have breached the 12th December 2006 EU Directive 2006/123/EC which allows freedom of services between EU states, but specifically excludes gambling.

US state legislators and regulators have allowed market entry to providers of daily fantasy sports betting who dispute that this is betting and do not wish to pay the appropriate federal exercise tax on betting, so are not in good standing with the IRS.

The level of operator commitment to “responsible gambling” varies according to the jurisdiction.

BGC or AGA members, when acting in other territories, may not make any provision towards “responsible gambling”, particularly if acting itself as a black-market operator in those countries.

CFG does not agree that the DoJ is best placed to handle the black-market as it is very difficult to prosecute and enforce against individuals or entities without US ties.

Prosecutions take years, and the black-market would only be reduced by one operator at a time.

CFG positions are evidence-based which is why a report from National Economic Research Associates (NERA) was commissioned to look at the US state with the longest exposure to legal iGambling - New Jersey (NJ).

This report substantiated that legal iGambling shrank the NJ economy by diverting disposable income from other economic activity, which results in losses to NJ economic output and jobs.

In this respect legal iGambling is better than illegal iGambling in that it does create a few US jobs and state taxes.

However, due to the diminished economy there is a reduction in federal taxes which may result in a decrease in overall taxes.

Furthermore, iGambling expansion results in increased harm to at-risk and disordered gamblers, and financial harm to the financially vulnerable, with the socio-economic impact on the state not being compensated for unless the state tax take is high enough.

In order to improve the evidence base, CFG commissioned YS to engage in a project of ongoing work to understand the US iGambling market, specifically whether legal iGambling has displaced illegal iGambling, as the AGA claimed it would.

This CFG USA Report One is the first in a series of YS reports commissioned by CFG.



Yield Sec FACTSHEET: USA Online Gambling Marketplace 2023

LEGAL GAMBLING OPERATORS

103

**LEGAL SPORTS BETTING
& CASINO OPERATORS
ACTIVELY TARGET USA**

AFFILIATES PROMOTING LEGALS

119

**AFFILIATES
PROMOTE ONLY LEGALS
THAT ACTIVELY TARGET USA**

LEGAL GGR 2023



ILLEGAL GAMBLING OPERATORS

860

**ILLEGAL SPORTS BETTING
& CASINO OPERATORS
ACTIVELY TARGET USA**

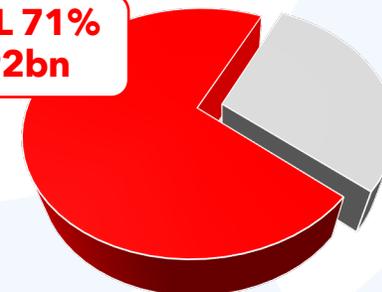
AFFILIATES PROMOTING ILLEGALS

638

**AFFILIATES
PROMOTE ILLEGALS
THAT ACTIVELY TARGET USA**

ILLEGAL GGR 2023

**ILLEGAL 71%
\$40.92bn**



Yield Sec: USA Online Gambling Marketplace



THE SLOW PACE OF LEGAL GROWTH INDICATES AN ACTIVE LEGACY OF BLACK-MARKET PRESENCE & REALITY ACROSS THE UNITED STATES MARKETPLACE FOR ONLINE SPORTS BETTING AND CASINO.

Yield Sec: USA Online Gambling - Benchmarking

LEGAL

TOTAL OPERATORS: 103

AVERAGE MINIMUM DEPOSIT: \$10

AVERAGE MINIMUM CASHOUT: \$10

**PRODUCT OFFERING:
RESTRICTED BY LAW & STATE
REGULATION**

**BONUS TERMS: RESTRICTED BY
STATE REGULATION**

ILLEGAL

TOTAL OPERATORS: 860

AVERAGE MINIMUM DEPOSIT: \$100

**AVERAGE MINIMUM CASHOUT:
\$130**

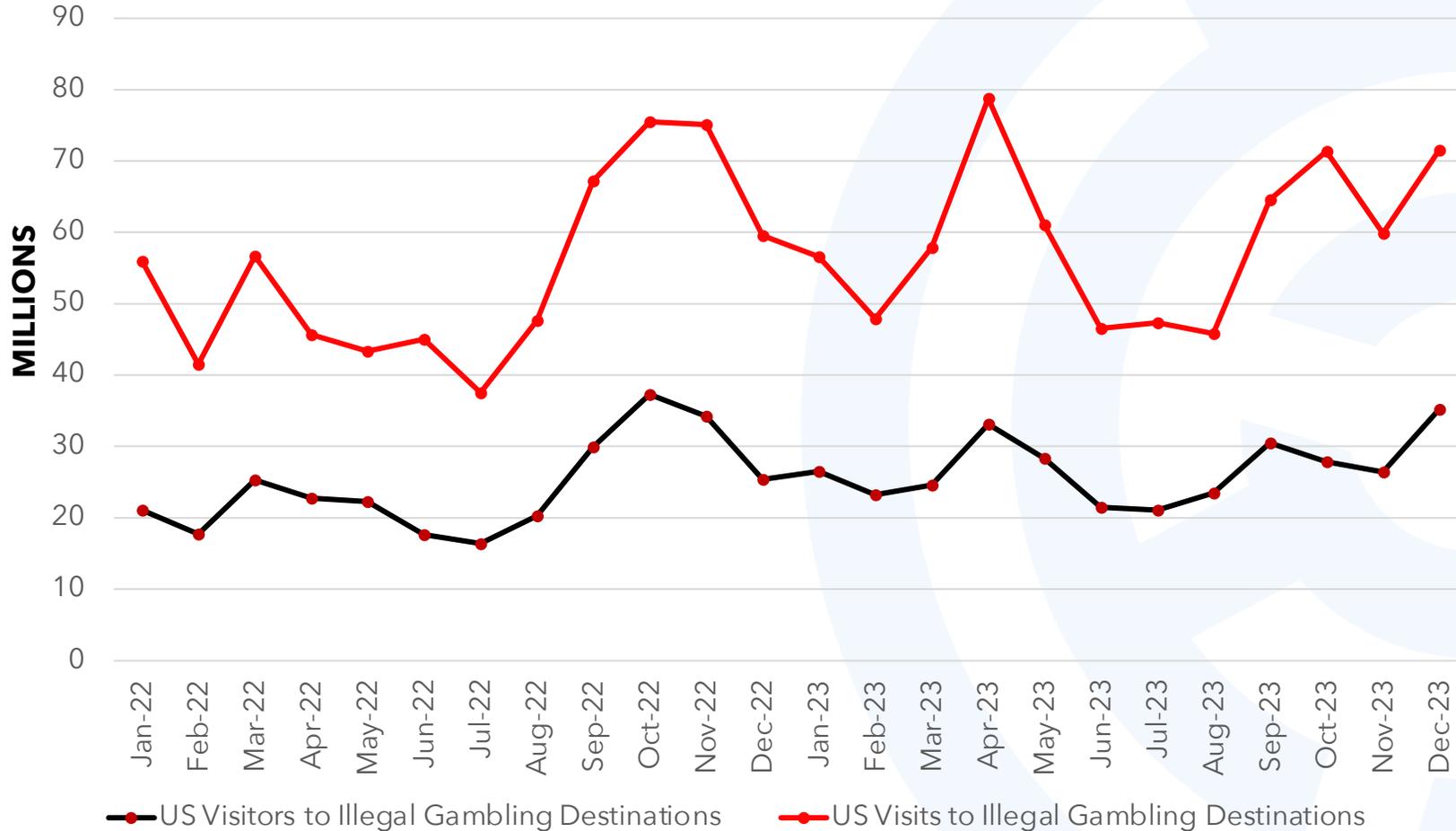
**PRODUCT OFFERING:
UNRESTRICTED BY LAW & STATE
REGULATION**

**BONUS TERMS: UNRESTRICTED BY
STATE REGULATION**

AMERICAN CONSUMERS HAVE BECOME USED TO THE BROAD MULTI-PRODUCT OFFERING FROM ILLEGALS, ACROSS THE PROHIBITION PERIOD ONLINE FROM 2005 TO 2018.

USA: Population Impact – Online Visits & Online Visitors

Visitors & Visits to Illegal Online Gambling Destinations - 2022/2023



POPULATION IMPACT: ONLINE VISITS & VISITORS

Over the last two years, visits to illegals have grown and moved between 38m and 79m visits per month with peaks as follows:

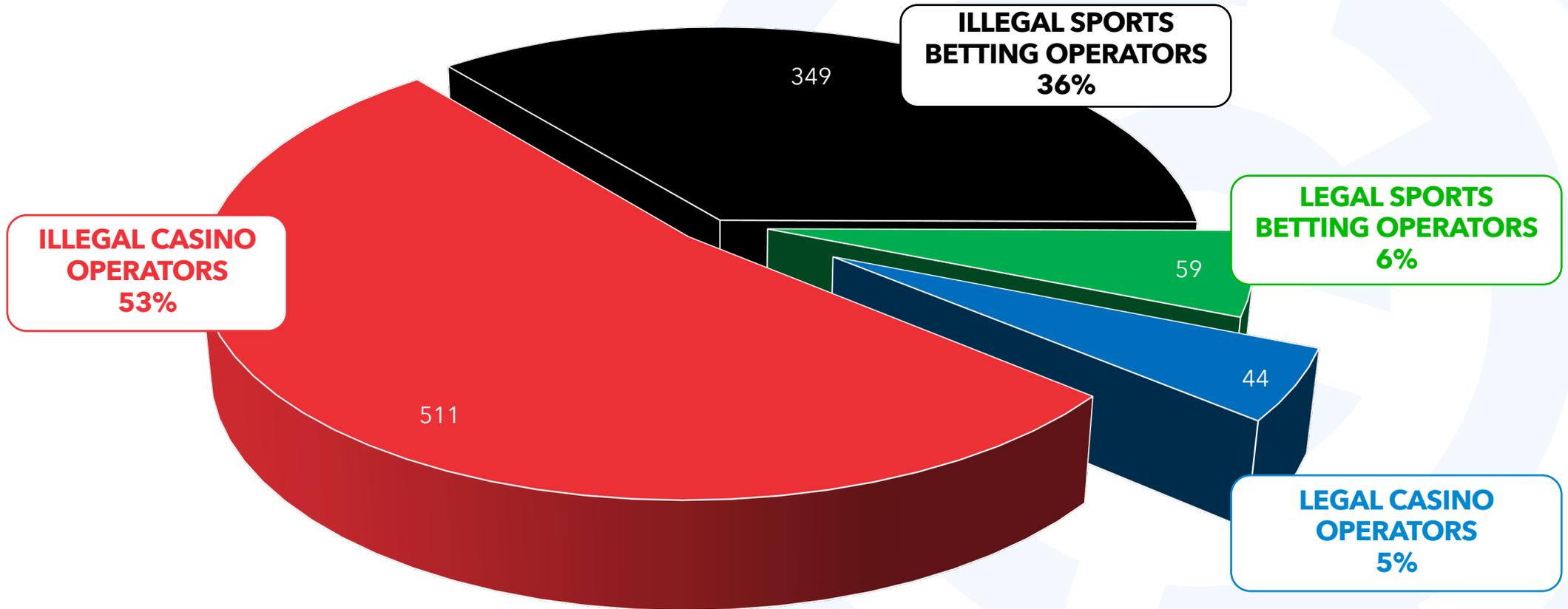
- Feb 2022: Super Bowl
- Oct-Nov 2022: NFL Season
- Feb 2023: Super Bowl
- April 2023: March Madness
- Sep-Oct 2023: NFL Season
- Dec 2023: NFL Season

2023: IN DECEMBER, 37.4 MILLION AMERICAN ADULTS INTERACTED WITH ILLEGAL GAMBLING - MORE THAN 11% OF THE TOTAL US POPULATION.

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USA: Marketplace Product Split – Legal & Illegal Operators

Product Split of Operators 2023



THE VAST MAJORITY OF ILLEGAL OPERATORS ARE MULTI-PRODUCT, FEATURING A SPORTSBOOK, CASINO AND MORE. HERE WE DEFINE THE PRODUCT SPLIT OF OPERATORS BY REFERENCE TO THE FIRST PRODUCT THEY OFFER TO POTENTIAL CONSUMERS. FOR EXAMPLE, A MULTI-PRODUCT OPERATOR WITH THE WORD "CASINO" IN THEIR BRAND NAME, URL ADDRESS AND APP NAME, AS WELL AS THE CASINO BEING THE FIRST PRODUCT SERVED ON CONTENT PAGES TO THE AUDIENCE, IS CLASSIFIED AS "A CASINO OPERATOR".

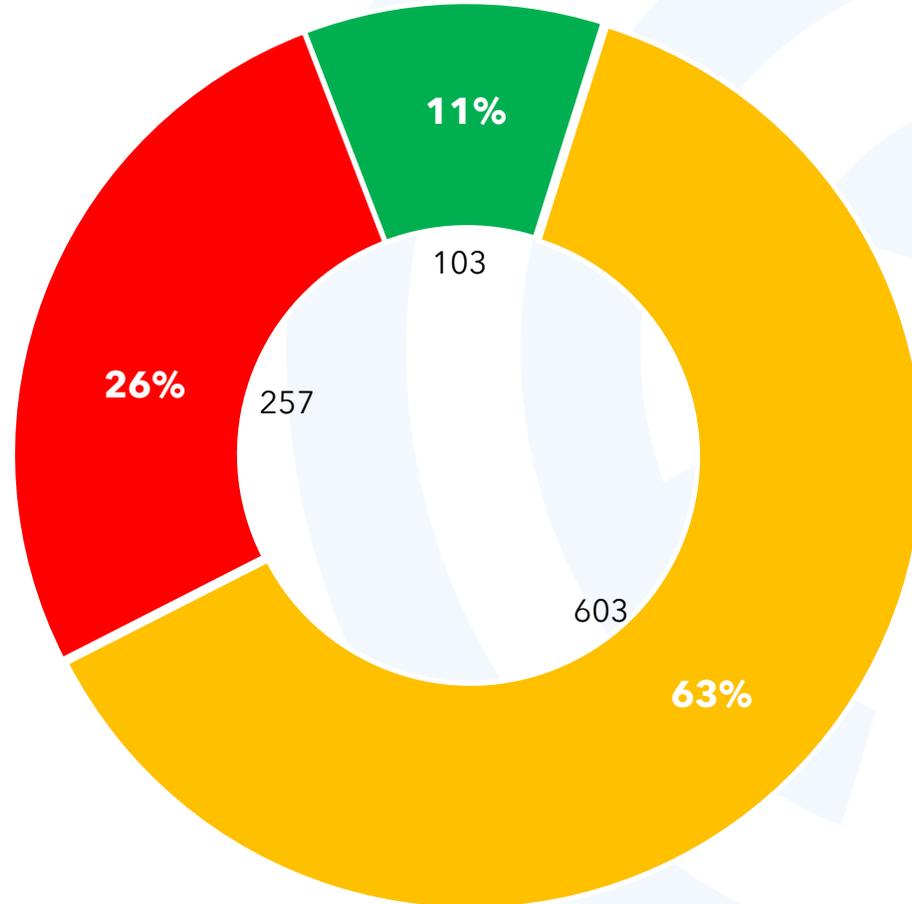
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USA: Jurisdiction of Online Operators Targeting the USA

**ONLINE OPERATORS THAT ARE:
-LEGAL IN THE USA -LICENSED IN THE USA -REGULATED IN THE USA
11%**

**ONLINE OPERATORS THAT ARE:
-ILLEGAL IN THE USA
-UNLICENSED IN THE USA
-UNREGULATED IN THE USA
-BUT LICENSED & REGULATED
SOMEWHERE
63%**

**ONLINE OPERATORS THAT
ARE:
-ILLEGAL IN THE USA
-UNLICENSED IN THE USA
-UNREGULATED IN THE USA
-AND UNLICENSED &
UNREGULATED ANYWHERE
26%**



**Within Licensed & Regulated
Somewhere:**

Jurisdiction One

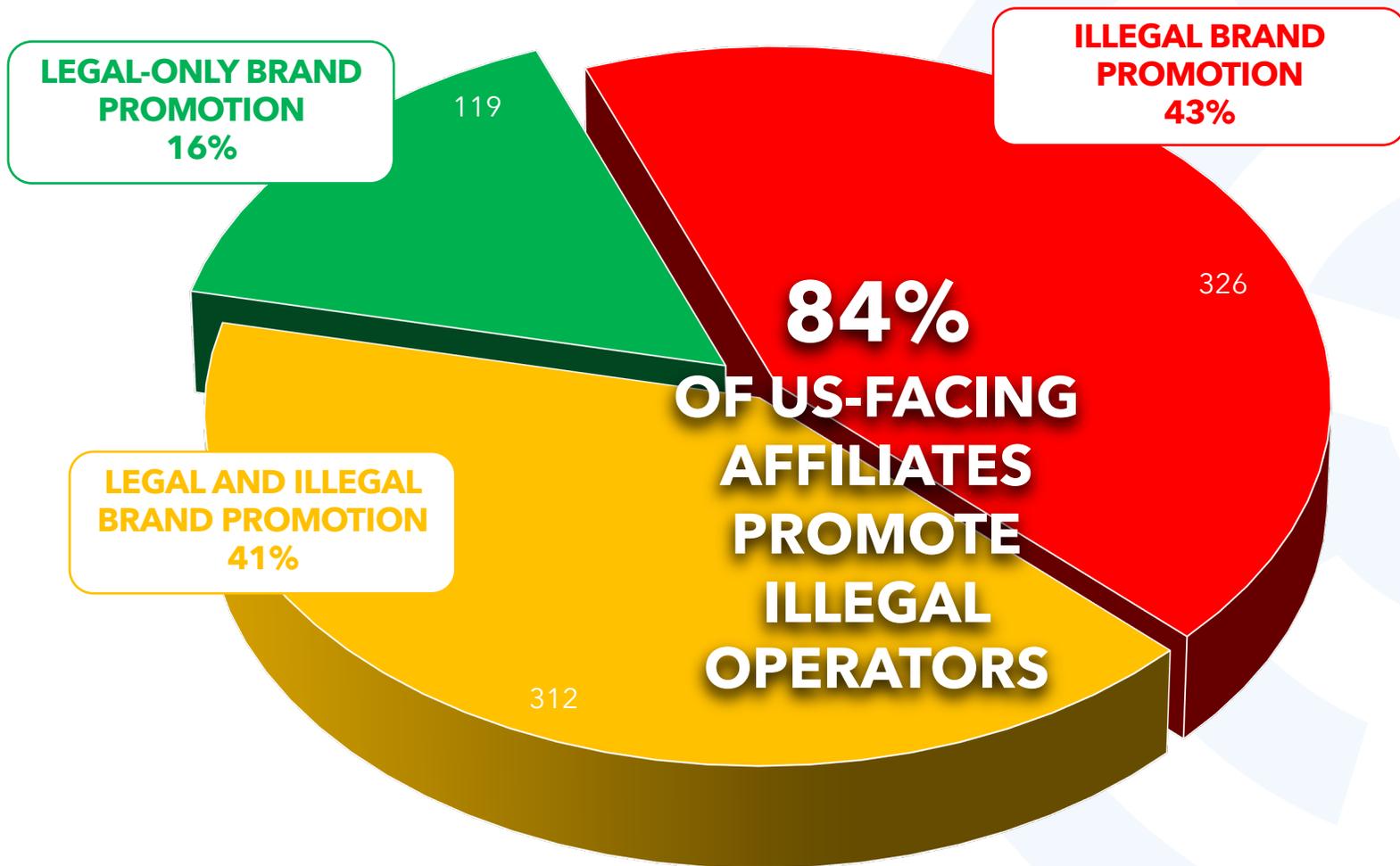
30%

Jurisdiction Two

25%

USA : Affiliates – 43% Promote Illegal Operators Only

Affiliates - 2022/2023



AFFILIATE PROMOTION

Of all affiliates actively targeting the USA, only 16% promoted legal, licensed options alone – yet their activity is drowned out to an overwhelming extent by those providing the oxygen of advertising to illegal brands in the form of recommendations, reviews, publicity, content conversations and bonus offer tables.

28

USA: Visits to Affiliates Promoting Illegals

Visits to Affiliates Promoting Illegal Operators - 2022/23



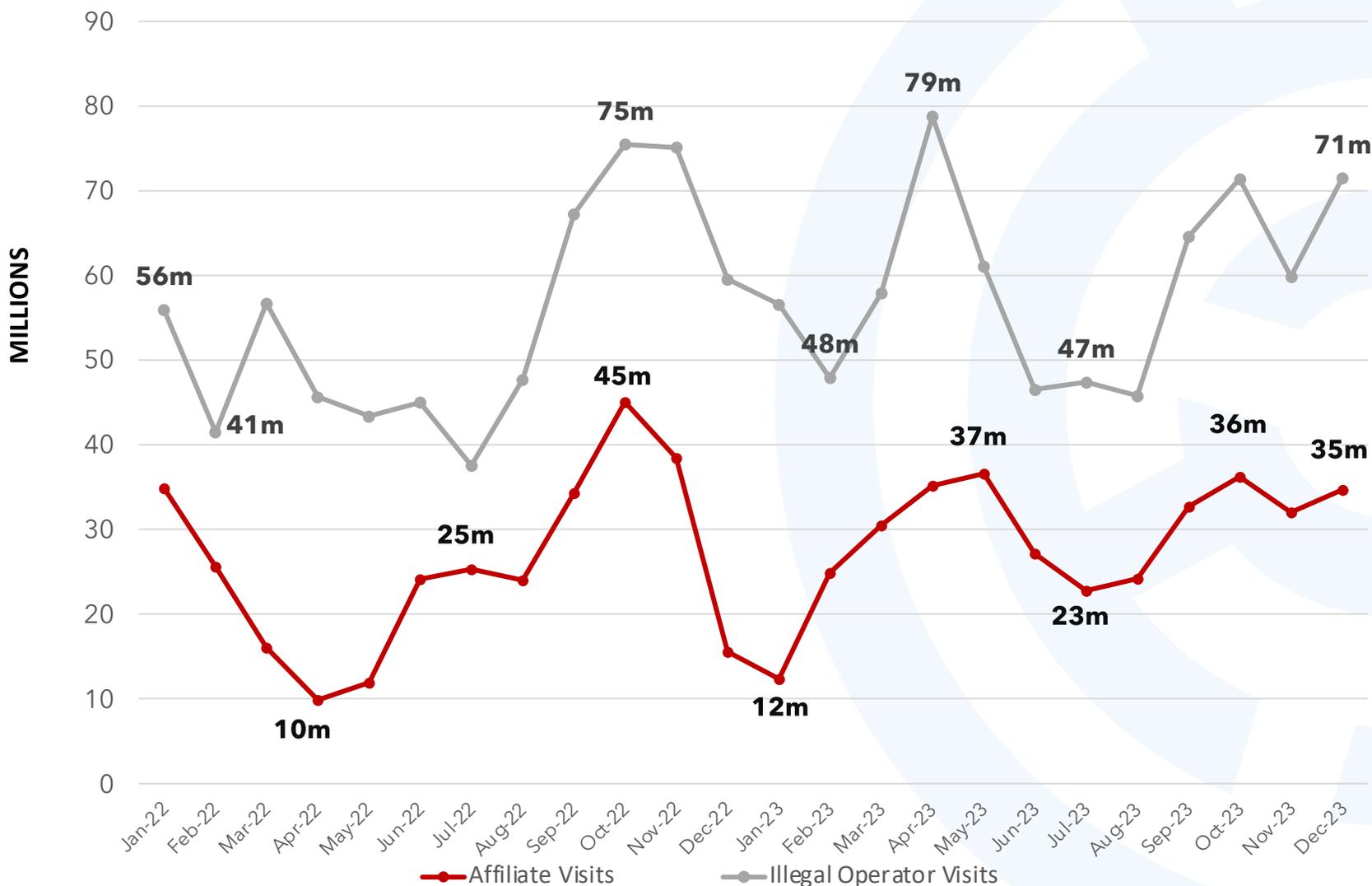
AFFILIATES PROMOTING ILLEGAL OPERATORS

Affiliates are a core driver for visits to illegal gambling operator destinations.

The data here shows a clear movement in line with the US sports calendar, with peaks across NFL season, the Super Bowl and March Madness as core drivers of audience towards affiliates for their compare, contrast and get the best “complimentary” offer from operators for consumers.

USA: Audience Engagement Via Affiliates

Visits to Affiliates Promoting Illegal Operators and Illegal Gambling Operator Visits - 2022/23



VISITS TO AFFILIATES PROMOTING ILLEGAL OPERATORS AND VISITS TO ILLEGAL OPERATORS

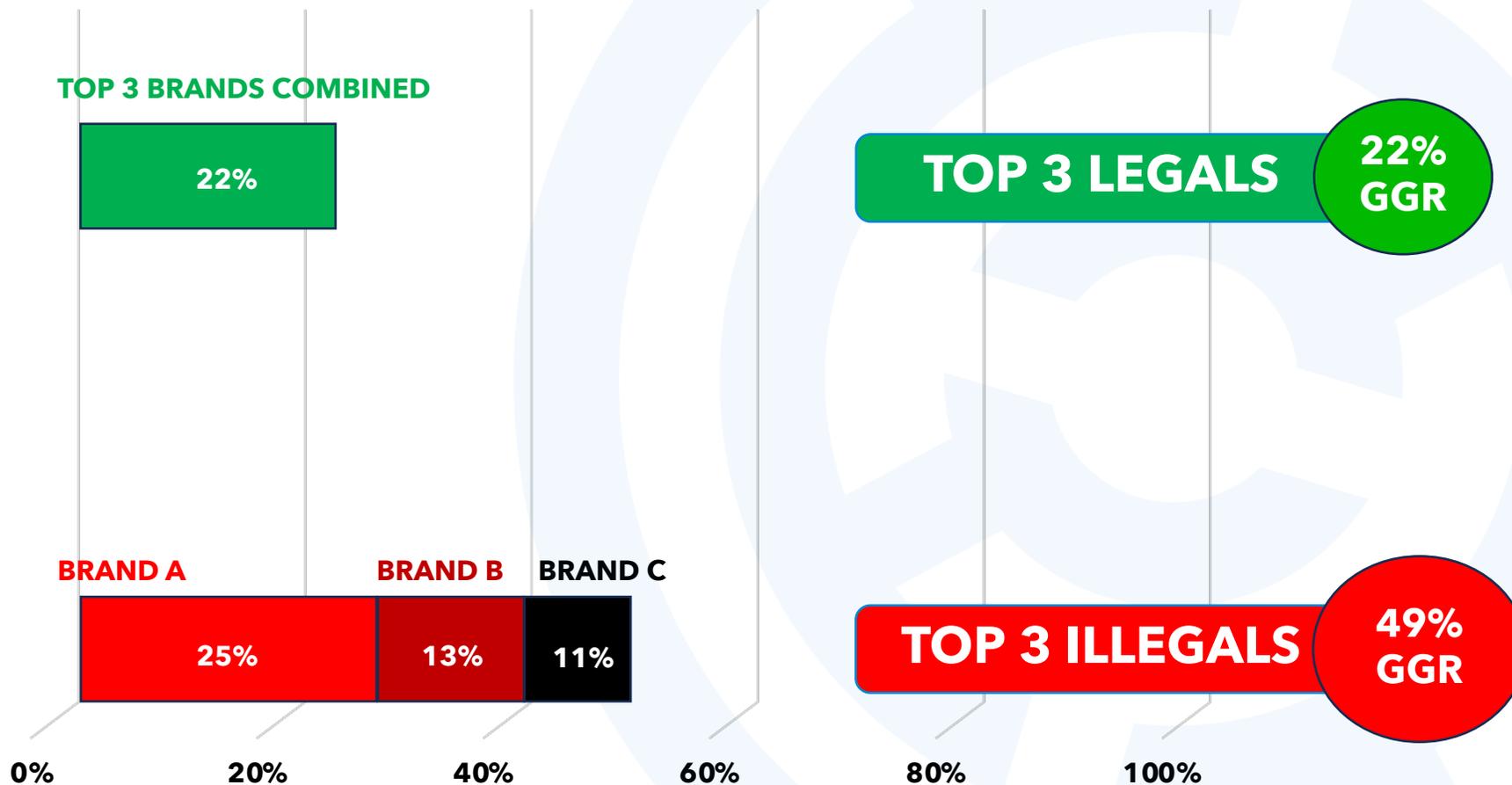
Every affiliate promotes dozens, often hundreds, of illegal operator destinations, as well as acting as a seeding source, across social and the internet, for mirrors and redirects.

It is clear from the data here, comparing visits to affiliates promoting illegal gambling operators, with visits to illegal gambling operators themselves, that there is a loud and positive echo upon illegal operators from their affiliate partners: over the period, the emerging trend is that for every single visit to an affiliate promoting illegal operators, there are at least two visits to illegal gambling operators.

In short, affiliates that promote illegals are a core driver of the reality of illegal operator presence, persistence and popularity.

USA: Value – GGR – Revenue Channelization

USA: Legal and Illegal Brands – Revenue Channelization - 2022/2023



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SOURCE: Yield Sec - Proprietary data

www.YieldSec.com

Info@YieldSec.com

Charts & Graphics: Yield Sec on behalf of the Campaign for Fairer Gambling - 2024



Yield Sec SUMMARY SHEET: USA Online Gambling Marketplace 2023



LEGAL GAMBLING OPERATORS

TOP 3 LEGALS
SUFFER FROM DILUTED MARKET SHARE WHEN THE TOTAL MARKETPLACE OF LEGAL BRANDS PLUS ILLEGAL BRANDS, ALL OF WHICH ARE AVAILABLE TO USA CONSUMERS, IS CONSIDERED

REGULATED OFFSHORE JURISDICTIONS

2 REGULATED OFFSHORE JURISDICTIONS
HOST MORE US-TARGETING ILLEGAL OPERATORS THAN THE USA HAS LEGAL OPERATORS, IN TOTAL

**LEGAL GGR 2023:
LESS THAN HALF OF THAT
PRODUCED BY ILLEGAL OPERATORS**



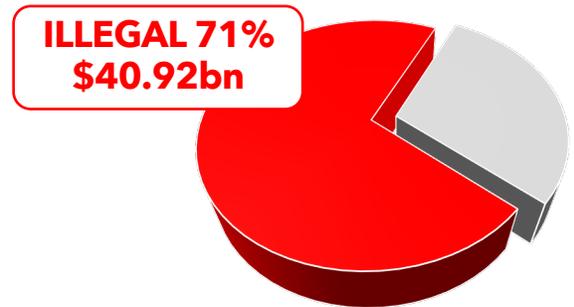
ILLEGAL GAMBLING OPERATORS

THE LEADING ILLEGAL
PRODUCES MORE GGR THAN THE TOP 3 LEGAL BRANDS COMBINED

AFFILIATES PROMOTING ILLEGALS

312 AFFILIATES
PROMOTE LEGALS AND ILLEGALS, CREATING CONFUSED CONSUMER PERCEPTION AND CHOICE WHILST COMPROMISING LEGAL BRAND STATUS

**ILLEGAL GGR 2023:
MORE THAN DOUBLE THAT
PRODUCED BY LEGAL OPERATORS**



Yield Sec FACTSHEET: Super Bowl 2024 – USA Only

THE UNITED STATES OF AMERICA 2024 SUPER BOWL: ONLINE GAMBLING MARKETPLACE

The market promise has not materialized for legal, licensed brands.

The audience still favor illegals, whose content and products are more frequented and used, given the greater bet choices and bonuses available with illegal operators.

Substitution from illegals to legal is simply not happening at the pace it should – illegals are used as brands of choice and convenience, with some substitution to legal for offers and account opening incentives, when available, as with the Super Bowl.

The range of sports and allied entertainment bets, such as with this year's focus on Taylor Swift Special Bets ("How many times will she appear on camera?, What color lipstick will she be wearing?"), is catered to by illegal operators, who use their advantages across search and social media to overwhelm the relevance and authority of legal brands.

Illegals are, quite simply, everywhere that the Super Bowl conversation is taking place online, and very close by with transactional opportunities for all Americans.



Yield Sec FACTSHEET: Online Gambling Marketplace – 2024 – Super Bowl Only

SUPER BOWL 2024: 350m BETS PLACED

ILLEGAL BETS

228 Million Bets Placed with Illegal Online Operators

LEGAL BETS

122 Million Bets Placed with Legal Online Operators

ILLEGAL: 42 MILLION MORE BETS THAN 2023

ILLEGAL: \$546m INCREASE IN TOTAL VALUE OF BETS PLACED

LEGAL: 22 MILLION MORE BETS THAN 2023

LEGAL: \$258m INCREASE IN TOTAL VALUE OF BETS PLACED

2024: VALUE OF SUPER BOWL BETS PLACED \$5.4bn



34



SOURCE: Yield Sec - Proprietary data

www.YieldSec.com

Info@YieldSec.com

Charts & Graphics: Yield Sec on behalf of the Campaign for Fairer Gambling - 2024





Yield Sec FACTSHEET: Online Gambling Marketplace – 2023 – Super Bowl Only

SUPER BOWL 2023: 286m BETS PLACED

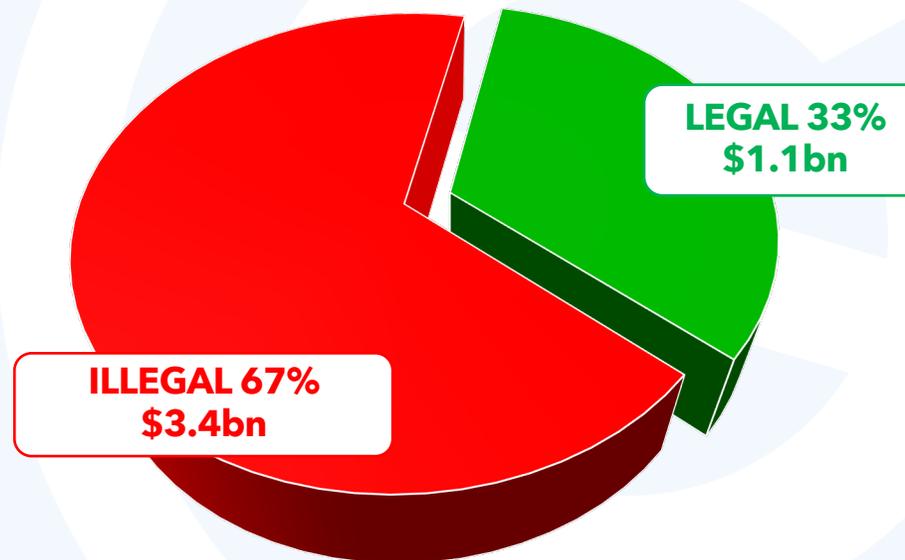
2023: VALUE OF SUPER BOWL BETS PLACED \$4.5bn

ILLEGAL BETS

186 Million Bets Placed with Illegal Online Operators

LEGAL BETS

100 Million Bets Placed with Legal Online Operators



SOURCE: Yield Sec - Proprietary data

www.YieldSec.com

Info@YieldSec.com

Charts & Graphics: Yield Sec on behalf of the Campaign for Fairer Gambling - 2024



Yield Sec: USA – Coming Next



US STATE
LEGAL FOR
ONLINE
SPORTSBOOK
ONLY

US STATE
LEGAL FOR
ONLINE SPORTS
BETING &
CASINO

US STATE
ILLEGAL FOR
ONLINE SPORTS
BETTING &
CASINO

THE NEXT YIELD SEC REPORT FOR THE CAMPAIGN FOR FAIRER GAMBLING WILL FOCUS UPON STATE VARIATIONS RELATING TO THE ONLINE BETTING & GAMBLING MARKETPLACE IN THE USA.

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The Campaign for Fairer Gambling: USA - Conclusion

It is not unrealistic to guesstimate that the amount lost to illegal iGambling, having been around for over a quarter of a century that, without any interventions, the point will soon be reached where the lifetime total loss to US gamblers is over \$1 trillion.

These funds have been extracted from the US economy and exported offshore with all the negative consequences of the socio-economic costs and personal harms being imported.

US legal iGambling has failed to deliver the projected tax take and failed to minimize the illegal market - the two primary grounds for legalization advocated by proponents.

The US Treasury recently issued a National Money Laundering Risk Assessment which included a section on online gambling risk.

For an estimate of illegal online gambling, it relied on the flawed 2022 AGA report.

In a CBS 60 Minutes interview, the head of the AGA, Bill Miller, claimed there was a "migration" from illegal to legal, but this is happening slowly and minimally.

Derek Webb of CFG states:

"The AGA asks the DoJ to protect the interest of members, whilst it and members oppose the Federal Betting Excise Tax, which was created to provide funds to combat illegal gambling. At the same time, AGA members have commercial relationships with affiliates who also have commercial relationships with illegals. Until regulators get around to preventing these relationships, the AGA should make it a membership standard to not have relationships associated with gambling illegality.

I am proud to have the opportunity to work with Yield Sec to bring forward the powerful evidence in this Report."

Yield Sec: About Yield Sec

We developed the Yield Sec (short for “yield security”) actionable intelligence platform from a proven military-grade tech and AI stack, used for anti-terrorism and counterinsurgency, to combat what we identified as an analogous problem: the commercial insurgency represented by illegal, black-market gambling operators.

How does it work?

1. **Monitoring:** Our technical platform scours the internet for relevant betting and gaming keywords and phrases to find all instances of commercial and referral gambling content, traffic, audience, advertising popularity and more.
2. **Reporting:** Content is analysed, categorized and classified into legal and illegal groups, at the top level, and into splits by sports, product, event and more.
3. **Prioritizing:** Once separated into what comes from legal operators and what comes from illegal entrants, the platform uses AI, machine learning and expert human intervention to rank, order and value threats to the individual stakeholder, and the ecosystem overall. The Yield Sec Matrix prioritizes these threats to revenue, market share, player and audience protection, compliance, responsible gaming and potential taxation at the State and National level, based upon the calendar and events cycle. Content featuring advertising for illegal Super Bowl bets in late January in a US State then, is a far higher priority than content pushing illegal Pai Gow Poker in any US State at any time of year.
4. **Enforcing:** Prioritization presents a detailed view of what content needs to be controlled and remedied at the legal operator level (non-compliant advertising from referral partners, for example), and what content needs to be cleared and removed from illegal operators, period. To facilitate removals of illegal content, Yield Sec works alongside media partners, regulators and law enforcement across search, social and digital media platforms which supply the “oxygen” of advertising, availability and destinations.

The point?

When consumers want to bet on sports, casino or lottery online, they should find fair and safe online betting and gaming in every regulated marketplace.

Today, not every betting, gaming and lottery app or website is legal.

This impacts local commerce and community in every jurisdiction: onshore jobs, supply chain, oversight and control, and the fundamental societal quid pro quo: the receipt of regulated revenue and taxation. This financial commitment of provision for onshore commerce, community and consumer safety is what society requires for gambling to be present and sustainable. Its removal by illegal operators is not a “grey market”, a “black market”, “loss” or “leakage”. It is theft.

Yield Sec: Methodology

The following methodology modules are part of the Yield Sec platform:

- **IDENTIFICATION**
 - Online Analytics
The world's largest database of contextual and relevant search terms for betting, gambling and lottery content. This seeds all online monitoring.
 - Online Monitoring
Meta-level and anonymous surveillance of all betting, gambling and lottery activity within a jurisdiction, based upon human users and their dwell time, activity and interaction with gambling content across search, sites, apps, ads, social media, video content platforms, payment wallets and providers, and audience user groups. This surveils all online content connected to online gambling.

- **QUALIFICATION**
 - Content Analysis
The proprietary Yield Sec Matrix, built on AI, machine-learning and expert human team inputs, assesses features of gambling content for:
 - Legal status: Legal or Illegal
 - Content Status: Affiliate or Operator; Advertising or Referral Content; Sponsorship or Direct Placement; User-generated Content or Corporate-generated content.
 - Products & Pricing: Sports betting, casino, table games, slots, live dealer, poker, lottery, predictor, fantasy sports, social casino, and more.
 - Offers and bonuses.
 - Payments: Minimum deposit and cash-out thresholds; payment types; fiat currency and crypto currency.
 - Audience Activity Analysis
Traffic monitoring and journeys, aggregate user journeys, dwell time, page journeys, transaction interaction, payment interaction.

- **QUANTIFICATION**
 - Activity and Revenue Analysis
The Yield Sec platform assesses all activity across legal and illegal gambling interaction to arrive at a benchmark Yield Sec Value Per Visit (VPV) for audience activity across:
 - Traffic: The data underlying unique human activity from online gambling.
 - Revenue: The data underlying spend behavior from online gambling.
 - Market share: How channelized is the marketplace, how much activity and revenue accrues to legal sources, versus illegal and unlicensed ones?

Yield Sec: Notes on this Report

The following key notes apply across Yield Sec data:

- **SIMPLE FINANCIAL DEFINITIONS**
 - "Handle" - relates to the value of bets placed by consumers with online gambling operators. "Hold" - relates to the value left behind with online gambling operators, after customer winnings have been repaid. "GGR" - relates to Gross Gaming Revenue, or Customer Bets MINUS Customer Winnings EQUALS Gross Gaming Revenue.
Please note that in this Report, where US\$ values are mentioned, GGR is the financial standard used throughout. The only exception occurs on pages 16 and 17, covering the 2023 and 2024 Super Bowls, where the value of bets placed, or Handle, is only referred to.
- **TARGETING & TRANSACTING**
 - Only operators who actively target the USA through audience profiling, advertising, affiliate deals, audience accessibility (with and without a VPN) and featuring verified US resident payment abilities are classed and included as "illegal operators".
- **AVAILABLE BUT NOT TRANSACTING**
 - Operators who have an accessible website/app but without any active commercial ability (to place bets, make transactions and effect revenue) are not classed or included as "illegal operators".
- **MIRRORS & REDIRECTS**
 - All active and transactable destinations for illegal online brands are included in the number of total destination domains.
- **ONLINE GAMBLING OPERATOR OR SPORTS BETTING OPERATOR**
 - Effectively an "online gambling brand" - one website and app count as one destination. For illegals, with redirects and mirrors under distinct brand URLs, each single, separate destination, transactional website/app is counted as one destination.
- **ACCURACY**
 - Our analysis derives from data obtained from our online surveillance as well as from third party licensors. Our assessment of large complex online marketplaces is limited by the availability and completeness of data. We are confident, however, that our platform provides by far the best analysis of online marketplaces possible.

Contacts & Questions



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APPROVED FOR PUBLICATION

HIGHLIGHTS PREPARED
FOR CAMPAIGN FOR
FAIRER GAMBLING -
SUPER BOWL 2024

Yield Sec FACTSHEET: Super Bowl 2024 – USA Only

THE UNITED STATES OF AMERICA 2024 SUPER BOWL: ONLINE GAMBLING MARKETPLACE

The market promise has not materialized for legal, licensed brands.

The audience still favor illegals, whose content and products are more frequented and used, given the greater bet choices and bonuses available with illegal operators.

Substitution from illegals to legal is simply not happening at the pace it should – illegals are used as brands of choice and convenience, with some substitution to legal for offers and account opening incentives, when available, as with the Super Bowl.

The range of sports and allied entertainment bets, such as with this year's focus on Taylor Swift Special Bets ("How many times will she appear on camera?, What color lipstick will she be wearing?"), is catered to by illegal operators, who use their advantages across search and social media to overwhelm the relevance and authority of legal brands.

Illegals are, quite simply, everywhere that the Super Bowl conversation is taking place online, and very close by with transactional opportunities for all Americans.

Yield Sec FACTSHEET: Online Gambling Marketplace – 2024 – Super Bowl Only



SUPER BOWL 2024: 350m BETS PLACED

2024: VALUE OF SUPER BOWL BETS PLACED \$5.4bn

ILLEGAL BETS
228 Million Bets Placed with Illegal Online Operators

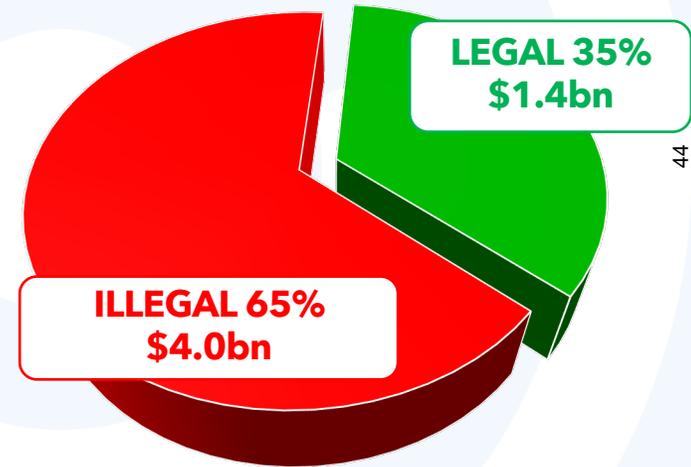
LEGAL BETS
122 Million Bets Placed with Legal Online Operators

ILLEGAL: 42 MILLION MORE BETS THAN 2023

ILLEGAL: \$546m INCREASE IN TOTAL VALUE OF BETS PLACED

LEGAL: 22 MILLION MORE BETS THAN 2023

LEGAL: \$258m INCREASE IN TOTAL VALUE OF BETS PLACED



SOURCE: Yield Sec - Proprietary data

www.YieldSec.com

Info@YieldSec.com

Charts & Graphics: Yield Sec on behalf of the Campaign for Fairer Gambling - 2024



Yield Sec FACTSHEET: Online Gambling Marketplace – 2023 – Super Bowl Only

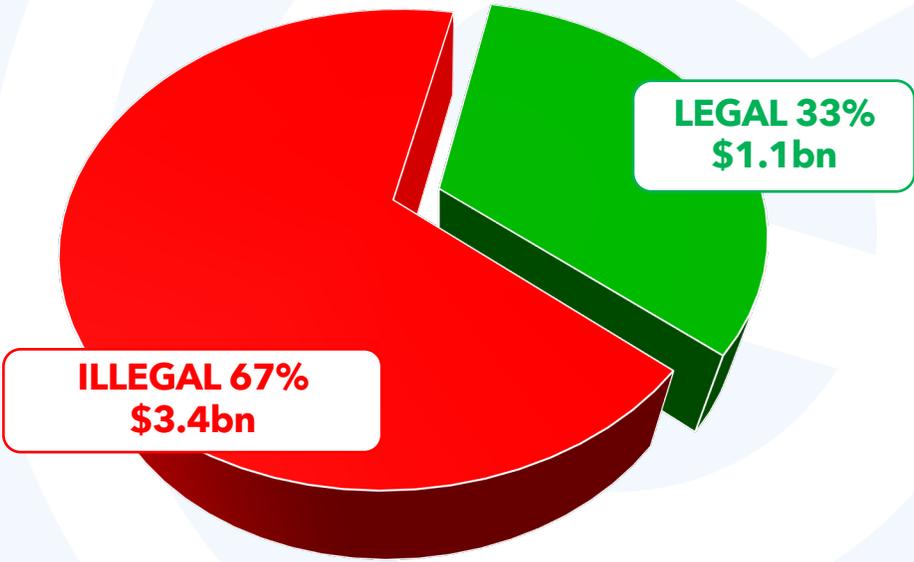


SUPER BOWL 2023: 286m BETS PLACED

2023: VALUE OF SUPER BOWL BETS PLACED \$4.5bn

ILLEGAL BETS
186 Million Bets Placed with Illegal Online Operators

LEGAL BETS
100 Million Bets Placed with Legal Online Operators



SOURCE: Yield Sec - Proprietary data

www.YieldSec.com

Info@YieldSec.com

Charts & Graphics: Yield Sec on behalf of the Campaign for Fairer Gambling - 2024



**Statement of Michael K. Fagan
Adjunct Professor
Washington University School of Law**

The U.S. Supreme Court's majority opinion striking down the Professional and Amateur Sports Protection Act (PASPA) in *Murphy v. NCAA* failed to convincingly establish sufficient cause to upset the Constitution's allocation to the federal government of protective, supervisory, and prohibitive powers over interstate and foreign commerce. These powers necessarily require an ability to preclude non-federal entities from undercutting national policy.

The *Murphy* majority's failure is especially evident when the form of interstate commerce addressed by federal legislation involved in that case addressed a historical vice—commercialized gambling, not mere social or charitable gambling—that provably (i) adversely impacts public health and workplace productivity, (ii) increases instances and risks of corruption in government and to historically-treasured national commerce, such as professional and amateur sports, and (iii) employs means that *cannot* be adequately policed in the Internet era.

The *Murphy* majority opinion relied upon those Justices' personal perception of what federalism requires. In doing so, they elevated their personal opinions over the plain words of the Federal Constitution. Those Justices, like the commercialized gambling industry, may have disagreed with PASPA on a policy basis but, under the Constitution, the decision to enact such nationally-protective legislation plainly has been assigned to Congress, and PASPA was a proper exercise of that power.

Nothing in the words nor implicit in the structure of the Constitution would, sensibly, preclude the federal government from prohibiting any entity, including states (which surrendered aspects of sovereign authority over certain commerce upon choosing to join the national government) from authorizing conduct in interstate or foreign commerce plainly adverse to federal policy. To rule otherwise brings from the grave a structural weakness long thought buried when the inefficient Articles of Confederation were replaced by the present U.S. Constitution.

Making government a partner with, or enabler of, the commercialized sports gambling industry simply makes government a tool in the further financial exploitation of its citizens. This inverts the traditional relationship between citizen and government. A government should exist to protect, rather than exploit, its people. As faith and trust in government to do the "right" thing wane, the last thing government—which includes the Supreme Court—needs to do is to cast its lot with an industry that profits from exploitation.

At its core, sport is fun and inspiring and even beautiful. At its core, long-term chasing money through commercialized gambling is none of these things. Bringing sport down to the level of mere commerce will pollute daily life, a loss for which no amount of money can compensate. Justice Robert H. Jackson long ago praised institutions that "were unashamed to uphold ideals that were above materialism, gain, and money-making." If only today's Court and state legislatures had that sense of shame. Has Congress?

See <https://illinoislawreview.org/print/vol-2021-no-5/murphy-v-ncaa/>

Respectfully submitted,

Michael K. Fagan
Adjunct Professor
Washington University School of Law

EPIC Global Solutions (EPIC) is proud to drive meaningful change by collaborating with industry operators to deliver programs that address and mitigate gambling-related harms. The EPIC team is composed of professionals with expertise in behavioral health, professional sport, finance, research, gaming and government, with nearly half having personally experienced gambling harm. This powerful blend of professional knowledge and personal insight allows for harm to be humanized and communicated in a way that resonates across all levels of an organization. Recent engagements include:

- Delivering operator trainings tailored for all levels, from C-Suite to customer service teams.
- Developing a digital education platform for college students.
- Providing prevention-based education and awareness sessions to college student and professional athletes.

The strong demand for lived experience-informed trainings has made them a core component of ongoing programming for many operators. In closing, Liz Thielen, Licensed Professional Counselor and Certified Problem and Compulsive Gambling Counselor with Nicasa Behavioral Health Services and a Consultant with EPIC, shares her perspective as someone with lived experience of gambling addiction:

While my gambling addiction was driven by casino gambling and occurred before the 2018 repeal of PASPA, risk factors that made me vulnerable remain unchanged today, but could be addressed through stakeholder collaboration. Addressing gambling harm requires a comprehensive understanding of all points of gambling exposure in today's technology-fuelled landscape – from the impact of advertising on youth and non-gamblers to the challenges faced by individuals needing treatment within an under-resourced system. Humans haven't changed but our gambling landscape has, therefore, our approach to prevention and support must. – Liz Thielen

Sincerely,

Teresa Fiore

SVP North America

December 16, 2024

America's High-Stakes Bet on Legalized Sports Gambling
U.S. Senate Judiciary Committee Hearing
December 17, 2024

Written Statement of Integrity Compliance 360 Inc.

Honorable Chairman, Ranking Member, and Distinguished Members of the Committee,

Thank you for the opportunity to submit this written statement for the record regarding the critical issue of integrity in sports and sports betting, and the role technology can play in detecting circumstances that may warrant further investigation.

As the global sports betting landscape continues to grow, it is vital that the integrity of sports remains a top priority. The expansion of legal sports gambling across the United States has raised significant opportunities for innovation, economic growth, and consumer engagement, but it has also introduced increased risks that could undermine public trust in both sports and the betting ecosystem. These risks — ranging from match-fixing and contest manipulation to illicit or prohibited betting — demand proactive, technology-driven solutions that ensure transparency, accountability, and security at every level of the industry.

IC360 believes that Integrity is the bedrock upon which the sports betting ecosystem must be built. Without it, the credibility of sports as a form of entertainment and competition could be permanently damaged, undermining the public's confidence and diminishing the growth potential of legal sports betting. In addition, the financial implications of integrity breaches — whether through fraud, corruption, or manipulation — are far-reaching, impacting stakeholders from consumers and operators to athletes and sports organizations.

At the heart of addressing these challenges is the application of advanced technologies to monitor, detect, and mitigate risks, as close to real-time as possible. Technology advancements in this space have, and will continue to be, essential in order to further enable a data-driven approach to protecting the integrity of sports.

IC360 has been leveraging technology and data-driven tools to identify potentially suspicious wagering patterns, anomalous officiating and/or athlete behavior, prohibited betting and the misuse of insider information since our founding in the fall of 2018. By analyzing a myriad of data sets across multiple jurisdictions and a variety of sportsbook operators, we endeavor to identify potential vulnerabilities before they evolve into major threats. Although technology and data are crucial variables in the industry's fight against betting corruption, it alone will not defeat bad actors. IC360 has always recognized the importance of collaboration; ultimately, operators,

regulators, law enforcement and sports organizations must continue to work with one another in an effort to more effectively respond to integrity threats and uphold the standards that are essential for maintaining the trust of the public.

IC360's core mission is to provide cutting-edge compliance and integrity solutions to assist in the successful maturation of the regulated industry. However, this testimony is not about promoting any specific service or product. It is about recognizing that organizations like IC360, and others in the integrity and compliance ecosystem, play an essential role in safeguarding the future of sports betting. Combined with state-of-the-art technology, our approach leverages a deep understanding of the regulatory and operational complexities within the sports and betting sectors.

It is imperative that the U.S. Senate and its regulatory bodies continue to support efforts to bolster integrity through the adoption of innovative technologies and the establishment of clear, consistent standards that align with global best practices. This will not only protect the integrity of sports, but will also serve to foster a sustainable, responsible, and transparent sports betting environment.

In conclusion, integrity and transparency must remain the highest priority in the ongoing development of legalized sports betting. The use of technology is critical to ensuring that these values are upheld, and the industry's evolution proceeds in a manner that is safe, secure, and trustworthy for all stakeholders. The efforts of the U.S. Senate Judiciary Committee to address these issues are crucial, and I applaud the committee's leadership in setting a path forward that promotes the integrity of both sports and sports betting.

Thank you for your time and consideration.

Respectfully submitted,

Eric Frank

Eric Frank, President, Integrity Compliance 360 Inc.

Prof. John Warren Kindt¹
University of Illinois

Prepared Statement
Before the U.S. Senate Committee on the Judiciary
Legislative Hearing
“America’s High-Stakes Bet on Legalized Sports Betting”
December 17, 2024

As the House Judiciary Committee Determined in 2018, PASPA Needs to be Re-Enacted Quickly to Avoid Strategic Socio-Economic Consequences

Mr. Chairman, Ranking Member, Members of the Committee, participants and guests from the U.S. Senate and U.S. House of Representatives, the invitation is appreciated to share over 35 years of academic research on gambling issues.

Within weeks of the U.S. Supreme Court’s decision in *Murphy v. NCAA*, 584 U.S. 453 (2018), House Judiciary Chair Robert Goodlatte and Subcommittee Chair James Sensenbrenner convened a congressional hearing on re-enacting the Professional and Amateur Sports Protection Act (PASPA), 28 U.S.C. § 3701 *et seq.*

The 2018 hearing determined that PASPA needed to be re-enacted quickly via utilizing the “Commerce Clause” to avoid strategic socio-economic consequences. *See, e.g., Post-PASPA: An Examination of Sports Betting in America: Hearing Before the Subcomm. on Crime, Terrorism, and Homeland Security of the House Comm. on the Judiciary*, 115th Cong., 2d Sess. (2018) (statement of House of Rep. Judiciary Chair Robert W. Goodlatte & statement of Subcomm. Chair Frank James Sensenbrenner, Jr.).

¹ Professor Em., Univ. Ill. at Urbana-Champaign. B.A. 1972, William & Mary; J.D. 1976, MBA 1977, U.Ga.; LL.M.1978, SJD 1981, U.Va.; former Associate, Program in Arms Control, Disarmament, and International Security, University of Illinois; former Sr. Fellow, London School of Economics.

Professor Kindt has taught at the University of Illinois from 1978-2014, and he has published over 80 academic articles in law reviews, public policy journals, and economics journals. Over 20 of these articles have dealt with gambling issues, and many of these articles are available in PDF format at the online archives of the University of Illinois Library at www.ideals.illinois.edu. The Committee has permission to reprint and distribute any and all Kindt publications relating to gambling. In this Congressional statement, citations to publications of Professor Kindt serve only as introductions to the hundreds of source materials cited in the footnotes. Professor Kindt is research active, and he is still teaching and publishing.

To avoid conflicts of interest, Professor Kindt and several academic colleagues do not accept consultant fees or honoraria for work in gambling research areas. This statement should be interpreted as representing only the individual views of the author. For historical continuity, portions of this statement mirror *Internet Gambling Prohibition Act of 2006: Hearing Before the Subcomm. on Crime, Terrorism, and Homeland Security of the House Comm. on the Judiciary*, 109th Cong., 2d Sess. 20-27 (2006) (prepared statement of Prof. John W. Kindt, Univ. Ill.); *Restoration of America’s Wire Act: Hearing on H.R. 707 Before the Subcomm. on Crime, Terrorism, Homeland Security, and Investigations of the House Comm. on the Judiciary*, 114th Cong., 1st Sess. 13-24 (2015) (prepared statement of Prof. John W. Kindt, Univ. Ill.). The author appreciates the insights of 2012 Nobel Laureate in Economics, Stanford Prof. Alvin Roth; Univ. Ill. former Econ. Chair, Prof. Martin Perry; and Law Prof. Em. Thomas Ulen. Beth Kindt, James Kindt, and John Kindt, Jr. provided editorial assistance.

Another quick fix to re-enact the legislative goals of PASPA is outlined by Illinois Law Dean Vikram Amar in the 2021 ILLINOIS LAW REVIEW 1699-1709 (2021). This ILLINOIS LAW REVIEW SYMPOSIUM² includes 14 blue-ribbon academics and nine articles detailing the strategic need for re-enacting PASPA utilizing the Commerce Clause. Titled “*The Prescient U.S. Congressional Gambling Commission: Legal, Socio-Economic, and Race-Oriented Problems in Gambling Issues*,” this symposium updates the Congressional U.S. NATIONAL GAMBLING IMPACT STUDY COMMISSION, FINAL REPORT (1999) which was sponsored by U.S. Senators Paul Simon (D-Ill.) and Richard Lugar (R-Ind.) and enacted by many Members of Congress still currently serving on The Hill.

The Congressional Gambling Commission called specifically for continued bans on all internet gambling (including any extensions beyond the 1999 sports gambling in Nevada and Atlantic City). The Commission also prompted the enactment of the 2006 Unlawful Internet Gambling Enforcement Act (UIGEA), 31 U.S.C. §§ 5361-5367 and the hearings to strengthen U.S. Attorney General Robert F. Kennedy’s 1961 Wire Act 18 U.S.C. § 1081 *et seq.* which was originally enacted to combat gambling monies siphoned to organized crime.

See, e.g., Internet Gambling Prohibition Act of 2006: Hearing Before the Subcomm. on Crime, Terrorism, and Homeland Security of the House Comm. on the Judiciary, 109th Cong., 2d Sess. 20-27 (2006) (testimony & prepared statement of Prof. John W. Kindt, Univ. Ill.); Restoration of America’s Wire Act: Hearing on H.R. 707 Before the Subcomm. on Crime, Terrorism, Homeland Security, and Investigations of the House Comm. on the Judiciary, 114th Cong., 1st Sess. 13-24 (2015) (testimony & prepared statement of Prof. John W. Kindt, Univ. Ill.).

The law article by SIU Law Professor Sheila Simon, a former Illinois Lieutenant Governor and daughter of Senator Paul Simon, emphasizes the title of the ILLINOIS LAW REVIEW SYMPOSIUM, “*The Prescient U.S. Congressional Gambling Commission: Legal, Socio-Economic, and Race-Oriented Problems in Gambling Issues*,” 2021 ILLINOIS LAW REVIEW 1649-1844.

Re-Enact PASPA: The Solution to Sports Gambling’s Strategic Socio-Economic Consequences

Re-enacting PASPA via the Commerce Clause is a relatively simple solution. Since 2018, as states have passed sports gambling legislation, those states and gambling lobbyists have always been aware of the legally questionable and vulnerable extensions of sports gambling alleged to be permitted via *Murphy*. In fact, in *Murphy* the U.S. Supreme Court implies that Congress could and should re-enact PASPA utilizing the Commerce Clause.

Specifically, states allowing sports gambling are themselves gambling that Congress will not re-enact PASPA--although Congress has signaled otherwise via the 2018 congressional hearing before the House Subcommittee on Crime, Terrorism, Homeland Security, and Investigations, as well as indirectly via the Wire Act hearings and the enactment of UIGEA.

² This symposium documents the overwhelming socio-economic negatives of legalizing gambling and this law review symposium constitutes the biggest selling issue in the history of the ILLINOIS LAW REVIEW.

Cheating America: Reports in the WSJ, NYT, and Chicago Tribune

The 2023 Super Bowl weekend edition of the Wall Street Journal reported that millions of sports gamblers were allegedly being cheated by past-posting delays. “The delays mean that sportsbooks are one or two plays ahead of millions of viewers,” so streaming sports gamblers are “dead in the water.” Danny Funt, *Watching the Super Bowl? Bettor Beware*, WALL STREET JOURNAL, Feb. 11, 2023 (alleging sports bettors can be scammed and cheated by time delays of 15-60 seconds). For a popular example of a movie highlighting past posting, see THE STING (1973) (Robert Redford, Paul Newman, *et al.*) (7 Acad. Awards including Best Picture, available in Library of Congress, Nat’l Film Registry).

Rampant corruption and illegality in the sports gambling industry is exemplified in a series of 2022 articles in the New York Times. *See, e.g.,* Anna Betts, *et al.*, *How Colleges and Sports-Betting Companies ‘Caesarized’ Campus Life*, N.Y. TIMES, Nov. 20, 2022 (a series of articles).

In 2023 the front page of the Sunday Chicago Tribune reported that within 3 years of legalizing and initiating sports gambling in Illinois, a 2022 study by the Illinois Department of Human Services reported 383,000 addicted gamblers and 761,000 problem gamblers costing Illinois several billion dollars in socio-economic costs. Jake Sheridan, *Gambling Addiction on the Rise in Illinois*, CHI. TRIB., Feb. 12, 2023, § 1, at 1 (Embarrassed by this study by the Illinois Department of Human Services, the study has been suppressed by the Illinois government.)

PASPA Needed to Prevent Sports Gambling from Morphing into Destabilizing Wall Street: The Gambling Industry Scofflaws

Multiple U.S. Senators and Members of the House of Representatives wrote to the Chair of the Commodity Futures Trading Commission (CFTC) in 2023 and 2024 to oppose allowing new financial gambling instruments on Wall Street to wager on elections. In 2021, similar sports gambling instruments were not authorized by the CFTC pursuant to the opposition from the charity Stop Predatory Gambling, academics, and others. Letter of U.S. Senator Jeffrey A. Merkley, *et al.*, to Chair Rostin Behnam, Commodity Futures Trading Commission, Aug. 5, 2024; Letter of U.S. Senator Jeffrey A. Merkley, *et al.*, to Chair Rostin Behnam, Commodity Futures Trading Commission, Aug. 2, 2023. *See also*, Letter from Prof. John W. Kindt, Univ. Ill., to Chair Christopher Kirkpatrick, Commodity Futures Trading Commission, Jan. 26, 2021.

However, the gambling industry has bypassed the opposition of multiple Members of Congress, the CFTC, academics, and charities via court action. *See, e.g.,* KalshiEX LLC v. Commodity Futures Trading Commission, No. 1:2023cv3257(JMC) – Document 51 (D.D.C. Sept. 12, 2024), CFTC request for injunction denied No. 24-5205 (D.C. Cir. Oct. 2, 2024).

The gambling industry is poised to destabilize Wall Street and financial systems. *See, e.g.,* RESEARCH EDS. DR. DIR., GAMBLING WITH CRIME, DESTABILIZED ECONOMIES, AND FINANCIAL SYSTEMS, U.S. INT’L GAMBLING REP. SERIES (Univ. Ill., eds. in concert with tier-1 univ.) (Wm. S. Hein Pub., N.Y. 2009) (available in Nat’l Security Section, Library of Congress).



AMERICAN GAMING ASSOCIATION®

Testimony of William C. Miller, Jr.
President and CEO
The American Gaming Association (AGA)
Senate Judiciary Committee
Hearing on: "American's High-Stakes Bet on Legalized Sports Gambling"

December 17, 2024

INTRODUCTION: GAMING'S ECONOMIC IMPACT

Chairman Durbin, Ranking Member Graham, Members of the Senate Judiciary Committee, thank you for the opportunity to submit testimony on behalf of the American Gaming Association.

The American Gaming Association (AGA) proudly represents a \$329 billion industry that is woven into the fabric of communities across America. Today, regulated casino gaming – including sports betting – operates in 46 states and the District of Columbia. The remarkable growth of gaming has turned our industry into a major economic contributor across the U.S. The gaming industry supports 1.8 million jobs nationwide and is responsible for \$104 billion in wages and salaries for American workers. Gaming's impact extends far beyond our properties. For every direct gaming job, we create an additional 1.5 jobs in the communities that welcome us. In 2022, gaming generated \$53 billion in tax revenues for federal, state and local governments, funding essential public services from law enforcement to education.

Gaming is one of the most heavily regulated industries in America, with stringent oversight at every level – federal, state and tribal. AGA members work closely with regulators to maintain the highest standards of compliance and responsible operations. Whether it is financial solvency and licensing requirements, know-your-customer and anti-money laundering regulations, legal operators and suppliers comply with thousands of laws and regulations designed to support consumer protections and ensure confidence in the gaming market.

HISTORY OF SPORTS BETTING

While some may believe the Supreme Court's 2018 decision to overturn the Professional and Amateur Sports Betting Act of 1992 (PASPA) introduced sports betting to America, the reality is that sports betting has always existed and been widespread. However, until the PASPA decision paved the way for legal, regulated wagering outside of Nevada, sports betting operated in the shadows, through illegal bookmakers and offshore websites.

1 American Gaming Association, "Economic Impact of the U.S. Gaming Industry," October 2023. https://www.americangaming.org/wp-content/uploads/2023/10/2023-Gaming-Industry-Economic-Report.pdf

2 American Gaming Association, "Economic Impact of the U.S. Gaming Industry," October 2023. https://www.americangaming.org/wp-content/uploads/2023/10/2023-Gaming-Industry-Economic-Report.pdf

3 American Gaming Association, "Economic Impact of the U.S. Gaming Industry," October 2023. https://www.americangaming.org/wp-content/uploads/2023/10/2023-Gaming-Industry-Economic-Report.pdf

4 American Gaming Association, "Economic Impact of the U.S. Gaming Industry," October 2023. https://www.americangaming.org/wp-content/uploads/2023/10/2023-Gaming-Industry-Economic-Report.pdf

5 American Gaming Association, "Economic Impact of the U.S. Gaming Industry," October 2023. https://www.americangaming.org/wp-content/uploads/2023/10/2023-Gaming-Industry-Economic-Report.pdf

6 American Gaming Association, "Sizing the Illegal and Unregulated Gaming Markets in the United States," November 2022. https://www.americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf

7 American Gaming Association, "How the Legal Sports Betting Market Protects Consumers and Preserves Integrity," May 6, 2024. https://www.americangaming.org/wp-content/uploads/2024/07/AGA-Legal-Sports-Betting-Factsheet.pdf

PASPA effectively banned sports betting nationwide, with exceptions only for Nevada’s existing sports betting market and limited sports lottery games in a few other states. In 2014, New Jersey passed a law repealing its existing prohibitions on sports betting at casinos and racetracks. Major sports leagues sued to block this legislation. The case eventually reached the Supreme Court, with New Jersey arguing that PASPA unconstitutionally commandeered state regulatory authority, in violation of the 10th Amendment. Writing for the Court’s majority, Justice Alito said PASPA “unequivocally dictates what a state legislature may and may not do” and concluded “a more direct affront to state sovereignty is not easy to imagine.”⁸

By the time the Court ruled, PASPA’s failed sports betting ban was already clear. Rather than preventing sports betting, PASPA inadvertently created a near monopoly on the activity for illegal gambling operators. Under PASPA, this illegal market reached an estimated \$150 billion per year, but offered zero consumer protections, generated zero tax revenue for states and tribal nations, and provided zero safeguards for game integrity – all the while fueling and funding criminal activity.⁹

The Supreme Court’s decision represented a watershed moment – not in introducing sports betting to America, but in bringing this long-existing activity out of the illegal market and into a regulated framework where consumers could be protected, and communities could benefit.

Six years after PASPA’s repeal, 39 states and the District of Columbia have chosen to adopt legal sports betting– bringing betting out of the shadows so it can be regulated and overseen.¹⁰ Millions of Americans across the U.S. support and embrace the decision to legalize sports betting. According to AGA research, 85% of Americans agree with the Supreme Court’s decision, while 77% support legalization in their state.¹¹

The widespread public support and growing popularity of legal sports betting has delivered the single greatest blow to illegal betting in American history. Since legalization, the illegal market has shrunk by nearly 60% – from \$150 billion to \$64 billion.¹² More than three out of four online sports bets (77%) now take place in the legal market – up from 44% in 2019.¹³

The rapid adoption by states of legal sports betting and its widespread popularity among the American people testifies to the superiority of a regulated, transparent, accountable sports betting market that protects consumers and delivers economic benefits to communities over the massive, pre-PASPA illegal market.

WHY STATES DESIGN LEGAL, REGULATED MARKETS

The decision by states to create legal, regulated gaming markets stems from two fundamental imperatives: protecting consumers from fraudulent operators and capturing economic benefits that would otherwise be siphoned off by the illegal market.

Despite progress in shrinking the size of the illegal sports betting market, illegal betting in America still thrives through offshore sportsbooks and local gambling rings, often dominated by criminal enterprises. In a landmark report, the AGA estimated Americans bet more than \$510 billion per year with illegal, unregulated operators.¹⁴

⁸ U.S. Supreme Court, *Murphy v. NCAA*, May 14, 2018. https://www.supremecourt.gov/opinions/17pdf/16-476_dbfi.pdf

⁹ American Gaming Association, “How the Legal Sports Betting Market Protects Consumers and Preserves Integrity,” May 6, 2024. <https://www.americangaming.org/wp-content/uploads/2024/07/AGA-Legal-Sports-Betting-Factsheet.pdf>

¹⁰ American Gaming Association, “How the Legal Sports Betting Market Protects Consumers and Preserves Integrity,” May 6, 2024. <https://www.americangaming.org/wp-content/uploads/2024/07/AGA-Legal-Sports-Betting-Factsheet.pdf>

¹¹ American Gaming Association, “85% of Americans Support Supreme Court Decision to End Federal Sports Betting Ban,” May 9, 2023. <https://www.americangaming.org/new/85-of-americans-support-supreme-court-decision-to-end-federal-sports-betting-ban/>

¹² American Gaming Association, “How the Legal Sports Betting Market Protects Consumers and Preserves Integrity,” May 6, 2024. <https://www.americangaming.org/wp-content/uploads/2024/07/AGA-Legal-Sports-Betting-Factsheet.pdf>

¹³ American Gaming Association, “How the Legal Sports Betting Market Protects Consumers and Preserves Integrity,” May 6, 2024. <https://www.americangaming.org/wp-content/uploads/2024/07/AGA-Legal-Sports-Betting-Factsheet.pdf>

¹⁴ American Gaming Association, “Sizing the Illegal and Unregulated Gaming Markets in the United States,” November 2022. <https://www.americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf>

Needless to say, these illegal operators offer no responsible gaming protections and provide no recourse if something goes wrong for consumers. Instead, they prey on vulnerable consumers, enable money laundering and generate zero economic benefits for communities.

In fact, state governments lose an estimated \$13.3 billion in tax revenues to illegal operators.¹⁵ By defying regulations, illegal and unlicensed operators cost the legal, tax-paying gaming industry \$44.2 billion in annual revenue.¹⁶

Meanwhile, the legal gaming industry generates \$53 billion in tax revenue for federal, state and local governments.¹⁷ This revenue provides crucial support for essential public services in communities across America.

In Ohio, for example, nearly all sports betting tax revenue is earmarked for public schools and scholarships.¹⁸ In Maryland, the legal gaming industry has contributed more than \$6 billion to the state’s Education Trust Fund since the state’s first casino opened in 2010.¹⁹ In Detroit, Michigan, Mayor Mike Duggan credited gaming tax revenues with providing the city a vital financial lifeline during the Covid-19 pandemic, “making sure residents could still rely on city government during this pandemic.”²⁰ In Florida, tax revenues from gaming help preserve the Everglades and other environmental treasures in the state.²¹ While in Colorado, sports betting taxes are primarily used to protect and conserve the state’s water resources.²² In many states, such as Connecticut and Delaware, gaming taxes make vital contributions to the general fund, offering reliable support and helping state governments meet a broad range of public needs.²³ A portion of Connecticut gaming tax revenues also go to the Mashantucket Pequot and Mohegan Fund, which makes grants to state municipalities.²⁴

The notion of the legal gaming market as some sort of “Wild Wild West” devoid of any oversight is purely a myth. The plain truth is, gaming is one of the most heavily regulated industries in America. Legal operators work with more than 5,000 state and tribal gaming regulators to comply with a strict regulatory framework.²⁵

That state regulatory framework includes stringent licensing requirements for financial stability, integrity and demonstrated ability to maintain adequate financial controls. These licenses are not granted in perpetuity; states typically limit duration and require periodic renewals. License retention and renewal is predicated on operators maintaining good standing through compliance with extensive requirements, including: establishing responsible accounting practices, maintaining effective controls over financial practices and assets, implementing reliable record keeping systems, filing periodic reports with regulators and adhering to detailed minimum internal control standards.

¹⁵ American Gaming Association, “Sizing the Illegal and Unregulated Gaming Markets in the United States,” November 2022. <https://www.americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf>

¹⁶ American Gaming Association, “Sizing the Illegal and Unregulated Gaming Markets in the United States,” November 2022. <https://www.americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf>

¹⁷ American Gaming Association, “Gaming Industry Delivers \$329 Billion Annual Economic Impact to U.S. Economy, New AGA Study Finds,” October 9, 2023. <https://www.americangaming.org/new/gaming-industry-delivers-329-billion-annual-economic-impact-to-u-s-economy-new-aga-study-finds/>

¹⁸ CBS 10 WBNS, “Sports betting allows for millions in school funding; here’s what Columbus districts are getting,” February 15, 2024. <https://www.10tv.com/article/news/local/ohio-sports-betting-taxable-gambling-revenue-follow-the-money/530-2f61b1f3-cf7f-4f50-97a5-1c8797987468>

¹⁹ Fox 5 Baltimore, “MD casinos generate \$160.5M in gaming revenue during October, contribute \$68.6M to MD,” November 6, 2024. <https://fox5baltimore.com/news/local/md-casinos-generate-1605m-in-gaming-revenue-during-october-contribute-686m-to-md>

²⁰ Jackpot Wheel Casino News, “Detroit Mayor Mike Duggan Credits iGaming for Keeping City Budget Afloat,” March 2022. <https://news.jackpotwheel.com/detroit-mayor-mike-duggan-credits-igaming-for-keeping-city-budget-afloat/>

²¹ The Business Download, “Floria Allocating Gambling Money for Environmental Protection,” July 24, 2024. <https://thebusinessdownload.com/florida-allocating-gambling-money-for-environmental-protection/>

²² Water for Colorado, “Sports Betting: A Win for Colorado’s Water.” <https://waterforcolorado.org/whats-new/sports-betting/>

²³ Connecticut Department of Consumer Protection, “Gaming Revenue, Statistics and Documents.” https://portal.ct.gov/dcp/gaming-division/gaming/gaming-revenue-and-statistics?language=en_US;

State Regs Today, “Gambling Taxation Policies in Delaware,” February 2024. <https://www.stateregstoday.com/living/gaming-and-gambling/gambling-taxation-policies-in-delaware>

²⁴ Connecticut General Assembly, Office of Legislative Research, “History of the Mashantucket Pequot and Mohegan Fund,” July 19, 2019. <https://www.cga.ct.gov/2019/rpt/pdf/2019-R-0134.pdf>

²⁵ American Gaming Association, “How the Legal Sports Betting Market Protects Consumers and Preserves Integrity,” May 6, 2024. <https://www.americangaming.org/wp-content/uploads/2024/07/AGA-Legal-Sports-Betting-Factsheet.pdf>

Ongoing compliance requires operators to submit detailed financial and operating reports, implement anti-money laundering controls, pay substantial license fees and taxes calculated on factors like gross revenue and gaming positions, and obtain regulatory approval for material transactions. This framework ensures continuous oversight where operators must consistently demonstrate their suitability and compliance to maintain their gaming licenses during the terms granted and subsequent renewal terms.

In addition to these robust state regulatory requirements, legal sports betting operators abide by federal anti-money laundering laws. They use Know Your Customer protocols, geolocation and ID verification which enables operators and law enforcement to identify customers when suspicious activity occurs.

THE GAMING INDUSTRY'S COMMITMENT TO RESPONSIBILITY

The foundation of gaming's growing, hugely popular, nearly nationwide market is responsible play. Our commitment to responsibility begins with our culture and extends through every aspect of our operations. Primary responsible gaming initiatives include:

The AGA's Responsible Marketing Code for Sports Wagering: This code plays a critical role in migrating customers from illegal platforms to legal operators – and our industry is committed to ensuring it happens responsibly. The code was first published in 2019 and has evolved through annual reviews to strengthen advertising standards as the legal sports betting market has matured. The code establishes high standards that all legal sportsbook operators follow and serves as the industry benchmark for advertising practices.

The code centers on three core principles: marketing only to adults, promoting responsible gaming, and controlling digital media and websites. It sets specific limits to protect young adults and underage audiences, including bans on college advertising and requirements to target advertising to 21+ audiences. The code mandates responsible gaming messages and helpline numbers must be included in ads, bans the use of "risk-free" language, and prohibits marketing partnerships with universities and NIL deals with college athletes.

To ensure compliance, the AGA established a Code Compliance Review Board (CCRB) consisting of two independent co-chairs and five industry representatives. Anyone can submit a complaint through the AGA website about potential violations. Companies have three business days to respond to complaints and must take corrective action if violations are found. All complaints and resolutions are publicly posted on the AGA website.

The AGA provides regular training opportunities on the code for members and their employees, including periodic refreshers and updates. Members must also deliver code training to their advertising agencies, media buyers and other third parties involved in marketing. Internal review processes are required to evaluate whether promotional materials comply with the code before publication.

Major operators have developed comprehensive programs to implement these requirements. Companies maintain robust employee training programs, requiring responsible gaming education during onboarding and annual refreshers, with specialized additional training for customer-facing staff. They have established senior-level Responsible Gaming Councils to oversee implementation and created dedicated Player Protection Teams that use sophisticated data analytics to monitor for concerning behavior patterns. Operators like BetMGM, FanDuel, DraftKings and PENN employ cross-platform exclusion policies, automated monitoring systems, and partnerships with organizations to provide treatment resources. Additionally, marketing compliance includes internal review processes for all promotional materials, strict age targeting, and proactive responsible gaming messaging across advertising channels including sports venues.

The effectiveness of our industry’s self-regulation through the Marketing Code is demonstrated by recent advertising trends. Sports betting advertising overall has decreased 15%. In fact, sports betting’s share of total TV ad volume was 0.4%, far less than the 14.1% share for pharmaceuticals and fast food’s share of 3.8%; for every sports betting ad there were eight TV spots for fast food chains and 31 ads for pharmaceutical companies.²⁶ And nearly 95% of AGA member TV ads targeted age groups 21+.²⁷ (See *Exhibit 1: AGA Responsible Marketing Code for Sports Wagering and Exhibit 2: Industry Advertising Spend 2021-2023*)

AGA’s Responsible Gaming Code of Conduct: This code reflects the gaming industry’s longstanding commitment to consumer protection. The Code requires AGA members to implement comprehensive responsible gaming programs that include employee training, public awareness initiatives, and prevention of underage gambling. Members must maintain rigorous standards for responsible alcoholic beverage service and establish clear protocols for identifying potential problem gamblers and directing them to appropriate resources and assistance.

All AGA members commit to integrating responsible gaming into their daily operations by training employees on policies and procedures, providing educational materials to patrons, and including responsible gaming messages in their advertising and marketing. Members must also work with qualified treatment providers and problem gambling researchers to ensure their responsible gaming programs reflect current best practices.

The Code includes a robust oversight framework requiring member companies to conduct annual reviews to ensure compliance with all Code provisions. Companies maintain flexibility in how they communicate responsible gaming information to employees and customers, allowing them to leverage various communication channels including traditional printed materials, electronic communications, websites, social media and direct messaging. This ensures responsible gaming messages can be delivered effectively across different platforms and adapted as communication technologies evolve.²⁸ (See *Exhibit 3: AGA Responsible Gaming Code of Conduct*)

Tools to Support Responsible Play: At both retail locations and through digital platforms, AGA members provide players with sophisticated tools to manage their play, set limits and access help if needed. These readily accessible tools leverage the latest technology to help protect players.

- **Leading Online Operators Unveil Tracking Tools:** This year, DraftKings and FanDuel, two leading online sportsbook operators, introduced for customers activity-tracking dashboards, which represent new models of innovation for promoting positive and responsible play. These dashboards – personalized to each customer – are designed specifically for budget management and spend tracking across all types of wagers and activity customers enjoy with these companies. These customized dashboards also encourage customers to adopt the various responsible gaming tools within reach in the app, such as deposit and time limits. (See *Exhibit 4: Industry Tools and Resources*)

Use of Advanced Analytics and Artificial Intelligence to Support Customers: Analytics and machine learning complement many of the responsible gaming tools mentioned, helping to identify signs of potentially problematic behavior early, allowing for proactive intervention. Beyond the fact that digital gaming platforms include specific technical controls for age verification, geolocation capabilities to ensure the platform’s use is restricted to legal jurisdictions, and regular monitoring of user content, privacy controls and marketing opt-outs, artificial intelligence allows our industry to analyze customer-level data to discover when and how potentially problematic behavior is demonstrated and being exhibited, and then in nearly all instances conduct an intervention with customers and provide help, when needed.

²⁶ American Gaming Association, “Sports Betting Advertising Trends,” May 2, 2024. <https://www.americangaming.org/resources/2023-sports-betting-advertising-trends/>

²⁷ American Gaming Association, “Responsible Play.” <https://www.americangaming.org/rg/>

²⁸ American Gaming Association, “Responsible Gaming Code of Conduct,” January 3, 2019. <https://www.americangaming.org/member-code-of-conduct/>

Multiple legal jurisdictions throughout the U.S. promulgate laws and associated obligations for player-profiling using advanced data and analytics (including Colorado, Massachusetts, and New Jersey). In compliance with these laws and in the overall promotion of positive and responsible play, AGA member companies deploy risk-profiling systems using software and other tools to identify players who may be experiencing gambling-related issues. Such processes are deployed proactively in the evaluation of players based on account activity and certain thresholds that may be met. In those cases, company responsible gaming teams – all trained employees – would begin a set of contacts to those players and where applicable, a player is provided with a problem gaming resource.

Additionally, AGA member companies harness the use of software and advanced analytics to monitor customer communications across its platforms to identify signs of problem gaming. Upon identifying communication that a customer may be experiencing a problem, once again member company responsible gaming teams engage with the customer to provision information and resources as needed or requested.

Investing in Solutions: The gaming industry invests \$472 million annually in responsible gaming programs – up 72% since 2017.²⁹ This investment supports a comprehensive ecosystem of player protection, responsible gaming tools and cutting-edge research on prevention and treatment. Specifically, the below list reflects top categories of spend for companies on responsible gaming:

- Customer Service Interactions: \$135.4 million.
- Developing and Maintaining Responsible Gaming Programs: \$122.4 million.
- Consumer-Facing Responsible Gaming Education: \$107.7 million.
- Responsible Gaming Research and Other Non-Profit RG Organizations: \$31.8 million.
- Problem Gambling Supportive Services: \$26.1 million.

A Framework for Responsible Play: The AGA’s *Have A Game Plan*.[®] *Bet Responsibly*[™] (<https://haveagameplan.org/>) campaign, launched in 2019, represents the gaming industry’s comprehensive approach to promoting responsible sports betting through clear, actionable guidance.

The campaign is built around five fundamental pillars that create a complete framework for responsible play:

1. Set a Budget directs bettors to establish and stick to personal guidelines for wagering based on their individual entertainment budget and risk tolerance.
2. Keep it Social emphasizes sports betting should remain an entertaining, shared activity with friends and family.
3. Know the Odds ensures bettors understand different types of wagers and utilize available resources to learn game details before placing bets.
4. Play Legally stresses the importance of using licensed, regulated operators that provide consumer protections and responsible gaming measures.
5. The newest pillar, Keep Your Cool, reinforces that winning and losing are part of the game and reminds bettors that results should never prompt harassment of athletes, officials or other participants.

The campaign’s effectiveness stems from its broad coalition of partners including sports leagues, teams, media companies, and gaming operators from across the country, *Have A Game Plan*[®] reflects the industry’s commitment to responsible gaming and fostering a positive gambling environment. Throughout major sporting events, both online, in-arena and in-stadium, and over TV and radio broadcasts, *Have A Game Plan*[®] partners deploy programmatic advertising and marketing around the campaign’s five pillars, as well as direct sports fans to the campaign’s website to learn more.

²⁹ American Gaming Association, “Industry Investments in Responsible Gaming Reach New High of \$472 Million Annually, AGA Study Shows,” September 26, 2024. <https://www.americangaming.org/new/industry-investments-in-responsible-gaming-reach-new-high-of-472-million-annually-aga-study-shows/>

Annually, the AGA proudly brings the campaign to the top sporting events, including activations on-site at Radio Row during the days leading up to the Super Bowl, as well as activations around the Men’s and Women’s NCAA basketball tournaments and the start of the NFL’s kickoff in early September, coinciding with Responsible Gaming Education Month.

Have A Game Plan[®] continues to add partners from the major sports leagues and growing media landscape around sports betting, with all sports fan-serving stakeholders represented across the country.

This multi-channel, industry-wide effort has helped drive increased awareness and effectiveness of responsible gaming programs, with research showing that 66% of Americans believe these initiatives are working - rising to 79% among casino players and 85% among sports bettors. (See *Exhibit 5: AGA’s Have A Game Plan Ad Copy and Partner Organizations*)

Taking on Problem Gambling: Research consistently shows that between 97 and 99% of Americans have no issues with problem gambling.³⁰ This percentage has remained stable or declined, even with the expansion of legal gaming across the U.S. The industry’s commitment extends beyond prevention to ensuring help is available to those who need it. Nearly every dollar states earmark for problem gambling initiatives – about \$115 million annually – comes directly from gaming industry taxes.³¹ These funds support essential services in communities across America, making treatment and support more accessible than ever before.

As one example, multiple AGA members operating online sportsbooks partner with Kindbridge Behavioral Health, a telehealth company that provides treatment and services for those suffering from gambling problems. Kindbridge is staffed with licensed and certified mental health providers who specialize in treatment for gambling addiction. Through this program, legal operators, including FanDuel, BetMGM, and DraftKings provide their players who self-exclude, or whose accounts are closed for problem gambling reasons, a direct link to a mental health intake and treatment for gambling addiction. The mental health intake and group services are provided at no cost to the player via telehealth, which removes a significant barrier that has historically prevented people from receiving critical problem gambling care and treatment. These services are available in a number of legal U.S. jurisdictions, with further expansion planned for the future.

Adherence to State Regulations on Self Exclusion: Self exclusion enables individuals to voluntarily exclude themselves from all wagering activities offered by legal, regulated gaming operators. Although the process to self-exclude and how states run individual self-exclusion programs may vary across jurisdictions because of the implementation of different states’ laws and regulations, AGA members are committed to treating all excluded individuals in a consistent manner. If a customer self-excludes through one AGA member’s product, or if AGA members receive information from a state that an individual has self-excluded, AGA members take immediate action. For those customers with active accounts, they will be excluded from all products, across all states, with that specified AGA member company. If the individual is not a customer of an AGA member, the customer is usually not permitted to create an account on AGA member platforms until the exclusion period has ended. All customers who request to be self-excluded through a state-managed self-exclusion list have their request honored.

Support for the International Center for Responsible Gaming (ICRG): Since its founding in 1996, the ICRG has launched a thriving field of study to explore gambling disorder and responsible gambling and has funded some of the most important research in the United States and around the world. AGA members annually support innovative research programs through ICRG, leading to important breakthroughs in critical responsible gaming industry approaches. In fact, in 2022 a significant cohort of the legal, regulated sports wagering community came together to support independent academic research on the effects of online gaming marketing on viewers. Results are expected early next year.

³⁰ National Council on Problem Gambling, “FAQs: What is Problem Gambling?” <https://www.ncpgambling.org/help-treatment/faqs-what-is-problem-gambling/>

³¹ American Gaming Association, “How the Legal Sports Betting Market Protects Consumers and Preserves Integrity,” May 6, 2024. <https://www.americangaming.org/wp-content/uploads/2024/07/AGA-Legal-Sports-Betting-Factsheet.pdf>

Support for Problem Gambling Organizations and Collaboration: In recognition of the importance of collaboration and supporting problem gambling community groups and organizations, the AGA and many of its member companies are proud to be members of the National Council on Problem Gambling, as well as contribute to several state councils on problem gambling. In addition to making financial contributions, AGA member companies actively attend and participate in council conferences and meetings and provides these groups informational sessions about responsible gambling tools, information, and resources within the legal regulated industry ecosystems.

INDUSTRY COMMITMENT TO INTEGRITY

Fans will only bet on sports if they trust the games are fair. Legal operators have a vital interest in protecting the integrity of every game.

Under the gaming industry’s interlocking system of transparency, monitoring and detection, sportsbook operators share data with leagues and independent monitors. Technology plays a critical role, including AI and advanced algorithms, in monitoring millions of bets and billions of pieces of information to track betting patterns. If suspicious patterns are detected, swift action can then be taken in collaboration with sports leagues and law enforcement.

Recent high-profile cases demonstrate how the legal market’s sophisticated monitoring systems identify suspicious behavior and protect both consumers and sports integrity.

At the BetMGM sportsbook in Ohio, a trained employee flagged an unusually large \$100,000 wager on a University of Alabama college baseball game.³² The sportsbook’s surveillance system captured the bettor texting with the Alabama coach while trying to place the bet. The coach, who had provided inside information about the lineup for the game, was fired and both men were banned from sportsbooks across multiple states.

The NBA’s Jontay Porter was banned from the league after Porter fed information to a betting associate about his health and playing status.³³ Because of sportsbooks’ robust monitoring system, suspicious patterns were quickly identified, investigated and addressed to protect game integrity. As one sports reporter put it, “having legal sports betting in place is what brought the scandal to light, and what led to banning a player with no regard for the integrity of the game.”³⁴

The case of Shohei Ohtani illustrates the stark difference between legal and illegal markets. His translator’s alleged betting with an illegal bookie went undetected for over three years, even as the translator accumulated over \$40 million in losses through more than 19,000 bets – nearly 25 per day.³⁵ At a legal sportsbook, with Know Your Customer tools and monitoring of problem gambling practices, such activity would have been quickly flagged, shared with leagues and law enforcement, and shut down.

The gaming industry and sports governing bodies share a significant mutual interest in upholding integrity. The AGA is working with the NCAA to implement solutions that protect athletes while ensuring fans can bet on the games they love. We engaged in open dialogue with the NCAA on a campaign to prevent athlete harassment, maintain integrity, preserve regulated wagering options and keep betting with legal operators. The AGA recently added a fifth pillar to our Have a Game Plan framework called “Keep Your Cool.” The pillar emphasizes that athlete harassment is never appropriate and promotes good sportsmanship while reminding bettors that winning and losing are part of sports and part of sports betting.

³² New York Post, “Fired Alabama baseball coach banned from Ohio Sportsbooks after alleged insider information scheme,” November 15, 2023. <https://nypost.com/2023/11/15/betting/ex-alabama-baseball-coach-brad-bohannon-banned-from-ohio-sportsbooks/>

³³ NBA, “Jontay Porter banned from NBA for violating league’s gaming rules,” April 17, 2024. <https://www.nba.com/news/jontay-porter-banned-from-nba>

³⁴ Yahoo! Sports, “Jontay Porter got a lifetime ban he earned, and he was caught because the system works,” April 17, 2024.

<https://sports.yahoo.com/jontay-porter-got-a-lifetime-ban-he-earned-and-he-was-caught-because-the-system-works-204829464.html>

³⁵ USA Today, “Shohei Ohtani interpreter allegedly stole \$16M from MLB star, lost \$40M gambling: What to know,” April 13, 2024. <https://www.usatoday.com/story/sports/mlb/dodgers/2024/04/13/shohei-ohtani-interpreter-ippe-i-mizuhara/73309114007/>

WHERE THE FEDERAL GOVERNMENT CAN PLAY AN IMPORTANT ROLE

While states have proven effective regulators of legal gaming, the federal government has a crucial role to play in combatting and dismantling illegal and unregulated gambling operations. The massive size and scope of illegal and unregulated gambling – which the AGA estimates at over \$500 billion annually – warrants significantly more attention from federal law enforcement.³⁶

Federal statutes provide authorities with numerous tools to stem the threats from illegal actors, including: targeting the movement of money and illegal gambling proceeds; prohibiting the transport and use of unauthorized gambling devices; enabling action against both physical and online operators; allowing for seizure of illegal gambling assets and proceeds; requiring strict compliance with financial reporting and regulation; and providing jurisdiction over both interstate and international activities.

Together, these tools give federal prosecutors significant power to combat illegal gambling operations that state and local authorities cannot address. Federal law enforcement has the authority and capability to tackle sophisticated illegal gambling enterprises operating across jurisdictions. Many federal statutes that can be used against illegal operators are currently not being enforced, including: The Illegal Gambling Business Act (18 U.S.C. § 1955); The Johnson Act (15 U.S.C. § 1175); The Unlawful Internet Gambling Enforcement Act (UIGEA); The Federal Wire Act (18 U.S.C. § 1084); Bank Secrecy Act/Anti-Money Laundering Laws; and the Travel Act (18 U.S.C. § 1952).³⁷

Congress has identified the illegal market as a problem and encouraged the Department of Justice (DOJ) to take action. An FY2024 report by the Senate Appropriations Committee recognized the negative impact of illegal gambling, calling it “a pervasive problem that poses multiple threats to Americans, deprives States of tax revenue and provides avenues for money laundering.”³⁸ The Committee called on the DOJ to pursue cases against illegal online sportsbooks and casinos, as well as operators of unregulated “skill game” machines.

The U.S. Treasury identified illegal offshore gambling as a major problem in its national money laundering risk assessment.³⁹ Offshore gambling has become a significant money laundering risk, with billions of dollars flowing through illegal channels despite regulatory efforts to prevent it. The AGA has called on the federal government to “prioritize enforcement against these bad actors to protect American consumers and the U.S. financial system.”⁴⁰

State gaming regulators are also urging intervention by the DOJ. Regulators from seven of the biggest state gambling markets called for more forceful “investigation and prosecution” of illegal offshore gambling sites.⁴¹ Absent federal action, states are moving where the DOJ is not. Just last month, Arizona became the latest to announce it sent a cease-and-desist letter to the biggest illegal offshore operator, Bovada – the 16th state along with the District of Columbia to take action.⁴²

Enhancing federal enforcement could significantly disrupt these illegal operators and protect consumers. In addition to illegal offshore operators, enforcement actions should also be taken against sweepstakes operators that circumvent gaming laws, pay no federal taxes, operate with no regulatory oversight, put consumers at risk and steal customers from legal markets.

³⁶ American Gaming Association, “Sizing the Illegal and Unregulated Gaming Markets in the United States,” November 2022. <https://www.americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf>

³⁷ <https://docsend.com/view/t92syi2ynvfequzc>

³⁸ U.S. House Appropriations Committee, “Explanatory Materials for the Commerce, Justice, Science, and Related Agencies Appropriations Bill—H.R. 5893.” <https://appropriations.house.gov/sites/evo-subsites/republicans-appropriations.house.gov/files/FY24-CJS-Explanatory-Materials.pdf>

³⁹ U.S. Department of Treasury, “2024 National Money Laundering Risk Assessment,” February 2024, p.87. <https://home.treasury.gov/system/files/136/2024-National-Money-Laundering-Risk-Assessment.pdf>

⁴⁰ American Gaming Association, “AGA Statement on 2024 National Money Laundering Risk Assessment,” February 7, 2024. <https://www.americangaming.org/new/2024aml/>

⁴¹ <https://docsend.com/view/ya3k82h3rie3qyx>

⁴² Covers, “Arizona Issues Cease-and-Desist Letter to Bovada,” December 3, 2024. <https://www.covers.com/industry/arizona-issues-cess-and-desist-letter-to-bovada-dec-3-2024>

Americans also bet an estimated \$109 billion on 580,000 unregulated “skill games” across the U.S.⁴³ Operators of these machines pay no state gaming taxes, lack anti-money laundering controls and hurt legal operators that follow strict regulatory requirements, abide by anti-money laundering laws, pay gaming taxes, adhere to responsible gaming protocols and protect consumers. “Skill game” operators are subject to the Johnson Act, which makes it unlawful to trade in unregulated gaming devices. This law should be more aggressively enforced.

Beyond federal law enforcement authorities, other stakeholders also need to step up action against illegal operators. Intermediaries including search engine websites and app stores continue to enable the illegal market by including operators in online search results, allowing illegal operators onto their app platforms or allowing illegal bets to be processed through their systems. This needs to end.

While aggressively enforcing laws already on the books would strike a major blow against illegal gambling, the proposed SAFE Bet Act is not an appropriate use of federal time and resources. This unconstitutional legislation would override established state authority and ignore the rights of state legislatures and tribal regulators to determine the appropriate gaming frameworks under their jurisdictions. The proposed law disregards six years of successful state-level regulation; usurps the authority of over 5,000 state and tribal regulators who provide oversight; and interferes with states’ continual iteration and improvement of their regulatory approaches. It would also potentially restrict the use of AI and other technologies for player protection and limit the industry’s ability to develop responsible gaming tools.

CONCLUSION

The legal, regulated gaming market is working as intended in a growing number of states across America. Working closely with state regulators, legal gaming operators are protecting consumers, preserving game integrity and generating important economic benefits – including significant tax revenues, jobs and support for small businesses – in communities that welcome us.

The data backs up these assertions. Since the 2018 PASPA ruling, the illegal market has shrunk by 60%; state and local governments have collected nearly \$7 billion in tax revenues; 77% of online bets have been shifted to regulated operators; and a technology-enabled, sophisticated system of monitoring, investigation and enforcement has been developed to protect consumers and game integrity.

The success of this regulated framework demonstrates that prohibition doesn’t work – strong state regulation does. With continued partnership between industry, regulators, and law enforcement at all levels, we can further reduce illegal gambling, strengthen the legal market, protect consumers and games, and deliver even greater economic benefits to states and communities across the U.S.

⁴³ American Gaming Association, “Sizing the Illegal and Unregulated Gaming Markets in the United States,” November 2022. <https://www.americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf>

Responsible Marketing Code for Sports Wagering

The American Gaming Association (AGA) represents the U.S. casino industry, including commercial and tribal casino operators, sports betting and iGaming companies, gaming suppliers and other affiliated entities. For decades, the casino industry has operated as a constructive and responsible member of the communities in the 44 states where we operate.

Legal sports wagering is an entertainment activity that should be consumed only in a responsible manner by adults and marketed accordingly to that audience. Advertising and marketing of sports wagering services informs consumers about the nature of those services and the terms on which they are available. Advertising supports competition, multiplies consumer choice, can encourage consumer loyalty, and promotes responsible gaming initiatives. Further, advertising plays an essential role in migrating players away from the pervasive illegal market.

Since the Supreme Court decision in 2018, the AGA and our members' top priority has been getting the expansion of legal sports betting right, including advertising. The Responsible Marketing Code for Sports Wagering—first published in 2019—establishes a high standard for advertising for the legal sports betting industry, building on the AGA's longstanding [Responsible Gaming Code of Conduct](#). Members of the AGA developed this code to set the industry standard for traditional and digital marketing and advertising of sports wagering where consumers are encouraged to place real money wagers.

Accordingly, AGA members pledge in this code to adhere to certain practices in the marketing and advertising of sports wagering services relating to respect for our communities and the law, advancing responsible gaming, and promoting sound individual decision making by consumers of those services. AGA members also pledge to support access to problem gambling services.

To ensure consumer protections are holistically applied, marketing and advertising of real-money sports wagering services—conducted by both AGA and non-AGA members—shall adhere to the following standards.

CODE COMPLIANCE

The code outlines the enforcement and compliance process, which provides the opportunity for any member of the public to submit a complaint.

This self-regulated, industry-wide program is overseen by the Code Compliance Review Board (CCRB), consisting of two independent co-chairs and five AGA member representatives who each serve three-year terms.

Co-Chairs

Becky Harris, J.D., LL.M, Distinguished Fellow in Gaming, UNLV International Gaming Institute

Member Representatives

Jen Aguiar, Chief Compliance Officer, DraftKings

Stephen Martino, Senior Vice President & Chief Compliance Officer, MGM Resorts International

Paul Pellizzari, Vice President, Global Social Responsibility, Hard Rock

Chris Soriano, Vice President & Chief Compliance Officer, PENN Entertainment

Andrew Sneyd, Senior Vice President, Brand Marketing, FanDuel

Updated: March 28, 2023

Responsible Marketing Code for Sports Wagering

1. Respecting the Legal Age for Sports Wagering

- No sports betting message should be designed to appeal primarily to those below 21 – the prevailing legal age for sports wagering.
- Advertising should not depict cartoon characters or feature entertainers, athletes, influencers or music that appeal primarily to audiences below the age of 21.
- Models, actors, influencers, athletes and entertainers appearing in advertising should be a minimum of 21 years old, substantiated by proper identification.
- No message should suggest or imply that underage persons engage in sports wagering.
- Sports wagering advertising and marketing should be placed in broadcast, cable, radio, print or digital communications (e.g., social media, SMS, websites, streaming) only where at least 73.6 percent of the audience is reasonably expected to be 21 years or older (determined by using reliable, up-to-date audience composition data).¹
- No sports wagering messages—including logos, trademarks or brand names—should be used or licensed for use on clothing, toys, games or game equipment intended primarily for persons below 21.
- To the extent that promotional products carry sports wagering messages or brand information, AGA members and their employees will use commercially-reasonable efforts to distribute them only to those 21 years of age or older.

2. Limiting College and University Advertising

- Sports wagering should not be promoted or advertised in college or university-owned news assets (e.g., school newspapers, radio or television broadcasts, etc.) or advertised on college or university campuses.
- Partnerships with colleges or universities should not include any component that promotes, markets or advertises sports wagering activity. This prohibition does not apply to alumni networks or content that is exclusively focused on responsible gaming education or problem gambling awareness.
- Sportsbooks should not enter name, image and likeness (NIL) endorsements or partnerships with amateur athletes.²

3. Supporting Responsible Gaming

- Each message will contain a conspicuous responsible gaming message along with a toll-free helpline number, where practical.
- Messages will not promote irresponsible participation in sports wagering.
- No message should suggest that social, financial or personal success is guaranteed.
- No message should suggest engaging in sports wagering is without risk or utilize “risk free” language.
- No message should encourage players to chase their losses or suggest that betting is a means of solving financial problems.
- No message should imply or suggest any illegal activity of any kind.
- Messages should adhere to contemporary standards of good taste that apply to all commercial messaging, as suits the medium or context of the message.

¹ U.S. Census Bureau, American Community Survey. <https://data.census.gov/table?tid=ACSST5Y2020.S0101>

² For definition in this Code, “amateur athletes” refers to all intercollegiate athletes and any other amateur athlete under the age of 21.

Responsible Marketing Code for Sports Wagering

4. Controlling Digital Media & Websites

- Operator-controlled messages placed in digital media—including third party internet and mobile sites, affiliate platforms, commercial marketing emails or text messages, social media sites and downloadable content—shall comply with all applicable provisions of this Code concerning the content of such messages.
- Owned websites and apps that offer sports wagering should include a responsible gaming message and a link to a site that provides information about responsible gaming and responsible gaming services.
- Owned websites or profiles that include sports betting content, including social media pages and sites, shall include a reminder of the legal age for sports wagering.
- Age affirmation mechanisms, utilizing month, day and year of birth, will apply before a user can gain access to any page where individuals can engage in gambling.
- Owned websites will include geolocation mechanisms on those pages where individuals can engage in gambling, in order to restrict access only to those wagering within a legal jurisdiction.
- User-generated content on an owned site or web page will be monitored and moderated on a regular basis for compliance with the provisions of this code.
- Digital marketing communications will respect user privacy and comply with all applicable legal privacy requirements including those governing consent. All such messages targeting an individual recipient will be clearly identified as originating from the sports betting operator or otherwise attributable to the operator. In addition, each such message sent via email or text message will provide the option therein of opting out or unsubscribing.
- Owned websites shall disclose to users—in their terms of use or other policy statements—any practices of the website that involve sharing user information with third parties unrelated to the operator sponsoring the site.

5. Maintaining the Code

- The AGA and its members will conduct an annual review of the tenets of the code to ensure the guidelines evolve with the maturation of the legal marketplace.
- Updates will specify an effective date based on the significance of changes and commercially reasonable implementation timelines.
- Updates will apply to new marketing and advertising as of the specified effective date and not applied retroactively.
- Updates will be published and broadly publicized to ensure awareness.

6. Monitoring Code Compliance

- The AGA will offer annual training opportunities for members and employees of members involved in the advertising or marketing of sports wagering services.
- AGA members will provide training on the provisions of this code, including periodic refreshers and updates, to all individuals involved in the advertising or marketing of sports wagering services.
- AGA members will deliver a copy of this code to advertising agencies, media buyers, affiliates and other third parties involved in the member's advertising or marketing.
- AGA members shall adopt an internal review process to evaluate whether promotional and marketing messages comply with this code, and will conduct periodic reviews of promotional and marketing messages to evaluate compliance with this code.
- The commitments in this code apply to persons or entities operating in partnership with or as agents of sports wagering operators in conducting advertising and marketing activity related to sports betting.

Responsible Marketing Code for Sports Wagering

CODE COMPLIANCE PROCESS

Each member of the AGA is committed to the philosophy of and compliance with the code. All AGA members are required to review and comply with this code. Anyone engaged in U.S. sports wagering advertising and marketing is expected to adhere to the code along with adherence to applicable laws, rules and regulations.

The following complaint process enables any person or entity, including consumers, (Complainants) to flag potential violations of the code by sports betting advertisers and marketers (the Reported Company) and allow the Reported Company to respond and take corrective measures as warranted. A Reported Company does not need to be an AGA member. An AGA staff representative (AGA CCRB Liaison) will facilitate this process.

The following outlines the compliance review process, including the establishment and role of the Code Compliance Review Board (CCRB). This process will be reviewed periodically and may be updated as needed by the AGA.

Complaint Process

- The AGA will provide an online mechanism for receiving from any Complainant a written complaint that a sports betting advertising or marketing message transmitted or published by a Reported Company does not comply with the code.
- The Complainant provides a copy of the sports betting message that is the subject of the complaint, selects the provision(s) of the code in question, and describes its claimed inconsistency with or violations of the provisions of the code. The Complainant also must provide a contact name and contact information.
- The AGA CCRB Liaison is available to answer questions about the complaint submission process. The AGA CCRB Liaison will refer complete and relevant complaints to the Reported Company.
- The Reported Company will provide an initial response to the complainant and the AGA CCRB Liaison within three business days which:
 - Outlines actions taken to address the raised concern;
 - Details the Company's assessment of claim merits; and/or
 - Requests an extension of the process, which may be granted by the AGA CCRB Liaison.
- If warranted, a comprehensive response, including any additional assessments of the claim, response and/or planned corrective measures must be shared with the complainant and the AGA CCRB Liaison within seven additional business days.
- If the marketing activity in question is digital in nature, the Reported Company shall endeavor to make adjustments and/or pause the activity immediately pending internal review.
- If the Reported Company does not respond to the initial complaint, the Complainant may request further review by the CCRB as noted below.
- If the Complainant does not request further review by the CCRB, the complaint and any response will be summarized in a publicly available forum on the AGA website. The Complainant is provided the option to remain anonymous in such public reports; in such cases, only the substance of the complaint will be made public.
- If the Complainant still believes the Reported Company is non-compliant after the Reported Company responds, the Complainant can request further review by the CCRB via the AGA CCRB Liaison. This request must be received within three days of the Reported Company's response. The Complainant can offer any other material relevant to the complaint within seven days of receiving the Reported Company response. The Reported Company will also be provided the opportunity to submit any additional documentation for consideration by the CCRB. The AGA CCRB Liaison will provide all submitted materials to the CCRB via the process outlined below.

Responsible Marketing Code for Sports Wagering

CCRB Review Process

- Upon request for further review by the Complainant, the AGA CCRB Liaison will send all materials to the CCRB members for their review.
- The CCRB will meet, in person or virtually, to evaluate if the sports betting marketing or advertising activity at issue is in violation of the code.
- The CCRB will endeavor to provide written notice of its decision to the Complainant and the Reported-Company within seven business days of receiving the appeal of the complaint. In order to find that a Reporting Company is in violation of the Code, there must be an affirmative vote from at least one Chair and a majority of the Member Delegates at the meeting.
- At least one of the Chairs and three Member Delegates must be present for the CCRB to meet and decide on violations of the code. If a Member Delegate's company is the subject of a complaint or is the Complainant, such member shall be recused from the discussion and decision.
- The CCRB's written decision will include if a violation of the code has occurred and if so, that the Reported Company is expected to promptly withdraw or revise the advertising and promotional material and/or placement at issue.
- The CCRB decision, and initial complaint, will be summarized in a publicly available forum on the AGA website. The Complainant is provided the option to remain anonymous in such public reports; in such cases, only the substance of the complaint will be made public.

Code Compliance Review Board

The CCRB shall be comprised of two independent, non-gaming industry chairs (Chairs) and five AGA member representatives (Member Delegates). The Chairs shall have a relevant marketing, responsible gaming or regulatory background. Member Delegates shall be selected from the AGA membership.

All CCRB members shall serve three-year terms. Member Delegates must maintain employment at a current AGA member in good standing. Two member alternates will also be selected in the case an appointed Member Delegate resigns or cannot fulfill their obligation.

The CCRB will be engaged only after (1) a Complaint has been logged against a Reported Company; (2) the Reported Company has had the required three business days to respond or acknowledge; and (3) the Complainant requests, pursuant to the process laid out above, that the CCRB conduct a review.

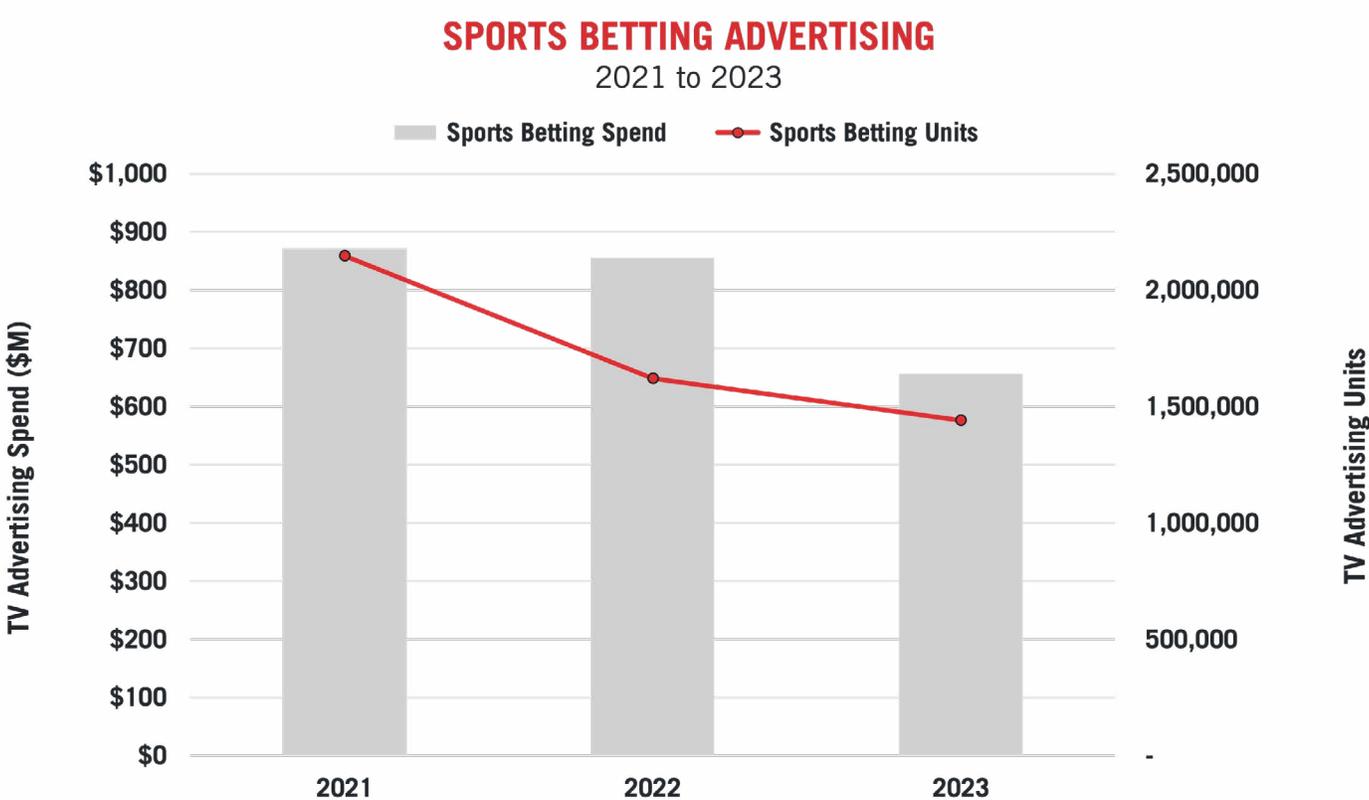
Reporting

The AGA will regularly post summaries of the findings of complaints logged, Reported Company responses/actions, and CCRB decisions (as necessary) to a dedicated section of the AGA website. The Complainant is provided the option to remain anonymous in such public reports; in such cases, only the substance of the complaint will be made public. A comprehensive listing of all complete and relevant complaints and actions will be permanently available on the AGA website.

Filing A Complaint

To file a complaint about a particular sports betting advertisement or marketing material subject to this code, please visit [AmericanGaming.org](https://www.AmericanGaming.org). Questions about the code or the compliance process can be directed to the AGA CCRB Liaison at AGACCRB@americangaming.org.

Exhibit 2:
Industry Advertising Spend 2021-2023



Source: American Gaming Association

Exhibit 3: Responsible Gaming Code of Conduct

The American Gaming Association (AGA) and its members pledge to prioritize responsible gaming as an integral part of our industry’s daily operations across the United States.

This pledge includes provisions on employee assistance and training, alcohol service, the provision of in-person and online casino games including sports betting, and the advertising and marketing of casino gambling including sports betting. This Code also covers the commitment of our members to continue support for research initiatives and public awareness surrounding responsible gaming and underage gambling. The following Code of Conduct details how we fulfill this pledge.

PLEDGE TO OUR PATRONS

To Promote Responsible Gaming

- AGA members will make information available promoting responsible gaming and where to find assistance, including a toll-free helpline number. This information will be available and visible on casino floors, at cash access devices, and via digital payment platforms.
- AGA members will make available on their gaming-related websites information describing responsible gaming, their policies and practices related to responsible gaming, and where to find assistance.
- AGA members, where permitted by law, will make available to patrons and employees information generally explaining the probabilities of winning or losing at the various gambling games offered by the casino.
- Each AGA member casino and sports betting company will have a policy in effect for all of its casino properties providing opportunities for patrons to request in writing the revocation of their privileges for specific services such as:
 - Casino-issued markers
 - Player club/card privileges
 - On-site check-cashing
 - Complimentaries
 - Digital payment platforms
 - Gambling promotions
- In addition, each AGA member shall make reasonable efforts on a facility-by-facility basis to honor a written request from any person, that it not knowingly grant that person access to gambling activities. For each person who makes such a request, the casino will provide the person with a listing of local or online assistance for gambling-related problems is available.
- AGA members reserve the right to exclude a patron from gambling, without a request from the patron.

To Prevent Underage Gambling and Unattended Minors in Casinos

- AGA member companies will make diligent efforts to prevent underage individuals from participating in any gambling or sports betting at casinos, loitering in the gaming area of a casino, or from gaining access to online, mobile, or in-room gambling opportunities.

- AGA member companies will communicate the legal age to gamble through messaging, as appropriate, in their properties, on their casinos' online platforms, and in gambling and sports betting promotions.
- Employees working in relevant areas will receive training in procedures for dealing with unattended children, underage gambling, and the purchase and consumption of alcohol and tobacco by minors.
- If a child appears to be unsupervised or in violation of local curfews and other laws, security or appropriate personnel will be contacted and reasonable steps will be taken to locate the parent or responsible adult on property or by telephone.

To Serve Alcoholic Beverages Responsibly

- AGA member companies will observe a responsible beverage service policy including the following elements:
 - Casinos will not knowingly serve alcoholic beverages to a minor.
 - Casinos will not knowingly serve alcoholic beverages to a visibly intoxicated patron.
 - Casinos will make a diligent effort not to permit casino gambling by a visibly intoxicated patron.
- AGA member companies will ensure that appropriate casino employees are trained in the company's responsible alcoholic beverage service policy, and will provide periodic refresher training to those employees.

To Advertise Responsibly

- This Code applies to AGA member companies' advertising and marketing of casino gambling including sports betting and online gaming. It does not pertain to advertising and marketing that is primarily of hotels, restaurants, and entertainment that may be associated with or operated or promoted by casinos.
- For the purposes of this Code, advertising and marketing includes, among other media: radio and television ads, print, direct mail, social media, billboards, and internet promotions.
- Casino gambling including sports betting and online gaming advertising and marketing will:
 - Contain a responsible gaming message and/or a toll-free helpline number where practical.
 - Reflect generally accepted contemporary standards of good taste.
 - Strictly comply with all state and federal standards to make no false or misleading claims or create a suggestion that the probabilities of winning or losing at the various online and retail games, or by betting on sports contests, are different than those actually experienced.
- Casino gambling including sports betting and online gaming advertising and marketing will not:
 - Contain images, symbols, celebrity/entertainer endorsements, and/or language designed to appeal specifically to children and minors.
 - Feature anyone who is or appears to be below the legal age to participate in gambling or sports betting activity or imply that underage persons engage in casino gambling or sports betting.
 - Depart from contemporary standards of good taste that apply to all commercial messaging, as suits the context of the message or the medium utilized.
 - Be placed with such intensity and frequency that they represent saturation of that medium or become excessive.

- Contain claims or representations that gambling activity will guarantee an individual’s social, financial, or personal success.
- Be placed before any audience where most of the audience is ordinarily expected to be below the legal age to participate in gambling or sports betting activity.
- Imply or suggest any illegal activity of any kind.

AGA members must also abide by the standards set in the Responsible Marketing Code for Sports Wagering.

PLEDGE TO OUR EMPLOYEES

- AGA members will educate new employees on responsible gaming.
- AGA members will train gaming employees on responsible gaming and provide annual or periodic refresher training. Employee training should highlight the differences between responsible gaming and gambling that is problematic.
- AGA members will implement communications programs for employees to improve their understanding of responsible gaming and related policies and procedures.
- AGA members will provide information to new and existing employees about responsible gaming, the member company’s policies and practices related to responsible gaming, and where to find assistance. AGA members will also ensure that employees receive timely updates regarding new research and new topics that should be integrated into the industry’s responsible gaming training programs.
- AGA members will post responsible gaming awareness information, including a toll-free helpline number, at various locations where employees congregate.

PLEDGE TO THE PUBLIC

- The AGA will work with stakeholders to assist in the distribution of information and raise awareness regarding the industry commitment to responsible gaming.
- AGA members will support and promote research-based policies on responsible gaming. AGA members will continue to provide funding for the International Center for Responsible Gaming, which is the leading source of science-based research and information on gambling and health.
- AGA members will use this research to identify the best practices for casinos to follow to promote responsible gaming.
- AGA members will continue to develop a dialogue surrounding scientific research on gambling and health to communicate to and educate patrons, employees, and policymakers.

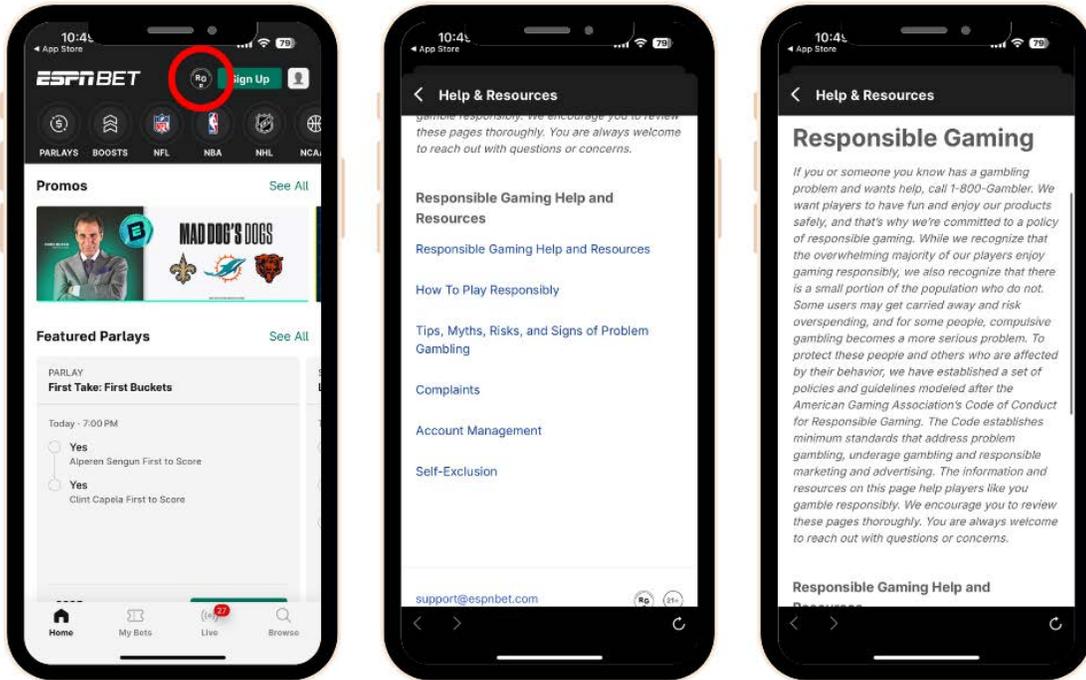
To Provide Oversight and Review

- Each AGA member company will implement the Code and conduct annual reviews of its responsible gaming program.

References in this Code to providing certain “information” to employees and customers mean that AGA members will use those means of communication appropriate for each message, which may include any or all of a range of traditional, electronic, and social media such as written brochures, posters, website postings, or direct electronic messages.

All aspects of AGA’s Responsible Gaming Code of Conduct are subject to local, state, and federal laws.

Exhibit 4: Industry Tools and Resources



Making Responsible Gaming a Priority: ESPN Bet (above) and BetMGM (below) empower players with accessible and user-friendly tools directly within their apps. From setting deposit and time limits to taking breaks and accessing educational resources, these features are designed to help players stay in control and make informed decisions.

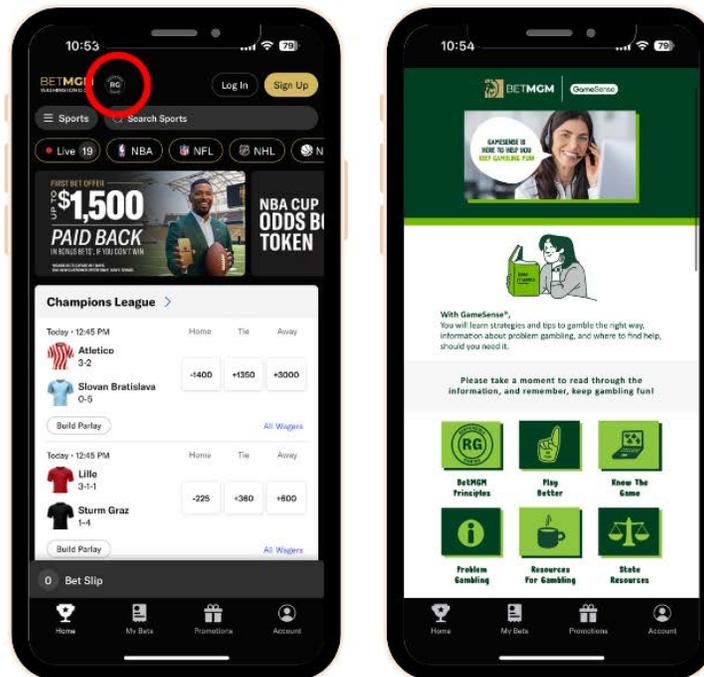


Exhibit 5:
AGA's Have A Game Plan Ad Copy and Partner Organizations

SAMPLE COPY AND ADVERTISEMENTS

Responsible sports betting starts with a game plan.
that means stick to a budget.
Keep it social by playing with friends.
Learn the game and know the odds.
Play with trusted, licensed operators.
And if you need help, reach out.
If you're getting in on the action, visit HaveAGamePlan.org to learn more.



Heisman Trophy winner and former NFL running back Mark Ingram II at Super Bowl LVIII radio row, educating football fans about AGA's Have A Game Plan.® Bet Responsibly.™ responsible gaming campaign.



Have A Game Plan.® partner Monumental Sports and Entertainment uses Capitol One Arena outdoor displays to promote the core tenets of responsible sports betting.

HAVE A GAME PLAN® PARTNERS





Jeanne M. Seaver
Founder/President
Moms Against Gambling

Prepared Statement for the Record
Before the U.S. Senate Committee Judiciary Legislative Hearing
Hearing to examine legalized sports gambling - December 17th, 2024

Mr. Chairman, Ranking Member, Members of the Committee and U.S. House of Representatives, thank you for the opportunity to provide feedback on the gambling issue, which from where we stand, is targeting our children on their iPhone and video games, to play the slots (using characters like Spiderman), to obtain free stuff, to reign them in as future gamblers. Whether anyone of the gambling lobbyist want to admit it or not, it is happening and we must do all we can as parents to protect our children from this total destruction of the family unit (which is becoming the next opioid crisis), as the mental health services that continues to skyrocket as many studies have shown.

With all the above being said, we would like to provide you with recent studies, articles, op-eds and visuals rather than writing on and on.

First and foremost is a Mom that testifies to the higher education committee in the Georgia House on how sports betting devastated their family with their son's addiction in 2024. We would like to request this to be played at the hearing today, to hear an actual real story (one of millions) of the negative impact gambling had on her family.

https://www.youtube.com/watch?v=vNpv_oAeOGc

Attached is exhibit A of studies and article provided on the negative impact that gambling is having now and in the very near future and Exhibit B are visuals of the marketing push to encourage children to gamble.

The real question, is this what our legislators want as their legacy? It is not always about the money for the fat cat billion-dollar gambling industry, that preys on the weak, to make them richer! It is our legislator's duty to protect those they represent from harmful legislation, that negatively impacts the family unit.

Thank you so much for the opportunity to submit this information in to the record for your review and consideration.

Sincerely yours,

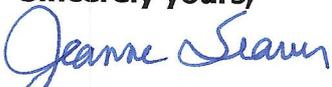

Jeanne Seaver

Exhibit A

- New Lancet Commission report calls for stronger regulation of global gambling industry – 10/25/2024
- Articles on the negative impacts of Sports Gambling – 09/23/2024
- Norte Dame suspends men's swim team for one year for gambling violations – 08/15/2024
- Op-ed written by Jeanne Seaver – Founder of Moms Against Gambling
- Gambling – You Pay whether or not You Play – Along with Common Arguments with Answers
- Gambling Statistics - Visual
- Talking to your Kids about Gambling – Visual

Exhibit B

- Visuals of the Marketing push for children to gamble

Exhibit A

- New Lancet Commission report calls for stronger regulation of global gambling industry – 10/25/2024
- Articles on the negative impacts of Sports Gambling – 09/23/2024
- Norte Dame suspends men's swim team for one year for gambling violations – 08/15/2024
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- Talking to your Kids about Gambling – Visual

New Lancet Commission calls for stronger regulation of global gambling industry

The Lancet

Oct 25 2024



Stronger global regulatory controls are needed to reduce the impact of commercial gambling on worldwide health and wellbeing, according to a new *Lancet Public Health* Commission on gambling.

The Commission brought together a multidisciplinary group of leading experts in gambling studies, public health, global health policy, risk control and regulatory policy, alongside contributors who have first-hand experience of gambling harms. After reviewing the literature, and figures generated from a systematic review and meta-analysis, the Commissioners concluded that 'gambling poses a threat to public health, the control of which requires a substantial expansion and tightening of gambling industry regulation.'

Professor Heather Wardle, Co-Chair of the Commission from the University of Glasgow, explained the changing nature of gambling: "Most people think of a traditional Las Vegas casino or buying a lottery ticket when they think of gambling. They don't think of large technology companies deploying a variety of techniques to get more people to engage more frequently with a commodity that can pose substantial risks to health, but this is the reality of gambling today.

"Anyone with a mobile phone now has access to what is essentially a casino in their pocket, 24 hours a day. Highly sophisticated marketing and technology make it easier to start, and harder to stop gambling, and many products now use design mechanics to encourage repeated and longer engagement. The global growth trajectory of this industry is phenomenal; collectively we need to wake up and take action. If we delay, gambling and gambling harms will become even more widely embedded as a global phenomenon and much harder to tackle", she added.

The extent of gambling harms

A systematic review and meta-analysis conducted for the Commission estimates

that approximately 448.7 million adults worldwide experience any risk gambling, where individuals experience at least one behavioural symptom or adverse personal, social or health consequence of gambling. Of these, an estimated 80 million adults experience gambling disorder or problematic gambling [1]. These estimates are likely to be conservative.

The new analysis also estimates that gambling disorder could affect 15.8% of the adults and 26.4% of the adolescents who gamble using online casino or slot products, and 8.9% of the adults and 16.3% of the adolescents who gamble using sports betting products. Online casino and online sports betting are two of the most rapidly expanding areas for commercial gambling globally.

Commercial gambling is clearly associated with financial losses and the risk of financial ruin, but it is also associated with physical and mental health problems, relationship and family breakdown, heightened risk of suicide and domestic violence, increased crime against property and people, and loss of employment.

The Commission report notes that this impact is not spread evenly through populations, and specific groups face an elevated risk of harms. These include children and adolescents who are routinely exposed to advertising of gambling products in ways that were unprecedented before the digital revolution. In addition, gambling is often embedded into the architecture of video games.

Speaking about those who are most vulnerable, Dr Kristiana Siste, Commissioner, the Universitas Indonesia, said: "We need to take action to protect children from the harms of gambling. We know that early exposure to gambling increases the risk of developing gambling disorders later in life, and children and adolescents are particularly vulnerable to the allure of easy money and the game-like designs of online gambling."

Challenging the role of the gambling industry in protecting and promoting its interests

The Commission report describes how a complex ecosystem underlies how the commercial gambling sector promotes its products and protects its interests. This includes innovative digital marketing approaches rooted in deep surveillance to target consumers online, widespread sports and broadcast media sponsorship, and fintech. The Commission report also raises concerns

about how the commercial gambling sector undermines legitimate science on the impact of gambling, reframes discussions about gambling to promote individual responsibility and consumer freedom, and influences political processes around gambling regulation.

Professor Malcolm Sparrow, Commissioner, Harvard Kennedy School, explains the need for increased regulation of gambling: "While the industry continues to promote gambling as harmless entertainment, countries and communities are experiencing rapidly increasing threats from gambling harms."

“ *The Commission urges policy makers to treat gambling as a public health issue, just as we treat other addictive and unhealthy commodities such as alcohol and tobacco. We call for policy makers to make protection from gambling-related harms the primary and dominant regulatory focus, and to insulate the policy making process more effectively from industry influence.*”

Professor Malcolm Sparrow, Commissioner, Harvard Kennedy School

Commercial gambling risks exacerbating inequalities

Commercial gambling is available in over 80% of countries globally, with expansion escalating particularly quickly in lower- and middle-income countries, which often have a weak regulatory infrastructure to address this global industry and its harms. A heavy burden of harm falls on individuals who are already socially disadvantaged.

Given the widespread and escalating harms associated with gambling, the Commission report highlights multiple ways in which commercial gambling might seriously undermine progress towards UN Sustainable Development Goals. This includes hindering progress on key areas such as reducing inequality and poverty, improving gender equality, and improving health and well-being.

"Gambling disorder has evolved into a borderless crisis, affecting individuals

and societies across the globe. Although gambling is illegal here in Indonesia, online gambling is prevalent and the number of transactions have exploded in recent years. The gambling products are provided from international servers, and our national law enforcement is unable to restrict access", said Dr Siste.

"We will only be able to make progress through coordinated international efforts, combining global policy reform, cross-border cooperation, and collective harm reduction strategies", she added.

In-country regulation is needed alongside international efforts

The Commission calls for effective gambling regulation to be put in place in all countries, irrespective of whether gambling is legally permitted. This should include reductions in population exposure and the availability of gambling, through prohibitions or restrictions on access, promotion, marketing, and sponsorship. The Commission recommendations also ask for the provision of affordable, universal support and treatment for gambling harms alongside well-resourced social marketing and awareness campaigns to raise awareness of harms.

Dr Charles Livingstone, Commissioner, Monash University, described the situation in Australia: "Australians spend the most per head on gambling worldwide, \$AUD 1,555 per adult per year [2]. Both online betting, boosted by close connection with football and other sports, and electronic gaming machine gambling continues to grow at a rapid pace here, despite escalating concerns of ordinary people and the voice of those affected by gambling harms becoming more prominent.

"There is a desire for change and to rightly treat gambling as a serious public health issue in Australia, given the extent and nature of harm. Yet extensive evidence of dishonest and illegal behaviour by casino operators requires Herculean efforts to properly regulate these entities, and the commercial gambling industry more broadly have been shown to be heavily resistant to reform efforts", he concluded.

The Commission stresses that global leadership will be needed to ensure gambling is prioritised as a global public health issue. It asks that UN entities, particularly the WHO, and intergovernmental organisations incorporate a focus on gambling harms into their strategies and workplans for improving health and

wellbeing broadly.

A new international alliance should also be developed to advocate to reduce gambling harms and provide leadership, made up of people with lived experience of gambling harms, professional organisations and researchers. The Commission also calls for a World Health Assembly resolution on the public health dimensions of gambling.

Source:

The Lancet

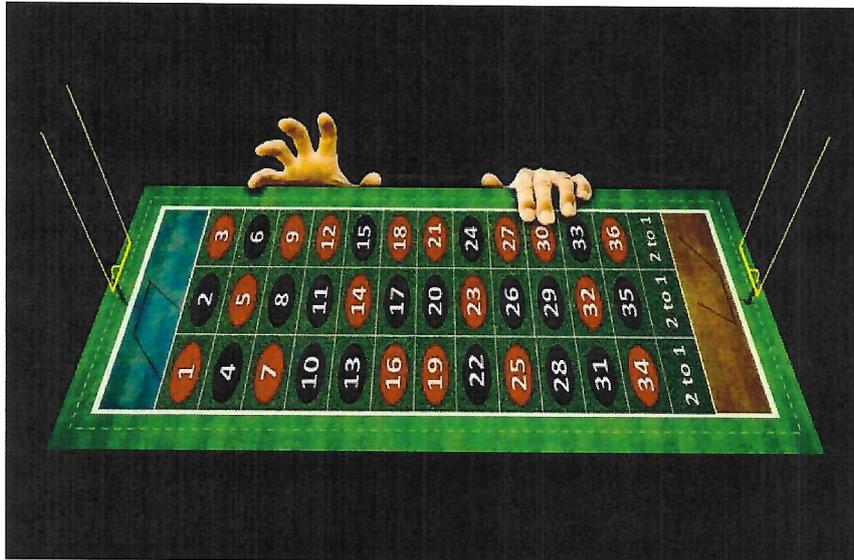
Journal reference:

Wardle, H., *et al.* (2024). The Lancet Public Health Commission on gambling. *The Lancet Public Health*. doi.org/10.1016/s2468-2667(24)00167-1.

Legalizing Sports Gambling Was a Huge Mistake

Published by The Atlantic – September 23, 2024

Opinion by Charles Fain Lehman



Legalizing Sports Gambling Was a Huge Mistake©

Over the weekend, millions of Americans watched football. They cheered, they ate, and—more than ever—they gambled. The American Gaming Association [expects](#) \$35 billion in bets to be placed on NFL games in 2024, about one-third more than last year's total.

If you follow sports, gambling is everywhere. Ads for it are all over broadcasts; more than one in three Americans now [bets](#) on sports, according to a Seton Hall poll. Before 2018, sports gambling was prohibited almost everywhere. Now [it's legal](#) in 38 states and the District of Columbia, [yielding](#) \$10 billion a year in revenue.

That approach held until 2012, when New Jersey, fearing that Atlantic City was losing its competitive edge, legalized sports gambling. The NCAA brought suit, alleging a violation of PASPA; the state responded that PASPA itself was an infringement on its sovereignty. The case came before the Supreme Court, which in 2018 [ruled](#) that

PASPA violated the Tenth Amendment's prohibition on the federal government exercising powers reserved for the states.

With PASPA gone, states were eager to let sportsbooks set up shop. Within a year and a half, Goldman Sachs [estimated](#), Americans were betting about \$50 million a month. By late 2023, that figure exceeded \$1 billion a month—a 20-fold increase.

[\[Keith O'Brien: Risking everything to lose money\]](#)

Because different states legalized sports gambling at different times, social scientists can compare different measures of well-being in states that did legalize with those that did not, before and after legalization.

Notre Dame suspends men's swim team for one year after review finds NCAA gambling violations

Read More

BY [RALPH D. RUSSO](#)

Updated 10:11 PM EDT, August 15, 2024

Share

Notre Dame suspended its men's swimming program Thursday for at least one year after an external review found members of the team violated NCAA rules by wagering among themselves on results of their competitions and failed to "treat one another with dignity and respect."

"In order to ensure that this behavior ends and to rebuild a culture of dignity, respect, and exemplary conduct, we have decided to suspend the men's swimming program for at least one academic year," athletic director Pete Bevacqua said in a statement.

Notre Dame did not reveal details of the review done by a law firm.

According to a person with knowledge of the situation, members of the team had set up a makeshift, internal sportsbook where athletes could wager on the times posted by themselves or teammates at meets. Athletes were not found to have bet on opposing teams or on any other Notre Dame athletic events, the person said.

The person spoke on condition of anonymity because Notre Dame was not making the contents of the report public.

The person said more than 60% of the returning team, which includes 25 swimmers, took part in betting on the performances of members of the team. The review also revealed some members of the team had bet among themselves on events such as the Super Bowl and March Madness basketball tournament games.

Georgia State Senator Summers gets it wrong on Gambling and misleading Georgians. The gambling ballot question misinformation saga continues

Op-Ed – 10/24/2024

Jeanne Seaver – Founder/President – Moms Against Gambling

First, Georgia legislators and a cadre of gambling lobbyists tried legalizing gambling, stating it was for the children. That failed for 7 years. Now one State Senator is dangling revenues from gambling to every county in the state.

Senator Carden Summers is sending around an email to local elected officials with misleading information (like the ballot question) about legalizing gambling. It begins by citing huge support for the gambling question on the Republican Primary ballot this year.

The ballot question was so convoluted and intentionally deceptive, several friends called and asked what it meant, including two with a Ph.D. Gambling was called “gaming,” and it also conveyed the sense that the people would be taking it out of the legislators’ hands. Next, although the support percentage was high, it was a low participation turnout (14 %) and only directed to Republicans on their ballot, so it didn’t include Democrat voters. Those factors render the vote nearly meaningless.

The gambling industry is already targeting our children on their phones and video games, encouraging them to play the slot machines to receive free stuff! The federal level understands the dangers and recently passed legislation (bipartisan vote was 91-3) in the U.S. Senate called The Kids Online Safety Act – [Summary & Facts of the Kids Online Safety Act](#)

This recent poll was done nationally on the targeting of children through technology.

<https://www.blackburn.senate.gov/2024/9/icymi-new-polling-shows-massive-public-support-for-the-kids-online-safety-act> .

We have a representative government for a reason. If the GA Constitutional amendment is ever placed on the ballot, the ratio of spending on more deceptive advertising by the gambling interests over any non-profit or other organization that objects will be beyond overwhelming. The public doesn’t have the resources to educate themselves on this issue. The Legislature does, but some choose to ignore the facts documented by research (studies) of the harms inflicted on their constituents by gambling. Some studies done here in Georgia at UGA (Terry College), Georgia State University, and Mercer University (to name a few) show the negative outcomes of gambling and the destruction of our Georgia families.

The documented harms of gambling include:

Addiction - gambling is the only behavioral addiction listed in the DSM by the American Psychiatric Association. Research confirms that gambling games are intentionally addictive, because without problem gamblers, the business model doesn’t work. And once someone is addicted to one thing, the pathway in the brain is prepped for the next addiction.

Bankruptcy - again research from multiple universities shows the increase in bankruptcies whenever gambling becomes legal. Most initial bankruptcies are the gambler and his family and/or business. However, this can trigger other bankruptcies, as people down the line are robbed of payment for their goods and services by the initial bankruptcy. Also, consider the businesses directly defrauded by the problem gambler.

Crime - when gambling is legal, crime goes up. Petty crimes, like stealing things, but also spousal abuse, white collar crime, violent attacks, and more. Corruption of our government is also a problem. I expect our best legislators will be run out of office using gambling money, the first time they buck the gambling interests some propose to unleash on our state. How much money has your legislator gotten from gambling interests and their lobbyists for his campaign? Corrupted already?

Suicide - also rises with gambling. The former three issues often lead there for the problem gamblers. This could be your child or grandchild or even your mother. No one is exempt once they're caught in the web of gambling addiction.

A former gambling addict visited our GA Capitol. He had been a well-respected attorney, became addicted to gambling, lost everything, and attempted suicide. We know the suicide rate among problem gamblers is +/- 25%, so he was asked how many problem gamblers strongly considered suicide. He said "Every one of them I've ever talked with."

Watch this testimony concerning sports gambling from a Mom whose son became addicted to gambling, as she explains the negative impact on her family to the House Higher Education Committee. [Click here to Watch Mother's Testimony](#)

Do our elected officials want this to be their legacy?

Georgia has a great reputation in many areas. Any expansion of commercialized gambling will hurt that reputation, and more importantly, our citizens.

It is NOT always about the money. The cost/benefit analysis fails to make a good case for gambling expansion. **Our children's safety must be first!** Georgia will be putting them last if they choose to support gambling expansion.

OPINION: Gambling is Not Good "For the Children!"

by [Jeanne Seaver](#) | May 14, 2024 |

Published by Insider Advantage/James Magazine

As a lifelong activist on issues affecting women and children, I cannot stand by silently, while Georgia legislators promote legalizing predatory gambling in Georgia. Neither should you.

They use the false narrative, "it's for the children." Gambling will not help the children of Georgia. Research shows gambling addiction destroys families, reduces productivity, and leads to job loss, bankruptcy, domestic violence, and suicide. Nothing in free pre-K can ever prepare children to cope with the trauma gambling brings to families.

Expanding legalized gambling would be no good for Georgians – except the profiteers. Studies consistently report high rates of problem gambling among minorities. A large national study found that "Blacks had twice the rate of disordered gambling compared to Whites" and they were also "more likely to be women in the lowest income brackets" ([Alegria et al. 2009](#)).

Legalized gambling will not bring Georgia a revenue windfall. In states where gambling is legal, for each dollar that gambling brings in, studies show three to five dollars are spent by the state to combat the negative impacts of gambling.

Legalized gambling would add fuel to the mental health crisis we seek to quell. No amount of revenue justifies bringing this destabilizing force upon the citizens of Georgia. Suicide attempt rates for problem gamblers hover at 25-30%.

Where gambling goes, vice and crime follow. Added to the world's busiest airport in Atlanta, legalized gambling would be a boon to sex-trafficking. Perhaps that is why Georgia has so much *outside pressure* to legalize predatory gambling.

The industry acknowledges the connection between gambling and human trafficking. In 2022, the American Gaming Association issued a report, *Preventing and Combating Human Trafficking in the Gaming Industry*. The report addresses sex trafficking and forced labor, as well as anti-money laundering measures in gambling operations.

Georgia has been the target of the gambling industry for years. Our airwaves and in-boxes are filled with ads for gambling, many cartoon-like, appealing to children. The gambling industry intentionally targets children. Specifically, young adolescent boys, getting them hooked to provide the industry with lifelong customers. Children as young as 11 have been identified as gambling addicts.

Nearly a hundred gambling lobbyists – including a former Governor of Mississippi – are dispatched annually to influence our legislators. They represent powerful out-of-state special interests, funded by billionaires. Slick, persuasive propaganda and nifty perks are the norm. They hold invitation-only meetings at swanky hotels and restaurants, to schmooze and strategize with our legislators. Sadly, the gambling lobby is gaining the support of influential legislators in Georgia, including some "pro-family" Republicans.

In the latest attempt to legalize sports betting, one of the most addictive forms of gambling, a referendum to amend Georgia's Constitution was proposed. Make no mistake, "letting the people decide," is a disingenuous trap.

This year, the Republican ballot has a non-binding, but quite misleading question. "Would you support a statewide vote to allow gaming in Georgia so the voters can decide this issue instead of politicians in Atlanta?" First, "gaming" commonly refers to video games, not gambling. Ask Siri. The politicians in Atlanta need a 2/3 vote to put the gambling referendum on the ballot. Backers hope to use this deceptive question to justify themselves and pressure opponents to change their vote. A statewide referendum on gambling would be required because gambling is prohibited by our state Constitution.

Big gambling is at work to influence public opinion to force this binding referendum. Georgians are bombarded with gambling ads and promotions. The Braves advertise a casino on the playing field, while their games broadcast on a network synonymous with gambling. Even young children are groomed as future gamblers, with pop-up ads on their phones and computer games!

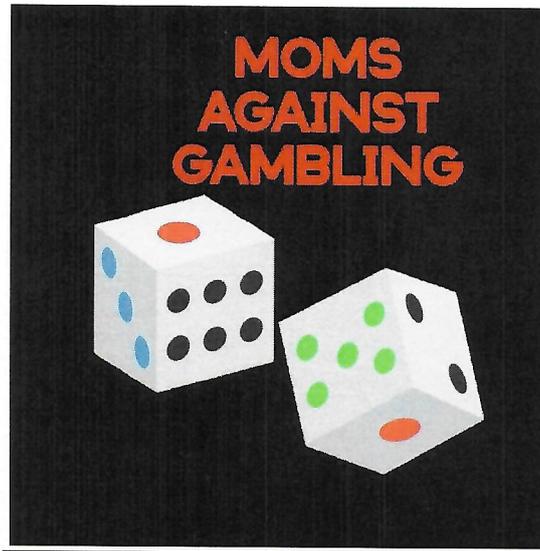
With the gambling lobby pumping millions of dollars into bamboozling Georgians, would the people get balanced, accurate information on which to base their votes? Not a chance. Historically, the gambling lobby outspends gambling opponents by 250 to 1.

We are already inundated by coin operated amusement machines (COAMs) under the Georgia Lottery in many convenience stores. That will increase with this year's passage of the COAM bill.

Those who can least afford it will pour money into those machines, away from their families and into the pockets of some legislators who own them.

Expanding legalized gambling would hurt Georgia's families, change our state forever, and do irreparable harm. Protect the future of Georgia. Prevent the legalization of predatory gambling in our state!

Jeanne Seaver is the founder and president of Moms Against Gambling



FOR IMMEDIATE RELEASE

Contact: Mom@MomsAgainstGambling.com

Jeanne Seaver – Founder & President of Moms Against Gambling ®

Phone: 912-663-8728

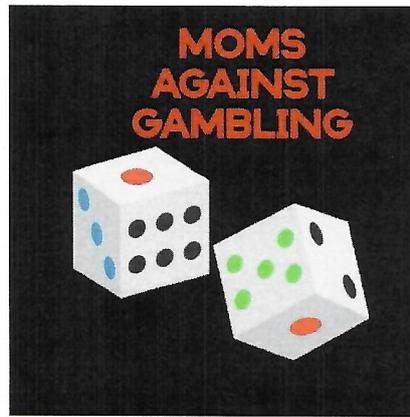
Jeanne Seaver – Former Candidate for Lt. Governor in Georgia Continues the Mission to protect children from the gambling Industry via her newly formed organization “Moms Against Gambling ®”. Stacey Abrams or any elected official or candidate that supports gambling puts Money before protecting children from gambling addiction which the American Psychiatric Association (APA) equates to cocaine and opioid addictions and total family destruction!

SAVANNAH – August 18, 2022 – Any of our elected officials or candidates that support gambling in Georgia are putting the big Gambling Dollars before the best interest of our children and families.

This press release is a response to the article published last week in the AJC confirming that Candidate for Governor Stacy Abrams and others support gambling, which means **money** over the destruction of the family units and those children that are preyed upon by the gambling industry, especially the lower income families. **Jeanne Seaver, on behalf of Moms Against Gambling “Moms Against Gambling is requesting Georgia leaders, including Governor Kemp to reconsider their stance on gambling. You can’t be against Human and Child Trafficking and support commercialized gambling.”** [Casino Gambling: The Downside to Positive Revenue \(spencerfrye.com\)](https://www.spencerfrye.com).

Seaver also states, “Georgia collected over \$5 billion in surplus collected at the end of fiscal year 2022. It is absolutely absurd that Georgia needs to generate more revenues.”

Georgia has been the target of the gambling industry for years. This past session there were eighty-four (84) gambling lobbyists schmoozing our legislators under the Gold Dome in Atlanta. To put that in context, Georgia only has 56 State Senators!



www.MomsAgainstGambling.com
Twitter - @MomsAgainstGambling

Gambling - You Pay Whether or not You Play

Cost to Individuals

Suicide – ½ of addicted gamblers contemplate suicide, 1/5 attempt suicide
Addiction – Gambling operations get most of their profit from addicted gamblers. 1/25 casino gamblers, 1/5 sports gamblers become problem gamblers. Children & youth are more vulnerable to gambling addiction. This feeds into other addictive behavior. When sports gambling became legal in TN, calls to addiction hotline sky-rocketed.
Bankruptcies – When a gambler bankrupts, their creditors are hurt – and all who work for them.
Crime – Organized crime, personal property crimes, white collar crime, assaults
Divorce – 2 ½ times the rate of divorce for non-gamblers
Abuse of Spouses & Children
Sex trafficking/Prostitution

Cost to Economy

Personal Savings dwindle, leaving no emergency net.
Non-secured debt increases.
Spending on basics like clothes, cars, appliances goes down.
Burden on health care system increases due to addiction issues, stress related conditions.
Jobs and businesses are destroyed as gambling cannibalizes local restaurants, venues, and retail.
Businesses are hurt by rising personal bankruptcies, loss of productivity.
Employees addicted to gambling more likely to steal from employers, get fired, or miss days of work.

Cost to Government

Crime investigation - theft, embezzlement, organized crime, trafficking,
Social services cost – Welfare, food stamps, housing assistance
Court system becomes more congested with rising divorce, bankruptcy, collections, criminal cases
Jail Costs, Monitoring of Parolees
Unemployment

Common Arguments for Gambling w/ Answers

- 1. People are gambling anyway.** If commercial gambling is legalized in GA, problem gambling rates likely double, ads promoting gambling would be legal, and the government can confiscate personal property to cover gambling debts. You could also say “People are already _____ anyway” – speeding, stealing, abusing, raping, trafficking – Is that OK as long as we can tax and regulate it?
- 2. It’s a free market issue.** Gambling is not free market as an entire regulatory agency is created and legislators limit markets via licensing to a few profiteers.
- 3. Gambling doesn’t hurt anyone but the gambler.** See previous page.
- 4. I gamble and I don’t have a problem or addiction.** Gambling business makes little profit off nonproblem gamblers and can’t succeed without creating problem gamblers. Their games are designed to trigger addiction in vulnerable people.
- 5. People are crossing state lines to gamble.** First – gambling and problem gambling increase dramatically with easy accessibility. Second – look at every state that relies on gambling revenue – their economy and social stats are worse than Georgia’s. Do we really want our state to be more like Mississippi, Louisiana, Illinois, New Jersey, Kentucky...?
- 6. We need the tax revenue.** First, the costs from gambling issues far exceed the revenue. One could use the same excuse for legalizing opioids. Next, as gambling operations make huge profits, they have \$\$ to influence your elections. They will replace “unfriendly” lawmakers, then systematically lessen taxes and regulation of gambling. Last, if casinos are allowed in GA, Indian tribes will be able to open casinos that are less regulated and pay NO state taxes.
- 7. It will be good for GA tourism, or agribusiness, or sports franchises.** It will be bad for Georgians GA government, and GA businesses.
- 8. Sports gambling isn’t bad like casinos.** It is 5x more addictive, much more accessible because the “casino” is your phone or computer. That makes children easy targets.
- 9. Horse racing is cool.** You can race horses without gambling. But they can’t make profit from gambling on horse racing alone – most US tracks have either shut down or become “racinos” with casino games.
- 10. Gambling is like investing in the stock market.** Big difference– when you invest in the market, you have reasonable expectation of profit, the company you invest in expects to profit, and the customer benefits by increased goods or services. With gambling, the gambling companies win, almost everyone else loses. Those rare gamblers who win today usually lose tomorrow.
- 11. Don’t force your religious views on the rest of us.** It would be so easy to make a number of “religious” arguments against gambling, but the economic and social realities related to gambling are so compelling, common sense should suffice.
- 12. I like my neighborhood poker night or office pool on sports games.** We are referring to commercialized gambling, not casual betting among friends or co-workers.

www.MomsAgainstGambling.com

GAMBLING STATISTICS



**FAMILIES WHERE A PARENT GAMBLES COMPULSIVELY
ARE MORE LIKELY TO EXPERIENCE DOMESTIC
VIOLENCE, INCLUDING CHILD ABUSE**

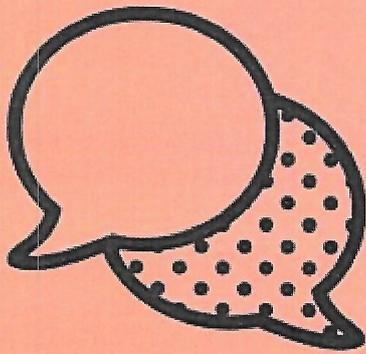
1/2 OF COMPULSIVE GAMBLERS COMMIT CRIMES



**OVER 80% OF PROBLEM GAMBLERS WERE AT RISK
FOR ALCOHOL OR DRUG USE/DEPENDENCY**

**MORE THAN 60% PEOPLE REPORTED WANTING HELP
BUT ONLY 25% SOUGHT ASSISTANCE**





Talking To Your Kids About Gambling

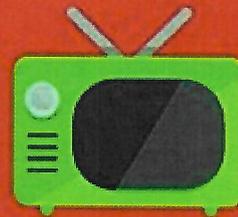
Tips for Parents

CONNECTICUT COUNCIL ON
**PROBLEM
GAMBLING**

Youth Are Exposed to Gambling on a Daily Basis

All they have to do is walk into a corner store and they'll see people buying lottery tickets, or turn on the TV to see video game tournaments, news of large lottery jackpots, and ads for casinos.

- * Teens are only a few years away from being able to legally gamble
- * Many teens are already gambling. A harmless bet of a dollar or two can become a lot more serious over time
- * Studies show that 4-8% of teens develop a gambling problem



What Can You Do?

1

LIVE BY EXAMPLE:

Kids watch what we do. Parental gambling is a major risk factor for youth problem gambling, make sure you're modeling healthy behavior. Avoid emphasizing money or winning.

2

BE AWARE OF THE RISKS:

Share with kids that gambling isn't risk-free. Research shows that the earlier in life someone places a bet, the more likely s/he is to develop a gambling problem later in life.

3

TALK ABOUT IT:

If you're talking about the risks of drugs & alcohol, include gambling. If you see an ad for lottery or casinos, discuss it with your child. Ask them what they think about the messaging and discuss ways advertisers try to influence us.

4

NEED MORE INFO?

To get help or access more resources, visit www.ccpq.org or call us at (959) 230-4034. We're also on Facebook, LinkedIn and Twitter!

Adapted from "Talking With Your Kids About Gambling" (Julie Hynes, preventionlane.org)

Exhibit B

- Visuals of the Marketing push for children to gamble

CASINO KID

Nintendo
GAME BOY ADVANCE

CASINO KID

During each playing your study for the chance to become the King of the Casino.

Over dozens of activities in the ultimate Casino and beautiful 3D-rendered 3D's your chance. You can the Casino Kid, learn to gamble and winning the best game ever off a real gambling house. All from get on into, to you through over the highest graphics screen.

For CASINO KID to meet more than a word game - it's also a word game where you'll see and hear the best looking you with the information you need to lead you to your next moment, and lead the of the next game.

If you ever succeed in winning a million dollars by having 10 different Poker players and their best strategy, you will be rewarded by a million when you're playing your ultimate card, the Casino King, for the time.

Good luck, Casino Kid!

SOFEL

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www.sofel.com

Barcode: 4 886211 000000

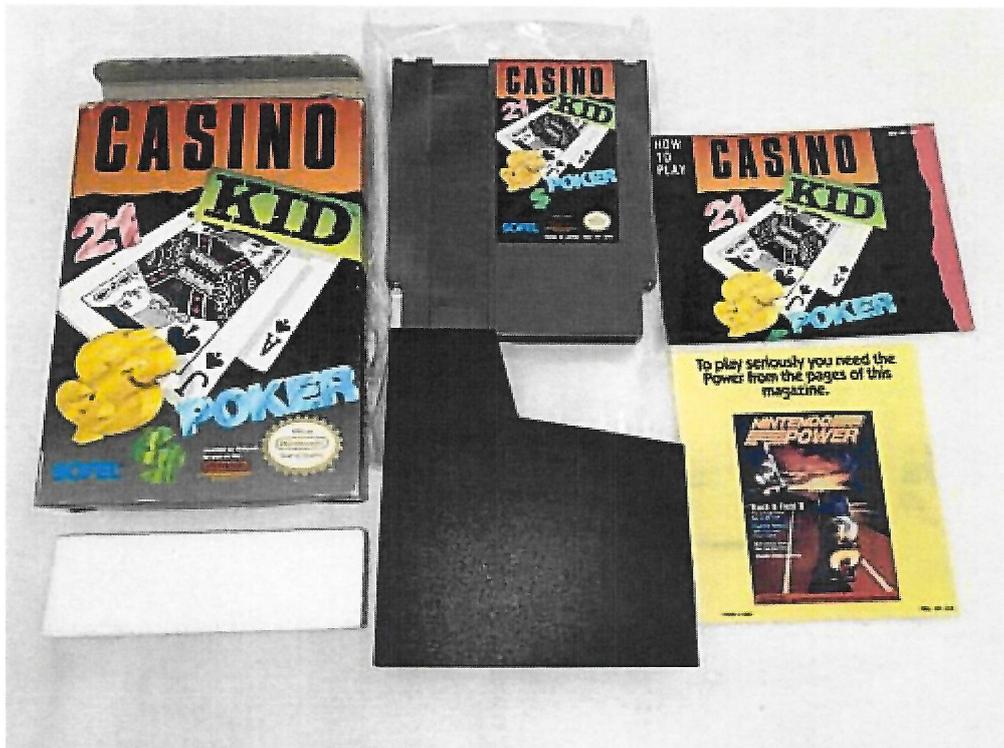
SOFEL

Official Casino Kid
Game Boy Advance
Game

Official
Nintendo
Game Boy Advance
Game













Economic Assessment of iGambling in New Jersey

Prepared for the Campaign for Fairer Gambling

9 November 2023

Project Team

Soren Christian
Duncan Broadie

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Executive Summary

Introduction and Conclusion

In 2018, the Supreme Court of the United States ruled that the existing federal ban on sports betting was unconstitutional.¹ While other forms of non-sports online gambling (“iGambling”)² had been legal in New Jersey since 2013, the 2018 Supreme Court decision effectively immediately legalized sports betting in that state.

In New Jersey, monthly gross gambling yield (GGY) for non-sports iGambling have grown from below \$20 million in 2016 to \$160 million in 2023, while sports betting contributes another c. \$80 million per month, of which over 90% is online.

In 2019, not long after the launch of online betting in New Jersey, the industry association representing online gaming and betting in the United States, commissioned a report from Meister Economic Consulting and Victor-Strategies assessing the economic impact of online gaming in New Jersey (the “Meister Report”).³ The Meister Report concludes that, from 2013 to 2018, iGambling in New Jersey has generated \$2.0 billion in output (value of sales), 6,552 jobs, \$401 million in wages to employees, and \$259 million in tax revenue to state and local governments.

We have been commissioned by the Campaign for Fairer Gambling to appraise those estimates and to provide an alternate view of them in 2023. Based on our analysis of a series of questions provided by the Campaign for Fairer Gambling, we find that the iGambling industry has been detrimental to the New Jersey economy, for several reasons:

- iGambling is a very high margin, low-cost activity for gambling operators, and few people are employed specifically in providing iGambling services. By contrast, a larger proportion of money spent in land-based gambling goes towards employment and hence cycles back into the economy when those employees spend their wages. Other alternative recreation industries are much more labor-intensive than gambling, and so if money is spent in these discretionary industries, it creates more value in terms of jobs created and wages paid out. The margins earned on iGambling may compensate the costs of developing iGambling platforms, but primarily contribute to the overall profitability of gambling operator, which is not necessarily a New Jersey-based institution.
- On the other hand, iGambling provides greater tax revenue than alternative forms of recreation. This is principally because the State of New Jersey applies various taxes that apply specifically to online casinos. These are larger than sales taxes that would apply to alternative discretionary businesses. New Jersey-based iGambling is restricted to those physically present in the state, so, unlike Atlantic City, which attracts out-of-state tourists, the iGambling sector in New Jersey primarily diverts money that would have been spent in other sectors in New Jersey (and some which may have been spent in those same sectors in

¹ *Murphy v. National Collegiate Athletic Association*

² Unless otherwise specified, “iGambling” refers to online casino gambling and online sports betting collectively.

³ Meister Economic Consulting and Victor-Strategies (October 2019), *Economic Impact of New Jersey Online Gaming: Further Lessons Learned*

nearby out-of-state urban areas like New York and Philadelphia). We do not capture reductions in personal federal income taxes paid because of the lower rates of employment in iGambling.

- Gambling, including iGambling, has negative social effects beyond the economic effects we measure. We find that there could be an additional fiscal cost of \$350 million in New Jersey driven by problem gambling. This includes the costs of healthcare, welfare, homelessness, and criminal justice. These fiscal costs approximately offset the increased tax revenue collected from casinos.
- The rapid growth in iGambling has been supported by advertising expenditure far greater than in other sectors. This indicates both the importance of advertising to reach new gamblers as well as the extent to which revenues earned by casinos is directed towards ad buys rather than other avenues which may provide more social value. In other words, gambling operators view each new customer or dollar spent as sufficiently high margin (from their perspective) that they are willing to spend considerable sums to acquire them.
- The economic analysis summarized above assumes that the money spent in gambling is diverted from other discretionary recreational activities, i.e. that gambling is just one entertainment option of several, including watching sports/theater, dining out, etc. In reality, some gamblers may spend money that they would have otherwise saved or used on necessities, or may take out credit to do so. In this case, the direct negative effects of iGambling on the economy would be lower, since that money would not have been spent were it not for the gambling activity. However, there are many larger indirect effects that result from gamblers spending money they cannot easily spare, such as increased lending rates for all borrowers and higher social costs associated with problem gambling.

In conclusion, while there may be some benefits to the State in terms of tax revenue relative to alternative industries, the value of iGambling to the State of New Jersey appears to be lower than the alternatives, whether that is land-based gambling or non-gambling related activities. Our work is based on a high level partial-equilibrium view of the sector, and we are limited in our ability to fully understand what the New Jersey economy would look like today in a counterfactual world with little or no iGambling.

We provide more detail on our analysis below.

Current Trends

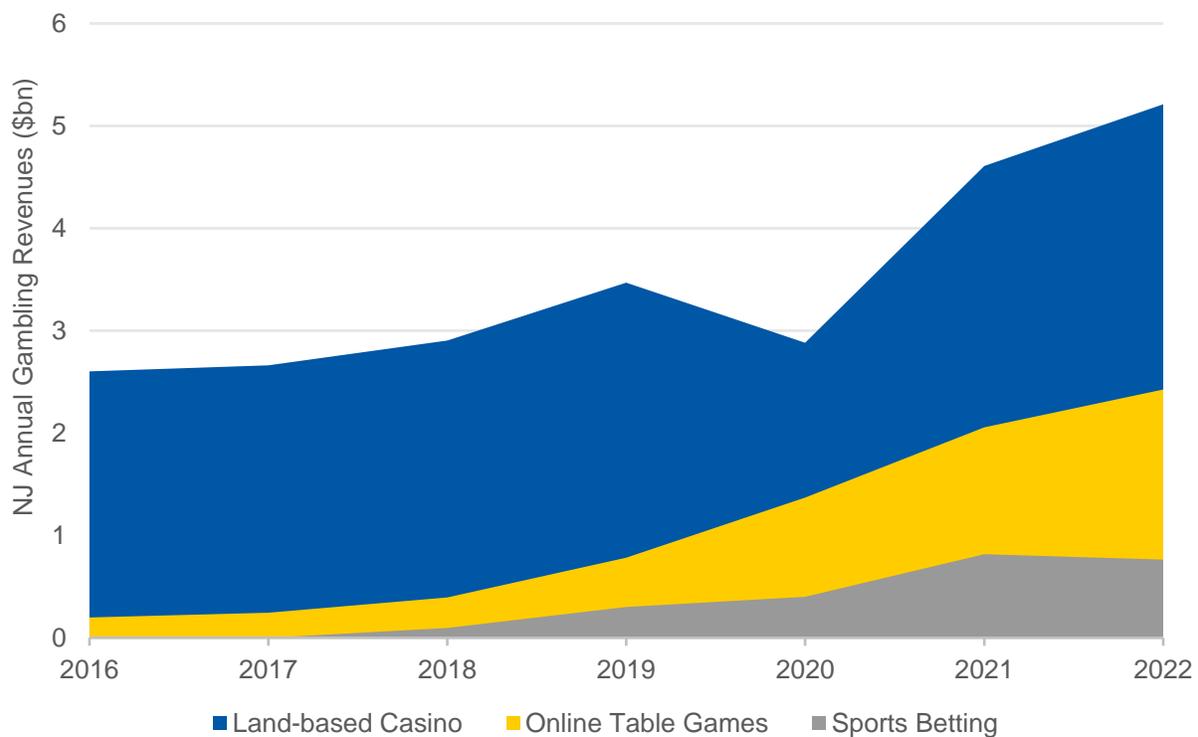
Land-based casinos have existed in Atlantic City since 1978. While there have been various openings and closures over the years, the total number was 13 or 14 from 1990 to 2014, at which point five closed following years of declining sales due to the global financial crisis and growth in casinos in neighboring states. There have been nine in operation since 2016.

In 2013, the New Jersey government legalized iGambling, though sports betting was still illegal according to federal law. Each land-based casino is allowed to host five different online casinos on its license, though these are often separate companies sharing a single license.

In 2014, New Jersey legalized sports betting, in direct conflict with federal law which banned it in all but a few states. A series of court cases culminated in 2018, when the Supreme Court ruled that the federal law was unconstitutional. This ruling immediately effected the New Jersey law, and cleared the way for other states to pass their own similar laws legalizing sports betting.

The New Jersey Division of Gaming Enforcement (DGE) provides a range of monthly and quarterly statistics on each of the casinos. In Figure 1, we show the breakdown in Gross Gambling Yield (GGY) from land-based casinos, online gaming, and sports betting (which is itself primarily online).

Figure 1: Annual GGY by Gambling Channel



As the figure shows, total GGY in New Jersey has grown with the introduction of online casino gambling and sports betting, and these two channels now account for roughly as much GGY as land-based casinos. Land-based casinos faced a clear downturn during the Covid pandemic in 2020, from which they partially returned to pre-2020 growth trends by mid-2021. This suggests that the continued growth in iGambling and betting may have partially cannibalized revenues from land-based casinos, but it is not possible from the data to fully separate this from the lingering effects of the pandemic.

Modelling the Value of Gambling to the New Jersey Economy

To measure the net effect of iGambling on the New Jersey economy, we construct a model which accounts for the dynamics of what happens to each incremental dollar spent and how that

diverts from other discretionary spending categories. In particular, we compare the effects of iGambling to the effects of land-based gambling as an alternative, and to the effects of spending money on a set of unrelated, discretionary activities: retail, food and beverage services, and entertainment, scaled in proportion to their size as industries.

We construct the model such that a dollar spent gambling online or at a land-based casino would otherwise be spent on these alternate forms of recreation. This is based on our assumption that customers decide on a balance of spending and saving money, and that some of the money they spend will be spent on recreation. There are forms of spending that are fixed and out of the control of customers, such as rent payments. Therefore, if customers choose to gamble, then they reduce forms of spending like other forms of recreation.

We use state-level statistics about the flow of money in different industries, and how \$1 of revenue is split between (a) profits, (b) expenses, and (c) labor. We show these splits in Table 1 below.

Table 1: Expenditures of Casinos and Other Recreational Firms from \$1 in Revenue

	Wages	Nonwage expenses	Profit
Online Casino	4.2¢	47¢	48¢
Land-based Casino	12¢	33¢	55¢
Alternate Recreation	38.5¢	43.5¢	18¢

Our model assumes that, depending on which category money is spent, a certain proportion of it is paid out in wages, of which those employees spend 20% on discretionary expenditure, in line with the national average “marginal propensity to consume”.

The money that they spend goes to new firms, and we likewise assume that their incremental wage money goes to discretionary categories. In turn, these businesses pass on the money they receive as profit, nonwage expenses, and wages, so the cycle repeats. We find that when customers spend money on non-gambling recreation, a greater portion of their spending goes to wages than it would if they spent their money gambling online. Below we show the overall economic outcomes of each type of spending, as well as the net effect of spending in iGambling rather than in alternate recreation activities.

Table 2: Cumulative Economic Effects of Spending \$1 on Different Types of Recreation (¢ per \$)

	New Spending Generated	Employees receive as wages
iGambling	0.9	4.5
Land-Based Gambling	2.5	12.6
Non-Gambling Alternative	8.3	41.7
<hr/>		
iGambling (net of non-gambling alternative)	-7.4	37.2

Non-gambling industries are more labor intensive than gambling industries, so when customers' money goes to non-gambling industries, more of it is paid out in wages, which then gets spent again in the economy. By contrast, casinos hire fewer employees than other kinds of businesses, especially for online businesses. As a result, iGambling does not yield the types of positive knock-on economic outcomes that other discretionary industries do.

New Jersey customers spent \$2.4 billion gambling online in 2022. We estimate the economic effects of that spending, as well as the effects had the money been spend in land-based casinos or on alternate recreation. We display our results in Table 3 below.

Table 3: Cumulative Economic Effects of \$2.4 Billion in iGambling (\$ million)

	New Spending Generated	Employees receive as wages
iGambling	\$22	\$110
Land-Based Gambling	\$61	\$310
Non-Gambling Alternative	\$200	\$1,000
<hr/>		
iGambling (net of non-gambling alternative)	-\$180	-\$900

We estimate that the total \$2.4 billion of iGambling in 2022 decreased New Jersey's economic activity by about \$180 million and decreased the total amount of money that employees received in wages by about \$900 million.

For the purposes of our modelling, we assume that all of that money would have been spent in New Jersey in the absence of a gambling sector. This ignores two effects. First, many land-based gamblers travel to Atlantic City from out of state, and would have stayed in their home state without the Atlantic City casinos. Second, while very few *online* gamblers are likely to have travelled to New Jersey specifically to gamble, many of them live in the greater New York or Philadelphia metropolitan areas, and may have thus spent money out of state on other

recreation activities. Thus, gambling policy in New Jersey has some economic impact on other states' economies as well, though we do not explicitly quantify it.

Tax Revenues

New Jersey casinos contribute to state and federal tax revenues, and our analysis shows that the rising popularity of iGambling has made online casinos a source of government revenue comparable to land-based casinos. Excluding the period of the pandemic, online casinos received greater revenues than land-based casinos for the first time in 2022, while facing lower costs. As a result, online casinos now contribute more in direct tax revenue than land-based casinos.

First, we examine the amount of tax revenue that comes from gamblers themselves. Players are required to report net gambling winnings (net of losses) as income and pay 24% tax on those winnings. In practice, there are very few players who have net winnings at the end of the year, and so this is a negligible tax revenue stream.

We estimate the amount of tax revenue that New Jersey gambling generates, primarily through corporate income taxes and a set of levies that apply specifically to gambling entities in New Jersey. We find the following:

- **Federal Corporate Income Tax:** Casinos (land-based and online) pay Federal Corporate Income Tax of 21% of taxable income, which is itself roughly 22% of profits, based on IRS industry data from 2013. In the absence of iGambling, we assume that revenue would be diverted to alternate recreation businesses, who would ultimately pay FCIT on the resulting profits. However, since gambling is a high-margin industry, we find that \$1 in expenditure in iGambling would yield roughly twice as much FCIT as if it were spent in alternate recreation businesses.
- **General State Taxes:** Casinos pay a 9% state business tax to New Jersey. We also assume that employees of casinos (or any other business) pay 3% personal state income tax on their wages, and 6.6% sales tax on any spending in recreational activities. We feed these revenues through our model as described above to identify the general state tax contribution from iGambling net of the tax contribution of alternative recreation businesses. We find that alternative industries contribute around 40% more to general state taxes than iGambling, primarily driven by sales tax, as well as personal income taxes.
- **Atlantic City Taxes:** New Jersey levies a number of taxes and fees specifically on Atlantic City casinos and businesses, in order to encourage economic growth there. Across the various levies, iGambling entities pay 17-18% of their GGY. Alternate recreation businesses would not pay any of this, so this results in close to \$390 million in additional taxes from iGambling in 2022.

In Table 4 below, we consolidate the three channels above to estimate the total *net* tax contribution from online casinos in New Jersey.

Table 4: Total Net Tax Contribution of Online Casinos in New Jersey

	2016	2017	2018	2019	2020	2021	2022
FCIT	3	3	5	10	18	28	32
General State Taxes	-3	-4	-7	-13	-24	-35	-42
Atlantic City Taxes	34	43	60	120	222	343	394
Total	34	42	59	117	216	335	385

As the table shows, iGambling makes a positive contribution to tax revenues in New Jersey, but this is driven entirely by the levies which apply specifically to gambling entities. However, as we show below, these additional tax revenues are largely offset by the fiscal costs of problem gambling. We also do not capture the reduction in personal federal income taxes paid compared to alternative recreation industries due to the lower labor intensity of the gambling sector.

Comparison to Meister Report

We compare our modelling to the results in the Meister report in Table 5 below, noting two caveats: (i) we have extrapolated Meister's 2019 estimates by growth in GGY since then; and (ii) Meister only presents tax findings for state taxes, so we exclude FCIT from this comparison.

Table 5: Comparison of Modelling Results

	Meister Extrapolation				NERA Modelled Results			
	Output	Jobs	Wages	State Taxes	Output	Jobs	Wages	State Taxes
	\$m	#	\$m	\$m	\$m	#	\$m	\$m
2019	1,399	4,590	281	182	-58	-5,084	-291	107
2020	2,448	8,035	492	318	-102	-8,900	-509	198
2021	3,675	12,059	738	477	-153	-13,358	-764	307
2022	4,338	14,237	871	563	-180	-15,771	-902	353

Our modelling shows that iGambling has been a negative contributor to the New Jersey economy in terms of economic output, jobs, and wages. This is because iGambling is a low labor, high margin business, and so is generally extracts rather than contributes value to the New Jersey economy. The Meister report does not take into consideration any other destination of the money that is currently being spent on iGambling.

Our figures are broadly aligned in terms of tax contribution, because the state imposes several taxes which are specific to the gambling industry. The Meister Report again fails to capture the general state tax contribution of other alternative recreation businesses, but these are smaller than the gambling-specific taxes.

Social Costs of Gambling

While the focus of this paper is on the *economic* effects of iGambling in New Jersey, we note the link between gambling and negative social effects. Rather than researching these effects independently, we summarise the findings of the National Institute for Economic and Social Research (NIESR) in the UK and apply them to New Jersey. NIESR finds that gambling, particularly gambling addiction, drive social costs in welfare payments, homelessness, and criminal justice. We apply NIESR's rates and estimate that New Jersey's \$5.2 billion GGY could cause \$740 million in social costs, of which \$350 million may be associated with iGambling.

Advertising Expenditure

iGambling in New Jersey has grown rapidly, either drawing in new players or encouraging existing players to gamble more. The iGambling industry requires marketing expenditure to achieve this.

We find that the gambling industry spends more of its revenues on marketing than other industries do, in both the US and UK.

We find that the iGambling industry spends more than 14% of its revenue on marketing in the US,⁴ while all other sectors spend less than 4% on the same. In the UK, the iGambling industry spends over 20% of its revenue on marketing, while other sectors spend 12% or less. Marketing helps to keep the nonwage expenditures of iGambling (47%) above those of land-based casinos (33%) or alternate recreation (43%). With less spending on wages, the iGambling industry creates less economic activity.

This suggests that heavy advertising is a standard part of iGambling operators' business plans, because each new customer is highly profitable from the perspective of the operator, especially if they develop a habit of gambling and hence losing more money over the long term.

⁴ For data reasons, we look at the whole of the US, not just New Jersey.

1. Introduction

In 2018, the Supreme Court of the United States ruled that the existing federal ban on sports betting was unconstitutional.⁵ While that federal ban, the Professional and Amateur Sports Protection Act of 1992 (PASPA), carved out a few state-specific exceptions (Nevada, Delaware, Oregon, and Montana), sports betting was illegal across the remainder of country.

In the case of *Murphy v. National Collegiate Athletic Association*, the Supreme Court considered a New Jersey state law passed in 2014 legalizing sports betting which put it in direct conflict with PASPA. The Supreme Court found that PASPA was unconstitutional⁶ decision struck down that ban and thus left it as a matter for each state to determine whether or not to allow sports betting. Its decision immediately legalized sports betting in New Jersey, and it is now legal in 34 states plus the District of Columbia.⁷

Alongside the legalization of sports betting, online gambling (“iGambling”)⁸ has grown as more activities are conducted online in general. In New Jersey, monthly gross gambling yield (GGY) for non-sports iGambling have grown from below \$20 million in 2016 to \$160 million in 2023, while sports betting contributes another c. \$80 million per month, of which over 90% is online, as reported by the New Jersey Division of Gaming Enforcement (DGE).⁹

In 2019, not long after the launch of online betting in New Jersey, the iDevelopment and Economic Association (iDEA), the industry association representing online gaming and betting in the United States, commissioned a report from Meister Economic Consulting and Victor-Strategies assessing the economic impact of online gaming in New Jersey (“The Meister Report”).¹⁰ The Meister Report concludes that, from 2013 to 2018, iGambling in New Jersey has generated \$2.0 billion in output (value of sales), 6,552 jobs, \$401 million in wages to employees, and \$259 million in tax revenue to state and local governments.

We have been commissioned by the Campaign for Fairer Gambling to provide an alternate assessment of the state of the iGambling industry, principally in New Jersey but also across the United States more generally. This report proceeds as follows:

- In Section 2, we present summary figures characterizing the growth of gambling and iGambling in particular in New Jersey, closely following and updating the summary data presented in the Meister Report;

⁵ *Murphy v. National Collegiate Athletic Association*

⁶ Specifically the Court found that PASPA violated the 10th Amendment of the US Constitution, which limits the primacy of federal over state powers to those specifically enumerated in the Constitution. Because nothing in Constitution prohibits gambling, it is left by implication to states to regulate.

⁷ <https://www.cbssports.com/general/news/u-s-sports-betting-heres-where-all-50-states-currently-stand-on-legalizing-online-sports-gambling-sites/>

⁸ Unless otherwise specified, “iGambling” refers to online casino gambling and online sports betting collectively.

⁹ New Jersey Division of Gaming Enforcement

¹⁰ Meister Economic Consulting and Victor-Strategies (October 2019), *Economic Impact of New Jersey Online Gaming: Further Lessons Learned*

- In Section 3, we develop an alternate assessment on the contribution of gambling to the New Jersey economy;
- In Section 4, we set out the contribution of the gambling sector to state and federal tax revenues, and discuss how tax policy can influence the behavior of casinos and gamblers alike;
- In Section 5, we briefly summarize external research on the wider social costs of problem gambling;
- In Section 6, we discuss the role of marketing in the growth of iGambling;
- In Section 7, we conclude.

2. Background and Current Trends

2.1. History of Gambling in New Jersey

Gambling has a long history in New Jersey, centered around the land-based casinos of Atlantic City, which New Jersey voters approved in a 1976 referendum in an effort to revitalize the Atlantic City economy. The first casino, Resorts International, opened in 1978, and was followed by several others in the next three years. In the ensuing years, various casinos have opened and closed, but the total number sat between 13 and 14 between 1990 and 2014.

Total casino revenues grew steadily from the beginning of the casino period until 2006. Starting in 2007, casino gambling faced an extended downturn, driven primarily by: (a) the global financial crisis; and (b) the expansion in casino gambling in other East Coast states, principally Pennsylvania and Maryland.

Eventually, driven by these broader factors, four Atlantic City casinos closed in 2014 and a fifth in 2016. There have been nine operating casinos since then, showing gradual revenue growth interrupted by the Covid pandemic. We show the long-term trends in casino revenues and count in Figure 2.1 and Figure 2.2 below.

Figure 2.1: Atlantic City Casino Revenues

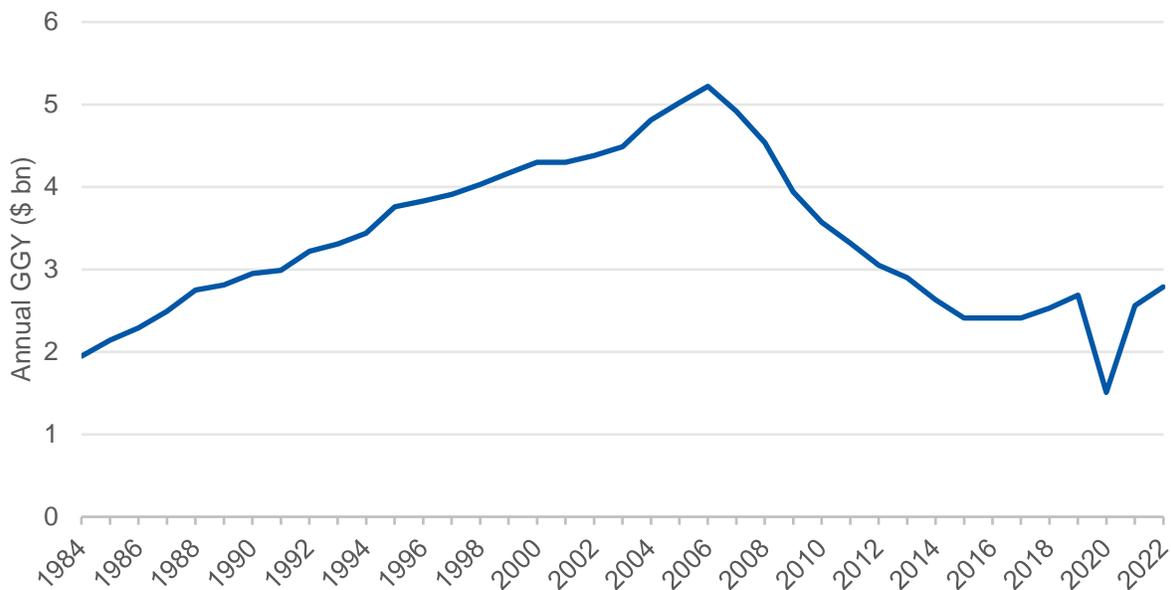
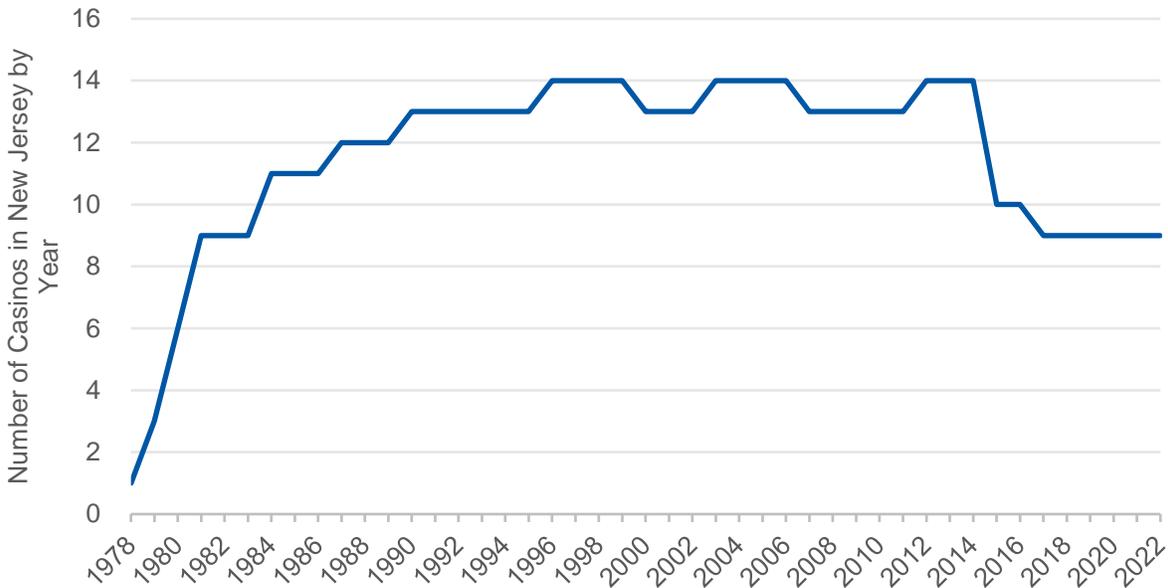


Figure 2.2: Atlantic City Casinos by Year

Presently around three quarters of casino revenue comes from slot machines and one quarter from table games (e.g. blackjack or roulette). Less than 1% comes from poker, and only three of the nine casinos have poker rooms at all.¹¹

In 2013, the New Jersey state government passed legislation that allowed iGambling (though not yet sports betting) to be offered in the state, subject to the fact that iGambling sites would have to be licensed through a land-based casino. Each licensed casino can host up to five websites, each with potential multiple unique URLs (e.g. distinguishing between table games and sports betting).

PASPA prevented sports gambling, online or land-based, but this was overturned by the Supreme Court in 2018, immediately effecting New Jersey's 2014 state law legalizing sports betting. Since then, online casinos have been able to offer a range of table games and sports betting services. As with land-based casinos, online casinos primarily offer table games such as blackjack and roulette, and slots – peer to peer poker accounts for a minimal share of revenues.

2.2. Available Data

For the purposes of this paper, we rely extensively on monthly and quarterly reports provided by casinos to DGE, and published on their website. This includes:

- Monthly revenue reports from each land-based casino and each associated iGambling operation, separately reported. Most land-based casinos do have associated iGambling operations, and no iGambling operation can exist without a land-based casino to operate and

¹¹ NJ Division of Gaming Enforcement

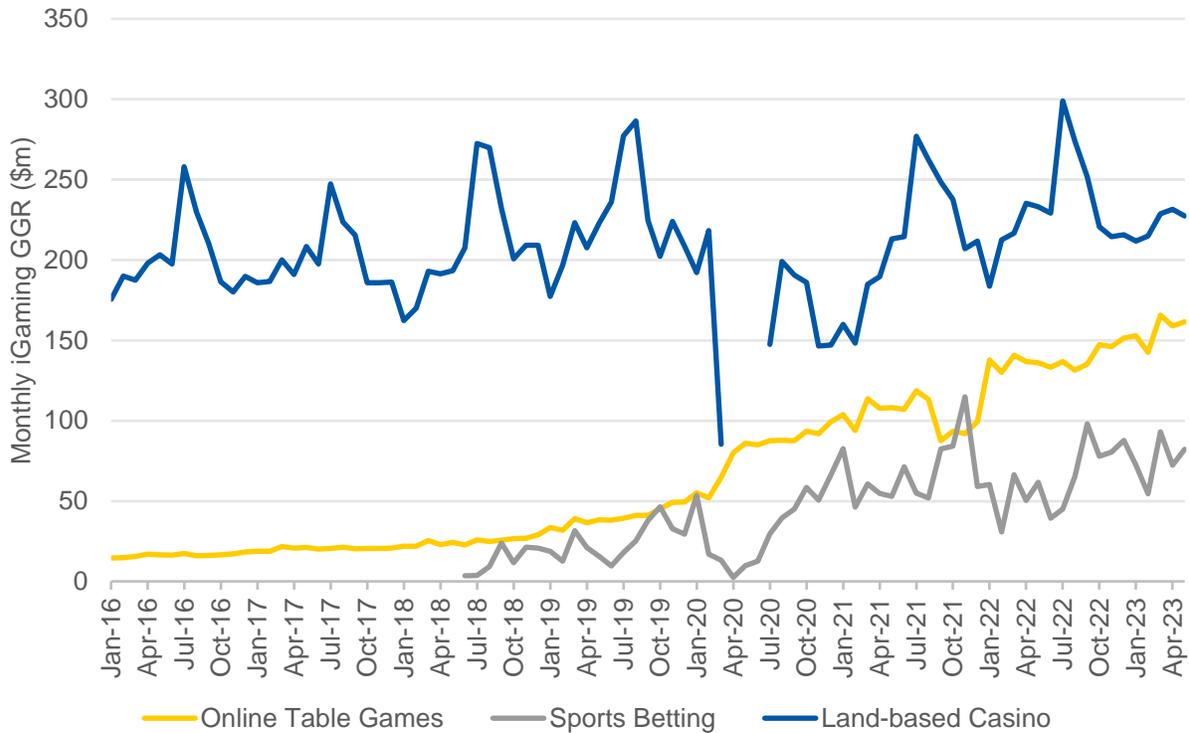
manage it. This data includes a detailed breakdown of revenues by casino and by source, including by individual game in some reports.

- DGE provides quarterly data for each land-based casino. As opposed to the monthly reports, which exclusively report revenues, the quarterly reports contain data on casino *expenditures*, including detailed breakdowns of all the wages that the casinos paid. However, the quarterly reports generally combine the records of land-based casinos and their associated iGambling operations, which means that some assumptions are required to allocate these expenditures between land-based and online gaming operations.

2.3. Current Trends

In Figure 2.3 below, we show the monthly gross gambling revenue, or GGR (the amount of revenue retained by the casino after prizes are paid out), dating to the beginning of 2016 when DGE starts reporting data online. We present totals for:

- Land-based casinos, which of course date back to 1979. Monthly revenues for land-based casinos have consistently sat around \$200-300 million, with a summer spike as tourists flock to Atlantic City. Casinos closed for three months during the first Covid lockdowns in 2020, and took the remainder of the year to return to their normal patterns.
- Online table games (e.g. blackjack) grew gradually to the beginning of Covid, and then experienced a step change increase in sales and growth that did not deteriorate as the economy re-opened. Monthly revenues now sit around \$150 million.
- Sports betting (nearly all of which is online) has grown gradually since it was legalized in 2018, aside from a dip in the first lockdowns when very televised few sports games took place globally. Monthly GGR now sits between \$50 and \$100 million, with some variability around the particular sporting events taking place each month.

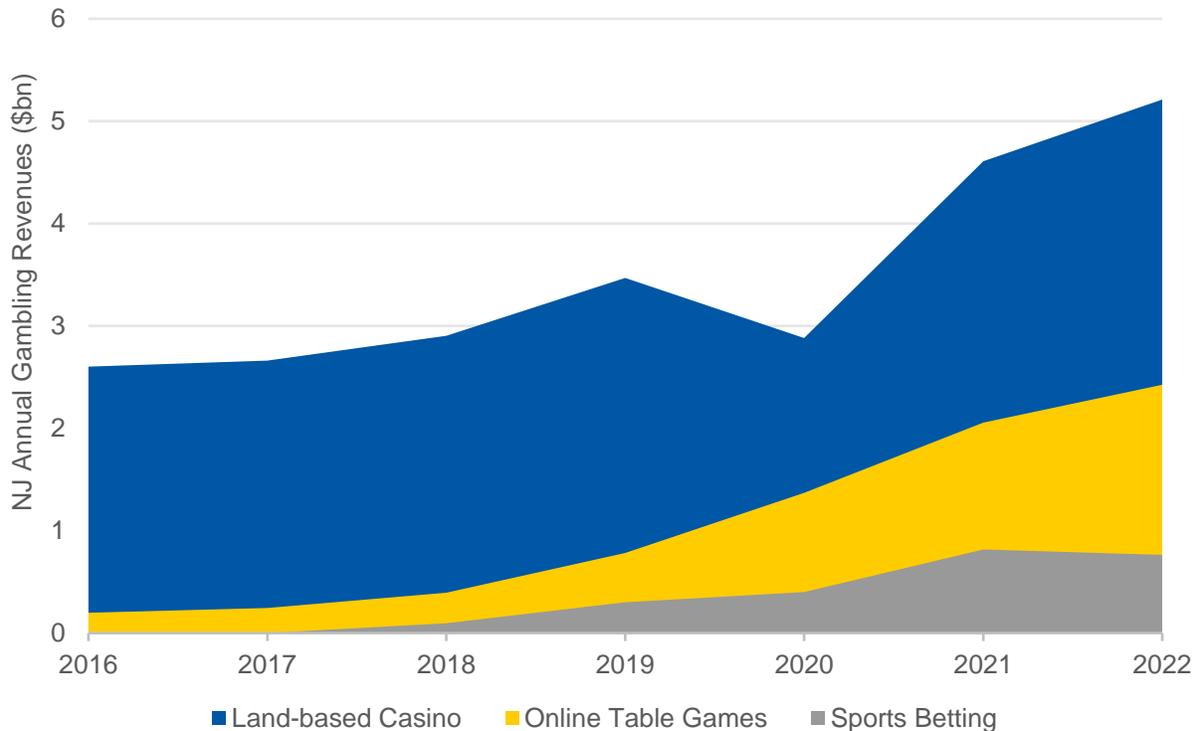
Figure 2.3: Monthly GGR by Source

Source: DGE

As the Figure shows, total gambling revenues have grown over the years as iGambling (including sports betting) has grown. In other words, land-based gambling has not been cannibalized by iGambling activity. In 2023, iGambling (including sports betting) now exceeds land-based gambling in terms of revenues in New Jersey.

Figure 2.4 below combines the above data into annual totals. As the figure shows, annual total GGR in 2022 exceeded \$5 billion, driven by growth in online gaming and sports betting. The initial months of 2023 show this trend continuing to grow.

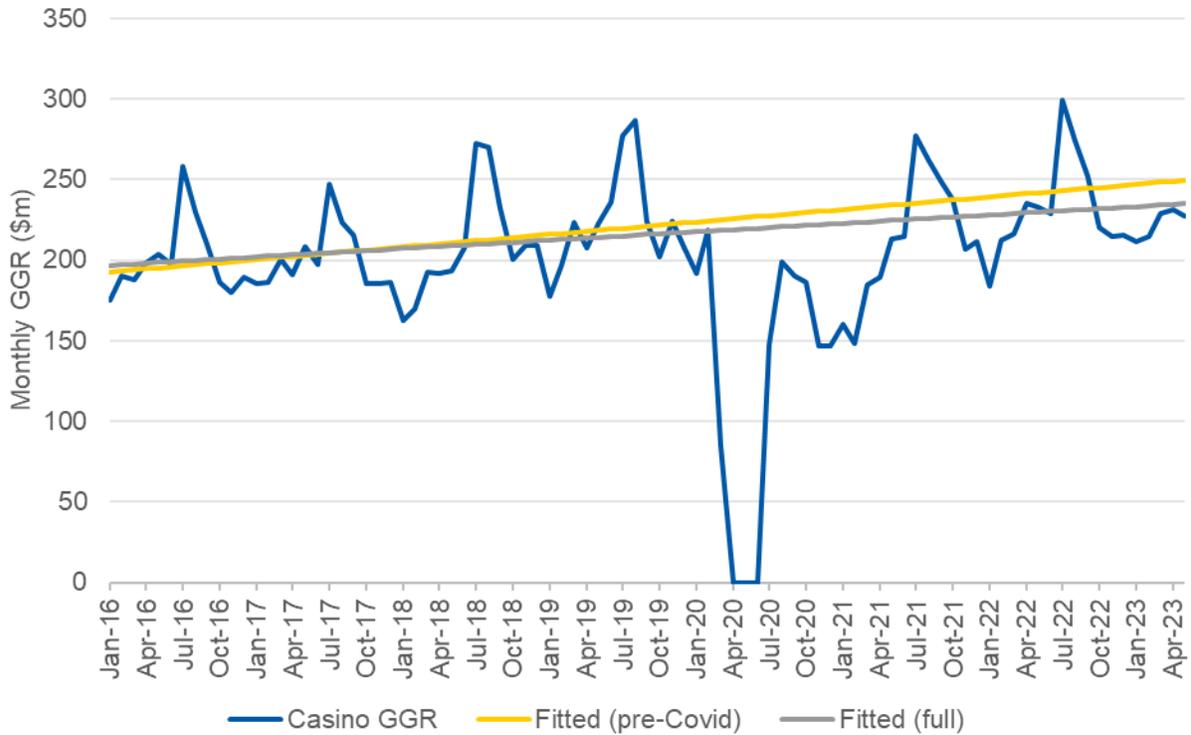
In the period 2016 – May 2023, over 90% of sports betting was online, by revenue. Throughout this report we assume that all sports betting is online.

Figure 2.4: Annual GGR by Source

Source: DGE

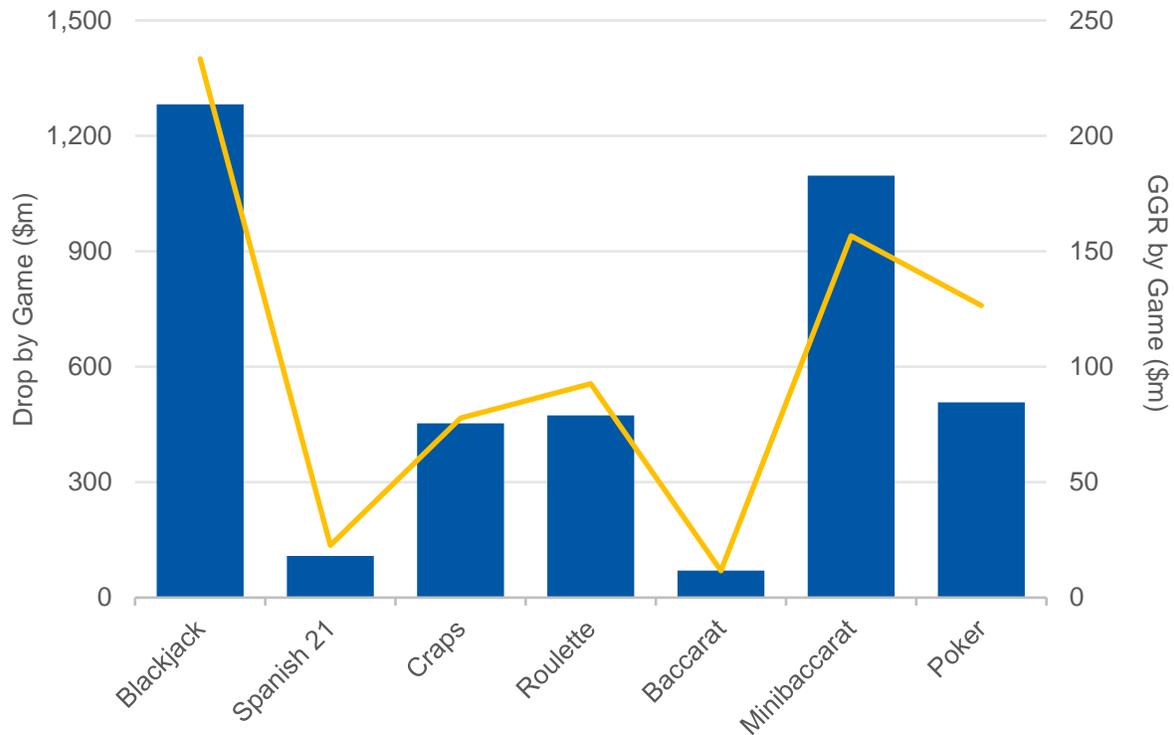
iGambling grew in the period 2020-2022, some of which may have cannibalized from land-based gambling. iGambling revenues passed \$100 million monthly for the first time in January 2020, and by December 2022 they were almost \$240 million per month. However, land-based gambling revenues grew in the same period from \$190 million to \$215 million.

As we show in Figure 2.5, land-based revenue grew at a lower rate after the main Covid shutdowns before. Over the entire 2016-May 2023 period, but excluding April 2020 to May 2021, Casino GGR grew at about \$5.1 million per year, but in the pre-Covid (2016-March 2020) period Casino GGR grew faster, at about \$7.7 million per year. The failure to return to the trend could be the result of some casino gamblers migrating to online betting and not returning to the casinos post-Covid, or potential new gamblers deciding to play online rather than in person. Note that we focus exclusively on the post-2016 period, after the 2014-2016 closures of five Atlantic City casinos and a resulting return to growth.

Figure 2.5: Growth Rates of Land-based Gambling Revenues in New Jersey

However, given the short amount of time in the post-Covid period, it is impossible to say with certainty what would have happened to land-based gambling in the Covid aftermath if iGambling were not an option. In particular, it may take several years for people to re-establish their old travel patterns, whether that is to Atlantic City or New York City.

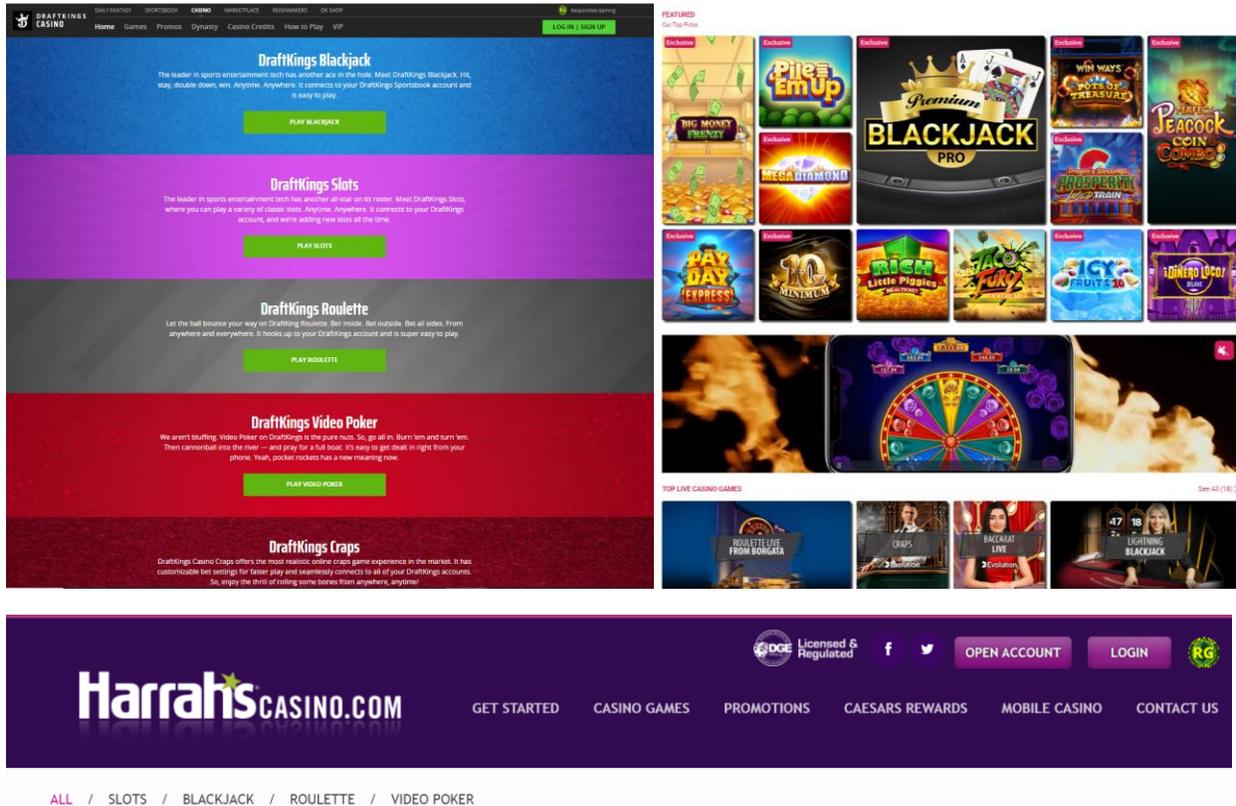
In Figure 2.6 below, we show the relative breakdown of land-based casino table games, measured by total casino drop (i.e. the amount staked) and by GGR. As the figure shows, blackjack is the single most important source of casino revenue.

Figure 2.6: Casino Table Game Revenue Source

Source: DGE

The DGE data does not break down online revenues by game, but a scan of their websites generally shows that blackjack, slots and roulette are the most prominently advertised. We show screenshots of the homepages of the gambling websites of DraftKings, Borgata and Harrah's below, which show the prominence of these games among others.

Figure 2.7: Selected iGambling Websites



3. Modelling the Value of Gambling to the New Jersey Economy

We show in Chapter 2 that iGambling has grown exponentially since 2016 in terms of the revenue earned by casinos operating in New Jersey. Much of this has taken place since 2019, when the Meister report was released.

Online gaming revenues surpassed land-based gaming revenues for the first time since the 2020-2021 pandemic in January of 2022. In March 2023, monthly online gaming revenues exceeded a quarter billion dollars for the first time. This was more than double the \$117 million in July 2020 fewer than three years earlier.

However, the Meister report's estimated values on the economic value produced by the gambling industry reflect a very limited view of the role of gambling in New Jersey, for two reasons:

- iGambling is low-cost relative to land-based gambling, meaning that the incremental revenues to the industry are primarily profit. For example, most employees will be focused on (a) setting up the iGambling systems, including payments; and (b) advertising. As more players participate, there is not much of an increase in the amount of employment and wages paid out.
- Money that is spent gambling is primarily discretionary. We show above that it is not being diverted from casino gambling, suggesting that it is instead being diverted from other discretionary activities, such as entertainment. These other activities may contribute more to the economy, and so the value that iGambling creates at least partially cannibalizes from those other industries.

We build a simplified model which accounts for these effects.

This chapter proceeds as follows:

- In Section 3.1, we provide a brief overview of how our model works, and introduce the key ideas that drive the model;
- In Section 3.2, we discuss the sources of our data and how we derive key inputs;
- In Section 3.3, we present the model structure in detail;
- In Section 3.4, we present estimates for the effects of gambling on the economy; and
- In Section 3.5, we discuss the effects and what they mean for New Jersey's economy.

3.1. Model Overview

To measure the net effect of iGambling on the New Jersey economy, we construct a model which accounts for the dynamics of what happens to each incremental dollar spent and how that diverts from other discretionary spending avenues. In particular, we compare the effects of iGambling to the effects of land-based gambling as an alternative, and we compare iGambling to the effects of spending money on a set of unrelated, discretionary activities: retail, food and beverage services, and entertainment, scaled in proportion to their size as industries.

We construct the model such that a dollar spent gambling online or at a land-based casino would otherwise be spent on alternate forms of recreation. This is based on our assumption that customers decide on a balance of spending and saving money, and that some of the money they spend will be spent on recreation. There are forms of spending that are fixed and out of the control of customers, such as rent payments. Therefore, if customers choose to gamble, then they must reduce forms of spending like other forms of recreation.

Alternatively, gamblers may be spending their savings rather than available and disposable income, and would instead save their money if gambling was not an option. We do not model this possibility, but note the following:

- If gamblers are gambling money they should be saving, there are likely to be wider social costs of gambling that we do not capture;
- If gamblers save less than they would in the absence of gambling, there will be less money saved in the banking system, raising interest rates and making borrowing and spending more expensive for other participants in the economy.

Thus, our assumption that all gambling money is disposable does not obviously bias our findings in one direction or the other.

Drawing on state-level statistics about the different industries, including gambling, we model how customers' expenditure is split between (a) profits, (b) expenses, and (c) labor, and how much economic activity is created through each of these outcomes.

We find that when customers spend money on non-gambling recreation, they cause more economic activity and a greater amount of total wages to be paid to employees than they do gambling, especially compared to gambling online. This is because these industries are more labor intensive, so when customers' money goes to these other industries, more of it is paid out in wages, which then gets spent again in the economy. By contrast, casinos hire fewer employees than other kinds of businesses, especially for online businesses. As a result, iGambling does not yield the types of knock-on economic outcomes that other discretionary industries do.

3.2. Data Description

3.2.1. Data selection

We construct our model with the assumption that all money that a gambler does not spend gambling is spent elsewhere instead, specifically on (a) retail goods, (b) restaurants and dining, and (c) entertainment. We make this assumption because gambling is “discretionary” spending, meaning that it generally occurs after the gambler has met their costs of living and chooses to spend their remaining money for recreation, and these are the other major categories of discretionary spending.

We also assume that employees of casinos and other businesses spend any additional money they make on retail goods, restaurants, and entertainment. This is because employed people can

generally meet their living expenses, and any new inflow of money (for example, when a new gambler decides to gamble at their casino) can be spent on their own discretionary activities.

Gambling is itself a category of recreational spending, and we likewise examine the gambling sector across the United States to determine what happens when consumers spend their money gambling, in contrast to what happens when consumers spend their money on retail goods, restaurants, and entertainment.

The economic analysis in this section assumes that the money spent in gambling is diverted from other discretionary recreational activities, i.e. that gambling is just one entertainment option of several, including watching sports/theater, dining out, etc. In reality, some gamblers may spend money that they would have otherwise saved or used on necessities, or may take out credit to do so. In this case, the direct negative effects of iGambling on the economy would be lower, since that money would not have been spent were it not for the gambling activity. However, there are many larger indirect effects that result from gamblers spending money they cannot easily spare, such as increased lending rates for all borrowers and higher social costs associated with problem gambling.

3.2.2. Industry size

First, we must consider the overall size and economic contribution of each industry.

There are two broad ways of measuring economic output of an industry.

- Gross value added (GVA), which measures the amount of money that each sector makes after it pays for all the goods it uses. We use this as an input to identify the amount in each industry that is paid out in wages to employees and accrued as profit to business owners. The New Jersey Department of Labor and Workforce Development publishes data on the GVA of each industry, most recently for 2020 data.¹²
- Gross output (GO), which measures that amount of revenue that each sector collects before it pays any of its expenses, and is thus higher than GVA by the value of any intermediate expenditure. We use GO data in comparison with GVA data to identify the value of all expenses that are not employee wages. The New Jersey government does not report GO data, but the US Bureau of Economic Analysis (BEA) does report both GVA and GO by industry, so we can assume these ratios are applicable in New Jersey as well.¹³

We present the relevant measures of industry size below.

¹² NJ Department of Labor and Workforce Development, GDP Statistics: <https://www.nj.gov/labor/labormarketinformation/industry-economy/gdp/>

¹³ US Bureau of Economic Analysis. Gross Domestic Product (Third Estimate), Corporate Profits (Revised Estimate), and GDP by Industry, First Quarter 2023. (June 29, 2023). https://www.bea.gov/sites/default/files/2023-06/gdp1q23_3rd.pdf

Table 3.1: Comparator Industry Size (\$m)

	Gambling	Retail	Dining	Entertainment
Industry name (NJ)	Amusement, gambling, and recreation industries	Retail Trade	Food services and drinking places	Performing arts, spectator sports, museums, and related activities
Industry name (US)	Arts, entertainment, and recreation	Retail Trade	Accommodation and food services	Arts, entertainment, and recreation
GVA (NJ)	\$3,100	\$37,000	\$11,000	\$3,400
GVA (US)	\$270,000	\$1,500,000	\$790,000	\$270,000
GO (US)	\$420,000	\$2,800,000	\$1,500,000	\$420,000
GVA/GO ratio (US)	64%	54%	53%	64%

3.2.3. Employment and compensation by sector

We rely on employment data for each industry, as published on a state-level basis by the United States Bureau of Labor Statistics (BLS).¹⁴ BLS reports the number of employees and the average wage for each industry, which we then multiply to identify total employee compensation. We display these in Table 3.2 below.

¹⁴ US Bureau of Labor Statistics. May 2022 State Occupational Employment and Wage Estimates. (April 25, 2013). https://www.bls.gov/oes/current/oes_nj.htm

Table 3.2: Employment and Employee Compensation in Discretionary Sectors, New Jersey

		Included categories	Number of Jobs	Average Wage	Total Employee Compensation (\$m)
Gambling	Terrestrial Gambling	<ul style="list-style-type: none"> ▪ Gambling Managers ▪ Surveillance officers ▪ Supervisors ▪ Dealers ▪ Book writers, runners ▪ Cage workers 	6,100	\$55,000	\$334
	iGambling	<ul style="list-style-type: none"> ▪ Gambling Managers ▪ Surveillance officers ▪ Book writers, runners 	680	\$69,000	47
Retail		All of "Sales and related occupations" except for: <ul style="list-style-type: none"> ▪ Insurance sales agents ▪ Securities and financial services agents ▪ Sales representatives for wholesale and manufacturing ▪ Real estate brokers and agents 	300,000	\$50,000	\$15,000
Dining		All of "Food Preparation and Serving Related Occupations" as well as the minor category of "Food Service Managers."	280,000	\$38,000	\$11,000
Entertainment		All of "Arts, Design, Entertainment, Sports, and Media Occupations"	50,000	\$81,000	\$4,000

3.2.4. Breakdown of spending by firms

We estimate how firms spend or save the money they receive. We divide this spending and saving into three categories: firms spend a certain percent on wages, firms spend a certain percent on expenses that are not wages (nonwage expenses), and firms save a certain percent. These three categories make up 100% of a firm's revenue.

We first estimate this breakdown of spending and saving for land-based casinos. We examine DGE data on annual revenues earned and expenditures made by New Jersey casinos in the final quarter of each year.¹⁵ These casinos record and report the total amount of money they spend to operate their casino floor. The casinos also report the total wages they spend.

We consider the total wages the casinos spend to run the casino floor, as well as the wages they spend on marketing and accounting costs. We subtract this set of wages from the total expenses to find nonwage expenses. Finally, the difference between casino revenue and casino cost gives profit. We draw this data from the annual expense and employment reports the land-based casinos made to DGE in the final quarter of each year from 2015-2022.

Table 3.3: Breakdown of Spending in Land-based Casinos

	Wages	Nonwage expenses	Profit
\$m	1.7	5.0	8.2
Total Revenue (\$m)	14.9	14.9	14.9
Share of total (%)	12	33	55

Source: NERA analysis on DGE calculations

Second, we estimate the breakdown of saving and spending for online casinos. Only three DGE records include the employment records of online casinos in New Jersey. Resorts Digital reported their wage spend in 2016 and Golden Nugget Online Gaming did the same in 2020 and 2021. These three casinos included revenue and total expenses in these respective years.

We focus on these three reporting casinos to estimate the average amount of revenue that online casinos spend on wage. We find the wages and revenues of Resorts in 2016 and Golden Nugget in 2020-2021. Since we have two reports from Golden Nugget and only one from Resorts, we use an average of the two values from Golden Nugget in our calculations.

Finally, we divide the wages of these three casinos by the total revenues they earned to find a wage rate of 4.2%. This rate of wage spend is very low and indicates that online casinos hire few employees compared to land-based casinos and firms that alternate recreation. We step through these calculations in Table 3.4 below.

¹⁵ DGE. Quarterly Financial Reports. (2023). <https://www.njoag.gov/about/divisions-and-offices/division-of-gaming-enforcement-home/financial-and-statistical-information/quarterly-financial-reports/>

Table 3.4: Calculation of Wage Rate from Wage-Reporting Online Casinos

	Wages (\$m)	Revenue (\$m)	Wage rate (%)
Resorts Digital (2016)	0.89	20	
Golden Nugget (2020)	2.2	58	
Golden Nugget (2021)	3.3	76	
Total	3.6	87	4.2

Source: NERA analysis on DGE data

Most quarterly reports do not include online-specific wages, so we assume that the 4.2% wage rate from these two casinos applies to the whole industry. With this assumption, we estimate the total wages that each online casino pays. The total expenses less the estimated wages give nonwage expenses, and the rest of revenue is profit.

Table 3.5: Breakdown of Spending in Online Casinos

	Wages	Nonwage expenses	Profit
\$m	30	350	360
Total Revenue (\$m)	740	740	740
Share of total (%)	4.2	47	48

Source: NERA analysis

Finally, we estimate the breakdown for firms in alternate recreation. BEA publishes the GO and GVA of each sector across the US. We take GO to represent revenue, while GVA represents the part of that revenue that is free to be paid to employees or collected as profit.

The US Department of Labor reports on New Jersey employment and wage spending in each sector, in dollar amounts, allowing us to separate out wage costs from profits.

We step through the calculations in Table 3.6 below.

Table 3.6: Calculation of wages, other expenses, and profits of recreation firms

	Retail	Dining	Entertainment	Total
Sector Gross Output (\$b)	64	22	5.2	91
GVA (\$b)	37	11	3.4	52
Nonwage expenses (\$b)	27	11	1.9	40
(GO-GVA) (\$b)				
Wages (\$b)	21	11	2.8	35
Profit	15	0.65	0.55	16
(GVA-Wages)				

Source: NERA analysis on data from BEA, Department of Labor.

Table 3.7: Breakdown of spending and saving by firms that offer recreation

	Wages	Nonwage expenses	Profit
\$b	35	40	16
Total revenue (\$b)	91	91	91
Share of total (%)	38.5	43.5	18

Firms that offer alternate recreation pass more than one-third of their revenues on to their employees. This means that employees have more money to spend, with resulting effects on the economy.

3.2.5. Modelling the impacts of a \$1 expenditure

We construct the model to find what happens when a customer spends \$1 in an online casino, in a land-based casino, or at a firm that offers alternate recreation. In all cases, the firm receives this dollar and saves a part of it as profit and spends a part of it on nonwage expenses. Our model focuses on the part that goes to employees in the form of wages.

We assume that employees in the United States will spend 20% of each new dollar of income they receive, on average.¹⁶ This rate is called the Marginal Propensity to Consume (MPC). This rate gives the amount of new wage revenue that customers will pass on to other firms and their employees, and they save the remaining 80%.

We apply our assumption that employees spend new wages on recreation. Thus, when employees spend 20% of their wages, we say that the 20% goes to firms that will pass it on in the exact same way shown in Table 3.7 above. These recreation firms pay their own employees who spend the money themselves, and the cycle repeats with smaller and smaller amounts of money each round.

3.3. Constructing the Model

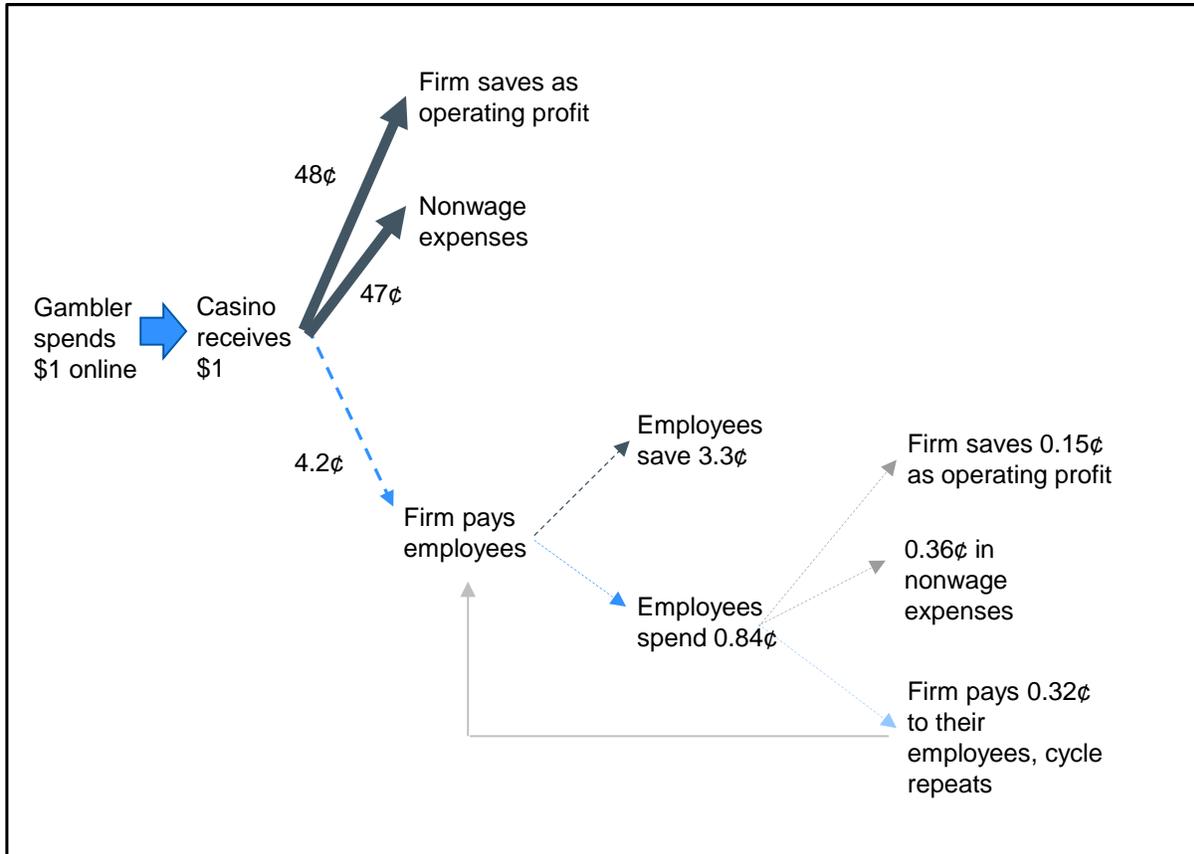
We construct a model that demonstrates what happens every time a New Jersey resident decides to spend \$1 gambling online. We apply DGE's financial reports of New Jersey online casinos to find how online casinos spend their revenue. We apply BEA and New Jersey state data regarding other recreation industries to determine how other recreation industries spend theirs.

We express the data of how firms spend their revenues as the number of cents per dollar that customers spend. The MPC of 20% gives the number of cents that employees of casinos and other firms choose to pass on to new firms. Finally, we assume that when employees receive new wages, they spend these recreationally, and so we apply the data from the recreational industries to determine how all non-casino firms spend their income.

¹⁶ Christopher Carroll et al. The distribution of wealth and the marginal propensity to consume. *Quantitative Economics*. P. 27. (2017). <https://onlinelibrary.wiley.com/doi/epdf/10.3982/QE694?src=getfr>

In the model, larger arrows represent larger amounts of spending. We represent spending that is very low ($< 5\text{¢}$ per dollar) with a dashed arrow. Blue arrows represent spending that causes and triggers additional spending. This spending occurs in a chain reaction that gets gradually weaker over time. The overall economic result of spending \$1 on gambling is the total amount of spending in the chain.

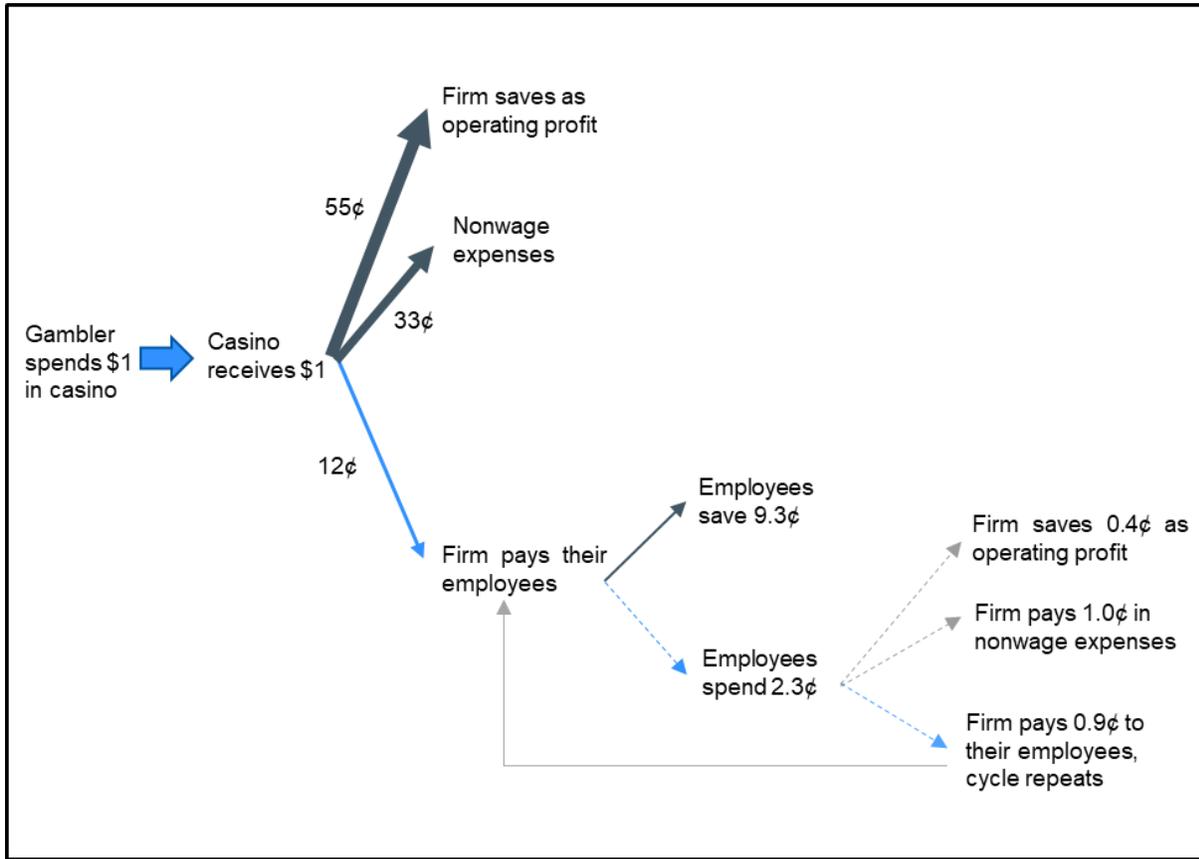
Figure 3.1: Economic Effect of a \$1 Expenditure in iGambling



As Figure 3.1 shows, very little of the money that customers spend gambling online goes to the employees of online casinos. This means that there is little money for online casino employees to spend on new businesses, and less for these businesses to pay their own employees. Ultimately, this means that the \$1 spent at the casino causes little economic activity.

We construct a similar model that demonstrates what happens when a New Jersey resident likewise decides to spend \$1 gambling, this time in a standard land-based casino.

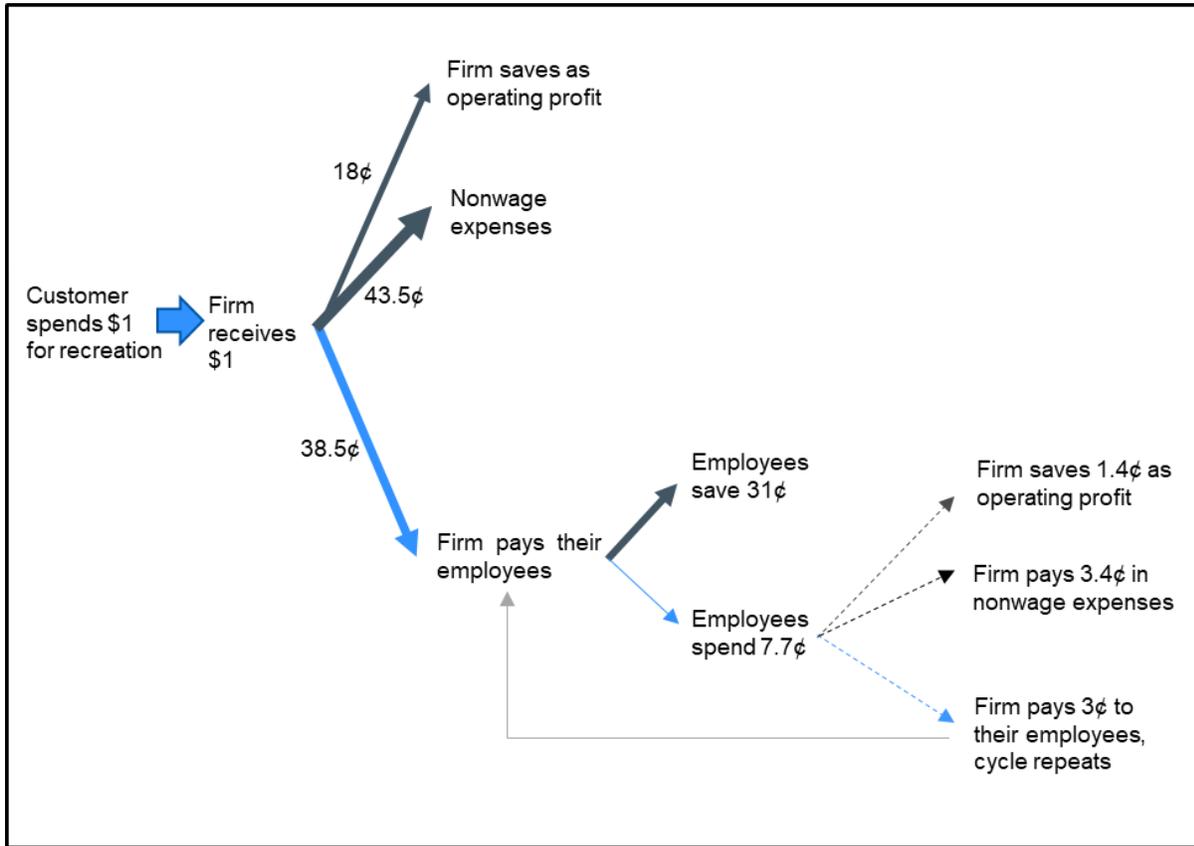
Figure 3.2: Economic Effect of a \$1 in Land-based Gambling



As Figure 3.2 shows, significantly more of the customer’s dollar goes to the employees of a land-based casino than it does to the employees of an online casino. These employees then generate significantly more economic activity than the employees of an online casino would, by spending this income at new firms. There is a cycle of wage spending and spending those wages at firms, and more activity is created at each step when the initial customer gambles at a land-based casino.

Finally, we construct a model that demonstrates what happens when a New Jersey resident does not gamble, but instead spends their money on recreation. In other words, the initial \$1 goes immediately into the alternative discretionary categories, rather than simply a small fraction based on the wages paid to gambling employees.

Figure 3.3: Economic Effect of a \$1 Expenditure in Alternate Recreation



As Figure 3.3 shows, forms of recreation other than gambling pass on more than a third of the customer’s dollar to their employees. This results in employee spending and firms’ wages spending that are elevated compared to both online and land-based gambling. significantly more of the customer’s dollar goes to the employees of a land-based casino than it does to the employees of an online casino. These employees then generate significantly more economic activity than the employees of an online casino would, by spending this income at new firms. There is a cycle of wage spending and spending those wages at firms, and more activity is created at each step when the initial customer gambles at a land-based casino.

For a straightforward comparison, the first few rounds of spending in each model are shown in Table 3.8 below.

Table 3.8: Illustration of Model Dynamics

	Customer spends	Casino (or alt firm) pays employees	Employees spend to new firms	New firms pay their employees	These employees spend to new firms	These firms pay their employees
iGambling	\$1	4¢	0.8¢	0.3¢	0.06¢	0.02¢
Land-based gambling	\$1	12¢	2.3¢	0.9¢	0.2¢	0.07¢
Non-gambling alternative	\$1	39¢	7.7¢	3¢	0.6¢	0.02¢

After iterating the above calculations until the effects decay away, we find the overall economic effect of gambling by adding all the spending that results from spending each dollar. In Table 3.9 below, we capture:

- Total customer expenditure, including the initial \$1 spend plus the spend by employees who have earned more money as a result of the initial spend; and
- Total wages earned, including the employees in the initial industry, plus those who work in discretionary industries further down in the cycle.
- We do not count the nonwage expenses of casinos and other firms as spending, because they are overhead costs and are not immediately related to a customer's choice to gamble or not.

Table 3.9: Spend and Wage Impacts of \$1 Spend

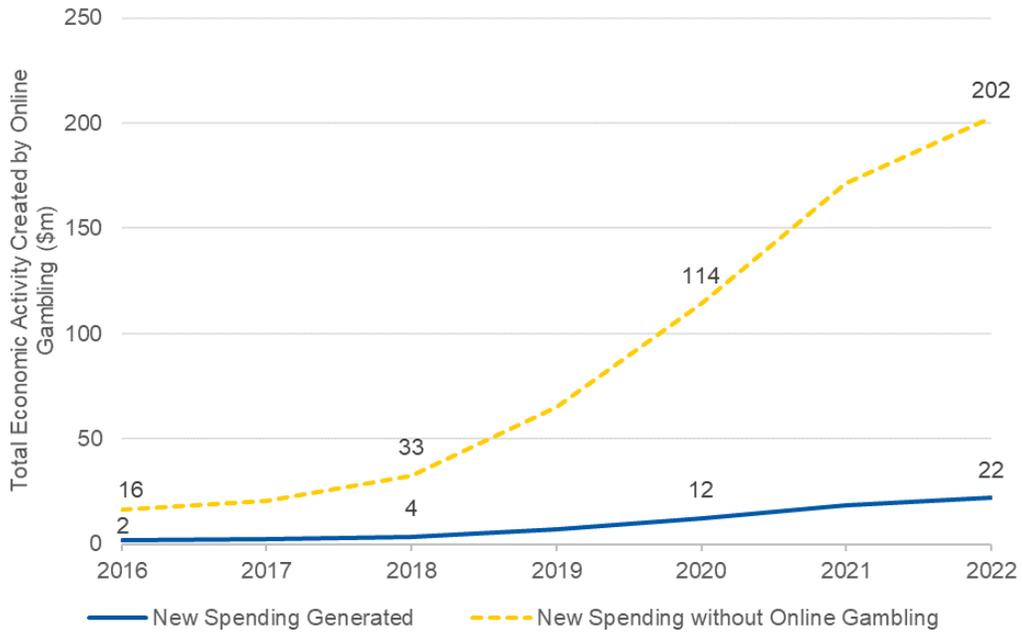
Effects	\$1 in iGambling	\$1 in Land Casino	\$1 in Other Industry
Total customer spend	\$1.01	\$1.03	\$1.08
Total wages earned	\$0.05	\$0.13	\$0.42

3.4. Results

The model mechanics above works on the basis of a \$1 spend in gambling or alternative industries. To measure the full economic impact of gambling on New Jersey, we apply the model to the total amount of revenue that iGambling and land-based gambling received, from 2016 to 2022.

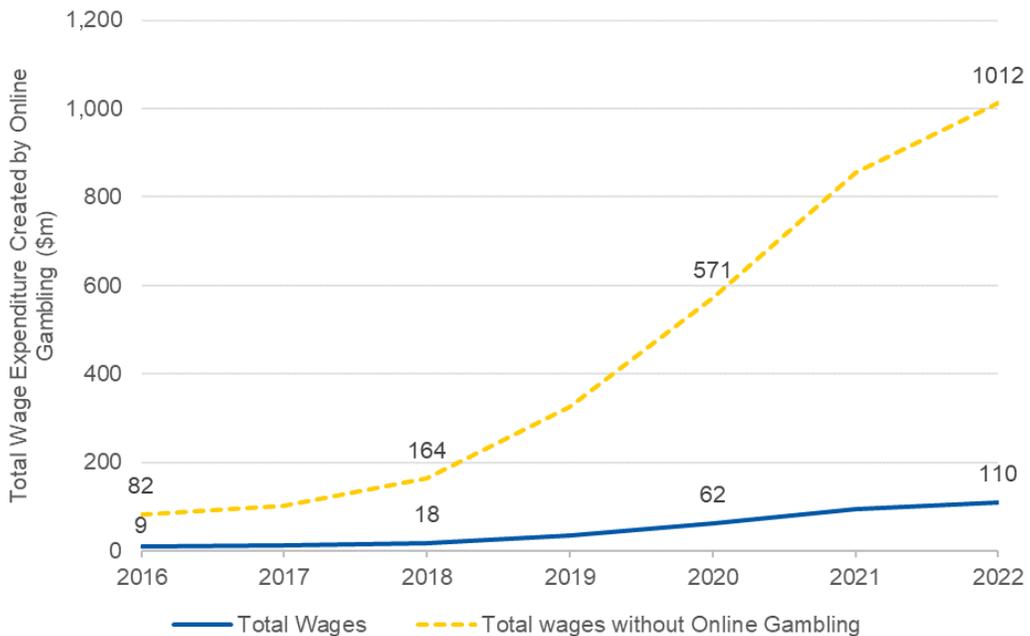
Below, we present the new spending generated by iGambling, as well as the new spending that would have been generated by equal spending on other recreation.

Figure 3.4: Total Economic Activity Created by iGambling



Next, we display the total wages generated by iGambling and the indirect spending that results, as well as the wages that would have been generated by equal spending on other recreation.

Figure 3.5: Total Wages Created by iGambling



Finally, we present corresponding results for land-based gambling.

Figure 3.6: Total Economic Activity Created by Land-based Gambling

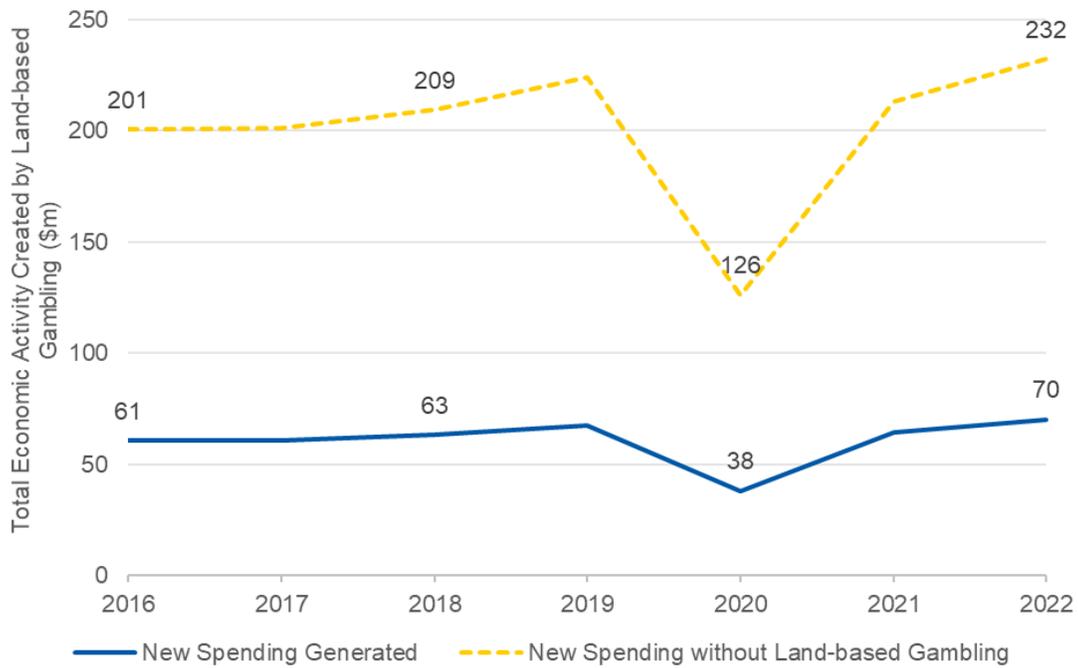
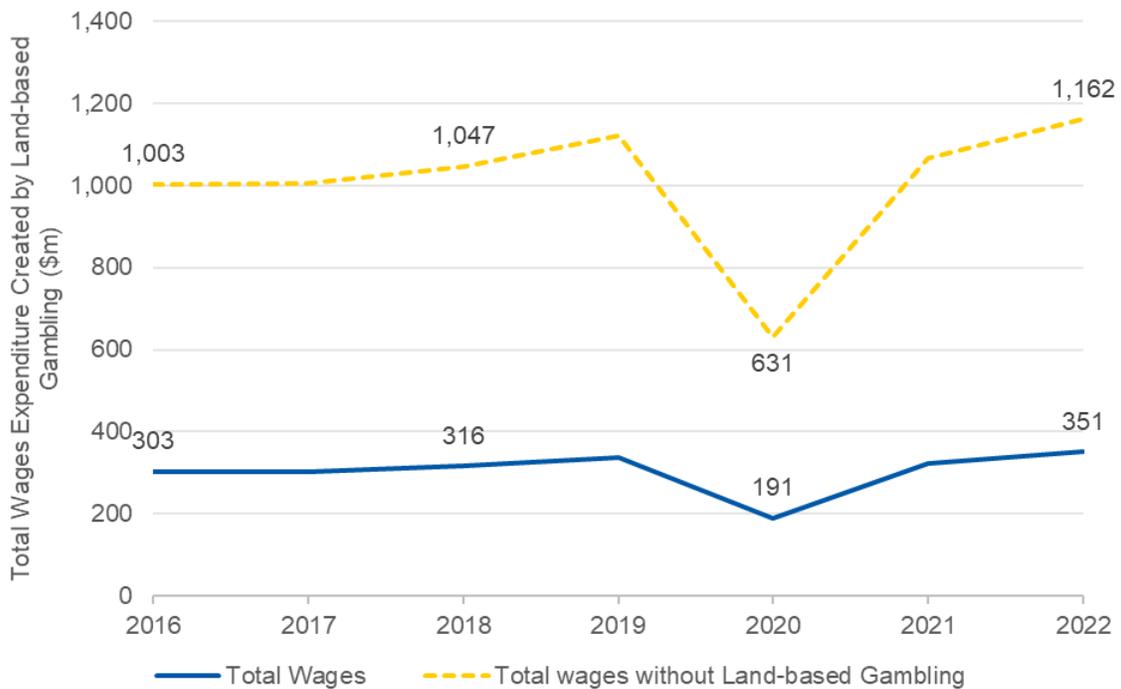


Figure 3.7: Total Wages Created by Land-based Gambling



3.5. Conclusions

3.5.1. iGambling

In spite of the large and growing revenues spent in iGambling since 2016, it may have been detrimental to New Jersey's economy, to the extent that this money took away from other, more labor-intensive discretionary industries. In contrast to retail, restaurants, and entertainment, iGambling spends an insignificant portion of its revenue (>5%) on employees. For that reason, when consumers spend their money gambling online instead of on other forms of recreation, we estimate that they cause little new spending, at 0.9 cents per dollar. This stands in contrast to the 8.3 cents of new spending we estimate that consumers generate when they spend their money on alternate recreation.

The rise of iGambling since 2016 has diverted significant amounts of consumer spending away from alternate forms of recreation in New Jersey. In 2022, New Jersey consumers spent \$2.4 billion gambling online. Alternate forms of recreation may have created \$202 million in new spending from this revenue, but we find that iGambling only created \$22 million in new spending, almost a tenfold fall.

iGambling has similarly decreased the total wages that consumers' recreational spending would generate. We estimate that iGambling creates 4.4 cents of total wages per dollar of spending, in contrast to 42 cents for alternate recreation. In 2022, we estimate that iGambling created \$110 million in total wages, but this could have created approximately one billion dollars if consumers had spent their money in alternate forms of recreation.

While we do not take into account other induced and indirect expenditures relating to iGambling, it is primarily a solitary activity without much associated activity outside of the gambling itself. In short, we conclude that iGambling takes away money that may have been spent in other segments of the economy.

3.5.2. Meister Report Comparison

In contrast to these results, Meister estimates that iGambling in New Jersey in the period 2013-2018 caused almost \$2 billion in economic activity and generated almost \$260 million in tax revenue. Meister further estimates that iGambling in the state created over 6,500 jobs and \$400 million in wages. When considering the growth in the industry since 2019 when it was released, these rates would imply almost \$12 billion in economic output and over \$1.5 billion in tax revenues in the period 2019-2022. In this period iGambling would have created almost 39,000 jobs with almost \$2.4 billion in wages.

Table 3.10: Economic Effects of iGambling, Meister vs NERA

	Meister Extrapolation				NERA Modelled Results			
	Output	Jobs	Wages	State Taxes	Output	Jobs	Wages	State Taxes
	\$m	#	\$m	\$m	\$m	#	\$m	\$m
2019	1,399	4,590	281	182	-58	-5,084	-291	107
2020	2,448	8,035	492	318	-102	-8,900	-509	198
2021	3,675	12,059	738	477	-153	-13,358	-764	307
2022	4,338	14,237	871	563	-180	-15,771	-902	353

We find that iGambling has negative effects on total economic activity and total wages. We consider the amount of each in the presence of iGambling and then we subtract the amount there would be if its revenues went to alternate recreation. Alternate recreation is better at creating output and wages than iGambling, so we find negative values. We convert the amount of wage spend into an estimated number of jobs by dividing total wages by the average wage across the sectors of gambling, retail, dining, and entertainment in New Jersey.

As we demonstrate in Chapter 4, even taxation is consistently less than Meister estimates. We estimate taxes as the difference in state revenue with and without iGambling. We therefore conclude that iGambling has net negative effects for New Jersey's economy.

3.5.3. Land-based gambling

At first glance, land-based gambling may have imposed significant costs on New Jersey's economy. Based on our modelling of the \$2.8 billion in spending in casinos in 2022:

- This expenditure may have created \$70 million in new expenditure beyond the initial gambling expenditure, but it could have created \$232 million in new expenditure if spent in alternate forms of recreation.
- This expenditure may have generated around \$351 million in new wages, it but could have created \$1.2 billion if consumers had spent their money in alternate forms of recreation.

On the other hand, and in contrast to iGambling, the land-based casino industry is a long-established part of the New Jersey economy, and there are many associated hospitality business in Atlantic City (including in what we call "alternate recreation" categories) that depend on the existence of the gambling industry there. Furthermore, many people travel from out of state to Atlantic City, and so much of that money would not otherwise be spent in New Jersey at all.

Thus, we cannot conclude based on the scope of this analysis that the land-based casino industry is detrimental to the New Jersey economy.

For the purposes of our modelling, we assume that all of that money would have been spent in New Jersey in the absence of a gambling sector. This ignores two effects. First, many land-based gamblers travel to Atlantic City from out of state, and would have stayed in their home state without the Atlantic City casinos. Second, while very few *online* gamblers are likely to

have travelled to New Jersey specifically to gamble, many of them live in the greater New York or Philadelphia metropolitan areas, and may have thus spent money out of state on other recreation activities. Thus, gambling policy in New Jersey has some economic impact on other states' economies as well, though we do not explicitly quantify it.

4. Tax Revenues

New Jersey casinos contribute to state and federal tax revenues, and our analysis shows that the rising popularity of iGambling has made online casinos a source of government revenue comparable to land-based casinos. Excluding the period of the pandemic, online casinos received greater revenues than land-based casinos for the first time in 2022, while facing lower costs.¹⁷ As a result, online casinos now contribute more in direct tax revenue than land-based casinos.

In this chapter, we estimate the amount of tax revenue that New Jersey gambling generates. We examine taxes paid by gamblers who win money at casinos, as well as taxes paid by land-based and online casinos themselves. The first set of taxes are personal income taxes and are supposed to be filed by gamblers themselves.¹⁸ The second set of taxes are corporate and business taxes that apply to casinos. We focus on the taxes that apply specifically to casino revenue so that we can find the effect of New Jersey gambling in particular.¹⁹

We find that taxation of winners results in little revenue from either land-based gambling or iGambling because gamblers' losses generally offset their winnings over the course of the entire tax year. We also find that iGambling increases that amount of overall tax revenue from New Jersey casinos, though this is at least partially offset by the tax contribution that could come from other industries if gamblers spent in those alternate industries instead.

4.1. Taxation of winners

For any given gambling session, players have the potential to win or lose. While the odds are tilted in favor of the house, there will always be a distribution with some winners and some losers. The IRS considers gambling *winnings* to be personal income and thus fully taxable. Gambling losses can be used to offset the winnings in terms of personal income tax liability, but only to the level of winnings actually earned.²⁰ Thus, through the redistribution of money from losers to winners, gambling theoretically represents an additional revenue stream to tax authorities, without directly creating economic value.

US citizens who win money in New Jersey casinos are responsible for two taxes on their winnings. They owe a 24% federal tax rate on their winnings and an additional 3% state tax.²¹ Both of these rates apply specifically to gambling winnings, rather than other kinds of income. By law, the IRS requires gamblers pay taxes on any money they win on net, either online or in

¹⁷ New Jersey Division of Gaming Enforcement. Monthly Press Releases and Statistical Summaries. (2023). [Monthly Press Releases and Statistical Summaries - New Jersey Office of Attorney General \(njoag.gov\)](https://www.njoag.gov/press-releases-and-statistical-summaries)

¹⁸ Internal Revenue Service. Topic No. 419, Gambling Income and Losses. (April 4, 2021). <https://www.irs.gov/taxtopics/tc419>

¹⁹ Property taxes and any other tax or government fee would apply regardless of gambling activity or revenue.

²⁰ Internal Revenue Service. Topic No. 419, Gambling Income and Losses. (April 4, 2021). <https://www.irs.gov/taxtopics/tc419>

²¹ Internal Revenue Service. Instructions for Forms W-2G and 5754. (2020). <https://www.irs.gov/pub/irs-prior/iw2g--2020.pdf>

land-based casinos.²² However, the IRS largely depends on winners to actually report and pay tax on their winnings.

The amount of tax revenue from gambling winners may be very low, because only net winnings over the course of the entire year are taxed. Any gambler who gets lucky in a session or a number of sessions is likely to lose what they win over the course of all their gambling activity the same tax year. There are few net winnings and therefore little tax revenue from winners.

The IRS takes certain measures to collect taxes from winners in land-based casinos, but these are unlikely to result in winners actually paying. The IRS requires both online and land-based casinos to report winnings that gamblers receive when the winnings are above a given dollar amount. For example, the threshold to report winnings for a session of sports betting is \$600, for a session at the slot machines is \$1,200, and for a session of poker is \$5,000.²³ These thresholds are high enough that they are unlikely to bind many players.

Land-based casinos have little record-keeping or enforcement of winners' tax obligations beyond IRS mandates. Land-based casinos may never prompt players to pay taxes on their winnings nor provide players a tally of the taxes owed, resulting in under-collection.

The IRS does not require land-based casinos to report the winnings that gamblers earn at table games at all.²⁴ In contrast, online casinos report players' winnings from iGambling through Form 1099 when those winnings exceed \$600 over an entire year (net of losses).²⁵

It is not clear whether gambler's winnings should be taxed at all. Players have already paid income tax on the savings that they use to wager. Gambling has the effect of simply reshuffling these savings among players. There has been no productive economic activity, nor has any possession or business gained value to help offset the burden of the tax. Thus, there is no strong economic rationale why gambling winnings should be taxed when nothing new has been created and nothing of value has been sold to someone who did not have it before. In contrast, taxes that apply on the GGY (like various gambling levies we discuss subsequently) can be seen as a tax on the sale of gambling services to all players.

²² Internal Revenue Service (4 April 2021), Topic No. 419, Gambling Income and Losses. <https://www.irs.gov/taxtopics/tc419>

²³ Internal Revenue Service (2018), Tax-Exempt Organizations and Gaming, p.18. <https://www.irs.gov/pub/irs-pdf/p3079.pdf>

Kiplinger Professional Finance (9 February 2023), Taxes on Gambling Winnings and Losses: 8 tips to Remember. <https://www.kiplinger.com/taxes/603033/tax-tips-for-gambling-winnings-and-losses>

²⁴ Internal Revenue Service (2018), Tax-Exempt Organizations and Gaming, p.18. <https://www.irs.gov/pub/irs-pdf/p3079.pdf>

TurboTax (3 March 2023), Gambling Winnings Tax (How Much You Will Pay for Winning?). <https://blog.turbotax.intuit.com/income-and-investments/how-are-gambling-winnings-taxed-8891/>

²⁵ Internal Revenue Service. Gaming Withholding and Reporting Threshold – Forms Needed. https://www.irs.gov/pub/irs-tege/gaming_withholding_reporting_threshold.pdf

TurboTax. Everything You Need to Know About Filing Taxes on Winnings. <https://turbotax.intuit.com/tax-tips/general/everything-you-need-to-know-about-filing-taxes-on-winnings/L7ifGWjkX>

4.2. Taxation of casinos

We review all of the taxes that casinos pay on their revenues in New Jersey in order to assess and compare the contributions of land-based and online casinos. These taxes are on casino income, rather than taxes on money that players have won.

First, we compare the amount of federal taxes paid by land-based casinos with the amount paid by online casinos in New Jersey, then we analyze state taxation of land-based and online casinos.

Casinos face obligations like property taxes, but these do not differ based on the amount of gambling that occurs, nor does tax revenue increase when new players decide to gamble, so we do not include such taxes in our evaluation.

Casinos in the state of New Jersey owe three categories of taxes on their earnings, discussed in turn below:

- Federal Corporate Income Tax (FCIT), which applies based on taxable revenues of all businesses and is paid to the federal government;
- New Jersey Corporation Business Tax, which is equivalent to the FCIT but on a state level; and
- Gambling-specific state taxes that apply to casinos in Atlantic City.

We find that online casinos contribute a large and growing share of the tax revenue from New Jersey casinos in all three of these tax categories. Land-based and online casinos face the same tax rates with respect to the FCIT and the Corporation Business Tax, but online casinos have received a growing amount of revenues and profits in recent years, and thus have paid an increasing amount of money in that period. New Jersey sets the casino-specific taxes in Atlantic City at higher rates for online casinos than it does for land-based casinos, and as a result online casinos pay more in these taxes than do land-based casinos.

We assume that if gamblers were not spending their money in land-based or online casinos, they would spend that money on alternate forms of recreation, and this assumption means that without gambling there would be new and different tax revenues. Gambling creates tax revenues, but it also draws customer's money away from other businesses that might pay more taxes or might pay less. Ultimately, we consider the net effect of gambling on tax revenues, and we estimate the amount of tax revenue that is created or lost overall when customers gamble.

4.2.1. Federal taxes

FCIT is a flat 21%.²⁶ We draw on IRS data from the year 2013 to find that deductions and credits result in 22% of profits being taxed in the US gambling industry.²⁷ Approximately the same 22% portion of profits are taxed in alternate forms of recreation, specifically retail, dining,

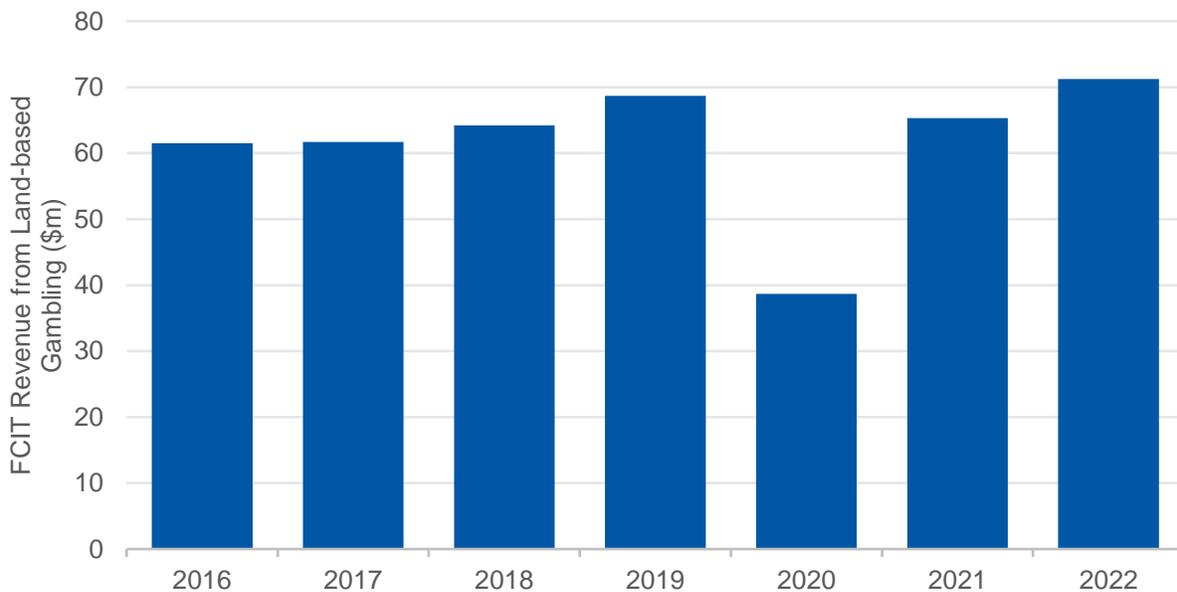
²⁶ Internal Revenue Service (January 2022), Publication 542. <https://www.irs.gov/publications/p542>

²⁷ Internal Revenue Service (19 October 2022), SOI Tax Stats – Returns of Active Corporations. <https://www.irs.gov/statistics/soi-tax-stats-returns-of-active-corporations-table-1>

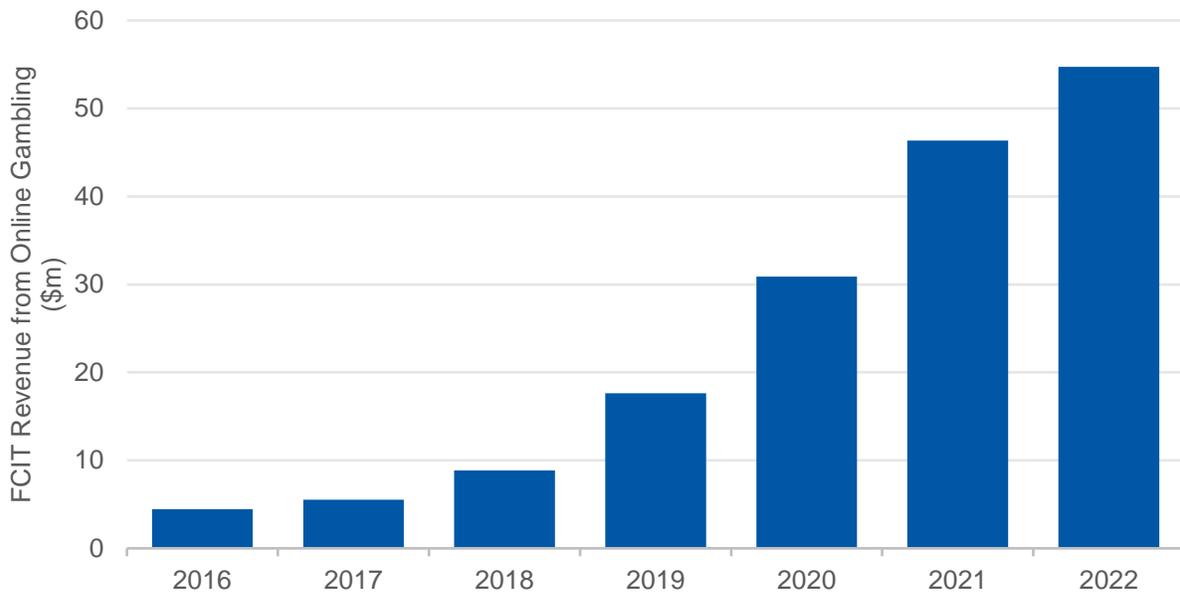
and entertainment. We assume that the same rates hold in New Jersey, giving effective tax rates of 4.6% on casinos and 4.7% on alternate forms of recreation in the state.

We apply these effective FCIT rates to estimate the federal government's annual tax revenue from land-based gambling in New Jersey. There are two sources of this revenue: (a) 4.6% of the online casino profits; and (b) 4.7% of the profit that recreational firms make indirectly as a result of land-based gambling (since we assume that employees of these casinos spend any additional money in discretionary categories, as estimated in the model in Chapter 3). We display estimated FCIT revenue in Figure 4.1 below.

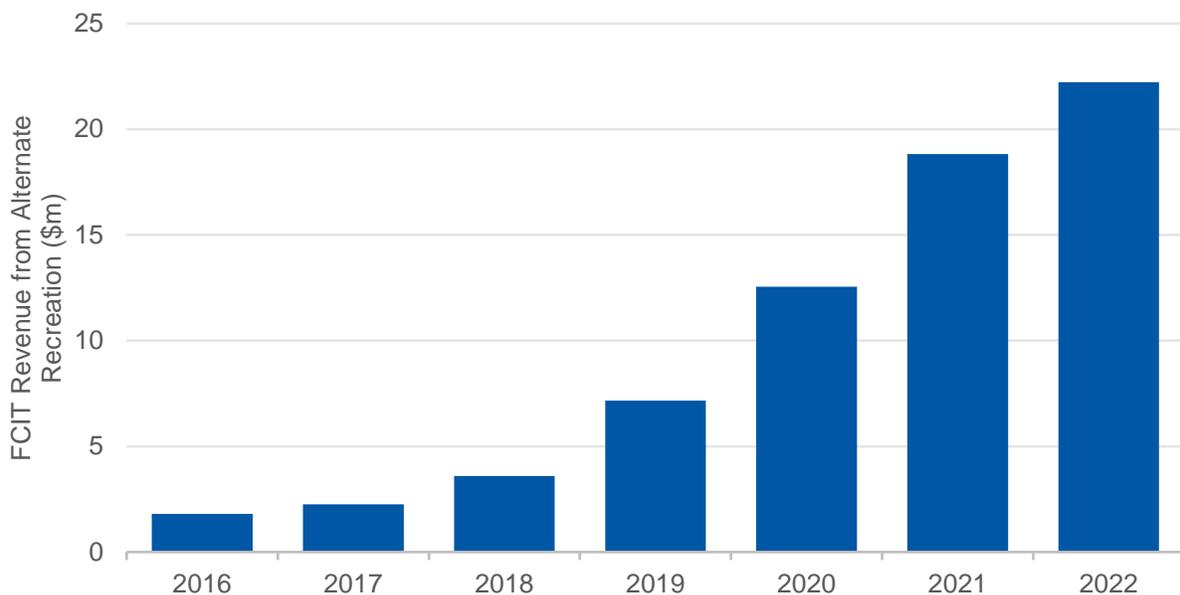
Figure 4.1: FCIT Revenue as a Result of Land-based Gambling



We apply the same method to find revenues from iGambling, as shown in Figure 4.2 below.

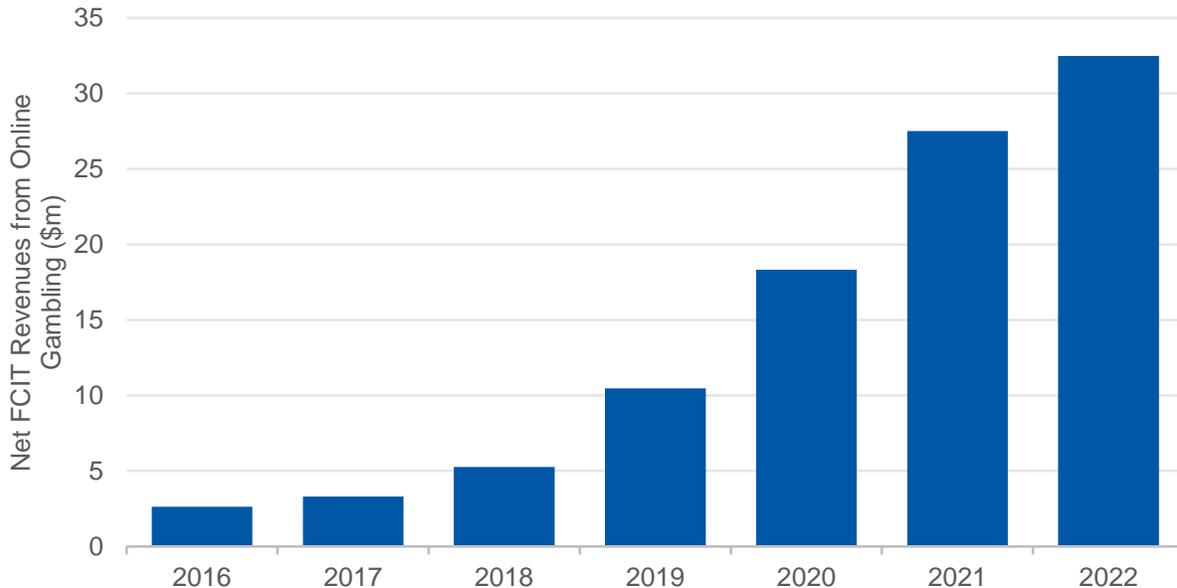
Figure 4.2: FCIT Revenue as a Result of iGambling

In Figure 4.3 below, we estimate the amount of FCIT revenue that the government would receive there was no iGambling in the state of New Jersey. As we do in the model in Chapter 3, we assume that if customers did not spend money gambling online they would spend that money on alternate recreation instead.

Figure 4.3: Estimated FCIT Revenue if iGambling Revenues Went to Alternate Recreation

Finally, we find the difference between FCIT revenues from iGambling and the revenues that the government would collect if there was no iGambling. We do so in order to find the net effect of iGambling on FCIT revenues. We display the results in Figure 4.4 below.

Figure 4.4: Net FCIT Revenue from iGambling in New Jersey



iGambling has contributed an increasing portion of the FCIT revenues that result from New Jersey gambling. iGambling has a positive effect on the amount of FCIT revenue the government collects annually, and this effect has increased as iGambling becomes more popular. iGambling increases FCIT revenues because online casinos collect a greater portion of revenue in profit than do firms that offer alternate recreation. Therefore, there is more profit and more tax owed.

4.2.2. State taxes

We estimate the effects of land-based gambling and iGambling on New Jersey's tax revenues. First, we examine state taxes that apply to businesses and firms generally in the state. We evaluate the Corporation Business Tax, which takes a flat 9% of corporate profits.²⁸ We assess the state's Sales Tax, which takes about 6.6% of business revenues.²⁹ We calculate the state's income tax, which takes about 3% of a typical New Jersey employee's wages on average.³⁰

²⁸ "Significant" is any profit over \$100,000 per year. Source: New Jersey Division of Taxation (24 February 2020), Rates and Accounting Periods.

²⁹ New Division of Taxation (28 June 2023), Sales and Use Tax.

³⁰ AARP (23 February 2023), New Jersey Tax Guide: What You'll Pay in 2023.

Second, we examine Atlantic City taxes and fees. This is a set of taxes that New Jersey imposes specifically on casinos and other businesses in Atlantic City to support the city and various charitable causes.³¹

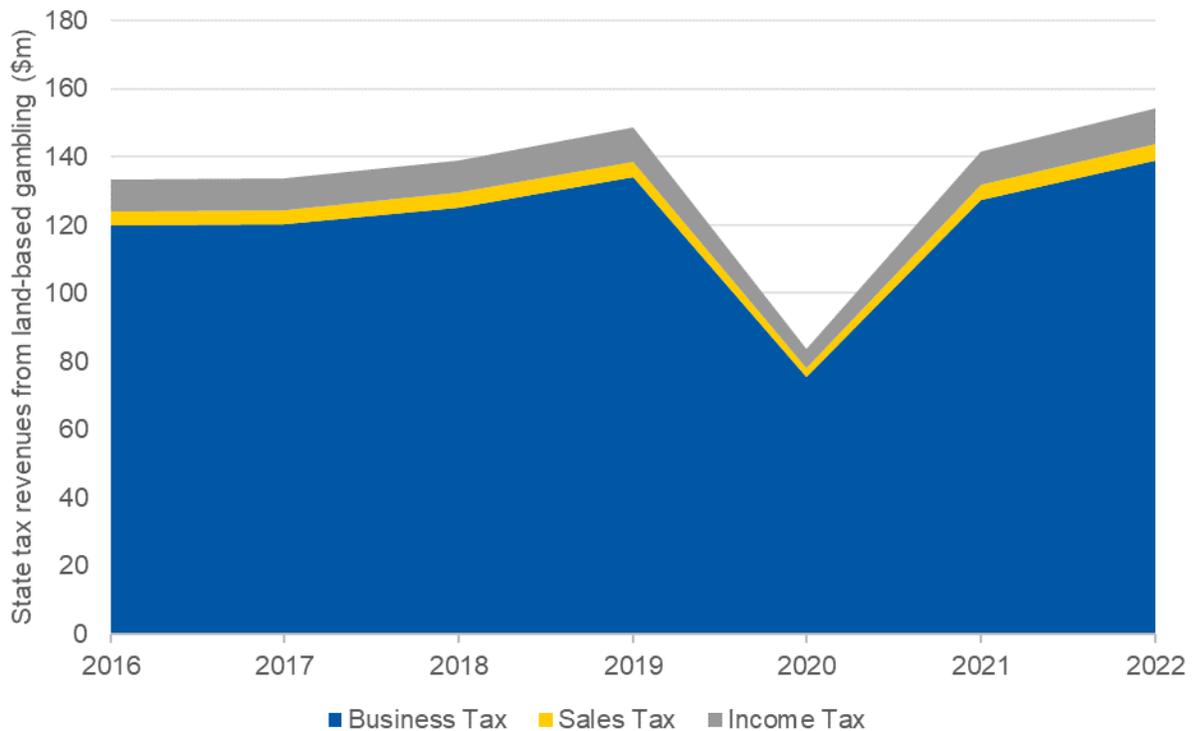
4.2.2.1. General state taxes by type of gambling

First, we find how much revenue land-based gambling causes New Jersey to receive through the Corporation Business Tax, sales tax and personal income tax. We consider all the money people spend gambling in New Jersey and the taxes that result.

- We find the amount of revenue from the Corporation Business Tax by calculating total profits that businesses made as a result of land-based gambling. This profit includes the profits of the land-based casinos, as well as the profits that other firms receive when employees of those land-based casinos spend money recreationally, and when the employees of those recreational firms spend money themselves. We apply the flat 9% rate to these profits.
- We find the amount of state revenue from sales tax by calculating 6.6% of the total revenues that firms made as a result of land-based gambling. Here we only consider the recreation firms that serve the employees, because only these firms sell goods as their primary means of income and thus pay sales tax on their revenue. As above, we rely on the model to estimate the revenues of these firms.
- We find the amount of New Jersey's revenue from the state's personal income tax by applying a reasonable average rate of 3% to the total wages that land-based gambling creates in the state. The wages are from casino employees and the employees of recreational firms supported by their spend.

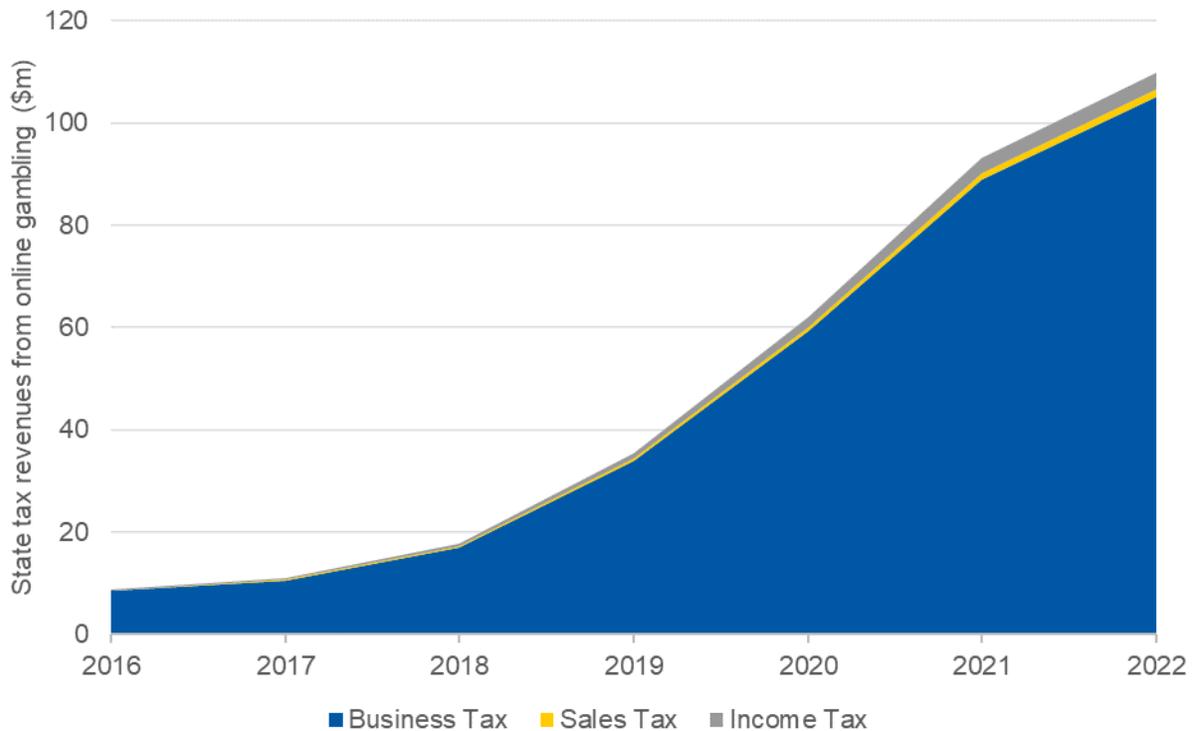
We display the result of these calculations in Figure 4.5 below.

³¹ Division of Gaming Enforcement (26 May 2023), Summary of Gaming and Atlantic City Taxes and Fees.

Figure 4.5: Breakdown of Tax Revenue Driven by Land-based Gambling

The business tax dominates because it applies to the casinos that receive the gambling revenue in the first place. Sales tax applies only to recreational firms that receive some portion of the resulting employee spending. Income tax applies only to the portion of casino revenue and alternate firm revenue that employees end up receiving.

We apply the same methods to estimate New Jersey revenues from iGambling.

Figure 4.6: Breakdown of Tax Revenue Driven by iGambling

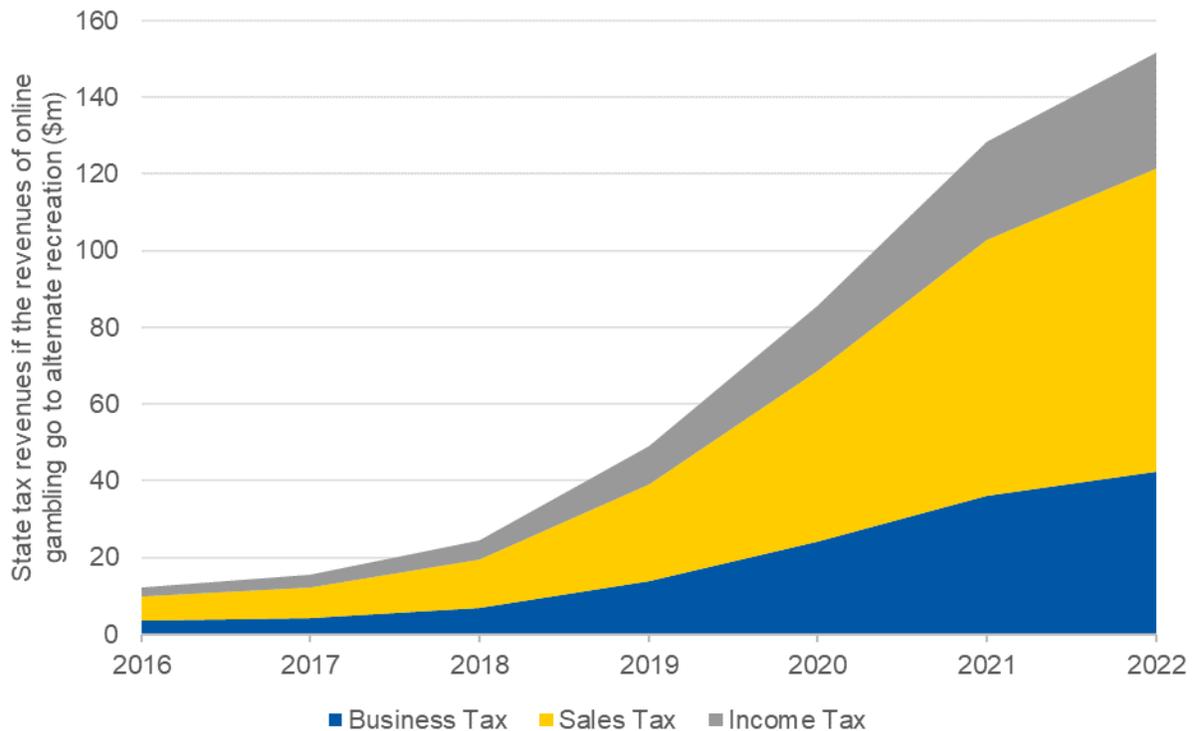
The business tax dominates again, and it does so to a greater extent regarding iGambling than land-based gambling because online casinos pass less of their revenues on to employees and, by extension, other firms.

Finally, we find the tax revenue that online firms generate, net of what the state may receive in the absence of iGambling. We apply the model and make the assumption that online gamblers would divert all of their gambling expenditures to other forms of recreation instead. When customers spend their money to different firms, New Jersey collects different levels of each tax.

- When customers spend their money on alternate recreation instead of iGambling, sales tax now applies. The state collects 6.6% of the amount spent.
- Firms that provide alternate recreation, like retailers, restaurants, and entertainment venues, spend part of their revenue on employees. These employees pay about 3% state income tax on their income. The employees also spend their income to new firms in turn, providing more wages that also provide the 3% rate. This cycle continues.
- Firms that provide alternate recreation pay 9% of their profits in the state business tax, just like casinos do. When firms pay their employees and those employees spend money on new firms, these firms also pay part of their profit in business tax. This cycle also continues.

Below we display our estimates of tax revenue in the absence of iGambling.

Figure 4.7: Breakdown of Tax Revenue from Alternate Recreation Sources



We then subtract the tax contribution of these alternate recreation sources from the tax contribution of iGambling to show the *net* tax effect of iGambling in New Jersey.

Table 4.1: Net Tax Revenue from iGambling

State Taxes	2016	2017	2018	2019	2020	2021	2022
Business Tax	5	6	10	20	35	53	63
Sales Tax	-6	-8	-13	-25	-44	-65	-77
Income Tax	-2	-3	-4	-9	-15	-23	-27
Total	-3	-4	-7	-13	-24	-35	-42

We find the following across the three types of taxes:

- **Business tax:** iGambling has a positive net result because online casinos have higher profit margins than alternate forms of recreation. This means that they have more taxable income and pay higher taxes.

- **Sales tax:** iGambling has a net negative effect, because casinos do not pay sales tax, while alternate forms of recreation that sell goods and services do. However, there are special taxes that apply to gambling revenue.
- **Income tax:** iGambling has a net negative effect, because firms that provide alternate recreation hire more people than online casinos, so without iGambling more money goes to employees and the employees pay a greater amount of tax.

In total, therefore, we find that iGambling *reduces* general state tax revenues by around \$40 million in 2022.

4.2.2.2. Atlantic City taxes

New Jersey levies a number of taxes and fees specifically on Atlantic City casinos and businesses.³² The state earmarks Atlantic City taxes for specific causes and purposes regarding the state of New Jersey, Atlantic City in particular, and the gambling industry.

New Jersey levies these taxes on casino revenues, or on measures that reflect revenues, such as the number of people booking hotel rooms at land-based casinos.

In Table 4.2 below, we show the breakdown of state revenue across all Atlantic City taxes.

³² Division of Gaming Enforcement. Summary of Gaming and Atlantic City Taxes and Fees. (26 May 2023). <https://www.njoag.gov/about/divisions-and-offices/division-of-gaming-enforcement-home/financial-and-statistical-information/summary-of-gaming-and-atlantic-city-taxes-and-fees/>

Table 4.2: Breakdown of Gambling Specific Taxes

Tax	Description	Revenue in 2022 (\$m)	Revenue Since 2000 (\$m)
8% Gross Revenue Tax	8% tax on Casino Gross Revenue, earmarked for the Casino Revenue Fund. The CRF exists to relieve taxes and utility fees upon elderly and disabled New Jersey residents.	179	6,110
15% Internet Gross Revenue Tax	15% tax on Internet Gross Revenue, for CRF.	249	826
8.5% Retail Sports Tax	For on-site sports betting.	4	22
13 % Internet Sports Tax	For online sports betting.	94	275
CRDA Obligations	1.25% of Casino Gross Revenue, and 2.5% of Internet Gross Revenue. This goes to the Casino Reinvestment Development Authority (CRDA) to benefit Atlantic City and other parts of New Jersey.	76	1,145
1.25% Additional Tax	1.25% of Sports Wagering Gross Revenue (on-site and online) from casino licensees, earmarked for the CRDA to market and promote Atlantic City.	3.7	12
1.25% Economic Development Tax ("EDT")	1.25% of Sports Wagering Gross Revenue (on-site and online) from racetrack licensees, for the economic development of the county in which the betting facility is located.	5.9	18
Progressive Slot Tax	8% revenue tax on the slot machine companies that run these machines within the casinos, earmarked for the CRF.	1.9	63
Net Income Tax	7.5% tax on net income levied briefly on casino net income during 2004-2006.	-	68
Luxury Tax	Certain retail items, such as alcoholic drinks, hotel room rentals, and similar bear a luxury tax rate in the range of 3-13%.	43	660
Parking and Hotel Fees	There is a \$3 fee to park at a casino, of which 50 cents is earmarked for the CRF and \$2.50 is earmarked for the CRDA. There are \$1-2 per night fees on casino hotel rooms for the same or similar causes.	37	840
Various claims on dormant assets	The state collects a portion of unclaimed vouchers, wagering tickets, and dormant accounts, not dependent on casino income.	4.1	23
Total		703	10,179

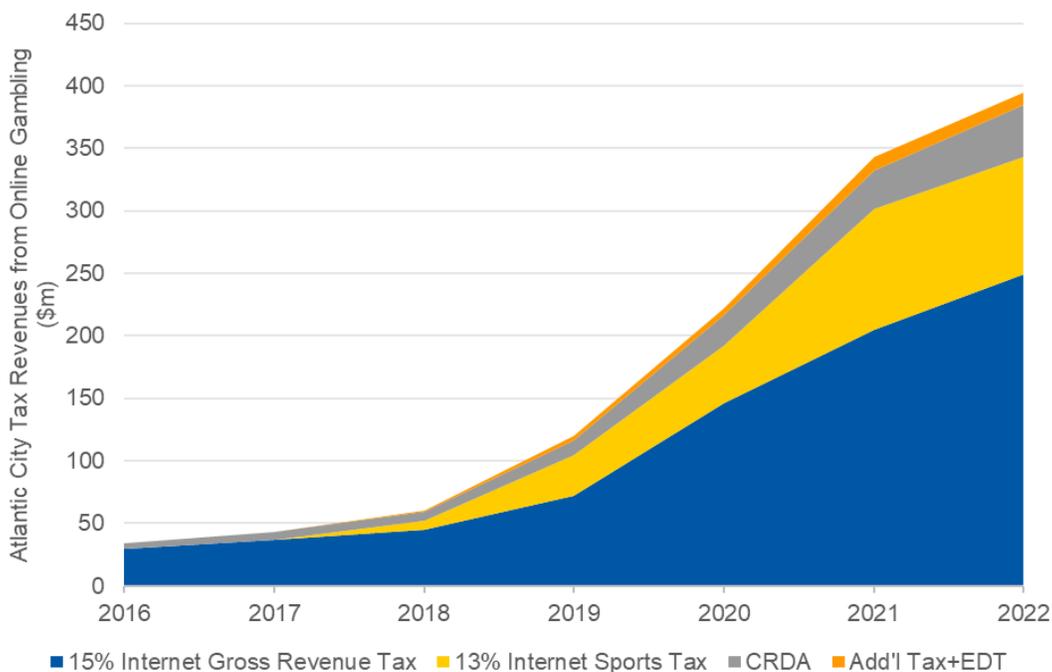
Across all of the Atlantic City taxes above, we estimate that New Jersey collected \$703 million in revenue in 2022, against \$5.2 billion in total online and land-based casino revenue.³³ This gives an overall Atlantic City tax rate of 13.5% on casino revenue in 2022.

To find annual Atlantic City tax revenues from iGambling, we add up the following:

- Taxes which apply *exclusively* to iGambling, namely the 15% Internet Gross Revenue Tax and the 13% Internet Sports Tax. These are reported directly by the DGE.
- CRDA obligations, which are 1.25% of land-based gambling revenues and 2.5% of online revenues. We calculate this based on revenue data.
- 1.25% Additional Tax and the 1.25% EDT, which apply exclusively to sports betting revenues, from licensed casinos and licensed racetracks respectively. As explained in Section 2.3, we assume that all sports betting is online and that all sports betting revenues and associated taxes come from online casinos.

We display all Atlantic City tax revenues from iGambling below.

Figure 4.8: Atlantic City Tax Revenues from iGambling Operators



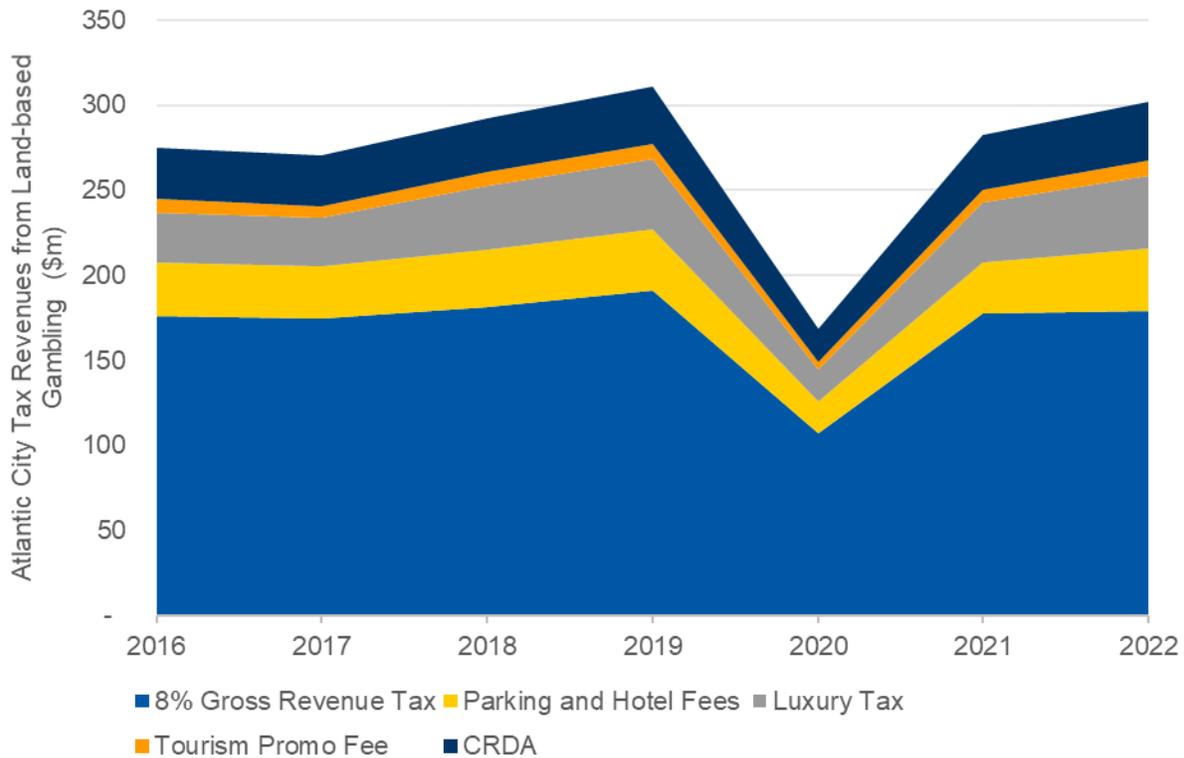
The 15% Internet Gross Revenue Tax makes up the majority of the revenue. Revenue has increased since 2016, due to increases in online casino gambling and sports betting. There is no visible decline associated with the 2020 pandemic, because online casino gambling was

³³ We draw New Jersey casino revenues from multiple sources in the DGE data

unaffected and sports betting was only briefly impacted in the first couple of months when sporting competitions themselves were suspended.

We now consider Atlantic City taxes on land-based gambling. These are the sum of the Atlantic City Taxes that only apply to land-based casinos and the portion of CRDA obligations that land-based casinos pay at their 1.25% rate. We show our findings and results below.

Figure 4.9: Atlantic City Tax Revenues from Land-based Gambling



The 8% Gross Revenue Tax makes up the majority of revenue. The effects of the 2020 pandemic are also clear. The two figures above show that online casinos now provide more taxes as a result of the Atlantic City taxes than land-based casinos.

4.2.2.3. Overall view of state taxes

We display our estimates of all of New Jersey’s state taxes from iGambling in Table 4.3 below.

Table 4.3: New Jersey Net Tax Revenue from iGambling

	2016	2017	2018	2019	2020	2021	2022
General State Taxes	-3	-4	-7	-13	-24	-35	-42
Atlantic City Taxes	34	43	60	120	220	340	390
Total	31	39	54	110	200	310	350

Source: DGE

Our estimates above of total state tax revenue from iGambling only provide an upper bound on New Jersey's collection of such taxes. This is because some iGambling in New Jersey is operated by businesses that are incorporated outside of the United States. Depending on where the various functions of these multi-national groups are performed between in-state and international components (e.g., IT and corporate functions may be performed abroad requiring a portion of the profits being allocated elsewhere), then some corporate taxes could be paid to the government in the country where they are headquartered (or indeed in other jurisdictions where functions are performed). In practice, it is not possible from public data to determine exactly how that money is allocated.

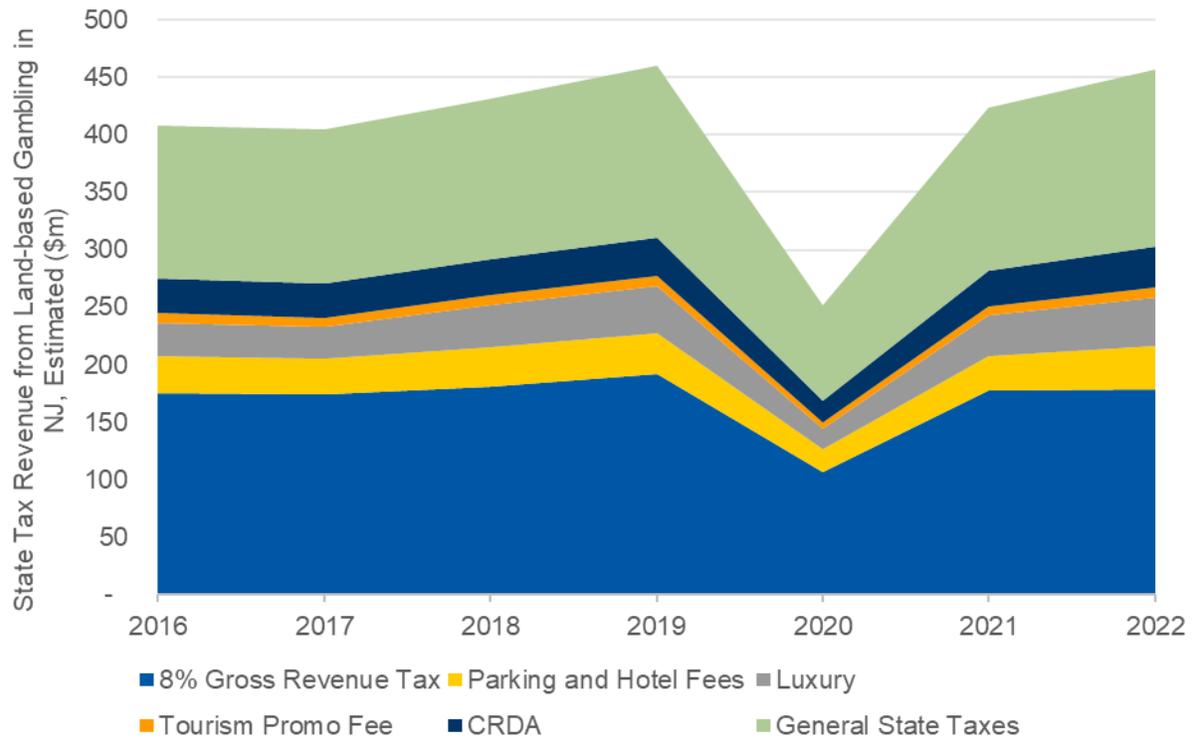
Table 4.4: Operators of iGambling Websites Outside the US

Authorized Sites	Skins	Corporation Based Outside US	Country
Bally's	www.nj.ballycasino.com www.pointsbet.com www.virgincasino.com	PointsBet	Australia
Borgata	www.borgatacasino.com www.borgatapoker.com www.nj.partycasino.com www.nj.partypoker.com casino.nj.betmgm.com poker.nj.betmgm.com casino.wheeloffortunecasino.com www.stardustcasino.com	FanDuel (with Boyd Gaming)	UK
Caesar's Interactive Entertainment (Affiliate of Boardwalk Regency)	caesarspalaceonline.com/nj/ www.wsop.com www.wynnbet.com us.888.com us.888poker.com us.888casino.com	888 Holdings 888 Holdings 888 Holdings	UK UK UK
Caesar's Interactive Entertainment (Affiliate of Harrah's)	harrahscasino.com		
Caesar's Interactive Entertainment (Affiliate of Tropicana)	caesars.com/sport-and-casino/nj tropicancasino.com		
Golden Nugget Hotel Casino & Marina	nj.betway.com casino.fanduel.com www.goldennuggetcasino.com nj.betrivers.com nj-casino.goldennuggetcasino.com	Betway FanDuel	UK, Malta UK
Hard Rock Hotel and Casino	www.hardrockcasino.com www.nj.bet365.com nj.unibet.com	Bet365 Unibet	UK Malta
Ocean Resort Casino	https://casino-nj.tipico.us/ www.oceanonlinecasino.com nj.parxcasino.com nj.playstar.com	Tipico	Malta
Resorts Casino Hotel Atlantic City	www.resortscasino.com barstoolsportsbook.com www.draftkings.com www.mohegansuncasino.com www.pokerstarsnj.com	Flutter	Ireland

The total state taxes on land-based casinos are the sum of the general state taxes and the Atlantic City taxes that apply to land-based gambling. These are revenues are absolute values, and we do

not consider them in contrast to the tax revenues that would result if land-based gamblers spent their money elsewhere. We simply sum all taxes that result from land-based gambling. We show our findings and results in Figure 4.10 below.

Figure 4.10: Breakdown of New Jersey Tax Revenue from Land-based Gambling



4.3. Conclusions

In conclusion, and as shown in Table 4.5, we find that gambling in New Jersey, and in particular iGambling, makes a positive contribution to tax revenues relative to the alternative uses of that money.

Table 4.5: Total Net Tax Contribution of Online Casinos in New Jersey

	2016	2017	2018	2019	2020	2021	2022
FCIT	3	3	5	10	18	28	32
General State Taxes	-3	-4	-7	-13	-24	-35	-42
Atlantic City Taxes	34	43	60	120	222	343	394
Total	34	42	59	117	216	335	385

This is for at least three reasons:

- New Jersey levies several specific taxes on the gambling industry, some that apply only to iGambling. These same taxes are not applicable to other industries, and are larger than other taxes that are applicable to those industries (e.g. sales tax).
- Gambling is a high margin business, due to the relatively low staff and other variable costs. Thus, legal businesses operating in New Jersey may contribute more in corporate income taxes than businesses operating in lower margin industries.
- Federal and state taxes on gambling winnings only apply to net winnings over the course of the tax year, so taxable winnings are likely to be very low. As a result, tax revenues from winners are likely to be very low as well. iGambling is more effective than land-based gambling at prompting winners to pay the amount owed, but even winners will experience diminished winnings given the cumulative effect of losses over the year.

However, as we show in the next chapter, these additional tax revenues are largely offset by the fiscal costs of problem gambling. We also do not capture the reduction in personal federal income taxes paid compared to alternative recreation industries due to the lower labor intensity of the gambling sector.

5. Social Costs of Gambling

There is a known link between gambling and negative social effects, particularly when gamblers maintain a gambling habit or even feel a compulsion to gamble. Online and land-based gamblers can develop into “problem gamblers” with an addiction to the practice, and this can lead to many issues that affect gamblers, their families, and society as a whole.

While the focus of this paper is on the *economic* effects of gambling in the United States, and iGambling in New Jersey in particular, the research on the social harm of gambling is more developed in the United Kingdom, where online betting and gambling has been a significant market for a longer time. We briefly summarize some of this research and apply it to New Jersey, while noting that we have not done our own independent research on it.

In a 2023 study, the National Institute for Economic and Social Research (NIESR) estimates that 0.7% of the adult population of the United Kingdom consists of “problem gamblers”, each with an average annual fiscal cost of £3,700.³⁴ This is principally driven by healthcare costs, but also includes welfare payments, homelessness, and criminal justice. NIESR finds that this figure is likely to be an underestimate because other people affected by the behavior of problem gamblers are not counted as creating fiscal costs.

This results in a total social cost of gambling in the UK of £1.4 billion per year, compared to annual GGY of £9.9 billion.³⁵ Applying this same ratio to the \$5.2 billion in annual GGY in New Jersey suggests that there could be \$740 million in social costs associated with gambling, of which \$350 million may be associated with iGambling in particular.

However, this estimate is strictly top-down and not vetted. In particular, gambling may have a different role in the life of the typical British gambler than a typical New Jersey gambler. Furthermore, many of the fiscal costs that NIESR references are specific to how British society addresses these social harms: e.g. the healthcare cost associated with a problem gambler will not be the same between the UK and New Jersey, even if the patients are otherwise identical.

Nonetheless, we conclude that the economic costs of iGambling is likely greater than just the modeled decline in jobs, wages, and economic activity. If these values are equivalent between the UK and New Jersey, then the fiscal social cost of problem gambling in New Jersey is roughly equal to the added tax contribution from the industry.

³⁴ Arnab Bhattacharjee et al. (14 April 2023), The Fiscal Costs and Benefits of Problem Gambling: Towards Better Estimates. National Institute for Economic and Social Research. <https://www.niesr.ac.uk/wp-content/uploads/2023/04/The-Fiscal-Costs-and-Benefits-of-Problem-Gambling-1.pdf?ver=Cwp1CgBj9RWGiq3pMAba>

³⁵ UK Gambling Commission Industry Statistics, excluding lotteries.

6. Advertising Expenditure

In Chapter 3 we model the direct economic effects of the gambling sector in New Jersey, focusing particularly on the impacts of each *incremental* dollar spent in gambling rather than the fixed overheads. In this chapter, by contrast, we focus on the largest category of overhead expenditure: marketing. For data reasons, we also focus this chapter on the whole of the United States rather than simply New Jersey.

As we show in Chapter 2, iGambling in New Jersey has grown rapidly while land-based gambling has broadly continued to follow established growth trends. In states that do not have land-based gambling, iGambling is fully incremental. In other words, iGambling in the US is mostly new gambling activity, which comes with its own challenges in terms of gambling harm.

As iGambling continues to grow nationally, it must be drawing in new players, or encouraging existing players to gamble more. This is driven by the level of marketing expenditure. As we show in this chapter, marketing expenditure in the gambling sector has grown rapidly in recent years, and uses a much larger proportion of total revenues than in other sectors. This is true in both the United States and the United Kingdom, which we include for comparison purposes, given its much longer history and societal acceptance of legalized sports betting.

Online casinos in the UK spend more heavily on advertising than other UK businesses, as well. This suggests that heavy advertising is a standard part of online casinos' business plans, even once the industry has reached maturity as it has in the UK.

6.1. Marketing of iGambling in the United States

iGambling in the United States increased from a GGY of \$1.8 billion in 2018 to \$14.6 billion in 2022, which both motivates online casinos and sportsbooks to advertise and provides them the funds to do so.³⁶ In this section, we demonstrate the link between the rise of iGambling and the marketing of gambling.

The data on casinos' advertising expenditures does not distinguish between the marketing of land-based gambling and the marketing of iGambling. Instead, we compare the amount of marketing spend from two gambling companies from 2018 to 2022. We choose Caesars Entertainment to represent gambling companies that engage in iGambling and anticipate iGambling and associated opportunities to increase. We choose MGM Resorts to represent a gambling company that is primarily land-based.

Caesars Entertainment is a US gambling and hospitality company, and in 2022 it collected over five percent of its revenue from its iGambling and sports betting outlets, collectively called Caesars Digital.³⁷ New Jersey authorizes Caesars to offer online gaming through three different

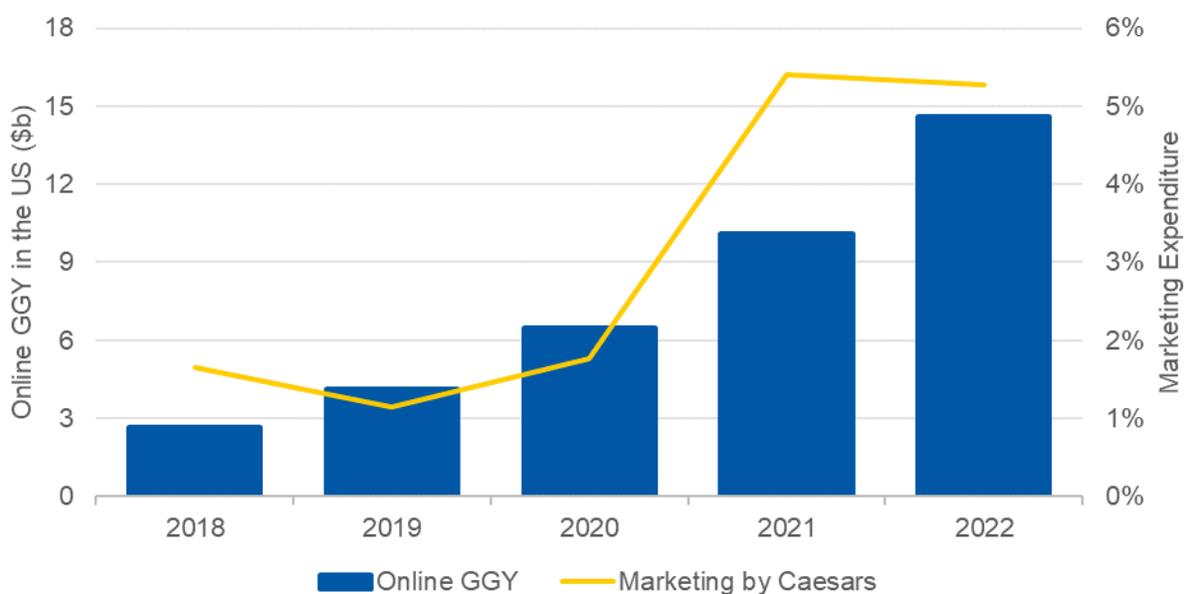
³⁶ Statista (August 2023), Online gambling. url: <https://www.statista.com/outlook/dmo/eservices/online-gambling/north-america#revenue>

³⁷ Caesars Entertainment (2023), Financials & Filings. url: <https://investor.caesars.com/financial-information>

casinos, and no other company has more than one such authorization.³⁸ In this example, Caesars Entertainment is reflective of the US gambling industry as a whole, which engages increasingly in iGambling.

In Figure 6.1 below, we display the annual *online* GGY across all companies operating in the United States, and compare it with Caesars' marketing expenditure as a percentage of its revenue.³⁹ As the figure shows, Caesars roughly tripled its marketing budget in the last five years, as it seeks to grow its online footprint.

Figure 6.1: Marketing of Caesars Entertainment During the Rise of iGambling



Source: NERA analysis on data from Statista

We next consider MGM Resorts International, which we use to represent the land-based gambling industry.⁴⁰ MGM Resorts only counts income from its land-based casinos, hotels, and associated land-based holdings as revenue. It does not solely own any iGambling outlet.

In Figure 6.2 below, we present a similar comparison, but for total *land-based* GGY (across the whole industry in the US) and for MGM's advertising budget. We find that MGM's marketing

³⁸ DGE (2023), Internet Gaming Sites, url: <https://www.njoag.gov/about/divisions-and-offices/division-of-gaming-enforcement-home/internet-gaming-sites/#caesars>

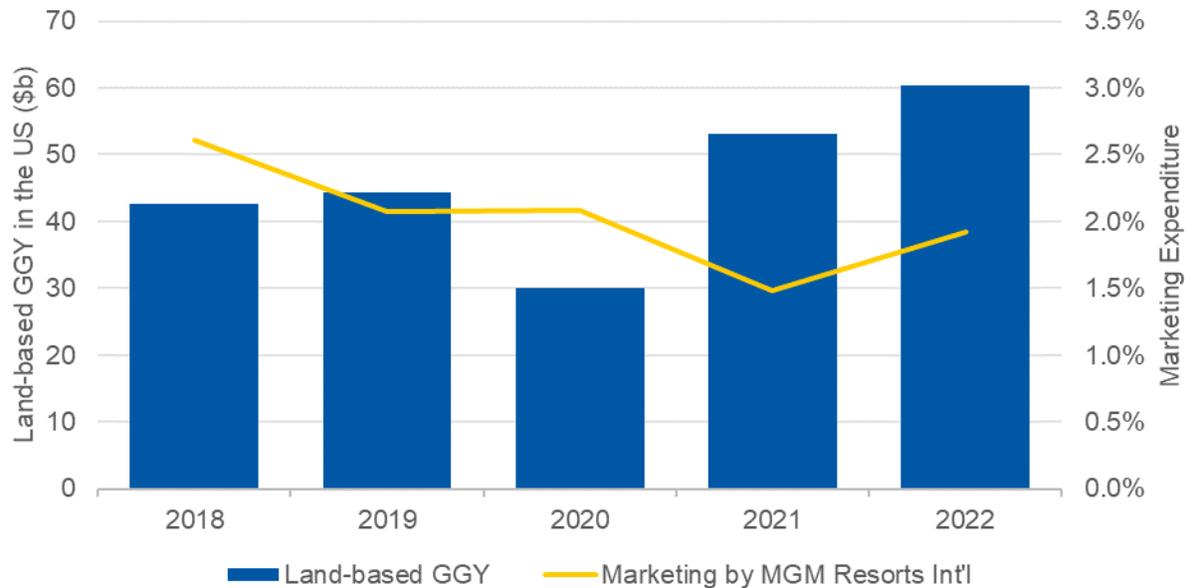
The three casinos are the now-closed Boardwalk Regency Corporation, Harrah's, and Tropicana.

³⁹ Statista (12 April 2023), Advertising expense of Caesars Entertainment worldwide from 2018 to 2022 <https://www.statista.com/statistics/689159/advertising-expense-of-caesars-entertainment-worldwide/>

⁴⁰ We exclude MGM's holdings in China, in order to keep the scope of our research within the US.

spend (as a portion of revenue) fell overall during this period.⁴¹ Land-based gambling in the US increased but not as quickly as iGambling revenue did in the same period.⁴²

Figure 6.2: Marketing of MGM Resorts as Land-based Gambling Grew More Slowly



Source: NERA analysis on data from Statista and the American Gaming Association

Without an expectation of growth to the extent that iGambling has grown, MGM Resorts decreased its investment in marketing rather than increasing it.

The above analysis demonstrates that iGambling motivates and funds the marketing of iGambling, largely because it is a very high-margin activity for a casino to offer, and any additional growth in the customer base will help to pay off any fixed costs.

This finding is consistent with the fact that that iGambling operators in the US spend more of their revenue on marketing than other industries do, which we discuss below.

iGambling operators in the United States spend a significant portion of their revenues on advertising. Gambling companies in the US in 2022 spent \$1.8 billion on advertising, against

⁴¹ (1) Statista (4 April 2023), MGM Resorts International advertising expense worldwide from 2018 to 2022. url: <https://www.statista.com/statistics/688991/mgm-resorts-advertising-expense/> (2) MGM Resorts International, (27 February 2020), 2019 Annual Report, p. 35. url: https://s22.q4cdn.com/513010314/files/doc_financials/annual/2019/2019-MGM-Annual-Report.pdf (3) MGM Resorts International, (24 February 2023), 2022 Annual Report, p. 36. url: https://s22.q4cdn.com/513010314/files/doc_financials/2022/ar/2022-Annual-Report.pdf

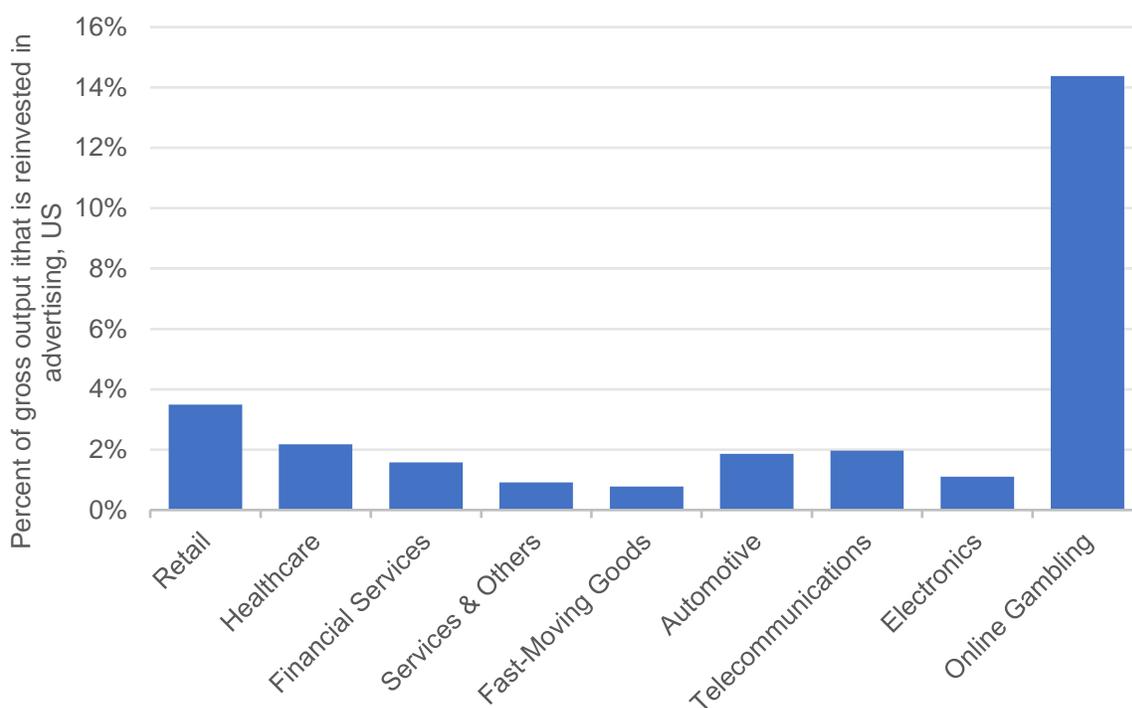
⁴² American Gaming Association, (20 May 2021), State of the states 2021. url: <https://www.americangaming.org/resources/state-of-the-states-2021/>

\$7.5 billion in sports betting revenue and \$5.0 billion in casino iGambling revenue.⁴³ This is up from \$1.0 billion in 2021. This corresponds to 14% of total iGambling revenues being spent on marketing across the United States.

Although the data on advertising expenditure does not distinguish between advertising for online versus land-based gambling, we understand that this is primarily directed towards the newly legalized sports betting industry, which primarily takes place online.⁴⁴

iGambling operators spend a far greater portion of their revenues on marketing than other sectors of the US economy do. Using data from Statista, BEA, and industry reports, we construct a comparison of the percent of annual gross output in an industry that is spent on marketing. We present this in Figure 6.3 below.

Figure 6.3: Marketing Intensity by Industry, United States



Source: Statista, BEA, Industry Reports

As the figure shows, iGambling operators, particularly sports betting providers, spend far more on marketing than any other sector. Marketing is therefore a major expense for iGambling

⁴³ (1) Statista (6 January 2023), Online gambling advertising spending in the United States from 2021 to 2023. url: <https://www.statista.com/statistics/1350628/online-gambling-ad-spend-usa/> (2) Statista (15 February 2023). Commercial gross gaming revenue (GGR) of the gambling industry in the United States in 2022, by segment url: <https://www.statista.com/statistics/1333004/gross-gaming-revenue-distribution-us/>

⁴⁴ See for example: NPR (18 June 2022), Sports betting ads are everywhere. Some worry gamblers will pay a steep price. url: <https://www.npr.org/2022/06/18/1104952410/sports-betting-ads-sports-gambling>

providers, which helps to elevate the nonwage expenses of online outlets (47% of revenue) above those of land-based casinos (33%) or alternate recreation (43%).

This conclusion can be brought into our findings from Chapter 3, in which we conclude that money spent on iGambling does not contribute as much to the economy as that same money spent elsewhere. More specifically, a large proportion of that expenditure goes to fund advertising spots on internet, television, billboards, etc, which itself feeds higher rates of gambling, leading to higher rates of harmful gambling behavior.

6.2. Marketing of iGambling in the United Kingdom

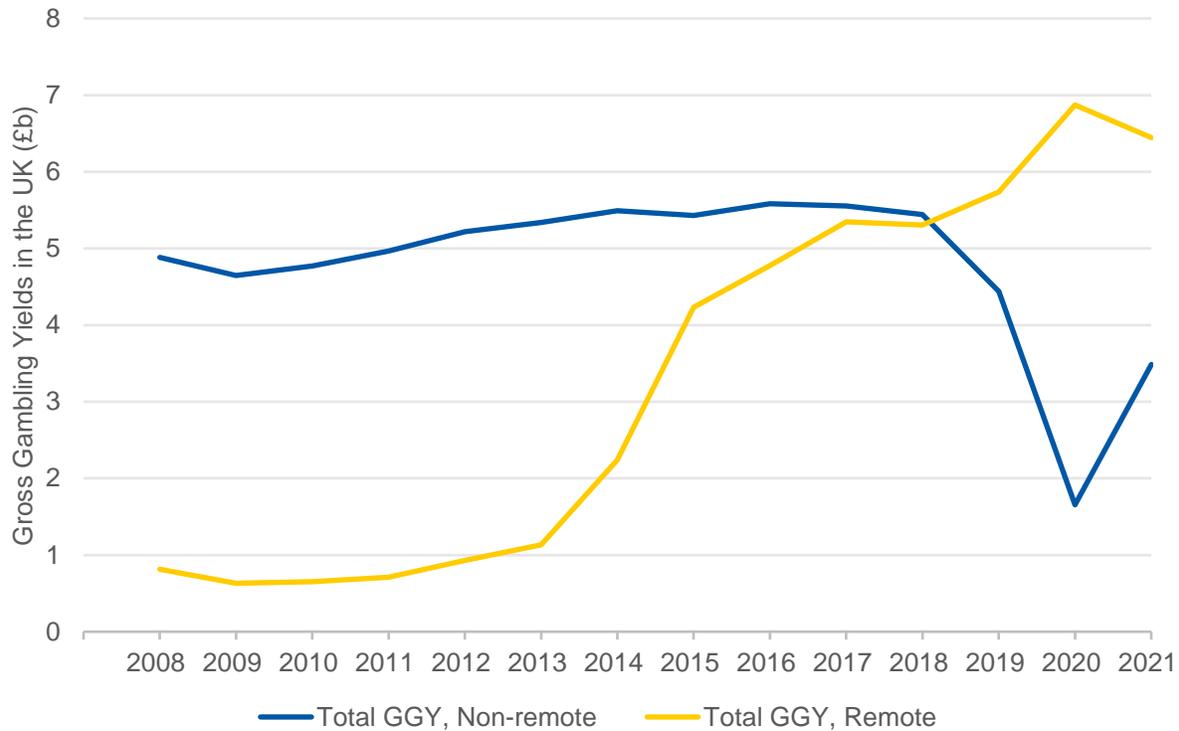
iGambling operators in the United Kingdom spend a significant portion of their revenues on advertising. In 2021, outlets across the UK spent over £1.5 billion on advertising, against £6.4 billion in iGambling yields.⁴⁵ This corresponds to 23% of total iGambling revenues being spent on marketing across the UK.

iGambling in the UK has been rapidly increasing for years and was also relatively unaffected by the pandemic in 2020, as presented in Figure 6.4 below.

⁴⁵ (1) Torrance, J., John, B., Greville, J. et al. Emergent gambling advertising; a rapid review of marketing content, delivery and structural features. *BMC Public Health* 21, 718 (2021). <https://doi.org/10.1186/s12889-021-10805-w>

(2) United Kingdom Parliament, House of Lords. Gambling advertising, debated on Tuesday 1 March 2022. Hansard (1 March 2022). <https://hansard.parliament.uk/Lords/2022-03-01/debates/6DD9F37C-0912-4B58-8DF8-FEFA60730097/GamblingAdvertising>

(3) UK Gambling Commission. Industry Statistics – November 2022. (February 15, 2023). <https://www.gamblingcommission.gov.uk/statistics-and-research/publication/industry-statistics-november-2022#notes>

Figure 6.4: GGY, Remote vs Non-remote

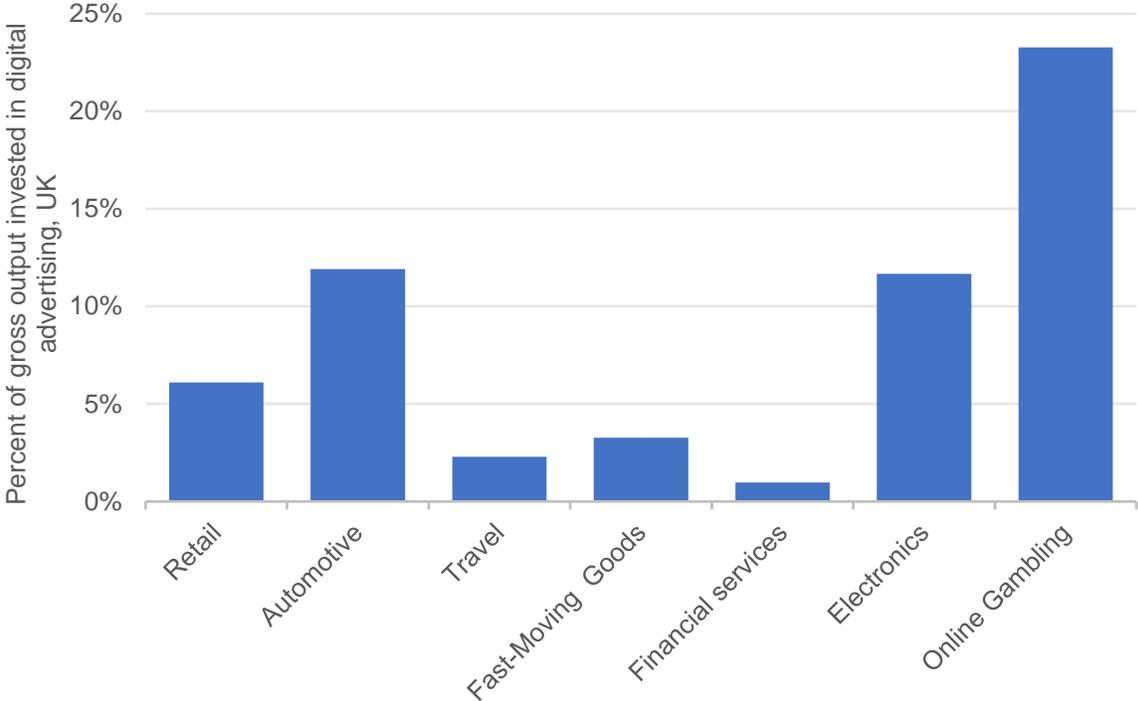
Source: UK Gambling Commission

iGambling operators spend a significantly greater portion of their revenues on marketing than other sectors of the UK economy do. We found the amount of digital advertising that these other sectors purchase, as a percentage of their revenue. By contrast, we only found the amount of overall advertising that the gambling industry purchase. However, over 80% of gambling advertising in the UK takes place online, so we are willing to compare these numbers directly.⁴⁶

We take the gross outputs (revenues) and digital marketing expenditures of other sectors from the market research firm Insider Intelligence, the UK Office of National Statistics, other UK government sources, and Statista. We apply these to find the digital marketing spend as a portion of revenue for each sector, displayed in Figure 6.5 below.

⁴⁶ UK Gambling Commission. The Responsible Gambling Strategy Board's advice on the National Strategy to Reduce Gambling Harms 2019-2022. (February 1, 2019). <https://www.gamblingcommission.gov.uk/manual/the-responsible-gambling-strategy-boards-advice-on-the-national-strategy-to-gambling-marketing-and-advertising>

Figure 6.5: Marketing Intensity by Industry, United Kingdom



Source: Office of National Statistics, Insider Intelligence, Statista

As in the United States, iGambling operators in the UK spend significantly more on marketing than any other sector, although all sectors, including gambling, spend more on marketing than their equivalents in the United States do. This data can provide an indication of what marketing of sports betting in the US could look like as the industry matures to the level that it is in the UK.

7. Conclusion

While land-based gambling has been legal in New Jersey, specifically Atlantic City, for over 40 years, iGambling is a much newer feature of the New Jersey economy, and around the United States. In spite of its recency, it now accounts for as much gambling revenue as its land-based counterpart, making this a particularly appropriate time to consider its contribution to New Jersey.

On balance, we find that the iGambling industry has been detrimental to the New Jersey economy, for several reasons:

- iGambling is a very high margin, low-cost activity for gambling operators, and few people are employed specifically in providing iGambling services. Those that are employed are generally overhead, such as providing the IT infrastructure, and so additional gambling activity likely does not increase salaries by much.
- By contrast, a larger proportion of money spent in land-based gambling goes towards employment and hence cycles back into the economy when those employees spend their wages. Furthermore, land-based casinos support many other hospitality and tourism businesses in Atlantic City, often bringing in money from out-of-state, increasing the benefit retained by New Jersey.
- Other alternative recreation industries are much more labor-intensive than gambling, and so if money is spent in these discretionary industries, it creates more value in terms of jobs created and wages paid out.
- On the other hand, iGambling provides greater tax revenue than alternative forms of recreation. This is principally because the State of New Jersey applies various taxes that apply specifically to online casinos. These are larger than sales taxes that would apply to alternative discretionary businesses. We do not capture lower personal federal income taxes, however, that results from the lower labor intensity of the iGambling sector.
- Gambling, including iGambling, has negative social effects beyond the economic effects we measure. Based on rates of problem gambling measured in the UK, we find that there could be an additional fiscal cost of \$350 million in New Jersey driven by problem gambling. This includes the costs of healthcare, welfare, homelessness, and criminal justice. These are similar in scale to the additional tax revenue paid by the sector.
- The rapid growth in iGambling has been supported by advertising expenditure far greater than in other sectors. This indicates both the importance of advertising to reach new gamblers as well as the extent to which revenues earned by casinos is directed towards ad buys rather than other avenues which may provide more social value.

In conclusion, while there are some benefits to the State in terms of tax revenue relative to alternative industries, the value of iGambling to the State of New Jersey appears to be lower than the alternatives, whether that is land-based gambling or non-gambling related activities.

Qualifications, assumptions, and limiting conditions

There are no third-party beneficiaries with respect to this report, and NERA Economic Consulting does not accept any liability to any third party.

Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been independently verified, unless otherwise expressly indicated. Public information and industry and statistical data are from sources we deem to be reliable; however, we make no representation as to the accuracy or completeness of such information. The findings contained in this report may contain predictions based on current data and historical trends. Any such predictions are subject to inherent risks and uncertainties. NERA Economic Consulting accepts no responsibility for actual results or future events.

The opinions expressed in this report are valid only for the purpose stated herein and as of the date of this report. No obligation is assumed to revise this report to reflect changes, events, or conditions, which occur subsequent to the date hereof.

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STATEMENT
OF
LIA NOWER, J.D., PH.D.
DISTINGUISHED PROFESSOR & DIRECTOR
CENTER FOR GAMBLING STUDIES
RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY

BEFORE THE U.S. SENATE COMMITTEE ON THE JUDICIARY

HEARING ON
“AMERICA’S HIGH-STAKES BET ON LEGALIZED SPORTS GAMBLING”

DECEMBER 17, 2024

Dear Chairman Durbin and Members of the Committee, by way of introduction, my name is Lia Nower, and I am a Distinguished Professor in the School of Social Work at Rutgers, The State University of New Jersey. I also serve as Director of the Center for Gambling Studies, a research, policy, and training center at Rutgers, dedicated to issues related to gambling and other interactive technologies, including gambling-related harms. Our center conducts the only research to date of every bet placed online in any state, as well as epidemiological surveys, examining a range of related, adverse consequences.

As a researcher, I take no position on the issue of gambling legalization and confine my testimony solely to the evidence of gambling-related consequences and best practices in reducing that harm for most Americans. In addition, the scholarly opinions expressed here are solely my own and do not reflect any position on these issues by Rutgers University or any other entity with which I am associated.

I greatly appreciate the opportunity to provide testimony for this hearing on sports gambling and critically needed player protections, such as many referenced in the Supporting Affordability & Fairness with Every Bet Act (SAFE Bet Act). I strongly believe that the current climate of rampant gambling expansion, absent federal oversight in the form of standardized, evidence-based safeguards, has the potential to addict a generation of youth and emerging adults.

The Advent of Legalized Sports Wagering and Other Forms of Online Gambling

Historically, gambling was restricted to land-based venues, often with specific hours of operation. Access to gambling was dependent on proximity and/or transportation to these venues, which, for most people, entailed a degree of accountability for lost physical time from work or family. The advent of online casino gambling around 2014, now operational in six states, provided a new revenue stream for both states and operators, as it made gambling accessible 24/7 on mobile phones and tablets. This virtually eliminated any obvious forms of physical accountability, as individuals could now gamble from the privacy of their homes or offices and hide their betting from those around them. As summarized in our yearly reports to the New Jersey Division of Gaming Enforcement and Governor Phil Murphy,¹ during the period from 2014 to 2018, online gambling was largely patronized by middle adults, with an average age of about 39 years, leaving emerging adults as a virtually untapped market.

That changed in 2018, when the U.S. Supreme Court overturned the Professional and Amateur Sports Protection Act (PASPA), clearing the way for legalized sports wagering. To date, 39 states

¹ Rutgers Center for Gambling Studies (CGS) reports are accessible at: <https://socialwork.rutgers.edu/centers/center-gambling-studies/research-publications>

and the District of Columbia have legalized sports wagering.² Legalization was quickly followed by a barrage of TV advertisements with unregulated content and operator partnerships with colleges, universities, professional sports leagues, and athlete influencers. The effect of these changes was two fold: It initiated sports fans across the age spectrum into gambling and inextricably linked the experience of sport with gambling for younger generations. Research has demonstrated that children and adolescents who are exposed to gambling content in ads, particularly on social media,³ both remember the content and may express intent to wager.^{4,5} Our own research has suggested that household members – not just parents but siblings, grandparents, and others living in the home – have a profound effect on the frequency of engagement by children in gambling as well as other addictive behaviors, resulting in higher levels of problem gambling severity as adults.⁶ The popularity of sports betting has also spawned a cottage industry of social sports wagering apps and websites, designed to engage youth and emerging adults in sports wagering for virtual forms of currency and triage them to real-time betting opportunities. In mature markets like New Jersey, ads have evolved from promoting sports wagering to encouraging a movement to igaming, a much more lucrative source of revenue. Unlike gambling in casinos, it is virtually impossible for any regulator to police who is betting online.

The personal and social costs of problem gambling and gambling disorder are well-documented and include potential adverse consequences across seven major domains: financial, relationship, emotional/psychological, health, culture, work/study, and criminal activity.⁷ Even states like New Jersey with a robust regulatory framework lack a standardized response system to identify and address low-risk problem gambling before those individuals move to higher levels of risk and harm. Federal standards are critical to this effort.

A Word About the Unregulated Market

Proponents of legalized sports wagering point to the burgeoning profits of the unregulated, market as a reason to refrain from limiting consumer spending. They suggest that legalizing

² American Gaming Association (Nov. 6, 2024). Interactive U.S. Map: Sports Betting. Accessed December 13 at <https://www.americangaming.org/research/state-gaming-map/>

³ Rossi, R., & Nairn, A. (2022). New developments in gambling marketing: the rise of social media ads and its effect on youth. *Current Addiction Reports*, 9(4), 385-391. <https://doi.org/10.1007/s40429-022-00457-0>

⁴ Hartmann, B., Hudders, L., & De Jans, S. (2024). Exploring the impact of gambling advertising on children: A comprehensive review. In B. Feijoo & E.F. Gomez (Eds.), *Advertising Literacy for Young Audiences in the Digital Age: A Critical Attitude to Embedded Formats* (pp. 47-63). Springer. https://doi.org/10.1007/978-3-031-55736-1_4

⁵ Nyemcsok, C., Thomas, S. L., Bestman, A., Pitt, H., Daube, M., & Cassidy, R. (2018). Young people's recall and perceptions of gambling advertising and intentions to gamble on sport. *Journal of Behavioral Addictions*, 7(4), 1068-1078. <https://doi.org/10.1556/2006.7.2018.128>

⁶ Nower, L., Anthony, W. L., & Stanmyre, J. F. (2022). The intergenerational transmission of gambling and other addictive behaviors: Implications of the mediating effects of cross-addiction frequency and problems. *Addictive Behaviors*, 135, 107460. <https://doi.org/10.1016/j.addbeh.2022.107460>

⁷ Langham, E., Thorne, H., Browne, M., Donaldson, P., Rose, J., & Rockloff, M. (2015). Understanding gambling related harm: A proposed definition, conceptual framework, and taxonomy of harms. *BMC Public Health*, 16, 1-23. <https://doi.org/10.1186/s12889-016-2747-0>

gambling offsets the profits that would otherwise go to off-shore companies who are free from regulator restrictions. I find this to be an unsupported assertion.

Having reviewed studies that purport to estimate money made by unregulated sites, I have yet to find more than speculative estimates of profits, based on company or bettor self-report or interpretation of web-scraped data. In our own studies, we reported that an estimated 40% of individuals who wager on sports claim to have done so before it was legal in New Jersey. This finding suggests that 60% of those who gamble on sports started gambling after legalization. Therefore, it is logical to conclude that the legal market, rather than the illegal market, was the gateway for sports wagering initiation for a majority of bettors. In addition, none of the studies to date can account for the incidence of children, youth, and emerging adults who will initiate gambling due to exposure to rampant advertising and the glamorization and/or modeling of the behavior by peers and family members.

The lack of federal, regulatory presence over advertising and consumer protection for those gambling in the U.S. has served as tacit acceptance of gambling as a harmless activity, reflected in increasing profits and participation. In the end, there is likely a synergistic effect between play on both regulated and unregulated sites, as high-intensity bettors with higher problem gambling severity levels tend to gamble on more sites, more often, and across more activities. It is, therefore, important to provide additional safeguards to consumers in the regulated market, irrespective of whether or not they patronize the unregulated sites.

What The Evidence Tells Us

Epidemiological Studies

In New Jersey, I have led two epidemiological studies, designed to assess the impact of legalization over time on problem gambling and to supplement information on gambling trends, provided by our yearly big-data reports. Most notably, 10 years of this work has clearly established, first, that *accessibility and acceptability of gambling in a state that is highly gambling-involved is associated with higher rates of participation and, as a result, with higher rates of problem gambling.*⁸ In our studies, individuals who gamble were classified as no-risk, low-risk, moderate-risk and high-risk problem gamblers from a validated instrument that assesses problem symptoms. High-risk problem gambling reflects those who would likely meet clinical criteria for gambling disorder. In New Jersey, studies before⁹ and after¹⁰ the legalization of sports wagering found that about 6% of those who gamble in New Jersey were classified as

⁸ Nower, L., Stanmyre, J.F. & Anthony, V. (2023). The Prevalence of Online and Land-Based Gambling in New Jersey. Report to the New Jersey Division of Gaming Enforcement. New Brunswick, NJ: Authors. Accessed December 15, 2024 at https://socialwork.rutgers.edu/sites/default/files/2023-10/Prevalence_Report_2023_Final.pdf

⁹ Nower, L., Volberg, R.A. & Caler, K.R. (2017). The Prevalence of Online and Land-Based Gambling in New Jersey. Report to the New Jersey Division of Gaming Enforcement. New Brunswick, NJ: Authors. Accessed December 15, 2024 at https://socialwork.rutgers.edu/sites/default/files/2022-05/final_prevalence_report_released_5.17.pdf

¹⁰ Nower, et al (2023), *supra* note 8.

high-risk problem gamblers – about 3x the rate reported in the last U.S. prevalence survey, commissioned by the National Gambling Impact Study Commission in 1998.¹¹ In addition, those who gambled at *higher frequencies, on more activities, and only online or both online and in land-based venues* had the highest rates of problem gambling. A disproportionate percentage of those gambling at high risk also identified as *Hispanic and/or Black or African American*, demographic groups for whom there is little specialized prevention, intervention, or treatment.

In the most recent survey, released in 2023, we examined those who specifically wagered on sports. Overall, about *three-fourths of sports bettors bet at high frequency, and 86% bet both online and in land-based venues*. About 35% of sports bettors were classified as *high-risk problem gamblers*, and they reported *significantly higher rates of substance use, participation in other addictive behaviors, and moderate and severe mental health problems, including suicidality and non-suicidal self-injury*. It is important to note that a prevalence study is not focused on causality – i.e., why sports bettors had these high rates – however, the findings suggest that states planning to initiate or expand sports wagering offerings should first have a framework in place for identifying and addressing potential consequences. Unfortunately, few mental health or substance use facilities in most states screen for or are qualified to treat problem gambling, which further raises the potential for harm as those at lower risk levels often go unidentified.

Big-Data Analyses

Sports wagering attracts a much higher proportion of younger bettors, particularly emerging adults, when compared to any other form of online gambling. Gambling disorder exists across a bi-directional spectrum from recreational to severe problem gambling, and that that trajectory typically develops over time. Therefore, it is critical to identify and address those with problem symptoms before they move to higher levels of problem severity.

Over the past few years, our analyses have identified a number of trends among sports bettors that are likely targets for intervention. *First*, about 4% to 5% of New Jersey sport bettors place more than 60% of the bets and spend about 50% of the money.¹² Therefore, these bettors provide a logical starting place for harm reduction efforts. Notably, more than half of bettors in this high intensity group are under age 35, but less than 4% of the youngest bettors use any of the responsible gambling limit-setting features. In New Jersey, those features include the ability to set loss, time, and deposit limits, set a 72-hour cool-off (lock-out) period, and self-exclude (self-ban) for periods of one year, five years, or lifetime. *Second*, in-game betting is an activity that promotes impulsive spending while in a “hot” emotional state. More than 40% of money wagered on sports in New Jersey is typically placed in-game; in addition, about a third of those in-game bets are placed in the overnight hours, which can be associated with higher risk levels.

¹¹ National Opinion Research Center (NORC) (1999). *Report to the National Gambling Impact Study Commission. Gambling impact and behavior study.*

¹² CGS reports, *supra* 1.

Changing odds make it difficult, if not impossible, to make informed betting decisions and can be influenced adversely by alcohol intake, fan loyalty, and erroneous cognitions about the odds of winning. *Third*, we have found that almost 99% of sports bets are placed by players using credit cards or ePay services. This makes it easy for a bettor to “max out” credit they can’t readily repay, and ePay services allow bettors to mask the number and balance of cards behind the pay wall. Notably, only about 1% to 2% of sports bettors typically use only their bank accounts to gamble which, in my opinion, should be the only funding option aside from cash deposits. *Fourth*, there is virtually no education in the sports betting arena for players to learn the loss percentages of different types of bets; in addition, they are not provided with the actual ratio of the money deposits to withdrawals, exclusive of bonuses or “wins” that are never withdrawn. For example, in our research, we have calculated that sport bets lose, on average, more than 70% of the time and parlays may lose up to 96% of the time. *Fifth*, while women make up only about 13% of those who bet on sports online, they have placed increasingly more bets in higher amounts over the past five years. In addition, women are primarily in-game bettors, placing at least half their bets and spending at least half of their money in-game. Little attention is focused on the growing participation of sports betting among women.

The SAFE Bet Act

Given the variation among states and the non-evidence-based nature of most regulation, it is imperative that the federal government posits clear, uniform regulations or, ideally, institutes a regulatory body similar to the UK Gambling Commission, to bring standardization to protections all states that offer legalized online sports wagering and casino gambling. The SAFE Bet Act is a significant step toward meeting that goal, as it sets minimum standards in a number of key areas. Specifically, the following provisions are notable:

- *Prop bets*: I fully support the NCAA’s stance against prop betting on amateur or intercollegiate games to protect young athletes from harassment; the SAFE Bet Act would prohibit prop bets on amateur or intercollegiate games.
- *In-game betting*: As detailed above, in-game betting is very popular, particularly with younger bettors and can limit the ability to make reasoned financial decisions. The SAFE Bet Act would prohibit bets once games have commenced.
- *Prohibitions on credit cards; restrictions on the use of AI and advertising*: As supported by my testimony, these are important safeguards for player protection.
- *Annual nationwide survey on online sports betting*: We conduct similar surveys and produce annual reports for the State of New Jersey and would both support and welcome the opportunity to participate in such a survey nationally.
- *National self-exclusion list*: One significant challenge in enforcing self-exclusion restrictions in New Jersey is the varying terms of exclusion and tracking players who opt to petition to resume gambling. Enacting a national self-exclusion list with set term periods and standardized guidelines for operator interactions would allow for the

development of a systematic monitoring system to ensure those who are self-excluded are not gambling or receiving inducements to gamble. I would also note that our research has found that those opting for short terms of self-exclusion (i.e. one year) are likely to resume gambling at high intensity following return to play, so future considerations of this provision should consider longer periods of self-exclusion and monitored reentry as additional safeguards.

- *Affordability protections*: Operators have long obtained credit information on players to guide the extension of credit and other business functions, so it stands to reason that establishing these guidelines to protect players who may be gambling beyond their means is a logical and worthwhile safeguard. In 2022, I led the first published article on enacting affordability guidelines in North America.¹³ I am, therefore, a strong proponent of mandating affordability guidelines for player protection. I would, however, question the monetary thresholds proposed, as 30% of monthly income seems an excessive amount before triggering an affordability check. Rather, as we discuss in our article, individuals should be wagering no more than their discretionary income, that is, the amount remaining after taxes and household expenses are paid. As an example, discretionary income for a family of four living in New Jersey and making \$50,000 would be about \$8,300 or 17% of yearly income – far less than the proposed 30%.

In summary, legalized sports wagering is, for most people, an exciting addition to gambling offerings that enhances the fan experience. However, a growing number of bettors will experience problems and possible gambling-related harm. Establishing a federal regulatory presence in this landscape, combined with prescribing evidence-based safeguards and a way to evaluate findings over time as proposed in the SAFE Bet Act, will prove a much-needed first step in protecting American consumers and their families from harm.

¹³ Nower, L., & Glynn, J. (2022). Adopting an affordability approach to responsible gambling and harm reduction: Considerations for implementation in a North American context. *Gaming Law Review*, 26(9), 466-476. <https://doi.org/10.1089/glr2.2022.0020>

Prepared Statement
for the United States Senate Committee on the Judiciary
"America's High-Stakes Bet on Legalized Sports Betting"
December 17, 2024

Texans Against Gambling¹ appreciates the opportunity to submit these brief comments for this week's hearing on America's High-Stakes Bet on Legalized Sports Betting.

Texas is one of several states in which online sports gambling is illegal.

And that's how it should be, as good public policy. The significant harm to families and businesses in states that have legalized online sports gambling, after the Supreme Court's 2018 decision,² is increasingly evident. That harm is described in academic studies³ and revealed in empirical evidence of various measures of public well-being.

And in terms of human suffering, the harm is evident in recent huge increases in phone calls to problem gambling helplines.⁴

Classic economic asymmetry has evolved: profits benefit private parties and the externalities - social, economic,⁵ and welfare costs - are borne by the taxpaying public. The costs are enormous and increasing.⁶

In recent Texas legislative sessions, large online gambling businesses and Texas-based professional sports franchises have sought legalization. Their endeavors don't intend harm - that's just a by-product; their motivation is simply profit-maximization. The individuals behind those endeavors (a) are extremely well-funded, (b) have the capacity to, and do, make significant

¹ Texans Against Gambling is a Texas nonprofit corporation established in 1988. (X.com: @NoGamblingInTX.)

² *Murphy v. NCAA*, 584 U.S. 453 (2018).

³ See *Gambling Away Stability: Sports Betting's Impact on Vulnerable Households*, Baker, Northwestern University, et al., June 30, 2024 (SSRN); *The Financial Consequences of Legalized Sports Gambling*, Hollenbeck, University of California, Los Angeles, et al. July 23, 2024 (SSRN).

⁴ See *Gambling addiction hotlines say volume is up and callers are younger as online sports betting booms*, NBC News, April 5, 2024.

⁵ Recently the Campaign for Fairer Gambling projected that the U.S. economy and consumers are expected to lose a minimum of \$1 trillion to online gambling by 2028, absent intervention by needed new harm prevention statutes and other measures.

⁶ The large commercial gambling industries and their lobbyists commonly point to the tax revenue derived from online sports gambling (OSG) as a costs offset. This is often misdirection. A typical "playbook" for the large commercial gambling industries and their lobbyists seeking OSG legalization in a given state is to identify the topic of a critical state fiscal need, especially a well-recognized need in terms of the state's populace's awareness. (Examples are public education funding and property tax relief.) Once identified, bills to legalize OSG in that state dedicate a portion of the OSG tax revenue to reduce that fiscal need. Should legalization occur, time shows that the need is actually reduced infrequently and often immaterially, as the tax revenue mostly offsets a budgetary reduction in other revenue sources for the need. And infrequently, also, does the tax revenue equal gambling industry-provided tax revenue projections.

campaign contributions to candidates for the Texas Legislature and Texas legislators, and (c) involve scores of lobbyists.⁷

In our opposition to gambling expansion in Texas we have kept abreast of ideas originated in other states that mitigate the harm and suffering caused by online sports gambling. In service to our fellow citizens and as suggestions for the committee's consideration a few of those mitigation ideas are summarized below:

- 1-Establish a gambling business's standard of care for its gamblers that mitigates addiction;
- 2-Establish meaningful "know your [gambling] customer" requirements;
- 3-Establish meaningful weekly or monthly gambler account dollar deposit limits;
- 4-Prohibit rapid gambling, for example gambling multiple times per minute; and
- 5-Prohibit so-called "prop" (short for "propositions") gambling.

Today's hearing has a specific, limited scope. We welcome this hearing as a helpful first step - a first step in a needed broad Congressional exploration of gambling expansion, with future hearings on related topics to protect families and businesses.

We thank Senators Durbin and Graham and their committee colleagues for convening today's hearing and we thank the committee and staffs for their attention to this looming national crisis.

Russell F. Coleman, Chair
For Texans Against Gambling

⁷ The regular session of the 89th Texas Legislature begins next month and will be no different with respect to those endeavors.