



National Basketball Association

Written Statement of the National Basketball Association

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New York Senate Standing Committee on Racing, Gaming and Wagering

Hearing on Sports Betting in New York State and Senate Bill S17A

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Thank you, Chairman Addabbo, and members of the Committee, for the opportunity to share the views of the National Basketball Association on Senate Bill S17A and the issue of legalized sports betting in New York.

While the NBA's business is global, New York has been our headquarters since the league was formed in 1946, and we continue to have a strong presence here: two of our teams are based in the State along with one team in the WNBA and two in the NBA G League. Our longstanding presence in New York, coupled with the State's national reputation as a policy leader, makes this a particularly suitable forum to discuss what we believe is the best path forward for sports betting legislation.

In the wake of the Supreme Court's decision invalidating the Professional and Amateur Sports Protection Act ("PASPA") last May, dozens of states are now considering implementing sports betting legislation as a means to create economic activity, harness a new source of tax revenue, and protect consumers who currently bet on sports via offshore markets or local bookies. And indeed, illegal sports betting remains widespread in the United States, with experts estimating that illegal betting in this country is in the range of \$100 to \$200 billion per year. These bets are taken in an illegal market that does not support local businesses, cannot be taxed, and most important from our perspective, cannot be monitored or regulated.

We have studied these issues at length. Our conclusion is that the time has come for a different approach that gives sports fans a safe and legal way to wager on sporting events while protecting the integrity of the underlying competitions. New York, of course, is further along than many other states. In 2013, this legislature passed a law that authorized sports betting on casino premises if the Supreme Court were to invalidate PASPA, and betting authorized under that law may begin later this year. But that 2013 law does not include safeguards that are necessary to protect our fans and the integrity of the sport, nor does it permit online or mobile wagering, the class of betting activity that is most likely to crowd out the illegal market.

For these reasons, we support the passage of a comprehensive sports betting bill in New York. That legislation should, at a minimum, include five key components:

- First, it should enable the detection and prevention of improper conduct relating to sports betting. Among other things, this would include mandatory alerts by gaming operators of unusual betting activity, as well as eligibility requirements to prevent insiders from placing bets on their sports. It would also require operators to provide real-time, pseudonymized betting data at the account level to the relevant sports leagues so that we are also able to monitor and detect irregular betting activity that relates to our games.
- Second, the legislation should include effective consumer protection requirements. Among these provisions are a rigorous licensing program to ensure that operators are properly vetted; age restrictions; self-exclusion programs and other measures to address problem gambling; and regulations of gambling advertising to protect vulnerable individuals. Crucially, this suite of consumer protection measures includes a mandate that operators use official league data to settle in-game bets, or bets that are placed and settled based on discrete events that occur during play. As operators increasingly offer in-game and proposition bets, maintaining reliable markets for these wagers becomes more difficult and complex. A mandate that operators use official league data to resolve these bets will ensure the accuracy and consistency of betting outcomes and give New York bettors access to reliable and well-functioning in-game and proposition betting markets.
- Third, sports leagues should have the ability to work with the state regulator to propose restrictions on wagering on their own events. While we do not anticipate acting to prohibit a significant number of wagers, certain types of bets may carry an unacceptably high risk for manipulation. Different sports will be the subject of different bets that carry these risks, so each league needs an independent ability to work with the regulator to identify and potentially opt out of wagers that pose unusual integrity risks.
- Fourth, the law should authorize sports betting on Internet and mobile platforms. A robust mobile betting market is essential to New York's ability to bring bettors from illegal to legal betting markets. If betting is limited to land-based locations, many consumers who do not live near brick-and-mortar operators, or who prioritize the convenience of mobile apps that facilitate betting via offshore operators, likely would continue to bet illegally through unregulated but easily accessible channels.
- Fifth and finally, the law should provide a modest 0.25% royalty to the sports leagues from the amount bet on their contests. This royalty, which amounts to twenty-five cents for every \$100 bet, would be paid by the operator to the

appropriate league. Compensation of sports leagues is in line with precedent from both U.S. horse racing and international sports betting, and reflects the underlying fact that sports leagues provide the foundation for sports betting while bearing the risks that sports betting imposes, even when it is regulated. This royalty would compensate the sports leagues for their significant investments in the games themselves, and further incentivize leagues to engage with the sports betting industry in New York to help promote and grow the overall market. The leagues' engagement ultimately will create more revenue for both in-state operators and the State of New York. In short, we believe a 0.25% royalty is the foundation of a mutually-beneficial partnership among the State of New York, sports betting operators, and the leagues.

Each of these elements is critical to the NBA's support of sports betting legislation in New York. Our first and paramount responsibility is to protect the integrity of professional basketball and preserve public confidence in the league and in our sport. We hope that you will include these principles in legislation this year, and we look forward to working with this Committee, your colleagues, and all stakeholders to ensure that sports betting in New York is safe and successful.