

Testimony of Michael Pollock
January 31, 2023

Chair Addabbo and Chair Pretlow, we at the Spectrum Group of Companies thank you for the privilege of being asked to provide testimony today.

Spectrum Gaming Group has been examining the potential opportunities and challenges of digital gaming in all forms for more than two decades, meaning that our analysis preceded any actual authorization of digital gaming in any form because we recognized:

- The Internet itself represented a permanent change in how individuals conduct their lives, and how businesses – large and small – would operate in what is clearly an entirely new world.
- All industries – most notably consumer-facing industries such as casinos and lotteries – would have to adapt their business models to leverage this new technology to develop an omni-channel strategy of reaching consumers, and hopefully new consumers and convert them into customers.

While land-based casinos, which were and remain the flagship vertical in gaming, were initially skeptical of online wagering and fearful that it would cannibalize on-site wagering, the entire gaming industry now fully recognizes that:

- Their existing customer base was not getting younger, and digital gaming represented an opportunity to capture a younger demographic
- Adults will always enjoy games of chance, but more important, adults will always enjoy spending their time and their money in social settings.

The casino industry, by virtue of its experience and its proven business model, is best positioned to capture the opportunities offered by digital commerce in gaming.

The experience of digital gaming in recent years has affirmed our initial projections, noting that:

- On average, digital sports bettors and igaming players are materially younger by decades than traditional casino players
- Online and mobile wagering has not cannibalized land-based wagering. Quite the opposite. As expected and projected, online and mobile wagering has created an omni-channel marketing opportunity to reach adults who previously had little to no interest in visiting casinos.

Those findings have led to a new set of principles that can help guide lawmakers in New York as you consider any revision to gaming policy. These principles include:

When looking at tax rates, do not simply multiply the proposed tax rate by the expected revenue, and assume that the resulting number will constitute the full fiscal impact.

Rather, examine how your gaming policy might either encourage – or potentially discourage – capital investment in gaming properties. Then, project how that change in capital investment will potentially affect employment, construction and purchases of goods and services that, in turn, would affect other fiscal streams, including sales taxes, income taxes and many other tax streams.

That exercise would lead to a different number, but a number that can help ensure better-informed policy decisions.

A new term is presently entering the economic lexicon. We call it the “experience economy,” and it will be dominated by private entities that are best positioned to meet the demands of consumers for more and better social experiences.

The casino industry is well positioned to be a major participant in the “experience economy,” and not surprisingly, some gaming markets are already showing that gaming could account for less than half the revenue generated by the gaming industry.

That trend can only be expected to continue, and whether states can fully participate in this “experience economy” will depend to a great degree on the tax policies that legislators develop and that they pursue.

Thank you again, and I will now turn it over to my colleague David Isaacson, Senior Vice President of Spectrum Gaming Capital, to discuss our specific findings in New York.