

Hello, thank you for allowing you to speak with you today. I am Ohio State Senator Bill Coley and for the last several years I have had the privilege of serving as Chairman of the Senate Government Oversight and Reform Committee, which, among other things, has addressed the bulk of the gaming legislation in the State of Ohio. In addition to handling gaming issues in the State of Ohio, I also serve as President of the National Counsel of Legislators from Gaming States (NCLGS) and NCLGS is proud to have Kansas as one of our member States.

In Ohio, like Kansas, Sports betting has been illegal. According to our Legislative Service Commission, Since January of 2008, there have been only 12 arrests for bookmaking in the entire State of Ohio. So clearly no one is betting on sports in Ohio, even with all of the illegal sports betting websites.

In Ohio, when it comes to budgeting, we educate, we medicate and we incarcerate and that is 90% of our budget. Law enforcement and corrections (the incarcerate part) is the smallest of those three principal budget priorities. If you've read the book Dreamland, you know that Ohio has been the epicenter of the opioid crisis. So, with the crime associated with the illegal drug trade on top of the problems of violence against our most vulnerable citizens, it is not hard to understand that fighting illegal gambling is not the top priority of law enforcement.

Until the recent Supreme Court Decision, the only way Ohio and Kansas have had to fight illegal gambling was to spend already scarce tax payer law enforcement dollars. Unfortunately, every tax payer dollar spent to fight illegal sports betting had to be diverted from fighting other crimes. Now, legislators in each state have the option of fighting illegal sports betting, by using some of the funds generated by legalizing sports betting.

If you decide that you want to try and fight illegal sports betting by legalizing sports betting, you will have to address each of the items of CAMP T.

The first item is Consumer protection. When bets are placed, all betters have to have equal access to information, problems with signal delays have to be addressed, and sufficient bond must be in place to insure winners are paid.

Anti-money laundering is the second item that must be addressed. Simply stated, if last February someone went to the first bookie and bet half a million dollars on the Philadelphia Eagles and then went to a different bookie and bet a half a million dollars on the New England Patriots, that person just laundered a million dollars. If you choose to allow sports betting, you must make sure that you have a system that will catch those who want to use sports betting as a way to try and cover their nefarious activities, no matter how they structure their money laundering operations.

Match fixing and protecting those involved in sport is also an important governmental function. Sports fans deserve to know that the athletes involved are using their best efforts to win their contests. In addition, athletes, sport officials, team owners and everyone involved in sports contests need to be protected from harm, threats and improper influence.

Problem gaming is something that must be addressed. When a young adult, with a limited income, begins by making small dollar bets there may be nothing to be concerned about. However, when that same person suddenly starts placing large dollar bets or continues with the small dollar bets but starts placing more of those bets with more and more bookies, a system has to be in place to have problem gaming professionals reach out and offer assistance to these young people before they are beset with financial ruin.

Funding these activities is where effective Tax policy comes in. When setting the tax policy remember that there are more than one sports betting product and the tax rate has to be right for the sports betting product being taxed. The illegal sports betting sites take those traditional sports bets: which team is going to win; which team will score first; who will be leading at the end of the first half; will there be a red card in the game. These illegal sports betting operators keep about 3% of the monies bet and pay out about 97% of the monies bet out in prizes to those making the bets. Legal bookies will need a similar 3% or so to fund their operations. If the state creates a legal sports betting product, but then adds double digit tax rates, anyone with even a rudimentary understanding of economics would know that, while they may be creating some new tax revenue, they will also be creating thousands of new customers for the illegal sports betting operators.

Therefore, while traditional sports betting products might not be able to generate significant tax revenue, there are entertainment sports betting products, often delivered by lotteries, that can provide very large revenues. I was at the ICE conference in London earlier this year and I saw a demonstration of such a product. In one case, a three match, ten pound bet was slated to pay the winner 760,000 pounds. Of course, in the first match, the severe underdog had to win, a player who warmed the bench had to score the first goal in the second match and the final score in the third match had to end in a 4 - 4 tie. A 20% cut for the State from such an entertainment type bet would not pose a problem.

So, do you want to fight illegal sports betting by legalizing sports betting in your state? If so, you must answer the Who, What, Where and When.

Who do you want to allow to accept sports bets? Are you going to restrict sports betting to only those with land-based casinos? Are you going to allow your pari-mutuel racing sites to accept such bets? What if developers wish to make a substantial investment in a large resort facility in your state? Would you permit those developers to have a sports book at this large resort complex? What about your local bars and taverns? When people go to watch a sporting event with their friends, they don't go to a casino or racetrack. Sports fans don't even go to a resort hotel when they want to watch the big game, they go to their neighborhood tavern. Are you going to allow your lottery to have a product available at your local bars and taverns?

What sports bets are you going to allow? Are you going to restrict such bets to professional sports or are you going to allow bets to be placed on amateur sporting events? In Europe, only 30% of the wagers that are placed are which team is going to win this contest. 70% of the wagers are "in play" wagers: which team will score first; will there be a touchdown in the first quarter; will there be a yellow card in the next 15 minutes? Is your state going to permit such "In Play" wagers?

The other What is the topic of the traditional sports bet versus the entertainment "parlay" bet that involves multiple games/players, scores or whatever. Are you going to allow your state lottery to offer such parlay products?

Where are you going to allow sports betting? Is it just while the person placing the bet is physically at the Casino, racetrack, resort hotel or lottery retailer or are you going to permit mobile betting? The illegal operators have apps that are easily used from a cell phone. Can you really expect betters to schlep off to a casino to place a bet on their favorite team, and can you expect them to stay there for the entire game so they can place those "in play" wagers?

Finally, are you going to unleash this whole sports betting program all at the same time or are you going to phase it in over time: people placing bets while they are physically at the casinos and racetracks at first for traditional sports betting products and lottery vendors starting out with entertainment parlay bets; X months later allowing such bets to be made on mobile devices; then Y months later allowing the resort hotels to open sports books. When you allow each part of your sports betting program might be the tool you need to reach a compromise between the warring parties that will all be wanting a piece of your state's sports betting program.

The How in sports betting is where you have a chance to bring this all together. By requiring information regarding all bets to be funneled through a central portal, the State would have a database to use in addressing virtually all of the problems that we just discussed. We're not talking about a monopoly on accepting wagers, but we are talking about requiring that the information regarding every wager would be shared with the State. In addition, a multi-state compact would permit States to share information to further fight crime. The shared information from the portal could be used to detect criminals who try to structure their activities across state lines to avoid getting caught. The portal addresses each aspect of CAMP-T.

In Consumer protection, by knowing the timing and circumstances surrounding each bet fairness could be insured. By knowing which bookie has accepted which bets, adequate bonds could be in place to insure all winners are paid.

Anti-Money Laundering, really benefits from a central portal. Suspicious betting activity can be documented and even if the criminals try to structure their money laundering activities by using Smurf's, the structured transactions can be identified and investigated.

Match fixing is also something that becomes much harder to do when there is a central portal. The voluntary reporting systems that exist in Europe and Nevada were fine when they were established. However, when the bad guys know what the thresholds are, they know how to structure their wagers to avoid reporting. A modern day Arnold Rothstein could begin his match fix by placing \$10,000 wagers with a bookie once every 6 to 8 weeks. Then he would come in with a \$20,000 wager and no one would think anything of it, even if it had only been 2 weeks since the last bet. Unbeknownst to the bookie, this match fixer was doing this with 9 other bookies. On the day of the fixed match, he placed \$2,000,000 in bets all on the same game. Of course, with a central portal, an investigation could ensue, even though no individual bookie saw anything suspicious.

Another problem of the current voluntary system is that the data belongs to the bookie and they tend not to be willing to share this information. Very recently, an amateur sports league, who will remain nameless, noticed that the line for an upcoming match was seriously different from expectations. They called several prominent bookies who advised league officials that some "sharks" had come in early with some substantial dollar wagers. When the league asked to see the bets so that they could investigate whether any improprieties had occurred, the bookies refused. A central portal puts such information right where it belongs, with the State regulatory officials.

Problem gamblers are also protected with a central portal. Algorithms can be built into the portal so that when individuals begin placing bets that could end up placing them in financial ruin, problem gaming professionals can intervene before the problems spin out of control.

Tax collection also benefits from a central portal. Since the State's database will provide complete information about all wagers subject to taxation, the tax reconciliation process is quite simple, with very little guesswork.

If States choose to fight illegal gambling by creating legal betting opportunities, there will be winners and losers. If the states get it right, the biggest winners will be the sports leagues. The renewed interest in sport will no doubt result in significant increases in fan interest and that could be great for everyone involved, including the State.

However, if the States get this wrong, the biggest losers will be the sports leagues. No longer will their matches be viewed as athletic contests. Everything will start to look like professional wrestling, entertaining but not true competition.

Therefore, it is vital that we legislators get this right.