

1 BEFORE THE NEW YORK STATE SENATE
2 STANDING COMMITTEE ON RACING, GAMING, AND WAGERING
3 AND
4 ASSEMBLY STANDING COMMITTEE ON RACING AND WAGERING
5 -----

6 JOINT PUBLIC HEARING:

7 MOBILE SPORTS BETTING IN NY:

8 A FIRST-YEAR REVIEW AND ITS BUDGET IMPACT
9 -----

10 Legislative Office Building
11 172 State Street, 2nd Floor
12 Van Buren Hearing Room A
13 Albany, New York, 12247

14 Date: January 31, 2023
15 Time: 9:30 a.m.

16 PRESIDING:

17 Senator Joseph P. Addabbo, Jr., Chairman
18 NYS Senate Standing Committee on
19 Racing, Gaming, and Wagering

20 Assemblyman J. Gary Pretlow, Chairman
21 NYS Assembly Standing Committee on
22 Racing and Wagering

23 PRESENT:

24 Senator Leroy Comrie
25 Senator Nathalia Fernandez
26 Senator Pamela A. Helming
27 Senator James N. Tedisco

28 Assemblywoman Stacey Pheffer Amato
29 Assemblyman Jeff L. Gallahan
30 Assemblyman Joseph M. Giglio
31 Assemblyman Jarett Gandolfo
32 Assemblyman Angelo Santabarbara
33 Assemblyman Nader J. Sayegh
34 Assemblywoman Carrie Woerner

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1 SENATOR ADDABBO: Good morning.

2 Good morning.

3 Just to make sure you're awake, that's all.

4 Welcome to the Racing, Gaming, Wagering joint
5 committee hearing on the one-year review of mobile
6 sports betting.

7 And thank you all for being here, and it's
8 been a phenomenal year certainly for mobile sports
9 betting.

10 I do want to -- I can't do this alone, so
11 I do want to thank my team:

12 My community director, Shanna Cassidy;

13 Legal counsel, Dan Ranellone; legal counsel,
14 Paul McCarthy;

15 Senate finance, Chris Jaukus [ph.], and
16 Senate finance, Mike Vito.

17 Welcome.

18 I really appreciate everyone's participation
19 here.

20 Like I said, it's been a great year for
21 mobile sports betting.

22 I don't know if we are amazed at where we
23 are, given that we're New York. We had a great fan
24 base, and we certainly saw our residents going to
25 other states. So the fact that they get to stay

1 here is great.

2 What amazed me and what I marveled at is the
3 fact that we did these numbers, these
4 record-setting, more-than-in-the-nation kind numbers
5 within the first year, and with only nine operators.

6 And we all know the numbers.

7 416.5 billion handled; again, number one in
8 the nation. 700 million for, really, education,
9 which is great, and we are appreciative of that.

10 But we have to understand that we all -- we
11 can look at this and we can be amazed at these
12 numbers and proud of these numbers. And it does lay
13 the foundation of where mobile sports betting can go
14 in the future, and a foundation to build upon, a
15 great strong foundation to build upon, for
16 sustainability, and maybe even think about other
17 areas, like iGaming, because we showed appetite
18 for mobile gaming.

19 We have to be cognizant of two things:

20 One, the legislature can never stand on the
21 sidelines and say we're done. This is a successful
22 product and we're done with mobile sports betting,
23 move on.

24 We need to stand at the ready to make sure
25 that we give New Yorkers of this state the best

1 product possible, the best product in the nation.

2 We have to stand ready to make those changes
3 and improvements when needed and when the
4 opportunity arises;

5 And, two, we can never talk about the success
6 of gaming or any kind of expansion without
7 understanding the issues and the dangers of,
8 certainly, addiction; and not only addiction, but
9 pre-addiction. To catch that individual before they
10 lose the house, get that individual before they're
11 on down the road, far down the road, to addiction.

12 So those are the things that we will always,
13 we must, and we will, address those issues going
14 forward in terms of gaming.

15 At this time point, like I said, I can't do
16 it alone. I've got a great team, but I also have
17 great counterparts in the Assembly.

18 My friend and chair of the Racing, Gaming,
19 and Waging Committee in the Assembly, Gary Pretlow.

20 Gary, thanks so much.

21 ASSEMBLYMAN PRETLOW: Thank you, Senator.

22 And good morning, everyone.

23 As said, my name is Gary Pretlow, and I like
24 to think of myself as the father of sports betting.

25 You know, I'm the one that made the first

1 legal New York State sports bet back in Rivers when
2 Rivers first did it. And, unfortunately, my losing
3 ticket has turned to a white sheet of paper so
4 I can't prove it.

5 Thank God the AP was there and they printed
6 the story.

7 Well, anyway, we're here to talk about where
8 we've been with sports betting.

9 I think it's been a fantastic operation that
10 we've run. You know, our gaming commissioner who
11 we'll hear from very shortly will have all the real
12 numbers for us.

13 We have outperformed, I believe, every state
14 in the union since their-- not all combined, but
15 most of them, since their inception, including our
16 neighbor to the south, who I've never, you know,
17 ceased to thank Governor Christie, who I never had
18 anything to agree with. But he did fight for
19 passing, and got this done, and he helped New York.

20 So, for that, I'm thankful for him.

21 I am joined by several members of the Racing
22 Committee. All the way down we have
23 Assemblyman Nader Sayegh, Joseph Giglio,
24 Jarett Galfano [sic], and Assemblymember
25 Angelo Santabarbara; and our programming council

1 staff, Sarah Klein and Spiros Sokaris, and from my
2 staff, the able Troy Maggie.

3 With that, Senator, do you want to introduce
4 your members?

5 SENATOR ADDABBO: Yes. Thank you, Gary.

6 To my far right is the ranker for the Senate
7 Racing, Gaming, and Wagering Committee,
8 Senator Jordan, and ranker of the Education
9 Committee for the state Senate, Senator Tedisco.

10 SENATOR HELMING: Just to clarify,
11 Senator Helming.

12 SENATOR ADDABBO: Senator Helming. My
13 apologies.

14 Just make sure you're paying attention,
15 that's all.

16 My apologies, Ranker Senator Helming.

17 Would either like to make a statement?

18 A quick statement?

19 SENATOR TEDISCO: I could.

20 SENATOR ADDABBO: Senator Tedisco.

21 SENATOR TEDISCO: Thank you.

22 Yeah, I served with several of the people on
23 this dais here. And, Chairman Pretlow, I served
24 with you in the Assembly, as you know.

25 So if you're the father, I guess as the new

1 ranker here, I'm the son of our racing and gaming
2 and wagering.

3 My district is the 44th Senatorial
4 District. You may or might not know about that
5 district, but it's a -- as a whole state is
6 concerned about the important revenues we're
7 bringing in from this valuable policy we have turned
8 to, I represent Schenectady and the great county of
9 Saratoga.

10 Rivers Casino is important. Racino and the
11 Saratoga is important, Commissioner.

12 And, of course, we have the premier,
13 number-one thoroughbred racing facility in the
14 nation, and maybe around the world, and that's the
15 Saratoga thoroughbred racing product we have out
16 there.

17 I'm honored to be the new ranker here on the
18 committee.

19 I think we have some important work that has
20 been done and needs to be done.

21 Revenue is always important in
22 New York State.

23 I want to thank the two chairmen for their
24 great work over the past couple of years to put us
25 in the condition that we're in; all the committee

1 members, my staff, the wonderful work my partners do
2 in the New York State Senate on our side of the
3 aisle.

4 I have a short statement just to read.

5 And after thanking both of the chairmen, the
6 results have been great. And if we can move forward
7 and make it even more positive and more productive,
8 that would be fantastic.

9 But there's an old saying, if it ain't broke,
10 don't fix it.

11 So we have to make sure, as we go along the
12 way, that we make this product more positive, more
13 effective, more efficient, bring in more revenue.

14 Mobile sports wagering was enacted in the
15 2021 budget within the revenue Article 7 bill for
16 that year, as we all know.

17 Mobile sports betting came online in
18 January 2022. And up through the past week, the
19 overall wagering has totaled over \$17.5 billion.

20 Congratulations to this group of individuals
21 and their leadership here.

22 Current projection show that the state will
23 receive in excess of \$700 million which will go to
24 education across the state.

25 I'm also the ranking member on the Education

1 Committee, so that is significant to me.

2 And you may not know this, but I had a real
3 job before I came to the New York State Legislature.
4 I say that tongue in cheek. I was an educator and a
5 teacher.

6 So they're our future, education is their
7 future.

8 In addition to funds being targeted for
9 problem gambling efforts, as well as funding for
10 underserved youth recreational programs, while,
11 certainly, the funding for education is important,
12 the magnitude of this program is something I think
13 we need to focus on; specifically, ensuring the
14 integrity of the platforms is of the highest level
15 so that no minors or other folks that are not
16 authorized by the statute are signing into mobile
17 sports betting.

18 I look forward today to conversations, and
19 getting more details and answers on the issues as
20 they stand in the initial stage of mobile sports
21 betting.

22 And probably the most important thing to
23 remember, that anything that happens positively in
24 this state and gets to the point where it really
25 does us justice here, is a part of what we do out

1 here; but, really, mostly a part of the people that
2 are most important in this representative democracy,
3 and those are the citizens we represent.

4 So we want to listen to them, and all of you
5 who are here today.

6 So thank you very much.

7 SENATOR ADDABBO: Senator Helming.

8 SENATOR HELMING: Thank you.

9 Good morning, everyone.

10 My name is Pam Helming.

11 I have the honor and privilege of
12 representing a large area located primarily in the
13 Finger Lakes region.

14 My region is home to Finger Lakes Racino.
15 And just outside of my district, it's been in my
16 district for the last six years, but with the new
17 redistricting it's just slightly out, is Del Lago
18 Resorts and Casino, home of DraftKings.

19 My district is also flush with OTBs that
20 really are important in our community, and
21 contribute in so many valuable ways.

22 I've had the pleasure of serving on this
23 committee. This is the start of my seventh year.
24 I started with Senator Bonacic, some of you will
25 remember. And the last four years with

1 Senator Addabbo. Both are terrific people who
2 really have the best interests of this state at
3 heart.

4 What I'm looking for, what my particular
5 interest in, is we've had this terrific windfall
6 through mobile sports betting, and I'm looking for
7 opportunities.

8 I represent a very rural area. I'm looking
9 for opportunities to expand, to broaden, the amount
10 of money and the scope of how the money is targeted
11 and distributed, to do more for our school
12 districts, particularly in the areas of children's
13 mental health and school safety and security.

14 So I look forward to the testimony this
15 morning.

16 And I want to thank everyone who has been
17 involved; and Senator Addabbo, Assemblyman Pretlow,
18 for really pushing through and leading us on mobile
19 sports betting.

20 SENATOR ADDABBO: Thank you, Senator Helming.
21 Assemblyman Pretlow.

22 ASSEMBLYMAN PRETLOW: Okay. I was remiss.

23 I didn't see my ranker, Jeff Gallahan, when
24 you snuck you.

25 And we also have Stacey Amato from Queens

1 that has joined us.

2 Do any members have any opening remarks they
3 would like to make?

4 ASSEMBLYMAN GALLAHAN: I do.

5 ASSEMBLYMAN PRETLOW: Jeff.

6 ASSEMBLYMAN GALLAHAN: Thank you, Chairman.

7 My name is Jeff Gallahan. I represent the
8 131st Assembly District, which starts in the
9 Finger Lakes and ends in Central New York, and
10 encompasses parts of seven different counties.

11 I'm no stranger to racing and wagering.

12 I grew up in Farmington, New York, and spent
13 many of days in my youth at Finger Lakes Racetrack.

14 Several of my friends are trainers there.
15 Several of my friends are still employed there. And
16 I have very many good, fond memories of Finger Lakes
17 Racetrack.

18 I'm looking forward today to the testimony.

19 This has been a highly successful endeavor
20 for New York State, and we need to keep our finger
21 on the pulse to make sure that this continues to be
22 a successful endeavor.

23 But more importantly, the numbers, the
24 "\$5 million" and "\$6 million" numbers going back to
25 education and addiction programs, I think that needs

1 to be looked at in the future, also. I think we can
2 probably up those antes, I hope we can.

3 And as Senator Helming spoke about our
4 ruralness of our districts, we would like to see
5 that money come back to our districts for school
6 safety, for education, and for addiction counseling.

7 So I look forward to the testimony today.

8 I'm glad that we have such a great crowd
9 here, and thank you very much for your
10 participation. I appreciate it.

11 Thank you.

12 SENATOR ADDABBO: Assemblyman Santabarbara.

13 ASSEMBLYMAN SANTABARBARA: Yes, thank you,
14 Chairman Pretlow.

15 I am very pleased to be here today; looking
16 forward to the conversation, looking forward to
17 talking about where we were and where we've been and
18 where we're going.

19 I have Rivers Casino in my district in the
20 Schenectady area, and it has had a tremendous impact
21 on the economy.

22 And as my colleagues said, I'm looking
23 forward to seeing that revenue -- that additional
24 revenue that's coming at a good time here when we
25 need to invest in education and our community

1 programs and a number of other things.

2 And I think for us to move forward, when we
3 moved forward with the legislation to authorize the
4 casino, that was an opportunity to boost our
5 economy.

6 And this was another opportunity, and I'm
7 glad to see that we are moving forward, and that
8 we're able to be here today and talk about what's
9 going to come in the future and how it's going to
10 benefit our communities.

11 So thank you to my colleagues, and thank you
12 to everyone that is going to be testifying here
13 today.

14 ASSEMBLYMAN PRETLOW: Anyone else?

15 Assemblyman Sayegh.

16 ASSEMBLYMAN SAYEGH: Thank you, Chairman.

17 Good morning.

18 And like some of my colleagues, I'm a
19 lifelong educator.

20 And mobile sports betting, for my city of
21 Yonkers, New York, you know, where MGM has a major
22 base, is -- it's crucial for the economy, not only
23 of the city of Yonkers, but the entire region.

24 And I am one of those that lobbies for the
25 opportunity for individuals across the board to

1 enjoy what they enjoy most.

2 And the last number of years, having
3 participated in legislative races, learned the
4 importance and the enjoyment of racing, of gaming.

5 And mobile sports betting has a significant
6 role in education, whether people realize it or not.

7 And then the opportunity to enhance
8 educational funding is crucial.

9 Many of us in education across the state
10 realize that the last two years, with stimulus
11 funding, and resolving, to some extent, the
12 foundation aid, has restored funding that many
13 school districts, especially urban school districts,
14 that had a need for large English-language learners
15 and special ed students, and others.

16 And with those funds diminishing, this is an
17 opportunity to really reinforce funding in what
18 I consider to be one of the most crucial areas in
19 the state: Education.

20 So I welcome the hearing, and the opportunity
21 to learn more about it, and to really make sure
22 that, with the work of our committee and our
23 Assembly and Senate colleagues, that we make sure
24 that sports betting and mobile sports is really on
25 the right track.

1 Thank you very much.

2 SENATOR ADDABBO: I guess now that we've all
3 talked great things about ourselves, it's time to
4 hear from our executive director of the Gaming
5 Commission, Mr. Robert Williams.

6 ROBERT WILLIAMS: Well, thank you.

7 Thank you for providing me an opportunity to
8 speak about the New York State Gaming Commission's
9 experiences during the first year of mobile sports
10 wagering.

11 As mentioned, my name is Robert Williams, and
12 I have the pleasure of serving as the commission's
13 executive director.

14 As a preliminary matter, I have provided a
15 rather lengthy written paper that details how we got
16 to opening, discusses the underlying statute, the
17 request for applications, the evaluation criteria
18 and scoring, how the winning applicant was selected,
19 what transpired during the additional license
20 review, and the inclusion of additional licenses,
21 and the evaluation rejection of the final qualified
22 bidder.

23 The paper also addresses much of the work
24 preliminary to opening, such as commission action,
25 the establishment of license term, the rule-making

1 process, and preoperational approvals.

2 With your permission, I plan on skipping
3 discussion regarding all the preopening work; and,
4 instead, identify a few of the challenges that we
5 encountered during the first year of operation,
6 touch upon a few issues that we continue to
7 encounter, and finish with a few issues on the
8 horizon.

9 With respect to challenges encountered during
10 the first year of operation, I would like to address
11 the establishment of the wagering menu,
12 authorization of sports and competition, how we
13 evaluate advertising and marketing, and how customer
14 complaints are received, considered, and addressed.

15 Unlike many jurisdictions, the commission has
16 determined from the outset to control the wagering
17 menu offered by its operators.

18 Many jurisdictions allow the operators to
19 determine what it wishes to offer its patrons, with
20 the regulator interjecting only when it finds
21 something problematic.

22 The commission, keeping in mind that the
23 statutory purpose of mobile sports wagering was to
24 maximize sustainable long-term revenue for the
25 state, found that most wagering activity is

1 conducted in a limited number of sports.

2 Accordingly, we chose to initially focus on
3 these, leaving for later consideration those
4 wagering opportunities that likely would have little
5 revenue impact.

6 The other reason for control over wagers was
7 the strong statutory language regarding consumer
8 protections.

9 Our pathway was consistent with what the
10 commission and its regulatory predecessors
11 established in the realm of pari-mutuel wagering on
12 horse races, for bingo and games of chance conducted
13 by certain charitable organizations, within the
14 three Indian compacts, and with commercial casino
15 gambling.

16 From a practical sense, when considering
17 whether to authorize a wager, the staff will
18 evaluate the proposed rules of the wager play and
19 the methodology of wager resolution.

20 In both instances, the commission wants
21 wagering rules that are readily understandable and
22 clear as to how a determination on winning and
23 losing is arrived.

24 As with wager determination, the commission
25 also limits sports leagues accepted for sports

1 wagering. This enables the commission to have some
2 balance between the risk -- the act -- some control
3 over the events exposed for wagering, and allows for
4 some balance between the risk of the activity itself
5 and the reward; the reward, of course, being revenue
6 potential.

7 As with wager determination, many regulatory
8 jurisdictions leave these determinations to their
9 licensees.

10 Practically, staff considers likely revenue
11 generated by such league itself, their history of
12 compromised events, the likelihood of widespread
13 interest in the sport or league, whether other
14 jurisdictions have permitted or authorized wagering
15 on the sport or league, and their history of that
16 experience.

17 The commission also considers the level of
18 competition, the strength of league control over its
19 activity and participants, the pay structure for its
20 participants, partnerships with integrity-monitoring
21 providers, and any information provided by a
22 requesting operator relative to the sport or league,
23 and the propriety of the activity conducted.

24 Overall, the commission has approved
25 1,001 wagering variations on over 106 leagues

1 and affiliations.

2 With respect to advertisements and
3 promotions, New York Race and Pari-Mutuel Wagering
4 and Breeding Law contains limitations regarding
5 mobile sports-wagering advertising.

6 For advertising, Section 1367-a, 4.(a)(iv),
7 requires an operator may not make any inaccurate or
8 misleading statements regarding the chances of
9 winning.

10 That same section, at Section 1367-a,
11 4.(c) -- or, (e) -- excuse me -- provides that
12 advertisements for contests and prizes offered by an
13 operator shall not be targeted to any prohibited
14 sports bettors, minors, or self-excluded persons.

15 Commission regulations also require the
16 address of problem gambling on each advertisement,
17 which I will discuss later.

18 With promotions, the commission requires all
19 promotions be approved by staff prior to being
20 exposed by an operator.

21 While this is undertaken to ensure proper
22 placement of problem-gambling messaging, staff also
23 reviews each promotion for content, considering
24 clarity to the patrons regarding the terms and the
25 manner of operation.

1 Obviously, a promotion must be based on an
2 approved wager or sport, it must contain the dates
3 of its operation, the promotion shall clearly
4 reference how it's engaged, and it must have some
5 tenable connection to benefit furtherance of the
6 state's mobile sports-wagering industry.

7 As I will discuss later, we also have a few
8 ideas for the future regarding some advertising
9 limitations.

10 With respect to customer complaints, per
11 New York Race and Pari-Mutuel Wagering and Breeding
12 Law, Section 1367-a, 4.(f), every operator is
13 required to develop and prominently display
14 procedures on the main page of their sports-wagering
15 platform for the filing of the complaint by a
16 patron.

17 That same section of law requires an initial
18 response be given by an operator to a complaining
19 patron within 48 hours.

20 It also requires a complete response to be
21 provided by the operator to a complaining patron
22 within 10 business days.

23 The statute also specifically allows patrons
24 to file complaints alleging a violation of law or
25 regulation directly with the gaming commission.

1 By Commission Rule 5329.23, a mobile
2 sports-wagering operator must diligently investigate
3 all patron complaints within five calendar days.

4 Where a complaint is made directly to
5 commission staff, we have reserved unfettered access
6 to all information related to the patron's wager
7 specifically, and all information relative to patron
8 complaints in general.

9 Operators are also required to bring to the
10 commission's attention immediately all patron
11 complaints regarding wagers that have an excess of
12 \$5,000 in amount or in payout.

13 Practically, the commission receives
14 complaints in a variety of forms.

15 Patron complaints can be generated directly
16 via telephone call to commission offices, via
17 electronic email to various commission accounts,
18 referenced from the Office of the Inspector General
19 or from the Office of the Attorney General.

20 In 2022 we received 806 patron complaints:
21 632 of them directly from patrons, 18 from the
22 attorney general, and 156 from the inspector
23 general.

24 No \$5,000-plus complaints were referenced
25 from the operators.

1 Once received, staff undertakes complaint
2 triage, dividing those alleging a potential
3 statutory or regulatory violation from those
4 complaints regarding customer service for which the
5 commission is not responsible.

6 Review of complaints find that 785 -- or
7 97.3 percent -- regarded customer service.

8 The balance, 21 -- or 2.7 percent -- regarded
9 allegations of statute, regulation, internal
10 controls, or house rules.

11 The commission requires each operator
12 designate a single point of contact for the receipt
13 of patron complaints from the commission.

14 Accordingly, following our triage, patron
15 complaints are forwarded to the appropriate
16 designated operator contact for their review and
17 management.

18 Practically, and appropriately, this results
19 in the operator making direct contact with their
20 customer to resolve the complaint.

21 Following resolution, each operator must
22 provide a written summary to the commission,
23 detailing their process of resolution, and
24 understanding whether the patron -- their
25 understanding of whether the patron is satisfied

1 with the resolution.

2 The commission maintains a log of complaints
3 received, which is managed by senior staff who
4 regularly review, to ensure both the statutory and
5 regulatory time frames have been addressed, and to
6 ensure that all have been resolved or in states of
7 active resolution.

8 We also involve ourselves directly if we
9 think that a resolution should go in a particular
10 manner, and we will direct that to the operator
11 itself.

12 There are a few items of continuing concern;
13 namely, problem gambling, as it remains a
14 high-profile subject, and, of course, integrity of
15 sports-wagering market itself.

16 New York Race and Pari-Mutuel Wagering and
17 Breeding Law, Section 1367-a, 4., required
18 operators, as a condition of their licensure, to
19 implement a variety of measures related to problem
20 gambling.

21 The commission must maintain its diligence in
22 ensuring the required actions be undertaken.

23 First, when an account holder's lifetime
24 deposits exceed \$2,500, the operator must prevent
25 wagering activity until the patron acknowledges that

1 they have met the deposit threshold.

2 At that time, the patron may elect to
3 establish responsible gaming limits or close the
4 account.

5 After triggering the 2,500 initial lifetime
6 deposit threshold, the patron must annually
7 acknowledge whether they elect to establish
8 responsible gaming limits or close their account.

9 Second, each operator is required to maintain
10 the publicly accessible Internet page dedicated to
11 Responsible Play, and must maintain a link to their
12 dedicated Responsible Play page on their website and
13 on any mobile application or electronic platform in
14 which wagers can be placed.

15 The Responsible Play page must include a
16 statement of the operator's policy and commitment to
17 responsible gaming.

18 Information regarding or links to information
19 regarding the risks associated with gambling and the
20 potential signs of problem gambling, the
21 availability of self-imposed responsible gaming
22 limits, a link to problem gambling web pages
23 maintained by the Office of Addiction Services and
24 Supports, and other information or statements as the
25 commission may require.

1 Lastly, each operator must initially submit
2 and continually update their problem-gambling plan
3 to the satisfaction of the commission, who makes
4 that determination in consultation with OASAS.

5 As applied to mobile sports wagering, all
6 advertisements by mobile sports-wagering operators
7 must comply with the advertising guidelines issued
8 by the National Council on Problem Gambling.

9 Commission rules require each advertisement
10 contain a problem-gambling assistance message
11 comparable to:

12 If you or someone you know has a problem
13 gambling -- a gambling problem, help is available.
14 Call 877-8HOPENY or text HOPENY;

15 Or, something in the nature of: Gambling
16 problem? Call 877-8HOPENY or text HOPENY.

17 As I mentioned, all advertisements are
18 reviewed.

19 Media accounts have discussed an increase in
20 the number of calls to the New York HOPEline since
21 the introduction of mobile sports wagering.

22 The commission has played a role in this, as
23 every single advertisement for sports wagering is
24 required by regulation to include problem-gambling
25 messaging and the HOPEline number.

1 The advertising by mobile sports-wagering
2 companies has resulted in unprecedented exposure for
3 the HOPEline, and I'm encouraged that people are
4 using it.

5 Our other consistent concern regards event
6 integrity.

7 Obviously, the lifeblood of sports wagering
8 is the expectation that the competition is fair and
9 conducted without prejudice.

10 We are fortunate that we have many parties
11 that share these concerns.

12 All governing sports leagues have a shared
13 interest in ensuring their events are conducted free
14 of influence or corruption.

15 Likewise, all sportsbooks are vigilant as
16 they would bear the responsibility for any payout.

17 Additionally, New York law and regulations
18 requires licensed mobile sports-wagering operators
19 to obtain the services of an independent monitor,
20 who examines present betting patterns against
21 historical wagers, seeking abnormalities that may be
22 indicative of concern.

23 During the last 18 months, commission staff
24 have cultivated relationships throughout the
25 industry. These relationships help inform

1 information-sharing and problem-solving with all
2 aspects of mobile sports. Cooperative relationships
3 have been developed with each of the eight platforms
4 and nine operators.

5 The commission has also maintained
6 strong relationships with U.S. Integrity, the
7 North American-based company that analyzes changes
8 in betting data against a benchmark of normal
9 betting activity, and monitors data to identify
10 discrepancies with player or coach events,
11 officiating abnormalities, or events that may be
12 indicative of misuse of insider information.

13 The commission also communicates with the
14 International Betting Integrity Association, a
15 European not-for-profit membership organization who
16 offers a monitoring and alert platform designed to
17 detect and report suspicious activity in
18 sports-betting markets.

19 League contacts have also been important, as
20 each governing body has self-interest in ensuring
21 their respective competition is conducted fairly and
22 honestly.

23 Commission staff have had numerous contacts
24 with sports leagues, including, but not limited to,
25 the National Football League, Major League Baseball,

1 the National Basketball Association, the
2 Professional Fighters League, the United States
3 Football League, and Athletes Unlimited.

4 Within the state, the commission has
5 continued interaction with New York State Police,
6 the Office of the Inspector General, the Office of
7 the Attorney General, and the New York State
8 Athletic Commission regarding matters of
9 sports-wagering activity.

10 On the federal side, staff also has open
11 productive relationships with the Federal Bureau of
12 Investigation.

13 There are two issues that would I like to
14 remain -- that are likely to remain primary in the
15 upcoming months: Advertising and problem gambling.

16 I'd like to conclude my remarks today by
17 addressing each.

18 With respect to marketing, the commission has
19 consciously monitored marketing and advertising
20 practices of our licensed operators; hence we've
21 maintained review of the advertisements for the
22 purposes of ensuring that they contain the mandatory
23 problem-gambling messaging and are not misleading.

24 We are, however, cognizant that such
25 marketing and advertising should only be consumed by

1 and marketed to adults.

2 In our reviews, we found the American Gaming
3 Association's June 21, 2022, Responsible Marketing
4 Code for Sports Wagering thoughtful, and staff will
5 recommend the commission consider adopting relevant
6 content.

7 We believe the most significant portions of
8 the AGA code require that:

9 Sports wagering, advertising, and marketing
10 not be designed to primarily appeal to those below
11 the legal age for sports wagering by depicting
12 characters or by featuring entertainers or music
13 that appeals primarily to audiences below the legal
14 age;

15 Be placed in broadcast, cable, radio, print,
16 or digital communications where at least
17 73.6 percent of the audience is reasonably expected
18 to be of legal gambling age, which aligns with the
19 percentage of people who are of legal gambling age;

20 And no operator logos, trademarks, or brand
21 names should be used or licensed for use on
22 clothing, toys, game equipment, or anything of that
23 nature, intended primarily for persons below legal
24 age for sports gambling.

25 Commission Chairman Brian O'Dwyer has

1 publicly raised his concern with sports-wagering
2 advertising on campuses within New York's colleges
3 and universities.

4 He has requested staff be prepared to discuss
5 this issue at our next public meeting which is
6 scheduled for February 27th.

7 Accordingly, the staff will likely propose
8 the commissioners consider rules that address the
9 aforementioned, and one that would prohibit sports
10 wagering from being promoted or advertised in
11 college- or university-owned news assets, such as
12 school newspapers, radio, or television broadcasts
13 on college or university campuses.

14 Seeking a market from an alumni base is one
15 thing, but marketing must be balanced against the
16 exposure to those who have not yet reached legal
17 gambling age for sports wagering.

18 Finally, I want to close with a few personal
19 reflections regarding problem gambling.

20 I certainly cannot speak definitively. I am,
21 at best, a layperson relative to problem gambling
22 research and treatment.

23 But the commission has a strong sense of -- a
24 strong sensitivity to problem gambling, and I have
25 worked in and out of this issue since 1995.

1 The introduction of mobile sports wagering
2 has, by some, been pictured as opening New York to
3 an ever-continuing scene of addiction.

4 While I share these concerns, my view is
5 moderated by research.

6 Research indicates that disordered gambling
7 has been relatively a stable phenomena during the
8 last 40 years, despite an unprecedented increase in
9 opportunities and access to gambling through
10 lotteries, commercial and Indian casinos, and mobile
11 gambling.

12 One theory, called "the exposure model,"
13 finds increases in the rate of problem
14 gambling-related problems soon after new
15 opportunities to gamble are introduced.

16 However, research also indicates that the
17 prevalence rate of gambling disorders increases only
18 in the short-term, as, over time, the prevalence
19 rate stabilizes and tends to decline.

20 Additionally, problem gambling does not
21 appear to be a progressive disorder, and research
22 finds that individuals move in and out of problem
23 gambling.

24 A prominent problem-gambling researcher once
25 testified that it's important to correct improper

1 assumptions about disordered gambling; specifically,
2 that once someone becomes a disordered gambler, only
3 professional treatment will arrest the problem.

4 The researcher noted that, in addition to
5 professional treatment, there are many other
6 pathways out of disordered gambling, advising that
7 Gamblers Anonymous is perhaps the best known.

8 At the risk of discussing matters that are
9 outside my limited knowledge or insight, perhaps
10 some consideration should be given to increasing
11 funding for such programs as Gamblers Anonymous.

12 Problem-gambling resource centers have played
13 an effective role. But perhaps our focus should be
14 broadened -- not replacing, but broadened -- to
15 include Gamblers Anonymous and programs of that
16 type.

17 Additionally, it's clear from research that
18 certain segments of the population, for example,
19 adolescents, have historically been measured with
20 elevated prevalence rates.

21 Accordingly, I think further research is
22 needed into what drives those increases, as well as
23 research into what can be done to limit an
24 adolescent problem gambler from becoming an adult
25 problem gambler.

1 Finally, for those whose lives are affected
2 by problem gambling, there is nothing more important
3 than having options.

4 While the commission plays a minor role, we
5 continue to do our best to make the HOPEline
6 noticeable, enabling someone who seeks assistance to
7 easily locate assistance.

8 And we look forward to continuing our work
9 with our Responsible Play partners, OASAS, and the
10 New York Council on Problem Gambling.

11 I appreciate your time and your attentions,
12 and I'm available for any questions you might have.

13 SENATOR ADDABBO: Mr. Williams, thank you --
14 as always, thank you so much for your testimony.

15 And before we get to the questions, I just
16 want to -- two introductions.

17 We've been joined by Senator Comrie from the
18 committee, and the new chair of the Alcoholism and
19 Substance Abuse Committee, Senator Fernandez.

20 So thank you so much.

21 Do my colleagues have any questions?

22 SENATOR FERNANDEZ: I do.

23 SENATOR ADDABBO: Senator Fernandez.

24 SENATOR FERNANDEZ: Thank you so much for
25 being here today and testifying on behalf of the

1 growing concern that many of us see and many of us
2 know, and many of us need to learn more about.

3 If you can, I'm sorry I did miss it in the
4 beginning of your testimony, could you share some of
5 the services that are provided for those that may be
6 suffering or are suffering from gambling addiction,
7 and how do we connect to the people that have been
8 showing these signs?

9 ROBERT WILLIAMS: Yeah, certainly.

10 Honestly, that's a question that's better
11 served or directed to OASAS who actually has that
12 responsibility.

13 SENATOR FERNANDEZ: So can you tell me --

14 ROBERT WILLIAMS: We don't have that
15 responsibility. But what we try to do is -- we do a
16 variety of different things.

17 As I said, the HOPEline is one of the things,
18 and we try to get that HOPEline out, that messaging
19 out, so at least people will have the ability to
20 identify and utilize that.

21 Most recently, the division of the lottery
22 started printing on the back of the instant
23 scratch-off tickets, a QR code that directly
24 connects with the HOPEline and services at OASAS.

25 So that's an advancement. I think we're the

1 only entity in the entire nation that does that at
2 this point. But that's something that at least
3 we've tried to provide.

4 We also participate in Problem Gambling
5 Awareness Month.

6 One of the things, while we don't do anything
7 directly for problem gambling because that's covered
8 by the Office of Addiction Supports and Services,
9 what we do have is a bully pulpit.

10 So what we try to do is regional events at
11 different locations throughout the state of
12 New York, and we bring along our Responsible Play
13 partners, which is an organization that's a
14 tripartite group that consists of the New York State
15 Gaming Commission, OASAS, and the New York Council
16 on Problem Gambling, that we developed since the
17 Gaming Commission was formed in 2013.

18 So what we try to do is drive attention to
19 Problem Gambling Awareness Month by setting up these
20 events and having the individuals who actually know
21 what they're talking about.

22 As I said, I'm a lay person relative to this.

23 But the people from OASAS and New York
24 Council on Problem Gambling are given an opportunity
25 to at least present, make that case, to media and

1 all the different markets that host problem -- or,
2 host gambling opportunities.

3 SENATOR FERNANDEZ: Thank you.

4 How do you track this information?

5 Is it only by those that go to the QR code
6 and those that seek help? Or do you -- or, with
7 your, I guess, technology, how are you able to find
8 individuals that may be suffering from gambling
9 addiction without pursuing help?

10 ROBERT WILLIAMS: Yeah, again, that's not
11 really something that the Gaming Commission has the
12 responsibility for.

13 We do share information with OASAS. We share
14 information with the New York Council on Problem
15 Gambling.

16 That Responsible Play Partnership that
17 I referenced meets on a quarterly basis. And some
18 of the stuff that we talk about is: What are the
19 metrics? What are the things that we can capture or
20 that we have been capturing? And how can we pass
21 that along to the people who are truly experts in
22 the industry, and how they can utilize that
23 information?

24 We just conducted a meeting about two weeks
25 ago where metrics and utilization of some of the

1 information that we've received, for instance, on
2 the voluntary self-exclusion program that we do
3 operate, it can be used for purposes of ways for the
4 New York Council to better direct their resources.

5 SENATOR FERNANDEZ: Thank you.

6 SENATOR ADDABBO: Senator Comrie.

7 SENATOR COMRIE: Good morning, Commissioner.

8 First, I want to thank my colleagues for
9 hosting this hearing so that we can illuminate this
10 issue, and the leadership for making sure that we
11 were allowed to have this hearing today.

12 How do you ensure that underaged gambling
13 doesn't occur with this process, since everything is
14 online and mobile?

15 Is there a way to track it, and can you share
16 that with us this morning?

17 ROBERT WILLIAMS: Yeah, at the risk of being
18 overbroad here, I do have a little bit on underage
19 access.

20 It's something that we're concerned with, but
21 it's somewhat difficult to wholly prevent.

22 Commission Rule 5330.37 obligates a mobile
23 sports-wagering operator to verify a person seeking
24 to establish an account by obtaining and verifying
25 several points of patron information.

1 The rule requires the capture of the patron's
2 full name, their physical address, date of birth, no
3 less than the last four digits of their social
4 security number, driver's license or an equivalent
5 number if the person has no social security number,
6 a passport or a taxpayer identification number, and
7 an email address, and telephone number.

8 Such information is then verified through
9 Know Your Customer identity verification software
10 and other remote factor authentication before an
11 account can be established.

12 Once the operators verify the individual's
13 identity, the establishing patron must confirm that
14 they're 21 years of age or older, not a prohibited
15 sports bettor, and that the information provided
16 upon registering for an account is accurate, and
17 only the account holder will access such account,
18 that the account is not transferable, and they that
19 accept the terms and conditions of establishing a
20 mobile sports-wagering account.

21 If a patron cannot be verified, the
22 associated account will not be created, and the
23 patron will be prompted to submit additional
24 identity information in order to establish their
25 identity and create an account.

1 Additionally, Know Your Customer provisions
2 are also used for withdrawal requests to ensure that
3 the patron is not being defrauded.

4 However, neither the commission nor mobile
5 sports-wagering operators have an ability to police
6 parents, relatives, or friends who have themselves
7 lawfully established an account and then allowed for
8 an underage person to participate.

9 Additionally, there is little ability to
10 control when an authorized account holder leaves
11 their account available, affording underaged persons
12 to participate.

13 The ability to control for this type of
14 transgression is limited unless the authorized
15 account holder later raises concern.

16 Fortunately, we have no rational reason to
17 believe that this type of activity is commonplace.

18 And through the close of 2022, the commission
19 was informed of 58 alleged occasions of underaged
20 participation through lawfully created accounts; and
21 in all circumstances, the subject account was
22 closed.

23 SENATOR COMRIE: Thank you. I appreciate
24 that information.

25 Is that available on your website, the

1 activities and the process to do that?

2 ROBERT WILLIAMS: Yeah, in -- at the
3 beginning of the -- my presentation, I suggested
4 that I put together a paper, and made it available
5 for the chairmans.

6 SENATOR ADDABBO: Mr. Williams [inaudible]
7 40-page testimony, that supplement, it will be
8 online at the Racing, Gaming, and Wagering Committee
9 site. So it will be online.

10 ROBERT WILLIAMS: So that is contained within
11 that information.

12 SENATOR COMRIE: Oh, thank you.

13 And I just wanted to thank you for your work.

14 And, also, we're working on a bill to require
15 advertisements for all gambling and sports to
16 include warnings about harmful and addictive effects
17 of gambling.

18 So, hopefully, that bill can get passed this
19 year.

20 Just one last question, I'm sorry.

21 You were talking about limiting college
22 activity, sports betting.

23 What is the age to allow? What -- is it
24 19 or 21 for a person?

25 ROBERT WILLIAMS: In New York, for mobile

1 sports wagering, it's 21 years.

2 SENATOR COMRIE: It's 21 years.

3 ROBERT WILLIAMS: Yes.

4 SENATOR COMRIE: So, okay.

5 ROBERT WILLIAMS: Hence the sensitivity to
6 directing it directly to colleges and university
7 students who sometimes start at 17 and clearly move
8 up.

9 SENATOR COMRIE: All right. Okay.

10 So it's 21 in New York to allow for sports --
11 mobile sports betting.

12 But -- so what are we doing on college
13 campuses to try to dissuade folks from getting
14 involved in sports betting, since there are already
15 college teams and college sports?

16 There are, you know, college pride, and town
17 pride a lot of times.

18 How do we -- what's the process that the
19 commission is going to use to help offset that?

20 ROBERT WILLIAMS: Yeah, that -- I mean, yeah,
21 that -- the concept relative to universities and
22 colleges is something that we're exploring right
23 now. We don't regulate those relationships at this
24 point.

25 So any of the mobile sports operators or

1 platforms have had the ability to enter into
2 contractual relationships with colleges.

3 I think a good eye-opening article relative
4 to this was published in "The New York Times" back,
5 I believe, at the beginning of December, where they
6 did a series of articles relative to mobile sports
7 wagering and its growth. And there was one article
8 in particular that talked about a variety of
9 relationships that mobile sports are operating,
10 operators and platforms have with different
11 colleges.

12 The only one that they mentioned in
13 "The New York Times" article was a relationship
14 between Turning Stone and Syracuse University.

15 I'm unaware of any -- and, obviously, that's
16 with a sovereign nation, and their promotion
17 relative to the activity that they have at
18 Turning Stone and their other affiliated resorts.

19 I do not have any knowledge of a mobile
20 sports-wagering operator that has a contractual
21 relationship with a college in New York State
22 outside of just the one that I read in "The New York
23 Times."

24 SENATOR COMRIE: All right. Thank you.

25 I would hope that we do establish some

1 boundaries, to make sure that students are, when
2 they're in school, focusing on learning, and not be
3 a bad student like me and get distracted by every
4 available opportunity, like sports betting.

5 So I hope that we can focus on putting in
6 safeguards, to ensure the students are focused on
7 what they're at campus for.

8 ROBERT WILLIAMS: I will share that with my
9 commissioners.

10 SENATOR COMRIE: Thank you.

11 Thank you, Chairs.

12 You heard that, about me being a bad student.

13 Thank you, Senator Comrie.

14 Senator Tedisco, please.

15 SENATOR TEDISCO: Thanks very much, Chairman.

16 I know there are limited time periods here,
17 and I know my colleagues want to ask questions of
18 the speaker; so I'm just going to ask two quick
19 questions, Commissioner.

20 And thank you for being here, and for your
21 service, and your testimony.

22 How many states have legalized sports
23 wagering right now?

24 ROBERT WILLIAMS: I don't know off the top of
25 my head, but it's probably around 21, 22, 23,

1 somewhere in that neighborhood.

2 SENATOR TEDISCO: 21, 22, 23.

3 And, secondly, ours is widely successful
4 right now, bringing in tons of revenue.

5 At the present current tax rate, why would we
6 be considering reducing that current tax rate that
7 we have right now, with such success at the present
8 level?

9 ROBERT WILLIAMS: I mean, that's obviously
10 something that's a legislative prerogative.

11 I think, in that lengthy paper that
12 Senator Addabbo mentioned, there is a discussion
13 relative to the implications of changing the tax
14 rate and maintaining the level of earnings that
15 we've had for education.

16 And it's really an algebraic formula, because
17 you would be looking at, any change in the tax rate,
18 we know what we are making off the present tax rate.

19 You can figure out what the delta is, and
20 then you can do the algebra to figure out what the
21 additional gross gaming revenue is necessary in
22 order to hold that harmless.

23 And the important thing on that is, it's not
24 simply bringing in the additional gross gaming
25 revenue. It's -- in order to maintain that, at

1 that, you would need to bring in additional gross
2 gaming revenue. So it would be supplemental to the
3 \$709 million -- well, the 1.4 million -- billion
4 dollars worth of gaming revenue that we have here,
5 so that you wouldn't be necessarily affecting it
6 relative to a substitution effect.

7 But there is a provision within the lengthy
8 paper, that I kind of outlined that, if you want.

9 I can send it directly to your office if
10 you're interested?

11 SENATOR TEDISCO: Thank you.

12 I'm glad you said it's our responsibility,
13 because when you're raising taxes on anything,
14 that's a -- or lowering them, that's a
15 responsibility of people who should be accountable
16 to the public, as we happen to see what's happening
17 with the Thruway Authority now, talking about a
18 75 percent increase.

19 But you don't have any recommendation right
20 now on that, on our --

21 ROBERT WILLIAMS: On that, it's a legislative
22 prerogative.

23 I think the numbers speak for themselves.
24 And depending upon what is looked at, you can
25 mathematically see what the potential effect would

1 be.

2 SENATOR TEDISCO: Thanks so much.

3 ROBERT WILLIAMS: Certainly.

4 SENATOR ADDABBO: Thank you very much.

5 Assemblyman Pretlow.

6 ASSEMBLYMAN PRETLOW: Well, thank you for
7 that most inclusive testimony. And, 40 pages,
8 I just got into it.

9 You can publish that as a book, or maybe what
10 other states should do.

11 Do any -- first I want to say that we've been
12 joined by Assemblywoman Carrie Woerner.

13 Thank you.

14 Do any members have anything?

15 Jeff Gallahan.

16 ASSEMBLYMAN GALLAHAN: Thank you,
17 Mr. Chairman.

18 And thank you, Mr. Williams, for your
19 testimony today.

20 I learned quite a bit from your testimony.

21 I have a couple quick questions.

22 The Governor announced on January 13th that
23 \$909 million in revenue was used, and most of it,
24 for education.

25 So in fiscal year 2023, which is April 1,

1 2022, through March 31, 2023, and annually
2 thereafter, revenues for mobile sports wagering are
3 distributed as follows, supposedly: 5 million to
4 fund sports programs for the underserved youths, and
5 6 million to fund problem gambling -- which you
6 extensively touched on in your testimony -- for
7 education and treatment; with the remaining majority
8 for education need.

9 So according to the Governor's January 13th
10 announcement, \$5 million of this funding is to be
11 used -- I think it's 5 million -- to fund sports
12 programs for underserved youth, which is something
13 we can all support, for sure.

14 My question is: Given this record-breaking
15 windfall, is there any opportunity to broaden that
16 amount of money or scope of how the money is
17 targeted and distributed?

18 For example, to support our schools with
19 children's mental health programs, providing free
20 healthy meals for all school children, providing
21 school security, all things that are much needed,
22 particularly in my district, where I believe,
23 across -- and I believe across the state, and all
24 things that support the physical and emotional
25 well-being of our young people.

1 Can you comment on that, please?

2 ROBERT WILLIAMS: Yeah, absolutely.

3 What you just mentioned there is all
4 statutory.

5 So it's within the legislative prerogative,
6 as well, as to determine how that money should be
7 divided and allocated for anything.

8 So what you had mentioned was for fiscal year
9 2023 and onward, it's the \$5 million and the
10 \$6 million.

11 There was -- the initial year was, I believe,
12 a percentage base; but it's a statutory element
13 that's put in there, that directs the bulk of the
14 money to go to public education. It's deposited in
15 the public education account that we have that goes
16 towards education.

17 The rest of it is just a statutory
18 distribution that was from the initial legislation,
19 the -- Chapter 59 of the laws of 2021.

20 ASSEMBLYMAN GALLAHAN: Thank you.

21 There's a follow-up.

22 I believe I read -- I can't remember the
23 number that I read, allocated already to individual
24 counties for sports programs and the underserved
25 youth.

1 And I'm wondering, can you confirm that the
2 accuracy of those numbers, and what those numbers
3 might actually be?

4 And if you can, where can we see the
5 breakdown of what counties received what money?

6 ROBERT WILLIAMS: Yeah, the Gaming Commission
7 doesn't have the responsibility relative to that.

8 We simply have the money, it goes into a
9 particular account. And then the statute and the
10 process of that distribution is done by a different
11 agency.

12 But I will provide -- I will dig out that
13 information and provide it to you.

14 I don't have it available to me right now.

15 ASSEMBLYMAN GALLAHAN: Okay. Thank you.

16 ROBERT WILLIAMS: Sure.

17 ASSEMBLYMAN GALLAHAN: My last question is
18 about complaints, our platform providers.

19 And how frequent are these complaints?

20 Are they numerous?

21 Are they rare?

22 And are they coming from certain platforms?

23 ROBERT WILLIAMS: Yeah, I -- well, first of
24 all, we do get more complaints from certain
25 platforms than others, but that's an effect of

1 certain platforms performing better.

2 So, for instance, if one of the platforms
3 does 33 percent of all the activity in the state of
4 New York, logically, you would assume that they
5 would get 33 percent of the complaints as well.

6 And we do see that pretty much to form.

7 There was an initial issue at the start-up,
8 when one of the platform operators didn't anticipate
9 the volume that they were going to receive, and they
10 got overwhelmed very, very quickly. It took them a
11 little bit of time to dig out on it, but they did a
12 great job in allocating additional resources on
13 their corporate side to be able to address some of
14 this.

15 As a general sense, if you look at it from a
16 practical perspective, we've received 806 complaints
17 in calendar year 2022.

18 We have 3.8 million -- 3.8 million
19 established accounts and there were 1.2 billion
20 transactions.

21 I consider that to be a little low, actually.

22 The ability for people to complain, as I kind
23 of mentioned, a lot of it is customer service. They
24 don't -- they didn't read through their instructions
25 of what a wager was, how it was settled, what the

1 promotion is, what they need to do.

2 Almost all of these relate to that.

3 But there is a certain number of those where,
4 you know, we've sided on the side of the patron as
5 well.

6 But, overall, I believe the general number of
7 complaints has been relatively low, considering the
8 size of the industry and the market.

9 ASSEMBLYMAN GALLAHAN: Okay. Thank you.

10 One of those complaints wasn't from
11 Chairman Pretlow on his first wager, was it?

12 OFF-VIDEO SPEAKER: First complaint, yes.

13 ASSEMBLYMAN GALLAHAN: Thank you, sir.

14 ASSEMBLYMAN PRETLOW: No, I don't complain.

15 Any other questions?

16 Mr. Santabarbara.

17 ASSEMBLYMAN SANTABARBARA: Thank you for your
18 testimony. As the chairman said, it was very
19 informative, very thorough. Appreciate you
20 providing that information for us.

21 Just wondering if there was -- I wanted to
22 ask if there was a breakdown between the in-person
23 betting versus the mobile sports betting over the
24 last few years.

25 I know, you know, during the pandemic, a lot

1 of things were just generally being done online more
2 when they used to be done in person.

3 So now that things have opened up, do we
4 project any change? Or some of the mobile sports
5 betting are you projecting will decline, just based
6 on the revenues that we saw and what we can expect?

7 Is there some sort of change projected?

8 ROBERT WILLIAMS: Yeah, I don't know whether
9 we have a change that's projected relative to that.
10 But I think a lot of it is a convenience factor, so
11 an individual doesn't have to traverse over, for
12 instance, if you're in the Capital District, to
13 Rivers. In order to place that wager, they can do
14 it on their phone.

15 Even in the advent, or the -- you know, after
16 COVID has ceased becoming the closing effect that
17 we've seen in years past, people are still most
18 likely to utilize something that is more convenient
19 to them.

20 As far as the numbers go themselves, the
21 New York State Gaming Commission, on our own
22 website, we publish something called "State Revenue
23 Reports." We update that on a week-by-week basis,
24 and maintain that information.

25 So it's up there, so you can actually see, on

1 a week-to-week basis, what we're making or what's
2 being received relative to in-person sports
3 wagering, and also the mobile sports wagering.

4 ASSEMBLYMAN SANTABARBARA: Great.

5 And I wanted to just turn to, you talked
6 about colleges and universities.

7 Have we seen trends? You know, is there a
8 rise in problem gambling, or is it just something we
9 want to keep on our radar?

10 ROBERT WILLIAMS: Yeah, that, again, I would
11 respectfully direct that to OASAS and the New York
12 Council on Problem Gambling. Those are the experts
13 on that.

14 I don't have any anecdotal information that
15 we're getting a particular number of complaints from
16 a college or from a university.

17 ASSEMBLYMAN SANTABARBARA: With regard --

18 ROBERT WILLIAMS: But that doesn't mean that
19 they don't exist.

20 ASSEMBLYMAN SANTABARBARA: With regard to the
21 funding, additional funding, for problem gambling,
22 what would that funding be spent -- be -- where
23 would that be allocated? What programs need more
24 funding?

25 ROBERT WILLIAMS: Well, I think what I had

1 mentioned was, one of the things that we might want
2 to give consideration to, and I had a brief
3 conversation earlier today, about the difficulty,
4 perhaps, of identifying and being able to direct
5 money to it, is Gamblers Anonymous programs.

6 One of the things, from a practical
7 standpoint, I like to at least analogize --

8 And Jim Maney, who I believe is speaking
9 later today, would certainly be able to give me a
10 better -- or, give better insight on to it.

11 -- so I analogize the problem-gambling issues
12 with alcohol as well.

13 A lot of people get control over their
14 alcohol problems through 12-step programs, which are
15 not necessarily the in-person, in-patient programs
16 that you see.

17 There is certainly a need for in-patient
18 services in problem-gambling area.

19 What I'm suggesting is, there may be a way of
20 supplementing that, to try to address some of these
21 other more informal types of help that have
22 illustrated effectiveness in, like I said, alcohol.

23 And, also, the individual that I had
24 referenced before, that had suggested, that was very
25 helpful, is the director of the addiction center at

1 Harvard medical. That's suggested, that's a useful
2 entity.

3 How those get funded would be something that
4 would be, again, legislative prerogative.

5 ASSEMBLYMAN SANTABARBARA: And all the -- the
6 operators all have access to the same technology to
7 detect problem gambling, and so on and so forth?
8 They all have -- they all have access?

9 ROBERT WILLIAMS: That's correct.

10 ASSEMBLYMAN SANTABARBARA: Okay.

11 All right, great. Thank you.

12 ASSEMBLYMAN PRETLOW: Ms. Woerner.

13 ASSEMBLYWOMAN WOERNER: Thank you, Chairman.
14 Thank you, Mr. Williams, for your testimony
15 today, and for your work at the Gaming Commission.

16 I have two areas that I wanted to ask about.
17 The first has to do with horse racing and
18 mobile gaming.

19 So we have ADW platforms that allow
20 pari-mutuel wagers to be made on a mobile basis, and
21 then we have the mobile gaming.

22 And our chairmen have legislation to provide
23 the integration of that, which would require, of
24 course, fixed-odd wagers, not pari-mutuel.

25 But my question is: Have you seen an impact

1 on the wagering on ADWs because we now have mobile
2 sports wagering?

3 So if there's only so many dollars being
4 wagered, is more of it going to mobile gaming and
5 less going to the ADWs for pari-mutuel wagering?

6 Is there any relationship there at all?

7 Is it -- you know, there's actually no cap on
8 the amount of money that can be wagered, and so
9 therefore, you know, people are doing both?

10 Can you talk about that a little bit?

11 ROBERT WILLIAMS: No, it's an excellent
12 question, and I don't have anything definitive
13 relative to it in large measure because our mobile
14 sports-wagering market and industry is nascent. You
15 know, we just passed one year relative to that.

16 From a traditional standpoint, there's always
17 been a theory that the sports wagerer is not
18 necessarily a horse player, or a horse player is not
19 necessarily a casino player, and the intermix
20 between that may not be as dollar-to-dollar.

21 The real question is whether or not anyone
22 who hadn't had the ability to access, legally, a
23 sports betting market that was able to access horse
24 racing, whether they've migrated.

25 I think it's a little early to understand

1 that.

2 The novelty of mobile sports wagering may be
3 something as well that we would want to consider in
4 any indication of handle change.

5 So I think it's more of a long-term thing.

6 One of the things, as I mentioned earlier, we
7 publish the data on advanced deposit wagering,
8 that's published on a month-to-month basis. But you
9 could actually -- we have several years worth of
10 data on there. So you can take a look and see when
11 mobile sports wagering was implemented, and seeing
12 whether there's anything.

13 Whether it's statistically significant,
14 I would reserve any comment relative to that until
15 we have a little bit more data and we have a little
16 bit more runway to examine how mobile sports
17 wagering has affected the other entities.

18 ASSEMBLYWOMAN WOERNER: Great. Thank you
19 very much.

20 My other question has to do with, when you
21 were talking about the complaint system, you flagged
22 that any complaint that is from a consumer, where
23 the wager was greater than \$5,000 or the payout was
24 greater than \$5,000, that that had to be flagged
25 directly to the commission. And then you said, in

1 terms of the results, there were no -- there were
2 none that fell into that category.

3 So my question is, why \$5,000? It feels like
4 an arbitrary number.

5 And if there was some rationale for why you
6 wanted certain complaints to come directly to you or
7 to be flagged for you?

8 Perhaps, is there -- and none did.

9 Is that a function of the -- that \$5,000 is
10 too high? Or is there something -- could you just
11 give us a little more background on that?

12 ROBERT WILLIAMS: Yeah, my recollection is
13 that's a statutory piece, and that was part of
14 Chapter 59.

15 So the establishment of that was a threshold
16 that the legislature handed to us, and we simply
17 went with the regulation to effectuate that.

18 ASSEMBLYWOMAN WOERNER: Okay.

19 ROBERT WILLIAMS: I'm not positive on that,
20 but I will research it and I'll get back to your
21 office relative to the answer.

22 ASSEMBLYWOMAN WOERNER: Great.

23 Thank you very much.

24 Thank you, Mr. Chairman.

25 ASSEMBLYMAN PRETLOW: Assemblywoman Pheffer

1 Amato.

2 ASSEMBLYWOMAN PHEFFER AMATO: Thank you.

3 Good morning, Mr. Williams.

4 Just a quick question regarding mobile sports
5 betting and the consumer protections.

6 So, you know, we're talking a lot about
7 addiction and that side of it. But one of the
8 reasons we went forward with mobile sports betting
9 was to protect consumers that were seeking that out,
10 and they were going to illegal sites throughout the
11 country, losing their money.

12 So can you just touch a little bit on that,
13 like, what you've seen as, the protections are
14 working? You know, that there's not been hacks
15 or -- I'm not sure what type of -- you know, what
16 you've seen out there, in the sense that the
17 consumer has been protected by this.

18 You know, I see we have complaints, but we
19 never talk about people who give positive feedback.

20 ROBERT WILLIAMS: Yeah, because, as a general
21 sense, people don't tell you when things are going
22 well. They'll only tell you when things are going
23 poorly.

24 As elected officials, I'm certain you
25 understand that.

1 ASSEMBLYWOMAN PHEFFER AMATO: We know it
2 well.

3 ROBERT WILLIAMS: There have been some issues
4 on a nationwide basis relative to data security and
5 data breaches.

6 There have been two that I can think of off
7 the top of my head, neither of which affected anyone
8 in New York directly.

9 Because some individuals that were -- that
10 had multiple accounts, for instance, there were
11 individuals, before mobile sports wagering became
12 lawful in New York, that had mobile sports-wagering
13 accounts in New Jersey.

14 There was an effect on some of the
15 individuals who might have an account that went to a
16 different state, that also held a New York State
17 account. And the company in concern there has
18 purchased LifeLock for the -- for anybody who might
19 be affected.

20 We haven't seen any data breaches at this
21 point.

22 I think the one that got a little bit of
23 publicity on a national standpoint, on some exposure
24 of one of the mobile sports-wagering operators,
25 wasn't with the mobile sports-wagering operator

1 itself. It was a bank that was being used to fund
2 accounts had an issue. And the patrons utilized the
3 same account name and password for their mobile
4 sports wagering as well.

5 So if you use your same patron name and your
6 account number over multiple platforms, then it's --
7 you can, basically, strong-arm a system into running
8 those different names if you're able to find them in
9 a business that had a weakness, and then see if you
10 can find access to any of the others.

11 So -- but -- in other words, that was a
12 result of a different company's inadequacies being
13 able to be utilized in some mobile sports-wagering
14 accounts.

15 As far as mobile sports-wagering accounts
16 themselves, we haven't heard of any complaints
17 relative to data breaches. And I know it's an item
18 that they take extraordinarily seriously.

19 ASSEMBLYWOMAN PHEFFER AMATO: There's
20 something I'll bring up again, because I -- you
21 know, we talk about our young folks not getting on
22 the sites. But what we're learning down in the city
23 is there's so much theft for our seniors through
24 online [indiscernible], new to it, they're enjoying
25 the mobile sports betting. But if they're getting

1 their identity stolen, if they don't do a
2 two-procedure authenticator.

3 Just to make those measures are in place,
4 just for people who are new to using apps, but so
5 excited they could -- you know, a snowy day, they
6 can go onto a mobile sports-betting app.

7 And that's sort of where I came from, like
8 from a consumer point of view.

9 So I'll ask further to the operators on that.

10 But I think it's important that we look to
11 make sure that we're not getting data breaches and
12 identities stolen.

13 ROBERT WILLIAMS: Yeah, I think many of the
14 operators use two-factor authentication as well.

15 ASSEMBLYWOMAN PHEFFER AMATO: It's all good.
16 Thank you.

17 ASSEMBLYMAN PRETLOW: Anybody else?

18 I guess it's my turn.

19 Just a couple -- just a couple of questions.

20 Self-exclusion, I'm kind of interested in
21 that. It's a three-part question.

22 How many times can someone self-exclude
23 themselves?

24 If they can -- and then you -- I think you
25 mentioned that they can set themselves a lifetime

1 limit.

2 And the third part of that was, if someone
3 wants to get back on, after the third exclusion, are
4 they totally locked out for life?

5 ROBERT WILLIAMS: I believe the way that we
6 handle self-exclusion, we have an individual that --
7 that that's their main focus of job. And I'll
8 probably get it wrong and I will be corrected as
9 soon as I get back to the office.

10 But I do believe that there are three
11 different levels of self-exclusion, and that's a
12 one-year, a three-year, and lifetime.

13 In a one-year, it's, basically, you allow
14 yourself out for one year and then you can
15 reestablish your account.

16 A three-year, same exact thing.

17 For lifetime, it's a lifetime ban, is
18 generally the way that self -- permanent
19 self-exclusion works. And there's usually no ways
20 of getting around that and reestablishing an account
21 and being able to participate again.

22 ASSEMBLYMAN PRETLOW: But if you're a
23 one-year and you stay out for a year, you can come
24 back the year and a half later. And then you can
25 exclude yourself again for a year --

1 ROBERT WILLIAMS: That's correct.

2 ASSEMBLYMAN PRETLOW: -- and come back a year
3 and a half later.

4 So there is no limit how many times an
5 individual can reestablish an account?

6 ROBERT WILLIAMS: No, again, the element is,
7 it's self-exclusion. So the individual has control
8 over what they're looking for.

9 If they think they just need to sit down for
10 a while and keep it aside, they'll establish a
11 one-year program.

12 See if they come back.

13 If they continue to have concerns or issues,
14 then they have an ability to re-up that. And at
15 that point they can do a -- you know, three years or
16 a lifetime.

17 It's really up to the individual as to what
18 they believe is appropriate for the circumstances
19 that they encounter.

20 ASSEMBLYMAN PRETLOW: Okay.

21 On another subject, the Native American
22 sovereign nations have been allowed to participate
23 in mobile sports-wagering outside their exclusivity
24 zone.

25 Do they pay the same tax rate as everyone

1 else is?

2 ROBERT WILLIAMS: Actually, I don't believe
3 any of the Native Americans have mobile
4 sports-wagering themselves.

5 ASSEMBLYMAN PRETLOW: I thought that
6 [simultaneous speaking] --

7 ROBERT WILLIAMS: They benefit --

8 [Simultaneous speaking.]

9 ROBERT WILLIAMS: -- one of the items that we
10 had in the request for application was whether or
11 not any of the platform operators would enter into
12 contractual arrangements with a tribe in order to
13 participate in that regard.

14 In other words --

15 ASSEMBLYMAN PRETLOW: And none did?

16 ROBERT WILLIAMS: No, my understanding is,
17 I believe two of them did. I think the Oneida and
18 the Seneca -- actually, I think all three may.

19 ASSEMBLYMAN PRETLOW: Mohawks, also?

20 ROBERT WILLIAMS: I think the Mohawks do as
21 well.

22 That's a contractual relationship between the
23 operator and the Indian tribe themselves.

24 ASSEMBLYMAN PRETLOW: Right.

25 ROBERT WILLIAMS: At this point in time, on a

1 federal basis, the question of whether or not what
2 we consider to be appropriate, which is the server
3 location is being dispositive as to where the wager
4 is taking place, hasn't been extended for all of
5 Class 3 gaming.

6 ASSEMBLYMAN PRETLOW: Okay.

7 ROBERT WILLIAMS: It's something that is just
8 been argued in the district court in New York -- in
9 Washington, D.C., about a month ago. And it will
10 probably be another two months before a decision is
11 handed down as to whether the -- from the federal
12 standpoint, the Department of the Interior, National
13 Indian Gaming Commission, will allow that same
14 server-type argument to prevail.

15 ASSEMBLYMAN PRETLOW: Thank you.

16 And my last question is: Have you received,
17 to your knowledge, many complaints from the consumer
18 about the operator's slowness or tardiness in giving
19 money from their account and making them wait a long
20 time?

21 ROBERT WILLIAMS: Absolutely, we've gotten
22 complaints about that.

23 The question is whether they're founded
24 complaints.

25 If you're at an ATM and you want your money,

1 you want your money, and you want your money right
2 now.

3 Anyone who is prohibited from accessing that,
4 even if it's a day, two days, three days, is usually
5 complaining.

6 That's a customer service issue that they
7 have.

8 Obviously, we take a look at the complaints
9 and see, from a point of reasonableness, you made a
10 complaint on a Friday that you couldn't get your
11 money. On Monday you got your money.

12 There's certain subjectiveness relative to
13 it.

14 But one of the things that I believe the
15 operators are concerned with is the utilization of
16 their accounts to park money, and to move monies
17 around. And they have sensitivities to anti-money
18 laundering and hiding of assets, et cetera.

19 So they're probably not as speedy in the
20 return as perhaps a patron may be interested in
21 doing.

22 But as far as a systemic issue with any
23 operator on the inability to access funds, we have
24 not seen that.

25 ASSEMBLYMAN PRETLOW: Okay. Thank you.

1 Senator.

2 SENATOR ADDABBO: Thank you, Assemblymember.

3 I just want to thank you very much.

4 I do have a couple of questions.

5 Sometimes I get -- I'm actually surprised at
6 the fact that respective committees of the Assembly
7 and the Senate Racing, Gaming, and Wagering, while
8 the industry is responsible for upwards of
9 \$5 billion in revenue and billions of dollars in
10 education, we don't have a budget hearing; this
11 committee does not. And it doesn't even have a
12 dedicated time slot in any of the budget hearings.

13 So, you know, [indiscernible], it's -- I want
14 to take this opportunity -- and I appreciate your
15 indulgence -- of taking a glimpse a little bit down
16 the road as we talk about numbers, this being, like
17 I said, a generator for revenue.

18 So, again, I thank you.

19 And that other testimony does have specific
20 numbers in there. So, again, thank you very much.

21 Where we are at here, is this sustainable?

22 These numbers, the number-one spot in the
23 nation, is this sustainable?

24 The product we have right now, going forward,
25 is this sustainable?

1 ROBERT WILLIAMS: Yeah, I don't think anyone
2 is going to be able to definitively answer that
3 right now.

4 I think it really comes to the question, as
5 what I had mentioned to Assemblywoman Woerner, we
6 have a limited time that we have an understanding of
7 what the industry is and how the industry operates.

8 I think we need a little bit more time in
9 order to figure out whether or not what we've
10 created is something that we have long-term
11 capability of sustaining at the manner and the
12 mechanism that we do.

13 SENATOR ADDABBO: And, you know -- and,
14 again, both testimonies, both oral here and
15 certainly in your written, you gave a little, again,
16 blueprint to, basically, what we can do to maybe
17 improve this product somewhere down the line.

18 And, again, I want to thank you very much.

19 We were always -- Gary and I were always
20 concerned, when we were delving into the arena, or
21 going into the arena, of mobile sports betting, how
22 it would it affect the brick-and-mortar casinos?

23 We never, our intention, was to catalyze, or
24 any loss of [indiscernible]; but, actually, to
25 supplement.

1 Have you seen negative impact on the
2 brick-and-mortar casinos?

3 ROBERT WILLIAMS: I mean, the
4 bricks-and-mortar sports-wagering realization has
5 never been particularly robust.

6 As a general sense, for most, you know, from
7 a traditional sense and historical position,
8 sports-wagering has always been an amenity that's
9 been associated with a casino; something you expect
10 to see, but not necessarily the earnings potential
11 of a table game or the earnings potential of a slot
12 machine.

13 Anecdotally, you have to figure that there
14 has been an impact, just simply from the point of
15 convenience.

16 As I mentioned, we publish those numbers.

17 I haven't done an analysis as to what the
18 numbers were pre and post introduction of mobile
19 sports-wagering.

20 But I know from my own experience that we
21 have a grocery store that's located three miles from
22 my house. I no longer go to the grocery stores that
23 are 5 miles or 10 miles from my house anymore.
24 They're no longer convenient.

25 So I think, from a practical indication, that

1 if somebody is interested in wagering on an event
2 and had that ability to do so through a mobile
3 device, without having to get into the car and drive
4 to Rivers, for instance, especially in winter,
5 you're more likely to exercise that option through
6 the mobile sports-wagering platform than you are to
7 go bricks-and-mortar.

8 I would imagine that the bricks-and-mortar
9 still has a certain social dynamic to it that makes
10 it attractive; individuals that want to go see a
11 game.

12 And some of the facilities have built
13 beautiful sportsbooks that really entice individuals
14 to come there, spend some time, look at the big
15 screen, the screens that are bigger than the mural
16 behind you, and watch the game in that way.

17 And they have an ability to do that, and hook
18 the customer, to come into that, that you don't have
19 with a mobile sports app.

20 On the other hand, I also don't know how many
21 people that are sitting in one of those sportsbooks
22 with the huge TVs are banging out on their mobile
23 sports app while they're watching that within the
24 facility.

25 I think that's something you might want to

1 ask the operators, as to whether they have seen any
2 effect of that.

3 SENATOR ADDABBO: Two more quick questions.

4 First, I know a large part of the discussion
5 here was with revenue, certainly, the numbers. And
6 also, of course, the other important issue which is
7 the addiction part.

8 And, again, I want to thank you for your
9 efforts, and cooperative effort with the OASAS.

10 We took painstaking efforts to do statutory
11 language; roughly, 12 safety measures and protocols
12 written into the language regarding caps on
13 accounts, caps on credit card usage, and so forth.

14 Those protocols, as well as the reporting
15 from the operators, which was written into the
16 statute, that they are to have an annual report on
17 the problematic-gaming issue, and also any plans
18 that they have.

19 Has -- those reports have been submitted,
20 your -- I guess, your cooperative effort and your
21 dialogue with the operators on that issue?

22 ROBERT WILLIAMS: That was part of the
23 discussion that we had a couple weeks ago in the
24 Responsible Play Partnership, is we know we have a
25 report that is coming due.

1 So it's a matter of obtaining the different
2 information, taking a look at the metrics, what we
3 have, and then doing an analysis off of it.

4 So it's in the process of being constructed
5 at this point.

6 SENATOR ADDABBO: And that report would
7 be...?

8 ROBERT WILLIAMS: It's obligated by statute
9 to come to you.

10 SENATOR ADDABBO: Exactly. Okay. Thank you.

11 On page 6 of your testimony, again you
12 alluded to, again, a glimpse into what we could do
13 going forward.

14 It was the [indiscernible] issues, marketing
15 for university and college students.

16 On your February 27th meeting, you will talk
17 about, obviously, these rights, and now the time
18 frame for possible change or to implement those
19 proposals.

20 What would be the time frame?

21 ROBERT WILLIAMS: Certainly. So if we bring
22 proposals to the gaming commissioners on
23 February 27th, they have an opportunity to adopt
24 them.

25 If they adopt them that day at the public

1 meeting, then we go into the state administrative
2 rule-making process.

3 So that's constrained by -- it's better known
4 as SAPA (the State Administrative Procedures Act).

5 What that would require is for us to issue a
6 notice of proposed rule-making with the rule itself.
7 It gets published in the state register. It's
8 usually about 10 days to 2 weeks following the
9 submission to the Department of State is when it
10 hits a state register.

11 At the point of publication, there is a
12 60-day period by which entities, anyone, has the
13 ability to write in or otherwise participate in the
14 rule-making process, to tell us what we should do
15 differently, what we did wrong, what we didn't do
16 enough of.

17 At the conclusion of that, the rule-making
18 period closing, we receive all those rules. We go
19 through them to take a look and see whether or not
20 any of the suggestions that have been provided are
21 substantive, and stuff that we -- well, substantive
22 and non-substantive stuff that we want to
23 incorporate into our rule.

24 If it's non-substantive, we can make those
25 changes. And then it goes before the Gaming

1 Commission again for adoption.

2 If they are substantive changes that we
3 believe should be made to the rule, then we have an
4 obligation to put it in front of the commissioners
5 again. Then they have to repropose that rule. The
6 public-comment period and the publication in the
7 state register is somewhat truncated at that point,
8 but it still pushes it out about another month,
9 month and a half.

10 But after the -- assuming that the
11 commissioners, and there's no substantive changes to
12 the rule, they adopt the rule at a public meeting.
13 And then we go through again and provide a notice of
14 adoption to the Department of State. And in about
15 10 days, two weeks, later they publish it and the
16 rule is effective.

17 SENATOR ADDABBO: Thank you.

18 It is obviously a process that has numerous
19 steps.

20 Certainly would welcome any kind of updates
21 as you go forward.

22 ROBERT WILLIAMS: Certainly.

23 SENATOR ADDABBO: We do look forward to
24 working with you.

25 And I want to thank you very much for your

1 time and testimony today.

2 ROBERT WILLIAMS: Well, I really appreciate
3 the time that you afforded me today.

4 SENATOR ADDABBO: Thank you very much.

5 ROBERT WILLIAMS: Thank you very much.

6 SENATOR ADDABBO: Okay. Second panel.

7 Please come forward:

8 Christian Genetski, president of FanDuel; and
9 Jason Robins, chairman of DraftKings.

10 Gentlemen, good morning.

11 When you're ready, please give your
12 testimony.

13 CHRISTIAN GENETSKI: Chairman Addabbo,
14 Chairman Pretlow, members of the committee, thank
15 you for allowing me to testify today on behalf of
16 FanDuel.

17 My name is Christian Genetski, and I'm the
18 president of FanDuel Grouping.

19 We appreciate the opportunity to engage with
20 your committees, the Gaming Commission, and other
21 stakeholders to evaluate the economic impact of
22 mobile sports-wagering in New York.

23 Let me start today by expressing my gratitude
24 on behalf of everyone at FanDuel to Chairman Addabbo
25 and Pretlow for their leadership on gaming issues,

1 and for the legislation they've spearheaded on both
2 fantasy sports and sports betting which has paved
3 the way for FanDuel to become America's number-one
4 sports-betting operator.

5 Thank you both.

6 We're proud to say that America's number-one
7 sportsbook calls New York home, with our
8 headquarters in New York City's Flatiron District.

9 FanDuel currently offers online sports
10 betting in 18 states, and across these markets our
11 institutional strength has firmly established
12 FanDuel as the number-one sports-wagering operator
13 by a wide margin.

14 The same holds true in our home state of
15 New York, where our market share is consistently in
16 the high 40 percent range.

17 January 8th marked the one-year anniversary
18 of legal sports -- legal mobile sports wagering in
19 New York, and there is much to celebrate.

20 Start with the good news.

21 During year one, New Yorkers bet
22 approximately \$16 billion on their favorite teams
23 and sporting events, generating over \$900 million in
24 revenue for the state.

25 FanDuel alone has generated nearly

1 \$330 million for education in the state.

2 It's safe to assume that, until last year, a
3 sizeable percentage of that money was being wagered
4 in the illegal market.

5 Additionally, mobile sports betting has
6 positively impacted the New York economy beyond
7 merely tax revenue.

8 FanDuel continues to grow its employee base
9 in New York, and we've also spent tens of millions
10 of dollars directly with New York businesses,
11 including sports franchises, media platforms, and
12 partnerships with local small businesses.

13 But these aren't the only benefits of the
14 state's regulative framework.

15 Importantly, bettors now have access to
16 responsible gaming tools that simply don't exist on
17 offshore illegal sites.

18 FanDuel allows customers to set their own
19 deposit and play limits, set timeouts to take a
20 break from the app for a period of time of their
21 choosing, and place themselves on self-exclusion
22 lists.

23 Additionally, we employ proactive measures to
24 try to identify patterns of activity with our users,
25 and we monitor user communications with our customer

1 support, to look for flags of someone who may be on
2 a potentially bad path and look to intervene.

3 Legal operators also ensure that underage
4 individuals cannot create an account, deposit, or
5 wager through our platforms, employing sophisticated
6 checks to verify customer identity.

7 Finally, customers can bet on legal platforms
8 and trust that their deposits are safe and that they
9 will receive their winnings.

10 We need only look at recent high-profile
11 scandals in the crypto-exchange space to see the
12 perils to customers of entrusting money to offshore
13 unregulated entities.

14 By these measures, the first year of legal
15 regulated mobile sports betting in New York has been
16 a winner for both the state and its residents.

17 That's the good news.

18 Here's the bad news.

19 We do not believe that this level of economic
20 success is sustainable with the current tax rate of
21 51 percent.

22 Although it's only been one year since the
23 market launched, there are clear signs that the
24 New York market has already peaked, whereas other
25 states remain on a solidly upward trajectory.

1 I want to make four key points to you today.

2 First: Despite an inordinate level of
3 investment in the first three months, post launch,
4 the New York market is not growing handle nor
5 customer base like every other state.

6 Two: There is a direct causal link from the
7 high tax rate to this lack of growth.

8 Three: The experience of more mature markets
9 around the world evidences that high-tax-rate
10 markets stagnate growth and see markets drift back
11 toward unregulated operators.

12 And, finally: We believe lowering the tax
13 rate, even to one commensurate with the next highest
14 state in the country, could recharge growth and set
15 the state on a much healthier path in future years.

16 First: All you need to do is look at the
17 past year to see that the New York market is on the
18 wrong trajectory.

19 As the Spectrum Gaming reports, submitted to
20 the committee, notes, handle in New York has
21 declined over 20 percent since the initial
22 three months of launch in January to March of 2022.

23 This is simply not a trend line we see in
24 other states.

25 In both year-one states and longer-tenured

1 states alike, the trend lines only go up and to the
2 right, especially in the fall football season.

3 Even New Jersey, our most mature state, and
4 one which has been cannibalized by the launch of
5 New York, has exhibited stronger growth trends than
6 New York this fall.

7 An equally alarming indicator is that, based
8 on FanDuel's own data, New York has one of the
9 lowest market penetrations in the country; that is,
10 the percentage of adults who have placed a bet on
11 FanDuel, sitting at 6.4 percent in New York.

12 By comparison, Louisiana, which launched one
13 month later than New York, is at 7.4 percent; while
14 Maryland tipped 7.5 percent in only its first
15 three months of operation.

16 Given the fact that FanDuel has an outsized
17 market share in New York, this number is even more
18 of an outlier.

19 Second: The cause of this underperformance
20 is not a mystery. It's the pullback in investment
21 by operators.

22 In New York, operators sprinted out of the
23 gate with generous customer bonusing. But once
24 operators understood how the customer bonuses were
25 being taxed, and it became evident no tax relief was

1 forth coming in 2022, their approaches immediately
2 changed.

3 FanDuel's own approach in New York
4 illustrates this dynamic.

5 It's important to note that FanDuel is
6 20 percent points higher in New York market share
7 than its closest competitor; meaning, we're, far and
8 away, in the best position to invest in the state at
9 the moment.

10 Because the 51 percent tax rate precludes
11 FanDuel from reaching sustainable profitability even
12 with a dominant share, however, FanDuel
13 significantly decreased its investment in New York
14 vis-a-vis our other states of operation.

15 In fact, we're now investing 50 percent less
16 in New York than in other states on a like-for-like
17 basis.

18 Indeed, our 2023 projected media spend per
19 capita for Louisiana, a much smaller state that
20 launched a month later than New York and in which we
21 have a much less dominant market share, is still
22 nearly twice that of New York.

23 And in healthy tax environments, both new,
24 like Maryland, and old for us, like New Jersey,
25 FanDuel's 2023 projected media spend per capita is

1 triple that of New York.

2 Third: This lack of investment by operators
3 will compound over time to the state's detriment.

4 As the Spectrum Report illustrates, we
5 suspect that New York's sports-wagering handle will
6 drop 10 to 20 percent on a year-to-year basis, but
7 the prospect for the long term is potentially more
8 dire.

9 As legal operators struggle to make the
10 numbers work, they will not only reduce marketing
11 and generosity, they may also be forced to adjust
12 pricing in New York; that is, how much it costs to
13 make a bet to ensure a higher hold percentage.

14 Operators with lower market share will likely
15 elect to withdraw from the New York market
16 altogether.

17 For consumers, that means fewer options, less
18 competition, and a much worse value proposition, all
19 of which make the illegal offshore options much more
20 attractive.

21 This, in turn, will leave hundreds of
22 thousands of New Yorkers without the critical
23 consumer protections offered by the regulated
24 market.

25 More mature markets in Europe have already

1 experienced this phenomena. France legalized sports
2 betting, but did so with the highest tax rate in
3 Europe, with a rate similar to New York, and
4 year-one's numbers in France looked a lot look
5 New York's.

6 Since inception, however, the number of
7 operators in the market has halved, resulting in a
8 relatively small regulated legal market and a larger
9 unregulated market.

10 We've seen other examples, too, in Germany,
11 Poland, and Portugal, each of which have passed
12 punishing tax regimes that led to fewer operators, a
13 less-compelling offering for customers, and, in
14 turn, reduced displacement of the illegal market,
15 leading to weaker customer protection and lost tax
16 revenue.

17 Finally, we believe that lowering the tax
18 rate to one commensurate with the next highest tax
19 rate in the country can fundamentally alter the
20 long-term outcome in New York.

21 By way of example, if the tax rate were more
22 competitive in New York, we estimate that, in 2023,
23 FanDuel alone would invest a further 200 to
24 250 million dollars above our current plans.

25 We project that this investment would, in

1 turn, lead to an estimated \$350 million-plus in
2 additional gross gaming revenue.

3 Beyond FanDuel, it would give existing
4 competitors with smaller share, as well as potential
5 new market entrants, a plausible path to invest in
6 the state as well.

7 By restoring this investment, New York's
8 growth trend line will quickly resemble other
9 states.

10 We've already seen in those first
11 three months what real investment in the New York
12 market can produce.

13 Having New York on a clear, sustainable
14 growth trajectory at a lower effective tax rate, as
15 opposed to a shrinking, less competitive, less
16 consumer-attractive market at 51 percent, is the
17 clear right choice for New York in, both, the near,
18 and especially the long-term.

19 We would like to thank Senator Addabbo for
20 reintroducing his legislation, Senate Bill 1962,
21 which would, among other things, lower the tax rate,
22 with the addition of four to five licensed mobile
23 operators.

24 Under Senator Addabbo's proposal, New York
25 would still have the highest effective tax rate in

1 the country.

2 While it would be far from ideal for
3 operators, it would at least allow FanDuel and its
4 market competitors to resume material investment in
5 growing the market.

6 We've modeled the market internally at a
7 35 percent effective tax rate with some new
8 entrants, and we believe the New York market will
9 prove sufficiently robust that, in this scenario,
10 the growth of the market will more than offset the
11 difference in the current tax rate, and that State
12 will exceed its FY '23 through '27 online
13 sports-wagering tax-revenue projections.

14 FanDuel is the market leader in this
15 industry, the New York leader, and proud to call
16 New York home.

17 We want New York to be the beacon of this
18 industry, and it can be.

19 But the big early tax revenue numbers, not to
20 mention the consumer safeguards expanded in
21 New Yorkers, will proven to have been a fleeting
22 achievement if we do not change the course for the
23 long term.

24 Thank you.

25 We look forward to working with the

1 legislature, the commission, and the State to
2 continue offering a safe and successful
3 sports-betting product in New York.

4 Thank you, Mr. Genetski.

5 Mr. Robins.

6 JASON ROBINS: Hopefully, this doesn't sound
7 like I tape-recorded Christian's testimony and
8 pressed play.

9 Chair Addabbo, Chair Pretlow, and members of
10 the committee, thank you for allowing me to testify
11 today on behalf of DraftKings.

12 My name is Jason Robins, and I am a
13 co-founder, CEO, and chairman of DraftKings.

14 It started in the spare bedroom in my
15 co-founder Paul Liberman's home more than 10 years
16 ago. DraftKings has grown into a publicly traded
17 digital sports entertainment and gaming company that
18 employs more than 4,000 people globally, including
19 nearly 150 here in New York.

20 Although we operate mobile sportsbook in
21 20 states, the New York market is one of DraftKings'
22 top priorities.

23 DraftKings is proud to call itself one of the
24 leading sports-wagering operators nationwide and
25 here in New York.

1 We appreciate the efforts of the New York
2 Legislature, particularly Chair Addabbo and
3 Chair Pretlow and these committee members who have
4 been instrumental in the creation of a legal and
5 regulatory framework for both fantasy sports and now
6 sports betting.

7 We would not be here today without you.

8 And thank you for your foresight and
9 thoughtfulness in how you have approached
10 policy-making in the online gaming industry.

11 And it is precisely for that reason that
12 I believe that the points I'm about to make will
13 resonate with you as you consider the suggestions
14 that we are proposing.

15 Since its launch in early 2022, mobile
16 sports-wagering in New York has generated more than
17 \$900 million in tax revenue and licensing fees, a
18 seemingly unqualified success.

19 Unfortunately, for reasons I'll explain
20 shortly, it's far too early to declare victory.

21 The market is built on an unstable
22 foundation; namely, a 51 percent tax rate which is,
23 by far, the highest tax rate in the nation.

24 And you heard Christian talk about effective
25 tax rate.

1 The effective tax rate in New York is
2 actually over 70 percent.

3 I'm happy to explain that more in Q&A if you
4 wish.

5 But, right now, operators are giving up over
6 70 percent of their net revenue.

7 Based on DraftKings' knowledge and experience
8 in shaping sports-wagering markets across the
9 country, in our view, the State's revenue
10 projections are simply unsustainable with this tax
11 rate.

12 Nevertheless, we believe there is a path for
13 New York to guarantee the sustained success of its
14 mobile gaming industry in the coming years, all
15 while continuing to protect consumers and generating
16 substantial tax revenue.

17 Building off the testimony of
18 Christian Genetski, I encourage the legislature to
19 implement a lower, more sustainable mobile
20 sports-wagering tax rate.

21 We believe that a tax rate that is more in
22 line with the rest of the market would strike a
23 balance -- the balance between the State's need to
24 meet or exceed its fiscal projections, while giving
25 licensed operators the ability to provide a

1 best-in-class experience for their customers, one
2 that rivals any state.

3 Additionally, the legislature should
4 authorize iGaming, which taps into a potential
5 revenue stream currently funneling to illegal
6 offshore operators that lack any of the consumer
7 protections a regulated operator would provide.

8 I will explain in more detail why
9 (1) lowering the tax rate is necessary to provide
10 the economic stability for operators to continue the
11 initial success we have seen in New York, and
12 (2) legalizing iGaming is an innovative way for
13 the state to generate additional source of revenue.

14 Before I do that, however, I want to provide
15 some background regarding how we got here.

16 Let's start with the elephant in the room.

17 After years of work and research by the
18 legislature and the former administration, a couple
19 of frameworks for sports betting in New York were
20 put on the table and neither of them resembles what
21 we have today.

22 The two frameworks, broadly speaking,
23 contemplated either a high tax rate for a market
24 with one or two licensees, or a 15 percent tax rate
25 for a competitive market with many different

1 licensees.

2 Both of these frameworks can be found in
3 other states. For example, DraftKings operates in
4 two states, New Hampshire and Oregon, where we pay a
5 51 percent tax rate.

6 The difference is that, in both of those
7 states, DraftKings is the sole licensed online
8 sportsbook operator.

9 Both of those states also have an allowance
10 for deducting promotional expenses, that does not
11 exist here in New York, from taxable income, which
12 is why the effective tax rate is so much higher than
13 actually 51 percent here in New York.

14 In the vast majority of states, policymakers
15 have opted for a far lower tax rate in a competitive
16 market, as this setup tends to produce an
17 environment where legal operators can most
18 effectively compete with the illegal market.

19 Excluding New York, as well as
20 single-operator states, the average tax rate across
21 the nation is approximately 13 percent.

22 Just over 12 months ago we launched mobile
23 sports-wagering in New York and the market now has
24 9 mobile operators.

25 By so many accounts, the first year of mobile

1 sports-wagering in New York has been a success.

2 We know New Yorkers wager more than
3 \$16 billion on their favorite teams and events.

4 We believe upwards of \$900 million will fund
5 critical state programs like education,
6 problem-gaming prevention, and youth sports
7 initiatives.

8 But we also know that the state is at a
9 significant risk of missing future revenue
10 projections if there is not a meaningful reduction
11 to the tax rate.

12 DraftKings, alongside FanDuel, BetMGM, and
13 Ballys, did accept a 51 percent tax rate in exchange
14 for a mobile sports-wagering license in New York;
15 but, in reality, we had no choice.

16 New York was, and still is, the largest
17 market in the nation. In fact, its population is
18 almost 50 percent larger than the next biggest state
19 with legal online sports betting. It was also a
20 different time and a different market.

21 Operators were understandably excited about
22 New York opening up, and were focused far more on
23 customer acquisition in the short term and far less
24 on what will create a sustainable market over the
25 long term.

1 Since then, the market has begun demanding
2 far more discipline, and the promotions and
3 advertising that fueled the early boom have started
4 to taper significantly.

5 But the most draconian decisions, the things
6 that really can affect the long-term health of the
7 New York market, the actions that operators will
8 likely be forced to take to make New York
9 sustainable under the current tax regime, still have
10 yet to occur.

11 In DraftKings' case, and I expect in the case
12 of many other operators, there is actually a reason
13 we haven't taken these actions yet.

14 We have believed for the last year that there
15 is a chance that policymakers in New York will look
16 at the analysis and decide that it is in the state's
17 best interest to lower the tax rate.

18 However, if that does not happen, DraftKings
19 and other operators will likely be forced to take
20 many, if not all, of the following steps to make
21 New York a sustainable market for our business:

22 In a nutshell, we will be likely -- we will
23 likely be forced to offer a significantly
24 worse-value proposition for customers that are
25 placing bets in New York.

1 This starts with the betting odds, where
2 New York customers would receive worse odds than
3 DraftKings offers in other states and that you can
4 find in the illegal market.

5 Many customers are very sensitive to this,
6 naturally, and they will either cross the border
7 into one of New York's many neighboring states to
8 place their bets, or, worse yet, return to the
9 illegal market.

10 Secondly, we will need to meaningfully reduce
11 the value of promotional credits that we offer to
12 our New York customers.

13 That's already started to happen. But, as
14 I said, we haven't fully done what we would need to
15 do to be able to be sustainable because we are
16 hopeful the tax will be lowered.

17 Promotional credits are a tool that operators
18 use to attract customers to their site.

19 Without a reduction to the current tax rate,
20 DraftKings will not be able to offer New York
21 customers the same types of promotions that we
22 currently offer in other states.

23 Much like the previous example, many
24 customers will be attracted to the promotions they
25 can get in the illegal market, as well as in

1 neighboring states, which will make it harder for
2 DraftKings to attract and retain customers in the
3 Empire State.

4 Because our advertising budget will have to
5 be extremely limited, it will also not be practical
6 for DraftKings to enter into or maintain meaningful
7 marketing partnerships with New York teams and
8 leagues.

9 In other jurisdictions, DraftKings has made
10 material investments in creating on-premises -- fan
11 experiences at stadiums, arenas, and ballparks.
12 These investments create unique spaces in some of
13 the most iconic athletic facilities in the world,
14 providing not only meaningful engagement with
15 existing customers, but generating new customers as
16 well.

17 We have contemplated these types of
18 investments, and have discussed them with many of
19 the great New York sports franchises and venues.
20 But, unfortunately, none of those investments would
21 be practical under the current tax regime.

22 Of course, much like promotional credits,
23 advertising and team sponsorships are an important
24 part of attracting customers from the illegal
25 market, thereby increasing state tax revenue and

1 providing critical consumer protection and
2 oversight.

3 With the current tax rate, regulated
4 operators are at a massive disadvantage when
5 compared to illegal offshore operators who pay no
6 taxes, offer no responsible gaming measures, and
7 take no steps to ensure that they are not offering
8 bets to minors or excluded persons.

9 These offshore sportsbooks are able to afford
10 lavish promotions to entice customers to open
11 accounts with them, and many of them continue to
12 market themselves right now to customers in
13 New York.

14 If DraftKings has to -- is forced to offer
15 worse odds and very limited promotions in
16 advertising, it will be extremely challenging for us
17 to compete with the illegal market.

18 Let me be clear: We would much prefer to see
19 the New York market grow to its full potential
20 rather than invest minimally into marketing and
21 promotions at the current tax rate.

22 We are more than willing to work with the
23 State on the best long-term framework for New York,
24 our customers, and the legal operators.

25 Hopefully it is clear to everyone that

1 New York will not be able to meet its multi-year
2 revenue projections with the current unsustainable
3 tax regime.

4 And if there are concerns that lowering the
5 tax rate could cause a short-term revenue setback,
6 the State can authorize additional operators to
7 enter the market, and we would expect that the
8 licensing fees from those additional operators would
9 more than make up for any potential short-term
10 shortfall that might occur.

11 I would like to turn to a slightly different
12 but related topic.

13 Much like with sports wagering, there is
14 already a market, both legal and illegal, for those
15 who want to engage in iGaming or the online
16 offering of traditional casino games, such as
17 roulette, craps, blackjack, and slots.

18 To date, six states have legalized iGaming.

19 States like New Jersey, Connecticut, and
20 Pennsylvania, all, of course, which border New York,
21 have authorized iGaming, and results have shown
22 that iGaming success can come without
23 cannibalizing existing retail gaming operators or
24 the lottery, and certainly without experiencing the
25 hyperbolic doomsday scenarios that many opponents

1 recklessly predict.

2 It is time to focus on how legalizing
3 iGaming can fund crucial state services in
4 New York.

5 As you will hear from Spectrum, their
6 projections show the legal iGaming market here in
7 New York would generate 2.3 to 3.1 billion dollars
8 in GGR in year one, and 3.6 to 4.3 billion dollars
9 in GGR by year 5.

10 In our experience, the stigma and fear
11 associated with online gaming as both predatory and
12 addictive rely on wholly inaccurate ideas.

13 iGaming operators employ the same
14 technology and safeguards as mobile sports wagering,
15 including state-of-the-art age, identity, and
16 Know Your Customer verification; best available
17 geolocation services; antifraud and anti-money
18 laundering tools; innovative responsible gaming
19 resources; secure handling of data; and
20 cybersecurity and anti-hacking services.

21 Moreover, while certain legacy operators have
22 argued that the introduction of iGaming will take
23 away customers and profits from brick-and-mortar
24 casinos, we believe that nothing could be further
25 from the truth.

1 We have seen clear evidence in other states
2 that iGaming actually bolsters brick-and-mortar
3 gaming business by allowing casino operators to
4 engage with loyal customers of their facilities and
5 attract new customers from different backgrounds and
6 demographics who have not previously been drawn to
7 retail casinos.

8 In all states with legal iGaming, every
9 single one, brick-and-mortar casinos have continued
10 to thrive since the legalization of online casino
11 gaming.

12 For all these reasons, as well as the
13 critical importance of providing consumer
14 protections that are not found in the current
15 illegal online casino market, the time for New York
16 to regulate and legalize -- legalize and
17 regulate iGaming is now.

18 To reiterate and summarize:

19 We respectfully request that the committee,
20 number one, rationalize the current sports-wagering
21 tax and promotional allowance;

22 And, number two, legalize iGaming.

23 In closing, I want to restate DraftKings'
24 commitment to New York and our desire to invest
25 here.

1 We are prepared to continue to invest in this
2 market for the long term, but we can only do so if
3 the market is sustainable.

4 We urge the legislature to move swiftly so
5 that New York can realize the economic benefits and
6 New York's constituents can realize the safeguards,
7 protections, and quality of product.

8 Thank you for your consideration.

9 SENATOR ADDABBO: Thank you, Mr. Robins.

10 I'm going to kick it off because Mr. Genetski
11 threw me under the bus, with my legislation.

12 So Senate Bill 1962, and the reduction of the
13 tax rate, increasing of the operators, a couple of
14 things on that piece of legislation.

15 One, it was a mere reintroduction of the
16 bills that I did last year, so obviously we
17 reintroduced it.

18 Secondly, and more importantly, the fiscal
19 implications of that bill is very interesting
20 because there's a TBD (to be determined).

21 In my opinion, that bill cannot move forward
22 unless we can show, as a state legislature, that any
23 change in the tax rate, number of operators, or
24 anything along those lines would not equate to a
25 benefit to New Yorkers and to our state, fiscally

1 and in education.

2 There is a direct correlation between a
3 reduction of the tax rate and a reduction in
4 educational funds, which my good colleague to my
5 right here, Mr. Tedisco, probably would not want
6 as ranker of the Education Committee, nor would any
7 one of us want.

8 We cannot go back to our constituency and
9 say, we cannot -- we -- it's something that's going
10 to reduce revenue as well as educational funds.

11 So that's what a budget process is for.

12 And that's why I say, we -- although we don't
13 have a budgetary hearing, we're going to utilize
14 this a little bit in those terms.

15 Somebody is going have to make a credible
16 argument that this is the path to go for our state
17 during this budget process. Any analysis, credible
18 analysis, will be evaluated.

19 But that's where we're at at this point.

20 So my question to both of you -- and my
21 questioning, at least initially, will be to both.

22 The 51 percent was no secret.

23 It was something that the previous
24 administration spoke about, everybody on the planet
25 knew about. There's no sunset, so you knew it was

1 51 percent, going forward.

2 You negotiated it, you agreed to it, and now
3 we have these numbers.

4 And there -- you know, there's no real -- in
5 my opinion, there's no foundation to say, you know,
6 these numbers are suffering at this point, in my
7 opinion, so we need to change this.

8 It's a very hard argument to make.

9 Do you think you have enough -- and it's an
10 open-ended question, do you have enough credible
11 data to show, and forward at some point, to show
12 that a reduction of 51 percent, maybe increasing the
13 operators, we're not sure, but a reduction of
14 51 percent makes fiscal sense to this state and the
15 people of New York?

16 JASON ROBINS: Short answer is yes.

17 I think, you know, before we came here, and
18 certainly over the last year, we've run many models.
19 And, you know, I think this is predicated on our
20 future plans which we described to you today, and,
21 you know, some assumptions around what that would
22 mean for activity, you know, not growing in
23 New York State, shifting to the illegal market,
24 shifting into neighboring states, that have better
25 odds, better promotions, things like that.

1 Happy to share that.

2 But, you know, effectively, you would have to
3 assume that -- which is what we're doing, that the
4 state would lose material revenue to the illegal
5 market and neighboring states if they don't change
6 the tax, because of some of the actions that
7 operators would be forced to take to make the
8 markets.

9 SENATOR ADDABBO: On that note, again, not
10 only to justify what you believe would be beneficial
11 to the state reducing the rate and increasing
12 possibly the operators, but credible data on the
13 illegal market, do you track activity of New Yorkers
14 using the illegal market, the total handle in the
15 illegal market, do have you that data to justify
16 your reduction of the tax rate?

17 JASON ROBINS: I can't say -- most people
18 don't want to tell if you they're betting in the
19 illegal market, so it's not incredibly reliable.

20 We have macro-level survey data showing how
21 much activity existed before and how much is
22 self-reported now, and it's gone down substantially.

23 But, you know, the reason I hesitate, when
24 you say "credible," it's based on self-reported.
25 And I think you have to take for a grain of salt,

1 anytime you're asking people about illegal activity,
2 how much you can really rely.

3 I think, in reality, it's actually much more
4 substantial.

5 I think people are less likely to say if they
6 were playing something in the illegal market
7 beforehand, even if they'll say they're not now.

8 So I think the amount that we've actually
9 siphoned from the illegal market is more substantial
10 than what we're seeing in self-reported surveys.

11 But even if you didn't believe that, I think
12 the numbers would justify lowering the tax rate.

13 CHRISTIAN GENETSKI: And, Chairman Addabbo,
14 if I may, just to your original question, I think we
15 acknowledge that, you know, instinctively, it feels
16 counterintuitive to say, we're going to lower the
17 state's tax rate, how is that not going to lower the
18 state's tax revenues?

19 Right? We understand that.

20 It's pretty simple math. Right?

21 So if you -- you need to grow the market by
22 more than the percentage offset when you lower the
23 tax rate.

24 As Jason said, our teams have spent a lot of
25 time modeling this.

1 We believe -- if New York were to lower the
2 tax rate to something along the lines of
3 Pennsylvania, which is the next highest tax rate in
4 the country, it doesn't put the operators
5 necessarily in a great position. We'll have our
6 lowest margins that we have in any market. But
7 New York is a critically important market for us.

8 And our math, and, you know, the way sports
9 betting works, is the first five years, typically,
10 that's your investment period to grow the market, to
11 get it to maturity.

12 I think it's important to remember that, you
13 know, the operators in the state are really partners
14 in this endeavor.

15 The tax revenue comes straight from our gross
16 gaming revenue; so when we do better, the state does
17 better.

18 We're confident that over that five-year
19 period, if you look across, as far as the state has
20 estimated out what its tax revenue will be from this
21 activity, that lowering the tax rate in line with
22 your proposal is going to produce more upside to the
23 overall revenue that more than offsets the
24 difference in the tax rate itself.

25 So we do have conviction that this is the

1 right path for the state.

2 Again, it's not -- it's not something that's
3 going to put FanDuel in a place where New York is
4 its most profitable state. New York will be its
5 least profitable state in that scenario, in all
6 likelihood. But it gives us enough to be able to
7 invest; and, more importantly, the longer tail of
8 operators, the ability to invest and compete with
9 us.

10 And we're here, ironically enough, preaching
11 that we want added competition. Right? We think
12 that's good for users and it's good for growing the
13 New York market.

14 In this early period, these first five years,
15 that's the critical time to get the market to its
16 maturity.

17 SENATOR ADDABBO: Before I hand you over to
18 my colleague, I'll ask your opinion about this.

19 Taking a glimpse at Bob Williams' 40-page
20 testimony --

21 It's online. I just took a glimpse at it, so
22 I didn't read it in detail.

23 -- but if there was a number out there, such
24 as, if we were to reduce the tax rate based on
25 estimates, and we would have to make up, roughly,

1 \$600 million in handle somewhere down the line,
2 would you consider that number a big number?

3 JASON ROBINS: I think that's very
4 achievable.

5 I mean, the amount of growth -- Christian
6 referenced this in his testimony -- if you look at
7 some states, New Jersey included even after New York
8 launched, is still growing in its fourth or
9 fifth year, I think now, at a faster clip than
10 New York.

11 If you compound that -- the thing that
12 I think is challenging, and this is why I said
13 I think it might make good sense if you're worried
14 about a short-term thing, to authorize some more
15 operators so you collect the licensing fees, is it
16 could be in the very short-term, like the next 6 to
17 12 months, that it is not advisable in terms of just
18 raw revenue if you don't include new license fees.

19 I'm not saying it would be, but it could be,
20 because it's hard to say how quickly the market will
21 adjust or readjust back to a different tax rate.

22 It is, in my mind, if you look at other
23 states, almost impossible to argue that, in, you
24 know, future years, that we wouldn't see
25 significantly more handle in New York if we changed

1 the tax rate.

2 And you can look at what's happening now, and
3 what is about to be -- or, you know, now about to be
4 start of New York's second year, finally getting
5 year-over-year numbers, and it's just not growing in
6 the way that other states are growing, even some
7 states that are three, four, five years into and,
8 you know, a farther path down the maturity curve.

9 CHRISTIAN GENETSKI: Yeah, Jason covered it.
10 I think I would have the same answer.

11 SENATOR ADDABBO: Just, to me, \$600 million
12 seems like a lot of money.

13 So --

14 JASON ROBINS: Well, it sounds like if we can
15 help create that data for you, that would help you
16 evaluate the perspective.

17 SENATOR ADDABBO: Exactly.

18 Chairman Pretlow.

19 ASSEMBLYMAN PRETLOW: Thank you, Senator.

20 Any questions from -- Jeff?

21 ASSEMBLYMAN GALLAHAN: Please.

22 Thank you, Mr. Chairman.

23 Jason, in your testimony, I understand nobody
24 in the room likes taxes, but they're a necessary
25 evil. We have to provide services.

1 We all get sticker-shock when we get our
2 paychecks and look at the stub every pay period.

3 I get it.

4 I'm a small-business man. My wife and I run
5 a small business, and we're not friends of tax
6 either, but it's a necessary evil, and I understand
7 that.

8 So you're saying that the downward -- the
9 trend is going to be downward at a 51 percent tax
10 rate.

11 My question is: Spectrum is proclaiming, if
12 we legalize iGaming, the market here in New York
13 would generate 2.3 to 3.1 billion in GGR in
14 year one, and 3.6 to 4.3 billion in GGR, five, which
15 is significant growth.

16 How do we get significant growth in iGaming
17 at 51 percent tax rate and we don't on the other
18 hand?

19 JASON ROBINS: Well, I wouldn't necessarily
20 advocate for a 51 percent tax rate in iGaming,
21 either.

22 But I think an important thing to understand
23 is how the two products interplay.

24 So the way that the majority of iGaming
25 revenue is generated in every single market

1 where iGaming is legal today is through cross-sale
2 of people that are acquired on sports-wagering. And
3 so that's really what drives the iGaming revenue.

4 If you look at New Jersey, iGaming was
5 growing, growing, growing. Sports-wagering got
6 legalized, massive jump in iGaming rate.

7 Why?

8 Because all of these new players got acquired
9 under the platforms and were cross-sold
10 into iGaming.

11 So that is where the bulk of iGaming
12 revenue comes from.

13 Consequently, if we have a weaker
14 sports-wagering product, we're not able to advertise
15 it as much, we're not able to offer promotions, we
16 are going to generate less new-customer activity and
17 less existing-customer activity, on sports wagering,
18 which will harm iGaming.

19 So I think there is a direct impact
20 to iGaming, not that iGaming wouldn't. Of
21 course, if you legalize iGaming, it will generate
22 incremental revenue regardless of where you tax it
23 at and what happens with sports.

24 But there's a compounding effect with not
25 just the sports-wagering market potentially

1 declining and missing revenue projections, but then
2 underperformance of what could be an even
3 larger iGaming market, because so many fewer
4 sports-wagering customers will be coming onto the
5 platforms and then being able to be cross-sold
6 into iGaming games.

7 ASSEMBLYMAN GALLAHAN: So help me understand
8 this.

9 You're saying that these numbers are accurate
10 at 51 percent.

11 Where would the numbers be, in your
12 estimation, if the tax rate was lowered?

13 Would it affect the iGaming numbers?

14 Would they be even greater in growth than
15 projected by Spectrum here?

16 JASON ROBINS: I think a lower tax rate on
17 iGaming would generate larger iGaming growth.

18 I'm not sure -- I don't think 51 percent, you
19 know, if you think about -- actually, I think this
20 is a good time to explain.

21 So one of the things we mentioned is
22 effective tax rate, and I want to give you all an
23 example of what I mean.

24 Let's say somebody comes in and places a
25 wager. And as part of that, since it's a new

1 customer, we give them a matching free bet.

2 So, you know, Sophie comes in, places a
3 \$100 bet. We give her a \$100 free bet.

4 She then, you know, goes and makes a \$200 --
5 \$200 worth of wagers, and she loses.

6 We collected 100 in revenue, that's what we
7 got.

8 We gave her 100, we collected 100.

9 The State recognizes 200 in revenue, so we
10 then get taxed at 51 percent. That's \$102. We just
11 paid \$102 on \$100 of revenue.

12 So I think these two things, when we talk
13 about tax rate, it really has to be thought of also
14 in conjunction with how you're treating the
15 promotions.

16 In the end, it's the effective tax rate on
17 the actual dollars we're receiving that affect then
18 how much money we have to redeploy in investment in
19 the state.

20 I know that, you know, that's not
21 necessarily -- the two things playing together makes
22 it a little more complicated, but, you know, I think
23 that's really how you have to think about it.

24 So if we did a 51 percent tax rate under the
25 current setup, no, I don't think we could achieve

1 those numbers.

2 I think that we would have to have a better
3 tax rate in order to achieve those numbers.

4 Could they be even better?

5 Possibly.

6 If you look at Michigan, Michigan generates
7 6 1/2 times as much iGaming revenue as
8 sports-wagering revenue.

9 Now, Michigan has a very low tax rate on
10 both, so that's helpful; but 6 1/2 times as much.

11 So I think Spectrum's numbers are probably in
12 the right ballpark if you have, you know, something
13 more in line with, you know, the highest tax rates
14 in the nation.

15 But I think if you lowered them, they could
16 potentially be much larger. And I think if you look
17 at some of the other states, you'll see that as
18 well.

19 I think New Jersey is another example where
20 they have a lower tax rate for both, and iGaming
21 revenue is substantially larger than sports-wagering
22 revenue.

23 ASSEMBLYMAN GALLAHAN: What is Michigan's
24 rate? Do you know off the top of your head?

25 JASON ROBINS: It's around like 20 percent,

1 is it?

2 CHRISTIAN GENETSKI: It's less.

3 JASON ROBINS: Less? Like 18, maybe.

4 CHRISTIAN GENETSKI: We can certainly get you
5 the number.

6 ASSEMBLYMAN GALLAHAN: Okay, one other
7 question.

8 Let's say we go through this budget process
9 and nothing changes.

10 Do you have a Plan B?

11 Is there anything else that you have,
12 anything else you can do, to improve your market?

13 Do you have a Plan B?

14 Do you have anything in mind that you can do
15 to generate more gross profit?

16 JASON ROBINS: Well, I think we would be
17 forced to take the actions, you know, or some set of
18 the actions, we described, by making the odds worse
19 for consumers, having the promotions be non-existent
20 or at least heavily dialed back, cutting
21 relationships with teams and local marketing
22 partners.

23 You know, we would make nowhere near the
24 total amount of revenue and profit that I think we
25 could make in, you know, a more favorable setup, but

1 at least we would be able to have a sustainable
2 market.

3 You know, in the end, I think that the way
4 I always think of it is, if we're maximizing our net
5 revenue and we're motivated to do that, then that's
6 going to generate the most long-term tax for the
7 state.

8 And so the more closely that the state -- you
9 know, as Christian said, we consider the State
10 partners. We're sharing, you know, everything
11 directly with you.

12 The consumer is obviously paying for the
13 business, but it's coming out of our revenue.

14 And the more that we can align what will
15 produce the most growth in revenue for us with what
16 will produce the -- you know, what the tax regime
17 would suggest we should do, the more we can align
18 those two things, the better the long-term growth
19 will be.

20 Right now it's not aligned.

21 Right now the incentives -- and it was really
22 a moment in time that this all happened.

23 I mean, I think it's great for New York,
24 generate a lot of money.

25 I just think it's just something that I think

1 people really need to understand, it's not going to
2 be sustainable.

3 It was a moment in time. We were in one of
4 the biggest bull markets in history.

5 Sports-wagering operators were having money thrown
6 at them by public investors if they just went out
7 and had a great initial start in New York, which
8 people were seeing as a litmus test for how you're
9 going to perform throughout the nation.

10 Since then, everybody has cut back. But
11 I think, as I said, we haven't taken the most
12 draconian actions. We haven't changed the odds for
13 New Yorkers yet. New Yorkers can still get the same
14 odds they can get if they drive into New Jersey or
15 Connecticut or Pennsylvania.

16 So we haven't taken some of the actions that
17 I think would be most harmful and really could set
18 back the market for years.

19 It might take a long time to reactivate some
20 of those customers if they choose to go back to the
21 illegal market.

22 So I think that we're still in a position
23 where New York can achieve its revenue projections,
24 and maybe even more so, in the coming years. But
25 I don't think it's remotely possible that it will

1 happen under the current tax setup.

2 ASSEMBLYMAN GALLAHAN: One final question for
3 both you and Christian.

4 As Chairman Addabbo explained earlier,
5 everybody on the planet knew that it was 51 percent
6 when it was proposed. And being good business
7 people, I'm sure you had a business plan.

8 And I'm wondering what your business plan
9 looked like at a 5-year and a 10-year situation,
10 knowing that it was 51 percent.

11 What were your projections for 5 years or
12 10 years?

13 What did your business plans reflect when you
14 first considered being part of this program?

15 JASON ROBINS: So for us, and I wonder and
16 curious if Christian and FanDuel had the same thing,
17 well, I'll just be totally transparent, we, day one,
18 said, there is a fork in the road that's going to
19 occur here, you know, Path A or Path B, depending on
20 what happens in the subsequent year or two with the
21 tax rate.

22 What we said is, it would be an absolute
23 shame, and we would certainly be kicking ourselves,
24 if you folks decide a year from now, after the
25 market launch, to lower the tax rate, and we had

1 assumed it was going to be 51 percent forever, we
2 were more conservative than everyone else on
3 customer acquisition and promotions, and we ended up
4 not realizing, you know, the market share that we
5 thought we could achieve.

6 So we made a choice to say, look, we'll
7 invest in a way that we know is unsustainable and we
8 know is unprofitable in New York for the short term
9 because, the consequences, if we do end up with a
10 healthy, sustainable environment, of not having
11 invested in those early days are so great. We'll
12 take that chance.

13 But we understand that, at a point in time,
14 the legislature says, "look, everything is looking
15 good, we're not going to change anything," that
16 we're going to have to alter our game plan.

17 That would include things like giving worse
18 odds to New Yorkers, having less promotions, having
19 less marketing, less deals with teams and local
20 media partners; other sorts of things.

21 And that would be the way that we would
22 approach the market.

23 And so we kind of had two models.

24 We had a model that said, here's what you do,
25 you know, starting after this legislative session if

1 the tax rate does not change, and here is what we
2 would do if it did; both what we are projecting to
3 achieve and, then, obviously, the associated taxes
4 are significantly lower; and the one where we keep
5 the current environment.

6 But those will be the actions we would be
7 forced to take in order to, you know, have a
8 sustainable, survivable business in the state.

9 CHRISTIAN GENETSKI: Yeah, the one thing
10 I would add is, it's correct that we knew the tax
11 rate at the time we were offered a license.

12 But I do think it probably merits two minutes
13 to just remember how we got there.

14 Jason referenced a bit of this in his opening
15 testimony, but there was an RFP process.

16 Our two companies, along with two other
17 companies, were in one bid consortium that submitted
18 a bid. There was a different bid consortium that
19 represents the other five operators in the market.

20 Under our proposed tax structure, we were
21 committed to bid at 51 percent, and we did for a
22 market that only had four operators.

23 Had our bid been scored the top bid, the tax
24 rate, with an additional 5 operators, would have
25 been, I believe, 15 percent, perhaps 20 percent.

1 That was our view of more operators, lower tax rate.

2 If you shrink the number of operators, we
3 accepted that 51 was the only permissible bid.

4 Our bid wasn't selected.

5 Our consortium now represents, roughly,
6 90 percent of the market share of New York.

7 The bid that catapulted us into a 51 percent
8 tax rate for 9 operators represents less than
9 10 percent of the market share.

10 Those are just the facts, and no judgment one
11 way or the other.

12 So we were given the opportunity at the end
13 of this process, yes or no on the tax rate.

14 And for all the reasons Jason, you know,
15 stated earlier, we were not going to say no to the
16 New York market.

17 It's our -- as I've said several times, it's
18 where New York is based, it's our home market.

19 And I think, from that moment, our approach
20 to New York was very similar to what Jason outlined
21 for DraftKings, in that, that there was talk even at
22 the time at the end of the RFP about the potential
23 to see how this tax rate worked with nine operators.

24 That wasn't one to have been contemplated,
25 there was a possibility it could be lower.

1 We felt others in the market would compete
2 out of the gate strong, and so we did.

3 But as we look at our plans from here,
4 forward, as I laid out in my testimony, we
5 already -- we do have budget plans for 2023, and
6 those plans have us spending/investing 50 percent
7 less, like for like, in New York versus other
8 states.

9 New York is among our top market-share
10 states, and it is, by orders of magnitude, our
11 biggest state.

12 So those two things, we should be spending
13 more here, not spending less. And it's just a
14 direct result of the fact that, you know, we are
15 going to be profitable in 2023.

16 And we can't get there, investing more money
17 in New York with no return on that investment.

18 JASON ROBINS: And I'll add to that, this --
19 that happened really quickly.

20 I mean, there was a very different bill that
21 this legislature had put up.

22 Of course, we heard Governor Cuomo make a
23 speech, advocating for a single-operator model with
24 50 percent tax.

25 So, you know, until the final bill was

1 published, we thought it was going to go one way or
2 the other.

3 We thought the original bill, which was very
4 different, would be what passed; or Governor Cuomo
5 would get his way and it would be a single-operator,
6 50 percent market.

7 We didn't expect this.

8 Then, all of a sudden, we're throw into an
9 RFP process, and there's game theory on what's the
10 other side going to bid. There's this mandatory
11 51 percent, whether we thought it made sense or not,
12 for 4 operators.

13 And we had very little time to try to get our
14 consortium together and align on a view point.

15 I think, since then, we've had more time to
16 do analysis and get more precise in what we would
17 have to do to make it work.

18 All that said, of course we would rather be
19 in New York than not, even at 51 percent.

20 We're just going to have to have the worse
21 consumer-value proposition in the country to make
22 that work. But we would still rather be here than
23 not, even at 51 percent.

24 I just hate to see the market underrealize
25 its potential; the State underrealize its tax

1 revenue potential; and New Yorkers have, by far, the
2 worst value proposition in the nation, other than,
3 of course, if they want to go to a neighboring state
4 or the illegal market.

5 That just doesn't make sense.

6 And I don't think it was at all what
7 initially people were contemplating.

8 And I even know, you folks, you did a lot of
9 work, and this was not the bill you initially
10 proposed. This is sort of something that came
11 together through circumstance.

12 And, you know, yes, we kind of -- it worked
13 out.

14 But I think the thought and logic that was
15 put behind the initial frameworks still holds;
16 nothing's changed.

17 And, you know, my fear is that, because of
18 the early success, that we're going to wait and see.

19 And by the time we see, it might be that some
20 of the loss in revenue and loss in customers back to
21 the illegal market might take a long time to
22 recover, even if we did make change, even if you all
23 did make changes at a later date.

24 ROBERT WILLIAMS: Thank you.

25 Thank you both for your answers and your

1 testimony today; appreciate it.

2 ASSEMBLYMAN PRETLOW: Angelo.

3 ASSEMBLYMAN SANTABARBARA: Thank you for your
4 testimony today.

5 Just with regard to customers shifting to an
6 illegal market or neighboring states, how difficult
7 is it for a person to access another state's
8 websites or apps?

9 What steps would a New Yorker have to go
10 through to even do that?

11 JASON ROBINS: They just have to be there.
12 It's the same app.

13 So, literally, they just have to -- the way
14 that geolocation technology works is, you set foot
15 in another state, it knows you're there, and
16 everything changes accordingly.

17 ASSEMBLYMAN SANTABARBARA: But that's kind of
18 difficult for most people in New York, I think, to
19 have to drive across state lines.

20 JASON ROBINS: Yeah, I think a lot of them
21 will go back to the illegal market. I think that's
22 what you'll see. I mean, that's where most -- many
23 of these customers were betting beforehand.

24 What we've been able to do is create a
25 better-value proposition than the illegal market,

1 and that's why we're winning customers from there.

2 What we are going to be forced to do, if we
3 don't see a change, is create an inferior value
4 proposition.

5 And people -- and these are people that were
6 playing there before, they were comfortable with it.

7 Sure, all things being equal, would they
8 prefer the protection of the legal market?

9 But they were clearly comfortable playing in
10 the illegal market before. Some of them will say,
11 "I'm not going to pay a higher price, I'm not going
12 to take less promotions," and they're going to go
13 back.

14 ASSEMBLYMAN SANTABARBARA: And back to the
15 chairman's point, you said you did have data on how
16 many people are gambling in the illegal market?

17 Is there --

18 JASON ROBINS: I mean, there's data, but it's
19 self -- it's survey-reported. So it's -- you have
20 to kind of -- I mean, its order of magnitude,
21 probably not too far off.

22 But, you know, I think from a -- we can share
23 what we have, I think.

24 ASSEMBLYMAN SANTABARBARA: Yeah, if you can
25 share that with us, that would be helpful. I would

1 be interested in looking at that.

2 So from state to state, your -- the odds
3 change and the promotions change as well?

4 JASON ROBINS: They can, yeah.

5 We do not currently vary odds by state
6 because we don't have another state that's remotely
7 in this sort of, you know, setup, where we can't
8 make money at the best odds that we offer.

9 We do offer different promotions by state,
10 though, based on taxes.

11 And as Christian noted, we've seen it with
12 all the operators here, including both DraftKings
13 and FanDuel, have significantly cut back on
14 promotions. But we still haven't fully cut back on
15 promotions in New York. But we have cut back quite
16 a bit.

17 ASSEMBLYMAN SANTABARBARA: So right now, in
18 all the states you do operate, where does New York
19 rank as far as odds and promotions?

20 JASON ROBINS: Odds are the same as
21 everywhere. Promotions are comparable, but there's
22 some states that are better.

23 But, you know, this is today.

24 This is, we're here, hopefully, you know,
25 there's some changes.

1 If not, I think that gap gets much more
2 significant.

3 But we -- the reason, for example, I'll speak
4 for DraftKings, we -- because we've discussed
5 this -- we said, like, hey, we can change the odds
6 now, and turn this from an unsustainable market into
7 something that at least, you know, may not, long
8 term, realize its potential, but will work for us.

9 And we said, we don't want to do that
10 because, once we do that, we're going to lose
11 customers back to the illegal market.

12 And let's say there is a change in tax rate,
13 it's going to be hard to get those customers back.

14 We're going to have to go do the same
15 promotions, the same advertising, that got them
16 there in the first place. So there's a cost to
17 that.

18 So we'd rather take the cost of seeing how
19 this plays out and keeping those customers happy.

20 But once it gets to a point where, like,
21 yeah, this isn't going to -- then we would have to
22 adjust.

23 ASSEMBLYMAN SANTABARBARA: One other item.

24 You mentioned some other states allow
25 deducting promotional items.

1 So like that's a tax deduction?

2 JASON ROBINS: Well, all it is, is it's not
3 taxing phantom revenue.

4 Right now we're getting taxed on revenue that
5 we don't actually generate. It would be the
6 equivalent of, if you got a T-shirt -- a coupon for
7 a free T-shirt. You walked in the store, handed the
8 coupon, got your T-shirt, and the store had to pay
9 sales tax on that.

10 That's basically what's happening now.

11 So the example I gave, where somebody bets
12 100 and we give a \$100 free bet, let's say they lose
13 that. We only gained \$100. We get taxed on \$200 of
14 revenue.

15 So we pay \$102 on \$100 of revenue.

16 ASSEMBLYMAN SANTABARBARA: Okay, and that's
17 where you're coming up with the 70 percent
18 effective --

19 JASON ROBINS: So if you -- that's an example
20 where we matched a bet.

21 If you take the -- so I know FanDuel is
22 publicly put out there that they reinvest about
23 30 percent, in promotions, of their gross revenue.

24 So if you take those numbers, then the
25 effective tax rate in New York is about 72 percent.

1 ASSEMBLYMAN SANTABARBARA: Okay.

2 You're at -- do you -- are you doing -- are
3 you operating out of Turning Stone and -- or just in
4 the state?

5 Okay. All right. Thank you.

6 ASSEMBLYMAN PRETLOW: Carrie.

7 ASSEMBLYWOMAN WOERNER: Thank you.

8 Thank you very much. This is fascinating.

9 So, Mr. Genetski, you had in your testimony
10 that your penetration rate in New York is about
11 7.4 percent, and you contrasted that to Louisiana
12 where it's 6.4 percent.

13 CHRISTIAN GENETSKI: I think the opposite.
14 Louisiana is 7.4.

15 ASSEMBLYWOMAN WOERNER: I'm sorry. Yes.
16 Sorry.

17 CHRISTIAN GENETSKI: I may have misspoken.
18 But, yeah.

19 ASSEMBLYWOMAN WOERNER: No, no, I did.
20 No, that is just your -- that's just FanDuel?

21 CHRISTIAN GENETSKI: Correct. We don't have
22 insight into our competitors' numbers.

23 ASSEMBLYWOMAN WOERNER: Right.

24 Mr. Robins, do you have -- do you -- can you
25 give me the comparable data for DraftKings?

1 JASON ROBINS: I don't have that at my
2 fingertips, but I know that it is lower than other
3 similarly tenured states, as the example that
4 Christian gave. But we can get you the data.

5 ASSEMBLYWOMAN WOERNER: Okay.

6 And is it your sense -- and obviously you
7 don't share customer lists -- but is it your sense
8 that a FanDuel's -- FanDuel customer is also not a
9 DraftKings' customer? Or is it typical that a
10 consumer might have multiple platforms on their
11 phone?

12 JASON ROBINS: Oh, very typical.

13 I mean, that's why the illegal market is so
14 concerning.

15 These people are going and they're looking at
16 where the odds are, and, you know, they have all the
17 apps on their phone. So -- including the illegal
18 websites that they go to.

19 So, you know, some don't. But the ones that
20 are, you know, the majority of the revenue, the ones
21 that are more into it, definitely odds-shop.

22 ASSEMBLYWOMAN WOERNER: Okay.

23 So it's possible that -- it's possible that
24 the penetration rates that you have in New York are
25 the same or similar to what FanDuel has?

1 JASON ROBINS: It could be, yeah.

2 ASSEMBLYWOMAN WOERNER: So everybody is about
3 6.4 percent?

4 JASON ROBINS: I wouldn't say everybody.

5 I think, you know, they're likely a little
6 higher than us because they have more share;
7 although, I think we're probably in a similar range
8 on users.

9 I think most of the other operators are
10 significantly less.

11 ASSEMBLYWOMAN WOERNER: Okay.

12 So I did just a little back-of-the-envelope
13 calculation on things.

14 Assuming that 6.4 percent is the -- is, you
15 know, basically, what the number of mobile gamers
16 are in the state, which might be a little bit
17 higher, a little bit low.

18 But that puts us at about 932,000 adults
19 betting in New York State on mobile gaming.

20 So then looking at the data that we had from
21 Spectrum on what the handle per adult is, and using
22 Mr. Addabbo's data on how much revenue we would lose
23 if we lowered the tax rate from 51 to 35 percent,
24 being \$600 million we would have to make up, what
25 that says is that, you know, sort of based --

1 pulling all those numbers together, we would need an
2 additional 1,371,428 bettors in New York State,
3 which would get us to a penetration rate of
4 9.4 percent.

5 So that's more than -- that's more than
6 double the number of bettors that we have in
7 New York State now.

8 JASON ROBINS: Well, it wouldn't just be
9 that.

10 It could also be the existing bettors betting
11 more and betting less on the illegal market.

12 ASSEMBLYWOMAN WOERNER: So the handle per
13 adult could go up.

14 So -- but in any case, it's a pretty sizeable
15 jump, whether it's increase in the handle, so people
16 spending more of their money, betting; or unique
17 bettors.

18 So I guess my question is, like you were
19 talking about the need to -- that you would be -- if
20 we don't fix things, you're going to start ramping
21 down your promotional investment, your
22 market-development activities.

23 I guess on the flip side of that, to get --
24 to get, you know, basically, more than double the
25 current number participating in the market to make

1 up that \$600 million, are you prepared to
2 significantly increase your investment in developing
3 the market to achieve that?

4 Because I think that's the -- you know,
5 that's sort of where the rubber is going to meet the
6 road. Right? If we lower the tax rate and you
7 don't do anything different than you're doing now,
8 and we -- you know, that's not going to -- that's
9 not going to fix anything.

10 So, I mean, basically we're just going to
11 experience a less -- less of -- less tax revenue.

12 So I think this is a -- you know, my question
13 is: How would you go about -- I mean, I would
14 imagine it would take a substantial investment to
15 grow from 932,000 bettors to 1.37 million bettors.

16 That's a --

17 CHRISTIAN GENETSKI: I'm happy to address
18 that, so -- which I addressed it in my testimony,
19 but just didn't go into detail.

20 But, again, we're looking at 2023, about,
21 roughly, half investing in New York, what we invest,
22 line for line, in other states.

23 We're looking to normalize that against other
24 states.

25 Our projection is, we would acquire another

1 300,000 users in New York. That's just FanDuel.

2 Those users -- and then, also, we would be
3 reinvesting in the user base that we already have,
4 which is what Jason said. Again, promotions,
5 bonuses.

6 We're very careful about doling out bonuses
7 and profit boosts and other incentives to keep
8 people at a reasonable, sustainable, healthy level
9 of play over time.

10 Our long-term business depends on having a
11 large number of customers who enjoy using our
12 product, who come back to it regularly, who are
13 playing in a healthy, sustainable way over a long
14 period of time.

15 This first five-year period is critical to
16 building up that user base, and familiarity and
17 loyalty with our app and our product experience, so
18 that they play for the next 20 years beyond that,
19 and are happy in that experience, and it's working
20 well.

21 If we don't build up that initial ramp, we're
22 sort of gotten to where we are, and it sort of
23 teeters. And then even those existing users say,
24 well, how come now, when I'm on kind of a losing
25 streak for two weeks, I don't get a profit boost, or

1 I don't get a \$50 free bet. Or I don't get -- I'm
2 used to those sorts of incentives. Where are those?

3 And they happen to take a flight from Newark,
4 and they fire up their app, and, low and behold,
5 there are all those incentives that they used to
6 experience in New York, and now they see them there.

7 That's the danger.

8 So I do -- to answer your question, I said
9 earlier, this is counter -- our ask is
10 counterintuitive. We have to acknowledge that.
11 Right?

12 But we are partnered with the State.

13 We want the same outcome the State does.

14 We want the State to make more tax revenue
15 because that means that our business is growing.

16 And we do believe that lowering the rate to
17 increase investment, we do get there.

18 I mean, the short answer to your question is,
19 yes, we do believe we get there.

20 JASON ROBINS: I mean -- sorry -- just to
21 echo what Christian said, I mean, I think you
22 mentioned you would invest 200 to 250 more --
23 million dollars more.

24 So, same -- DraftKings' plan for New York
25 currently in 2023 has been dramatically cut on

1 things like marketing and promotions, and we have
2 contemplated raising odds in the back half of the
3 year, based on the outcomes here, and things like
4 that.

5 Our plan would completely change.

6 We would invest hundreds of millions of
7 dollars in a better consumer-value proposition,
8 marketing promotions, and other things in the state.

9 ASSEMBLYWOMAN WOERNER: So what is the -- so
10 you were spending lots of money at the outset to
11 develop this market, and you got to 932,000
12 consumers.

13 What gives you surety that there is, in fact,
14 another million-plus adults living in New York who
15 are going to become regular mobile sports wagers?

16 JASON ROBINS: So we're in -- oh, sorry.

17 We're in 20 states now, and we have states
18 that have several years of data.

19 We know what a state's year one to year two
20 looks like from a penetration, you know, player
21 standpoint; from a revenue and an increase in
22 betting per players.

23 The first several years in every state we've
24 been in have ramped significantly.

25 We're not seeing that in New York. New York

1 is not growing in that way.

2 We are still underpenetrated relative to
3 where we are in more mature states.

4 So we have, you know, dozens of points that
5 are almost, I guess, to almost 20 points of evidence
6 now that we look at to determine that.

7 CHRISTIAN GENETSKI: I was going to say a
8 similar answer.

9 We now, you know, it's a five-year-old
10 industry, mobile sports betting. So we're not --
11 you know, we don't have years and years of data.
12 But what we can see already, because we have states
13 that started in 2018, that launched in '19, '20,
14 '21, '22, we can see the arc of that performance,
15 and there are differences.

16 New York -- New Yorkers appear to be more
17 enthusiastic sports bettors, which is great. That
18 raises the high-end potential on a like-for-like
19 basis versus other states.

20 But tracking on a per capita basis, adult
21 population, our numbers track pretty consistently
22 across the states.

23 Now, we may have a higher or lower market
24 share in a given state, and that can affect the
25 dynamic.

1 There may be 20-some operators in some states
2 and 9 in others. That can affect the dynamic.

3 But, by and large, you see the same pattern
4 across these states, which is what gives us
5 confidence both ways in New York: What we have to
6 do if we stay under the current regime versus what
7 we could do if we have one that looks a bit more
8 like our other states.

9 JASON ROBINS: So New Jersey was the first
10 state, post passed overturn, launched in 2018.

11 I would encourage you, look at -- they
12 published their numbers. You can look at almost
13 five years of data now there, and you can see the
14 growth continues year after year after year.

15 And then compare that, we're just starting
16 now to get into some, you know, coming on the first
17 full year in New York, where we have some
18 year-over-year data, and compare that year two in
19 New Jersey to what you're seeing in the early
20 year-two data in New York, and it's very different.

21 ASSEMBLYWOMAN WOERNER: Thank you.

22 I have to say, color me sceptical.

23 And I only say that because I think there
24 is -- there will be a cap, sort of a natural cap, on
25 the number of people who will engage in mobile

1 wagering, just like there's a cap on how many people
2 are going to wager, period.

3 And it's a big -- to recover \$600 million is
4 a big jump.

5 And I am no fan of high tax rates, but
6 I think that there's -- I think this is a leap.

7 So I'm going to look forward to the analysis
8 that you're going to do, to show us how we can --
9 how that's going to happen.

10 But color me sceptical.

11 CHRISTIAN GENETSKI: Completely understand.

12 I think the one thing is to assume that
13 New York will stay on a steady state at the current
14 rate.

15 It's really -- we think the one axis goes
16 down versus the other going up, which is obviously
17 going change that \$600 million.

18 JASON ROBINS: Yeah, it's 600 million versus
19 what it would have been; not 600 million versus
20 today.

21 And I think that is an important point
22 Christian is making, is our expectation is that
23 New York will start experiencing year-over-year
24 declines if operators begin to, you know, understand
25 that there isn't going to be a change in tax regime,

1 and start making the adjustments that we've all been
2 holding off on making.

3 ASSEMBLYWOMAN WOERNER: Thank you.

4 ASSEMBLYMAN PRETLOW: Well, thank you
5 gentlemen for your testimony.

6 I want to actually commend the two of -- the
7 two of you for the foresight that you had several
8 years ago by basically buying ESPN with your name,
9 and instilling both DraftKings and FanDuel in the
10 minds of millions.

11 And that is probably a testament to why you
12 have a 90 percent -- 80 percent, or around maybe
13 90 percent, of the market right now.

14 I found your testimony very interesting.

15 I just have one, I guess, complaint.

16 I think, Jason, you said that New York
17 cannibalized New Jersey. It's the other way around.

18 They were eating our lunch because they were
19 our people. We just took them back.

20 JASON ROBINS: That is true.

21 CHRISTIAN GENETSKI: Recaptured.

22 ASSEMBLYMAN PRETLOW: We recaptured them.

23 Now, I'm a little confused about the
24 51 -- I mean, I know how the 51 percent works.

25 Would it be helpful to you if the incentives

1 were not taxed?

2 JASON ROBINS: Yes.

3 ASSEMBLYMAN PRETLOW: And the rate remained
4 at 51 percent?

5 JASON ROBINS: So we look at effective tax
6 rate.

7 And I think, as Christian noted, the
8 projections that have been run, where we feel we can
9 do at least as well, if not better, for New York are
10 at an effective tax rate in the mid-30s.

11 So when I say "effective," both of those
12 things effectively change the tax rate that we pay.

13 So it -- really, it depends on what the
14 net-out is.

15 I think in order to really be able to achieve
16 the projections that you all want to achieve, we
17 would need some lowering of the headline rate and
18 some allowance for promotions.

19 Some states have chosen to only allow some
20 promotions to be excluded, which I think is, you
21 know, an in-between point that could work.

22 But in the end, we're going to look at, what,
23 you know, makes the market sustainable is, we take
24 in a dollar of net revenue, how much of that has to
25 go to tax? And then how much is left to reinvest

1 into marketing promotions and, you know, product,
2 and everything else, that we need to do.

3 ASSEMBLYMAN PRETLOW: So when you say
4 "market," you are actually talking about incentives,
5 for the most part.

6 JASON ROBINS: And advertising.

7 ASSEMBLYMAN PRETLOW: Not brick-and-mortar,
8 that infrastructure, basically giving individuals
9 money.

10 So if your investment is 300 million, and
11 that's not taxed, that's actually 51 percent of
12 300 million the State is losing that you would have
13 to make up to make the 51 percent tax rate on the
14 initial bid sustainable. Is that correct?

15 CHRISTIAN GENETSKI: Yeah, although it's
16 300 million we wouldn't investment.

17 So it would -- it would be a zero from us not
18 investing it, or zero if it was all promotional
19 dollars.

20 And so the thought is, if you don't tax the
21 \$300 million investment, you're certainly taxing the
22 \$400 million, \$500 million, return.

23 JASON ROBINS: Yeah, so we're going to --
24 this is aligning incentives.

25 We, in an environment where there's no active

1 disincentive to make that investment, we're going to
2 invest whatever we think will maximize the gross
3 proceeds, because that's what we're trying to do,
4 that's what you are trying to do.

5 Right now we're disincentivized to do that
6 because we're getting taxed on, you know, coupons
7 that we're giving out to people, basically. So, you
8 know, there's less of an incentive to do it.

9 Christian is right, that it's really a
10 difference between very little, maybe even zero,
11 promotional dollars versus healthy amount which
12 I think will continue to support the growth of the
13 market.

14 ASSEMBLYMAN PRETLOW: Okay.

15 Now, you mentioned some draconian actions
16 that may have to be taken to make your business
17 sustainable in the state of New York. Right?

18 And -- well, I guess you both know that your
19 market is very, I don't want to use the word flakey,
20 but fickle.

21 And if you, DraftKings, change the odds on,
22 say, you know, Giants plus 15 1/2, and everybody
23 else is doing 15, you got everybody who was on your
24 site is going to go over to Christian and go to MGM.

25 So you have to do this in consort with each

1 other, and getting nine entities to all collude to
2 give the worse odds in New York wouldn't be really
3 beneficial. And that might get the AG involved or
4 something like that.

5 JASON ROBINS: Well, we wouldn't collude.
6 I think we'd --

7 ASSEMBLYMAN PRETLOW: Well, you would have
8 to, because if I risk in, and I'm offering, you
9 know, one odds and you're offering worse odds,
10 you're -- I mean, ask Caesars. They paid
11 \$300,000,000 to buy the market, and they did. They
12 don't have it now, you took it back, but they took
13 everyone's clients, and they had everybody that --
14 in New York had a Caesars account.

15 You know, I have account for both of you
16 guys, you know, and I play one off against the
17 other.

18 Well, not too much in New York, because they
19 only do regular sports here.

20 But in New Jersey, where you have, you know,
21 MVP and that kind of stuff, you have different
22 numbers.

23 And sometimes the difference between the two
24 of you is substantial.

25 So again, you know, players that do

1 participate in this do look at the odds.

2 So I think it would be difficult for you to,
3 you as one entity and you as the other entity,
4 change your odds because you'll not just lose them
5 to the illegal market, there are eight other
6 entities out there offering better odds than you if
7 you make your odds worse.

8 So that is totally --

9 JASON ROBINS: Just, I mean -- I mean,
10 there's a couple counterpoints -- or, I guess that
11 is true, that we will lose share to the illegal
12 market.

13 There are other countries in the world that
14 have implemented changes to raise the tax rate, to
15 the very opposite of what we're contemplating here.

16 Germany is an example, where they actually
17 regulated it and did it. Australia. In those
18 markets, all the operators offer worse odds.

19 So I think the market naturally adjusts.

20 I understand it's going to be a little
21 iterative, so it wouldn't be like, day one, we would
22 just wipe out the odds and make everything
23 20 percent more.

24 But as each operator, we're all looking at
25 each other's odds. We're all making sure that we're

1 that competitive.

2 As Christian and FanDuel see, hey, others in
3 the market are starting to adjust up, they're going
4 to do the same. Everybody is going to kind
5 of -- otherwise, it just doesn't work.

6 We have to.

7 I mean, there's no -- the other choice is
8 just to lose money forever in the market, and
9 I don't think everyone is going to do that.

10 So I think it will have to happen, but it
11 will be more iterative because, you're right, we
12 can't directly collude. It will be people kind of
13 watching what each other are doing, and it will
14 happen over, you know, months, not necessarily all
15 at once.

16 ASSEMBLYMAN PRETLOW: Okay.

17 And I don't know if this is proprietary
18 information or not, but do -- since the two of you
19 are here -- DraftKings and FanDuel have a financial
20 interest in iGaming, other than the advertising
21 revenue that you get?

22 Because if you go on your site, every second
23 and a half there's an iGaming app pop-up.

24 So it seems to be some kind of synergy
25 between this iGaming. And you both mentioned --

1 JASON ROBINS: We offer iGaming.

2 ASSEMBLYMAN PRETLOW: Oh, you do offer it?

3 JASON ROBINS: Yeah.

4 ASSEMBLYMAN PRETLOW: So as for yours --

5 JASON ROBINS: If you go to New Jersey or
6 Connecticut or Pennsylvania you can try out our
7 products. We have free versions that you can try
8 out in New York, you just can't play for real money.

9 But we do offer all of that: Slots, online
10 casino, games, all that stuff.

11 ASSEMBLYMAN PRETLOW: But there are -- and so
12 you can play for real money when your sites aren't
13 there?

14 JASON ROBINS: If you -- sorry, what was the
15 question?

16 ASSEMBLYMAN PRETLOW: There are iGaming
17 offerings where you can play for real money on your
18 sites?

19 JASON ROBINS: Yeah.

20 If you go to New Jersey or Pennsylvania or
21 Connecticut, we have iGaming, both of us do, in
22 those states directly through the app. You can
23 swipe up on DraftKings and a blackjack table appears
24 during --

25 ASSEMBLYMAN PRETLOW: Yeah, I know.

1 Okay, gentlemen. I thank you both for your
2 testimony.

3 Senator.

4 SENATOR ADDABBO: Yes, I want to thank you
5 both as well.

6 I do have a couple of really quick questions.

7 How many employees, how many people do you
8 employ, in New York?

9 CHRISTIAN GENETSKI: In -- our total
10 employees are about 3500.

11 SENATOR ADDABBO: In New York?

12 CHRISTIAN GENETSKI: About a third of those
13 are in New York. New York is our headquarters.

14 JASON ROBINS: We have 150 people in
15 New York.

16 SENATOR ADDABBO: Okay.

17 You had mentioned the promotional.

18 Any information on that in terms of us
19 considering, as we again discussed, on the cusp of
20 the budget negotiations that are about to begin, any
21 information on that would be most helpful.

22 In terms of iGaming, do you think the black
23 market -- because you mentioned black market for
24 mobile, the illegal market -- do you think the
25 illegal market for iGaming is as robust or more so

1 than normal?

2 JASON ROBINS: So exactly the same thing that
3 we do in states like New Jersey and Connecticut,
4 where there is just like a little casino link in the
5 sports-wagering app, that exists in the illegal
6 market on virtually every illegal online sportsbook.

7 I think because sports is a more social
8 thing, people talk about it more, and it's kind of a
9 more known thing that people are betting on illegal
10 offshore sites.

11 But almost all of them have online casinos,
12 so it's kind of the same dynamic.

13 I just think it's less of a social thing, so
14 people don't discuss as much with their friends,
15 people are talking about bets they're making, and
16 things; so it's kind of less known. But it's,
17 virtually, the same experience that you can get in
18 the legal market.

19 SENATOR ADDABBO: I know the topic here today
20 is mobile sports betting, where we are a year from
21 now.

22 But this iGaming thing I've heard of, and
23 I think it's going to be big in New York one day.

24 We will have, the committees will have, a
25 roundtable discussion on this issue about iGaming in

1 New York, somewhere in the very near future.

2 So it's certainly a topic for a different
3 day, but I do look forward to that conversation.

4 In terms of, again, we know the tax rate is
5 an issue. We should take a look at any information
6 or analysis given to us.

7 We know promotional play is an issue.

8 But my friend Gary, some [indiscernible]
9 brought up an issue about betting in other states.

10 Jersey.

11 Jersey allows betting on MVP's, Rookie of the
12 Year awards.

13 What if New York was to do that?

14 JASON ROBINS: I think it would be great if
15 New York were to allow some additional types of
16 bets.

17 SENATOR ADDABBO: Any estimation on what kind
18 of revenue?

19 JASON ROBINS: I mean, I think the hard part
20 is that, if we layer that into, you know, an
21 unsustainable tax setup, nothing else kind of
22 matters. Right?

23 I mean, it makes it so that, you know, we're
24 not going to invest in promoting those new offerings
25 and trying to get more customers interested in them.

1 So it's hard to really predict that there
2 will be any positive benefit if we don't couple that
3 with a change that allows us to, you know, market
4 and then, you know, show our customers good odds and
5 those sorts of things.

6 CHRISTIAN GENETSKI: I do think the one thing
7 that's advantageous about those markets is, yes,
8 they drive handle, more things to bet on will drive
9 higher handle; but there are also great
10 customer-engagement tools. A lot are those are
11 futures bet, long-term bets. It keeps people
12 active. They want to go back and remember how are
13 things farring as we get closer to the draft or we
14 get closer to the MVP award.

15 Those sorts of bets that are outside of the
16 immediate game, we find really drive customer
17 interest. They attract new users. Those may be the
18 first markets some users want to place a wager on.
19 And then they're in the app, and, again, you know,
20 you grow the market through that.

21 So we certainly would favor the expansion of
22 those.

23 SENATOR ADDABBO: Thank you.

24 Senator Helming, please.

25 SENATOR HELMING: Thank you, Senator Addabbo.

1 Thank you, gentlemen, for your testimony.

2 I'm going to apologize right off the bat
3 because I walked in at the very end it.

4 Somebody may have already asked the question
5 I have, or maybe you addressed it in your
6 presentations, or maybe it doesn't even apply to
7 you.

8 But, again, as I stated when I introduced
9 myself, within my district I have a racino and a
10 casino.

11 And I'm just wondering about, has there been
12 any discussion or talk or data presented on mobile
13 sports betting, any impact it's had on these
14 brick-and-mortar facilities?

15 And since my colleague brought up iGaming, of
16 course, I'm sure you have done studies to show how
17 that may or may not impact these brick-and-mortar
18 existing facilities that are so important in our
19 communities.

20 CHRISTIAN GENETSKI: Yep, sure, I'll take the
21 first shot, and Jason can add in if he has more
22 information.

23 First I would say, on the retail
24 sports-betting side, we're partnered with
25 Tioga Downs. We have a fabulous sportsbook there.

1 It was opened before mobile launched, and it's
2 continued since mobile has launched.

3 And Executive Director Williams actually
4 addressed this pretty well in his -- in response to
5 a question.

6 Sports betting and retail facilities, about
7 the same things that all of us do when we want to go
8 be around other people and experience things
9 together.

10 It's a fun place to be where two-thirds of
11 the book is routing on one outcome on the big game
12 on the TV and one-third is routing on the other.
13 It's kind of a raucous, fun experience, and that's
14 something that people like to do.

15 The truth of the matter, of course, is we all
16 spend, regrettably, more time on our couch than we
17 do in communal settings, you know, with our friends.

18 So mobile, obviously, there's just a much
19 more, you know, availability and capacity.

20 But what we do at Tioga is we -- we know who
21 all of our mobile users are who are in 25- to
22 50-mile radius of Tioga, and so we target special
23 promotions for them, to try to ask them to come in
24 to Tioga Downs.

25 Obviously, our partner at Tioga wants them in

1 the building because there are lots of things they
2 can do.

3 They can go have a nice steak dinner.

4 They can sit down at a table.

5 And so we work with our partner to use the
6 retail sportsbook as a draw for more foot traffic to
7 the casino in a way that helps their overall casino
8 business.

9 Mobile sports betting doesn't really have an
10 impact on how our retail sportsbook gives uplift to
11 the casino.

12 On the pure iGaming side, there have been a
13 number of studies done.

14 I think there was -- again, there was an
15 intuition in the land-based casino community for
16 awhile, that it has to be -- it has to be a
17 cannibalization if we launch iGaming.

18 We now have the data. We have New Jersey, we
19 have Pennsylvania, we have Michigan, and the data
20 just says the answer to that is unequivocally no.

21 That it's attracting a different kind of
22 consumer to casinos that would never come before,
23 the sort of "reward member loyalty" loop between
24 online and land-based gets new customers into the
25 casino.

1 And the existing customers who like to go to
2 the casino, they're not going every day. And it
3 gives them a time to -- a method to keep a
4 persistent relationship with that property for the
5 next time that they come back and visit.

6 So I think you see all the land-based
7 operators now are huge proponents of iGaming, for
8 the most part, because they've seen that it's just
9 an additive to their business.

10 SENATOR HELMING: Does that include the
11 racinos?

12 Are they proponents of -- I mean, I get the
13 relationship between mobile sports betting and your
14 casino partners.

15 But what about the racinos in New York State,
16 how are they impacted?

17 CHRISTIAN GENETSKI: I don't want to speak,
18 you know, on behalf of any of the racinos,
19 certainly.

20 But I think that to be able to participate in
21 the revenue streams, I think is the critical issue
22 for all of those stakeholders.

23 And so, you know, we understand that.

24 SENATOR HELMING: Thank you.

25 JASON ROBINS: May I just to add to what

1 Christian said?

2 I think -- so, first, I think it's very
3 important, there is data out there on this. So we
4 don't have to guess; we know.

5 And the data unequivocally shows that
6 brick-and-mortar casinos, lotteries, all other, you
7 know, forms, that fearfulness about lost revenue
8 didn't happen. In fact, they grew, they went the
9 other way.

10 The way I would explain this is, you're
11 bringing more people into the market.

12 There's marketing, there's other things, that
13 come with the legalization.

14 More people are able to access it because
15 it's more convenient.

16 So you're just bringing more people into the
17 market. That lifts everything.

18 Over time, will there be some -- you know,
19 maybe?

20 But it should still be on a larger basis
21 because you, fundamentally, grew the market.

22 We saw a similar thing in mix of online when
23 mobile sports wagering launched in New Jersey.

24 So, similarly, a lot of people, when mobile
25 sports wagering launched in New Jersey, said, oh

1 this iGaming revenue, its brick-and-mortar casinos,
2 is that all going to go down? because, you know, the
3 money has to come from somewhere.

4 Everything jumped.

5 Why? Because all these new people came into
6 the market.

7 So I think that's really the dynamic that
8 generally occurs.

9 And, you know, there's casinos that argue
10 against it. I think that -- and we've seen them,
11 some racinos, some casinos.

12 Generally, the way -- because I've talked to
13 many of them. I said, look, you know the data
14 doesn't show any harm to you.

15 And the answer I usually get back is, yeah,
16 but there's no upside for me.

17 So this is the participation [indiscernible].

18 Why would I, if I have no ability to
19 participate, do anything that even remotely risks my
20 revenue?

21 I'm, like, it will grow your revenue.

22 But they just don't think that way.

23 So I think the key is, as long as there's a
24 path to participation, this should, you know, be
25 something that most get behind.

1 But the data will show that even if there
2 isn't, everyone benefits from it.

3 SENATOR HELMING: Thank you.

4 SENATOR ADDABBO: Thank you, Senator.

5 Gentlemen, thank you very much. I do
6 appreciate your time, and obviously you're efforts
7 here in the state.

8 We look forward to working with you,
9 certainly during the budget process.

10 JASON ROBINS: We really appreciate it.

11 CHRISTIAN GENETSKI: And thank you for
12 everything. We appreciate it. You've been
13 pioneers, and we recognize that.

14 SENATOR ADDABBO: Thank you, gentlemen. Have
15 a good day.

16 Our next panel, Panel 3:

17 Howard Glaser, global head of government
18 affairs, Light & Wonder;

19 David Isaacson, senior vice president of
20 Spectrum Gaming;

21 Michael Pollock, managing director of
22 Spectrum Gaming.

23 Gentlemen, good afternoon, and thank you.

24 Please.

25 MICHAEL POLLOCK: I will start.

1 Chair Addabbo, Chair Pretlow, members of the
2 committee and staff, we at the Spectrum group of
3 companies thank you for the privilege of being asked
4 to provide testimony today.

5 Spectrum has been examining the potential
6 opportunities and challenges on all forms of digital
7 gaming for more than two decades, meaning that our
8 analysis preceded any actual authorization of
9 digital gaming, any form, because we recognized
10 early on that the Internet itself represented a
11 permanent change in how individuals conduct their
12 lives, and how businesses, large and small, would
13 operate in what is clearly an entirely new world.

14 Also, we recognize that all industries, most
15 notably consumer-facing industries, including
16 casinos and lotteries, have to adapt their business
17 models to leverage this new technology to develop an
18 omnichannel strategy of reaching consumers, and
19 hopefully new consumers, and turning them into
20 customers.

21 Now -- and this was referenced earlier, and
22 by questions and by speakers, while land-based
23 casinos, which remain the flagship vertical in all
24 of gaming, were initially sceptical of online
25 wagering and fearful that it would cannibalize

1 on-site wagering, the entire casino industry, the
2 entire gaming industry, now fully recognizes that
3 their existing customer base was not getting any
4 younger. And digital gaming in all forms
5 represented an opportunity to capture a younger
6 demographic.

7 And, two, is that adults will always enjoy
8 games of chance; but more important, adults will
9 always enjoy spending time and money in social
10 settings.

11 So the gaming industry, by virtue of its
12 experience and its proven business model, is best
13 positioned to capture the opportunities offered by
14 digital commerce and gaming.

15 Now, the experience of digital gaming in
16 recent years, in multiple states, has affirmed our
17 initial projections.

18 We note that, on average, digital sports
19 bettors and iGaming players are materially younger
20 by decades than traditional casino players.

21 And, also, that online and mobile wagering --
22 and this question has been asked -- and our view is,
23 it is has not cannibalized land-based wagering.

24 Quite the opposite.

25 As expected and projected, online and mobile

1 wagering has created an omnichannel marketing
2 opportunity to reach adults who previously had
3 little to no interest in visiting casinos.

4 Those findings have led to a set of
5 principles that can help guide lawmakers in New York
6 as you consider any revision to gaming policy, and
7 those principles include:

8 One: When looking at tax rates, do not
9 simply multiply the proposed tax rate by the
10 expected revenue and assume that the resulting
11 numbers will constitute the full fiscal impact;
12 rather, examine how your gaming policy might either
13 encourage or potentially discourage investment,
14 capital investment and other forms of investment, in
15 gaming properties and other facilities in the state.

16 Then project how that change in investment
17 will potentially affect employment, construction,
18 purchases of goods and services, that, in turn,
19 would affect multiple fiscal streams, including
20 sales tax, income tax, and many other tax streams.

21 That exercise gets you to a different number,
22 but it's a number that can help ensure
23 better-informed policy decisions.

24 Now, a new term is presently entering the
25 economic lexicon. It's called "the experience

1 economy." And it will be dominated by private
2 entities that are best positioned to meet the
3 demands of consumers for more and better social
4 experiences.

5 Now, the gaming industry is well-positioned
6 to be a major participant in this experience
7 economy. And not surprisingly, some gaming markets
8 are already showing that gaming could account for
9 less than half the revenue generated by that
10 industry.

11 That trend can only be expected to continue,
12 and whether states can fully participate in this
13 experience economy, will depend, to a great degree,
14 on the tax policies that you as legislators develop
15 that they can pursue.

16 I just -- before I close my comments and turn
17 over to Senior Vice President David Isaacson, I want
18 to acknowledge comments made by Chair Addabbo right
19 at the very beginning of this hearing, within the
20 first few minutes of this hearing, where you noted
21 that legislators do not have the luxury of just
22 simply passing a bill and sitting back and waiting
23 for the results to come in.

24 And that it's important to note that change
25 is a constant in gaming. There's going to be

1 continued technological changes, political changes,
2 demographic changes, and other changes that you as
3 legislators, and this would apply to any
4 legislature, have to monitor and respond to.

5 It's going to be a constant process, and
6 I will close with that: That change is going to be
7 a constant.

8 And with that, I will turn it over to
9 Spectrum Gaming Capital Senior Vice President
10 David Isaacson.

11 DAVID ISAACSON: Thank you, Michael.

12 Good afternoon.

13 And thank you to Chair Addabbo and
14 Chair Pretlow and fellow committee members for
15 having me here today.

16 I'm here to present some analytical insight
17 and some of the specific trends that we're seeing in
18 the digital sports-wagering market in New York, and
19 also relative to other states.

20 And then after that I'll share a few insights
21 on our estimates for iGaming in New York.

22 Some of this will be repeated, forgive me,
23 but for context, I'm going to just go right into it.

24 New York just completed its full year of
25 digital wagering, starting in January of 2022, and

1 generated 1.35 billion of GGR from digital only.

2 This exceeded our projections in our New York
3 report submitted in January of 2021, by 23 percent.

4 On a per capita basis, and in terms of total
5 wagering volume, New York is the largest
6 sports-wagering market in the country as compared to
7 all other states with legal wagering.

8 This comes as no surprise to us, given the
9 size of New York's adult population, the presence of
10 teams from all the major sports locally, and its
11 high-income demographic.

12 New York is clearly an important market for
13 sports-wagering operators and their long-term
14 business prospects.

15 However, among competitive markets,
16 New York's 51 percent gaming tax rate is highest,
17 and is more comparable to monopoly markets that have
18 only one operator and where competition is more
19 restricted.

20 Under the current gaming tax rate, with
21 nine operators competing for market share, we
22 believe it will always be a challenge for operators
23 to generate a meaningful profit in this market.

24 Although the sample size is small, at only
25 12 months, we're seeing some important trends that

1 suggest the New York market is somewhat anomalous as
2 compared to other competitive markets, that we
3 wanted to highlight for you today.

4 New York started off very strong, generating
5 about \$1250 of wagering handle per adult during its
6 first three months, January to March of 2022.

7 That number is an annualized number.

8 And over the remaining nine months, we are
9 seeing that trend decline to \$1,030. So it's a
10 decline of 21 percent.

11 We do not see -- we are not seeing similar
12 declines in other competitive markets, in other
13 markets which have between two and four years of
14 data.

15 We're seeing multi-year increases of wagering
16 volume or handle, and, in turn, gross gaming
17 revenue, as these markets ramp up.

18 We compared the percent distribution of
19 wagering volume by quarter during the first calendar
20 year of sports wagering in New York -- it obviously
21 started in January, so it's a good -- it is a
22 calendar year -- with the calendar year of other
23 competitive markets, like New Jersey, Pennsylvania,
24 Indiana, Illinois, Iowa, and Michigan.

25 In Q1, these other states generated between

1 20 and 24 percent of total wagering volume for that
2 year, followed by a softer Q2 and Q3 when the sports
3 calender is lighter. So, of course, wagering volume
4 is going to be lower in those quarters.

5 But in Q4, these same markets generated
6 between 35 and 49 percent of wagering volume during
7 their first calender year. So a big, big jump in
8 Q4.

9 The big increase in Q4 kind of leads into
10 that second year ramp-up and produces a very -- a
11 year-over-year growth in both handle and GGR in that
12 second year in these other states.

13 In New York, we're observing something
14 somewhat different and anomalous.

15 Q1 generated 30 percent of the wagering
16 volume or handle.

17 Q2 and Q3, 23 percent and 18 percent,
18 respectively, as expected it was going to be softer.

19 But Q4, which is somewhat alarming to us,
20 generated only 29 percent of that total wagering
21 volume.

22 So Q4 lower than Q1.

23 Those are the two big quarters for
24 sports-wagering.

25 We believe this is happening because

1 operators are pulling back on promotional spend in
2 this market. They're more focused on their bottom
3 line relative to the promotional blitz that we
4 experienced in Q1.

5 We expect that under the current tax
6 structure, operators will continue to limit
7 promotional spending. So in year two it is possible
8 that the New York market could actually decline in
9 terms of overall wagering volume, putting the
10 state's tax revenue at risk.

11 Other insights we wanted to highlight:

12 Market share is concentrated in just about
13 all the competitive markets.

14 But in New York it is more concentrated than
15 others, with the top four operators generating
16 94 percent of handle and about 96 percent of gross
17 gaming revenue.

18 In comparative markets, those other
19 competitive markets that I highlighted,
20 the percentage is closer to 80 to 85 percent.

21 There is an inverse relationship between tax
22 rate and handle.

23 A higher taxer rate will -- tends to burden
24 wagering volume, a lower tax rate will enhance
25 wagering volume, over the long term.

1 This is a trend that we are seeing in other
2 states. It will be highlighted in the report that
3 will be shared with you.

4 And there is a very strong correlation
5 between promotional spend and overall wagering
6 volume.

7 In that report, which will be shared with
8 you, in Pennsylvania, the gaming commission there
9 releases data on promotional spend by operator.
10 And we observe a very strong correlation between
11 promotional spend and overall wagering volume or
12 handle, such that, when promoters, in one year they
13 spend X and in the second year they spend Y, which
14 is either higher or lower than the prior year,
15 overall wagering volume and handle will be higher or
16 lower in concert with that promotional spend.

17 To conclude:

18 New York had a very strong year in terms of
19 handle and GGR for sports-wagering.

20 And there are warning signs that year two
21 could be a down-year for this market.

22 With nine total operators, but only four
23 generating meaningful business volumes, there could
24 be diminishing interest in this market, making it
25 look more and more like a monopoly, or a duopoly,

1 market.

2 Now to iGaming, just a few insights, and it
3 has been referenced earlier, but Spectrum recently
4 updated our estimates for iGaming in New York. And
5 we project the market could generate between
6 2.3 billion and 3.1 billion of gross gaming revenue
7 in year one, increasing to about 4 billion in year
8 five.

9 For context, New Jersey generated
10 1.66 billion of GGR from Internet gaming in 2022.
11 That's after nine years of operations.

12 Pennsylvania, with about 10 million adults,
13 generated 1.4 billion after about 4 years.

14 And, Michigan, with about 6 million adults,
15 is generating 1.6 billion of gross gaming revenue
16 after two years of operations.

17 So we feel very good about our estimates that
18 New York will obviously be a very large market.
19 15 million adults, the math works out to very big
20 numbers.

21 And that concludes my comments.

22 Thank you.

23 HOWARD GLASER: Good afternoon. I think
24 we've slipped over into the afternoon at this point.

25 Thank you, Chairman Addabbo and

1 Chairman Pretlow for having me.

2 My name is Howard Glaser. I'm here on behalf
3 of Light & Wonder. You may know that company better
4 by its former name of Scientific Games.

5 We're a leader in global gaming content and
6 technology. We operate in 50 countries on
7 5 continents, including here in New York.

8 We are a major provider of gaming services
9 and equipment to every casino, every racino, every
10 tribal gaming operation, in the state.

11 We also work directly for the State.

12 Our video lottery games, through the VLT
13 program, last year produced \$575 million of revenue
14 through our games alone last year.

15 Cumulatively, since the beginning of that
16 program, and we've been with it since the beginning,
17 almost \$7 billion of revenue through the VLT
18 program.

19 So we're very committed to New York, and we
20 appreciate our partnership and our invitation today.

21 So let me just say, first of all,
22 congratulations.

23 Congratulations.

24 Thanks to your efforts, New York's launch of
25 sports betting in 2022, as you have heard, and you

1 know, is, by any revenue measure, the most
2 successful launch of sports betting in the
3 United States, and I think also likely on the
4 planet.

5 So, you know, it's a pretty high accolade.

6 The numbers are astonishing. That's a credit
7 to the work of this committee, to Rob Williams in
8 the Gaming Commission itself, the members of the
9 industry, and, really, the enthusiasm of the players
10 for sports betting. They really embraced the
11 product.

12 I want to say, though, as successful as
13 New York has been with the launch of sports betting,
14 it is worth pointing out that there is one gaming
15 initiative that's performing better, and you've
16 heard a little bit about it here today.

17 Almost every state surrounding New York has
18 added or paired Internet online gaming -- I'll call
19 it "iGaming" for this point -- to its sports-betting
20 program.

21 It's in Pennsylvania today, it's in
22 New Jersey, it's in Connecticut, don't forget to
23 look northwest to Ontario as well, and a little
24 further afield in Michigan, as well as in
25 West Virginia, you can play online casino games as

1 well as sports betting.

2 And in all of these states, those states have
3 found, that while sports betting is a good
4 appetizer, iGaming has proven to be the main course
5 as far as revenue generation is concerned.

6 So there's a wealth of data in our written
7 report that I provided to the committee.

8 I'm just going to focus on three points in
9 that data.

10 First off, tax revenue from iGaming far
11 outpaces that of sports betting.

12 There are six states, I think was mentioned
13 earlier, that currently have iGaming. Most of them
14 are on New York's borders.

15 Together, in 2021, last year we had full
16 data, those six states generated almost two times
17 the tax revenue of the 30 states with sports
18 betting.

19 Just think about that for a second.

20 30 states with sports betting produced half
21 the revenue of 6 states with iGaming, gives you some
22 sense of the revenue generation power of sports
23 betting -- of iGaming.

24 So what might that mean for New York if
25 New York were to adopt, like the states around it,

1 an iGaming program to add to sports betting?

2 Well, if the state only performed at the
3 average of what New Jersey does -- I think they
4 probably would perform better -- but only at the
5 average of New Jersey and Pennsylvania and all the
6 other states I mentioned, that would be over
7 \$2 billion in gross gaming revenue annually.

8 Those are numbers from a separate study from
9 the one that Spectrum just mentioned, and they are
10 remarkably consistent. So it shows you that we have
11 some data points that seem to be very credible.

12 Hypothetically, a hypothetical tax rate of
13 20 percent on \$2 billion, you know, you're over
14 \$400 million in annual revenue.

15 That tax rate, of course, is a prerogative
16 here, but just to give you a sense of what that
17 would look like, a 30 percent tax rate in the first
18 year would be \$640 million.

19 Like sports betting, it's a fast ramp-up.
20 Those are first-year numbers.

21 If you look at a mature market, you see some
22 of the estimates for a mature market from Spectrum
23 today, a midrange of 3 1/2 or so billion dollars in
24 gross gaming revenue. At a 20 percent tax rate,
25 that's \$700 million.

1 A higher tax rate could be over a billion
2 dollars, and much more modest tax rates than you
3 have for sports betting today.

4 So, you know, that's hundreds of millions of
5 dollars in annual tax revenue, potentially, for the
6 state, and it's something that we know it has come
7 up in this conversation before.

8 I want to mention one other thing that comes
9 up in the conversation, and you heard the question
10 here today a couple of times.

11 You have big investments in brick-and-mortar
12 casinos. You have racinos. You have tribal casinos
13 as well.

14 Doesn't iGaming hurt or impact in a negative
15 way what you already have in a brick-and-mortar?

16 I get it instinctively.

17 You know, you have Amazon is often seen as
18 pushing out the small guys.

19 You heard Rob Williams earlier said, I don't
20 go to the supermarket anymore. You know, I go and
21 order online.

22 So I understand the point, but iGaming
23 couldn't be more different on the facts.

24 In every instance that we know of, iGaming
25 has driven additional revenue growth and job growth

1 at land-based casinos. That's the experience of
2 every state.

3 In New Jersey, in Pennsylvania, and in
4 Michigan, so far, we've seen significant growth of
5 all three casino land-based operations as they have
6 introduced iGaming.

7 And, in fact, together, those markets in
8 2022, just from those three states, grew 51 percent
9 in total. It's growth you can hardly find anywhere
10 else.

11 New Jersey released numbers last week that
12 make the point.

13 You know, Jersey went through a terrible time
14 with Atlantic City. They lost 50 percent of their
15 income in Atlantic City back in the bad-old days.

16 Around the time they introduced the early
17 versions of iGaming was 2016. That is when they
18 began to see growth and rebound for the first time.

19 And last year, with tremendous growth of
20 iGaming in New Jersey, the Atlantic City casinos
21 grew 9 percent just last year alone.

22 So you see this parallel growth as you
23 introduce iGaming.

24 You not only have no negative effect on
25 land-based gaming, you see a positive effect.

1 Why is that?

2 I think Jason or Christopher mentioned it
3 earlier, the market experience suggests that, by
4 expanding the customer base when you add a digital
5 channel, it adds new customers. They're looking for
6 that other experience to the land-based side as
7 well.

8 Remember this important point:

9 Land-based casinos are not competing with an
10 Internet-based iGaming. It is the same license.
11 It's just an extension of a channel they currently
12 have, they build their customer base that way.

13 And that's why the land-based casino industry
14 is broadly in favor of adding the online digital
15 channel to their portfolio of products, which is a
16 difference from where it was a number of years ago.

17 Last thing I'll say, just for 30 seconds:

18 Illegal iGaming has been referred to here.

19 It is happening in the state today, except
20 without capturing tax revenue and without consumer
21 protections.

22 If you take your phone out right now during
23 this hearing, during my testimony if you like, you
24 can play any casino game that you want.

25 You will be playing with an offshore

1 operator. Your money could be unknowingly used for
2 money laundering. We've seen it used for terrorist
3 financing, and for fraud.

4 The AGA (American Gaming Association)
5 released a report just I think last month, and they
6 created some estimates which are hard to get of what
7 the iGaming market size would be because of the
8 self-reporting.

9 But based on that, the estimate that we
10 extrapolate from that data is about a billion
11 dollars reported a year, annually, right now in
12 Internet gaming.

13 That is money that New York is giving away,
14 tax revenue, to illegal operators on while opening
15 consumers to risks.

16 So it's one thing to consider as you think
17 about this broader environment.

18 To sum up:

19 The gaming industry has a simple message on
20 iGaming, I don't know that you hear this from every
21 industry:

22 Regulate us.

23 Tax us.

24 Protect consumers.

25 The states that do this, they see healthy

1 brick-and-mortar casinos, they see dramatic
2 tax-revenue growth, and a secure online environment
3 for consumers.

4 Thank you.

5 ASSEMBLYMAN PRETLOW: Thank you, gentlemen.

6 Any questions?

7 You guys are very concise.

8 I don't have any questions.

9 A few comments.

10 One of you mentioned that the tax rate
11 affects handle. That's an indirect effect referring
12 to handle being boosted by money being put in by the
13 operators, not necessarily.

14 DAVID ISAACSON: Yeah, in the terms of the
15 data that we observe, the lower-tax-rate states tend
16 to have higher handle; yes, it's a direct result of
17 how the operators operate in those states versus how
18 they operate in higher-tax states.

19 ASSEMBLYMAN PRETLOW: Well, it is basically
20 them putting in more money, incentive to stimulate,
21 or matching money.

22 But on the face of it, the handle is not
23 affected at all by the tax rate because the player
24 doesn't experience that, unless the odds are
25 changed, which was mentioned earlier, also.

1 So I think I'm pretty good there.

2 I had another question, and I wrote it down,
3 I don't remember what it was.

4 You know, for a hearing on sports betting, a
5 lot of attention was paid, not just by you, but the
6 previous panels, on iGaming.

7 And I think that you guys see that as the
8 future.

9 We're not here to discuss the future, really,
10 but [indiscernible] the present and the past.

11 But it's perked a lot of interest, that's all
12 I can say.

13 Senator?

14 SENATOR ADDABBO: Thank you, Assemblymember.

15 I do have [indiscernible] questions?

16 Just to put things in perspective, and, also,
17 for iGaming, like I said, there will be another
18 roundtable somewhere discussion down the line on
19 iGaming.

20 But just because this is an interesting point
21 to be made, to confirm, to an extent, the revenue
22 that we would make, on year one, for iGaming, what
23 number was that, just again to confirm?

24 DAVID ISAACSON: 2.3 to 3.1; so let's call it
25 2 1/2 billion.

1 SENATOR ADDABBO: Year two was three to four.

2 So let's call it 3 billion, money lost,
3 because we're surrounded by the other states. We're
4 surrounded by New York -- or, New Jersey,
5 Pennsylvania, Connecticut -- right? -- Ontario.
6 But, again, the three states.

7 Money lost into the illegal market.

8 Money lost per year for New York, roughly.

9 MICHAEL POLLOCK: Go ahead.

10 DAVID ISAACSON: I was just going to
11 reference, in this same report, we did an analysis
12 on what is the -- what is the size of the iGaming
13 market in each state. And I think -- I think it was
14 600 million of illegal-wagering revenue in New York.

15 We'll share that report, or we may have
16 already shared that with you.

17 SENATOR ADDABBO: That's 600 million,
18 illegal?

19 DAVID ISAACSON: Illegal, right.

20 SENATOR ADDABBO: And in that portion of
21 money that goes to another state, roughly, there's
22 an estimate out there, data-driven, of course, that
23 we lose to New Jersey, Pennsylvania, Connecticut,
24 any idea?

25 HOWARD GLASER: We don't have a number for

1 that because, I think as a prior speaker said, when
2 you're dealing with Internet gaming, it's one that
3 you don't move over the border quite as much for.

4 But here is the impact, state to state:

5 Because you have a thriving Internet gaming
6 market in the surrounding states, in Jersey and
7 Pennsylvania, that is boosting their land-based
8 casinos and, to some extent, the racinos where they
9 authorize that as well.

10 That is a basis that you lose in New York
11 because you are allowing that business to boost
12 growth of the land-based, and you're denying it,
13 ineffectively, by not allowing it for the casinos in
14 New York.

15 Imagine, in any other business, shutting off
16 the digital market and saying, you can't have a
17 digital marketplace. That's going to be a
18 competitive disadvantage.

19 That's probably the main stay-competitive
20 impact that we see with iGaming.

21 SENATOR ADDABBO: Okay. So, again, just on
22 that note -- right? -- my point being, if we're
23 losing, roughly, 600 million to an illegal market
24 every year, and, conservatively, I'll double --
25 we'll say a billion to include the average state,

1 and I think that's a conservative number, and then
2 the 3 billion that we would have made in revenue;
3 so, therefore, if you count the revenue that we
4 would make and the money that we lose, so, roughly,
5 every year, we don't do iGaming, every year we don't
6 do iGaming in New York, there's, roughly, again, if
7 you do the math, that's \$4 billion lost, if you
8 think of it that way, revenue lost, and lost to
9 another state and to the illegal market.

10 So every year we let it go, and, again, this
11 was the argument we made with mobile sports betting,
12 before we had mobile sports betting, they were going
13 to another state, they were doing it illegally. And
14 every year we lost a billion dollars and billions of
15 dollars, and so forth.

16 And I'm just saying, if we want to stop the
17 proliferation of money going to another state and to
18 illegal market, and recognize that money for our
19 education here, I would think that New York should
20 do something.

21 But it's a topic for a different day,
22 I guess.

23 Mike, you had mentioned --

24 And one of the things, Spectrum
25 [indiscernible], the foundation of which we did

1 mobile was the study. It was most helpful. And,
2 again, I thank Spectrum for the 2021 study.

3 -- but you had mentioned in your testimony
4 new customers.

5 And I think Assemblymember Warner brought up
6 a really good point.

7 Should we talk about the reduction of the tax
8 rate?

9 And, again, that number of 600 million came
10 out as far as a shortfall that we would have to make
11 up somewhere with additional consumers.

12 Is there enough new consumers out there that
13 could possibly make up that \$600 million?

14 MICHAEL POLLOCK: In my view --

15 And David's the numbers guy. I am the
16 qualitative.

17 SENATOR ADDABBO: I need both.

18 MICHAEL POLLOCK: -- but I believe the answer
19 is absolutely.

20 Absolutely, the numbers can be made up; that
21 there are -- there's a lot more adults who are not
22 participating, a lot more, than are.

23 And with the right marketing program, with
24 the right ability to reach them, in all facets,
25 including getting them, marketing to them, getting

1 them to land-based casinos and racinos, the number
2 can be made up, yes.

3 SENATOR ADDABBO: Thank you.

4 Howard, again, I know iGaming is separate,
5 but I'm fascinated with the numbers, though.

6 HOWARD GLASER: Yeah.

7 SENATOR ADDABBO: The data which you got this
8 number, and how you basically estimated where
9 New York would be.

10 HOWARD GLASER: Sure.

11 I'll mention two things, because we talked
12 about this "\$2 billion" number, and then a revenue
13 generator from that.

14 First of all, we did do a -- we commissioned
15 a report from another independent research firm
16 earlier in the year -- actually, it was the end of
17 last year, separate from Spectrum. We'll make that
18 available to the committee, and it presents their
19 data.

20 But, basically, this is what we see very
21 consistently:

22 Every state that has adopted iGaming has
23 about a one hundred to one hundred and thirty or
24 forty dollar per capita spend to get to that number.

25 So if you want just a shortcut, you have

1 20 million people in New York. You're looking at
2 about a \$20 billion -- \$2 billion annual GGR.

3 Not everybody is spending \$200, obviously,
4 and it's just adults.

5 But that's a good way to equalize between
6 states and see what the possible GGR would be.

7 So that's a shorthand we use.

8 There's much more detailed information, both
9 in our written testimony that we provided today, as
10 well as the report that we'll send you after this
11 hearing.

12 SENATOR ADDABBO: And thank you. I've seen
13 that report.

14 And I think that's a credible starting point
15 for us to talk about iGaming possibly in New York.

16 Mr. Isaacson, you mentioned in your
17 testimony, the reduction of the wagering. January,
18 to March 2022 was fine, and then there's a dropoff.

19 Don't you see, possibly, that there's a
20 dropoff because, after March, many of the major
21 wagering sports end; football, basketball, mainly?

22 So don't you see that there normally would
23 have been a decrease anyway in New York?

24 DAVID ISAACSON: So the Q1 numbers and the
25 Q2 -- you're referencing Q2 and Q3. And I agree

1 with you that those quarters are always going to be
2 soft.

3 What I highlighted to the committee is that,
4 that Q4 number, in the first year of other states'
5 sports-wagering, you saw a very big jump.

6 Q1 and Q4 are supposed to be the strongest
7 numbers -- are supposed to be the strongest quarters
8 for sports wagering.

9 But what happened in New York is, Q1, you had
10 30 percent of volume, and in Q4 you only had
11 29 percent.

12 And in all the other states, I saw a big jump
13 in terms of the percentage distribution of volume in
14 that first year in Q4.

15 And I'm -- what I am trying to highlight to
16 the committee is that, that, to me, say red flag
17 that, year two, you know, you could see a bit of a
18 dropoff, versus in all these other states you saw a
19 continued trend upwards.

20 SENATOR ADDABBO: And I -- I'm a numbers
21 person, so I like the comparison. And I see the
22 concern, and it certainly would be on my radar.

23 But I don't like to compare New York to other
24 states.

25 I think our ceiling, we were closer to our

1 ceiling than the other states might have been.

2 By the time we reached Q4, our numbers were
3 surpassing even the projected numbers from the
4 previous administration; so we already passed that
5 revenue mark at that point.

6 So we had reached a higher ceiling at that
7 point of Q4 than other states might have been; so
8 their room for improvement would have been much
9 greater than ours.

10 So I don't like to sometimes compare other
11 states, but it is on our radar at this point as an
12 issue.

13 DAVID ISAACSON: Yeah, I think you and I then
14 would both agree that New York is anomalous, both on
15 the positive side and in some of these nothing
16 negative headwinds.

17 SENATOR ADDABBO: It is New York, exactly.

18 Any other questions from my -- Senator?

19 ASSEMBLYMAN PRETLOW: A quick comment
20 [indiscernible], something that you had just said.

21 I don't think it's fair to compare Q1
22 New York to Q4 New York because it was artificially
23 inflated by hundreds of millions of dollars. That
24 was the rollout.

25 And if you were to reduce the free-play that

1 was added in January -- or, in the first quarter,
2 I mean, if the numbers I have are correct, Caesars
3 dumped \$300 million. I mean, that was theirs.

4 I don't know what FanDuel, I don't know what
5 the other ones, did.

6 But every entity that came in, with the
7 exception of Bally's because they didn't come in,
8 put a lot of excess cash in the handle in Q1.

9 So I think it's really not fair to say that
10 we're not looking good because 30 percent was
11 January and the 29 percent is December. It's apples
12 and oranges as far as I'm concerned.

13 I think the better test will be when we do Q1
14 of next year, and not this year.

15 DAVID ISAACSON: Yeah, I mean, generally
16 speaking, you know, small sample size, the devil is
17 in the details.

18 And as we -- as the months continue and we
19 get year-over-year comparisons, we're going to
20 determine whether this was indeed a red flag or it
21 was just something unique in this market. And
22 [simultaneous speaking] --

23 ASSEMBLYMAN PRETLOW: [Simultaneous speaking]
24 I read an article. It looked good, \$2 billion for
25 the month of December. You know, no one does a

1 \$2 billion month.

2 But this is without incentives, because the
3 players have stopped -- the platforms have stopped
4 adding money.

5 So this is just pure betting, and that had a
6 lot to do with the Buffalo being around until the
7 later days, and all of that.

8 But, still, we're looking to the \$2 billion
9 month just for January.

10 So I think the numbers will be better,
11 comparatively speaking, when we go into next year.

12 SENATOR ADDABBO: I do have a question from
13 Senator Helming.

14 SENATOR HELMING: Thank you.

15 Thank you for your testimony. It was very
16 helpful.

17 I guess I'm looking for some clarification,
18 just so can I better understand.

19 Would iGaming be run through the casinos?

20 MICHAEL POLLOCK: That's a policy call to be
21 made by the legislature. But -- and different
22 states do it differently.

23 But, by any measure, the casinos and the
24 racinos should be -- presumably, would be
25 participants in it.

1 And by allowing them to be participants in
2 it, you do allow them to, effectively, market all of
3 their other amenities, which would then have the
4 effect of growing gaming revenues, both land-based
5 and iGaming, as well as non-gaming revenues.

6 But whether they would be exclusive or not,
7 that's a policy call.

8 Most states, there is not. There's multiple
9 licensees.

10 HOWARD GLASER: I would just add to that,
11 Senator, that, New York State, a little different,
12 in that, by Constitution, gaming can only occur
13 through one of seven, or currently about to be
14 seven, licensed casinos.

15 And the committee last year came up with,
16 I think, a smart and creative way to allow
17 additional participants in, through to do sports
18 betting, utilizing the casino licenses to meet the
19 constitutional standard.

20 And, presumably, a solution like that would
21 include the casinos in any expansion of online
22 gaming.

23 SENATOR HELMING: Thank you.

24 SENATOR ADDABBO: Thank you very much.

25 I want to thank you all.

1 And, certainly, we look forward to your input
2 as we go forward on both the mobile sports betting
3 and iGaming issue.

4 So thank you very much.

5 ASSEMBLYMAN PRETLOW: Thank you, gentlemen.

6 SENATOR ADDABBO: Our last panel for today:
7 Jim Maney, executive director, New York
8 Council on Problem Gaming.

9 And before Jim gets here --

10 So, Jim, take your time.

11 -- we had invited the Office of Children and
12 Family Services.

13 So through mobile sports betting, the
14 additional \$6 million, which we will talk about in
15 terms of addiction programs, there was an additional
16 \$5 million for youth sports.

17 And I want to just read, in part, testimony
18 from Nina Aledort, the deputy commissioner of the
19 Office of Children and Family Services.

20 (As read into the record:)

21 "OCFS is proud and excited to administer the
22 annual \$5 million for youth sports and education
23 opportunity funding that was authorized in the
24 enabling statute for mobile sports wagering.

25 "This funding is being used to support and

1 build interest in sports for underserved children
2 and youth, ages 6 to 18, across the state of
3 New York.

4 "OCFS allocated the youth sports and
5 education opportunity funding through a statewide
6 network of youth bureaus in each county and New York
7 City.

8 "Each youth bureau was required to submit a
9 plan that indicated how the funds would be spent,
10 the target populations, partnering organizations,
11 and intended activities.

12 "Although the initial data is still being
13 collected and still ongoing," she, again, gave us a
14 small sample of the funding already done throughout
15 the state.

16 This testimony, in full, is online at the
17 Racing, Gaming, and Wagering Committee site.

18 Thank you, Mr. Maney, and welcome once again.

19 JAMES MANEY: Good afternoon, everybody.

20 SENATOR ADDABBO: Good afternoon.

21 JAMES MANEY: Appreciate you having me here.

22 I gave my first testimony in 1996 about
23 problem gaming, so I've been around a long time,
24 dealing with this issue.

25 So I appreciate it, and I appreciate what

1 Rob Williams had to say today. A lot of his
2 testimony, again, was about problem gambling.

3 That has not always been the way.

4 So that was really nice to see.

5 Also, I want to give credit to OASAS.
6 They've been doing a much better job over the last
7 few years, dealing with this issue; so very pleased
8 for that.

9 Also, very pleased to be here.

10 What I have to say has to be heard.

11 Problem gambling has to be heard. We have to
12 speak of it more often.

13 We have to know what it looks like, what the
14 faces, who the people are.

15 You know, expansion of gambling, 6I have
16 heard a lot today about, you know, the economic
17 benefits.

18 Sure, but at what cost, sometimes?

19 What costs?

20 We get the calls.

21 We get the calls at 1:00 in the morning.

22 We get the calls from parents now, of their
23 college-aged kids losing their money, what to do?

24 And even though we don't have a lot of calls
25 to our help line, the State runs the help line, we

1 run the calls from 9 to 5. We've seen a 25 percent
2 increase in our calls, just to our facilities, not a
3 help line. It's just the New York Council on
4 Problem Gambling.

5 That's only one part of the story, the
6 help-line calls.

7 The public harm that is being done, when a
8 young kid loses all their money at school, college,
9 what do you think mom goes through, what do you
10 think dad goes through?

11 When dad loses all his money and they have to
12 move out of their house, what do you think the
13 10-year-old and 11-year-old go through?

14 They don't call help lines. They don't call
15 looking for help.

16 They arrive at our schools needing mental
17 health counseling.

18 Right?

19 Do we address gambling there?

20 They arrive at the hospitals, at the doctors'
21 offices. Do we talk about gambling there, what may
22 be the issue?

23 We don't.

24 We don't do it at all.

25 So I will share, I'm not going to talk about

1 iGaming at all. That's not what I'm going to talk
2 about, so I want you to know that.

3 But I will talk about what we should have
4 done, what we could have done.

5 I testified here in 2018, 2019, I made
6 recommendations.

7 At one time it was going to be 3 percent to
8 go for problem gambling.

9 And if it was 3 percent this year, it would
10 be about \$21 million.

11 Do you know what we could have done with that
12 \$21 million?

13 We could have put educators at all the
14 colleges right now. They could be educating our
15 college-aged students.

16 The 18- to 24-year-old group is the
17 highest percentage of problem gamblers in the state
18 of New York.

19 Who are a lot of our new folks sign up for
20 mobile betting?

21 Well, my daughter turns 21 next month. She
22 doesn't know one 21-year-old boy that doesn't have
23 an app for mobile sports gambling.

24 Now, let's just talk about that for a second.

25 You put up \$100, and they say you get free

1 at-risk, no-risk, no-sweat, bet.

2 Well, first of all, we know any type of bet,
3 with your money or not with your money, comes with
4 risks. Okay?

5 There's a thrill that goes along with it, and
6 some people get hooked. Let's be honest about that.

7 So you put up 100 bucks, you lose that
8 100 bucks, and the industry gives you a \$100 in
9 credit. So, immediately, that young person is
10 chasing their losses.

11 And if you think about it, one of the nine
12 criterias for pathological gambling is chasing our
13 losses.

14 So from the initial bet for mobile sports
15 betting, the initial bet, risk-free, no-sweat, is
16 the beginning of the chasing of our losses, and we
17 do not know who is going to get hooked on this.

18 We do not know. It doesn't discriminate.

19 But what we have to do is make sure we have a
20 lot more research as a result of this. That we do a
21 lot more work with this 18- to 24-year-old group
22 that we're not doing.

23 If we had that \$21 million, we could put
24 about 5, 10 million dollars into prevention. Make
25 sure that the adolescents that aren't gambling do

1 not start to gamble, the people that are social
2 gamblers do not become problem gamblers, and the
3 problem gamblers don't become pathological gamblers,
4 because, along the road, it gets worse and worse all
5 the time.

6 We have to put up those safeguards, and we're
7 not doing -- we're not doing enough at all; not even
8 close.

9 \$6 million. Right? \$6 million.

10 We need at least a \$10 million advertising
11 campaign so people know about the warning signs.

12 Most of the people in the state of New York
13 don't know where to get help. Don't know that there
14 are resources available. Not even close.

15 \$700 million in revenue, and we gave less
16 than 1 percent for problem gambling.

17 We have to do better. We should want to do
18 better.

19 And if we think about the age group once
20 again that's coming up, the highest is our kids.

21 Let's be honest.

22 If you watch any sporting event, we know that
23 every young boy who is watching a game is being
24 bombarded with advertisement, and we know
25 advertisement works.

1 We're not doing enough.

2 We have to make sure parents are educated, we
3 have to make sure our doctors are educated, so when
4 the kids come in for pediatric care, they may
5 address this issue.

6 The highest rate of any addiction for suicide
7 is problem gambling. We can't forget that.

8 We can't forget where we're going with this.

9 We also have a help line that's 24/7.

10 We answer our calls by a live person who
11 deals with problem gambling, our program managers,
12 from 9 to 5.

13 The other times when we call the help line,
14 the help line refers to New York Council on Problem
15 Gambling, for assessments, for treatment, et cetera.
16 But we're only there 9 to 5. The other times it
17 comes to a voicemail.

18 And if we know anything about gambling, if we
19 know anything about gambling, it changes in an
20 instant. And that's why it's the greatest form of
21 addiction.

22 It's the greatest form of addiction, why?

23 Because we don't know the end result.

24 We don't know if we're going to win this bet
25 or not.

1 We know what we're going to do if we drink
2 five shots of vodka, we know what the result is
3 going to be.

4 But we don't know about gambling, and that's
5 why we don't stop it.

6 And that's why it is the continual chase of
7 it, because it's the next bet that may change
8 everything. It's that illusion of hope.

9 Right?

10 Just think about it.

11 If you're in the midst of your addiction and
12 you see Mega Millions Powerball gets up to
13 1.4 billion, where do you think your head goes?

14 You going to quit now? Are you kidding me?

15 You're going to get in it. You got to be in
16 it to win it.

17 This is why we need more education for our
18 kids, this is why we need more treatment, this is
19 why we need 24/7 services, so when any person in the
20 state of New York needs help, a live person is
21 there.

22 We need peers to help address this, 24/7.

23 So when a person calls, which we get many
24 calls at 3:00 in the morning, they have to be
25 answered.

1 They have to be answered.

2 We should want to do that.

3 We should need to do that.

4 We should need public-awareness campaigns for
5 all of us: For our children, for our grandkids, for
6 our neighbors.

7 That's what we need to do.

8 So, in closing, hopefully, in 2023, we do
9 what we haven't done in 2018, 2019, 2020, '21, '22,
10 is put additional resources in there.

11 You know, in the old days, when I've been
12 doing this, they would say, well, there's no
13 resources. We would love to give you some money,
14 Jim. Not to me, to OASAS.

15 Once again, this is not for the New York
16 Council on Problem Gambling. This is for OASAS to
17 give it out.

18 But we have the resources now.

19 We showed the number to everybody in the
20 world.

21 So, please, greatest in the world --
22 right? -- which it is. Heard all the stats,
23 statistics.

24 But we're not giving the most to problem
25 gambling in the world, at all.

1 Other states are doing better.

2 We give less than 1 percent.

3 Other states gets 2 1/2 percent, 3 percent.

4 Why aren't we?

5 Are not our folks deserving of it: safeguard,
6 protection, prevention, education?

7 So in closing, I appreciate it once again to
8 listen to me.

9 I advocate for the folks that have no voices.

10 This is a shame-based sickness. No one likes
11 to talk about losing their money.

12 But what I am really concerned about is who
13 is getting hooked on this, especially our
14 college-aged kids.

15 Who is getting hooked?

16 It's not about the money.

17 Who makes it feel good?

18 And you think about these kids right now --
19 like my daughter, and I've got a son who just turned
20 24 yesterday -- what they went through.

21 Now, you think about it, their mind aren't --
22 brains aren't fully developed -- right? -- yet?

23 They're going through COVID.

24 Most of them have some type of mental
25 challenges going on as a result of COVID and

1 everything else that went on, and being, you know,
2 21 to 25 years of age.

3 They have issues already, and are we
4 compounding them?

5 So let's take a great look at what we're
6 doing, and hopefully we can do more about it,
7 because I think we should, and I think we can.

8 And like I say, I advocate for mom who gets
9 the call from Joey, lost all their money, all their
10 book money.

11 I said to my daughter, Kelly -- my daughter,
12 Kelly, is 21 -- I said, Kelly, what would you do,
13 what would you do if you lost your money gambling?

14 Oh, dad, I would just say, I have to buy five
15 more books, and they're like 450 altogether. You
16 got to send me 450.

17 And guess what I would do?

18 I would send her \$450 for her new books.

19 Right?

20 She says, dad, we got all these things worked
21 out. We know where we can talk to our parents
22 about, we know where we can get money.

23 And, once again, the second thing, and it
24 tied into it, is what also happens at 21 on the
25 college campuses?

1 We get inundated with credit cards.

2 Right?

3 Credit cards.

4 Right? Credit cards.

5 Also, we're going to give risk-free bets at
6 the same time when our brains aren't fully
7 developed.

8 And the last thing I just want to say,
9 because I always think it's funny, the X Games.
10 Right?

11 You ever see the X Games? Skiing,
12 [indiscernible] -- right? -- 700 loops.

13 You don't see anybody our age doing that
14 stuff, do you?

15 Right?

16 We're way too smart to go do a 760 flip --
17 right? -- off a thing. We're too smart for that.

18 But who does it?

19 The 21 to -- 18- to 25-year-old kids, because
20 they don't have a lot of reasoning yet.

21 We need to protect them.

22 We need to get it off the college campus; and
23 not only just college campuses, but the college
24 age -- right? -- 18 to 24.

25 And we have to do so much more work for the

1 folks that are going to be turning 21 next year.

2 If you think about that -- right? -- 21 is
3 the age. Now I can start betting legally. At
4 20 and 11 months, I can't.

5 They have to be prepared of what may happen.

6 So, with that, I thank you.

7 And I know the folks that I advocate for are
8 really looking for your leadership in making sure
9 that everything that possibly can be done, is done,
10 so we don't have more.

11 Thank you.

12 SENATOR ADDABBO: Mr. Maney, I want to say
13 thank you; you and your team, Michelle from your
14 team as well, for not only being here, but your
15 testimony, but also your input.

16 You know, for those of you who don't know,
17 you know, when we did the mobile sports betting,
18 Mr. Maney and I had many conversations, and with
19 Gary.

20 And a lot of what your ideas were were
21 incorporated into the bill, into the statutory
22 language: Caps on accounts, caps on credit card
23 usage, and everything else.

24 So, again, a lot of what you say to us is
25 heard, and it does make -- sometimes it makes its

1 way into statutory language.

2 So I want to say thank you.

3 The \$6 million that we did put into mobile
4 sports betting, into the statutory language,
5 actually, it ballooned, it actually grew to
6 12 million, based on the statutory language again,
7 based on the wagers, based on mobile sports
8 activity.

9 But it's not only how much money we put
10 toward addiction, it's how it's spent.

11 ASSEMBLYMAN PRETLOW: Right.

12 SENATOR ADDABBO: So it's not so much, that
13 even in the iGaming [indiscernible], if we put in an
14 additional 11 million, that could grow.

15 It's not how much, it's how it's spent.

16 So, going forward, where would you like --
17 I know you mentioned peer-to-peer, and I know you
18 mentioned 24-hour live operator.

19 Where would you like to see the money being
20 spent, going forward?

21 JAMES MANEY: Well, a few of my
22 recommendations, the first thing is, as I mentioned,
23 that we need college educators on your college
24 campuses. Right?

25 You think about maybe we have that population

1 is at such risk. You know, so we need at least one
2 in every region, a couple in New York City, we would
3 recommend right off the bat.

4 Also, take a look at what we have to do with
5 voluntary self-exclusion. You know, we have to do a
6 much better job with that, of getting folks to help.

7 You know, you think about that, what we're
8 doing [indiscernible] right now, is someone comes
9 to, you know, either at the brick-and-mortar place
10 or online and says they have a problem, and they
11 want to put themselves on the self-exclusion list.

12 That's basically it. Right?

13 Our belief is that, at that moment, we should
14 be there to help them, to offer assistance.

15 You mention you have a problem, what can we
16 do to help you?

17 Do you need services?

18 Do you need an assessment?

19 Do you need treatment?

20 Do you need GA?

21 Do you need housing?

22 Do you need, financial issues?

23 What is it you need?

24 But usually what we do is say, okay, thank
25 you. You're signed up for one, three, or

1 five years, and don't come back.

2 SENATOR ADDABBO: I just want to be clear:
3 Are you saying somebody from your council or
4 somebody from OASAS should be at every gaming site?

5 JAMES MANEY: No, no, no.

6 SENATOR ADDABBO: Okay. [Simultaneous
7 speaking] --

8 JAMES MANEY: We should be available, no
9 different than, at that moment, I don't care if it's
10 Zoom, I don't care whatever it is, but they need to
11 talk to someone live at that moment.

12 You think about it, at that moment, they're
13 in crises. Right?

14 But what we do, what we do -- right? -- at
15 the moment of crises, basically, we put them out the
16 back door so they don't make a scene going out the
17 front door, and don't come back.

18 So that's fine from the industry point of
19 view, and I'm not against that.

20 I'm saying, as soon as they say they got a
21 problem, get in touch with us.

22 That's what we want to do, we want to help.
23 We want to help those folks, to make sure they're
24 okay.

25 But we don't even know their mental frame at

1 that time.

2 We know it's not good because they're
3 admitting they have a problem.

4 But why aren't we helping them?

5 They're a captive audience to get help,
6 instead of going back to their communities.

7 And what happens in their communities, where
8 do they show up?

9 We don't know.

10 Bankruptcy? DSS? Suicide?

11 Right?

12 Mental health crises, our schools for the
13 kids?

14 We don't know these things because we just
15 let them go, and we wouldn't do that for other
16 things.

17 Right?

18 If we -- if the same thing, if we saw someone
19 fall down and got a head wound, we would wait there
20 until the ambulance came. Right? We wouldn't say,
21 don't come back.

22 We would help.

23 And I think that's all we're asking for. We
24 want the chance to help the folks. That's all we
25 want.

1 We don't take a stand for or against
2 gambling, but we need services, because, once again,
3 the availability and opportunity of gambling right
4 now has taken off like never before. Right? Never
5 before.

6 We have to catch up to it.

7 That's why we have to do 24/7 services all
8 the time. We have to be there for them.

9 SENATOR ADDABBO: Question from
10 Senator Tedisco.

11 SENATOR TEDISCO: Just one question.

12 You mentioned suicide.

13 I was going to ask you, in comparison to
14 other addictions and those involved, what are the
15 rates in comparison to this type of addiction to
16 others, or rates itself?

17 JAMES MANEY: Well, we don't keep them in
18 New York State. Right? We don't keep them.

19 We don't -- when someone commits suicide, we
20 usually don't ask how they did it or what they did.
21 Right?

22 We don't follow up. We don't do a variety of
23 things.

24 But I will share with, why is it such high
25 prevalence on that?

1 And if you think about it, when people lose
2 all their money -- right? -- people lose all their
3 money and they have been a harm to their families --
4 right? -- and they owe astronomical balance of
5 money, they will often say, the ones that survive,
6 that I'm better off dead; better off dead than I am
7 alive. And if I can get any insurance money out of
8 this, at least my family has something.

9 We do not see -- I mean, I've been in this
10 since 1996. And before that I ran an inpatient drug
11 rehab here in Albany.

12 And the amount of money lost, and even though
13 it's not the number-one thing for the addiction
14 piece, it's the action, you know, wanting the
15 action, needing the action. Got to stay in it at
16 all costs. That's the real driver of the addiction.

17 But we never saw the real high amounts of
18 money lost that we do in gambling.

19 And that becomes -- right? -- every month,
20 when bills are due, puts pressure on not only the
21 gambler, but the family member.

22 That's why members of the help line are
23 important, but it's more the public harm that we're
24 not getting to. The shame; the shame of the wife or
25 the husband whose spouse has a gambling problem and

1 they have no money, what do they tell people?

2 Right?

3 And that's why, in many ways, it's still
4 hidden.

5 Now, we kind of know -- if we go to a party,
6 we kind of know the people that drink too much. We
7 see it, we know it.

8 But we don't know that about gambling.

9 We know people gamble, but we don't know how
10 much they lose, because I don't think anybody --
11 right? -- I don't think anybody goes around and says
12 how much they lost.

13 Now, I've been around here a long time.

14 I think -- I went to the track, the first
15 time, to see Secretariat in 1973. And it's so
16 funny, you can always tell anybody, when you left
17 the track back then, how did you do?

18 "I broke even."

19 And they would never know if you won or lost,
20 would you?

21 But you can't say that about drinking.

22 Right?

23 How did you do?

24 I had two beers?

25 What? You didn't have two beers. You can't

1 even speak.

2 But we don't see that in gambling, and we
3 keep our finances so secret.

4 We would rather talk about anything else but
5 how much we're worth, unless we got a lot a lot of
6 money.

7 Like, how much credit card debt do you have?

8 You know, we -- so we don't.

9 So that's the stigma we have to overcome.

10 Right?

11 And that's -- I will -- you know, once again,
12 the greatest form of addiction is gambling, as
13 I shared, because we don't know, the next time you
14 place that bet, what's going to happen. Right?

15 We don't know.

16 If we win, I got no problem whatsoever.

17 That's the difficulty with this. And that's
18 why we have to put much more money into prevention
19 of this, which we're not doing.

20 Which we're not doing.

21 We have to; we have to prevent this at all
22 costs.

23 So -- okay.

24 SENATOR ADDABBO: Assemblymember Pretlow.

25 ASSEMBLYMAN PRETLOW: Jeff?

1 ASSEMBLYMAN GALLAHAN: Thank you.

2 Jim, thank you for your testimony. It's very
3 compelling, and you're obviously very motivated.

4 I remember the days, when I was in my late
5 teens and early 20s, and in those days I could
6 drink at 18.

7 And people knew when you had a drinking
8 problem or a drug problem. It's very evident.

9 I remember the days that you spoke about,
10 when you go out and you do stupid things, because
11 you're invincible, because you're a kid, and you
12 don't know any better, and your brain isn't fully
13 developed yet.

14 Now, at my age, I go to bed at night feeling
15 great. And I get wake up in the morning and I got
16 problems.

17 So you learn over the years.

18 My question is:

19 You can identify many people that have
20 addictions by their actions. They don't show up for
21 work. Their work ethic is not good. They're sick a
22 lot.

23 How do you identify -- me, as a layman out
24 there in the public, how do I identify, what warning
25 signs do I look for, to offer someone help with a

1 gambling-addiction problem?

2 I have no idea how to do that.

3 JAMES MANEY: It's fascinating. Right?

4 I mean, that's exactly why we need much more
5 public awareness.

6 You don't even know. Right?

7 Brilliant man. Right?

8 We don't know.

9 We don't know these things; and so when we
10 don't know things, guess what we do? We do nothing.

11 Right?

12 We do nothing.

13 So if you take a look at the, you know,
14 FanDuel and, you know, the DraftKings that were just
15 here, what a marvelous job they did for advertising,
16 didn't they?

17 I don't think there is one person in New York
18 that didn't see those ads.

19 Marvelous.

20 Why don't we do that about problem gambling,
21 Jeff, and then you would know?

22 You would know.

23 If we did \$200 million in ads, or 98 million
24 like the lottery does, you would know, you would be
25 educated, and then you could help your community,

1 which you want to do.

2 You could help your neighbors, you could help
3 your friends, you could help everybody.

4 But right now, without our lack of knowledge,
5 we do nothing.

6 We do nothing, and that's a horrible feeling
7 for all of us, isn't it?

8 ASSEMBLYMAN GALLAHAN: It is.

9 JAMES MANEY: It is right now. Right?

10 ASSEMBLYMAN GALLAHAN: Yeah.

11 JAMES MANEY: And so the number-one thing we
12 have to do is educate.

13 We have to educate, because --

14 ASSEMBLYMAN GALLAHAN: So, currently,
15 what's -- I want to educate myself.

16 What's available?

17 Where do I go?

18 Where do you I go to get educated right now?

19 Tell me where to go?

20 JAMES MANEY: Jeff, come and see me.

21 Come and see me. Right?

22 So, really, where it would go, for everybody
23 to know, nyproblemgamblinghelp.org. Okay?

24 Now, on the treatment side of it, we run
25 seven PGRCs throughout the state of New York, one

1 in every region.

2 We have 133 clinicians, private
3 practitioners, that we refer to, speaking about
4 11 different languages.

5 Someone calls our facility, needing help in
6 that area, we immediately get them services. And
7 it's answered by our program managers.

8 It's not answered by someone who says, Hold
9 on.

10 It's not answered by someone who says, We'll
11 get right back to you.

12 No. It's answered by a live person whose one
13 job is to help you get help for caring concern.

14 So if they get to us, when they get to us
15 looking for help, they get about a 78 percent chance
16 of success, decreasing their gambling, getting help.

17 Astronomical, because of that first call, but
18 we're only open 9 to 5.

19 We got to be 24/7 for that. Right?

20 So we got the treatment.

21 And, OASAS, we have a contract with OASAS.
22 And in this year's contract there's 2 million more
23 dollars for treatment -- okay? -- which is
24 significant, because we're going to be able to treat
25 a lot of folks in the state of New York, a small

1 percentage.

2 Most people are like you. Don't even know
3 where to get help, what the warning signs are, the
4 whole thing.

5 It's some type of other issue. Right?

6 And if you think about a gambler, if a
7 gambler can do anything else but deal with their
8 gambling, they'll deal with their mental health,
9 they'll deal with their addiction, they'll deal with
10 their drinking, they'll deal with whatever, as long
11 as you don't come close to their gambling.

12 And how do we not come close to our gambling
13 problem? We don't ask gambling questions.

14 Right?

15 We go to our primary doctor, they ask us
16 questions about alcohol, drug use. They never
17 mention anything about gambling, though it's the
18 highest rate of suicide. There's anxiety and
19 depression like anything else.

20 Imagine, you owe them \$75,000 to gambling.

21 You think you're going to have sleep
22 disturbances?

23 You think you're going to have some anxiety
24 and depression?

25 But how does it show up? In those factors.

1 But it doesn't show up in problem gambling.

2 Right?

3 It shows up in anxiety, depression,
4 bankruptcy, behavioral ways, domestic violence.

5 But we don't ask that follow-up question --
6 yet we know -- yet we know the majority of
7 New Yorkers gamble.

8 We know that.

9 We don't know to what level, but the majority
10 of New Yorkers gamble.

11 More New Yorkers gamble than drink. More
12 New Yorkers gamble than smoke. Right?

13 But how much resources do we put into that?

14 So right now we have that chance again to
15 make sure that we do that.

16 So once again, thank you.

17 ASSEMBLYMAN GALLAHAN: Thank you.

18 ASSEMBLYMAN PRETLOW: I want to thank you for
19 your testimony.

20 We are looking into the 24/7.

21 I don't know what the full cost of it is
22 going to be, but I think it is important that, as
23 you say, at 3:00 in the morning, when someone calls
24 and says I need help, and they get the "At the tone,
25 please leave a message, and someone..." you know,

1 that --

2 JAMES MANEY: It can happen.

3 You're right, it can happen.

4 ASSEMBLYMAN PRETLOW: Yeah, so we -- that's a
5 shortcoming that we have.

6 I think we do have the revenue.

7 You know, we problem-gamble tax every piece
8 of equipment that's used in gambling. Every slot
9 machine and every table, and every casino, and every
10 bet made on sports betting, you know, we do have an
11 attachment, I'll call it "a tax," that we do for
12 this.

13 And I think we can spend the money a little
14 wiser, maybe.

15 I'm not sure how it's being spent right now.

16 We had a meet -- a roundtable with OASAS
17 several months ago, and they talked about what they
18 were doing.

19 I think they were talking, \$12 million, or
20 somewhere in that nature, and that amount for
21 24/7 coverage.

22 I don't know if it's that much, or should be
23 that much, but I think something does have to be
24 done.

25 JAMES MANEY: I appreciate that.

1 SENATOR ADDABBO: Mr. Maney, again, thank you
2 very much.

3 And I want to thank you all who participated.

4 You know, we take a moment to celebrate,
5 obviously, what we've done with mobile sports
6 betting in a year; and especially, again, with the
7 addiction, and, of course, with the educational
8 funds and revenue; but where do we go from here, and
9 how do we improve it for New Yorkers.

10 Thank you so much, everyone.

11 Have a great day.

12 Thank you.

13 ASSEMBLYMAN PRETLOW: Thank you.

14 (Whereupon, at approximately 1:13 p.m.,
15 the joint-committee public hearing concluded, and
16 adjourned.)

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