BEFORE THE NEW YORK STATE SENATE
STANDING COMMITTEE ON RACING, GAMING, AND WAGERING
AND
ASSEMBLY STANDING COMMITTEE ON RACING AND WAGERING

JOINT PUBLIC HEARING:

MOBILE SPORTS BETTING IN NY:

A FIRST-YEAR REVIEW AND ITS BUDGET IMPACT

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

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

PRESIDING:

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

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

PRESENT:

Senator Leroy Comrie
Senator Nathalia Fernandez
Senator Pamela A. Helming
Senator James N. Tedisco

Assemblywoman Stacey Pheffer Amato
Assemblyman Jeff L. Gallahan
Assemblyman Joseph M. Giglio
Assemblyman Jarett Gandalfo
Assemblyman Angelo Santabarbara
Assemblyman Nader J. Sayegh
Assemblywoman Carrie Woerner

SPEAKERS:	PAGE	QUESTIONS
Robert Williams Executive Director New York State Gaming Commission	17	35
Christian Genetski President FanDuel	78	102
Jason Robins Co-Founder, Chairman, and CEO DraftKings	78	102
Michael Pollock Managing Director David Isaacson Senior Vice President Spectrum Gaming	160	180
Howard Glaser Global Head of Government Affairs Light & Wonder	160	180
Testimony of Nina Aledort (read into the record) Deputy Commissioner Office of Children and Family Services	193	206
James Maney Executive Director New York Council on Problem Gaming	193	206

SENATOR ADDABBO: Good morning.

Good morning.

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

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

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

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

My community director, Shanna Cassidy;

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

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

Welcome.

I really appreciate everyone's participation here.

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

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

here is great.

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

And we all know the numbers.

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

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

We have to be cognizant of two things:

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

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

product possible, the best product in the nation.

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

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

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

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

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

Gary, thanks so much.

ASSEMBLYMAN PRETLOW: Thank you, Senator.

And good morning, everyone.

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

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

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

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

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

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

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

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

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

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

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

SENATOR ADDABBO: Yes. Thank you, Gary.

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

SENATOR HELMING: Just to clarify, Senator Helming.

SENATOR ADDABBO: Senator Helming. My apologies.

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

My apologies, Ranker Senator Helming.

Would either like to make a statement?

A quick statement?

SENATOR TEDISCO: I could.

SENATOR ADDABBO: Senator Tedisco.

SENATOR TEDISCO: Thank you.

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

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

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

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

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

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

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

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

Revenue is always important in New York State.

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

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

I have a short statement just to read.

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

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

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

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

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

Congratulations to this group of individuals and their leadership here.

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

I'm also the ranking member on the Education

Committee, so that is significant to me.

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

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

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

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

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

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

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

So thank you very much.

SENATOR ADDABBO: Senator Helming.

SENATOR HELMING: Thank you.

Good morning, everyone.

My name is Pam Helming.

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

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

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

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

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

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

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

So I look forward to the testimony this morning.

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

SENATOR ADDABBO: Thank you, Senator Helming.

Assemblyman Pretlow.

ASSEMBLYMAN PRETLOW: Okay. I was remiss.

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

And we also have Stacey Amato from Queens

that has joined us.

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

ASSEMBLYMAN GALLAHAN: I do.

ASSEMBLYMAN PRETLOW: Jeff.

ASSEMBLYMAN GALLAHAN: Thank you, Chairman.

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

I'm no stranger to racing and wagering.

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

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

I'm looking forward today to the testimony.

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

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

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

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

So I look forward to the testimony today.

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

Thank you.

SENATOR ADDABBO: Assemblyman Santabarbara.

ASSEMBLYMAN SANTABARBARA: Yes, thank you, Chairman Pretlow.

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

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

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

programs and a number of other things.

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

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

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

ASSEMBLYMAN PRETLOW: Anyone else?

Assemblyman Sayegh.

ASSEMBLYMAN SAYEGH: Thank you, Chairman.

Good morning.

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

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

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

enjoy what they enjoy most.

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

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

And then the opportunity to enhance educational funding is crucial.

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

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

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

Thank you very much.

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

ROBERT WILLIAMS: Well, thank you.

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

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

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

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

process, and preoperational approvals.

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

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

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

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

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

conducted in a limited number of sports.

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

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

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

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

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

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

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

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

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

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

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

and affiliations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

with the resolution.

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

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

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

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

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

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

they have met the deposit threshold.

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

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

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

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

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

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

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

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

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

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

As I mentioned, all advertisements are reviewed.

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

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

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

Our other consistent concern regards event integrity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

and marketed to adults.

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

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

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

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

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

Commission Chairman Brian O'Dwyer has

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

So thank you so much.

Do my colleagues have any questions?

SENATOR FERNANDEZ: I do.

SENATOR ADDABBO: Senator Fernandez.

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

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

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

ROBERT WILLIAMS: Yeah, certainly.

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

SENATOR FERNANDEZ: So can you tell me --

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

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

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

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

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

We also participate in Problem Gambling Awareness Month.

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

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

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

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

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

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

SENATOR FERNANDEZ: Thank you.

How do you track this information?

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

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

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

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

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

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

SENATOR FERNANDEZ: Thank you.

SENATOR ADDABBO: Senator Comrie.

SENATOR COMRIE: Good morning, Commissioner.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SENATOR COMRIE: Thank you. I appreciate that information.

Is that available on your website, the

activities and the process to do that?

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

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

ROBERT WILLIAMS: So that is contained within that information.

SENATOR COMRIE: Oh, thank you.

And I just wanted to thank you for your work.

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

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

Just one last question, I'm sorry.

You were talking about limiting college activity, sports betting.

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

ROBERT WILLIAMS: In New York, for mobile

sports wagering, it's 21 years.

SENATOR COMRIE: It's 21 years.

ROBERT WILLIAMS: Yes.

SENATOR COMRIE: So, okay.

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

SENATOR COMRIE: All right. Okay.

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

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

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

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

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

So any of the mobile sports operators or

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

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

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

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

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

SENATOR COMRIE: All right. Thank you.

I would hope that we do establish some

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

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

ROBERT WILLIAMS: I will share that with my commissioners.

SENATOR COMRIE: Thank you.

Thank you, Chairs.

You heard that, about me being a bad student.

Thank you, Senator Comrie.

Senator Tedisco, please.

SENATOR TEDISCO: Thanks very much, Chairman.

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

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

How many states have legalized sports wagering right now?

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

somewhere in that neighborhood.

SENATOR TEDISCO: 21, 22, 23.

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

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

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

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

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

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

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

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

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

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

SENATOR TEDISCO: Thank you.

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

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

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

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

be.

SENATOR TEDISCO: Thanks so much.

ROBERT WILLIAMS: Certainly.

SENATOR ADDABBO: Thank you very much.

Assemblyman Pretlow.

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

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

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

Thank you.

Do any members have anything?

Jeff Gallahan.

ASSEMBLYMAN GALLAHAN: Thank you, Mr. Chairman.

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

I learned quite a bit from your testimony.

I have a couple quick questions.

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

So in fiscal year 2023, which is April 1,

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

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

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

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

Can you comment on that, please?

ROBERT WILLIAMS: Yeah, absolutely.

What you just mentioned there is all statutory.

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

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

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

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

ASSEMBLYMAN GALLAHAN: Thank you.

There's a follow-up.

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

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

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

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

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

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

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

ASSEMBLYMAN GALLAHAN: Okay. Thank you.

ROBERT WILLIAMS: Sure.

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

And how frequent are these complaints?

Are they numerous?

Are they rare?

And are they coming from certain platforms?

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

certain platforms performing better.

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

And we do see that pretty much to form.

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

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

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

I consider that to be a little low, actually.

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

promotion is, what they need to do.

Almost all of these relate to that.

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

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

ASSEMBLYMAN GALLAHAN: Okay. Thank you.

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

OFF-VIDEO SPEAKER: First complaint, yes.

ASSEMBLYMAN GALLAHAN: Thank you, sir.

ASSEMBLYMAN PRETLOW: No, I don't complain.

Any other questions?

Mr. Santabarbara.

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

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

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

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

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

Is there some sort of change projected?

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

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

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

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

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

ASSEMBLYMAN SANTABARBARA: Great.

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

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

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

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

ASSEMBLYMAN SANTABARBARA: With regard --

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

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

ROBERT WILLIAMS: Well, I think what I had

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

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

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

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

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

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

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

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

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

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

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

ROBERT WILLIAMS: That's correct.

ASSEMBLYMAN SANTABARBARA: Okay.

All right, great. Thank you.

ASSEMBLYMAN PRETLOW: Ms. Woerner.

ASSEMBLYWOMAN WOERNER: Thank you, Chairman.

Thank you, Mr. Williams, for your testimony today, and for your work at the Gaming Commission.

I have two areas that I wanted to ask about.

The first has to do with horse racing and mobile gaming.

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

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

But my question is: Have you seen an impact

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

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

Is there any relationship there at all?

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

Can you talk about that a little bit?

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

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

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

I think it's a little early to understand

that.

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

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

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

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

ASSEMBLYWOMAN WOERNER: Great. Thank you very much.

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

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

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

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

Perhaps, is there -- and none did.

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

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

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

ASSEMBLYWOMAN WOERNER: Okay.

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

ASSEMBLYWOMAN WOERNER: Great.

Thank you very much.

Thank you, Mr. Chairman.

ASSEMBLYMAN PRETLOW: Assemblywoman Pheffer

Amato.

ASSEMBLYWOMAN PHEFFER AMATO: Thank you.

Good morning, Mr. Williams.

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

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

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

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

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

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

ASSEMBLYWOMAN PHEFFER AMATO: We know it well.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ASSEMBLYMAN PRETLOW: Anybody else?

I guess it's my turn.

Just a couple -- just a couple of questions.

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

How many times can someone self-exclude themselves?

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

limit.

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

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

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

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

A three-year, same exact thing.

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

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

ROBERT WILLIAMS: That's correct.

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

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

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

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

See if they come back.

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

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

ASSEMBLYMAN PRETLOW: Okay.

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

Do they pay the same tax rate as everyone

else is?

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

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

ROBERT WILLIAMS: They benefit --

[Simultaneous speaking.]

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

In other words --

ASSEMBLYMAN PRETLOW: And none did?

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

ASSEMBLYMAN PRETLOW: Mohawks, also?

ROBERT WILLIAMS: I think the Mohawks do as well.

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

ASSEMBLYMAN PRETLOW: Right.

ROBERT WILLIAMS: At this point in time, on a

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

ASSEMBLYMAN PRETLOW: Okay.

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

ASSEMBLYMAN PRETLOW: Thank you.

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

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

The question is whether they're founded complaints.

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

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

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

That's a customer service issue that they have.

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

There's certain subjectiveness relative to it.

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

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

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

ASSEMBLYMAN PRETLOW: Okay. Thank you.

Senator.

SENATOR ADDABBO: Thank you, Assemblymember.

I just want to thank you very much.

I do have a couple of questions.

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

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

So, again, I thank you.

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

Where we are at here, is this sustainable?

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

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

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

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

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

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

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

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

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

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

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

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

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

As I mentioned, we publish those numbers.

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

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

So I think, from a practical indication, that

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

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

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

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

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

I think that's something you might want to

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

SENATOR ADDABBO: Two more quick questions.

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

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

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

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

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

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

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

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

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

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

SENATOR ADDABBO: Exactly. Okay. Thank you.

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

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

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

What would be the time frame?

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

If they adopt them that day at the public

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

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

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

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

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

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

Commission again for adoption.

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

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

SENATOR ADDABBO: Thank you.

It is obviously a process that has numerous steps.

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

ROBERT WILLIAMS: Certainly.

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

And I want to thank you very much for your

time and testimony today.

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

SENATOR ADDABBO: Thank you very much.

ROBERT WILLIAMS: Thank you very much.

SENATOR ADDABBO: Okay. Second panel.

Please come forward:

Christian Genetski, president of FanDuel; and

Jason Robins, chairman of DraftKings.

Gentlemen, good morning.

When you're ready, please give your testimony.

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

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

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

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

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

Thank you both.

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

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

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

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

Start with the good news.

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

FanDuel alone has generated nearly

$330 million for education in the state.

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

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

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

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

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

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

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

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

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

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

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

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

That's the good news.

Here's the bad news.

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

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

I want to make four key points to you today.

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

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

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

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

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

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

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

In both year-one states and longer-tenured

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

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

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

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

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

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

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

forth coming in 2022, their approaches immediately changed.

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

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

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

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

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

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

triple that of New York.

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

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

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

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

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

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

More mature markets in Europe have already

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

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

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

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

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

We project that this investment would, in

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

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

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

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

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

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

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

the country.

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

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

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

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

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

Thank you.

We look forward to working with the

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

Thank you, Mr. Genetski.

Mr. Robins.

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

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

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

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

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

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

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

We would not be here today without you.

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

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

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

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

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

And you heard Christian talk about effective tax rate.

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

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

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

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

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

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

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

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

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

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

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

Let's start with the elephant in the room.

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

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

licensees.

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

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

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

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

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

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

By so many accounts, the first year of mobile

sports-wagering in New York has been a success.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

providing critical consumer protection and oversight.

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

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

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

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

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

Hopefully it is clear to everyone that

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

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

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

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

To date, six states have legalized iGaming.

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

recklessly predict.

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

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

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

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

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

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

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

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

To reiterate and summarize:

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

And, number two, legalize iGaming.

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

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

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

Thank you for your consideration.

SENATOR ADDABBO: Thank you, Mr. Robins.

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

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

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

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

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

and in education.

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

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

So that's what a budget process is for.

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

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

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

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

The 51 percent was no secret.

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

51 percent, going forward.

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

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

It's a very hard argument to make.

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

JASON ROBINS: Short answer is yes.

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

Happy to share that.

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

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

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

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

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

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

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

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

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

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

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

Right? We understand that.

It's pretty simple math. Right?

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

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

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

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

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

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

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

So we do have conviction that this is the

right path for the state.

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

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

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

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

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

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

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

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

JASON ROBINS: I think that's very achievable.

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

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

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

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

the tax rate.

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

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

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

So --

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

SENATOR ADDABBO: Exactly.

Chairman Pretlow.

ASSEMBLYMAN PRETLOW: Thank you, Senator.

Any questions from -- Jeff?

ASSEMBLYMAN GALLAHAN: Please.

Thank you, Mr. Chairman.

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

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

I get it.

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

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

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

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

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

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

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

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

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

Why?

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

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

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

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

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

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

ASSEMBLYMAN GALLAHAN: So help me understand this.

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

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

Would it affect the iGaming numbers?

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

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

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

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

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

customer, we give them a matching free bet.

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

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

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

We gave her 100, we collected 100.

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

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

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

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

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

those numbers.

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

Could they be even better?

Possibly.

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

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

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

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

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

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

JASON ROBINS: It's around like 20 percent,

is it?

CHRISTIAN GENETSKI: It's less.

JASON ROBINS: Less? Like 18, maybe.

CHRISTIAN GENETSKI: We can certainly get you the number.

ASSEMBLYMAN GALLAHAN: Okay, one other question.

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

Do you have a Plan B?

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

Do you have a Plan B?

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

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

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

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

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

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

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

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

Right now it's not aligned.

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

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

I just think it's just something that I think

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

It was a moment in time. We were in one of the biggest bull markets in history. Sports-wagering operators were having money thrown at them by public investors if they just went out and had a great initial start in New York, which people were seeing as a litmus test for how you're going to perform throughout the nation.

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

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

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

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

happen under the current tax setup.

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

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

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

What were your projections for 5 years or 10 years?

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

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

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

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

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

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

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

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

And so we kind of had two models.

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

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

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

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

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

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

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

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

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

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

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

Our bid wasn't selected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

So, you know, until the final bill was

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

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

We didn't expect this.

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

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

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

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

We're just going to have to have the worse consumer-value proposition in the country to make that work. But we would still rather be here than not, even at 51 percent.

I just hate to see the market underrealize its potential; the State underrealize its tax

revenue potential; and New Yorkers have, by far, the worst value proposition in the nation, other than, of course, if they want to go to a neighboring state or the illegal market.

That just doesn't make sense.

And I don't think it was at all what initially people were contemplating.

And I even know, you folks, you did a lot of work, and this was not the bill you initially proposed. This is sort of something that came together through circumstance.

And, you know, yes, we kind of -- it worked out.

But I think the thought and logic that was put behind the initial frameworks still holds; nothing's changed.

And, you know, my fear is that, because of the early success, that we're going to wait and see.

And by the time we see, it might be that some of the loss in revenue and loss in customers back to the illegal market might take a long time to recover, even if we did make change, even if you all did make changes at a later date.

ROBERT WILLIAMS: Thank you.

Thank you both for your answers and your

testimony today; appreciate it.

ASSEMBLYMAN PRETLOW: Angelo.

ASSEMBLYMAN SANTABARBARA: Thank you for your testimony today.

Just with regard to customers shifting to an illegal market or neighboring states, how difficult is it for a person to access another state's websites or apps?

What steps would a New Yorker have to go through to even do that?

JASON ROBINS: They just have to be there. It's the same app.

So, literally, they just have to -- the way that geolocation technology works is, you set foot in another state, it knows you're there, and everything changes accordingly.

ASSEMBLYMAN SANTABARBARA: But that's kind of difficult for most people in New York, I think, to have to drive across state lines.

JASON ROBINS: Yeah, I think a lot of them will go back to the illegal market. I think that's what you'll see. I mean, that's where most -- many of these customers were betting beforehand.

What we've been able to do is create a better-value proposition than the illegal market,

and that's why we're winning customers from there.

What we are going to be forced to do, if we don't see a change, is create an inferior value proposition.

And people -- and these are people that were playing there before, they were comfortable with it.

Sure, all things being equal, would they prefer the protection of the legal market?

But they were clearly comfortable playing in the illegal market before. Some of them will say, "I'm not going to pay a higher price, I'm not going to take less promotions," and they're going to go back.

ASSEMBLYMAN SANTABARBARA: And back to the chairman's point, you said you did have data on how many people are gambling in the illegal market?

Is there --

JASON ROBINS: I mean, there's data, but it's self -- it's survey-reported. So it's -- you have to kind of -- I mean, its order of magnitude, probably not too far off.

But, you know, I think from a -- we can share what we have, I think.

ASSEMBLYMAN SANTABARBARA: Yeah, if you can share that with us, that would be helpful. I would

be interested in looking at that.

So from state to state, your -- the odds change and the promotions change as well?

JASON ROBINS: They can, yeah.

We do not currently vary odds by state because we don't have another state that's remotely in this sort of, you know, setup, where we can't make money at the best odds that we offer.

We do offer different promotions by state, though, based on taxes.

And as Christian noted, we've seen it with all the operators here, including both DraftKings and FanDuel, have significantly cut back on promotions. But we still haven't fully cut back on promotions in New York. But we have cut back quite a bit.

ASSEMBLYMAN SANTABARBARA: So right now, in all the states you do operate, where does New York rank as far as odds and promotions?

JASON ROBINS: Odds are the same as everywhere. Promotions are comparable, but there's some states that are better.

But, you know, this is today.

This is, we're here, hopefully, you know, there's some changes.

If not, I think that gap gets much more significant.

But we -- the reason, for example, I'll speak for DraftKings, we -- because we've discussed this -- we said, like, hey, we can change the odds now, and turn this from an unsustainable market into something that at least, you know, may not, long term, realize its potential, but will work for us.

And we said, we don't want to do that because, once we do that, we're going to lose customers back to the illegal market.

And let's say there is a change in tax rate, it's going to be hard to get those customers back.

We're going to have to go do the same promotions, the same advertising, that got them there in the first place. So there's a cost to that.

So we'd rather take the cost of seeing how this plays out and keeping those customers happy.

But once it gets to a point where, like, yeah, this isn't going to -- then we would have to adjust.

ASSEMBLYMAN SANTABARBARA: One other item.

You mentioned some other states allow deducting promotional items.

So like that's a tax deduction?

JASON ROBINS: Well, all it is, is it's not taxing phantom revenue.

Right now we're getting taxed on revenue that we don't actually generate. It would be the equivalent of, if you got a T-shirt -- a coupon for a free T-shirt. You walked in the store, handed the coupon, got your T-shirt, and the store had to pay sales tax on that.

That's basically what's happening now.

So the example I gave, where somebody bets 100 and we give a $100 free bet, let's say they lose that. We only gained $100. We get taxed on $200 of revenue.

So we pay $102 on $100 of revenue.

ASSEMBLYMAN SANTABARBARA: Okay, and that's where you're coming up with the 70 percent effective --

JASON ROBINS: So if you -- that's an example where we matched a bet.

If you take the -- so I know FanDuel is publicly put out there that they reinvest about 30 percent, in promotions, of their gross revenue.

So if you take those numbers, then the effective tax rate in New York is about 72 percent.

ASSEMBLYMAN SANTABARBARA: Okay.

You're at -- do you -- are you doing -- are you operating out of Turning Stone and -- or just in the state?

Okay. All right. Thank you.

ASSEMBLYMAN PRETLOW: Carrie.

ASSEMBLYWOMAN WOERNER: Thank you.

Thank you very much. This is fascinating.

So, Mr. Genetski, you had in your testimony that your penetration rate in New York is about 7.4 percent, and you contrasted that to Louisiana where it's 6.4 percent.

CHRISTIAN GENETSKI: I think the opposite. Louisiana is 7.4.

ASSEMBLYWOMAN WOERNER: I'm sorry. Yes. Sorry.

CHRISTIAN GENETSKI: I may have misspoken. But, yeah.

ASSEMBLYWOMAN WOERNER: No, no, I did.

No, that is just your -- that's just FanDuel?

CHRISTIAN GENETSKI: Correct. We don't have insight into our competitors' numbers.

ASSEMBLYWOMAN WOERNER: Right.

Mr. Robins, do you have -- do you -- can you give me the comparable data for DraftKings?

JASON ROBINS: I don't have that at my fingertips, but I know that it is lower than other similarly tenured states, as the example that Christian gave. But we can get you the data.

ASSEMBLYWOMAN WOERNER: Okay.

And is it your sense -- and obviously you don't share customer lists -- but is it your sense that a FanDuel's -- FanDuel customer is also not a DraftKings' customer? Or is it typical that a consumer might have multiple platforms on their phone?

JASON ROBINS: Oh, very typical.

I mean, that's why the illegal market is so concerning.

These people are going and they're looking at where the odds are, and, you know, they have all the apps on their phone. So -- including the illegal websites that they go to.

So, you know, some don't. But the ones that are, you know, the majority of the revenue, the ones that are more into it, definitely odds-shop.

ASSEMBLYWOMAN WOERNER: Okay.

So it's possible that -- it's possible that the penetration rates that you have in New York are the same or similar to what FanDuel has?

JASON ROBINS: It could be, yeah.

ASSEMBLYWOMAN WOERNER: So everybody is about 6.4 percent?

JASON ROBINS: I wouldn't say everybody.

I think, you know, they're likely a little higher than us because they have more share; although, I think we're probably in a similar range on users.

I think most of the other operators are significantly less.

ASSEMBLYWOMAN WOERNER: Okay.

So I did just a little back-of-the-envelope calculation on things.

Assuming that 6.4 percent is the -- is, you know, basically, what the number of mobile gamers are in the state, which might be a little bit higher, a little bit low.

But that puts us at about 932,000 adults betting in New York State on mobile gaming.

So then looking at the data that we had from Spectrum on what the handle per adult is, and using Mr. Addabbo's data on how much revenue we would lose if we lowered the tax rate from 51 to 35 percent, being $600 million we would have to make up, what that says is that, you know, sort of based --

pulling all those numbers together, we would need an additional 1,371,428 bettors in New York State, which would get us to a penetration rate of 9.4 percent.

So that's more than -- that's more than double the number of bettors that we have in New York State now.

JASON ROBINS: Well, it wouldn't just be that.

It could also be the existing bettors betting more and betting less on the illegal market.

ASSEMBLYWOMAN WOERNER: So the handle per adult could go up.

So -- but in any case, it's a pretty sizeable jump, whether it's increase in the handle, so people spending more of their money, betting; or unique bettors.

So I guess my question is, like you were talking about the need to -- that you would be -- if we don't fix things, you're going to start ramping down your promotional investment, your market-development activities.

I guess on the flip side of that, to get -- to get, you know, basically, more than double the current number participating in the market to make

up that $600 million, are you prepared to significantly increase your investment in developing the market to achieve that?

Because I think that's the -- you know, that's sort of where the rubber is going to meet the road. Right? If we lower the tax rate and you don't do anything different than you're doing now, and we -- you know, that's not going to -- that's not going to fix anything.

So, I mean, basically we're just going to experience a less -- less of -- less tax revenue.

So I think this is a -- you know, my question is: How would you go about -- I mean, I would imagine it would take a substantial investment to grow from 932,000 bettors to 1.37 million bettors.

That's a --

CHRISTIAN GENETSKI: I'm happy to address that, so -- which I addressed it in my testimony, but just didn't go into detail.

But, again, we're looking at 2023, about, roughly, half investing in New York, what we invest, line for line, in other states.

We're looking to normalize that against other states.

Our projection is, we would acquire another

300,000 users in New York. That's just FanDuel.

Those users -- and then, also, we would be reinvesting in the user base that we already have, which is what Jason said. Again, promotions, bonuses.

We're very careful about doling out bonuses and profit boosts and other incentives to keep people at a reasonable, sustainable, healthy level of play over time.

Our long-term business depends on having a large number of customers who enjoy using our product, who come back to it regularly, who are playing in a healthy, sustainable way over a long period of time.

This first five-year period is critical to building up that user base, and familiarity and loyalty with our app and our product experience, so that they play for the next 20 years beyond that, and are happy in that experience, and it's working well.

If we don't build up that initial ramp, we're sort of gotten to where we are, and it sort of teeters. And then even those existing users say, well, how come now, when I'm on kind of a losing streak for two weeks, I don't get a profit boost, or

I don't get a $50 free bet. Or I don't get -- I'm used to those sorts of incentives. Where are those?

And they happen to take a flight from Newark, and they fire up their app, and, low and behold, there are all those incentives that they used to experience in New York, and now they see them there.

That's the danger.

So I do -- to answer your question, I said earlier, this is counter -- our ask is counterintuitive. We have to acknowledge that. Right?

But we are partnered with the State.

We want the same outcome the State does.

We want the State to make more tax revenue because that means that our business is growing.

And we do believe that lowering the rate to increase investment, we do get there.

I mean, the short answer to your question is, yes, we do believe we get there.

JASON ROBINS: I mean -- sorry -- just to echo what Christian said, I mean, I think you mentioned you would invest 200 to 250 more -- million dollars more.

So, same -- DraftKings' plan for New York currently in 2023 has been dramatically cut on

things like marketing and promotions, and we have contemplated raising odds in the back half of the year, based on the outcomes here, and things like that.

Our plan would completely change.

We would invest hundreds of millions of dollars in a better consumer-value proposition, marketing promotions, and other things in the state.

ASSEMBLYWOMAN WOERNER: So what is the -- so you were spending lots of money at the outset to develop this market, and you got to 932,000 consumers.

What gives you surety that there is, in fact, another million-plus adults living in New York who are going to become regular mobile sports wagerers?

JASON ROBINS: So we're in -- oh, sorry.

We're in 20 states now, and we have states that have several years of data.

We know what a state's year one to year two looks like from a penetration, you know, player standpoint; from a revenue and an increase in betting per players.

The first several years in every state we've been in have ramped significantly.

We're not seeing that in New York. New York

is not growing in that way.

We are still underpenetrated relative to where we are in more mature states.

So we have, you know, dozens of points that are almost, I guess, to almost 20 points of evidence now that we look at to determine that.

CHRISTIAN GENETSKI: I was going to say a similar answer.

We now, you know, it's a five-year-old industry, mobile sports betting. So we're not -- you know, we don't have years and years of data. But what we can see already, because we have states that started in 2018, that launched in '19, '20, '21, '22, we can see the arc of that performance, and there are differences.

New York -- New Yorkers appear to be more enthusiastic sports bettors, which is great. That raises the high-end potential on a like-for-like basis versus other states.

But tracking on a per capita basis, adult population, our numbers track pretty consistently across the states.

Now, we may have a higher or lower market share in a given state, and that can affect the dynamic.

There may be 20-some operators in some states and 9 in others. That can affect the dynamic.

But, by and large, you see the same pattern across these states, which is what gives us confidence both ways in New York: What we have to do if we stay under the current regime versus what we could do if we have one that looks a bit more like our other states.

JASON ROBINS: So New Jersey was the first state, post passed overturn, launched in 2018.

I would encourage you, look at -- they published their numbers. You can look at almost five years of data now there, and you can see the growth continues year after year after year.

And then compare that, we're just starting now to get into some, you know, coming on the first full year in New York, where we have some year-over-year data, and compare that year two in New Jersey to what you're seeing in the early year-two data in New York, and it's very different.

ASSEMBLYWOMAN WOERNER: Thank you.

I have to say, color me sceptical.

And I only say that because I think there is -- there will be a cap, sort of a natural cap, on the number of people who will engage in mobile

wagering, just like there's a cap on how many people are going to wager, period.

And it's a big -- to recover $600 million is a big jump.

And I am no fan of high tax rates, but I think that there's -- I think this is a leap.

So I'm going to look forward to the analysis that you're going to do, to show us how we can -- how that's going to happen.

But color me sceptical.

CHRISTIAN GENETSKI: Completely understand.

I think the one thing is to assume that New York will stay on a steady state at the current rate.

It's really -- we think the one axis goes down versus the other going up, which is obviously going change that $600 million.

JASON ROBINS: Yeah, it's 600 million versus what it would have been; not 600 million versus today.

And I think that is an important point Christian is making, is our expectation is that New York will start experiencing year-over-year declines if operators begin to, you know, understand that there isn't going to be a change in tax regime,

and start making the adjustments that we've all been holding off on making.

ASSEMBLYWOMAN WOERNER: Thank you.

ASSEMBLYMAN PRETLOW: Well, thank you gentlemen for your testimony.

I want to actually commend the two of -- the two of you for the foresight that you had several years ago by basically buying ESPN with your name, and instilling both DraftKings and FanDuel in the minds of millions.

And that is probably a testament to why you have a 90 percent -- 80 percent, or around maybe 90 percent, of the market right now.

I found your testimony very interesting.

I just have one, I guess, complaint.

I think, Jason, you said that New York cannibalized New Jersey. It's the other way around.

They were eating our lunch because they were our people. We just took them back.

JASON ROBINS: That is true.

CHRISTIAN GENETSKI: Recaptured.

ASSEMBLYMAN PRETLOW: We recaptured them.

Now, I'm a little confused about the 51 -- I mean, I know how the 51 percent works.

Would it be helpful to you if the incentives

were not taxed?

JASON ROBINS: Yes.

ASSEMBLYMAN PRETLOW: And the rate remained at 51 percent?

JASON ROBINS: So we look at effective tax rate.

And I think, as Christian noted, the projections that have been run, where we feel we can do at least as well, if not better, for New York are at an effective tax rate in the mid-30s.

So when I say "effective," both of those things effectively change the tax rate that we pay.

So it -- really, it depends on what the net-out is.

I think in order to really be able to achieve the projections that you all want to achieve, we would need some lowering of the headline rate and some allowance for promotions.

Some states have chosen to only allow some promotions to be excluded, which I think is, you know, an in-between point that could work.

But in the end, we're going to look at, what, you know, makes the market sustainable is, we take in a dollar of net revenue, how much of that has to go to tax? And then how much is left to reinvest

into marketing promotions and, you know, product, and everything else, that we need to do.

ASSEMBLYMAN PRETLOW: So when you say "market," you are actually talking about incentives, for the most part.

JASON ROBINS: And advertising.

ASSEMBLYMAN PRETLOW: Not brick-and-mortar, that infrastructure, basically giving individuals money.

So if your investment is 300 million, and that's not taxed, that's actually 51 percent of 300 million the State is losing that you would have to make up to make the 51 percent tax rate on the initial bid sustainable. Is that correct?

CHRISTIAN GENETSKI: Yeah, although it's 300 million we wouldn't investment.

So it would -- it would be a zero from us not investing it, or zero if it was all promotional dollars.

And so the thought is, if you don't tax the $300 million investment, you're certainly taxing the $400 million, $500 million, return.

JASON ROBINS: Yeah, so we're going to -- this is aligning incentives.

We, in an environment where there's no active

disincentive to make that investment, we're going to invest whatever we think will maximize the gross proceeds, because that's what we're trying to do, that's what you are trying to do.

Right now we're disincentivized to do that because we're getting taxed on, you know, coupons that we're giving out to people, basically. So, you know, there's less of an incentive to do it.

Christian is right, that it's really a difference between very little, maybe even zero, promotional dollars versus healthy amount which I think will continue to support the growth of the market.

ASSEMBLYMAN PRETLOW: Okay.

Now, you mentioned some draconian actions that may have to be taken to make your business sustainable in the state of New York. Right?

And -- well, I guess you both know that your market is very, I don't want to use the word flakey, but fickle.

And if you, DraftKings, change the odds on, say, you know, Giants plus 15 1/2, and everybody else is doing 15, you got everybody who was on your site is going to go over to Christian and go to MGM.

So you have to do this in consort with each

other, and getting nine entities to all collude to give the worse odds in New York wouldn't be really beneficial. And that might get the AG involved or something like that.

JASON ROBINS: Well, we wouldn't collude. I think we'd --

ASSEMBLYMAN PRETLOW: Well, you would have to, because if I risk in, and I'm offering, you know, one odds and you're offering worse odds, you're -- I mean, ask Caesars. They paid $300,000,000 to buy the market, and they did. They don't have it now, you took it back, but they took everyone's clients, and they had everybody that -- in New York had a Caesars account.

You know, I have account for both of you guys, you know, and I play one off against the other.

Well, not too much in New York, because they only do regular sports here.

But in New Jersey, where you have, you know, MVP and that kind of stuff, you have different numbers.

And sometimes the difference between the two of you is substantial.

So again, you know, players that do

participate in this do look at the odds.

So I think it would be difficult for you to, you as one entity and you as the other entity, change your odds because you'll not just lose them to the illegal market, there are eight other entities out there offering better odds than you if you make your odds worse.

So that is totally --

JASON ROBINS: Just, I mean -- I mean, there's a couple counterpoints -- or, I guess that is true, that we will lose share to the illegal market.

There are other countries in the world that have implemented changes to raise the tax rate, to the very opposite of what we're contemplating here.

Germany is an example, where they actually regulated it and did it. Australia. In those markets, all the operators offer worse odds.

So I think the market naturally adjusts.

I understand it's going to be a little iterative, so it wouldn't be like, day one, we would just wipe out the odds and make everything 20 percent more.

But as each operator, we're all looking at each other's odds. We're all making sure that we're

that competitive.

As Christian and FanDuel see, hey, others in the market are starting to adjust up, they're going to do the same. Everybody is going to kind of -- otherwise, it just doesn't work.

We have to.

I mean, there's no -- the other choice is just to lose money forever in the market, and I don't think everyone is going to do that.

So I think it will have to happen, but it will be more iterative because, you're right, we can't directly collude. It will be people kind of watching what each other are doing, and it will happen over, you know, months, not necessarily all at once.

ASSEMBLYMAN PRETLOW: Okay.

And I don't know if this is proprietary information or not, but do -- since the two of you are here -- DraftKings and FanDuel have a financial interest in iGaming, other than the advertising revenue that you get?

Because if you go on your site, every second and a half there's an iGaming app pop-up.

So it seems to be some kind of synergy between this iGaming. And you both mentioned --

JASON ROBINS: We offer iGaming.

ASSEMBLYMAN PRETLOW: Oh, you do offer it?

JASON ROBINS: Yeah.

ASSEMBLYMAN PRETLOW: So as for yours --

JASON ROBINS: If you go to New Jersey or Connecticut or Pennsylvania you can try out our products. We have free versions that you can try out in New York, you just can't play for real money.

But we do offer all of that: Slots, online casino, games, all that stuff.

ASSEMBLYMAN PRETLOW: But there are -- and so you can play for real money when your sites aren't there?

JASON ROBINS: If you -- sorry, what was the question?

ASSEMBLYMAN PRETLOW: There are iGaming offerings where you can play for real money on your sites?

JASON ROBINS: Yeah.

If you go to New Jersey or Pennsylvania or Connecticut, we have iGaming, both of us do, in those states directly through the app. You can swipe up on DraftKings and a blackjack table appears during --

ASSEMBLYMAN PRETLOW: Yeah, I know.

Okay, gentlemen. I thank you both for your testimony.

Senator.

SENATOR ADDABBO: Yes, I want to thank you both as well.

I do have a couple of really quick questions.

How many employees, how many people do you employ, in New York?

CHRISTIAN GENETSKI: In -- our total employees are about 3500.

SENATOR ADDABBO: In New York?

CHRISTIAN GENETSKI: About a third of those are in New York. New York is our headquarters.

JASON ROBINS: We have 150 people in New York.

SENATOR ADDABBO: Okay.

You had mentioned the promotional.

Any information on that in terms of us considering, as we again discussed, on the cusp of the budget negotiations that are about to begin, any information on that would be most helpful.

In terms of iGaming, do you think the black market -- because you mentioned black market for mobile, the illegal market -- do you think the illegal market for iGaming is as robust or more so

than normal?

JASON ROBINS: So exactly the same thing that we do in states like New Jersey and Connecticut, where there is just like a little casino link in the sports-wagering app, that exists in the illegal market on virtually every illegal online sportsbook.

I think because sports is a more social thing, people talk about it more, and it's kind of a more known thing that people are betting on illegal offshore sites.

But almost all of them have online casinos, so it's kind of the same dynamic.

I just think it's less of a social thing, so people don't discuss as much with their friends, people are talking about bets they're making, and things; so it's kind of less known. But it's, virtually, the same experience that you can get in the legal market.

SENATOR ADDABBO: I know the topic here today is mobile sports betting, where we are a year from now.

But this iGaming thing I've heard of, and I think it's going to be big in New York one day.

We will have, the committees will have, a roundtable discussion on this issue about iGaming in

New York, somewhere in the very near future.

So it's certainly a topic for a different day, but I do look forward to that conversation.

In terms of, again, we know the tax rate is an issue. We should take a look at any information or analysis given to us.

We know promotional play is an issue.

But my friend Gary, some [indiscernible] brought up an issue about betting in other states.

Jersey.

Jersey allows betting on MVP's, Rookie of the Year awards.

What if New York was to do that?

JASON ROBINS: I think it would be great if New York were to allow some additional types of bets.

SENATOR ADDABBO: Any estimation on what kind of revenue?

JASON ROBINS: I mean, I think the hard part is that, if we layer that into, you know, an unsustainable tax setup, nothing else kind of matters. Right?

I mean, it makes it so that, you know, we're not going to invest in promoting those new offerings and trying to get more customers interested in them.

So it's hard to really predict that there will be any positive benefit if we don't couple that with a change that allows us to, you know, market and then, you know, show our customers good odds and those sorts of things.

CHRISTIAN GENETSKI: I do think the one thing that's advantageous about those markets is, yes, they drive handle, more things to bet on will drive higher handle; but there are also great customer-engagement tools. A lot are those are futures bet, long-term bets. It keeps people active. They want to go back and remember how are things farring as we get closer to the draft or we get closer to the MVP award.

Those sorts of bets that are outside of the immediate game, we find really drive customer interest. They attract new users. Those may be the first markets some users want to place a wager on. And then they're in the app, and, again, you know, you grow the market through that.

So we certainly would favor the expansion of those.

SENATOR ADDABBO: Thank you.

Senator Helming, please.

SENATOR HELMING: Thank you, Senator Addabbo.

Thank you, gentlemen, for your testimony.

I'm going to apologize right off the bat because I walked in at the very end it.

Somebody may have already asked the question I have, or maybe you addressed it in your presentations, or maybe it doesn't even apply to you.

But, again, as I stated when I introduced myself, within my district I have a racino and a casino.

And I'm just wondering about, has there been any discussion or talk or data presented on mobile sports betting, any impact it's had on these brick-and-mortar facilities?

And since my colleague brought up iGaming, of course, I'm sure you have done studies to show how that may or may not impact these brick-and-mortar existing facilities that are so important in our communities.

CHRISTIAN GENETSKI: Yep, sure, I'll take the first shot, and Jason can add in if he has more information.

First I would say, on the retail sports-betting side, we're partnered with Tioga Downs. We have a fabulous sportsbook there.

It was opened before mobile launched, and it's continued since mobile has launched.

And Executive Director Williams actually addressed this pretty well in his -- in response to a question.

Sports betting and retail facilities, about the same things that all of us do when we want to go be around other people and experience things together.

It's a fun place to be where two-thirds of the book is routing on one outcome on the big game on the TV and one-third is routing on the other. It's kind of a raucous, fun experience, and that's something that people like to do.

The truth of the matter, of course, is we all spend, regrettably, more time on our couch than we do in communal settings, you know, with our friends.

So mobile, obviously, there's just a much more, you know, availability and capacity.

But what we do at Tioga is we -- we know who all of our mobile users are who are in 25- to 50-mile radius of Tioga, and so we target special promotions for them, to try to ask them to come in to Tioga Downs.

Obviously, our partner at Tioga wants them in

the building because there are lots of things they can do.

They can go have a nice steak dinner.

They can sit down at a table.

And so we work with our partner to use the retail sportsbook as a draw for more foot traffic to the casino in a way that helps their overall casino business.

Mobile sports betting doesn't really have an impact on how our retail sportsbook gives uplift to the casino.

On the pure iGaming side, there have been a number of studies done.

I think there was -- again, there was an intuition in the land-based casino community for awhile, that it has to be -- it has to be a cannibalization if we launch iGaming.

We now have the data. We have New Jersey, we have Pennsylvania, we have Michigan, and the data just says the answer to that is unequivocally no.

That it's attracting a different kind of consumer to casinos that would never come before, the sort of "reward member loyalty" loop between online and land-based gets new customers into the casino.

And the existing customers who like to go to the casino, they're not going every day. And it gives them a time to -- a method to keep a persistent relationship with that property for the next time that they come back and visit.

So I think you see all the land-based operators now are huge proponents of iGaming, for the most part, because they've seen that it's just an additive to their business.

SENATOR HELMING: Does that include the racinos?

Are they proponents of -- I mean, I get the relationship between mobile sports betting and your casino partners.

But what about the racinos in New York State, how are they impacted?

CHRISTIAN GENETSKI: I don't want to speak, you know, on behalf of any of the racinos, certainly.

But I think that to be able to participate in the revenue streams, I think is the critical issue for all of those stakeholders.

And so, you know, we understand that.

SENATOR HELMING: Thank you.

JASON ROBINS: May I just to add to what

Christian said?

I think -- so, first, I think it's very important, there is data out there on this. So we don't have to guess; we know.

And the data unequivocally shows that brick-and-mortar casinos, lotteries, all other, you know, forms, that fearfulness about lost revenue didn't happen. In fact, they grew, they went the other way.

The way I would explain this is, you're bringing more people into the market.

There's marketing, there's other things, that come with the legalization.

More people are able to access it because it's more convenient.

So you're just bringing more people into the market. That lifts everything.

Over time, will there be some -- you know, maybe?

But it should still be on a larger basis because you, fundamentally, grew the market.

We saw a similar thing in mix of online when mobile sports wagering launched in New Jersey.

So, similarly, a lot of people, when mobile sports wagering launched in New Jersey, said, oh

this iGaming revenue, its brick-and-mortar casinos, is that all going to go down? because, you know, the money has to come from somewhere.

Everything jumped.

Why? Because all these new people came into the market.

So I think that's really the dynamic that generally occurs.

And, you know, there's casinos that argue against it. I think that -- and we've seen them, some racinos, some casinos.

Generally, the way -- because I've talked to many of them. I said, look, you know the data doesn't show any harm to you.

And the answer I usually get back is, yeah, but there's no upside for me.

So this is the participation [indiscernible].

Why would I, if I have no ability to participate, do anything that even remotely risks my revenue?

I'm, like, it will grow your revenue.

But they just don't think that way.

So I think the key is, as long as there's a path to participation, this should, you know, be something that most get behind.

But the data will show that even if there isn't, everyone benefits from it.

SENATOR HELMING: Thank you.

SENATOR ADDABBO: Thank you, Senator.

Gentlemen, thank you very much. I do appreciate your time, and obviously you're efforts here in the state.

We look forward to working with you, certainly during the budget process.

JASON ROBINS: We really appreciate it.

CHRISTIAN GENETSKI: And thank you for everything. We appreciate it. You've been pioneers, and we recognize that.

SENATOR ADDABBO: Thank you, gentlemen. Have a good day.

Our next panel, Panel 3:

Howard Glaser, global head of government affairs, Light & Wonder;

David Isaacson, senior vice president of Spectrum Gaming;

Michael Pollock, managing director of Spectrum Gaming.

Gentlemen, good afternoon, and thank you.

Please.

MICHAEL POLLOCK: I will start.

Chair Addabbo, Chair Pretlow, members of the committee and staff, we at the Spectrum group of companies thank you for the privilege of being asked to provide testimony today.

Spectrum has been examining the potential opportunities and challenges on all forms of digital gaming for more than two decades, meaning that our analysis preceded any actual authorization of digital gaming, any form, because we recognized early on that the Internet itself represented a permanent change in how individuals conduct their lives, and how businesses, large and small, would operate in what is clearly an entirely new world.

Also, we recognize that all industries, most notably consumer-facing industries, including casinos and lotteries, have to adapt their business models to leverage this new technology to develop an omnichannel strategy of reaching consumers, and hopefully new consumers, and turning them into customers.

Now -- and this was referenced earlier, and by questions and by speakers, while land-based casinos, which remain the flagship vertical in all of gaming, were initially sceptical of online wagering and fearful that it would cannibalize

on-site wagering, the entire casino industry, the entire gaming industry, now fully recognizes that their existing customer base was not getting any younger. And digital gaming in all forms represented an opportunity to capture a younger demographic.

And, two, is that adults will always enjoy games of chance; but more important, adults will always enjoy spending time and money in social settings.

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

Now, the experience of digital gaming in recent years, in multiple states, has affirmed our initial projections.

We note that, on average, digital sports bettors and iGaming players are materially younger by decades than traditional casino players.

And, also, that online and mobile wagering -- and this question has been asked -- and our view is, it is has not cannibalized land-based wagering.

Quite the opposite.

As expected and projected, online and mobile

wagering has created an omnichannel marketing opportunity to reach adults who previously had little to no interest in visiting casinos.

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

One: When looking at tax rates, do not simply multiply the proposed tax rate by the expected revenue and assume that the resulting numbers will constitute the full fiscal impact; rather, examine how your gaming policy might either encourage or potentially discourage investment, capital investment and other forms of investment, in gaming properties and other facilities in the state.

Then project how that change in investment will potentially affect employment, construction, purchases of goods and services, that, in turn, would affect multiple fiscal streams, including sales tax, income tax, and many other tax streams.

That exercise gets you to a different number, but it's a number that can help ensure better-informed policy decisions.

Now, a new term is presently entering the economic lexicon. It's called "the experience

economy." And it will be dominated by private entities that are best positioned to meet the demands of consumers for more and better social experiences.

Now, the gaming industry is well-positioned to be a major participant in this experience economy. And not surprisingly, some gaming markets are already showing that gaming could account for less than half the revenue generated by that industry.

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

I just -- before I close my comments and turn over to Senior Vice President David Isaacson, I want to acknowledge comments made by Chair Addabbo right at the very beginning of this hearing, within the first few minutes of this hearing, where you noted that legislators do not have the luxury of just simply passing a bill and sitting back and waiting for the results to come in.

And that it's important to note that change is a constant in gaming. There's going to be

continued technological changes, political changes, demographic changes, and other changes that you as legislators, and this would apply to any legislature, have to monitor and respond to.

It's going to be a constant process, and I will close with that: That change is going to be a constant.

And with that, I will turn it over to Spectrum Gaming Capital Senior Vice President David Isaacson.

DAVID ISAACSON: Thank you, Michael.

Good afternoon.

And thank you to Chair Addabbo and Chair Pretlow and fellow committee members for having me here today.

I'm here to present some analytical insight and some of the specific trends that we're seeing in the digital sports-wagering market in New York, and also relative to other states.

And then after that I'll share a few insights on our estimates for iGaming in New York.

Some of this will be repeated, forgive me, but for context, I'm going to just go right into it.

New York just completed its full year of digital wagering, starting in January of 2022, and

generated 1.35 billion of GGR from digital only.

This exceeded our projections in our New York report submitted in January of 2021, by 23 percent.

On a per capita basis, and in terms of total wagering volume, New York is the largest sports-wagering market in the country as compared to all other states with legal wagering.

This comes as no surprise to us, given the size of New York's adult population, the presence of teams from all the major sports locally, and its high-income demographic.

New York is clearly an important market for sports-wagering operators and their long-term business prospects.

However, among competitive markets, New York's 51 percent gaming tax rate is highest, and is more comparable to monopoly markets that have only one operator and where competition is more restricted.

Under the current gaming tax rate, with nine operators competing for market share, we believe it will always be a challenge for operators to generate a meaningful profit in this market.

Although the sample size is small, at only 12 months, we're seeing some important trends that

suggest the New York market is somewhat anomalous as compared to other competitive markets, that we wanted to highlight for you today.

New York started off very strong, generating about $1250 of wagering handle per adult during its first three months, January to March of 2022.

That number is an annualized number.

And over the remaining nine months, we are seeing that trend decline to $1,030. So it's a decline of 21 percent.

We do not see -- we are not seeing similar declines in other competitive markets, in other markets which have between two and four years of data.

We're seeing multi-year increases of wagering volume or handle, and, in turn, gross gaming revenue, as these markets ramp up.

We compared the percent distribution of wagering volume by quarter during the first calender year of sports wagering in New York -- it obviously started in January, so it's a good -- it is a calender year -- with the calender year of other competitive markets, like New Jersey, Pennsylvania, Indiana, Illinois, Iowa, and Michigan.

In Q1, these other states generated between

20 and 24 percent of total wagering volume for that year, followed by a softer Q2 and Q3 when the sports calender is lighter. So, of course, wagering volume is going to be lower in those quarters.

But in Q4, these same markets generated between 35 and 49 percent of wagering volume during their first calender year. So a big, big jump in Q4.

The big increase in Q4 kind of leads into that second year ramp-up and produces a very -- a year-over-year growth in both handle and GGR in that second year in these other states.

In New York, we're observing something somewhat different and anomalous.

Q1 generated 30 percent of the wagering volume or handle.

Q2 and Q3, 23 percent and 18 percent, respectively, as expected it was going to be softer.

But Q4, which is somewhat alarming to us, generated only 29 percent of that total wagering volume.

So Q4 lower than Q1.

Those are the two big quarters for sports-wagering.

We believe this is happening because

operators are pulling back on promotional spend in this market. They're more focused on their bottom line relative to the promotional blitz that we experienced in Q1.

We expect that under the current tax structure, operators will continue to limit promotional spending. So in year two it is possible that the New York market could actually decline in terms of overall wagering volume, putting the state's tax revenue at risk.

Other insights we wanted to highlight:

Market share is concentrated in just about all the competitive markets.

But in New York it is more concentrated than others, with the top four operators generating 94 percent of handle and about 96 percent of gross gaming revenue.

In comparative markets, those other competitive markets that I highlighted, the percentage is closer to 80 to 85 percent.

There is an inverse relationship between tax rate and handle.

A higher taxer rate will -- tends to burden wagering volume, a lower tax rate will enhance wagering volume, over the long term.

This is a trend that we are seeing in other states. It will be highlighted in the report that will be shared with you.

And there is a very strong correlation between promotional spend and overall wagering volume.

In that report, which will be shared with you, in Pennsylvania, the gaming commission there releases data on promotional spend by operator. And we observe a very strong correlation between promotional spend and overall wagering volume or handle, such that, when promoters, in one year they spend X and in the second year they spend Y, which is either higher or lower than the prior year, overall wagering volume and handle will be higher or lower in concert with that promotional spend.

To conclude:

New York had a very strong year in terms of handle and GGR for sports-wagering.

And there are warning signs that year two could be a down-year for this market.

With nine total operators, but only four generating meaningful business volumes, there could be diminishing interest in this market, making it look more and more like a monopoly, or a duopoly,

market.

Now to iGaming, just a few insights, and it has been referenced earlier, but Spectrum recently updated our estimates for iGaming in New York. And we project the market could generate between 2.3 billion and 3.1 billion of gross gaming revenue in year one, increasing to about 4 billion in year five.

For context, New Jersey generated 1.66 billion of GGR from Internet gaming in 2022. That's after nine years of operations.

Pennsylvania, with about 10 million adults, generated 1.4 billion after about 4 years.

And, Michigan, with about 6 million adults, is generating 1.6 billion of gross gaming revenue after two years of operations.

So we feel very good about our estimates that New York will obviously be a very large market. 15 million adults, the math works out to very big numbers.

And that concludes my comments.

Thank you.

HOWARD GLASER: Good afternoon. I think we've slipped over into the afternoon at this point.

Thank you, Chairman Addabbo and

Chairman Pretlow for having me.

My name is Howard Glaser. I'm here on behalf of Light & Wonder. You may know that company better by its former name of Scientific Games.

We're a leader in global gaming content and technology. We operate in 50 countries on 5 continents, including here in New York.

We are a major provider of gaming services and equipment to every casino, every racino, every tribal gaming operation, in the state.

We also work directly for the State.

Our video lottery games, through the VLT program, last year produced $575 million of revenue through our games alone last year.

Cumulatively, since the beginning of that program, and we've been with it since the beginning, almost $7 billion of revenue through the VLT program.

So we're very committed to New York, and we appreciate our partnership and our invitation today.

So let me just say, first of all, congratulations.

Congratulations.

Thanks to your efforts, New York's launch of sports betting in 2022, as you have heard, and you

know, is, by any revenue measure, the most successful launch of sports betting in the United States, and I think also likely on the planet.

So, you know, it's a pretty high accolade.

The numbers are astonishing. That's a credit to the work of this committee, to Rob Williams in the Gaming Commission itself, the members of the industry, and, really, the enthusiasm of the players for sports betting. They really embraced the product.

I want to say, though, as successful as New York has been with the launch of sports betting, it is worth pointing out that there is one gaming initiative that's performing better, and you've heard a little bit about it here today.

Almost every state surrounding New York has added or paired Internet online gaming -- I'll call it "iGaming" for this point -- to its sports-betting program.

It's in Pennsylvania today, it's in New Jersey, it's in Connecticut, don't forget to look northwest to Ontario as well, and a little further afield in Michigan, as well as in West Virginia, you can play online casino games as

well as sports betting.

And in all of these states, those states have found, that while sports betting is a good appetizer, iGaming has proven to be the main course as far as revenue generation is concerned.

So there's a wealth of data in our written report that I provided to the committee.

I'm just going to focus on three points in that data.

First off, tax revenue from iGaming far outpaces that of sports betting.

There are six states, I think was mentioned earlier, that currently have iGaming. Most of them are on New York's borders.

Together, in 2021, last year we had full data, those six states generated almost two times the tax revenue of the 30 states with sports betting.

Just think about that for a second.

30 states with sports betting produced half the revenue of 6 states with iGaming, gives you some sense of the revenue generation power of sports betting -- of iGaming.

So what might that mean for New York if New York were to adopt, like the states around it,

an iGaming program to add to sports betting?

Well, if the state only performed at the average of what New Jersey does -- I think they probably would perform better -- but only at the average of New Jersey and Pennsylvania and all the other states I mentioned, that would be over $2 billion in gross gaming revenue annually.

Those are numbers from a separate study from the one that Spectrum just mentioned, and they are remarkably consistent. So it shows you that we have some data points that seem to be very credible.

Hypothetically, a hypothetical tax rate of 20 percent on $2 billion, you know, you're over $400 million in annual revenue.

That tax rate, of course, is a prerogative here, but just to give you a sense of what that would look like, a 30 percent tax rate in the first year would be $640 million.

Like sports betting, it's a fast ramp-up. Those are first-year numbers.

If you look at a mature market, you see some of the estimates for a mature market from Spectrum today, a midrange of 3 1/2 or so billion dollars in gross gaming revenue. At a 20 percent tax rate, that's $700 million.

A higher tax rate could be over a billion dollars, and much more modest tax rates than you have for sports betting today.

So, you know, that's hundreds of millions of dollars in annual tax revenue, potentially, for the state, and it's something that we know it has come up in this conversation before.

I want to mention one other thing that comes up in the conversation, and you heard the question here today a couple of times.

You have big investments in brick-and-mortar casinos. You have racinos. You have tribal casinos as well.

Doesn't iGaming hurt or impact in a negative way what you already have in a brick-and-mortar?

I get it instinctively.

You know, you have Amazon is often seen as pushing out the small guys.

You heard Rob Williams earlier said, I don't go to the supermarket anymore. You know, I go and order online.

So I understand the point, but iGaming couldn't be more different on the facts.

In every instance that we know of, iGaming has driven additional revenue growth and job growth

at land-based casinos. That's the experience of every state.

In New Jersey, in Pennsylvania, and in Michigan, so far, we've seen significant growth of all three casino land-based operations as they have introduced iGaming.

And, in fact, together, those markets in 2022, just from those three states, grew 51 percent in total. It's growth you can hardly find anywhere else.

New Jersey released numbers last week that make the point.

You know, Jersey went through a terrible time with Atlantic City. They lost 50 percent of their income in Atlantic City back in the bad-old days.

Around the time they introduced the early versions of iGaming was 2016. That is when they began to see growth and rebound for the first time.

And last year, with tremendous growth of iGaming in New Jersey, the Atlantic City casinos grew 9 percent just last year alone.

So you see this parallel growth as you introduce iGaming.

You not only have no negative effect on land-based gaming, you see a positive effect.

Why is that?

I think Jason or Christopher mentioned it earlier, the market experience suggests that, by expanding the customer base when you add a digital channel, it adds new customers. They're looking for that other experience to the land-based side as well.

Remember this important point:

Land-based casinos are not competing with an Internet-based iGaming. It is the same license. It's just an extension of a channel they currently have, they build their customer base that way.

And that's why the land-based casino industry is broadly in favor of adding the online digital channel to their portfolio of products, which is a difference from where it was a number of years ago.

Last thing I'll say, just for 30 seconds:

Illegal iGaming has been referred to here.

It is happening in the state today, except without capturing tax revenue and without consumer protections.

If you take your phone out right now during this hearing, during my testimony if you like, you can play any casino game that you want.

You will be playing with an offshore

operator. Your money could be unknowingly used for money laundering. We've seen it used for terrorist financing, and for fraud.

The AGA (American Gaming Association) released a report just I think last month, and they created some estimates which are hard to get of what the iGaming market size would be because of the self-reporting.

But based on that, the estimate that we extrapolate from that data is about a billion dollars reported a year, annually, right now in Internet gaming.

That is money that New York is giving away, tax revenue, to illegal operators on while opening consumers to risks.

So it's one thing to consider as you think about this broader environment.

To sum up:

The gaming industry has a simple message on iGaming, I don't know that you hear this from every industry:

Regulate us.

Tax us.

Protect consumers.

The states that do this, they see healthy

brick-and-mortar casinos, they see dramatic tax-revenue growth, and a secure online environment for consumers.

Thank you.

ASSEMBLYMAN PRETLOW: Thank you, gentlemen.

Any questions?

You guys are very concise.

I don't have any questions.

A few comments.

One of you mentioned that the tax rate affects handle. That's an indirect effect referring to handle being boosted by money being put in by the operators, not necessarily.

DAVID ISAACSON: Yeah, in the terms of the data that we observe, the lower-tax-rate states tend to have higher handle; yes, it's a direct result of how the operators operate in those states versus how they operate in higher-tax states.

ASSEMBLYMAN PRETLOW: Well, it is basically them putting in more money, incentive to stimulate, or matching money.

But on the face of it, the handle is not affected at all by the tax rate because the player doesn't experience that, unless the odds are changed, which was mentioned earlier, also.

So I think I'm pretty good there.

I had another question, and I wrote it down, I don't remember what it was.

You know, for a hearing on sports betting, a lot of attention was paid, not just by you, but the previous panels, on iGaming.

And I think that you guys see that as the future.

We're not here to discuss the future, really, but [indiscernible] the present and the past.

But it's perked a lot of interest, that's all I can say.

Senator?

SENATOR ADDABBO: Thank you, Assemblymember.

I do have [indiscernible] questions?

Just to put things in perspective, and, also, for iGaming, like I said, there will be another roundtable somewhere discussion down the line on iGaming.

But just because this is an interesting point to be made, to confirm, to an extent, the revenue that we would make, on year one, for iGaming, what number was that, just again to confirm?

DAVID ISAACSON: 2.3 to 3.1; so let's call it 2 1/2 billion.

SENATOR ADDABBO: Year two was three to four.

So let's call it 3 billion, money lost, because we're surrounded by the other states. We're surrounded by New York -- or, New Jersey, Pennsylvania, Connecticut -- right? -- Ontario. But, again, the three states.

Money lost into the illegal market.

Money lost per year for New York, roughly.

MICHAEL POLLOCK: Go ahead.

DAVID ISAACSON: I was just going to reference, in this same report, we did an analysis on what is the -- what is the size of the iGaming market in each state. And I think -- I think it was 600 million of illegal-wagering revenue in New York.

We'll share that report, or we may have already shared that with you.

SENATOR ADDABBO: That's 600 million, illegal?

DAVID ISAACSON: Illegal, right.

SENATOR ADDABBO: And in that portion of money that goes to another state, roughly, there's an estimate out there, data-driven, of course, that we lose to New Jersey, Pennsylvania, Connecticut, any idea?

HOWARD GLASER: We don't have a number for

that because, I think as a prior speaker said, when you're dealing with Internet gaming, it's one that you don't move over the border quite as much for.

But here is the impact, state to state:

Because you have a thriving Internet gaming market in the surrounding states, in Jersey and Pennsylvania, that is boosting their land-based casinos and, to some extent, the racinos where they authorize that as well.

That is a basis that you lose in New York because you are allowing that business to boost growth of the land-based, and you're denying it, ineffectively, by not allowing it for the casinos in New York.

Imagine, in any other business, shutting off the digital market and saying, you can't have a digital marketplace. That's going to be a competitive disadvantage.

That's probably the main stay-competitive impact that we see with iGaming.

SENATOR ADDABBO: Okay. So, again, just on that note -- right? -- my point being, if we're losing, roughly, 600 million to an illegal market every year, and, conservatively, I'll double -- we'll say a billion to include the average state,

and I think that's a conservative number, and then the 3 billion that we would have made in revenue; so, therefore, if you count the revenue that we would make and the money that we lose, so, roughly, every year, we don't do iGaming, every year we don't do iGaming in New York, there's, roughly, again, if you do the math, that's $4 billion lost, if you think of it that way, revenue lost, and lost to another state and to the illegal market.

So every year we let it go, and, again, this was the argument we made with mobile sports betting, before we had mobile sports betting, they were going to another state, they were doing it illegally. And every year we lost a billion dollars and billions of dollars, and so forth.

And I'm just saying, if we want to stop the proliferation of money going to another state and to illegal market, and recognize that money for our education here, I would think that New York should do something.

But it's a topic for a different day, I guess.

Mike, you had mentioned --

And one of the things, Spectrum [indiscernible], the foundation of which we did

mobile was the study. It was most helpful. And, again, I thank Spectrum for the 2021 study.

-- but you had mentioned in your testimony new customers.

And I think Assemblymember Warner brought up a really good point.

Should we talk about the reduction of the tax rate?

And, again, that number of 600 million came out as far as a shortfall that we would have to make up somewhere with additional consumers.

Is there enough new consumers out there that could possibly make up that $600 million?

MICHAEL POLLOCK: In my view --

And David's the numbers guy. I am the qualitative.

SENATOR ADDABBO: I need both.

MICHAEL POLLOCK: -- but I believe the answer is absolutely.

Absolutely, the numbers can be made up; that there are -- there's a lot more adults who are not participating, a lot more, than are.

And with the right marketing program, with the right ability to reach them, in all facets, including getting them, marketing to them, getting

them to land-based casinos and racinos, the number can be made up, yes.

SENATOR ADDABBO: Thank you.

Howard, again, I know iGaming is separate, but I'm fascinated with the numbers, though.

HOWARD GLASER: Yeah.

SENATOR ADDABBO: The data which you got this number, and how you basically estimated where New York would be.

HOWARD GLASER: Sure.

I'll mention two things, because we talked about this "$2 billion" number, and then a revenue generator from that.

First of all, we did do a -- we commissioned a report from another independent research firm earlier in the year -- actually, it was the end of last year, separate from Spectrum. We'll make that available to the committee, and it presents their data.

But, basically, this is what we see very consistently:

Every state that has adopted iGaming has about a one hundred to one hundred and thirty or forty dollar per capita spend to get to that number.

So if you want just a shortcut, you have

20 million people in New York. You're looking at about a $20 billion -- $2 billion annual GGR.

Not everybody is spending $200, obviously, and it's just adults.

But that's a good way to equalize between states and see what the possible GGR would be.

So that's a shorthand we use.

There's much more detailed information, both in our written testimony that we provided today, as well as the report that we'll send you after this hearing.

SENATOR ADDABBO: And thank you. I've seen that report.

And I think that's a credible starting point for us to talk about iGaming possibly in New York.

Mr. Isaacson, you mentioned in your testimony, the reduction of the wagering. January, to March 2022 was fine, and then there's a dropoff.

Don't you see, possibly, that there's a dropoff because, after March, many of the major wagering sports end; football, basketball, mainly?

So don't you see that there normally would have been a decrease anyway in New York?

DAVID ISAACSON: So the Q1 numbers and the Q2 -- you're referencing Q2 and Q3. And I agree

with you that those quarters are always going to be soft.

What I highlighted to the committee is that, that Q4 number, in the first year of other states' sports-wagering, you saw a very big jump.

Q1 and Q4 are supposed to be the strongest numbers -- are supposed to be the strongest quarters for sports wagering.

But what happened in New York is, Q1, you had 30 percent of volume, and in Q4 you only had 29 percent.

And in all the other states, I saw a big jump in terms of the percentage distribution of volume in that first year in Q4.

And I'm -- what I am trying to highlight to the committee is that, that, to me, say red flag that, year two, you know, you could see a bit of a dropoff, versus in all these other states you saw a continued trend upwards.

SENATOR ADDABBO: And I -- I'm a numbers person, so I like the comparison. And I see the concern, and it certainly would be on my radar.

But I don't like to compare New York to other states.

I think our ceiling, we were closer to our

ceiling than the other states might have been.

By the time we reached Q4, our numbers were surpassing even the projected numbers from the previous administration; so we already passed that revenue mark at that point.

So we had reached a higher ceiling at that point of Q4 than other states might have been; so their room for improvement would have been much greater than ours.

So I don't like to sometimes compare other states, but it is on our radar at this point as an issue.

DAVID ISAACSON: Yeah, I think you and I then would both agree that New York is anomalous, both on the positive side and in some of these nothing negative headwinds.

SENATOR ADDABBO: It is New York, exactly.

Any other questions from my -- Senator?

ASSEMBLYMAN PRETLOW: A quick comment [indiscernible], something that you had just said.

I don't think it's fair to compare Q1 New York to Q4 New York because it was artificially inflated by hundreds of millions of dollars. That was the rollout.

And if you were to reduce the free-play that

was added in January -- or, in the first quarter, I mean, if the numbers I have are correct, Caesars dumped $300 million. I mean, that was theirs.

I don't know what FanDuel, I don't know what the other ones, did.

But every entity that came in, with the exception of Bally's because they didn't come in, put a lot of excess cash in the handle in Q1.

So I think it's really not fair to say that we're not looking good because 30 percent was January and the 29 percent is December. It's apples and oranges as far as I'm concerned.

I think the better test will be when we do Q1 of next year, and not this year.

DAVID ISAACSON: Yeah, I mean, generally speaking, you know, small sample size, the devil is in the details.

And as we -- as the months continue and we get year-over-year comparisons, we're going to determine whether this was indeed a red flag or it was just something unique in this market. And [simultaneous speaking] --

ASSEMBLYMAN PRETLOW: [Simultaneous speaking] I read an article. It looked good, $2 billion for the month of December. You know, no one does a

$2 billion month.

But this is without incentives, because the players have stopped -- the platforms have stopped adding money.

So this is just pure betting, and that had a lot to do with the Buffalo being around until the later days, and all of that.

But, still, we're looking to the $2 billion month just for January.

So I think the numbers will be better, comparatively speaking, when we go into next year.

SENATOR ADDABBO: I do have a question from Senator Helming.

SENATOR HELMING: Thank you.

Thank you for your testimony. It was very helpful.

I guess I'm looking for some clarification, just so can I better understand.

Would iGaming be run through the casinos?

MICHAEL POLLOCK: That's a policy call to be made by the legislature. But -- and different states do it differently.

But, by any measure, the casinos and the racinos should be -- presumably, would be participants in it.

And by allowing them to be participants in it, you do allow them to, effectively, market all of their other amenities, which would then have the effect of growing gaming revenues, both land-based and iGaming, as well as non-gaming revenues.

But whether they would be exclusive or not, that's a policy call.

Most states, there is not. There's multiple licensees.

HOWARD GLASER: I would just add to that, Senator, that, New York State, a little different, in that, by Constitution, gaming can only occur through one of seven, or currently about to be seven, licensed casinos.

And the committee last year came up with, I think, a smart and creative way to allow additional participants in, through to do sports betting, utilizing the casino licenses to meet the constitutional standard.

And, presumably, a solution like that would include the casinos in any expansion of online gaming.

SENATOR HELMING: Thank you.

SENATOR ADDABBO: Thank you very much.

I want to thank you all.

And, certainly, we look forward to your input as we go forward on both the mobile sports betting and iGaming issue.

So thank you very much.

ASSEMBLYMAN PRETLOW: Thank you, gentlemen.

SENATOR ADDABBO: Our last panel for today:

Jim Maney, executive director, New York Council on Problem Gaming.

And before Jim gets here --

So, Jim, take your time.

-- we had invited the Office of Children and Family Services.

So through mobile sports betting, the additional $6 million, which we will talk about in terms of addiction programs, there was an additional $5 million for youth sports.

And I want to just read, in part, testimony from Nina Aledort, the deputy commissioner of the Office of Children and Family Services.

(As read into the record:)

"OCFS is proud and excited to administer the annual $5 million for youth sports and education opportunity funding that was authorized in the enabling statute for mobile sports wagering.

"This funding is being used to support and

build interest in sports for underserved children and youth, ages 6 to 18, across the state of New York.

"OCFS allocated the youth sports and education opportunity funding through a statewide network of youth bureaus in each county and New York City.

"Each youth bureau was required to submit a plan that indicated how the funds would be spent, the target populations, partnering organizations, and intended activities.

"Although the initial data is still being collected and still ongoing," she, again, gave us a small sample of the funding already done throughout the state.

This testimony, in full, is online at the Racing, Gaming, and Wagering Committee site.

Thank you, Mr. Maney, and welcome once again.

JAMES MANEY: Good afternoon, everybody.

SENATOR ADDABBO: Good afternoon.

JAMES MANEY: Appreciate you having me here.

I gave my first testimony in 1996 about problem gaming, so I've been around a long time, dealing with this issue.

So I appreciate it, and I appreciate what

Rob Williams had to say today. A lot of his testimony, again, was about problem gambling.

That has not always been the way.

So that was really nice to see.

Also, I want to give credit to OASAS. They've been doing a much better job over the last few years, dealing with this issue; so very pleased for that.

Also, very pleased to be here.

What I have to say has to be heard.

Problem gambling has to be heard. We have to speak of it more often.

We have to know what it looks like, what the faces, who the people are.

You know, expansion of gambling, 6I have heard a lot today about, you know, the economic benefits.

Sure, but at what cost, sometimes?

What costs?

We get the calls.

We get the calls at 1:00 in the morning.

We get the calls from parents now, of their college-aged kids losing their money, what to do?

And even though we don't have a lot of calls to our help line, the State runs the help line, we

run the calls from 9 to 5. We've seen a 25 percent increase in our calls, just to our facilities, not a help line. It's just the New York Council on Problem Gambling.

That's only one part of the story, the help-line calls.

The public harm that is being done, when a young kid loses all their money at school, college, what do you think mom goes through, what do you think dad goes through?

When dad loses all his money and they have to move out of their house, what do you think the 10-year-old and 11-year-old go through?

They don't call help lines. They don't call looking for help.

They arrive at our schools needing mental health counseling.

Right?

Do we address gambling there?

They arrive at the hospitals, at the doctors' offices. Do we talk about gambling there, what may be the issue?

We don't.

We don't do it at all.

So I will share, I'm not going to talk about

iGaming at all. That's not what I'm going to talk about, so I want you to know that.

But I will talk about what we should have done, what we could have done.

I testified here in 2018, 2019, I made recommendations.

At one time it was going to be 3 percent to go for problem gambling.

And if it was 3 percent this year, it would be about $21 million.

Do you know what we could have done with that $21 million?

We could have put educators at all the colleges right now. They could be educating our college-aged students.

The 18- to 24-year-old group is the highest percentage of problem gamblers in the state of New York.

Who are a lot of our new folks sign up for mobile betting?

Well, my daughter turns 21 next month. She doesn't know one 21-year-old boy that doesn't have an app for mobile sports gambling.

Now, let's just talk about that for a second.

You put up $100, and they say you get free

at-risk, no-risk, no-sweat, bet.

Well, first of all, we know any type of bet, with your money or not with your money, comes with risks. Okay?

There's a thrill that goes along with it, and some people get hooked. Let's be honest about that.

So you put up 100 bucks, you lose that 100 bucks, and the industry gives you a $100 in credit. So, immediately, that young person is chasing their losses.

And if you think about it, one of the nine criterias for pathological gambling is chasing our losses.

So from the initial bet for mobile sports betting, the initial bet, risk-free, no-sweat, is the beginning of the chasing of our losses, and we do not know who is going to get hooked on this.

We do not know. It doesn't discriminate.

But what we have to do is make sure we have a lot more research as a result of this. That we do a lot more work with this 18- to 24-year-old group that we're not doing.

If we had that $21 million, we could put about 5, 10 million dollars into prevention. Make sure that the adolescents that aren't gambling do

not start to gamble, the people that are social gamblers do not become problem gamblers, and the problem gamblers don't become pathological gamblers, because, along the road, it gets worse and worse all the time.

We have to put up those safeguards, and we're not doing -- we're not doing enough at all; not even close.

$6 million. Right? $6 million.

We need at least a $10 million advertising campaign so people know about the warning signs.

Most of the people in the state of New York don't know where to get help. Don't know that there are resources available. Not even close.

$700 million in revenue, and we gave less than 1 percent for problem gambling.

We have to do better. We should want to do better.

And if we think about the age group once again that's coming up, the highest is our kids.

Let's be honest.

If you watch any sporting event, we know that every young boy who is watching a game is being bombarded with advertisement, and we know advertisement works.

We're not doing enough.

We have to make sure parents are educated, we have to make sure our doctors are educated, so when the kids come in for pediatric care, they may address this issue.

The highest rate of any addiction for suicide is problem gambling. We can't forget that.

We can't forget where we're going with this.

We also have a help line that's 24/7.

We answer our calls by a live person who deals with problem gambling, our program managers, from 9 to 5.

The other times when we call the help line, the help line refers to New York Council on Problem Gambling, for assessments, for treatment, et cetera. But we're only there 9 to 5. The other times it comes to a voicemail.

And if we know anything about gambling, if we know anything about gambling, it changes in an instant. And that's why it's the greatest form of addiction.

It's the greatest form of addiction, why?

Because we don't know the end result.

We don't know if we're going to win this bet or not.

We know what we're going to do if we drink five shots of vodka, we know what the result is going to be.

But we don't know about gambling, and that's why we don't stop it.

And that's why it is the continual chase of it, because it's the next bet that may change everything. It's that illusion of hope.

Right?

Just think about it.

If you're in the midst of your addiction and you see Mega Millions Powerball gets up to 1.4 billion, where do you think your head goes?

You going to quit now? Are you kidding me?

You're going to get in it. You got to be in it to win it.

This is why we need more education for our kids, this is why we need more treatment, this is why we need 24/7 services, so when any person in the state of New York needs help, a live person is there.

We need peers to help address this, 24/7.

So when a person calls, which we get many calls at 3:00 in the morning, they have to be answered.

They have to be answered.

We should want to do that.

We should need to do that.

We should need public-awareness campaigns for all of us: For our children, for our grandkids, for our neighbors.

That's what we need to do.

So, in closing, hopefully, in 2023, we do what we haven't done in 2018, 2019, 2020, '21, '22, is put additional resources in there.

You know, in the old days, when I've been doing this, they would say, well, there's no resources. We would love to give you some money, Jim. Not to me, to OASAS.

Once again, this is not for the New York Council on Problem Gambling. This is for OASAS to give it out.

But we have the resources now.

We showed the number to everybody in the world.

So, please, greatest in the world -- right? -- which it is. Heard all the stats, statistics.

But we're not giving the most to problem gambling in the world, at all.

Other states are doing better.

We give less than 1 percent.

Other states gets 2 1/2 percent, 3 percent.

Why aren't we?

Are not our folks deserving of it: safeguard, protection, prevention, education?

So in closing, I appreciate it once again to listen to me.

I advocate for the folks that have no voices.

This is a shame-based sickness. No one likes to talk about losing their money.

But what I am really concerned about is who is getting hooked on this, especially our college-aged kids.

Who is getting hooked?

It's not about the money.

Who makes it feel good?

And you think about these kids right now -- like my daughter, and I've got a son who just turned 24 yesterday -- what they went through.

Now, you think about it, their mind aren't -- brains aren't fully developed -- right? -- yet? They're going through COVID.

Most of them have some type of mental challenges going on as a result of COVID and

everything else that went on, and being, you know, 21 to 25 years of age.

They have issues already, and are we compounding them?

So let's take a great look at what we're doing, and hopefully we can do more about it, because I think we should, and I think we can.

And like I say, I advocate for mom who gets the call from Joey, lost all their money, all their book money.

I said to my daughter, Kelly -- my daughter, Kelly, is 21 -- I said, Kelly, what would you do, what would you do if you lost your money gambling?

Oh, dad, I would just say, I have to buy five more books, and they're like 450 altogether. You got to send me 450.

And guess what I would do?

I would send her $450 for her new books.

Right?

She says, dad, we got all these things worked out. We know where we can talk to our parents about, we know where we can get money.

And, once again, the second thing, and it tied into it, is what also happens at 21 on the college campuses?

We get inundated with credit cards.

Right?

Credit cards.

Right? Credit cards.

Also, we're going to give risk-free bets at the same time when our brains aren't fully developed.

And the last thing I just want to say, because I always think it's funny, the X Games. Right?

You ever see the X Games? Skiing, [indiscernible] -- right? -- 700 loops.

You don't see anybody our age doing that stuff, do you?

Right?

We're way too smart to go do a 760 flip -- right? -- off a thing. We're too smart for that.

But who does it?

The 21 to -- 18- to 25-year-old kids, because they don't have a lot of reasoning yet.

We need to protect them.

We need to get it off the college campus; and not only just college campuses, but the college age -- right? -- 18 to 24.

And we have to do so much more work for the

folks that are going to be turning 21 next year.

If you think about that -- right? -- 21 is the age. Now I can start betting legally. At 20 and 11 months, I can't.

They have to be prepared of what may happen.

So, with that, I thank you.

And I know the folks that I advocate for are really looking for your leadership in making sure that everything that possibly can be done, is done, so we don't have more.

Thank you.

SENATOR ADDABBO: Mr. Maney, I want to say thank you; you and your team, Michelle from your team as well, for not only being here, but your testimony, but also your input.

You know, for those of you who don't know, you know, when we did the mobile sports betting, Mr. Maney and I had many conversations, and with Gary.

And a lot of what your ideas were were incorporated into the bill, into the statutory language: Caps on accounts, caps on credit card usage, and everything else.

So, again, a lot of what you say to us is heard, and it does make -- sometimes it makes its

way into statutory language.

So I want to say thank you.

The $6 million that we did put into mobile sports betting, into the statutory language, actually, it ballooned, it actually grew to 12 million, based on the statutory language again, based on the wagers, based on mobile sports activity.

But it's not only how much money we put toward addiction, it's how it's spent.

ASSEMBLYMAN PRETLOW: Right.

SENATOR ADDABBO: So it's not so much, that even in the iGaming [indiscernible], if we put in an additional 11 million, that could grow.

It's not how much, it's how it's spent.

So, going forward, where would you like -- I know you mentioned peer-to-peer, and I know you mentioned 24-hour live operator.

Where would you like to see the money being spent, going forward?

JAMES MANEY: Well, a few of my recommendations, the first thing is, as I mentioned, that we need college educators on your college campuses. Right?

You think about maybe we have that population

is at such risk. You know, so we need at least one in every region, a couple in New York City, we would recommend right off the bat.

Also, take a look at what we have to do with voluntary self-exclusion. You know, we have to do a much better job with that, of getting folks to help.

You know, you think about that, what we're doing [indiscernible] right now, is someone comes to, you know, either at the brick-and-mortar place or online and says they have a problem, and they want to put themselves on the self-exclusion list.

That's basically it. Right?

Our belief is that, at that moment, we should be there to help them, to offer assistance.

You mention you have a problem, what can we do to help you?

Do you need services?

Do you need an assessment?

Do you need treatment?

Do you need GA?

Do you need housing?

Do you need, financial issues?

What is it you need?

But usually what we do is say, okay, thank you. You're signed up for one, three, or

five years, and don't come back.

SENATOR ADDABBO: I just want to be clear: Are you saying somebody from your council or somebody from OASAS should be at every gaming site?

JAMES MANEY: No, no, no.

SENATOR ADDABBO: Okay. [Simultaneous speaking] --

JAMES MANEY: We should be available, no different than, at that moment, I don't care if it's Zoom, I don't care whatever it is, but they need to talk to someone live at that moment.

You think about it, at that moment, they're in crises. Right?

But what we do, what we do -- right? -- at the moment of crises, basically, we put them out the back door so they don't make a scene going out the front door, and don't come back.

So that's fine from the industry point of view, and I'm not against that.

I'm saying, as soon as they say they got a problem, get in touch with us.

That's what we want to do, we want to help. We want to help those folks, to make sure they're okay.

But we don't even know their mental frame at

that time.

We know it's not good because they're admitting they have a problem.

But why aren't we helping them?

They're a captive audience to get help, instead of going back to their communities.

And what happens in their communities, where do they show up?

We don't know.

Bankruptcy? DSS? Suicide?

Right?

Mental health crises, our schools for the kids?

We don't know these things because we just let them go, and we wouldn't do that for other things.

Right?

If we -- if the same thing, if we saw someone fall down and got a head wound, we would wait there until the ambulance came. Right? We wouldn't say, don't come back.

We would help.

And I think that's all we're asking for. We want the chance to help the folks. That's all we want.

We don't take a stand for or against gambling, but we need services, because, once again, the availability and opportunity of gambling right now has taken off like never before. Right? Never before.

We have to catch up to it.

That's why we have to do 24/7 services all the time. We have to be there for them.

SENATOR ADDABBO: Question from Senator Tedisco.

SENATOR TEDISCO: Just one question.

You mentioned suicide.

I was going to ask you, in comparison to other addictions and those involved, what are the rates in comparison to this type of addiction to others, or rates itself?

JAMES MANEY: Well, we don't keep them in New York State. Right? We don't keep them.

We don't -- when someone commits suicide, we usually don't ask how they did it or what they did. Right?

We don't follow up. We don't do a variety of things.

But I will share with, why is it such high prevalence on that?

And if you think about it, when people lose all their money -- right? -- people lose all their money and they have been a harm to their families -- right? -- and they owe astronomical balance of money, they will often say, the ones that survive, that I'm better off dead; better off dead than I am alive. And if I can get any insurance money out of this, at least my family has something.

We do not see -- I mean, I've been in this since 1996. And before that I ran an inpatient drug rehab here in Albany.

And the amount of money lost, and even though it's not the number-one thing for the addiction piece, it's the action, you know, wanting the action, needing the action. Got to stay in it at all costs. That's the real driver of the addiction.

But we never saw the real high amounts of money lost that we do in gambling.

And that becomes -- right? -- every month, when bills are due, puts pressure on not only the gambler, but the family member.

That's why members of the help line are important, but it's more the public harm that we're not getting to. The shame; the shame of the wife or the husband whose spouse has a gambling problem and

they have no money, what do they tell people?

Right?

And that's why, in many ways, it's still hidden.

Now, we kind of know -- if we go to a party, we kind of know the people that drink too much. We see it, we know it.

But we don't know that about gambling.

We know people gamble, but we don't know how much they lose, because I don't think anybody -- right? -- I don't think anybody goes around and says how much they lost.

Now, I've been around here a long time.

I think -- I went to the track, the first time, to see Secretariat in 1973. And it's so funny, you can always tell anybody, when you left the track back then, how did you do?

"I broke even."

And they would never know if you won or lost, would you?

But you can't say that about drinking. Right?

How did you do?

I had two beers?

What? You didn't have two beers. You can't

even speak.

But we don't see that in gambling, and we keep our finances so secret.

We would rather talk about anything else but how much we're worth, unless we got a lot a lot of money.

Like, how much credit card debt do you have?

You know, we -- so we don't.

So that's the stigma we have to overcome. Right?

And that's -- I will -- you know, once again, the greatest form of addiction is gambling, as I shared, because we don't know, the next time you place that bet, what's going to happen. Right?

We don't know.

If we win, I got no problem whatsoever.

That's the difficulty with this. And that's why we have to put much more money into prevention of this, which we're not doing.

Which we're not doing.

We have to; we have to prevent this at all costs.

So -- okay.

SENATOR ADDABBO: Assemblymember Pretlow.

ASSEMBLYMAN PRETLOW: Jeff?

ASSEMBLYMAN GALLAHAN: Thank you.

Jim, thank you for your testimony. It's very compelling, and you're obviously very motivated.

I remember the days, when I was in my late teens and early 20s, and in those days I could drink at 18.

And people knew when you had a drinking problem or a drug problem. It's very evident.

I remember the days that you spoke about, when you go out and you do stupid things, because you're invincible, because you're a kid, and you don't know any better, and your brain isn't fully developed yet.

Now, at my age, I go to bed at night feeling great. And I get wake up in the morning and I got problems.

So you learn over the years.

My question is:

You can identify many people that have addictions by their actions. They don't show up for work. Their work ethic is not good. They're sick a lot.

How do you identify -- me, as a layman out there in the public, how do I identify, what warning signs do I look for, to offer someone help with a

gambling-addiction problem?

I have no idea how to do that.

JAMES MANEY: It's fascinating. Right?

I mean, that's exactly why we need much more public awareness.

You don't even know. Right?

Brilliant man. Right?

We don't know.

We don't know these things; and so when we don't know things, guess what we do? We do nothing.

Right?

We do nothing.

So if you take a look at the, you know, FanDuel and, you know, the DraftKings that were just here, what a marvelous job they did for advertising, didn't they?

I don't think there is one person in New York that didn't see those ads.

Marvelous.

Why don't we do that about problem gambling, Jeff, and then you would know?

You would know.

If we did $200 million in ads, or 98 million like the lottery does, you would know, you would be educated, and then you could help your community,

which you want to do.

You could help your neighbors, you could help your friends, you could help everybody.

But right now, without our lack of knowledge, we do nothing.

We do nothing, and that's a horrible feeling for all of us, isn't it?

ASSEMBLYMAN GALLAHAN: It is.

JAMES MANEY: It is right now. Right?

ASSEMBLYMAN GALLAHAN: Yeah.

JAMES MANEY: And so the number-one thing we have to do is educate.

We have to educate, because --

ASSEMBLYMAN GALLAHAN: So, currently, what's -- I want to educate myself.

What's available?

Where do I go?

Where do you I go to get educated right now?

Tell me where to go?

JAMES MANEY: Jeff, come and see me.

Come and see me. Right?

So, really, where it would go, for everybody to know, nyproblemgamblinghelp.org. Okay?

Now, on the treatment side of it, we run seven PGRCs throughout the state of New York, one

in every region.

We have 133 clinicians, private practitioners, that we refer to, speaking about 11 different languages.

Someone calls our facility, needing help in that area, we immediately get them services. And it's answered by our program managers.

It's not answered by someone who says, Hold on.

It's not answered by someone who says, We'll get right back to you.

No. It's answered by a live person whose one job is to help you get help for caring concern.

So if they get to us, when they get to us looking for help, they get about a 78 percent chance of success, decreasing their gambling, getting help.

Astronomical, because of that first call, but we're only open 9 to 5.

We got to be 24/7 for that. Right?

So we got the treatment.

And, OASAS, we have a contract with OASAS. And in this year's contract there's 2 million more dollars for treatment -- okay? -- which is significant, because we're going to be able to treat a lot of folks in the state of New York, a small

percentage.

Most people are like you. Don't even know where to get help, what the warning signs are, the whole thing.

It's some type of other issue. Right?

And if you think about a gambler, if a gambler can do anything else but deal with their gambling, they'll deal with their mental health, they'll deal with their addiction, they'll deal with their drinking, they'll deal with whatever, as long as you don't come close to their gambling.

And how do we not come close to our gambling problem? We don't ask gambling questions.

Right?

We go to our primary doctor, they ask us questions about alcohol, drug use. They never mention anything about gambling, though it's the highest rate of suicide. There's anxiety and depression like anything else.

Imagine, you owe them $75,000 to gambling.

You think you're going to have sleep disturbances?

You think you're going to have some anxiety and depression?

But how does it show up? In those factors.

But it doesn't show up in problem gambling. Right?

It shows up in anxiety, depression, bankruptcy, behavioral ways, domestic violence.

But we don't ask that follow-up question -- yet we know -- yet we know the majority of New Yorkers gamble.

We know that.

We don't know to what level, but the majority of New Yorkers gamble.

More New Yorkers gamble than drink. More New Yorkers gamble than smoke. Right?

But how much resources do we put into that?

So right now we have that chance again to make sure that we do that.

So once again, thank you.

ASSEMBLYMAN GALLAHAN: Thank you.

ASSEMBLYMAN PRETLOW: I want to thank you for your testimony.

We are looking into the 24/7.

I don't know what the full cost of it is going to be, but I think it is important that, as you say, at 3:00 in the morning, when someone calls and says I need help, and they get the "At the tone, please leave a message, and someone..." you know,

that --

JAMES MANEY: It can happen.

You're right, it can happen.

ASSEMBLYMAN PRETLOW: Yeah, so we -- that's a shortcoming that we have.

I think we do have the revenue.

You know, we problem-gamble tax every piece of equipment that's used in gambling. Every slot machine and every table, and every casino, and every bet made on sports betting, you know, we do have an attachment, I'll call it "a tax," that we do for this.

And I think we can spend the money a little wiser, maybe.

I'm not sure how it's being spent right now.

We had a meet -- a roundtable with OASAS several months ago, and they talked about what they were doing.

I think they were talking, $12 million, or somewhere in that nature, and that amount for 24/7 coverage.

I don't know if it's that much, or should be that much, but I think something does have to be done.

JAMES MANEY: I appreciate that.

SENATOR ADDABBO: Mr. Maney, again, thank you very much.

And I want to thank you all who participated.

You know, we take a moment to celebrate, obviously, what we've done with mobile sports betting in a year; and especially, again, with the addiction, and, of course, with the educational funds and revenue; but where do we go from here, and how do we improve it for New Yorkers.

Thank you so much, everyone.

Have a great day.

Thank you.

ASSEMBLYMAN PRETLOW: Thank you.

(Whereupon, at approximately 1:13 p.m., the joint-committee public hearing concluded, and adjourned.)

--oOo--