



National Basketball Association

Written Statement of the National Basketball Association

Dan Spillane

Senior Vice President and Assistant General Counsel, League Governance & Policy

Council of the District of Columbia
Committee on Finance and Revenue

Public Hearing on Bill 22-944

October 17, 2018

Thank you for the opportunity to submit testimony regarding Bill 22-944, the Sports Wagering Lottery Amendment Act of 2018, which would authorize sports betting in the District of Columbia.

The NBA's position on sports betting has evolved in recent years. For decades, the NBA, along with the other major professional sports leagues, opposed the expansion of legal sports betting. The leagues were instrumental to the passage in 1992 of a federal law – the Professional and Amateur Sports Protection Act, or "PASPA" – that prevented the spread of state-authorized sports betting beyond Nevada and a handful of other states.

Despite this prohibition, illegal sports betting remains widespread in the United States. It is impossible to measure the amount of betting with any precision. But many experts estimate that illegal betting in the U.S. is in the range of \$100 to \$200 billion per year, and some think the number is even higher. These bets are taken in a black market that does not support local businesses, cannot be taxed, and most importantly from our perspective, cannot be monitored or regulated.

We have studied these issues at length. Our conclusion is that the time has come for a different approach that gives sports fans a safe and legal way to wager on sporting events while protecting the integrity of the underlying competitions.

The NBA and its affiliate leagues already have a strong partnership with the District. The Wizards have played here for over 40 years, bringing home an NBA championship as well as multiple conference and division titles. The Mystics recently celebrated their 20th anniversary in the District and made a trip to the WNBA Finals. Last summer, Washington District Gaming competed in the inaugural season of the NBA 2K League, our new esports league, and this season will see the introduction of the Capital City Go-Go, the newest team in the NBA G League.

The legalization of sports betting would involve challenges and risks for professional basketball and its fans. But properly managed, legal sports betting could create an opportunity for an even stronger partnership between the NBA and the District.

It is critical that sports betting legislation include safeguards that will protect the integrity of our games and ensure that fans have confidence in the competitions as well as the bets they place. It is also important that the legislation align incentives for all stakeholders to shift sports betting from illegal to legal markets. A legislative framework that creates a role for sports leagues will create a safer environment for sports betting, help establish the credibility of new legal markets, and generate more tax revenue for the District.

We consider the following to be the four key components of sports betting legislation that are missing from the current bill draft:

- First, Bill 22-944 should require data sharing and communication among sports betting operators, regulators, and sports leagues. The Bill should require the sharing of real-time sports betting data, in pseudonymous form, between sports betting operators and sports leagues. This would enable leagues to detect and investigate suspicious betting patterns in the District as well as across multiple operators and states. Regulators and all sports betting operators also should be required to cooperate fully in any league investigation of potential misconduct in this area.
- Second, sports leagues should have the ability to work directly with the regulators to restrict wagering on their own events. Certain types of bets are more susceptible to manipulation than others, such as whether a player will commit the first foul of the game. Different sports will have different types of bets, and so each league needs the ability to work with the regulators to identify and restrict the types of betting that pose an integrity risk to the underlying sport. Particularly as proposition betting and in-play betting grow in popularity, leagues should have the ability to identify and restrict the most unusual types of wagers that may pose special integrity risks.
- Third, the Bill should ensure that the outcomes of certain in-game bets are based on official league data. Sports betting operators will increasingly offer bets placed on specific events during the course of a game, such as whether a particular possession will result in a three-point shot. Bets of this nature are inherently more complex, can require more subjective judgments, and require the instantaneous, accurate transmission of data to function properly. The only way to ensure consistency and accuracy of results is to require operators to use official league data. If operators are permitted to pull data from unverified sources, the potential for delayed, conflicting or inaccurate bet

outcomes becomes significant. This could undermine the credibility of not just gaming operators but sports leagues as well.

In addition, using the higher-quality data offered by the leagues would increase the value of in-play betting by producing fewer in-game delays than unofficial data feeds, which ultimately would generate more revenue for the District and its operators while at the same time protecting consumers.

- Finally, the Bill should provide a modest 0.25% royalty to the leagues based on the amounts wagered on their contests.

Bill 22-944 should acknowledge that sports betting is based entirely upon the competitions that are produced by the NBA and other sports leagues. Without NBA games and NBA fans, there could be no sports betting. If the public's faith in the authenticity of NBA competitions is undermined, it is the leagues, not sports betting operators, that will suffer the most. Moreover, this royalty represents a small portion – approximately 2% to 5% – of the revenue that gambling businesses are expected to generate from sports betting, both directly and from ancillary sources.

This royalty not only compensates the sports leagues for their significant investments to ensure the integrity of their games, but also would align the incentives of leagues and operators to support a sustainable and dynamic market for sports betting, ultimately creating more tax revenue for the District and the operators.

We appreciate the opportunity to raise these concerns. With an appropriate framework in place, the NBA is prepared to work with the District, regulators, and sports betting operators to ensure that sports betting in Washington D.C. is a success.