Thank you, Co-Chairmen Verrengia and Bradley, and members of the Committee, for the opportunity to share the views of the National Basketball Association on the issue of legalized sports betting in Connecticut.

In the wake of the Supreme Court's decision invalidating the Professional and Amateur Sports Protection Act ("PASPA") last May, dozens of states are now considering implementing sports betting legislation as a means to create economic activity, harness a new source of tax revenue, and protect consumers who currently bet on sports via offshore markets or local bookies. And indeed, illegal sports betting remains widespread in the United States, with many experts estimating that illegal betting in this country 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 important from our perspective, cannot be monitored or regulated.

We have studied these issues at length, and last year we worked closely with leaders and members of the Public Safety and Finance Committee in an effort to help bring a best-in-class sports betting framework to Connecticut. While we are generally supportive of HB 7331, we encourage the Committee to include in any draft legislation the following five key components of effective sports betting legislation.

- First, any legislation should include provisions that enable the detection and prevention of improper conduct relating to sports betting. For example, legislation should require alerts by gaming operators of unusual betting activity, as well as eligibility requirements to prevent insiders from placing bets on their sports. HB 7331 rightly includes these provisions. Legislation also should require operators to provide real-time, pseudonymized betting data at the account level to the relevant sports leagues so that we are also able to monitor and detect irregular betting activity that relates to our games. While HB 7331 requires operators to share this level of data with the regulator, it falls short of requiring sharing this information with sports leagues.
Second, legislation should include effective consumer protection requirements. Among these provisions are a rigorous licensing program to ensure that operators are properly vetted; age restrictions; self-exclusion programs and other measures to address problem gambling; and regulations of gambling advertising to protect vulnerable individuals. Crucially, this suite of consumer protection measures should include a mandate that operators use official league data to settle in-game bets, or bets that are placed and settled based on discrete events that occur during play. As operators increasingly offer in-game and proposition bets, maintaining reliable markets for these wagers becomes more difficult and complex. HB 7331 allows the regulator to set a minimum standard for data used to settle in-game bets. While this is a positive step in the right direction, we believe that mandating in legislation that operators use official league data to resolve these bets will ensure the accuracy and consistency of betting outcomes and give Connecticut bettors access to reliable and well-functioning in-game and proposition markets.

Third, legislation should give sports leagues the ability to work with the state regulator to propose restrictions on wagering on their own events. While leagues do not anticipate acting to prohibit a significant number of wagers, certain types of bets may carry an unacceptably high risk for manipulation. Different sports will be the subject of different bets that carry these risks, so each league needs an independent ability to work with the regulator to identify and potentially opt out of wagers that pose unusual integrity risks. HB 7331 includes this provision and we thank the sponsor for including it.

Fourth, legislation should authorize sports betting on Internet and mobile platforms. A robust mobile betting market is essential to Connecticut’s ability to bring bettors from illegal to legal betting markets. If betting is limited to land-based locations, many consumers who do not live near brick-and-mortar operators likely would continue to bet illegally through offshore websites and other unregulated but easily accessible channels. While HB 7331 allows for mobile sports betting, it requires consumers to create a mobile sports betting account in-person at a casino, lottery retailer, or off-track betting location. We are concerned that requiring in-person registration will make betting on illegal off-shore websites more convenient for consumers, and disincentivize bettors from using legal, regulated sports betting websites. This partial adoption of mobile betting will limit operators’ ability to bring in customers who currently bet through offshore websites and will thus bring in less revenue for the state.

Fifth and finally, legislation should provide a modest 0.25% royalty to the sports leagues from the amount bet on their contests. This royalty, which amounts to twenty-five cents for every $100 bet, will be paid by the operator to the
appropriate league. Compensation of sports leagues is in line with precedent from both U.S. horse racing and international sports betting, and reflects the underlying fact that sports leagues provide the foundation for sports betting while bearing the risks that sports betting imposes, even when regulated. This royalty compensates the sports leagues for their significant investments in the games themselves, and further incentivizes leagues to engage with the sports betting industry in Connecticut to help promote and grow the overall market. The leagues’ engagement ultimately will create more revenue for both in-state operators and the State of Connecticut. In short, we believe a 0.25% royalty is the foundation of a mutually-beneficial partnership between the state of Connecticut, sports betting operators and the leagues. While HB 7331 recognizes that the leagues can be valuable partners by empowering the Commissioner of Economic and Community Development to seek partnerships with the leagues to promote sports activities and economic development in this state, it does not include the cornerstone of those partnerships in the legislative text.

Each of these elements is critical to the NBA’s support of sports betting legislation in Connecticut. Our first and paramount responsibility is to protect the integrity of professional basketball and preserve public confidence in the league and in our sports. We hope that you will include these principles in legislation this year, and we look forward working with this Committee, regulators, and sports betting operators to ensure that sports betting in Connecticut is safe and a success.