

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

GAMING OVERSIGHT COMMITTEE
PUBLIC HEARING

STATE CAPITOL
HARRISBURG, PA

IRVIS OFFICE BUILDING
ROOM G-50

TUESDAY, JANUARY 12, 2016
9:00 A.M.

PRESENTATION ON
H.R. 619
SPORTS BETTING

BEFORE:

HONORABLE JOHN PAYNE, MAJORITY CHAIRMAN
HONORABLE ROSEMARY BROWN
HONORABLE RUSS DIAMOND
HONORABLE GEORGE DUNBAR
HONORABLE AARON KAUFER
HONORABLE KATE ANNE KLUNK
HONORABLE RYAN MACKENZIE
HONORABLE TEDD NESBIT
HONORABLE JASON ORTITAY
HONORABLE DAVID PARKER
HONORABLE PAUL SCHEMEL
HONORABLE RYAN WARNER
HONORABLE NICK KOTIK, DEMOCRATIC CHAIRMAN
HONORABLE TINA DAVIS
HONORABLE DANIEL DEASY
HONORABLE MARTY FLYNN
HONORABLE WILLIAM KORTZ, II
HONORABLE MARK ROZZI

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*Pennsylvania House of Representatives
Commonwealth of Pennsylvania*

ALSO IN ATTENDANCE:

REPRESENTATIVE ROBERT MATZIE

COMMITTEE STAFF PRESENT:

JOSIAH SHELLY

MAJORITY EXECUTIVE DIRECTOR

I N D E X

TESTIFIERS

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SUBMITTED WRITTEN TESTIMONY

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(See submitted written testimony and handouts online.)

1 P R O C E E D I N G S

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3 MAJORITY CHAIRMAN PAYNE: Good morning. I'd like
4 to call the House Gaming Oversight Committee public hearing
5 to order. We'll stand for the Pledge of Allegiance.

6
7 (The Pledge of Allegiance was recited.)

8
9 MAJORITY CHAIRMAN PAYNE: Can I have a roll call,
10 please?

11
12 (Roll was taken.)

13
14 MAJORITY CHAIRMAN PAYNE: Thank you. Chairman
15 Kotik, comments?

16 DEMOCRATIC CHAIRMAN KOTIK: Good morning,
17 everyone. I just welcome everyone to this hearing. I'm
18 glad to see my colleague, Representative Matzie, bringing
19 his resolution to the Committee in addition to the
20 legislation I've been introducing to legalize sports
21 betting in Pennsylvania.

22 I think this is an issue that would be very
23 productive for maintaining the viability of the casinos
24 here in Pennsylvania and also maintaining the gaming
25 industry in Pennsylvania because, as we know, well, we've

1 seen the example of Atlantic City, and we keep reiterating
2 that over and over that if we don't keep the gaming
3 industry competitive, we could fall prey to the same ills
4 that Atlantic City has experienced.

5 So I look forward to the hearing today, the
6 testimony that we're going to receive, and any questions
7 that anyone might have from the Committee.

8 Thank you, Mr. Chairman.

9 MAJORITY CHAIRMAN PAYNE: Thank you,
10 Mr. Chairman.

11 With that, Representative Matzie, it's all yours.

12 REPRESENTATIVE MATZIE: Good morning, Chairman
13 Payne, Chairman Kotik, Members, and guests. My name is
14 State Representative Rob Matzie. I represent the 16th
15 Legislative District in Beaver and Allegheny Counties. I'm
16 the prime sponsor of House Resolution 619, a resolution
17 urging Congress to lift the Federal ban on sports betting.

18 I'd like to thank Chairman Payne and Chairman
19 Kotik for holding this hearing today, and I'd be remiss if
20 I didn't thank you for your service to the General
21 Assembly, both of you announcing you'll be departing next
22 year. You'll both be missed.

23 Sports betting, or sports book, in the United
24 States totals an estimated \$400 billion per year, with only
25 1 percent taking place in legal form, according to study.

1 Fantasy sports betting draws in an estimated 57 million
2 participants. The reality is that not only has the
3 perception of sports betting changed over the years, but
4 the ways in which to participate in some form of sports
5 betting has greatly increased. Simply put, people are
6 wagering on sports every day, in many different ways. The
7 vast majority, however, are not doing it legally.

8 But not only has public perception changed, so
9 has the opinion of some of the major sports leagues that
10 have traditionally opposed the legalization of sports
11 betting. National Basketball Association Commissioner Adam
12 Silver has come out in favor of federally legalizing sports
13 betting. Major League Baseball Commissioner Rob Manfred
14 has acknowledged how society's views on gambling have
15 evolved and is open to "fresh consideration" of baseball's
16 official position on the issue, this in addition to the
17 flurry of partnerships in the area of fantasy sports
18 betting between the major North American sports leagues and
19 the two largest daily fantasy sports entities DraftKings
20 and FanDuel.

21 In July of last year, DraftKings secured \$300
22 million in funding that included investment from Major
23 League Baseball, the National Hockey league and Major
24 League Soccer, as well as the Madison Square Garden
25 Company, which owns the New York Knicks, New York Rangers,

1 and Legends Hospitality, a joint venture by the New York
2 Yankees and Dallas Cowboys.

3 FanDuel secured its own \$275 million round of
4 financing that included investment from the NFL and the
5 NBA. And as of July 2015, the company had exclusive
6 partnerships with 16 NFL teams and 13 NBA teams, while
7 DraftKings has deals with 27 Major League Baseball clubs.

8 Currently, the United States Professional and
9 Amateur Sports Protection Act of 1992 bans sports betting,
10 allowing only Nevada, Oregon, Montana, and Delaware to
11 legally wager on sports. To date, only Nevada and Delaware
12 have chosen to participate. Over the past few years, the
13 State of New Jersey has challenged this law twice and lost.
14 That didn't deter a number of other States -- Indiana,
15 Minnesota, New York, South Carolina, Texas, and
16 Representative Kotik's legislation here in Pennsylvania --
17 from introducing bills to legalize wagering just this past
18 year. But, if passed, it's likely those laws will meet the
19 same fate as New Jersey's.

20 It seems clear that the only way forward is to
21 have the Federal law revised or repealed. To that end, in
22 January of 2015, New Jersey Congressmen Frank Pallone and
23 Frank LoBiondo introduced two bipartisan bills that would
24 allow other States to gain exemptions from the law.
25 Pallone's legislation would exempt New Jersey from the

1 current Federal ban on sports betting, while LoBiondo's
2 would create a four-year window in which all States could
3 enact laws providing for sports betting in their State.
4 There has yet to be any action on either of these bills.

5 I believe that States already authorizing,
6 licensing, and regulating casino gaming are uniquely
7 positioned to implement sports betting in all its forms if
8 they so choose. In Pennsylvania, the Pennsylvania Race
9 Horse Development and Gaming Act has created more than
10 16,000 living wage jobs and produced more than \$9 billion
11 in revenues. It's been undeniably an overwhelming success.
12 It has demonstrated our ability to proficiently and
13 responsibly oversee gaming in our Commonwealth.

14 The time has come for the Federal Government to
15 allow the States to make their own decisions on sports
16 betting.

17 And I would be remiss if I didn't remark, as a
18 staff member in the Senate, when we passed legislation to
19 allow for casino gaming, and as a Member of this Committee
20 when we passed the legislation to allow for table games,
21 listening to testimony from throughout the State, we made
22 the decision, and I think we should have that same
23 opportunity when it comes to sports betting.

24 Again, I'd like to thank the Committee for the
25 opportunity to appear today, and my testimony was short and

1 sweet. I think it's a pretty cut-and-dried piece of
2 legislation from a resolution's perspective. I would
3 welcome any questions. Thank you.

4 MAJORITY CHAIRMAN PAYNE: Thank you. And I want
5 to point out that Representative Diamond, Deasy, and Klunk
6 have joined the hearing.

7 Questions? Representative Parker.

8 REPRESENTATIVE PARKER: Thank you, Mr. Chairman.

9 Well, in a lot of work environments and other
10 places, people have their March Madness pools and various
11 pools for sports, so under the current Federal ban, those
12 are illegal?

13 REPRESENTATIVE MATZIE: Well, technically, with
14 what we've done in Pennsylvania from what I understand --
15 and please interject with your staff, Chairman Payne,
16 relative to the small games of chance and some other
17 legislation that we've done in recent history -- some of
18 the pools that now occur, whether they're legal or not, I
19 think the folks that are supposed to look at that maybe
20 turn the other way. I don't know. Staff --

21 MAJORITY CHAIRMAN PAYNE: I'll let Josiah --

22 MR. SHELLY: When the pools provision was put in
23 the Small Games of Chance Act, there's language in there
24 that says that the pools have to comply with PASPA, so
25 PASPA is a barrier for our clubs having pools that are

1 related to sports.

2 REPRESENTATIVE PARKER: Do you know what the
3 Federal law says about it?

4 MR. SHELLY: I don't know. [inaudible].

5 REPRESENTATIVE PARKER: Okay.

6 MR. SHELLY: [inaudible].

7 REPRESENTATIVE PARKER: Oh, okay. Then I'll
8 wait. Yes.

9 MAJORITY CHAIRMAN PAYNE: Representative Kortz?

10 REPRESENTATIVE KORTZ: Thank you, Mr. Chairman.

11 Thank you, Representative, for bringing this to
12 the Committee.

13 The Federal law in 1992 that carved out these
14 four States -- you mentioned Nevada, Oregon, Montana, and
15 Delaware -- any idea why Oregon and Montana have decided
16 not to get into the sports betting?

17 REPRESENTATIVE MATZIE: It was interesting in
18 researching that there were four States that were exempted
19 and why they were exempted. They were grandfathered
20 because they had some form of sports betting laws already
21 on the books. As for why Oregon and Montana have not
22 stepped up, I can't answer that question. Maybe our next
23 testifier can, but I think it's something that I as a
24 policymaker, if I were a legislator in that State and had
25 active casino gaming, that's something I would look at,

1 quite frankly. But I'm not really sure why,
2 Representative.

3 REPRESENTATIVE KORTZ: Thank you. Thank you,
4 Mr. Chairman.

5 MAJORITY CHAIRMAN PAYNE: Representative Diamond.

6 REPRESENTATIVE DIAMOND: Thank you, Mr. Chairman.

7 Representative Matzie, thanks for your testimony.

8 Can you differentiate, the ban does not include any
9 activity as far as fantasy sports, is that correct?

10 REPRESENTATIVE MATZIE: Yes, in the Fantasy
11 Sports Trade Association from the information that we've
12 been able to come up with in estimating what they are
13 doing, we're starting to see some States, including what
14 New York has done -- and I know you folks have had some
15 hearings and had some discussion about what's going on with
16 the fantasy sports -- I think that speaks to what I'm
17 trying to do. If in fact we're able to do this sports
18 betting, I think it would be an opportunity to do a good
19 piggyback potentially with Representative Dunbar's
20 legislation, include that into a whole ball of wax, whether
21 it's an omnibus bill or not, to allow for something to be
22 on the books from a policy perspective.

23 REPRESENTATIVE DIAMOND: And can you speak at all
24 to the nature of the lawsuits that New Jersey has filed?
25 Is that like a States' rights kind of lawsuit? On what

1 legal basis --

2 REPRESENTATIVE MATZIE: They had bills --

3 REPRESENTATIVE DIAMOND: -- did they ask for a
4 ruling to differentiate?

5 REPRESENTATIVE MATZIE: They had bills, and in
6 fact, from what I understand and the information I've been
7 able to ascertain, the NFL was actually one of the folks
8 that fought against the bill and actually took it to court.
9 So it was actual legislation that actually went through the
10 court system and it was struck down using the law we're
11 trying to get repealed as the basis.

12 REPRESENTATIVE DIAMOND: Okay. Thank you.

13 MAJORITY CHAIRMAN PAYNE: Okay. Thank you.

14 REPRESENTATIVE MATZIE: Thank you, Mr. Chairman.

15 MAJORITY CHAIRMAN PAYNE: Next, we have Sara
16 Rayme, who's the Senior Vice President of Public Affairs,
17 American gaming Association. Sara, thank you.

18 MS. RAYME: Good morning. Thank you. Thank you
19 for having me here this morning.

20 Number one, I just want to thank you guys. I
21 think that Pennsylvania has done a tremendous job at
22 ensuring that the gaming program here remains competitive
23 with the new competition that's coming, and I think you
24 guys have done a tremendous job doing that, staying ahead
25 of the curve, ensuring that our operators in the State

1 continue to remain successful.

2 Again, I'm Sara Rayme, Senior Vice President of
3 Public Affairs at the American Gaming Association. The AGA
4 is the national trade organization that represents the
5 casino gaming industry, including commercial, tribal,
6 gaming suppliers and manufacturers as well.

7 Just to kind of give you an overview of the
8 industry itself, we're a \$240 billion industry. We're
9 actually larger than the airline industry at this point in
10 time. We support 1.7 million jobs and also pay \$38 billion
11 in taxes every year.

12 And I applaud Representative Matzie and his
13 resolution. The AGA would stand in full support that if
14 you guys were to enact it. He really kind of stole my
15 thunder talking a lot about PASPA, but I'm happy to answer
16 any questions that you guys had.

17 I can just quickly kind of run through the
18 presentation that I put together. There are really two
19 Federal statutes that govern sports betting, the first one
20 being the PASPA, which is the resolution that you guys are
21 talking about adopting; and then the second one being the
22 Wire Act. And what the Wire Act does is it would not
23 permit sports betting from occurring online, whereas PASPA,
24 if it were to be overturned, would enable there to be a
25 national legalized sports betting regime in brick-and-

1 mortar facilities, so an important distinction. So if
2 PASPA were overturned and the Wire Act were not to be
3 overturned, you could not bet on sports online.

4 When we look at the landscape, and I know that
5 Representative Matzie had talked about this a little bit,
6 some of the States that were grandfathered in back in 1992,
7 this was really an initiative by the leagues, by the
8 professional sports leagues and the amateur sports leagues
9 -- the NCAA -- to prohibit betting on sports. But at that
10 time there were four States that did have legal sports
11 betting occurring: Nevada, which is the only State that
12 still is able to offer the full suite of games being bet in
13 the State; then Delaware, Montana, and Oregon.

14 And I think someone had asked about why Montana
15 and Oregon no longer offer the sports betting. My
16 understanding was that the NCAA had asked them not to
17 because they were not going to play games in their State if
18 they did that, and so they said fine, we won't do it.
19 What's important to understand is that Nevada is the only
20 State that has the full breadth of a sports book. These
21 other States have very, very, very small sort of
22 machinations of sports betting that's allowed.

23 Later last year, the American Gaming Association
24 did adopt a new position, which was on the issue of PASPA
25 in sports betting, which was to look and define the problem

1 around the current existing market that there is currently
2 a \$4-500 billion illegal sports betting market taking place
3 right now. We believe upwards of 80 to 90 percent of the
4 illegal online gambling is actually around sports betting.

5 And in 2016 we would act sort of as the champion
6 for this issue, that we would speak to stakeholders, get
7 their input, stakeholders meaning law enforcement, the
8 professional sports leagues, talk to them. Obviously,
9 there has been a shift in position as of late, the NBA
10 being one of the biggest ones, Commissioner Silver coming
11 out and saying that they would be in support of a Federal
12 legalized sports betting regime.

13 And then lastly, just a primary educator, being
14 able to be here today to talk about the issues, to answer
15 any questions that you guys have is certainly a role that
16 we want to play.

17 So with that, I will stop talking and I will
18 answer any questions that you guys have.

19 MAJORITY CHAIRMAN PAYNE: Thank you very much.
20 Let me recognize Representative Dunbar and Representative
21 Rozzi have joined the hearing.

22 Questions? Representative Kortz.

23 REPRESENTATIVE KORTZ: Thank you, Mr. Chairman.
24 Thank you, Ms. Rayme, for your testimony.

25 Question for you on the Federal level. The

1 Congressman Frank Pallone and Frank LoBiondo have the
2 legislation out there. Do they have a lot of cosponsors on
3 that legislation? Does it seem to be picking up steam?
4 Are we getting anywhere with it I guess is what I'm asking?

5 MS. RAYME: That's a good question. I think 2016
6 is going to be a tough year to get anything done on this
7 issue specifically. And that's kind of the strategy that
8 we're playing out. In order to really move something
9 through, you really have to have the leagues at the table.
10 This legislation when it was crafted back in 1992, it was
11 really to "protect" them. We do think that there's a shift
12 in their position on that issue. So I would say that this
13 is probably going to be a three- to five-year proposition.

14 REPRESENTATIVE KORTZ: Okay. Thank you.

15 MS. RAYME: However, I will add, New Jersey,
16 there is obviously this pending case before New Jersey
17 right now -- excuse me, the Third Circuit that New Jersey
18 has brought on sports betting. The Third Circuit has
19 agreed to hear the case en banc, which means that they
20 would have all the judges there to rule on it again.

21 What would happen is if the court were to rule in
22 favor of New Jersey, you would essentially have unregulated
23 sports betting occurring in the State, and I do think that
24 that could be an impetus then for Congress to take action
25 because, essentially, you would saying, okay, unregulated

1 sports betting is now legal, which would cause, I think,
2 some concern.

3 REPRESENTATIVE KORTZ: Thank you.

4 MS. RAYME: You're welcome.

5 MAJORITY CHAIRMAN PAYNE: Representative Dunbar.

6 REPRESENTATIVE DUNBAR: Thank you, Mr. Chairman.

7 Just out of curiosity, you had mentioned how some
8 of the established leagues are starting to get on board,
9 the NBA, I assume the NHL as well. The leagues that aren't
10 as well established and have a strong fan base, they seem
11 to be supportive of this. And it always seems like the
12 catch is the NFL and MLB. In your expertise, do you think
13 they're getting anywhere near that they're willing to look
14 at this? It always seems like the NFL was always the one
15 that stops this? Is that the case?

16 MS. RAYME: Certainly, I couldn't speak on their
17 behalf. I read, like everyone else does, what they say.
18 It does seem that I think the issue of daily fantasy sports
19 has certainly put a spotlight on the larger issue of
20 gambling, and I think the leagues have had to kind of look
21 at their positions and reassess where they may be. The
22 indication I have had is that I don't think that the NFL
23 has changed their position yet. I think that they very
24 much hold true to a belief that a legalized sports betting
25 regime would somehow hurt the integrity of the game. I

1 think that we would disagree with that, and we intend on
2 proving why that is actually not the case.

3 When you look at the U.K. model -- they've had
4 legalized sports betting for close to 20 years at this
5 point -- the reason why they did that was to prevent match
6 fixing with their football. And what they do is
7 essentially collect all the big data, they look for
8 irregular betting that's occurring, and then they report it
9 to the regulatory body and say we think that there could be
10 something suspicious going on.

11 When you have a huge illegal vast black sports
12 betting market that no one knows what's going on, it's
13 obviously harder to detect when someone could be taking
14 money for the game. So we would advocate by having a fair,
15 transparent, open process that people are actually able to
16 see when bets are placed, look for irregularities. You're
17 actually going to be able to track when the integrity of
18 the game is compromised versus what's happening right now.

19 REPRESENTATIVE DUNBAR: And you had mentioned in
20 the U.K. where sports betting is legal, as well as internet
21 gaming is legal all across Europe, which I don't know why
22 we're so far behind but that's a question for a different
23 hearing I guess, when they established legalized sports
24 gaming, do you know -- you had mentioned earlier -- I can't
25 remember the exact number -- of how much illegal sports

1 betting is going on. Do you know once they established it
2 as legal there, did they eliminate the illegal activities?
3 Was there a sudden increase in people participating? Or
4 was it just shifting from illegal to legal?

5 MS. RAYME: That's a very good question. My
6 understanding was that in all the European countries there
7 are different regulatory models as it pertains to online
8 gambling, and I think that there has been some challenges
9 with the tax rates and sort of the regulatory model. For
10 example, I think Italy has a very stringent sort of
11 regulatory model in place that doesn't exactly attract the
12 player to go play legally versus just continuing to play
13 illegally online.

14 So I think your question about did the illegal
15 activity cease to happen after you legalized online
16 gambling is a good one. I couldn't speak sort of in depth
17 about that, but my general understanding was, because there
18 wasn't sort of a one-size-fits-all in Europe, that it would
19 probably be hard to make that determination, but it's
20 something that we can certainly look into and get back to
21 you about.

22 REPRESENTATIVE DUNBAR: And the only reason I ask
23 is because the naysayers are going to say, oh, you're just
24 looking for an expansion of gaming. I support
25 Representative Matzie's legislation, and I don't see it as

1 an expansion of gaming to tell you the truth. I just see
2 it as being a shift from an illegal activity to a legal
3 activity. Thank you.

4 MAJORITY CHAIRMAN PAYNE: Representative Klunk.

5 REPRESENTATIVE KLUNK: Thank you, Mr. Chairman,
6 and thank you for joining us today.

7 I have two questions. The first question goes to
8 Delaware came in a little bit later to the sports betting
9 game than Nevada, is that correct?

10 MS. RAYME: No.

11 REPRESENTATIVE KLUNK: No?

12 MS. RAYME: From what I understand, in 1992 when
13 PASPA was enacted, all the States that had had sports
14 betting already occurring were just grandfathered into
15 statute.

16 REPRESENTATIVE KLUNK: Okay. Grandfathered in.
17 I guess my question then is when you look at Nevada, they
18 have a pretty wide range of sports betting activities for
19 pro and college sports, can be placed in person, on
20 interstate mobile account wagering systems, and includes
21 single games. Now, Delaware, they require the parlay
22 wagering on NFL games only, and then it's the minimum of
23 the outcome of three games, which is very, very specific.
24 So can you talk a little bit about Delaware's decision in
25 going just to NFL, why they chose that, and does that

1 really go towards ensuring the integrity of the betting?
2 And is that more of the trend, to be more focused to
3 prevent fixing?

4 MS. RAYME: So I think, again, when PASPA was
5 enacted back in 1992, they sort of looked at the landscape
6 to see where sports betting was already occurring. In the
7 State of Delaware that was the niche sort of product that
8 they had had at that time. So that was what they were able
9 to continue to do then after PASPA was adopted. I couldn't
10 speak on their behalf or I don't know sort of the history
11 and why they didn't change at that point in -- or if they
12 had time to change and offer more products, why they didn't
13 do it, why they just picked this one little niche product.
14 But they obviously continue to use it. From what I
15 understand, it is relatively small in comparison to the
16 larger sort of gaming suite of products in their revenue
17 base, but it is something that they do still offer.

18 REPRESENTATIVE KLUNK: Okay. And then my follow-
19 up to that is in these States where this is occurring, so
20 Delaware and Nevada really are the two biggies, is there
21 any data that they have been able to collect that there is
22 integrity within these betting systems and that there isn't
23 fixing of games? And have they been able to see any trends
24 from that standpoint like what is happening in the U.K.
25 right now with their sports betting?

1 MS. RAYME: Yes, that's a really good question.
2 I think Nevada, again, because they do have that full
3 suite, they have the NCAA, they have NFL, they have NHL,
4 they have MLB, they have the sports books, people go. They
5 also have a mobile online app where people can place bets
6 as well. I worked very closely in partnership with the FBI
7 whenever they do see something irregular. They work very
8 closely with their Gaming Control Board as well to make
9 sure that they're aware when they see irregular bets being
10 placed or, you know, maybe some sort of nefarious activity
11 to make sure that the proper law enforcement agencies are
12 aware of what's happening.

13 Clearly, that is just one State that that is
14 happening so it's not the big sort of data I think that we
15 would hope to achieve at some point in time, but I would
16 say that anecdotally there are some really powerful stories
17 about how Nevada sports book operators have worked in
18 tandem with law enforcement to identify when irregular
19 betting has occurred.

20 MAJORITY CHAIRMAN PAYNE: Representative Schemel.

21 REPRESENTATIVE SCHEMEL: Thank you, Mr. Chairman.
22 Thank you for your testimony.

23 Just so that I'm clear, on the States that
24 legalized or the proposals that are there, is this limited
25 to professional? Or what States include collegiate in the

1 betting pools?

2 MS. RAYME: So right now, obviously no State can
3 legalize sports betting just given the Federal statute,
4 that it's now not allowed. But when this was adopted back
5 in 1992, Nevada did have sports betting on collegiate
6 games, and so therefore, when they were grandfathered in,
7 they were able to keep that piece of it.

8 REPRESENTATIVE SCHEMEL: Okay. And are there
9 proposals, then, that would allow sports betting on
10 collegiate games as well?

11 MS. RAYME: So at a Federal level I think that
12 what they had talked about was the -- that Congressman
13 Pallone had introduced legislation then that would overturn
14 PASPA, I think that's the only one right now in Congress
15 that would potentially look at repealing the bill or
16 amending the bill to allow for sports betting on collegiate
17 games. But there really hasn't been more discussion about
18 that, and that's why our association has taken the
19 standpoint that we really do need to work in partnership
20 and in tandem with the leagues to kind of identify a
21 solution together.

22 I know the NCAA has been very adamantly opposed
23 to gambling. They've been very adamantly opposed to daily
24 fantasy sports. So, again, I can't speak on their behalf,
25 but I wouldn't imagine that their position would change.

1 REPRESENTATIVE SCHEMEL: You mentioned legalized
2 sports betting in Europe. I don't know how familiar you
3 are with it. I'm not familiar at all. But I wonder if
4 you've noticed that it changes the dynamics of -- I don't
5 know if they have the equivalent to the draft or the way
6 that they hire professional athletes. Does it favor large
7 cities? Does it disfavor smaller communities? What impact
8 has it had on the overall play of sports in those
9 countries?

10 MS. RAYME: I could only speak on what my
11 perception is, and that obviously football in the U.K. is a
12 huge sport. People are very engaged. I think that when
13 you ask them about our sports betting regime and market,
14 they think it's sort of silly that we don't do it. It's
15 sort of a part of their culture. You have sports book
16 operations pretty much on every single corner. You have
17 gaming companies that are able to advertise on the
18 uniforms. It's just sort of part of their culture.
19 There's a company Betfair. They do these sort of fun
20 proposition bets.

21 So people, they enjoy it. They really see it as
22 part of the game. I honestly don't think it's much
23 different than probably opinions of U.S. consumers either,
24 but I couldn't really speak to whether or not that's driven
25 more business in smaller or bigger cities.

1 REPRESENTATIVE SCHEMEL: And one last question in
2 regard to the casino industry, do you believe that sports
3 betting will draw additional clients to the casinos or does
4 it just give people that already go to the casinos
5 additional products on which to bet?

6 MS. RAYME: A great question, and one that our
7 organization contemplated as we had this discussion with
8 our members, and a lot of the people that we represent are
9 Nevada-based operators, and you would think, well, you've
10 got a monopoly; you would be opposed to something like
11 this. They're not at all because the sports better tends
12 to be higher average income, they tend to, when they go to
13 the casino, yes, they'll go place a sports bet but they're
14 going to go play roulette, they're going to go play the
15 slots, they're going to go play poker. So they see it as
16 an additive. They see it as another sort of opportunity to
17 draw a consumer into the brick-and-mortar facility and then
18 have them play other games or be a patron of other
19 restaurants or whatever else within the facility.

20 REPRESENTATIVE SCHEMEL: Thank you.

21 MS. RAYME: You're welcome.

22 MAJORITY CHAIRMAN PAYNE: I want to recognize
23 Representative Warner and Representative Davis have joined
24 us.

25 Chairman Kotik?

1 DEMOCRATIC CHAIRMAN KOTIK: Thank you,
2 Mr. Chairman. Thank you very much, Sara, for your
3 testimony today. It's been very enlightening.

4 I think what Representative Matzie and I are
5 trying to accomplish is we're trying to position
6 Pennsylvania -- I can remember 10, 15, 20 years ago there
7 were only two places you could go to before. You could go
8 to Las Vegas or you could go to Atlantic City. And
9 Governor Rendell had the foresight and the initiative to
10 push through casino gaming, and it's brought a lot of
11 revenue into the Commonwealth.

12 And I think Pennsylvania has to be ahead of the
13 curve. We have to be positioned. We don't know if this is
14 going to happen. We don't know if it's going to end up
15 before the United States Supreme Court. But Pennsylvania
16 should be proactive in positioning itself so that if and
17 when this does happen, we're not going to be behind the
18 curve and all the other States that are looking at this
19 issue are ahead of us.

20 We were ahead of the curve when we established
21 the casino law and we established the casinos in
22 Pennsylvania, and we've been proactive. And that's what I
23 think John and I are trying to promote with the Committee
24 is that we're proactive, we're ahead of the curve.

25 This may not happen. We don't know. We don't

1 know what a future Congress is going to do, we don't know
2 what a future Supreme Court is going to do, but let's be
3 ready in the event that it does happen so that we can be on
4 the forefront of enacting legislation in this Commonwealth
5 to get it done so we're not lagging when we should be
6 leading.

7 So thank you, Mr. Chairman.

8 MAJORITY CHAIRMAN PAYNE: No, thank you,
9 Mr. Chairman.

10 Sara, I'd like to do a couple follow-ups.
11 Representative Klunk brought up a good point about Nevada
12 and the regulations and whether there's some undercurrent
13 maybe going on in betting, how that's picked out and stuff.
14 I want to kind of flip the tables on that. At least they
15 have a system in place to know that.

16 MS. RAYME: Yes, exactly.

17 MAJORITY CHAIRMAN PAYNE: We have no system.

18 MS. RAYME: Right.

19 MAJORITY CHAIRMAN PAYNE: And there are people
20 who believe, well, we don't need a system because it's not
21 going on. I don't believe that's true. Could you --

22 MS. RAYME: Yes. No, I would agree with your
23 characterization. Certainly, there have been estimates, as
24 I said, \$4-500 billion illegal sports betting that's
25 happening right now in the shadows, in the dark that people

1 don't know, they're not tracking. Obviously, that presents
2 a problem from a consumer standpoint but also a problem
3 from the integrity of the game piece. And I think bringing
4 it out into the sunshine and being able to see and track
5 when irregularity is happening.

6 I think at the heart of our industry is
7 regulation. We embrace that. We understand why it needs
8 to be there. It provides integrity not only to the casino
9 but also to the consumer. So I couldn't agree with you
10 more.

11 And I do just want to reiterate, again, I think
12 that Pennsylvania, you guys have done a tremendous job at
13 being forward-looking, and I think that, as I've said to
14 other people, the competition among casinos is no longer
15 just limited to the operators; it's now about the States.
16 And whoever can present the most favorable sort of gaming
17 environment is going to win because there's a lot more
18 competition that's come online. You guys have seen that
19 with Maryland, with West Virginia, with Ohio, and I think
20 you are very smart to try and stay ahead of the curve and
21 ensure that the operators are able to continue to grow and
22 reinvest.

23 MAJORITY CHAIRMAN PAYNE: And you walked right
24 into my second question --

25 MS. RAYME: Oh.

1 MAJORITY CHAIRMAN PAYNE: -- which goes, as we
2 talked about previously, Jersey has just announced that
3 they're going to go on the ballot for question for the
4 voters to allow two casinos in northern New Jersey. One of
5 the things that Nick and I, when we first became chairmen,
6 was to go out to all of our casinos and ask them what is it
7 that we could do to help you. It's a novel approach, I
8 guess, in government, but I spent 30 years in the private
9 sector and we normally would go to our customers and ask
10 our customers what is it we can do to help you? And we had
11 lots of feedback at 26 hearings that we did in about 10
12 months. And I want to now spend this year following up on
13 that feedback and initiating some of those things that
14 they've asked for.

15 We know the pressure from the surrounding States
16 is only going to get worse, and I believe in my heart if we
17 don't do something to protect our Pennsylvania casinos,
18 just like we ate Atlantic City's lunch, they're going to be
19 after us to eat our lunch. I mean, we know Inner Harbor's
20 going to open, we know Washington is going to have one, we
21 already know Ohio has affected our casinos in the western
22 part of the State. I can't imagine two large casinos in
23 northern New Jersey would be good for Pennsylvania casinos.
24 Could you follow up on that?

25 MS. RAYME: Yes. Again, I just think it goes to

1 -- number one, I think that gaming is a mainstream form of
2 entertainment. We've done our own surveying. Nine out of
3 ten people, voters believe that it's acceptable. People
4 don't have a problem with it. They see the tremendous
5 amount of economic benefits and the jobs that it creates.
6 And so while this has happened, then you start to see
7 States embrace it more, be more comfortable with having
8 casinos, and I think that's just going to continue.

9 And New Jersey is a great example. They're going
10 to make a lot of money. Why wouldn't you put two casinos
11 up north? I mean, you're going to be closer to Manhattan.
12 So on their part I think it's smart. And I think that,
13 again, I applaud you for staying abreast of sort of what's
14 happening around you and not just within the borders of
15 Pennsylvania or Ohio or West Virginia and being smart and
16 thinking about how you guys can remain competitive. So I
17 think that's all good.

18 MAJORITY CHAIRMAN PAYNE: Thank you. And I have
19 one last question, but I've got to recognize Representative
20 Mackenzie has joined us. We talked about the internet and
21 online and online sports betting and online poker, and
22 Representative Dunbar has more knowledge on this than I do,
23 but we do have a bill to regulate internet gaming. And the
24 reason for that is it's occurring right now unregulated,
25 much like the sports betting is. What's your read across

1 the U.S. on the internet gaming? And it's growing, and I
2 know Jersey started it first here on the East Coast.
3 They've struggled in the beginning, but they seem to have
4 got their act together and are really doing very well.

5 MS. RAYME: Yes. So from the Association's
6 standpoint just sort of full disclosure, we do have members
7 that are on both sides of this issue, and so we have taken
8 a neutral position on the issue of internet gaming. Right
9 now, what you've seen is you have obviously Nevada,
10 Delaware, and New Jersey with legalized online gambling.
11 As you noted, I think New Jersey obviously has done fairly
12 well with that. They have offered more games. I think why
13 they have been successful is because of their liquidity.
14 They have more people that can play versus a Nevada or a
15 Delaware with just a smaller sort of population. In
16 addition, Nevada is only offering online poker at this
17 point, so they have a very sort of small scale of people
18 that are playing and then games that are offered.

19 I think that you are starting to see more
20 discussion clearly. Pennsylvania has been one of the
21 States. New York is another one. I think it's talked
22 about in California as well. Some of these bigger States,
23 I think they could generate some substantial revenue from
24 it. So we'll see what happens.

25 I think it is an ongoing debate about consumer

1 protections, and honestly, I don't think it's dissimilar
2 than probably what people talked about before brick-and-
3 mortar casinos were in 40 States. So I think it's a
4 healthy discussion for you guys to have, and I think that
5 hearing both sides of that debate and looking at the
6 consumer protection piece, again, is a wise move.

7 MAJORITY CHAIRMAN PAYNE: Thank you. Thanks for
8 testifying today.

9 MS. RAYME: You're welcome. Thank you.

10 MAJORITY CHAIRMAN PAYNE: Any final questions?
11 Chairman Kotik?

12 DEMOCRATIC CHAIRMAN KOTIK: Nothing.

13 MAJORITY CHAIRMAN PAYNE: All right. This
14 hearing is adjourned. Thank you very much.

15 MS. RAYME: Thank you very much.

16

17 (The hearing concluded at 9:37 a.m.)

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2 are a true and accurate transcription produced from audio
3 on the said proceedings and that this is a correct
4 transcript of the same.

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