
Committee Meeting

of

SENATE STATE GOVERNMENT, WAGERING, TOURISM,
AND HISTORIC PRESERVATION COMMITTEE

ASSEMBLY TOURISM, GAMING, AND THE ARTS COMMITTEE

*“The Committees will receive testimony from invited speakers on the topic of online sports betting
and its impact on the State”*

LOCATION: Committee Room 4
State House Annex
Trenton, New Jersey

DATE: October 24, 2024
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator James Beach, Chair
Senator John F. McKeon, Vice Chair
Senator Shirley K. Turner
Senator Vincent J. Polistina
Assemblyman William F. Moen, Jr., Chair
Assemblyman David Bailey, Jr.
Assemblywoman Margie Donlon, M.D.
Assemblyman Gabriel Rodriguez
Assemblyman Donald A. Guardian
Assemblyman Antwan L. McClellan



ALSO PRESENT:

Ryan Brinkerhoff
Mary Lawlor
Zachary Ostrow
*Office of Legislative Services
Committee Aides*

Juan Flores-Serrano
*Senate Majority
Committee Aide*

Christine Dobisch
*Senate Republican
Committee Aide*

Rebecca Hendricks
*Assembly Majority
Committee Aide*

Rielly Kerr
*Assembly Republican
Committee Aide*

***Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
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James Beach
Chair

John F. McKeon
Vice-Chair

Shirley K. Turner
James W. Holzapfel
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NEW JERSEY STATE LEGISLATURE

**SENATE STATE GOVERNMENT, WAGERING, TOURISM
AND HISTORIC PRESERVATION COMMITTEE**

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COMMITTEE NOTICE

TO: MEMBERS OF THE SENATE STATE GOVERNMENT, WAGERING, TOURISM & HISTORIC PRESERVATION COMMITTEE

FROM: SENATOR JAMES BEACH, CHAIRMAN

SUBJECT: COMMITTEE MEETING - OCTOBER 24, 2024

The public may address comments and questions to Ryan Brinkerhoff, Mary Lawlor, Committee Aides, or make bill status and scheduling inquiries to Sophie Love, Secretary, at (609)847-3890, fax (609)777-2998, or e-mail: OLSAideSSG@njleg.org. Written and electronic comments, questions and testimony submitted to the committee by the public, as well as recordings and transcripts, if any, of oral testimony, are government records and will be available to the public upon request.

The Senate State Government, Wagering, Tourism & Historic Preservation Committee and the Assembly Tourism, Gaming and the Arts Committee will meet jointly on Thursday, October 24, 2024 at 10:00 AM in Committee Room 4, 1st Floor, State House Annex, Trenton, New Jersey.

The committee will receive testimony from invited speakers on the topic of online sports betting and its impact on the State.

Issued 10/18/24

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COMMITTEE NOTICE

TO: MEMBERS OF THE ASSEMBLY TOURISM, GAMING AND THE ARTS COMMITTEE

FROM: ASSEMBLYMAN WILLIAM F. MOEN, JR., CHAIRMAN

SUBJECT: COMMITTEE MEETING - OCTOBER 24, 2024

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TABLE OF CONTENTS

	<u>Page</u>
Jane F. Bokunewicz, Ph.D. Director Lloyd D. Levenson Institute of Gaming, Hospitality, And Tourism (LIGHT) Stockton University	4
Christina M. Renna President and CEO Chamber of Commerce Southern New Jersey (CCSNJ)	12
Lia Nower, J.D., Ph.D. Director Center for Gambling Studies Rutgers University School of Social Work	17
Jeremy Kudon President Sports Betting Alliance	29
Lori E. Kalani, Esq. Chief Responsible Gaming Officer DraftKings	32
Tim Buckley Senior Vice President for External Affairs National Collegiate Athletic Association (NCAA)	51
Felicia Grondin Executive Director Council on Compulsive Gambling New Jersey (CCGNJ)	60
APPENDIX:	
New Jersey Sports Betting Impact submitted by Jane F. Bokunewicz, Ph.D.	1x
Testimony Submitted by	

Christina M. Renna	19x
TABLE OF CONTENTS (continued)	
APPENDIX (continued)	

The Impact of Online Sports Betting in New Jersey submitted by Lia Nower, J.D., Ph.D.	21x
--	-----

Testimony submitted by Jeremy Kudon	25x
--	-----

Testimony submitted by Lori Kalani, Esq.	28x
---	-----

Testimony, and NCAA Pilot Study 2023-24 submitted by Tim Buckley	33x
--	-----

Testimony, and Additional materials submitted by Felicia Grondin	57x
--	-----

Testimony submitted by Hilary Chebra Manager of Government Affairs Chamber of Commerce Southern New Jersey	121x
---	------

Testimony submitted by Senator Kristin Corrado NJ 40 th Legislative District	123x
---	------

mej: 1-71

ASSEMBLYMAN WILLIAM F. MOEN (Chair): Good morning, and thank you for joining us today for today's State Senate Government, Wagering, Tourism, and Historic Preservation Committee and Assembly Tourism, Gaming, and the Arts Committee.

If I can ask everybody to please rise for the Pledge of Allegiance, Senator Beach will lead us.

(Pledge of Allegiance is recited)

ASSEMBLYMAN MOEN: Thank you.

May I ask OLS for a roll call of the members present?

MR. BRINKERHOFF: Assemblyman McClellan.

ASSEMBLYMAN McCLELLAN: Present.

MR. BRINKERHOFF: Assemblyman Guardian.

ASSEMBLYMAN GUARDIAN: Present.

MR. BRINKERHOFF: Assemblywoman Donlon.

ASSEMBLYWOMAN DONLON: Present.

MR. BRINKERHOFF: Assemblyman Rodriguez.

ASSEMBLYMAN RODRIGUEZ: Here.

MR. BRINKERHOFF: Assemblyman Bailey.

ASSEMBLYMAN BAILEY: Present.

MR. BRINKERHOFF: Chairman Moen.

ASSEMBLYMAN MOEN: Present.

MR. BRINKERHOFF: You have a quorum.

MS. LAWLOR: Senator Polistina.

SENATOR POLISTINA: Here.

MS. LAWLOR: Vice Chair McKeon.

SENATOR JOHN F. McKEON (Vice Chair): Present.

MS. LAWLOR: Chairman Beach.

SENATOR JAMES BEACH (Chair): Here.

ASSEMBLYMAN MOEN: Thank you.

And, so, again, good morning to everyone, and thank you for joining us today.

I do want to take a moment to thank Chairman Beach for agreeing to work with us on this Committee. We know that this is a key conversation, so we wanted to ensure that the opportunity for collaboration was here.

So, I will just begin by saying thank you for gathering here for this crucial joint hearing to discuss the evolving landscape of online sports betting and its multi-faceted impact on the State of New Jersey.

This hearing not only marks a significant occasion for collaborative dialogue, but also demonstrates our shared commitment to navigating the challenges and opportunities presented by this growing industry. Since legalizing sports betting, New Jersey has emerged as a leader in this domain not only because of the substantial economic benefits it brings, but also due to our robust regulatory framework, which aims to ensure integrity and fairness in its betting practices.

In 2024 alone, we have seen a remarkable 17.8% rise in year-to-date revenues, reaching an impressive \$835.4 million revenue number. These figures underscore the critical contribution of sports betting to our games economy, with September alone -- September revenues -- surging by 7.6% over the previous year's September. That number is \$119 million.

Such growth holds promise for future economic development and job creation across our state; however, while we celebrate these

achievements, it's equally imperative to address the accompanying social implications. New Jersey's leadership in sports betting also demands we take responsibility for tempering its adverse effects.

In today's hearing, we will delve into these issues and seek insights from our esteemed invited speakers. Our aim is to foster a comprehensive understanding on both the economic and social dimensions of online sports betting.

We look forward to exploring the means of maximizing the benefits, while effectively addressing and minimizing the adverse impacts on our communities. It is our responsibility as legislators to craft policies that are not only economically sound, but also socially responsible. Together, we must define a path forward that ensures the well-being of all of our residents while supporting the growth of a promising industry.

So, thank you again for joining us today, and for your participation and input. It's the goal of both committees to engage in constructive dialogue and emerge with actionable strategies that will benefit New Jersey.

Chairman, would you like to add any remarks?

SENATOR BEACH: Sure.

I just want to say, certainly, the industry has grown tremendously, and I think our big concern -- speaking for the senators on this side -- is to protect people who have problems with gambling.

And, we certainly want to put that forefront in all of our thoughts as we proceed through today.

Thank you; thanks, Bill.

ASSEMBLYMAN MOEN: Thanks, Chairman.

Are there any initial comments from the members? (no response)

Jump right into the testimony? Great.

So, first, we will hear from Dr. Jane Bokunewicz, Director of the Lloyd D. Levenson Institute of Gaming, Hospitality, and Tourism at Stockton University.

JANE F. BOKUNEWICZ, Ph.D.: Good morning ladies and gentleman of the Senate and the Assembly of New Jersey.

Thank you for the opportunity for me to present today an overview of the economic impact of sports betting in New Jersey.

As you said, I am the Director of the Lloyd D. Levenson Institute of Gaming, Hospitality, and Tourism at Stockton University.

So, as you've mentioned, sports betting has been growing since its inception in New Jersey. And, in 2023 alone, it generated more than \$1 billion in gross gaming revenue. This represented a 31.9% increase over the prior year.

It's very popular among -- as a gambling activity -- among New Jersey residents. The handle, since inception, is over \$45 billion. Handle represents the amount that has been wagered on sports betting. It generated more than \$3 billion in gross gaming revenue, and it contributed more than \$400 million to State tax revenue.

This chart shows the growth in total gross gaming revenue in Atlantic City. As you can see from the black line, which represents total gross gaming revenue, it has been steadily increasing since 2015. But, the blue bars represent the in-person brick-and-mortar gaming revenue. And, as you can see from the chart, that has been relatively flat. The biggest growth in the

gaming segments was in internet gaming and sports betting. Internet gaming is in gold, and sports betting is in brown.

This chart shows you a better breakdown of the percentage of revenue that each segment contributes. The blue, again, is the in-person gross gaming revenue -- the blue, actually, is slots, and the green is table games. The yellow is internet gaming, and the orange is sports betting. So, as you can see, over the years, the importance of internet gaming and sports betting has been increasing. In 2023, only a little bit more than 50% of the total gross gaming revenue was collected at the casinos in Atlantic City.

I extracted the two years of 2018 and 2024 so you could see how the revenue share has changed since the inception of sports betting. And, again, in 2024, internet gaming and sports betting have a much more important role in total gross gaming revenue. Even though sports betting is a small percentage of the total -- and, that's represented in the dark orange - - even though it's a small percentage of the total, it is increasing in percentage. So, in 2018, it only represented about 1% of the total gross gaming revenue, whereas in 2024 it was more than almost 8%.

This shows you the growth rate in New Jersey as of year-to-date July 2024. So, sports betting had the highest growth rate of all of the segments at 30.1%. Traditional casino gross gaming revenue actually declined by 1%, and internet gaming was 22%.

New Jersey is in line with the national trends. So, again, on a nationwide basis, sports betting grew 30% this year, and traditional gross gaming revenue only grew 0.1%, which is relatively flat.

The sports books in the race tracks in New Jersey had the highest growth rate at a 40.5% increase in gross gaming revenue from sports betting.

Brick-and-mortar casinos were just down by 1%. And, I should have pointed out on the other chart, but it is very important to note that the highest percentage of sports betting does take place online, so it's more than 90%. So, whenever I say "sports betting," you can assume that most of that is from online sports betting.

One benefit of sports betting legalization in New Jersey is the jobs that it has created. These are some examples of direct and indirect jobs created from sports betting and online sports betting. So, direct jobs would be odds makers, sports book operators, customer service reps, and risk analysts. Indirect jobs would be increases in hospitality workers, security, finance, technology, and cybersecurity.

As I was preparing for the presentation, I realized there's not specific information on the jobs growth in New Jersey. So, I tried to estimate it to give you a rough idea of what kind of jobs sports betting created. So, in 2017, Oxford Economics did a study predicting what would happen if sports betting was legalized. And, at that time, their moderate prediction when the industry stabilized was that 40 states would have legalized sports betting, and it would generate \$11.2 billion in annual gross gaming revenue and create 151,000 jobs. Well, the actual results in 2023 were very close to the moderate prediction made by Oxford Economics at the time. So, in 2023, it was legalized in 38 states nationwide, and generated \$11.04 billion in gross gaming revenue. So, if their jobs prediction was true at the time, then we could expect that nationwide it has created more than 151,000 jobs.

New Jersey ranks second in the nation for sports betting, so it's reasonable to assume that a big percentage of those jobs created would be in the State of New Jersey. Yesterday, I did speak to a representative from the

New Jersey Division of Gaming Enforcement, and he tried to do a rough estimate of the jobs created in New Jersey. He reported that there are about 400,000 jobs between internet gaming and online sports betting together. And, he said that number is expected to grow, because New Jersey is trying to become a hub for operations of online gaming and online sports betting.

The tax revenue from -- has been growing in recent years, and right now it's past the level that it was in 2006, which was a peak for the industry. And, as you can see from this chart, the blue represents brick-and-mortar gaming, taxes collected from brick-and-mortar gaming; and the yellow is internet gaming; and the gray is sports betting. And, there's a little thin line of green that is also retail sports betting.

So, the revenue percentage -- the tax rate that's charged on internet gaming and sports betting -- is higher than the brick-and-mortar gross gaming revenue. So, really, the increase in growth in these two areas has really contributed a lot of money to taxes for New Jersey -- \$608 million in 2023.

So, the money that's collected for the casino revenue fund is spent on programs to benefit seniors and people with disabilities. So, this is the revenue projection for 2024 -- the budget -- and you can see most of the money is allocated to medical assistance for seniors, transportation, and housing programs for people with developmental disabilities.

So, recent research has been done to try to assess the social impact of the legalization of sports betting. And, two that are noteworthy are the Northwestern University study, which was conducted by Professor Baker. In that study, they actually looked at deposit and withdrawal activity from online sports bettors, and they found that those sports bettors who bet

online had higher credit card balances; reduced deposits in equity accounts; and lower credit scores. The other study, Hollenbeck at UCLA, was more of a macro-level study, which looked at the states that had legalized sports betting. In those states, they found that credit scores dropped by a modest amount; bankruptcies increased; and car loan defaults increased.

Fairleigh Dickinson also did a recent study in 2024, and they found a higher instance of problem gambling -- especially among younger men. Ten percent of the men aged 18 to 20 have problem gambling severity index scores that indicate problem gambling. This is compared to 3% in the general population. Twenty-six percent of men under age 25 bet on sports online, compared to just 10% of the general population. And, 68% of online sports bettors report one or more problem gambling behaviors, compared to 34% for the lottery, 40% for scratch-off tickets, and 50% for in-person casino players.

On the positive side, legalizing sports betting has shifted the activity from the illegal black market to the legal regulated market where protections could be put in place. An American Gaming Association study found that 90% of past year sports bettors believed it was important to bet with a site that is legal and regulated. Eighty-eight percent of sports bettors said that the legal industry is committed to responsible gaming and combating the gambling -- problem gambling. Eighty-five percent of sports bettors agree with the effectiveness of responsible gaming programs, and that's up from 83% last year. And, 90% of past-year sports bettors are familiar with at least one responsible gambling resource, and 57% reported seeing or hearing increased responsible gaming messaging in the last year.

So, that's the end of my comments, and I'm happy to try to answer any questions you may have.

ASSEMBLYMAN MOEN: Thank you.

Do we have any questions from the Committee?

Senator.

SENATOR McKEON: Yes.

Thank you very much, and I appreciate and would love to get a copy, because my eyes aren't good enough to try to catch all the bar graphs.

I've been trying to get to the point to understand, and there's about 9.1 million New Jerseyans. About how many gamble? Do we have a rough estimate of that? I'm hearing somewhere between 1-2 million, but can you help me with, with your scholarly background?

DR. BOKUNEWICZ: Yes, there is-- There has been a recent study that measured that, and I don't know the answer off the top of my head, but I would be happy to get back to you.

Or, can I ask my colleague in the audience? Because, she may know.

SENATOR McKEON: Well -- sure. Because, I think that's important to the point.

DR. BOKUNEWICZ: She believes it's 60%, but I'll get the actual number.

SENATOR McKEON: Sixty percent, OK.

So, let's just make believe it's half of that -- say, 50%. And, that comes to -- let's just use the number four million. So, keep that in the back of our minds.

As I understand, we're going to hear testimony from Rutgers. They deem "problem gamblers" to be in the range of 5.6% of those who gamble, correct?

DR. BOKUNEWICZ: Yes.

SENATOR McKEON: So, now, help me with that math. What's about-- We'll use 5% of four million is what, about 200,000? Give or take, right? The math is the math. Two hundred thousand problem gamblers in the State of New Jersey. And, you know, there's actually DSM-5, under the diagnostic manual, they have "problem," or "disorder --" And, we don't need to get into the nuances of what's what, but they do things like disrupt the rhythms of life; jobs; relationships; sleep; appetite; credit scores. You noted a number of them. And, dual diagnoses, to the point of anxiety and depression for those people who have those issues.

So, I ask you, at the end of the day, 200,000 New Jerseyans have been drawn into-- So, it's wonderful that there's extra revenue, whatever you want to say. We can talk about revenue later, as far as the disproportionate taxes that are paid compared to other states with sports gambling and betting.

But, put that in perspective: 200,000 New Jerseyans are problem gamblers, with all of the fallout that goes with that. I just, ultimately, I hope that the Committees' work here -- the Joint Committee -- will be addressing that in a way that's responsible.

I have no other questions.

Thank you.

ASSEMBLYMAN MOEN: Thank you, Chair.

Are there any other questions from the Committee?

Assemblyman Bailey.

ASSEMBLYMAN BAILEY: Can you tell us when they're actually -- the PGSI -- was actually created? When did that actually come into existence--

DR. BOKUNEWICZ: I'm sorry, when the--

ASSEMBLYMAN BAILEY: The Problem Gambling Severity Index, the PGSI.

DR. BOKUNEWICZ: Oh, that was not a study that we conducted, and I don't know when that was created. But, it's a measure, it's a measure like anything else, and you know, they have a scale from one to eight, and the top score that I mentioned in the slide was people who had eight behaviors that suggested problem gambling.

ASSEMBLYMAN BAILEY: Thank you.

I come from the mental-health background, so I'm always interested in indexes.

But, I was just wondering, really -- you mentioned in that study from Fairleigh Dickinson, 10% of men age 18 to 20 have a PGSI score that indicates a problem. I just didn't know if there was comparisons -- 10% now, now that sports betting and the ability to be online has come into vogue. Or, was it prior to that? Was it--

DR. BOKUNEWICZ: Well, the general public-- Among the general public, it was quoted as 3%. So, it was, I guess-- The point of the study was that it is higher among younger men betting online.

But, one thing I would like to point out is that because sports betting is so new in the country, and in New Jersey, there is a period where it will-- People will get better at education and people will understand their betting habits more. So, gambling in general has been around for so many

years, but legalized sports betting is really in its infancy. And, as the industry works together with the regulators and with the Council on Compulsive Gambling, for example, I think that that number can come down.

But, it's such a new industry that I think it will, through hard work of all the parties involved, I think it will stabilize at some point.

ASSEMBLYMAN BAILEY: Thank you.

Thank you, Mr. Chairman.

ASSEMBLYMAN MOEN: Seeing no other questions, Doctor, thank you for joining us today.

DR. BOKUNEWICZ: Thank you very much.

ASSEMBLYMAN MOEN: So, next, we will be hearing from Christina Renna -- President and CEO of the Chamber of Commerce Southern New Jersey.

And, if I can just remind everyone who's joining us to testify today, we're renting the room today by the hour. There is a committee meeting scheduled for early this afternoon, so we're trying to just keep on time.

If we have your presentations, just note we do, and we will be reviewing them. Please try to do your best to keep your remarks as brief as can be.

Thank you.

CHRISTINA M. RENNA: Well, good morning, Chairman Beach, Chairman Moen, members of the Committee.

For those of you who may not know me, my name is Christina Renna, and I am President and CEO of the Chamber of Commerce Southern New Jersey. I really appreciate the invitation for our chamber to share some

remarks today on the topic of sports betting and how the online sports betting industry has impacted the State of New Jersey.

From the start, our chamber has been historically supportive of standing up this new industry, dating back to 2011 with then-Governor Christie, all the way through to the initiatives that Governor Murphy has put forth with Responsible Gaming Task Force. All of these steps that have been taken by State Government, by the Legislature, by state agencies, to reassess statute retool regulations, has led to New Jersey being, at the end of the day, really the model -- in many ways -- for online sports betting in the nation -- not without, of course, room for improvement. Always room for improvement.

So, thank you. Thank you for all of you -- for all of your assistance -- in standing up this new industry, which is never easy, and certainly the flexibility State Government has shown has led us on a good path. But, again, not one perfect, and not one that still needs some retooling along the way.

As a chamber of commerce, our main focus, of course, is always economic development, but, most importantly, the jobs that are created from a strong economy. As you heard from Stockton University's presentation, the online sports betting industry -- the sports books that had been stood up in Atlantic City's casinos have created indirect or direct jobs of approximately 4,000. This is a number we love to see; we love to hear Stockton say that that number is anticipated to grow. This is -- when we started to support this movement in 2011, this is what we hoped for. Atlantic City gaming and hospitality jobs are, of course, crucial -- not just to the South Jersey region,

but the entire state. The creation of a new industry we knew would generate new jobs, and we are seeing that -- that's a very good thing.

When you see these absolutely headline-smashing gaming revenue numbers, however, month-over-month, when DGE puts out their reports, they can be a little bit misleading. And, I think that it is important, and, as Stockton University did note in their presentation as well, that when you see gaming revenue over the top, please note that online sports betting is incorporated in that number. And, at the end of the day, it's not reflective of the health of the actual physical casinos in Atlantic City that have still not rebounded to post or pre-COVID numbers. We are still not seeing the foot traffic we want to see in Atlantic City casinos. It has not bounced back in full, and, so, as amazing as sports betting has been for this State, for State revenue coffers, for Atlantic City -- for the casinos -- we also need to keep in mind that when we see these headline-grabbing numbers around sports betting and online betting that those 22,000 casino jobs in brick-and-mortar facilities need focus, care, and attention, too.

And, so, we want to see sports betting continue to grow, thrive, in a safe, sustainable way for residents of the State of New Jersey. We want to see more jobs created as a result of sports betting. But, I simply ask you -- respectfully, of course -- to keep in mind that we still need to focus on the health and welfare of those physical buildings in Atlantic City that are so crucial to New Jersey's economy.

So, I thank you again for the opportunity to be here today, and I am happy to take any questions.

ASSEMBLYMAN MOEN: Thank you, Christina.

Any questions from the Committee for Christina?

Assemblyman McClellan.

ASSEMBLYMAN McCLELLAN: Ms. Renna, it's good to see you, as always.

MS. RENNA: Good to see you, Assemblyman.

ASSEMBLYMAN McCLELLAN: If you had a magic crystal ball, what would be your recommendation for the Legislature to be able to help Atlantic City in brick-and-mortar? What should we be looking to try to do?

MS. RENNA: Listen, it has to be a partnership. The actual brick-and-mortar facilities in Atlantic City I think are taking correct steps to continue to invest in their properties. We're seeing that with the actual sports books that had been created in their actual properties. And, of course, continuing to focus on making Atlantic City a destination not just for gaming, but also just for general entertainment.

The Legislature, in totality, needs to, I think, shift their mindset away from Atlantic City just being about casinos. And, when you look at the municipality as a whole, all the components that go into making that city what it is and what it certainly can be -- I think it would take a shift of mindset, in some regards, for the legislature to know that focusing on our brick-and-mortar casinos of course are crucially important. But, we also need to be encouraging Atlantic City as a tourist destination for gaming but also entertainment and family fun as well.

So, I think a statewide partnership with the Legislature, in that regard, is definitely what I think we need.

ASSEMBLYMAN McCLELLAN: Thank you.

MS. RENNA: Thank you.

ASSEMBLYMAN MOEN: Thank you.

Any-- Vice Chairman.

SENATOR McKEON: Yes, thanks very much.

I'm going to give you another crystal ball, but in a different way. And, we have an expert here and there -- Guardian -- as it relates to the things that need to happen to help bricks-and-mortar in Atlantic City. And, I think we all stand behind that.

But, I'm looking at sports gaming in a different way. I understand there is a very unique situation in New Jersey -- I think unique to the world -- relative to our licensure, and how that goes through the bricks-and-mortar, and some of the profit through the online gaming helps to support that industry and those jobs.

But, relative to the proliferation of online gaming and sports betting, very little takes place in Atlantic City. Isn't that a harbinger that's eventually going to destroy bricks-and-mortar, really, all over the country? Vegas will always exist, but everybody is used to using these little devices now, especially people a lot younger than me. And, they're not going to casinos. I don't care where they are -- anywhere in this region.

MS. RENNA: I completely understand your point and your concern, Senator.

It's not insignificant; however, that when you look at the sports book revenue that has been generated by the brick-and-mortar facilities, of course it doesn't match the online. As you just saw from Stockton's presentation, online is through the roof, as it relates to revenue.

But, if you look at the Casino Control Commission's 2023 report that was issued for last year, our casinos in Atlantic City did generate, in the in-person sports book, approximately \$275 million in revenue. That's across

all casinos, but that's not an insignificant amount of money. That also generated about \$25 million in tax revenue back to the State.

So, I think that your point is correct and valid, but it's not to be discounted that these in-person sports book facilities that are casinos are taking the right steps and investing in their properties to go along with the new law and the new trends we're seeing. It is helping; it's going to not be equivalent to what we're seeing online, of course, but it's certainly doing more of a service than a disservice.

SENATOR McKEON: Thank you.

ASSEMBLYMAN MOEN: Any other questions? (no response)
Thank you, Christina.

MS. RENNA: Thank you, Chairman.

ASSEMBLYMAN MOEN: Next, we will hear from Dr. Lia Nower, Director of the Center for Gambling Studies at Rutgers University.

L I A N O W E R, J.D., Ph.D.: Mr. Chairman and members of the Joint Committee, I am very grateful for the opportunity to present today.

I was asked to talk about New Jersey in particular -- what we're seeing in our research, and then what I would recommend -- what we as a center, based on our findings, would recommend, based on the evidence worldwide.

For those of you who aren't familiar with the Center for Gambling Studies, it was founded in 2007, and we are a research, policy, and training center. We were named an "International Center of Excellence" by the International Center for Responsible Gambling and Gaming, and we are now launching a national prevalence study on emerging adults and youth, and we are looking at the level of gambling involvement by state.

We have been in partnership with the Division of Gaming Enforcement since 2014, and we evaluate every bet placed for online casino and sports wagering. That's about 22 billion bets and 75 terabytes of data that we evaluate. And, we produce the first draft of the reports that go to the DGE. And, we work with 29 operators throughout the year.

We have also conducted the two statewide prevalence surveys -- one which was released by the DGE in 2017, and the last one released last year, so I'm going to try to get to the two questions that were asked earlier as I go through. I'm not going to go through any more in here, I just put this so if you want to look at this later, some other things that we do. We also train community providers, so we have trained in partnership with (indiscernible), 520 providers at this point.

So, the first thing I'm going to start with is, what do we know about 10 years of -- well, not 10 years; 10 years is the iGaming -- since 2018 of the sports betting data. And, these are the most significant takeaways. Four percent of sports bettors place 40% of the bets and spend 57% of the money. And, we call them high intensity bettors. And, absent any kind of affordability guidelines like they have in the U.K., where we really know who can afford what they're spending, this is the best that we can do from the data. They place more than 50% of all in-game bets. And, so, this is a very clear target for harm reduction, because it's a very small proportion of people.

More young people are betting on sports, with the proportion of those ages 21 to 24 increasing every year. And, the danger -- which is beyond the scope of what I can talk about here -- is they are starting on Kick. I don't know if you're familiar with some of these different websites -- they start them watching gaming and placing virtual bets, and they triage them. So,

these kids are being primed as young as 7 and 8. And, we work a lot with elementary students. Fifty percent of the boys who come to our center are already gambling online with their parents. About 2-4% of bettors use RG features -- a very small proportion -- including limit setting. And, the youngest bettors are the least likely to use any type of limit-setting feature.

The other significant thing is that about 98.5% of bettors use credit cards or e-pay services. And, these e-pay services make it very easy to mask if you are maxed out on 10 cards; it's very hard to tell if you're using PayPal. So, it makes it difficult to know exactly what the harm is at this point. Overall, about 85% of sports bets lose, and more than 80% are parlays -- and, more than 90% of parlays lose. And, people placing bets, particularly young people, don't have any understanding of these kinds of odds. And, it's not *really* clear, recalculate all of this based on the data.

And, more than two thirds of bettors bet in-game. And, the danger of in-game betting is it's in the moment; the odds are changing; it's impulsive; it can be affected by alcohol, peer pressure, etc. So, you are much more likely to spend more than you can afford, and young people bet in-game a lot.

Now, I am going to triage to the prevalence study. And, to address the Senator's question over here, about 61% of people gambled in New Jersey in the '23 prevalence study, but we had a COVID bump in there, so we tried to-- We have to say we don't know what the effect was. About 19% have some level of problems, and just under 6% -- and this has been studied since the iGaming study -- have high-risk problem gambling, which, equates in a clinical setting, typically, to gambling disorder. And, to the other question, the PGSI is a population prevalence measure that was developed in

Canada in 2001. And, it is the most used prevalence measure in the world; it is also used now in clinical settings. And, the beauty of it is it gives you low-risk, moderate-risk, and high-risk indicators. And, those of us who are in education, prevention, treatment, we want to catch people earlier, and, typically, they don't present until later.

So, what we know from the '23, the most recent prevalence survey *just* looking at sports bettors -- and, I will say this is also true of horse race bettors and, if you saw in the first presentation, a lot of this revenue is coming from horse tracks, which makes it even more concerning because there is a very high problem gambling rates among horse race bettors. It's very inter-generational.

So, compared to others who gamble, sports bettors bet at high frequency -- 73% versus 30% of other people who gamble. They bet both online and in land-based locations -- 86%. We call it mixed-venue gambling. And, that has the highest rates of problems, followed by online only, and then by land-based. And, then, they bet on more activities and they endorse more high-risk symptoms, or moderate-risk symptoms. You can see the one versus the other.

We also know that they were significantly more likely than others, because we also look at a number of factors to use tobacco, alcohol, or other illicit drugs; binge drink; report problems with drug and alcohol; engage in all types of addictive behaviors. And, they-- I'm very interested in suicide, more into thinking those are harms that are very individual and often kept in the family, but there's still social costs. About 14% of sports bettors experience thoughts of suicide; 10% had actually made an attempt, and 13% engaged in non-suicidal self-injury, which is reaching epidemic proportions

with adolescents. For those of you who aren't familiar with it, it's cutting; burning; self-harming, but not with the intention to die.

So, now I am going to segue into something that I was asked to present on harms. How do we know what harms are? Someone mentioned domestic violence; somebody-- There's a whole range of harms. And, when we look at them, I usually use this taxonomy that was developed by Langham across the seven domains: Financial; health; relationship; emotional and psychological; work or school; criminal activity; community and culture. And, I don't have time to go through them, but if you look there you'll see all the different things that we do need to address if we're really going to put a safety net in.

Here's where I see the current barriers in New Jersey. We have most states adopt a perspective of, "If you build it, they will come." You know, like *The Field of Dreams*. And, so, they throw a bunch of money at treatment, a bunch of money at different things. The problem is that there is an incredible stigma right now. We are in gambling where alcohol was in the '50s and cigarettes were in the '40s. There is a stigma associated with being a gambler, or having a problem. So, people are not going to self-identify. We did a study of 2,300 social workers and psychologists, and even those who had problem symptoms, 60% said they didn't gamble.

So, the primary barrier is we do not have in this state yet a holistic, evidence-based response framework. And, so, funding gets lost, if people don't come for treatment, all that money is thrown there and it gets diverted to something else. There's huge gaps in services; access to care; a lack of programs for high-risk sub groups. We know in New Jersey that African Americans and individuals who identify as Hispanic and Latinx, they

have the highest rates. And, there is virtually -- there are virtually no targeted services. There's a lack of evidence-based controls, so we give money for this service -- we don't evaluate how well it's working; we don't have outcome evaluations. And, there's a lack of new, innovative programs based on the trends that we're seeing.

So, finally, these are the recommendations -- and three of them I wrote, and I won't have time to go over -- but I think the most important thing is to centralize all problem gambling initiatives through one entity. So, my model is the University of Maryland Center for Excellence on Problem Gambling. They are the entry point for all things problem gambling, and then they subcontract with all the special specific stakeholders. And, they do this across research, policy training, prevention, education, and outreach. And, they outcome evaluate these different programs. And, it ensures that all deliverables are evidence-based, all aspects are covered, each initiative builds on other outcomes. And, obviously, we would be willing to serve that function in New Jersey.

And, here's sort of our vision. This was a paper that I published with a colleague in 2019 in Germany, actually, because they were looking for a framework when they were thinking of legalizing. And, so, this is sort of-- We are already building programs in the areas that you see are dark. Some are built out better than others, but there's still a lack of coordination. But, all of these other areas -- the prison system, law enforcement, coroner's office, criminal courts, family court, health systems, ERs, homeless services, child welfare, domestic and family violence services -- *no* screening. We are not identifying people, and we need to identify people at every potential entry point, feed them into a response system, which includes treatment, but is not

limited to treatment, and hopefully catch them early. Because, often, the real (indiscernible) is very high.

And, I want to leave you with a couple of maps. The starting point here in the DGE reports every year, we publish maps that show where in each county the proportion of people gambling is over-represented based on the population. And, the maps look very different for iGaming versus sports. This is the sports map. The iGaming map is almost cut in the middle of the state by who is over- and underrepresented. And, this is our latest project with the DGE, we have-- And, it should be ready for prime time soon.

We did this first for the state of Colorado; we did a series of four maps. These are GIS maps, and so they're live, and you can pick. If you're interested in veterans, and you're interested in households with children under 18, the first map you can see the concentrations. The next map will show you where the proportion of higher representative betting is for both sports and iGaming. The third map shows access to services. And, this final map, we've created an algorithm that shows you, based on all of those factors, where should we start in the State of New Jersey with services. And, anything that's a 10 or a 9 -- those are the top areas that we should focus on.

And, these are some other recommendations that I will *not* go over. And, there's my contact information. And, I've created two QR codes. The first one, under the Rutgers logo, has articles in it, our prevalence study, and you can access all of that. And, that study that was referenced earlier by Baker, I'll also put that in there -- that's been published. And, then, my contact information is the second one.

Thank you.

ASSEMBLYMAN MOEN: Thank you.

Do we have any questions from the Committee?

Assemblywoman Donlon.

ASSEMBLYWOMAN DONLON: Thank you.

I'm wondering, in terms of treatment for gambling addiction, are there similarities or differences, compared to how other addictions are treated?

DR. NOWER: There are similarities, but a lot of differences. So, the whole-- With substances, the substance really dictates where the person is in this spectrum. With gambling, people can move toward and away from higher levels of risk, and the key components are operant conditioning because it's an interval ratio reinforcement schedule. So, the more you gamble, the more you want to gamble waiting for that big win. The second is erroneous cognitions. You start to develop these superstitions, these thoughts, and that has to be treated specifically in gambling. And, then, there's a chasing behavior. So, you win, so you go more to win, then the odds turn against you; you lose.

So, there's very specialized treatment for gambling, but there are similarities with other addictions.

ASSEMBLYMAN MOEN: Mr. Chairman.

SENATOR McKEON: First off, Doctor, what a credit to you and the University, relative to the great work that you've done.

DR. NOWER: Thank you.

SENATOR McKEON: And, the same back to Stockton as well, from earlier.

So, I just-- And, I promise the Committee I won't take forever. I'm sorry I'm asking so much, but this, to me, is so meaningful. You said

something that I think puts a wrap around this: It's like the 1950s and cigarettes. But, we know better. We now know better. And, you started to talk about the physiological aspect. With gambling, it's instant gratification actually, like dopamine rushes. And, that's an issue. And, as you talked about the OCD kind of behaviors, we're now watching commercials -- the Hunch commercials, that almost make fun of that and draw that out.

So, going back to cigarette juxtaposition, we know better. Relative to what nicotine was, dopamine is to the gambling world. We know better that children are susceptible. What can we do about that? Back in the day, we finally took candy cigarettes off the shelves; we finally took cartoon camels off of the packaging. What can we do to stop the Kick applications? It's complicated, because there's things out there that you could deem to be games of chances, where kids kind of play all the time. They spin a wheel to play a game. How do we get to that, being the responsible people that we are--

DR. NOWER: You know, I'll just harken back to this endemic framework -- it's a public health framework.

I think that-- First, we have to work on the adults, because a colleague of mine was just at a soccer game with her 9-year-old, and some parent pushed past her and said, "Come on, we've got to go; we've got to get our parlays in before the game." So, we have to start with education, and we have to get all of these systems involved. And, if we miss some, we're not -- we're going to miss a whole -- and, we have to get more awareness in middle schools and in high schools. I have a colleague who works with athletes; we're developing a program for athletics at Rutgers. We have to really start to think about all of these systems.

SENATOR McKEON: Thank you.

ASSEMBLYMAN MOEN: And, I would just follow up on that and just mention that I think the Assembly Committee certainly has an interest in that specific point you were mentioning about how young children are being exposed to this. And, I think that when you-- When we think about gambling and online, in our minds, I think we automatically associate it as, Senator McKeon said, with our cellphones.

But, I've known instances when you look at the traditional video game access point, where in certain sports games you're able to purchase player packs on Madden, or I saw a stat that said the FIFA game from EA Sports, FIFA game from 2021, generated over a billion dollars from the purchasing of those kinds of opportunities through the video game that children have.

Are there any instances that you can think of -- and, perhaps this is a conversation for after the Committee Meeting-- Let me just say this: We're interested in exploring that piece of this as well, to find out if there's any work that's being done around the country that helps prevent that piece -- that avenue, if you will, that pathway -- into the access from the current.

DR. NOWER: So, you're in luck, because we also do videogaming and esports. And, we have active-- Our prevalence study also has-- We asked about videogaming, and we have statistics in New Jersey on exactly these things -- on loot boxes, on skins. We look at the rates of problem videogaming versus problem gambling among younger-- And, you're exactly right. The lines have now been blurred; they're fused.

And, if you-- Even Roblox, whose had a lot of lawsuits-- These kids are purchasing loot boxes with “Robux.” They’re purchasing loot boxes in-game as young as 5 years old -- 3 years old.

ASSEMBLYMAN MOEN: Yes, I think an important point, though, is some of these things aren’t tied to currency per se--

DR. NOWER: No--

ASSEMBLYMAN MOEN: --but to the child, they don’t know that difference, so they then associate the fact that they’re trading coins or other things that aren’t tied to currency to currency down the line. That’s a scary trend to think about.

DR. NOWER: That’s exactly right. And, the sports wagering apps -- they have now figured out -- the social sports wagering apps have figured out how to give kids, underage kids, virtual currency that can be then translated into real currency in outside-the-country sports wagering sites.

So, there’s really no difference now. They’re going to go down the slide right into the chute.

ASSEMBLYMAN MOEN: Thank you.

Are there any other questions? (no response)

Thank you.

DR. NOWER: Thank you.

SENATOR TURNER: Question.

ASSEMBLYMAN MOEN: Oh, I’m sorry.

Senator Turner.

SENATOR TURNER: Thank you, Mr. Chairman.

Have you found a correlation between underage gambling in young adults, in regard to advertising that's taking place to encourage gambling?

DR. NOWER: So, we did ask about advertising on the 2023 prevalence study, and we basically found a third said it made them do more, but not the young -- it was -- it was adults, basically; 18 and over.

We are asking those questions on the National Prevalence Study, which will have kids from 13 to 27. And, so, we will know better about that answer.

SENATOR TURNER: Well, we also know that one of the ways to reduce smoking was to cut down and cut out advertising. Because we knew the detriment and the consequences of smoking, in more ways than one -- not just in terms of health, but also in terms of the cost that takes place as a result of that happening.

DR. NOWER: I agree with you. I mean, the problem we have now, going back to what was just said, is that the primary advertising to the younger kids is being done on *Kick.com*, on (indiscernible), on these websites that are tied to offshore gambling sites. That's where they're getting initiated, in addition to with family members.

SENATOR TURNER: Isn't there a lot of gambling advertising taking place on sports programs, games that are being played?

DR. NOWER: You mean broadcasts, professional--

SENATOR TURNER: Yes.

DR. NOWER: Constantly. I mean, announcers are always saying the odds, and -- yes. It's fully integrated now.

SENATOR TURNER: Thank you.

ASSEMBLYMAN MOEN: Thank you.

DR. NOWER: Thank you.

ASSEMBLYMAN MOEN: So, next we will be hearing from two sports betting operators: Jeremy Kudon, President of the Sports Betting Alliance, and Lori Kalani, Chief Responsible Gaming Officer of DraftKings.

J E R E M Y K U D O N: Good morning.

Chair Beach, Chair Moen, and distinguished members of the two Committees, I want to thank you for the opportunity to testify today.

My name is Jeremy Kudon, and I am the President of the Sports Betting Alliance, which is comprised of FanDuel, DraftKings, BetMGM, and Bet Fanatics -- otherwise known as 89% of the New Jersey legal sports betting market.

I am joined today by Lori Kalani, the Chief Responsible Gaming Officer for DraftKings. What we'll do is, I'll speak about the amazing economic success story that legal sports betting and legal online iGaming has brought to New Jersey. Lori will focus on the responsible gaming strategies and techniques and tools that we've implemented since we've been in this market.

I had the privilege of addressing these Committees in 2018 when New Jersey led the charge and passed the nation's first post-PASBA sports betting law. Today it's clear that New Jersey not only took the lead, but set the gold standard for a legal and regulated sports betting market. The framework established here has had a tremendous influence over the 25 other states that have since followed and enacted legal sports betting frameworks. The members of the SBA have had the honor of operating within this framework in New Jersey -- three of them from the inception of the market.

And, in the process, we've become significant employers, taxpayers, property owners, and consumers in New Jersey. As I'll demonstrate in a moment, my members' experience and investment in this state is a true economic success story that I imagine the State would love to replicate across many industries. Hudson County has truly become the Silicon Valley for the online gaming industry, which is one of the fastest technology industries in the -- growing technology industries -- in the nation.

This wasn't always the case. Seven years ago, when you talked about gaming in New Jersey, you thought about Atlantic City and the brick-and-mortar casinos. And, look, we still have great respect and we count them as partners to at least three of our members. But today, we talk about gaming in New Jersey, you have to also think about online gaming. Our industry employs over 4,000 people in North Jersey alone; 2,000 of them work for my clients. We occupy over 70,000 square feet of office space across Hudson County, including BetMGM, which has its headquarters in Jersey City. The nation's second-largest gaming conference is in Secaucus every spring. We, in fact, are bringing our 85 lobbyists and other consultants to Jersey City on Monday and Tuesday. We're going to have over 200 people at the hotels there at a time when they told us it's not always that popular or it's not the most popular time to come to Jersey City. So, again, this is bringing an economic boom to the State.

It's also more than just a business location for us; it's a community that our operators care about, and we're investing in. Each SBA member actively supports local causes. We contribute time and resources to organizations like the Community Foundation of New Jersey; the Community Food Bank of New Jersey; Hoboken Shelter; Vibrant Emotional

Health; Adopt-a-Family; and (indiscernible), which empowers women affected by domestic violence. And, those are just some of the organizations that we support. Our employees live and reside all across the state -- Bergen, Passaic, Essex. These are places where we have thousands of people now living who are employed by our companies and by our industry.

Tax revenue is also incredibly meaningful -- you've seen some numbers already -- and, impactful. Last year, New Jersey generated over \$375 million in tax revenue from sports betting and iGaming; the brick-and-mortar casinos generated about \$476 million. So, we're talking about two related, separate industries -- one in the north, one in the south. They're becoming a huge economic boom, and providing real high-paying jobs to people in the state.

New Jersey's foresight in implementing a reasonable tax rate for online gaming has been a key factor in this State's success. We've now talked to two esteemed research forums in the last six months and have studied the gaming tax rates across the country. They have studied *our* models -- our business operations -- and, they've concluded that a tax rate between 10-18% is optimal to generate the maximum tax revenue for the State, while also providing us with enough revenue to both reinvest in this market and to dedicate resources to many of the important things that we're talking about, and that Lori will talk about.

Higher tax rates risk losing customers to the illegal market. When I was here in 2018, I spent a lot of time talking about the fact that sports betting already existed in New Jersey. I think some of the things that had been lost or not yet discussed today is just how prevalent that illegal market was before 2018, and how prevalent it is today. My clients' biggest

competitors -- and, I'm talking FanDuel and DraftKings, and you see their ads, but let's be clear: Their biggest competitors are not each other. It is the illegal market, we've been talking about that. That's the market that's on Kick; that's the market that's on these digital platforms where younger people are. They are *not* regulated, *not* taxed. And, for us, that is the competition that we face. They offer deposit bonuses; they offer promotional credits that we don't offer as much in-state because of the fact that we get taxed on those.

So, let there be no mistake: The illegal market continues to pose a threat. They are grooming-- We now have these sweepstakes operators -- I did a whole webinar about them yesterday for an hour. I'm happy to send that webinar to the Committee to demonstrate what it is that they're doing. But, it is targeting people who we can't even serve, and it's creating yet another illegal or offsite -- or, I'm sorry -- unregulated market that is targeting the very people who we have been talking about today. And, I say that this is something we're hoping that the State will continue to enforce and to root out of the State.

Finally, I want to thank you for your leadership and vision in creating an industry that has allowed us to be a part of New Jersey's community and economic growth. We do look forward to continuing to invest. We hope to have double the number of jobs the next time I'm here, and become part of the success story that is New Jersey right now.

Thank you.

L O R I E. K A L A N I, Esq.: Good morning, Chairman Moen, and members of the two Committees.

As Jeremy said, my name is Lori Kalani, and I am the Chief Responsible Gaming Officer for DraftKings. I come to this position as, first

and foremost, a consumer protection lawyer who spent my career trying to get it right on behalf of consumers, and make sure that companies in this country are doing the right thing.

But, second of all, I come with experience as somebody who had parents who struggled with problem gaming. I grew up in Las Vegas, and I saw firsthand the tragic -- I don't even know how to really describe it -- the tragic events that can happen when there's problem gaming.

So, this is a very personal job to me, and I really appreciate the opportunity to be here today.

Online gaming is for fun and entertainment. And, we are committed at DraftKings -- and, frankly, the legal market -- to making sure that players play responsibly for fun and entertainment.

I want to talk a little today about this multi-pronged approach that we take to responsible gaming. I'm sure all of you have heard about responsible gaming tools, and some of the other witnesses talked about being able to set limits, but we do a lot more than that, and I think it's important that all of you understand the efforts that we're taking to protect the customers.

So, we start out with education. We talked a lot about that today. Education is super important because, as Jeremy said, the sweepstakes casinos -- there's no responsible gaming education; there's no KYC; kids are getting on there and they're learning very bad habits very young. But, at DraftKings, we're committed to ensuring that our customers play responsibly. We provide information to all of our players about the rules, the risks, and the odds of the games that they play. And, we proactively prompt them -- not just once, but lots of prompts. To use the limits; to set budgets; to cool

off; to take breaks. We do that when they open their account, and for people who are under 25 years old, we send them, five days after opening their account, we send them an email. Fourteen days after opening their account, we send them a message. Throughout the month we send pop-up messages on our app. So, there's no way that they're not seeing that these tools exist.

We have tools, like I said, for setting up alerts. And, of course, we have tools for self-excluding. We centralize all those tools in our responsible gaming center, so people can navigate back and forth between various limits. We also have something we're really proud of, called "My Stat Sheet," and this is an innovative gameplay tool that gives players the ability to assess, track, and review their own personal play activity so they can see in real-time the amount of money they've spent, the amount of money they've deposited, the amount of money that they won, and the amount of money they've lost. And, they can see that over this month, last month, last year, and the lifetime of their account. And, we show them in charts and graphs so it's easy to understand. So, we're trying to be transparent and allow people to see that information, because as some of the witnesses said, there's this notion of, "I don't need to use an RG tool, because I don't have a problem."

So, we think showing the information to people will be helpful in having them understand that budgets are important. So, we know that My Stat Sheet is having a direct impact, it's helping us with RG tool adoption. And, when I say RG, I'm talking about responsible gaming.

But, we know that for some players, gaming can become a problem. And, so, we're utilizing advanced technology to help identify behaviors that may suggest a person is playing irresponsibly. We have over

60 full-time employees at DraftKings who work on responsible gaming, including a dedicated analytics team who, with the assistance of software and real-time analytic tools, monitors transactional and behavioral patterns across our platform. And, when we see irregular behaviors that may suggest a player is at risk, we take action.

We take three -- we sort of tier these three different ways, and I'll talk about each one. For example, if somebody is making excessive deposits in a very short period of time, we send them a message -- not to their email, but in the app. So, we're meeting them where they are in that moment. If a player is spending more time on the app than they normally do, or if a player is on the app at three in the morning and normally is not on the app at three in the morning, we send them a message in the app. And, if these behaviors persist, we go a step further -- we send them a screen blocker, essentially. We send them a message that blocks their whole screen, and until they respond to us in the app they're unable to place any bets or make any deposits. And, again, we continue to monitor.

And, currently, we're testing a third tier of engagement, which would be what we're calling the real-time review tool. That's a lot of words. And, that's a questionnaire that, again, will block their whole screen, and I think it's six different questions they have to answer. And, it's multiple choice, and there's a box where they have to explain their answer. And, based on what they provide to us, we have a player protection team, again, dedicated to responsible gaming that reviews those answers and makes the decision on what actions to take at that point. And, we take action such as requiring people to set limits; suspending their account; and, in some cases, banning them entirely. And, for customers who we ban -- or who choose to

self-exclude -- we provide them with helpline information as well as pay for the first session for them to meet with a behavioral clinic.

We also collaborate with external stakeholders. We view our responsible gaming efforts as part of a shared commitment within a community of important stakeholders, including lawmakers such as yourself; regulators; public health organizations; industry associations; and sports leagues. And, we're in regular dialogue with the regulators. In fact, just recently, we sat down with the DGE to talk with them about the work I just talked to you about -- these various engagement tools that we're using. And, we're not only using them in New Jersey, we're deploying them in every state where we operate.

We're proud to support problem gaming councils in 33 states. Just recently, we announced, for the fourth year in a row, we'll give all 33 councils that we've been supporting \$15,000 each again this year. And, that's for them to do what they need to help them be successful.

Lastly, I want to talk about ROGA -- that's the Responsible Online Gaming Association -- it's seven of our fellow competitors in this market just formed -- just came together to form ROGA. And, ROGA is committed to independent research; educating the public on responsible gaming. They've started working on two very important initiatives that I think I should mention.

The first is, we are working on a data clearinghouse that will be a national clearinghouse where, if Jeremy self-excludes on DraftKings, we, as DraftKings, would put that information into the clearinghouse, and all of the other companies in that clearinghouse would also exclude Jeremy. So, today, if somebody self-excludes on DraftKings, there's nothing stopping them from

going to FanDuel and signing up for an account. And, of course there's nothing stopping them from going and signing up for Bovada or Stake -- they'll take your money no matter who you are, because they're unregulated and they just don't care. So, we're trying to -- at least for the legal online companies -- all band together and make sure that, if somebody shouldn't be playing, they shouldn't be playing, and we don't want them on our systems.

Secondly, ROGA just announced that they are going to launch a college education program in early 2025, and that will be meeting the students where they are. So, using digital education on financial literacy, and specifically on responsible gaming, to help those students understand the risks and the benefits if they play responsibly.

We recently conducted a national representative survey to help us continue to improve our responsible gaming efforts. One of the things that we learned from the research, that I want to share with you, is that public -- the public, including policymakers -- generally does not distinguish between illegal and legal operators. And, if I had a PowerPoint, I would show you. They use FanDuel, DraftKings, Bovada, and Stake -- two legal operators who are heavily regulated and licensed wherever they operate, and two offshore illegal operators. And, policymakers and the general population at the same level -- 98% -- thought that all four operators were legal in at least some states. That's a real problem. That makes all the work I do, and all the work Jeremy does, two steps forward, one step back.

So, we would urge this Committee to work with us to make sure that we consider how we can discourage these pervasive illegal markets, which operate without the responsible gaming tools that we worked so hard to provide.

I appreciate the time, and I am happy to take questions.

ASSEMBLYMAN MOEN: Thank you.

Do we have any questions?

Senator Polistina.

SENATOR POLISTINA: Thank you, Mr. Chairman.

Thank you for the testimony.

You mentioned that the Roblox and the Fortnite type of things -- they are illegal operators that are working with those entities? Did I hear that correctly?

MS. KALANI: I didn't say Roblox, I said Bovada and Stake.

SENATOR POLISTINA: OK. So, the ones that are -- they're getting the kids with Roblox and Fortnite, are they-- Who is operating that when you can buy these Roblox bucks through the app and all that stuff?

MR. KUDON: They're not really part of the online gaming industry -- of *our* industry. That's a videogaming industry. I mean, I would have to defer to someone else on that topic.

SENATOR POLISTINA: OK. I was just curious, that's some of the conversation about getting the kids hooked, obviously, or starting young, they use Roblox apps where they're getting them hooked on this kind of online gaming--

MS. KALANI: Senator, the kids -- there are these sweepstakes casinos, and they're called, like, "Chumba." I don't know if any of you have ever heard of it -- you can download the app in 30 seconds and there's no KYC. You can say you're 18 years old, and you could be 12 -- and you get free coins. So, it gives you -- I downloaded it yesterday--

MR. KUDON: I have it right now, that's why my phone went off. (laughter)

MS. KALANI: Two million free coins I got. All I have to do is check a box to say I was 18, and I was playing video poker in 30 seconds.

But, I can also go on there and buy coins that are real coins, and real money -- they call them coins, but if I spent \$10 and I got \$10 in real money -- and, that's where these kids are going. And, it looks like cartoons, I mean, I would encourage all of you to just look at Chumba, and you'll see. And, there's no KYC; there's no geolocation; there's no nothing.

And, *that*, to me, is a real danger here. And they're unregulated, and they're untaxed, and they're making -- I think they're estimated to make \$4 billion net revenue in 2025.

SENATOR POLISTINA: Thank you.

I am assuming, given your experience with the regulated market, if we asked for assistance as a Legislature to try and deal with a regulatory framework to prevent that stuff, you guys would be happy to help?

MR. KUDON: Of course.

MS. KALANI: Thank you.

SENATOR POLISTINA: Thank you.

ASSEMBLYMAN MOEN: Vice Chairman McKeon.

SENATOR McKEON: Yes, thanks.

And, no question, in your line of questioning, that we need to work collaboratively to really crack down on the sweepstakes models. I think they're doing something out in Michigan now, and -- so, we're with you.

MS. KALANI: Thank you.

SENATOR McKEON: But, let's focus back on you guys. Because I don't, in a moment, doubt your sincerity. But, at the end of the day, you don't even call your industry gambling -- you call it "gaming." Gaming has this connotation, "It's gaming," as opposed--

MS. KALANI: Senator, I grew up in Nevada.

SENATOR McKEON: I'm sorry?

MS. KALANI: It's the Nevada Gaming Commission.

SENATOR McKEON: OK. It's gambling. We're going to hear from the Compulsive Gambling Association very shortly, and they use that term.

And, I say that from a marketing perspective, because as much as I appreciate all the algorithms and the like that you put in when you think that you've identified somebody with a problem, who maybe who won't be able to pay, so to speak, because they're so in financial debt.

You know, the commercials that you're all responsible for talk about, "Hey, I just saw a goblin -- green -- Jets. Let's bet on the Jets." What information does that provide to the persons who you are every day -- I think the figure is \$1.5 billion spent on advertising that you're doing to hook in. I mean, let's call it what it is.

And, nobody here -- I shouldn't say nobody. I'm not, and I doubt anybody here thinks we're going to stop legal gambling; that's not the issue. We're trying to deal, at least in our state, with the 200,000 people who have become problem gamblers, and it starts there.

And, now, I want to understand your testimony to alike. As opposed to, like, a gas tax, where I'm going to drive across the river because it's going to cost me less money in Pennsylvania than in New Jersey to get a

gallon of gas. This is a different tax in the way that it's paid. And, that's the reason why, as opposed to our taxes on online gaming -- which are 15% -- and on sports gambling -- which I think is like, 13% -- in Pennsylvania, it's 36% on sports and 54% online. In New York, it's 30% on sports -- or, online, and 37%.

So, I mean, it's just disparate. In Ohio, where gaming is there for less than a year, they're going from 10% to 20%; in Illinois, in a couple years, from 15% to 35%. Now, I do understand there's a part of your revenue that's shared with brick-and-mortars -- and, again, I agree with that. But, it's incredibly disparate. And, I think that's something that we all collectively need to reconcile, especially with what projects to be not a great budget year coming up.

Now, I don't understand -- can you explain to me -- why if the money is not coming out of my pocket, relative to you're not changing what me as the bettor is going to get charged because the money comes from you, it doesn't come from the gambler? Why would I go to the illegal market? It makes no sense.

MR. KUDON: So, I think it's-- I mean, ultimately, the money does come from the customer, because it's reflected in odds; it's reflected in promotional credits; it's reflected in every aspect of the sites.

You're absolutely right that there are states that tax a lot more, and New York is obviously a substantial outlier when you look at this. This Committee -- this Legislature -- was aware of Pennsylvania and its tax rate when it chose to go to 14.25% in 2018. Pennsylvania passed this law in 2017; it was a trigger law, so that when past bills were struck, that then the State would implement. But, the State knew and made a conscious decision

that we want to get a tax rate that works and makes sure that the industry can succeed and be successful -- which we appreciate that you did.

And, that's what most states have done. New Jersey is actually right in the middle of what taxes are across the country. There's 20 states that have lower tax rates when it comes to sports betting than New Jersey does. New Jersey does tax promotional credits, which is, at this point, in the nascent stages of this industry, is still a major thing.

So, even that 14 or 15% is really about 22-24% when you compare it to states like Pennsylvania, which does not tax promotional credits. So, the numbers are actually a lot closer than they are. In New York -- I can't speak to New York. If every state taxed what New York did, or even came close, this industry would collapse. You wouldn't have a legal industry.

I would also add that I remember when New York passed, in 2022 -- or, when it was implemented in 2022 -- there were all these articles about how the New Jersey market was going to collapse; that all these people have been coming over from New York. But, what you've seen is -- and, you saw earlier -- growth. And, that's because we are doing more in New Jersey because the tax rate is sustainable. It's something that we can work with and we can still do the promotions that will keep people playing in the legal market. I think we'll see, in five years, the New York market is going to start going backwards, and the New Jersey market will continue to go forward. It is widely considered New Jersey our home for this industry, and we're proud of it.

SENATOR McKEON: Well, I'm going to look forward to looking at those numbers, because, I mean, numbers are numbers. And, I don't exactly understand how the math would say that we're actually

somewhere in the middle, because that's not how I look at the numbers, but I'll be happy to work with you to try to understand that better.

Just, relative to the jobs created -- which, again, I appreciate. Let me just go back for a moment, because, again, it just-- So, are you saying that if you paid taxes, even up to 30%, which is less than those other neighboring states, that your odds on some prop bet or the other, would be that dissimilar to an illegal gambler, that they would-- That person would go there? When they're betting on the foul shot, if the guy's going to make it, they're going to say, "Wait a minute, the odds are better." That is just hard to accept.

MR. KUDON: I mean, it's true today. It's true today, even with -- even at a 15%-- What you're seeing right now is, we're in year six in a highly competitive market where the technologies of the companies have not yet matured to a point where they can actually differentiate between markets and states. That will happen. Very soon, that's going to be that you can differentiate.

But, right now, we are definitely not as competitive -- I hate to do this as an ad -- we're not as competitive as the illegal market is. The illegal market can lower -- offer lower odds, or better odds, to customers. And, you saw another stat -- the 4% stat of -- which is true of almost every business; I speak as a Delta Diamond customer -- most businesses get most of their revenue from a smaller percentage of customers, and that's true here. And, that's the customers who are actually knowledgeable about odds. And, those customers will flock right back to an illegal market.

Right now, the differential is enough -- is close enough, especially in a state like New Jersey, where we can compete and we can keep those

customers with us. But, make no mistake, if we see tax rates increase, even 5-6%, then we will see a difference -- enough of a difference of odds -- that you will see people migrate over to that illegal market. It's almost impossible to root out the entire market, and I look forward to working with everyone.

But, again, DraftKings earlier this year had talked about doing surcharge for any state that was above 20%, and that's something they didn't ultimately do it because nobody else did it, and it's still competitive. But, that kind of gives you a sense right away of just how serious this is -- is that we would pass on, a customer -- a company would pass on the taxes to their customers, because it's not sustainable for the businesses to exist, survive, and do all the things that we think are most important, which is take some of this -- take this profit, put it towards responsible gaming, education, technology -- I mean, all of these things that Lori is talking about that DraftKings is doing, and I know FanDuel is doing; BetMGM is doing; and Fanatics is doing.

These are all things that I think is the success of the legal market -- the success of what this state did six years ago, and what this state is known across the country as a leader at.

SENATOR McKEON: Yes, it's-- And, thank you.

And, one last point. But, it's scary that the illegal market is that robust for a lot of reasons, one of which is that it would make you think that our problem gamblers, if you will, in the state are even more of a problem than the ones we're able to quantify through the empirical data that we heard from the professors earlier.

Just, last point -- and, again, I read in the industry all the time that online gaming particularly is going to put bricks-and-mortar out of business everywhere eventually. What, relative to AI, and many of the jobs

that, happily, you've created, as it related to actuaries and odds makers and the like -- isn't that really what the future is, relative to that gaming aspect?

MR. KUDON: So, I want to quickly just address the idea that this could be problematic or hurt the brick-and-mortar.

New Jersey was a leader on iGaming in 2014, and it was-- The genesis of that, the catalyst, was from the brick-and-mortar casinos in Atlantic City who were like, "Wow, we could actually reach the rest of the state. This is a lifeline for us. This is revenue that we're going to bring in that will allow -- not only allow people -- us -- to make more money, because it can reach the entire state, but it also will create brand recognition that doesn't exist right now among a younger generation of people who want to go -- might go to New Jersey or Atlantic City to do this."

We actually commissioned a survey, or a study, last year from the Analysis Group, a group that doesn't do anything in the gaming space. And, we did that intentionally; we wanted to have something that we felt was more, at least, neutral. And, my direction to them was, "Give us exactly-- I want it straight; I don't want to have the biased report; I want a straight report." I'm happy to provide that report to everyone here.

But, what that report showed is that it's not-- They're two different streams of revenue, or two different thought processes for consumers. And, we're not seeing the cannibalization that people have talked about. What we're seeing is actually when they surveyed everyday people, not only was it that 9% of people across the country are already doing some form of online gaming, and these were in states where it was not legal yet. But, those people said, "I'm more likely to go to a brick-and-mortar casino because of this." Because, again, they view it as a different activity; something

you do for 20 minutes. No one says, “Oh, I would have gone to Atlantic City to bet for 20 minutes, but I decided to do it up here in Bergen County.”

I think what we’re seeing is that this is allowing another stream of revenue, and creating awareness of our brick-and-mortar casinos. And, we’re seeing that in every state right now. So, I think, sometimes the problem -- it’s relatively new, there’s only a small sample size of states with internet gaming. I know today’s topic is sports betting, but there are only six or seven states with online casino gaming right now, and you had the pandemic in the middle of it, and, so -- I’m sorry, legal -- the pandemic in the middle of this. And, so, it’s really hard to tell what is the cause for some states of having a minor decrease in brick-and-mortar, versus the increase in iGaming. I think iGaming has been very, very helpful to the brick-and-mortar casinos, and allowed them to get a revenue stream that, in Atlantic City, has kept people employed.

SENATOR McKEON: Any comment on the AI--

MR. KUDON: Oh, the AI--

SENATOR McKEON: Yes, I was--

MR. KUDON: I think it’s still new. I think it’s going to be-- I think it’s going to have very positive impacts across the board. AI will allow companies -- I think, and this is Lori’s area -- it’s going to have a huge impact in--

MS. KALANI: Yes, it--

MR. KUDON: --the responsible gaming world.

MS. KALANI: Today we use machine learning to look at every piece of communication we get from any of our millions of customers. And, what we’re looking for is any sign of a crisis event. That somebody says

something that a human missed when they got that email ticket, or something that would indicate that that person is at risk.

And, we believe that, as time goes on, that system will get smarter, because our goal is to make sure we're not missing something that perhaps somebody on our team could miss. So, we are using AI for that purpose.

SENATOR McKEON: OK.

MR. KUDON: And, I think it will be used in many ways on the responsible gaming side. You'll be able to start to analyze what are trends they--

MS. KALANI: Yes, we already are.

MR. KUDON: Yes, so, I mean, AI I think is going to be-- It's going to help address many of the things that we addressed today.

Again, so long as they're in the legal market. So long as we push as many people to the legal market. That's where we can address-- We can help them.

SENATOR McKEON: OK.

And, just mindful of the Committee's time. My point on brick-and-mortar closing isn't that-- And, from the data I remember, the foot traffic has not necessarily increased at brick-and-mortar. It's maybe held about even, if not a little bit less. But, the point being is that brick-and-mortar is expensive to run, and a lot of people to pay. Which is a good thing, that's why we support it.

The profit is -- with a relatively minor number of jobs -- is incredible. Why keep brick-and-mortar open? That's not -- that's the point.

MR. KUDON: I think it's just another-- I view it as a different revenue, a different entertainment experience. I mean, I view it differently, entertainment. There's shows; there's restaurants. It's a social experience.

When you're on your phone, that's a different experience, and that's a solitary experience. So, I really encourage people to do both. I think it's important to be out in public and doing things as -- especially post pandemic -- to do things with other people. And, I think -- I hope that Atlantic City continues to at least even grow in the years ahead.

ASSEMBLYMAN MOEN: Thank you.

Assemblywoman Donlon.

ASSEMBLYWOMAN DONLON: Thank you.

I'm wondering, with the responsible gaming tools that you use to identify problem gamblers, do you have any data on the effectiveness of your intervention on identifying them? Do a number of them seek help? First part of my question.

Second part is, are there ways that other entities can partner with your identification of these problem gamblers, and getting them to treatment?

MS. KALANI: So, we work with Kindbridge health centers, and I believe we have some numbers on how many people over a given period contact them.

But, when somebody self-excludes, or we're banning them, we give them a number of different resources. We give them the 1-800-GAMBLER number; we give them other resources depending upon their state. So, I don't know that we're able to track who calls those numbers, but I think we could get you some information from Kindbridge.

And, again, I have a personal history with family members, and there are so many resources out there today, and maybe there needs to be more. And, I understand that, but I'm knocking wood every day saying, "Thank God there's the number of resources that there are," because I'm old, I guess, but when I grew up there weren't a whole lot of resources, and people were gambling a whole lot back then, too.

So, we'll get you those numbers for Kindbridge.

ASSEMBLYWOMAN DONLON: Thank you.

ASSEMBLYMAN MOEN: Thank you.

Can I ask one very brief question?

Do you have an idea of the percentage of the market share currently in New Jersey, as to where our legal sports betting operators are working within, and perhaps where we're still seeing that illegal operator and that -- what the percentage numbers -- a great answer right now, if you can just give us something--

MR. KUDON: I wish I had-- We're right now trying to get that number. AGA might -- I can come back to the Committees with that number.

It's-- I don't want to even hazard a guess, but it's hard because people, when you call them, don't usually say, "Oh, yes, I'm doing this illegally." It's that challenge of having people admit that they're doing something illegally, and, not surprisingly, the illegal gaming sites don't usually report their numbers.

There was a company in Australia that did. In the sweepstake category that we've been discussing, one of the companies did report revenue, and that was BGW, which is the Chumba casino. And, that was like,

something like \$2 billion in profit they made. So, there's a -- I believe. So, I think that it's incredibly lucrative and, again, it's pure profit; there's no taxes.

ASSEMBLYMAN MOEN: Yes, unregulated. Understood.

MR. KUDON: Unregulated.

MS. KALANI: Unregulated.

ASSEMBLYMAN MOEN: With the World Cup in 2026 coming to New Jersey, Major League Baseball All Star game coming to Philadelphia in 2026, it's something that I think we should be getting a better grasp of. Because I think we will begin to see that influx of, perhaps, folks from outside the United States coming to New Jersey who might be using this technology. And, it's something we should be--

MS. KALANI: I mean, Chumba takes Apple Pay. That's pretty outrageous. I just spent money there last night. They took Apple Pay. And, I'm just saying to myself, "This is a company that is selling casino money to somebody they didn't even verify." I just checked a box. And, I'm willing to bet if I try to get my \$10 mailed to me or sent to me, they're going to want my ID.

But, coming in to spend money, it was just an Apple Pay button. I would love to have a conversation about all the ways that policymakers and law enforcement and state AGs could work on talking to those types of people, the people who are advertising; the Kicks, the TikToks, the Apple Pays of the world. It seems to me-- I think that Chumba has a teen rating in the app store. And, this is a casino. I mean, if you spent five seconds on there you'd know it's a casino. It's under this veil of sweepstakes, but it is a casino.

MR. KUDON: Yes, if we want to generate more revenue for New Jersey, the easiest way to do it would be to--

MS. KALANI: Shut them down--

MR. KUDON: --shut down Flip; shut down these other sweepstakes casinos. That -- especially, as you said with the World Cup coming in in the final, it's going to be a huge -- a lot of events.

And, it's great for the State, but we can generate more revenue simply by shutting out these illegal operators.

ASSEMBLYMAN MOEN: Well, thank you.

And, if I can ask, I certainly-- I think the Committee has some additional questions. If we can share them with you after today's meeting and get a response, we--

MR. KUDON: This is a partnership--

MS. KALANI: Yes--

MR. KUDON: --we've been privileged to get to operate in the state for the last six years, and we are always available to everyone here in the State. Because it is our Number 1 most important state, and I'm proud to say that in any state.

ASSEMBLYMAN MOEN: Well, thank you.

Thank you both.

MS. KALANI: Thank you.

MR. KUDON: Thank you.

ASSEMBLYMAN MOEN: Next, we will hear from Tim Buckley, Senior Vice President of External Affairs for NCAA.

TIM BUCKLEY: Chairman, Committee members, thank you so much for having me today.

My name is Tim Buckley; I am Senior Vice President for External Affairs with the NCAA. We represent over 1,100 colleges across all 50 states, and we have over half a million student athletes competing every year. And, our programs generate over \$3.8 billion in college scholarships every year. I submitted testimony that I'm not going to read now; I'm going to try to cut it down so I can take questions.

But, I'm here because the NCAA is advocating for passage of Senate Bill 3080 and Assembly Bill A4905. This legislation would prohibit prop bets on college athletes. And, we're also advocating for passage of S3300, which would put in place specific anti-harassment measures in the State of New Jersey.

First, some numbers to consider. We recently did a survey of all 18- to 22-year-olds -- not just student athletes, but 18- to 22-year-olds, and found that 67% of those folks who are living on a college campus are regular sports bettors. And, 41% of those kids who bet on sports have placed bets on their schools' teams. Another NCAA survey of campus administrators -- so, athletic directors or college coaches -- found that 10% of Division I respondents were aware of student athletes being harassed online or in person by someone with a gambling interest. And, 12% of all the inappropriate, threatening, or harassing online messages that are directed towards student athletes who were involved in just a handful of NCAA championships recently were related to betting.

Sports betting is on the rise, and so, with it, is the risk for college athletes. There's no question they're getting harassed by bettors, and that threatens the integrity of the game, and it threatens the well-being of college athletes in all 50 states.

We're doing a couple of things to respond. We're educating thousands of student athletes on campus and online about the dangers of sports betting. We're monitoring social media traffic, and we are reporting this inappropriate and -- inappropriate and threatening messages that are getting sent to student athletes; we're reporting that to the social media companies. And, in a few instances, we've had to report it to law enforcement, because it's risen to that level of seriousness. We've even had to hire law enforcement at a recent championship to protect student athletes because of credible threats that we received about their teams and their performances.

We're also advocating for states to amend their sports betting laws. So, 38 states across the country have legalized sports betting, as you all know, but only 19 states allow prop bets on college players in some capacity. That number was 23 before the NCAA started advocating for changes. Earlier this year, West Virginia and Ohio passed standalone legislation that dealt with anti-harassment measures related to sports betting, and it's very similar to some of the policies sponsored here in New Jersey. We work closely with members of the legislature in those two states who recognized that anti-harassment issues are not just issues that pertain just to the student athletes in their state, but these are of importance to college athletes across all 50 states.

We developed a set of sports betting legislative proposals, with the goal of helping states craft policies that protect student athletes and in-game officials from harassment and coercion. These include a number of things, but one of the most important ones is not only the prop bet issue, but mandatory harassment reporting mechanisms and mandatory penalties.

There are several other pieces of policy that we also advocate for. They're in my testimony that I submitted to you all, so I'm not going to go through them now, but I'm happy to take questions.

But, I will say, on the issue of eliminating college player prop bets, taking this proactive step to curb abuse and coercion that we know is happening, student athletes across the country are very much engaged on this issue. UNC men's basketball player Armando Bacot disclosed to media recently that he received hateful messages just because he didn't get enough rebounds in a certain game, and a bunch of people lost money as a result. Auburn football player Payton Thorne stated that bettors are contacting him online and demanding he pay them back for the bets that they lost on his performance. And, Student Athlete Advisory Committee member Meredith Page issued a statement recently on behalf of all DI college athletes calling on lawmakers and regulators to do something about this.

Now, some in the gaming industry will say that prohibiting these bets will just drive this activity underground. We believe that argument is flawed for a couple of reasons. First, just this week, every leading sports book voluntarily removed certain NBA player prop bets from their platforms because the league raised integrity issues. The sports books made no mention of fears of bettors flocking to the black market in that decision. Also, several states have never offered these bets in the first place, and there is no evidence of a thriving prop bet black market in those states -- a fact one leading sports book CEO publicly agrees with.

Now, when it comes to black market activity, we applaud the work of New Jersey regulators in blocking these operators, and we're ready to help in that effort in any way we can. But college athletes are just far more

vulnerable to harassment and coercion than professionals. They study, they live, they play with hundreds of other young people, while the pros do not.

And, a well-known college football player, who went in -- who went on to play in the NFL later -- explained this distinction way better than I ever could. He publicly discussed getting death threats sent to his house after missing a kick in a college game. He had to wonder if those people were sitting next to him in class, or if he would see them the next day at the dining hall. Now, those so-called “fans” are increasingly bettors today. And, they have hundreds or, sometimes, thousands of dollars riding on a single kick or a single shot of a single college athlete.

And, sadly, that changes the behavior for bettors for the worse. So, taking the responsible step, or the reasonable step, that half the states of sports betting have taken to prohibit these bets is something we believe New Jersey can do to help respond to this very serious issue. Now, New Jersey is a leader in sports betting policy, and your decisions will likely impact several other states as they consider legalizing betting there.

So, thanks for having me today.

I worked in state government for about eight years before I came to the NCAA. I understand lawmakers have a lot coming at them, and for you all to take the time to focus on this issue and hear out all the different voices, we really appreciate it quite a bit.

ASSEMBLYMAN MOEN: Thank you.

Are there any questions from the Committee?

SENATOR McKEON: Just, more-- Sorry again, I just find this whole topic so fascinating.

I'm just curious -- were you saying that a lot of those who gamble and put pressure on the student athletes are their kind-of colleagues and peers from campus?

MR. BUCKLEY: We know that that reality is there. But, these threats that these kids are receiving-- We submitted a report to you all that outlines an extensive social media monitoring campaign that we launched.

And, what you'll see is that the threats come in all shapes and sizes. Some were too disgusting to put into this report, but some are racist; some are sexually harassing; and some are related to betting. And, they're asking for money; they're threatening *their* lives or the lives of their family members over bets. And, they're coming from all over the country -- they're not just happening on campus.

SENATOR McKEON: All right.

I guess what made me think on campus that most of the college population is under 21, so it's just interesting that there's--

MR. BUCKLEY: Yes--

SENATOR McKEON: --accentuating the points that we all know about; how many underage gamblers are (indiscernible).

MR. BUCKLEY: That survey that I mentioned before -- and, it wasn't just student athletes, it was all college-aged kids -- we found that it didn't really matter whether those kids said they lived in a state where sports betting was legal or not, as far as their propensity to bet on sports.

And, so, to the concerns about the black market, it is very real. People are placing bets both through the legal -- through legal means and through illegal means.

SENATOR McKEON: In New Jersey -- and, I'm asking; I really don't know -- we don't allow betting on Rutgers or Seton Hall or what have you? Of the other 38 states -- whatever it is -- that have sports betting, do they have similar regulations in place?

MR. BUCKLEY: Yes, it varies widely. So, when I said I worked in state government for eight years, I worked in Massachusetts. And, we actually looked -- I was involved in the effort to pass sports betting up there -- and we actually looked at your law as model legislation. And, we looked at a few others. And, everyone treated it -- treated college sports somewhat differently.

And, so, where we landed in Massachusetts was to not offer prop bets on college players. And, that's the case in a handful of states. Other states treat it similar to how you do. So, for college competitions that are happening inside the state, they don't allow betting; others don't have any prohibitions on college at all.

SENATOR McKEON: So, I was wondering what that number was. Do you know?

MR. BUCKLEY: So, half-- So, 19 states currently prohibit college prop bets right now.

SENATOR McKEON: But, how about just betting on the team?

MR. BUCKLEY: I don't know the answer to that question.

SENATOR McKEON: You're not sure?

MR. BUCKLEY: It's mixed.

SENATOR McKEON: Yes, I ask because we don't do that in New Jersey and I don't know if it's the right thing to do. I always thought if

there wasn't harm to it, there might be a way for us to get money to the athletic programs of our various institutions.

MR. BUCKLEY: Yes, UNC--

SENATOR McKEON: Somehow or the other--

MR. BUCKLEY: --UNC was successful in-- North Carolina just legalized sports betting there, and they were successful in getting some percentage of revenue directed to their public universities' athletic programs.

That is obviously something we'd be in favor of, too.

SENATOR McKEON: I'm going to take a look at that law.

Thank you.

MR. BUCKLEY: Yes, you're welcome.

ASSEMBLYMAN MOEN: Thank you.

Mr. Buckley, I know that places -- colleges like the University of Maryland and the University of Colorado, they've announced that multi-year partnerships with sports books, in exchange for placing ads during games and such -- does the NCAA have any opinion or position on those kinds of partnerships?

MR. BUCKLEY: Yes, I don't believe those partnerships are in place any longer. There is no NCAA policy countrywide.

I believe a handful of schools entered into partnerships very early on with some of the sports books, and then I believe those were dismantled soon after that. I believe the industry banded together in large part and agreed, industry-wide, not to do that any longer after well-deserved criticism.

I can say that the NCAA does not partner with a sports book, as far as a corporate sponsoring partner. We don't run ads during our championships related to sports betting at this time.

ASSEMBLYMAN MOEN: Thank you.

Are there any other questions? (no response)

Thank you.

MR. BUCKLEY: Great.

Thank you very much.

ASSEMBLYMAN MOEN: Oh, Senator Turner.

SENATOR TURNER: Yes, can you discuss the amount of abuse that's directed to female athletes as opposed to male athletes?

MR. BUCKLEY: Yes, so, we monitored social media abuse -- online abuse -- around -- we did kind of a pilot study around eight championships. One of those championships was women's basketball.

It was-- By far and away, it saw the largest volume of abuse. We'll be sure to share that report with your office directly, but it's clear that women's basketball student athletes were the recipients of some just terrible online behavior. And, we can only see what's out there through X, and a handful of platforms. We can't see direct messages that are going through to kids. And, we can't see what kind of letters are being mailed home to their campus mailboxes.

We know it's happening; we know it's on the rise; and we know a significant percentage of it is related to betting.

SENATOR TURNER: Do you have any idea why that is occurring?

MR. BUCKLEY: Well, one, it's an unfortunate rise in popularity. The women's game this year saw ratings equivalent to the men's game -- which is something we're very proud of, but unfortunately, with that,

with the rise of sports of betting across the country, that comes with it an unfortunate amount of online vitriol and hate.

SENATOR TURNER: Which is a problem with everything in society today.

MR. BUCKLEY: Yes. And, look, there is no single measure that one state or one athletic association or league can take that's going to address this. It takes more cooperation from the social media platforms; it takes education on the campus level to teach student athletes how to use social media responsibly.

But, we believe banning prop bets is an effective way to curb this abuse.

SENATOR TURNER: Thank you.

MR. BUCKLEY: Thank you.

ASSEMBLYMAN MOEN: Great.

Well, thank you.

MR. BUCKLEY: Thank you for your time.

ASSEMBLYMAN MOEN: And, lastly, we will hear from the Council on Compulsive Gambling in New Jersey Representative Felicia Grondin.

And, I'll say, Felicia, the over-under on the conclusion of today's hearing was noon. And, so, we're butting up against that, but we, certainly-- We have your presentation, and we're certainly happy to hear what you have to say.

FELICIA GRONDIN: Well, good morning and soon to be afternoon, members of this Joint Committee.

I thank you all for being here today to address this very important issue.

Thanks to Chairman Beach and Chairman Moen for this opportunity, and all of you for your time and providing me with the opportunity to appear before you today.

I would like to thank those Committee members who provided us with the opportunity to discuss our concerns recently. And, to Senator McKeon, for sponsoring related legislation a few months ago.

We're thankful for the opportunity to discuss with Council the status of online sports betting and its impact upon the State, as well as our current concerns and recommendations to address them.

So, first, I'll share a little information about the Council so you can understand what we do.

In 1979-1980, a survey was conducted by the New Jersey State Health Commission indicating that there were approximately 175,000 disordered gamblers in New Jersey, yet there were no resources for help. A few years later, the Council on Compulsive Gambling of New Jersey was established at the behest of the New Jersey Department of Health to be an advocate for the disordered gambler, and to work towards societal acceptance that pathological gambling is a treatable illness. In a subsequent year, we became a 501(c)(3) nonprofit organization, and we provide information, education, and referral services for people affected by a gambling problem. And, I should note that the Council is neutral on gambling.

Essentially, the Council has been helping problem gamblers and their families for over 40 years -- primarily through our 800-GAMBLER helpline. We are here to heighten awareness about problem and disordered

gambling. Through presentations we deliver throughout the state, we provide professional training and certification opportunities for treatment providers and industry employees; and we have an established treatment provider network for client referrals.

And, our 40-plus years of experience has resulted in the Council as a recognized authority on problem gambling. And, most recently, our 800-GAMBLER helpline became the national helpline, as we leased our 800-GAMBLER helpline to the National Council of Problem Gambling.

Some gambling facts, which relate to some of the things said today, so I'll breeze through them rather quickly. One to three percent of the adult population in the United States has a gambling problem, but that percent is about 6% in New Jersey -- most likely due to the abundance of gambling opportunities and excessive advertising. I should note that for every problem gambler, seven people are impacted due to the financial nature of problem gambling.

Adolescent problem gambling is higher in adults than adults. And, alarmingly, surveys indicated that approximately 10-15% of American youth have experienced gambling-related problems. Problem gambling is the only behavioral health disorder in the diagnostic and statistical manual of mental health disorders known as the DSM-5, which is the authoritative source for clinicians. Gambling addiction is referred to as a "hidden addiction," since, unlike substance abuse, there are no related physical signs -- you can't see it, and you can't smell it.

And, given its related stigma, those who are struggling are reluctant to disclose they have a problem. It affects every age group from young to old -- every socioeconomic strata, including the homeless; the

incarcerated; firefighters; police officers; business owners; educators; legal and medical professionals; executives; and government officials, just like you.

Over the years, we have heard thousands of sad stories of people affected by a gambling disorder. From fathers who gamble to supplement their college fund, for which he painstakingly saved over decades, only to lose it all, to a 49-year-old first responder and father of four who was a big sports fan. He began sports betting online in 2018 -- when sports betting was legalized here in New Jersey -- and his betting quickly escalated within four years. He fell into deep debt to several of his coworkers, putting both his job and his family in jeopardy. His wife had to take a second job to keep their home, and, not long after, unfortunately, the couple separated. He is in counseling now, and he's begun to attend Gambler's Anonymous meetings.

Needless to say, gambling disorder has ruined families, careers, and credit scores. But, it ruins lives -- of the gambler and their loved ones. But, even more alarming is that it *takes* lives. There is a 20% rate of suicide ideation for those exposed to this disorder, which is the highest rate of suicide ideation amongst any addiction. Yet, for the most part, it has continued to remain unacknowledged.

As you all know, gambling opportunities are *everywhere*. It is no longer restricted to lotteries or casino gambling in Atlantic City and Las Vegas, like when I grew up. Given that it is a nature -- it is a resource for state governments to generate tax revenue -- it is not surprising that legalized gambling is available in those states.

First, let's take a look at proliferation of gambling in New Jersey. As you can see, the revenue for these forms of gambling in 2023 totaled over \$5.8 billion. No doubt, gambling is an effective revenue-generating resource,

but at what social cost? As you are aware, the sports betting market in New Jersey has hit record highs, with more than \$2.8 billion generated in 2023, reflecting a growth of over 2,200%. And, given the significant upward trajectory over a very short period of time, there is no doubt that these numbers will continue to grow.

The Council's barometer to quantify those who may be struggling with a gambling problem is determined by the number of calls to our 800-GAMBLER helpline. In this chart, we group sports book and online betting together, since most sports wagers are placed online. Since the onset of sports book in 2018, calls to our helpline have increased by 277%. And, when we look at the revenue compared to the number of calls we received since the onset of sports betting, we can see a correlation -- the more revenue generated from online and sports wagering, the more calls we received. Which translates into more and more people needing help.

I should note that, although the legalization of sports books significantly contributed to an increase in our helpline calls, the Council has not received any additional money as a result of sports betting tax revenue.

But, adults aren't the only ones gambling, as you've heard, so are our young people. Recent statistics indicate that the largest number of calls to 800-GAMBLER are from those under the age of 34 years old, which is the first time this has occurred. This is an alarming shift, indicating that more and more younger people are developing a gambling disorder, and we may be on the cusp of a worsening problem. Our recent helpline statistics also indicate that 100% of calls to 800-GAMBLER were from those 25 years old or younger, and they were from men -- young men -- with the majority of calls related to sports betting.

Young kids gamble because they're comfortable with technology; they're already engaged in gaming, which is known as a precursor to gambling; it is widespread and easily accessible; it is socially accepted, highly advertised, with many young people resorting to illegal gambling sites, as you've heard earlier this morning. Outside of youth gambling being illegal, it is an issue of grave concern, since studies have shown that if an individual starts to gamble at a young age, they are likely to develop a gambling problem as an adult.

A 2023 New Jersey middle school risk and protective factors survey identified that over 55% of seventh- and eighth-grade respondents indicated that they had gambled during the previous year, with 21% of middle school students betting on sports in the past year. In 2023, we partnered with Seton Hall University to conduct a study focusing on online gambling by 16- to 25-year-old individuals, where we focused on the frequency of online gambling play, and the reasons they gamble. As you will see, 79% indicated they had gambled online before the legal age of 21. Thirty-eight percent started online gambling between the ages of 15 and 18; 80% indicated they do not have a problem with gambling, and most adults do not consider sports betting to be gambling.

We also partnered with the College of New Jersey to execute a study focusing on family influence on youth and young adult gambling behavior and attitudes, which was conducted this past spring. We wanted to see if their exposure to gambling via their family contributed to their betting. The findings indicated that family influence *did* in fact contribute to gambling activity. Fathers were most frequently named as those family members engaging in gambling activity at 33%, followed by mothers at 15%, and

grandmothers at 13%. The most worrisome finding was the early age of exposure to gambling for a large majority of respondents. Seventy-five percent of the respondents were exposed to gambling between the ages of 5 and 16, and a third had their first exposure to gambling at age 10.

Callers to our helpline are provided with treatment provider information in the event they are interested in counseling. If they are unable to afford treatment, or if it is not covered by their insurance, the Council has a grant to assist with related payments. Most insurance companies don't cover the cost of gambling-related treatment, and will only do so if there is a co-addiction involved, like a substance or a drug problem -- I'm sorry, an alcohol or a drug problem.

Outside of our helpline calls increasing, another sign that gambling is a growing public health issue is the demand for our treatment dollars. Over the last few years, the Council's treatment budget was exceeded by over 30% -- and that was in 2023 -- and almost 24% in 2024. An article in *Barron's Magazine* indicated that the cost of gambling ads in 2020 was \$292 million. And, only one year later, in 2021, the cost increased to \$725 million -- nearly two and a half times more than the prior year. And, this is going back a few years; I couldn't find any recent data. But, it is quite alarming that the rate of advertising dollars is increasing so quickly.

As you are aware, we are inundated with gambling-related television ads. No doubt, aggressive advertising is fueling peoples' desire to gamble. And, while it is beneficial for the casino industry, and it generates related tax revenue, it is contributing to an increase in problem gambling. And, for those who have recognized they have a gambling problem, incessant

advertising can be an accelerator for individuals to relapse and break their gambling sobriety.

The uptick in adult and youth gambling is an indication of a worsening problem and the growing need for our services and our programs. While gambling contributes to the economy -- it does create jobs and tax revenue -- it is vitally important to consider its impact and focus on the overall public good. When we compare revenue, helpline calls, and the Council's budget, we notice some dramatic differences. When the amount of tax revenue collected is compared to the Council's budget, you will note that the Council receives less than one half of one percent of the revenue that's generated -- the tax revenue that's generated. Once again: One half of one percent of \$595 million. Surely, the State of New Jersey can do better than that.

So, how is this tax revenue that we receive spent? Well, since the casino industry funds the Council via the tax collected from the State -- via the online gambling license fees -- I thought it important to show how these dollars are spent. Essentially, we focus on prevention via education and public awareness; referrals to support groups and treatment, so they can find the support and the help that they need. And, we establish -- we accomplish these goals via our helpline, of course, by delivering statewide presentations; by participating in statewide events, as well as those sponsored by the National Council on Problem Gambling; by delivering educational programs; by managing a treatment provider network, whereby we provide training to therapists specific to gambling disorder. And, as I mentioned earlier, we refer callers to one of our providers in the event they wish to engage in counseling. And, lastly, we sponsor our statewide annual conference.

So, how does problem gambling funding in New Jersey compare with other states? Well, New Jersey ranks Number 3 in the country for gross gaming revenue, but it drops to number 19 of the 42 states that allocate funds to problem gambling treatment and prevention. We can do better to help individuals with this addiction. Although our research and our helpline statistics reveal a growing problem with gambling disorder, it is challenging to convince our public leaders regarding the degree and the severity of this addiction, due to its hidden nature and related stigma. Gambling is easily accessible and it's everywhere. One can lose tens of thousands of dollars within minutes, simply by picking up a cellphone. And, while revenue and helpline calls continue to increase, the Council's budget has remained flat, with no funds received from sports betting.

As I mentioned, our 800-GAMBLER helpline increased a surge in sports betting-related calls -- an increase of 277%. And, that equates to -- and results in -- an increase for our services at the Council. So, while \$2.9 billion of revenue was generated, none of these funds were directed to the Council, which presents challenges for us because of the significant increase since 2018. Our issues of concern obviously include the increase in our helpline calls -- more and more residents are needing help; the content and frequency of gambling advertising and youth exposure with limited public awareness about gambling's dark side; the existence of illegal gambling sites and related youth access; the predominance of underage gambling; and, of course, our future funding to accommodate the growing need for help.

So, what can we do to address these issues? We can develop greater public awareness of gambling's dark side via public service announcements sponsored by the State of New Jersey. We can require

warning labels, similar to those on tobacco products, with regards to online gambling sites and brick-and-mortar casinos regarding gambling's -- I'm sorry -- gambling's potential addictive nature. We can include gambling addiction education in school programs. And, of course, we need to be able to accommodate individuals who need help at the Council.

Please be mindful that the Council is available for trainings and presentations. You just simply give us a call; this is what we do. They can be provided in person or virtually to those who wish to elect to take advantage of this opportunity.

And, on behalf of the Council on Compulsive Gambling of New Jersey, again, our sincere thanks for inviting us to this meeting and providing us with the opportunity to present before you today.

So, at this time, I welcome any questions you may have.

ASSEMBLYMAN MOEN: Thank you, Felicia.

Are there any questions for Felicia?

SENATOR McKEON: I think you gave -- I'm sorry -- I think you gave us a great end to this, as far as things that we might all collectively consider.

MS. GRONDIN: Yes, and, lastly, I just thank everyone here for paying attention to this issue; for taking the time. Because it is something that is vitally needed for the residents of this state who are struggling with gambling. And, as many statistics as you may hear, I suspect there are thousands and thousands of more people out there who are being unaccounted for, who are losing their homes; their jobs; their lives.

So, I thank you so much for taking this issue into consideration and providing the time to us today.

ASSEMBLYMAN MOEN: Senator Polistina.

SENATOR POLISTINA: I do have a quick question -- you just jogged something in me.

You probably don't know, but do you have any idea the number of the increase in calls that you're getting? Do you have any idea how many of them are due to these legal regulated markets, like DraftKings and FanDuel we talked about, versus this Chumba thing, the unregulated illegal market?

MS. GRONDIN: That's a very -- it's a great question, but it's a very challenging question to answer. Because, when we answer our helpline and we speak to those individuals, they are not always willing to disclose the method by which they gamble. They're not willing to disclose that all the time.

So, although we may generate that information, there's another "other" category. You know, we have brick-and-mortar, online, sports, so on and so forth. There's another just "other" category, and they just might not be willing to disclose that information to us.

So, unfortunately, I am unable to provide that answer.

SENATOR POLISTINA: Thank you.

ASSEMBLYMAN MOEN: Great.

Any other questions? (no response)

Thank you, Felicia.

MS. GRONDIN: Thank you so much.

ASSEMBLYMAN MOEN: And, so, with that, I do want to take a moment to thank everyone who has joined us today.

I want to thank both Senator Beach and Vice Chairman McKeon, members of the State Senate, and, obviously, our Committee in the Assembly, for coming together today on such an important issue.

I feel like we do have a lot of work to do from here, and, so, Senator, unless there's anything you'd like to say?

SENATOR BEACH: No.

ASSEMBLYMAN MOEN: Great.

Well, thank you everybody, and consider the meeting adjourned.

(MEETING CONCLUDED)