Testimony of Les Bernal, National Director, Stop Predatory Gambling

Sports Gambling Hearing, Ohio House Finance Committee

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Chairman Oelslager, and members of the Committee, thank you for the opportunity to testify on whether permitting commercialized sports betting in Ohio will benefit the citizens of the state.

My name is Les Bernal and I have served as National Director of Stop Predatory Gambling for the last ten years. A 501c3 non-profit based in Washington, DC, Stop Predatory Gambling is a national social reform network of individuals and organizations from across the country.

Our fight is about improving people’s lives with compassion and fairness, freeing us from the lower standard of living, fraud, and exploitation that commercialized gambling spreads. Because of what we stand for, we are one of the most politically diverse organizations in the United States, one in which conservatives and progressives work side-by-side to improve the common good.

I’m a former high school and college men’s basketball coach for twelve years.

I also served as a Chief of Staff in the Massachusetts State Senate for seven years. It was there where I first began to learn about the problem of state government-sanctioned gambling. I never questioned it before. It was like the paint on the wall...it was just there. But as I learned more about it, the issue changed the arc of my life.
No issue in America better demonstrates the massive difference in our country’s social and economic classes than commercialized gambling

I want to start by giving some bigger context about these commercialized sports gambling bills.

Saving is the road to wealth creation yet around 50% of the U.S. population has zero or negative net wealth.¹ More than 60% of citizens don’t have enough savings to cover a $1000 emergency expense.² Meanwhile, Americans were expected to lose $118 billion of their personal wealth to government-sanctioned gambling in 2018.³ Over the next eight years, the American people are on a collision course to lose more than $1 trillion of their personal wealth to government-sanctioned gambling.⁴

In Ohio, when you combine the financial losses that citizens suffered from the State Lottery, the regional casinos, and video gambling machines your constituents are losing almost $3 billion of their personal wealth to state-sanctioned gambling per year.⁵ Citizens have lost more than $16.5 billion over the last seven years.⁶ If approved, commercialized sports betting will make these financial losses even worse.

Asset-building is the direct opposite of commercialized gambling. To improve opportunity and increase mobility out of poverty, we must reverse the current practice of turning millions of people who are small earners, who could be small savers, into habitual bettors.

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⁴ H2 Gambling Capital, 2018 https://h2gc.com/
⁵ Ohio Casino Commission Annual Reports 2012-2018 and Ohio Lottery Annual Reports 2012-2018
⁶ Ohio Casino Commission Annual Reports 2012-2018 and Ohio Lottery Annual Reports 2012-2018
Four Truths About Commercialized Sports Betting

Truth #1: Commercialized Sports Gambling Is a Form of Financial Fraud, Similar to Loan-Sharking, Price-Gouging, and False Advertising, That Will Result in Life-Changing Financial Losses for Many Ohio Citizens

There is a faulty assumption surrounding commercialized gambling and it has led to very bad outcomes for the American people. It’s the false perception that gambling is just like any other business. It’s not. Commercialized gambling is very different than every other business or commodity.

What separates commercialized gambling from every other business, including those involving vices like alcohol and tobacco, is gambling is a big con game. Citizens are conned into thinking they can win money on games that are designed, in the end, to get them fleeced. If you pay for a hamburger, a book, or a glass of wine, that’s what you receive in return. In commercialized gambling, what you receive is the lure you are going to win money. But this financial exchange is mathematically rigged against you so inevitably you will lose your money in the end, especially if you keep gambling, and they do everything they can to try to make you feel good about losing it all.

If you do win some money back, in most cases it comes at the expense and misery of many other people. And an ESPN story recently highlighted that in commercial sports betting, if you try to win, the bookmakers don’t let you place bets anymore. Bookmakers are severely restricting or closing accounts for the very fact that these people are winning!

Making a bet with a friend, that’s one thing, but if you do it against a sportsbook, you’re going to lose money all the time. An ESPN journalist who covers sports gambling told an Ohio newspaper: “There was a study in Australia of the accounts at a major bookmaker. Out of 500,000 accounts, only 50 individuals were found to be profitable.”

Because of the inevitable losses they suffer, sports gamblers get entangled in significant financial debt. One of the few countries that has commercialized sports gambling,

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7 "Won and done? Sportsbooks banning the smart money," David Purdum of ESPN, August 30, 2018
http://www.espn.com/chalk/story/_/id/24425026/gambling-bookmakers-growing-us-legal-betting-market-allowed-ban-bettors

8 "Everything you need to know about betting on Ohio State in 2016,” Interview with ESPN Chalk’s David Purdum, Land Grant Holy Land, Aug. 31, 2016
Ireland, recently issued its first ever national survey on gambling. It found three quarters of online gamblers have borrowed money or sold something in order to place a bet.\(^9\)

And, if you try to win, the bookmakers don't let you place bets anymore. An ESPN story recently highlighted that bookmakers are severely restricting or closing accounts for the very fact that these people are winning!\(^10\)

**This Financial Fraud Damages More Than Just a Person’s Financial Well-Being, It Also Severely Damages Their Health**

In a survey of nearly 10,000 adults in Massachusetts, sports bettors had higher rates of problem gambling — 5.7 percent — compared with adults who bet at casinos, bought lottery and raffle tickets or made private bets.\(^11\) Gamblers who bet online had even higher problem gambling rates, 18.2 percent.\(^12\)

These addicted online gamblers are the main source of profits. According to a major report from the United Kingdom, a region with commercialized sports gambling, online gambling operators make more than half of their profits from at risk and problem gamblers.\(^13\)

**This Fraud Destroys the Integrity of Sport Itself**

Those who will benefit financially from operating sports betting claim legalizing it protects the integrity of sports but facts from countries with commercialized sports betting have proven that claim to be a myth.

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12 Ibid

Europol, the joint police body of the European Union, investigated the possibility of major soccer games being fixed and found evidence of over 680 “suspicious games” in 5 continents over a three-year period, including a Champions League match in England and several World Cup qualifying matches. According to one German investigator, this widespread corruption is “on a scale and in a way that threatens the very fabric of the game.”

The same is true for professional tennis. Tennis has been engulfed by a “tsunami” of corruption involving “serious and substantial” match-fixing. A survey of 3,200 players of the professional game found that 14.5% had first-hand knowledge of match-fixing – 464 players in total.

Truth #2: Commercialized Sports Betting Severely Harms Children and Will Radically Change the Way That Ohio Children Consume Sports

Gambling ads and marketing ARE EVERYWHERE in regions with commercial sports gambling. The high frequency of marketing by gambling operators has normalized gambling for kids, leading them to believe gambling was central to playing and watching sports.

To understand how kids are impacted by sports gambling, look at facts from the United Kingdom and Australia, two regions with commercialized sports gambling:

- **In the UK, 1 out of every 5 ads during a sporting event is a gambling ad.**

- But it’s far more than an endless blitz of TV and radio ads. A recent UK study found more than 250 separate gambling advertisements on screen during the BBC's Match of the Day. These were found on team uniforms emblazoned with the names of gambling companies on them; stadium and arena surfaces where continuous

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17 Ibid.
gambling ads surround the game itself; and pre-match and post-match interviews.  

- Promotions and special offers for several major online gambling firms are regularly appearing in the social media feeds of children and directing them to the companies' websites via the social network.

- Twitter users under the age of 18 who follow popular sports accounts in the UK are being "bombarded" with online gambling ads, according to an investigation by The Times of London.

- Two in three UK teenagers feel deluged by advertisements for online gambling firms on TV.

- This marketing has devastating effects on young people: Researchers have previously found that more than half of 16-year-olds in the UK have gambling apps on their smartphones – two years before they are legally allowed to place bets.

- 450,000 UK children aged 11 to 16 bet regularly, more than those who have taken drugs, smoked or drunk alcohol, according to the UK's Gambling Commission study.

- Almost half these teenagers—49%—said some of these companies’ commercials made gambling look like a good way to make money. “Cash back” offers, a casino marketing practice to make the player feel better about losing by offering

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them a cash return on part of their wager, contributes to the perception by children that they could not lose from gambling.²⁷

- **75% of children as young as 8 could correctly recall a sports betting brand, repeatedly exposing them to harmful messages and advertisements about sports gambling,** according to a study by the Victorian Responsible Gambling Foundation.²⁸

- Children regularly exposed to gambling advertisements are more likely to bet among friends, try to enter bookmakers, and gamble when they turn 18 years old.²⁹

- **The younger children start gambling, the more likely it is they will become habitual and problem gamblers, regardless whether they are from an urban or a suburban community.**³⁰

When gambling operators lobby for sports gambling in 2019, it means allowing gambling on almost any kind of contest that you can imagine such as:

- **Betting on video games like Fortnite, NBA 2K, and other eSports games;**

- **In-play betting** which involves betting on a sporting event while that event is being played (i.e. bet the over/under on a punt; will the next pitch be a ball or strike; how many three pointers will Stephen Curry make in the second quarter; and so on.)

- **Betting on pop culture events and TV programs** like the Scripps Howard National Spelling Bee, The Bachelor and The Oscars.

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Truth #3: For the Majority Who Don’t Gamble, You Pay Even If You Don’t Play

Gambling lobbyists and some public officials continue to tout government-sanctioned gambling as a way to raise tax revenue. But history has shown repeatedly that this argument is either overstated or wrong. A 2016 national report by SUNY-Albany found that while states creating new revenue streams from gambling may see momentary bumps in tax income, “the revenue returns deteriorate—and often quickly.”

Beyond its obvious status as a budgetary shell game, government-sanctioned gambling incurs major social costs that end up being footed by all taxpayers. In addition to targeting and exploiting the financially desperate and cultivating addiction, government-sanctioned gambling leads to increases in rates of personal bankruptcy and provides new avenues for crime and money laundering. Gambling operators don’t pay for the harms they cause families, businesses, and communities. Taxpayers do.

All the citizens who don’t gamble also pay another way. Government-sanctioned gambling lowers our national standard of living because it’s a sterile transfer of money from millions of ordinary people’s pockets into a small number of other people’s pockets, producing nothing new and nothing of lasting value. Its economic impact is similar to throwing your money on the street so someone else can pick it up – it redistributes wealth without creating it. Because this nonproductive activity nevertheless uses up time and resources, we experience a reduced national standard of living, a consequence that impacts all of us.

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32 Cornell Univ. Professor David Just, “The big swindle: In lotteries, the poor are the biggest losers,” CNN, Dec. 18, 2013 https://www.cnn.com/2013/12/18/opinion/lottery-poor-just-opinion/index.html
34 Social Costs of Problem Gambling, Problem Gambling Research and Intervention Project, Georgia State University, https://goo.gl/kcgQv2
Truth #4: Illegal Gambling Tends to Increase When States Legalize Gambling

For most our nation’s recent history, illegal sports gambling has been happening on the fringes of society. The primary source of information for the size and scope of illegal sports gambling in the U.S. has been the American Gaming Association, the national lobbying organization for gambling operators who have a vested financial interest in seeing commercialized gambling metastasize.36

When gambling operators call for “regulation,” what they really mean is government granting monopolies and awarding regulatory advantages to favored firms.

It’s revealing to contrast government-sanctioned gambling operators with illegal gambling operators. No illegal gambling operator is putting liens on the homes of citizens to collect gambling losses, like legal operators do. No illegal operator sends free gambling wagers by direct mail to your house to lure you back to the local casino, like legal operators do. No illegal operator is pushing $30 lottery scratch tickets, seven days a week, in economically-depressed communities, like state lotteries do. No illegal operators are running gambling ads during live sports broadcasts with such intensity that one out of every five ads is to place a bet, which is what some of the legal sports gambling operators maneuvering here in the U.S. do in places like the United Kingdom.37 No illegal operator is sponsoring pro sports teams like the legal operators do in the U.K.38

If the illegal sports gambling operators supposedly cannot be controlled right now, as the big commercial gambling operators claim, then how can you control and regulate the gambling operators you license? If you can’t shut down the illegal sports gambling operators now, how would you possibly shut down licensed operators who don’t follow the rules?

There are a number of other reasons why illegal gambling tends to increase when states sanction gambling. These include:


38 Ibid.
— Illegal operators offer credit to gamblers.

— Untaxed illegal operators can offer better odds and tax avoidance that legal operations cannot.

— Once gamblers start betting legally, they become less averse to gambling in unlicensed venues and websites.

— Law enforcement in gambling states view illegal gambling as a state revenue issue rather than a criminal activity, making enforcement less of a priority.

**CONCLUSION**

State governments are often called laboratories of democracy. But over the last 30 years, the record is clear: when it comes to gambling policy, states are laboratories of fraud, exploitation and budgetary shell games.

In Ohio, when you combine the financial losses that citizens suffered from the State Lottery, the regional casinos, and video gambling machines your constituents are losing almost $3 billion of their personal wealth to state-sanctioned gambling per year. 39 Citizens have lost more than $16.5 billion over the last seven years. 40 If approved, commercialized sports betting will make these financial losses even worse.

Public officials and opinion leaders who profess a desire to improve opportunity and alleviate poverty often lament how few levers they have to pull. Priority one needs to be to stop turning millions of people who are small earners, who could be small savers, into habitual bettors.  Asset-building is the direct opposite of commercialized gambling.