

Written Testimony by David Rebuck
Submitted to U.S. Senate Committee on the Judiciary
December 17, 2024
Hearing on “America’s High-Stakes Bet on Legalized Sports Gambling”

Dear Members of the U.S. Senate Committee on the Judiciary:

Thank you for the opportunity to provide testimony on the topic of legal sports betting. My name is David Rebuck, and I was appointed Director of the New Jersey Division of Gaming Enforcement (DGE) by Governor Chris Christie in April 2011, a role I held for over a decade until my retirement earlier this year. Prior to my service at DGE, I served as a Deputy Attorney General for New Jersey for 23 years, specializing in policy guidance and regulatory reform. Throughout my public service career in New Jersey, I proudly played a leading role, across multiple Democratic and Republican gubernatorial administrations, in shaping state gaming policies and regulations.

Most importantly during my tenure at DGE, I oversaw the legalization and implementation of iGaming in our state and led the state’s groundbreaking efforts to legalize sports betting. The state’s work on sports betting legalization culminated in the U.S. Supreme Court’s landmark decision on May 14, 2018, overturning the Professional and Amateur Sports Protection Act (PASPA). Alongside many regulatory and legal stakeholders throughout New Jersey state government, we ensured New Jersey was prepared for this landmark event by establishing comprehensive state standards and regulations that enabled a thriving legal sports wagering market for New Jersey residents in the immediate aftermath of PASPA being overturned.

Today in my post-public service phase of my career, I am an advisor to the U.S. gaming industry, providing expertise on regulatory and operational matters, and I recently agreed to be a member of the inaugural Expert Advisory Committee of the Responsible Online Gaming Association (ROGA).

States’ Rationale for Legalized, Regulated Sports Wagering

I submit this testimony today as a proud advocate for state-led regulation of legal gaming, including sports betting, and to explain why states moved to legalize sports betting and why they, not the federal government are best equipped to handle this issue.

In the six years since PASPA was invalidated, legislators and regulators in nearly every state in the country have considered legalizing sport betting and grappled with the dozens of potential tradeoffs that come with various regulatory frameworks. While the possible regulatory options are endless, there are two primary factors that states have weighed when it comes to designing their marketplace: First, will these regulations protect consumers and ensure the integrity of the market; and second, will they create a business environment conducive to eliminating the illegal market. Additionally, states see benefit from tax revenue that had historically been lost to offshore operators.

Consumer protection and market integrity have been the driving factors behind legalization. Prior to 2018, there was a thriving \$150 billion illegal sports betting market in this country driven largely by offshore sportsbooks who misled consumers, paid no taxes, had no responsibility or motivation to monitor the integrity of the events they offered wagers on, and made no real responsible gaming, anti-money laundering or know-your-customer efforts.

Consumers were – and still are – openly misled by offshore websites purporting to be legal, regulated sportsbooks. Even this morning, one of the largest offshore sportsbook’s website describes itself as “a top USA-based gambling and sports betting website” only noting elsewhere that it is “licensed and regulated by the Union of the Comoros.” Consumers duped into betting with this “top USA-based” sportsbook and who may have a dispute or complaint would undoubtedly be surprised to learn that it was “regulated” in an island archipelago in the Mozambique Channel and that they have no actual recourse.¹

Offshore sportsbooks also have no interest in monitoring the bets they are taking to ensure the integrity of the events they were placed on. For example, the operators of one offshore sportsbook were aware of the 2007 match-fixing scheme involving NBA referee Tim Donaghy. Instead of reporting it, they capitalized on it by placing their own bets.²

Of course, offshore operators that are brazenly misleading consumers and essentially participating in match-fixing and bribery here in the U.S. are not interested in providing players with responsible gaming tools, paying taxes, monitoring accounts for signs of money laundering or engaging in know-your-customer protocols.

That is the environment that state lawmakers and regulators faced when considering how to structure a marketplace to compete against illegal offshore operators and how to evolve existing regulations.

States have a wide range of options available when it comes to crafting marketplaces to allow legal, regulated sportsbooks to compete against offshore sites, but they are primarily interested in making sure that consumers are protected, have confidence in the marketplace, that the integrity of the events being bet on is protected and that sports betting is not used as a conduit for illegal activities.

While states’ motivations are the same, there are good-faith disagreements around the most effective way to regulate sports betting while creating an environment that can effectively compete with offshore sites that face no regulations whatsoever. States have come to different conclusions when it comes to the tax rate, where people can bet, whether to restrict certain types of bets, what kind of responsible gaming tools to mandate and dozens of other factors. There is no reason to believe the federal government is more suited to balance the tradeoffs involved in hundreds of regulatory decisions better than individual states.

A federal intervention may also disrupt the flow of tax revenue that states have raised from legal sports betting. Nationwide since 2018, legal sports betting has generated nearly \$7 billion dollars in direct gaming taxes for state and local governments. In New Jersey, the state has benefited from \$545 million in sports betting taxes which are dedicated to economic development, senior citizens and disabled residents.

State regulation allows each jurisdiction to tailor its approach to the unique needs and values of its residents. States have the capacity to experiment and innovate, learning from each other to improve their systems. This approach fosters regulatory competition and ensures that policies remain dynamic and responsive. A one-size-fits-all federal regulatory framework would lack the

¹ <https://www.bovada.lv/>

² https://www.espn.com/nba/story/_/id/25980368/how-former-ref-tim-donaghy-conspired-fix-nba-games

agility states currently have to adapt to the diverse circumstances of their individual markets and would risk imposing unnecessary burdens on both regulators and operators.

While enhanced federal regulatory oversight of the legal industry is not necessary, that does not mean there is no role for the federal government in ensuring the safety and sustainability of the legal sports betting marketplace. Illegal gambling online – through both sportsbooks and casinos – remains widely available and accessible across all 50 states. The interstate and often transnational nature of this criminal activity cannot be addressed by state gaming regulators alone.

That is why I joined fellow gaming regulators from six other states in a letter to Attorney General Merrick Garland in April 2023, requesting heightened federal attention to and engagement on this problem. In the absence of federal enforcement action against illegal operators, states are using their limited tools to target some of the most egregious online platforms. Since May of this year, 11 states have effectively used cease and desist letters to compel the largest offshore sportsbook, Bovada, to exit their markets. It is, of course, wildly inefficient for every state to be forced to take such actions individually, and a tactic that may be ignored by many illegal operators. The most productive action this Committee and Congress could take is to ensure that the Justice Department and other federal agencies have the resources, legal tools and sustained commitment necessary to eradicate this pernicious problem.

Conclusion

I do not underestimate the challenges that come with regulating sports betting. Issues such as problem gambling and ensuring compliance with regulatory standards require constant vigilance. However, there are more than 5,000 gaming regulators across the country who are already addressing these challenges head-on, with many adopting best practices like mandatory self-exclusion programs, partnerships with addiction treatment providers and universities to tackle social and public health concerns, and rigorous auditing processes that ensure compliance to the highest degree.

In closing, I urge this Committee to respect the successes that states have achieved in regulating sports betting and allow this progress to continue unimpeded by federal overreach. States are uniquely positioned to understand the needs of their residents, enforce strong consumer protections, and ensure that the benefits of legalization flow back into their communities. A federal approach risks undermining these efforts and creating inefficiencies that could stifle innovation and compromise the very protections we seek to enhance.