



After the Buzzer

Transcript: Bob Wallace's interview with David Purdum & Dustin Gouker on sports betting
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Bob Wallace: Welcome to *After the Buzzer*. Today's episode is touching upon one of the days' hot topics: legalized sports gambling. Over a year ago the Supreme Court struck down the Professional and Amateur Sports Protection of 1992 Act, allowing legalized sports gambling in states other than Nevada. Many felt it was a long time coming, but others felt it was a recipe for disaster and trouble. I'm not an expert on gambling, the closest thing being occasionally visiting a casino and playing blackjack, filling out an NCAA bracket or playing in a pick the NFL games pool. So I don't have any firm beliefs on what it all means. But today I have two guests, Dustin Gouker and David Purdum that are experts and have a real handle on this space.

Dustin has written and been the editor of the website LegalSportsrReport.com, focusing on sports betting and online gambling. He's also headed up content for several websites on the emerging US sports betting and the daily fantasy sports industries. Dustin is a former newspaper reporter and editor, including stints at the *Washington Post*.

Our other guest is David Purdum, who since 2014 reported on the business side of the gambling industry for ESPN. He appears frequently on *The Daily Wager*, ESPN's sports betting news platform, and on *Outside the Lines*. His written work on gambling appears on ESPN.com. David is well connected in the US and UK, and his profile on professional sports bettor Billy Walters is worth reading for those interested in professional gambling. Welcome to you both.

Well, thank you guys for joining us. And as I said in the introduction, I'm not a sports gambling person. I said I don't know very much. I'm just figuring out what over and under means. So we'll start alphabetically and we'll start with you, Dustin. Tell me how you kind of got into this line of sports betting and the sports industry.

Dustin Gouker: Yes, I've just been a writer for a long time. I was a poker player back in the days when you could play online poker pretty easily. So I just kind of already had – kind of knew the gambling space a little bit. Poker obviously not the same as sports betting, but kind of learned the industry from the ground up back five years ago. I think David and I were about the only ones really covering the daily fantasy industry with any kind of regularity. I focused on that, and then as the Supreme Court case came around I was actively covering that. I was actually in the building the day they had oral arguments. So yes, just kind of learned a little bit of the industry as I went along. But yes, just the connection between there's a lot of need for content and the reporting, I think, on the intersection of gambling and legislation and all that.

Bob Wallace: How about you, David?

David Purdum: Yes, I have kind of a similar path. I was working for a newspaper. I believe Dustin was working for the *Washington Post*. I was working for the *Atlanta Journal-Constitution*. I was in traditional sports coverage: professional Falcons, Braves, Georgia Bulldogs; that kind of stuff. And then I started freelancing as the newspaper industry started on its decline and started laying off people. I got nervous so I started freelancing. And I had always bet on sports. I'm not a great bettor. I'm a small bettor. I'd bet \$20 a game or whatever. So I knew a little bit about it, and so I started writing about it, just basically general previews about the odds of the games and just some of the different storylines that surround sports dealing with gambling. And from there that was 2008. Ten years later here it is ESPN and we have a new legal sports betting market in the US that's growing day by day.

Bob Wallace: So as I mentioned in the introduction, the Supreme Court opened up this legalized sports gambling to places other than Las Vegas. So as we sit here today, what is the landscape for legal sports betting in the United States?

Dustin Gouker: I think its 15 if you say it's states that have formally legalized. We're waiting on some governor's signatures in three more, so I think we're up to 18 states and Washington DC where there either are or will be legal sports betting. Am I right on that, David, or has it changed since this morning?

David Purdum: Yes, that's right around the right number. There are currently eight, including Nevada state, that have legal sports books operating in them in some fashion or another. That's quite different from just last year. Like you said, May 14th was the date when the Supreme Court kind of changed everything here. And since then we've had sports books open up in seven different states additional to Nevada. So it's changing rapidly.

Bob Wallace: So you said you have sports betting in some kind of fashion. What kind of fashions are there? Is it just like in Vegas where you go to the sports book or is it online or is it like the old days in OTB? I'm from New York, so I can say that. Or off-track betting where you could go? What are the different ways that someone can sports bet?

Dustin Gouker: It's still pretty much two channels. It's retail sports books, like you described, where you go to the sports book or wherever and place a bet, and then online betting. States have had varying takes on how they're legalizing or if they're legalizing it. Right now as we sit you can bet online in Nevada, New Jersey and Pennsylvania. It's technically legal in West Virginia, but there aren't any apps live there right this second. And then there's that universe of states that either passed a law or will get into it soon; there's a growing number of states that will have both a retail channel and an online. There in New York, it's one of those states that's waiting in the wings. Like in the next few weeks we're

going to see the first physical sports books in some of the casinos in upstate New York.

So yes, ideally I think as we sit here it would be great if every state was opening up online betting, because there's so much more potential there than just saying, oh, you have to go to the casino and bet on sports. Both Nevada and New Jersey have experienced that first-hand. So I think that's where it's going. That's the trend. It's just a matter of how fast we get there, I think.

David Purdum: Some of the locations, you're talking mostly casinos that have it now. There are a few racetracks that also offer sports betting. Primarily these physical sports books are at like Atlantic City casinos or some of the casinos along the gulf coast in Mississippi, and then a few horse tracks. But again, Dustin hit it on the head there when he talked about the mobile wagering. That's where everything is going. I think—what is the numbers, Dustin—80% of all bets are placed on their phones or mobilely in New Jersey right now.

Dustin Gouker: Yes.

David Purdum: So while we talk about these brick and mortar establishments, eventually almost everything's going to be done over your phone.

Bob Wallace: Yes, I was reading one of your articles and I saw that stat where it said 80% of New Jersey's revenue was coming from online, so why isn't everybody doing it? What's the holdup with getting more online betting platforms?

Dustin Gouker: It's the land-based casinos. Generally, they kind of run how things go in states that have casinos, or if you have horse tracks. There's existing lobbying mechanisms. There's a lot of reasons that they're a little tepid on taking what's basically a monopoly for them and saying, oh, we're going to go online. It's a little scary for them. As more states do this, though, I think it'll become pretty clear that you're just giving up revenue if you're not doing it now. The more

people there are, the more competition there is. If you're a casino, like, okay, you'd better have a good product if you want to compete. Again, we're seeing that in New Jersey. Not everybody's getting an equal share of that revenue, so it's a matter of how well you do it. But it really has to do with how states have legalized gambling in the past, then it often flows through existing channels, which is casinos, tribal casinos, racetracks, etcetera.

David Purdum: I think it's the moral pushback that really comes to the forefront when the people start talking about online; online sports betting, online casino. There just seems to be a fear. And as Dustin knows, if you really dive into the data, a lot of people believe that moral pushback about online is focused on problem gambling or it's going to bring a casino into the house. Well, actually when you look through the data a little bit, you'll see things that indicate that online gambling is almost safer for people that have issues with problem gambling. You can identify them faster. There are protections in place that they can exclude themselves from being able to bet on a platform. But when you ask why states have been slow as some states have been, I really do still think there still is this moral pushback in the US; kind of a puritan type pushback against online gambling. And they kind of seem resigned to, hey, we already have casinos in 40 plus states. If sports betting happens there, I guess that's going to happen. But there still seems to be some resistance when you start talking online.

Dustin Gouker: Yes, people kind of look at it as yes we have legalized all these other forms of gambling. Commercial casinos are in so many states now. So many states have the lottery. They have video lottery terminals in bars. Gambling has become really pervasive in the United States, so there the last vestige of that is whether you take it online or not. So I understand the pushback, but at the same time, if you look at states that have legalized every other form of gambling under the sun, this is the line you draw now? Again, you're not really banning sports betting online to any real degree. There's plenty of offshore sports books that will take wagers. Depending on who you ask, they

operate legally or illegally. I would say they operate illegally in the United States by taking wagers.

But if you're saying you're not legalizing sports betting, all you're really doing is letting the existing offshore market kind of run things. Whenever they say oh yes we're banning sports betting; no you're not really banning it because you don't have – there's no real way to stop betting on the internet when it's not taking place in a regulated fashion.

Bob Wallace: I heard someone say that legalized sports betting is a tax on despair and boredom. What do you say to that? Are we just feeding into people's obsession with gambling?

Dustin Gouker: I don't think {laughs} betting on sports is that for anyone. You mentioned you do NCAA pools. That's not traditional sports betting, but if you're doing it for money that's some kind of betting. So many people watch sports and either bet on it with friends or they'll bet on it offshore. If they're in Vegas they'll bet on it. I just see it as a way of entertaining yourself while you're watching a game. Now obviously David hit on responsible gaming. If you're doing that too much, then yes it's a problem. But I just don't have any problem with average Joe who wants to put \$25 down on the money line tonight. That's not a tax on people being bored. That's just another entertainment. You're playing the moral police to some extent, but I just don't buy that argument at all.

David Purdum: Yes, 100%. I was with an NFL executive on a panel recently, a gambling panel. And he said the one thing that the NFL when they kind of started looking at this again and went back after the case was over, they said they vastly underestimated the size of the illegal sports betting market in the US. It's basically a bookmaker, an offshore bookmaker, your country club guys, all this that make up this giant, giant pool. So with all that betting that's going on, legalizing it, in my opinion, is not adding to that tax or burden. This sports betting is going on. It's pervasive. All we're doing is putting it under the light

of regulators, vetted, licensed officials who can look around, see, look for problem gambling, look if anything looks suspicious from the betting. So I don't think the legalization of this should ever be looked at as something that made it worse.

Dustin Gouker: Yes, that revenue that they're talking, the NFL is talking about, that massive offshore market, that's money that's not going to US companies, in many cases or US casinos or anybody. It's not – and it's also not tax revenue that's going into state coffers. You're basically the only revenue you're getting as the average Joe is putting it on his income tax. Otherwise you're not benefitting from this in any way. And it's also no small part jobs. Indiana and Iowa passed laws this year. They're going to have sports betting at all these casinos. They're going to have online sports betting. There's a not insignificant number of jobs that come out of this, too. So from all this standpoint there's a lot of good that can come out of it. Yes, if you're saying, yes, it's not good to have more gambling; great. But again, it's already happening and the United States and states are not really benefitting from it in any tangible way in the way it goes on now.

Bob Wallace: So I can make the argument from the NFL. I was a prior executive in the NFL. And for years we wouldn't even have meetings in Las Vegas or Nevada. I remember once negotiating a contract and I met the agent in Nevada and I got a call from the league office that says you shouldn't be meeting in Las Vegas. It happened to be convenient between the agent that was in California and me who was in St. Louis at the time, which is why we met there. And so the leagues were very anti-gambling. And as I say, we wouldn't – we had sports lawyers meetings and the NFL would say we can't go there. And then David Stern and Adam Silver sort of changed and they said you know what; maybe we should embrace sports gambling. It's happening. The NFL person on the panel that you said was not sure that or he underestimated the effect of offshore and illegal gambling. Although, the NFL for years has published

injury reports and all those kinds of things. So why the change in the sports? Was it just money?

David Purdum: I think you can always start with money. It's always going to be a part of the answer. I also think when the change in commissions from David Stern to Adam Silver to Rob Manfred in baseball. That change at the head allowed them to pivot to a degree on sports betting. Like you said, I mean, gosh, there are some really bad things {laughs} that the sports league commissioners, Bud Selig called gambling evil, destroys your sport, and he had a testimony in the New Jersey case. David's just been adamantly against this; almost over the top with the rhetoric toward it. So the only way they can kind of pivot from that such a hard-line position, in my opinion, was to kind of have a switch in commissioners. And they did. We had Bud Selig replaced by Rob Manfred and David Stern replaced by Adam Silver. Coincidentally or not, within the months after those people took over, those commissioners took over, they pivoted the leagues' position on sports betting and started to say that, hey, maybe legalizing it, putting it under the sunlight is a better approach.

Dustin Gouker: It starts with money, but it doesn't necessarily end there. I think at least the two examples you have said, baseball and basketball both see a money opportunity. If you listen to Adam Silver over the years and he's said the right things and he understands that, again, what we've been talking about here, offshore betting already happens. We should be regulating it. He used that phrase to put it into the sunlight on multiple occasions. Having a regulated betting market is something that actually should improve integrity. It should help consumer protections. There's a lot of good that comes out of regulating. And, yes, while the NBA would like to make as much money as it can from sports betting, I think there's obviously a real sense that they think it's just a good thing for their sport as well and just the future of betting in general.

Bob Wallace: Both of you guys have pointed to the changes in commissioners, which I could maybe make the argument that it's a generational thing. Both Stern and

Selig were from a different generation where you're talking about gambling as being underworld, third world and then over time with off-track betting and then with sports book and Vegas and all that it's changed a little bit. But now you also find that the two leagues, and even to some extent college, and we'll talk about that in a second, now they're talking about some sort of integrity fee. What's your take on integrity fee or is this, again, just their way of getting their mitts into the money?

David Purdum: I'm going to let Dustin start there because I believe he has made integrity fee t-shirts, if I'm not mistaken, as part of on sale (inaudible)...

Dustin Gouker: {Laughs} I'm doing them at cost, but yes, we're making t-shirts that have #Integrityfees. A little bit of the back-story of this is the league started getting involved in lobbying with sports betting actually before the Supreme Court case actually was resolved. And while it was going on, the first bill that was introduced in Indiana was kind of written by the league. It included this idea of an integrity fee that sports books in states would just pay directly to the leagues when they'd take wagers on them, which was a pretty different concept. Not really something that's widespread in the sports betting industry. It's changed a lot and the position on it's changed a little bit. The leagues are still asking for them. Adam Silver and others have actually pivoted to calling it a royalty rather than an integrity fee on some occasions. But their case is that if you didn't have our games, you wouldn't be able to bet on them.

Now is that a great reason for just paying them money? I certainly don't think so. Others may disagree, including David. But I think the dynamic is such that I don't think you just give them money, but is there a way, is there ways that they should be working together, sports books and the leagues? Certainly. We've seen that in a lot of ways. We've seen marketing deals between both leagues and sports books and teams and sports books. And that makes sense. And then there's also the whole issue of data which we get into. Sports books are paying for official data that comes from the leagues that is, in theory,

better and faster and should be more reliable than what you're getting elsewhere. So I don't think just paying the leagues for existing is a great idea. I don't think there's a whole lot of great comparisons for that. But I know David and I don't quite always see eye to eye on this one, so I'll let him talk about it, too.

David Purdum: For the most part we do. I just want to see the leagues bring something to the table that would grow the market so it would make sure those integrity fees are paid. And just to really specify what an integrity fee is, the leagues have asked for .25% of every dollar wagered on their respective event. So if you were to bet on a Kansas City Chiefs game, maybe the NFL would get this. Or if you were to bet on a Royals game, maybe the Royals or Major League Baseball would get the money. So they wanted to have a stake in helping grow the market, which I think we can all appreciate. If they're going to try to put out efforts to grow the sports betting market, they would like kind of a say in the action.

Sometimes I think that the language of integrity fee just really, really hurt them. It was the wrong way. You've got bookmakers going well were they not offering integrity before? And now they want money to provide it? So it was just a flub by the leagues in their lobbying approach. Like you said, they have changed it to a royalty. Some of them just call it compensation now. And that's fine. They're certainly stakeholders in this. I don't think we can deny this.

But I also agree with Dustin that paying them for just having the games, I'm not sure that's worthwhile. Because if you go back and look at the strike years from baseball, the handle in Nevada, the amount wagered on all the sports, even though there were less games because they didn't have any baseball, it didn't drop a bit. It was flat and, in fact, increased a little bit. Even if the NBA says fine, if you're going to bet on our games we're not going to hold them, or something ridiculous like that, betting would still continue. It's always going

to continue. Ever since there's been sports there's always been somebody to bet on it. So I don't think that would be the taint of, oh, if you didn't have our games you couldn't bet on sports. No, I don't buy that at all.

Dustin Gouker: Creating a regulated market basically out of scratch outside of Nevada is kind of diametrically opposed to just giving leagues money in exchange for nothing. You have this ideal of we want regulated betting everywhere. We want it to succeed. We want operators to be able to make a little of money. If you're just basically having a publicly declared private tax that's a transfer of money from sports books to the leagues and you get nothing back in return, there's not a great argument for that as far as we're going to create this legal market, but okay just pay us and we're not giving you anything back. That's the part that's difficult to stomach from my side of things.

Again, I hear David. If you have a transfer of money and there's something that's coming from that in partnerships or data or what have you, then that's great and I think everybody agrees that that's okay. But yes, just creating basically a private tax that's paid to the leagues I think is not really in sync with the goal of creating a real regulated market.

Bob Wallace: So were the leagues maybe a little late to the party? They fought it for so long. Gambling sort of gained some momentum. It existed without league cooperation. And now once it's established they decided well we didn't really cooperate, but we want to share in your profits. Did they miss the boat?

Dustin Gouker: Yes, that's a pretty good perception of what happened. The Supreme Court case I don't think they ever thought they were really in a position that they were going to lose. I mean go back to the Supreme Court case, the NBA and the other leagues, the NCAA were the actual litigants in that case and were trying to stop New Jersey and the larger expansion of sports betting. So they kind of thought all along that they were just going to keep winning this case and then sports betting would happen on their timeline. And then yes, a year

ago everything got flipped on its head. All of a sudden as soon as the Supreme Court case was taken, that was the signal like okay, we might actually lose this and now we have to go to DEFCON one and say yes, let's start getting sports betting bills and legislation that we want to see.

So if the Supreme Court case had never happened, the leagues would be in a much better position to kind of dictate exactly how this would go down. It would be, obviously a lot slower timeline, but I think they would have had more time to kind of wrap their heads around it. Instead they've had to do a very quick lobbying effort that's been successful in a few places, but not successful in a lot of places. They've lobbied at the federal level. I still don't see congress meaningfully getting into sports betting any time soon. But you kind of summed it up correctly in that they missed the boat a little bit and they're playing catch-up.

David Purdum: I would go back to the rhetoric that the commissioners used just bashing these gaming operators, these bookmakers that are completely legal and tightly regulated in Nevada. Hearing that they wouldn't even hold meetings in Nevada. Calling gambling the worst of evil and this and this and this. I think it ended up giving a chip on the shoulder to the gaming industry, and that has made them kind of dig their feet in even stronger when the leagues have tried to switch tunes and come back. And they're like wait a second; you just called me evil and not worthy of your time. You couldn't even come into my state to discuss it with us. Whether practical or not, I think – I know for a fact that some of the bookmakers and the casino executives have almost a chip on their shoulder towards the leagues because of that rhetoric.

So that is something that's been really the most disappointing to me is just now how disingenuous all that years where all that just utter doom if this happens; irreparable harm to our league if sports betting is legalized. Clearly it was just way over the top and now it's costing them.

Dustin Gouker: New Jersey, after they won the case they passed another law, and the leagues are still saying you can't pass this law without what we want in it because you're just doing it wrong. So they haven't given up yet. They're still like this is not good unless you do it the way we say. I think they've measurably changed their tune on that. They're not – lots of states have now passed laws that don't really give the leagues much or any of what they want. But they've gone away from if you don't pass the law that we want it's the end of the world. Because they realize the reality of what it is; this is going to happen with them or without them. So if they get what they want, great, but they can't pump the brakes on what's happening. It's going to happen with them or without them.

Bob Wallace: I'm not going to ask you to comment because it's not really on the subject, but it sort of reminds me a little bit of legalizing marijuana around the country. The leagues seem to be a little bit behind the curve on what the public sentiment is. Marijuana or cannabis is becoming legal in so many states and they have this prohibition for their players that say they use it for pain management and they seem to be a little bit behind the curve on that. Maybe they would have learned a lesson from how to approach a shifting cultural dynamic in this country and maybe get ahead of the curve instead of behind the curve and having to repeat some of the catch-up that they're doing in the sports betting industry.

We talked a little bit about it, and just by the name of the fee, the integrity fee, which they've changed to the royalty fee, what about integrity is gambling? Is it a threat to the integrity of sporting events?

David Purdum: Yes, gambling is a threat because that's the intent when you try to fix a game is to make money off it by wagering. Now, is legalized sports betting a threat to integrity? Not in my opinion. If, Dustin, if you and I are going to fix a game, what if I told you okay, I want you to go take your identification, I want you to take your tax forms and I want you to go over to this legalized sports

betting where they're going to give you the runaround just so we can get \$10,000, or are you going to go to the offshore bookmaker who you can bet anonymously, not pay any taxes and not have any issues. I mean it's kind of an obvious answer in my opinion.

Dustin Gouker: Again, we keep coming back to this. Sports betting has been going on, either by your local bookie or offshore for a long time. This is just more sports betting. Whatever integrity concerns there were already existed. That's part of the conversation that always upsets me when I see it is that somehow legalized sports betting is some new concern that just popped up in the last year. One, it's been going on in Nevada forever. Nevada books have actually been involved in smelling out some of this in the history of college betting. So not to dismiss the fact that there's not – just the fact there's more betting, yes that creates additional integrity concerns. There's going to be more of it, yes. But these are not new concerns. If there were integrity concerns before, and there certainly were, those have not changed really in a measurable way with the advent of legal sports betting. Like David said, regulation, knowing your customer, being able to see data and how bets are coming in, these are good things for the integrity of games, not bad things.

Bob Wallace: Although you could make the argument that because there's more that means there's more temptation. If there's more money there, there's more temptation. The reason that the leagues are now saying, hmm, maybe we ought to get into this is because they see it as a money train. And if there's more money out there, does that make it more (temptive)?

Dustin Gouker: I think there's more ability to bet on sports yes. The increased threat to integrity is not absolutely zero. There are more places to bet. If people aren't vigilant, yes, there are possibilities of doing that. But I totally agree with David. If you walk in with a crap ton of money into any sports book in the United States and want to bet it on something that doesn't seem right to the book, they're going to flag that pretty quickly, even more so online. If you're

trying to bet online, they're going to know who you are. They're going to know the last four digits of your social security, probably. So they're going to know who you are when you place this bet. That's not something that you really want to happen if you're trying to fix a match. I do find that scenario kind of funny, and I don't think it's – that's, again, part of the argument for increased regulation, this idea that you have more data, you have more information; it's going to be, it should become increasingly hard to fix a match in any kind of (inaudible) way.

Bob Wallace: I'm a little surprised that one of the first leagues to come in favor of sports gambling was the NBA with the Tim Donaghy matter. Do you find any irony in the fact that they were the first to say let's do this, or did they just realize, you know, we had a problem when it was illegal; if we get it legal maybe we'll have more control?

David Purdum: Silver was the deputy commissioner under Stern for a few years before Donaghy. He was already in Europe looking at some of these jurisdictions that have legalized sports betting and how they do it. He was considering thinking about it. Then they had the Donaghy thing. And boy, that kind of put everything on halt, but when they really started looking through it, diagnosing everything, they realized that they couldn't see. They didn't have access to the data that they probably would have needed to somehow highlight or identify what was going on sooner. And that resonated with Commissioner Silver. I've asked him about that, and he said absolutely it resonated with me. We just couldn't see and we didn't have the protections in place. And that's been something that they've been pretty adamant about almost to an extreme here in the lobbying process is that they want access to the betting activity. They want to see where the bets are coming in, for who is betting and so forth. So the Donaghy situation almost propelled them to pivot on the issue when Silver took over.

Dustin Gouker: Most of the biggest examples we see of this are not from regulated sports betting. I think David and I both get frustrated when we see the Black Sox used as an example. That is not regulated sports betting. That's a long time ago. That's not a reason to not legalize it. And Pete Rose, same way. These are not examples of regulated markets and how they function in today's world. So it gets frustrating when we see all that, and Donaghy is the same way. Those would have not taken place via regulated markets as it's rolling out in the United States today. There's {laughs} no way the market manipulation that happened with Donaghy games would have happened at a regulated book for any kind of length of time, I'm pretty convinced. I don't know if David, you agree with that, but.

David Purdum: {Sighs} The Donaghy situation was weird. Usually when you have a point shaving scandal the other one that's used often is the Arizona State college basketball in the early to mid '90s. This was a situation where kids, students were coming in from Arizona to Las Vegas casinos and just piling money against Oregon State game after game after game. That one was a little bit more obvious. With Donaghy you couldn't really tell because the fix was in for different teams over and over. One day he may have had something in – I shouldn't say fix because he hasn't acknowledged that he fixed the games. He only acknowledges using information that he got from being inside the game to basically make picks, and he relayed that information to gamblers. But most people I believe think that it's pretty difficult for him not to have attempted to influence some of the games.

Anyway, what I'm saying is that there were a lot of different games, a lot of different teams involved. So there were some blind movements, but it wasn't as easy to identify. Are we better at looking at the market and identifying such things right now? Absolutely because we have more exposure through the legal market, so there's less money. You would think we have more access to some of the money that's being wagered in the legal market for sure. So

Donaghy was an interesting situation. I think we're better prepared in a legal market to identify that earlier now.

Bob Wallace: So let me ask, gentlemen. One of you mentioned that Adam Silver was over in Europe or UK looking at gambling over there before all this broke. Is there a difference the way international gambling or legalized gambling not in the United States is different from what we're trying to do? Have we learned any lessons? Are we improving on what they did or are we behind what they're doing?

David Purdum: Technology wise we're behind. The mobile apps and the betting platforms in the UK are viewed as superior to some of the ones that are available in Nevada at this time. I think we're learning a little bit. I also think that some of the things we can do better than the UK has done and has struggle with. They recently had a bunch of pushback about the influx of sports betting ads during games. That caused a lot of political backlash. I would kind of like us to be a little conservative as we move forward with that kind of thing and prevent some sort of political backlash. Dustin and I certainly remember the overload of ads, the barrage of ads from daily fantasy companies Draft Kings and Fan Duel a few football seasons ago. And that turned into be a huge hot button issue. Got them in a lot of hot water eventually. There was multimillion dollar settlements in New York because of some of that advertising. So I would like to see us be conservative and not rush in to some of the overwhelming advertisement that we see in some of the other countries.

Dustin Gouker: I think the one thing that Europe has had adapt, and there's a lot of European betting companies coming over here or have already had a foothold, is that it's not as easy as just saying oh I want to do sports betting. I could have told you before all of this happened that it was going to happen on different terms in different states. It's based on the existing gaming (inaudible) as is often going to happen based on what they want. I've actually been kind of pleasantly surprised. There's been a few states that have kind of had an open market.

Like Tennessee for instance, basically anybody who wants to come in and get a sports betting license to run online sports books can do so if they get vetted and they pay the licensing fee and they pay the taxes. So that's more like the UK model where you can just kind of you want to run a sports book, you want to be regulated, you can do it, but you don't have to be tied to a land based casino or anything like that. But in an ideal world I think that's what it would be in more states, but it's just not the reality of how things are going to go down in the vast majority of them.

Bob Wallace: So we talked a little bit about the difference here between United States and Europe. How about the fact that now you can go to New Jersey – well I guess you could always go to Atlantic City, but you can go to other places other than Las Vegas or Nevada to put in your bets? Have you noticed any diminution in what's going on in Vegas because of that? I know guys used to go out for NCAA first weekend so they could bet on sports books, or NFL opening weekend. Has that had an effect on Vegas?

Dustin Gouker: They're actually seeing record handle some months still in Nevada, right David? I think there's they passed the 600 million mark one month, I believe, recently. So I think the doomsayers were like nobody's going to go to Nevada to bet on sports. I think one, it's still kind of a growing market as they get – Nevada has been a little slower on the mobile rollout just because of how they do it. You can't register remotely; things like that. So I think there's actually a pretty good case that people will learn about sports betting and then, oh, I want to – it's something now I'm familiar with and when I'm in Vegas I will do that now. It's still a destination for the biggest events as well. I don't think that's going to change. You could, you know, Super Bowl, March Madness Vegas is overflowing and will continue to be overflowing and see a lot of money. We were actually a little surprised in New Jersey; for both events the amount wagered on both Super Bowl and March Madness I think was less of a percentage of overall betting in each month than we typically see in Nevada.

So I think the idea that Nevada is a hotbed for sports betting is not really tethered to reality.

David Purdum: Agree with that. I would just add that because Nevada is out there in the west, we haven't seen widespread legalization out in the west. New Mexico has a very few amount of sports books, all brick and mortar at this time. If California, and I think Dustin and I both agree that it's going to be one of the last states to probably get onboard because things are very complicated over there, but if California were to legalize sports betting and allow legal sports books, then I would want to see after a year what the Nevada numbers look like, because I do think there might be some sort of diminishing returns for Nevada if California were to legalize.

Bob Wallace: Why do you pick California? Maybe I missed what you said. Because of the weather people say I'd rather go to California than Vegas?

David Purdum: No, because it's so close to Nevada; Los Angeles to Las Vegas is less than a four hour drive. They get a lot of people that come over there. I think if California; it's just a big state.

Bob Wallace: Big state. Lot of people looking; okay. So let me ask, is the bookie, is he obsolete now?

David Purdum: No, not at all. The local bookmaker has several advantages over the regulated bookmaker, and they are still going to. Right now more money is wagered with local bookmakers than is wagered in the legal market, hands down. It's not even close. The local bookmaker at your country club, at your sports bar or whatever, wherever they operate out of, operates on credit a lot of the time. And that is the number one advantage they have. They will give you a credit element, say okay Robert, you can bet up to \$1,000. If you get down 1,000 or up 1,000 we'll pay out. You get the password to my internet website that the server is hosted in Costa Rica. And we are going to let you play as long as you

want. And that advantage of not having to put up cash in front is by far the biggest advantage the local bookmakers will have and always will have, in my opinion. There are some other advantages they have as well, and I'll let Dustin probably touch on some of those. But absolutely not; the local bookmaker is not going away any time soon.

Dustin Gouker: The other part is the anonymity, right. We just talked about, okay, if you're going to place a bet of any kind of size, especially online, the bookmaker and everybody else is going to know who you are. They're going to know how much you bet. You don't get that anonymity in a regulated market that you can betting at your local bookie, or even offshore to the same extent. There's a lot of advantages of just inherence in not having to operate in the regulated market. Local bookies probably aren't – maybe they're paying taxes. I don't know. Probably not. So they have less overhead. There are just a lot of advantages.

And for the offshore portion of it, they've actually probably benefitted from the wave of legal sports betting. I can't tell you how many people are out there who think the Supreme Court case just legalizes sports betting. That's not at all the case, as we've been discussing. It allowed states to legalize sports betting as they saw fit. But there's people, I can tell you there's a ton of search just for generic sports betting terms. And if you do that, you're going to get an offshore site. You're going to get a Bovada. You're going to get a BetOnline, MyBookie; any number of these offshore books that serve US customers. And because of this wave of just interest and people just know oh the sports betting is a thing, I'm going to Google it. Oh, here's a sports book. Maybe I'll just sign up for this. So yes, we're a long way from either the local bookie or the offshore sports book from seeing bad times, and in fact they might benefit, both of them, from this.

Bob Wallace: The local bookie doesn't pay taxes, probably. He might. When is the federal government going to decide they want to get into this action and they want to

be part of regulating this industry? They're always late to the party, but they always come to the party.

Dustin Gouker: The first thing they need to do is if they're going to get involved, I think, is get involved in some kind of enforcement. If the offshore books are in fact acting illegally or violating the Wire Act or any other federal laws you want to pick out, then you have to do something about it. Again, I know it's hard. These are companies that exist offshore. Not really easy to get to. But there's certainly if anybody made it a point of emphasis they could do that. Now I don't think there's much impetus to actually regulate at the federal level. But if any of it's ever going to stop, it has to start with law enforcement, I think. And states can't do that. They don't have the resources to go shut down offshore sports books. But if you really want to make an impact and help the regulated market, that would be my starting point at the federal level.

And I don't know if they're interested, either. That's the other thing. There's obviously a lot of lobbying going on, NBA and MLB, in particular, would like to see some kind of federal intervention or regulation or be involved. But we're possibly years from that. It's certainly not happening this year. Maybe something could happen next year if everybody got aligned. But there's a lot of space between the federal government getting meaningfully involved and what we're at today.

David Purdum: I used to think that the feds were going to get involved a little sooner. My thinking of that has changed. We have all kinds of issues in this country. Is sports betting really the one that's going to get congress compelled to get something done? I just can't see it.

Bob Wallace: I guess the NCAA is now focusing on image and likeness in terms of prohibiting teams in states like California that are thinking of passing laws. But on the gambling front, at one point they said, well, they wouldn't hold championships in states that allowed gambling. Well, that's going to be

everywhere. What's the college space? How are they dealing with this? I mean I think they want to share in some of the revenue, too, don't they?

David Purdum: Yes, some of the colleges, the individual schools, it's kind of interesting to note, not the NCAA but the individual schools in West Virginia, University of Missouri, Connecticut; they all looked into whether they could get an "integrity fee" at the beginning of that and wanted to get some revenue from sports betting. The NCAA on the other hand just said that it is not interesting in that, remains adamantly opposed to all forms of sports betting, legal or illegal, and they include fantasy sports in that realm as well. So the NCAA is by far still holding the line way back at the opposition level. They, in fact, lobbied for any kind of federal legislation to include an exemption on NCAA sports. They haven't had much luck with that. Some of the states have produced regulations that prevent betting on, for example in New Jersey on state schools like Rutgers, Seton Hall, Pennsylvania, I believe – no, Pennsylvania did not do that. What other states did do that, Dustin? Did Illinois do that?

Dustin Gouker: Illinois did, I believe, yes. I mean I don't have that list in front of me, but there are some, yes. Some banned wagering on both on schools in state or college events that take place in the state, so there's some amount of that. I'll say the one thing the NCAA has done is it used to have a blanket ban on championship level events that took place in states with sports betting. That's why you've never seen it in Nevada. For a time Oregon, where I live, had a sports betting product via lottery and the NCAA said we're not going to have events there unless you get rid of this product. New Jersey basically because it was challenging the federal law and wanted sports betting, they had the de facto ban on that. So they've rolled that back just basically out of a realization like, okay, we can't ban championship level events in 18 states. That's not feasible. It's not good for the NCAA. So they've walked that back, but that was less of a change in how they view sports betting and more just a hat tip to

the reality that this is happening and it's not going to be the end of the world if we have championship level events in states with sports betting.

Bob Wallace: Right, I mean the NCAA sometimes their view on things is a little out there. Like when they're telling kids they can't fill in a pool, an NCAA pool because that's gambling. Even if they're not playing in the game and they're not basketball players. I mean I think we all do that for fun more than we do that thinking we're going to become rich. {Laughs} Yes, it's crazy. Well, let me ask you guys a question. From where we are now from where we were a year ago, is there anything in this whole space that you guys didn't expect to happen? Dustin, I'm going to start with you.

Dustin Gouker: I think David probably disagrees with me. I'm surprised at the pace at which everything's happened. I don't think that I would have guessed that we would have 18 states that are poised to have sports betting by 2020. Laws that made it through this year at a pretty surprising clip; laws even last year in advance of the passing of the decision and after. I know sports betting's popular. It's a new source of revenue. Lots of casinos want it. But I thought the pace at which it's happened has been surprisingly fast for me, that we're a year out and we're already up to almost two-fifths of states will have some kind of legal sports betting by the end of next year. I think in the terms of getting legislation done on just gambling, in general, that's a clip that which I don't think I saw coming. I thought it would come eventually over a longer time frame, but just the pace and the speed at which it's happened has surprised me.

Bob Wallace: David, I'm not going to let you use speed, too, so you have to come up with something else that is unexpected.

David Purdum: I've got one. The number one thing that I never thought that I would see is sports books inside stadiums. I never thought the leagues would embrace that. And it turns out they have been lobbying for just that; to put sports betting

facilities or being able to operate a sports betting scheme out of professional stadiums. I reported last week that the Cubs have considered this, putting a sports book actually in Wrigley Field. Major League Baseball and the NBA were part of the lobbying efforts in Illinois and they wanted to include that language. The recent New York bill. New York's a little bit confusing, but there was a second bill in New York that was attempting to legalize mobile sports betting, and it also included language that would allow stadiums.

Again, I go back to how adamantly opposed to sports betting they were, and for them to suddenly say well, the irreparable harm I guess isn't that bad; let's just go ahead and have sports books in our stadiums was just a complete shocker to me. I just did not ever see the leagues embracing that; certainly not this soon.

Dustin Gouker: Yes, David's is better than mine. That's a really shocking one, yes. You go back five years in time and picture a sports book in Wrigley Field or wherever, or any stadium in the country; especially Major League stadiums where we're constantly debating Pete Rose and whether he should be in the hall of fame because of his betting past. Going from that too okay we have a sports book in Wrigley Field; you can just go bet on the game while it's going on, that is a breakneck 180 from where we were, certainly.

Bob Wallace: Yes, I heard someone argue that baseball, because it's statistically based so much, so much about baseball is the stats, is probably the best sport for betting. The NFL, a lot of people say part of their popularity is that people bet on football games and that's one of the reasons that people watch it now with fantasy sports. That's just was another type of gambling. What is the best sport for betting?

Dustin Gouker: I think its basketball, honestly. Between the volume of games and the ability to bet in-game on basketball on the types of things, I think it's the best product. I'm also a fan of golf betting. The only problem with golf is that you

have fewer events. But as you're watching a golf event there's a lot you can do with what you can bet on while a tournament or while a round is going on. Baseball, too. I mean they are right that the speed of it lends itself to – it's kind of slow. You can bet on things between pitches and odds change and sports books can kind of wrap their heads around that a little more easily, I guess, and baseball sees that as well. But baseball is baseball. I don't think it's the most compelling betting product out there. I'd say I'd put basketball and golf in some order ahead of them.

David Purdum: My favorite sport is my favorite sport to bet on; college football. I mean it doesn't have anything really to do with how I bet on it. It's just that I enjoy college football the most. I tried to think of something that I just really like how that is bet on and I can't tell (inaudible). I guess I would say golf, too, would be an answer you can bet on; a hole by hole type scenario. But I'm lazy. I like to sit back, place my \$20 wager on college football before the game kicks off, sit back and watch it.

Dustin Gouker: And football is going to be the biggest and is going to remain the biggest thing to bet on. The thing that other sports have going for them is as things grow is the volume of games. You'll have in the NFL you have a limit. You have one week and every team plays and you get the bets on those games, but NBA every night you have just those large volume of things that you can bet on. Same for baseball. Those are the – that's the advantage in terms of overall betting. There's a more concentrated amount on the NFL, but just because you have more games over a longer period of time. There's still basketball, baseball and hockey have a nontrivial amount that's going to be bet on all of that as well as the market grows, either.

Bob Wallace: Okay, so where will we be in five years in the sports betting world?

Dustin Gouker: Where will we be in five years? I mean at this point you've got to think some kind of legal form of betting in more than 30 states. That seems like a no-

brainer. We'd only have to get 12 more to get there. And there's some number of states that I think just won't act or it'll take a while. California I mentioned. There are just endless numbers of problems of trying to get to a solution where sports betting would be legal there. Other big states. New York just passed up on it. Texas; god only knows. They don't have much in the way of gambling. So the biggest states I would hope that one of those will have turned green on the ledger by then.

Yes, but we're going to – right now we're still trying to figure out who the big players are. I think we've seen an early lead from the former daily fantasy companies Draft Kings and Fan Duel. Actually, Fan Duel more so than Draft Kings these days. They've been the early leaders and they're the only fully online market outside of Nevada. So I'll be curious to see in five years who is dominating the market as more states open up and more online happens. Right now it looks like Fan Duel, but there's certainly a lot of things that could happen between now and then that would affect that.

Bob Wallace: I'm surprised that you only said that we'd have 30 in five when we've had 12 in one. I mean do you think we have 50 in ten years?

Dustin Gouker: Zero percent chance we have 50. I know David is going to say he will take the over on that, because {laughs}, but there are states that are just not. Utah is not going to back sports betting. Not going to happen.

Bob Wallace: If David takes the over on 50, I'm taking the under. {Laughs}

Dustin Gouker: At a zero percent chance at 50, he would bet the other side of that because it's what he likes to do, but there will not be sports betting in 50 states in ten years. That's an ironclad lock. Five-star lock of the century for me.

Bob Wallace: David, how about you? What do you say? Where are we going to be in five and then ten?

David Purdum: I think in five you're just going to see an increased presence from the sports leagues in the sports betting industry. You'll probably have some sports books at some stadiums and some major league stadiums. I think we're going to start seeing sponsorship. Today the MLS, Major League Soccer, announced that they're going to allow sports betting operators to advertise on uniforms. So I think you'll see more integration, including in the media, in five years.

In ten years I'm going to dream big and I'm going to say we're going to have a nationwide federally regulated sports betting exchange, just like we have a stock market, that will be opened up. I think ten years is maybe a little soon, but I did want to think big there. I think that ultimately where this is going to go that eventually if the feds do get involved they get involved in some sort of oversight of across state lines, federally backed, regulated sports betting exchange very similar to the stock market.

Dustin Gouker: It would be great if we had that, for sure, because we've talked about all these states and how they're doing it. It's hard to do it and companies have to be regulated in one way in one state another. If there was some kind of overarching it would get rid of a lot of the friction that we have in sports betting and how it's rolling out right now. So I'd love to see that. Again, I'm a seller on whether the federal government will get involved, but I would love to live in the world that David just imagined.

Bob Wallace: So my final question to you guys was you're in charge. Time's not an issue. Money's not an issue. You're the czar. You can change it the way you want. How are you changing it so that sports betting is part of the fabric of our sports culture and is a growing industry? That may be happening right now, but you're in charge and you can make it better; what are you going to do?

Dustin Gouker: I make the leagues and the sports books and casinos and racetracks all get on the same page. Like here's what we can all agree on. We both give up a little

bit of what we want to get a regulated market that everybody can agree with. Those discussions have happened to some extent. Some leagues and casinos and sports books are not diametrically opposed on absolutely every last thing, but that would go a long way. Because then we're not – right now we're in a world where some casinos want one thing, leagues want another thing and that creates a mess where we have differing laws, laws that aren't great. I'd love to see that lobbying effort coalesce into one thing.

And I would just say, yes, we need to have online everywhere. If we're not legalizing online in every state in the country in an open fashion that's not at a super high tax rate, then we're not doing it right. And I would – that's what I would do. Again, the uniformity would be great at the federal level. I would sign up for that in a minute if I was making the decisions. But yes, we need all of that to really make the sports betting market in the US live up to expectations.

Bob Wallace: David, you're in charge now, but I'm asking you what keeps you up at night? What are you worried about? What's the threat to the industry?

David Purdum: A point-shaving scandal or a game-fixing scandal will be a huge, huge story and I think it will in some ways be overly covered, overly sensationalized. But I think that could have happened even if we didn't have legalization in sports betting. Somebody else would have fixed a game. We're talking about a multibillion-dollar, hundred billion dollar market that money's flowing through this. And whenever you have that kind of money and look no further than Wall Street, you're going to have people that are going to try to bend the rules to get some of that money.

So if something keeps me up at night it is that eventually we're going to have some sort of gambling scandal and I think the reaction to it, I just hope we don't overreact. Because nobody wants to see a game fixed. Nobody wants to see some sort of point-shaving scandal, by any means, for sure. But I hope we

keep it in perspective. It would not be a murder or it would not be a rape. It would be a scandal that we need to figure out what happened and how we can best do to prevent it the next time.

Bob Wallace: Well, I said that was my last question, but that was such a downer that {laughs} Dustin, send us off on something good. What's a good way to end?

Dustin Gouker: I was just traveling around. I was in New Jersey, Indiana and Nevada. I could place sports bets in all those places legally. That's a cool world to live in. I live in Oregon. We have legal sports betting coming apparently before NFL season. So just the fact that we've destigmatized this thing that a lot of people already do, people love. I want to do it. And I want to do it in legal books if I can. I think that's the takeaway here. We're in a world where this is happening. It's good. It's good for sports. It's good for states and good for tax revenue. There's so much good that could come of this if we do it in the right way moving forward. And that we just have it; that we live in that world where sports betting is a thing and David and I don't have to fly to Vegas to get a bet down at a legal book.

Bob Wallace: Great. I really want to thank you guys. Do me a favor; tell our listeners where they can follow you guys and where they can find you to keep up on this space.

Dustin Gouker: LegalSportsReport.com, where we track how many states have legalized. We have news about the industry and legislation constantly. So if you want to know what's going on in your state, we have that. Follow me on Twitter @Dustingouker, G-O-U-K-E-R.

Bob Wallace: David?

David Purdum: I work for ESPN.com. We have a section on there called Chalk. That is our sports betting coverage, so we write all kinds of long term features; that kind

of thing. I'm also on Twitter at @Davidpurdum, P-U-R-D-U-M. Thank you for having me.

Bob Wallace: To our listeners, I just want to say I hope you enjoyed listening to David and Dustin and that you've enjoyed our podcast. And if you have, let us know. You can provide your feedback by going to the Apple podcasts and going to the ratings and reviews section for our podcast. If you're listening on Stitcher, go to [stitcher.com](https://www.stitcher.com) and search for *After the Buzzer* to leave a review or comment. Of course, if there's a topic you would like to hear us discuss, let us know. We thank you for listening.

THE END