

TESTIMONY OF VICTOR SALERNO
NATIONAL GAMBLING IMPACT STUDY COMMISSION

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Good Morning, Madam Chair, Commissioners, ladies and gentleman. My name is Vic Salerno; I am president and CEO of American Wagering, a publicly traded NASDAQ company. The company's business includes a network of sports books, a computer company that services the race and sports book industry, and several other gaming related subsidiaries. I have been in the sports book business for the past twenty years. After graduating from Marquette University with a degree in dentistry in 1970, I practiced for eight years before changing careers to become a bookmaker. My family was dumbfounded at this change; however, now we consider it a great move. I found a profession that took more work and was more regulated than dentistry. I had to be educated in many more diverse fields, from satellite communications to regulatory compliance and everything in between. In the beginning it was a very difficult business. I was told by legal and accounting people to give it up and go back to dentistry. Fortunately we now have a successful business that gives me a great sense of accomplishment in a profession that I am as proud of as I was being a dentist. Like myself, Nevada bookmakers come from diverse professions such as law, meteorology, business, accounting, horse training, computer science and mathematicians. The profession even boasts a former major league baseball pitcher and covert operative for the federal government.

Today I would like to provide some insight into Nevada's sports betting industry and give you some of my opinions on illegal sports wagering.

Legal sports wagering has grown from approximately \$400,000 in 1970 to \$2.4 billion last year. It is a staggering growth rate. There are several reasons for this increase. More televised sporting events, Nevada's increased population, computerization of operations and the expansions of professional leagues have all been instrumental in the increase in sports wagering. Also, the popularity and integrity of the business have played a major factor. Bookmaking is one of the few industries in which the consumer knows exactly what he is receiving. We could purchase a car and get a lemon. When we purchase food it could be spoiled. And, we are well aware of the questions we have in health-related fields. But when you place a wager on the Green Bay Packers at minus 3 1/2 points over the Pittsburgh Steelers - you know what you have bought.

The volume of illegal sports wagers has been guessed by many. The estimates range from \$50 B, by the Council on Compulsive Gambling of New Jersey, \$100 B by "Sports Illustrated" magazine to \$250 B. The latter was a study conducted at the Veterans' Medical Center in Brecksville, Ohio. My own guess is that even the \$250 B might be low. A Gallup survey done for "Psychology Today" found that one out of four males and one out of eight females place wagers of some type on SuperBowl games. The question is, "Why do people bet on sports?" I believe there are several reasons. Above all, it is definitely a type of entertainment and enjoyment. It is a challenge for people to predict the outcome of a game versus the professional oddsmakers. Wagers are made between governors on their state teams playing each other. Having a wager on a game increases the interest in the event. Asking people why they bet sports brings several answers: "The games are boring, betting makes it exciting"; "Sports betting is much more economical entertainment than golf"; "I am a former high school and college player, having a wager on the game makes me feel that I am playing in the game". As you can see different people have different reasons for betting.

Our company commissioned an independent agency to do a study that included the profile of a sports bettor in Nevada. The study interviewed 798 sports bettors. The commission has been provided with results of the study. Here is a quick summarization of the study:

90% are 30 years or older, the average age is 45 years

94% are employed or retired

90% earn over \$20,000 per year, 62% over \$35,000 the average is \$37,000

96% have a high school or higher degree, 69% have some college or more

46% hold managerial or professional positions

From this study, we can deduce that the typical bettor is educated and can afford betting.

One concern for both the professional and the amateur leagues is the integrity of the game. To a legal bookmaker this is **THE** major concern. The bookmaker is the target for anyone attempting to alter the outcome of a game. We are the ones who have to pay if there are any improprieties. Our industry has always offered aid to the amateur and professional leagues to discover and investigate any questionable activities. Recently, we have supplied the NCAA with an online computer terminal that shows the current odds at our sportsbooks and the changes in odds as they occur. The Nevada sportsbooks were responsible for the discovery of the point shaving incident that occurred at Arizona State University. We might be referred to as the "pointspread policeman". Members of our industry meet with league regulatory agencies involved in policing and governing the athletes to make sure there are no improprieties occurring. There are more than 3000 Division I men's basketball and football games played annually. The professional leagues play over 5000. When looking at the number of games that are played both in amateur and professional ranks, the number of improprieties is miniscule. When compared to other industries such as financial and governmental, sporting event infractions pale in comparison to the black eyes of most other businesses.

Technology is expanding in our industry as in other industries. Computer technology, advanced communications, methods of positive identification and the internet are changing the way we do business. These new technologies, when used properly, benefit the industry. Presently, more information is available to both customers and bookmakers. New tracking software will enable us to track and identify problem bettors. Methods are being developed that will show the origination of remote wagers. New identification methods will provide us with positive id's. Advances in technology are great. We must explore and try these new technologies if we are going to create a better world in sports wagering.

Sports wagering is legal in England, Canada, Australia, Italy, South Africa, Peru and Israel. In fact it is legal in more than 75 countries. Legal sports wagering is regulated and pays state and federal taxes. Illegal wagering is not; it allocates no monetary benefits to local, state or federal agencies. I do not believe that governments can establish moral standards for their citizens. In our country it is obvious that sports betting is very popular and most of our citizens do not consider it to be a great problem to our society.

In conclusion sports wagering is intricately woven into the fabric of American society. As leagues continue to expand, the demand to wager will increase as well. The profile of the average sports bettor indicates he is willing to wager a portion of his disposable income to enhance the enjoyment of the sport itself. Likewise in an effort to maintain the bettor's enjoyment, legal bookmakers must continue to go to extreme lengths to ensure the game's integrity. Rapid technological advances of the past decade, specifically the internet, pose the greatest challenge to the legal bookmakers and regulators. If allowed to use these advanced forms of communications and computer technology, legal bookmakers will have the resources needed to continue its relentless protection of the sports industry. Legal sports wagering is a civilized and passive form of adult entertainment. In Nevada, sports wagering is a regulated industry. It contributes to our local and national economy by way of jobs and taxes. The sports wagering paradigm developed by Nevada is the best way to deter illegal bookmaking and regulate legal bookmaking. Thank you for your time and consideration.