

Testimony of Brian Sandoval
Chairman, Nevada Gaming Commission
Before the U.S. Senate Committee on Commerce
Washington, D.C. - March 29, 2000

I am Brian Sandoval of Reno, Nevada. I serve as the Chairman of the Nevada Gaming Commission. I am here at the request of U.S. Senator Richard Bryan and Nevada's Governor, Kenny Guinn, a former university president. Governor Guinn asked that I assist this committee as the representative of our state's gaming control system.

I am aware of the various allegations that have been lodged against Nevada casinos and their sports books. I respectfully suggest those allegations have a basis more in myth than in fact. There is nothing in the record that indicates legalized sports wagering in Nevada has compromised the integrity of any athletic contest at any time or at any place. Not one college sports scandal is the result of legal sports wagering.

Legal sports wagering in Nevada is dwarfed by illegal sports wagering outside the state. Some sources estimate illegal sports wagers exceed \$350 billion a year. By comparison, Nevada sports books annually accept about \$2.5 billion in wagers. This means Nevada sports books account for less than 1% of the total amount wagered on sports events in the U.S. annually.

These figures also speak to the American appetite for, and acceptance of, sports wagering. We should not kid ourselves: whether legal or illegal, the American public will continue to bet on the outcome of sporting events, and we will not change this behavior through legislation. Instead, we will simply drive the betting activity underground in the one place where it is currently taxed, strictly regulated, and purged of the credit and collection excesses of illegal bookmaking operations.

I am not here as a defender of Nevada's gaming industry. I am here, however, as the chief gaming regulator in our state. I come before you to present the facts about a gaming control system that has evolved over more than 50 years to become the model for jurisdictions around the world.

Mr. Chairman, I and all the other members of the Nevada gaming control system applaud your mission to protect our country and its citizens against the harm caused by illegal gambling. It is a goal toward which we continuously dedicate our efforts in Nevada and we believe we have come closer to reaching it than any other state. I am unaware of any evidence that there is any organized crime influence in Nevada sports wagering or that Nevada college campuses have any of the illegal bookmaking activities that apparently are prevalent on other college campuses throughout the United States.

Our gaming control system not only is free of criminal involvement; it is insulated from politics. Sen. Richard Bryan, who had an illustrious record as Governor of Nevada, can testify how careful a succession of governors have been to keep the gaming control system independent from the Governor's Office and free of political influence from any one.

The first appointment made by Governor Guinn to the State Gaming Control Board was a decorated career agent of the FBI. When I was appointed Chairman of the Gaming Commission, I was a member of a successful law firm. The first action I took was to resign from my firm and become a sole practitioner to minimize any possibility of conflicts of interest that could interfere with the performance of my official duties.

We in Nevada concur with the National Gambling Impact Study Commission view that states are best equipped to regulate casino gambling within their own borders and we take that responsibility seriously.

The Nevada gaming industry is subject to more extensive controls than any non-gaming industry anywhere in the world. And the gaming industry has a record of adherence to those controls. The major companies in Nevada gaming have billions of dollars invested in their operations. The most recent example is the approximately \$6.5 billion that the MGM Grand proposes to pay for Mirage Resorts. Such an investment can be jeopardized by any violation of Nevada gaming law, whether in the operation of sports books or anywhere else.

Sports wagers are taken in Nevada under the strictest

governmental controls possible. Integrity is the watchword, beginning with the quality of the companies that are licensed to accept those wagers. The investigations necessary to qualify a company and its executives for licensing by our Commission may cost more than one million dollars in investigative and related expenses and may take more than a year to complete.

After our Commission licenses a sports book, we and the Nevada State Gaming Control Board subject it to the most vigorous enforcement standards and auditing procedures.

Patrons are protected. Sports books must maintain a bond under the control of state regulators that guarantees payment of wagers. Any dispute over a wager between a patron and a sports book is subject to immediate state investigation and a full adjudication process, without any cost to the patron.

Our control system requires sports books to conduct business with a computerized bookmaking system that we have approved. This system must document every wager received, every win paid out, the result of each sporting event, and every change in odds. The wagering areas are under video surveillance. Adherence to a strict control system is required at all times.

Nevada books must decline any bet attempted by someone who has been paid by another person to do so, and it is a violation of our criminal code for an individual to place wagers for compensation. In 1998, before the issues giving rise to this hearing were ever brought up, the Nevada Gaming Commission significantly revised and tightened up the regulations governing our sports books. This was done to further insure that our sports books are not unwittingly used by illegal bookies to hedge their bets. In addition, books set limits on the amount they will accept on a game. A series of unusual wagers will cause a book to take that game off the board until the reasons for such wagers can be investigated. Sports books continuously monitor point spreads at other sports books by computer.

Nevada casinos are also subject to cash transaction reporting laws that your own financial watchdogs--the GAO-- have found to be more demanding than those of the federal government. Nevada enforces these casino cash transaction regulations evenly and strictly. Our Commission has imposed fines of hundreds of

thousands of dollars on Nevada casinos for acts that are illegal under Nevada law but legal under comparable federal law for casinos in other states. The toughest anti-money laundering regulations in the world are those we impose on our sports books.

This has been only a summary of the comprehensive regulatory system in our state, upon which we rely to ensure integrity in the Nevada wagering system. A related goal of that system is to identify any irregularity that may indicate a breakdown in the integrity of athletic contests outside the state. Nevada's books closely monitor any fluctuation in betting activity as a possible indication of problems with a sports event. If someone is attempting a "fix," Nevada's books may likely be the targets.

Without the vigilance of Nevada sports books, college point-shaving incidents may not have been brought to the attention of the NCAA and law enforcement agencies at all and certainly would not have been discovered as quickly as they were. Nevada's sports books have been the first to identify suspicious betting activity and to bring it to the attention of law enforcement agencies and the NCAA. Before the National Gambling Impact Study Commission, NCAA staff confirmed the high degree of assistance they have received from Nevada and the value of that assistance. For example, NCAA enforcement authorities have a computer that receives the latest information from Nevada on sports wagering activity.

Without Nevada's sports books, this first line of defense against unlawful interference in college sports would be lost.

I acknowledge the good motives of those who believe that the elimination of Nevada's sports books will eliminate the biggest cause of illegal sports wagering. However, I respectfully suggest that a close examination of the facts will not support that conclusion.

It also has been suggested that the point spreads published in the nation's newspapers are a root of illegal wagering and that those point spreads will disappear if Nevada's sports books are closed. In my view, there is no factual basis for this view.

For example, persons who do not live in Nevada and who have no relationships with Nevada casinos develop the USA Today and other widely disseminated point spreads. Point spreads are readily available from the great number of sports books operating elsewhere in the world, many of them over the internet, which take bets on college sports in the U.S. and which together far exceed the amount wagered in Nevada.

But more importantly, Nevada regulators have long recognized the importance of point spread, or line, information to wagering activity and have taken steps to maintain the integrity of this information. Three companies, called line information services, are currently active in providing point spread information services to Nevada sport books. These companies are investigated and held to the same high standards as the operators of gaming establishments and sports books. If they were to somehow manipulate the line information, or supply it to illegal bookies, their license to engage in business in Nevada would be in instant jeopardy.

As a final note, I know there has been criticism because Nevada's regulations prohibit wagers on our colleges or any college game played inside our state but allow wagers on games involving other colleges outside the state. That provision was first adopted prior to the creation of Nevada's present system of gaming control in 1959, which marked a historical acceleration in the state's efforts to eliminate any underworld influence in Nevada casinos. I have been unable to locate the record of why that provision was adopted some 50 years ago, before the creation of the Nevada Gaming Commission and the comprehensive system of regulation we have today. The best explanation for the provision is that it was created to combat the perception from out of state bettors that Nevada residents, because of their proximity to college athletes, could potentially have information which allows them an advantage concerning the outcome of a game. Due to the perception, and not reality, the regulation has been retained.

Mr. Chairman, on behalf of Governor Guinn and the Nevada gaming control regulators, I thank you for allowing me time to present facts today. I hope they will help dispel the myths.

I spent some of my earlier years as a member of a Nevada

legislative committee with jurisdiction over gaming laws. Our approach in fashioning solutions was to first establish the problem and the reasons for it. I am sure each of you takes this same approach.

Therefore, I endorse the view that - without infringing on the constitutional right of states to make their own decisions about legal gambling - the Congress should make resources available for a meaningful study of illegal wagering on college sports, including whether Nevada sports books have any effect on it; the effectiveness of present countermeasures; and the need for new countermeasures. I can assure you of the full cooperation of Nevada's gaming regulators in that process.