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College Sports Wagering: A Case Study about Gambling on College Athletics and the Motivations and Consequences Surrounding Legislation Wanting to Ban Wagering on College Sports

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**COLLEGE SPORTS WAGERING:
A CASE STUDY ABOUT GAMBLING ON COLLEGE ATHLETICS AND
THE MOTIVATIONS AND CONSEQUENCES SURROUNDING
LEGISLATION WANTING TO BAN WAGERING
ON COLLEGE SPORTS**

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A professional paper submitted to the Graduate Faculty in Public Administration in partial fulfillment of the requirements for the degree of Masters of Public Administration, The University of Nevada, Las Vegas

ABSTRACT

Sports wagering is the largest form of gambling in the world. In the United States, the practice is largely illegal. Nonetheless, it has sustained incredible growth both legally and illegally throughout the twentieth century. Current legislation in Congress would revise a 1992 federal law that banned legal sports wagering in this country with the exemption of four particular states, Nevada included. The state of Nevada is the only place in which wagering on college sports is legally practiced. The State of Oregon runs a small sports betting game out of its lottery. Proponents of the legislation suggest that passage is necessary in order to protect student-athletes and to remove the “unseemly influence” sports wagering has on amateur athletes and the games they play. Conversely, opponents of the legislation declare the problem of college and other youth gambling stems from illegal betting on campuses and elsewhere, not from legal wagering in Nevada, which is closely regulated, policed, and taxed. They argue that there is no compelling evidence that illegal betting will be reduced by banning wagering on legal sports betting, particularly when 98 to 99 percent of all sports wagering is already illegal. The purpose of this case study is to examine the issue of college sports wagering in the context of the existing legislation wanting to ban it.

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I would like to personally thank Senator Richard H. Bryan, Frank J. Fahrenkopf, Jr., Bill Saum, Bill Eadington, Tony Cabot, Bob Faiss, and the helpful people from the Gaming Studies Research Collection at the UNLV Special Collections for assisting me with this case study.

The Public Administration faculty and staff at UNLV have been very helpful and supportive, not only with the creation of this paper but also with my entire graduate school experience. I could not have completed this task if it was not for the guidance of my Committee Chair, William Thompson, Ph.D. His help along with the commitment of Lee Bernick, Ph.D., Soonhee Kim Ph.D., Karen Layne, D.P.A., and Anna Lukemeyer, JD, Ph.D. were beneficial in the conclusion of this paper and M.P.A. degree.

This professional paper could not have been completed without the assistance and devotion given to me by my parents, Paul and Dorothy Huffey. Their commitment to my educational attainment throughout my life is as immense as their support and love they bestow upon me as their son.

CHAPTER ONE: METHODOLOGY AND PURPOSE

While researching the topic of college sports gambling and examining the support for and against it, I quickly realized the scarcity of literary resources readily available on the subject. Through my contracted research, I have discovered important information in several areas regarding the issue of college sport wagering and in turn I have added new information to the subject matter itself. However, the need for additional research about sports gambling and more specifically illegal sports betting on collegiate athletics and around college campuses remains. Therefore, a literature review is not suitable within the context of this investigation.

The topic of wagering on college sports is presently being debated and unfolding at the time of this writing. As a result, the most reliable literature on the subject consists of current records, essentially media documents. Primary resources and empirical studies concerning the topic were difficult to uncover. The methodology surrounding this paper involves the culmination of extensive research, personal discussions and formal interviews with various experts in their field relating to the subject and direct observation of the process and policy itself.

This case study incorporates information collected from existing literature, including periodicals, newspaper, magazine, quarterly, and scholarly journal articles. Individual interviews and material collected from information services were also necessary for the scarcity of data readily available. The various interviews I conducted over a three-week

span are with individuals who work on both sides of the issues. In gathering the information, I began to recognize that my personal contacts and communications with numerous experts in their field were the most beneficial to me.

I spoke numerous times to former United States Senator Richard H. Bryan on the legislative and legal issues surrounding the proposed college ban. His first hand knowledge and activity on the issue became an invaluable resource in the preparation of this case study. The NCAA's Sports Wagering Staff was also helpful in assisting me in my research. I interviewed Bill Saum, the NCAA's Director of Agent, Gambling and Amateurism Activities on the Association's view of gambling and its efforts to banish college sports betting. His assistant, Deana Garner was also interviewed about the NCAA's current involvement to prevent gambling on its college campuses. I informally spoke with gaming entrepreneur Si Redd, who today considers himself more of a sports betting expert rather than a casino owner. His colorful recollection of sports gambling history and his thoughts of the legal and illegal business of sports gambling today was indispensable. The fine people over at the Las Vegas Club Hotel and Casino in downtown Las Vegas were helpful in their perspective as sports book operators. I also interviewed Bill Eadington, Ph.D., Director of the Institute for the Study of Gambling and Commercial Gaming at the University of Nevada, Reno. Dr. Eadington assisted me with issues relating to the economic and social impacts of the gaming industry. His assistant, Judy Cornelius was also extensively

questioned concerning the topic. I interviewed gaming attorneys, Tony Cabot and Bob Faiss from the law firm of Lionel Sawyer and Collins. Mr. Cabot was interviewed to get a current perspective on Internet gambling, and Mr. Faiss was interviewed concerning gaming law and the issue of eliminating point spreads. Lastly, but most notably, I interviewed Frank J. Fahrenkopf, Jr., President and CEO of the American Gaming Association (AGA), specifically about the college sports betting ban.

Mr. Fahrenkopf and the staff at the American Gaming Association were instrumental in their support and generosity bestowed upon me as an intern with them the summer of 2000. Working in the AGA in Washington, D.C. gave me the opportunity to experience first hand the legislation and its activity on the Hill. The method of direct observation became the greatest asset I had in preparing and in writing this case study. I chose this method of investigation rather than conducting a survey approach because it avoids the problems of poor recall and self-serving distortions. Direct observation along with formal interviews allowed for measurement in a context that was more natural than any other form of assessment. However, it can be argued that my observations may lend itself to biased conclusions based on my employment with the gaming industry's lobbying faction. Nevertheless, the content of this comparative case study incorporates both qualitative and variable-orientated approaches to arrive at its conclusions.

The purpose of this case study is to examine sports betting and more specifically the issues and concerns involving college sports betting. This

paper intends to examine the legislation and motivations surrounding a ban on college sports betting and the resistance and consequences to it. This case study is significant because it attempts to investigate a current issue in an ever-changing gaming industry. It does this by getting to the root of the problem: illegal gambling on collegiate sports while at the same time attacking Congress's attempt to impede on state's rights.

CHAPTER TWO: INTRODUCTION

THE EXPANSION OF LEGALIZED GAMING

Gambling is a universal phenomenon; it occurs among people of all ages and cultures, and it has been widespread since the earliest stages of human development. It is one of very few activities that has been found in nearly all societies around the world, throughout every era. In the United States, gambling has been socially accepted, and its acceptance has considerably increased over the past twenty-five years. Prior to 1950, gambling activity was, with some exceptions, generally prohibited by federal and state governments (Dept. of Justice, 1976). However, since then, an increasing trend toward the legalization of various forms of gambling activity has occurred. The American public has shown an overwhelming support for gaming activity and has deposed the moral undertones that have plagued it for decades. Today, more than 80 percent of Americans believe that casino gaming is acceptable for themselves or others (AGA, 2000, p. 5).

In 1975, Nevada was the only state that offered casino gambling, thirteen states had lotteries, and sixty-eight percent of adults had gambled [Commission on the Review of the National Policy Toward Gambling (CRNPTG), 1976]. By 1988, forty-six states had sanctioned some form of gambling (i.e. lotteries, pari-mutuel wagering, casino gaming, etc.) for entertainment purposes. A snowballing effect occurred as numbers of jurisdictions endorsed the legislation of particular forms of gambling (Thompson, 1997, p. 16). During the 1990's, the gaming

industry saw an extensive and accelerated growth period throughout every jurisdiction in the United States. Today, all but two states, Utah and Hawaii, have legalized some form of gaming. In 1982, gross gambling revenues (dollars wagered minus the winnings returned to players) totaled \$10.4 billion. In 1997, gross gambling revenues had increased to more than \$50 billion [National Gambling Impact Study Commission (NGISC), 1999, p. 1.1]. Today, Americans enjoy a variety of gambling options including bingo, card clubs, casinos, charity gaming, lotteries, pari-mutual betting, and gaming on Indian reservations (Eadington, 1996, p. 3). Eighty-six percent of the North American adult population has participated in these games of chance (National Opinion Research Center, 1999). One such form of gambling, betting on sporting events, exists at the professional and collegiate levels. Interestingly, betting on sports is the largest form of gambling in the world, the United States included.

GAMING REGULATION

Over the past thirty years, the United States has been transformed from a nation in which legalized gambling was limited and relatively isolated activity in one state, into one in which such activity is commonplace and growing. The role of government and its impact on gaming regulation has been paramount in the expansion of legalized gaming. Governments determine which kinds of gambling will be permitted and which will not; the number, location, and size of

establishments allowed; the conditions under which they operate; who may utilize them and under what conditions; who may work for them; even who may own them (NGISC, 1999, p. 1.4). Much of the gaming regulation comes from the state or local levels and focuses on policing functions (i.e. ensuring the integrity of the games offered) and crime enforcement duties.

However, the federal government has had a storied history with gambling within its borders. Until relatively recently, the federal government largely deferred to the states in matters relating to gambling. Gambling has always been left to the states except where constitutional provisions, such as with Native American gaming, were relevant, where there was concern for the involvement of organized crime, or where the federal government might have to settle a dispute between states. Washington's attention focused largely on criminal matters, including organized crime, fraud, and the like, especially when these involved activities across state lines (NGISC, 1999, p. 3.1). The Kefauver Committee investigations of the 1950's set the tone in Washington to end the unsavory activity associated with casinos at the time. Since 1950, the federal role in the regulation of gambling has expanded significantly (Blakely & Kurland, 1978, p. 932). Attorney General Robert F. Kennedy's efforts against organized crime and syndicated gambling highlighted the 1960's; also in the 1960's, Congress acted twice against gambling. First, penalizing bribery in sporting events with the Federal Sports Bribery Act of 1964 and second, restricting bank participation in the finances of

state-conducted lotteries. The 1961 Wire Communications Act (Wire Act) is a significant piece of legislation in the federal government's expanded regulatory role over gambling. The "Wire Act" prohibits the use of wire communications (telephones, telegrams, etc.) by persons or organizations engaged in the business of wagering to transmit bets or wagers, or to transmit information that assists in the placing of bets or wagers, taking care to specifically mention "sporting events and contests (18 U.S.C. § 1084)." All of this legislation led up to the Organized Crime Control Act of 1970, which devoted one of its titles solely to the issue of ridding unlawful activity in the gaming industry.

Two comprehensive studies of gambling in the United States were commissioned by the federal government in the latter half of the twentieth century. In 1974, a study of gambling behavior was conducted under the direction of the Commission on the Review of the National Policy Toward Gambling. This study reported that 61 percent of Americans had gambled in 1974, and 11 percent of the gamblers bet illegally (Frey, 1985, p. 192). The second study began in 1996 and was completed in 1999 by the National Gambling Impact Study Commission. Their objective was to conduct an extensive legal and factual study of the social and economic implications of gambling in the United States. The National Gambling Impact Study Commission's Final Report and Recommendations are the most comprehensive analysis of the state of gambling in America. The Commission's remarks and data will be used extensively throughout this case study. This Commission's research

suggests that 86 percent of Americans report having gambled at least once in the past year (NGISC, 1999, p. 1.1). Today, as it was fifty years ago, gambling is an issue that is not intended to be settled at the national level. Gaming regulation in the United States has always been viewed as most appropriate for state and local jurisdictions; the federal government would intervene only if there were an interstate matter. Washington's concern about the effects of gambling into America's economic and social structure is a venerable one. The amount of money bet legally has exploded 2,800 percent in the last two decades, from \$17 billion in 1974 to \$482 billion in 1994 (Harden & Swardson, "You Bet! It's the New, \$482 Billion Pastime," 1996, p. A-1). This kind of growth demands investigation; yet each inquest delivers the same response: gambling issues are to be appropriately addressed at the state, tribal, and local levels.

SPORTS BETTING

Betting on the outcome of athletic events and races is as old as sport itself. From informal, illegal office pools to legal bookmaking in Nevada, wagering on sporting events is a prevalent activity in American culture. The term sports betting or wagering, as defined in this paper, will refer to wagers made both legally and/or illegally on the outcome of sporting events; it includes sports lotteries, futures, pool wagering, team and/or individual competition. This definition does not include horse racing, dog racing, jai alai or any other type of pari-mutuel activity. Wagering on

sporting events is a popular practice in every country throughout the world, including the United States. Gambling on athletes and sporting events around the world is generally legal and governed by local government authorities. The United States is the exception, betting on professional and collegiate sports in the U.S. is considered an illegal activity. A 1992 federal law (Professional and Amateur Protection Act) permits it in only four states: Nevada, Oregon, Montana, and Delaware. However, only Nevada and Oregon currently conduct sports betting operations. Sports betting in both Nevada and Oregon is strictly regulated and taxed.

DEVELOPMENT AND BACKGROUND OF SPORTS BETTING

Sports betting in America has experienced unimaginable progress, especially in the past three decades. Betting on sporting events is the most popular form of illegal betting in the U.S. and is one of the fastest growing forms of legalized gambling. Sports wagering is common place from the nation's factories to the boardroom. The growth in the popularity of legal sports wagering can be attributed to many factors. These same factors have contributed to the explosive growth and interest in illegal sports betting around the nation. These include the following:

- The decrease in the federal wagering excise tax from 10 percent to 2 percent to eventually 0.25 percent on January 1, 1983.

This served to convert many of those betting on sports illegally

to do so in a legal manner. It made sports bookmaking a profitable business venture.

- The saturation of sporting events in the media has enhanced the public's familiarity with various types of sports. Cable television and satellite technology has made it possible to bring the games live and direct to the sports books. The ever-expanding mass media marketing of professional and collegiate sports has risen to enormous levels. The three most popular sports for wagering (football, baseball, and basketball) all have major contracts with national and local television providers.
- The weakened stigma associated with gambling in general and specifically, with gambling on professional events (Frey, 1985, p. 190).

Gambling, especially on sporting events, is determined a victimless crime, or a crime in which the accused has not acted in a manner considered harmful to another.

- The legitimization of sports gambling in the eyes of the public has been promoted by the frequent "natural" association of gambling with sport, particularly by the media (Frey, 1987, p. i)
- Major Nevada resort hotels and casinos discovered that in-house race and sports books were good for business and created substantial "foot traffic" through the casino.

- The volume of information available to the sports bettor has increased to the point that the gambler does not have to be at a severe disadvantage when compared to the knowledge possessed by the bookmaker (Frey, 1987, p. i).

The rise of professional sports, especially televised professional football, has brought about significant increases in the volume of sports betting in the United States. Moreover, legalized sports wagering in Nevada flourished considerably when the federal gambling tax was gradually reduced from 10 percent to 2 percent from 1975 to 1979. The sports handle increased dramatically from less than \$41 million in 1973 to almost \$258.7 million by 1979.

Gambling on sporting events involves large amounts of money, but just how large may be impossible to determine, because most sports betting is done illegally. Sports betting is legal in only two states: Nevada, through casino sports books, and Oregon, through a state lottery game entitled, "Sports Action." This game is based on contests played in the National Football League and would not be affected by a federal ban on college wagering. Interestingly, the proceeds derived from this sports lottery game are assigned to support college athletics in the Oregon University System. The so-called "third wave" of gaming in European-North American history, conceptualized by gaming authority I. Nelson Rose, reached towards a crest during the past decade. However, the one notable exception to this liberalizing trend is sports betting.

Nevada has 142 legal sports books that allow wagering on professional and amateur sports (“Odds Against College Ban in Gambling,” 1999, p. D-8). The only amateur sporting events that sports books allow betting on are collegiate and some Olympic sports. Nevada’s sports books gross gambling revenues (GGR) for 1994 were \$118.6 million. Gross gambling revenue is used because it is a true measure of the economic value of sports betting. In 1998, legal bookmaking operations' gross gambling revenue were \$122.5 million (“Gross Annual Wager Supplement,” 1999, p.49). Betting on college events accounted for 33 percent of the total sports wagering revenue, or \$40 million. The decline in sports book retention is due in large part to increased competition from Internet wagering on sports. Nevada once led the world in sports betting. However, due to the Internet wagering, Costa Rica now handles three times as many sports bets as Nevada (Miller, 2000, p. 672). The betting action in Nevada sports books breaks down as follows: professional and college football combined – 39%, professional and college basketball combined – 34.5%, baseball – 23%, and hockey – 2%. Boxing, golf, and tennis wagering make up the remaining 1.5% (Humber, “Vegas at Odds with Gretzky,” May 7, 1988, p. A-11). These rankings are similar to the transactions handled by illegal bookmakers; the difference is that professional football games draw an even larger share of the illegal betting action (Smith, 1991, p. 15).

The actual wagering can occur under a variety of circumstances. The most common of which are: a bet between friends on an individual game,

an office pool (i.e. NCAA Men's Basketball Tournament), fantasy football or hockey drafts (drafting and auctioning players based on their actual performance), in a legal sports book in the State of Nevada, or with an illegal bookmaker or bookie. The majority of sports betting in America occurs between friends or acquaintances and involves relatively small amounts of money. Another large portion of the sports betting population wagers larger sums of money with illegal bookmakers. From small towns to large metropolises, cities in the United States are inundated with vast networks of illegal bookies. The total dollar volume of sports betting in this country can only be approximated, like any illegal activity it is near impossible to determine the actual amount of money transferred. However, the National Gambling Impact Study Commission in 1999, estimated that the scope of illegal sports betting in the United States ranges anywhere from \$80 billion to \$380 billion annually, making sports betting the most widespread and popular form of gambling in America (NGISC, 1999, p 1.1).

REASONS FOR SPORTS BETTING

Sports gambling is now considered part of the American way of life. Sports betting possesses more of the characteristics which contribute to the thrill of gambling than do other forms of gambling. People bet on sporting events for a variety of reasons that can be grouped into two general economic categories: investment and consumption.

“Consumption” refers to those bets made to increase the utility, or

satisfaction, a person receives from watching a sporting event; while, "investment" refers to those activities undertaken in order to increase wealth (Ignatin, 1984, p. 170). Sports bettors tend to be urban, male, and middle class. They are much more likely than nonbettors to attend nightclubs, bars, operas, lectures, and museums; engage in active team sports; go to movies or theaters, and sporting events; drink alcoholic beverages; engage in active nonteam sports; and read newspapers or magazines. Sports bettors spend more time and money than nonbettors on recreation and vacation (Ignatin, 1984, p. 170). When sports bettors were asked why they gambled, one study found the most frequently mentioned reason for betting with friends was "to have a good time." The reason most frequently mentioned for betting with bookies was the "challenge." "Excitement" was given as a reason more often for friendly betting while "to make money" was given as a reason for bookie betting (CRNPTG, 1976).

Conversely, Gary Smith in his work, The 'To Do' Over What To Do About Sports Gambling, offers a different approach to explaining one's reason to gamble. In the case of sports bettors, there appear to be four main motivations for their behavior: challenging their intellectual and judgement capacities, the pleasure they derive out of beating the system, wanting to make money, and sharing a feeling of camaraderie. The eager sports bettor enjoys analyzing and interpreting any and all available information before making a choice, and then backing it with a wager. Notably, the sports media industry has become an enormous business in

our information society. Sports programming via the Internet, television, radio, and print media center around handicapping sporting events and athletes. For many sports bettors, the challenge of making the right choice is more important than the money; the money just represents a convenient way of keeping score (Smith, 1991, p. 18). To the sports gambler, "...sports betting is the same in principle as anything in private enterprise, it's a risk, and the guy who works the hardest and is the brightest is going to come out ahead (Dionne, 1980, p. 47)." Sports betting is less regressive than other forms of gambling due to its broad appeal among middle and upper income groups (Koza, "Who is Playing What," 1984, p. 10). It is also one of the few forms of gambling in which the astute bettor has a reasonable chance to win.

CHAPTER THREE: COLLEGE SPORTS WAGERING

ILLEGAL SPORTS BETTING AND COLLEGE ATHLETICS

Virtually, all sports betting is done illegally and performed in a non-conspicuous manner. The explosion of interest in illegal sports betting over the past few decades is the direct result of the same factors that contributed to legalized betting explained in Chapter One. Additionally, one large feature that spurred the growth of illegal sports betting in the U.S. was the rapid and radical change in professional sports leagues, beginning in the late fifties and continuing to the present day. Previous to this development, the majority of professional sport franchises were positioned in Northeastern and Midwestern American cities. Organized crime originated in the boroughs of these highly populated cities and crime bosses recognized a desire among the fans and people who loved athletic events for gambling. Part of the allure of sports betting for the casual fan was in the excitement generated in backing the local or regional team. With so many cities now having franchises, virtually every well-populated region has a team they can root for and bet on. The same thing can hold true for universities and colleges around the nation. There are schools with athletic programs in virtually every corner of this country. Communities, along with alumni, students, parents, and teachers follow their school's sports with great loyalty and affection.

Illegal bookmaking is an institution replete with social custom and unique social interchange. Today, illegal sports betting is a game for wise guys, and the bookmaker still goes by the name, bookie. There is a

vast network of illegal bookies in cities around the country, with 2,000 to 3,000 in Boston, and as many as 20,000 in New York City. Typically, each has 50 to 60 customers, works out of an apartment or office, and has bettors who at first wager \$100 or \$200 on games before working their way into the tens of thousands of dollars (Berns, "Bettor Scoffs at Ban Idea," 2001, p. A-6).

Most illegal bookmakers operate on credit. By convention, Tuesday is the day of reckoning for payments. The bookie or his agent meets the bettor at a predetermined time and location to square up accounts. However, the system allows for flexibility. If the bookie-bettor relationship is longstanding and characterized by mutual trust, accounts may be carried over until the amount owed exceeds a certain figure. If the bookie and bettor move in the same social circles, accounts may be squared at irregular intervals that are mutually convenient (Lang, 1987, p. 139). Placing a bet with a bookie is traditionally done over the phone or by a runner. The bookie will state the point spread and the client will determine how much he or she wants to wager. Credit is traditionally given to faithful customers.

Betting on sports is a natural outcome of spectatorship. For many people around the country, betting provides the thrill of participation and having a personal stake in the game's outcome without having to take the field or court. College sport, by virtue of media attention and the publicizing of betting lines, has become a commodity available for

purchase or mass consumption by almost anyone or any group (Stone, 1972, p. 39).

There has always been a powerful connection between sports and gambling that is at the same time criticized and denied by those who profit from it. Since the creation of the point spread in the 1940's, basketball has been one of the most attractive propositions for gamblers. The score changes by the minute, in increments of one, two, or three points. Additionally, if one has a wager on a game, he can watch his fortunes rise and fall numerous times during the course of one contest. This sort behavior is capitalized upon in the month of March every year.

The NCAA Men's Basketball Tournament, also known as "March Madness" is the single biggest draw for collegiate betting. Nevada sports books will win an estimated \$60 to \$80 million this year on bets made on the tournament. Many times that figure is expected to be won by illegal bookies and offshore operators of Internet betting sites (Berns, "First In Line," 2001, p. A-1). The FBI projected that 2.5 billion dollars was illegally gambled on the 1995 NCAA Division I Men's Basketball Championship, second only to the National Football League's Super Bowl (AGA, "Facts Sheet," 2000, online source). Around the nation, the NCAA Tournament offers an enticing alternative to legal betting in Nevada in the form of brackets that follow the pairings of the teams as they advance or fall out of contention. NCAA tournament brackets are very popular in all social circles, especially in the form of office pools. The amount of money and time spent in the workplace devoted to office pools is quite

significant. Worker productivity in the month of March is presumably at a low level due to “March Madness” wagering.

CORRUPTION IN SPORTS: SPORTS WAGERING’S IMPACT ON THE INTEGRITY OF THE GAME

Wherever one finds gambling on athletic contests, he or she can also find the suggestion of manipulation, victimization, and corruption. The act of gambling on a team or individual lends itself to exploitation practices performed by the criminal mind. The history of corruption in sports in the U.S. is well publicized and documented, yet it appears to be predominantly associated with the amateur athlete as opposed to the professional athlete. To distance themselves from sports wagering, most professional sports leagues adopted strict rules regarding gambling and gamblers. These included bans on wagering by players, other personnel and owners, prohibitions on dual ownership of baseball clubs and legal gambling operations, and restricting professional teams from advertising or associating with legal gambling enterprises (Cabot, 1999, p. 164).

The only amateur sports bet legally in Nevada involve college athletics; Olympic sporting events are rarely wagered upon. It is important to note that illegal betting across the country involves all types of amateur sports (i.e. college, high school, Olympic, post-graduate). With the exception of the “Chicago Black Sox Scandal of 1919,” a large majority of gambling scandals in sports occurred on our nation’s college campuses. Basketball, especially college basketball is the one sport that

is most susceptible to corruption. Corruption in our country's college sports dates back to 1951, when the City College of New York (CCNY) Men's Basketball team was involved in a point-shaving scandal that rocked the sporting world and academic community forever. In the years to follow, gambling schemes were uncovered at Seton Hall University, St. John's University, New York University, Columbia University, University of North Carolina, North Carolina State, St. Joseph's University, LaSalle University, Mississippi State, the University of Tennessee, the University of Colorado, the University of Connecticut, Rhode Island University, and the University of Vermont. The most notable gambling scandals in NCAA history include: the 1961 scandal involving schools from New York and North Carolina; the Boston College Scandal of 1981; the Tulane Scandal of 1985; and most recently the scandals involving Arizona State and Northwestern Universities in the 1990's. Both legal and illegal sports wagering have been associated with nearly every major collegiate sports wagering scandal.

Student-athletes act as easy targets and are susceptible to corruption for many reasons. These may include: 1) the money and goods that fixers promise to supply in exchange for their cooperation, 2) the players are invariably young, and this lack of maturity may have some part in their willingness to assume the risks entailed in illegal schemes presented to them, and 3) many are from modest socio-economic backgrounds and lack alternative means for earning money. College athletes are very accessible. Fixers try to gain access to manipulate

them or pay a commission to them for information related to their team (i.e. injury reports, morale, game plans and discipline issues).

College basketball is more vulnerable to corruption than college football. It is relatively hard to fix a football game because there are so many elements at play. Basketball is easy to manipulate because it can incorporate point-shaving tactics. The illegal practice of point shaving occurs when one or more bribed players deliberately limit the number of points scored to conform to the desires of corrupt gamblers. There are technical aspects of the game of basketball that lend themselves to point shaving. When compared to other team sports, e.g., football or baseball, it is much easier to manipulate the result of a basketball game in a way that defies detection by bookmakers, coaching staffs, referees, law enforcement agencies and college officials (Whelan, 1992, p. 12).

SPORTS BETTING ON CAMPUS AND AMONG STUDENT-ATHLETES

Interestingly, contemporary scholars strongly support a departure from organized crime predominantly running all illegal book operations. Recent evidence indicates that the organized crime and sports betting connection is not as strong as it once was (Rosecrance, 1987, p. 62). Today, there is considerable evidence that a good number of sports betting operations originate on college campuses and universities. A lot of the time it is the students in the residence halls and fraternity houses acting as the bookies, with clients being their fellow students. It is safe to say that student bookies are present at every college, big or small,

around this country. There is no dispute that the impact of sports gambling is being felt on campuses around the nation.

In 1995, Sports Illustrated (SI) produced a series of articles on sports gambling on college campuses. The author noted that, “[o]n most campuses illegal sports gambling is seldom further than a conversation away. Somebody in the dorm knows a bookie. Somebody in the fraternity house knows a bookie. Somebody in the frat is a bookie (Layden, 1995, p. 76).” Sports Illustrated reporter, Tim Layden examined thoroughly the undergraduate sports betting environment at various colleges and universities around the nation. He offers a unique glimpse of what gambling on campus is really like. Layden concluded that students are not your typical gamblers. SI found students from wealthy and modest backgrounds alike who had thrown themselves into betting. Betting patterns around the country are fairly similar, with the exception of the Southeast region of the nation where illegal wagering on college football is extremely fierce. Nevertheless, bettors do tend to have some things in common: a degree of sports-obsessiveness and athletic past (often cut short after high school), a community in which to share their betting tales (usually a fraternity house or residence hall), and a little resourcefulness. Layden writes, “They are bright, if often naive. Put simply, lots of college sports bettors are clever (usually fraternity jocks) who like to watch games with a crowd and get pumped by betting on them. And they are often clueless about the realm they have entered (Layden, 1995, p. 76).” Most notably, he concludes that, “during two

months of reporting, they found that it was impossible to visit a campus—and they surveyed a dozen or more – in search of organized gambling and not find a least a handful of sophisticated bookmaking operations run by students. In addition they found nonstudent bookies, who either work the campuses directly or use students to collect bets for their off-campus operations (Layden, 1995, p. 76).”

Results from a 1998 study involving approximately 1,000 students at universities in the Southeastern Conference, revealed that athletes were nearly twice as likely to be problem gamblers as non-athletes (Saum, 1999, p. 2). Student-athletes are more prone to gambling behavior on campus than non-student athletes for a variety of reasons, most involving their proximity and access to sports related affairs and their greater competitive nature. However, student-athletes are not the only undergraduates with gambling problems. In 1996, several researchers surveyed 1,700 students from six colleges and universities in five different states (NJ, NV, NY, OK, and TX) and found that 33 percent of males and 15 percent of females said they gambled at least once a week. The study also found 25 percent of males and 8 percent of females were problem gamblers. Research done by Howard Shaffer of the Harvard University Medical School Division on Addiction shows that more youth are introduced to gambling through sports betting than any other form of gambling activity (Saum, 1999, p. 2).

A NCAA sponsored study completed by the University of Cincinnati uncovered alarming results as well. 2,000 male student-athletes in

Division I basketball and football programs were surveyed about NCAA rules violations. Only 684 students agreed to participate. 25% reported that they gambled on college sports events other than their own while in college. Four percent admitted that they wagered on games in which they had played, and three of the athletes (0.4%) said they changed the outcome of the game in which they participated (Cullen, 1996, p. 8).

Related research examining gambling behavior among general undergraduate populations asked specifically about sports betting. A recent study surveyed 1,770 students from three Minnesota campuses. The percentage of students who have ever engaged and who regularly engage in sports betting were strikingly similar to the previous studies. Both the NCAA study and the Minnesota study also found that male undergraduates participate significantly more in sports betting than female athletes (NCAA, 1999, p. 8).

Bill Saum, Director of Agent and Gambling Activities for the NCAA spoke with me concerning the epidemic of gambling on college campuses. He cites a number of reasons why sports wagering has taken off among college students and student athletes.

- There are many more televised games. People like to bet on what they can watch.
- Many residence halls are wired for Internet access, and college students have wide access to computers. The Internet gives them the opportunity to bet from the privacy of their own rooms. The use of the Internet for sports betting is an

important aspect in the investigation of sports wagering and will be examined later in this paper.

- College student's access to credit is at an all-time high. Mr. Saum cited a recent survey of students who applied for loans which found that 65% have credit cards, 20% have four or more credit cards, and the average credit card balance is more than \$2,200.
- An overabundance of information on sports handicapping is also available to students. Newspapers around the nation publish the daily point-spreads and also run advertisements for sports touts. There is usually a 1-800 or 1-900 number to call to listen to a recording of picks of sports teams that are "guaranteed" to beat the published spread (W. Saum, teleconference communication, February 22, 2001).

Athletics is part of campus life from intramurals to big time collegiate competition. At a lot of universities, the school and surrounding community may revolve around a successful sports program. Little do administrators know that it may also revolve around gambling activities. In fact, a lot of the emotion attached to college sports is an outgrowth of excessive wagering. Yet, all of the illegal sports wagering in this country is conducted with much the same acceptance as jaywalking: it's not right, but nobody gets hurt.

CHAPTER FOUR: NATIONAL COLLEGIATE

ATHLETIC ASSOCIATION

BACKGROUND AND PURPOSE

The National Collegiate Athletic Association (NCAA), formed in 1906, is a nonprofit, voluntary association of more than 1,200 colleges, universities, conferences, and organizations charged with the administration of intercollegiate athletics. Interestingly, the NCAA began at the encouragement of President Theodore Roosevelt to curb the numerous injuries and deaths that were occurring from the “gang tackle” performed in collegiate football. The sport faced extinction from college campuses if not reformed and governed. In 1906, New York University Chancellor Henry M. MacCracken formed the Intercollegiate Athletic Association of the United States (IAAUS). Later renamed the National Collegiate Athletic Association, the thirteen member institution became the official discussion group and rule-making body for collegiate athletics. Today, the membership is divided into three legislative and competitive divisions, and the NCAA annually sponsors 81 national championships in 22 sports.

The organizational structure of the National Collegiate Athletic Association is set up in a hierarchical arrangement. The Association’s Executive Committee is the highest governing body within the NCAA and is composed of institutional chief executive officers that oversee Association-wide issues. The Executive Committee is charged with ensuring that each division operates consistently within the basic

purposes, fundamental policies, and general principles of the Association. All NCAA action is derived from the Association's many Committees that answer directly to the Executive Committee. The NCAA has distributed its 1,038 member schools into three different divisions, based on school and program size. Division I-A contains the largest schools and conferences around the country; smaller schools are distributed down to Div. II and Div. III, respectively. All of the legal sports betting that occurs in Nevada are among Division I-A institutions. However, it is not uncommon for some of the larger sports books to take wagers on significant match-ups, such as the Division II-A Football Championship or Division III-A Basketball Championship. This same system holds true for women's athletics. Limited legal sports wagering occurs on athletic events involving collegiate women. When there is a notable contest (i.e. University of Tennessee versus University of Connecticut in women's basketball) or championship event only particular sports books will entertain the betting public with a "posting" of the event.

THE NCAA AND GAMBLING/SPORTS WAGERING

The National Collegiate Athletic Association animatedly condemns any and all gambling or wagering activity, illegal or not. The NCAA has not addressed the subject of gambling and the dangers associated it until relatively late in its almost one hundred year existence. It wasn't until 1996 that the NCAA assigned a staff member to look into gambling

issues on a full-time basis. The NCAA did not denounce or sincerely recognize the subjects of college basketball tournament pools and friendly wagers among fans until that same year. Moreover, despite the plethora of NCAA rules, there wasn't one that made it illegal for coaches to gamble on sports until 1996. The NCAA first addressed the problem in 1980 when it formed the NCAA Committee on Gambling. In the years to follow it constructed numerous resolutions asking its membership to take a strong anti-gambling stand. At the time, the NCAA recognized that gambling on college sports was on the rise dramatically and, as a result, the opportunity for corruption was greater.

In 1983, The NCAA established a number of legislative initiatives regarding gambling and college sports wagering. Resolutions adopted by the NCAA Executive Committee called for athletes to be suspended if observed consorting with known gamblers, for member institutions to cooperate more fully with the NCAA anti-gambling task force, as well as for schools to refrain from cooperating with publications that depend on pre-event publication of point spreads for revenue. Up until 1983, strong measures such as these failed in other committees for lack of interest.

According to the NCAA, "the explosive growth of gambling has caused a noticeable increase in the number of sports wagering-related cases processed by the NCAA enforcement and student-athlete reinstatement staffs in Division I, II and III and threatens the integrity of college sports (NCAA Official Website)." Today, the National Collegiate Athletic Association has established a clear and concise policy on gambling. This

information is contained in the NCAA's, Sports Wagering Information Packet, published for the 1999 – 2000 season. Selections on the NCAA position on gambling and Bylaw 10.3, including recent interpretations, are as follows.

NCAA Position on Gambling

The NCAA opposes all forms of legal and illegal wagering. Sports wagering has the potential to undermine the integrity of sports contests and jeopardizes the welfare of student-athletes and the intercollegiate athletics community. Sports wagering demeans the competition and competitors alike by a message that is contrary to the purposes and meaning of “sport.” Sports competition should be appreciated for the inherent benefits related to participation of student-athletes, coaches and institutions in fair contests, not the amount of money wagered on the outcome of the competition (NCAA, 1999, p. 3).

For these reasons, the NCAA membership has adopted specific rules prohibiting athletic department staff members and student-athletes from engaging in gambling activities in relation to intercollegiate or professional sporting events. The NCAA Position on Gambling was approved by the NCAA Administration Committee on March 19, 1997. NCAA institutions are encouraged to publish the NCAA Position on Gambling in game programs, alumni newsletters, and employee and student-athlete handbooks.

NCAA Bylaw 10.3: Gambling Activities

Staff members of a member conference, staff members of the athletics department of a member institution and student-athletes shall not knowingly: (Revised: 4/22/98 effective 8/1/98)

- (a) Provide information to individuals involved in organized gambling activities concerning intercollegiate athletics competition;
- (b) Solicit a bet on any intercollegiate team;
- (c) Accept a bet on any team representing this institution;
- (d) Solicit or accept a bet on any intercollegiate competition for any item (e.g., cash, shirt, dinner) that has tangible value; or
(Revised: 9/15/97)
- (e) Participate in any gambling activity that involves intercollegiate athletics, through a bookmaker, a parlay card or any other method employed by organized gambling. (Revised: 1/9/96, 1/14/97 effective 8/1/97)

The following official interpretations/confirmations also relate to gambling activities:

- Soliciting or accepting a bet for a material item: The provisions of NCAA Bylaw 10.3 preclude a student-athlete from soliciting or accepting a bet for a nonmonetary material item (e.g., shirt, dinner) that has tangible value. The Interpretations Committee noted, however, that institutions that compete against each other may

agree to participate for a tangible item (e.g., governors cup), provided no student-athletes receive any tangible item.

- **Gambling on professional sports contest:** The prohibition against student-athletes and athletics department staff members participating in gambling activities associated with professional sports events is applicable only to those sports in which the Association conducts championship competition, Division I-A football and emerging sports. Accordingly, the provisions of Bylaw 10.3 do not apply to other types of sports wagering (e.g., horse racing, auto racing, boxing).

- **Printing of point spread information in institutional publications:** According to the provisions of Bylaw 12.01.2 (line of demarcation), it would not be permissible for a member institution to publish in its game program an advertisement that provides specific point spread information regarding professional sports contests.

- **Long-standing Tradition:** The provisions of NCAA Bylaw 10.3 are not applicable to a long-standing demonstrated tradition in a particular sport in which student-athletes from involved institutions exchange a tangible (e.g., exchanging of shirts in the sport of rowing) contingent on the outcome of a competition,

provided such activity is approved by the involved institutions.
[Reference: 10.3 (gambling activities) and NCAA Interpretations
Committee 11/26/96, Item No. 10] (NCAA, 1999, pp. 4-5).

Like many organizations in the United States, the NCAA has a clear, direct policy regarding gambling. The NCAA is explicit in its wording; they prohibit any form of legal or illegal sports wagering. The motivations behind the NCAA's stance on the sports betting issue are as clear as their policy. Sports betting has the potential to undermine the integrity of sports contests and jeopardize the welfare of the student-athlete and the intercollegiate athletics community. The NCAA's Bill Saum in his March 2, 2001 testimony before the Judiciary Committee of the Nevada State Assembly said, "the influence of sports wagering is far reaching, and sports organizations continually live in fear that sports wagering will infiltrate and undermine the contest itself (Saum, 3/2/01, p. 2)." The NCAA in its hopes to thwart gambling among its members and betting on their institutions has turned to education as their best mechanism to combat this activity. The NCAA sponsors educational programs that provide assistance to campus administrators to conduct sports wagering workshops. They also broadcast anti-sports wagering commercials and announcements during college bowl season and "March Madness." The NCAA in its efforts to curb gambling has adopted a number of initiatives aimed at the problem this past year, the NCAA has:

- Distributed “Don’t Bet on It” sports wagering educational booklets to all NCAA member institutions. This simple to read publication educates the students about the dangers of sports wagering and acquaints them with good financial management information.
- Provided a list of sports touts (information vendors) and reaffirmed the athletics administrators should not share information with those individuals.
- Sent anti-gambling posters (one targeting male athletes and one targeting female athletes) to Division I institutions, and public service announcements to all NCAA member institutions (six videocassette tape series).
- Distributed the first anti-gambling video for women’s basketball to Division I institutions.
- Produced the first gambling-education video targeted for Division I Olympic sports participants and Division II and III student-athletes.
- Provided anti-gambling presentations to teams in the Men’s and Women’s Final Fours and the Men’s College World Series, and during the men’s and women’s basketball rules videoconference.

In addition, the NCAA adopted legislation on August 1, 2000, which established a two-tiered process for sanctions against student-athletes who violate the Association’s anti-gambling policies. This legislation was instituted at the encouragement of the National Gambling Impact Study

Commission. Penalties range from the loss of one season of eligibility for any student athlete that solicits or accepts a bet through organized gambling, to permanent ineligibility for student athletes who engage in point-shaving activities. The National Collegiate Athletic Association has adopted, or is in the process of adopting all of the proposals that were instructed to them by the National Gambling Impact Study Commission. The federal commission's recommendation reads as follows:

(3.13) The Commission recommends to state and tribal governments, the NCAA, and other youth, school, and collegiate athletic organizations that because sports gambling is popular among adolescents and may act as a gateway to other forms of gambling, such organizations and governments should fund educational and prevention programs to help the public recognize that almost all sports gambling is illegal and can have serious consequences. The Commission recommends that this effort should include public service announcements, especially during tournament and bowl game coverage. The Commission recommends that the NCAA and other amateur sports governing bodies adopt mandatory codes of conduct regarding sports gambling education and prevention. The Commission also calls upon the NCAA to organize America's research universities to apply their resources to develop scientific research on adolescent gambling, sports gambling, and related research (NGISC, 1999, p. 3.13).

THE AMATEUR SPORTS INTEGRITY ACT: A BAN ON COLLEGE SPORTS WAGERING

Legislation was introduced on February 1, 2000 in the United States Senate by U.S. Senators Sam Brownback (R-Kan.) and Patrick Leahy (D-Vt.) to prohibit high school and college sports gambling in all states where such gambling was permitted prior to 1991. Senate Bill 2021 (S. 2021) was introduced primarily at the behest of the NCAA to eliminate the “Nevada loophole,” that appears in the Professional and Amateur Sports Protection Act of 1992. This act prohibited betting on sports events throughout the nation, with the exception of wagering in the casinos of Nevada and in the Oregon sports lottery (Thompson, 1997, p. 130). Two days later, on the House of Representatives side of the Capital, U.S. Representatives Lindsey Graham (R-S.C.) and Tim Roemer (D-Ind.) introduced H.R. 3575. Known as the “Student Athlete Protection Act,” this bill is essentially the counterpart of the Senate bill. A similar bill, S. 2267, was introduced March 22, 2000 again by Senator Brownback along with this time, Senator John McCain (R-Ariz.). Senate bill 2267 became known as “The Amateur Sports Integrity Act.” It quickly received national media attention and swiftly moved through the Commerce Committee. Senator John McCain was brought on board by Senator Brownback because he is a higher-profile figure in national politics, his influence and vote as Chairman of the Senate Commerce

Committee is second to none, and his animate conviction on the subject of gambling on amateur athletes and the games they play is immense.

The National Collegiate Athletic Association is the predominant force behind the legislation to ban betting on college sports. However, it was the federally appointed National Gambling Impact Study Commission that called originally for the ban. The Commission's report included a recommendation that betting on collegiate and amateur athletic events that is currently legal be banned altogether (NGISC, 1999, rec. 3-6).

Interestingly, when Bill Saum from the NCAA testified before the National Gambling Impact Study Commission on Feb. 10, 1999, he did not suggest a ban on college sports wagering. During deliberations, the NCAA exclusively addressed the problem itself, particularly gambling on college campuses; the Association never indicated it would seek a ban on college sports betting eight months later.

CHAPTER FIVE: THE GAMING INDUSTRY

ARGUMENTS AGAINST BANNING LEGAL SPORTS WAGERING

The Professional and Amateur Sports Protection Act of 1992 (PASPA) already bans sports wagering in the United States, with the exception of Nevada and Oregon. Limited sports betting was also allowed to continue in Montana and in Delaware. New Jersey was given the option of having sports betting in Atlantic City casinos if it authorized the betting before the end of 1993, New Jersey failed to do so (Thompson, 1997, p. 131). PASPA's primary goal was to prevent state lotteries from basing games on sporting contests. Wagers on sporting events in Nevada are legal under this federal statute because sports wagers were already legal under state law when the ban took effect in 1992. The Amateur Sports Integrity Act would eliminate the previously exempted states from the 1992 legislation.

The casino industry is the main voice behind the opposition to ban college sports betting. The casino properties in Nevada are the primary owners and operators of nearly all of the sports books in the state. They assert that the problem of gambling on college athletics stems from illegal betting operations, not from legal betting in Nevada. Nevada's 141 sports books are strictly regulated, policed, and taxed. The casino industry contends there is no compelling evidence that banning college sports wagering in the only state where it is legal will reduce illegal

betting nationwide. Essentially, there is no tie between legal sports wagering in Nevada and the billions of dollars in illegal sports betting that is performed throughout the country.

The American Gaming Association (AGA), the gaming industry's lobbying effort in Washington, has been the principal advocate against any legislation to ban college sports wagering. The AGA has gone on the defensive against the NCAA, and their "thinly veiled attempt to divert attention from its own failure to stop illegal sports wagering on campuses across the country (AGA, 1999)." The AGA's strategy is to present the facts surrounding the industry and to attack the legislation "on its face" as being misguided and detrimental to a legal, regulated business in the State of Nevada. The American Gaming Association's contends the following:

- Legal sports wagering in Nevada makes up less than 3 percent of all sports nationwide; the other 97 percent to 99 percent is illegal under existing federal and state laws.
- Individuals must be physically present in Nevada and at least 21 years of age to place a wager; taking bets from out of state already is illegal under federal and state laws that are strictly enforced.
- Banning legal sports wagering in Nevada would eliminate one of the tools used by law enforcement to detect unusual betting

patterns. Nevada's sports books have been effective in detecting and reporting to the NCAA and FBI unusual betting patterns indicative of potential point-shaving or other attempts to fix games.

- The nature and extent of gambling at college campuses and on sports generally are a result of illegal wagering. As the NCAA noted in testimony before the National Gambling Impact Study Commission, sports betting on campuses involve illegal student bookies on every campus in America, as well as student access to Internet gambling sites on campus and personal computers. This matter is not a result of wagering with legal entities in Nevada, where a person must be 21 or older, and physically present in Nevada, to wager.
- Some believe that eliminating Nevada's sports books would result in newspapers outside of Nevada not publishing point-spread information on college games, which in turn somehow would reduce illegal betting. Nevada's casino sports books, however, are not the initial sources of betting lines, nor are they the only sources of this information. Thus, eliminating Nevada's sports books would not affect the availability of betting lines.

- Opponents argue that there is a public misperception about the illegal nature of sports gambling because sports wagers are legal in Nevada. There is no empirical evidence of this; to the contrary, well-publicized point-shaving scandals and prosecutions for illegal gambling are constant reminders that sports wagering is illegal everywhere outside Nevada.
- A ban on legal college sports wagering would be unfair and harmful to Nevada's economy. The legal status of sports wagering in the United States was carefully considered and settled by Congress through enactment in 1992 of the Professional and Amateur Sports Protection Act. Under that law, sports wagering is prohibited in states other than those placed in Nevada. During debate on the issue, Congress decided that it would be unfair and inequitable to apply the new prohibitions to states that had already authorized such wagering. In addition, a report of the Senate Judiciary Committee singled out Nevada as a state where legal gambling is integral to the local economy and where it would be unnecessarily harmful to apply such a federal ban. Nevada's sports books have relied on the 1992 statute to invest millions of dollars in their facilities, which employ or help employ thousands of people.

- The NCAA criticizes sports books for “making money off teenagers,” yet the NCAA recently signed a \$6 billion, 11-year deal with CBS for the rights to the college men’s basketball tournament (AGA, “Facts Sheet,” 2000).

Congress enacts legislation every year in its attempt to cure certain social ills that occur in America. The casino industry believes that the Amateur Sports Integrity Act is legislation that misses the point in attacking the legal, regulated business of sports wagering rather than targeting illegal sports betting. George Will from The Washington Post writes, “Congress is contemplating a measure that sets some sort of indoor record for missing the point. The social defect is illegal gambling on sports, much of it by students, much of it through bookies – often students – on campuses. The proposed legislation solution is to ban the only legal sports betting in America, that done in Nevada, where sports gambling is heavily regulated, closely supervised and restricted to persons who are at least 21 and physically present ('Runnin', Gunnin' and Gambling,' 2000, p. B-7).”

The gaming industry is particularly concerned about what the consequences a ban would do not only to its business but also to the illegal bookmaking business. A college betting ban would do more harm than good. A prohibition would displace an extremely large segment of the law-abiding sports betting public to redirect their bets to the illegal book operations or the Internet. “Now the NCAA is looking to fix its

image with a bill only a bookie could love ('This Ban May Be a Sucker's Bet,' 2000, p. A-1).” The primary force behind the gaming industry’s position is the American Gaming Association, the Nevada Resort Association, the Nevada Gaming Control Board, the “Big Four” casino companies (i.e. Mandalay Resort Group, MGM Mirage, Harrah’s Entertainment, and Park Place Entertainment), and elected officials from the State of Nevada. All parties agree that the NCAA bill does nothing to combat illegal sports wagering and directly targets Nevada’s economy and livelihood.

LEGISLATION TO CURB THE REAL PROBLEM: ILLEGAL SPORTS BETTING

Amid the current legislation to curb betting on college sports, Nevada’s delegation unveiled a proposal of its own that seeks to penalize people who infringe on laws that are already established. Senator Harry Reid (D-NV.) and Senator John Ensign (R-NV.) along with fellow Nevada Representatives Shelly Berkeley (D-NV.) and Jim Gibbons (R-NV.) have introduced legislation calling for a two-year study on illegal gambling, a \$28 million Justice Department task force to combat illegal gambling (especially on college campuses), and doubling the penalty for fixing an athletic game from five to 10 years in prison. Their bills are viewed as alternatives to the college sports betting ban supported by the NCAA. Both the House and the Senate bills instruct the National Institute of Justice to analyze the potential actions the NCAA could take to address

illegal gambling on college campuses. It also calls for the NCAA to adopt mandatory codes of conduct to avoid illegal sports betting and to enlist colleges to develop scientific research on youth gambling.

Representatives Gibbons and Berkley's bill (H.R. 641) was introduced in the House on February 14, 2001. That same day, newly elected Senator John Ensign, on behalf of himself and Mr. Reid, introduced the corresponding legislation (S. 338) in the U.S. Senate. Ensign's and Reid's bill is entitled, "The National Collegiate and Amateur Athletic Protection Act of 2001." Benjamin Grove in the Las Vegas Sun writes, "Now Nevada lawmakers hope to draw support in Congress away from McCain with a bill they crafted that takes aim at illegal gambling nationwide – in contrast to the McCain/Brownback bill, which targets legal betting in Nevada....This is not just an alternative, it's a good bill, this actually does something about the problem....The other bill is just window dressing ('Lawmakers Take Offensive,' 2/14/01, p. A-1)." The Nevada delegation's approach is very comprehensive and specifically deals with illegal sports gambling, particularly on and around college campuses. Both House's bills would implement five significant measures, as follows:

- Require the attorney general to establish a permanent task force to coordinate enforcement of existing federal laws that prohibit gambling relating to amateur sports events and make this task a federal priority.

- Increase the maximum statutory penalties for violation of existing federal laws that cover illegal sports gambling, interstate transmission of sports bets or information assisting in the placing of such bets, interstate transportation of wagering paraphernalia, conduct of an illegal gambling business, interstate travel to promote and conduct an illegal gambling business, and sports bribery.
- Require the National Institute of Justice to conduct a study to determine the extent to which minors participate in illegal sports gambling.
- Require the attorney general to establish a panel of law enforcement officials to conduct a comprehensive study of illegal sports gambling and report to Congress with recommendations within one year.
- Take the additional steps of 1) requiring colleges that receive federal funding to have programs to reduce illegal sports gambling, including designation of a senior officer of the institution to coordinate such programs; 2) withholding athletic-related student aid from those found engaging in illegal sports gambling, including sports bribery; and 3) requiring colleges that

receive federal funds to inform students of campus policies regarding illegal gambling, as they inform students of the policies for alcoholic beverages and illegal drugs (S. 338)

The NCAA's approach to curb betting on college sports is to ban legal wagering. This answer does not solve the problem but only intensifies it, as people who can not legally gamble because of the ban would now turn to illegal methods. The Nevada lawmaker's legislation actually has teeth to it; it seeks to rid the root of the problem: illegal sports gambling.

CHAPTER SIX: CURRENT ACTION AND LEGISLATION

While in the midst of Duke University's domination in the 2001 NCAA Men's Basketball Tournament, gambling opponents, Reps. Graham and Roemer introduced H.R. 1110 in the House of Representatives. On March 20, 2001 the Student Athlete Protection Act was reintroduced for the second time in twelve months. In September 2000, the House Judiciary Committee approved the previous NCAA bill 19-9, but Republican House leadership blocked it from coming to the House floor for a final vote. At a June 13, 2000 House Judiciary Committee Hearing testifying on behalf of the NCAA was Tubby Smith, University of Kentucky men's basketball coach and accompanying him was former Notre Dame head football coach and current South Carolina Coach, Lou Holtz. The NCAA, in order to garner much fanfare over its legislation made it a strategy to flaunt renowned collegiate coaches around the Hill during the One Hundred and Sixth Congress. Its tactic paid off, the national media and press converged on Washington, D.C. to cover the story. The discussion on the Hill involved such issues as citizen's rights, state's rights, and the moralistic arguments of gambling on America's youth.

On April 13, 2000, the Senate Commerce Committee approved by voice vote the McCain/Brownback bill, which prohibited Nevada sports books from accepting wagers on NCAA events. However, due to the congressional calendar the bill failed to receive a full vote of the Senate.

On Thursday, April 5, 2001, Senator John McCain reintroduced his bill to prohibit Nevada sports books from taking bets on college games, and this time he planned a fast track to get the legislation to the Senate floor for a vote. Senate bill 718 centers around the establishment of a program to support research and training in the methods of detecting the use of performance-enhancing drugs by athletes. Title II, Section 201 is the part of the bill that targets sports gambling, specifically legal sports wagering.

I spoke with former United States Senator Richard H. Bryan (D-NV.), concerning his stance against the bill and more importantly the series of amendments that he offered as a Commerce Committee Member in the 106th Congress. He expressed to me the frustration he felt in conveying to his colleagues the parameters surrounding the misguided legislation that the NCAA was proposing. Mr. Bryan knew that he couldn't stop the bill and sought instead to highlight what he called "the hypocrisy of the NCAA." However, the Senate Committee was not receptive to Senator Bryan's arguments and most of his amendments were defeated. Mr. Bryan said that four of the amendments that he proposed were unjustly rejected. One of them, proposed raising the minimum gambling age for every state to 21, the age required in Nevada. He informed me that in a lot of states, patrons have to be over eighteen years of age to play the lottery. Another one would of, set aside 10 percent of the NCAA's gross revenues to fund anti-gambling programs. Still another would of, set aside all revenue colleges receive from alcohol advertising during their

games to pay for programs to prevent illegal gambling, drug use and alcohol abuse. And yet another would of simply, voided scholarships for college athletes who gamble.

The only amendments that Bryan proposed that passed were to ban the NCAA from promoting sweepstakes related to college games (the NCAA was caught having a link to a “March Madness Sweepstakes/Pool” on their official website) and require each NCAA member school to report illegal gambling on campus to the Secretary of Education and the Attorney General. Senator Bryan ended his conversation with me by reiterating that, “there was no evidence then, nor is there any evidence now, that sports betting in Nevada reaches out to campuses around the nation and condones illegal betting (Hon. R. Bryan, personal communication, March 15, 2001).”

CHAPTER SEVEN: CONTEMPORARY QUESTIONS ABOUT SPORTS

GAMBLING

What is the state of gambling on sports over the Internet?

In terms of sports gambling, more than \$300 million was bet on sports online in 1998 through more than 280 online gambling sites. In 1999, about 2.5 million people were estimated to be playing National Collegiate basketball tournament pools online (Lowry, 1999). Sports Web site operators are predicting that well over 3 million people will play in online pools in 2001 ("NCAA Tourney Pools Hits Net," March 12, 2001, p. D-2). The rapid increase in sites likely is the result of the financial success of existing operations. According to National Football League estimates, the Internet sports-gambling market will reach \$750 million by the end of 1999 (Houck, "To A Cyber Abyss," January 1, 1999). According to a report issued this month (April 2001) by The River City Group, a consulting firm to the interactive gaming industry. The number of Americans who gamble on the Internet is expected to more than triple by 2004, from 4 million to 15 million.

In researching the issue of Internet sports gambling, I spoke with Tony Cabot of Lionel Sawyer & Collins. Mr. Cabot is a gaming attorney, and the foremost expert on Internet and offshore gambling. He thinks for many reasons, gambling on sports via the Internet is increasingly financially successful. "Unlike casino-style games, Internet sports books do not necessarily use highly complex Web sites that require bettors to

download software in order to participate. Whereas casino-style games can generate concerns over the possibility of tampered results, the outcomes of sporting events are public knowledge and are assumed to be beyond the control of the site operator. The integrity of Internet sports wagering results is therefore less open to question (T. Cabot, personal communication, March 19, 2001).”

Bill Saum of the NCAA, in his 1999 testimony before the Subcommittee on Technology, Terrorism and Government Information, addressed the issue of Internet gambling. Mr. Saum states, “It should not surprise anyone that the growth of Internet gambling present a whole new list of potential dangers on college campuses. Internet gambling provides college students with the opportunity to place wagers on professional and college sporting events from the privacy of their campus residence. Internet gambling offers students virtual anonymity. With nothing more than a credit card, the possibility exists for any student-athlete to place a wager via the Internet and then attempt to influence the outcome of the contest while participating on the court or playing field.”

Placing your wager online at the college library is more hassle free than dealing with the campus bookie whose shady connections and illegal deal-making always make for uncomfortable situations. From sports tout flyers pinned on bulletin boards, to advertisements for Internet gambling sites in school newspapers, it is relatively simple to obtain a vast amount of betting information on campus. A poll released

by the American Gaming Association found that the student newspapers of all 65 universities that qualified for the NCAA basketball tournament would either take or run advertising for Internet gambling sites. Frank Fahrenkopf, Jr., AGA President and CEO, points out, “that while most college students have access to Internet betting sites, they would be unable to gamble legally in Nevada, where gamblers must be at least 21 and physically present at the sports books to place a bet....When college students can gamble right in their own dorm rooms through hundreds of off-shore Internet gambling sites, it’s no wonder that illegal sports gambling is so widespread on college campuses (Fahrenkopf, March 29, 2001).”

The NCAA is highly concerned about Internet gambling, especially on college campuses and particularly involving college sports betting. The Association supports any legislation that bans online gaming; however, anti-internet gambling legislation has faltered in the past and will continue to do so unless legislators think of a reasonable amendment to the 1961 Wire Communications Act. Illegal sports gambling will continue to be a problem in colleges and universities until the NCAA and its member institutions focus their attention on stopping illegal sports gambling where it starts, on the campuses.

What are the recent changes to combat illegal sports gambling by the Nevada Gaming Commission, and how will they affect the state of college sports betting?

On January 25, 2001, the State Gaming Commission approved a package of new rules intended to combat illegal college sports betting.

The Commission's new rules to gaming operations in Nevada are:

- Prohibit college sports players and coaches from betting on their own team's games and require sports books to take reasonable measures to prevent them from making such bets.
- Require suspicious activity reports to be filed if a person places or attempts to place a bet in violation of federal, state or local law.
- Allow persons identified by government agencies or the NCAA as having attempted to fix a college sports game to be included on the state's List of Excluded Persons, popularly known as the Black Book. People listed in the Black Book are not allowed to enter Nevada casinos.
- Make high school and Olympic sports betting illegal.
- Allow legal bets on sports teams from the University of Nevada, Las Vegas and University of Nevada, Reno.

The changes that the Nevada Gaming Commission made are obviously out of pressure from the national college betting ban. The rule changes try to strike at the problem of illegal gambling but more notably

at college sports betting. The problem is that the Nevada Gaming Commission is a state commission, not a federal one. Any changes that the state imposes will not have an impact outside the state borders.

One change that the Commission declared was the termination of betting on amateur athletes. However, this distinction does not include college athletes, purely high school and Olympic only. This is an important feature to note because all of the legislation wanting to ban college sports has included the wagering of high school and Olympic athletes also. The addition of the words, high school and Olympic has been instrumental in the sports betting ban legislation. The notion of legally betting on Olympians and high school kids has struck a nerve with anyone who reads the legislation. Little do people know that not one sports book in the State of Nevada has ever taken a bet on a high school game or contest. Furthermore, the legal wagering on Olympic events is insignificant to the sports book operation. Only when there is a significant event or contest in the Olympic Games (i.e. U.S.A. gold medal match in ice hockey or a significant "Dream Team" game) will a sports book post the odds. It is unfair that the current legislation has attached the thought of betting on high school athletes to its ban. Affixing this classification to the requirements of the ban only intensifies its validity with the American public.

The most intriguing change that the Gaming Commission promulgated is the allowance of legal wagering on Nevada universities. The new rules mean that for the first time since the 1950's betting will be

allowed on games played by UNLV and UNR, and on games played by other college teams in Nevada. As a long time Nevada resident, I find that betting legally on UNR and UNLV sort of strange. I think that they should not have instituted this rule but I understand the pressure the Commission was receiving from the NCAA and legislators in Washington. Nevada lawmakers were accused of being hypocritical because they did not want a ban on college sports wagering around the country but they in turn did not allow betting on their own colleges within their state. However, I can see the potential for problems in Las Vegas and Reno with students placing legal bets on games in which friends and even roommates are participating. The banning of betting on Nevada schools was originally imposed to prevent Nevada sports bettors from having an unfair advantage when wagering on home-state teams. I believe that the question of proximity is still an issue in Nevada. The intimate environments that UNLV and UNR are situated in are prone to the inappropriate activity that exists around it. An extraordinary amount of legal and illegal gambling exists in Nevada; it is just a matter of time when improper activity will come into play.

Will newspapers get rid of point spreads if the college betting ban passes?

The NCAA believes that if it succeeds in prohibiting college sports wagering, there will be no more point spreads or odds printed in daily newspapers around the nation. NCAA President Cedric Dempsey believes the NCAA's legislation will eliminate any justification for the

publishing of point spreads and betting odds on college games in our nation's newspapers and will help curtail the widespread advertising of sports handicapping services in newspapers, magazines, and television. Furthermore, Mr. Dempsey has requested the media to play a more active role in anti-sports wagering efforts (Dempsey, June 18, 1999).

Interestingly, in 1997, the NCAA threatened to withhold bowl game and March Madness press credentials for journalists working for newspapers that published gambling-related ads. The NCAA eventually backed off that threat, probably because the only paper that would have shown up would be the Christian Science Monitor.

In researching this intriguing spin to the college sports betting ban, I turned to Bob Faiss, Chairman of the Gaming Law Department at Lionel Sawyer & Collins. Mr. Faiss is known throughout the world's gaming industry as one of the foremost attorneys in gaming law; he also was a former City Editor of the Las Vegas Sun Newspaper. He thinks that the demand by subscribers and readers of the newspaper's lines on games outweighs the needs and desires of the NCAA and its pursuit to stop gambling on college sports. Mr. Faiss says, "The demand for lines on games exists for reasons beyond gambling alone....Odds originate from around the world; publishers and people who read the paper want them, and that's not necessarily to gamble....It's part of sports reporting in America and is of great interest to the reader....They want to know how one team stands against another, who is the underdog and who is the favorite (R. Faiss, personal communication, March 23, 2001)."

Once this argument is suspended, it will be the individual publishers of the various newspapers around the nation that will have the final say of what they want and do not want. I am hard-pressed to believe that the NCAA can get past the newspaper and media organizations concerning this subject. In the end, freedom of speech and press will win outright any day against the NCAA and its reproachful campaign.

Today, most of the point spreads that are published in national newspapers are not derived from Las Vegas. However, John Sturm, President of the Newspaper Association of America said, "A recent Harris Poll shows only 11 percent of readers use spreads to make bets, most use them to bone up on their favorite teams....Newspapers will continue to publish point spreads from Las Vegas even if Congress passes legislation to ban Nevada casinos from taking bets on college games (Batt, 'Newspaper Leader: Publishing Point Spreads Not Just For Bettors.' June 10, 2000, p. C-3)."

Would discontinuation of college sports betting be a real significant threat to Nevada's economy?

One of the predominant arguments the casino industry offers against a ban on college sports betting is its detrimental effect towards the gaming industry and the state of Nevada's economy as a whole. In 2000, approximately \$2.3 billion was wagered in Nevada sports books. Casinos in the state retained \$124 million, approximately 5.33 percent of the total amount wagered on sports (Saum, 3/2/01).

Indeed, the amount kept by casinos on sports betting is small compared to other casino games (i.e. table games, keno, slots, poker, etc.). Furthermore, the amount wagered on collegiate sports is a little more than one-third of the total sports wager. The NCAA believes the elimination of collegiate sports wagering in Nevada will have a minute impact on the state's total gaming revenue. The amount is so small that it will hardly be felt by the Nevada economy. The Association's logic is somewhat flawed in the statement: "In an industry driven by billions of dollars (2000 total casino revenue were \$9.6 billion), the elimination of collegiate sports wagering will have little impact on the casinos' bottom line (Saum, 3/2/01)." The casino industry throughout the nation generated \$9.6 billion in revenue in 2000. However, sports gaming is only legal in Nevada and it is unfair and unwise to present a macro example into the examination of a micro-problem.

I spoke with Bill Eadington, Ph.D., Director of the Institute for the Study of Gambling and Commercial Gaming at the University of Nevada, Reno. Dr. Eadington is a Professor of Economics and specializes in issues relating to the economic and social impacts of commercial gaming. Dr. Eadington agrees with the NCAA in that sports betting is a very small percentage of Nevada gaming revenue, and he does admit also that the economic impacts would probably be minor. However, the visitation numbers alone that are derived from sports betting is very significant. The month of March is extremely busy for all of the 141 sports books spread throughout the state. This is directly attributed to the NCAA

Tournament; the revenue from the sports books always falls over to the casino as a whole. The weekends in the month of March will be severely effected by a college sports betting ban. Late December and the first week in January each year (NCAA football bowl season) are also traditionally profitable times for sports books and casinos.

Dr. Eadington believes that the NCAA wanting to ban betting on college sports is a good example of “the camel’s nose in the tent.” “I am in fundamental disagreement with the logic behind the NCAA’s case.... I think is counterproductive if their interest is to mitigate corruption of college athletes....It is really a poorly thought through public relations ploy to distance themselves from the evils of gambling (B. Eadington, personal communication, March 23, 2001).” Dr. Eadington also noted that it is online gaming that casinos should worry about. He anticipates online sports betting to be a significant threat to legal sports books in the near future.

Finally, in 1992 when the Senate Judiciary Committee reported on the Professional and Amateur Sports Protection Act they cited, “[The committee] has no wish to apply this new prohibition retroactively....Neither has the committee any desire to threaten the economy of Nevada, which over many decades has come to depend on legalized private gambling, including sports gambling, as an essential industry...(Sen. Rpt. 102-248).”

CHAPTER EIGHT: RECOMMENDATIONS AND CONCLUSION

In summation, it is appropriate for me to address the college sports wagering issue in an objective manner and to offer simplistic suggestions on how to control illegal betting on college sports and specifically on our college campuses. My first suggestion is to create an oversight mechanism over the National Collegiate Athletic Association. Create a new collegiate body outside the NCAA that strictly takes care of oversight or watchdog duties, similar to what the Department of Education has. Interestingly, none other than Nevada's own Congressman Jim Santini introduced this same suggestion in Washington in 1977. Concerned about the overwhelming control and influence the NCAA had over its member institutions and their athletic programs many members of Congress rallied behind Representative Santini to create a "third party oversight" of the NCAA. The measure ultimately passed but was later revoked due to pressure by the NCAA. The National Collegiate Athletic Association is a very powerful organization bestowed with responsibility to govern and protect America's student-athletes. However, when it comes to gambling they do not spend an adequate amount of time and money on what should be one of their main concerns.

The NCAA recently sold to CBS an extension to the rights to March Madness including the Final Four for \$6 billion over 11 years. Stanley Cohen writes, "Like it or not, gambling, even of the modest office-pool variety, is the lifeline to prime-time television sports. Viewers crave a stake in the action, and if it were no possible to place a wager on a

sporting event, the well of television money that nourishes the economy of every major sport would begin to run dry. It is the unspoken paradox of sports what while gambling is a dagger pointed at its heart, it is also the fuel that drives its engine (Cohen, 2001, p.17).” The NCAA’s \$6 billion contract alone exhibits the Association’s large bankroll yet it has asked for federal money to fund work on youth gambling and illegal sports gambling among its students. The National Collegiate Athletic Association with its proximity to the student-athletes and America’s college campuses in general are in the best possible position than any other organization in addressing and eradicating the issue of gambling on and around the country’s colleges.

My other recommendation would be for the State of Nevada to consider going to court if the ban goes through. The casino industry has a good defense in declaring the law as being unconstitutional. Simply, prohibition of college sports betting would single out legal betting in Nevada, which in turn would be a violation of states’ rights. As discussed in previous chapters the federal government has sent precedent by adopting a “hands-off” policy concerning gambling in the U.S. Gaming regulation has always been left to the states except when federal laws concerning finances and law enforcement are violated. Today, the federal government has continued its nonenforcement policy towards gaming regulation except until recently when the areas of Native America gaming and online gambling via the Internet necessitated federal control.

A federal ban on Nevada's 141 sports books raises serious constitutional issues. If Congress approves the Amateur Sports Integrity Act, it will establish a dangerous precedent for the federal government to intervene in state gaming policy decisions. The 10th Amendment to the U.S. Constitution clearly states that activities that are not specifically spelled out as responsibilities of the federal government fall within the direction of the states. For example, because the national government could not come to a decision on how to regulate and control Internet gambling, it was the state of Nevada that recently took the initiative to manage and regulate online gaming within its own borders. The states have always had the primary responsibility for gambling decisions and almost certainly will continue to do so in the foreseeable future. Moreover, many states have delegated considerable authority to local and regional jurisdictions. The National Gambling Impact Study Commission specifically states that gaming-related matters is not a subject to be settled at the national level, but is more appropriately addressed at the state, tribal, and local levels. The federal Commission's first recommendation offered in their Final Report recommends to state governments and the federal government that states are best equipped to regulate gambling within their own borders.

Gambling in America is as old as the lottery that helped fund the Revolution and sports gambling is as American as baseball and apple pie. The rampant illegal gambling on sports, including among college students is a very serious problem around the nation. Interestingly, the

NCAA and the gaming industry share a common goal of protecting amateur athletes. The proponents for the college betting ban believe that allowing college sports betting to flourish legally in one state gives the practice an air of legitimacy nationwide. For this reason alone, Nevada's legal sports books are part of the solution, not part of the problem.

Furthermore, the volume of legal sports wagering in Nevada is dwarfed in comparison to the massive activity of illegal gambling around the nation.

Banning the legal operation of college sports wagering in Nevada does not even put a dent in the colossal illegal sports betting business in America.

The NCAA is trying to make Nevada a scapegoat for its failure to shut down the vastly bigger network of illegal gambling, a lot of it happening right on college campuses. The NCAA's argument for the ban lies on the basis of an invalid assumption that prohibiting betting on college sports where it is legal will reduce illegal betting around the country. The

Association's reasoning is clearly flawed and offers itself to substantial criticism.

If the NCAA legislation to ban college sports betting is approved it would have been done so by moralistic reasons alone and not by rational decision-making. The well meaning of the legislation that the NCAA is proposing is apparent and the gaming industry also agrees that there is a problem with unlawful sports gambling in the U.S. However, the NCAA offers a simplistic approach to a national problem. While the gaming industry is among those supporting comprehensive legislation that would increase enforcement and penalties, evaluate the extent and causes of

illegal gambling, and require schools to put in place education programs for their students. By contrast, the NCAA in their haste to curb a dilemma that they have allowed to increase is advocating a constitutionally questionable federal ban on legal sports wagering in Nevada. Despite the NCAA's claims, its proposal would do nothing to eliminate the widespread illegal gambling occurring on college campuses and elsewhere around the country.

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