

# Partnership for New York City **ISSUE BRIEF**

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## **Hidden Revenue: Regulating the Underground Economy of Sports Betting**

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## Executive Summary

Betting on sporting events is a fast growing part of the underground economy in the United States. Estimates suggest that up to \$380 billion is illegally gambled on sporting events every year in the United States with approximately \$30 billion gambled illegally in New York State alone. Legalizing and regulating sports betting could draw some of this money away from organized crime and into a legitimate market where the state would be in the position to generate significant revenues.

In 1992, the federal government passed the Professional and Amateur Sports Protection Act (PASPA), which made sports betting illegal in forty-six states. Four states, where sports betting systems were already established, were omitted from the ban (Delaware, Montana, Nevada, and Oregon). Recently, the fight to legalize sports betting has resurfaced with New Jersey Assemblyman Jeff Van Drew's proposal to legalize sports betting in Atlantic City. It is expected that the state would collect \$4 to \$5 million in annual tax revenues. More important than revenue generation is the positive impact legalizing the industry could have on enforcement and prosecution of organized crime by reducing the existing pool of illegal bettors.

This Partnership Issue Brief explores the issues related to sports betting, existing games and recent legalization efforts. The political fight to legalize sports betting has proven difficult in the past. There are numerous requirements and a united front in New York is necessary for any effort to overturn federal law and expand gaming at the state level. The benefits are difficult to determine with exactitude, but there is significant potential to decrease organized crime while helping the state to fill its budget gaps.

In the second half of the paper, the potential tax revenue that could be collected if New York State acted as the operator, or legal bookmaker, is calculated. The calculation takes into account four components:

- the share of sports gambling that would move from illegal bookmakers to the legal sector;
- the proportion of new gamblers legal sports betting might attract;
- operating costs; and
- donations to problem gambling prevention programs.

The basic calculations suggest that legalizing and operating sports betting could generate anywhere from \$290 million to \$1.9 billion annually for New York State in tax revenue. Revenues, which fluctuate wildly on a daily basis due to changing odds, would generate significant positive returns for the state over the long run.

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## **Introduction**

Two out of every three Americans place a bet every year, whether at a casino, purchasing a lottery ticket, or in an office sports pool (Jones, 2004). And while many forms of gambling are legal in the United States, due to a 1992 federal law, sports betting is only legal in four states. It is not surprising that there exists a large illegal market in sports betting—what is perhaps surprising is that this market generates anywhere from \$80 billion to \$380 billion per year. This Partnership Issue Brief chronicles the recent debate over American sports betting and estimates the potential tax revenue New York State might collect should betting on sports be legalized in the state.

State efforts to legalize sports betting have materialized more than once in recent memory. In 1981, New York City Mayor Ed Koch proposed establishing sports betting in the city's Off Track Betting (OTB) parlors. Koch's plan never materialized however, largely due to resistance from professional sports leagues that were worried about the image of their games. Recently proposed legislation in New Jersey has again sparked a debate in the Northeast about sports betting and raised questions of possible challenges to the federal ban.

In Nevada, \$2 billion in legal sports betting per year generates approximately \$8 million in tax revenues. In Oregon, sports betting is operated as a type of lottery and annual revenues are roughly \$2.5 million per year. New Jersey estimates that the state would collect \$4 million to \$5 million per year if the industry were legalized. But legal sports betting presents a number of questions: Is it possible to secure control of this well-established underground market? Who will be responsible for the industry? Will social costs outweigh the benefits? Will federal courts today rethink the decision of the early 1990s and rule in favor of the states?

## **History**

### ***A Federal Ban***

In October 1992, President Bush signed the Professional and Amateur Sports Protection Act (PASPA) into law. It allows the U.S. government or an affected sports organization to file suit against a state that engages in state-sponsored lotteries or gambling based on the outcome of sporting events (United States Senate, 1992). Four states, where sports betting systems were already established, were omitted from the ban (Delaware, Montana, Nevada, and Oregon) although Nevada and Oregon are currently the only two states with legal sports betting operations.<sup>1</sup> Opponents of the measure argued that states have the right to control their own revenue sources although with the growth in internet gambling and bettors placing wagers across state lines, it is possible that interstate commerce interests will take precedence. Professional sports leagues were one of the major proponents of the law and lobbied heavily in favor of the measure claiming that sports betting would ruin American sports. Proponents of state control argue that temptations to alter the outcome of sporting events due to sports betting are more likely in an underground, uncontrolled environment. In Nevada for example, a Gaming Control

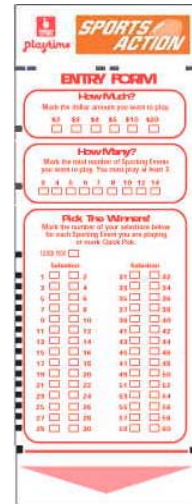
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<sup>1</sup> It is unclear why Delaware and Montana do not have sports betting operations but some evidence suggests that these states want to avoid relying too heavily on gambling as a source of revenue.

Board polices all casino activities. In 1994, this open book environment enabled authorities to realize and prosecute a bribery scheme involving Arizona State basketball players (Federal Bureau of Investigation, 2004).

### ***Oregon's Sports Action***

In 1989, Oregon introduced a lottery game on professional football, called Sports Action.<sup>2</sup> The game mimics parlay cards, a style of sports betting popular in Las Vegas. A parlay card bet is placed on the outcome of more than two games and the bettor must match up every event on the card to win. This provides odds that are more in line with a state lottery than with a 'spread' bet on a head-to-head match up.<sup>3</sup> This type of bet helps protect the state against games—especially local games—where bettors disproportionately wager on a particular team. This produces unbalanced odds and increases the operator's exposed risk. Each play week of the Sports Action season, the Lottery makes an official program available, which lists the events for that week (at right). The week's official program contains at least eight events indicating a favorite and an underdog for each game listed with a point spread.<sup>4</sup> A player may choose to wager \$2, \$3, \$4, \$5, \$10, or \$20 per ticket, with most bettors choosing the \$5 tickets. Approximately 60% of weekly wagers result in a prize payout (Oregon Lottery, 2004a).



Oregon's residents largely supported Sports Action when it was proposed in the late-1980s. At the time, Buursma (1989) reported that roughly 71% of survey respondents said they would play the game. Today, roughly 2 million Sports Action bets are placed every year ultimately raising \$1.5 million to \$2.5 million for the state. This is only a small piece of the \$387 million net profit collected annually by the Oregon Lottery as a whole (North American Association of State and Provincial Lotteries (NASPL), 2004).

### ***Nevada's Casino Based Sports Betting***

Nevada hosts the most comprehensive sports betting operation in the country. Bettors are able to make a 'spread' bet on a head-to-head game or bet on parlay cards, similar to the Oregon Lottery. The commission charged by the operator of a game, or the bookie, is often called the 'juice' or 'vig'. The 'vig' that goes to the bookie on a spread bet is much smaller than with parlay cards. Hence, parlay cards boast larger payouts than spread bets but also have lower odds of winning.

<sup>2</sup> In 2003, Oregon offered a second lottery-based sports betting game called Scoreboard. To play, the bettor purchases a 'quick-pick' card, listing randomly chosen numbers for each of the four quarters in the game and the final score. The player wins by matching these random numbers with the actual outcome of the game.

<sup>3</sup> A 'spread bet' on a head-to-head match up means that a wager is placed on the outcome of a particular game, either for or against one of the participants.

<sup>4</sup> A point spread is intended to level the betting playing field between two the teams. In a spread bet, the team perceived to have less of a chance of winning will have points added to their score while the team that is expected to win will have the same number of points subtracted from its score.

Beyond spread bets and parlay cards, there are a multitude of options for an individual in Nevada looking to gamble on sports. Proposition bets are offered by sports books on anything from which player will score the most three-point shots in a basketball game to the outcome of a coin toss at the start of a football game. The operator, depending on the bet, sets the odds for this type of game. Many recreational gamblers and tourists are willing to spend a few dollars on parlays with the hope of a large payout, making parlay gaming one of the largest revenue producers in Nevada.<sup>5</sup> In total, legal sports bets in Nevada total approximately \$2 billion per year and large sporting events such as the Super Bowl generate additional economic benefits associated with increased tourism.

### *New Jersey*

In December 2004, New Jersey officials charged 43 people with operating a multimillion-dollar offshore gambling ring controlled by the Genovese crime family. The operation was said to have had 12,000 customers and grossed \$300,000 per week (Troncone, 2004). A month earlier, New Jersey Assemblyman Jeff Van Drew introduced legislation that would permit in-person wagering at casinos on professional sports events in Atlantic City. Legalizing the industry, he argued, would help undercut organized crime in addition to raising revenue for the state.

Van Drew's proposal would create a system similar to Vegas-style betting and not the lottery-style system in Oregon. A key difference between the Nevada and New Jersey systems is that while Las Vegas currently permits gambling on college sports, New Jersey would allow bets on professional sports only. The American Gaming Association (2004) estimates that one-third of all Las Vegas bets are placed on collegiate athletics; this is additional revenue that New Jersey will not capture (although some who bet on collegiate sports illegally will shift to legal professional sports gambling).

If approved by the State Assembly, Van Drew's proposal would also be subject to a voter referendum. The details of the legislation specify that:

- a casino may operate a sports pool with Casino Control Commission approval;
- a sports pool can only be operated in a sports wagering lounge with odds pre-established by the operator and wagers accepted from bettors who are physically present;
- all persons engaged in wagering-related activities must be licensed as casino employees. Each licensed casino operating a sports pool will designate one or more casino employees who will be responsible for the sports pool;
- the Casino Control Commission will regulate the sports pool to the same extent as other casino games, with each operator adopting comprehensive house rules governing sports wagering transactions; and
- sports wagering gross revenue would be subject to the existing 8% casino gross revenue tax (New Jersey Assembly Bill, No. 2493).

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<sup>5</sup> In fact, Schwartz (2005) argues that many casino sports books, at best, break even. They are operated as a way to get people into the casino to gamble on more profitable games.

The New Jersey strategy to overturn the federal ban is to pass state legislation with voter approval thereby amending the state constitution. This would set the stage for a challenge of the federal ban based on rights of the state to control its own sources of revenue.

### ***New York's Fight***

Largely due to New Jersey's efforts to legalize sports betting and significant budget gaps in New York City and New York State, there is increased interest in legalizing sports betting. In December 2004, New York City Council Member Tony Avella (D-Queens) announced support for legalized sports betting in New York. Due to enormous pressure on the city and state budgets—gaps that are currently projected at \$3 billion and \$6 billion in fiscal year 2006—Avella stated sports betting should be one of the means to help provide additional revenues.

This is not the first time New York has shown interest in legalizing sports betting. In the early 1970s, when the New York legislature approved off-track betting for horse racing, the chairman of New York City's OTB corporation suggested that sports betting be granted similar approval (Schwartz, 2005). In 1981, New York City Mayor Ed Koch envisioned a wide range of sports betting, including professional football, baseball, basketball, soccer and hockey, taking place in the city's OTB parlors (Artz, 1981). Koch proposed using parlay cards, which was intended to help convert those who participated in the illegal market to play the new game with nominal transitional explanation. As expected, league commissioners adamantly opposed the Mayor's proposal, stating that it would undermine the integrity of their games. Their lobbying efforts effectively killed Koch's plan.

In 1984, New York Governor Mario Cuomo proposed a plan similar to Koch's that would be operated by the state and would have also used the parlay card model. Cuomo had estimated that the game, which would have been supervised by the state lottery, would generate \$100 million annually for education. Meeting the same roadblocks, legalized sports betting in New York did not move forward.

### ***Summary***

Illegal sports betting generates up to \$380 billion every year, providing enormous wealth for organized crime across the country. Prosecutors have attempted to crack down on these gambling rings but they have proven costly and do little to eliminate bookmaking activity. In New Jersey, a fight is being waged in the state legislature to legalize these practices and enable law enforcement to police and regulate an industry that now prospers underground. In turn, the state would capture a portion of the revenue and one of the main funding streams for organized crime would be closed.

At every stage of talks regarding the state regulation of sports betting, beginning with Mayor Koch's fight in 1981, continuing with the implementation of PASPA in 1992, and today with legislative efforts in New Jersey, professional sports organizations have been adamantly opposed. Testimony by the National Football League, National Basketball Association and Major League Baseball has consistently argued that any further legalization of sports betting in the United States will damage American sports and invite

corruption. They fear that games will ultimately not be perceived as sport but as an outcome that wins a bettor a chance to play again.

### **Economic Impact**

While proponents of legal sports betting argue that legalization will help curb the existing underground economy, it is difficult to find enough usable data with which to estimate potential economic impacts. In this section, a series of calculations based on available research on lotteries, casinos and other underground economies, estimate the potential revenue New York State could capture from legalizing sports betting. The proposed scenario would place New York State as the legal operator of head-to-head sports betting and although changes in game spreads introduce substantial risk to sports betting operators, positive profits are expected over the long run.

There are five reasons why legalizing sports betting will not result in a complete shift from the illegal market to the legal market. First, many bettors simply do not want the government to know they are gambling either because they do not want to pay taxes on their winnings or they are professionally involved in the sport in which they are betting. Second, while illegal bookmakers extend lines of credit it is unlikely legal bookmakers will do so. Strumpf (2003) draws a parallel to internet bookmakers whose impersonal relationship with bettors and their lack of legal recourse against default is not conducive to extending credit. This shortage of credit in the legal market will no doubt deter many gamblers. Third, in an effort to reduce exposed risk, the state may choose to adjust the odds in their favor, reducing the bettor's probability of winning. Fourth, illegal bookmakers are unlikely to enter the legal market because the additional costs (e.g., taxes to the state, and wages and benefits to workers) serve as a disincentive. Finally, neighborhood bookies offer a convenient, familiar way to place bets. Larger, less personal arrangements may not entice new gamblers (Strumpf, 2003).

Alternatively, legalized sports betting may attract people who previously never bet on sports. Unfortunately, there is no data available on who would place bets on sports were the practice made legal.<sup>6</sup> However, results from a recent Gallup Poll (Jones, 2004) quantifies how many people have played various games:

- 49% of respondents said they have bought a state lottery ticket;
- 30% of respondents said they have gambled at a casino;
- 10% of those surveyed said they have gambled on professional sports;
- 6% responded they bet on college sports;
- 5% said they have played bingo for money; and
- 4% of those surveyed said they have bet on a horse race.

In total, two out of every three Americans say they have played some form of gambling. Since 1989, however, gambling on most forms of gaming has declined—gambling on

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<sup>6</sup> Buursma (1989) quotes a preliminary marketing study in Oregon, which showed that 71% of Oregonians surveyed said they would play the Sports Action game. Since that game is similar to a lottery, it is no surprise that it reflects the higher percentage for lottery gaming shown below.

professional sports has declined by 12 percentage points while betting on college sports has declined by 6 percentage points.<sup>7</sup>

This analysis will miss a range of secondary effects that legal sports betting may incur. For example, legal sports betting would create new jobs—although presumably low-paying jobs—and provide the state with additional personal income tax revenue.<sup>8</sup> The calculations will also miss a series of other secondary effects, which cannot be quantified due to data or other modeling limitations. These include:

- how legalized sports gambling will impact labor market behavior (e.g., hours worked or participation rates)<sup>9</sup>;
- how legalized gambling will impact personal income tax receipts, assuming winners report their earnings (Alm, 1996);
- how sports betting might affect property and other business-related tax receipts;
- whether money spent on sports betting will be a substitute for, or an addition to existing individual gambling budgets<sup>10</sup>;
- how sports betting will affect behavior in different parts of the income distribution. Existing gambling research has shown that low-income households often bear the greatest burden from gambling by foregoing expenditures on food, mortgage, rent or other bills (Kearney, 2002; Forrest and Simmons, 2003);
- how legal sports betting might change the attractiveness of living, working or traveling to New York State, including possible new tourism-related revenue generation;
- how internet and offshore gambling will affect sports betting in New York State;
- possible reimbursements to professional sports organizations;
- impact of enforcement and prosecution on organized crime;
- related costs often associated with gambling, including increased crime rates, youth gambling and gambling addiction, corruption, and personal bankruptcy (NGISC, 1999); and
- moral issues and other social costs of gambling, which are not discussed in detail here (see NGISC, 1999).

### ***Potential Revenue***

The total revenue impact of legal sports betting in New York State is calculated in two steps. In the first, gross profits are estimated by adding the share of illegal gambling that would move into the legal sector to the total value new bettors would bring to the market.

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<sup>7</sup> Casino gambling and video poker are the only forms of gambling that have seen an increase over the past 15 years. Casino gambling has grown by 10 percentage points and video poker by 3 percentage points.

<sup>8</sup> Strumpf (2003) however, shows that the weekly wage of illegal bookmaker wireroom workers ranges from \$200 to \$500 and annual wages that are roughly double a minimum wage job.

<sup>9</sup> In the case of lotteries, Imbens et al. (1999) find that large winnings result in a decline of about 9 work-hours per year. Furthermore, if people gamble while at work or find themselves in money trouble, worker productivity will decline.

<sup>10</sup> Kearney (2002) shows that households finance new lottery gambling not by substituting away from other forms of gambling but by reducing their non-gambling consumption. The reduction in consumption spending will have an impact in other areas of the economy but also suggest that legal sports betting might not replace existing lottery or casino revenues



In the second step, net revenues are calculated by subtracting operating costs and contributions to problem gambling prevention programs from total profits.

The first step of the calculation estimates the share of illegal sports betting that might shift to the legal sector. In New York State, the Kings County District Attorney finds that illegal sports betting totals \$30 billion per year.<sup>11</sup> It is important to note however, that this estimate includes gambling on college sports. If passed, New Jersey will not allow gambling on collegiate sports and presumably neither would New York. The American Gaming Association (2004) estimates that one-third of all sports bets (in Las Vegas) are on college sporting events; hence one-third of the Kings County District Attorney's (2004) \$30 billion total is deducted, leaving \$20 billion in gross sports betting for New York State to capture.

The state does not capture the entire \$20 billion in sports betting; payouts to winners must first be deducted. Using records from six New York City bookmakers arrested by the Brooklyn District Attorney's office between 1995 and 2000, Strumpf (2003) finds that bookmakers paid out over 85% of total betting volume to winners. Using the rate from the bookmaker for which Strumpf (2003) has the most observations, the calculation assumes the state would keep 15% of total betting volume, which equals \$3 billion.<sup>12</sup> Of course, not all of the people who currently place illegal sports bets would bet legally. Since no study or survey has determined the proportion of people who might switch to the legal market, four different percentages (10%, 25%, 50%, 75%) are used in the calculation to represent a range of take-up rates.

Were sports betting legalized, new bettors would generate the other part of total betting revenue. Based on a 2004 Gallup Poll (Jones, 2004), it is assumed that 10% of New York State's 18-and-older population (1.5 million people) would place legal wagers on professional sporting events.<sup>13,14</sup> And based on estimates from Goldfarb Consultants Inc. (1999) who find that among New York State Lottery players the median annual expenditure on sports betting is \$240, gross wagering equals \$352 million. This figure is then adjusted for payouts to winners at the same 15% rate applied to existing bettors (Strumpf, 2003), resulting in \$53 million in gross profits from new bettors.

After adding gross profits from existing bettors and new bettors, two cost figures are subtracted from the total. First, using data from Cornstein (2004), operating costs are

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<sup>11</sup> The National Gambling Impact Study Commission (1999) estimates that the total amount of illegal sports betting in the United States ranges anywhere from \$80 billion to \$380 billion annually. The Kings County District Attorney's estimate fits well with the \$380 billion high end of NGISC's estimates but is somewhat unrealistic at the low end. Nevertheless, it is the only reliable figure available for New York State.

<sup>12</sup> This 15% figure may be an overstatement because bookies have greater payout rates than comparable state-run games. The figure is used however, because it is the only number available in the existing literature.

<sup>13</sup> In an analysis of New York State Lottery players, Goldfarb Consultants Inc. (1999) find that 7% of those surveyed participated in sports betting; hence, the 10% figure used in the calculations appears reasonable.

<sup>14</sup> Some of these new gamblers may be substituting for other forms of illegal gambling. However, Kearney (2002) suggests that households finance new lottery gambling by reducing their level of non-gambling consumption (see footnote 10).

estimated at 15% of gross profits. This rate may be high—operating costs account for roughly 10% of New York State Lottery profits—but overestimating allows for the possibility of unforeseen costs that have not been properly accounted for here. Second, 1% of total profits are donated to problem gambling prevention programs, a rate equal to that required by the Oregon Lottery (2004b).

The results are shown in the Table—\$3 billion in gross profits are adjusted for the projected portion of bettors who would shift from illegal betting to legal betting (10%, 25%, 50%, or 75%) and added to \$53 million in gross profits generated by new bettors. The sum of these—Total Legal Gambling—ranges from \$350 million to \$2.3 billion. Applying estimated operating costs (15% of revenues) and an annual contribution to problem gambling prevention programs (1% of revenues), the estimated revenue for New York State ranges from \$290 million to \$1.9 billion.

<b>Economic Impact of Head-to-Head Sports Betting in New York State (\$ in millions)</b>						
<b>Gross Profit from Illegal Market*</b>	<b>Times Portion move to Legal</b>	<b>Plus Gross Profit from New Gamblers**</b>	<b>Equals Total Legal Gambling</b>	<b>Minus Operating Costs (15%)</b>	<b>Minus Problem Gambling Prevention (1%)</b>	<b>Equals State Net Profit</b>
\$3,000	10%	\$53	\$353	(\$53)	(\$4)	\$296
\$3,000	25%	\$53	\$803	(\$120)	(\$8)	\$674
\$3,000	50%	\$53	\$1,553	(\$233)	(\$16)	\$1,304
\$3,000	75%	\$53	\$2,303	(\$345)	(\$23)	\$1,934
*Calculated by multiplying the Kings County District Attorney estimate of the illegal sports betting market (\$20 billion) by Strumpf's (2003) estimate of net revenue share (15%).						
**Calculated by assuming 10% of New York State 18-and-over population wagers \$240 per year, multiplied by Strumpf's (2003) estimate of net revenue share (15%).						
Sources: New Gamblers (Jones, 2004; Goldfarb Consultants Inc., 1999); Labor Costs (Cornstein, 2004); Gambling Prevention (Oregon Lottery, 2004b).						

The operation described above assumes that the state will run sports betting operations like a legal bookie. Estimates in the Appendix Table calculate the potential revenue New York State could generate if legal sports betting was designed as a parlay card-type game, similar to that in Oregon. Setting all other variables equal to the rates in the table above and applying an 8% state tax rate, this type of game would only raise between \$9 million and \$61 million for the state. This low estimate is not surprising—if revenue from Oregon's Sports Action game is adjusted for differences in the two state's populations, then a parlay card game in New York would be expected to generate approximately seven times as much revenue as Oregon's 2.7 million residents, or roughly \$15 million.

Clearly, any of the components in the above calculation could be modified. The results above capture the most current data available and attempt to use the most objective research available. Sports betting is a highly variable game with odds changing almost daily. In legalizing, regulating and operating sports betting, New York State takes on significant risk but with an outlook for positive revenues over the long run.

## **Conclusion**

Illegal sports betting is the most widespread and popular form of gambling in America (McNuggets, 2002). Gaming has most often been profitable through organized crime, which tends to operate freely until prosecutorial efforts are enforced. Organized crime faced considerable revenue loss in the 1960s when numbers games were converted to state-sponsored lotteries; legal sports betting offers a similar opportunity to address organized crime while generating revenue for the state.

The economic findings of this report demonstrate that between \$300 million and \$2 billion could be raised directly from sports betting were it legalized. Legalization of the industry and continued enforcement of the illegal market however, will lead to reduced revenue for organized crime and may lead to greater state revenues in the future. Legal sports betting currently exists in two states, which appears to weaken the argument of the professional sports leagues' that sports betting undermines the integrity of their games. The illegal bookmaking business generates a tremendous amount of revenue, based solely on the outcome of professional sports games and combining the interests of both constituencies could help fight this illegal source of revenue.

Any expansion of state-run gaming meets hurdles. Anti-gaming activists will argue that sports betting, by the mere introduction of new gaming opportunities, will result in more problem gamblers. Yet with transparent state sponsorship and regulation, there is an opportunity to increase funding for programs that help problem gamblers who already involved in the underground economy.

Although the economic benefits from state regulation of the sports betting industry are a fraction of the total underground market, legalizing the industry does provide an incentive to disrupt one of organized crime's cash cows. The above calculations do not capture all of the possible effects from legal sports betting but they serve to start the discussion over legalization and the possible revenue such a system might generate for the state.

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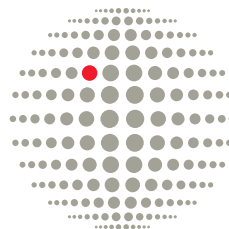
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**Appendix Table. Economic Impact of Parlay Card Sports Betting in New York State (\$ in millions)**

<b>Illegal Market (\$M)</b>	<b>Times Portion move to Legal</b>	<b>Plus New Gamblers*</b>	<b>Equals Total Legal Gambling</b>	<b>Minus Payouts** (95%)</b>	<b>Equals Taxable Profits</b>	<b>Yields State Revenue at 8% Tax Rate***</b>	<b>Minus Labor Costs (15%)</b>	<b>Minus Problem Gambling Prevention (1%)</b>	<b>Equals Retailer Net Profit (\$M)</b>
\$20,000	10%	\$352	\$2,352	(\$2,234)	\$118	\$9	(\$18)	(\$1)	\$89
\$20,000	25%	\$352	\$5,352	(\$5,084)	\$268	\$21	(\$40)	(\$3)	\$203
\$20,000	50%	\$352	\$10,352	(\$9,834)	\$518	\$41	(\$78)	(\$5)	\$393
\$20,000	75%	\$352	\$15,352	(\$14,584)	\$768	\$61	(\$115)	(\$8)	\$583
*Number of new gamblers calculated by assuming 10% of 18-and-over New York State population wagers \$240 per year.									
**Unlike lotteries, which pay out approximately 70% of revenues in prizes (NASPL, 2004), sports betting generally pays out 94%-97% in prizes (Carnahan, 2003; American Gaming Association, 2004).									
***Oregon currently charges an 8% tax on its sports betting games and the pending New Jersey sports betting games would also charge this rate (New Jersey Assembly Bill No. 3493, 2004). Nevada, which has a full range of sports betting operations in its casinos, currently assesses a state tax rate of 6.25%, the lowest in the nation.									
Sources: Illegal Market (Kings County District Attorney) adjusted for one-third collegiate betting (American Gaming Association, 2004); New Gamblers (Jones, 2004; Goldfarb Consultants Inc., 1999); Labor Costs (Cornstein, 2004); Problem Gambling Prevention (Oregon Lottery, 2004b).									
Note: By varying the various take-up rates (10% through 75%), payout rate (94% to 97%), and different tax rates (6.25%, 8%), the total possible range of state revenues from legal sports betting ranges from a low of \$4 million to a high of \$74 million.									





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