

## Written Testimony of Mary Beth Thomas

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Submitted to the U.S. Senate Committee on Commerce, Science and Transportation  
Subcommittee on Consumer Protection, Technology, and Data Privacy

Hearing on Protecting Sports Integrity in America

May 20, 2026

Chairman, Ranking Member, and Members of the Subcommittee: My name is Mary Beth Thomas, and I serve as Executive Director of the Tennessee Sports Wagering Council. Thank you for allowing me the opportunity to testify before you about how the State of Tennessee has structured the regulation of sports betting and how the Tennessee Sports Wagering Council works to ensure the integrity of sport.

#### A. Gambling in Tennessee

The Professional and Amateur Sports Protection Act, known as PASPA, effectively outlawed sports betting nationwide with only a few exclusions. PASPA was judicially overturned in 2018 when the Supreme Court held that it infringed on state power in violation of the anti-commandeering doctrine enshrined in the Tenth Amendment to the U.S. Constitution. Since PASPA was overturned, state legislatures have considered whether to prohibit or permit sports betting in their own states, and if permitted, the terms under which sports betting would be allowed. Today, 39 states and the District of Columbia allow retail sports betting, online sports betting, or both.

Tennessee has a unique history with respect to gambling and games of chance. Importantly, the Constitution of the State of Tennessee provides that the Legislature has no power to authorize lotteries for any purpose, other than a state lottery to provide financial assistance to Tennesseans to attend post-secondary educational institutions. The Legislature may not authorize games of chance associated with casinos, including, but not limited to, slot machines, roulette wheels, and the like.

The Legislature has traditionally adopted a restrictive policy approach in authorizing even those games where chance is an element but skill is the dominant factor, in part due to the long shadow cast by Operation Rocky Top. Operation Rocky Top was an FBI and TBI undercover investigation in the late 1980s into corruption related to charity bingo, which led to over 50 convictions on assorted bribery and corruption charges. The Tennessee Legislature subsequently passed legislation creating the Tennessee Gambling Act, which provides that “gambling” is “contrary to the public policy of this state and means risking anything of value for a profit whose return is to any degree contingent on chance.” The

Tennessee Gambling Act criminalizes both gambling and gambling promotion. Accordingly, apart from the Tennessee Education Lottery Corporation and until fantasy sports contests and sports betting were authorized as games where skill is the dominant factor and statutorily removed from the definition of “gambling,” there has been no other commercial gaming in Tennessee—no racetracks, no online casinos or brick and mortar casinos, and no other retail gambling locations.

#### B. The Tennessee Sports Gaming Act

Given that history, the Tennessee Sports Gaming Act, effective July 1, 2019, has provisions that are unique to Tennessee and address concerns and priorities specific to our State. As presently enacted, the Tennessee Sports Gaming Act creates our nine-member council called the Tennessee Sports Wagering Council, which is authorized to hire an Executive Director and other staff to carry out the day-to-day responsibilities of licensing, compliance, investigation, and other obligations under the statute. In Tennessee, it is a taxable privilege to offer sports wagering pursuant to a license issued by the Council. Accordingly, I may refer to licensed Tennessee sportsbooks as Licensees or Operators. The Tennessee Sports Gaming Act permits only online sports betting. There are no brick-and-mortar locations where wagers may be placed, and there are no wagering kiosks permitted in the State.

The provisions of the Tennessee Sports Gaming Act emphasize an effort to protect consumers from the predatory illegal market and to put previously unlicensed wagering activity under formal oversight. To that end, the Tennessee Sports Gaming Act empowers the Council with the authority to investigate unlicensed sportsbooks and issue fines against persons or entities accepting wagers without a license. Additionally, the Tennessee Sports Gaming Act requires the Council, Licensees, and registered Vendors to cooperate with investigations conducted by sports governing bodies and law enforcement agencies, including providing account-level betting information and data files relating to persons placing wagers.

As some of you may well know, the University of Tennessee Volunteers are a prominent and successful sports program in the SEC conference, and Nashville has historically been called the “Athens of the South” because of its number of colleges and universities. In line with our State’s proud emphasis on college education and college sports, the state Legislature prohibited any wagers on individual player prop bets for any college sports at any time and also prohibited live or in-game team prop bets for any college sports. Other types of wagers prohibited by statute are wagers on injuries, penalties, or elements of chance in any sport. Recognizing the need for additional prohibitions could arise that should not be delayed by the legislative calendar or the rulemaking process, the Tennessee Sports

Gaming Act provides that a Licensee, sports team, sports league or association, or institution of higher education may submit to the Council in writing a request to prohibit a type or form of wagering or to prohibit a category of persons from wagering as contrary to public policy, unfair to consumers, or as affecting the integrity of a particular sport or the sports betting industry. The Council will grant a request with good cause.

Speaking of prohibited persons, our Sports Gaming Act provides that sports betting is only available to persons who are 21 and up. The Sports Gaming Act also lists persons and categories of persons who are ineligible to directly or indirectly wager or bet on a sporting event in Tennessee. This includes members and employees of the Sports Wagering Council, certain persons associated with Licensees or Vendors, and any persons prohibited by the rules of a governing body of a collegiate sports team, league, or association, among others. Violation of this ineligible person statute is a misdemeanor crime.

Our statute also provides for a voluntary state-wide self-exclusion list, which is managed by the Council and shared with all Licensees. A person who places their name on this list must be treated by Tennessee sportsbooks as a prohibited participant. Their account must be suspended, and the self-excluded person may not receive marketing or advertising. All Licensees must also make available to players a licensee-specific self-exclusion list and provide players with options for limits on time spent betting and on amounts wagered.

Another protection within the Sports Gaming Act is that it is a misdemeanor crime for a licensed sportsbook to offer, accept, or extend credit to a bettor. A bettor may only fund their account through a method that it initiated with cash, such as electronic bank transfer or debit cards. Sportsbooks are prohibited from accepting credit cards in Tennessee.

Before I end our discussion on the framework of Tennessee's statutory environment, I'd like to discuss how the State of Tennessee taxes Operators and how that funding is used. In Tennessee, we tax 1.85% of an Operator's handle, which means a percentage of the value of all wagers placed. We are unique in the country by taxing handle but have found that it eases financial auditing requirements because of its straightforward calculation. The handle tax includes promotional wagers so free play offered by an Operator to players does not reduce an Operator's state tax liability. In addition, the State's revenue stream does not rise or fall with betting outcomes like it would with a revenue tax. In this way, the State of Tennessee does not succeed when players lose.

The majority of taxes from sports betting in Tennessee support various educational programs; however, since the original enactment of the Tennessee Sports Gaming Act, 5% of the tax supports the State of Tennessee's Department of Mental Health and Substance Abuse for Services to oversee grant programs with organizations to provide treatment

services for individuals to address problem gaming and gambling disorders and to establish prevention initiatives to reduce the number of individuals with problem gambling or gambling disorders. These grants have supported The Gambling Clinic, which is the oldest gambling-focused treatment center in the United States and is operated by the Tennessee Institute for Gambling Education and Research (TIGER) at the University of Memphis. Collected taxes support research that continues to build the reputation of Tennessee as a national and international leader in the science related to preventing and treating gambling harms. The amount available to the Department of Mental Health to fund these grant programs from life to date is over \$22 million.

### C. Rules of the Tennessee Sports Wagering Council

The Tennessee Sports Gaming Act also provides the Council with authority to promulgate rules. We have issued three sets of permanent rules over the last four years with a goal of strengthening and streamlining our rules over time to effectively protect consumers, promote responsible gaming, and safeguard integrity. A uniform requirement for minimum internal controls, operational standards, and security protections provides a consistent regulatory framework for all our Operators, providing an even playing field for offering sports betting within the State.

Some of the revisions to our rules have included updating identity verification and account security requirements. We have detailed “Know Your Customer (KYC)” requirements so that there is no anonymous account activity. We have added and strengthened requirements for secondary authentication of identification requirements to prevent identity theft and the creation of proxy accounts. Multifactor authentication is required to login with a new device, or every two weeks with a known device, and also when a debit card is added, which works to prevent account takeovers by bad actors.

In addition, our staff reviews and approves operator minimum internal controls, which address risk management procedures, event offerings, technology requirements, and segregation of duties. For example, a requirement in our most recently revised rules is for Operators to segregate internal trading and risk management functions from their marketing team functions.

Within their minimum internal controls, Operators must have procedures for ensuring that wagers are only offered on sporting events approved by the Council. Under our rules, any entity may petition for a new sporting event. After Council staff receive a complete and detailed description of the sporting event, evidence of that sport’s governing body rules and regulations, or its independent integrity monitoring information, our staff assesses several factors, including whether wagers on that sporting event are compatible with the

public interest. Our staff also discusses certain proposed sporting events with other regulators and participants in the industry to consider issues that others may have encountered.

An Operator's approved minimum internal controls must also have procedures to prevent wagering by prohibited participants. All Operators must require players to acknowledge that they are not a prohibited participant during account creation and must provide further specifics on how the State of Tennessee defines prohibited participants in their Terms and Conditions or House Rules. To prevent minors from wagering, Operators are required to suspend accounts when they have actual knowledge that a payment method linked to an account belongs to a person under 21. Account suspension is also required when a sportsbook identifies a prohibited participant wagering in violation of the Sports Gaming Act. Each Operator has different procedures to identify wagering by prohibited participants. Some Operators have relationships with the leagues and regularly check the athlete and employee information they provide. Other Operators use services from integrity monitoring providers, such as IC360's Prohibet product.

Last, Operator internal controls must have procedures to immediately notify the Council, either directly or through an integrity monitoring provider, of unusual or suspicious wagering activity. Unusual wagering activity and suspicious wagering activity are defined in our rules and include wagering indicative of match-fixing, event manipulation, or the misuse of inside sports information or other prohibited activity. Operators and their required integrity monitors watch for spikes in the total amount of wagers placed on a market, the volume of wagers placed, unusual geolocation changes between logins, rapid wager placement, the creation of new accounts that immediately place specific wagers, or large prop bets. Our staff has access to the real-time back office for each licensed sportsbook so that our staff can conduct our own analysis of wagering activity when unusual or suspicious wagering activity is flagged. Licensed Operators must also report this information to the relevant sports governing body.

#### D. Regulatory Compliance in Tennessee

The regulatory framework established by the Tennessee legislature, and the rules promulgated by the SWC, create a multi-pronged system of checks and balances to ensure that Operators are set up to detect, report and address a wide range of issues. Rather than a self-certification process, it is one of collaboration, discussion and ultimately, approval or disapproval of an Operator's license on the merits of its application, followed by ongoing review and auditing of an Operator's compliance with the law.

Prior to licensure, Tennessee Sports Wagering Council staff conduct an extensive review of documents submitted by prospective Operators. These include extensive background checks of key personnel; a review of player-facing legal documents, like terms and conditions and house rules; a review of internal controls; and a review of annual third-party testing of operational and security systems to ensure those controls work as stated. During the licensing process and before a license is deemed complete, we correspond with Operators about remediating issues identified by our staff. Because an app-based online-only sportsbook includes a stack of technological processes which operate together, our staff also confirm that the components of this technology stack are filled by vendors who are separately registered with the Council, particularly for sensitive components like player account management, geolocation, and know-your-customer services. We closely examine and analyze the substance and the merit of these filings.

. The state's regulatory function does not end with the approval of an Operator's license. Rather, our team proactively identifies any gaps in Operator compliance with multiple checks on Operators during the term of their license. We require all Operators to have an internal audit plan, with resulting reports submitted to our staff to review. Our staff regularly reviews required numerical reporting, incident reports, and player complaints to identify potential compliance issues. We conduct monthly audits within our office on various financial requirements and player-facing technical components. We review any amendments to internal controls, terms and conditions, and house rules. We review suspicious activity reports, not only to investigate and refer identified crimes, but also to identify gaps in identity verification and geolocation, which may have allowed a bad actor to carry out that suspicious wagering activity. We review wagering catalogues and conduct random audits of offered markets during high volume times to see whether impermissible markets are offered. Where we identify any compliance issues, we work together with our licensed Operators to remediate that issue and issue letters of warnings or fines where appropriate.

Tennessee Sports Wagering Council staff also serve as a resource for education and outreach to the public. We have traveled to colleges and universities and talked to their athletic coordinators. When an Operator identifies a minor is using a parent's information to create an account and place wagers, we send a letter to that parent alerting them to the account use and providing responsible gaming information, as well as the information for The Gambling Clinic. We have received responses from many parents who expressed gratitude for being made aware that their children were gambling without their knowledge and for providing resources that they could discuss with their children.

Although not the explicit topic of this hearing today, it is important to note that our team conducts extensive investigations into illegal sportsbooks, which have limited identity verification, no or different age requirements, and allow the use of credit, among other harms to consumers. We have made significant efforts to identify illegal sportsbooks, demand that they cease and desist operations in Tennessee, and issue fines where operations continue. The Tennessee Sports Wagering Council has issued over \$800,000 in fines against illegal sportsbooks. Seven illegal sportsbooks have left our state. In addition, we have taken steps to stop these illegal sportsbooks from mailing print publications into Tennessee, advertising on Tennessee-based podcasts or radio stations, or otherwise promoting illegal gambling within Tennessee. Those illegal sportsbooks are ultimately a black hole of information where accounts cannot be monitored and unusual and suspicious wagering activity that can identify integrity issues cannot be detected.

#### E. Integrity Investigations in Tennessee

Specific to gaming integrity investigations, our licensed Operators have requirements for reporting unusual and suspicious wagering activity to the Tennessee Sports Wagering Council and suspending accounts as I described above. We also receive alerts directly from integrity monitoring providers, law enforcement, and the leagues. Over the last four years, we have received hundreds of these reports from integrity monitoring providers. We will occasionally receive subpoenas or requests for information from law enforcement with respect to integrity issues, which our statute requires us to assist with by providing account data and wager-level information.

As of May 14, 2026, the Tennessee Sports Wagering Council has investigated 35 potential prohibited participant cases, with 10 of those cases referred to a local District Attorney or other law enforcement for their own assessment of criminal prosecution. When a case is not criminally referred by our office, it is typically because our investigation team found that the athlete or employee information checked by the Operator was stale, meaning that an athlete or member of athletic staff had been released from a team, graduated, or changed jobs and was no longer under restrictions by a league or governing body at the time a wager was placed. Our office makes that determination after discussion with the league or school.

As of May 14, 2026, the Tennessee Sports Wagering Council has investigated 25 potential integrity cases where suspicious wagering activity occurred in Tennessee that could indicate the use of inside sports information. While a few cases are currently pending, 17 are closed and have been referred to the sports governing body or law enforcement, including 13 that were referred to the FBI. Where an integrity matter is not criminally referred, it is sometimes because sharp (or “expert”) wagering action has been flagged as a potential

integrity issue. In other words, a patron has placed a wager on what would otherwise be an obscure betting line, but investigation indicates the player has made that wager using their own analytics of a sport on which they tend to place wagers.

In reviewing newsworthy integrity matters in preparation for this hearing, I noted that many of these matters were initially identified as potential proxy wagering or unlawful information sharing matters by licensed sportsbooks and integrity monitoring providers long before the media learned of the investigations. In many matters, suspicious wagering activity was identified prior to a game, and accounts were immediately suspended or suspended after the result was known. These suspicious wagers were then reported to the leagues, sports governing bodies, and law enforcement for investigation.

#### F. Conclusion

Although it may seem that there has been an increase in cases of athlete manipulation or unlawful information sharing, our experience is that legal and regulated sports betting has increased the volume of data available, leading to a higher number of incidents reported and acted upon. This subcommittee may support our office and fellow state regulators in investigating and prosecuting illegal sportsbooks. From my perspective, that would have the greatest impact on ensuring the integrity of sport by removing avenues for anonymous betting, betting without locational information, and betting without analytics to identify proxy wagering. Any criminal behavior can be difficult to wholly prevent, but it can be detected, identified, and enforced.

With the grants of authority given to our Council by the Sports Gaming Act, our rules, which we continue to strengthen, the efforts of our staff, and our strong partnerships with law enforcement, I believe that Tennessee's current framework amply addresses attempts by bad actors to rig outcomes on sporting events which may be wagered on in Tennessee. I welcome your questions.