TEXAS
POLICY RESEARCH

September 15th, 2026

Chairman King and Members
House Committee on State Affairs
Texas House of Representatives

RE: Written Testimony on Prediction Markets and Event Contracts

Chairman King and Members of the Committee,

Thank you for the opportunity to provide comments regarding prediction markets and event contracts.

Texas should begin with a simple principle: competent adults should generally be free to make voluntary decisions, assume risk, and live with the consequences. Government's proper role is to establish neutral rules, enforce contracts, punish fraud and coercion, and protect individual rights. It should not criminalize peaceful conduct merely because officials consider it unwise or disfavored.

Prediction markets allow participants to buy and sell contracts based on whether an event will occur. They may be used for speculation, entertainment, hedging, research, or aggregating dispersed information into a publicly visible probability. Treating every event contract as indistinguishable from traditional gambling ignores these different purposes and risks regulating a developing financial instrument according to analogy rather than substance.

Texas should define its jurisdiction clearly and respect the federal framework governing designated contract markets. State policymakers may address conduct within Texas authority, but they should avoid duplicative or conflicting requirements for markets already regulated under federal commodities law. Regulatory uncertainty benefits neither consumers nor legitimate businesses.

Where government action is warranted, it should target demonstrable harms. Appropriate rules may address fraud, market manipulation, theft, deceptive marketing, misuse of material nonpublic information, improper handling of customer funds, participation by minors, and failures to honor contracts. Platforms should clearly disclose fees, settlement terms, custody arrangements, material risks, and the source used to determine an event's outcome.

Election and public-policy contracts deserve careful treatment, but concern about political markets does not justify a blanket prohibition. Such markets communicate information about public expectations and can contribute to political discussion. Restrictions should focus narrowly on conduct such as trading by candidates, government officials, contractors, or others possessing relevant nonpublic information; attempts to manipulate an underlying event; foreign interference; or deceptive claims about what market prices represent.

The Texas Liberty Compact calls for protecting free speech and digital expression. Although financial transactions may be regulated, lawmakers should recognize that prediction markets also generate and communicate information. The government should not suppress lawful political information or online expression without identifying a concrete harm and tailoring its response accordingly.

Adults already make consequential decisions involving investments, insurance, business ventures, and other forms of risk. Prediction markets should be governed by the same basic principles of personal responsibility, honest dealing, enforceable contracts, and neutral rules.

Texas should punish wrongdoing without confusing risk with victimization or regulation with prohibition. The proper question is not whether government approves of every contract, but whether adults are participating voluntarily under clear and honest terms.

Thank you for your consideration

For Liberty, For Texas!

Jeramy D. Kitchen
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