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State Legislative Update on U.S. Sports Betting & Online Gaming – February 2021

In partnership with Truist Securities, Global Market Advisors publishes a monthly legislative update on sports betting and online gaming throughout the United States. This provides insights and commentary on several key aspects of the market and the surrounding political narrative effecting the legalization of sports betting, gaming, and other issues. A link to the full Truist Securities report can found [here](#).

The Betting Bowl

The buzz from this year's Super Bowl continues to catch fire with the legal sports betting market as it continues to expand across the country. Almost every media outlet has talked about not only the matchup between the Tampa Bay Buccaneers and the Kansas City Chiefs (or Brady vs. Mahomes), but also a story about wagering, handle, the line, and some of the major brand names across the states that are conducting legal sports betting. This has been the case for several years, but sports betting has become much more mainstream.

This year's Super Bowl did not offer the match up that everyone had expected between two premier teams featuring what many viewed as the 'GOAT' vs. the rising star "Kid." Tampa Bay's dominance in all facets of the game threw many sportsbooks off that had the line hovering around three to four points leading up to kickoff. The American Gaming Association prior to the game estimated that \$4.3 Billion would be wagered.

The numbers have been mixed as data continues to trickle in state-by-state. Nevada, which has had sports betting for decades, saw its lowest volume of Super Bowl wagers since 2016 with \$136.1 million in handle and \$12.6 million in revenue. New jurisdictions continue to see growth in the amount wagered. New Jersey saw \$117.4 million in handle resulting in \$11.3 million in revenue to the state. Illinois, which saw its first legally wagered Super Bowl, had \$45.6 million handle with \$7.7 in revenue. Pennsylvania saw a 74% increase year over year with \$53.6 million

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wagered and \$9.4 million in revenue. Other states will continue to report their numbers over the coming days and weeks.

However, the wagers may have been higher, had numerous operators not had problems with their systems before, during, or after the game. In what might end up being an epic fumble, many of the major books including DraftKings, FanDuel, BetMGM, and Barstool all reported issues. Fans expect a seamless experience, and unfortunately, they did not always receive that with some of the operators yesterday, similar to what the Chief saw as they hit the buzzsaw of the Buccaneers.

However, states continue to see increases in legal sports betting increase overall. Those states that offer competitive markets have dominated the conversation and offer a model for those that are currently working on their enabling legislation or are trying to legalize the market.

U.S. Sports Betting Comparables - Select Markets								
State	Timeframe	Handle (\$MM)	Sports Betting		Taxes Collected (\$MM)	Total Gaming Revenue (\$MM)	Sports Betting % of Total Gaming	Sports Betting Win per Adult
			Revenue (\$MM)	Hold %				
Nevada	CY 2020	\$ 4,343.8	\$ 262.8	6.1%	\$ 17.7	\$ 7,873.3	3.2%	\$112.46
Delaware	CY 2020	\$ 57.6	\$ 9.6	16.6%	\$ 5.5	\$ 302.2	3.1%	\$12.95
New Jersey	CY 2020	\$ 6,017.0	\$ 407.2	6.8%	\$ 50.0	\$ 1,512.4	21.2%	\$59.93
Mississippi	CY 2020	\$ 363.8	\$ 43.7	12.0%	\$ 5.2	\$ 1,862.5	2.3%	\$20.26
West Virginia	CY 2020	\$ 317.1	\$ 23.1	7.3%	\$ 2.3	\$ 390.9	5.6%	\$16.88
Pennsylvania	CY 2020	\$ 3,577.5	\$ 189.7	5.3%	\$ 68.3	\$ 2,037.1	8.5%	\$19.58
Rhode Island	CY 2020	\$ 221.9	\$ 24.1	10.8%	\$ 12.3	\$ 307.9	7.2%	\$29.72
Arkansas	CY 2020	\$ 32.9	\$ 4.3	13.1%	\$ 0.6	\$ 351.2	1.2%	\$1.94
Iowa	CY 2020	\$ 619.9	\$ 45.4	7.3%	\$ 3.1	\$ 1,132.5	3.9%	\$19.64
Indiana*	CY 2020	\$ 1,769.0	\$ 154.0	8.7%	\$ 13.2	\$ 1,527.4	9.2%	\$31.45
Michigan*	Since Launch (Mar'20)	\$ 130.8	\$ 18.3	14.0%	\$ 1.5	\$ 378.7	4.6%	\$2.93
Illinois	Since Launch (Mar'20)	\$ 1,390.9	\$ 38.3	2.8%	\$ 5.7	\$ 480.8	8.0%	\$4.86
Colorado	Since Launch (May'20)	\$ 918.4	\$ 70.2	7.6%	\$ 3.0	\$ 395.2	15.1%	\$24.18
New Hampshire	Since Launch (Jul'20)	\$ 255.8	\$ 18.4	7.2%	\$ 8.7	N/A	N/A	\$34.90
Washington D.C.	Since Launch (Jul'20)	\$ 61.8	\$ 10.1	16.3%	\$ 1.0	N/A	N/A	\$36.68
Tennessee	Since Launch (Nov'20)	\$ 131.4	\$ 13.2	10.1%	\$ 2.4	N/A	N/A	\$31.58
Average Without Nevada				6.7%			10.1%	\$20.16

Source: Global Market Advisors
 * excludes tribal gaming revenues

The sports calendar is beginning to stabilize as the world crawls its way out of the Great Shutdown, and online gaming both through iLottery and through commercial iGaming continues to excel. In Virginia, the most recent market to launch iLottery, the state reported strong numbers that helped overall lottery revenues increase by 37%, adding significant revenue to the state's budget. iGaming continues to push forward as well and show that it is a solid source for additional revenue to complement the existing brick-and-mortar revenue in those handful of states that have legal iGaming.



U.S. iGaming Revenues				
State	Timeframe	Revenue (\$mm)	Adult Pop. (mm)	Win Per Capita
New Jersey	CY 2020	\$ 972.3	6.8	\$143.45
Delaware	CY 2020	\$ 9.5	0.7	\$12.83
Pennsylvania	CY 2020	\$ 561.7	9.7	\$58.14
West Virginia	Since Launch (Jul'20)	\$ 9.8	1.4	\$13.84
Average Win Per Capita:				\$84.26
Source: GMA				

While these states show strong revenue growth, and as more will come now with Michigan launching its effort a couple of weeks ago, states will be harder pressed to see this expansion in a similar light as sports betting. However, legislators view mobile gaming in a much more different light than the wagering on a sporting event. Legislators still have challenges in the sports betting realm to overcome the need to protect college athletes by allowing them full coverage of a legal, regulated market, let alone being compelled also to consider having a slot-like gaming product on a mobile device.

MICHIGAN GOES ALL IN

In the middle of January, Michigan finally launched its mobile sports betting and online gaming product. In what was a more than successful launch by allowing all operators an equal starting point, wagering in Michigan has been strong out of the gate. Among those operators that launched over the last two weeks, many continue to discuss the number of participants that have registered to be a part of the legal market, as well as the growth that many have seen in a market where other incumbent operators may have had a head start with initial brand identification or significant marketing spend. While the devil will be in the details when revenue comes in for both online gaming and for sports betting, Michigan continues to serve as a model not only in its launch but in the crafting of the market that allowed for commercial and tribal entities to coexist in the state. The foresight shown by one legislator in particular that kept a never-give-up mentality found a way to get it through. While the tax rate may not be ideal on iGaming, Michigan provides an example to show other states how to proceed forward.

VIRGINIA'S SPUTTERING START

As Michigan went all in, Virginia tried the drip mentality in its launch of sports betting. Virginia is still in its infancy as a regulated market. It just released its initial emergency regulations for casinos last week. In observation of that hearing, the regulatory body still is in the learning phase and may need to take some more time studying the regulatory structure of other states. This was the same body that, after approving its sports betting regulations, asked what companies may apply for a license after more than 20 submitted public testimony. Similar comments were



made last week with the naivety of how casino gaming may work and the suitability of those that seek a license.

While Virginia did meet its goal to launch sports betting by the Super Bowl, it did so in an interesting manner by approving operators on a case-by-case basis. It started out of the gate by allowing FanDuel to launch heading into the Division Playoffs of the NFL. On the Sunday of the actual games, it approved DraftKings and BetMGM to proceed forward. Others have since followed, but first-to-market status matters, and showing favoritism to one brand over another, regardless of the brand, only contributes to problems in the market. To date, Virginia has approved six of its available licenses, leaving many that have applied – even those with professional sports organizations that do not count against the 12-license limit – waiting for approval while the lottery sits silent on the process to move forward.

WELCOME TO THE CIRCUS

The Empire State has had a three-ring circus takeover as it tries to move forward with mobile sports betting. P.T. Barnum would roll his eyes over the antics that continue to plague New York with recouping millions of dollars in potential tax revenue that is escaping to other states. Prior to last month, there was the existing battle between the Legislature that continues to put forward proposals to try to get mobile sports betting to the Governor, who previously had stated that he was against it. In some epiphany, the Governor is now at the table with his own proposal. While first mentioned prior to his State of the State address, the industry was hopeful that Governor Cuomo had maybe seen the light on allowing sports betting to occur outside of the brick-and-mortar facilities in upstate New York. However, that soon turned when he wants the lottery to control a monopoly for sports betting because, as he said it, he’s “with the people,” and the “people” are apparently better served by a monopoly instead of a competitive market.

After the two rings continued to entertain us while dollars escaped to New Jersey and Pennsylvania, the much delayed million-dollar study that was to be released by the New York State Gaming Commission in June 2020 was finally released on a Friday afternoon and then pulled back for reasons unknown. Eventually re-released a few days later, it offered a spectrum of numbers that were not only ignored by the Governor in his pitch, but also left many scratching their heads on not only the delay but also the numbers that came out of the study. The convergence of the legislature, the Governor, and now the study makes this circus that much more fascinating to watch.



ARIZONA

The state finally revealed the Governor's bill that was drafted by the Governor's Legal Counsel and reviewed by some stakeholders. This bill has its initial hearing this week in both the House in the Senate as companion bills were introduced. The bill, which allows for sports betting, fantasy sports, and keno, may only compare to the three-ring circus of New York. The bill should have taken a page from Michigan on how to balance tribal and commercial interests, even if it applies only to non-tribal areas of the state. The potential launch, the licensees, and the tax rate (which is left up to the regulatory authority) are some of the many questions that this bill poses. In addition to the tribal communities, up to ten commercial interests could have mobile sports betting between the teams, along with some unique language for horse racing tracks and Off-Track Betting facilities. What is known is that this will likely be fast tracked as part of the follow up to the renegotiation of compacts with the existing tribal entities. To summarize the bill: it must first be passed before we know what is in it or how it will actually work. Other interests are looking to introduce other language that would allow historic horse racing ("HHR") machines at racetracks that would serve as a poison pill to the existing framework.

MARYLAND

Voters in Maryland overwhelmingly expressed their desire for sports betting when they approved it on the ballot. Today, Maryland now faces the task of drafting the enabling legislation to allow sports betting to move forward. Maryland is surrounded by sports betting on every side now with Virginia going live last month. The precarious part will be how it moves forward in trying to not only craft a competitive market but also allow other small businesses, non-profits, existing operators, and others into the debate over what will likely be a host of bills. Maryland gutted the bill last year in the name of SARS-CoV-2 to get something to the voters. It may take another two years to find consensus within the legislature to move forward with sports betting.

MASSACHUSETTS

The Commonwealth has taken a thoughtful approach to sports betting having studied it in some form for several years, especially by the Massachusetts Gaming Commission. The bill that saw the most traction was introduced last summer into an Economic Development bill that was later removed because of lack of consensus. The same appears to be moving forward as multiple proposals will continue to be debated in the state on how to proceed forward with sports betting. Outside observers will note the push at the end of 2020 by MGM, FanDuel, DraftKings, and some professional leagues to try to get this across the finish line. However, this does not represent a consensus of all existing or potential future stakeholders in the market that want a more competitive marketplace. Massachusetts will still remain in neutral until lawmakers can overcome the impasse and find the best path forward.



OHIO

Ohio was another state that could not develop a cohesive path forward in 2020 between both chambers of its legislature. Many of the stakeholders that previously supported that effort are no longer in the legislature this year, and new leadership will have to find a path forward. The Senate has formed a selection committee to allow all opinions to be heard and will continue the work that started over two years ago when a similar group was formed behind the scenes. The committee, which intends to meet weekly, will attempt to bring all of the stakeholders together, but it will likely not be until Fall 2020 that something passes in Ohio.

WASHINGTON

While the state passed sports betting roughly 11 months ago, it has yet to launch its land-based, tribal offering. Some movement occurred earlier this year when the Washington State Gambling Commission started to outline the regulatory process for potential operators to move forward to approvals. As the challenges of launch still exist, the card rooms are back for another round. In a hearing last week, the card rooms decided it would be Groundhog Day in trying to launch their version of sports betting, circumventing the tribal communities in Washington. The bill will likely not see much more action than it did last week, but it is designed in an effort to try and get a ballot measure spearheaded by Maverick Gaming. This too will be a challenge to get across the finish line in 2022, but there is a lot of time left in the game before hitting that point. Like California and other states, all roads for gaming lead through the tribes.

THE MIDDLE OF AMERICA

There are several states in the Midwest that are either actively debating or just starting their debate on sports betting. Highlights of the action are listed below:

KANSAS

The efforts behind a Senate bill from last year will start this week when it holds two hearings. This is the only state currently known that believes it could also include greyhound racing and has been met with opposition from animal rights groups. The bill is well structured and could get finished before the session ends in May.

MINNESOTA

The Land of Ten Thousand Lakes recently introduced a sports betting bill that would offer the lowest tax rate in the country. The bill is not the first to be introduced in the legislature but will likely take some more time as some tribal communities are not on board with any expansion of gaming. Until all of the tribes are on the same page, sports betting will likely stall in the legislature.



MISSOURI

Another year, another debate of sports betting in the Show Me State. There was a robust and spirited hearing over the bill last week. In the middle of this debate is another debate on video gaming terminals (“VGTs”) that are desired at locations throughout the state. The existing casinos are trying to combat these additional machines in the state with sports betting hanging in the balance. It is yet to be seen if Missouri can get this done in 2021 as it may be another year.

NEBRASKA

The Cornhusker state passed gaming on the ballot under “all games of chance” and now has the task of regulating the effort. Two bills handle the existing framework to put more meat on the bones in a skeleton of framework that was approved on the ballot. This includes putting context around sports betting. Two other bills were also debated last week: one that would include full mobile wagering that would require changing the constitution in 2022, and the other classifying it as a game of skill. Nebraska has its work cut out for it on the regulatory front, but it should take a slow and steady approach as lawmakers and stakeholders inform themselves on gaming to create a robust yet strictly regulated market.

SOUTH DAKOTA

The state approved sports betting on the ballot, like Maryland, last fall. Now it has to provide some further context over the operations and regulatory structure. The first bill, SB 44, has already passed out of the committee level and is headed to the Senate Floor likely this week, which would allow sports betting at casinos within Deadwood. The Deadwood provision is in the state constitution, and anything occurring outside of this would require a change in the constitution. While full mobile wagering may be desired, South Dakota’s existing operators will take a prudent approach to the launch of sports betting by allowing mobile wagering within facilities in Deadwood, in addition to tribal locations. Other bills have been introduced but will likely only delay a prudent approach based on what voters approved in November.

WHAT’S NEXT

The next few months will probably see numerous proposals across a host of states with different approaches in each. Lawmakers have only one chance to get the regulatory structure right in a market. Some states are learning this the hard way, as they have left things up to the lottery as the entity to control sports betting (D.C. being the worst example). Other will allow a competitive and dynamic market to occur that allows consumers and operators a wide range of choice in products. This allows the greatest opportunity for tax revenue and converts players over to the legal market. The 2021 season has only just begun.



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