



Global Market Advisors

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State Legislative Update on U.S. Sports Betting

April 2020

In partnership with SunTrust Robinson Humphrey, Global Market Advisors publishes a monthly legislative update on sports betting 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 SunTrust Robinson Humphrey report can found [here](#).

The Sports World Goes Silent

Over the course of the last month, the sports world has largely gone silent around the globe. Since the coronavirus (COVID-19) outbreak began in China, it has swept its way around the world and has ended most of the sporting events that we have enjoyed. Sports has and always will be something that unites us. With the most recent announcements, including the postponement of the Masters which should be taking place later this week (moved to November), the cancelling of the British Open, and uncertainty of every professional and amateur event, it has forced sports book operators to become creative in pulling sports from across the globe to provide some level of content to eager viewers.

The numbers for February will likely be a strong benchmark that, like most gaming revenue, will not be seen for some time across most jurisdictions. Mobile gaming markets will likely make the quickest comeback once sports begin to return, as some polling has shown that social distancing will continue once things begin to return to a level of normalcy. This shows that mobile wagering is a driver not only before the Great Shutdown but post-coronavirus to allow operators and patrons to enjoy sports in their own way, whether that be at an arena or venue, at a sports book, at a neighborhood bar & grill, or at home.

Many stakeholders made a lot of noise again about how New Jersey generated the most sports betting revenue, edging Nevada by just under \$2 million in revenue. However, the numbers that will matter once the world returns to normal will be the revenues generated in 2023 or beyond.

Until New York offers a competitive mobile product, its players will continue to contribute to New Jersey sports betting revenue. While there is a statewide study in the works in New York, it has already passed the deadline of April 1st when the initial draft was due. The New York Gaming Commission had initially wanted to focus on the mobile sports betting component, but this was reportedly circumvented by the group conducting the study, which was more focused on evaluating the state's current and potential future gaming industry as a whole. While New York will likely need the revenue, there are still several hoops that the state must jump through to get a more robust sports betting offering that will likely require multiple studies to get a solid estimate on the revenue potential. New Jersey will also likely continue to benefit also from Pennsylvania, which continues to exhibit a depressed market with its high tax rate.

U.S. Sports Betting Comparable Summary									
State	Timeframe	Sports Betting Revenue			Taxes Collected (\$MM)	Total Gaming Revenue (\$MM)	Sports Betting % of Total Gaming	Adult Population (21+, MM)	Sports Betting Win per Adult
		Handle (\$MM)	(\$MM)	Hold %					
Nevada	TTM February'20	\$ 4,973.7	\$ 336.7	6.8%	\$ 22.7	\$ 12,115.6	2.7%	2.3	\$145.83
Delaware	TTM February'20	\$ 95.4	\$ 14.2	14.9%	\$ 7.5	\$ 419.2	3.3%	0.7	\$19.46
New Jersey	TTM February'20	\$ 4,912.2	\$ 338.5	6.9%	\$ 41.3	\$ 2,720.6	11.1%	6.7	\$50.03
Mississippi	TTM February'20	\$ 388.5	\$ 45.6	11.7%	\$ 5.5	\$ 2,124.8	2.1%	2.1	\$21.19
West Virginia	TTM February'20	\$ 195.6	\$ 16.7	8.5%	\$ 1.7	\$ 615.1	2.6%	1.4	\$12.20
New Mexico (1)	TTM February'20	--	--	--	--	--	--	1.5	--
Pennsylvania	TTM February'20	\$ 2,104.8	\$ 107.1	5.1%	\$ 38.6	\$ 3,905.7	2.7%	9.6	\$11.08
Rhode Island	TTM February'20	\$ 261.2	\$ 24.1	9.2%	\$ 12.3	\$ 636.5	3.7%	0.8	\$29.89
Iowa	Since Launch (Aug'19)	\$ 327.2	\$ 23.2	7.1%	\$ 1.6	\$ 859.9	2.6%	2.3	\$17.33
Indiana (2)	Since Launch (Sept'19)	\$ 794.0	\$ 65.3	8.2%	\$ 6.2	\$ 1,074.6	5.7%	4.9	\$26.89
Average Without Nevada				7.0%			5.1%		\$25.01

Source: Global Market Advisors
 (1) New Mexico is tribal only, no publicly available statistics
 (2) Indiana revenues are exclusive of tribal gaming; Sports betting revenue is estimated based on reported wagering taxes as no GGR figure is reported at this time

If You Build it, They will Come (Later)

Just as the United States was beginning the Great Shutdown, Michigan and Illinois were launching their sports books. In **Michigan**, Greektown Casino and MGM Grand Detroit were the first two casinos in the state to launch sports betting when on March 11th. While we do not know the amount of wagers that were placed in the limited time that they were open, we will see a more robust market in Michigan as operations reemerge down the road. There was a slight push to try and pass an online gaming motion, which is currently slated for early 2021 to start moving forward under emergency regulations, but this was rejected by the Governor.

Mobile sports wagering, while still in development, is currently on the same trajectory per the Michigan Gaming Control Board. Michigan would be wise to use this time to put forward a plan to launch mobile wagering hopefully at the same time that the majority of sports return. Other states have followed a similar path, including Iowa and Indiana, which were able to launch mobile wagering in a shorter amount of time. In a state that will likely need additionally revenue, it would make sense for emergency regulations be implemented if necessary, in order to kick start mobile sports wagering in Michigan.



Illinois launched a day earlier and also faced the same shutdown shortly thereafter, with the Gaming Control Board issuing an order to suspend operation on March 16th. Other casinos have been approved for temporary operating permits that will likely be ready for the relaunch once operations begin to reemerge. Illinois' Gaming Control Board continues to face internal challenges as it restructures, as well as having its continual operating challenges. The biggest potential news in the interim is FanDuel's interest in one of the horse racing facilities in the state to get around the 18-month "penalty box" provision that was set up in the original bill. Overall, Illinois is continuing down the regulatory path. Last week, phase two of the regulations were approved. These will likely be finalized in April or May, depending on when the next meeting occurs as the public commentary period remains open.

One other state that launched their efforts for sports betting is **Montana**. The launch has been plagued with problems not including those related to the COVID-19 pandemic. The sports betting offering in Montana is run by the lottery and its provider, Intralot. While transaction activity is minimal, like most lottery activity, this is partially due to the lack of sporting events, as well as the number of active terminals and locations being limited, with only 130 locations initially established in the state. They do not seem concerned about this, but it almost looks more like a trial period that was needed for the lottery and Intralot.

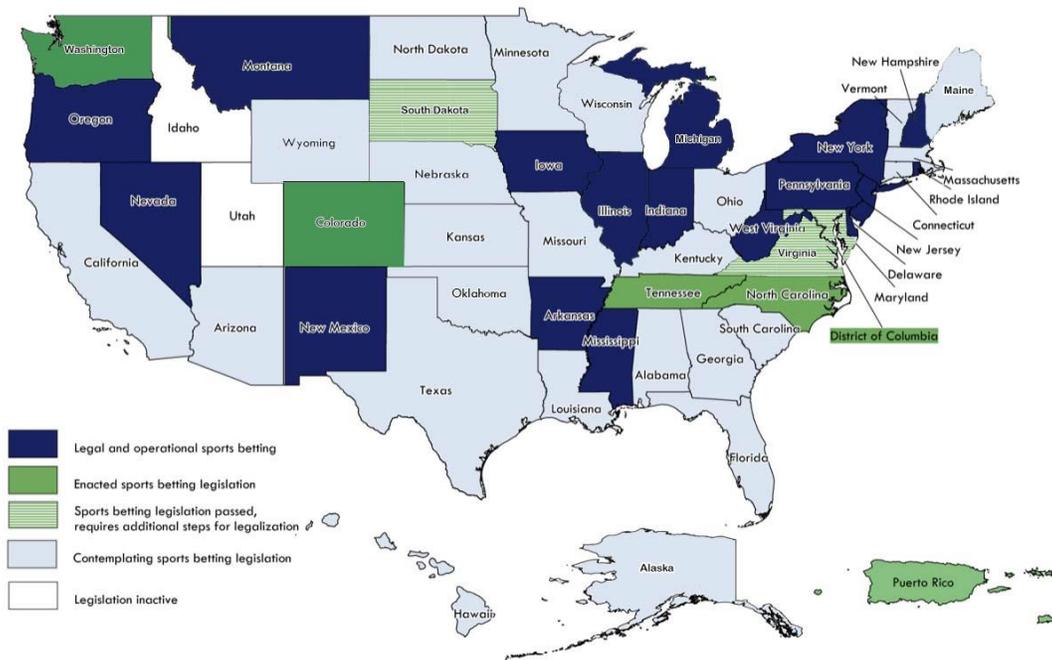
One other jurisdiction that was scheduled to launch in March was the **District of Columbia**, is also run by the lottery and its vendor, Intralot. In what has been over a year in the making, the D.C. Lottery postponed the launch last week on March 31st because of the lack of sporting events. While the lottery and Intralot say that both the land-based and mobile products are ready to go, it is yet to be seen if the nation's capital would be ready to go as a jurisdiction that has taken the longest to get started, with a process that has been mired in controversy. GMA believes this market, because of its structure, will continue to have challenges and not serve as model to follow as other jurisdictions look to legalize sports betting.

Who's Got Next

While the sports world began to fall silent, so did state legislatures as they were either ending their sessions or taking a pause during the Great Shutdown. Before the current pause, there were four states that moved forward with some level of sports betting legislation. These included Washington, Virginia, Maryland, and South Dakota.



Sports Betting Legislative Efforts in the United States



Source: Global Market Advisors

Washington became the first state to legalize sports betting in 2020 when the Governor signed into law a tribal-only bill that will be designed for their brick-and-mortar facilities. This bill, which was two years in the making, still faces some challenges ahead, including the establishment of a regulatory structure still needs to be set. While this will likely be a straightforward process, there are still a few challenges that need to be overcome. First, the tribal organizations and the Gaming Commission need to be on the same page moving forward. This appears to be the case, but as with everything, the devil is in the details. Second, it will also require amendments to compacts as well as approval from the Department of Interior. As sports are slated to reemerge in the fall, so should sports betting in Washington. With a little luck, the approvals will go accordingly, but the hurdles may delay the process as other priorities come into play. The more emergent challenge will be the legal fight that will likely occur from the card rooms that were not included in the tribal-only bill. The courts will have the final say in any sort of challenge, but the tribal organizations continue to have public opinion on their side. Additionally, if the card rooms (and specifically Maverick) run their legal challenge and potential ballot initiative in the same manner as they did their legislative effort, this may be another Don Quixote moment for the card rooms.

Virginia was another state that closed out its session before the pandemic set in, and Governor Ralph Northam now has until the end of this week to sign not only a sports betting bill, but also



casinos and other gaming related topics. Most people believe that he will sign the legislation for sports betting as well as everything else that then begins the regulatory process through the state lottery. While the brick-and-mortar portion of this process will have to wait until casinos go to the ballot in November, it is conceivable that sports betting can take place in the Commonwealth as it joins D.C. in offering sports betting to the Mid-Atlantic Region.

Maryland and **South Dakota** also passed sports betting legislation but, as is normal practice in these two states, they are taking it to the voters this November. While it is yet to be seen how both will play and how the campaigns will be run to advocate for their passage, voters in both states will have their say and then take it back to their respective legislatures in 2021. The biggest advice that GMA can offer to interested parties in these two states is to learn from the mistakes of Colorado and not repeat the mistakes of the past. Outsiders believe that this should be a slam dunk, just because the parties that put forward the bill believe in it. Take nothing from granted, educate the voters on the benefits, and run an effective campaign. Had Colorado's initiative been met with any viable opposition, it would not have legal sports betting today and would not have been slated to launch this coming May.

Looking into the Crystal Ball

While most legislatures have taken a pause because of statewide quarantines or to engage in social distancing within the legislative body, states will be faced with the need for additional tax revenue as sources have been depleted. A recent study by the Tax Foundation highlights some of the challenges that exist in states across the country and the fund balances in their rainy-day funds as a percentage of general fund expenditures. Those states with low percentages are likely going to be making severe cuts or looking for additional revenue streams. Sports betting and online gaming can be two of those streams that legislatures may start to explore.



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