



Global Market Advisors

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State Legislative Update on U.S. Sports Betting

March 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](#).

March Madness Is Upon Us

In the coming weeks in the sports betting world, the focus will be on college basketball with the conference tournaments and NCAA Tournament that are upon us. However, there is an incredible amount of activity in state legislatures as they either launch their efforts prior to the tip-off or try to get legislation passed before the final buzzer. A host of states have legislative sessions that are ending in March, while others are just reaching the second half of their session. Many of these efforts may result in a buzzer beater as stakeholders move towards compromises while other states may miss and have to wait for the next legislative session to start their discussion.

As we look at the current state of play in sports betting across the country, mobile wagering continues to be a dominant factor and a revenue driver for states. Nevada for the first time has started to report the percentage of mobile wagers, showing that nearly fifty percent of sports wagers in the state were placed through a mobile device. Pennsylvania saw the highest share of mobile wagering, as nearly 90 percent of their revenue came from mobile devices. Revenue continues to grow across the country as these markets mature with mobile options allowing for further growth opportunities.

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U.S. Sports Betting Comparable Summary

State	Timeframe	Handle (\$MM)	Sports Betting Revenue (\$MM)	Hold %	Taxes Collected (\$MM)	Total Gaming Revenue (\$MM)	Sports Betting % of Total Gaming	Adult Population (21+, MM)	Sports Betting Win per Adult
Nevada	TTM January'20	\$ 5,326.0	\$ 334.5	6.3%	\$ 22.6	\$ 12,085.4	2.7%	2.3	\$145.78
Delaware	TTM January'20	\$ 96.9	\$ 14.1	14.5%	\$ 7.4	\$ 414.8	3.3%	0.7	\$19.26
New Jersey	TTM January'20	\$ 4,737.7	\$ 330.9	7.0%	\$ 40.7	\$ 2,699.0	10.9%	6.7	\$49.07
Mississippi	TTM January'20	\$ 379.2	\$ 46.3	12.2%	\$ 5.6	\$ 2,124.3	2.1%	2.1	\$21.55
West Virginia	TTM January'20	\$ 196.4	\$ 16.8	8.5%	\$ 1.7	\$ 603.2	2.7%	1.4	\$12.28
New Mexico (1)	TTM January'20	--	--	--	--	--	--	1.5	--
Pennsylvania	TTM January'20	\$ 1,806.5	\$ 104.3	5.8%	\$ 37.6	\$ 3,834.8	2.6%	9.6	\$10.82
Rhode Island	TTM January'20	\$ 254.7	\$ 20.9	8.2%	\$ 10.7	\$ 636.7	3.2%	0.8	\$25.99
Iowa	Since Launch (Aug'19)	\$ 270.2	\$ 22.5	8.3%	\$ 1.5	\$ 731.0	3.0%	2.3	\$19.41
Indiana (2)	Since Launch (Sept'19)	\$ 606.8	\$ 54.2	8.9%	\$ 5.2	\$ 887.8	5.8%	4.9	\$26.56
Average Without Nevada				7.3%			5.1%		\$24.73

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

A March Tip-Off

A host of states are hoping to take advantage of one of the high volume of sports wagers that typically comes around this time in the U.S. Market. Both Michigan and Montana appear to be in prime position to launch their sports betting operations this month. **Montana's** Lottery Commission has approved the types of sports betting that will be allowed. Betting terminals should be installed as early as next week throughout the state through locations that sell lottery products and possess an alcohol license. Montana was one of the states that was originally grandfathered into sports betting pre-PASPA with a limited form of sports wagering. **Michigan** also looks to launch this month to allow wagering on sports. This is the most recent state to legalize sports betting and will also be one of the quickest to launch the initiative. The champion of Michigan's sports betting bill, Representative Brandt Iden, may be one of the first people to place a bet in Detroit before the first tipoff. However, despite Representative Iden's push for mobile wagering, Michigan is not yet moving forward with the mobile opportunity.

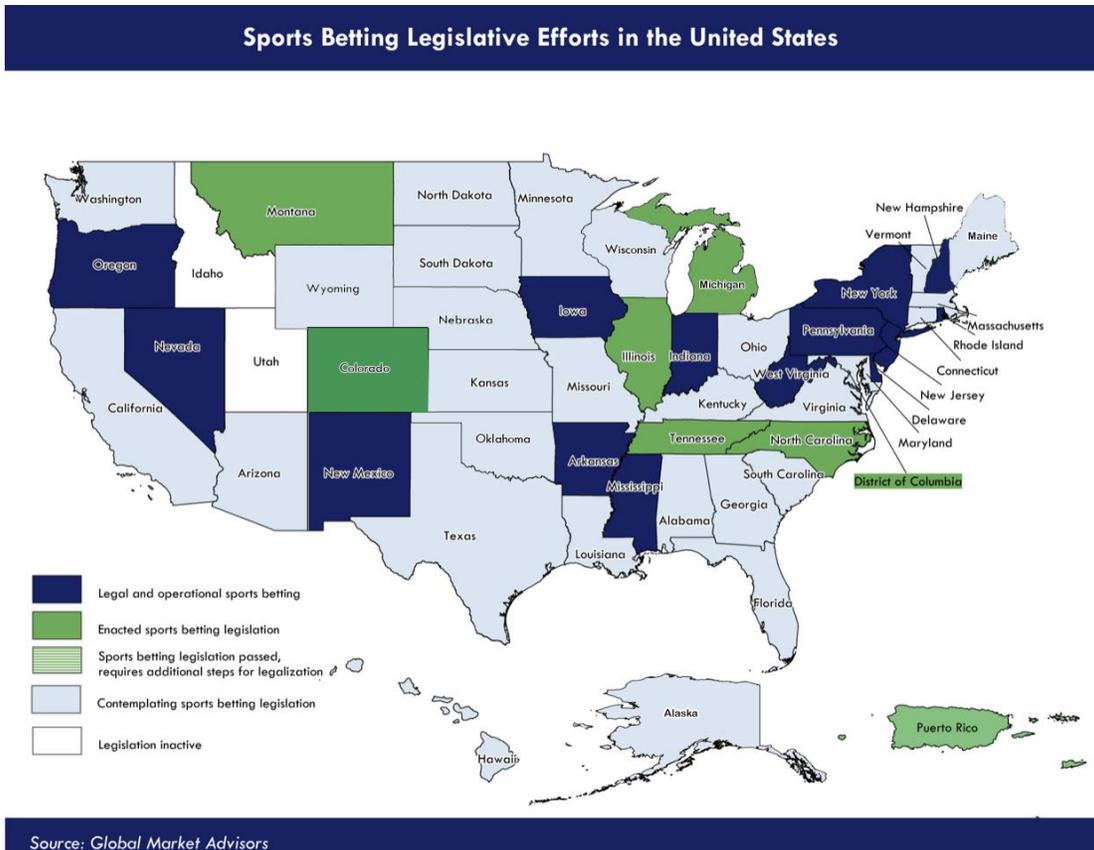
One state that will likely miss the tournament will be **North Carolina**. While sports betting was approved by the legislature a year for tribal-only sports betting, the locations are still trying to get all of their systems in place and launch at a later date.

The growing importance of Responsible Gaming

March is National Problem Gambling Month. In some states, there previously had not been a dedicated funding source other than through private donations. Now, the expansion of sports betting across the country has brought forward several pieces of legislation that have added money into a series of state-level problem gambling funds. However, sports betting has not been the only impetus to add responsible gaming language to state statues across the country, as other expansions of gaming have had it included. Most of these bills and eventual pieces of legislation



are looking for one to two percent of revenues to be dedicated to a special fund that would go toward education, treatment, and research in support of responsible gaming efforts. Led by the charge of the National Council on Problem Gambling and responsible operators, these funds will hopefully allow for further development of evidence-based research and outcomes to set further policy and provide resources to the very small percentage of people that may develop a problem with gambling. Look for more legislation of this kind in the near future as states, regulators, associations, and operators emphasize this area of the gaming sector.



Legislative Full Court Press

Both Virginia and Washington have short 60-day sessions. However, both states have had a strong focus on sports betting. **Virginia**, before the end of the week when their session ends, looks to pass a sports betting package along with the expansion of casinos and historical horseracing machines, as well as look at banning the illegal gray market that features what some claim to be “games of skill.” Both houses of the General Assembly have passed different versions of how sports betting would be rolled out in the Commonwealth. There continues to be confusion on what sort of compromise will be developed before the end of the week. GMA believes that Virginia will move forward with legalization before the end of this session.



Washington State has made tremendous progress in its session to move forward with sports betting. The body has debated two versions of sports betting, one that would provide exclusivity to tribal organizations and another that would allow card rooms to conduct sports betting along with the tribes. The tribal-only bill is the only one that has received traction this session, and the tribes have done an excellent job building a coalition within their own group and communicating effective messages to the Legislature. The efforts of the card rooms have been contentious at times with the legislature and have offered a mixed message. The tribal bill will likely pass the Senate this week and head to Governor Inslee's desk for signature. While the regulations still need to be written, sports betting will likely be live in Washington State by this fall.

South Dakota also became a player this week when the legislature decided to place on the ballot the ability for the voters to approve sports betting. This is the second attempt to put this on the 2020 ballot after it was defeated last year. As previously highlighted, GMA is a strong proponent of allowing the voters to decide on an expansion of gaming if that has been the traditional way for gaming to be approved or if it is so mandated as part of any constitutional or statutory requirement.

The Midwest Bracket

Two states that are starting to get some action are Kansas and Missouri, which over the course of time have had some interesting college basketball matchups. **Kansas** last week passed through the Senate a bill to legalize sports betting. Kansas, in its third year of debating this issue, will take the issue over the House next week, which promises to present its own version of how sports betting should be legalized in the Sunflower State. Time will tell on whether or not the House or Senate version of the bill will survive and get through the legislature this year. Any bill will likely need to include the lottery as the regulator, as this is how casino gaming was authorized in Kansas back in 2007.

Across the river in **Missouri**, a similar debate is raging in almost similar circumstances but with more bill versions as both houses look at multiple pieces of legislation. Missouri, which is also in its third straight session of debating sports betting, has until May to pass a bill through the legislature. Some of the main differences between the bills include the tax rate and the use of official league data, viewed by many as the failed attempt of the professional leagues to create a backdoor to achieving a form of an integrity fee. Major League Baseball and other leagues continue to fight for a share of the market, and they may move to testify in what may be one of the most upfront exchanges seen in a legislative hearing as the MLB asks for a percentage in exchange for further investment in exchange for further investment by the league into the Royals and Cardinals organizations. GMA firmly believes that legislatures should not mandate contracts



between two private entities, and that this is best left to the parties themselves to determine their optimal solution within a market.

On the Bubble

Earlier this week, Minnesota and Connecticut introduced sports betting bills for the first time in this year. **Minnesota** Senator Chamberlain introduced SF 1894 last year, but it saw its first hearing in the State Government Finance and Policy and Elections Committee on Tuesday, March 3. The bill would create Minnesota's fifth government entity to oversee gaming and allow licenses to tribes and racetracks, as well as an option to pursue mobile wagering if so desired. The proposed tax rate is 6.75 percent, with a portion of the funds going into a problem gambling fund. While the hearing provided context on both sides of the argument, GMA does not believe this bill will get the traction it needs this session to pass the legislature as the Minnesota tribal organizations maintain their 'no expansion of gaming' policy.

Connecticut has a series of bills that were also heard on Tuesday, March 3. This is the third year that Connecticut has evaluated sports betting, and it has spent multiple years debating gaming without any solution on casino gaming, sports betting, or other forms of gaming. Connecticut is a state that is getting squeezed on multiple fronts from competition throughout the northeast market. However, nothing has come out of the legislative process as a solution to the state's continued gaming debate. GMA does not believe that consensus can be reached in this session as the debate will rage on for some time. At best, this market can be described as Groundhog Day, with unrelenting infighting amongst all of the interested parties. It will take some time before the dust settles and a solution is achieved for Connecticut.

Massachusetts also finally entered the bracket as a potential bubble team when it snuck its legislation in before the deadline in February. The bill, which was put forward by a Joint Committee of the House and Senate, has been met with opposition from some of the committee members, include Senator Lesser. Lesser continues to be viewed as one of the main members that will likely have to approve any legislation that would be passed. The bill includes both retail and mobile sports betting, and it addresses legal sports betting and daily fantasy sports ("DFS") in a host of different scenarios based on the land-based model that is regulated by the Massachusetts Gaming Commission. One of the most interesting components to the mobile piece is that it also requires a DFS component, which seems to be written specifically for the hometown player in DraftKings, a company that had advocated for a competitive market in every other jurisdiction. It remains to be seen whether the bill will garner the votes to get sports betting legalized in the Bay State. There is a deep desire to get sports betting passed, but the bill obviously has its internal and external challenges to getting passed. GMA still believes that this will det done before the end of the year.



March proves to be madness in legislatures across the country, both as things wrap up in a few states and as the process starts to move in several other jurisdictions across the country. GMA believes that there will be at least two states – Washington and Virginia – that will jump into the legalization pool, but there may be others that make a surprise appearance in this legislative bracket before the end of the month. Others will start to see their one shining moment as they launch their operation to take part in the madness of March. Game on.



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