



Global Market Advisors

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State Legislative Update on U.S. Sports Betting

May 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 Silence Is Deafening

When the Wind Creek Bethlehem (formerly Sands) facilities initially received a gaming licensing in 2006, the licensing team produced a video that talked about the effect that Bethlehem Steel had on the town. This was the steel plant that helped build the New York Skyline and supported our military might through World War II. The eventual shutdown of the blast furnaces at the plant was the stoppage of the American icon that used to run 24/7/365. Those that still live in Bethlehem today have said that the blast furnaces created a deafening noise when they fell silent. Some may say that we are hearing the same noise today as the sports world has fallen silent.

With the Great Shutdown upon America and most of the world, operators and sports fans have had to look to other sports than the traditional major league and amateur sports that Americans where used to watching. Snooker, bandy, darts, and other games are now commonly found on sports betting apps along with a greater understanding of sports like Taiwanese baseball, Russian ping pong, and Belarusian soccer that have all seen their day in the sun as regulators work with operators to provide content for sports books. While ESPN may be televising cherry pit spiting or rock skipping, those sports have yet to make the cut as operators and regulators have not determined whether or not these are valid events that could have a wager conducted.

Esports and offshoots thereof are also being developed as these events allow for further wagering. Overwatch, League of Legends, and others similar games have provided further wagering options to sports bettors. This has also caused other sports leagues to get in on the

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action. Most notably is the iRacing Series that NASCAR has adopted to allow their drivers to compete and race through an online, simulated version of a racetrack. This has been done both as a wagering activity as well as through a free to play (“F2P”) game. These and others contests continue to grow as regulators in states across the country add to the number of events they will approve for wagering.

The revenue growth that has been experienced in states across the country will begin to tail off as there have only been a limited number of major sports on which to wager, with the exception of the NFL Draft that occurred a couple of weeks ago. Below is the revenue generated through March 2020 that would have been significantly higher had March Madness taken place.

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 March'20	\$ 4,514.8	\$ 305.6	6.8%	\$ 20.6	\$ 11,710.9	2.5%	2.3	\$132.22
Delaware	TTM March'20	\$ 88.8	\$ 13.0	14.7%	\$ 7.3	\$ 400.4	3.1%	0.7	\$17.77
New Jersey	TTM March'20	\$ 4,721.6	\$ 320.0	6.8%	\$ 39.4	\$ 2,585.0	11.0%	6.8	\$47.28
Mississippi	TTM March'20	\$ 366.8	\$ 41.4	11.3%	\$ 5.0	\$ 2,029.0	2.0%	2.1	\$19.21
West Virginia	TTM March'20	\$ 182.4	\$ 14.4	7.9%	\$ 1.4	\$ 571.9	2.5%	1.4	\$10.51
New Mexico (1)	TTM March'20	--	--	--	--	--	--	1.5	--
Pennsylvania	TTM March'20	\$ 2,191.6	\$ 108.5	5.0%	\$ 39.0	\$ 3,686.4	2.9%	9.6	\$11.22
Rhode Island	TTM March'20	\$ 246.5	\$ 23.4	9.5%	\$ 12.0	\$ 593.8	3.8%	0.8	\$29.01
Iowa	Since Launch (Aug'19)	\$ 346.7	\$ 24.4	7.0%	\$ 1.7	\$ 924.6	2.6%	2.3	\$15.88
Indiana (2)	Since Launch (Sept'19)	\$ 868.8	\$ 70.8	8.2%	\$ 6.7	\$ 1,162.4	5.7%	4.9	\$24.91
Average Without Nevada				6.8%			5.2%		\$23.66

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

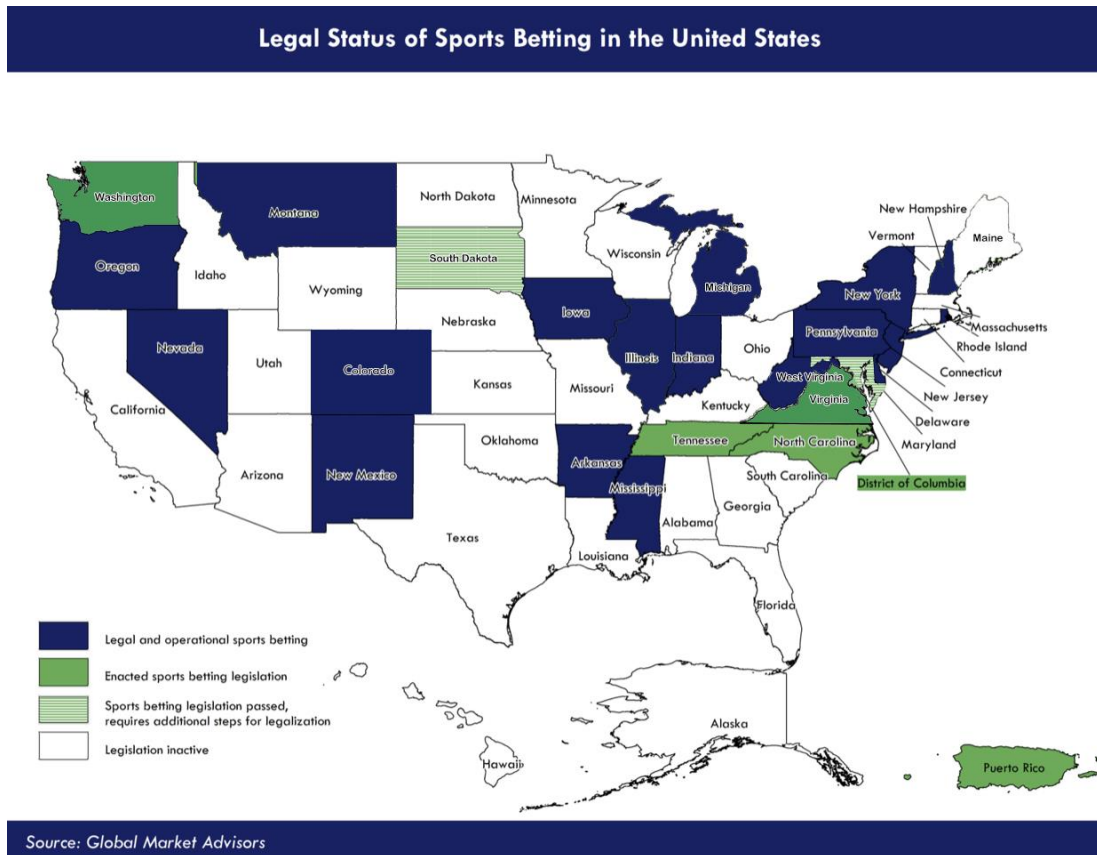
ROCKY MOUNTAIN HIGH

While the District of Columbia is still silent, Colorado has launched its sports betting as of May 1st. This is now the 18th state to offer legalized sports betting in the United States. Colorado initially approved sports betting last fall when the issue was taken to the ballot, the traditional method by which gaming has been approved in Colorado. Some may recall that the vote in Colorado was extremely close even though there was no viable opposition to the referendum. GMA would be remiss not to cover two considerations when looking at ballot initiatives. First is that nothing should ever be taken for granted and an effective education campaign should always be run, which did not occur in Colorado. Second is that if this is the traditional way to approve gaming, then legislators should take the same path and not short-circuit the system.

While the market has yet to generate significant volume due to the limited availability of sports in the world, the market did kick off with a heavy focus on sporting events in Asia and Europe that are either just starting up or have continued through the Great Shutdown. The types of wagers that are available in Colorado is extensive with [49 different categories](#).



The initial market entrants included some of the usual suspects of DraftKings, FanDuel, MGM Resorts through BetMGM, and Rush Street through BetRivers. In total, there are 33 commercial operators that hold master sports betting licenses, so look for other major players including PointsBet, Wynn Resorts, William Hill, FoxBet, and theScore to jump into the market soon.



SPORTS BETTING IS FOR LOVERS

Virginia is the latest state to allow for sports betting in the United States. On April 11th, Virginia Governor Ralph Northam sent back to the Virginia General Assembly a series of amendments to the sports betting legislation (HB896 and SB384) that they had approved nearly a month earlier. In one of the more interesting sessions of a legislative body, the General Assembly held a veto session to take up this issue, along with two other gaming initiatives and a host of other bills that were vetoed with amendments by the Governor. During an appropriately socially-distant session including an outdoor venue on the grounds of the Capital, the General Assembly affirmed the amendments to allow sports betting within the Commonwealth. The amendments mostly dealt with licensure and the continued scapegoating of wagering on college sports. Virginia’s legislation also has one of the more aggressive dedicated resources to responsible gaming through a 2.5% portion of the tax, as well as requirements for player exclusion.



With the passage of the legislation that goes into effect on July 1st, 2020, the Lottery Board is now in the driver's seat as to the next steps in what may likely be a fast process to launch. Earlier this week, the Virginia Lottery produced a rough timeline for which the regulatory process will begin and eventually promulgate the rules. The Lottery Board in mid-July will kick off the process and have about two months to finish the regulations that have to be implemented by September 15th, 2020. This provides for only a 60-day window for public comment on the regulations and their implementation. The Lottery also has 90 days to issue a sports betting permit after receipt of a completed application.

The number of licenses remains one of the main questions, as the legislation states that there can be as few as four but not more than 12. However, there is some ambiguity between the sports betting legislation and the casino legislation that calls for up to five licenses. It is somewhat gray as to whether or not those casino licenses, five in total, are part of the 12 that could be the maximum amount for sports betting. Additionally, there are four major league team/venue licensees that are not counted in the allotment.

The General Assembly may additionally come into a special session in August that might clean up the language further. However, it may throw off the timeline as well, should the legislature tinker with the legislation in the wrong way. Legislatures should always use sound policy as a resource in making decision. Virginia did not get there initially after a year's worth of study on the issue. The refinement may continue forward if they make adjustments during a special session, or the process could take a turn, as was witnessed when the General Assembly legalized illegal, "skill-based" machines to potentially cover a hole in the budget caused by the coronavirus.

SOCIAL DISTANCING THROUGH ONLINE

The one roar that has been gaining attention throughout the entire Great Shutdown has been the desire to move to online gaming and the greater use of mobile wagering. This includes looking at not only iGaming but also iLottery for those states where the lottery took the initial steps to move online. From the most recent data from March, there is a distinct revenue increase in those states that offer iGaming.

The most prominent is New Jersey, where trailing 12-month revenue through March increased almost 65 percent year-over-year. While there continues to be a steady climb in revenue, mobile gaming is growing its share of the market significantly with its Atlantic City based licensed holders.



New Jersey Online Gaming Revenues									
	2014	2015	2016	2017	2018	2019	TTM Mar'20	TTM Mar'19	% Change
Borgata	\$ 44,292,871	\$ 45,667,287	\$ 47,015,036	\$ 48,538,044	\$ 54,094,337	\$ 77,761,140	\$ 93,803,476	\$ 56,257,187	66.7%
Caesars	\$ 32,807,400	\$ 32,638,153	\$ 38,699,334	\$ 43,001,527	\$ 45,559,070	\$ 55,333,021	\$ 56,747,021	\$ 48,593,900	16.8%
Golden Nugget	\$ 10,835,440	\$ 30,968,182	\$ 42,249,831	\$ 68,568,498	\$ 104,790,589	\$ 177,019,811	\$ 204,195,443	\$ 118,059,011	73.0%
Tropicana Resorts	\$ 22,574,300	\$ 32,822,727	\$ 36,983,292	\$ 42,550,421	\$ 41,063,784	\$ 44,797,619	\$ 47,482,104	\$ 41,427,616	14.6%
Trump Plaza	\$ 7,216,885	\$ 6,783,831	\$ 31,761,839	\$ 42,947,491	\$ 45,307,723	\$ 100,130,206	\$ 116,443,296	\$ 54,986,019	111.8%
Taj Mahal	\$ 5,149,906								
Hard Rock					\$ 5,119,989	\$ 22,533,132	\$ 26,216,782	\$ 10,042,718	161.1%
Ocean Resort					\$ 2,765,410	\$ 5,120,380	\$ 5,225,951	\$ 4,277,275	22.2%
TOTAL	\$ 122,876,802	\$ 148,880,180	\$ 196,709,332	\$ 245,605,981	\$ 298,700,902	\$ 482,695,309	\$ 550,114,073	\$ 333,643,726	64.9%

Source: NJDGE, GMA

Pennsylvania, which is still in its infancy in the eye of the gaming world, saw an online revenue increase of nearly 25 percent. Pennsylvania is one state that has a challenging iGaming market due to onerous taxes and licensing fees and competition with a pre-existing iLottery product, offering two online products within the market.

Pennsylvania Interactive Gaming Revenues									
	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Penn National	\$ 129,386	\$ 684,452	\$ 1,797,019	\$ 1,800,648	\$ 1,867,657	\$ 1,692,797	\$ 2,405,023	\$ 2,315,459	\$ 2,618,503
Parx	\$ 260,125	\$ 1,095,761	\$ 1,269,656	\$ 610,187	\$ 1,495,846	\$ 1,523,041	\$ 1,644,854	\$ 2,352,492	\$ 2,728,128
Rivers Philadelphia	\$ 422,796	\$ 1,648,427	\$ 1,068,683	\$ 2,532,099	\$ 3,171,762	\$ 2,970,222	\$ 3,549,970	\$ 4,755,592	\$ 6,757,345
Mount Airy	\$ -	\$ -	\$ -	\$ -	\$ 2,989,131	\$ 4,032,194	\$ 3,480,095	\$ 3,223,460	\$ 5,963,713
Mohegan	\$ -	\$ -	\$ -	\$ -	\$ 131,416	\$ 406,445	\$ 786,447	\$ 723,229	\$ 803,000
Presque Isle	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,898	\$ 67,575	\$ 425,878
Valley Forge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,081,252	\$ 6,053,007	\$ 4,969,252
TOTAL	\$ 812,306	\$ 3,428,640	\$ 4,135,358	\$ 4,942,934	\$ 9,655,811	\$ 10,624,699	\$ 13,957,539	\$ 19,490,815	\$ 24,265,820

Source: PGBC, GMA

The maps below highlight the current markets in the United States that have both iGaming and iLottery.

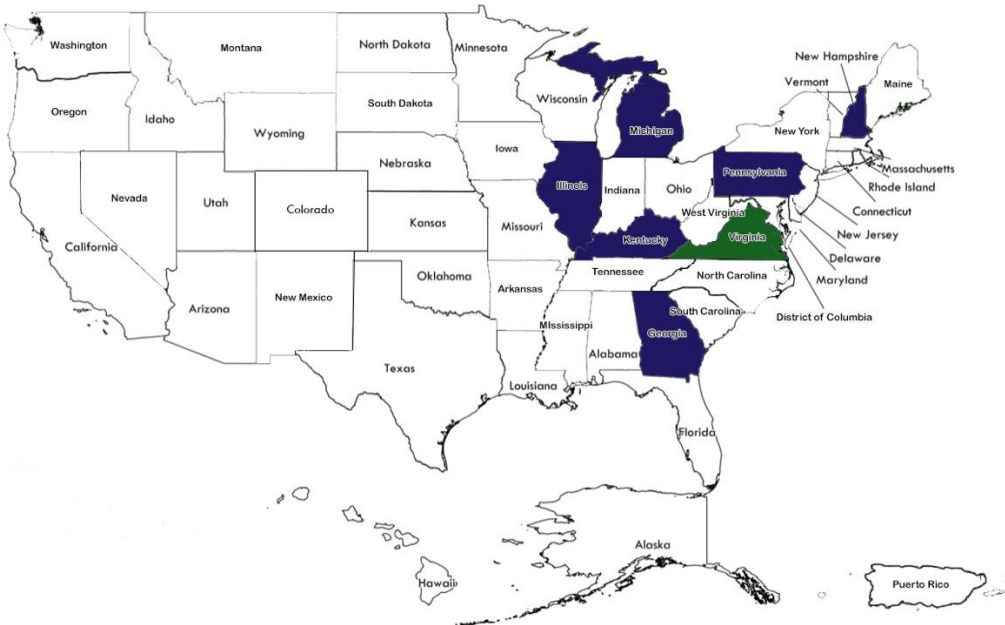


iGaming Jurisdictions in the United States



Source: Global Market Advisors

iLottery Jurisdictions in the United States



Source: Global Market Advisors



Michigan will be the next state to go online. As it was passed initially in December 2019, the iGaming market was part of a larger gaming package that also legalized sports betting. Michigan already has an online gaming product through the lottery. As previously discussed, sports betting went live in Michigan right before the start of the shutdown. Michigan's rulemaking process is currently in the works and it tries to fast-track the process to allow operators to fill the revenue gap from the closed brick-and-mortar facilities. Look for this market to continue to emerge as it finalizes the regulations.

Michigan would not be on the radar today, as many states that have discussed iGaming had it not been for the tenaciousness of Representative Brandt Iden. In the face of a veto from the previous Governor, Iden continued his push to allow sports betting and iGaming in Michigan. He was able to negotiate terms with the current Governor, Gretchen Whitmer, this past December. While hurdles remain in the regulatory structure, Michigan iGaming could be live by the end of this year.

Look for other states such as West Virginia to move forward with iGaming in the near future. GMA believes that there could be at least a half-dozen states that begin to take serious looks at this effort. Some operators in the Nevada market could make a push to up the ante in the state with iGaming. While political challenges remain significant, operators that had previously been opposed to iGaming out of fear that it would affect brick-and-mortar operations may be up for some level of online play considering there has been zero land-based revenue over the last 50+ days. The 800-pound gorilla in the room continues to remain in the Coalition to Stop Internet Gaming and how they may try to silence any initiative to legalize online gaming.

NEW YORK STATE OF MIND

Industry operators and stakeholders continue to wait on New York, a state that currently has legal sports betting at brick-and-mortar facilities, to release a draft of a statewide study that was scheduled to be available to the state by April 1st. The study – which is being completed by the same group that was hired by the NBA and MLB to produce a study saying that integrity fees were a positive – was scheduled for a May 1st release for the second draft, with a final draft available by June 1st. Let it be noted that this same group stated to a leading industry expert that they did not support the results of the study, suggesting they did not stand by the work. The New York State Gaming Commission remains publicly silent on the issue with no timetable in place for an update.

Meanwhile, legislators are clamoring for mobile sports wagering to be allowed to boost revenue to the state. While it continues to be debated as to the best path forward, GMA believes that this potential expansion of gaming should be put to the voters, as has been done with gaming initiatives in the past including the moratorium that exists until 2023 for downstate casino



locations. While some believe that gaming expansion can be done through the legislative process, this may open up to litigation and further delays. Putting it on the ballot brings solid clarity to the situation.

GEAUX TIGERS

Louisiana began its effort to potential add sports betting with a hearing of three bills this week in the Judiciary Committee. SB 130, SB 378, and SB 332 all deal with the ability to put the referendum on the ballot in 2020 and provide context to the potential sports betting market. One of the key sticking points that the language hopes to resolve is the taxes on promotional play, which is currently set at 23 percent. Neighboring states have lower rates, which would put Louisiana at a disadvantage. Promotional play and taxation are also issues in other states as sports betting does not always see the same treatment as slot machine play. This is an important consideration for operators in a competitive market to make these changes in the legislative and regulatory structure.

WHAT'S NEXT?

As states look to fill budget gaps, sports betting and online gaming will likely creep into the conversations. GMA continues to monitor legislative efforts across the country and believes that most states that do not have permanent legislative bodies will likely have to go back into special sessions or resume their suspended session to discuss budget shortfalls. This includes both cuts and new revenue opportunities. It is imperative that legislators look to sound policy and not just a quick fix to cover a budget gap. States have made mistakes by not understanding the fiscal realities of sports betting in order to fill a budget gap. Pennsylvania was the first to do this in 2017, creating one of the highest tax rates in the country. There will be some states that move still this year but will likely lean on the states that have more permanent legislatures. It will all depend on where priorities lie for additional revenue, balanced with how states need to respond to the current health and safety conditions related to COVID-19.



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