



Global Market Advisors

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State Legislative Outlook 2021

January 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](#).

As 2020 comes to a close and 2021 begins, there is hope for new beginnings. While this happens among many as new year's resolutions and new starts happen in any year, this is the case now more than ever as the world continues to grapple with the Great Shutdown and SARS-CoV-2. A little over a year ago, the world began the journey that none have experienced in over 100 years since the last pandemic. No one could have predicted that the year would have gone the way that it did, with brick-and-mortar gaming being brought to a complete halt, in some cases more than once. The world also came to realize that online gaming and mobile sports betting can be a strong source of revenue to supplement, not supplant, existing gaming revenue. While the world hopes for a quick turn of the calendar as turning over a new leaf, it will take some time before the world returns to normal and excels beyond, having learned from the past year's experiences.

One thing that can be noted at the close of 2020 is that revenues for sports betting and online gaming continue to grow. Numerous states have launched their product in the middle of the pandemic, including Colorado, the District of Columbia, Tennessee, and others. Others continued to modify their setup, with Illinois in flux as it hands down executive orders to allow in-person registration without enacting strong, permanent regulations. While many states are still trying to move forward as they launch their market, revenue will continue to increase, with many markets now reaching a stabilized year for growth with a favorable sports calendar that included almost every major sport this past fall. This includes modified schedules in football, baseball, basketball, hockey, golf, and others.

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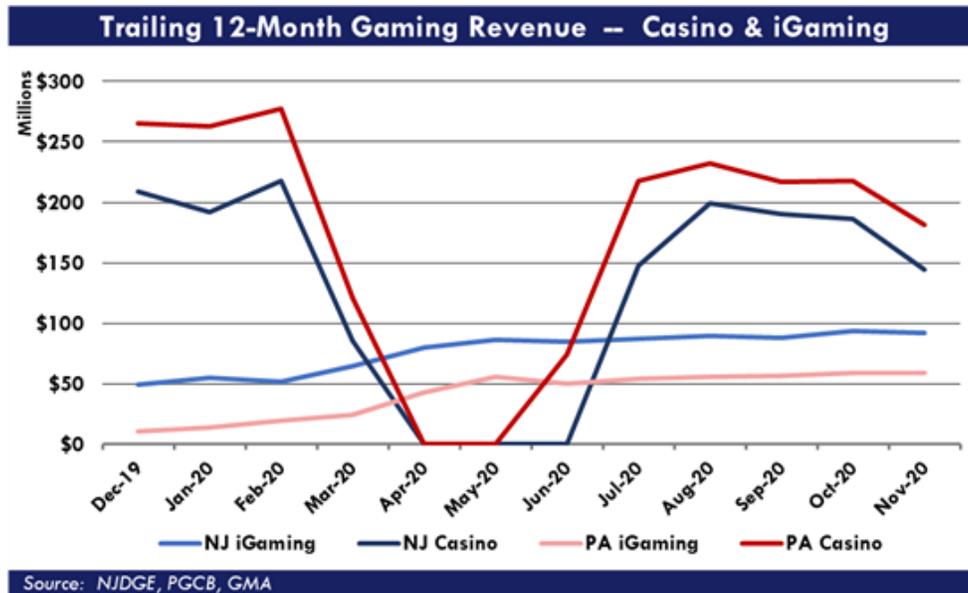
U.S. Sports Betting Comparables - Select Markets								
State	Timeframe	Sports Betting			Taxes Collected (\$MM)	Total Gaming Revenue (\$MM)	Sports Betting % of Total Gaming	Sports Betting Win per Adult
		Handle (\$MM)	Revenue (\$MM)	Hold %				
Nevada	TTM November'20	\$ 4,915.4	\$ 258.6	5.3%	\$ 17.5	\$ 5,247.1	4.7%	\$110.80
Delaware	TTM November'20	\$ 58.5	\$ 8.6	14.7%	\$ 5.7	\$ 274.3	3.0%	\$11.46
New Jersey	TTM November'20	\$ 5,578.5	\$ 334.4	6.0%	\$ 42.1	\$ 1,573.8	17.5%	\$49.23
Mississippi	TTM November'20	\$ 357.6	\$ 39.5	11.0%	\$ 4.7	\$ 1,776.0	2.2%	\$18.28
West Virginia	TTM November'20	\$ 313.1	\$ 22.0	7.0%	\$ 2.2	\$ 400.0	5.2%	\$16.07
Pennsylvania	TTM November'20	\$ 3,371.5	\$ 167.0	5.0%	\$ 60.1	\$ 2,283.7	6.8%	\$17.24
Rhode Island	TTM November'20	\$ 230.8	\$ 24.1	10.4%	\$ 12.3	\$ 341.5	6.6%	\$29.77
Iowa	TTM November'20	\$ 529.7	\$ 36.9	7.0%	\$ 2.5	\$ 1,133.9	3.2%	\$15.99
Indiana*	TTM November'20	\$ 1,455.9	\$ 114.3	7.9%	\$ 10.9	\$ 1,392.3	7.6%	\$25.52
Michigan*	Since Launch (Mar'20)	\$ 121.0	\$ 16.4	13.5%	\$ 1.4	\$ 356.6	4.4%	\$2.92
Colorado	Since Launch (May'20)	\$ 901.2	\$ 58.7	6.5%	\$ 2.4	\$ 341.2	14.7%	\$23.16
New Hampshire	Since Launch (Jul'20)	\$ 174.1	\$ 13.9	8.0%	\$ 6.5	N/A	N/A	\$31.64
Washington D.C.	Since Launch (Jul'20)	\$ 49.4	\$ 8.2	16.6%	\$ 0.8	N/A	N/A	\$35.79
Average Without Nevada				6.5%			8.7%	\$20.94

Source: Global Market Advisors
* excludes tribal gaming revenues

Sports betting has provided a wide range of opportunities and offers a steady stream of revenue for states. It should never be rushed into legislation to fill a budget gap or find a quick regulatory scheme to force it to work. Realistic expectations should be found and met to ensure that the market is crafted properly to maximize competition and generate revenue for the state and operators. It takes education and patience to get it right, and it is important to establish the appropriate model from the outset that would best serve the market and, in some cases, provide a framework for others to follow.

While the sports calendar may have been challenging, online gaming revenue, most notably in New Jersey and Pennsylvania, saw a sizeable uptick over the trailing 12 months. Both states now have robust casino gaming and iGaming products that continue to lead by example. The chart below highlights the challenges that the brick-and-mortar industry faced over the last year while showing the exceptional growth in online gaming.





While other states have legalized forms of iGaming, this shows there is strong opportunity for these states to supplement brick-and-mortar gaming revenue, not just in terms of the pandemic but over the long term as land-based gaming return to normal. Revenue continues to grow across the board, but those states that have an open market that allows a reasonable tax rate and competition will continue to lead by example.

2021: WHAT TO WATCH

Going into the new year, every legislature in the country is meeting, which only occurs in odd-numbered years. The market is ripe for change as sports betting continues to move across the country, as well as the desire for online gaming and the need to seek opportunities for brick-and-mortar growth. Part of these discussions will be in reaction to items that were approved on the ballot in 2020, or from market studies that have been completed. Others will continue to look at conversations that have been brewing for years but now are more relevant with states facing deficits resulting from the Great Shutdown and SARS-CoV-2.

One thing that is certain is that gaming should never be viewed as a quick fix. It is a long-term revenue strategy that must be evaluated and crafted to match the market and to allow operators to thrive. Anything less would leave money on the table for both the state and the operators in a less than ideally crafted market. While some are easier to craft than others, it will be imperative that legislators properly educate themselves on the market opportunity, with a focus on the legislative framework, the potential voter approval, and the legislative structure in which it will



be allowed and developed. As part of this overview, Global Market Advisors will provide a high-level understanding of markets that will be debated, discussed, and have the potential to move in this or future legislative sessions.

LAND-BASED DEVELOPMENTS

There will be several states that look at land-based developments. As some states will be launching land-based gaming for the first time, such as the Commonwealth of Virginia, other states will be heading down this initial path after gaining voter approval, such as Nebraska. Other states will look to go down this path for the first time or see some level of expansion. The following are some of the states that will be having these debates:

ALABAMA

- Governor Kay Ivey's study committee released in mid-December a report that evaluated the prospects for gaming expansion. The focus was on casinos, lottery, and sports betting, but also highlighted the existing footprint beyond that of the Poarch Creek Indians.
- While it is unknown what the Governor will do to date, this will likely cause a debate in the upcoming legislative session that begins in February. What is known is that anything that is approved will have to go through the voters.

GEORGIA

- Like other states, Georgia has long debated gaming. Last cycle, it had two legislative proposals to take to the voters: one to approve casino gaming and sports betting, and another that would have approved sports betting alone. Both fell a few votes short to be able to move to the ballot in what would have been a costly campaign, considering the two U.S. Senate races and the battleground status on the Presidential front.
- The debate will resume this year. While sports betting will still be a part of the conversation, the better ask is to let the voters decide on both issues at once without having to return for a second bite of the peach.

NEBRASKA

- Three gaming initiatives were approved on the November 2020 ballot (Initiatives 429, 430, and 431) that allow for "all games of chance" to be legalized in the market.
- The Nebraska Unicameral will need to address several holes that remain in the revenue and regulatory structure, and then develop the regulatory structure for the six potential locations at racetracks. It will also likely have to deal with sports betting that will be addressed later in this brief. A two-thirds majority is required by the 49-member body to make any changes to the initiatives approved during the election.



- It will likely be two years before Nebraskans see property tax relief from these measures. Hopefully, it amounts to more than the value of a pizza box that was promised during the election.

NEVADA

- While Nevada has an established market, the Legislature will have to deal with the threat of tax increases through the ballot initiative process that were pushed by the Clark County Education Association that would raise the gaming tax rate from 6.75 to 9.75 percent – a 44 percent increase – as well as sales taxes, taking the local school support tax from 2.6 to 4.1 percent, yielding a 9.875 percent sales tax in Clark County.
- The Legislature is mandated to address this within the first 40 days of the upcoming session. It will likely be headed to ballot in 2022 unless some compromise can be reached.

NEW YORK

- A year after the New York Gaming Commission launched a study to evaluate the entire statewide gaming market, it appears as though the ramp up of land-based gaming in the southern part of the state is still on hold.
- The study that was to be completed no later than June 2020 has never been released by Governor or the Gaming Commission. However, the Governor stated last week that the upping of the licensure process for downstate casinos has not been considered during his epiphany that mobile sports betting should come to the Empire State.

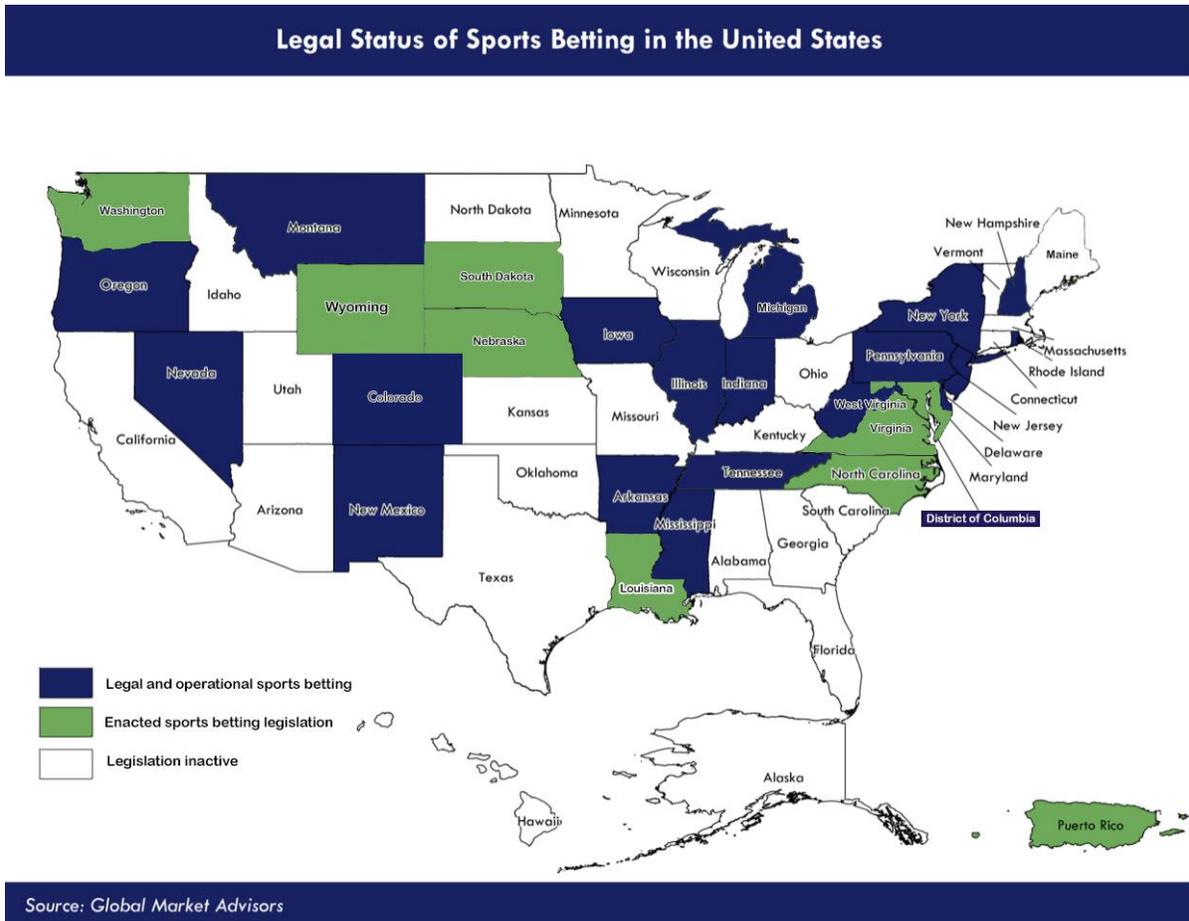
TEXAS

- The Lone Star State has long debated land-based gaming. While it has been nearly ten years since a full debate has occurred, it appears as though the effort may be launched in a session that begins this week. The state is noted to be dotted with eight-liner machines throughout, which remain unregulated and untaxed. Las Vegas Sands (LVS) has retained a gaggle of lobbyists to push the effort forward for integrated resorts in what they view as a development opportunity among the likes of Japan, Brazil, or Singapore.
- In a state that only meets every other year, it would require a quick and strenuous effort to educate an entire legislature on the benefits of land-based gaming, all while it is being pressed to move on sports betting as well. Almost every path for gaming expansion in Texas requires going through the ballot or through the existing Lottery, which has proved to be a more flawed model in numerous states. This looks more like a play for the state in the next legislative session in 2023.



SPORTS BETTING DEVELOPMENTS

Most of the legislative action from gaming over the last few years has been related to sports betting. As of today, there are 19 states plus the District of Columbia that have legal sports betting operations. There are numerous other jurisdictions that have legalized sports betting but have not yet launched. Some of these include Wyoming, where the tribal entity has decided to proceed under its existing compact without further legal action, and other jurisdictions that are finalizing their regulatory structure. The following outlines key states to watch in 2021.



BALLOT STATES

Four states approved sports betting on the ballot in November 2020. The following is a breakdown of the next steps in each market:

SOUTH DAKOTA

South Dakota approved sports betting on the ballot this past November and will now have to regulate the activity. The initial draft of a bill only allows sports betting in Deadwood within the



existing casinos and prohibits wagering on South Dakota collegiate teams. It is understood that some parties are opposed to mobile wagering. However, South Dakota would be leaving money on the table if it were not to allow mobile wagering or remove the NCAA ban.

LOUISIANA

The Legislature will likely discuss sports betting early in its session due to the state's budget deficit and will have input from the regulatory body. GMA has a good working relationship with the Louisiana Gaming Control Board.

MARYLAND

Maryland will likely have several competing interests and may be one of the most highly debated markets this cycle as a result. Diversity and minority-led ownership may become a factor in this state, as is typical in mid-Atlantic states. The existing stakeholders will want to keep other markets entrants out, but the pari-mutuel industry may be another access point.

NEBRASKA

While not explicitly labeled in the ballot language passed, this state will likely take up sports betting to bring clarity to the overall process for gaming. The current 20 percent tax rate would be too high, but it is yet to be determined how this will be crafted in the Cornhusker State.

EXISTING LEGAL MARKETS

THE NCAA ISSUE

Several states have initially banned some level of college athletic wagering and will likely see the issue raised in 2021. New Jersey was the first when it banned local colleges and universities from the wagering menu as part of the original 2012 voter-approved initiative that is out of date. New Jersey and Illinois have initially started this process, and it is one that every state should consider. Illegal books are taking both straight bets, prop wagers, and live wagers on these games and athletes today. The only way to protect these student-athletes is to bring the activity out into the open and become regulated. In a world where these same student-athletes want earn money from their name, image, and likeness (NIL), it would be hypocritical to have a different view that denies student-athletes the protection of a regulated sports market.

MISSISSIPPI

There is talk of Mississippi taking the next steps in sports betting. This will be more about Louisiana and Alabama movements than Mississippi moving on its own. Some lobbyists are bloviating about it, but this is more about style points than actual substance.



NEVADA

Nevada has a couple of bills already on file that discuss sports pools and cashless wagering. If there is a window for change that is open, it is right now, as Nevada knows that it is falling behind the regulatory curve.

NEW YORK

As the proverbial state of the ‘boy who cried wolf,’ the Empire State is holding onto hope that Cuomo will move forward in a meaningful way with mobile sports betting. In his current lottery proposal that has yet to be fully released, he is seeking \$500 million in revenue to the state in a monopolistic model. This seems like a page of a study that was never released and follows other models such as D.C. that called for a no-bid contract for the existing licensee, a model should not be followed by industry leaders. The Legislature countered with its version of mobile wagering that allowed for two skins per existing operator, with up to 14 different operators in the market. While the legislative proposal is riddled with its own issues, New York will continue to leave money on the table to the joy of its neighboring states (New Jersey and Pennsylvania) until it can find resolution which does not seem likely in the immediate future. Had the issue been taken to the ballot in 2018, the story may be different.

NORTH CAROLINA:

While the Cherokee tribe looks to start sports betting by March Madness (one year later), the lottery has yet to release its report that would lead to further wagering activities in the state. This is a target for many operators and will hopefully see some action this session.

OREGON

sports betting in Oregon with the lottery has been a failure. There will be a movement to allow the tribes to offer mobile sports wagering with local partners leading the charge. This is a state that continues to leave money on the table with a flawed lottery model.

WYOMING

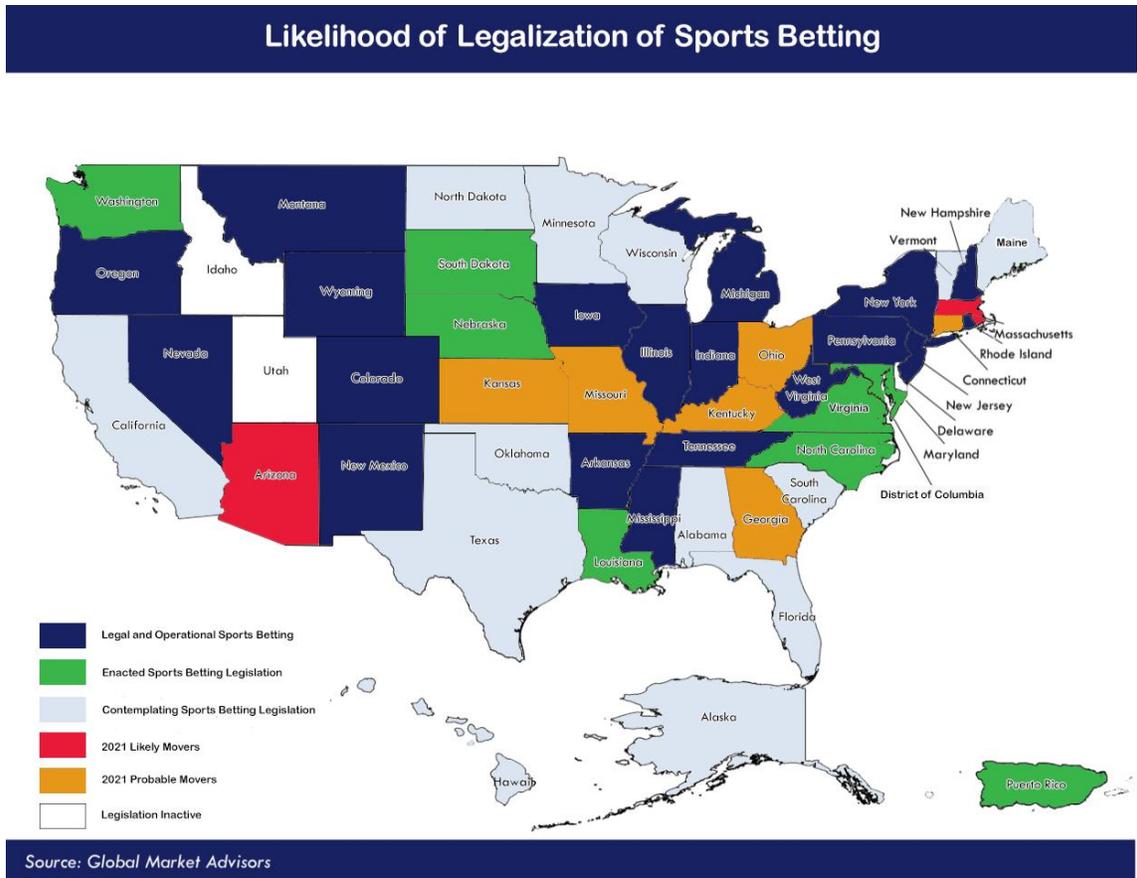
While not a large market, this state will likely move with a new gaming commission in place and the tribe declaring sports betting to be legal based on their existing compact.

FUTURE MARKETS

Looking at the future of sports betting in 2021, states have been classified into four categories: Likely, Probable, Possible, and Others to Watch. ‘Likely’ are those states that are a near lock for movement in 2021. ‘Probable’ are states that should move if everything aligns perfectly but, as



with any legislative process, will likely face roadblocks. ‘Possible’ states are those that could get across the finish line but will likely take some work, and ‘Others to Watch’ are those states that could bring a surprise but will take some significant movement to get things rolling.



LIKELY STATES

ARIZONA

This may end up being one of the most poorly written bills in sports betting. The current draft supposedly has teams and tribes garnering equal access to statewide mobile wagering (with the exception of tribal reservation carveouts). Deals with teams and the tribes seem the most obvious, but picking the right partner and ensuring access in the legislation will be key. The devil will be not only in the details of the bill but in the rollout.

MASSACHUSETTS

The Commonwealth continues to take a thoughtful approach to sports betting. It came close in July, but the bad bill was luckily killed in light of competition. This still remains the main sticking



point as some operators want only the carve out for themselves, while others are looking for broader market access. The better option is to allow for a competitive environment that allows responsible operators access to the market.

PROBABLE STATES

CONNECTICUT

This will likely be a duopoly state which is unfortunate, but the state needs the money. With other factors gone, maybe the annual groundhog-day hearing will actually not be the same for the fourth year in a row, and the tribes may have sports betting.

GEORGIA

Georgia was a few votes shy last year of getting sports betting to the ballot. The teams believe they have a quick fix that would run through the lottery and offer a poor and far from real sports betting experience. This will be one of many states that have teams versus operators, but the right opportunity means taking it to the ballot in 2022.

KANSAS

Kansas was close last year in getting sports betting done. Had the Great Shutdown not occurred, it likely would have crossed the finish line. If it keeps momentum, it will get done in 2021.

KENTUCKY

Representative Adam Koenig is one of the biggest legislative proponents of sports betting and online gaming. The Governor wants it as well. The challenge will be the legislature and specifically Representative Koenig's party. In a state that has to fix its Historic Horse Racing problem, adding sports betting is logical. However, the legislative process is not always logical.

MISSOURI

Missouri once again will debate sports betting and already has a handful of bills in the hopper. As in the last session, VGTs will also come into the mix that may confuse the legislative debate. It will be one of states that should have sports betting but has not debated it for three years. Hopefully, it will get over the goal line this cycle.

OHIO

Ohio had promises in 2020 but never crossed the finished line. Many of the proponents (and obstacles) are now gone, which creates opportunity but also the challenge of starting from scratch. Ohio probably gets done, but it will likely be late in the session.



POSSIBLE STATES

ALABAMA

Alabama just had a statewide study produced by a committee organized by the Governor that recommended sports betting, lottery, and casino expansion. While the report has several flawed assumptions, this will be a topic in this year's session with sports betting having the easiest lift.

CALIFORNIA

The tribal proposal will have enough signatures to take this to the ballot in 2022. The question that remains is whether the Legislature will try to take their own pitch to the ballot to get this done. GMA continues to believe the only path is through the ballot and the tribes must be included; two measures in 2022 may not be the best option.

FLORIDA

All roads go through Orlando and Hollywood (FL) on the future for sports betting before it goes through Tallahassee. The current bill likely has little traction and several obstacles. While the state continues to face its challenges with the Seminoles, until compact issues are resolved (and the current one already has a sports betting carve out), everything remains a challenge in moving things forward.

MAINE

Maine has a reason to consider sports betting with its neighbor in New Hampshire having legalized a year ago. Maine's Governor remains the primary obstacle, but a bill will likely be pushed forward here. It is yet to be determined if it will actually get across the finish line.

TEXAS

The eyes of Texas are upon us as gaming is back in the conversation. There is a lot of smoke about various proposals between teams, tracks, and other interested parties. In the middle of this is Las Vegas Sands that is pitching integrated resorts in the state. While the 140-day legislative session is only held every two years, there is a significant amount of education to get rolling in Texas to see sports betting or casino gaming introduced in 2021 and taken to the ballot in 2022. The key will be education, and those on the ground at the start will be the ones that actually get a piece of the pie in the end.

VERMONT

Like Maine, Vermont has a reason to consider sports betting with its neighbor to the east legalizing a year ago. A study has never come to fruition but may be the impetus to move things forward. If they see a study, there may be an opportunity for movement.



OTHERS TO WATCH

‘Others to Watch’ are those states that could bring a surprise but will take some significant movement to get things rolling.

ALASKA

Alaska started down a path last year to look at several forms of gaming. Sports betting will be in that mix again as the investigation into it was cut short by the pandemic.

HAWAII

Hawaii has talked about a statewide gaming study for several years. There will likely be a pitch to add an integrated resort on Oahu, although the Governor is opposed to any expansion. While it will be debated, the best hope is for a statewide study that looks at economic, social, and regulatory impacts.

MINNESOTA

Minnesota will again have a bill, but nothing will transpire until all tribal entities are on the same page. This is likely a 2022 play, but it is one to watch because of the market opportunity.

NORTH DAKOTA

While a smaller state, it may be surrounded by sports betting in the short term with South Dakota pushing forward and Montana already having sports betting.

OKLAHOMA

This was a priority last year, but the Governor and his relationship with the tribes has soured after he tried to blow up the existing compacts. GMA does not believe things move forward here until either the Governor leaves office or trust is built back. The structure is also a challenge to get all of the tribes on the same page.

SOUTH CAROLINA

This is probably one of the biggest outliers, but South Carolina will have a bill that explores sports betting. It is a longer shot, but still one that should not be forgotten as Georgia and North Carolina push forward.

WISCONSIN

There are two paths in Wisconsin – the conventional method through the legislature, and pulling a ‘New Mexico’ by letting the tribes just push forward on their own. The first method takes two sessions to get things moving, and Wisconsin would be a strong market with its existing sports footprint. Either path is possible, but the less complicated method is through the legislature as the rest is open to interpretation.



iGAMING/iLOTTERY

iGaming will be a much-debated topic as states look for additional revenue. Only a handful of states have iGaming in place, with Michigan set to become the next state to launch. Numerous other states are using the lottery as a vehicle to launch online games and expand the footprint for purchasing tickets online. There is a distinct opportunity for growth in this space, but it is a longer conversation than sports betting as legislators are more comfortable talking about sports than they are about putting a slot machine or table game in someone's hands or in home. Indiana is the only identified state that has said to date that they would like to proceed forward with the legislative debate. Look for other states to jump in, but very few, if any, will likely move in 2021.



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