



# Global Market Advisors

LAS VEGAS DENVER BANGKOK

## Research Brief: Education on Sports Betting

February 15, 2019

Since the repeal of the Professional and Amateur Sports Protection Act (“PASPA”) by the U.S. Supreme Court, seven states have legalized and launched sports betting. These states include Delaware, New Jersey, Mississippi, West Virginia, Pennsylvania, Rhode Island, and New Mexico, in addition to Nevada which has been operating legally for decades. Each state has tailored their own sports betting regulations to meet their unique market dynamics. While some states have not instituted the most ideal tax rates or structures, these states are adding a new revenue source to their existing gaming and lottery product.

Nearly 30 states have introduced sports betting related language as of the writing of this brief, and others are expected to follow suit in the coming weeks and months as they look either to pass legislation or to study the opportunity that sports betting could provide to their state. Many of these states have already started to hold hearings or are continuing the debate from last year. As these states continue these conversations, they should take two things into consideration. The first is that integrity, first and foremost, is upheld in the legislation and regulations that are established for sports betting. It is never in a fee or royalty that is paid to anyone that is not taking the risk of operating a sports book. Second, there should be no rush to enter the market, as first-to-market status has already been achieved. At this point, it should be about taking the time to get things right by creating a robust, competitive market in a strict regulatory environment.

To this end, it is imperative that legislators, staff, associations, potential operators, and other key stakeholders become as educated as possible to understand the dynamics of the industry before the advocacy for and against sports betting is heard. Global Market Advisors (“GMA”) fully appreciates the work that legislators and their staffs have to go through as they begin to educate themselves on a new topic while continuing to tackle other important issues within their own

### LAS VEGAS

7220 S. Cimarron Rd  
Suite 220  
Las Vegas, NV 89113  
United States of America  
+1 (702) 547-2225

### BANGKOK

199 Column Tower G  
Suite 2405  
Kweng Kongtoey, Khet Kongtoey  
Bangkok, Thailand 10110  
+66 (0) 6 1664 0059

### DENVER

2 Steele Street  
Suite 201  
Denver, CO 80206  
United States of America  
+1 (303) 759-5944

state, including taxation, budgets, healthcare, energy, etc. GMA also understands that potential operators must first understand the market opportunity in order to properly advocate for the best regulatory solution for success in the market. As part of this effort, GMA has highlighted the six areas that these stakeholders should consider to educate themselves on the process before the advocacy effort begins:

- Economics, Feasibility, and Legislation
- Gaming Regulation and Standards
- Geo-fencing
- Payment Processing
- Data Feeds
- Consumer Protections

To craft the ideal marketplace, it will be imperative for states to have a fruitful discussion that considers and thoroughly vets these items, allowing for a robust debate to take place.

## SIX PILLARS OF SPORTS BETTING EDUCATION

### ECONOMICS, FEASIBILITY, AND LEGISLATION

One of the first things that jurisdictions should consider is the economics of sports betting. In April 2018, GMA released a [research brief](#) which explained how sports betting works and detailed that sports betting is a high volume, low margin business. This research brief was a follow up to GMA's [White Paper](#) that addressed the specifics of sports betting, how it works, and the potential revenue opportunity associated with it.

There are currently eight states that have legalized sports betting. As other states and territories look into the opportunity, they can glean how to structure their own market to meet their needs. Some states have chosen to run sports betting through existing brick-and-mortar casinos, while others will run sports betting through state lotteries.

The chart below highlights the tax rates employed in each state. It is important to note that New Mexico is not mentioned below, as sports betting in New Mexico is offered through tribal casinos, which do not pay taxes but rather engage in revenue sharing agreements through state-tribal compacts.



Current Gaming Tax Rates in the U.S.			
State	Sports Betting	Slots	Tables
Nevada	6.75%	6.75%	6.75%
New Jersey	8.5% - 14.25%	8.5%	8.5%
West Virginia	10.0%	35.0%	35.0%
Mississippi (1)	12.0%	8.0%	8.0%
Pennsylvania (2)	36.0%	~63%	16.0%
Rhode Island	51.0%	74.0%	17.0%
Delaware	60.0%	58.0%	30.9%

Source: GMA  
(1) Additional 3.2% tax on slot & table revenues assessed by most, but not all, localities in Mississippi; effective rate is 11.2%.  
(2) PA slot taxes include a 54% tax rate plus the local share agreement for an effective rate of 63%. Local taxes vary based on the type of license.

GMA has stated publicly that any tax rate above 15 percent makes legal sports betting difficult to operate and compete against the illegal market. Higher taxes and “integrity” fees only add to the cost of operations while putting responsible operators at a disadvantage in competing against the illegal market.

The success of a market will be dictated both by who the operator(s) are as well as the regulatory structure that is established. An ideal sports betting market would be attractive to a spectrum of well-known operators and allow for innovation to occur. The ability for operators to utilize mobile wagering is also critical in offering a good consumer experience, which will allow for the transition of illegal bettors into the strict, regulatory environment.

States should consider looking not only at existing legal jurisdictions but also at other prospective states that are looking to legislate, as these states may be in similar situations. It is critical to study the feasibility of the marketplace before enacting arbitrary legislation without fully understanding the opportunity. While this may take an extra amount of time and incur incremental financial costs, these costs pale in comparison to the potential for millions of dollars in revenue.

---

#### GAMING REGULATIONS AND STANDARDS

As markets consider sports betting, stakeholders need to know that gaming regulations and standards do not need to be reinvented. There are several states that have already gone through this process and offer a solid foundation to draft regulations based on the legislative language and intent. Other groups like Gaming Laboratories International (GLI) have released their own standard for states to adopt, such as those outlined in GLI-33.



This process also includes ensuring integrity in the standards for online applications, machines that are running the backend systems for sport wagering, and any other devices associated with the process. Consumers need to be assured that, in a strict regulatory environment, the games are being held to the highest standard and integrity, whereas the illegal, offshore market does not have to follow these rules or standards. By adopting regulations and standards that allow for a level playing field, states can be assured that they are offering a quality product while relying on others that have already paved the way in setting those same standards.

---

#### GEO-FENCING

Geofencing may be one of the most critical components that needs to be understood at the beginning of the sports betting conversation. As a market begins to form, the parameters and options for how it will be crafted will be contingent on a robust geofencing program. While sports betting must be limited to within the confines of a state's borders, there may be a need for further restrictions based on how the legislation is drafted. If this conversation occurs early in the process, legislators can understand the potential impacts that geo-fencing related decisions may have on the market and its revenue potential.

In some instances, geofencing may limit sports betting only to the licensed operators' land-based facilities. In these same instances, there may be opportunities to differentiate tax rates for mobile wagering within a facility versus mobile wagering that occurs elsewhere in the state. In New Jersey, where mobile sports betting is taxed at a higher rate than land-based sports betting, operators pay the lower of the two rates for any mobile wagers that are placed within the confines of their land-based location. This creates an incentive for operators to encourage their players to use a convenient mobile wagering solution within the setting of a land-based sports book, which can drive visitation to the property while allowing the operator to handle more volume. This is a great example of how strict regulations and a robust geofencing system work together to create an attractive environment for operators and bettors alike.

Other states have considered preventing wagers from being taken in certain parts of the state either because betting is not allowed, as is the case with wagering on federal land, or because of a scenario that divides the jurisdiction by operator, as is the case in many tribal jurisdictions. It is imperative that, when having these conversations, a state enlists a quality organization that has the experience to effectively run geolocation programs to ensure compliance to the chosen laws and regulations.

As with the overall sports betting interface, reliable geofencing is needed to provide the consumer with a great experience. The illegal, off-shore market already offers easy entrance to the consumer experience and convenient payment methods. An easily accessible legal market



must be created to compete against illegal operators and attract new fans that want to play responsibly.

---

#### PAYMENT PROCESSING

As mobile wagering continues to enhance the customer experience and revenue generation in many of these markets, stakeholders should understand how payment processing works in both placing and paying out bets. This portion of the conversation should also address how an account initially gets established. In some cases, states still require in-person registration at a brick-and-mortar facility, as is the case in Nevada. In other states, such as New Jersey, individuals can set up their account remotely via their mobile device. In light of the recent opinion by the U.S. Department of Justice, stating that the Wire Act applies to all forms of gaming, it is even more important to gain a thorough understanding of these items.

Each state should also consider how easily consumers will be able to fund their accounts. Specifically, the state should examine if the banking community will accept payments for online wagers or sport bets through credit or debit, as well as how other services such as PayPal and Apple Pay could be used to fund an account. Other groups like Sightline Payments have additional ways that individuals can fund their accounts. Banking organizations tend to view gaming payments differently than other payments, and it will be important for lawmakers to understand this as it is a vital part of the customer experience.

---

#### DATA FEEDS

Data feeds play a critical role in providing the optimal sports betting experience. The most palpable purpose of data in sports betting is to ensure that odds and statistics are readily available for bettors and operators alike. Quick and reliable data will be necessary to engage bettors and other sports fans, and operators will need to make data more accessible to these customers in order to remain competitive.

Data feed providers gather information based on sports betting lines from an aggregate of sports book operators around the world. They then send this information to oddsmakers, including what the current odds are in other jurisdictions and what the estimated odds are in their own jurisdiction. They also provide oddsmakers with relevant statistical information, such as injury reports, to inform them as to how they should set and adjust their lines.

It is paramount that mandating data feeds by law should be a non-starter. As legislation develops across various states, some are attempting to mandate the use of official league data in a sports betting operation. Through Nevada, New Jersey, and other existing jurisdictions, the market has already proven that it can act on its own without requiring operators to purchase official data, a requirement that illegal books do not have. Requiring that legal operators purchase the data will



only allow the leagues to charge more for it, thereby creating another financial hurdle that could hinder the ability for the legal books to compete with the illegal books.

---

#### CONSUMER PROTECTIONS

Finally, consumer protections are the cornerstone of any strict regulatory environment. This includes making sure that operators maintain key aspects of the Know Your Customer (KYC) standard, as well as safeguards to make sure that customers are old enough to gamble, that they are able to fund their accounts, that they have not violated any anti-money laundering (AML) or other banking regulations, and that they are not on any watch lists. Technology greatly aids this process because it allows the operator to compare new customer data against existing databases in real time to ensure compliance.

Responsible gaming measures are another cornerstone of any consumer protection scheme. At a minimum, this should include the ability for individuals to seek help for those that may develop a problem with gaming. In many jurisdictions, this also allows individuals to self-exclude themselves from gaming and receiving gaming promotions. Technology greatly aids this effort as well. Companies like GameSecure vet names across the databases of several operators, as well as against other states for their self-exclusion lists.

#### CREATING A ROBUST MARKET

GMA believes that all stakeholders, including legislators and operators, must educate themselves and seek advice from experts in the field before crafting the legislation that will serve as the basis for a competitive market. This includes understanding the economics of sports betting and how geofencing, payment processing, data, consumer protections, and other components can impact the marketplace.

As the majority of states are considering bringing sports betting to their states, they must remember that it is no longer about being first to market or rushing to beat a neighboring state. At this point, it is about establishing the right process to combat the illegal market and allow operators to compete in a robust marketplace that allows for innovation. Stakeholders must also recognize that the sports betting spectrum should not be limited to existing operators, and that revenue that has been lost in illegal markets can be recaptured by the state. Integrity exists in the laws and regulations that govern a market, and by educating themselves from the beginning, stakeholders can create a solid foundation for sport betting.



## ABOUT GLOBAL MARKET ADVISORS, LLC

GMA is the leading international provider of consulting services to the integrated resort, gaming, hospitality, sports betting, and emerging technology industries. The company provides clients with strategic planning, market feasibility studies, primary research, due diligence, general counsel, payroll control, operations analyses, government relations, crisis communications, responsible gaming initiatives, business and marketing plans, and reward program design. GMA also assists governments in developing public policy for integrated resorts, evaluating new markets and opportunities for public and private companies, and with due diligence for potential acquisitions. GMA's clients consist of the majority of public gaming companies, more than 75 Native American tribes, commercial and investment banks, and government agencies. The firm maintains active clients in Asia, the Americas, and Europe with offices located in Denver, CO; Las Vegas, NV; and Bangkok, Thailand. More information can be found by visiting [www.globalmarketadvisors.com](http://www.globalmarketadvisors.com).



## **CONTACT INFORMATION**

Brendan Bussmann  
Partner, Director of Government Affairs  
[bdb@globalmarketadvisors.com](mailto:bdb@globalmarketadvisors.com)

Steve Gallaway  
Managing Partner  
[smg@globalmarketadvisors.com](mailto:smg@globalmarketadvisors.com)

## **DISCLAIMER**

Global Market Advisors, LLC does not represent, through the information contained in this report, the views of any government, nor its agents, nor its officials, nor its affiliates. Global Market Advisors, LLC may, through its advisory and consulting relationships, financially benefit from the success of the subject matter discussed herein. Global Market Advisors, LLC is not a registered investment adviser in any jurisdiction, and it does not represent itself to be. Global Market Advisors, LLC does not provide any recommendations or opinions on financial securities. This research report was prepared independently and no entity other than Global Market Advisors, LLC financially supported the preparation, authoring, and distribution of this report. This research report does not constitute investment advice, financial advice, or advisory services. There could be gross errors contained in this report.

This report is non-specific in nature and no personal specific advice is provided within it. You, or the entity you are affiliated with, shall not use information in this research report as the basis for any decision-making process. Global Market Advisors, LLC, its officers, its members and the author of this report shall not be held professionally or personally liable for any errors or omissions contained herein and are hereby indemnified in full by your agreement with these terms. By accessing, reading, storing, distributing and archiving this research report, you hereby agree, fully, and without dispute, to all terms and conditions contained in this 'Disclaimer, Terms & Conditions of Use'. All terms and conditions herein shall be subject to the full and primary legal interpretation and jurisdiction by courts located in the State of Nevada, United States of America.

Global Market Advisors, LLC does not warrant or imply any guarantees or promises contained in this report; verbally expressed, either explicit or implicit. All trademarks and copyrights contained within this document are property of Global Market Advisors, LLC. Global Market Advisors, LLC is a limited liability company formed and operating under the laws of the State of Nevada, United States of America.