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State Legislative Update on U.S. Sports Betting & Online Gaming – August 2020

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 report can found [here](#).

The Long and Winding Road

Sports have begun to reemerge with more traditional sports with which American consumers are more familiar and have a deeper affinity for wagering. After nearly five months since the start of the Great Shutdown, sports are starting the long and winding road to recovery. Optimism reigns for the fall as we potentially see the return of football as well as the potential addition of the remaining 2020 schedule for the NBA and NHL that just recently restarted. MLB's abbreviated schedule has faced a bumpy ride out of the gate, not just with Dr. Fauci's first pitch at the Washington National's Game, but by the subsequent canceling of games due to coronavirus-related concerns. Nevertheless, while the stands may not be full, sports have returned.

As GMA continues to look at sports betting markets that are limping through the downturn (while also exposing sports bettors to new options), the numbers continue to show that a competitive market leads the way for states versus those that have a limited number of providers or a model driven by land-based gaming. Those states that operate a full mobile wagering product continue to dominate the market and offer the best alternative to the black market. That being said, tax rates also matter and can inhibit a market, as can be seen in states like Pennsylvania. While offering a full mobile experience, the tax rate continues to impose challenges by limiting the operator's ability to spend marketing dollars, cutting into overall operations, and leaving money on the table for the state that, in a competitive gaming region, would actually see an increase in revenue with a decreased tax rate.

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U.S. Sports Betting Comparable Summary								
State	Timeframe	Handle (\$MM)	Sports Betting		Taxes Collected (\$MM)	Total Gaming Revenue (\$MM)	Sports Betting	
			Revenue (\$MM)	Hold %			% of Total Gaming	Sports Betting Win per Adult
Nevada (1)	TTM June'20	\$ 4,069.6	\$ 258.4	6.4%	\$ 17.4	\$ 9,328.0	2.7%	\$111.79
Delaware	TTM June'20	\$ 70.5	\$ 11.3	16.1%	\$ 6.4	\$ 331.2	3.3%	\$15.32
New Jersey	TTM June'20	\$ 4,153.2	\$ 298.9	7.2%	\$ 37.0	\$ 1,918.5	13.5%	\$44.10
Mississippi	TTM June'20	\$ 316.8	\$ 36.5	11.5%	\$ 4.4	\$ 1,733.6	2.1%	\$16.95
West Virginia	TTM June'20	\$ 155.6	\$ 12.6	8.1%	\$ 1.3	\$ 414.1	3.0%	\$9.23
Pennsylvania	TTM June'20	\$ 2,285.1	\$ 113.7	5.0%	\$ 40.9	\$ 2,788.0	3.9%	\$11.75
Rhode Island	TTM June'20	\$ 200.2	\$ 18.7	9.3%	\$ 9.5	\$ 436.0	4.1%	\$23.14
Iowa	Since Launch (Aug'19)	\$ 368.0	\$ 25.7	7.0%	\$ 1.8	\$ 1,038.4	2.4%	\$12.16
Indiana (2)	Since Launch (Sept'19)	\$ 962.2	\$ 78.5	8.2%	\$ 7.5	\$ 1,267.5	5.8%	\$19.34
Michigan (3)	Since Launch (Mar'20)	\$ 0.6	\$ 0.1	17.8%	\$ 0.01	\$ 57.4	0.2%	\$0.04
Colorado	Since Launch (May'20)	\$ 63.8	\$ 6.0	9.5%	\$ 0.3	\$ 31.8	16.0%	\$8.37
Average Without Nevada				7.0%			6.0%	\$16.07

Source: Global Market Advisors
(1) April 2020 revenue data redacted by the State; (2) Indiana revenues are exclusive of tribal gaming; (3) Detroit casinos only - excludes tribal gaming

In the table above, GMA has added the competitive markets of Michigan and Colorado that went live in March and May, respectively. As these markets mature and sports continue to reemerge, the coming months in these states may show even further the disparity that exists in markets like Rhode Island and Delaware that offer a limited product versus markets like New Jersey that allow full competition at a reasonable tax rate. Revenue numbers for August will likely show a continued rebound and start to move in the right direction as all of these markets see greater activity by sports bettors. For other states that are either just getting ready to launch, working through regulations, or going through the legislative stages, it is essential to evaluate all options and decide what revenues need to be generated for their state, and they must realize the role that competition, taxes, and regulation will play in creating a dynamic market.

ONLINE GROWTH HELPS FILL THE GAP

iGaming has been a strong filler for traditional brick-and-mortar casino revenue in most states that offer a strong iGaming product. New Jersey statewide revenues decreased by only 65% YOY in the month of June because the revenue from iGaming revenue that continues to accelerate in states. In New Jersey, revenue continues to outpace not only a month over month but also year over year from 2019 to 2020. Now that Atlantic City has reopened again, they will now have additional brick and mortar revenue coming in from the market but online continues to dominate the landscape and show that a competitive market can make an impact on revenue and fill the gap. Nevada, which does not have a strong online product, continues to show little movement as the market is much more focused on the land-based facilities because of the convenience that those in a non-shutdown world offer for the customer.



New Jersey Online Gaming Revenues			
	TTM June'20	TTM June'19	% Change
Borgata	\$ 125,837,963	\$ 60,455,304	108.2%
Caesars	\$ 69,639,045	\$ 51,700,391	34.7%
Golden Nugget	\$ 248,513,919	\$ 134,488,028	84.8%
Tropicana	\$ 54,855,110	\$ 42,600,990	28.8%
Resorts	\$ 145,386,885	\$ 66,425,572	118.9%
Hard Rock	\$ 36,405,923	\$ 15,530,874	134.4%
Ocean Resort	\$ 7,306,324	\$ 5,418,909	34.8%
TOTAL	\$ 687,945,169	\$ 376,620,068	82.7%

Source: NJDGE, GMA

Delaware Online Gaming Revenues			
	TTM June'20	TTM June'19	% Change
Delaware Park	\$ 2,269,232	\$ 1,377,682	64.7%
Dover Downs	\$ 2,369,991	\$ 1,138,513	108.2%
Harrington	\$ 1,436,854	\$ 655,648	119.2%
TOTAL	\$ 6,076,077	\$ 3,171,843	91.6%

Source: Delaware Lottery, GMA

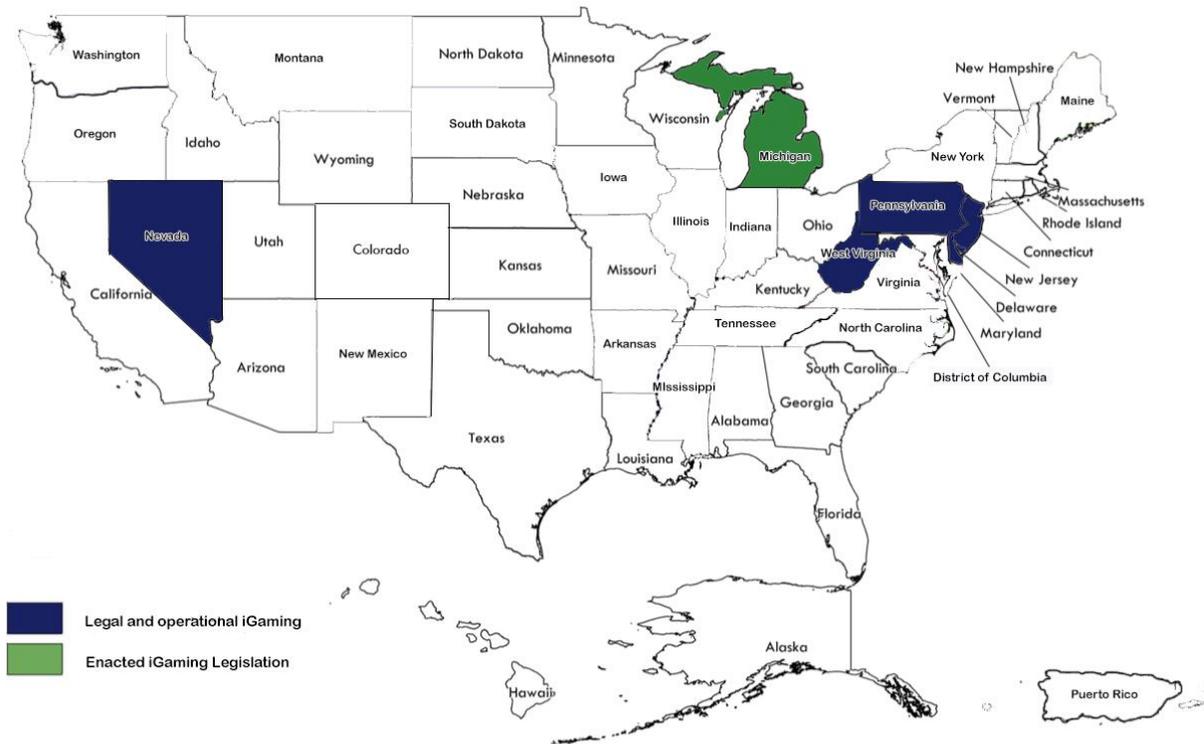
Pennsylvania Online Gaming Summary - FY 19-20	
Caesars	\$ 1,923,332
Mohegan	\$ 9,615,090
Mount Airy	\$ 48,770,064
Parx	\$ 30,156,746
Penn National	\$ 38,445,607
Presque Isle	\$ 1,351,982
Rivers Philadelphia	\$ 73,157,709
Valley Forge	\$ 36,855,312
TOTAL	\$ 240,275,841

Source: PGBC, GMA

The market will continue to evolve in the coming weeks and months as West Virginia becomes the latest state to enter the online gaming space. DraftKings at Hollywood Casino at Charles Town initially launched on July 15th with the appropriate approvals through the West Virginia Lottery. West Virginia is the fourth U.S. State to offer a full iGaming product, with Michigan slated to follow this fall. Additionally, live-dealer online (“LDO”) will be coming to Pennsylvania in the near future after receiving approved by the Pennsylvania Gaming Control Board at their August meeting.



iGaming Jurisdictions in the United States



Source: Global Market Advisors

There continues to be a push from some in the industry who believe that several states will be in the iGaming market, but it is not viewed that any one state will take the plunge in 2020. There may be a series of states that look at the issue beginning in the 2021 sessions, but these are still five months away from starting. Those that are interested in passing legislation should begin the education process now, as it is a new concept to legislators that have other priorities on their plate due to current economic and social conditions. As noted, Michigan, which needed two sessions to pass online gaming after an active debate, took a thoughtful approach to also consider online gaming when it initially looked into sports betting. It will likely join states like New Jersey and Pennsylvania that have robust markets that are allowing for revenue generation while land-based facilities have been closed.

ILLINOIS TABLE TENNIS

Illinois continues to be the model of how not to legislate or regulate gaming. As noted last month, Governor Pritzker removed the in-person registration requirement after the legislature rejected the option during its last session which ended in May. Upon the expiration of some executive



orders related to SARS-CoV-2, Pritzker did not renew the specific measure to allow mobile registration, causing further confusion for brick-and-mortar facilities that only recently reopened. While these are uncertain and unprecedented times that have called for some unprecedented governmental reach through executive order, gaming policy should be consistent, especially on what has been a controversial portion of a bill that passed last year. It brings into question what may or may not be happening behind the scenes in the political arena.

In another game of table tennis, as part of the back and forth of Illinois, has been the marketing relationship with a sports betting operator and its prospective partner. As part of the original 2019 legislation, a block was put in place to try and limit some operators' access to the market for an 18-month period ("penalty box") aimed directly at, but not limited to, groups like DraftKings and FanDuel. DraftKings launched the first week of August with its partner Casino Queen in what some operators believe is a circumvention of the legislation on the ownership/branding requirements. PointsBet, which has a partnership with Hawthorne Race Course, beat DraftKings to the market, and it is viewed the FanDuel will be launching with their partner, Fairmount Park, in the near future. The Illinois Gaming Board has made adjustments to the policy based off of an emergency rule that was proposed back in May. During the comment period, eight casinos cosigned a letter in favor of the rule. Only Rivers (Rush Street) opposed the measure.

REGISTRATION IS MOBILE, VIOLET ARE BLUE

Rhode Island, whose sports betting market has been challenged since it started, removed in the in-person registration requirement for sports betting in July. Consumers can now register through their mobile device rather than by going into one of the state's casinos to partake in sports betting. Both chambers of the of the Legislature passed the measure on July 16th (SB 2919 and HB 8097) and was then signed by Governor Gina Rainmondo. This is expected to improve the market overall and allow it to move effectively compete with the black market that does not have the same restrictions to participate in mobile wagering. Rhode Island still has work to do to make it a more competitive market, but this is a step in the right direction.

THE BOOKMAKERS ARE COMING! THE BOOKMAKERS ARE COMING! (JUST NOT QUITE YET)

As the Commonwealth of Massachusetts was closing out its original session of the General Court, the House added sports betting to an Economic Development bill. The bill, which created a narrow sports betting market and implemented an integrity fee to the leagues, was designed to fast track the issue to get it moving. This included providing licenses to the existing casino operators, as well as allowing mobile licenses to operators who had A) conducted fantasy sports in the Commonwealth for a minimum of one year, and B) held licenses in at least two other sports betting jurisdictions, aiming to afford licensure to the hometown team in DraftKings as well as



FanDuel. The bill also provided an exceptional amount of revenue that would have been the first of its kind in the country by instituting an integrity fee for wagers conducted in-stadium that kicked money back to the venue/team, the mandated data feed which basically allows for 4.99% of revenues back to the team/league, and one percent of the 15 percent tax reserved for a “Player Benevolence” fund that was controlled by the professional leagues (in excess of six percent of handle). The bill also faced unusual opposition from problem gambling advocates that stood against wagering on college athletics; this was the first time a local affiliate, whose job is to protect those that may need help, has advocated to keep wagering in the shadows of the black market. The national council currently has a much more thoughtful approach that understands why leaving college athletes on the sidelines is problematic. Since before PASPA was repeal, the Commonwealth of Massachusetts has taken a very thoughtful approach to sports betting. The latest House action was contrary to these efforts.

The Senate decided to take another approach to the bill, saying that it did not want sports betting in the economic package and that it should be included in a separate bill that will likely be debated later this year. During the debate on the Economic Development package, several senators expressed their desire to move the debate forward but that this was not the best vehicle or proposal to advance sports betting in the Commonwealth. They vowed to continue the debate in a similar tone to where things were left when it was last debated in a joint committee in March before the Great Shutdown.

As Massachusetts moves forward, it should consider two things based off of the debate from this year – crafting a competitive market, and ignoring the payoff to the leagues. Massachusetts is leaving money on the table with a restricted market that is limiting the potential in what will be a strong sports betting market. By allowing a robust, competitive mobile market, Massachusetts can effectively compete against the illegal market, drive innovation and investment into the state, and rival other successful markets like New Jersey. It hopefully will not be the first state to submit to the demands by the leagues for an integrity fee and should reject the data feed mandate that forces private entities into contracts that occur naturally in other markets. If it wants to mandate those contracts, they should make those contracts public and seek suitability for those that want a share of the proceeds.



administrators, donors, and other key stakeholders. The NCAA has had two years to develop a solution with multiple parties to help them through the process. They will continue to complicate the process in every state that looks toward legalization. GMA still believe that there is not a current path toward federal legislation on sports betting. A full breakdown of the hearing can be found in GMA's recent [Research Brief](#), as well as through the [GMA Research Library](#).

Additionally, Representatives Dina Titus (NV-01) and Guy Reschenthaler (PA-14), both of whom are co-chairs of the Congressional Gaming Caucus, introduced a bill to eliminate the federal excise tax that is placed on all sports bets. This tax is set at 0.25% of sports wagering handle and equates to roughly a 5% tax on gross sports betting revenue. As both representatives noted, the additional taxes do add a degree of difficulty in competing with illegal operators. In states like Pennsylvania, it puts the effective tax burden at roughly 41% on every wager, making the market much more challenging to operate and compete. Eliminating a tax is nearly impossible, let alone cutting a tax. GMA continues to monitor this issue and, while there is merit to eliminating an unnecessary tax that is not currently directed at anything specific, it might behoove the federal government to direct those resources to the Department of Justice to combat the illegal market in conjunction with individual states.

[VIRGINIA GOES FROM 0 - 60](#)

Virginia released its initial regulations for sports betting and its fast implementation timeline of roughly 60 days (62 days to be specific), as the lottery must have regulations in place by September 15th. Other regulations will be released on August 10th that will regulate the entire market for sports wagering. The lottery will begin to take applications for licensure from October 15th to 31st, with the first sports betting licenses issued by January 2021.

[BUCKEYE BRUISE](#)

As advocates continue to believe that sports betting will happen this year in the Buckeye State, sports betting took a hit with the arrest of the Speaker of the Ohio House on federal bribery and racketeering charges. The Speaker was a chief advocate for sports betting and one of the key drivers on HB 194 that would have allowed the lottery to regulate sports betting. GMA still believes that sports betting could be legalized this year but is more optimistic for next year.

[WILL NEW YORK EVER BE A PART OF IT?](#)

Advocates for mobile sports wagering and online gaming continue to desire to move forward with the legislative process to allow these expansions of gaming in the Empire State. Unfortunately, they are still waiting on a study that is now 60 days past due from its original June 1st deadline. New York continues to have an opportunity to recoup dollars that are being lost to New Jersey and other states that offer a fully mobile, competitive sports and online gaming market. However, its slow response in addition to keeping its brick-and-mortar facilities



shuttered is only adding further insult to injury and is limiting the spectrum of options to move quickly. GMA believes that this drawn-out process will be longer than needed and does not see a solution for existing operators of land-based facilities or new market entrants for mobile sports wagering into the market anytime soon. New Jersey will continue to dominate this region of the United States, not only in revenue generation but also through its regulatory process.



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