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State Legislative Update on U.S. Sports Betting

June 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](#).

Sports Begin to Reemerge

While sports betting revenues remain low during the Great Shutdown, sports are beginning to return to the scene, and while there may not be fans in stadiums, there is a wealth of opportunities to keep fans engaged and restart sports betting revenue generation around the U.S. While April and May will still be fairly dismal in terms of numbers and performance, it is important to lay the groundwork now for the return of sports in the near term. This will not only make the argument that sports will hopefully unite society during this challenging time, but it can also influence and motivate other states to consider legalizing sports betting to compete against the illegal market.

Foreign sports such as European soccer continue to dominate the sports airwaves, but other familiar sports are beginning to emerge through the world of COVID-19 testing and social distancing. This includes the first out of the gate with the UFC, followed by NASCAR which has now hosted a series of races. The return of golf was highlighted over Memorial Day weekend with “The Match” featuring Tiger Woods/Peyton Manning vs. Phil Mickelson/Tom Brady.

The Great Shutdown has basically taken monthly sports betting revenue down to the bare minimum. While it will rebound, the numbers for May will likely remain lower and not begin to rebound until sometime this summer when the NBA and NHL return. These two leagues appear the most likely to return with modified scheduling. MLB will continue to sort out how (or if) the season will occur in 2020. Time will tell what college and professional football may look like this

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fall. If a second wave of COVID-19 can be mitigated or does not occur, this fall could potentially see record-shattering revenues with the possible confluence of all four major sports leagues, college football, postponed golf majors, and the Triple Crown all taking place during what has always been the peak sports betting season.

U.S. Sports Betting Comparable Summary								
State	Timeframe	Sports Betting Revenue			Taxes Collected	Total Gaming Revenue	Sports Betting % of Total Gaming	Sports Betting Win per Adult
		Handle (\$MM)	(\$MM)	Hold %	(\$MM)	(\$MM)		
Nevada (1)	TTM March'20	\$ 4,514.8	\$ 305.6	6.8%	\$ 20.6	\$ 11,710.9	2.5%	\$132.22
Delaware	TTM April'20	\$ 82.7	\$ 12.3	14.9%	\$ 7.0	\$ 367.3	3.2%	\$16.61
New Jersey	TTM April'20	\$ 4,462.5	\$ 301.6	6.8%	\$ 37.2	\$ 2,377.4	11.3%	\$44.54
Mississippi	TTM April'20	\$ 347.6	\$ 39.3	11.3%	\$ 4.7	\$ 1,850.4	2.1%	\$18.25
West Virginia	TTM April'20	\$ 173.9	\$ 14.0	8.0%	\$ 1.4	\$ 524.3	2.6%	\$10.19
New Mexico (2)	TTM April'20	--	--	--	--	--	--	--
Pennsylvania	TTM April'20	\$ 2,200.9	\$ 107.2	4.9%	\$ 38.6	\$ 3,360.5	3.1%	\$11.08
Rhode Island	TTM April'20	\$ 230.3	\$ 21.5	9.3%	\$ 11.0	\$ 538.2	3.8%	\$26.60
Iowa	Since Launch (Aug'19)	\$ 348.3	\$ 24.5	7.0%	\$ 1.7	\$ 924.6	2.6%	\$14.23
Indiana (3)	Since Launch (Sept'19)	\$ 895.1	\$ 72.4	8.1%	\$ 6.9	\$ 1,162.4	5.9%	\$22.32
Average Without Nevada				6.8%			5.3%	\$22.21

Source: Global Market Advisors
 (1) April 2020 revenue data redacted by the State; (2) New Mexico is tribal only, no publicly available statistics; (3) Indiana revenues are exclusive of tribal gaming

While sports betting and other forms of gaming may be nearing the bottom, iGaming is hitting record levels in states where it is legal. Noted below are the historical revenues for New Jersey, Pennsylvania, and Delaware. Let it be noted that Nevada disclosed neither its online gaming numbers nor its sports betting numbers (as mentioned in the chart above) due to the potential revelation of proprietary revenue figures by operator resulting from low volumes or specific streams of revenue.

New Jersey Online Gaming Revenues							
	2016	2017	2018	2019	TTM Apr'20	TTM Apr'19	% Change
Borgata	\$ 47,015,036	\$ 48,538,044	\$ 54,094,337	\$ 77,761,140	\$ 104,208,784	\$ 57,129,040	82.4%
Caesars	\$ 38,699,334	\$ 43,001,527	\$ 45,559,070	\$ 55,333,021	\$ 60,895,699	\$ 49,664,173	22.6%
Golden Nugget	\$ 42,249,831	\$ 68,568,498	\$ 104,790,589	\$ 177,019,811	\$ 217,983,825	\$ 123,780,514	76.1%
Tropicana	\$ 36,983,292	\$ 42,550,421	\$ 41,063,784	\$ 44,797,619	\$ 43,796,746	\$ 41,940,083	4.4%
Resorts	\$ 31,761,839	\$ 42,947,491	\$ 45,307,723	\$ 100,130,206	\$ 125,424,852	\$ 58,510,773	114.4%
Hard Rock			\$ 5,119,989	\$ 22,533,132	\$ 29,145,699	\$ 11,597,631	151.3%
Ocean Resort			\$ 2,765,410	\$ 5,120,380	\$ 6,048,650	\$ 4,585,684	31.9%
TOTAL	\$ 196,709,332	\$ 245,605,981	\$ 298,700,902	\$ 482,695,309	\$ 587,504,255	\$ 347,207,898	69.2%

Source: NJDGE, GMA

Delaware Online Gaming Revenues							
	2016	2017	2018	2019	TTM Apr'20	TTM Apr'19	% Change
Delaware Park	\$ 1,422,578	\$ 1,187,254	\$ 1,189,001	\$ 1,426,865	\$ 1,752,449	\$ 1,276,558	37.3%
Dover Downs	\$ 978,224	\$ 718,754	\$ 895,713	\$ 1,387,674	\$ 1,788,801	\$ 1,069,726	67.2%
Harrington	\$ 506,084	\$ 485,934	\$ 509,820	\$ 755,138	\$ 1,006,231	\$ 600,319	67.6%
TOTAL	\$ 2,906,886	\$ 2,391,942	\$ 2,594,534	\$ 3,569,678	\$ 4,547,481	\$ 2,946,603	54.3%

Source: Delaware Lottery, GMA



Pennsylvania Online Gaming Summary - FYTD Apr'20	
Caesars	\$ 231,464
Mohegan	\$ 4,683,936
Mount Airy	\$ 30,137,171
Parx	\$ 17,094,022
Penn National	\$ 19,895,004
Presque Isle	\$ 717,423
Rivers Philadelphia	\$ 40,583,357
Valley Forge	\$ 21,039,427
TOTAL	\$ 134,381,803
Source: PGBC, GMA	

THE DISTRICT BEGINS

The District of Columbia at the end of May finally launched its sports betting product. It was initially only web browser-based but has since gone live with mobile applications through the platform GamBetDC. D.C. may be one of the longest journeys for sports betting, having started the process in the fall of 2018. As a reminder, the D.C. market was founded in troubles from the start by awarding the contract to the existing lottery provider, Intralot, that had a study completed showing that exclusivity and expediency to market created the best opportunity for the District. It was afraid that Maryland and Virginia would move in 2019 and get ahead on the sports betting effort. The report, which did not offer a sufficient spectrum of options, pinned its hopes on the first-to-market benefit. This was in addition to the resignation of a City Council member due to his advancement of the bill and potential ties to the process, further complicating the progress of the sports betting effort.

Some 18 months later, the initial start in D.C. can best be described as a mitigated disaster. While the full market is not functional, as stadiums, arenas, and sports bars that can offer wagering remain closed, the odds offered by Intralot make the market less than desirable. As David Payne Purdum, a writer from ESPN, stated it in a tweet, “New bettors in D.C. These odds (prices) are like paying \$2 for a gallon of gas, while other states are only charging a \$1. You are unlikely to enjoy sports betting, at least for very long, paying these prices.” It appears that like politics in Washington, sports betting has a lot to overcome, and gridlock may have taken over.

MOBILE REGISTRATION IN THE LAND OF LINCOLN

Through an executive order (2020-41), Illinois Governor J.B. Pritzker removed the in-person registration requirement for sports betting, reversing the agreement reached in the legislature just over a year ago when it passed the initial bill that allowed for sports betting. This was in addition to the gaming reform bill that passed just before the Legislature adjourned last month. It is one of many acts done by Governors across the country that will likely occur based off of the coronavirus pandemic and the continued shutdown of land-based casinos in Illinois.



initiatives for granted (as can be seen by the initiative last year in Colorado that barely passed with poorly worded ballot language and a dismal campaign effort).

A similar bill, SB 378, did not move out of House after passing the Senate. The bill was more robust than SB 130 and named the Louisiana Gaming Control Board as the regulator. Let it be noted that the Louisiana Gaming Control Board recently lost its Chairman and seasoned regulator, Ronnie Jones, because of political games in the Senate. This bill may see further action though in the 30-day special session that just began.

Another bill of note is HB 357 that was stripped of its sports betting language late in the session. It is now focused on the regulatory structure of daily fantasy sports. This regulation was initially scheduled to pass in 2019 after it was approved by the voters on the 2018 ballot, but regulators failed to reach a compromise. Time will tell if the special session becomes the vehicle to begin to allow legal fantasy sports in the Bayou.

DOTTING THE "I" IN OHIO

In late May, the Ohio House fast-tracked a bill (HB 194) to allow legal sports wagering at mobile and retail locations. The bill went from the House Finance Commission to the floor in the course of two days, eventually passing on a vote of 83 – 10. The bill would tax gross gaming revenue at a rate of 10 percent and allow the lottery to serve as the regulatory body.

The bill faces an uphill battle in the Senate, which has its own bill (SB 111) that calls for the Casino Control Commission to serve as the regulatory body. While the chambers differ in terms of who will be the regulatory body, the bills offer similar views on the overall market structure. GMA believes that a casino regulatory board is better suited to create a more dynamic market. As stakeholders look at markets across the country, they will be hard pressed to find a state where lottery-controlled sports betting offers a dynamic market that is well crafted. It usually creates a monopoly through the risk averse lottery commission that does not want to take its chance on the high volume, low margin business.

There are constitutional questions that remain as to whether or not sports betting can be brought in through the statutory process in Ohio. It neither strictly forbids nor strictly allows sports betting within the definition of casino gaming. Legislators and staff must sort through this issue as well as the implications on the regulatory body as some view it potentially within the realm of traditional lottery games.

CALIFORNIA DREAMING

Earlier this week, the California Senate Government Oversight Committee debated and passed a constitutional amendment to take sports betting to the ballot in the Golden State. The bill (SCA-



6) would allow tribes, racetracks, and card rooms to conduct sports wagering both in their land-based facilities and through mobile applications. Having passed out of committee on a 9 – 3 vote with four abstentions, the bill now heads to the appropriations committee to see if it will continue on toward the November ballot.

The measure was soundly rejected by the tribal organizations for a host of reasons. While the legislature should be applauded that it is back debating a solution, it still needs to bring all parties to the table to understand and craft a market that would be acceptable to all stakeholders. Bill sponsors, Senator Bill Dodd (D-3) and Representative Adam Gray (D-21), did not have those discussions with the tribal organization, which collectively operate over 100 casinos in the state, prior to heading into the debate.

The regulatory structure is one of the major components, including Know Your Customer (“KYC”) and Anti-Money Laundering (“AML”) measures that need to be addressed so that sports betting presents a fair and competitive playing field for all participants. Currently, the tribes operate under a higher standard to uphold than the tracks or the card rooms. The regulatory structure and supporting consumer protections, including responsible gaming measures, are essential in crafting a strictly regulated market to combat the illegal market that exists today.

California, while looking for revenue streams, is also looking for sports betting to be the panacea for additional tax dollars. The numbers thrown around during the hearings seem unreasonably high, even for the most heavily populated state in the country. Based off of a tax rate of 10 percent for retail and 15 percent for mobile, the consultant that testified said the market would generate over \$500 million in revenue to the state.

If the California legislature really wants to be the agent of change in advancing this expansion of gaming through sports betting, it should look to do a statewide study on the revenue potential under various scenarios including land-based and mobile, as well as potential operators and how to structure the regulatory framework that would put everyone on the same playing field. The legislature is right to take this to the ballot as the tribes’ initiative was halted by the pandemic. It is good to know that they did not take the advice of one testifier at the hearing earlier this year that said they could just legalize it; this would have only tied up any legalization in the courts, likely for years.

NEW YORK’S DELAY OF GAME

New York was scheduled to release its statewide study on June 1st as originally prescribed in an RFP that was issued last fall. This is after the first two draft deadlines were missed on April 1st and May 1st. The study, which is being completed by the same consultancy that provided the initial review for the District of Columbia, was to look at, in addition to sports betting, the impact



of gaming within the region and within the state with regard to potential downstate casinos, the performance of existing gaming operations, and online gaming potential. It was reported that the consulting group directed all questions over to the Commission, which would only state that the report was delayed because “potential impacts of this pandemic on the future of existing gaming and its implications on future development need to be fully considered” and more time was needed. While the impact of gaming will need to be understood in post-COVID-19 times, with the multiple deadlines missed and primary stakeholders in the process being contacted late this spring, it brings into question as to whether this is the sole reason for the delay.

New York has been severely hit by the pandemic, as well as the economic impact on businesses within the city with the most recent riots. While revenue continues to escape across the Hudson with sports and online wagering running at all-time highs in New Jersey, New York needs answers on how much revenue it is losing and the potential revenue opportunity for the state through various potential expansions of gaming. It is like clockwork to watch sports bettors take a \$3 ferry from New York and watch when they put up their phones to start placing their bets as they cross the Hudson. While the Port Authority may eventually start losing out on revenue from those desiring a legal sports betting market, the state would pick up significantly more revenue than the cost of the ticket. The New York State Gaming Commission remains publicly silent on the timetable for the deliverable.

WHO'S GOT NEXT

As summer approaches, only a handful of legislatures are still in session until this fall. As previously highlighted, California and Ohio are still having active discussions. However, the lull will probably be tempered until states start to realize the full impact of the pandemic on their budgets. North Carolina remains one of the states that may consider some legislation as they completed a study last year that has remained undisclosed. It does not appear that the study will see public eyes until July at the earliest. Massachusetts remains an active state as well, but they will first focus on reopening the existing gaming product before they pursue sports betting in a meaningful discussion.

The market has changed significantly in the last few months and will likely see many more changes in the coming months with both sports and online gaming being considered, along with other potential opportunities for gaming expansion. Legislatures must realize that speed is not the answer. It is not about the race but about making sure you run the race the right way. Appropriately crafting the a dynamic, competitive market that offers strict regulation is the key to long-term success and viability of sports betting and any other form of gaming.



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