

The World Post-PASPA

Re-Drawing the Map of Sports Betting

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When the U.S. Supreme Court struck down PASPA – the Professional and Amateur Sports Protection Act – in May 2018, it was as if two dams burst from the pressure that had been building to legalize sports betting:

1. A torrent of pent-up demand to legally wager on sports competitions has been unleashed among bettors.

2. A river of incremental tax revenues will begin flowing into state treasuries as more jurisdictions authorize the previously forbidden gaming activity.

Since the Supreme Court's decision more than a year ago, 11 states and the District of Columbia have legalized sports betting in some form. Many other states have legislative measures under consideration. And a few governments already had approved sports betting in anticipation of the Supreme Court decision, but still need to authorize regulatory mechanisms.

The pent-up demand is high among consumers. In March of this year, more than 60% of respondents in a survey expressed their desire for professional sports betting in their state and 42% said they would like the legal opportunity to bet on college sports events. Industry analysts have estimated that more than \$100 billion was wagered illegally per year in the U.S. Some percentage of that action certainly will migrate to legal channels.

In statehouses around the U.S., legislators and treasurers are discussing how much money may flow from new taxes on gross gambling revenue (GGR), which represents the dollars left over after paying out betting wins and deducting administrative/compliance expenses.

Here is an overview of the “new map” of sports betting, along with how the different states are managing the various forms of betting and taxation.

The following jurisdictions have sports betting up and running:

Nevada – Nevada was grandfathered under



PASPA, and its sports books have generated billions of dollars in wagers through the years. The GGR rate is 6.75 percent in Nevada – the lowest of any state jurisdiction. Mobile wagering is permitted via apps associated with licensed sports books, but general internet sports betting is not permitted.

Delaware – Delaware was grandfathered under PASPA because of a football parlay it once offered through the state's lottery. The taxation method is hybrid, with the state taking 50 percent of GGR, casinos 40 percent, and 10 percent goes to augment horse racing purses.

New Jersey – New Jersey was the state that drove the Supreme Court decision to strike down PASPA. GGR taxes are structured according to where bets are made – at casinos, on mobile apps, or at race tracks. Betting on collegiate competitions taking place in the state is prohibited, as is any wagering (regardless of venue) on New Jersey schools.

Mississippi – Mississippi began accepting sports wagers in August 2018. It had a head start because it had passed legislation in

anticipation of the Supreme Court ruling on PASPA. Tax rates on GGR are at a maximum of 12 percent, split 8-4 between state and municipal treasuries.

West Virginia – Bets are permitted for all professional and college sports. The state lottery commission regulates sports gambling. Tax is 10 percent of GGR.

Pennsylvania – Seven of the state's 12 casinos have paid the one-time \$10 million licensing fee for the right to offer sports betting. The tax rate on GGR is a whopping 36 percent. Bets are accepted on both professional and collegiate sports, and mobile wagering is permitted.

Rhode Island – Sports betting is allowed exclusively at the state's two casinos. The Rhode Island Lottery Commission governs the activity. Betting is accepted on all professional and college sports except those involving college teams in the state. Tax on GGR is the highest in the U.S. – 51 percent.

New Mexico – This state is included, but only in a technical way. The state has not approved sports wagering, but an Indian casino on tribal land (Tanya Nation) can

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In our last interview you mentioned that the Ministry of Finance practically withdrew from regulation of the lottery market which led to chaos and a decrease of the legal lottery market. What has changed since then?

E. Vlasenko: Not that much has changed. The market still waits for the new licensing terms that establish clear, unambiguous and enforceable rules for on-line sales, and protection of the market from illegals. First we need proper regulatory documents to be issued; and second we need measures to make sure that they are followed. Until that is done, I do not expect investment to be forthcoming from the shareholders or multinationals like IGT or SGI into the Ukrainian market.



A new President was recently elected in Ukraine. And already there are a lot of new faces among top state positions. How do you think it will change gambling in general and lotteries in particular?

E. Vlasenko: Gambling is forbidden in Ukraine since 2009. So those who operate are in the “grey zone”. Lottery is not classified as gambling. It is regulated according to the Law on Lotteries. These laws without license terms are expected for last seven years. If the new government team finds time to address these issues that affect the

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and does offer betting on sports. There are other tribal casinos in the state that may attempt to follow the lead of the Tamya Nation.

These states have authorized sports gambling, but have not yet operationalized it:

New York – New York is wrangling through differing opinions on mobile betting platforms and requests for integrity fees by sports leagues. A public comment period on rules and regulations set forth by the state gaming commission concluded in late May.

Oregon – The Oregon Lottery in 1989 created an NFL parlay game that was exempt from PASPA, but the game was discontinued because of pressure from sports leagues and the NCAA (the collegiate governing body). Now, 30 years later, the Oregon Lottery will offer sports wagering through a mobile app just in time for the 2019 NFL season.

Arkansas – Betting will begin in early summer

The tax rate is 15 percent on the first \$150 million in GGR and 20 percent beyond that figure. There is no restriction on bets involving the state’s college teams.

Tennessee – This state’s new law has an effective date of July 1. Tax rate is 20 percent of GGR.

Washington, D.C. – Sports betting already has received mayoral approval, but the “on” switch awaits a U.S. Congressional review since the law impacts D.C.’s budget.

The following jurisdictions have no legislative measures under consideration as of this writing:

Alaska
Florida
Idaho
Nebraska
Wisconsin
Wyoming
Utah

In Utah, a change in the state constitution would be required to legalize betting; that is very unlikely.

All the remaining states are in varying stages of considering legislation to authorize betting.

Analysts estimate that 20-25 states will have fully operational sports betting by 2022, and that a dozen others will follow as lessons learned are gleaned from the early-adopter states.

As more states legalize sports betting, the question will be raised regarding whether federal legislation is needed to establish a baseline of standards. The Sports Wagering Market Integrity Act of 2018 was introduced in the U.S. Senate last year, but the bill stalled. It called for minimum age requirements, mechanisms to detect illegal betting activity, and the earmarking of money to fund gambling addiction programs.

One thing is certain: the PASPA dam has burst and the flow of sports betting will only increase. 📈

sector of lotteries, the proper and effective regulatory framework based on EL/WLA standards and expertise can be implemented quickly and would boost the Lottery market.

You are chair of the Education Working Group of the EL. Describe the mission, purpose, and agenda of this working group.

E. Vlasenko: The International lottery community is a small world. Almost everybody knows each other. Most are active members of the WLA and regional lottery associations, with well-established lines of communication already in place. And I would like to point out that everyone appreciates the important role that PGRI plays in this system. This is a great achievement.

I strongly believe that people are the most valuable asset of any company, even more important than brand equity. I see the role of the EL Education Working Group as providing the tools to help people be the best they can be, optimize performance for the benefit of their careers and for the benefit of the enterprise stakeholders. Investing in education and personal development is key to making this happen. The development of human potential requires investment. The EL wants to help its members get the most out of every dollar they invest in their people. The courses of EL University are free of charge to members. We conduct 2 types of courses and are preparing a third one for different levels of experience and expertise.

Our intention is to facilitate knowledge sharing, best practices, train on how to handle difficult situations by using actual case studies and industry leaders who have experienced the whole range of lottery business challenges, as well as formal education for new employees to make sure the terms and EL standards, like RG, Security, etc., and the values of the Association have the same meaning across the world - and to encourage the adoption of these values throughout the industry! I also see this as only the beginning. There is incredible potential for the EL to be a positive force in the industry by supporting its members’ ability to develop the talent and capabilities of the thousands of people who work for the benefit of good causes provided by lottery. I see a lot of opportunities in this area of EL support to its members. The next step is to collect feedback from the members to understand their training needs and reflect accordingly. So the work continues and the show must go on! 📈