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Why Sports-Betting Matters to ALL State Lotteries

The Supreme Court has now heard the arguments for and against the constitutionality of PASPA (Professional and Amateur Sports Protection Act of 1992) and the federal prohibition of sports-betting. They are deciding the role that the federal government should, and should not, play in the formulation and execution of regulatory policy as it applies to sports-betting. Of course, the role the federal government plays in all other forms of gambling is that all games-of-chance are illegal according to federal law until and unless it is regulated by the state. That leaves it up to the states to decide whether and how to regulate games-of-chance – ALL games-of-chance except sports-betting. Adding to this peculiar circumstance is that PASPA made an exception of four states, allowing four states to offer sports-betting and prohibiting the other 46 states from regulating sports-betting. This is a most curious situation that some think will be rationalized with the Supreme Court ruling, which is expected sometime before June.

The underground sports-betting market in the U.S. is estimated to exceed \$150 billion. Many think it is much higher than that, which makes it more than twice the size of the traditional lottery business. And the amount wagered legally is less than 5 percent of what is wagered illegally. So, a Supreme Court decision that opens the door to legalizing and regulating a \$150 billion-plus market would transform the games-of-chance industry. That poses three big questions for operators of state lotteries.

■ **What can be done to influence Lottery's political constituents to grant the state Lottery the right to offer sports-**

betting? The benefits to Good Causes supported by Lottery would be huge.

■ **How will the explosion of sports-betting onto the games-of-chance marketplace impact the industry in general and individual lotteries? This question applies to everyone, whether your Lottery is authorized to offer sports-betting or not.**

■ **What is the strategically effective course to set for lotteries to drive sustainable growth in traditional games, in light of a games-of-chance industry re-shaped by sports-betting?**

It is likely that many U.S. lotteries will not be granted the right to offer sports-betting. This is unfortunate. Globally more than 70 percent of government lotteries offer sports-betting. Sports-betting is a tremendous source of funding for Good Causes all around the world. Perhaps just as important, sports-betting is the gateway to the next generation of consumers. The 20-somethings who are into sports-betting today are going to grow into the mature lifestyle that is more receptive to lottery games. Just like other young adults, sports-bettors eventually find they have less time to indulge in time-consuming activities, like sports-betting, and become prospects for migrating over to lottery games. It is important for lotteries to do what they can to influence our political constituents to look favorably on the lottery as the agent to offer sports-betting.

One reason why our state policy-makers should look favorably on lotteries is their excellent track records for balancing the need to meet the demand for recreational gaming with the need to minimize social costs and problem gambling. In fact, Responsible Gaming in sports-betting is a big

piece of the picture that has not been given adequate attention.

For those who are authorized to offer sports-betting, there is quite the steep learning curve. Thankfully, there is a wealth of best-practices to draw upon. And our primary vendor partners all have deep experience in the business of sports-betting. The resources to guide us are there, the blueprints for success in sports-betting are well-known, and our commercial partners can help us get there.

But whether we are in the sports-betting business or not, the community of lottery operators needs to understand the implications of the potential impacts to our businesses. We need to make it our business to understand the legal and regulatory issues involved, how we might liaise with our political constituents on this topic, and how we might strategically guide our businesses during this time of change. Legalization of sports-betting will re-shape the entire games-of-chance industry, and we need to prepare for that.

For those who may not be authorized to operate sports-betting directly, maybe there will be a pathway towards partnering with those who are operating sports-betting. Lotteries have one of the most valuable and proprietary assets in the industry. As an industry, we should think about creative ways to leverage our massive retail network into new revenue-generating services. Providing a lottery's network of consumer touch-points for sports-betting operators may be one of those services.

None of us knows exactly how all of this will unfold. It's not too soon, though, to sort out the issues and prepare our own game plans for how to win in the games-of-chance marketplace. ■