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# The Future of Sports Betting



# Agenda



Overview

History of Sports Betting

Current Examples

Simulation for Legalization

Discussion of Results

# Key Terms

- **Gaming revenue:** Also referred to as gross gaming revenue, net win, or GGR, it refers to the amount retained by the sports betting operation after payment of prizes.
- **Bookmaker:** someone who is licensed to create betting lines and take wagers.
- **Lines:** another term for the odds.
- **Handle:** the total amount of money a bookmaker accepts on a single game or event.

# Background

- Taxable revenue has been missed for decades
- In legal sports betting states, portions of this industry's taxable revenues have gone towards funding local infrastructure in the form of roads and educational institutions.
- Effectively structuring GGR tax is critical for states newly legalizing

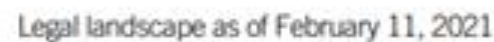
# History of Legal Sports Betting

## Professional and Amateur Sports Protection Act of 1992 (PASPA)

- Federal law outlawing sports betting for 46 states

## Murphy v. National Collegiate Athletic Association 2018

- May 14, 2018: The Supreme Court determined PASPA was unconstitutional in a 6-3 decision



Source: [espn.com](http://espn.com)



# Legal Online Sports Betting Industry



- Requires regulatory framework for licensing
- Tax rates and licensing fees must be rational, supporting healthy competition between sites
- Giving the customers plenty of options to keep them out of the illegal betting market
- Interstate options for mobile & online wagers
- Digital Payments

# Illegal Sports Betting Market



- Most Illegal sports betting retains money within the state
- Bets placed with local bookies
- Low risk- High reward



# Case Study- New Jersey

## Legality

- Must be 21 or older
- Must physically be in New Jersey, even for online gambling
- Gambling revenue must be regulated by the NJ Division of Gaming Enforcement

## Taxation

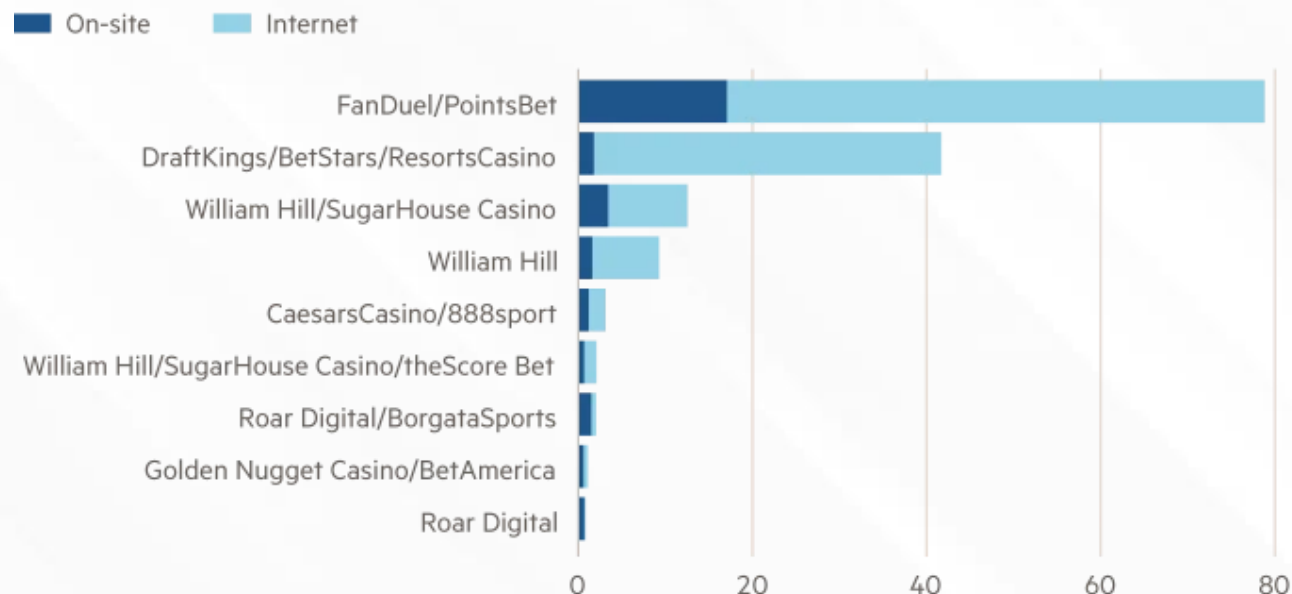
- 8.5% of land-based revenue
- 13% of online revenue

# Case Study- New Jersey

**Internet gambling revenue has significantly overtaken onsite**

## Online takings lead way in New Jersey gambling revenues\*

\$m, Jan-Aug 2019



\* Excludes figures under \$2m

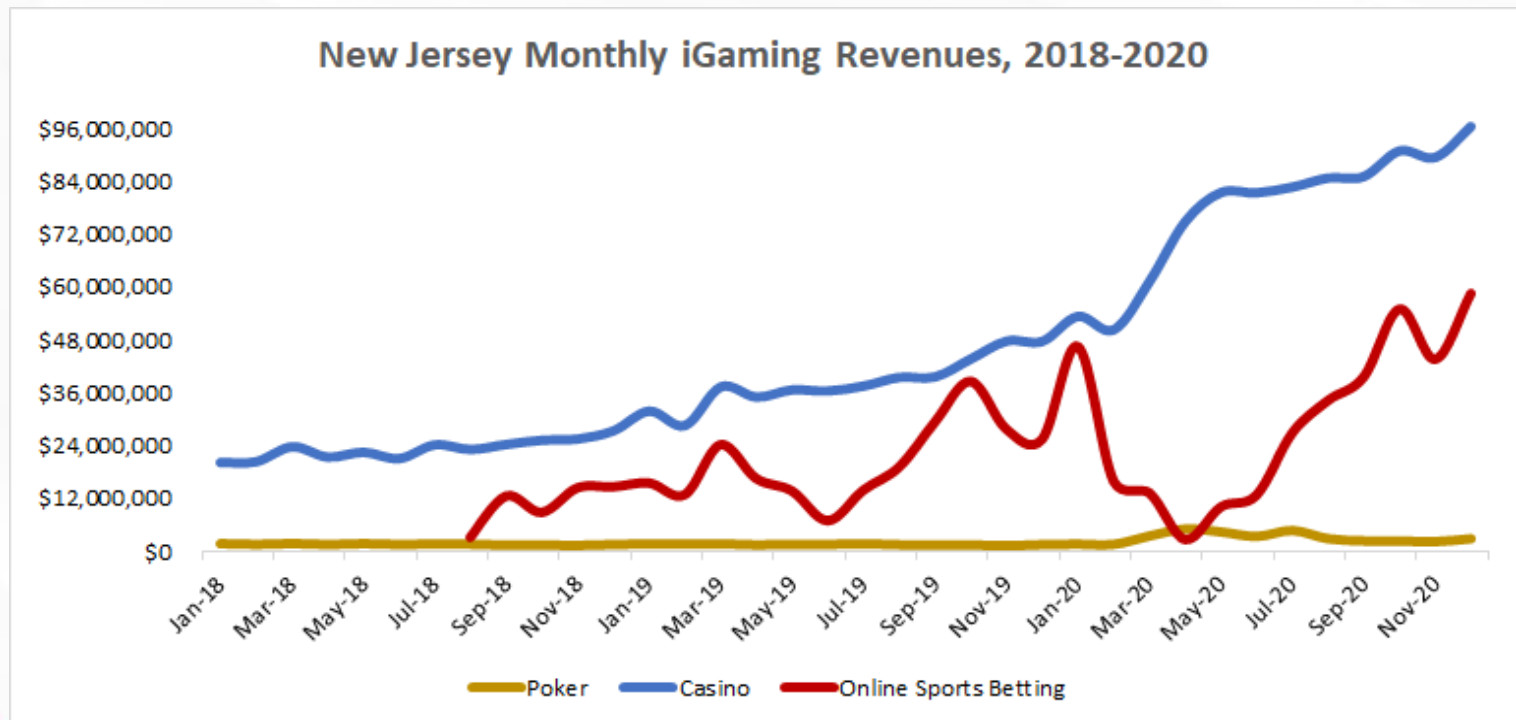
The first licensee in each row generates revenue online and at its on-site sportsbook concession

Source: New Jersey Department of Law & Public Safety

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# Case Study- New Jersey

- Online Sports Betting Revenue 2020 YTD: **\$358,103.393**
- Sports Betting (Brick & Mortar) Revenue 2020 YTD: **\$38,704,572**
- Online Gambling Revenue 2020 YTD: **\$970,364,366**
- State and Local Taxes from Retail and Online Sportsbooks: **\$65.1 million**



what does REMI say? <sup>sm</sup>

Source: New Jersey Division of Gaming Enforcement (DGE)

# Re-investing Tax Revenue into Public Goods



- Increased tax revenue generated through online sports betting can be reinvested into education
- The high 'sin tax' rate can be placed on gambling
- Reallocates disposable income towards improving public systems

# The Right Balance



The tax on the sports betting industry is not directly placed on the consumer . . .

This begs the question-  
*Why not a higher rate?*



**In order to maintain and grow a robust domestic gaming industry, the GGR tax rates must be competitive with surrounding states**

- Otherwise, the book makers will leave for other states (Leakage)

*what does **REMI** say? <sup>sm</sup>*

# Connecticut



Gambling	Permitted/Offered?	Notes & Restrictions
Land-based Gambling	Yes	Two massive tribal casinos: <b>Foxwoods</b> <b>Mohegan Sun</b>
Online Sports Betting	No	Legislation pending for sports betting
Lottery	Yes	In-state and multi-state drawings
Charitable or House-based Gambling	Yes	Bazaars, bingo, raffles, and sealed ticket sales permitted



what does **REMI** say? <sup>sm</sup>

# Modeled Scenarios



## Scenario 1: High Tax rate, High convenience

- GGR is taxed at 15%
- New Source of State Revenue



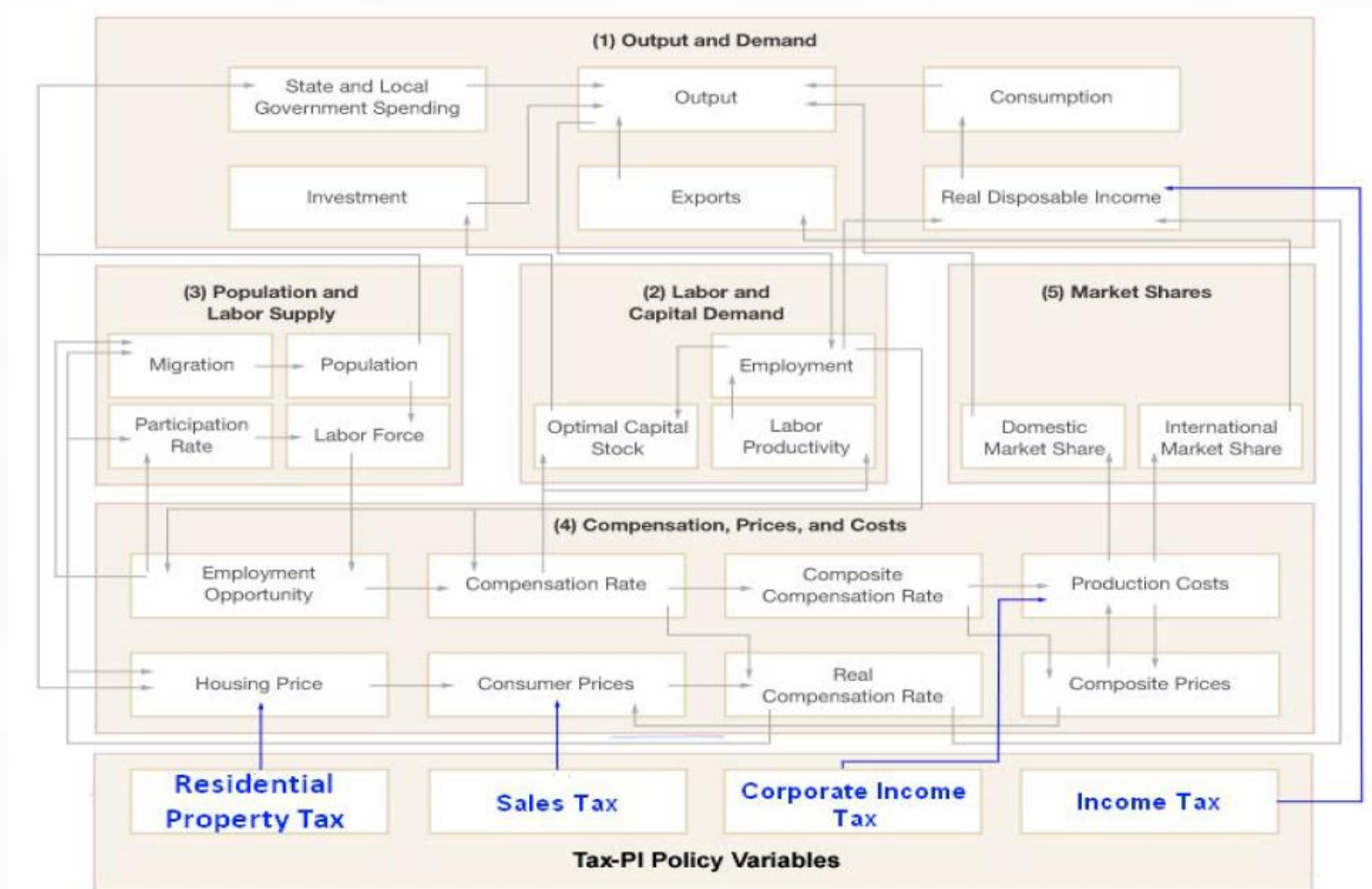
## Scenario 2: Lower Tax Rate

- GGR is taxed at 7.5%
- Incentivize Casinos

Source: American Gaming Association



# Model Structure



what does **REMI** say? <sup>sm</sup>

# Methodology



- Single Region Connecticut Tax-PI Model
- Baseline: November RSQE Macroeconomic forecast
- Simulations with State Budget:
  - 15% tax on \$150 Million GGR
  - 7.5% tax on \$200 Million GGR
- Assumptions:
  - Assume GGR grows at 5% from year 2021 to year 2030.
  - Assume 5% secondary sales effects on spectator sports and advertising industry.

# Variables



- Exogenous final demand
- Employment
- Compensation
- Output
- Industry Sales (Exogenous Production)

# The Future for Sports Betting

- State By State Legalization
- Competition between states potentially driving down tax rates – Goldilocks Rate
- NJ can work as a template for CT to follow
- More normalized culture around sports gambling (online specifically)
- A supplemental revenue stream, not a long-term budgetary solution
- Modeling can provide necessary insight

# Q&A



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