



Making sense of America's fragmented approach to sports betting

As part of EGR's International Women's Day coverage, Dr Laila Mintas, industry advisor and chairperson for Bet.Works, discusses a state-by-state approach to sports betting regulation



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10/03/2020



It is expected that by 2023, 37 US jurisdictions will have introduced legal sports betting. The process of legalising sports betting has gone faster than most experts predicted. Many potential investors are observing the US market and appreciate the high valuations and the increasing stock prices that many of the US gambling operators experienced over the last two years. Several overseas companies have launched in the US already and more will follow for sure to benefit from the growing market.

There is no doubt that the US has huge potential given the population of almost 350 million alone. Based on estimations from industry-leading research studies, the US will become the largest legal sports betting market in the world. For instance, according to Eilers & Krejci Gaming, the projected annual direct revenue from a 50-state online and retail sports betting market is \$17.4bn. To illustrate the size of the US market better, this number should be put in context with the market size of the more established European markets. The UK, for example, which is the most mature sports betting market in the world, has a market size of around \$2.65bn and a population of around 67 million.

Having worked in the sports betting industry since 2006, I found it very important to apply learnings from international markets to the fast-developing US market, but I also had no doubt the US won't just copy and paste what has been done before. It is a very unique market that is in many facets very different from other jurisdictions. We have a tech and innovation-driven sports industry that will revolutionise the sports betting experience on a global level. We have powerful sports leagues that have proven that they are very "hands on" when it comes to monetising their assets for sports betting in the new environment and we also have an established, influential local gaming industry and tribal gaming that pre-existed for a long time before PASPA was repealed.



It is impossible to give a complete overview about the growing US market within this format. The market is just too complex as every US state is free to decide if it wants to legalise sports betting and what the legal framework looks like. Because of this "state-by-state approach", every state that has legal sports betting has different regulations for operators to follow.

The tax rates between the states varies significantly with Nevada being at 6.75% GGR and Rhode Island being at 51% GGR. The same is true for the operator licence fee which is, for example, \$5,000 in Mississippi and \$20m in Illinois.

While most states allow online and retail, some states such as Delaware or for now New York allow only retail sports betting, which drives most digital betting activity into offshore markets or across state borders. Tennessee selected an interesting approach that only allows online sports betting and no retail.

In most states, sports betting operators have to partner up with a local operator such as a casino or racetrack that owns a licence and basically sub-license that "skin" to them. Depending on state-law, some states allowed their local operators to sub-license three skins as was done in New Jersey, while others allow only one like Colorado or two skins like Iowa. Overall, it is a unique concept that local operators sell their online skins to third-party operators that they might be competing with if they run their own online sports betting offering. Often, they take a percentage of the NGR that the incoming sports betting partner is making, as well as a one-time-sign-in payment for giving the incoming operator market access.

In the after-PASPA era, US sports leagues lobbied strongly for a so called "integrity fee" claiming they would have additional costs in a regulated sports betting environment to safeguard integrity. This is contradictive because the risk of match manipulation is much lower in a regulated sports betting market. In the regulated sports betting landscape of today, no state has accepted that reasoning and included an integrity fee into the state law. The second big lobbying effort of the leagues was to implement a requirement into state laws that would make it an obligation for the sportsbooks to use official mandated league data. This comes not only with additional costs for the operators but, if the right to distribute the data is given exclusively to only one data supplier, also establishes a data monopoly that allows the data supplier to dictate pricing, terms and use of data on a "take it or leave it" basis. Currently only Tennessee, Illinois and Michigan have implemented such requirements.

Sportsbook providers must also keep an eye on regulations when it comes to college sports, where some states have implemented restrictions. On the contrary, esports betting has, with the exception of Oregon and Indiana, seen less restrictions.

The US market certainly comes with some challenges but the ones that can navigate through them have the chance to operate in a huge market which is well on the way to becoming the largest legal sports betting market in the world.



Sports betting US Dr Laila Mintas