Lottery's Sport Update
HOUSE COMMITTEE ON BUSINESS AND LABOR
September 17, 2019

Sports Betting in Oregon 101

1. Legal Status of Sports Betting

2. Current Status of Legal Sports Betting in Other States

3. Why Sports Betting in Oregon?

4. What will Lottery's sports betting game look like?

5. What is the ETA for Scoreboard?

Legal Status of Sports Betting

Always Legal in Oregon

- Lottery Commission has authority to authorize any game via "any existing or future methods"
- Lottery authorized Sports Action (ended in 2007)
- Oregon was exempt from federal law prohibiting sports gambling

Professional and Amateur Sports Protection Act of 1992 (PASPA)

- Federal legislation that effectively outlawed sports betting nationwide, excluding a few states (including Oregon)
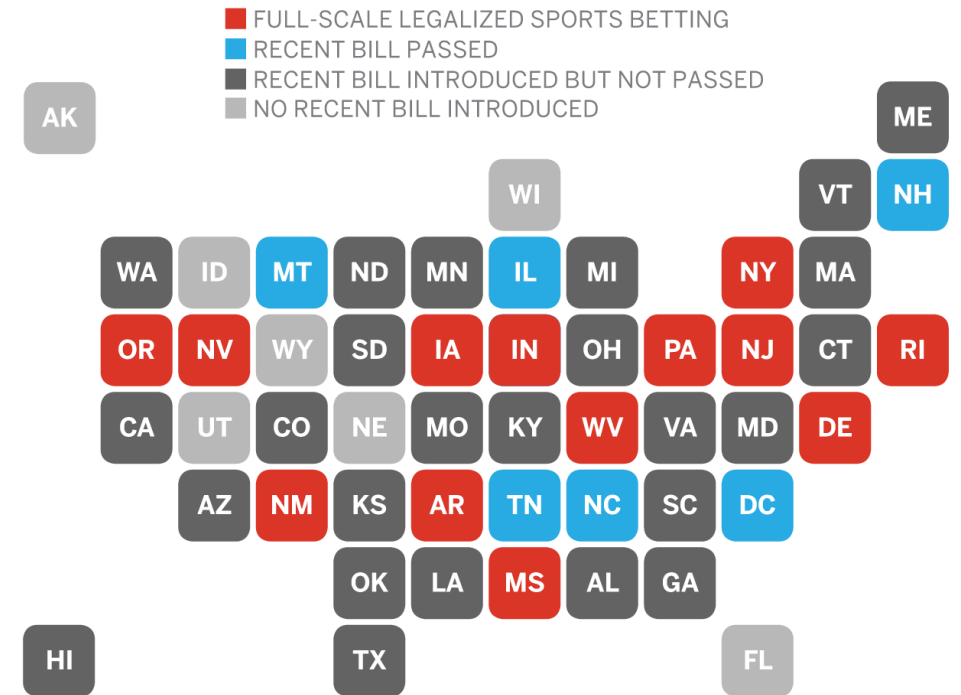
Murphy v. National Collegiate Athletic Association (May 2018)

- U.S. Supreme Court ruled that states should have the right to regulate and tax sports betting, and that it was unconstitutional for the federal government to ban them from doing so.
- Opened the door to all states to offer different approaches to sports betting.

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Current Status of Sports Betting in Other States

- Thirteen states (including Oregon) have legal sports betting (Arkansas, Nevada, Delaware, New Jersey, Mississippi, West Virginia, New Mexico, Pennsylvania, Rhode Island, New York, Iowa, and Indiana)*
- Many other states have recent or pending legislation (e.g. Montana, Washington D.C., etc.)*
- Early results show revenue is exceeding expectations, especially where mobile is available (NJ, PA, NV, WV).

SPORTS BETTING BILL TRACKER

■ FULL-SCALE LEGALIZED SPORTS BETTING
■ RECENT BILL PASSED
■ RECENT BILL INTRODUCED BUT NOT PASSED
■ NO RECENT BILL INTRODUCED

*Source: ESPN "United States of sports betting: An updated map of where every state stands," (updated 9/1/19)

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Why Sports Betting in Oregon?

- **Responsible Revenue Growth Strategy**
  - Increases revenue to the state without asking current players to play more by attracting new players
  - Lottery has not launched a new game in more than a decade
- **Player Demand:**
  - An estimated 28 million Americans would wager on sports if it was legal (American Gaming Association (AGA));
  - About 375,000 Oregonians bet on sports in the past six months;
  - Nearly one in five Americans bet on sports in the past year;
  - Americans bet more than $15 billion on the Super Bowl and March; and Madness; 97 percent of that was illegal (AGA).

Revenue Projections for Sports Betting in Oregon

PERIOD	HANDLE	WINNINGS	GROSS GAMING REVENUE (GGR)	PRODUCT EXPENSES*	OTHER EXPENSES**	CURRENT PERIOD NET PROFIT
YEAR 1	$332.8 M	$306.2 M	$26.6 M***	$5.2 M	$16.5 M	$4.9 M
YEAR 2	$555.9 M	$507.4 M	$48.5 M	$9.1 M	$27.8 M	$11.6 M
YEAR 3	$722.3 M	$656.2 M	$66.1 M	$12.5 M	$33.1 M	$20.5 M
TOTAL	$1.6 B	$1.5 B	$141.2 M	$26.8 M	$77.4 M	$37.0 M
%GGR				19%	55%	26%

* Includes customer service management, gaming finance management, responsible gaming management, compliance management, acquisition and retention marketing service management, and fail over service support.

**Potential data royalty fees, payment processing fees, third-party vendor costs for services such as Know Your Customer (KYC), geolocation and other data feeds, marketing and promotional spend, staffing costs, hardware costs, retail commissions, and reserve funding.

***Factors impacting revenue: illegal sports market is not expected to entirely transfer (incentives like tax avoidance, etc.); sports betting is high volume, but low margin; sports betting will never replace revenue from VLTs and other traditional Lottery products.

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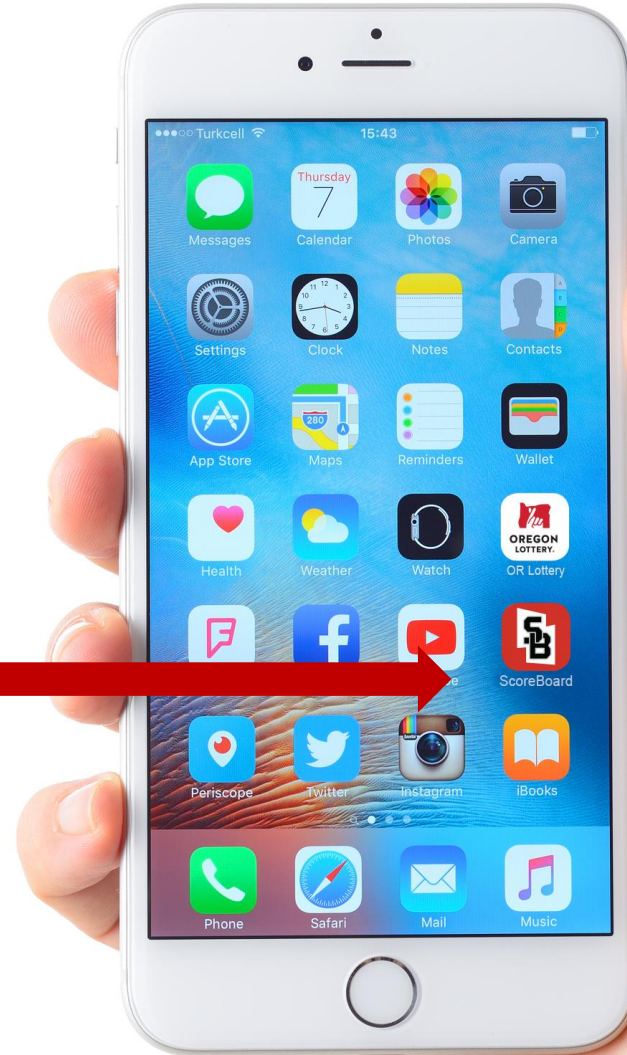# What will Lottery's Sports Betting Game Look Like?

Coming Soon...

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Overview of Scoreboard

- Available through the Scoreboard mobile app or website

- Full range of domestic and international sports

- Full range of wagering options including single-event wagering, parlay and in-play/live wagering

- Legal, Secure, Age 21+

- Geo-fenced can play anywhere in Oregon except on tribal lands

- Full suite of Responsible Gaming tools

- Prizes subject to same tax reporting and withholding and child support/DHS/OHA debt checks as other Lottery game prizes

Betting Types in Scoreboard

Single Event

- Betting on the outcome of a single sporting event.
- Event can be upcoming or in the distant future (Super Bowl winner).

Parlay

- Combines two or more wagers for higher potential return.
- All sections in the parlay must succeed for the bet to win.
- Can include wagers across multiple leagues or markets.

In-Game

- Wagers placed after the event start time.
- Lines and odds are updated throughout the event.
- Allows wagers on the outcome of the event or the likelihood of something happening within the event.

Responsible Gaming Integration

- **Deposit Limit Required:** To register for a player account, and in advance of wagering, every customer must set a deposit limit amount.

- **Knowledge is Power**: Play history is no longer anonymous; players can see how much they spend on gaming over time.

- **Odds, payouts and how games work**: This information is fully integrated into game content.

- **Loss limits:** In addition to the required deposit limit, players can set additional personal limits in their player account, such as a loss limit.

- **Time-outs and Self-exclusion**: Up to 30 day "time out" from ability to access Scoreboard and receive marketing or temporary or even permanent self-exclusion from having a player account.

- <u>NOTE</u>: Director Pack is committed to no high-velocity games (VLTs) on mobile.

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Responsible Gaming Integration
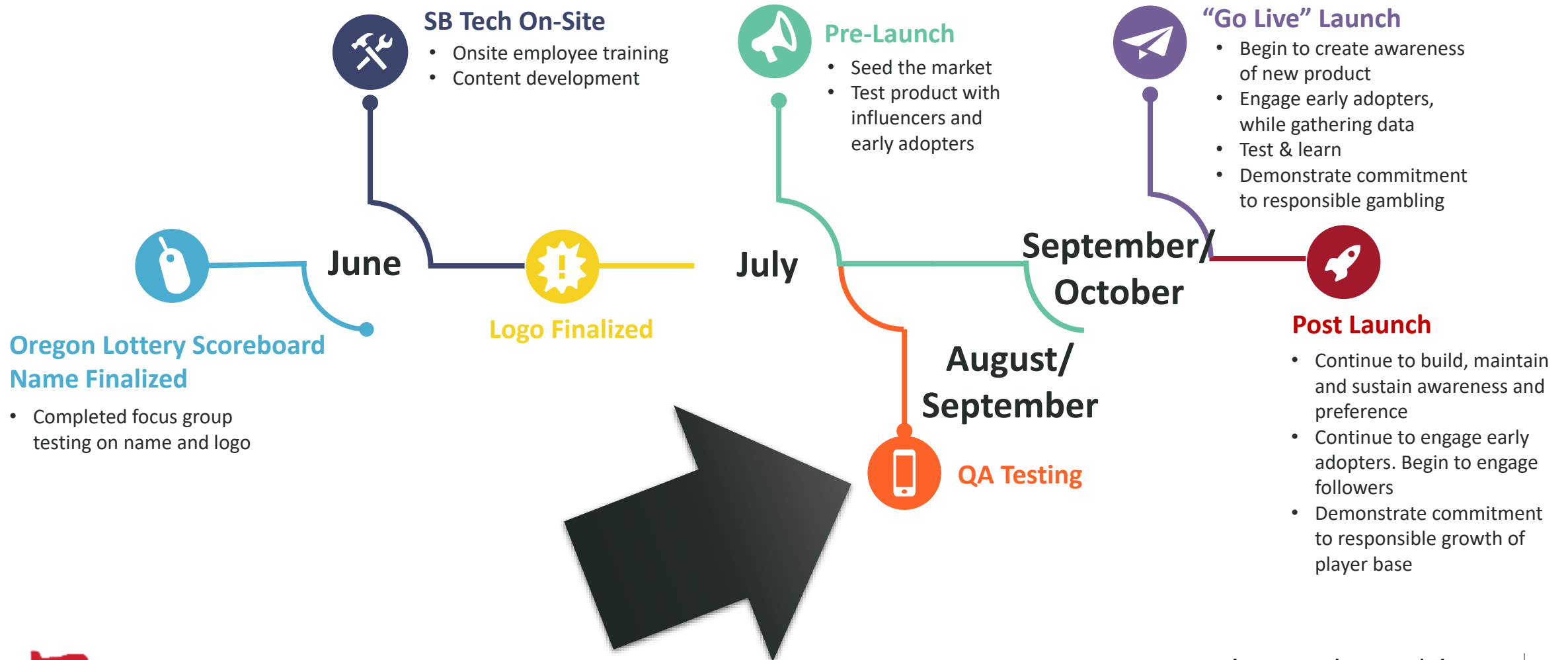
Lottery will implement RG training for call center staff

- Working with RG training experts, Lottery will develop custom training for vendor call center staff
    - In-person training
    - Online resources
    - Chat scripts
    - Escalation processes
- Lottery will work with OHA to train and familiarize helpline staff
- Lottery "hotline" staff will receive updated RG training

Timeline for Scoreboard Launch...

SB Tech On-Site
- Onsite employee training
- Content development

Pre-Launch
- Seed the market
- Test product with influencers and early adopters

"Go Live" Launch
- Begin to create awareness of new product
- Engage early adopters, while gathering data
- Test & learn
- Demonstrate commitment to responsible gambling

June

Logo Finalized

July

September/ October

Oregon Lottery Scoreboard Name Finalized
- Completed focus group testing on name and logo

August/ September

QA Testing

Post Launch
- Continue to build, maintain and sustain awareness and preference
- Continue to engage early adopters. Begin to engage followers
- Demonstrate commitment to responsible growth of player base

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Future Plans for Scoreboard

Scoreboard Mobile App and Website

- Launch Fall 2019

Kiosks

- Sports betting kiosks located in retail locations

- Launch early 2020

Lottery Retailers

- Launch parlay game similar to popular Sports Action; available for all current retailers

- Launch 2020

THANK YOU