

# JOINT INTERIM COMMITTEE ON GAMBLING REGULATION

August 26, 2022

**PRESENTED BY SPORT OREGON**

Jim Etzel, CEO

Nathan Nayman, External Affairs & Special Projects

The background of the slide is a photograph of the Oregon State Capitol building in Salem, Oregon. The building is a large, light-colored stone structure with a prominent central dome topped by a golden statue. The building is surrounded by a lush green lawn and rows of cherry blossom trees in full bloom, their pink and white flowers framing the building. The sky is a mix of blue and orange, suggesting a sunset or sunrise. In the bottom right corner, there is a black, curved banner with the text "SPORT OREGON" in white, bold, sans-serif font, with a registered trademark symbol (®) next to "SPORT".

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# INTRODUCTION — SPORT OREGON



**501c 6:** 125+ like-minded members who see sports as an engine for economic development through sport. Members' support provides the funding necessary to bring the best in sport to Oregon.

Members include-

- Providence Health & Services
- UBS
- Adidas
- US Bank
- Portland Timber & Thorns
- KATU
- Travel Portland
- Nike
- Travel Oregon
- Portland Trail Blazers
- Mortenson Construction
- Confederated Tribes of Grand Ronde
- Port of Portland

**501c 3:** provides grants and conducts programs to support youth sports, with an emphasis on both underserved youth, young girls and increased physical activity.

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We have strong relationships with local, regional and state tourist and business associations such as *Travel Oregon, Travel Portland, Oregon Business & Industry, Business Oregon, Oregon Restaurant and Lodging Association, Portland Business Alliance, and Greater Portland Inc.* to effectively drive and contribute to the economic development & recovery efforts impacting the state through sports tourism and the sports industry ecosystem.

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# SPORTS BETTING / GAMBLING

*The Problem: Rapid Changes in Technology drives the need to modernize Oregon's laws*



Oregon's gaming laws are based upon a monopoly model of state lottery/tribal gaming. This model is rapidly becoming outdated compared with a competitive technology-driven model that uses mobile apps and online gaming.

Recent experiences in other states and studies show that Oregon is not meeting consumer preferences, may not be serving public interest in the face of disruptive changes in the industry and is certainly leaving millions of dollars "on the table" to fund valuable programs.

New attitudes, new technologies and fan expectations are re-shaping the landscape of sports gaming/sports betting on a national scale.

Several states have opted to re-think their laws/regulations to best meet the challenges and opportunities of sports gaming in the modern era.



# SPORTS BETTING / GAMBLING

The Solution: *Modernize Oregon's Gaming Laws to Protect Traditional Oregon Values & Promote Public Interest*



- *maximizing economic opportunities,*
- *encouraging full fan engagement,*
- *promoting the integrity of sporting events,*
- *protecting consumers from the impacts of problem gaming,*
- *making sure that any expansion into Sport Gaming is done with an eye to maintaining equitable treatment of Sovereign Tribes.*

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# Principles / Concepts for Consideration While Crafting a Modern Gaming Landscape

- Sport franchises want a modernized approach in order to stay competitive with their peers;
- For sports betting to be successful the state will need to embrace current and ever evolving technology;
  - e.g., movies were once solely in theaters > VHS > video discs > on demand & live streaming
- Tribes should be included in modernization efforts;
- Restaurants/bars surviving on small margins want to protect revenues from gambling;
- Maintaining the status quo or marginal reforms will leave Oregon far behind other states as far as revenue and fan engagement;
- Increase revenue to help finance valuable public programs.



# SPORTS BETTING / GAMBLING - Study



Sport Oregon retained The Innovation Group\* to assess the potential size of the Oregon mobile and online (hereafter “mobile”) sports wagering market and to evaluate

- (1) whether alternative distribution models are likely to help Oregon achieve its sports betting potential and
- (2) what impact this would have on the revenue that the state government receives from sports betting.

The Innovation Group reviewed the statewide performance of sports betting in states with publicly available revenue data throughout the United States and compared this to the distribution models. It found.....

\*The Innovation Group is the premier provider of consulting and management services for the gaming and leisure industries, with public and private sector experience spanning the globe. The Group has served commercial and tribal operators; local, state, and national governments; lotteries; investors; and more. Regionally, The Innovation Group has worked in Oregon and adjacent Markets for decades.



# SPORTS BETTING / GAMBLING - Study



- Oregon's mobile sports betting revenue was \$31.8 million over 12 months (March 2022).
- Oregon revenues underperform other markets with much lower tax rates by a factor of approximately 6x.
- If Oregon adopted a tax and license model that provides an open, competitive market, it could expect mobile sports betting revenue of \$190 million in year 1, growing to \$289 million in year 5.

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# SPORTS BETTING / GAMBLING



While Oregon's current monopoly model (Lottery/Tribal Compacts) yields a nearly 50% revenue share for the state and has generated approximately \$16 million in tax revenue for Oregon over the last twelve months, an open market with a 15%-20% tax rate would generate total tax and license revenues of approximately \$30m to \$42m in year 1 and approximately \$45m to \$62m at market maturity (year 5 of operations).

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# SPORTS BETTING / GAMBLING –

*We studied 24 states, here are some examples.....*

## **Arizona**

Despite there being more than ten gaming tribes in the state, Arizona authorized ten tribal sports betting licenses and ten licenses for sports teams and leagues, for a total of twenty licenses. Teams like the Diamondbacks and Coyotes have opened sports betting lounges with their sports betting partners in the stadiums and arenas. Some tribes have geofenced their reservation so that mobile sports wagers can only be placed through their sports betting partner's app. The mobile betting gaming tax rate is 10%.

## **Colorado**

In May 2020, Colorado launched a highly competitive, mobile-friendly sports betting market. Each of the state's 33 casinos are eligible for licensure, allowing them to offer in-person wagering and partner with a single mobile brand. There is no in-person registration requirement for mobile accounts. Currently, there are 31 retail sportsbooks, and 19 mobile betting apps live in the state, and revenues from sports betting are taxed at 10%.



# SPORTS BETTING / GAMBLING – *other states' experiences*

## Ohio

Ohio passed a sweeping sports betting bill in December 2021 that authorized wagering in person at commercial casinos, professional sports team stadiums, and at certain bars and taverns that are lottery retailers, as well as online wagering through both commercial casinos and professional sports teams. Gross gaming revenues are taxed at 10%, with only limited deductions allowed to operators' promotional spend. License fees vary from the low six-figures to the low-seven figures depending on the type of license being applied for. With up to 25 mobile licenses available initially, every major betting operator is expected to enter the state, whose sports betting market is set to launch on January 1, 2023.

## Wyoming

In September 2021, Wyoming launched mobile sports betting with a 10% tax rate and licenses directly to mobile operators. Three online platforms had launched by early 2022, and a fourth launched in June. The state's Indian gaming operations can operate on-reservation sports betting as well.



# SPORTS BETTING / GAMBLING

## *Other states' experiences*

Over the twelve-month period, Oregon has achieved \$31.8 million in mobile sports betting revenue, translating to \$9.72 per adult 21+ .

State	Number of Licensees	Licensees	Tax Rate	Approximate Launch	2022 Pop 21+	Per Capita
Oregon	1	Lottery	Lottery keeps roughly 50% of GGR	Oct-19	3,272,599	\$9.72



# SPORTS BETTING / GAMBLING

## *Other states' experiences*

The states below have an open, competitive environment and a tax rate at most 20%. On average, their per capita mobile sports gaming revenue is more than 6x that of Oregon's

State	Number of Licensees	Licensees	Tax Rate	Approximate Launch	2022 Pop 21+	Per Capita	Multiplier Vs Oregon
Arizona	20	Teams, Tribal Casinos	10%	Sep-21	5,367,080	\$78.54	8.1
Colorado	33	Casinos	10%	May-20	4,364,586	\$63.21	6.5
Illinois	7	Casinos	15%	Jun-20	9,451,709	\$56.61	5.8
Indiana	16	Casinos	9.50%	Oct-19	5,030,585	\$54.64	5.6
Iowa	17	Casinos	6.75%	Aug-19	2,367,675	\$40.14	4.1
Louisiana	7	Casinos, Racetracks	15%	Jan-22	3,431,320	\$71.97	7.4
Michigan	15	Casinos incl. Tribes	8.40%	Jan-21	7,577,567	\$42.86	4.4
New Jersey	42	Casinos, Racetracks	15%	Aug-18	7,004,622	\$102.70	10.6
Tennessee	9	Direct with State	20%	Nov-20	5,284,427	\$51.41	5.3
Virginia	14	Direct with State, Casinos (pending)	15%	Jan-21	6,470,573	\$53.12	5.5
West Virginia	8	Casinos	10%	Dec-18	1,377,561	\$22.99	2.4

Oregon

1

Lottery

Lottery keeps roughly 50% of GGR

Oct-19

3,272,599

\$9.72

# SUMMARY

1. Oregon's gaming laws are based upon a monopoly vs. a competitive model. It leaves millions of dollars "on the table" and concurrently may not best serve the public interest in the face of dramatic, disruptive changes in the industry.
2. A modern, open competitive system with a range of license/tax provisions would help address "Oregon values" and generate \$150 million more per year than the current system. That number could be expected to grow to \$250 million more per year by the fifth year.
3. The legislature should conduct a legal analysis to review its authority to authorize sports betting by entities in Oregon other than the Lottery and Tribal sports betting on reservations. Would it take a constitution amendment to Article XV Section 4? A thorough legal analysis of Article XV section 4 is warranted.
4. Careful thought should be given to make sure that any expansions into Sport Gaming are done with an eye to maintaining equitable treatment of Sovereign Tribes and maintaining Oregon's values in balancing revenues with the social impact of gaming.
5. Sport Oregon is prepared to work with the State Legislature offering practical information, and offer a trusted source of policy options, best practices and policy analysis.



# THANK YOU

## QUESTIONS & FOLLOW-UP

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