



**TESTIMONY BY PENN NATIONAL GAMING, INC. BEFORE THE
JOINT STANDING COMMITTEE ON VETERANS AND LEGAL AFFAIRS
RELATED TO SPORTS WAGERING
APRIL 26, 2019**

Good morning Chairman Luchini, Chairman Schneck, and Members of the Committee, my name is Jeff Morris and I am the Vice President of Public Affairs and Government Relations for Penn National Gaming, the operator of Hollywood Casino Hotel & Raceway Bangor. Joining me today on behalf of our nearly 400 employees is our General Manager at Hollywood, Austin Muchmore, and Chris Jackson, who represents our Company here in Augusta.

As you are aware and the reason we are here, in May of 2018, the United States Supreme Court overturned the federal ban on sports wagering, ruling that the Professional and Amateur Sports Protection Act of 1992 (PASPA) was unconstitutional. At that time, Nevada was the only state that offered single-game betting on college and professional sports. Now each state has the opportunity to set their own policy to legalize and regulate sports wagering. Already, the states of Delaware, Mississippi, New Jersey, Pennsylvania, Rhode Island and West Virginia have passed legislation and are currently taking wagers on sporting events. Penn National Gaming operates in four of these jurisdictions and offers a sportsbook at 11 of our 41 properties throughout the U.S.

Dozens are state legislatures across the country are actively engaged in the process of considering the legalization of sports betting in their respective jurisdictions. As the nation's largest regional gaming operator, Penn National has been deeply involved in many of these discussions across the country. As such, we believe it is imperative that any deliberation over the legalization of sports betting should consider the following information:

- Sports betting is a low margin business and does not generate a significant amount of revenue. On an average \$100 wager (or "handle"), \$95 goes back to the bettors, with the casino receiving \$5 (or "hold"). We must then pay a federal excise tax, state tax, and an array of operating expenses: betting data, data

analytics, labor, marketing, etc., resulting in approximately \$1 in actualized revenue.

- As a result, sports wagering is more or less an amenity that does not drive significant gaming or tax revenue. For example, while the state of New Jersey produced \$320 million in wagers in February, the state's sports books made just \$12.7 million – a 3.9% hold. In fact, MGM, Harrah's, and Tropicana lost money that month. That is not uncommon in this volatile sect of our business: Tiger Wood's dramatic win at The Masters earlier this month resulted in the biggest loss ever for sports book operator William Hill.
- However, the advent of regional sports betting has provided an opportunity to draw in new customers to our facilities. As a result, we have seen an uptick in new visitation to our casinos that has resulted in increased table play, hotel stays, and the purchase of food and beverages that is strengthening the overall gaming tax revenue for these states.

With all of this in mind, it is critical that sports betting only be offered by licensed casino gaming operators at an appropriate tax rate. Maine's gaming operators have made tremendous investments and are major drivers of job creation and economic activity. We have well established, rigorous compliance environments and responsible gaming programs in place to ensure a safe wagering environment for consumers. Unlike state-run operations, which directly or indirectly pass the risk of significant losses on to taxpayers, or small operators, casinos can internally absorb the risk that comes with running sports book operations.

According to the American Gaming Association, the black market off-shore sports betting industry is, at minimum, a \$150 billion-dollar business. These illegal bookmakers pay no taxes, which allows them to invest heavily in marketing. Imposing a tax rate that is too high will diminish legal operators' ability to invest in marketing, thereby allowing the black market to drown out legal operators. A single digit tax rate will provide the State with the best possible chance to effectively combat the black market and allow duly licensed operators to succeed.

We support the consideration of mobile betting platforms operated by the state's casinos, with wagering permitted online and customers allowed to make their initial deposit and place their bets online from anywhere in the state. We would also support a phased-in approach to mobile wagering that includes 12-18 months of onsite registration.

New Jersey and Nevada have proven that geolocation and age verification technology have been successfully deployed for mobile sports wagering. Know-your-customer procedures have also been successfully deployed in New Jersey and Nevada to ensure that the person who registers for an account is who they say they are. In these

jurisdictions, users must provide social security numbers and other personal information that can be cross-referenced with a database in order to place their wager.

In order for Maine to remain competitive with nearby states, meet the demands of the modern gaming customer, and draw customers from the illegal market, both mobile and land-based sports betting should be permitted on professional, collegiate, and amateur athletics. This does not include wagering on high school sports.

While some states have moved to restrict betting on in-state collegiate teams, such a measure is counter-productive. Banning wagers on in-state teams merely keeps betting on the illegal markets, where it cannot be monitored. Legalizing such wagers allows the state to track each bet and identify, document, and address any suspicious betting patterns. The state of Nevada, by way of example, has allowed betting on in-state college teams for over a decade with no issue.

As it relates to the professional sports leagues, we recognize their important role in the legalization debate. Sports wagering operators share an interest in ensuring the integrity of sporting events. But just as gaming regulators have no role in monitoring sporting events, sports leagues should not take part in overseeing wagering operations. It is critical that the gaming industry and gaming regulators bear responsibility for ensuring the integrity of sports wagers, while the leagues bear responsibility for ensuring the integrity of their sporting events.

The gaming industry is already doing its part. Penn National Gaming is a charter member of the Sports Wagering Integrity Monitoring Association ("SWIMA"), which facilitates sharing among regulated U.S. sports betting operators of information related to unusual or suspicious betting activity. This information is shared with gaming regulators and, where appropriate, state and federal law enforcement. The collection and sharing of suspicious wagering data will assist in risk management and compliance efforts as well as to help detect, discourage and mitigate fraud, manipulation and other illegal or unethical activity related to betting on sporting events, protecting the general public and the integrity of sports in general. Modeled after the successful European sports wagering monitoring group ESSA, SWIMA is an industry collaboration supported by gaming regulators with no cost to state governments or taxpayers. Sports wagering operators pay the entire cost of the organization's operations.

Similarly, gaming regulators, and not the leagues, should regulate the data used by sports betting operators and the types of bets or wagers that can be offered, consistent with their regulation of all other forms of gaming. The Maine Gambling Control Board is best positioned to balance game integrity, consumer protection and choice, as it has done for all forms of gaming since it was legalized in the State.

This system still provides the leagues with ample opportunity to monetize legalized sports wagering through commercial relationships. Penn National is actively engaged in discussions for these commercial relationships with various leagues, and our counterparts in the industry have signed such agreements with the NBA, MLB, and NHL.

Finally, as legal sports wagering markets develop across the country, it is imperative to execute enforcement actions against black market operators. Such activity is already causing some illegal operators to voluntarily leave regulated markets. Similar enforcement actions in Maine, in conjunction with a legal and regulated sports wagering market, may help further marginalize these operators in the State.

Thank you for the opportunity to provide testimony this morning. I would be happy to answer any questions you may have.