

Sports Gambling Analysis for NM

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Background

- Professional and Amateur Sports Protection Act (PASPA) of 1992– state sponsored sports betting illegal except for a few grandfathered situations
- Ruled unconstitutional in May, 2018
- 7 states now have some form of legal sports betting, 1 more in process
- Another 14 have attempted legislation
- Interstate Wire Act of 1961– explicitly made *interstate* gambling on *sports* illegal. Applies to internet communication of gambling information
 - Appears to be holding up legally – Nevada ‘geofencing’
 - Even intrastate internet communication can involve routing via internet thru another state

2015 Tribal Compacts – through FY2037

- Section 11D: “The Tribe’s obligation to make the payments ... shall terminate altogether in the event the State ... licenses, permits or otherwise allows any *non-Indian* person or entity to engage in any other form of Class III gaming other than lottery, horse racing, bicycle racing, Gaming Machines...” (ie: the non-tribal currently allowed). (emphasis added)
- Rest of compact would probably still apply
- Section 17: “In the event that internet gaming is authorized within the State, the State and the Tribe agree that they will reopen good faith negotiations to evaluate the impact, if any, of internet gaming and consider adjustments to the Compact. The parties understand and agree that it is not possible to determine at this time what, if any, adjustments to the Compact would be necessary.”
- Indian Gaming Regulatory Act (IGRA) restricts tribal class III gambling via the internet – case law evolving
- Class III is everything not ‘traditional’ or similar to bingo (even if electronic).

CREG Tribal Casino Current Revenue Sharing Forecast

FY19	FY20	FY21	FY22	FY23
\$74M	\$74.8M	\$76.1M	\$77.6M	\$79.2M

- All tribal casinos are now on the 2015 Compact.
- Revenue sharing is only on slot machine 'net win'.
- Assume allowing sports gambling will result in loss of this revenue (as per Compact)

Revenue Estimate Methodology

- Nevada and Atlantic City are tourist driven gambling markets, unlike NM
- Little data yet from other states on sports gambling
- Use UK Gambling Commission report through September 2017
 - <https://www.gamblingcommission.gov.uk/news-action-and-statistics/Statistics-and-research/Statistics/Industry-statistics.aspx>
 - Mature market, since 1961
 - Pervasive presence of sports betting outlets (tracks, sports books, off-track, internet)
- Assume TX does not legalize – add 33% of 1.8M within 1 hr drive
- ~Best case / aggressive scenario regarding revenue
- Rough estimate – many moving parts – market does not yet exist

Assumptions for Revenue Estimate

- In-state internet gambling legally OK & geofenced (like NV)
 - Foresee in-state internet-only gambling company(s)
- Between racinos, casinos and internet, get same market penetration as UK
 - May need non-racino sports betting storefronts/machines to achieve
- Tribes have sports gambling, but not via internet
- No change to number of racinos.
- No change to gaming allowed at racinos other than addition of sports gambling
- Does not include indirect effects of increasing casino/racino traffic

Sports Revenue Calculation

	\$Millions
NM mature market sports gambling handle	1,450
1 hour TX 33% population adjustment	+410
Current horse gambling handle	-160
Loss of sports market share to tribal casinos	-140
Adjusted sports handle	1,560
Net win rate (from NV)	5.11%
Net win	80
Revenue @ 26% Racino rate	20.8
Revenue @ 15% UK rate	12.0
Revenue @ ~9.5% Tribal rate	7.6
Revenue @ 6.75% Nevada rate	5.4
If tax handle as well (0.25%, like fed)	+3.9

Conclusion

- Optimistic estimate: mature market, legal internet issues, attracting nearby out-of-state gamblers
- Difficult to achieve current Tribal revenue sharing
- Rough estimate, but:
 - Better data from other states probably coming in the next year or two
 - Internet legal issues will likely get resolved as other states legalize
- Other (non-sports gambling) options:
 - Add Racinos
 - Allow more slot machines and/or table games at Racinos
 - Renegotiate some/all of Compacts