





NATIONAL CONFERENCE of STATE LEGISLATURES  
Features of State Sports Betting Legislation

***Regulatory Authority and Authorized Operators***

Since legalized sports betting is just another form of gaming expansion in most states, regulatory responsibilities are being bestowed on existing gambling authorities and the privilege of offering sports betting opportunities is being limited to entities that are already licensed to offer other forms of gambling, usually casinos. Several states that are considering wading into sports betting do not have legalized casino gambling (e.g., California, Connecticut, Kentucky). In these states, sports wagering would likely be run through the state lottery or racetracks rather than casinos.

***Administrative Costs***

As with implementing any sort of gambling expansion, states will face added costs in oversight and implementation that will need to be accounted for. When it comes to monitoring the integrity of the games themselves, it seems like states will leave that responsibility to sports leagues, but when it comes to policing how bets are placed, the types of bets, the data captured and shared, that's more up the ally of state regulators.

West Virginia estimated \$750,000 would be required for the first year of implementation. A fiscal note for a proposed measure in Kansas estimated that the measure would require \$265,000 annually for ongoing costs to regulate sports wagering, \$1.8 million to regulate each pari-mutuel racetrack that re-opens and offers sports wagering, and \$450,000 in start-up costs for each racetrack as well. Louisiana estimated a one-time \$25 million cost for a centralized wagering system. Enforcement, audit personnel and technical support would be \$10.06 million in year one and \$6.81 million in the years following.

***Collegiate and Amateur Sports***

Betting on high school sports appears to have been generally ruled out, but whether to allow betting on collegiate sports presents another integrity issue for states. New York has enacted a measure that specifically prohibits betting on collegiate sports. Laws passed in Rhode Island and New Jersey prohibit betting on games played by colleges from the state, or on any collegiate event taking place in-state. However, other states with enacted legislation have either not addressed this or allowed collegiate sports betting to proceed. (Mississippi which has several big-time college football programs, expressly allows it in regulations, and Pennsylvania regulators have said they will, too.)

***Age Limits***

In general, most states have an age limit of 18 when it comes to playing the lottery or pari-mutuel wagering, but an age limit of 21 for casino gambling. Of the states that have enacted sports betting legislation, the age limits are the same as the age limits for casinos (which is 18 in Rhode Island and 21 everywhere else), which makes sense because sports betting operations are being run out of casinos in these states. So we'll see what happens if state lotteries start offering it, like Oregon's lottery is currently considering, for example.

***Tribal Concerns***

Twenty-eight states have tribal casino gaming. Casinos run by Native American governments are not directly regulated under state law, they operate under the federal "Indian Gaming Regulatory Act" and Tribal-State Compacts; they cannot operate casino style gaming without a valid tribal-state compact. In certain cases, these compacts guarantee tribal governments statewide or limited exclusivity to operate casinos, for which they pay



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states a percentage of total gaming revenue. A few states are having to work through how to fit sports betting legalization into existing state compacts with Native American tribal governments.

In Connecticut, tribal leaders have argued that they hold the exclusive right to offer sports betting in the state and have threatened to stop paying the state 25 percent of slot machine revenue to the state (which was \$270 million in 2018), per their existing agreement, should the state implement it. Tribal concerns surrounding online sports betting language in proposed Michigan legislation have also slowed legalization efforts. Tribes are also pushing for sports betting legalization in states like Oklahoma and Arkansas, which would result in these states receiving a portion of the proceeds.

### ***Mobile Betting***

Nevada accepts online bets anywhere in the state as long as the gambler has registered in-person at a sportsbook. Pennsylvania and West Virginia authorized sports betting online or through mobile devices while a measure is pending in New York to allow gaming on a mobile sports wagering platform. New Jersey has opened the door for mobile betting but appears to have left the decision of whether to allow it to the Division of Gaming Enforcement. Mississippi regulations allow bettors to place an online sports bet using an app, but only if the bettor is on casino premises. For states that allow mobile betting, gamblers would need to grant permission for the location functions on their mobile devices to monitor their location.

### ***Integrity Fees***

A handful of states have proposed “integrity fees” (typically one percent of the gross amount wagered) to be paid to professional sports leagues, essentially as compensation for increased anti-corruption policing within the league. This is not as insignificant of a share as it appears. The nature of sports wagering results in roughly 95 percent of gross wagers being paid out in winnings, leaving only five percent in profit for the operators. Thus, a fee that amounts to one percent of gross wagers would be equal to roughly 20 percent of net profits. State fiscal analyses have questioned whether an integrity fee would erode the state revenue share to such an extent that sports betting would no longer be cost prohibitive.

It seems integrity fees are not terribly popular ideas so far, but there are alternative proposals to help preserve the integrity of sports leagues. The American Gaming Association has [sponsored](#) the idea of an independent “Integrity Monitoring Association” that would help identify suspect activity surrounding sporting events via information sharing and an enhanced reporting system.

### ***Tax Rates***

The tax rates that exist or have been proposed on sports betting profits vary widely. States seem to be falling into two camps: lower tax rates between 5 and 15 percent or taking a much larger share; up to a third or more. Nevada’s current tax rate on sports betting is 6.75 percent of the gross revenue of the licensee. New Jersey initially imposed a tax of 8.5 percent on gross sports pool revenues while online sports betting revenues would be subject to a higher 14.25 percent tax. Casinos pay a 12 percent tax in Mississippi. Other proposed tax rates include 15 percent in Connecticut, 9.25 percent in Indiana, and 8.5 percent in New York.

On the other hand, the recently-enacted law in Pennsylvania established a tax rate of 34 percent with a local share assessment of two percent. The Delaware lottery’s revenue-sharing agreement with sports-betting operators grants the state 50 percent of total win; the state takes 51 percent in Rhode Island.



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There's a potentially tricky balance to strike here. Part of the success of sports betting in terms of its ability to generate revenue for states will depend on drawing gamblers away from the sizeable black market. As with any other type of "sin tax," there is the potential that a tax rate that is too high will allow the black market to continue to flourish. As an example, casinos in Pennsylvania have been reluctant to offer sports betting due to the higher tax rate. Lower tax rates might improve the ability to price legal sports betting products competitively with illegal market products.

### *Estimated/Realized Revenues*

Part of the enthusiasm for sports betting has been motivated by the prospect of shoring up flagging gambling revenues, as the numbers associated with the size of the sports betting black market are huge, ranging from tens to hundreds of billions of dollars. However, billions in total sports betting wagers does not necessarily translate to huge amounts of tax revenue for states as sportsbooks are low-margin ventures. One Nevada casino company determined that of every \$100 bet in a sports book, the casino keeps only \$1.40 – and that is before the casino pays any state taxes or potential integrity fee. Nevada's 2017 gaming revenues provide a useful example for what states can expect: out of \$11.6 billion in total casino winnings, only \$248.8 million or 1.7 percent, was attributable to sports betting in 2017. The state tax rate on these winnings away 6.75 percent, which means that the only state in the country with legalized sports betting walked away with less \$20 million last year. Gambling only represents 2-2.5 percent of state budgets on average, so when it comes to sports betting, it's only going to be a fraction of a fraction of total state revenues.



Most states are estimating anywhere from a couple million to tens of millions of dollars; nothing resembling a true windfall. (e.g., fiscal notes in Indiana estimated \$3.1 to \$18.8 million annually, \$2-2.4 million annually in Michigan, and \$5.5 million in West Virginia). In the states that have recently implemented sports betting, Mississippi's first month of sports betting brought in \$54,000 off of \$9.8 million in total wagers. Delaware brought in just over \$1 million in the first three months. New Jersey casinos generated just under \$1 million in tax revenue in August, the third month in which sports betting has been offered in the state.

### *Sports Betting Contributions to State Funds*

Justifications for gaming expansion are often rooted in how the money will be used, and states have been known to direct gambling dollars to important spending categories such as education or retirement programs that can grow faster than gambling revenues can keep pace with. (Gambling expansion typically results in a



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quick increase in revenue that plateaus or even declines over time, until a new game is introduced.) States looking to close budget gaps with sports betting revenue may be disappointed, especially as more and more states legalize it and take their slice of the market.

States have come up with a number of potential uses for sports betting revenue. For example, West Virginia will deposit the first \$15 million in the state Lottery Fund, and any revenue above that goes to the Public Employees Insurance Agency Financial Stability Fund. A proposal in New York would direct the money to education. The sports law passed in Pennsylvania directs revenues to the general fund, as does the legislation enacted in Rhode Island. New Jersey directs most of the money to the Casino Revenue Fund, which supports a variety of health and human services programs, and the General Fund, and just a few days ago adopted an additional tax of 1.25 percent on casino sports wagering profits that will be used for marketing and promotion of Atlantic City. The same tax applied to sports betting operations at racetracks will be granted to the host municipality for specified economic development purposes.

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