

# **ECONOMIC AND FISCAL IMPACTS OF LEGALIZING SPORTS GAMBLING**

# Agenda



Overview

Background

Model  
Methods

Simulation

Q&A

# Introduction



- May 2018, The Supreme Court ruled against PASPA, allowing states governance over sports gambling
- Sports gambling can provide a new revenue stream for states, but what other economic and fiscal impacts might it have?
  - The REMI Tax-PI model can provide rigorous insights

# Key Terms



- **Handle:** The amount wagered, or amount bet
- **Gaming revenue:** Also referred to as gross gaming revenue, net win, or GGR, refers to the amount retained by the sports betting operation after payment of prizes

# Legal History of US Sports Gambling



- Professional and Amateur Sports Protection Act of 1992 (PASPA)
  - Federal law outlawing sports betting for 46 states
  - Sports lotteries in Oregon, Delaware, and Montana and licensed sports pools in Nevada were exempt
- *Murphy v. National Collegiate Athletic Association* 2018
  - May 14, 2018: The Supreme Court determined PASPA was unconstitutional in a 6-3 decision

# Legal Sports Betting Industry



- Nevada Gaming Control Board announced \$248.8 million in state revenue for 2017, with a record \$4.8 billion circulated in sports betting
  - Nevada GGR averages to \$42 per Las Vegas local
  - These revenue gains can cover highway construction, social security payments, and infrastructure repairs



*what does **REMI** say?* <sup>sm</sup>

Source: American Gaming Association,  
May 2017  
Legal Sports Report, January 2018

# Illegal Sports Betting Industry



- In 1999, the National Gaming Impact Study Commission estimated \$80 - \$380 Billion being wagered
- Gross gambling revenue (GGR) of \$4.8 - \$22.8 Billion for sports betting bookies and websites
- Ernst & Young consumer survey in 2015
  - 28% of US adults (69 million people) bet on sports
  - Average of \$1,554 per bettor annually
  - Estimate of \$107 Billion of sports betting wagers

# Sports gambling in the UK



- Compared to the US
  - UK has retail and online gaming, and a tax rate of 15% on GGR
  - More accepted gambling culture by the general public than in the US
- Currently regulated under the 2005 Gambling Act

Source: USA Today, 6/8/2018



# Sports gambling in the UK (cont.)



- Additional Metrics from the UK Gambling Commission
  - Total online gambling population in the UK is estimated at 2.1 million customers
  - Nearly \$20 billion wagered and 1.039 billion in tax revenue (\$2017 US)
  - UK sports betting has a 15% tax rate on GGR and sports betting GGR is approximately \$45 per adult

# Modeled Scenarios



## Scenario 1: Low convenience, low tax rate

- Betting permitted only in Brick and Mortar casinos
- GGR is taxed at 6.75%



## Scenario 2: Moderate convenience, base tax rate

- Brick and Mortar locations extended to gas stations and convenience stores
- GGR is taxed at 10%



## Scenario 3: High Convenience, High Tax

- Brick and Mortar and online betting
- GGR is taxed at 15%

# Simulation Overview



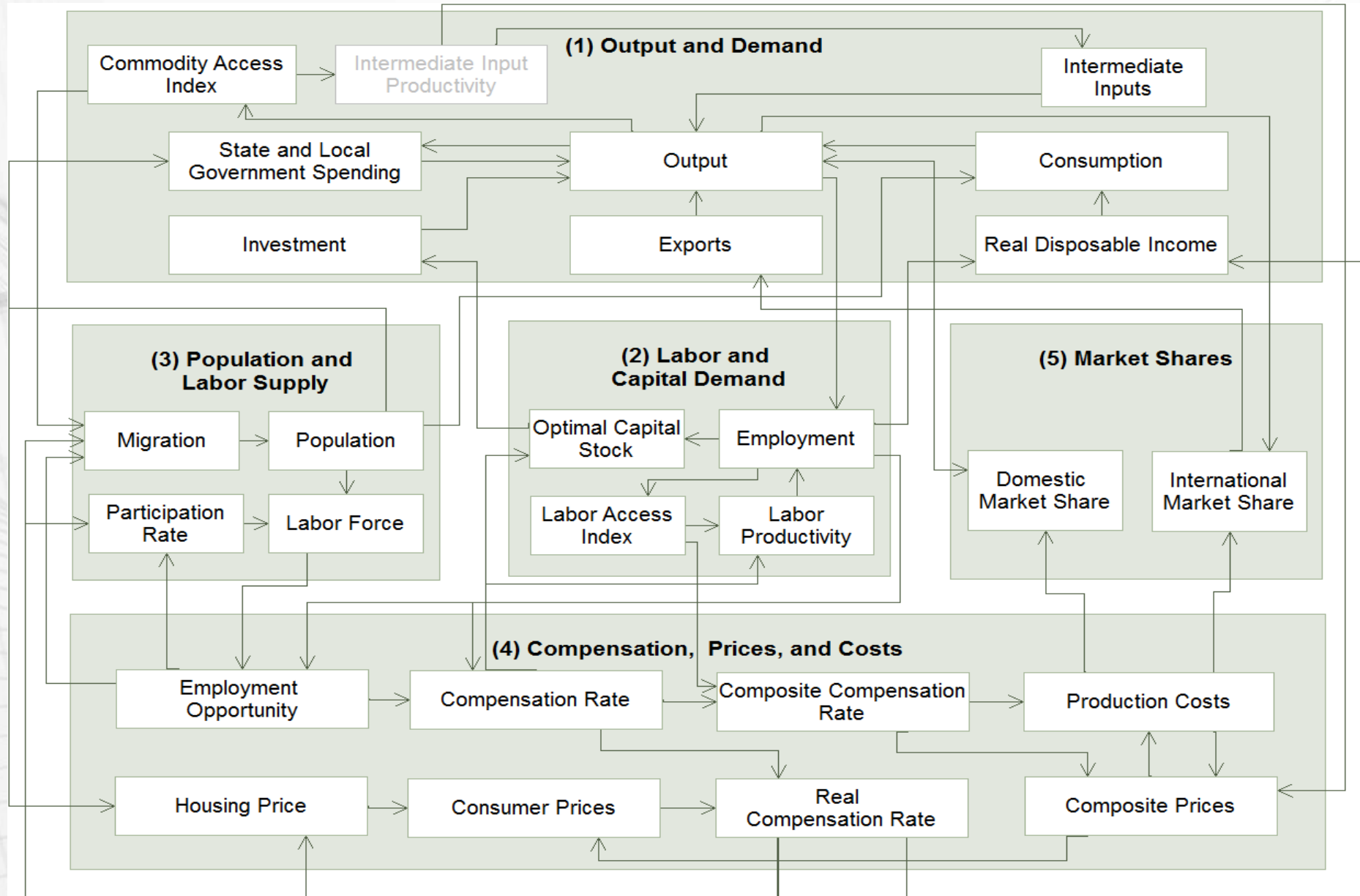
- Increased sales in Gambling & related sectors
  - ▣ More GGR can accrue within the state
    - Less spending leaving the state/country
  - ▣ Part of measured increase already exists illegally in-state
    - E.g., bookies, office pools
  - ▣ Increase in sports betting activity (E&Y '16)
    - Some reallocation of spending away from other goods
  - ▣ Increase in sales for sporting events, food, hotels
- Increased state revenue, allows increase in spending
  - ▣ Tax on GGR

# Simulation Overview



- Analyze 10-year period
  
- Will show:
  - Economic impacts
  - Dynamic revenue impacts
  - Total government spending impacts
    - Use Tax-PI balanced budget tool

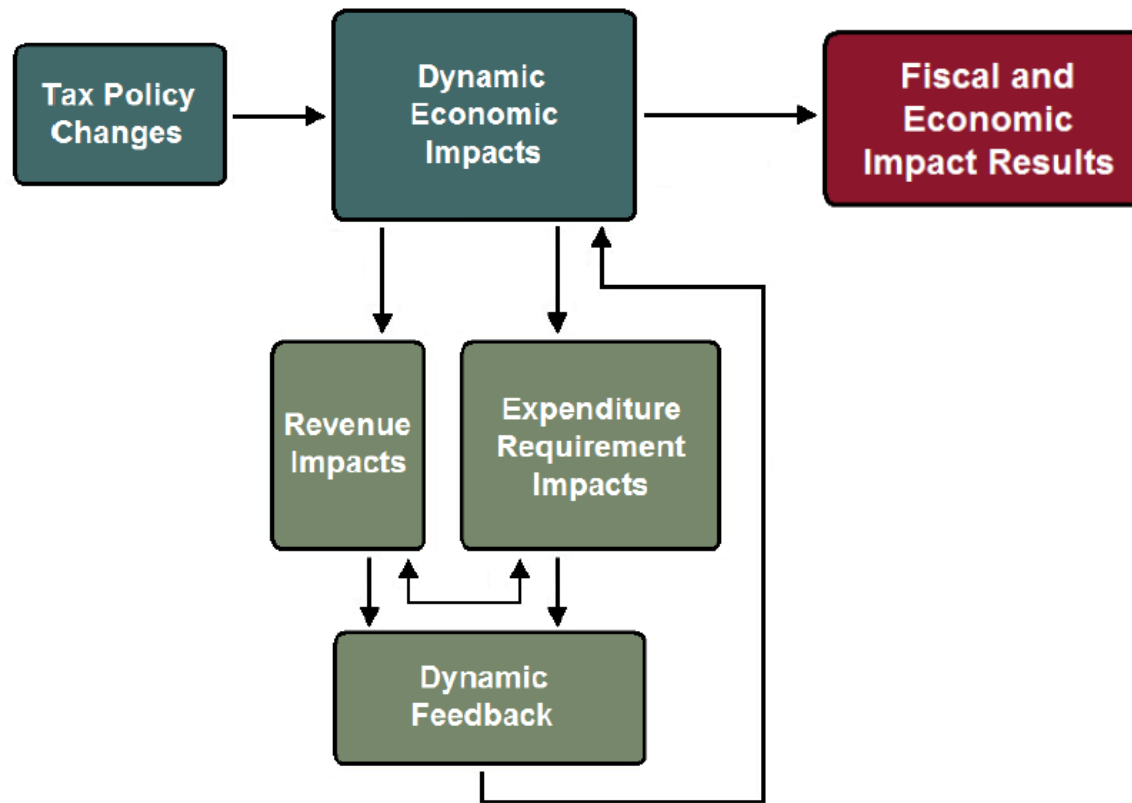
# Comprehensive Model Structure



# Tax-PI Structure



## Tax-PI Model Structure Overview



# Two Examples



- Kentucky – “No casino” State
- Connecticut – “Casino” state

# Kentucky



## Infrastructure

- ❑ Six horse race tracks with legal gambling
- ❑ State Lottery
- ❑ Illegal to Build Casinos



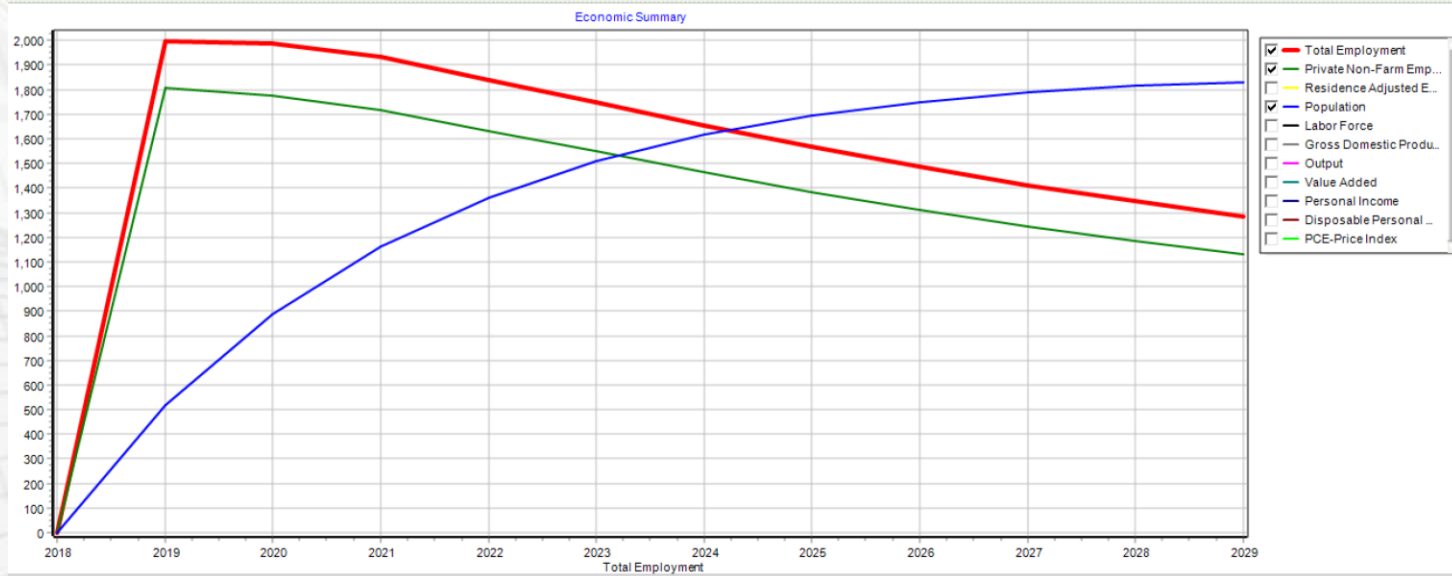


# Kentucky – Moderate Convenience: Population & Employment Impacts



- Brick and Mortars, Gas Stations, Convenience Stores
- ▣ \$93.6 million increase in GGR, 10% tax rate

Category	Units	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Employment	Individuals (Jobs)	0.000	+1996.864	+1989.806	+1932.021	+1840.238	+1747.945	+1655.882	+1566.630	+1486.275	+1412.725	+1345.627	+1286.091
Private Non-Farm Employment	Individuals (Jobs)	0.000	+1808.381	+1777.734	+1719.374	+1633.396	+1548.381	+1464.637	+1384.034	+1311.748	+1246.038	+1186.208	+1133.203
Residence Adjusted Employment	Individuals	0.000	+1866.772	+1853.454	+1806.438	+1729.417	+1652.566	+1574.987	+1498.754	+1429.695	+1365.710	+1306.668	+1253.695
Population	Individuals	0.000	+517.581	+886.867	+1160.918	+1361.386	+1509.126	+1617.614	+1695.405	+1751.025	+1789.910	+1815.454	+1830.616
Labor Force	Individuals	0.000	+493.076	+788.592	+972.045	+1078.222	+1129.173	+1147.445	+1146.330	+1131.461	+1109.783	+1083.393	+1055.402
Gross Domestic Product	Millions of Current Dollars	0.000	+142.627	+155.548	+158.227	+157.943	+156.336	+154.130	+151.475	+148.985	+146.844	+145.188	+144.082
Output	Millions of Current Dollars	0.000	+203.749	+233.310	+238.556	+238.064	+234.943	+230.549	+225.718	+221.226	+217.302	+214.251	+212.129
Value Added	Millions of Current Dollars	0.000	+123.625	+141.687	+145.026	+145.005	+143.435	+141.108	+138.262	+135.569	+133.162	+131.237	+129.825
Personal Income	Millions of Current Dollars	0.000	+63.482	+73.404	+80.075	+84.413	+87.406	+89.530	+91.153	+92.552	+93.891	+95.258	+96.936



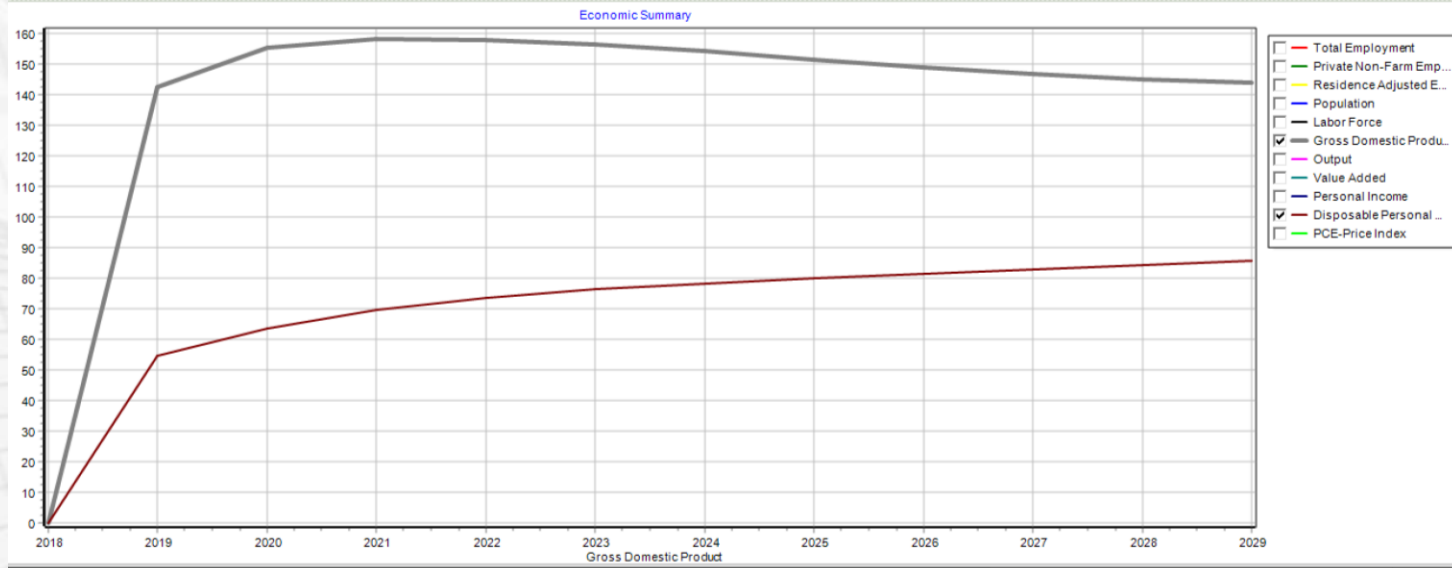
what does REMI say? <sup>sm</sup>

# Kentucky – Moderate Convenience: GDP & Disposable Income Impacts



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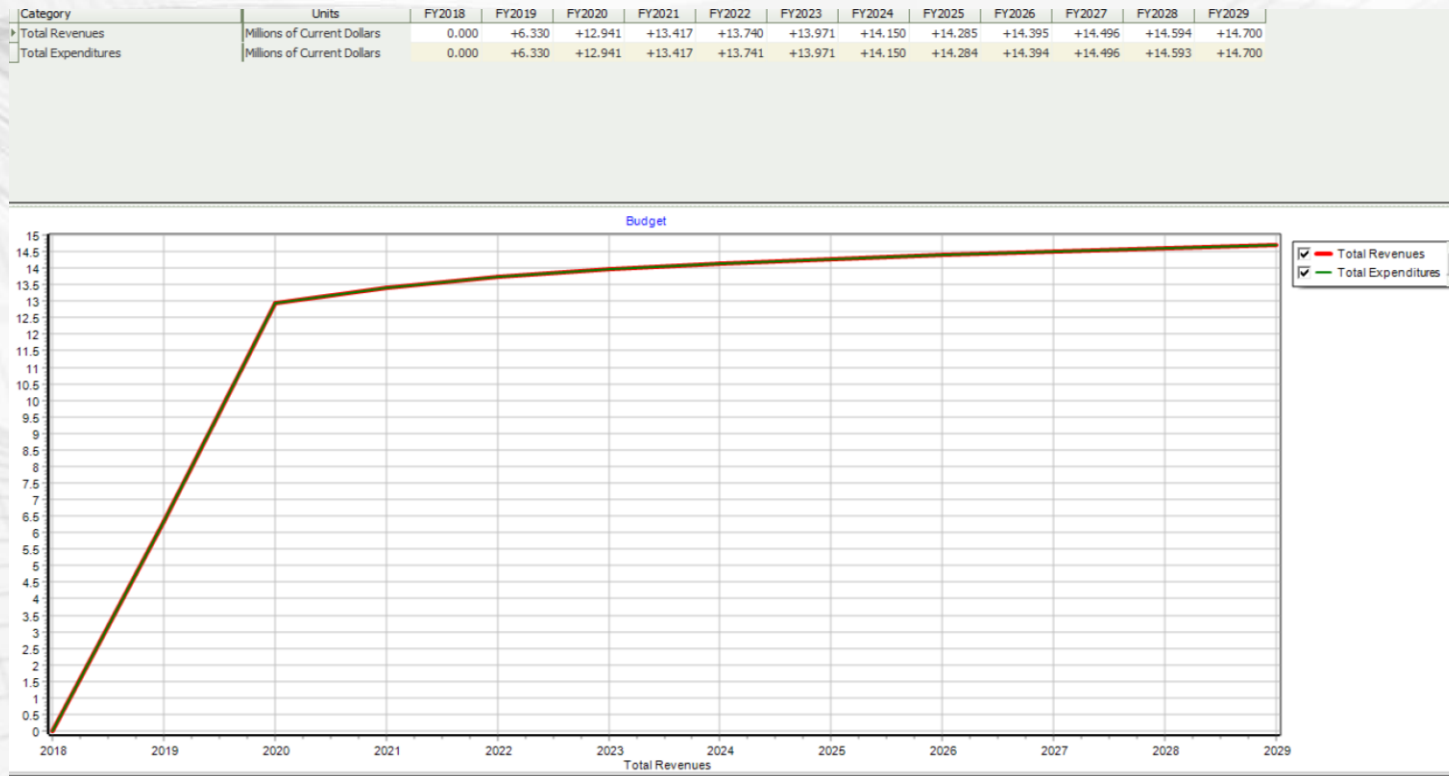


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# Kentucky – Moderate Convenience: State Budget Impacts



- Brick and Mortars, Gas Stations, Convenience Stores
  - ▣ \$93.6 million increase in GGR, 10% tax rate



what does REMI say? <sup>sm</sup>

# Connecticut



## Infrastructure

- Two Native American Casinos
  - Foxwoods: 2<sup>nd</sup> largest casino in the US
  - Mohegan Sun: 3<sup>rd</sup> largest in US
- State Lottery

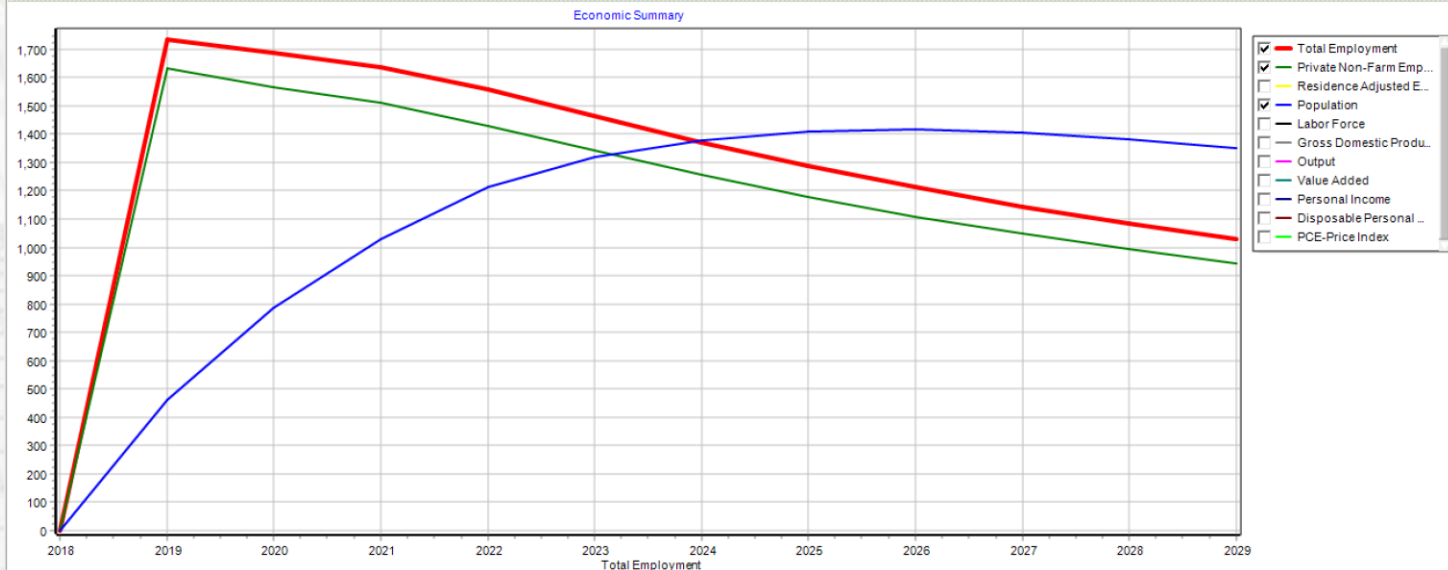


# Connecticut – Low Convenience: Population & Employment Impacts



- Brick and Mortars only
  - ▣ \$139.5 million increase in GGR, 6.75% tax rate

Category	Units	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Employment	Individuals (Jobs)	0.000	+1733.969	+1688.353	+1638.054	+1556.137	+1462.784	+1371.475	+1287.100	+1211.844	+1143.830	+1083.298	+1030.694
Private Non-Farm Employment	Individuals (Jobs)	0.000	+1631.873	+1567.056	+1510.257	+1429.145	+1341.048	+1256.257	+1178.466	+1109.471	+1047.505	+992.343	+944.397
Residence Adjusted Employment	Individuals	0.000	+1640.453	+1586.413	+1541.788	+1468.085	+1384.313	+1303.125	+1227.994	+1160.875	+1099.947	+1045.546	+998.074
Population	Individuals	0.000	+462.789	+786.140	+1031.181	+1213.057	+1318.476	+1378.417	+1409.407	+1416.808	+1405.943	+1383.033	+1352.325
Labor Force	Individuals	0.000	+334.462	+523.604	+654.771	+731.456	+807.559	+832.758	+831.797	+824.430	+812.002	+792.290	+769.826
Gross Domestic Product	Millions of Current Dollars	0.000	+218.002	+236.575	+240.384	+240.451	+237.261	+233.164	+228.776	+224.593	+220.865	+217.882	+215.668
Output	Millions of Current Dollars	0.000	+291.258	+333.526	+340.489	+340.793	+335.341	+327.920	+320.195	+312.905	+306.272	+300.902	+296.820
Value Added	Millions of Current Dollars	0.000	+178.618	+206.062	+210.523	+210.935	+207.797	+203.452	+198.540	+193.852	+189.526	+185.945	+183.121
Personal Income	Millions of Current Dollars	0.000	+95.093	+107.357	+117.237	+123.357	+124.523	+124.465	+123.844	+122.634	+121.186	+119.850	+118.906



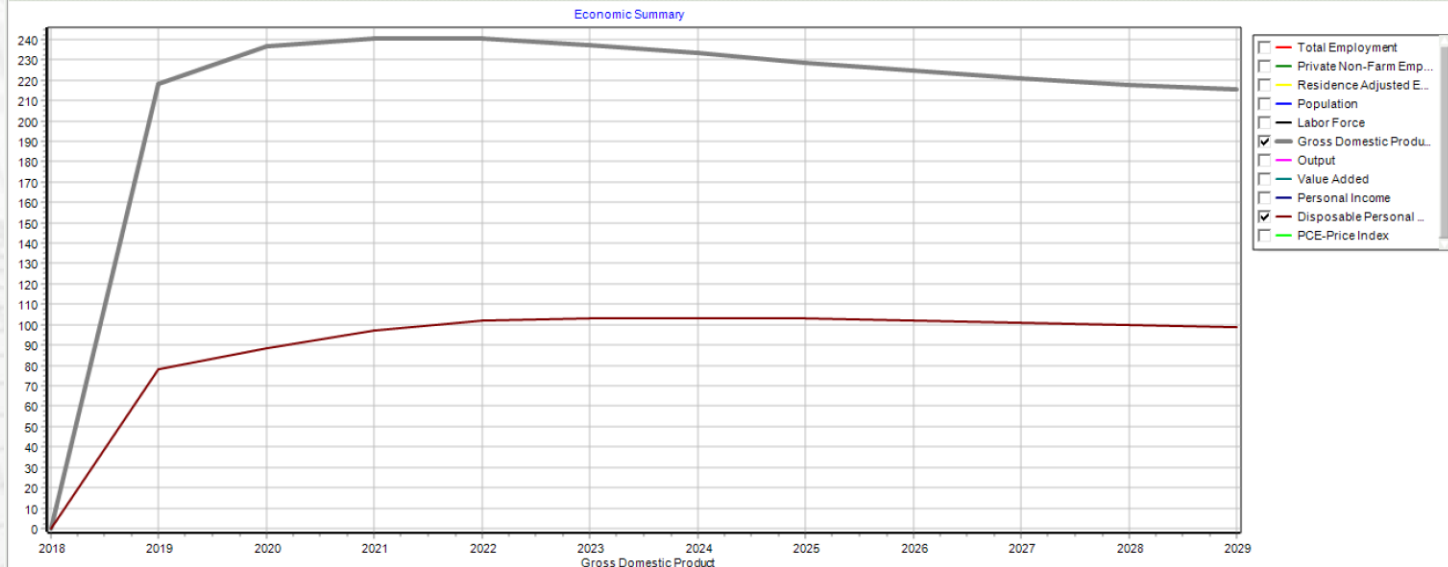
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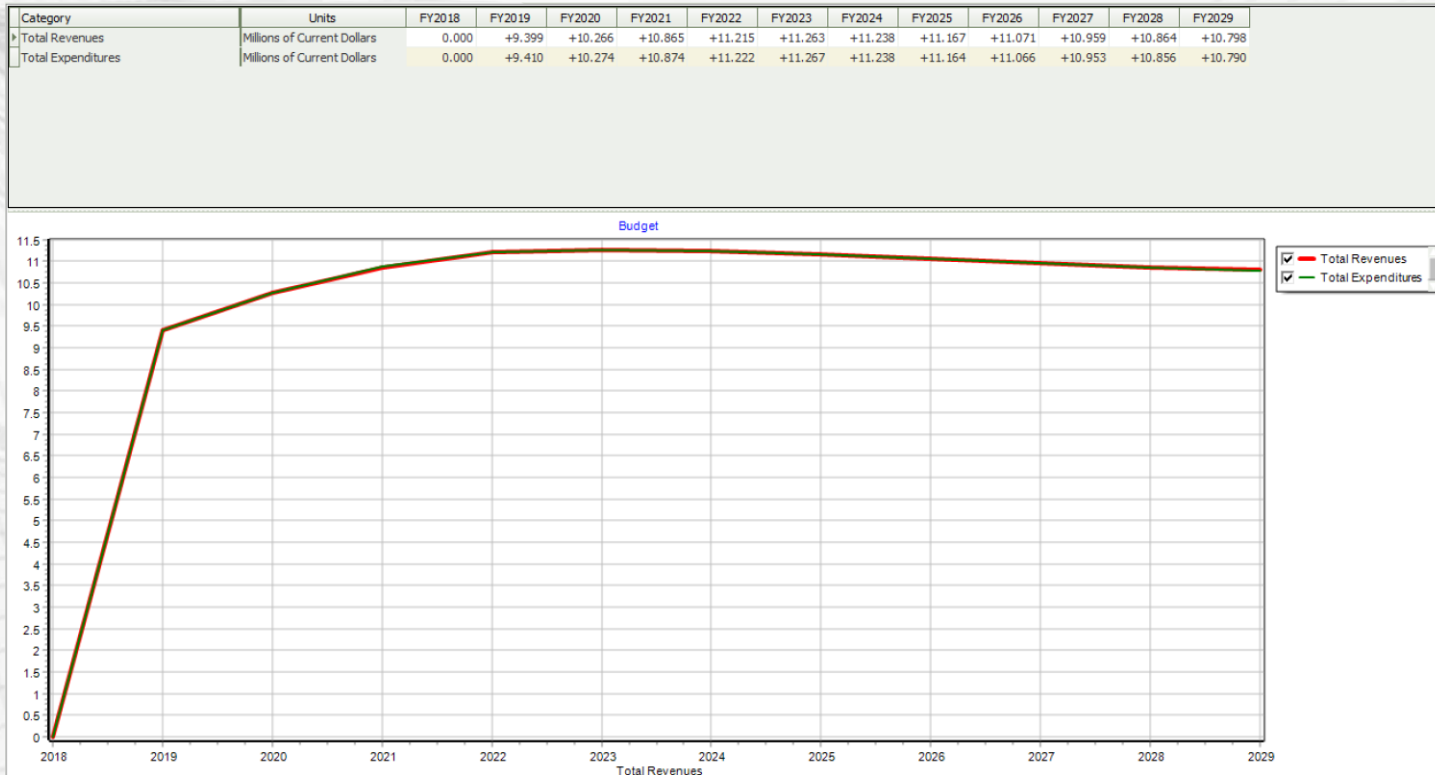


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# Connecticut – Low Convenience: State Budget Impacts



- Brick and Mortars only
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# Conclusions



- Increased GGR for in-state gambling establishments is main driver of positive economic impacts
- Increased economic activity in the private sector raises state revenues over and above direct GGR tax
  - By 38-57% in KY scenario, up to 20% in CT scenario
- Tax-PI allows state-specific expenditures to rise given total revenue increase
  - These expenditures generate increased growth as they are fed back into the economy





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*what does **REMI** say? <sup>sm</sup>*