



Written Joint Testimony of FanDuel Group, DraftKings and BetMGM

**Senate Standing Committee on Economic Development, Housing and General Affairs
Hearing on Senate Bill S.77
April 9, 2021**

Chairman Sirotkin and Members of the Committee:

FanDuel, Inc. (FanDuel), DraftKings Inc. (DraftKings) and BetMGM, LLC (BetMGM) appreciate the opportunity to submit testimony regarding Vermont's proposed sports wagering legislation. As leading innovators in sports entertainment technology, we operate three of the most successful mobile sports wagering platforms. DraftKings and FanDuel also operate fantasy sports contests in 43 states across the country, including Vermont. Our three companies are competitors in the marketplace, but we are aligned in working with U.S. jurisdictions to create a viable, successful, and safe sports wagering sports contest market.

All three companies are excited about pursuing opportunities to bring our extensive and proven track records in operating sports betting to Vermont. In fact, since the Supreme Court's decision to strike down the Professional and Amateur Sports Protection Act in May of 2018, 24 states, plus the District of Columbia and Puerto Rico, have authorized some form of sports betting, and FanDuel, DraftKings and BetMGM are able to share some of the lessons learned from our collective experience of operating sports wagering across the country.

One of the most significant things we have learned is that healthy competition is the strongest driver of a thriving sports betting market, as operators strive to offer consumers more choice, variety, and better pricing across their products to keep users engaged.

This is not speculation. You need look no further than New Jersey, which legalized sports betting in June of 2018, and where the revenue numbers clearly demonstrate the power of a competitive online sports betting market. Of the twenty-four states that have authorized sports betting, New Jersey has the most competitive online sports betting market. And that's why it has been such a success story and has overtaken Nevada as the top state for sports betting in the country.

New Jersey saw \$184 million in wagers in the month of September 2018 alone, the first full month of operation for most online operators. That figure rose to over \$445 million in wagers in September 2019, and importantly, of the \$445 million wagered, almost 84% came from online bets. By September 2020, New Jersey saw over \$748 million wagered with over 90% placed online. Overall, more than \$6 billion was wagered in New Jersey in 2020, and more than \$5.5 billion of that was wagered online, with the total generating over \$50 million in tax revenue for the state.

In other words, New Jersey's success is all about a competitive online sports wagering market, which continues to grow even as land-based sports betting has slowed. Other states have taken notice of their success and even states without an existing casino gaming industry, like Tennessee and Virginia, have created competitive online sports wagering markets overseen by their state lotteries. Most recently, the state of Wyoming has passed legislation which provides for a competitive mobile sports wagering market, a minimum of 5 licenses, with a reasonable 10% tax rate, similar to S.213 which this Committee reviewed last year.

To that end, FanDuel, DraftKings and BetMGM appreciate your consideration of S.77 and respectfully ask the Committee to consider the following two additions to the legislation. In order to create a competitive mobile sports betting marketplace that can successfully compete with the thriving offshore market, S.77 should include a reasonable floor number of licenses and tax rate.

To fully reap the benefits of legalizing sports wagering, any legislation that proposes a cap on number of license holders should include a floor – provided that there are a sufficient number of qualifying applicants – to ensure residents and visitors are offered the best product and Vermont can attract more people away from the illegal market. Multiple operators will also increase the overall economic impact that sports wagering has in the state. More operators mean not only better products and customer engagement, it also means more local business partnerships and advertising revenue for local TV, radio and print, and more revenue for the State.

Equally important, legal operators are not just competing with other legitimate entities, they also must remain competitive to pricing from illegal, offshore sportsbooks that do not face the same taxation and regulatory costs. It's worth highlighting that legal sportsbooks operate on a very narrow margin, usually about 5%. When you factor in marketing costs, regulatory costs, state and federal taxes and other fixed costs, that margin is further reduced. Barriers to market entry, such as high taxes, cut into an operator's ability to offer competitive pricing to lure customers away from the illegal market, a significant factor for consumers when making the decision on where to spend their money. Given that most states have settled on a sports wagering tax rate between 6 – 15%, FanDuel, DraftKings and BetMGM respectfully ask the Committee to consider instituting a reasonable tax rate that is consistent with the nation's trend.

Legalizing sports wagering will provide significant benefits to Vermont and its residents. FanDuel, DraftKings and BetMGM hope to continue to work with the Committee on legislation that creates a framework to protect consumers and generate tax revenue and investment in the State. Thank you for the opportunity to provide input.