

Creating the Sports Wagering Regulatory Framework



Decision Points and Flow Charts

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What is “Sports Wagering”?

- What is the “product”?
 - Sports wagering = an agreement between the player (bettor) and the operator of a sportsbook. It is essentially a contract between two parties to exchange money dependent on a contingency.
 - The “product” here is, in part, a value-added experience. It does not operate in a vacuum.
- What is the “thing” that the wager is adding value to?
 - A “sports event,” which may include traditional athletic events, e-gaming, motor vehicle racing, and in a few instances horse racing or riding events.

Primary Decision

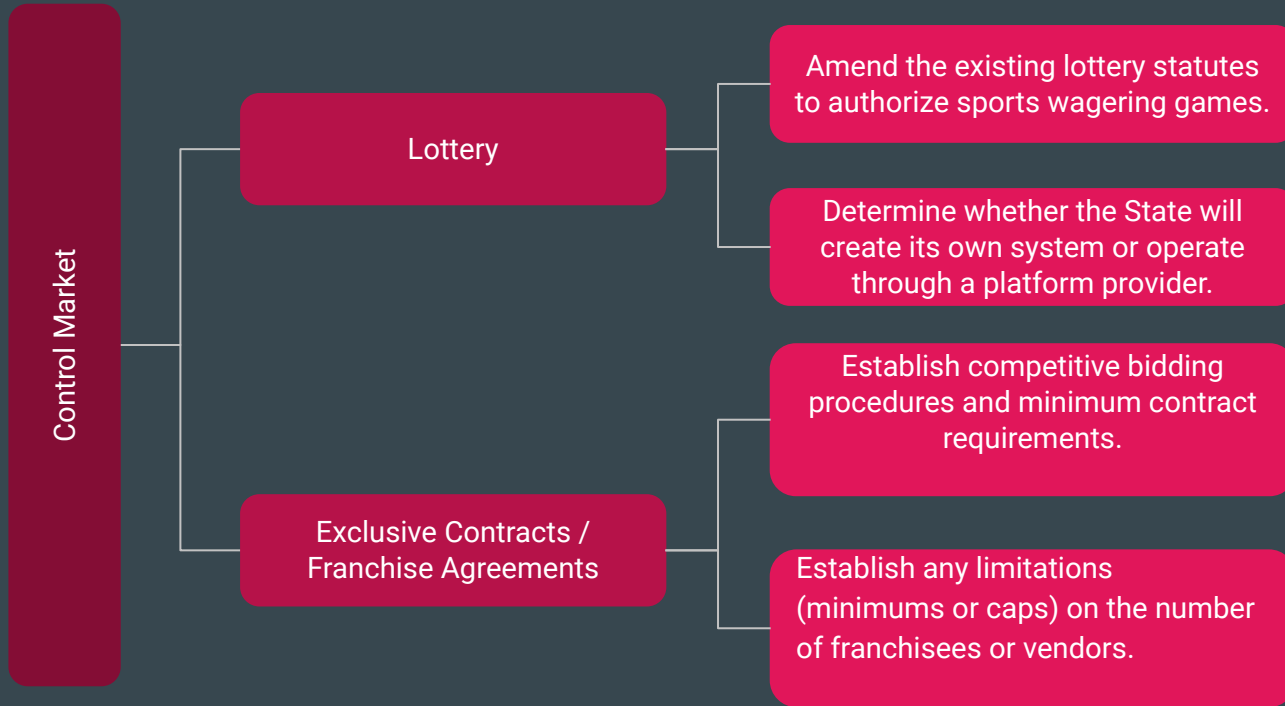
What Kind of Regulated Market?

Prohibitionist

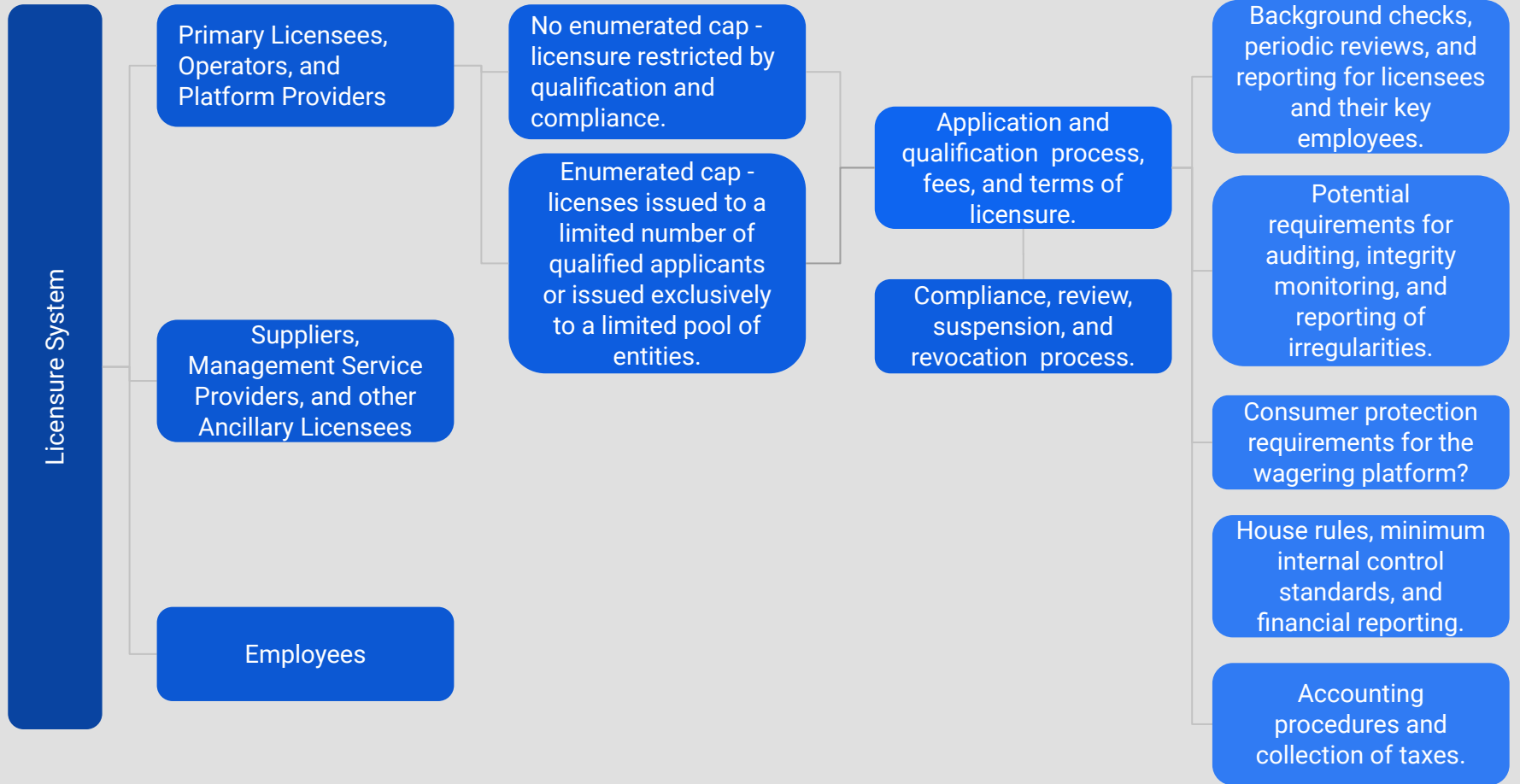
State Control

Licensed Market

State Control



Licensed Market



Secondary Decisions

Retail, Online/Mobile, or both?

Organizing and Balancing the State's
Interests

“Regulatory Levers” and Administrative
Authority

Consumer Protection and Product
Limitations

Taxes and Potential Designation of
Revenue

Responsible Gaming

Retail and Mobile Wagering

Retail Wagering (physical locations and systems)

Specific or additional security requirements

Additional licensing, compliance, and inspection requirements

Qualifications for retail locations and agents

Potential need for separate payment and accounting systems

Mobile and Online Wagering

May require adaptive security requirements

Centralized compliance, inspection, and reporting

Focuses on qualifications for operators and platform providers

Potential need for payment and customer account standards

Organizing and Balancing State Interests

- Conversion of the Illegal Market
 - Reduce or eliminate criminal activity.
 - Increase security for consumers.
 - Establish taxable base to support responsible gaming services.
- Consumer Protection
 - Confront “informational asymmetry” between operators and consumers.
 - Control products to address: sports and wagering integrity, impacts on vulnerable populations, and general influence over gambling behaviors.
 - Establish notice and education for new consumers entering the wagering market.
- Fan Engagement and Support for In-State or Regional Franchises
 - Encourage market to engage with established in-State resources.
 - Drive consumer interaction with sports leagues and franchises.
- Establish Strong and Responsive Administrative Authority
 - Focus on administrative “regulatory levers” that allow for strong and responsive partnership between State and operators, platform providers, or agents.
 - Structure the delegated authority to allow the agency to quickly adapt to the market and market participants.
- Revenue
 - Establish new and robust revenue streams for State or local government.

Establishing Administrative Authority

- Centralized v. decentralized administrative authority.
 - Will a single agency be responsible for the administration of the sports wagering system? Or will specialized agencies be responsible for different aspects of regulation, monitoring, and enforcement?
- Balance between statute and administrative rules.
 - Will the agency adopt rules through the Administrative Procedures Act? Through “guidelines” that govern agency conduct? Through a delegated power to negotiate and amend contracts with agents?
 - How quickly will the agency be able to respond to shifts in the market? Will the General Assembly establish authority for the agency to approve or prohibit new products?
- Existing v. new administrative structures.
 - Does the regulatory system require the establishment of new divisions or will existing resources be sufficient?

Consumer Protection and Product Limitations

- Who can participate in sports wagering?
 - Minimum age requirements.
 - Exclusion of particular persons (f.ex. Athletes, referees, coaches, trainers, etc).
 - Self-exclusion options.
- What are the products that an operator may offer?
 - Integrity exclusions and mechanisms (f.ex. Requests to exclude particular events).
 - Specific exclusion of “prohibited sports events” (f.ex. High school sports, in-state athletics, etc).
 - Exclusion of *types* of wagers (f.ex. In-game or proposition wagers).
- When may a consumer be prevented from accessing the product?
 - Will the state establish “wagering time” notices?
 - Will self-exclusion be indefinite or may players establish time-limited exclusion?
- How may a consumer participate?
 - Notice and consent requirements, including acceptance of house rules. Will house rules be subject to administrative approval?
 - Exclusion of payment types or establishment of deposit limitations?

Taxes

- Will the taxes or revenue share established by the State be flat or progressive?
- What will the tax rate be and how will this impact the overall and per capita revenue for the State?
- How will the revenue of the operator be measured and will operators be permitted to deduct for promotional credits or advertising?
- Who will be responsible for collecting the tax and how frequently will the tax be due? Will losses carry over to subsequent tax periods?
- Will the State designate where the funds will be deposited or appropriated?
 - General Assembly is not bound by statute and may redesignate funds.

Responsible Gaming

- State Role
 - What responsible gaming resources and services will be available to consumers?
 - Who will provide responsible gaming services and how will these services be funded?
 - Will the State require periodic studies or reporting?
 - Will the State have centralized responsible gaming tools, such as a State-managed player exclusion list?
- Operator Role
 - Will the State require operators to provide responsible gaming notices and tools?
 - Will operators be required to receive and report requests for self-exclusion?