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To: Senate Appropriations Committee
Cc: Senators Ram-Hinsdale, Clarkson and Cummings
From: Wendy Knight, Commissioner of Liquor and Lottery *Wendy Knight*
Date: April 27, 2023
Re: H. 127 Sports Wagering Appropriations and Fees

Following today's Committee discussion of H. 127 sports wagering, I thought it might be helpful to summarize the discussions and reasoning for the appropriations, problem gambling funding, and operator fees that exist in the bill as passed by House and amended by Senate Finance and Senate Economic Development.

Problem Gambling Funding

The Sports Betting Study Committee (SBSC)-- on which both Senator Sears and Senator Ram Hinsdale served, and I chaired-- heard from the National Council on Problem Gambling (NCPG) and the Massachusetts Council on Gaming of the need to adequately fund problem gambling resources, given the accessible nature of mobile sports betting apps and the lack of infrastructure for sports betting problem gambling in Vermont. The SBSC recommended "that a sports wagering bill should establish special fund dedicated to addressing responsible gaming and problem gambling within the State." Senate Economic Development heard similar testimony last year, where NCPG recommended 2.5% of sports wagering revenue which then-Chair Sirotkin included in last year's draft sports wagering bill that never made it out of Committee.

Originally in the House, H.127 dedicated 2.5% of wagering revenues to problem gambling which was increased to 5% at the urging of the Administration (DLL, DMH) to build provider capacity and the infrastructure for problem gambling resources and education. This was supported by House Government Operations, House Ways and Means, House Appropriations, Senate Economic Development, and Senate Finance. As the bill progressed through House and Senate Committees, the resounding theme in testimony was the need to sufficiently fund problem gambling.

The current bill and amendments include the following for problem gambling funding:

- \$250,000 FY24
- \$500,000 FY25
- 5% of wagering revenue thereafter





The reasoning for the 5% of wagering revenue after FY25 is to *ensure a sustainable revenue stream for problem gambling and to organically increase funding as the market grows*. There will be more players and potentially more problem gambling, thus the need for more problem gambling resources. Yes, sports wagering is unlike anything the Committee has previously approved. As is, H. 127 generates revenue specifically for problem gambling for the first time. This will benefit vulnerable Vermonters. This is good.

Administrative Costs

DLL has conservatively estimated that the cost of regulating legal sports wagering in Vermont will be approximately \$550,000 annually. This is a lean estimate, especially given that Vermont has no infrastructure for sports betting problem gambling on which to build—no casinos, horse racetracks, or Gaming Commission. Given this lack of expertise, the sports betting consultants are invaluable to the state. As I have previously testified, we will learn more about actual costs and needed resources once we are up and running. The legislature will have the opportunity to review our budget and amend.

Operator Fees

The operator fees in Senate Finance are designed to give DLL flexibility to cover administrative costs, which are likely to be heavy up front during contract negotiation and operator implementation. In essence, the operator fees are the price these multi-national corporations pay for the privilege of operating sports betting in Vermont.

Timing

Time is critical with the sports wagering bill. The sooner the General Assembly passes the bill, the sooner DLL can set up the regulated market. We need time for public hearings, notices, Board meetings, RFPs, bid evaluations, operator presentations, contractor negotiations, personnel recruitment, et al.

I know the Committee shares the Administration's commitment to legalizing—at long last—sports wagering in Vermont. If there are questions I can answer or information I can provide that might aid your deliberations, please let me know.

I look forward to tomorrow's discussion of H.127.

