



## **2021-2022 Sports Wagering Study**

**Prepared Pursuant to 2021 Acts and Resolves No. 70, Sec. 6(a) Regarding an Examination of the Regulation and Taxation of Sports Wagering in States with Active Sports Wagering Markets**

*Prepared by the Vermont Office of Legislative Counsel and Joint Fiscal Office*

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## **I. Introduction, Glossary, and Vermont Laws**

2021 Act No. 70 directed the Office of Legislative Counsel (OLC) and the Joint Fiscal Office (JFO) to study sports wagering regulatory models, including a specific focus on state-by-state analysis of sports wagering laws, tax systems, and revenue models.

Specifically, Act 70 directed OLC and JFO to examine and analyze:

- the sports betting laws in each state that has an active or proposed sports betting market;
- studies carried out by other states concerning the legalization, taxation, and regulation of sports betting;
- the models for regulation of sports betting that are currently operating in other states, including a summary of the tax or revenue sharing structures used in each state;
- for each state with an active sports betting market, the state revenue resulting from sports betting; and
- any reports or information concerning impacts on problem gambling in the states with regulated sports betting markets.

The study was carried out between 2021 and 2022 and examined the regulatory models, statutory and legal structures, taxes, fees, and gaming revenue in 25 states and Washington D.C. The study examined jurisdictions with active statewide sports wagering, location-specific sports wagering, and tribal-exclusive sports wagering.

In order to make the analysis more efficient and concise, the 5 research requirements from Act 70 were reorganized into three sections: (1) an examination of sports wagering regulatory models; (2) an examination of each of the active sports betting states at the time of the research, including an analysis of state laws, tax systems, and any studies that meet the descriptions of criteria 2 (regulation studies) and 5 (responsible gaming) in Act 70; and (3) an analysis of the revenue in states with active sports betting markets.

Section II of this study examines sports wagering regulatory models. The section examines:

- the general categories of sports wagering regulation and summarizes the components of the market that are typically subject to regulation;
- six factors that may be used to evaluate and balance interests in a regulated sports wagering market; and
- the foundational elements of each regulatory model, including a summary of the costs and benefits of each licensing model when evaluated according to the six factors.

Section III of this study examines each of the active sports wagering states. The section:

- examines the general regulatory model implemented by the state;
- lists the studies conducted on that state's gambling market;
- comprehensively analyzes the state's statutory and administrative laws governing sports wagering;
- details the license fees, tax system, and tax rates in the state; and
- provides a summary of each state study that examined proposals for sports betting regulation or responsible gaming impacts.

Section IV of this study analyzes the revenue generated by each of the active sports betting states. Based on that analysis, the section provides guidance and analysis for the potential revenue-capturing systems that could be implemented in Vermont.

## **Glossary of terms**

**Adjusted Gross Gaming Revenue:** The total revenue generated by an operator, based on the amount of money players wager, minus the amount players win and any allowable deductions.

**Handle:** the amount wagered over a given time period. In other words, the total amount of dollars placed by bettors.

**Hold:** the amount of revenue retained by the operator as a share of the handle.

**In-play Wagers:** Wagers placed after an event after it has started. Also known as live or immersive betting. Operators may post multiple in-play betting options throughout a sporting event.

**Mobile or Online Sports Wagering** – A prominent channel for internet sports wagering, with games typically played through an operator’s mobile application.

**Operator:** A licensee that offers a sports book, either at retail locations or through online sports wagering.

**Pari-Mutuel Wagering:** A form of wagering – typically used in horse racing – in which all bets on a particular event are pooled, and payoff odds are calculated by sharing the pool among all winning bets.

**Parlay:** A single bet that consists of two or more contingencies. Each contingency must “win” to produce a win for the parlay bettor. If there is a tie or “push” the parlay bet is voided.

**Proposition Bet:** Proposition or “prop” bets are special wagers that focus on the occurrence or non-occurrence of discrete, measurable action during a sporting event, but that usually does not directly impact or concern the final outcome of the game.

**Retail sports wagering:** Betting in person at a physical location, such as at a lottery retailer or casino.

**Sports Book:** An entity that offers and accepts sports wagers.

## **Current Vermont laws governing wagering games and fantasy competitions**

Under Vermont law, sports wagering is currently a prohibited and criminal activity.

Wagering and bookmaking is broadly prohibited by 13 V.S.A. § 2151:

### **§ 2151. BOOKMAKING; POOL SELLING; OFF-TRACK WAGERS**

(a) A person shall not:

(1) engage in bookmaking or pool selling, except deer pools or other pools in which all of the monies paid by the participants, as an entry fee or otherwise, are paid out to either the winning participants based on the result of the pool or to a nonprofit organization or event as described in 31 V.S.A. § 1201(5) where the funds are to be used as described in that subdivision, or both;

(2) keep or occupy, for any period of time, any place or enclosure of any kind, with any material for recording any wager, or any purported wager, or selling pools, except as provided in subdivision (1) of this subsection, upon the result of any contest, lot, chance, unknown or contingent event, whether actual or purported;

(3) receive, hold, or forward, or purport or pretend to receive, hold, or forward, in any manner, any money, thing, or consideration of value, or the equivalent or memorandum thereof, wagered, or to be wagered, or offered for the purpose of being wagered, upon such result;

(4) record or register, at any time or place, any wager upon such result;

(5) permit any place or enclosure that the person owns, leases, or occupies to be used or occupied for any purpose or in any manner prohibited by subdivision (1), (2), (3), or (4) of this section; or

(6) with the exception of pools as provided in subdivision (1) of this subsection, lay, make, offer, or accept any wager, upon such result or contest of skill, speed, or power of endurance of human or beast, or between humans, beasts, or mechanical apparatus.

(b) Notwithstanding any provision to the contrary, a public retail establishment, including a holder of a second-class license issued under Title 7, may sell raffle tickets on the retail premises for a nonprofit organization that has organized the raffle, provided the raffle is conducted in accordance with section 2143 of this title and that no person is compensated for expenses, as outlined in subdivision 2143(e)(1)(B) of this title.

Further, Vermont applies criminal penalties to any individual who wins or loses items of value by gambling, pursuant to 13 V.S.A. § 2141:

§ 2141. WINNING OR LOSING BY GAMBLING

A person who wins or loses money or other valuable thing by play or hazard at any game, or by betting on such play or hazard, or sharing in a stake wagered by others on such play or hazard, shall be fined not more than \$200.00 nor less than \$10.00.

Vermont has a limited carve out from these criminal provisions. Nonprofit and fraternal organizations are permitted to hold certain forms of charitable games and raffles, including the sale of “break-open tickets.” [13 V.S.A. § 2413](#); [31 V.S.A. chapter 23](#).

Vermont has also carved out a legal market for fantasy sports contests. Vermont currently allows daily fantasy sports operators to offer fantasy competitions in Vermont, provided that the operator registers with the Secretary of State, pays the registration fee, and complies with the requirements of Vermont’s fantasy sports contest chapter. [9 V.S.A.](#)



[chapter 116](#). With respect to fantasy sports contests, Vermont does not currently have a licensing structure and does not tax the revenue generated by fantasy sports contests.

## **II. Examination of sports wagering regulatory models**

Since 2018, the sports wagering market has seen a dramatic shift in legality and general acceptance. In under four years, 31 states and Washington, DC have legalized sports wagering or have expanded existing sports wagering markets. The accelerated expansion of the regulated sports wagering market has been predominantly carried by three headwinds: the desire of state governments to convert the illegal market to a liquid, taxable market; the emerging interest of sports leagues to increase fan engagement with broadcast events; and the demise of the nationwide prohibition on sports wagering and sports lotteries.

The states and tribal jurisdictions have shifted from outright prohibition of sports wagering to the enactment of regulated sports wagering markets. In each of these jurisdictions, legislators and regulators have crafted regulatory models based on the following foundations: conversion of the illegal market, licensing and compliance, consumer protection, product limitation, and taxation. When designing the regulatory framework within a state, legislatures have balanced each of these foundational elements primarily to channel the consumer demands for sports wagering to legitimate, regulated market participants.

This section studies the general components of the regulatory models currently employed in states with legal markets. First, this section describes the general categories of sports wagering regulation and summarizes the components of the market that are typically subject to regulation. Second, this section covers six factors that may be used to evaluate and balance interests in a regulated sports wagering market. Finally, this section explores the foundational elements of each regulatory model and provides a summary of the costs and benefits of each licensing model when evaluated according to the six factors.

## A. Summary of general regulatory models

As more states have introduced regulated sports wagering markets, the models for regulation have largely split into two categories:

*State-controlled market.* The state offers sports wagering through an administrative agency or lottery commission. The state either contracts with a vendor to offer sports betting through the existing lottery infrastructure or permits vendors to offer sports betting directly to consumers. In both cases, the State: 1) fixes qualifications through statute and rule; and 2) sets a revenue sharing agreement through contract.

*License-based regulatory market.* The state issues licenses to qualified market participants, establishes fees to offset the cost of monitoring and enforcement of state law, enforces minimum requirements through the licensing agency, and taxes the gross receipts of licensees.

Within the state-controlled versus licensed-based paradigm, some scholars have defined the following additional categories for regulated sports wagering markets:

*Nevada Model.* The primary goal of the Nevada Model is to discourage the growth of the illegal wagering market. The Nevada Model is characterized by moderate tax rates, lower fee ranges, direct state oversight, dedication of state resources to the regulation of gaming within the state, and active integrity monitoring. The policy goals of Nevada's regulatory scheme are as follows: (1) the gaming industry is important to the economy and welfare of the people; (2) growth of the gaming industry is conditioned on the perception of legitimacy of the industry, including the absence of criminal influence; (3) strict regulation is necessary to maintain public confidence; and (4) all establishments offering gaming are to assist in protecting the public health, safety, morals, good order, and general welfare of the inhabitants of the state and to preserve the competitive economy and policies of free competition.<sup>1</sup>

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<sup>1</sup> REGULATING SPORTS WAGERING, Eric T. Holden, 105 Iowa L. Rev. 575, 595.

*Gaming Control Board Model.* The primary goal of the Gaming Control Board Model is to integrate sports wagering as a component of regulated casino gaming. One objective of the model is to increase traffic at existing gaming facilities. The Gaming Control Board Model is characterized by a “certificate” or “authorization” structure for existing licensees, limited fees for retail wagering, and, in some instances, the requirement for the physical location of servers and other equipment within licensed gaming facilities.

*Lottery Model.* The primary goal of the Lottery Model is to integrate sports wagering as a form of lottery game that is controlled and offered by the state lottery. The Lottery Model was the primary model for the sports wagering market prior to the *Murphy v. NCAA* decision and the demise of PASPA and has been implemented by Delaware, Montana, and Oregon. The Lottery Model is characterized by contractual relationships with vendors or casinos, the operation of sports wagering through state-managed retail agents, and state-managed security and integrity monitoring.<sup>2</sup>

Under the state-controlled model, a state agency negotiates contracts with sports betting vendors to offer sports betting through the state lottery system or directly between the vendor and patrons. In this model, the state’s regulatory interest is exercised through a contract, and the state grants a regulatory agency with the discretion to implement qualifications, ongoing requirements, and a revenue sharing agreement. In state-controlled markets, the legislature often determines the number of vendors permitted within the state system, minimum qualifications for contract bids, selection criteria, and a policy point system for the final selection of vendors. Often, the legislature directs the state agency to base the final determination of vendors on those offering the largest revenue share to the state. In some state-run regulatory models, the regulatory agency is granted permission to negotiate tax rates as a component of the bidding process.

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<sup>2</sup> Id. at 601.

**Table 1. Control States**

<b>State</b>	<b>Description of State Control</b>
Connecticut	The state issues master licenses solely to the Connecticut Lottery Corporation or to the state’s federally recognized tribal governments. An online operator must contract with a master licensee. All retail operations are conducted through contract/agency with the state.
Delaware	The state controls sports wagering as a form of lottery game.
Montana	The state controls sports wagering as a form of lottery game. Sports wagering licenses are issued to state-authorized lottery agents.
Oregon	The state controls sports wagering through its “Scoreboard” lottery system. The state lottery’s administrative rules also permit DraftKings to offer sports wagering through the state lottery.
Rhode Island	The state controls and offers sports wagering by and through two authorized casinos.
Washington, DC	The District issues licenses to operators to conduct sports wagering on premises. The District controls the operation of all District-wide online and mobile wagering.
West Virginia	The state controls all sports wagering as a form of “West Virginia sports wagering lottery game.” The state issues up to three operator licenses to offer the lottery games.

In many states that offer sports betting through licensed entities, the system is managed through a limited number of primary or master licensees. In a plurality of states, these master licensees are existing entities that the state already has some regulatory relationship with. For example, many states issue primary licenses exclusively to casinos or racetracks. In many of the license-based states, the states are leveraging an existing regulatory relationship and establishing the sports betting system through those entities.

In the states that have established a license-based system, the majority of states have limited the number of primary licenses that may be issued by a state agency. Some states oversee open markets where the number of primary licenses is not capped, but these states have more stringent licensure qualifications or higher initial license fees.

<b>State</b>	<b>License limitation</b>	<b>Skin limitation</b>
Arizona	No express cap, but licenses may only be issued to an enumerated list of professional sports entities.	–
Colorado	–	The holder of a master license may offer online sports wagering

		through one individually branded website.
Connecticut	Licenses may only be issued to the Connecticut Lottery Corporation and the state's two tribal governments.	The holder of a master license may offer online sports wagering through one individually branded website.
Indiana	–	An operator may offer online sports wagering through no more than three individually branded websites.
Iowa	–	An operator may offer online sports wagering through no more than two individually branded websites.
Michigan	–	An operator may only use one individually branded platform provider.
New Hampshire	The state may issue five mobile operator licenses and ten retail licenses.	–
New Jersey	–	An operator may offer online sports wagering through no more than three individually branded websites.
New York	The state shall only permit two platform providers to operate online and mobile sports wagering following the competitive bidding process.	–
Ohio	–	Type A licenses may only use one mobile skin. The state may allow a Type A licensee to use a second skin if it will benefit the state.
Rhode Island	The state exclusively operates sports wagering through two specific casinos.	–
Washington, DC	Applicants may be issued up to two licenses.	–
West Virginia	The state shall only issue five West Virginia Lottery sports wagering licenses.	–

License-based systems vary the granularity of licensure system requirements. Most states implement a tiered license system and issue licenses for the primary vendor, a service provider (e.g., a mobile sports betting platform that contracts with a primary licensee), suppliers (e.g. a supplier of technology used for Internet-based and on-premises wagering), and key employees for those states that have retail/on-premises sports betting.

The states have established a wide range of fees associated with a primary license. Fees are largely calculated by the size of the expected market and the cost of monitoring and enforcing the regulations that are applied to that market. Fees can range from \$2,000.00 to \$25,000,000.00.

Every license-based state has adopted minimum security requirements through statute and rule. The security requirements provide minimum standards for physical and digital resources, including financial resources, the integrity of gaming devices, and the protection of system and patron data. Additionally, every state requires the monitoring of wagers and wagering activity for purposes of identifying irregularities that must be reported simultaneously to the regulatory agency and to the professional or amateur sports organization involved with the particular wager.

Each state has also implemented minimum measures for the security and protection of integrity systems. These measures include the prohibition of wagers by particular persons, for example, players, referees, and coaches. A plurality of states protect the integrity of internal sports systems by prohibiting wagers on in-state athletics. In a growing trend, states are providing a mechanism for sports organizations to request that a particular event or category of events be excluded from sports betting for purposes of protecting the integrity of the particular athletic event or for protection of the wagering system.

The license-based states have implemented minimum record keeping requirements. For Internet and mobile gaming, this often requires licensees to keep a sophisticated log of users and their wagers. For on-premises retail wagering, this often requires a daily log to identify wagerers who bet more than a set amount within any 24-hour period.

Additionally, licensees are often required to keep financial records for a period of three or more years and to submit to periodic audits.

In most states, both the licensees and the state agencies are subject to reporting requirements. The licensees are often required to periodically report on gross wagering receipts and wagering activity. If the state requires a periodic audit of finances, technological systems, or responsible gaming measures, the results of those audits are typically reported to the regulatory agency. In most states, the state regulatory agencies

are required to submit annual reports to either the Governor or the Legislature concerning the system-wide aggregation of reports from licensees.

Every state requires licensees to participate in some form of responsible gaming plan. This includes minimum requirements for the posting of responsible gaming notices, the posting of information on how to contact state-affiliated helplines, and minimum technological mechanisms to inform wagerers of “responsible gaming warnings.” A few states, most notably Connecticut, have implemented requirements for wagering pauses, automatic triggers for particularized notices. A plurality of states use a portion of sports wagering revenue to fund responsible gaming programs.

Each license-based state taxes the adjusted gross wagering receipts of its licensees. Licensees are generally permitted to deduct for payouts. Some states have established a staggered system for the deduction of promotional tokens and giveaways.

The range of tax rates runs from approximately 7 to 51 percent. However, tax rate analysis is not a linear or simple calculation. Tax rates are based on the expected hold (revenue held by a licensee) for a given market. Further, appropriate tax rates may be dependent on the number of licensees that operate within the market. In states that issue a limited number of licenses, the tax rates generally are higher because the wagering pool for a given licensee is larger.



## **B. Analytical factors**

At the outset of the state-based regulation of sports wagering after *Murphy v. NCAA*, researchers examined the costs and benefits of a uniform federal versus state-by-state approach to regulation. In *Regulatory Models for Sports Wagering: The Debate Between State vs. Federal Oversight*, Professors Anthony Cabot and Keith Miller identified seven factors that could be used to evaluate the benefits of various state and federal models.<sup>3</sup> Of those seven, there are six factors that may be valuable for Vermont's consideration of a legal sports wagering market:

- Barriers to entry
- Liquidity of market
- Revenue potential
- Fan engagement
- Speed to market
- Effectiveness of regulatory process

While these factors were applied to a comparative analysis of potential federal and state models, they are still valuable for an examination of the models currently being used by the various states.

### **Barriers to entry**

This factor evaluates the regulatory barriers that may restrict or prevent operators, providers, and consumers from participating in the market. This factor can be evaluated under two categories: absolute barriers (exclusive rights, license caps) and regulatory burdens (compliance costs, fees).<sup>4</sup>

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<sup>3</sup> Keith C. Miller & Anthony N. Cabot, *Regulatory Models for Sports Wagering: The Debate Between State vs. Federal Oversight*, UNLV Gaming L.J. 153, 158-178 (2018) (describing factors and applying the factors to various state and federal models).

<sup>4</sup> Id. at 158-160.

Any licensing structure will create barriers to entry for operators. Licensing structures are intended to create barriers to entry and will prevent unqualified entities from participating in the state's regulated market. Licensing structures are also intended to exclude market participants and products that do not meet community standards or policy goals.

Therefore, this factor is best used as a tool to evaluate whether the regulatory structure will exclude otherwise qualified market participants.<sup>5</sup>

This factor is also best used to evaluate the potential for a successful market *introduction*. The focus of analysis should be on the entry to the market for new operators and products. States have been wary of launch failures.

### **Liquidity**

This factor evaluates the potential or expected consumer participation in the market and the expected handle. This factor is focused on the supply and demand dynamics of the regulatory model and is often used in the context of converting the current illegal market to a robust regulated market.<sup>6</sup>

This factor attempts to measure the potential for new bettors to enter the market and for serious bettors to find attractive products. Both demographics have an impact on market liquidity and the supremacy of the regulated market over the illegal market. Low market liquidity has two major consequences: 1) operators may struggle to offer attractive odds and bet limits, in order to manage the risks associated with a low handle; and 2) regulators may struggle to detect betting and sports irregularities, as the state will have less bettor data to analyze.<sup>7</sup>

Liquidity is best used to analyze whether the model provides sufficient “regulatory levers” for the state to grow and maintain the wagering ecosystem.

### **Revenue potential**

This factor evaluates whether the model may generate higher revenue for the state. Revenue potential first evaluates whether the model will allow operators to develop the

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<sup>5</sup> Id.

<sup>6</sup> Id. at 160-161.

<sup>7</sup> Id.

market and increase gross revenue. The factor then evaluates whether the model will allow the state to maximize its share in the revenue generated by operators.<sup>8</sup>

For a detailed analysis of the revenue potential of the existing state models, please refer to Section IV (Revenue analysis) of this report.

### **Fan engagement**

This factor evaluates how the model may impact the fan engagement aspect of betting behavior. Fan engagement analyzes whether the model will have the potential to either grow or disrupt the connection between sports wagering and the sports events underlying the wagering products. This factor is highly dependent on the types of wagering products offered within the market and whether those products have a propensity to drive interest in sports leagues and teams.<sup>9</sup>

This factor is very difficult to analyze within the context of a general, high level analysis. It is best used to evaluate the more discrete aspects of the regulatory model, particularly those related to wagering products and advertising.

### **Speed to market**

Speed to market evaluates how quickly the market can be introduced and how quickly new products and innovations can be introduced by market participants. The three components of this factor are the speed at which: 1) the state can establish the market and introduce the first legal sports book; 2) operators can enter the market and open a sports book; and 3) operators and providers can introduce new products within an existing market.<sup>10</sup>

This factor can be highly impacted by a state's regulatory deliberations and the procedures required for the adoption of administrative rules. It is best used to evaluate how quickly other states have been able to introduce similar models and how functional

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<sup>8</sup> Id.

<sup>9</sup> Id. at 161-162.

<sup>10</sup> Id. at 162.

the “regulatory levers” in those states have been at allowing operators to introduce new products.

### **Effectiveness of the regulatory process**

This factor evaluates the likelihood that an administrative agency will accomplish the policy and regulatory goals established by the model. The factor examines whether the administrative agency has been granted: appropriate information and clarity to interpret statutory aims, adequate regulatory instruments to accomplish policy objectives, sufficient enforcement and compliance mechanisms, and whether the structure of the agency or division provides motivation to act in compliance with the laws that created the market.<sup>11</sup>

Because this factor focuses on the details of the governmental frameworks involved in the regulated market, it is best used to evaluate the statutory delegations that establish the role and authority of an administrative agency. In the general descriptions of each model, this factor is used to perform a high-level examination of whether the model encourages participation and investment from the administrative agency.

## **C. Foundational Elements**

### **Conversion of Illegal Market**

As nearly all states did prior to 2018, Vermont currently employs a prohibitionist model. The benefit of the prohibitionist model is that it allows for equal enforcement of the law against all operators and participants. It is a supply-focused model that criminalizes the operation of a sports book. The prohibitionist model leans heavily on law enforcement as the sole instrument of government tasked with monitoring and controlling the market. The primary costs of the model are that it: 1) drives consumer demand to the illegal market where operators do not contribute to harm mitigation; and 2) tasks the State with enforcement costs for which there is no connected revenue.<sup>12</sup>

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<sup>11</sup> Id. at 163.

<sup>12</sup> See Angus Abadee, *Online Sports Betting in a Federal System: Designing a State-based Regulatory Framework to Regulate Online Sports Wagering in a Federal Structure* (UNLV International Center for Gaming Research, White Paper 2020) available at [https://www.unlv.edu/sites/default/files/page\\_files/27/WhitePaper-](https://www.unlv.edu/sites/default/files/page_files/27/WhitePaper-)

States have capitalized on the *Murphy v. NCAA* decision and have moved quickly to convert the illegal wagering market to a liquid and taxable regulated market. The first element of designing the state regulatory model is to understand and target the scope of the illegal market. Once a state understands the wagering that is happening outside of the regulated structure, the state can implement a model that 1) establishes a competitive market for compliant operators; and 2) captures as much of the demand for sports wagering as possible.

### **Licensing and Compliance**

The state models for licensing are dependent on the overall models described in the preceding subsections: State controlled, gambling control board model, or Nevada model. Within these paradigms, a state can adopt the following licensing models:

- Approve exclusive rights holders. This is the licensing model used in state-controlled markets. The exclusive rights holder is the state's only partner, and all other providers are considered illegal actors.<sup>13</sup>
- Issue a limited number of licenses based on timing or qualification. This is the model employed by gambling control board states that have found that a limited market will establish a more profitable and controlled "ecosystem." These states typically drive the market toward existing in-state resources.<sup>14</sup>
- Issue an unlimited number of licenses to any entities that meet qualifications. This is the model employed by a minority of the license-based states. In this licensing model, any entity may operate a sports book within the market provided that the entity meets licensure qualifications and maintains compliance with state law.

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[OnlineSportsBettingInAFederalSystem.pdf](#) ; citing Australian Productivity Commission, *Gambling* (Report No. 50, February 26, 2010) 3.3.

<sup>13</sup> Id. at 18.

<sup>14</sup> Id. at 19.

- Allow sports wagering to occur without licensure. This model is not currently employed in any U.S. jurisdiction and is not analyzed in this section.<sup>15</sup> This model allows any entity to operate a sports book provided that the entity complies with state law.<sup>16</sup>

### **Exclusive rights holders**

Under this model, the state licenses or franchises the privilege to operate a sports book within the state. The license or franchise is granted to either a single entity or a limited group of entities. Typically, the state grants the exclusive rights through an agreement that is executed by an authorized state agency, such as the state lottery.

The states that operate this licensure model often benefit from higher revenue share.<sup>17</sup> By granting a monopoly over the state market, the state has an opportunity to secure an increase share of operator profits. Further, this model often provides the authorized agency with the discretion to leverage components of the regulatory structure in order to benefit the operator's income, and therefore the operator's ability to share that income without affecting the expected margin.

However, this model may cost the state some ability to increase the liquidity of the regulated market. With fewer operators, there is the risk that the market will have a less diverse supply of wagering products. Because the online market provides easy access to illegal and offshore markets, consumers may be driven out of the state's wagering ecosystem if supply does not meet demands. This model's success depends highly on the design of the initial competitive bidding process and the effectiveness of the authorized agency during the negotiation of the formal agreement with the chosen operator.

- **Barriers to Entry:** At the origin phase of the market, this model has an absolute barrier to entry. Only the selected operator or operators may legally offer a sports book. After the selection phase, the barriers to entry are contingent on how unique

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<sup>15</sup> However, it is important to note that Vermont currently uses this model for daily fantasy sports: [9 V.S.A. § 4189](#).

<sup>16</sup> Abadee, *supra* n. 11, at 18.

<sup>17</sup> *See* Sec. III of this study.

and stringent a state's regulatory structure is. Where the terms of the exclusive rights do not require the operator to comply with substantially different regulations than other jurisdictions, the barriers to entry are likely to be low.<sup>18</sup> However, where the franchise terms require the operator to comply with substantially different regulatory measures than in other jurisdictions, the barriers to entry will be higher. Compliance costs will drive this factor and may impact the state's ability to negotiate favorable revenue terms within a franchise agreement.

- **Liquidity:** This model creates an exclusive territory and likely the fewest operators of any of the possible regulated markets. This “ring-fencing” of the state will cause the liquidity of the market to depend on how the state-operator partnership establishes and promotes the sports wagering products. In smaller states like Vermont, the liquidity of the market will be contingent on a high capture rate. In other words, the state will need to convert as many players as possible from the illegal market to the exclusive provider. In order to increase the chances of success, the state may need to incorporate a product and promotion plan as part of the competitive bidding process.
- **Revenue Potential:** Revenue potential will be dependent on the prospective liquidity of the market and the structure of the competitive bidding process. In a review of the other states with exclusive rights, it seems that the per capita revenue is higher than in states that operate other licensure models.
- **Fan Engagement:** It is difficult to determine whether this model will have a substantial impact on fan engagement with the major sports organizations. While it is likely that increased fan engagement would be tied to a diversity of operators with different products, a single operator would likely be able to offer a diverse range of wagering products covering each of the major sports leagues. Ultimately, the ability of an operator to offer immersive products in an exclusive jurisdiction

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<sup>18</sup> Miller & Cabot; 165.

will depend on the size of the wagering pool in that state.

- **Speed to Market:** The speed to market for an exclusive state can be expected to be relatively fast. Most states already have an administrative apparatus that operates a lottery through franchises and licensing agreements. If the state regulatory structure is largely reflective of industry standards and existing regulations in other jurisdictions, then operators should be able to comply with the franchise terms and quickly introduce products to the new state markets.
- **Effectiveness of regulatory process:** This model is likely to be effective across each of the four process categories. The model benefits from a higher level of regulatory flexibility. The state administrative agency is likely able to quickly respond to both community concerns and operator needs. The regulatory mechanisms within the franchise agreement may be amended to adjust to changing expectations and market fluctuations. Provided that the legislature establishes clear policy goals, the administrative agency is likely able to effectively implement those goals.

### **Limited licensees based on qualification or status as an existing licensee**

Under this model, the state caps the number of licenses that may be issued. The cap may be achieved by setting a specific limit in statute, expressly identifying the entities that may be granted a license, or establishing restrictive qualifications that narrow the pool of potential applicants.

Many of the states that operate under the limited license model have structured a tiered system of licensure featuring a primary license (responsible for compliance and tax payments) and provider licenses. The primary license has a direct connection with the state and the provider must partner with the holder of a primary license. In many of those jurisdictions, primary licenses are issued to specifically enumerated entities, such as the holder of a current casino-resort license or racetrack license. The tiered license structure ensures that the sports wagering market is captured solely by in-state entities that have a



relationship with the administrative agency. Within this system, some states further restrict the number of total licenses that may be issued by enumerating the number of providers that may contract with an individual primary licensee.

The states that operate this model typically benefit from a balance of administrative interests with a more competitive market for online sports wagering service providers. While there is a more diverse range of operators that may offer sports books within the state, the administrative agency has fewer licensees to monitor than in the more open and competitive markets. Further, the states that implement this model typically leverage relationships with existing licensees that have an in-state presence—this allows the state to embed sports wagering within an existing regulatory relationship.

- **Barriers to entry:** The primary barrier to entry is the state’s use of an absolute restriction to determine the entities that qualify for licensure. In states that rely on tiered licensure systems, the first barrier for an operator is to find a primary licensee to partner with. Entry to the market is conditioned on the ability to negotiate with an existing licensee that likely relies on retail wagering. In states that cap the number of licenses that may be issued at any given time, the primary barrier for operators will be the speed required to meet licensure qualifications and acquire the first available licenses. Limited license markets are likely to favor operators who are already operating in multiple jurisdictions and are positioned to expand into jurisdictions with similar regulatory requirements.
- **Liquidity:** Liquidity is likely to be higher in limited license states that have more operators and statewide sportsbooks. In some limited license states, sports wagering is only available in specific locations within the state—this acts as a barrier to consumers and may drive some toward the illegal market. Those states choose to trade market liquidity for increased foot traffic at established wagering locations.
- **Revenue potential:** The revenue potential in limited license states may be partly dependent on whether the state can succeed in driving consumers toward the

existing licensees. If those states are successful, then revenue may be relatively high. Further, the offsetting costs of administering the regulated market will likely be lower than in states that will need to establish new licensure and compliance systems.

- **Fan engagement:** Fan engagement is not likely to be different than in more competitive and open licensure states. However, Arizona's limited license model may be an interesting test case for how to leverage fan engagement. Arizona issues primary licenses only to an enumerated list of sports organizations who then contract with operators.
- **Speed to market:** There is no consistent outcome for speed to market in the limited license states. Limited license states have had some of the fastest and slowest market introductions. The speed to market is likely to be much higher in a limited license state that has positioned its administrative rules and its relationships with operators to take immediate advantage of enabling legislation.
- **Effectiveness of regulatory process:** This model is likely to be effective across each of the four categories. Because the state likely leverages its existing licensing structure and regulatory relationships, then it is likely that these states will experience a steady transition into the regulated sports wagering market.

### **Unlimited licenses based on qualification**

Under this model, the state does not cap licenses or constrain market participation. The state issues licenses to any entity that meets the licensure requirements and agrees to ongoing monitoring and enforcement. The state does not leverage the market through exclusive rights or territories, but rather through regulation of the wagering products. The states that employ this model typically rely on robust and responsive regulatory agencies and sophisticated procedures for licensure renewal. This model of licensure is employed by states that implement the Nevada model.

States that use this model are likely to benefit from a higher level of market liquidity, increased competition within the market, and the development of more innovative wagering products. The state also benefits from shifting the bulk of the market risk to the operators. The potential costs associated with this model include market volatility, occasional revenue consequences due to the dispersal of handle among many operators, and the need for a more robust and sophisticated administrative structure.

- **Barriers to entry:** This model has no absolute barriers to entry. The primary barrier for operators will be the cost of regulatory compliance. Ultimately, the barriers for operators and new products will be dependent on the specificity and scope of regulatory compliance.
- **Liquidity:** This model will likely result in a higher level of liquidity than other markets. Consumers will likely have a greater supply of products to choose from and the cost of those products will be lower. Therefore, this model is likely to convert a high percentage of the illegal market to the regulated market. As long as consumer interest stays high, the liquidity of the market should operate at a high rate.
- **Revenue potential:** The revenue potential of this model will likely be dependent on the tax rate set by the state. Further, revenue may be impacted by the volatility of the state's market and the gross revenue deductions permitted by the tax structure. For the latter, unlimited license states that permit promotional credit and advertising deductions may see operators deduct the maximum allowable amount during the early market phases after initial introduction.
- **Fan engagement:** Similar to the analysis in the limited license state section, fan engagement is likely to be strong in this model.
- **Speed to market:** This factor will depend on the resources and structures that a state has in place prior to the passage of the enabling statute. In states that have existing regulatory and compliance structures, professionalized staff, and

sufficient funding for the administrative agency, the market may be introduced with relative speed. In states that need to create, staff, and fund a new administrative entity, the speed to market may be slower. Once the market is launched, operators will likely be able to enter the market quickly.

- Effectiveness of regulatory process: This model is highly dependent on the motivation and success of the regulatory agency. The administrative agency will likely need a range of sophisticated regulatory tools in order to achieve implementation of the regulatory process. Because the state is not a partner in the sports book and there is less flexibility for the agency to incorporate compliance requirements into non-legislative instruments such as a franchise agreement, the enabling statute and rules will need to provide both strong regulatory instruments and flexibility for the agency to quickly adopt or amend administrative rules. Unlike the other models, the administrative process may have an outsized impact on the health and success of the sports wagering market. Components of the market, such as integrity and security, are not built into the shared responsibility of the state and the operator and are therefore more contingent on the success of monitoring and enforcement mechanisms.<sup>19</sup>

### **Consumer protection**

Consumer protection measures are common to every regulatory model employed by the states with regulated sports wagering markets. Within the context of sports wagering regulation, consumer protection is aimed at addressing: 1) harm minimization for consumers and their families; and 2) the informational asymmetry between operators and their customers.<sup>20</sup>

#### *Harm minimization tools*

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<sup>19</sup> See Becky Harris, *Regulated Sports Betting: A Nevada Perspective*, 10 UNLV Gaming L.J. 75, 91-104 (2020) (evaluating the mechanisms that are necessary for a successful market in the Nevada or unlimited license model).

<sup>20</sup> Abadee, *supra* n. 11, at 28.

States address harm minimization through responsible gaming programs. Responsible gaming programs include the establishment of state-run responsible gaming programs, responsible gaming notice requirements for operators, and the dedication of a portion of state revenue to gambling addiction resources for those within the state.

At the preventive level, responsible gaming programs are aimed at educating consumers on how to enjoy gambling in a sustainable manner and how to recognize the signs of gambling addiction.<sup>21</sup> Preventive resources also include notices and advertisements concerning responsible gaming. Nearly every state has enacted a statutory requirement for operators to post and regularly display responsible gaming notices for consumers.<sup>22</sup>

At the early interventive level, responsible gaming mechanisms prevent escalation of problematic gambling behaviors. Often, operators are in the best position to monitor and recognize these behaviors. Operators have the greatest volume of valuable consumer data that can be used to identify when a bettor is displaying problematic gambling behaviors.<sup>23</sup> Some jurisdictions have implemented regulatory requirements for operators to offer “pre-commitment” tools. Pre-commitment allows an individual bettor to establish wagering limitations on their account. Pre-commitment is framed as a budgetary tool and has been successful at managing problematic gambling behavior.<sup>24</sup>

Some jurisdictions have implemented additional pre-commitment tools as a component of the regulated market: deposit limits and cooling off periods. While most pre-commitment tools limit the amounts that may be wagered during a given period, deposit limits restrict the amount that may be transferred between a bettor’s bank and their wagering account. Cooling off periods may be a pre-commitment determined by the bettor, or a mechanism automatically employed by the operator when bettor data indicates that a problematic gambling behavior is developing.<sup>25</sup> The cooling off period requires the bettor to wait for a period of time before transferring funds to the wagering account. Conceptually, these mechanisms are designed to prevent a player from “chasing losses.”

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<sup>21</sup> Id. at 31.

<sup>22</sup> Id.

<sup>23</sup> Id. at 30-31.

<sup>24</sup> Id. at 33.

<sup>25</sup> Id. at 35-36.

At the interventive level, responsible gaming programs include a “self-exclusion” mechanism. Self-exclusion allows an individual to notify the state or an operator that they do not want access to sports wagering either indefinitely or for a set period of time.<sup>26</sup> The administrative agency is typically responsible for ensuring that the self-exclusion list is accessible to and implemented by every operator within the state. Nearly every U.S. jurisdiction operates a player self-exclusion program.

At the rehabilitative level, responsible gaming programs dovetail with gambling addiction services within the state. Before this level, responsible gaming is framed as a set of informational and budgetary tools. After this level, responsible gaming is typically framed as treatment. Most of these programs are state-funded and fall under the authority of the state’s mental health agency.

In addition to the operator- and platform-based responsible gaming tools, some regulatory models employ product-based responsible gaming restrictions. Primarily, the product-based responsible gaming regulations target in-play betting and the use of “inducements.” For in-play betting restrictions, some regulatory models have statutory restrictions on the type of contingent bets that an operator may offer during a particular sporting event. Some jurisdictions apply these restrictions to particular categories of sporting events, often college sports. For inducement restrictions, some regulatory models prevent operators from offering free play or free-to-win events that attract new bettors to wagering platforms.

#### *Notices and informational asymmetry*

Sports wagering operators possess a great deal of wagering data and occupy an advantageous position with respect to information that underlies betting games. This “house advantage” is not unique to sports wagering, it is a common feature throughout the gambling industry. In order to address the imbalance between operator and customer, or “informational asymmetry,” regulatory models apply certain notice duties to operators. Operators may be required to include specific odds or terms for each game in notices attached to advertisements. Further, operators may be required to include express and

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<sup>26</sup> Id. at 36.

clear terms and conditions in posted house rules for each product that is offered to consumers.<sup>27</sup>

## **Taxation**

Every regulatory model employs some form of tax, revenue sharing agreement, or flat fee that is applied to the gross revenue generated by sports wagering operators. As with taxes applied to controlled substances, each tax model is designed to ensure that the state is able to 1) recover the direct and indirect costs of administering the regulatory system; 2) recover the societal costs related to sports wagering; and 3) ensure that the state benefits from the conversion of a prohibited activity to a legal activity.<sup>28</sup>

However, unlike incentive taxes that are designed to discourage consumers from purchasing products that may adversely affect their health or well-being, most regulatory models in the sports wagering universe are designed as income or licensing taxes. Sports wagering taxes are almost universally applied to the gross wagering revenue generated by the licensed operators. Operators factor the expected tax into the risk profile of the wagering products that they offer to consumers. While this does not typically affect the cost of the product to the consumer, it will affect margins and therefore the odds and products that an operator offers within a particular state.<sup>29</sup>

Sports wagering taxes on gross revenue are almost universally applied as a flat tax on gross revenue, rather than a progressive tax applied to varying levels of revenue generated by an operator. There are a few models that apply graduating taxes based on the number of products that are offered by an operator. Often these taxes are designed as a set dollar amount based on the estimated income that may be generated by a product given the expected handle in the jurisdiction. Some researchers contend that the flat, lump sum tax model is better for operators as it allows the operator to effectively and easily account for tax costs when designing sports wagering products.<sup>30</sup>

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<sup>27</sup> Id. at 42.

<sup>28</sup> Erin Scharff, *Taxes as Regulatory Tools: An Argument for Expanding New York City's Taxing Authority* NYU L.R. 86, 1556. See also, Abadee, supra n. 11, at 43.

<sup>29</sup> Abadee, supra n.11, at 43-45.

<sup>30</sup> Id. at 46-47.

When choosing a tax model, regulators must balance the revenue-generating and redistributive interests of the state against the possibility that higher tax rates could affect product offerings. As briefly covered in the description of the *Nevada model*, some research contends that higher taxes affect market liquidity and drive consumers to the illegal market where products and transactions do not experience tax pressures.<sup>31</sup>

There is high variation in how regulatory models designate and distribute tax revenue. Most jurisdictions employ a model where a portion of the tax revenue is dedicated directly to responsible gaming treatment programs. Some models set this designation as a percentage rate, and some assign a set dollar amount for the distribution to responsible gaming treatment programs. For the latter, those jurisdictions typically require that the distribution to treatment programs takes priority before any distribution for other purposes.

Outside of responsible gaming, there is high variation in how models approach redistribution. Most jurisdictions designate sports wagering tax revenue for general purposes. A minority of jurisdictions use a model where sports wagering tax revenue is directly distributed to a special fund, most commonly for an education financing fund. In jurisdictions where gambling is governed by the state constitution, it is common for the constitution to designate where gambling proceeds must be dedicated by the legislature.

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<sup>31</sup> REGULATING SPORTS WAGERING, Eric T. Holden, 105 Iowa L. Rev. 575.



### III. Examination of the sports betting laws in each state that has an active or proposed sports betting market

#### A. State-by-State Overview

Table 1. State Market Overview (Online, Mobile, Retail, Tribal, State Control)

State	Online	Mobile	Retail	Tribal gaming	State control or lottery
Arizona	✓	✓	✓	✓	
Arkansas		✓	✓		
Colorado	✓	✓	✓	✓	
Connecticut	✓	✓	✓	✓	✓
Delaware	✓	✓	✓		✓
Illinois	✓	✓	✓		
Indiana	✓	✓	✓	✓	
Iowa	✓	✓	✓	✓	
Louisiana	✓	✓		✓	
Michigan	✓	✓	✓	✓	
Mississippi	✓ (on premises)	✓ (on premises)	✓		
Montana	✓ (on premises)	✓ (on premises)	✓	✓	✓
Nebraska			✓		
Nevada	*	✓	✓	✓	
New Hampshire	✓	✓	✓		
New Jersey	✓	✓	✓		
New Mexico			✓	✓	
New York	✓	✓	✓	✓	
North Carolina			✓	✓	
Ohio	✓	✓	✓		
Oklahoma		✓	✓	✓	
Oregon	✓	✓	✓	✓	✓
Pennsylvania	✓	✓	✓		
Rhode Island	✓	✓	✓		✓
South Dakota			✓	✓	
Tennessee	✓	✓			
Virginia	✓	✓			
Washington	✓	✓	✓	✓	
Washington, DC	✓	✓	✓		✓
West Virginia	✓	✓	✓		✓
Wisconsin			✓	✓	
Wyoming	✓	✓	✓	✓	

**Table 2. States with Tribe-Exclusive Sports Wagering**

<b>State</b>	<b>Tribes with eligible compacts</b>	<b>Retail</b>	<b>Online or mobile</b>
New Mexico	Jicarilla Apache Tribe Mescalero Apache Tribe Nambe Pueblo Navajo Nation Ohkay Owingeh Pueblo Pueblo of Acoma Pueblo of Isleta Pueblo of Jemez Pueblo of Laguna Pueblo of Nambe Pueblo of Pojoaque Pueblo of San Felipe Pueblo of Sandia Pueblo of Santa Ana Pueblo of Santa Clara Pueblo of Taos Pueblo of Tesuque Pueblo of Zuni	✓	
North Carolina	Catawba Indian Nation Eastern Band of Cherokee Indians	✓	
Washington	Colville Confederated Tribes Confederated Tribes of the Chehalis Reservation Confederated Tribes of the Yakama Nation Cowlitz Tribe Hoh Tribe Jamestown S’Klallam Indian Tribe Lummi Nation Kalispel Tribe Lower Elwha Klallam Tribe Makah Nation Muckleshoot Tribe Nisqually Tribe Nooksack Tribe Port Gamble S’Klallam Tribe Puyallup Tribe	✓	✓

	Quileute Tribe Quinault Nation Samish Nation Sauk-Suiattle Tribe Shoalwater Bay Tribe Skokomish Tribe Snoqualmie Tribe Spokane Tribe Squaxin Island Tribe Stillaguamish Tribe Suquamish Tribe Swinomish Tribe Tulalip Tribes Upper Skagit Tribe		
Wisconsin	Oneida Nation St. Croix Chippewa Indians of Wisconsin	✓	

## Arizona

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Nevada Model	Private operators (professional sports associations)	Retail ✓ Mobile ✓ Online ✓ Tribal gaming ✓	New licensing structure. Licenses are issued to enumerated list of entities.	<i>High.</i> The Arizona statutes establish licensing criteria, fees, privileges, and duties. The statutes set out specific regulatory requirements for the wagering market.

**Reports:** [ADG Annual Report \(2021\)](#)      [Event Wagering October 2021](#)  
[Event Wagering November 2021](#)      [Event Wagering December 2021](#)  
[Event Wagering January 2021](#)      [Tribal Gaming Status Report 2021](#)  
[NCPG National Survey: Arizona](#)      [UNLV White Paper: Tribal Gaming in AZ](#)

**Brief Overview:** Arizona introduced its regulated retail and mobile “event wagering” market in 2021. The Arizona Department of Gaming oversees the regulated market. The state applies specific license fees and a specific privilege tax to event wagering operations. During the first few months of Arizona’s legal market, the state had the fourth highest total transaction volume during the opening weeks of the NFL season.

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## Analysis

In May 2021, Arizona’s event wagering statutes became effective upon the approval of specific tribal gaming compacts by the Department of the Interior.<sup>32</sup> Arizona’s event wagering statutes regulate sports wagering throughout the state, except for wagering conducted exclusively on tribal lands pursuant to a tribal-state gaming compact.<sup>33</sup> The statutes place event wagering under the licensing and enforcement authority of the

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<sup>32</sup> A.R.S. § 5-1321 (establishing conditional effectiveness of event wagering chapter).

<sup>33</sup> A.R.S. § 5-1303(D).

Department of Gaming and authorize the Department to adopt administrative rules in accordance with the event wagering chapter.<sup>34</sup>

### **Licensing System**

Arizona's statutory scheme permits the holder of an event wagering operator's license to offer in person and mobile sports wagering within the state.<sup>35</sup> Arizona limits the issuance of operator's licenses to specific enumerated entities. The Department of Gaming is authorized to issue an event wagering operator's license only to: 1) the owner of an Arizona professional sports team or franchise; 2) the operator of a sports facility that hosts the PGA tour; 3) the promoter of a national stock car or touring race conducted within the state; or 4) an Indian tribe that will offer mobile event wagering throughout the state. The enumerated entities may also designate an entity to operate event wagering at a licensed facility or through mobile wagering technology. In the event that the entities elect to operate event wagering through a designee, the designee is considered the license applicant and must meet all requirements established in statute and rule.

Arizona's licensing scheme also establishes licenses for event wagering suppliers and management services. An event wagering supplier license permits the holder to manufacture, distribute, or sell equipment, systems, or items to conduct event wagering. A management services provider license permits the holder to operate, manage, or control event wagering on behalf of an event wagering operator, including the development of event wagering platforms and providing odds, lines, and global risk management.<sup>36</sup> Arizona also licenses specific subordinate roles in event wagering, such as ancillary suppliers and employees of event wagering operators.

### **License Fees and Renewal Periods**

The Department of Gaming is authorized to adopt fees for each of the licenses. Under R.19-4-105(B), fees have been established for the application, initial licensure, and renewal of each license:

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<sup>34</sup> A.R.S. § 5-1302.

<sup>35</sup> A.R.S.T. 5, Ch. 11, Art. 1 (event wagering).

<sup>36</sup> A.R.S. § 5-1309; 1301(11).

<b>License</b>	<b>Application fee</b>	<b>Initial fee</b>	<b>Annual fee</b>	<b>Renewal periods</b>
Event wagering operator	\$100,000.00	\$750,000.00	\$150,000.00	Initial license: 5 years Annually thereafter
Designee	\$100,000.00	\$750,000.00	\$150,000.00	Initial license: 5 years Annually thereafter
Limited event wagering operator	\$5,000.00	\$25,000.00	\$5,000.00	Initial license: 5 years Annually thereafter
Management services provider	\$1,000.00	\$10,000.00	\$5,000.00	Initial license: 2 years Annually thereafter
Supplier		\$1,500.00	\$500.00	Initial license: 2 years Annually thereafter
Ancillary supplier		\$1,500.00	\$500.00	Initial license: 2 years Annually thereafter
Employee		\$250.00	\$125.00	Initial license: 2 years Annually thereafter

An initial event wagering operator license is valid for five years, after which the license holder must file for an annual renewal.<sup>37</sup> Management services provider, supplier, ancillary supplier, and employee licenses are valid for two years.<sup>38</sup> Arizona limits the persons who may apply for licensure under the event wagering chapter, including prohibitions on the licensure of persons employed by the Department of Gaming; employees, coaches, and players of sports teams; persons who have been convicted of certain crimes or gaming violations; persons who have the ability to directly affect the

<sup>37</sup> A.R.S. § 5-1309(E).

<sup>38</sup> A.R.S. § 5-1308-1309; A.R.S. § 5-1301(5) (“event wagering employee”); Rule 19-4-104.

outcome of an event; and other persons that, if licensed, would negatively affect the integrity of Arizona's event wagering system.<sup>39</sup>

### **Security, Financial Requirements, and Integrity Monitoring**

The Arizona event wagering statutes prescribe minimum security and financial control standards. A licensee is subject to the license suspension and revocation authority of the Department of Gaming.<sup>40</sup> The Department is authorized to adopt rules governing security standards for event wagering at physical locations, including standards for security and surveillance, Departmental access, inspections and approvals; and on mobile platforms, such as mechanisms for the detection and prevention of fraud, money laundering, and collusion, including a requirement that event wagering operations contract with a Department-licensed integrity monitoring provider. The Department has the authority to test, inspect, approve, and audit event wagering accounts, platforms, hardware, software, and data.<sup>41</sup> The holder of a supplier's license is required to have all event wagering equipment offered within Arizona approved by an independent testing laboratory designated by the Department.<sup>42</sup> The Department has adopted rules governing the security and integrity of both retail and mobile event wagering.<sup>43</sup>

The Department is required to adopt rules governing minimum financial requirements for licensees. The Department is required to establish the amount of bond in escrow and available funds to ensure the adequate reserves for payouts; insurance requirements; internal controls, including evidence of indebtedness, minimum record keeping, and risk management; requirements for independent audits; periodic financial reporting, including the designation of confidential proprietary information; and requirements for the prevention of money laundering and the protection of event wagering integrity.<sup>44</sup> Annually, each licensed event wagering operator is required to contract with a certified

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<sup>39</sup> A.R.S. § 5-1311.

<sup>40</sup> A.R.S. § 5-1306.

<sup>41</sup> A.R.S. § 5-1302(G).

<sup>42</sup> A.R.S. § 5-1308(E).

<sup>43</sup> Arizona Administrative Code, Title 19, Chapter 4, Article 1.

<sup>44</sup> A.R.S. § 5-1313(A).

public accountant to perform an independent audit and submit the results of the audit to the Department.<sup>45</sup>

In addition to minimum security and financial standards, licensees are required to monitor and report suspicious or abnormal betting activity. Licensees must report real-time information relating to the bettor and details regarding the suspicious or abnormal betting activity. The licensee must simultaneously send suspicious or abnormal betting information to any sports governing body that has requested to be notified.<sup>46</sup>

### **Record Keeping and Reporting**

Arizona's event wagering chapter requires the Department to submit an annual report concerning the state's event wagering system. The report must contain information concerning the number of active licenses by type, aggregate and net revenue of all licensees, the number of Department investigations, and the financial impact of the event wagering industry.<sup>47</sup>

### **Responsible Gaming**

Arizona requires both the Department and individual licensees to address problem gaming. Licensees are required to develop a procedure to inform players that help is available if a person has a problem with gambling. At minimum, licensees are required provide the statewide contact information for the helpline and other services established by the Department.<sup>48</sup> The Department and licensees are required to comply with procedures to allow individuals to add themselves to the voluntary self-exclusion list. Licensees are required to advise and provide forms for those inquiring about voluntary self-exclusion. The Department is required to maintain the self-exclusion list and must update licensees on a weekly basis. Prior to the creation of any player account, any licensee must revoke any player account established for a self-excluded person.<sup>49</sup>

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<sup>45</sup> A.R.S. § 5-1319.

<sup>46</sup> A.R.S. § 5-1316.

<sup>47</sup> A.R.S. § 5-1312.

<sup>48</sup> A.R.S. § 5-1320(A).

<sup>49</sup> A.R.S. § 5-1320(B).



## Market Parameters and Restrictions

In order to place a wager in Arizona, a person must be 21 years of age and must place the wager within the state.<sup>50</sup> For purposes of geofencing event wagering, the intermediate routing of a wager through another state does not determine the location from which the wager was placed.<sup>51</sup>

Arizona permits licensees to operate both retail and mobile event wagering. Event wagering is defined as “accepting wagers on sports events or other events, portions of sports events or other events, the individual performance statistics of athletes in a sports event or combination of sports events or the individual performance of individuals in other events or a combination of other events[.]” Event wagering does not include fantasy sports.<sup>52</sup> The sports events that fall within the scope of event wagering are professional sports or athletics, collegiate sports or athletics, motor race, e-sport, or Olympic events.<sup>53</sup> In both the definitions for these events and in the licensee prohibitions, event wagering does not include wagering on amateur or high school events, unless the event falls under a professional, motor race, e-sport, or Olympic event.<sup>54</sup>

Arizona does not permit event wagering on injuries or penalties. Additionally, the state does not permit wagering on the individual actions, events, occurrences, or nonoccurrences to be determined during a collegiate sports event, including on the performance or nonperformance of a team or individual participant during a collegiate sports event.<sup>55</sup> Parlay and proposition bets are only permitted as determined by the Department of Gaming rules governing sports wagering. The Department’s Rules acknowledge proposition, parlay, and other “types of wagers” in the sections concerning the use of official league data,<sup>56</sup> the cataloging of events and types of wagering to be offered by a licensee,<sup>57</sup> and house rules.<sup>58</sup>

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<sup>50</sup> A.R.S. § 5-1311(B)(1).

<sup>51</sup> A.R.S. § 5-1303(F)

<sup>52</sup> A.R.S. § 5-1301(4).

<sup>53</sup> A.R.S. § 5-1301(17).

<sup>54</sup> Id. *See also* A.R.S. § 5-1311(B)(4).

<sup>55</sup> A.R.S. § 5-1315(A).

<sup>56</sup> Rule 19-4-114(A).

<sup>57</sup> Rule 19-4-129(A).

<sup>58</sup> Rule 19-4-132(A)(6).

Under the prohibited wagers statute, Arizona has established a system for entities to request that the Department prohibit a type of wagering or to exclude a category of persons from wagering. The request must be submitted by an operator; a professional sports team, league, or association; or an institution of higher learning. The entity must submit the request with the belief that the type of event wagering or category of persons is contrary to public policy, unfair to consumers, or affects the integrity of a sport or the sports betting industry.<sup>59</sup>

### **Taxes**

Arizona applies a privilege fee to licensed event wagering operators. The fee for the privilege of operating event wagering is 8 percent of adjusted gross event wagering receipts for retail operations and 10 percent of adjusted gross event wagering receipts for mobile operations.<sup>60</sup> Event wagering operator's gross wagering receipts are calculated as the operator's receipts, excluding voided bets, minus winnings paid to authorized participants, and any federal excise tax. Arizona allows for a deduction from adjusted gross event wagering receipts equal to the value of free bets or promotional credits redeemed by authorized participants for the first five years of operation. For the first five years, deductions are staggered: 20 percent for years one and two, 15 percent for year three, and 10 percent for years four and five.<sup>61</sup>

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<sup>59</sup> A.R.S. § 5-1315(C).

<sup>60</sup> A.R.S. § 5-1318(A); Rule 19-4-112(A).

<sup>61</sup> A.R.S. § 5-1301(1).

## Arkansas

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Gaming Control Board Model	Private operators (casino or racing licensees)	Retail ✓ Mobile ~ (proposed in January of 2022 but not yet live)	Existing licensees may acquire an authorization to conduct sports wagering.	<i>Low.</i> The Arkansas Constitution was amended to provide the Arkansas Racing Commission with full authority over sports wagering within the state.

**Reports:** [FY2019 Revenue](#) [FY2020 Revenue](#) [FY2021 Revenue](#)  
[FY2022 Revenue](#) [NCPG National Survey: Arkansas](#)

**Brief Overview:** Arkansas legalized retail sports wagering in 2019. Although a legal online sports wagering market has been proposed, it has not yet been introduced. Arkansas uses the Gaming Control Board Model of sports wagering regulation. The Arkansas Racing Commission oversees all sports wagering operations and has adopted rules governing all aspects of sports wagering licensure. Currently, the Commission authorizes licenses casinos and race tracks to offer retail sports wagering. Arkansas does not have a specific sports wagering tax but instead taxes sports wagering as a component of the gross revenue received from casino or pari-mutuel gaming.

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### Analysis

In 2019, the Arkansas voters proposed and approved a constitutional amendment to legalize casino gambling in four counties.<sup>62</sup> Ark. Const. amend. 100 includes sports wagering as a type of casino gaming within the constitutional regulatory authority of the Arkansas Racing Commission. Under the Arkansas Constitution, the Arkansas Racing

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<sup>62</sup> Ark. Const. amend. 100, § 2(c), The Arkansas Casino Gaming Act of 2018 (“Casino gaming” definition includes “accepting wagers on sporting events”).

Commission acts as the state's regulatory body for sports wagering and is granted authority to adopt rules governing the state's sports betting market.

Pursuant to the authority granted by the Arkansas Constitution, the Arkansas Racing Commission has adopted Rules 20 (race books and sports pools) and 23 (off-track pari-mutuel sports wagering) governing race books and sports pools. In Arkansas, sports wagering may occur only on premises and at locations approved by the Commission.<sup>63</sup> At these locations, wagering may be conducted through kiosks or through the use of communications technology but not through the Internet.

### **Licensing System**

Rule 20 permits the holder of a casino license to operate a sports pool or sportsbook at approved physical locations within Arkansas. The holder of a casino license must apply for authorization and submit documentation concerning an internal control system in accordance with the Rules.<sup>64</sup> In addition to the requirements for maintaining a casino license, licensees who are authorized to conduct a sportsbook or sports pool are required to meet the Rule 20 standards for minimum reserves, supplemental record keeping, computerized bookmaking, reporting, and the adoption of house rules.<sup>65</sup>

### **Security and Integrity Monitoring**

In addition to any requirements applied through casino licensures, Arkansas further requires authorized sports wagering locations to monitor and report suspicious activity. The holder of a sports wagering authorization must report any suspicious transaction that aggregates more than \$5,000.00 in funds or other assets. A licensee may voluntarily report any suspicious transaction that the licensee believes is relevant to a possible violation of the law.<sup>66</sup>

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<sup>63</sup> Rule 20.055

<sup>64</sup> Rule 20.020.

<sup>65</sup> Id.

<sup>66</sup> Id.

### **Financial Requirements**

The Arkansas Racing Commission also requires authorized sports wagering locations to meet minimum reserve requirements in order to operate a sports or race book. Under Rule 20, the minimum reserve is the greater of \$25,000.00 or the amount calculated under Rule 20.040(a) for amounts held, accepted, or owed by the book.<sup>67</sup>

### **Minimum Internal Control Standards and House Rules**

Arkansas implements a general requirement for the adoption and posting of house rules. The holder of a casino license is required to adopt comprehensive house rules governing wagering transactions with patrons. House rules must be approved by the Commission.

### **Record Keeping and Reports**

Arkansas has supplemented the state's existing record keeping and reporting requirements for gaming licensees and has established specific requirements for locations that offer sports wagering. A licensee that is authorized to offer sports wagering must keep records reflecting any variance of \$500.00 or more in the daily accounting and reconciliation of receipts from sports pool kiosks; containing personally identifiable information of any patron wagering or winning more than \$10,000.00 on a nonpari-mutuel wager; containing a "wagering multiple transaction log" reflecting all nonpari-mutuel wagers aggregating \$5,000.00 or more; and any supplemental record keeping required by the Commission.

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<sup>67</sup> Id.

## Colorado

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Gaming Control Board Model	Private operators (casino or racing licensees)	Retail ✓ Mobile ✓ Online ✓ Tribal gaming ✓	New licensing system. Master licenses are issued to existing retail gaming licensees. Internet sports betting operators are separately licensed.	<i>High.</i> The Arizona statutes establish licensing criteria, fees, privileges, and duties. The statutes set out specific regulatory requirements for the wagering market.

**Reports:** [Colorado Gaming Industry Factbook \(2020\)](#)      [Sports Betting Revenue 2021](#)  
[Sports Betting Revenue 2020](#)      [NCPG National Survey: Colorado](#)

**Brief Overview:** Colorado introduced the state’s regulated retail and mobile sports betting market in 2020. Colorado uses the Gaming Control Board Model of sports betting regulation and has granted the Colorado Limited Gaming Commission regulatory authority over the state’s sports wagering market. The Commission issues master licenses to the holders of retail gaming licenses who may contract with operators to offer mobile and Internet-based sports wagering. Colorado imposes licensure fees on licensees and a sports wagering tax on the adjusted gross sports wagering revenue of licensees.

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### Analysis

The Colorado voters authorized sports betting at the November 2019 statewide election, and many of the state’s sports betting statutes became effective in May of 2021.<sup>68</sup>

Colorado’s statutes place sports betting under the licensing and enforcement authority of the Colorado Limited Gaming Commission and authorize the Commission to adopt

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<sup>68</sup> C.R.S.A. § 44-30-1505(8); *see also* § 1514 (repealed September 1, 2020).

administrative rules in accordance with the sports betting provisions of the Colorado Limited Gaming Act.<sup>69</sup>

### **Licensing Structure**

Colorado's statutory scheme establishes three classifications of sports betting licenses: master license, sports betting operator, and Internet sports betting operator.<sup>70</sup> The Commission establishes four additional license classifications pursuant to its rulemaking authority: vendor major license, vendor minor license, key employee license, and support license.<sup>71</sup>

The Commission may issue a master license to any person that holds a retail gaming license under Colorado's existing licensure scheme for limited gaming, which is limited to on-premises gaming within approved jurisdictions.<sup>72</sup> The holder of a master's license may conduct sports betting on its own or may contract with the holder of a sports betting operator or Internet sports betting operator license to provide on-premises or mobile sports wagering.<sup>73</sup>

The Commission may issue a sports betting operator or Internet sports betting operator license to any person that meets the licensure qualifications established by statute and rule and that has a Commission-approved contract with the holder of a master license. Each master licensee is limited to contracting with not more than one sports betting operator and one Internet sports betting operator at the same time.<sup>74</sup> The holder of a sports betting operator license may offer on-premises sports betting at the master licensees' designated physical location.<sup>75</sup> The holder of an Internet sports betting license may offer sports betting through one individually branded website or mobile application.<sup>76</sup>

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<sup>69</sup> C.R.S.A. Title 44, Art. 30, Part 15.

<sup>70</sup> C.R.S.A. § 44-30-1505(1).

<sup>71</sup> 1 CCR 207-2, Rule 3.1; C.R.S.A. § 44-30-1504(4).

<sup>72</sup> C.R.S.A. § 44-30-1505(2)(a)(I); 44-30-501(1)(c).

<sup>73</sup> C.R.S.A. § 44-30-1505(2)(a)(III).

<sup>74</sup> C.R.S.A. § 44-30-1505(2)(b).

<sup>75</sup> *Id.* See also C.R.S.A. § 44-30-1501(11).

<sup>76</sup> *Id.*

Under the Commission's rules, a major vendor license is required for any person who is employed for, contracts with, or acts on behalf of an establishment licensed to operate sports betting who manages or administers an enumerated list of functions related to gaming systems; software; or the provision of products, services, or information needed to operate sports betting.<sup>77</sup> The Commission requires a minor vendor license for any other person who is employed by, contracts with, or acts on behalf of an establishment licensed to operate sports betting and is involved in the operation of sports betting.<sup>78</sup> The Commission further requires any person designated to be responsible for the operation of a sports betting operation to acquire a key employee license.<sup>79</sup> For any employee of a sports betting licensee that is not covered by the other license categories, the Commission may require that the employee hold a support license before assisting a licensee in the operation of sports betting.<sup>80</sup>

### **License Fees and Renewal Periods**

The Commission is authorized to adopt fees for each of the licenses.<sup>81</sup> Under Rule 3.4, the Commission sets license fees pursuant to an annual fee schedule.<sup>82</sup> The following fees have been established for the licensure, background investigation, and operation fee established for each licensee:

<b>License</b>	<b>Fee</b>	<b>Background check fee</b>	<b>Operation fee for retail</b>	<b>Operation fee for Internet/mobile</b>	<b>Renewal periods</b>
Master	\$2,000.00	—	\$12,500.00	\$54,000.00	2 years
Sports betting operator	\$1,200.00	\$10,000.00	\$12,500.00	—	2 years
Internet sports betting operator	\$1,200.00	\$10,000.00	—	\$54,000.00	2 years
Vendor major	\$1,200.00	\$10,000.00	—	—	2 years
Vendor minor	\$350.00	—	—	—	2 years

<sup>77</sup> 1 CCR 207-2, Rule 3.1(1)(a).

<sup>78</sup> 1 CCR 207-2, Rule 3.1(3).

<sup>79</sup> 1 CCR 207-2, Rule 3.1(4).

<sup>80</sup> 1 CCR 207-2, Rule 3.1(5).

<sup>81</sup> C.R.S.A. § 44-30-1505.

<sup>82</sup> 1 CCR 207-2, Rule 3.4.



All of Colorado's sports betting licenses are valid for two years.<sup>83</sup> Colorado's sports betting laws prohibit an enumerated list of persons from obtaining a sports betting operator license or controlling a sports betting operator. The prohibited categories of persons generally include persons who are directly involved in sports governing bodies, teams, unions, players, referees, those with nonpublic information concerning a team or player, and those who may exert influence over a team, player, or referee.<sup>84</sup> Corporate applicants for a sports betting license must disclose all ownership interests and creditors, including lenders from which the applicant or licensee currently has an outstanding loan.<sup>85</sup>

### **Security, Financial Requirements, and Integrity Monitoring**

The Commission is required to evaluate an applicant's financial stability as part of licensure. The Commission must investigate the licensee's source of revenue for its sports betting operations, the character of the licensee, the trustworthy operation of the sports betting activity sought to be licensed, and other matters necessary to protect the public interest and trust in sports betting.<sup>86</sup>

Colorado's statutes require that each licensee comply with specific financial record keeping procedures. Each licensee is required keep a complete set of books of account, correspondence, and any other records necessary to document the complete sports betting transactions of the licensee.<sup>87</sup> Sports betting operators are required to adopt internal controls and keep reports necessary to record the adjusted gross receipts, patron liability, ticket redemption, and such other information relating to sports betting as deemed necessary by the Commission.<sup>88</sup>

As a component of the monitoring requirements applied to licensees, sports betting operators are required to immediately report the following to the Commission: criminal or disciplinary proceedings commenced against the sports betting operator or its

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<sup>83</sup> C.R.S.A. § 44-30-1505; 1 CCR 207-2, Rule 3.1.

<sup>84</sup> C.R.S.A. § 44-30-1502(1).

<sup>85</sup> C.R.S.A. § 44-30-1504(1).

<sup>86</sup> C.R.S.A. § 44-30-1503(1)(a).

<sup>87</sup> C.R.S.A. § 44-30-1505(6).

<sup>88</sup> 1 CCR 207-2, Rule 7.

employees relating to sports betting operations, abnormal betting activity that raises concern about the integrity of a sports event, any conduct that may corrupt the integrity or outcome of a sports event, and suspicious or illegal wagering activities. The Division of Gaming may share the licensee information with a sports governing body to ensure the integrity of the sport or to assist with an investigation carried out by the sports governing body.<sup>89</sup>

### **Data Collection and Security**

Colorado's statutory regulation of sports wagering includes minimum requirements for data collection for the purpose of monitoring and reporting by licensees. At minimum, all record keeping and reporting requirements established by the Limited Gaming Control Act are applied to the licensee operation of sports betting. Additionally, licensees are required to maintain records of all bets placed, including personally identifiable information of the bettor; the amount and type of bet; the time the bet was placed; the location of the bet, including Internet protocol address; the outcome of the bet; and records of abnormal betting activity.<sup>90</sup> Licensees are required to maintain the records for a period of three years. Additionally, Colorado requires sports betting operators to obtain personally identifiable information from any individual who places any single bet in an amount of \$10,000.00 or more on a sports event while physically present in a casino.<sup>91</sup>

### **Responsible Gaming**

The Commission has adopted rules governing responsible gaming and self-exclusion. Sports betting operators and Internet sports betting operators are required to display and notify patrons of self-exclusion procedures and the availability of problem gaming resources.<sup>92</sup> Internet sports betting operators are required to prominently display a responsible gaming page during a sports betting patron session. The web page must list the responsible gaming hotline, link to resources for people with potential gambling problems, and link to the operator's self-exclusion program.<sup>93</sup> Each sports betting

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<sup>89</sup> C.R.S.A. § 44-30-1506(5)(a).

<sup>90</sup> C.R.S.A. § 44-30-1506(5)(b).

<sup>91</sup> C.R.S.A. § 44-30-1506(4).

<sup>92</sup> 1 CCR 207-2, Rule 9.1.

<sup>93</sup> Id.

operator is required to maintain a self-exclusion list that is specific to the operator's own sports betting operation.<sup>94</sup>

### **Market Parameters and Restrictions**

A person who is over 21 and within Colorado is permitted to place a bet through a sports betting operator. A person may not place a bet if they are on a voluntary self-exclusion list; are a sports betting operator, owner, or an employee of the sports betting operator; or has confidential or nonpublic information held by the sports betting operator.<sup>95</sup>

Colorado permits licensees to operate both retail and mobile sports betting. Sports betting includes single-game bets, parlays, over-under, moneyline, pools, exchange wagering, in-game wagering, in-play bets, proposition bets other than those relating to collegiate sports events, or straight bets.<sup>96</sup> Colorado permits wagering on any individual or team sport or athletic event, or portion of a sport or event, in which the outcome is not determined solely by chance, whether amateur or professional, including an Olympic or international sport or athletic event and any collegiate sports event. Wagering is also permitted on sanctioned motor sports or any other sports event or combination of sports events as authorized by the Commission by rule.<sup>97</sup> Colorado prohibits the placement of bets on high school sports events, video games that are not sanctioned by a sports governing body as an electronic competition, and proposition bets on collegiate sports.<sup>98</sup> In addition to the statutory restrictions on categories of events, a sports governing body may petition the Commission to restrict, limit, or exclude a type of wager, provided that the outcome of the type of wager is solely determined by the actions of a single player.<sup>99</sup>

### **Taxes**

Colorado taxes sports betting activity at the rate of 10 percent of net sports betting proceeds.<sup>100</sup> Net sports betting proceeds are calculated as the total amount of all bets placed by players in a sports betting operation or Internet sports betting operation,

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<sup>94</sup> Id. at Rule 9.2.

<sup>95</sup> C.R.S.A. § 44-30-1506(2)(a).

<sup>96</sup> C.R.S.A. § 44-30-1501(10).

<sup>97</sup> C.R.S.A. § 44-30-1501(12).

<sup>98</sup> C.R.S.A. § 44-30-1501(8).

<sup>99</sup> C.R.S.A. § 44-30-1505(7).

<sup>100</sup> C.R.S.A. § 44-30-1506(1).

excluding free bets, less all payments to players and less all excise taxes paid pursuant to federal law.<sup>101</sup> All revenue received from the sports betting tax, license fees, fines, and penalties are credited to the state's sports betting fund. The sports betting statutes direct the Colorado State Treasurer to transfer money from the fund in the following priority: (1) repay the general fund for any start-up costs associated with the Division's establishment of the sports betting regulatory system; (2) pay for ongoing expenses borne by state agencies for the continued operation of the sports betting regulatory system; (3) transfer 6 percent of the fiscal year sports betting tax revenues to the wagering revenue recipients hold-harmless fund, which reimburses an enumerated list of persons and entities who may demonstrate losses due to sports betting; (4) annually transfer \$130,000.00 to the Office of Behavioral Health in the Department of Human Services, to be used for the treatment of gambling disorders; and (5) transfer all remaining unexpended and unencumbered money to the state's water plan implementation cash fund.<sup>102</sup>

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<sup>101</sup> C.R.S.A. § 44-30-1501(7).

<sup>102</sup> C.R.S.A. § 44-30-1509.

## Connecticut

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
State Control or Lottery Model	State control (Connecticut Lottery Corporation and tribal governments)	Retail ✓ Mobile ✓ Online ✓ Tribal gaming ✓	New licensing system. Master wagering licenses are issued to the state or tribal governments. The master licensees then contract with Internet sports betting operators that are separately licensed.	<i>High.</i> The Connecticut statutes establish licensing criteria, fees, privileges, required responsible gaming contributions, and licensee duties. The statutes set out specific regulatory requirements for the wagering market.

**Reports:** [Connecticut Sports Wagering Dataset](#)      [NCPG National Survey: Connecticut](#)

**Brief Overview:** Connecticut introduced the state’s regulated sports wagering market in late 2021. Connecticut uses the State Control / State Lottery Model of sports wagering regulation. The state issues master licenses exclusively to the Connecticut Lottery Corporation and the state’s two tribal governments. Master licenses may contract with online gaming operators or online gaming service providers that are licensed by the Department of Consumer Protection. The Connecticut General Assembly delegated regulatory authority over the state’s sports wagering market to the Department of Consumer Protection. Within the area of responsible gaming, Connecticut has mandated that online operators provide notifications to users of the amount of time and money that the individual has spent wagering. Connecticut imposes license fees, taxes on adjusted gross wagering receipts, and an annual payment to responsible gaming programs.

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### Analysis

In 2021, the Connecticut General Assembly enacted Public Act 21-23 to authorize statewide sports wagering, pending the amendment of compacts and memoranda of

understanding with Connecticut's tribal governments.<sup>103</sup> Connecticut places the state's sports wagering market under the regulatory authority of the Department of Consumer Protection.

Connecticut's regulatory scheme establishes six classifications of sports betting licenses: master wagering license, online gaming operator, online gaming service provider, sports wagering retailer, occupational employee, and key employee.<sup>104</sup>

### **Licensing Structure**

Connecticut permits the Mashanpequot Tribe and the Mohegan Tribe to acquire a master wagering license to operate one branded website or mobile application for online sports wagering throughout the state.<sup>105</sup> The Mashanpequot Tribe and Mohegan Tribe are also permitted to conduct retail sports wagering and online sports wagering, provided that the wagering takes place within the reservation of the tribe conducting the online sports wagering when placing the wager.<sup>106</sup>

Additionally, the Commissioner of Consumer Protection may issue a master wagering license to the Connecticut Lottery Corporation. The Corporation may operate retail sports wagering at fifteen locations within the state and may operate online sports wagering through one branded online sports wagering provider.<sup>107</sup> For its retail sports wagering, the Corporation is required to develop new facilities or enter into an agreement with a state entity or a business entity to act as a sports wagering retailer at facilities in the cities of Bridgeport and Hartford. Further, the Corporation is permitted to enter into one or more other agreements with an off-track betting system licensee to act as a sports wagering retailer.<sup>108</sup>

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<sup>103</sup> C.G.S.A. P.A. 21-23, § 2.

<sup>104</sup> C.G.S.A. P.A. 21-23, §§ 3-10; Emergency Regulation of the Department of Consumer Protection Concerning Online Casino Gaming, Retail and Online Sports Wagering, Fantasy Contests, Keno and Online Sale of Lottery Tickets, 12-XXX-§§4-8.

<sup>105</sup> C.G.S.A. P.A. 21-23, § 3(a).

<sup>106</sup> C.G.S.A. P.A. 21-23, § 2.

<sup>107</sup> C.G.S.A. P.A. 21-23, § 4(a).

<sup>108</sup> C.G.S.A. P.A. 21-23, § 5(a).

The Commissioner may issue an online gaming operator to a person that has entered an agreement with a master wagering licensee to operate an electronic wagering platform for purposes of offering Internet games or retail sports wagering.<sup>109</sup>

The Commissioner may issue an online gaming service provider license to a person doing business with a master wagering licensee, an online gaming operator, or a retail sports wagering licensee.<sup>110</sup> An entity is required to acquire an online gaming service provider license if the entity provides goods or services related to accepting wagers for Internet games or retail sports wagering or otherwise provides goods or services related to sports wagering in a manner that requires licensing in order to contribute to the public confidence and trust in the credibility and integrity of the gaming industry.<sup>111</sup> The Department's Emergency Rules include the following in the list of services captured by the licensing requirement: manufacturers of gaming equipment or software integral to Internet games and retail sports wagering, suppliers or distributors of gaming equipment and software integral to gaming or Internet games, servicers and repairers of electronic wagering platforms, suppliers of security services, geolocation services, age and identity verification, and payment processors.<sup>112</sup>

The Commissioner may issue a sports wagering retailer license to an entity that has a business arrangement with the Connecticut Lottery Corporation to provide retail sports wagering services. In addition to the requirement for a business agreement with the Corporation, the person must demonstrate adequate site control or ownership, detailed plans and specifications for the retail facility, and detailed security plans, including continuous surveillance video monitoring.<sup>113</sup> The holder of a sports wagering retail license must ensure that sports wagering terminals are tamper-proof, offer printed receipts to patrons, and have been inspected by a licensed-independent testing laboratory.<sup>114</sup>

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<sup>109</sup> C.G.S.A. P.A. 21-23, § 8; Emergency Rule 12-XXX-5(a).

<sup>110</sup> Emergency Rule 12-XXX-6(b).

<sup>111</sup> C.G.S.A. P.A. 21-23, § 6(b).

<sup>112</sup> Emergency Rule 12-XXX-6(c).

<sup>113</sup> Emergency Rule 12-XXX-7(b)-(c).

<sup>114</sup> Emergency Rule 12-XXX-7(f)-(h).

The Commissioner may issue an occupational employee license to any employee, other than a key employee, who will be directly or substantially involved in the operation of sports wagering in a manner impacting the integrity of the gaming or wagering, data security, patron interaction, or game or equipment testing.<sup>115</sup> Connecticut's statutory scheme deems an employee to be directly or substantially involved in the operation of sports wagering if the employee has the capability of affecting the outcome of a wager through deployment of code to production for any critical component of an electronic wagering platform, can deploy code to production, directly supervises individuals who have the capability of affecting the outcome of Internet games, or directly manages gaming operations or directly supervises an individual who directly manages gaming operations.<sup>116</sup> Under the Department's emergency rules, an individual is required to acquire an occupational employee license if the individual has systems access to critical components of the electronic wagering platform, has authority to modify patron data, manages or supervises information technology or data security staff, manages equipment or Internet game testing staff, accepts wagers at a sports wagering facility, or manages a sports wagering facility.<sup>117</sup>

The Commissioner may issue a key employee license to any individual who is identified on an annual list of key employees submitted by the holder of a master wagering license or online gaming operator license.<sup>118</sup> The Department's emergency rules identify the following specific individuals as key employees by virtue of their positions with a licensee: president or chief officer, financial manager, compliance manager, chief information officer, individuals who are responsible for the adoption of gaming procedures, and individuals who have a greater than 5 percent ownership interest in a licensee.<sup>119</sup>

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<sup>115</sup> C.G.S.A. P.A. 21-23, § 9(a).

<sup>116</sup> Id.

<sup>117</sup> Emergency Rule 12-XXX-8(b).

<sup>118</sup> C.G.S.A. P.A. 21-23, § 10(a).

<sup>119</sup> Emergency Rule 12-XXX-8(e).



### License Fees and Renewal Periods

Connecticut established the fees for licensure in the statutes governing online gaming operators, online gaming service providers, sports wagering retailers, occupational employees, and key employees. Each of the licenses is valid for one year. The fees for the initial licensure application and renewal are as follows:

License	Initial application fees	Renewal fees	Renewal periods
Online gaming operator	\$250,000.00	\$100,000.00	Annually
Online gaming service provider	\$2,000.00	\$2,000.00	Annually
Sports wagering retailer	\$20,000.00	\$20,000.00	Annually
Occupational employee	\$50.00	\$50.00	Annually
Key employee	\$200.00	\$200.00	Annually

### Security, Financial Requirements, and Integrity Monitoring

Connecticut's emergency rules require licensees to meet comprehensive security standards for financial accounts, physical facilities, and electronic platforms. Online gaming operators are required to meet minimum financial security standards, including minimum reserves and the security of patron accounts.<sup>120</sup> Electronic wagering platforms must meet minimum standards for the security and integrity of both software and hardware, including the ability to implement specific redundancy procedures in the event of system outages. In addition, online wagering systems must meet standards for the protection of patron assets and data.<sup>121</sup>

### Minimum Internal Control Standards and House Rules

The emergency rules require each online gaming operator to adopt Department-approved house rules. At minimum, the operator's house rules must address methods for the following: calculating and paying winning wagers; handling incorrectly posted wagering details; notice to patrons, including the effect of schedule changes; acceptance of wagers;

<sup>120</sup> Emergency Rule 12-XXX-11.

<sup>121</sup> Id.

contacting the operator with questions or complaints; prohibited patrons; limitations on winnings; and accepted methods of funding a wager.<sup>122</sup>

### **Record Keeping and Reporting**

Connecticut's licensee record keeping and reporting requirements are set by the Department's emergency rules. The record keeping rules cover annual independent financial audits, incident reporting for changes or corrections made in the electronic wagering platform, organizational charts, reports concerning deficiencies in internal controls, and records concerning each patron's acknowledgement and acceptance of terms of participation in Internet gaming.<sup>123</sup> For electronic sports wagering, licensees are required to ensure that all electronic wagering platforms utilize a system capable of creating independent gaming data logs that contain all information required to be reported to the Department. The Department's data logging standards govern logs for account creation, Internet gaming activity, retail sports wagering activity, software installation and removal, promotions, authentication, and adjustments to wagering platform data.<sup>124</sup>

### **Responsible Gaming**

Connecticut sports wagering statutes and rules address responsible gaming and voluntary self-exclusion programs. Each master wagering licensee and licensed gaming operator must establish a voluntary self-exclusion that allows a person to exclude themselves from establishing an account, exclude themselves from placing wagers through an existing account, or to limit the amount that may be spent through an account.<sup>125</sup> The licensee must also post responsible gaming information and include the methods of contacting resources for problem gaming. Additionally, Connecticut requires licensees to display a pop-up message containing the amount of time a patron has spent on the licensees' web site or mobile application and a means of taking a break during excessive play.<sup>126</sup> Licensees are subject to a five-year review of their responsible gaming practices.<sup>127</sup>

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<sup>122</sup> Emergency Rule 12-XXX-16(b).

<sup>123</sup> Emergency Rule 12-XXX-11; 13(ff)(5); 28(d).

<sup>124</sup> Emergency Rule 12-XXX-13(dd).

<sup>125</sup> C.G.S.A. P.A. 21-23, § 14(c)(5).

<sup>126</sup> C.G.S.A. P.A. 21-23, § 14(c)(6)-(7).

<sup>127</sup> C.G.S.A. P.A. 21-23, § 14(d).

## Market Parameters and Restrictions

Outside the reservations of the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut, an individual may only wager if they are 21 years of age or physically present within the state. For retail sports wagering, an individual may only wager if they are physically present at the retail wagering facility. Each licensee is required to use a platform that ensures each patron is 21 years of age and within the state's geofence.<sup>128</sup>

Connecticut permits licensees to operate retail and online sports wagering. Sports wagering is defined as wagering on a live sporting event or a portion or portions of a live sporting event, including future or propositional events during such an event; or wagering on the individual performance statistics of an athlete or athletes in a sporting event or a combination of sporting events. Connecticut excludes fantasy sports from the definition of sports wagering.<sup>129</sup> The sporting events included within the sports wagering structure are any sporting or athletic event in which two or more persons participate and receive compensation, and any intercollegiate sporting event sponsored by an intercollegiate program, except events that include Connecticut intercollegiate teams and are not part of a permitted intercollegiate tournament. Connecticut permits wagering on intercollegiate tournaments in which four or more intercollegiate teams participate and the wagers are based on the outcome of all games within the tournament. Horse racing, dog racing, and jai alai are excluded from the definition of "sporting event" for purposes of sports wagering.

Connecticut's statutory scheme specifically prohibits certain persons from placing a sports wager. Athletes, coaches, referees, and owners of a team or sports governing body are prohibited from wagering on events that they are participating in, that their sports governing body oversees, or that a member team or sports governing body participates

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<sup>128</sup> C.G.S.A. P.A. 21-23, § 14(a)-(b).

<sup>129</sup> C.G.S.A. P.A. 21-23, § 1(29).

in.<sup>130</sup> Licensee officers, directors, owners, key employees, and occupational employees are prohibited from placing wagers with the licensee.<sup>131</sup>

## **Taxes**

Connecticut taxes gross gaming revenue from sports wagering at the rate of 13.75 percent. The tax is collected on a monthly basis and deposited in the state's General Fund.<sup>132</sup> "Gross gaming revenue" is defined as the total of all sums actually received by the licensee from sports wagering, less the total of all sums paid as winnings patrons and any applicable federal excise tax. Connecticut permits deductions from gross gaming revenue for coupons and credits issued to patrons, limited to a percentage of the gross gaming revenue per month, staggered according to the licensee's year of operation.<sup>133</sup>

In addition to the tax on gross gaming revenue, master wagering licensees are required to pay an annual cost-based assessment and an annual contribution to problem gambling programs within the state. For the cost-based assessment, the Commissioner of the Department of Consumer Protection must estimate and assess to each licensee an apportioned cost of regulating sports wagering within the state.<sup>134</sup> For the annual contribution, the master wagering licensee must contribute \$500,000.00 to support problem gaming programs within the state. The contribution may be made to a state-created entity or to a nonprofit entity that supports problem gambling. The licensee must annually submit information to the Department concerning the recipients of the annual contribution.<sup>135</sup>

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<sup>130</sup> C.G.S.A. P.A. 21-23, § 15(a)-(b).

<sup>131</sup> C.G.S.A. P.A. 21-23, § 15(d)

<sup>132</sup> C.G.S.A. P.A. 21-23, § 18(a).

<sup>133</sup> C.G.S.A. P.A. 21-23, § 18(a).

<sup>134</sup> C.G.S.A. P.A. 21-23, § 20(a)-(b).

<sup>135</sup> C.G.S.A. P.A. 21-23, § 22.

## Delaware

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
State Control or Lottery Model	State controls all sports wagering as a form of lottery game.	Retail ✓ Mobile ✓ Online ✓	Existing structure. Delaware offers sports wagering through lottery agents.	<i>Low.</i> The Delaware statutes establish that the Lottery Office may offer lottery games, including sports wagering games. The remainder of Delaware’s regulatory structure is established by administrative rule and franchise agreements.

**Reports:** [2020 Delaware Sportsbook Data Summary](#) [NCPG National Survey: Delaware 2008 Sports Betting Report to Governor](#) [2002 Delaware Problem Gambling](#)

**Brief Overview:** Delaware offered forms of sports wagering prior to the demise of PASPA. However, Delaware’s sports wagering market was not expanded to its current form until May of 2018. Delaware operates retail and mobile sports wagering through the Delaware Lottery. The state operates the State Control or State Lottery Model and has delegated regulatory authority over the sports wagering market to the State Lottery Office. As the sole operator, the state controls all revenue from sports wagering and offers commissions to the lottery agents and “racinos” that host the sports wagering lottery games.

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### Analysis

Delaware’s sports betting market predates the passage of PASPA and was permitted to operate during the nationwide prohibition on sports wagering.<sup>136</sup> Prior to 2009, Delaware’s sports wagering market existed as three lottery games collectively called “Scoreboard,” which were based on National Football League games scheduled for that week. The Scoreboard games permitted patrons to purchase lottery tickets to either:

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<sup>136</sup> Justin Fielkow, Daniel Werly, Andrew Sensi, Tackling PASPA: The Past, Present, and Future of Sports Gambling in America, 66 DePaul L. Rev. 23, 33 (2016).

(1) select winners from two pools, consisting of seven games each, for each of the NFL games (Football Bonus); (2) select the winning team and margin for a set of NFL games (Touchdown); or (3) select teams to beat the published point spread for a set of NFL games (Touchdown II).<sup>137</sup>

In 2009, Delaware attempted to introduce lottery-based wagering on any professional or amateur sports event. However, the state was unable to introduce a broad sports wagering platform because various sports leagues successfully challenged and enjoined the expansion of Delaware's market. Delaware was subsequently prohibited from offering sports wagering on sports events other than the existing NFL-based lottery games.<sup>138</sup>

Since the demise of PASPA, Delaware has introduced broader sports wagering opportunities through the state-operated lottery. In 2018, Delaware introduced sportsbooks at the state's "racino" locations and through the state lottery. Delaware places the sports lottery under the exclusive regulatory authority of the Delaware State Lottery Office.<sup>139</sup>

### **State Control Model—Mobile and Retail**

The Lottery Office issues the following sports wagering licenses under the state lottery system: sports lottery agent license and technology provider license.<sup>140</sup>

Sports lottery agent licenses may be issued to any person who meets the licensure qualifications under Code Del. Regs. 204-3.3 or to the holder of an active video lottery or retail lottery agent license. For the holders of an existing lottery agent license, the licensee may acquire a sports lottery agent license without needing to file a separate application. Video lottery agents are required to amend the agent's video lottery business plan.<sup>141</sup> Other entities must submit an application, a criminal background check, a copy of a Delaware business license, personal financial statements, tax returns, a personal guaranty, and a nondiscrimination compliance report.<sup>142</sup>

<sup>137</sup> *Nat'l Football League v. Governor of State of Del.*, 435 F. Supp. 1372, 1376 (D. Del. 1977).

<sup>138</sup> *OFC Comm Baseball v. Markell*, 579 F.3d 293 (3d Cir. 2009).

<sup>139</sup> 29 Del.C. § 4805; Code Del. Regs. 204-1.0.

<sup>140</sup> Code Del. Regs. 204-3.0 and 4.0.

<sup>141</sup> Code Del. Regs. 204-3.1 and 3.2.

<sup>142</sup> Code Del. Regs. 204-3.4.

The Lottery Office then evaluates the submitted documentation and weighs the following criteria to determine if a sports lottery agent license should be issued: the licensee's criminal background for the preceding ten years (the existence of which may prohibit the issuance of a license), the existence of third party influence over the applicant, the accuracy of the application materials, the business ability and experience of the applicant, whether the applicant is known to associate with "persons of nefarious backgrounds or disreputable character," the applicant's compliance with state and federal tax laws, and consideration of any conduct that may impact the integrity of the sports lottery system.<sup>143</sup>

Finally, the Lottery Office conducts an evaluation of the applicant's business location. The site evaluation considers the amount of customer traffic at the location, the business hours, parking, the business's particular trade, potential exposure of lottery products within the site, security of physical lottery assets, proximity to other lottery licensees, and the convenience of accessibility within the community.<sup>144</sup>

The Lottery Office issues technology provider licenses to persons who provide sports wagering products, risk management, or operational or support services.<sup>145</sup> An applicant must demonstrate fitness and submit to a background check, identify all other customers to whom it has furnished sports lottery systems in the preceding three years, disclose whether the applicant or any of its qualifiers has been the subject of an investigation in another jurisdiction, demonstrate the applicant's security and financial control over service technicians, disclose the applicant's legal corporate identity and the identity of key employees, provide financial statements from the past three years, provide a copy of the applicant's contract with a licensed gaming facility, and describe the applicant's risk management capabilities, engineering and software development resources, technical and maintenance support capabilities, and ability to develop and deliver sports lottery machines.<sup>146</sup>

The Lottery Office then evaluates the submitted documentation and weighs the following criteria to determine whether to issue the technology provider license: the applicant's

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<sup>143</sup> Code Del. Regs. 204-3.8.

<sup>144</sup> Code Del. Regs. 204-3.9.

<sup>145</sup> Code Del. Regs. 204-4.1.

<sup>146</sup> Code Del. Regs. 204-4.2.

demonstration of experience and ability to provide sports lottery systems, background and past conduct, the results of background investigation and criminal history, compliance with state and federal tax laws, the applicant's association with persons of known criminal background or disreputable character, the accuracy of the application materials, and whether the applicant is licensed to operate lotteries in the United States.<sup>147</sup> The Lottery Office must also determine whether the applicant has any direct or indirect financial ties with a lottery agent. Delaware's sports lottery rules prohibit the Lottery Office from issuing a technology provider license to any applicant that has direct or indirect financial ties to a lottery agent.<sup>148</sup>

### **Security, Financial Requirements, and Integrity Monitoring**

The Lottery Office applies rigorous security standards to both physical assets and the technological platforms underlying the sports lottery system. Lottery agents are required to provide a secure location for the placement, operation, and play of all sports lottery machines and to register their exact location with the Lottery Office; prevent tampering with sports lottery machines and the machine's connections to telecommunication systems; contract only with licensed employees and service providers; place machines within sight of surveillance technology; monitor sports lottery play and prevent play by minors; and monitor and report any machine malfunctions.<sup>149</sup> Within the contract requirements for technology providers, the Lottery Office requires that the contract binds the technology provider to plan and execute acceptance tests on sports lottery machines; pre-file sports lottery machine schematics, diagrams, circuit analyses, operational manuals, and source and object code; furnish working models, hardware, and software for comprehensive testing; and place a unique serial number on each machine when it has been approved by the Lottery Office.<sup>150</sup>

### **Record Keeping and Reporting**

The Lottery Office requires each sports lottery agent and technology provider to submit weekly, monthly, quarterly, and annual reports containing financial information and

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<sup>147</sup> Code Del. Regs. 204-4.9.

<sup>148</sup> Code Del. Regs. 204-4.10.

<sup>149</sup> Code Del. Regs. 204-6.1.

<sup>150</sup> Code Del. Regs. 204-5.3 and 5.4.



statistical data concerning sports lottery operations. The data contained in the reports must be sufficient for the Lottery Office to evaluate the financial position and operational performance of each licensee.<sup>151</sup> Sports lottery agents and technology providers must submit to annual audits of financial statements.<sup>152</sup> Finally, each sports lottery agent and technology provider must meet the minimum internal control standards adopted by the Lottery Office.<sup>153</sup>

### **Market Parameters and Restrictions**

Delaware permits any person over the age of 21 to wager on the sports lottery.<sup>154</sup> The state's sports lottery permits wagers on any professional or collegiate sport or sporting event, including racing, but excluding collegiate sporting events that involve a Delaware college or university and amateur or professional sporting events that involve a Delaware team.<sup>155</sup>

### **Revenue**

Delaware collects the net proceeds from sports lottery wagering within the state and remits a portion of the revenue to agents and technology providers according to commission terms within an agency contract.<sup>156</sup>

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<sup>151</sup> Code Del. Regs. 204-8.2

<sup>152</sup> Id. at 8.2.3.

<sup>153</sup> Code Del. Regs. 204-8.2.5. *See* Code Del. Regs. 206-3.0 (Internet Lottery; Minimum Internal Control Standards).

<sup>154</sup> 29 Del. C. § 4810(a)(2).

<sup>155</sup> Code Del. Regs. 204-2.0 (“sports lottery”).

<sup>156</sup> Delaware Code, Title 29, chapter 204.

## Illinois

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Gaming Control Board Model		Retail ✓ Mobile ✓ Online ✓	New licensing system. Master licenses are issued to existing retail gaming licensees. Internet sports betting operators are separately licensed.	<i>High.</i> The Illinois statutes establish licensing criteria, fees, privileges, and duties. The statutes set out specific regulatory requirements for the wagering market.

**Reports:** [Monthly and Annual Revenue Report Generator](#) [NCPG National Survey: Illinois](#) [2020 Sports Wagering Diversity Report](#) [Policy Options and Fiscal Impacts \(2019\)](#)

**Brief Overview:** Illinois legalized sports betting in June of 2019 and its retail and mobile sports wagering market debuted in 2020. Illinois uses the Gaming Control Board Model and has delegated authority over the sports wagering market to the Illinois Gaming Board. Illinois issues master sports wagering licenses to licensed race tracks or casinos. The Gaming Board is also authorized to issue three master sports wagering licenses to online operators. The Gaming Board is required to use a competitive bidding process to select the online operators. Illinois imposes licensure fees on licensees and a sports wagering tax on the adjusted gross sports wagering revenue of licensees.

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### Analysis

In 2019, the Illinois General Assembly enacted the Sports Wagering Act to legalize the operation of licensed sports wagering within the state. The Illinois Sports wagering Act authorizes both retail and mobile sports wagering and delegates regulatory authority to the Illinois Gaming Board.<sup>157</sup>

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<sup>157</sup> 230 ILCS 45 (“Sports Wagering Act”).

## Licensing System

The Board issues the following licenses pursuant to the Sports Wagering Act: master sports wagering license, occupational license, supplier license, management services provider license, tier 2 official league data provider license, and central system provider license.<sup>158</sup>

The Board issues master sports wagering licenses to the holder of an organizational license under the Illinois Horse Racing Act of 1975 or an owner's license under the Illinois Gambling Act.<sup>159</sup> The holder of a master sports wagering license must comply with existing security, financial stability, and other minimum requirements established by the Illinois Horse Racing Act of 1975 or the Illinois Gambling Act, as applicable to the particular license held by the licensee. When issuing master sports wagering licenses to organizational licensees, the Board must actively seek to achieve racial, ethnic, and geographic diversity.<sup>160</sup> The Board may issue up to seven master sports wagering licenses to sports facilities or their designees that meet the Board's requirements for licensure.<sup>161</sup> The holder of a master sports wagering license for a sports facility may conduct sports wagering or online sports wagering within a five-block radius of the sports facility.<sup>162</sup>

In addition, the Board is required to issue three master sports wagering licenses to online sports wagering operators. The Board must select the three online sports wagering operators through a competitive bidding and selection process.<sup>163</sup> The Board has exercised rulemaking authority to adopt criteria for the selection of qualified applicants. The criteria include consideration of the character of the applicant, the highest prospective total revenue to be derived by the State from the conduct of sports wagering, the diversity of the applicant's ownership, the financial stability of the applicant, and the amount of the applicant's license bid.<sup>164</sup>

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<sup>158</sup> 230 ILCS 45/25-20(a).

<sup>159</sup> 230 ILCS 45/25-30(a); 230 ILCS 45/25-35(a).

<sup>160</sup> 230 ILCS 45/25-30.

<sup>161</sup> 230 ILCS 45/25-40(c).

<sup>162</sup> 230 ILCS 45/25-40(f) and (g).

<sup>163</sup> 230 ILCS 45/25-45(a).

<sup>164</sup> Ill. Admin. Code tit. 11, § 1900.620(l).

The Board issues supplier licenses to authorize persons to sell or lease sports wagering equipment, systems, or other gaming items. A supplier license also authorizes the licensee to offer services related to the equipment and data to a master sports wagering licensee. The holder of a supplier’s license must submit to the Board a list of all sports wagering equipment and services sold, delivered, or offered in Illinois, all of which must be tested and approved by a Board-approved independent testing laboratory.<sup>165</sup>

The Board issues management service provider licenses to entities that contract with the holder of a master sports wagering license to conduct sports wagering operations.<sup>166</sup> The holder of a management service provider license must comply with all general licensee requirements and duties imposed by statute and the rules of the Board.<sup>167</sup>

The Board may issue a “tier 2 official league data provider license” to a sports governing body, sports league, or league authorized vendor. The license authorizes the holder to distribute tier 2 official league data to a master sports wagering licensee for tier 2 sports wagers.<sup>168</sup> Tier 2 sports wagers include all wagers that are not determined solely by the final score or final outcome of the sports event and is placed before the sports event has begun.<sup>169</sup>

The Board issues occupational licenses to employees that work for a master sports wagering licensee in a designated sports wagering gaming area or performs duties associated with the operation of sports wagering by the master sports wagering licensee.<sup>170</sup>

### License Fees and Renewal Periods

License	Subcategory	Fee	Renewal periods
Master sports wagering license	Organization licensee	5% of its handle from the preceding calendar year not to exceed \$10,000,000.00 For an organization licensee licensed after the effective date of this act,	4 years

<sup>165</sup> 230 ILCS 45/25-50.

<sup>166</sup> 230 ILCS 45/25-55.

<sup>167</sup> Ill. Admin. Code tit. 11, § 1900.230.

<sup>168</sup> 230 ILCS 45/25-60.

<sup>169</sup> 230 ILCS 45/25-10.

<sup>170</sup> 230 ILCS 45/25-20(a)(2); 230 ILCS 45/25-15(e).

		\$5,000,000.00 adjusted to 5% of handle after first 12 months. Renewal: \$1,000,000.00	
	Owner's licensee	5% of its adjusted gross receipts from the preceding calendar year not to exceed \$10,000,000.00 For an organization licensee licensed after the effective date of this act, \$5,000,000.00, adjusted to 5% of adjusted gross receipts after first 12 months. Renewal: \$1,000,000.00	4 years
	Sports facility	Initial license: \$10,000,000.00 Renewal: \$1,000,000.00	4 years
	Online sports wagering	Initial license: \$20,000,000.00 Renewal: \$1,000,000.00	4 years
Supplier		Initial license: \$150,000.00 Renewal: \$150,000.00	4 years
Management service providers		Initial license: \$1,000,000.00 Renewal: \$500,000.00	4 years
Tier 2 official league data supplier		For data sales up to: \$500,000, the fee is \$30,000; \$750,000, the fee is \$60,000; \$1,000,000, the fee is \$125,000; \$1,500,000, the fee is \$250,000; \$2,000,000, the fee is \$375,000 In excess of \$2,000,000, the fee is \$500,000	3 years
Occupational license		Annual license: \$250	1 year

### **Additional Licensing Considerations**

As a component of the Illinois scheme for the regulated sports wagering market, the state directed the Illinois Department of Commerce and Economic Opportunity to conduct comprehensive outreach to businesses owned by minorities, women, veterans, and persons with disabilities about opportunities within the sports wagering market. The Department must conduct an outreach campaign that includes cooperation with other state boards, public and private universities, and local governments to target outreach efforts and must establish and conduct training for employment in sports wagering. Additionally, the Gaming Board is required to partner with the Department of Labor, the

Department of Financial and Professional Regulation, and the Department of Commerce and Economic Opportunity to identify employment opportunities within the sports wagering industry for job seekers and dislocated workers.<sup>171</sup>

### **Security, Financial Requirements, and Integrity Monitoring**

The holders of master sports wagering licenses are required to comply with minimum security and surveillance requirements for the conduct of retail and online sports wagering. An organizational licensee or owner's licensee that holds a master sports wagering license must supplement existing security requirements with surveillance requirements for the physical locations where retail sports wagering occurs.<sup>172</sup> Licensees conducting online sports wagering are required to meet minimum standards for security of data, digital assets, and the systems underlying the online wagering platform.<sup>173</sup> For both forms of sports wagering, a licensee must incorporate minimum security standards within the internal controls approved by the Board. These minimum standards must include provisions concerning surveillance room access and control, incident report logging, control of locked accounting boxes, camera outages, and identity protection for patrons of Internet gaming platforms.<sup>174</sup>

Within the context of integrity monitoring, Illinois permits the Board to require that licensees share, in real time and at the sports wagering account level, records of abnormal wagering activity, including information regarding a wagerer and detailed information concerning the wager itself.<sup>175</sup>

### **Record Keeping and Reporting Requirements**

Each sports wagering licensee, except an occupational licensee, is required to maintain the licensee's records according to a statewide records retention plan adopted by the Board.<sup>176</sup> Licensees are required to keep and maintain ownership, accounting, financial, auditing, and security records, including the retention of surveillance footage.<sup>177</sup> The

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<sup>171</sup> 230 ILCS 45/25-45.

<sup>172</sup> Ill. Admin. Code tit. 11, § 1900.1640

<sup>173</sup> Ill. Admin. Code tit. 11, § 1900.1410; 1430; 1520.

<sup>174</sup> Ill. Admin. Code tit. 11, § 1900.1520.

<sup>175</sup> 230 ILCS 45/25-15(f).

<sup>176</sup> Ill. Admin. Code tit. 11, § 1900.330.

<sup>177</sup> Ill. Admin. Code tit. 11, §1900, subparts J and P.

Board may require an audit of annual financial statements of a holder of a master sports wagering license, including a report on the internal control system. Board rules also require quarterly compliance reports to be prepared and delivered to the Board concerning a sports wagering operation's adjusted gross receipts, internal control procedures, and purchasing and contracting functions.<sup>178</sup>

### **Responsible Gaming**

The Illinois statutes and rules primarily rely on responsible gaming notices and self-exclusion programs to address problem gaming within the context of sports wagering. Each master sports wagering license that conducts online sports wagering is required to post a statement regarding responsible gaming on the licensee's portal, Internet website, or computer or mobile application. The required text for the responsible gaming statement is determined by the Illinois Department of Human Services by rule.<sup>179</sup> Any person that is legally authorized to participate in sports wagering in Illinois may self-exclude from establishing a sports wagering account. The Board is required to incorporate the voluntary self-exclusion program for sports wagering into any existing self-exclusion program that it operates.<sup>180</sup>

### **Market Parameters and Restrictions**

Illinois permits persons over 21 years of age who are physically located in Illinois to place a sports wager.<sup>181</sup>

The Illinois statutes include the following within the scope of sports wagering: wagers placed on sports events or portions of sports events, or on the individual performance statistics of athletes in a sports event or a combination of sports events, including single-game bets, teaser bets, parlays, over-under, moneyline, pools, exchange wagering, in-game wagering, in-play bets, proposition bets, and straight bets. Wagers are permitted on a professional sport or athletic event, a collegiate sport or athletic event, a motor race event, or any other event or competition of relative skill authorized by the Board.<sup>182</sup>

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<sup>178</sup> Ill. Admin. Code tit. 11, §1900-1030.

<sup>179</sup> 230 ILCS 45/25-95.

<sup>180</sup> 230 ILCS 45/25-100.

<sup>181</sup> 230 ILCS 45/25-25(b).

<sup>182</sup> 230 ILCS 45/25-10.

However, licensees may not accept a wager on a minor league sports event or an Illinois collegiate team.<sup>183</sup> Further, licensees are prohibited from accepting wagers on kindergarten through 12th grade events.<sup>184</sup>

A master sports wagering licensee; professional sports team, league, or association; sports governing body; or institution of higher education may submit to the Board in writing a request to prohibit a type or form of wagering if the master sports wagering licensee; professional sports team, league, or association; sports governing body; or institution of higher education believes that such wagering by type or form is contrary to public policy, unfair to consumers, or affects the integrity of a particular sport or the sports betting industry.<sup>185</sup>

### **Taxes**

Illinois imposes a 15 percent tax on a master sports wagering licensee's adjusted gross sports wagering receipts from sports wagering. The sports wagering tax must be paid on a monthly basis. In addition to the statewide tax, a 2 percent tax is imposed on the adjusted gross receipts from sports wagers that are placed within a home rule county with a population of over 3,000,000 inhabitants. Illinois dedicates excess revenue from the Sports Wagering Fund into the state's Capital Projects Fund.<sup>186</sup>

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<sup>183</sup> 230 ILCS 45/25-25(c)-(d).

<sup>184</sup> 230 ILCS 45/25-25(h).

<sup>185</sup> 230 ILCS 45/25-15(g).

<sup>186</sup> 230 ILCS 45/25-90.



## Indiana

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Gaming Control Board Model	Private operators (river boats and pari-mutuel wagering licensees).	Retail ✓ Mobile ✓ Online ✓ Tribal gaming ✓	New authorization within an existing licensing system. Certificates of approval are issued to existing retail gaming licensees and racetracks. Internet sports betting operators are separately licensed but must contract with the holder of a certificate of approval.	<i>High.</i> The Indiana statutes establish licensing criteria, fees, privileges, and duties. The statutes set out specific regulatory requirements for the wagering market.

**Reports:** [2018 Indiana Sports Wagering Study](#)      [FY 2021 Annual Report](#)      [NCPG National Survey: Indiana](#)

**Brief Overview:** Indiana legalized sports betting in May of 2019, and its retail and mobile sports wagering market debuted in September of 2019. Illinois uses the Gaming Control Board Model and has delegated authority over the sports wagering market to the Indiana Gaming Commission. Indiana issues master sports wagering certificates of approval to licensed riverboats or the holders of a license to operate pari-mutuel wagering on horse races. The Gaming Commission is also authorized to issue three master sports wagering licenses to online operators. Indiana imposes licensure fees on licensees and a sports wagering tax on the adjusted gross sports wagering revenue of licensees.

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### Analysis

In 2019, Indiana’s sports wagering statutes became effective. Indiana permits certificate holders or sports wagering vendors to offer retail and mobile sports wagering within the

state.<sup>187</sup> Indiana's sports wagering market is regulated by the Indiana Gaming Commission.<sup>188</sup>

### **Licensing System**

The Indiana Gaming Commission issues the following licenses: certificate of approval for licensed owners, operating agents, or permit holders; vendor's license; sports wagering service provider's license; supplier's license; and occupational license.<sup>189</sup>

The Commission issues certificates of approval to the owner of a riverboat that is licensed under IN ST 4-33-2, a person with whom the commission has entered into a contract under IC 4-33-6.5 to operate a riverboat in a historic hotel district, or a person that has received a permit from the Commission pursuant to Indiana's statutes and rules governing pari-mutuel wagering on horses pursuant to IN ST 4-31-2.<sup>190</sup> Prior to issuing a certificate of approval, the Commission is directed to ensure that the applicant has designated one or more areas within the licensed facility for sports wagering operations, implemented a surveillance system that covers all areas of the licensed facility in which sports wagering is conducted, and will allow the commission's agents to be present in the designated sports wagering areas during the time sports wagering is conducted.<sup>191</sup> For a permit holder that applies to provide sports wagering at a satellite facility, the permit holder must meet the requirements of IC 4-31-5.5 and submit an application for each facility where sports wagering will be conducted.<sup>192</sup>

The Commission issues vendor's licenses to entities that contract with certificate holders to provide sports wagering at a licensed facility or through mobile devices.<sup>193</sup> A certificate holder may not contract with more than three individually branded vendors to conduct mobile sports wagering under IC 4-38-5-12.<sup>194</sup> The Commission is required to consider the character, reputation, experience, and financial integrity of each applicant for

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<sup>187</sup> IN ST 4-38-5-12.

<sup>188</sup> IN ST 4-38-2-5.

<sup>189</sup> 68 I.A.C. 27.

<sup>190</sup> IN ST 4-38-4-2.

<sup>191</sup> IN ST 4-38-3-2.

<sup>192</sup> IN ST 4-38-4-3.

<sup>193</sup> IN ST 4-38-6-3.

<sup>194</sup> IN ST 4-38-6-8.

a vendor's license.<sup>195</sup> The holder of a vendor's license is considered a "sports wagering operator" by the Commission's Rules governing sports wagering and must meet all requirements applied to operators by the rules.<sup>196</sup>

The Commission issues sports wagering service provider licenses to entities that contract with certificate holders or vendors to provide or distribute a sports wagering device other equipment; service sports wagering devices or other equipment; or provide risk management services, integrity services, or odds.<sup>197</sup> As a component of the suitability review of an entity that has applied for a service provider's license, the Commission considers the suitability findings of other jurisdictions that have issued a license to the entity. To the extent that the suitability findings of other jurisdictions provide satisfactory evidence, the Commission has discretion to waive any particular application requirements set forth in the Commission's application form.<sup>198</sup>

The Commission licenses suppliers pursuant to Indiana's Riverboat Gambling article. Suppliers must meet the requirements of IN ST 4-35-6-1 and IN ST 4-33-7, as applicable. A suppliers' license permits the holder to sell or lease sports wagering devices or equipment to a certificate holder.<sup>199</sup>

The Commission issues occupational licenses to key persons, substantial owners, employees, and independent contractors of a certificate holder or licensed vendor. The Commission divides occupational license categories between Level 1 and Level 2 occupational licenses. Level 1 licenses are issued for key persons and substantial owners of a sports wagering operator applicant. Level 2 licenses are issued for an employee, independent contractor, agent, or subagent of a sports wagering operator if the Executive Director of the Commission deems the licensure necessary pursuant to 68 I.A.C. 23 and 68 I.A.C. 27-2-16(b).<sup>200</sup>

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<sup>195</sup> IN ST 4-38-6-4.

<sup>196</sup> 68 IAC 27-1-2(24).

<sup>197</sup> IN ST 4-38-2-20.

<sup>198</sup> IN ST 4-38-7-5.

<sup>199</sup> IN ST 4-33-7.

<sup>200</sup> 68 IAC 27-2-16.

### License Fees and Renewal Periods

License	Fee	Renewal periods
Certificate of approval	Initial: \$100,000.00 Administrative fee: \$50,000.00	Annual
Vendor's license	Initial: \$100,000.00 Administrative fee: \$50,000.00	Annual
Service provider's license	\$10,000.00	Annual
Supplier's license	\$7,500.00	Annual
Occupational license	Level 1: \$1,000.00 Level 2: \$200.00	Annual

### Security, Financial Requirements, and Integrity Monitoring

The Commission requires a certificate holder, vendor, or sports wagering service provider to employ commercially reasonable methods to maintain the security of wagering data.<sup>201</sup> The Indiana statutes require certificate holders and vendors to keep certain data confidential, including customer data and information provided by a sports governing body.<sup>202</sup>

Certificate holders and vendors must maintain a Commission-approved surveillance plan for retail locations prior to accepting wagers in an approved sports wagering lounge or kiosk location.<sup>203</sup> The Commission requires each certificate holder or vendor to include in its internal controls minimum security requirements for minimum security of assets, equipment, and patron identity and financial information.<sup>204</sup>

For purposes of ensuring the security and integrity of wagering equipment, the Commission tests new sports wagering devices and new variations of sports wagering games before authorizing certificate holders to offer the new sports wagering devices or new forms of sports wagering.<sup>205</sup> The Commission regulates sports wagering devices and platforms by requiring approval of the equipment and platforms and by requiring equipment to be acquired through a licensed supplier.<sup>206</sup>

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<sup>201</sup> IN ST 4-38-9-2.

<sup>202</sup> IN ST 4-38-9-8.

<sup>203</sup> 68 I.A.C. 27-3-5.

<sup>204</sup> 68 I.A.C. 27-5-2.

<sup>205</sup> IN ST 4-38-5-1.

<sup>206</sup> IN ST 4-38-5-8.

## Market Parameters and Restrictions

Indiana permits persons over 21 years of age to place a sports wager. Sports wagers may be placed on approved professional sports events. Wagers may not be placed on high-school or amateur youth events, meaning events in which the participants are under 18 years of age.<sup>207</sup> A certificate holder or vendor may not accept wagers on e-sports.<sup>208</sup>

A sports governing body may submit a request to the Commissioner to prohibit wagering on a particular event or making wagers of a particular type. The Commission must grant the request upon a demonstration of good cause from the sports governing body.<sup>209</sup>

## Taxes

Indiana imposes a 9.5 percent sports wagering tax on the adjusted gross receipts received from authorized sports wagering offered by a certificate holder or vendor.<sup>210</sup> The sports wagering operator must remit the required tax on a monthly basis.<sup>211</sup> For purposes of calculating the tax due, the operator must address the adjusted gross receipts as the total of all cash received from authorized sports wagering minus the total of all winnings paid to sports wagering patrons, and uncollectible gaming receivables, not to exceed the lesser of a reasonable provision for uncollectible patron checks received from sports wagering or 2 percent of the total of all sums less the amount paid out as winnings to sports wagering patrons.<sup>212</sup>

Indiana dedicates sports wagering tax revenue to the State's general fund, except that 3.33 percent of the sports wagering tax revenue is dedicated to the addiction services fund. Twenty-five percent of the tax revenue transferred to the addiction services fund must be allocated to the prevention of, education regarding, provider credentialing for, and treatment of problem gambling.<sup>213</sup>

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<sup>207</sup> IN ST 4-38-2-3; IN ST 4-38-5-5.

<sup>208</sup> IN ST 4-38-5-4(b)-(c).

<sup>209</sup> IN ST 4-38-9-4.

<sup>210</sup> IN ST 4-38-10-1.

<sup>211</sup> IN ST 4-38-10-2.

<sup>212</sup> IN ST 4-38-2-2.

<sup>213</sup> IN ST 4-38-10-4.

## Iowa

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Gaming Control Board Model	Private operators (casinos, racetracks, excursion gambling boats).	Retail ✓ Mobile ✓ Online ✓ Tribal gaming ✓	New authorization within an existing licensing system. Sports wagering licenses are issued to existing retail gaming licensees and racetracks.	<i>Moderate.</i> The Indiana statutes establish licensing criteria, fees, privileges, and duties. However, the sports wagering statutes rely heavily on existing statutes and rules governing gaming licensees.

**Reports:** [Sports Wagering Revenue Report FY22](#) [Socioeconomic Impact Study A](#)  
[Socioeconomic Impact Study B](#) [Socioeconomic Impact Study B: Summary](#)  
[NCPG National Survey: Iowa](#)

**Brief Overview:** Iowa legalized sports betting in May of 2019, and its retail and mobile sports wagering market debuted in August of 2019. Iowa uses the Gaming Control Board Model and has delegated authority over the sports wagering market to the Iowa Gaming Commission. Iowa issues sports wagering licenses to an entity that has entered into an agreement with a licensed race track, casino, or excursion gambling boat. Each licensee may contract with an entity to operate online sports wagering through not more than two skins. Iowa imposes licensure fees on licensees and a sports wagering tax on the adjusted gross sports wagering revenue of licensees.

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### Analysis

Iowa enacted its sports wagering statutes in 2019. Licensed operators may offer sports wagering at licensed retail locations, including through advanced deposit sports wagering

via the Internet or a mobile device.<sup>214</sup> Iowa granted the Iowa Gaming Commission regulatory authority over the state's sports wagering market.<sup>215</sup>

### **Licensing Structure**

The Commission issues sports wagering licenses within its existing licensing structure for casino gaming, pari-mutuel racetrack wagering, and excursion gambling boats. A licensed entity may apply for a license to conduct sports wagering at a licensed facility or through advanced deposit wagering. Manufacturers, distributors, and employees are licensed through the structure for the operation of casino, racetrack, or excursion gambling boats.<sup>216</sup>

A sports wagering licensee may enter into operating agreements with one or two entities to have up to a total of two individually branded Internet sites to conduct advance deposit sports wagering for the licensee. The Commission may approve of additional operating agreements between the licensee and entities that provide advance deposit sports wagering services.<sup>217</sup>

### **License Fees and Renewal Period**

<b>License</b>	<b>Subcategories</b>	<b>Initial fee</b>	<b>Renewal fee</b>	<b>Renewal period</b>
Sports wagering	Vendor and advance deposit sports wagering operator	\$45,000.00	\$10,000.00	Annual

### **Rules Affecting License Requirements and Authority**

The Commission is required to adopt standards under which all sports wagering is conducted, including the scope and type of wagers allowed, to identify occupations within sports wagering that require licensing, and to adopt standards for licensing and background qualifications for occupations, including establishing fees for the occupational license.<sup>218</sup>

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<sup>214</sup> I.C.A. § 99F.7A

<sup>215</sup> I.C.A. § 99F.7A.

<sup>216</sup> Id.

<sup>217</sup> I.C.A. § 99F.7A(3).

<sup>218</sup> I.C.A. § 99F.1(27).

The Commission may authorize a licensee to conduct advance deposit sports wagering. An advance deposit sports wager may be placed in person in the sports wagering area or from any other location via a telephone-type device or any other electronic means.<sup>219</sup>

### **Record Keeping and Reporting**

Licensees are required to keep comprehensive records as part of their existing license requirements. Licensees must keep surveillance records, financial records, security reports, network audits, internal controls, daily totals for the amounts wagered at the facility, daily records of admissions for each day of operation, and adjusted gross receipts. The licensee is required to keep some records and data confidential, including those relating to security, surveillance, and customer records.<sup>220</sup>

### **Minimum House Rules**

Each sports wagering licensee is required to establish Commission-approved house rules that specify the amounts to be paid on winning sports wagers, the effect of changes in the scheduling of an authorized sporting event subject to sports wagering, and the source of the information used to determine the outcome of a sports wager.<sup>221</sup>

### **Responsible Gaming**

The Commission is required to establish a process to allow a person to be voluntarily excluded from advance deposit sports wagering from the gaming floor and sports wagering area of an excursion gambling boat from and the sports wagering areas of all other licensed facilities. The initial request by a person to be voluntarily excluded must be for a period of five years or life. A subsequent request following any five-year period must be for an additional period of five years or life. The Commission's process allows licensees to access names and Social Security numbers of persons voluntarily excluded through a secured interactive Internet site maintained by the Commission. In addition to the minimum requirements for responsible gaming, the Commission is required to

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<sup>219</sup> I.C.A. § 99F.9(4)(b).

<sup>220</sup> I.C.A. § 99F.12(3)

<sup>221</sup> I.C.A. § 99F.7A(2)(b).



conduct a socioeconomic study every eight years on the impact of gambling on Iowans and issue a report on that study.<sup>222</sup>

Licensees are required to include on the Internet site or mobile application used by the licensee to conduct advance deposit sports wagering the statewide problem gambling telephone number and each of the extensive responsible gaming features established pursuant to the Commission's rulemaking authority.<sup>223</sup>

### **Market Parameters and Restrictions**

Iowa permits persons over 21 years of age to participate in sports wagering.<sup>224</sup> The Commission is permitted to approve the types of sports wagers that may be placed with an Iowa licensee, but statute prohibits wagers on the performance or nonperformance of any individual athlete participating in a collegiate sporting event involving an Iowa collegiate athlete or team. Statute also prohibits wagers on the performance of athletes in an individual international sporting event governed by the International Olympic Committee in which any participant in the event is under 18 years of age.<sup>225</sup> Iowa does not permit wagering on minor league sports events.<sup>226</sup>

A licensee that is permitted to conduct sports wagering must employ reasonable steps to prohibit wagers from certain sports entities and employees of sports associations, including coaches, athletic trainers, officials, and players.<sup>227</sup>

### **Taxes**

Iowa imposes a 6.75 percent tax on the sports wagering net receipts received each fiscal year by a licensed operator.<sup>228</sup> The licensee must calculate the amount of taxes due based on the gross receipts less winnings paid to wagerers and less promotional play receipts on sports wagering.<sup>229</sup>

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<sup>222</sup> I.C.A. § 99F.1(22)-(24).

<sup>223</sup> I.C.A. § 99F.7A(2)(a).

<sup>224</sup> I.C.A. § 99F.9(4)(a)(3).

<sup>225</sup> I.C.A. § 99F.1(3).

<sup>226</sup> Id.

<sup>227</sup> I.C.A. § 99F.7A(4).

<sup>228</sup> I.C.A. § 99F.11.

<sup>229</sup> I.C.A. § 99F.1(1).

## Michigan

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Gaming Control Board Model	Private operators and tribal governments (casinos and Indian tribes that conduct Class III gaming).	Retail ✓ Mobile ✓ Online ✓ Tribal gaming ✓	New license within an existing licensing system. Sports wagering licenses are issued to casinos and Indian tribes that conduct Class III gaming.	<i>High.</i> The Michigan statutes establish licensing criteria, fees, privileges, and duties. The Michigan statutes make detailed policy choices, such as “official data” procedures and express requirements for responsible gaming mechanisms on mobile platforms.

**Reports:** [2021 Sports Betting Revenue](#)      [2021 Internet Sports Betting Revenue](#)  
[NCPG National Survey: Michigan](#)

**Brief Overview:** Michigan legalized sports betting in May of 2019. The retail sports wagering market opened in 2020, and the mobile sports betting market debuted in January of 2021. Michigan uses the Gaming Control Board Model and has delegated authority over the sports betting market to the Michigan Gaming Control Board. Michigan issues sports betting licenses to licensed casinos and Indian tribes that conduct Class III gaming under a facility license. Michigan imposes licensure fees on licensees and a sports wagering tax on the adjusted gross sports wagering revenue of licensees.

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### Analysis

Michigan established legal sports betting in December of 2019, and the retail sports betting market first opened in 2020. Michigan permits sports betting to be conducted through Internet or mobile based sports wagering platforms. The Michigan statutory scheme does not apply to sports betting conducted exclusively on Indian lands by an Indian tribe under a facility license issued in accordance with a tribal gaming ordinance approved by the Chair of the National Indian Gaming

Commission.<sup>230</sup> Michigan has delegated authority over sports betting to the Michigan Gaming Control Board.

### **Licensing Structure**

The Board issues the following sports betting licenses: sports betting operator, sports betting supplier, occupational license, and vendor registration.

The Board issues sports betting operator licenses only to the holder of a casino license under the Michigan Gaming Control and Revenue Act or an Indian tribe that lawfully conducts Class III gaming under a facility license.<sup>231</sup> Each sports betting operator is limited to one Internet sports betting platform to offer, conduct, or operate Internet sports betting.<sup>232</sup>

In determining whether to grant a sports betting operator license, the Board has discretion to consider an applicant's capitalization and financial ability, financial ability to purchase and maintain adequate liability and casualty insurance, ability to responsibly pay secured and unsecured debts, any history of material noncompliance with casino or casino-related licensing requirements, or any criminal background. Additionally, the board may consider whether the applicant has initiated a proceeding for bankruptcy or has ever been involved in any formal process to adjust, defer, suspend, or otherwise work out the payment of any debt and whether the applicant is a defendant in litigation involving the integrity of its business practice.<sup>233</sup>

The Board issues a supplier's license to an entity that provides a sports betting operator goods or services regarding the operation of Internet sports betting, including sports betting platform providers.<sup>234</sup> An entity must acquire a supplier's license before providing an operator with devices or mechanisms used in the operation of Internet sports betting that directly affects the wagering and results of Internet sports betting.<sup>235</sup>

The Board issues an occupational license to any person whose duties directly impact the integrity of Internet sports betting as determined by the Board, including any individual who has the capability to directly affect the outcome of a wager or affect a payout to an authorized

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<sup>230</sup> M.C.L.A. 432.404(4).

<sup>231</sup> M.C.L.A. 432.406(1)

<sup>232</sup> M.C.L.A. 432.404(7).

<sup>233</sup> M.C.L.A. 432.406(2)

<sup>234</sup> M.C.L.A. 432.403(ee).

<sup>235</sup> M.C.L.A. 432.403(l)

participant. The Board will evaluate the character and criminal background of an applicant for an occupational license.<sup>236</sup>

The Board requires the vendors of certain sports betting goods and services to register with the Board. The following entities are required to register as a sports betting vendor: affiliate marketers, independent integrity monitoring providers, payment processors, data centers providing physical security and infrastructure, and any person that provides over \$100,000.00 worth of goods or services, or both, to any sports betting operator or Internet sports betting platform provider.<sup>237</sup>

### **License Fees and Renewal Period**

<b>License</b>	<b>Fee</b>	<b>Renewal period</b>
Sports betting operator	Initial fee: \$100,000.00 Renewal: \$50,000.00	5 years, then annual
Supplier's license	Initial fee: \$5,000.00 Renewal \$2,500.00	Annual
Occupational license	\$250.00	Biennial
Vendor registration	Initial fee: \$200.00 Renewal: \$100.00	5 years

### **Security, Financial Requirements, and Integrity Monitoring**

An operator may only use an online sports betting platform that meets minimum technical and security standards and is approved by the Board.<sup>238</sup> Each platform must be approved through a technical review by the Board or a Board-approved independent testing laboratory. An operator's platform must comply with the most recent standards issued by Gaming Laboratories International.<sup>239</sup> The Board Rules require each operator to use servers located within the state. The location for the servers must have adequate physical security and protection.<sup>240</sup>

For operator licensees that are Indian tribe casinos, the licensees must adopt minimum internal controls, including the rules for Internet sports betting and technical standards for Internet sports

<sup>236</sup> Mich. Admin. Code R 432.723.

<sup>237</sup> Mich. Admin. Code R 432.729.

<sup>238</sup> Mich. Admin. Code R 432.732.

<sup>239</sup> Mich. Admin. Code R 432.733

<sup>240</sup> Mich. Admin. Code R 432.734.

betting platforms, systems, and software that are consistent with the standards adopted by the Board.<sup>241</sup>

### **Record Keeping and Reporting**

Operators must file comprehensive monthly reports containing the total amount of Internet sports betting wagers received, the winnings paid to patrons, free plays redeemed by patrons, any applicable deductions, and an accounting of the operator's adjusted gross sports betting receipts.<sup>242</sup> Operators must also submit an annual audit of the financial condition of the sports betting operator's total Internet sports betting operations and a comprehensive compliance report. The annual compliance report includes an evaluation of the operator's compliance with procedures to ascertain that adjusted gross sports betting receipts, applicable ordinances and agreements with other governmental authorities, internal control procedures, accounting procedures, credit procedures, dispute procedures, and Board-imposed security and safety requirements.<sup>243</sup>

### **Requirement for Official Data**

Michigan has established a procedure for limiting the data that may be used to settle certain wagers. A sports governing body based in the United States may notify the Board that it desires sports betting operators to use official league data to settle tier 2 sports bets under this act. The Board must grant the request unless the Board finds that the governing body cannot provide a reliable and sufficient feed of data to operators.<sup>244</sup>

### **Responsible Gaming**

Michigan statute tasks the Board with developing a statewide responsible gaming database identifying individuals who are prohibited from participating in Internet sports betting.<sup>245</sup> Operators must display on the Internet sports betting platform the number of Michigan's toll-free compulsive gambling hotline and must offer responsible gambling services and technical

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<sup>241</sup> M.C.L.A. 432.407(a)-(b).

<sup>242</sup> M.C.L.A. 432.4116a(1).

<sup>243</sup> Mich. Admin. Code R 432.765a.

<sup>244</sup> M.C.L.A. 432.410a(2).

<sup>245</sup> M.C.L.A. 432.412(1).

controls to authorized participants. In addition, operators must provide patrons with the ability to establish their own periodic deposit and wagering limits and maximum playing times.<sup>246</sup>

### **Market Parameters and Restrictions**

Michigan permits persons over 21 years of age to wager on athletic events. Wagerers may bet on sports activities that involve the skill of one or more players or participants. However, Michigan excludes from “sports betting” any pari-mutuel horse racing and any sport or athletic event played by individuals that are at the high school level or below, unless the majority of participants are over 18 years of age.<sup>247</sup>

A sports governing body may request that the Board prohibit Internet sports betting on a particular event and may request that types of bets be restricted for particular athletic events. The Board must afford all sports betting operators the opportunity to respond to the sports governing body’s request. The Board may grant the request or part of the request after a review of the request and any responses. The Board must base the decision to restrict events or types of bets based on finding it necessary to protect the integrity of the event or public confidence in the integrity of the event.<sup>248</sup>

### **Taxes**

Michigan imposes a 8.4 percent tax on the adjusted gross sports betting receipts of sports betting operators. Operators must calculate adjusted gross sports betting receipts based on the total receipts of the sports wagering operation, less winnings, amounts returned to participants, uncollected markers, and deductions for the monetary value of incentive free plays wagered by authorized participants.<sup>249</sup> Additionally, municipalities that apply a municipal services fee to casinos may charge a 1.25 percent fee on the adjusted gross sports betting receipts of a sports betting operator that holds a casino license.<sup>250</sup>

Of the tax revenue received from the tax on sports betting, Michigan dedicates 30 percent to the city in which the sports betting operator’s casino is located for use in connection with the

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<sup>246</sup> M.C.L.A. 432.412(4).

<sup>247</sup> M.C.L.A. 432.403(d).

<sup>248</sup> M.C.L.A. 432.410(4).

<sup>249</sup> M.C.L.A. 432.403(a).

<sup>250</sup> M.C.L.A. 432.414.

following: hiring, training, and deployment of street patrol officers; neighborhood development programs; and tax relief from taxes applied by the municipality. Sixty-five percent of sports wagering revenue is deposited into the state's sports betting fund. The remaining 5 percent of revenue is dedicated to the Michigan agriculture equine industry development fund.<sup>251</sup>

For taxes that are applied to Indian tribes that hold operator's licenses, 90 percent of the tax revenue is dedicated to the sports betting fund, and 10 percent is dedicated to the Michigan strategic fund.<sup>252</sup>

The Board must use the following priorities when expending funds: first, to cover the Board's costs of regulating and enforcing Internet sports betting; \$500,000.00 to the compulsive gaming prevention fund; \$2,000,000.00 to the first responder presumed coverage fund; and all remaining moneys in the fund must be deposited into the state school aid fund.<sup>253</sup>

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<sup>251</sup> M.C.L.A. 432.415.

<sup>252</sup> M.C.L.A. 432.415a.

<sup>253</sup> M.C.L.A. 432.416.

## Montana

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
State Control or State Lottery Model	State control. Montana issues sports wagering licenses to approved lottery agents.	Retail ✓ Mobile ✓ Online ✓ Tribal gaming ✓ State Lottery ✓	Existing structure. Montana offers sports wagering through lottery agents.	<i>Moderate.</i> The Montana statutes establish a distinction between types of lottery licenses, set a maximum commission rate for agents, establish a Sports Wagering Commission, and set the parameters of the wagering market. The remainder of the market is governed by administrative rules.

**Reports:** [Sports Bet Montana – Data Report Page](#) [NCPG National Survey: Montana](#)

**Brief Overview:** Montana has operated some form of legal sports wagering since 1973 and formally introduced its lottery-based sports wagering system in 2020. Montana permits both mobile and retail sports wagering at licensed locations. The State Lottery and Sports Wagering Commission issues licenses to approved Lottery agents. The state sets a minimum amount that must be paid out as prizes, and the remainder constitutes the net revenue received by the Lottery.

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### Analysis

Montana’s sports wagering market was approved by referendum in 1973 and was grandfathered under PASPA.<sup>254</sup> Montana’s sports wagering market originally focused on horse racing and was operated by the Montana Board of Horse Racing (MBHR). Then, in August 2008, the Montana Lottery partnered with the MBHR and created the “Montana Sports Action,” which allowed only

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<sup>254</sup> Joshua Winneker, Ira Sprotzer, Lindsay Demery, *Sports Gambling and the Expanded Sovereignty Doctrine*, 13 Va. Sports & Ent. L.J. 38, 42 (2013).



“sports pools, fantasy sports leagues, and sports tab games” but not single or bundled game bets.<sup>255</sup>

Following the demise of PASPA, Montana’s sports wagering statutes were enacted in 2019, and the Montana Lottery introduced the state’s sports wagering system in 2020. Montana permits both mobile and retail wagering through licensed lottery agents.<sup>256</sup> Montana’s sports wagering market is under the regulatory authority of the Montana State Lottery and Sports Wagering Commission.<sup>257</sup>

### **State Control Model—Mobile and Retail**

The Commission issues sports wagering licenses to Lottery-approved sales agents. The lottery licenses that are issued to sales agents are designated as “lottery only” or “sports wagering only.”<sup>258</sup> A sports wagering license permits the sales agent to offer sports wagering through sports wagering equipment or mobile applications, provided that the wagers are made exclusively within the single Lottery-approved sports wagering facility.<sup>259</sup> Each sports wagering facility must be approved by the Commission and must be licensed as a gambling operator.<sup>260</sup>

At the sales agent’s approved sports wagering facility, the sales agent may offer sports wagering through any approved equipment that is connected to the State Lottery central gaming system. The sales agent may offer sports wagering through self-service terminals.<sup>261</sup>

Montana requires the Commission to adopt rules governing the relationship between the State Lottery and sales agents. The Commission’s rules govern the acceptance of wagers on sports events, the type of wagering tickets that may be used, the method of issuing tickets, the method of accounting and associated reporting minimums that must be used by a sales agent, sales agent licensing requirements, player exclusion requirements, participation in responsible gaming and

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<sup>255</sup> Eric Meer, *The Professional and Amateur Sports Protection Act (PASPA): A Bad Bet for the States*, 2 UNLV Gaming Law Jnl. 281, 289 (Jan. 2012); Joshua Winneker, Ira Sprotzer, Lindsay Demery, *Sports Gambling and the Expanded Sovereignty Doctrine*, 13 Va. Sports & Ent. L.J. 38, 40 (2013).

<sup>256</sup> MCA 23-7-103.

<sup>257</sup> Id.

<sup>258</sup> MCA 23-7-301(5).

<sup>259</sup> MCA 23-7-103.

<sup>260</sup> MCA 23-7-103(10).

<sup>261</sup> Id.

consumer protection activities and programs, and ensuring game integrity through monitoring and reporting of suspicious betting activity and equipment tampering.<sup>262</sup>

The Commission has authority to contract with entities that provide systems and services for the operation of sports wagering. A vendor or service provider that submits a bid or proposal for a contract to supply sports wagering equipment, tickets, or other material or consultant services for must disclose information concerning the supplier's ownership. Further, the vendor or service provider must disclose all the states in which the supplier is authorized to do business and the nature of that business; any other jurisdictions in which the vendor supplies gaming equipment or consultant services; details concerning criminal background; details of any disciplinary action taken by any state against the vendor; audited annual financial statements for the preceding five years; a statement of the gross receipts realized in the preceding year from gaming consultant services and the sale, lease, or distribution of gaming materials; and the number of years the vendor has been in the business of supplying gaming consultant services or gaming equipment.<sup>263</sup>

### **Security, Financial Requirements, and Integrity Monitoring**

Montana has taken the step of designating a particular state officer to oversee the security and integrity aspects of the regulated sports wagering market. Montana's statutes establish the position of Assistant Director for Security to support the Director of the Commission. The Assistant Director for Security is responsible for ensuring security and integrity of sports wagering vendors and sports wagering systems.<sup>264</sup>

On a biennial basis, the Office of the Legislative Auditor must perform an audit to evaluate the sports wagering system's personnel security; lottery sales agent security; lottery contractor security; security of manufacturing operations of state lottery contractors; security against ticket, chance, wager, or bet counterfeiting and alteration and other means of fraudulently winning; security of drawings among entries or finalists; computer security; data communications security; database security; and systems security.<sup>265</sup>

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<sup>262</sup> MCA 23-7-202(10).

<sup>263</sup> MCA 23-7-310.

<sup>264</sup> MCA 23-7-212.

<sup>265</sup> MCA 23-7-411.

### **Market Restriction—Minimum Age**

A person over 18 years of age may place a sports wager through a licensed sales agent or through the Lottery’s Internet-based sports wagering system.<sup>266</sup>

### **Agent Commissions and Lottery Revenue Share**

Sales agents are entitled to a commission of no more than 10 percent of the face value of tickets and chances purchased through the Lottery and no more than 10 percent of the face value of a wager or bet.<sup>267</sup>

Montana requires that a minimum of 45 percent of the money paid for tickets, chances, wagers, or bets must be paid out as prize money. The remaining portion, less prize payments, commissions, and operating expenses, constitutes “net revenue” that is transferred on a quarterly basis from the Lottery’s enterprise fund.

Montana designates the first portion of annual net revenue to the Montana STEM scholarship program. In each successive year that sports wagering is offered in Montana, the amount transferred to the STEM scholarship program special revenue account increases as follows: in 2022, the first \$1.5 million of net revenue; in 2023, the first \$2 million of net revenue; and in 2024 and subsequent years, the first \$2.25 million of net revenue. Excess revenue in any given year must be transferred to the state’s general fund.<sup>268</sup>

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<sup>266</sup> MCA 23-7-302(2).

<sup>267</sup> MCA 23-7-301.

<sup>268</sup> MCA 23-7-409.

## Nevada

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
<i>Nevada Model</i>	Private actors (holders of nonrestricted gaming licenses)	Retail ✓ Mobile ✓ Online ✓ Tribal gaming ✓	Existing structure. Nevada allows gaming licensees to offer sports wagering if the licensee holds a nonrestricted gaming license that expressly allows sports wagering.	<i>High.</i> The Nevada statutes establish licensing criteria, fees, privileges, and duties. The Nevada statutes direct the Nevada Gaming Control Board to establish rules governing nonrestricted licenses and specific rules for sports pools.

**Reports:** [UNLV Nevada Sports Betting Totals 1984-2021](#) [NCPG National Survey: Nevada UNLV Regulated Sports Betting: A Nevada Perspective](#)  
[UNLV Long Term Trends 2000-2021](#)

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### Analysis

Nevada's sports wagering system persisted through the period of nationwide prohibition under an exemption from PASPA. The Nevadan sports wagering system began in 1951 but did not have much activity until federal taxes on the wagers were decreased in 1974 and again in 1983. A 1975 state law permitted casinos to open sportsbooks, and nearly every casino did so. Currently, Nevada permits gaming licensees to offer sports wagering through a nonrestricted gaming license that is specifically issued for purposes of operating a sports pool.<sup>269</sup>

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<sup>269</sup> Nev Gaming Reg. 22.020(1).

## Licensing Structure

No person may operate or own any interest in a race book or sports pool in Nevada unless that person holds a nonrestricted gaming license specifically permitting the person to do so.<sup>270</sup> A nonrestricted license is a license that has been issued to: (1) an operation consisting of sixteen or more slot machines; (2) an operation consisting of any number of slot machines and any other game or sports pool; or (3) the operation of a slot machine route.<sup>271</sup>

A nonrestricted license may also be issued to an entity that places and operates a mobile gaming system within a licensed gaming establishment and shares in the revenue from the mobile gaming system, without having been individually licensed to conduct gaming at the establishment.<sup>272</sup>

The Nevada system for nonrestricted sports wagering licenses also permits the operation of call center systems, such as sports wagering applications that are used to receive and transmit wagering instructions from a patron to a licensed book. Any call center system must be located within Nevada in order to be licensed.<sup>273</sup> The operator of a call center must meet the requirements for a gaming license under Nevada law.<sup>274</sup>

## License Fees and Renewal Period

Nevada sets fees for nonrestricted gaming licenses based on the number of games or slot machines that are offered by the licensee. The state has established the following different schedules for annual or quarterly nonrestricted license fees:

<b>Number of games</b>	<b>Annual license fee</b>	<b>Quarterly license fee (10 games or less)</b>	<b>Quarterly license fee (more than 10 games)</b>
1 game	\$100.00 total	\$12.50 total	\$125.00 each game
2 games	\$200.00 total	\$25.00 total	\$125.00 each game
3 games	\$400.00 total	\$50.00 total	\$125.00 each game
4 games	\$750.00 total	\$93.75 total	\$125.00 each game
5 games	\$1,750.00 total	\$218.75 total	\$125.00 each game

<sup>270</sup> Nev Gaming Reg. 22.020(1).

<sup>271</sup> N.R.S. 463.0177.

<sup>272</sup> Nev Gaming Reg. 4.030.

<sup>273</sup> Nev Gaming Reg. 22.010(4).

<sup>274</sup> Nev Gaming Reg. 22.032.

6–7 games	\$3,000.00 total	\$375.00 total	\$125.00 each game
8–10 games	\$6,000.00 total	\$750.00 total	\$125.00 each game
11–13 games	\$650.00 for each game		\$125.00 each game
14–16 games	\$1,000.00 for each game		\$125.00 each game
17 or more games	\$16,000.00 plus \$200.00 for each game over 16		\$2,000.00 plus \$1,200.00 for each game 17–26; \$14,000.00 plus \$700.00 for each game 27–35; \$20,300.00 plus \$25.00 for each game over 35

### **Security, Financial Requirements, and Integrity Monitoring**

Nevada nonrestricted gaming licensees are held to strict security, financial requirement, and integrity monitoring requirements. Each licensee is subject to a renewed investigation and monitoring process whenever there is a change in ownership, job duties, or a modification to the licensees' systems or plans. Security and internal financial control requirements are universally applicable to nonrestricted licensees.

For the Gaming Control Board's comprehensive financial records rules, each nonrestricted licensee shall keep general accounting records on a double entry system of accounting, maintaining detailed records identifying assets and liabilities; records of credit instruments, markers, and checks; and individual and statistical game records to reflect statistical drop and statistical win data.<sup>275</sup> Licensees must also maintain standard and audited financial statements covering all activities within a given financial year.<sup>276</sup>

Each nonrestricted licensee operating a sportsbook must maintain a reserve of not less than the greater of \$25,000.00 or the sum of the following amounts: held by the book for the account of patrons; accepted by the book as wagers on contingencies whose outcomes have not been

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<sup>275</sup> Nev Gaming Reg. 6.040.

<sup>276</sup> Id.

determined; or owed but unpaid by the book on winning wagers through the period established by the book for honoring winning wagers.<sup>277</sup>

Under the Board's specific rules governing call center systems, the systems are deemed "associated equipment" that must meet device and system security requirements. A manufacturer or distributor of the systems is prohibited from distributing, and licensees are prohibited from operating, associated equipment unless it has been approved by the Chair of the Board. An application for approval of the system must include a comprehensive description of the system and its intended usage; detailed operating procedures for the system; the testing standards applied to the system and the results of the test; and all supporting materials related to the independent testing conducted on the system.<sup>278</sup>

### **Minimum Internal Control Standards**

Each nonrestricted licensee must establish accounting procedures for the purpose of determining the licensee's liability for taxes and fees. The licensee's procedures must be designed to reasonably ensure that assets are safeguarded, financial records are accurate and reliable, transactions are performed only in accordance with management's general or specific authorization, transactions are recorded adequately to permit proper reporting, access to assets is permitted only in accordance with management's specific authorization, recorded accountability for assets is regularly compared with actual assets, and that duties are appropriately segregated according to accepted practices.<sup>279</sup>

In addition, each nonrestricted licensee must describe its accounting procedures in detail in a written system of internal controls. The licensee's internal controls must be submitted to the Board and must contain an organizational chart that includes duties and responsibilities of each position and a description of the licensee's administrative and accounting procedures.<sup>280</sup>

### **Minimum House Rules**

Each licensed sportsbook must adopt comprehensive house rules governing wagering transactions with patrons. The house rules must specify the amounts to be paid on winning

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<sup>277</sup> Nev Gaming Reg. 22.040.

<sup>278</sup> Nev Gaming Reg. 14.260.

<sup>279</sup> Nev Gaming Reg. 6.090(1).

<sup>280</sup> Nev Gaming Reg. 6.090.

wagers, the effect of schedule changes, the redemption period for winning tickets, and the method of noticing odds or line changes to patrons.<sup>281</sup>

### **Minimum System Requirements—Consumer Protection**

Nevada requires that all account wagering systems provide for the patron’s review and confirmation of all wagering information before the wagering communication is accepted by the book. The system must create a record of the confirmation. The system must prohibit wagers from being changed after the patron has reviewed and confirmed the wagering information. Further, the system must prohibit: the acceptance of wagers after post time, a sportsbook from accepting an account wager, a sportsbook from accepting out-of-state sports wagers, and post payment on winning account wagers. Finally, the system must maintain complete records of every deposit, withdrawal, wager, winning payoff, and any other debit or credit for each account.<sup>282</sup>

### **Record Keeping and Reporting**

Prior to accepting any nonpari-mutuel wager in excess of \$10,000.00 or making a payout in excess of \$10,000.00 on a nonpari-mutuel winning wager, each licensed sportsbook must obtain the patron’s name, Social Security number, permanent address, and identification credentials.<sup>283</sup> Each nonrestricted licensee having gross revenue of \$1 million or more for the 12 months ending on June 30th of each year must prepare a financial statement covering all financial activities of the licensee’s establishment for each fiscal year.<sup>284</sup>

### **Market Parameters and Restrictions**

Nevada permits any person over 21 years of age to wager on sports events. Sports events include professional sport or athletic events sanctioned by a governing body, events held at a track that uses the pari-mutuel system of wagering, olympic sporting or athletic events, collegiate sporting or athletic events, and virtual events.<sup>285</sup> However, Nevada prohibits wagers on any amateur sport or athletic event other than Olympic sporting or athletic events and collegiate sporting or athletic

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<sup>281</sup> Nev Gaming Reg. 22.150.

<sup>282</sup> Nev Gaming Reg. 22.145.

<sup>283</sup> Nev Gaming Reg. 22.061.

<sup>284</sup> Nev Gaming Reg. 6.070

<sup>285</sup> Nev Gaming Reg. 22.120.



events, on the outcome of any election for any public office both within and outside the state of Nevada, and on any athletic sports event where the Board Chair has made a finding that the governing body is not effectively supervising the event or is not ensuring the integrity of the event.

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<sup>286</sup> Nev Gaming Reg. 22.1205.

## New Hampshire

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
State Control or Lottery Model	State controls all sports wagering.	Retail ✓ Mobile ✓ Online ✓	New structure. The state offers sports wagering through Lottery agents. Agents are selected through a competitive bidding process.	<i>Moderate.</i> The New Hampshire statutes establish the competitive bidding process and provide guidance to the Lottery on how to conduct the selection process. New Hampshire's statutes also establish minimum agent requirements and duties, such as security and house rules.

**Reports:** [NH Sports Betting Revenue 2021](#) [NCPG National Survey: New Hampshire 2019 Contract Materials – NH and Sports Wagering Contractor](#)

**Brief Overview:** New Hampshire legalized sports wagering in 2019 and authorized the Lottery Commission to operate a sports wagering platform through Lottery agents. The state directed the Lottery Commission to select online sports wagering platforms through a competitive bidding process. In December of 2019, the state's sports wagering market debuted after DraftKings Sportsbook was granted the sole contract to operate a mobile sportsbook in New Hampshire. New Hampshire operates the *State Control or State Lottery Model*, and the Lottery Commission has authority to execute franchise contracts with private sports wagering entities. The New Hampshire statutes establish minimum security, wagering system, house rules, and responsible gaming requirements for Lottery agents. New Hampshire fixes a revenue share through the agreements executed with the Lottery's sports wagering agents.

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## Analysis

In 2019, the New Hampshire enacted sports wagering statutes, and the state authorized the New Hampshire Lottery Commission to operate a sportsbook.<sup>287</sup> The Commission is directed to

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<sup>287</sup> N.H. Rev. Stat. § 287-I:2.

operate the sportsbook through agents to offer retail or mobile sports wagering. New Hampshire's statutory scheme creates a Division of Sports Wagering within the Commission to ensure compliance with the state's laws governing sports wagering.<sup>288</sup>

### **State Control Model—Mobile and Retail**

The New Hampshire statutes direct the Commission to conduct the state's mobile sportsbook through Lottery agents. Lottery agents are selected through a two-part competitive bid process and approved by the Governor and the Executive Council. New Hampshire's statutory scheme requires that any contract with an agent shall be based on the state receiving a percentage of revenue from sports wagering activities.<sup>289</sup>

In the first stage of the competitive bid process, the Commission is required to review the applicant to ensure that the potential agent demonstrates financial stability, responsibility, good character, honesty, and integrity. The Commission must evaluate each potential agent's experience and background; ability to serve proposed locations for sportsbook retail operations; mobile wagering capabilities; contribution to economic development within the state; and commitment to the prevention of problem gambling, to responsible gaming, and to integrity in betting.<sup>290</sup>

After the first stage of evaluation, the Commission must select a group of potential agents who best meet the statutory criteria and select from that group the bids that provide the state with the highest percentage of revenue from the sports wagering activities. All agents are subject to criminal and financial background checks as determined by the Commission.<sup>291</sup>

New Hampshire permits the Commission to operate a sportsbook that offers Tier I, Tier II, and Tier III mobile sports wagers. New Hampshire limits the number of mobile sports wagering agents to not more than five at any given time.<sup>292</sup>

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<sup>288</sup> N.H. Rev. Stat. § 287-I:8.

<sup>289</sup> N.H. Rev. Stat. § 287-I:3.

<sup>290</sup> N.H. Rev. Stat. § 287-I:3.

<sup>291</sup> N.H. Rev. Stat. § 287-I:3.

<sup>292</sup> N.H. Rev. Stat. § 287-I:7.

### **Tiered Wager System—Limits on Retail**

For purposes of regulating the type and method of wagering through the Commission's agents, New Hampshire has categorized three types of wagers. Tier I sports wagers mean a sports wager that is placed before the start of the sports event and is determined solely by the final score or final outcome of that single sports event. Tier II sports wagers are in-play sports wagers. Tier III sports wagers are all other types of wagers that do not fall within the other tiers of sports wagers.<sup>293</sup>

New Hampshire's statutes authorize the Commission to offer lottery games to authorized bettors in the form of Tier III sports wagers placed through the Commission's lottery retailers.<sup>294</sup> The Commission and the contracted agents may operate physical sportsbook retail locations for the purposes of accepting Tier I and Tier III sports wagers. New Hampshire limits the number of sportsbook retail locations to not more than ten retail locations at any given time.<sup>295</sup>

### **Security, Financial Requirements, and Integrity Monitoring**

Any agent or vendor providing a digital platform for mobile sports wagering must provide a detailed computer system security report to be approved by the Commission. The digital platform security report must address the security and internal control report, including a documented system security test performed, a description of all software applications that comprise the system, a description of all types of wagers supported by the system, a list of data recorded relating to each wager, and integration with an independent control system to ensure integrity of system wagering information.<sup>296</sup>

In addition to the security information required in the computer system security report, each agent or vendor engaged in sports wagering must submit a security and internal control report to the Division of Sports Wagering. The report must address physical security, personnel security, and computer systems security, including surveillance plans for retail sportsbook locations, procedures for identifying and reporting fraud and suspicious conduct, procedures to connect

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<sup>293</sup> Id. at XV-XVIII.

<sup>294</sup> N.H. Rev. Stat. § 287-I:4.

<sup>295</sup> N.H. Rev. Stat. § 287-I:5.

<sup>296</sup> N.H. Rev. Stat. § 287-I:8.

with monitoring services or sports governing bodies relating to suspicious activity, and systems to prevent prohibited sports bettors from placing wagers.<sup>297</sup>

### **Minimum House Rules**

New Hampshire requires the Commissions agents to submit house rules for the Division's review and approval prior to conducting any sports wagering. The Commission-approved house rules must include the method for calculation and payment of winning wagers, a process for notifying bettors of odds or proposition changes, and procedures for the handling of errors, late bets, and related contingencies.<sup>298</sup>

### **Responsible Gaming**

The commission's agents are required to submit a responsible gaming plan for Division review and approval. The plan must include details concerning the materials related to problem gaming, resources to be made available to bettors expressing concerns about problem gaming, house imposed player limits, and self-exclusion programs.<sup>299</sup> With respect to mobile sports wagering, New Hampshire's statutes require the Commission to provide options for wager limits for periodic amounts consistent with the best practices in addressing problem gambling and a program for players to voluntarily self-exclude themselves from wagering for set periods of time.<sup>300</sup>

### **Market Parameters and Restrictions**

New Hampshire permits any person over 18 years of age to place a wager on a professional sports event. The state prohibits wagers placed on a collegiate sports event in which one of the participants is a New Hampshire collegiate team, a collegiate sports event that takes place in New Hampshire, any high school sports event, and any amateur sports event where the participants are primarily under 18 years of age.<sup>301</sup>

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<sup>297</sup> N.H. Rev. Stat. § 287-I:8.

<sup>298</sup> N.H. Rev. Stat. § 287-I:8.

<sup>299</sup> N.H. Rev. Stat. § 287-I:8.

<sup>300</sup> N.H. Rev. Stat. § 287-I:7.

<sup>301</sup> N.H. Rev. Stat. § 287-I:1(XI).

## Revenue Share

New Hampshire's contract with DraftKings grants the state a 51 percent share of gross gaming revenue from mobile operations and a 50 percent share of gross gaming revenue from retail operations.<sup>302</sup> State revenue received from the operation of New Hampshire's sportsbook are dedicated to the state's education fund.<sup>303</sup>

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<sup>302</sup> Contract, New Hampshire Lottery Commission and Contractor (DraftKings) dated Nov. 12, 2019 (<https://sportshandle.com/wp-content/uploads/2019/11/072A-GC-Agenda-112519.pdf>); *See also* NH Lottery, "NH Lottery Sports Betting Contract with DraftKings Receives Approval" (Nov. 25, 2019) (<https://www.nhlottery.com/News/2019/NH-Lottery-Sports-Betting-Contract-with-DraftKings>).

<sup>303</sup> N.H. Rev. Stat. § 287-I:9.

## New Jersey

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Gaming Control Board Model	Private actors (licensed casinos and racetracks)	Retail ✓ Mobile ✓ Online ✓	Existing structure. New Jersey established a sports wagering permit for existing gaming licensees. Permit holders are authorized to contract with online sports wagering service providers.	<i>High.</i> The New Jersey statutes establish licensing criteria, fees, privileges, and duties. The New Jersey statutes govern minimum security, financial reserves, and integrity monitoring. The statutes require the Division of Gaming Enforcement to adopt rules governing internal controls.

**Reports:** [Monthly Sports Wagering Revenue Reports](#)      [Rutgers: Prevalence of Gambling In NJ iDEA: Economic Impact of NJ Online Gaming](#)  
[NJ iDEA: Economic Impact of NJ Online Gaming](#)      [NCPG National Survey: New Jersey](#)

**Brief Overview:** New Jersey first enacted sports wagering statutes in 2012 and introduced its sports wagering market in 2018. New Jersey was quick to act after the *Murphy v. NCAA* decision overturned PASPA, as the state adopted administrative rules a mere two days after its statutes became effective. New Jersey uses the *Gaming Control Board Model* and has authorized the Division of Gaming to regulate the sports wagering market. New Jersey issues sports wagering permits to existing casino and racetrack licensees. New Jersey imposes license fees on its licensees and a tax on adjusted gross sports wagering revenue.

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### Analysis

New Jersey's statutory sports wagering scheme were first enacted in 2012. In 2018, after a six-year legal journey, New Jersey won its challenge of the Professional and Amateur Sports Protection Act when the US Supreme Court ruled in its favor in *Murphy v. NCAA*. New Jersey now permits both retail and mobile sports wagering through licensed casinos and racetracks.

New Jersey has granted the Division of Gaming Enforcement regulatory authority over the state's sports betting market.<sup>304</sup>

### **Licensing Structure**

New Jersey's statutory scheme establishes a sports wagering operator's permit. The permit may be issued to a licensed casino or racetrack.<sup>305</sup>

The Division may permit a licensed casino or racetrack to operate a sports pool in an approved sports pool lounge. The sports pool operator must ensure that the sports pool lounge meets all of the Division's criteria for square footage, design, equipment, and security measures.<sup>306</sup> For mobile sports wagering, the Division may permit a licensed hotel or racetrack to offer mobile sports wagering, provided that the patron has established an account with the licensee, the wager is placed by the patron in person within the approved casino hotel facility or racetrack, and the mobile gaming device is inoperable outside the approved hotel facility or racetrack.<sup>307</sup>

New Jersey permits existing licensees to contract for online sports wagering services. A licensed casino or racetrack may contract with an Internet sports pool operator licensed as a "casino service industry enterprise" to operate an online sports pool on its behalf, provided the Division or Race Commission approves the contract terms. Within this structure, New Jersey limits the number of skins that may be operated by an individual licensee. Each sports wagering licensee is limited to not more than three individually branded websites. The licensee is required to host or utilize services that have servers located in the licensed casino or racetrack or in any location in Atlantic City.<sup>308</sup>

New Jersey requires that all persons employed directly in sports wagering activities conducted in a sports wagering lounge or an online sports pool be licensed as a casino key employee or registered as a casino employee.<sup>309</sup>

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<sup>304</sup> N.J.S.A. 5:12A-4.1.

<sup>305</sup> N.J.S.A. 5:12A-10.

<sup>306</sup> N.J.S.A. 5:12A-11(b).

<sup>307</sup> N.J.S.A. 5:12A-4.1

<sup>308</sup> N.J.S.A. 5:12A-11(a).

<sup>309</sup> N.J.S.A. 5:12A-12(d).



### License Fees and Renewal Periods

License	Fees	Renewal periods
Sports wagering operator	\$100,000.00	Annual
Key employee	\$750.00 to \$4,000.00, depending on position	Annual

### Division Rules—Reserves, Controls, and Accounting

As a component of the regulatory authority granted to the Division, the Division must adopt rules governing minimum standards for the conduct of sports pools within the state. The Division is required to adopt rules governing minimum operator reserves, maximum wagers that may be accepted by an operator from any one patron on any one sports event, the method of accounting to be used by operators, and the types of records that shall be kept.<sup>310</sup> The Division has adopted rules requiring operators to maintain a cash reserve of not less than the greater of \$500,000.00 or the amount necessary to ensure the ability to cover the outstanding sports pool liabilities.<sup>311</sup>

### Security, Financial Requirements, and Integrity Monitoring

In addition to existing security requirements for casino and racetrack licensees, New Jersey requires sports wagering permit holders to comply with a notice-based compliance monitoring system. The Division requires each licensee to immediately report any criminal or disciplinary proceedings commenced against the licensee or its employees in connection with the operation of the sports pool or online sports pool. Further, the licensee is required to notify the Division of any abnormal betting activity that may indicate a concern about the integrity of a sports event or any other conduct with the potential to corrupt a betting outcome of a sports event.<sup>312</sup>

New Jersey requires each operator to obtain personally identifiable information from any patron that places a single wager in an amount of \$10,000.00 or greater on a sports event.<sup>313</sup> These records must be maintained according to the Division's rules and any internal controls adopted by the operator.

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<sup>310</sup> N.J.S.A. 5:12A-13(a).

<sup>311</sup> N.J.A.C. 13:69N-1.2.

<sup>312</sup> N.J.S.A. 5:12A-11(i).

<sup>313</sup> N.J.S.A. 5:12A-11(f)(4).

### **Minimum Internal Control Standards and House Rules**

The Division has adopted rules that require each operator to adopt internal controls. At a minimum, the internal controls must address user access controls for all sports pool personnel, segregation of duties within the sports pool system, automated risk management procedures, prevention of wagering by prohibited persons, a description of anti-money laundering compliance standards, and a description of all integrated third-party systems.<sup>314</sup>

### **Responsible Gaming**

The Division must prepare and submit an annual report to the Governor on the impact of sports wagering on problem gamblers and gambling addiction in New Jersey. The report must be prepared by a private organization or entity with expertise in serving the needs of persons with gambling addictions.<sup>315</sup>

### **Market Parameters and Restrictions**

New Jersey permits any person over 21 years of age to place a sports wager.<sup>316</sup> Wagering is permitted on professional sports events, except any collegiate sport or athletic event that takes place in New Jersey or a sport or athletic event in which any New Jersey college team participates, regardless of where the event takes place. However, New Jersey does not prohibit wagering on the games of a collegiate sport tournament in which a New Jersey college team participates or any games of a collegiate tournament that occurs outside New Jersey even though some of the individual games or events are held in New Jersey. Further, wagers may not be placed on high school sports events, electronic sports, or competitive video games.<sup>317</sup>

### **Taxes**

New Jersey imposes an 8.5 percent tax on generalized sports wagering receipts. However, Internet and mobile sports wagering receipts are subject to a 13 percent tax and an additional tax of 1.25 percent that is dedicated to the Casino Reinvestment Development Authority for marketing and promotion of the City of Atlantic City.<sup>318</sup> With respect to racetracks that operate

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<sup>314</sup> N.J.A.C. 13:69N-1.7(c).

<sup>315</sup> N.J.S.A. 5:12A-11(a).

<sup>316</sup> N.J.S.A. 5:12A-11(e).

<sup>317</sup> N.J.S.A. 5:12A-10.

<sup>318</sup> N.J.S.A. 5:12A-16.

mobile sports wagering, the 1.25 percent additional tax is dedicated to the municipality in which the majority of the racetrack is located and to the county in which the racetrack is located or to an economic development authority of that municipality and county with those amounts used for economic development purposes.<sup>319</sup> The revenue generated from the sports wagering taxes are dedicated to the state's general fund.

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<sup>319</sup> N.J.S.A. 5:12A-16.

## New Mexico

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Exclusive tribal gaming subject to Indian Gaming Regulatory Act	Tribal governments operated sports wagering pursuant to IGRA and Tribal-State compacts.	Retail ✓ Tribal gaming ✓	Existing structure. Tribal governments offer sports wagering pursuant to federally approved compacts.	<i>Low.</i> New Mexico authorizes tribal gaming through Tribal-State compacts that are executed by the Governor and approved by the Department of Interior.

**Reports:** [New Mexico Sports Betting Market Study \(2018\)](#) [LFC Brief: Gaming in New Mexico](#)  
[UNLV: Sports Betting and Indian Gaming](#) [NIGC: IGRA and Sports Book Operations](#) [NCPG National Survey: New Mexico](#)

**Brief Overview:** Currently, New Mexico’s tribal governments are the only territories within the state that offer sports wagering. New Mexico has not enacted statutes to legalize sports wagering. However, some existing Tribal-State compacts authorize Class III gaming within tribal lands. Some tribes have interpreted these compacts to authorize the operation of sportsbooks within tribal gaming facilities.

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## Analysis

Sports wagering was first offered on tribal lands in New Mexico in 2018. New Mexico’s statutes expressly prohibit the operation of a sportsbook.<sup>320</sup> However, some tribes interpreted the Tribal-State compacts and state law to impliedly authorize sports wagering at facilities on tribal lands.

### Class III Gaming at Retail Locations

New Mexico’s Tribal-State compacts authorize Class III gaming to be conducted at physical facilities on tribal lands pursuant to the Indian Gaming Regulatory Act. The compacts require, at a minimum, that the tribal gaming agency provide for the physical safety of patrons in any tribal

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<sup>320</sup> NMSA § 30-19-15.

gaming facility; physical safety of personnel; physical safeguarding of assets transported to and from the gaming facility and cashier's cage department; protection of the property of the patrons and gaming enterprise from illegal activity; and participation in licensing of primary management officials and key employees of a Class III gaming enterprise.<sup>321</sup>

However, the compacts prohibit Internet gaming unless the state authorizes statewide Internet gaming.<sup>322</sup>

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<sup>321</sup> N.M. Compact Sec. 4.

<sup>322</sup> Id. at Sec. 17.

## New York

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Hybrid State Control and Gaming Control Board Model	State selects exclusive operators. Private operators coordinate with existing licensees to offer sports wagering.	Retail ✓ Mobile ✓ Online ✓ Tribal gaming ✓	Existing structure for retail; new structure for online and mobile. New York issues retail operator licenses to casinos. The state issues online and mobile licenses to platform providers that are selected through a competitive bidding process.	<i>High.</i> The New York statutes establish licensing criteria, RFP requirements, fees, privileges, and duties. The New York statutes govern minimum financial security, integrity monitoring, comprehensive record keeping reporting, and detailed responsible gaming requirements.

**Reports:** [Statewide Sports Wagering Revenue Report](#)      [Spectrum Gaming Market Study: NY NCPG National Survey: New York](#)

**Brief Overview:** New York enacted its sports wagering statutes in 2021, conducted a competitive bidding process to select platform providers, and formally introduced its mobile and online sports wagering market in January of 2022. New York uses a hybrid of the *State Control or State Lottery Model* and the *Gaming Control Board Model* for the regulated sports wagering market. Online and mobile platform providers are subject to state control—the state contracts with the providers to offer sports wagering statewide. For retail sports wagering, the state issues licenses exclusively to casinos who may contract with vendors. The state also applies different taxes to retail and mobile operations, with the tax on mobile operations being fixed by contract.

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### Analysis

New York enacted its sports wagering statutes in 2021. The statutes approve a hybrid state-run

and licensed sports wagering scheme and grant the New York State Gaming Commission regulatory authority over the sports betting market. New York permits both retail and mobile sports wagering.<sup>323</sup>

### **Licensing Structure**

The Commission issues the following sports wagering licenses: operator, casino vendor enterprise registration, mobile sports wagering, and casino key employee.

The Commission may issue an operator's license to the holder of a casino gaming facility license. An operator's license permits the casino to operate a sports pool.<sup>324</sup> The operator's sports pool must be conducted within a sports wagering lounge located at the licensed gaming facility. The operator's sports wagering lounge must meet the Commission's minimum standards concerning sports wagering lounges, including square footage, design, equipment, security measures, and any other requirements that the Commission adopts through rule.<sup>325</sup>

The Commission requires sports pool vendors to obtain a vendor's license prior to the execution of any agreement to provide services to an operator. The holder of an operator's license is permitted to contract with an entity to conduct the sports pool. The sports pool vendor must obtain a license as a "casino vendor enterprise" prior to the execution of the contract for sports pool services.<sup>326</sup>

The Commission licenses mobile sports wagering operators and platform providers. A mobile sports wagering operator is a mobile sports wagering skin that is licensed by the Commission to operate a sports pool. A mobile sports wagering platform provider is an entity that is selected for a license through a competitive bidding process conducted by the Commission.<sup>327</sup> New York limits the issuance of sports wagering platform provider licenses to not more than two. As a component of the mobile sports wagering and platform provider competitive bidding application, the prospective platform provider must indicate the licensed operator that it will be partnering with.

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<sup>323</sup> McKinney's Racing, Pari-Mutuel Wagering and Breeding Law, §§ 167-167-a.

<sup>324</sup> NY RAC PARI-M § 1367(2)(a).

<sup>325</sup> NY RAC PARI-M § 1367(2)(b).

<sup>326</sup> NY RAC PARI-M § 1367(2)(h).

<sup>327</sup> NY RAC PARI-M § 1367(1)(a).

New York requires all persons employed directly in wagering-related activities conducted within a sports wagering lounge to be licensed as a casino key employee or registered as a gaming employee. The holder of an operator's license must designate one or more casino key employees who are responsible for the operation of the sports pool. At least one casino key employee must be present on the premises of the gaming facility whenever sports wagering is conducted.<sup>328</sup>

### **Competitive Bidding Process—Mobile Sports Wagering Operators and Platform Providers**

In selecting platform providers, the Commission must consider rigorous criteria concerning the potential revenue that the platform will generate and financial security of the prospective platform, the background and integrity of the particular platform provider, and the platform's player acquisition and advertising model.<sup>329</sup>

For the potential revenue and financial security review, the Commission considers both analytic revenue models and any available financial background information. New York's statutes require the Commission to review different scenarios for the number of platform providers and number of mobile sports wagering operators licensed by the Commission. Within the analytic models, the Commission must review estimates of mobile sports wagering gross revenue, the percentage of gross revenue from mobile sports wagering the prospective applicant will pay to the state, and the percentage of overall mobile sports wagering gross gaming revenue estimated to be generated. The Commission then considers an enumerated series of criteria concerning the revenue-generating capacity of each potential platform. The Commission is required to analyze each platform's potential for maximum sustainable revenue generation by reviewing market analyses of the applicant's bid as it relates to maximizing state revenue; the percentage of mobile sports wagering gross gaming revenue to be paid to the state; the potential market share of the mobile sports wagering operator; advertising and promotional plans; past experience and expertise in the market; and the platform's capacity to rapidly bring authorized sports bettors into its platform.<sup>330</sup>

For the background and integrity review of the potential platform, the Commission considers the composition of the platform's business, the platform's history in other states, and the platform's

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<sup>328</sup> NY RAC PARI-M § 1367(3).

<sup>329</sup> NY RAC PARI-M § 1367-a(7).

<sup>330</sup> NY RAC PARI-M § 1367-a(7)(b) and (c).



planned integrity model. The Commission analyzes the degree to which the applicant fosters racial, ethnic, and gender diversity in its workforce; integrity monitoring and reporting including any current monitoring affiliations; whether the platform has implemented necessary safeguards against abuses and addictions; a list of all jurisdictions where the platform and mobile sports wagering operator have been authorized to conduct sports wagering operations; and any other factors that could impact the integrity, sustainability or safety of the mobile sports wagering system.<sup>331</sup>

After the review, the Commission must award a license to each of the two highest scoring platform providers. The licenses awarded to the platform providers must apply the same tax rate to each platform provider. When awarding the licenses to the platform providers, the Commission must ensure that no less than four mobile sports wagering operators will be operating in the state.<sup>332</sup>

#### **License Fees and Renewal Periods**

<b>License</b>	<b>Fees</b>	<b>Renewal periods</b>
Operator license	\$0.00	—
Platform provider	\$25,000,000.00	n/a one-time fee

#### **Security, Financial Requirements, and Integrity Monitoring**

New York requires licensees to demonstrate financial security. Operators and mobile sports wagering operators are not permitted to conduct a sports pool until it has supplied evidence concerning the licensee's financial background and cash reserves that are sufficient to demonstrate financial stability, integrity, and responsibility.<sup>333</sup>

As a condition of licensure, each online sports betting operator must limit a sports bettor to one active account on a given platform; implement measures to protect the privacy and online security sports bettors; and ensure sports bettors are protected from corporate insolvency, financial risk, or criminal or civil actions against the mobile sports wagering operator.<sup>334</sup>

<sup>331</sup> NY RAC PARI-M § 1367-a(7)(b) and (c).

<sup>332</sup> NY RAC PARI-M § 1367-a(7)(d).

<sup>333</sup> NY RAC PARI-M § 1367(4).

<sup>334</sup> NY RAC PARI-M § 1367-a(4).

Operators and mobile sports wagering licensees are required to conduct active integrity and security monitoring. The Commission requires operators and online sports wagering licensees to report to the Commission and approved integrity monitoring providers any information relating to unusual wagering activity or patterns that are indicative of match fixing, manipulation of an event, misuse of inside information, or other prohibited activities.<sup>335</sup>

### **Server Location Requirements**

The Commission's rules require that online sports wagering platform providers locate the platform's servers within a licensed casino. The Commission requires the servers to be located in an area limited to sports wagering-related activities with appropriate access and security measures, including a system for logging each individual access to the server storage area. The Commission's rules provide that the casinos that host the servers will be entitled to receive an annual hosting fee, pursuant to NY Racing, Pari-Mutuel Wagering and Breeding Law § 1311(3). The Commission-approved platform providers are required to jointly pay an annual payment to the four commercial casinos that host the servers. According to Appendix C of the Commission's "Request for Applications" (July 9, 2021), the annual fee that must be jointly paid by platform providers is \$20,000,000.00.

### **Minimum House Rules**

New York requires each operator and mobile sports wagering licensee to adopt comprehensive house rules governing sports wagering transactions with sports bettors. At a minimum, the rules must specify the amounts to be paid on winning wagers and the effect of schedule changes.<sup>336</sup>

### **Record Keeping and Reporting Requirements**

As a component of the state's record keeping requirements, an operator or mobile sports wagering operator must adopt procedures to obtain personally identifiable information from any individual who places any single wager in an amount of \$10,000.00.<sup>337</sup> Online sports wagering operators are required to keep records of all transactions on patron accounts for the preceding

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<sup>335</sup> NY RAC PARI-M § 1367(12)(e)(i); NY RAC PARI-M § 1367(1)(aa)-(cc).

<sup>336</sup> NY RAC PARI-M § 1367(5).

<sup>337</sup> NY RAC PARI-M § 1367(12)(b).

five years. The patron transaction records are required to be readily accessible and downloadable by the individual patron.<sup>338</sup>

New York has established statutory reporting requirements for operators and mobile sports wagering operators. Operators and mobile sports wagering operators must submit an annual report to the Commission that includes the total amount of sports wagers received, amount of prizes awarded to authorized sports bettors, amount of sports wagering gross revenue received by the licensee, number of new accounts established in the preceding year, and number of self-exclusions filed by bettors in the preceding year. The Commission must publish an annual report based on the aggregate information provided by the licensees.<sup>339</sup>

### **Responsible Gaming**

New York's statutes require the Commission to publish an annual report that must be distributed to the Governor and the Legislature on the impact of mobile sports wagering on problem gamblers in New York. The statutes specifically state that the report must contain an analysis of demographics that are disproportionately impacted by problem gambling. The costs of preparing the annual report must be paid by mobile sports wagering licensees in the form of a fee. In addition to the problem gambling report, the Commission or an independent integrity monitor must report biannually to the Governor and the Legislature on the effectiveness of New York's statutory and regulatory controls to ensure the integrity of mobile sports wagering operations.<sup>340</sup>

New York addresses responsible gaming by applying comprehensive requirements on operators and mobile sports wagering operators. The Commission requires each licensee to implement responsible gaming programs that include comprehensive employee trainings on responding to circumstances in which individuals present signs of a gambling addiction and requirements for each licensee to assess, prevent, and address problem gaming by the licensee's users.<sup>341</sup> Each licensee must also submit an approved annual problem gaming plan that includes the timetables for implementing the plan; identification of the persons responsible for implementing and maintaining the plan; procedures for identifying users with suspected or known problem gaming

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<sup>338</sup> NY RAC PARI-M § 1367-a(4)(g).

<sup>339</sup> NY RAC PARI-M § 1367(6).

<sup>340</sup> NY RAC PARI-M § 1367-a(6)

<sup>341</sup> NY RAC PARI-M § 1367(13).

behavior; and procedures for self-exclusion and providing information to users concerning problem gaming resources.<sup>342</sup>

New York also requires each online sports wagering licensee to monitor each patron's lifetime deposits and require the patron to affirm and acknowledge that the patron may establish self-imposed wagering limits. When a patron's lifetime deposits exceed \$2,500.00, the mobile sports wagering operator must prevent any wagering until the patron immediately acknowledges that the deposit threshold has been met. The licensee must notify the patron that they may elect to establish responsible gaming limits or close the account, and the licensee must provide the patron with disclosures concerning problem gambling resources.<sup>343</sup>

### **Market Parameters and Restrictions**

New York permits any person over 21 years of age to wager on professional sports events. New York permits multiple forms of wagers, including in-play wagers. Wagers may not be placed on high school sports events or any sports events in which any New York college team participates, regardless of where the event takes place.<sup>344</sup>

In addition to the statutory restrictions on wagering on particular sports events, a sports governing body may that the Commission restrict, limit, or exclude wagering on its sporting events. After reviewing the request and seeking input from wagering industry stakeholders, the Commission may limit or exclude wagering on events pursuant to the request.<sup>345</sup>

### **Taxes**

New York imposes separate tax rates on casinos and online sports wagering platform providers that receive sports wagering revenue. The state imposes a 10 percent tax on sports wagering gross revenue received by casinos that offer sports wagering. New York imposes a tax on platform providers that is determined pursuant to a competitive bidding process conducted by the Commission. However, the tax on platform providers is required to be no lower than 12 percent.<sup>346</sup> As a component of the Commission's Request for Applications, the Commission set

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<sup>342</sup> NY RAC PARI-M § 1367-a(4)(a)(xv).

<sup>343</sup> NY RAC PARI-M § 1367-a(4)(xiii).

<sup>344</sup> NY RAC PARI-M § 1367(1)(h).

<sup>345</sup> NY RAC PARI-M § 1367(11).

<sup>346</sup> NY RAC PARI-M § 1367(7).

the following “point values” for tax rates proposed by online sports wagering platform providers in a bid:

**Proposed Taxation Rate on Mobile Sports Wagering Gross Gaming Revenue**

<b>Pricing factor</b>	<b>Value</b>
12.5 percent up to 30 percent	3 points
30 percent up to 40 percent	10 points
40 percent up to 50 percent	15 points
50 percent	20 points
*An applicant shall be awarded an additional point for each full percentage point over 50 percent.	

Mobile sports wagering tax revenue is deposited into the state lottery fund for education aid. In the first fiscal year in which mobile sports wagering licensees commence operations, the Commission is required to pay into the commercial gaming fund one percent of the state tax imposed on mobile sports wagering by this section. The funds must be distributed for problem gambling education and treatment purposes. After the first year of operation, the distribution to the commercial gaming fund shall be capped at \$6 million. In addition, one percent of the first year’s state tax must be dedicated to a program to be administered by the Office of Children and Family Services for the purpose of providing annual awards to sports programs for underserved youth under 18 years of age. After the first year of operation, the distribution to the commercial gaming fund shall be capped at \$5 million.<sup>347</sup>

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<sup>347</sup> NY RAC PARI-M § 1367(8).

## North Carolina

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Exclusive tribal gaming subject to Indian Gaming Regulatory Act	Tribal governments operate sports wagering pursuant to IGRA and Tribal-State compacts.	Retail ✓ Mobile ✓ Online ✓ Tribal gaming ✓	Existing structure. Tribal governments offer sports wagering pursuant to federally approved compacts.	<i>Low.</i> North Carolina authorizes tribal gaming through Tribal-State compacts that are executed by the Governor and approved by the Department of Interior.

**Reports:** [NC Legislative Fiscal Note 2021](#) [Spectrum Gaming Study: North Carolina](#)  
[Spectrum Gaming Services Assessment: Problem Gambling in NC](#)  
[NCPG National Survey: North Carolina](#)

**Brief Overview:** North Carolina’s legal sports wagering market debuted in 2021 after the Department of the Interior approved Tribal-State compacts. North Carolina’s sports wagering market is exclusive to the state’s tribal governments. Sports wagering is conducted pursuant to the IGRA and the particular requirements of the Tribal-State compacts. The state does not tax tribal sports wagering, but the Tribal-State compacts do provide for an annual fee to defray the state’s costs for monitoring and enforcement.

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### Analysis

North Carolina’s sports betting market was introduced in 2021 upon the approval of Tribal-State gaming compacts by the Department of the Interior. North Carolina’s compact with the Catawba Indian Nation and the Eastern Band of Cherokee Indians authorizes the Tribes to offer retail and mobile sports wagering on Tribal lands.

### Class III Gaming—Compact Requirements

Prior to the conduct of horse or sports wagering on Tribal lands, the state’s Certification Commission must certify to the Governor that geolocation and age and identity verification

procedures are in place to ensure that the wagerer is 21 years of age or older and present on Tribal land, the identity of the person placing the wager can be verified by the Tribe, and all data relating to a transaction is preserved for a minimum of one year.<sup>348</sup> After that threshold condition has been satisfied, the Tribe may offer horse and sports wagering as a type of Class III gaming under the Indian Gaming Regulatory Act.<sup>349</sup>

The Compact requires the Tribes to license all personnel employed by the Tribe whose responsibilities include the operation or management of Class III games.<sup>350</sup>

The Compact requires that all sports wagering devices and equipment be approved and certified by the Tribal Gaming Commission, the Certification Commission, and an independent testing laboratory.<sup>351</sup>

The Compact requires the Tribes to maintain comprehensive operational records for a period of five years. The operational records include financial records, including revenues, expenses, assets, and liabilities; daily cash transactions; individual and statistical game records for all games; tribal enforcement activities; all audits prepared by or on behalf of the Tribes; and personnel information of all Class III Gaming employees or agents, including rotation sheets, hours worked, employee profiles, and background checks.<sup>352</sup>

The Tribes must adopt the National Indian Gaming Commission's regulations as the Tribes' minimum internal control standards for operating sports and horse race wagering. However, the Tribes may adopt internal control procedures that are more stringent than the NIGC standards.<sup>353</sup>

The Compact requires that the Compliance Committee convenes quarterly to receive reports on sports wagering activity on Tribal lands. The quarterly reports must include a written report from the Tribes of every new Class III game, a written report of any amendments to policies or procedures involving gambling addiction programs and patron disputes, and a report on any and all issues with respect to the integrity or security of sports and horse race wagering.<sup>354</sup>

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<sup>348</sup> N.C. Tribal Compact, Sec. 5(A)(20).

<sup>349</sup> N.C.G.S.A. § 14-292.2(b); N.C.G.S.A. § 71A-8.

<sup>350</sup> N.C. Tribal Compact, Sec. 5(A)(5).

<sup>351</sup> N.C. Tribal Compact, Sec. 6(E).

<sup>352</sup> N.C. Tribal Compact, Sec. 5(A)(3).

<sup>353</sup> N.C. Tribal Compact, Sec. 6(E).

<sup>354</sup> N.C. Tribal Compact, Sec. 5(B)(5).

## **Responsible Gaming**

The Tribes must adopt programs to address gambling addiction and promote responsible gaming. The Tribes' responsible gaming programs must include mandatory training for all casino employees to identify possible gambling addiction behavior in patrons, the posting of responsible gaming information, and gambling helpline phone numbers.<sup>355</sup>

## **Market Parameters and Restrictions**

North Carolina permits any person over 21 years of age to wager on sports events, provided that the person is permitted by the Compact and the rules of the Tribe.<sup>356</sup> Wagers may be placed on the outcome of professional and collegiate sports contests.<sup>357</sup> However, wagers may not be on Olympic events if not authorized by N.C.G.S. § 14-292.2(e)(3).<sup>358</sup> Further, no wagers may be placed on events that take place on Tribal lands.<sup>359</sup> For purposes of data certification, wagers may not be placed on an event unless the outcome and score of the event is reported in newspapers of general circulation; in the official, public records maintained by the appropriate league or governing body; or in other common media outlets.<sup>360</sup>

## **Annual Fee**

In lieu of a tax imposed on sports wagering revenue, the Compact imposes a fee to defray the state's costs associated with monitoring and enforcing the terms of the Compact. The Tribe and the state have agreed that the costs are equivalent to \$191,000.00 per year and that the costs will increase by 3.7 percent per year.<sup>361</sup>

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<sup>355</sup> N.C. Tribal Compact, Sec. 5(A)(16).

<sup>356</sup> N.C. Tribal Compact, Sec. 5(A)(6).

<sup>357</sup> N.C.G.S.A. § 14-292.2(e).

<sup>358</sup> N.C. Tribal Compact, Sec. 3 (EE).

<sup>359</sup> N.C. Tribal Compact, Sec. 5(A)(19)-(20).

<sup>360</sup> N.C. Tribal Compact, App. (21).

<sup>361</sup> N.C. Tribal Compact, Sec. 10.



## Oregon

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
State Control or Lottery Model	State controls sports wagering as a form of lottery game. Additionally, tribal governments may offer sports wagering pursuant to Tribal-State compacts.	Retail ✓ Mobile ✓ Online ✓ Tribal gaming ✓ State Control ✓	Existing structure. Oregon offers sports wagering through lottery agents.	<i>Low.</i> The Oregon statutes establish that the Lottery Commission may offer sports wagering lottery games. In addition, Oregon has amended Tribal-State compacts to govern sports wagering on tribal lands.

**Reports:** [2020 Scoreboard Gaming Activity Report](#) [NCPG National Survey: Oregon](#)  
[Oregon Health Authority: Gambling Programs Evaluation 2019](#)

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### Analysis

In 2019, Oregon amended its state lottery statutes to add sports betting games as a component of the state lottery. In the same year, Oregon amended certain State-Tribal compacts to permit sports pools to be operated on Tribal lands. Oregon delegated authority over the operation of the state’s sports betting games to the Oregon Lottery Commission.<sup>362</sup>

### State Control or State Lottery

Oregon operates sports betting games through a Lottery-controlled online platform called “Scoreboard.” The Lottery Commission permits eligible players to purchase shares and place bets on sporting events through Scoreboard. To purchase a share in Scoreboard, an eligible player places a bet on a sporting event. The odds and prize associated with each bet amount are

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<sup>362</sup> O.R.S. § 461.010(10).

disclosed to the player before the bet is placed. The Lottery determines winning bets based on the official event results.<sup>363</sup> In addition, the Lottery Commission has adopted rules to permit DraftKings to offer sports betting games within the state.<sup>364</sup> The rules governing DraftKings generally apply the same operational requirements as the rules apply to the Lottery's Scoreboard platform. Any dispute between a patron and DraftKings may be appealed to the Director of the Lottery.

### **Tribal-State Compacts**

The Tribal-State Compacts permit mobile sports betting on Tribal lands. Prior to the formal introduction of new sports betting games on Tribal lands, the Tribe and the state must agree that the Tribe has adopted appropriate internal controls, surveillance plans, game rules and procedures. Further, the Tribe and State must agree that the Tribal Gaming Commission is fully prepared to regulate and monitor the new sports betting game. With respect to a sports pool, any new technology must pass certification by an approved independent gaming test laboratory and must comply with operation and production testing standards.<sup>365</sup> For mobile sports betting, a patron may only place a bet via a mobile device while physically present at the gaming facility.<sup>366</sup>

The Tribe is required to take reasonable steps to secure patrons' personally identifying information. In the event of an unauthorized acquisition of computerized data that materially compromises the security of personally identifying information and exposes a person to identify theft, the Tribe is required to notify patrons affected by the breach and the Oregon State Police.<sup>367</sup>

The Compact incorporates state policy regarding the integrity and security of gaming operations. The Compact specifically states that any entity in Oregon, including the Tribe, that engages in sports pool operations shall participate in an independent sports wagering integrity organization.<sup>368</sup>

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<sup>363</sup> Or. Admin. R. 177-092-0015(1).

<sup>364</sup> Or. Admin. R. 177-093-0010.

<sup>365</sup> Or. Tribal Compact, Sec. 4(B)(3).

<sup>366</sup> Or. Tribal Compact, Sec. 4(C).

<sup>367</sup> Or. Tribal Compact, Sec. 8(H)(2).

<sup>368</sup> Or. Tribal Compact, Sec. 9(A)(6)(a).

## **Responsible Gaming**

Oregon's lottery statute requires that the Lottery Commission establish responsible gambling practices to conduct the state's lottery business in a manner that reduces the harm to the public caused by gambling. The Commission is required to incorporate the responsible gambling practices into the Oregon State Lottery Responsible Gambling Code of Practice.<sup>369</sup>

## **Market Parameters and Restrictions**

Oregon permits any person who is over 21 years of age to wager on sports events.<sup>370</sup> Bets may only be placed on sporting events associated with a recognized governing body. The Lottery determines available bets at any given time at the Lottery's sole discretion.<sup>371</sup>

## **Distribution of Revenue**

The Oregon Constitution designates where the proceeds from lottery games must be deposited. Under the Oregon Constitution, 18 percent of the net proceeds from the state Lottery must be deposited in an education stability fund.<sup>372</sup> If the amount in the education stability fund exceeds 5 percent of the amount that was accrued as revenue in the state's general fund during the prior biennium, then 15 percent of the net proceeds from the State Lottery must be deposited into the school capital matching fund.<sup>373</sup> Fifteen percent of the net proceeds from the state Lottery must be deposited in the state's parks and natural resources fund.<sup>374</sup>

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<sup>369</sup> O.R.S. § 461.200(2)(d).

<sup>370</sup> Or. Admin. R. 177-092-0020(1).

<sup>371</sup> Or. Admin. R. 177-092-0025(7).

<sup>372</sup> Or. Const. Art. XV, § 4(4)(d).

<sup>373</sup> Or. Const. Art. XV, § 4(5)(b).

<sup>374</sup> Or. Const. Art. XV, § 4(8).

## Pennsylvania

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Gaming Control Board Model	Private actors (licensed casinos and racetracks)	Retail ✓ Mobile ✓ Online ✓	Existing structure. Pennsylvania issues a sports wagering certificate to existing gaming licensees.	<i>High.</i> In addition to existing statutory requirements for gaming licensees, the Pennsylvania sports wagering statutes establish specific licensing criteria, fees, privileges, and duties.

**Reports:** [2021-2022 Sports Wagering Revenue](#)      [PA Interactive Gaming Report 2021](#)  
[NCPG National Survey: Pennsylvania](#)

**Brief Overview:** Pennsylvania introduced its retail and sports wagering market in 2018. Pennsylvania uses the *Gaming Control Board Model* of sports wagering regulation and has authorized the Gaming Control Board regulatory authority over the state’s market. The Gaming Control Board issues sports wagering certificates to slot machine licensees. Pennsylvania uses a tiered license structure and imposes licensing fees. The state also applies a tax on the adjusted gross sports wagering revenue.

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### Analysis

Pennsylvania formally introduced its sports wagering market in 2018. Pennsylvania permits both retail and mobile sports wagering. The Pennsylvania Gaming Control Board is granted regulatory authority over the state’s sports wagering market.<sup>375</sup>

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<sup>375</sup> 4 Pa.C.S.A. Part II, chapter 13C.

## Licensing Structure

The Board issues the following sports wagering licenses: sports wagering certificate, sports wagering operator, interactive gaming operator, sports wagering service provider, manufacturer's license, and supplier's license.

The Board issues sports wagering certificates to authorize the certificate holder to operate sports wagering as a form of interactive gaming authorized by the Commonwealth.<sup>376</sup> The Board authorizes slot machine licensees to operate sports wagering at the slot machine licensee's licensed facility or through an Internet-based system.<sup>377</sup>

When petitioning for approval from the Board, a slot machine licensee must inform the Board of the following: the name, business address, job title, and a photograph of each principal and key employee; a description of the economic benefits expected to be realized by the state; the details of any financing obtained to fund a modification of the licensed facility to accommodate sports wagering, and information and documentation concerning financial background and resources. In addition, the Board will consider the performance of the petitioner's slot machine and table game operation.<sup>378</sup>

The Board does not permit a sports wagering certificate holder to offer sports wagering until it has satisfied minimum requirements, including the implementation of necessary internal controls, management controls, security arrangements, and surveillance systems.<sup>379</sup>

The Board issues a sports wagering gaming service provider's license to a person that provides sports wagering goods or services to a certificate holder or sports wagering operator, but the person is not required to be licensed as a sports wagering operator, interactive gaming operator, sports wagering manufacturer, sports wagering supplier, interactive gaming manufacturer, or interactive gaming supplier. A professional sports team or association that provides sports wagering data is not required to be licensed as a service provider.<sup>380</sup>

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<sup>376</sup> 4 Pa.C.S.A. § 13C11(a)(2).

<sup>377</sup> 4 Pa.C.S.A. § 13C11(a)(1)(i).

<sup>378</sup> 4 Pa.C.S.A. § 13C12.

<sup>379</sup> 4 Pa.C.S.A. § 13C22.

<sup>380</sup> 58 Pa. Code § 1401.2

The Board issues a manufacturer’s license to a person who manufactures, builds, assembles, programs, designs, or sells any sports wagering device or associated equipment.<sup>381</sup>

The Board issues a sports wagering supplier’s license to a supplier that provides products or services related to any Board-authorized sports wagering device. A supplier’s license may also be issued to a person that provides risk management services, integrity services, or odds to a sports wagering licensee.<sup>382</sup>

The Board issues a gaming employee permit to an employee of a certificate holder, interactive gaming operator licensee, sports wagering operator licensee, sports wagering manufacturer, sports wagering supplier, or sports wagering gaming service provider.<sup>383</sup>

### License Fees and Renewal Periods

License	Fees	Renewal periods
Sports wagering certificate holder	Initial: \$10,000,000.00 Renewal: \$250,000.00	5 years
Sports wagering operator	Initial: \$50,000.00 Renewal: \$50,000.00	5 years
Sports wagering manufacturer	Initial: \$10,000.00 Renewal: \$10,000.00	5 years
Sports wagering supplier	Initial: \$10,000.00 Renewal: \$10,000.00	5 years
Applicant fee	\$5,000.00	
Affiliated entity registration	\$2,500.00	
Key employee	\$2,500.00	
Employee permit	\$350.00	
Employee registration	\$60.00	

### Security, Financial Requirements, and Integrity Monitoring

A certificate holder is required to comply with all existing licensure requirements related to internal controls, financial stability, security, surveillance, record keeping, and reporting. A certificate holder is required to designate an area within the licensed facility where sports wagering will be conducted. Further, the certificate holder is required to integrate sports

<sup>381</sup> 4 Pa.C.S.A. § 13C16; 4 Pa.C.S.A. § 1317.1.

<sup>382</sup> 58 Pa. Code § 1401.2

<sup>383</sup> 58 Pa. Code § 1401.2

wagering operations with the licensed facility's existing count room to ensure maximum security of the counting and storage of cash and cash equivalents.<sup>384</sup>

### **Market Parameters and Restrictions**

Pennsylvania permits any person over 21 years of age to wager on professional or collegiate sports or motor racing events.<sup>385</sup> Pennsylvania permits multiple forms of wagers, including exchange wagering, parlays, over-under, moneyline, pools, and straight bets.<sup>386</sup> However, wagers may not be placed on high school athletic events governed by the Pennsylvania Interscholastic Athletic Association, or on amateur athletic events, other than collegiate athletic events, unless otherwise specifically approved by the Board.<sup>387</sup>

### **Taxes**

Pennsylvania imposes a 34 percent tax on daily sports wagering revenue.<sup>388</sup> In addition, each sports wagering certificate holder shall pay on a weekly basis a local share assessment of 2 percent of daily sports wagering revenue.<sup>389</sup> Pennsylvania dedicates 0.2 percent of total gross sports wagering revenue to the state's Compulsive and Problem Gambling Treatment Fund and 0.2 percent to the Department of Drug and Alcohol Programs to be used for drug and alcohol addiction treatment services, including treatment for drug and alcohol addiction related to compulsive and problem gambling.<sup>390</sup>

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<sup>384</sup> 4 Pa.C.S.A. § 13C02.

<sup>385</sup> 4 Pa.C.S.A. § 13C01 (Sporting event).

<sup>386</sup> 4 Pa.C.S.A. § 13C01 (Sports wagering).

<sup>387</sup> 58 Pa. Code § 1401.7(a).

<sup>388</sup> 4 Pa.C.S.A. § 13C62.

<sup>389</sup> 4 Pa.C.S.A. § 13C63(c).

<sup>390</sup> 4 Pa.C.S.A. § 13C64.

## Rhode Island

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Hybrid-State Control and Gaming Control Board Model	State has exclusive authority to operate sports wagering through casino licensees.	Retail ✓ Mobile ✓ Online ✓ Tribal gaming ✓ State Control ✓	Existing structure. Rhode Island operates sports wagering through two existing gaming licensees.	<i>High.</i> In addition to existing statutory requirements for gaming licensees, Rhode Island's sports wagering statutes establish specific requirements for integrity systems, record keeping, reporting, and the location of gaming technology and services.

**Reports:** [Rhode Island Gaming and State Revenue Forecast RI Sportsbook Revenue FY21](#)  
[NCPG National Survey: Rhode Island](#)

**Brief Overview:** Rhode Island debuted its retail sports wagering market in 2018 and the online market in 2019. Rhode Island uses a hybrid version of the *State Control or State Lottery and Gaming Control Board Model* of sports wagering regulation. The state controls the sports wagering market and offers sports wagering through two of its existing gaming licensees.

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### Analysis

Rhode Island introduced retail sports wagering in 2018 and online sports wagering in 2019. The State Lottery Division within the Department of Revenue is granted regulatory and operational authority over sports wagering in Rhode Island.



## State Control or State Lottery

The state controls all sports wagering within Rhode Island. Rhode Island's sports wagering system is operated through two existing gaming facilities: the Twin River and Tiverton gaming facilities.<sup>391</sup>

The Lottery Division is granted authority to construct and operate the state's sports wagering system, including the development of security and integrity systems. Rhode Island's statutory framework grants the Division the authority to establish the reporting systems necessary for linking, tracking, depositing, and reporting receipts, audits, and reports. Rhode Island further permits the Division to collect all sports-wagering revenue through the existing licensed gaming facilities. In its role as the governmental unit operating the sports wagering system, the Division is permitted to monitor the sports wagering operations hosted by the licensed gaming facilities and to terminate or suspend any sports wagering activities in the event of an integrity concern. The Division is further permitted to work with sports wagering vendors to establish house rules for sports wagering, including rules that establish the minimum and maximum wagers for each game. Finally, the Division is granted authority to establish compulsive gambling treatment programs.<sup>392</sup>

Rhode Island permits online sports wagering through mobile applications or other interactive devices approved by the Division, provided that all mobile sports wagers must be accepted by a server-based gaming system located on the premises of a licensed hosting facility.<sup>393</sup> Rhode Island's statutory scheme grants the Division the authority to enter into agreements with sports wagering system and platform providers for on-premises and Internet-based mobile wagering through a server-based gaming system.<sup>394</sup> The server-based gaming system and all hardware, software, and other technology or equipment located on a hosting facility's premises and used to conduct online sports wagering must be located in a restricted area on the hosting facility's premises.<sup>395</sup>

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<sup>391</sup> R.I. Gen. Laws § 42-61.2-2.4.

<sup>392</sup> R.I. Gen. Laws § 42-61.2-2.4(a).

<sup>393</sup> R.I. Gen. Laws § 42-61.2-1(21).

<sup>394</sup> R.I. Gen. Laws § 42-61.2-4(4)-(5).

<sup>395</sup> R.I. Gen. Laws § 42-61.2-16(c).

The Division possesses rulemaking authority to govern the operation of the sports wagering system through the licensed gaming facilities. The Division may determine by rule the following: categories of sporting events on which a wager may be placed; methods for determining the outcome of a wager; physical characteristics and inspection procedures for sports wagering devices and equipment; operational controls for server-based gaming systems used for online sports wagering; internal controls for system integrity, system security, operations, accounting, and reporting of problem gamblers; and controls for online gaming accounts.<sup>396</sup>

### **Security, Financial Requirements, and Integrity Monitoring**

The Division plays an active role in monitoring the conduct of retail sports wagering at licensed facilities. The licensed gaming facilities that host sports wagering activities must establish secure, segregated facilities for the exclusive use of the Division and the Gaming Enforcement Unit of the Rhode Island State Police. The space that is allocated to the Division and the State Police must include surveillance equipment and monitors with full camera control capability.<sup>397</sup>

For purposes of data management and data security, the Division assumes sole custody and control of all patron and player data that is acquired through sports wagering vendors or at a licensed gaming facility.<sup>398</sup>

### **Responsible Gaming**

Rhode Island addresses responsible gaming through the licensed gaming facilities that host sports wagering. The Twin River and Twin River-Tiverton facilities are required to offer and provide problem gambling awareness training for employees and self-exclusion programs for patrons and to promote a problem gambling hotline. The facilities must pay an annual problem gambling payment to the Division of not less than \$200,000.00 for compulsive and Division-approved problem gambling programs.<sup>399</sup>

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<sup>396</sup> R.I. Gen. Laws § 42-61.2-3.3(a).

<sup>397</sup> R.I. Gen. Laws § 42-61.2-3.3.

<sup>398</sup> R.I. Gen. Laws § 42-61.2-2.4(e).

<sup>399</sup> R.I. Gen. Laws § 42-61.2-14.

## Market Parameters and Restrictions

Rhode Island permits any person over 18 years of age to wager on sporting events. A patron may place sports wagers on any professional sport or athletic event, any Olympic or international sports competition event, and any collegiate sport or athletic event, except for collegiate events that take place in Rhode Island or involve a Rhode Island collegiate team. Sports wagering may not include off-track betting on racing events or wagering on the scores or points of jai alai or pelota.<sup>400</sup> Patrons are permitted to place multiple types of wagers including exchange wagering, parlays, over-under, moneyline, pools, and straight bets.<sup>401</sup>

## Taxes

Rhode Island imposes a 51 percent tax on retail and online sports wagering revenue. Sports wagering revenue is calculated differently for retail and online sports wagering. For online sports wagering, revenue is calculated as the total of cash received from sports wagering activities less amounts paid to players, Division-approved marketing expenses, and any applicable federal excise taxes.<sup>402</sup> For retail sports wagering, revenue is calculated according to the same formula as online sports wagering, except that a deduction is allowed for the annual flat fee that licensed gaming facilities must pay to the “host communities” where the facilities are located.<sup>403</sup> The annual flat fee paid to communities for hosting sports wagering is \$100,000 each to the town of Lincoln and the town of Tiverton.<sup>404</sup>

The revenue generated by the sports wagering and online sports wagering tax is allocated pursuant to an agreement executed between the Division and the licensed gaming facilities. Rhode Island’s sports wagering statutes require that the allocation of sports wagering revenue and online sports wagering revenue must be divided between the state (51 percent of the revenue), the state’s authorized sports wagering vendor (32 percent), and the licensed gaming facilities that host sports wagering (17 percent). The sports wagering revenue and online sports-

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<sup>400</sup> R.I. Gen. Laws § 42-61.2-1(30) and (31).

<sup>401</sup> R.I. Gen. Laws § 42-61.2-1(31).

<sup>402</sup> R.I. Gen. Laws § 42-61.2-1(22).

<sup>403</sup> R.I. Gen. Laws § 42-61.2-1(33).

<sup>404</sup> R.I. Gen. Laws § 42-61.2-6(c).

wagering revenue allocated to the state is dedicated to the state Lottery fund for administrative purposes, and any unexpended balances are then credited to the general fund.<sup>405</sup>

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<sup>405</sup> R.I. Gen. Laws § 42-61.2-6.

## South Dakota

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Gaming Control Board Model	Private actors (licensed casinos in the City of Deadwood)	Retail ✓ Tribal gaming ✓	Existing structure. South Dakota issues operator licenses to gaming licensees in the City of Deadwood.	<i>High.</i> In addition to existing statutory requirements for gaming licensees, the South Dakota sports wagering statutes establish specific licensing criteria, fees, privileges, and duties.

**Reports:** [South Dakota Legislative Research Council: Fiscal Note 2018](#)  
[Commission on Gaming Annual Report \(2021\)](#) [NCPG National Survey: South Dakota](#)

#### Brief Overview:

### Analysis

The South Dakota voters approved the legalization of sports wagering in November of 2020, and the state introduced legalized sports wagering in 2021. South Dakota permits sports wagering at licensed locations in the City of Deadwood.<sup>406</sup> The South Dakota Commission on Gaming possesses regulatory authority over the state's sports wagering system.<sup>407</sup>

### Licensing System

The Commission issues the following sports wagering licenses: operator license, route operator license, sports wagering service provider license, associated equipment manufacturer or distributor license, support license, and key employee license. Each of the sports wagering

<sup>406</sup> SDCL § 42-7B-4(19).

<sup>407</sup> SDCL § 42-7B-4(11).

licenses is established as an extension of South Dakota's existing license structure for gaming within the City of Deadwood.<sup>408</sup>

The Commission requires entities within the City of Deadwood to acquire an operator or route operator license before offering sports wagering through a sports wagering service provider's retail system, device-based system, or sports wagering kiosk. The holder of an operator license may offer sports wagering at the operator's licensed facility. The holder of a route operator license may place sports wagering devices at other licensed locations.<sup>409</sup> Each operator or route operator must install and maintain Commission-approved equipment to ensure that all bets are placed on the premises of a licensed gaming establishment within the city of Deadwood.<sup>410</sup>

The Commission issues sports wagering service provider licenses to entities that provide any of a number of different services to the licensed operators at retail gaming facilities. A sports wagering service provider license is issued to an entity that maintains or operates the software or hardware of a sports wagering system or that facilitates wagering on a sporting event by providing a service, including data aggregation, risk management, computer service, furnishing information, and setting of odds.<sup>411</sup> The holder of a sports wagering services provider license is required to store the primary server or other equipment in a secure location within the city of Deadwood.<sup>412</sup>

The Commission issues associated equipment manufacturer or distributor licenses to entities that develop and provide equipment that supports sports wagering at a licensed gaming facility. The license may be granted to an entity that person who designs, assembles, manufactures, distributes, or otherwise sells a product or component of any device that is used remotely or directly in connection with sports wagering or sports wagering devices.<sup>413</sup>

The Commission issues support licenses to employees of any retail licensee, operator, route operator, sports wagering services provider, or associated equipment manufacturer or distributor. Support licenses are issued to persons over 21 years of age who the Commission determines are

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<sup>408</sup> S.D. Admin. R. 20:18:35:01 *et seq.*

<sup>409</sup> *Id.*

<sup>410</sup> SDCL § 42-7B-79.

<sup>411</sup> SDCL § 42-7B-22(43).

<sup>412</sup> ARSD 20:18:35.01:04.

<sup>413</sup> SDCL § 42-7B-22(3) and (4).

of good moral character. The Commission is authorized to deny a support license to any employee of a gaming licensee who has been “discharged for cause.”<sup>414</sup>

In addition to the support licenses for employees, the Commission issues licenses for key employees of each gaming licensee. Key employee licenses are issued to any executive, employee, or agent of a gaming licensee having the power to “exercise a significant influence over a decision concerning any part of the operation of a gaming licensee.”<sup>415</sup>

South Dakota’s statutory structure establishes universal qualification requirements for operators, route operators, sports wagering service providers, associated equipment manufacturers and distributors, support employees, and key employees. The universal requirements include a determination of good moral character; evaluation of the person’s prior activities, criminal record, reputation, habits, and associations to ensure that the person does not pose a threat to the public interests of this state or to the control of the gaming and gaming integrity; and the determination of whether the person has committed a felony, violated the state’s gaming laws, or made material misstatements to the Commission.<sup>416</sup>

### License Fees and Renewal Periods

License	Initial fees	Application fees	Renewal fees	Renewal periods
Operator license	\$1,000.00		\$200.00	Annually
Route operator license <sup>417</sup>	\$1,000.00		\$200.00	Annually
Sports wagering service provider	\$2,000.00	\$5,000.00	\$2,000.00	Annually
Associated equipment manufacturer or distributor	\$500.00		\$250.00	Annually
Support (employee)	\$50.00		\$25.00	Annually
Key employee	\$50.00		\$25.00	Annually

<sup>414</sup> SDCL § 42-7B-27.

<sup>415</sup> SDCL § 42-7B-22(24).

<sup>416</sup> SDCL § 42-7B-33.

<sup>417</sup> Route operator licensees are required to also hold an operator license.

### **Security, Financial Requirements, and Integrity Monitoring**

South Dakota has focused on systems security and integrity for the sports wagering market, which relies heavily on the use of technical equipment within licensed establishments. Under South Dakota’s scheme, any sports wagering devices or equipment are required to meet security and audit specifications established by Commission rule.<sup>418</sup> Each gaming licensee and sports wagering services provider must comply with the Gaming Laboratories International, LLC Standard GLI-33: Standards for Event Wagering Systems.<sup>419</sup> Under the Commission’s rules, each licensee that offers sports wagering must meet minimum technical standards established by rule and by internal control procedures that have been submitted to and approved by the Commission. All equipment and systems integral to the conduct of sports wagering must be submitted to a Commission-approved independent testing laboratory for evaluation and approval. The Commission conducts annual testing and audits that are included in a report concerning licensee technical standards and security.<sup>420</sup>

For each licensee’s initial integrity and security assessment, the Commission requires prior approval of internal controls that protect the integrity of all hardware, networks, applications, and system data. In addition, the Commission requires assessment and prior approval of “change control processes” within the sports wagering service provider’s system. Change control processes are minimum standards for the alteration or upgrade of components within the technological platform underlying the sports wagering system or device, specifically the software and source data that comprises the sports wagering system.<sup>421</sup> On an annual basis, the Commission must review the certifications for each system operating under the licensees’ certified change control processes to ensure that the system meets specifications established by rule or internal control procedures. The licensee must also submit formal certification documentation from a Commission-designated independent gaming laboratory.<sup>422</sup>

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<sup>418</sup> SDCL § 42-7B-43.

<sup>419</sup> ARSD 20:18:35.01:02.

<sup>420</sup> ARSD 20:18:35.01:03; ARSD 20:18:35.01:06.

<sup>421</sup> See GLI-CMP Change Management Program Guide V.1 (May 6<sup>th</sup>, 2020), Section 3 (Change Management Policies and Procedures).

<sup>422</sup> ARSD 20:18:35.01:03.



## Market Parameters and Restrictions

South Dakota permits any person who is not a prohibited wagerer and is over 21 years of age to place sports wagers at licensed establishments within the City of Deadwood. The Commission prohibits wagers from being placed on athlete injuries and on any event or where the majority of the athletes or competitors in the sporting event are under 18 years of age.<sup>423</sup> Before offering a wager type or any wager on a particular event category, the type and category of the wager must be approved by the Commission in accordance with the Commission's rules.<sup>424</sup> Additionally, the Commission has established a process by which a sports governing body may request that a particular wager type or event be excluded from wagering.<sup>425</sup>

## Taxes

South Dakota imposes a 9 percent tax on adjusted gross sports wagering receipts. Licensees that are responsible for paying the tax may deduct the cost of free plays within the reporting period. Licensees must pay the tax on a monthly basis.<sup>426</sup> The proceeds from South Dakota's sports wagering tax are incorporated into the broader revenue collected from gaming licensees within the City of Deadwood and are distributed to various funds according to a general statutory structure. Revenue is distributed as follows: \$6.8 million annually to the City of Deadwood, an amount to cover the Commission's annual expenses, \$100,000.00 to State Historical Preservation Grant and Loan Fund, 40 percent to the state's tourism promotion fund, 10 percent paid to Lawrence County, and the remaining funds to be distributed proportionally between municipalities and school districts within Lawrence County.<sup>427</sup>

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<sup>423</sup> ARSD 20:18:35.07.

<sup>424</sup> ARSD 20:18:35.05.

<sup>425</sup> ARSD 20:18:35.08.

<sup>426</sup> SDCL § 42-7B-4(1); SDCL § 42-7B-28; SDCL § 42-7B-52.

<sup>427</sup> SDCL § 42-7B-48 – 48.2.

## Tennessee

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Gaming Control Board Model	Private actors (licensed casinos and racetracks)	Mobile ✓ Online ✓	New structure. Tennessee issues sports wagering licenses under a tiered license system.	<i>High.</i> The Tennessee sports wagering statutes establish specific licensing criteria, fees, privileges, and duties.

**Reports:** [Tennessee Monthly Sports Gaming Reports](#) [NCPG National Survey: Tennessee Analysis of Tennessee’s Proposed Minimum Hold Requirement](#) [Tennessee Lottery Responsible Gaming Report](#)

**Brief Overview:** Tennessee debuted its online and mobile sports wagering market in late 2020. Tennessee uses a form of the *Gaming Control Board Model* for the regulation of the sports wagering market. The state issues operator licenses within a tiered licensure system. Tennessee applies uniform licensure requirements for all licenses within the tiered system. Tennessee’s regulatory structure is similar to the *Nevada Model*, except that Tennessee imposes relatively high license fees and a tax rate that is above the median range for states with an active market. However, Tennessee’s regulatory structure does reflect the *Nevada Model* in the area of strict security and integrity regulation and an uncapped, open, and competitive license market.

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### Analysis

Tennessee’s sports wagering statutes became effective in 2019, and Tennessee introduced the state’s regulated sports wagering market in late 2020.<sup>428</sup> Tennessee permits sports wagering to be offered through mobile and Internet platforms. The state does not currently have retail sports wagering locations. Tennessee has placed sports wagering under the regulatory authority of the Tennessee Lottery Corporation and the Corporation’s Sports Wagering Advisory Council.<sup>429</sup>

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<sup>428</sup> T.C.A. 4, chapter 51, part 3.

<sup>429</sup> T.C.A. § 4-51-305.

## Licensure System

The Sports Wagering Advisory Council issues the following sports wagering licenses: Sports gaming operator, supplier registration, and vendor registration. For each of the licenses, the Council requires the payment of a nonrefundable uniform application fee.<sup>430</sup>

The Council issues an operator license to a person who offers interactive sports gaming to the public.<sup>431</sup> A supplier registration is issued to a person who supplies any of the following services for sports wagering operators: data; geolocation; sports gaming equipment, software, systems, or platforms; global risk management; patron accounts management systems; payment processors; and other service providers that directly engage with the sports wagering system.<sup>432</sup> A vendor registration is issued to any other person who provides goods or services that are material to the conduct of sports wagering and who are not otherwise captured by the other license or registration categories.<sup>433</sup>

Tennessee applies uniform requirements for a license or registration applicant. Each applicant must provide proof of financial stability, criminal background checks for principals, sufficient documentation to establish the applicant's character and integrity, letters of reference from the law enforcement agency with jurisdiction over the place where the applicant resides, letters of reference from any other jurisdiction where the licensee lawfully conducts sports wagering activities, and documentation concerning the applicant's business acumen and financial standing.<sup>434</sup> Each licensee must obtain a minimum \$500,000.00 bond prior to conducting sports wagering activities.<sup>435</sup>

## License Fees and Renewal Periods

License	Application fees	Initial fees	Renewal fees	Renewal periods
Operator license	\$50,000.00	\$750,000.00	\$750,000.00	Annually
Supplier registration		\$10,000.00	\$10,000.00	Annually

<sup>430</sup> T.C.A. § 4-51-317(b)(10).

<sup>431</sup> Tenn. Rule 15.1.4(A).

<sup>432</sup> Tenn. Rule 15.1.4(B).

<sup>433</sup> Tenn. Rule 15.1.4(C).

<sup>434</sup> T.C.A. § 4-51-317(b).

<sup>435</sup> Tenn. Rule 15.1.7(A)(1).

Vendor registration		\$500.00	\$500.00	3 years
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### **Security, Financial Requirements, and Integrity Monitoring**

Tennessee has established minimum security requirements that focus on the preservation of wagering system integrity and the discovery of abnormal or criminal activity. First, the Council requires each licensee to maintain membership in the Global Lottery Monitoring System or another Council-approved integrity monitoring association.<sup>436</sup> Additionally, Tennessee’s statutes require each licensee to immediately report to both the Council and the appropriate sports governing body any information relating to abnormal betting activity or patterns that may indicate a concern with the integrity of a sporting event; criminal or disciplinary proceedings against the licensee; detected breaches of a sports governing body’s internal rules and codes of conduct; and actions corrupting the betting outcome of a sporting event, including match fixing.<sup>437</sup>

### **Regulation of Official Data Sources**

Tennessee’s statutory structure regulates the sources of certified sports wagering data. Sports wagering licensees may only use “official league data” when offering live betting, with specific exemptions granted when the licensee demonstrates that the “official league data” cannot be provided to the licensee under commercially reasonable terms.<sup>438</sup> For purposes of Tennessee’s regulated data streams, “official league data” consists of statistics and results that are provided by a sports governing body.<sup>439</sup>

### **Minimum House Rules**

Tennessee requires licensees to adopt comprehensive house rules governing the acceptance of wagers and payouts. Prior to the acceptance of any wager by a licensee, the Board must approve the licensee’s house rules and any amendments. The licensee’s rules must be readily available to a wagerer on the licensee’s website. Within the context of licensee house rules, Tennessee

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<sup>436</sup> Tenn. Rule 15.1.3(J)(1).

<sup>437</sup> T.C.A. § 4-51-315.

<sup>438</sup> T.C.A. § 4-51-316.

<sup>439</sup> T.C.A. § 4-51-302(17).

requires the Board to adopt administrative rules governing procedures for a licensee's acceptance of wagers and distribution of payouts to bettors.<sup>440</sup>

### **Record Keeping and Reporting**

The Council applies a broad record keeping requirement to Tennessee's sports wagering licensees. Licensees must maintain and retain financial records, supporting documents, statistical records, and other records that relate to the licensee's sports gaming operations for a five-year retention period.<sup>441</sup>

Tennessee requires both state actors and licensees to create annual reports concerning the state's sports wagering market. At the time a person applies for an operator license and annually after the issuance of the license, the operator or applicant must submit an audit of the operator or applicant's financial statements related to interactive sports gaming operations in the state.<sup>442</sup> For purposes of financial reporting, each licensee is required to annually report the total amount of wagers received from bettors in the preceding year, the adjusted gross income of the licensee, and other information required by the Council and the Board that is in the public interest or necessary to maintain the integrity of Tennessee's sports wagering system.<sup>443</sup>

The Board must annually report to the Governor, the Speaker of the Senate, and the Speaker of the House of Representatives concerning the regulated sports wagering market. The report must detail the number of active licensees, the aggregate gross and net revenue of all licensees, and the financial impact of sports wagering on state and local government.<sup>444</sup> In addition, the Tennessee Department of Mental Health and Substance Abuse must prepare an annual report concerning the Department's programs for problem gambling and gambling disorders, including descriptions of programs, therapies, grants, and other resources; the success and outcomes of the programs; the number of persons that the Department has treated; the number of persons who complete the programs; and the rate of recidivism with respect to the Department's programs.<sup>445</sup>

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<sup>440</sup> T.C.A. § 4-51-322.

<sup>441</sup> Tenn. Rule 15.1.7(C)(3).

<sup>442</sup> Tenn. Rule 15.1.5(G).

<sup>443</sup> T.C.A. § 4-51-324.

<sup>444</sup> T.C.A. § 4-51-308(a).

<sup>445</sup> T.C.A. § 4-51-319(c).

## Responsible Gaming

Tennessee uses both regulatory power and tax revenue to address responsible gaming within the context of sports wagering. The state requires licensees to provide wagerers with self-exclusion tools, including the ability to limit the time the wagerer may spend betting and the amounts that may be wagered. The state establishes a reasonableness standard, requiring the licensee to take reasonable steps to prevent self-excluded or self-limited wagerers from placing excluded or limited wagers. Within the licensee-operated self-exclusion program, each licensee must allow the wagerer to request that the licensee share the self-exclusion or self-limitation request with the Board for the purpose of disseminating the request to other licensees. In addition to these regulatory tools, Tennessee addresses responsible gaming by requiring the Department of Mental Health and Substance Abuse to oversee grant programs with treatment organizations to provide problem gambling or gambling disorder services and initiatives.<sup>446</sup>

## Market Parameters and Restrictions

Tennessee permits any person who is over 21 years of age to place a wager on sporting events.<sup>447</sup> Tennessee permits wagers to be placed on any professional sporting or athletic event, motorsports, e-sports, any collegiate sporting or athletic event, and any Olympic sporting or athletic event. However, Tennessee excludes horse racing from sports wagering.<sup>448</sup>

The holder of an operator license may not permit any person to wager on injuries, penalties, or other type of wager that would be contrary to public policy, unfair to consumers, or deemed to violate Article XI, Section 5 of the Constitution of Tennessee.<sup>449</sup> Further, Tennessee law directs the Board to adopt rules prohibiting certain types of in-play and proposition wagers based on individual actions, events, statistics, occurrences, or nonoccurrences during a collegiate sporting event.<sup>450</sup>

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<sup>446</sup> T.C.A. § 4-51-319.

<sup>447</sup> T.C.A. § 4-51-311(a).

<sup>448</sup> T.C.A. § 4-51-302(23).

<sup>449</sup> Tenn. Rule 15.1.3(I)(1).

<sup>450</sup> T.C.A. § 4-51-314(a).

## Taxes

Tennessee imposes a 20 percent privilege tax on the adjusted gross income of licensees. The sports wagering tax must be paid on a monthly basis.<sup>451</sup> Tennessee designates 80 percent of the privilege tax on sports wagering to the state's "lottery for education account." Of the remaining balance, 15 percent of the privilege tax must be distributed on a quarterly basis to the general fund. The 15 percent distribution to the general fund must be remitted quarterly to each local government in Tennessee on a per capita basis. The remaining 5 percent of the privilege tax must be allocated to the Department of Mental Health and Substance Abuse for treatment of individuals with problem gambling or gambling disorders.<sup>452</sup>

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<sup>451</sup> T.C.A. § 4-51-304(b) and (c).

<sup>452</sup> T.C.A. § 4-51-304(e).

## Virginia

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Gaming Control Board Model	Private operators	Mobile ✓ Online ✓	New structure. Virginia issues sports betting permits to entities that intend to offer mobile or online sports betting.	<i>High.</i> The Virginia sports wagering statutes establish license caps, specific licensing criteria, fees, privileges, and duties.

**Reports:** [VA Lottery Sports Wagering Activity Reports](#) [JLARC Recommendations](#) [Joint Legislative Audit and Review Commission: Report on Gaming in the Commonwealth](#) [JLARC Briefing](#) [Innovation: Expanded Legalized Gaming Report](#) [RMC: Comparative Governance and Regulatory Structures Study](#)

**Brief Overview:** Virginia introduced its online and mobile sports betting market in early 2021. The state uses the *Gaming Control Board Model* for the regulation of the sports betting market. Virginia is unique in its statutory structure in that it expressly prohibits the operation of retail sports wagering. Virginia has capped the number of sports betting permits that will be issued, with a minimum of four permits and a maximum of twelve. Virginia imposes licensure fees on permit holders and a tax on the adjusted gross sports betting revenue of operators.

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## Analysis

The Virginia General Assembly enacted the state's sports betting statutes in the spring of 2020 and the sports betting market was formally introduced in early 2021. Virginia permits mobile and online sports betting but expressly prohibits retail sports betting. Further, Virginia prohibits any entity from making its premises available as a lounge for the placement of a mobile or online sports bet.<sup>453</sup> Virginia grants the Virginia Lottery Department regulatory authority over the sports betting market and incorporates sports betting within the general laws applicable to the state's lottery.<sup>454</sup>

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<sup>453</sup> VA Code Ann. § 58.1-4042.

<sup>454</sup> VA Code Ann. § 58.1-4047.



## Licensure System

The Department issues sports betting permits to a person that intends to offer sports betting within Virginia.<sup>455</sup> The Director of the Department is required to issue a minimum of four sports betting permits but may not issue more than twelve permits. If the Director is unable to issue the minimum number of permits due to a lack of applicants, the Director is not required to issue permits to unqualified applicants in order to satisfy the statutory minimum.<sup>456</sup>

Virginia has established a system for preferential licensure for major league sports franchises, prospective casino licensees, and entities with equity investments from minority-owned businesses. Prior to July 1, 2025, when issuing permits to operate sport betting platforms, the Director is required to give substantial and preferred consideration to major league sports franchises headquartered in Virginia. In order to qualify for preferential licensure, the major league sports franchise must have remitted personal state income tax withholdings in excess of \$200 million for the 2019 taxable year. Alternatively, the Director may offer preferential licensure to a major league sports franchise that plays five or more regular season games per year at a facility in Virginia. With respect to future license applicants, if Virginia authorizes casino gaming, then the Director shall give substantial and preferred consideration to any casino gaming applicant that has made or intends to make a capital investment of at least \$300 million in a casino gaming establishment. Finally, the Director is required to give preferred consideration to any applicant that demonstrates in its application a description of any equity interest owned by minority individuals or minority-owned businesses, a detailed plan to achieve increased minority equity investment, and a description of all efforts made to seek equity investment from minority individuals or minority-owned businesses.<sup>457</sup>

A sports betting permit applicant must provide to the Department information concerning the applicant's background in sports betting, experience in wagering activities in other jurisdictions, proposed internal controls, and history of working to prevent compulsive gambling and responsible gaming programs for its employees.<sup>458</sup>

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<sup>455</sup> VA Code Ann. § 58.1-4032(A).

<sup>456</sup> VA Code Ann. § 58.1-4032(D).

<sup>457</sup> VA Code Ann. § 58.1-4032.

<sup>458</sup> VA Code Ann. § 58.1-4032(B).

### License Fee and Renewal Period

License	Application fee	Initial fee	Renewal fee	Renewal period
Sports betting permit	\$50,000.00	\$250,000.00	\$200,000.00	3 years

### Global Risk Management

Virginia permits its licensees to use risk management pools. The Virginia Lottery Board has authority to adopt rules to authorize permit holders to offset loss and manage risk through the use of a liquidity pool in Virginia or another jurisdiction, provided that the permit holder is licensed by the other jurisdiction to operate a sports betting business.<sup>459</sup>

### Regulation of Official Data Sources

Virginia has established a system for sports governing bodies to request data-sourcing limitations for in-play and proposition bets. A sports governing body initiated the process by notifying the Department that it wants licensees to use official league data to determine tier 2 bets. Tier 2 bets are online bets that are placed after the start of a particular event. The Director must notify each licensee of the request within five days. The Department must then follow its procedures in determining whether the request will be granted and whether the tier 2 bets will be determined solely based on data sources from the sports governing body with jurisdiction over the particular sports event.<sup>460</sup>

### Reporting Requirement

Virginia's sports betting statutes require the Department to submit a monthly report to the Governor, the Secretary of Finance, and the General Assembly containing the total sports betting revenues and expenses. Annually, the Department must submit an annual report containing a complete statement of sports betting revenues and expenses to the Governor and the General Assembly.<sup>461</sup>

<sup>459</sup> VA Code Ann. § 58.1-4045.

<sup>460</sup> VA Code Ann. § 58.1-4036.

<sup>461</sup> VA Code Ann. § 58.1-4031(C)(2).

## Market Parameters and Restrictions

Virginia permits any person over 21 years of age to bet on sports events.<sup>462</sup> Among the standard exclusions from persons who are permitted to bet on sports events, Virginia prohibits medical professionals and athletic trainers from participating in sports betting.<sup>463</sup>

Virginia permits bets to be placed on professional sports, college sports, amateur sports, sports events, or any other event approved by the Director of the Department.<sup>464</sup> However, Virginia prohibits bets on youth sports and Virginia college sports, and limits the types of bets that may be placed on college sports broadly. Specifically, Virginia prohibits proposition bets on college sports events. In addition to the enumerated wager restrictions, Virginia allows sports governing bodies to request that the Department restrict betting on sports events within the governing bodies jurisdiction.<sup>465</sup>

## Taxes

Virginia imposes a 15 percent tax on adjusted gross sports betting revenue. The tax is collected on a monthly basis by the Department.<sup>466</sup> Adjusted gross revenue is calculated as the total of cash received by a permit holder, less amounts paid as winnings, the value of bonuses or promotions provided to patrons, uncollected gaming receivables, funds paid into the horsemen's purse if the permit holder is a significant infrastructure limited licensee, and all excise tax on sports betting paid pursuant to federal law.<sup>467</sup> The Department is required to allocate 2.5 percent of the tax revenue to the Problem Gambling Treatment and Support Fund and the remaining 97.5 percent of the tax to the state's general fund.<sup>468</sup>

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<sup>462</sup> VA Code Ann. § 58.1-4034.

<sup>463</sup> VA Code Ann. § 58.1-4030.

<sup>464</sup> Id.

<sup>465</sup> VA Code Ann. § 58.1-4039.

<sup>466</sup> VA Code Ann. § 58.1-4037.

<sup>467</sup> VA Code Ann. § 58.1-4030.

<sup>468</sup> VA Code Ann. § 58.1-4038.

## Washington

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Exclusive Tribal gaming subject to Tribal-State Compacts and the Indian Gaming Regulatory Act	Tribal governments operate sports wagering pursuant to IGRA and Tribal-State compacts.	Retail ✓ Mobile ✓ Online ✓ Tribal gaming ✓	Existing structure. Tribal governments offer sports wagering pursuant to federally approved compacts.	<i>Low.</i> Washington authorizes tribal gaming through Tribal-State compacts that are approved by the Department of Interior.

**Reports:** [Sports Betting in Washington State; Final Report](#)  
[WA Problem Gambling Task Force: Interim Report 2020](#)  
[NCPG National Survey: Washington](#)

**Brief Overview:** Washington began the process of amending Tribal-State compacts in early 2020 and debuted sports wagering at tribal casinos in late 2021. Washington does not license the tribal entities that act as sports wagering operators but does apply statutory licensure requirements to all licenses within subordinate tiers.

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### Analysis

In early 2020, Washington enacted a process for federally recognized Indian tribes within the state to offer retail sports wagering. The Washington legislature enacted a sports wagering system that permits a tribe to request that the tribe's Class III gaming compact be amended to permit sports betting, with specific requirements for the content of the compact amendment. Specifically, the compact amendment must contain a licensing regime, fees association with the Washington Gambling Commission's regulation of sports wagering, criminal enforcement, and information sharing between the Commission and tribal authorities.<sup>469</sup> Washington permits

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<sup>469</sup> West's RCWA 9.46.0364(1).

wagers to be transmitted through the Internet but only while the particular patron is on the premises of a tribal gaming facility.<sup>470</sup>

### **Licensing Structure**

Washington does not license the tribal entities that operate sports wagering on tribal lands. However, the state-tribal gaming compact establishes a comprehensive system of licensure for major sports wagering vendor, mid-level sports wagering vendor, and ancillary sports wagering vendor.<sup>471</sup> The Tribal Gaming Agency must certify the license of each class of sports wagering vendor prior to the vendor offering goods or services to a tribe.<sup>472</sup>

A major sports wagering vendor license is issued to any person or entity that provides goods or services that are *integral* to sports wagering. Under the compact and the terms of an agreement approved by the National Indian Gaming Commission, the following persons are deemed to provide goods or services that are integral to sports wagering: a tribe’s primary consultant who provides substantial services for the independent operation of the tribe’s own sports wagering platform, any manufacturer or distributor of sports wagering equipment, any provider of book-making services, and any provider of sports wagering risk management services.<sup>473</sup>

A mid-level sports wagering vendor license is issued to any person or entity that provides *security or integrity services* directly related to sports wagering. The compact includes the following within security and integrity services: integrity monitoring; the compilation, furnishing, or storage of official data; system security testing or certification; the creation and maintenance of a geofence system; and sports wagering account management services.<sup>474</sup>

An ancillary sports wagering vendor license is issued to any person or entity that provides *necessary support services* that contribute to sports wagering. Under the compact, support services include services related to offering mobile payment processing, “know your customer” systems, and marketing.<sup>475</sup>

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<sup>470</sup> West’s RCWA 9.46.0368.

<sup>471</sup> WA Tribal Compact 4.4 to 4.4.3.

<sup>472</sup> WA Tribal Compact 4.4.

<sup>473</sup> WA Tribal Compact 4.4.1.

<sup>474</sup> WA Tribal Compact 4.4.2.

<sup>475</sup> WA Tribal Compact 4.4.3.

### License Fees and Renewal Periods

License	Organization fees	Individual fees (application)	Individual fees (renewal)	Individual fees (change of employer)
Major sports wagering vendor	\$65,000.00	\$275.00	\$170.00	\$65.00
Mid-level sports wagering vendor	\$10,000.00	\$275.00	\$170.00	\$65.00
Ancillary sports wagering vendor	\$5,000.00	\$275.00	\$170.00	\$65.00

### Security, Financial Requirements, and Integrity Monitoring

The state-tribal compacts include general security and systems integrity requirements. A tribal sports wagering system must meet the international security standards established under Gaming Laboratories International’s GLI-33: “Standards for Event Wagering Systems” and the standards established by this Appendix and set forth in the Internal Controls.<sup>476</sup> Additionally, the compact requires the licensed operator of each tribal casino to perform an annual system integrity, vulnerability, and security assessment. The assessment must be conducted by an independent licensed sports wagering vendor and must be performed pursuant to GLI-33 standard.<sup>477</sup>

The compact also addresses the security of wagering system data. The tribal operator must protect from unauthorized access a patron’s personally identifiable information, password, pin numbers, and personal financial information.<sup>478</sup>

### Minimum House Rules

Tribal sports wagering operators must adopt house rules. The operator’s house rules must address the types of wagers accepted, notification of odds or line changes, the effect of event schedule changes, the deadline and procedure for cancelling or voiding a wager, and the method

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<sup>476</sup> WA Tribal Compact 8.1.

<sup>477</sup> WA Tribal Compact 8.5.1.

<sup>478</sup> WA Tribal Compact 14.1.3.

and procedure for paying a winning wager. Finally, the house rules must include a description of those persons that are prohibited from participating in sports wagering.<sup>479</sup>

### **Record Keeping and Reporting**

The state-tribal compact provides for the creation and publication of comprehensive reports concerning the tribal sports wagering system. On an annual basis, the operator must coordinate with an independent professional to audit and report on the wagering system and security. The annual report must be submitted to the Tribal Gaming Agency and State Gaming Agency.<sup>480</sup> On a more detailed and granular level, the operator's sports wagering system is required to generate records containing sports wagering operation revenue reports, liability reports, significant events and alterations reports concerning the underlying platform, wager record information, contest information reports, comprehensive information concerning sports wagering accounts and patron information, wagering device information reports, and expired ticket reports, among others required by the tribe's adopted internal controls.<sup>481</sup>

Additionally, each sports wagering operator is required to keep comprehensive financial records according to the operator's internal controls. The operator's internal controls must establish minimum audit standards for the creation and review of financial reports.<sup>482</sup>

### **Responsible Gaming**

Washington has included responsible gaming requirements within the state-tribal compacts. The Compact requires each operator to adopt a responsible gambling policy that includes information about responsible gambling and identifies resources for individuals seeking information about problem gambling. Within the responsible gambling policy, the operator may include the national or local hotline numbers and a description of any self-exclusion or self-limitation mechanisms offered by the operator.<sup>483</sup> The compact requires that each sports wagering mobile application, kiosk, or other wagering device to display a notice of commitment to responsible gambling and a link to the operator's responsible gambling policy.<sup>484</sup>

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<sup>479</sup> WA Tribal Compact 6.1.

<sup>480</sup> WA Tribal Compact 8.5.2.

<sup>481</sup> WA Tribal Compact 8.6.1.

<sup>482</sup> WA Tribal Compact 18.1.

<sup>483</sup> WA Tribal Compact 24.3.2.

<sup>484</sup> WA Tribal Compact 24.3.3.

Each operator is required to provide mechanisms for self-imposed wagering limitations. The self-imposed mechanisms must include the ability to limit the dollar amount of deposits a player can make into a wagering account within a given period and the total amount of time available for play or wagering during a specified time period.<sup>485</sup>

### **Market Parameters and Restrictions**

Under the compacts and applicable state law, any person over 18 years of age to wager on sporting events.<sup>486</sup> A person may place a wager on a professional sport or athletic event, a collegiate sport or athletic event other than an event involving a Washington collegiate institution, an Olympic or international sports competition or event, or an electronic sports competition or event. Under the compacts, a wager may not be placed on any minor league sport.<sup>487</sup>

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<sup>485</sup> WA Tribal Compact 24.3.

<sup>486</sup> WA Tribal Compact 14.1.10.

<sup>487</sup> WA Tribal Compact 11.5–7.



## Washington, DC

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Hybrid State Control and Nevada Model	State controls district-wide mobile wagering; private operators may offer on-premises sports wagering at specified locations.	Retail ✓ Mobile ✓ Online ✓	New licensing system. District issues operator licenses that authorize the licensee to offer on-premises sports wagering. Operator licenses are broken into subcategories with different qualifications.	<i>High.</i> The District code establishes licensing criteria, fees, privileges, and licensee duties. The codes set out specific regulatory requirements for the wagering market.

**Reports:** [Unaudited Financial Reports 2020-2022](#) [NCPG National Survey: Washington D.C. D.C. Auditor Report: Sports Gambling Fails to Meet Expectations](#)  
[2018 Economic Impact Study: Operating through DC Lottery](#)

**Brief Overview:** Washington, DC, introduced its legal sports wagering market in 2019 and launched the District’s “GambetDC” mobile wagering platform in May of 2020. The District uses a hybrid of the State Control or Lottery Model and the Nevada Model. The District controls all District-wide mobile sports betting but permits operators to acquire licenses for on-premises mobile and retail sports wagering. The District has delegated regulatory authority over sports wagering to the Office of the Chief Financial officer. The District imposes licensure fees on operators and a tax on adjusted gross sports wagering revenue.

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### Analysis

In 2019, Washington, DC, enacted statutes to authorize retail and online sports wagering. The regulation of sports wagering within the District is assigned to the Office of the Chief Financial

Officer.<sup>488</sup> The District authorizes sports wagering to be offered through the District or by an individual or entity that has been issued an operator license.<sup>489</sup>

### **State Control Model—Mobile and Retail**

The Office of Chief Financial Officer is permitted to offer sports wagering through mobile services or at retail locations within the District. The DC Code permits the Office to engage a contractor or contractors to provide mobile and retail sports wagering. For mobile sports wagering, the Office is permitted to offer a mobile or online sports wagering product, either by taxing mobile and online licensed retailers, without limitation on the number of licenses issued, or through contract with a limited number of partners operating an Office of Lottery and Gaming mobile and web-based sports wagering operation. The Office is required to select the method that will return the most revenue to the District.<sup>490</sup>

### **Licensing System**

Outside of the District-operated sports wagering structure, the District’s statutory scheme establishes four license classifications for sports wagering operations: operator, management services provider, supplier, and occupational licenses.<sup>491</sup> The District limits applicants to no more than two sports wagering licenses, unless the applicant agrees to subcontract with a joint venture or “certified business enterprise” for any additional licenses.<sup>492</sup>

The Office may issue an operator license to authorize an entity to provide sports wagering, whether retail or over the Internet or mobile device, within the confines of an approved sports wagering facility.<sup>493</sup> In order to qualify for an operator’s license, an entity must submit an application that includes proposed internal controls and security systems to be used in conducting sports wagering, the expected number of employees, estimated tax revenue to be generated by the sports wagering facility, and estimated tax revenue to be generated by the sports wagering facility.<sup>494</sup> Before issuing an operator’s license, the Office is required to consider certain threshold requirements for financial security and integrity, including whether the

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<sup>489</sup> DC CODE § 36-621.11(a).

<sup>490</sup> Id.

<sup>491</sup> DC CODE § 36-621.05(a).

<sup>492</sup> DC CODE § 36-621.05(a).

<sup>493</sup> DC CODE § 36-601.01(20).

<sup>494</sup> DC CODE § 36-621.06(a)(1).

applicant is proposing a sports wagering operation that will have a positive impact on the District and its residents; possesses adequate funds to commence and maintain a sports wagering operation; has sufficient business ability and experience to create and maintain a successful sports wagering operation; and has proposed adequate measures for internal and external security, including a surveillance system.<sup>495</sup> Additionally, the Office is required to consider whether the applicant is a small business entity (SBE) or has entered into a labor peace agreement with each labor organization that is actively engaged in representing or attempting to represent employees in the gaming, hospitality, or food and beverage industries in the District.<sup>496</sup>

In the District's licensure scheme, operator licenses are split between Class A and Class B licenses. Class A operator licenses are issued to operators that offer sports wagering at one of four designated facilities: Capital One Arena, Audi Field, Nationals Park, and St. Elizabeths East Entertainment and Sports Arena.<sup>497</sup> Class B operator licenses are issued to operators that offer sports wagering at an approved facility other than those that fall under the Class A license.<sup>498</sup>

Within the Class A and Class B operator license scheme, the District further categorizes operator licenses. The District issues operator licenses to applicants who qualify as a certified joint venture with a "certified business enterprise" as determined by the Department of Small and Local Business Development.<sup>499</sup>

The Office also licenses sports wagering management services providers. The Office may permit an operator to enter into a management services contract that allows an entity other than the operator to conduct sports wagering on the operator's premises. The management services contract must be executed between the operator and an actively licensed management services provider, and the contract must be approved by the Office.<sup>500</sup>

The Office licenses sports wagering suppliers. An entity that seeks to sell or lease sports wagering equipment, systems, or other gaming items necessary to conduct sports wagering or offer services related to such equipment or other gaming items to a sports wagering operator

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<sup>495</sup> DC CODE § 36-621.06(a)(2).

<sup>496</sup> DC CODE § 36-621.06(a)(2)(J).

<sup>497</sup> DC CODE § 36-621.06(b)(1).

<sup>498</sup> DC CODE § 36-621.06(c).

<sup>499</sup> DC CODE § 36-621.05(g)(2).

<sup>500</sup> DC CODE § 36-621.08(a).

must obtain a supplier license from the Office.<sup>501</sup> A licensed supplier may provide gaming devices and equipment that is used or consumed in the operation of sports wagering, including a self-service terminal installed to accept sports wagers.<sup>502</sup>

The Office licenses sports wagering retailers for the purpose of operating retail or mobile sports wagering on behalf of the District at a sports wagering facility. Businesses that apply to be licensed as sports wagering retailers are simultaneously licensed as lottery and daily numbers game agents.<sup>503</sup>

In addition to the licenses issued to entities involved in the sports wagering market, the District licenses employees of the sports wagering entities. All persons employed to be engaged in activities related to sports wagering must be licensed by the Office.<sup>504</sup>

### **License Fees and Renewal Periods**

The fees for each license within the District’s licensure scheme is dependent on the subcategory and type of particular license for which an applicant qualifies. For example, some applicants for an operator’s license will qualify for a DSLBD certified Class A license, as described above, and will pay a reduced Class A license fee.

<b>License</b>	<b>Subcategory</b>	<b>Fee</b>	<b>Renewal periods</b>
Operator	Class A	\$500,000.00	5 years
	Class A (DSLBD)	\$125,000.00	5 years
	Class B	\$100,000.00	5 years
	Class B (DSLBD)	\$25,000.00	5 years
Management service provider		\$10,000.00	1 year
Sports wagering supplier		\$10,000.00	1 year
Occupational		\$100.00	1 year
Lottery-operated sports wagering license (retailer)		\$5,000.00	2 years

### **Security, Financial Requirements, and Integrity Monitoring**

The Office is directed to adopt rules governing security, internal controls, and requirements for financial stability. By rule, the Office prescribes minimum internal control standards for the

<sup>501</sup> DC CODE § 36-621.09(a).

<sup>502</sup> DC CODE § 36-601.01(18).

<sup>503</sup> DC CODE § 36-621.11(b).

<sup>504</sup> DC ST § 36-621.10.

administration of sports wagering, sports wagering equipment and systems, or other items used to conduct sports wagering. In addition, the Office regulates the maintenance of financial and other required records.<sup>505</sup> The DC Code also requires each operator to employ a monitoring system to identify wagering irregularities that could signal suspicious activities and immediately report any suspicious activity to the Office. The District additionally requires operators to develop mobile wagering system requirements and specifications as part of the operator's minimum internal control standards and to provide a secure location for the placement, operation, and play of sports wagering equipment.<sup>506</sup>

### **Advertising**

The Office is required to adopt rules specifically governing how minors interact sports wagering advertising. The Office is directed to establish advertising guidelines, including specific language concerning minors, and to solicit input from the Alcoholic Beverage Regulation Administration and the Alcoholic Beverage Control Board on suggestions for regulations to minimize underage drinking and sports wagering by visibly intoxicated patrons.<sup>507</sup>

### **Record Keeping and Reporting**

Each operator in the District must submit to the Office an audit of the financial transactions and condition of the operator's total operations prepared by a certified public accountant in accordance with generally accepted accounting principles and applicable District and federal law. The operator must submit a monthly report to the Office that includes the total amount of sports wagers received, the total amount of prizes awarded to sports bettors, the total amount of the operator's gross sports wagering revenue, and the total number of authorized sports bettors that requested to exclude themselves from sports wagering.<sup>508</sup>

### **Responsible Gaming**

The District requires each operator to establish a system that allows individuals to self-identify as problem gamers and request to be excluded from any gaming regulated by the Office.<sup>509</sup> In

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<sup>505</sup> DC CODE § 36-621.02(b)(1).

<sup>506</sup> DC CODE § 36-621.07.

<sup>507</sup> DC CODE § 36-621.02(a) and (b).

<sup>508</sup> DC CODE § 36-621.07(e).

<sup>509</sup> DC CODE § 36-621.07.

addition to requirements for self-exclusion lists, the District addresses responsible gaming by dedicating the first \$200,000.00 of annual tax revenue from sports wagering to fund programs through the Department of Behavioral Health to prevent, treat, and research gambling addiction.<sup>510</sup>

### **Market Parameters and Restrictions**

The District permits any individual over 18 years of age to place a sports wager through an operator for District-approved retailer. The District's scope of wagering includes wagers placed on individual performance statistics of an athlete in a sporting event or a combination of sporting events, including single-game bets, teaser bets, parlays, over-under, moneyline, pools, exchange wagering, in-game wagering, in-play bets, proposition bets, and straight bets.<sup>511</sup>

Sports governing bodies are permitted to request that a particular individual or entity be added to the exclusion list in order to protect the integrity of a particular event or wagering on an event. In addition, operators are required to prohibit an athlete, coach, referee, team owner, employee of a sports governing body or its member teams, and player and referee union personnel from wagering on a sporting event overseen by their sports governing body.<sup>512</sup>

### **Taxes**

On a monthly basis, each operator is required to pay the 10 percent District tax on gross sports wagering revenue. Gross sports wagering revenue is calculated as the total revenue received from sports wagering, minus the total of amounts paid to players, amounts paid to purchase annuities to fund prizes payable to players, and the actual cost paid by the license holder for any personal property distributed to a player, and excluding travel expenses, food, refreshments, lodging, and services.<sup>513</sup>

The District apportions all net revenue from sports wagering equally between the Early Childhood Development Fund and the Neighborhood Safety and Engagement Fund, except for

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<sup>510</sup> DC CODE § 36-621.11.

<sup>511</sup> DC CODE § 36-601.01(16).

<sup>512</sup> DC CODE § 36-601.07(b)(1)(B).

<sup>513</sup> DC CODE § 36-601.01(9).

the first \$200,000.00 of revenue, which is dedicated to the Department of Behavioral Health for the prevention and treatment of gambling addiction.<sup>514</sup>

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<sup>514</sup> DC CODE § 36-621.11(a)(3).

## West Virginia

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Gaming Control Board Model	Private operators	Retail ✓ Mobile ✓ Online ✓	New structure. Virginia issues sports wagering operator licenses to gaming licensees that intend to offer West Virginia sports wagering lottery games.	<i>High.</i> The West Virginia sports wagering statutes establish specific licensing criteria, fees, privileges, and duties.

**Reports:** [West Virginia Sports Wagering Revenue Reports](#)  
[West Virginia University Working Paper](#) [NCPG National Survey: West Virginia](#)

**Brief Overview:** West Virginia debuted its sports wagering market in September of 2018. West Virginia permits both retail and mobile sports wagering, provided that the types of wagers offered are West Virginia sports wagering lottery games. West Virginia uses the *Gaming Control Board Model* for the regulation of the sports wagering market. The state operates a tiered licensure system and issues a limited number of operator licenses to existing gaming facility licensees. West Virginia imposes licensure fees on licensees and a tax on adjusted gross sports wagering revenue.

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### Analysis

The West Virginia Legislature enacted its sports wagering statutes in 2018 and introduced the state's legal sports wagering market that year. West Virginia permits both retail and mobile sports wagering and has granted the West Virginia Lottery Commission regulatory authority over the sports wagering market.<sup>515</sup>

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<sup>515</sup> W. Va. Code, chapter 29, Art. 22d (West Virginia Sports Wagering Act).



## Licensing Structure

The Commission issues the following sports wagering licenses: operator, supplier, management services, and occupational.<sup>516</sup>

The Commission issues operator licenses to gaming facilities that are already licensed under West Virginia law to operate a racetrack video lottery or a resort hotel casino. The holder of an operator license is permitted to offer sports wagering as an agent of the Commission. The operator is permitted to offer sports wagering in designated areas or buildings owned by the licensed gaming facility on the grounds where video lottery is conducted.<sup>517</sup> The operator may only offer sports wagering games that are being offered as “lottery games owned by the State of West Virginia.”<sup>518</sup> The Commission may issue five operator licenses, and only five operator licenses may be active at any given time.<sup>519</sup> Upon receiving an application for an operator license, the Director of the Commission reviews the application to determine if the applicant is the holder of a casino license and is in compliance with the rules governing sports wagering at licensed casino locations. The Director is required to immediately issue a license to a qualified applicant.<sup>520</sup>

The Commission issues a supplier license to a person that offers sports wagering goods or services necessary for the operation of sports wagering through gaming equipment or services. Specifically, a supplier’s license is issued to a person that sells equipment, systems, or other gaming items necessary to conduct sports wagering or that offers services related to sports wagering equipment.<sup>521</sup> An applicant for a supplier license must demonstrate that the equipment, system, or services meet security, access control, reporting, and integrity requirements established by the Commission.<sup>522</sup>

The Commission issues a management service provider license to an entity that has contracted with a licensed operator to conduct the operator’s sports wagering system. The entity must apply for the management service provider license prior to the formal execution of any contract with

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<sup>516</sup> W. Va. Code, § 29-22D-5.

<sup>517</sup> W. Va. Code, § 29-22D-3(9).

<sup>518</sup> W. Va. Code, § 29-22D-6(b).

<sup>519</sup> Id. at subsection (c).

<sup>520</sup> W. Va. Code St. R. § 179-9-11.1.

<sup>521</sup> W. Va. Code, § 29-22D-8(a)-(c).

<sup>522</sup> W. Va. Code St. R §§ 179-9-6 (Sports wagering system requirements) and 9 (Sports wagering kiosks).

the holder of an operator’s license. A management service provider must comply with all of the same requirements that are applied to the licensed operator.<sup>523</sup>

The Commission requires all persons employed and directly engaged in sports wagering-related activities, or that otherwise conduct or operate sports wagering, to acquire an occupational license.<sup>524</sup> The holder of an occupational license must carry the license and display some indicia of the license on their person whenever they are within the licensed gaming facility.<sup>525</sup>

### **License Fees and Renewal Periods**

<b>License</b>	<b>Fees</b>	<b>Renewal fees</b>	<b>Renewal periods</b>
Operator	\$100,00.00	\$100,000.00	5 years
Supplier	\$1,000.00	\$1,000.00	Annually
Management services provider	\$1,000.00	\$1,000.00	Annually
Occupational	\$100.00	\$100.00	Annually

### **Security, Financial Requirements, and Integrity Monitoring**

The holder of an operator’s license must ensure that sports wagering conducted at a gaming facility is within the sight and control of designated employees of the licensee and is conducted under continuous observation by security equipment.<sup>526</sup> Each operator must submit a surveillance plan to the Commission for approval and must use security and surveillance equipment that permits direct access by the Commission.<sup>527</sup>

Each operator must use an active monitoring system, including software that identifies irregularities in volume or odds swings. Irregularities that could signal suspicious or illegal activity must be reported to the Commission for investigation.<sup>528</sup> System requirements and specifications shall be developed according to industry standards and must be incorporated into the minimum internal control standards required by the Commission’s rules.<sup>529</sup>

<sup>523</sup> W. Va. Code, § 29-22D-7(a)-(c).

<sup>524</sup> W. Va. Code, § 29-22D-9(a)-(c).

<sup>525</sup> W. Va. Code, § 29-22D-5(f).

<sup>526</sup> W. Va. Code, § 29-22D-12(b)(3) and (4).

<sup>527</sup> W. Va. Code St. R. § 179-9-3.9.

<sup>528</sup> W. Va. Code, § 29-22D-12(a)(1).

<sup>529</sup> W. Va. Code St. R. § 179-9-5.

West Virginia requires an operator to execute a surety to guarantee that the operator is capable of satisfying all payments and obligations. The amount of the surety bond for a given operator is determined on a case-by-case basis by the Commission.<sup>530</sup>

### **Minimum Internal Control Standards**

West Virginia's statutes required the Commission to establish statewide minimum internal control standards (MICS) and to establish a process for approval of MICS proposed by each licensed operator for wagering operations, wagering equipment and systems, maintenance of financial records, and general record keeping requirements.<sup>531</sup> The Commission has adopted rules requiring that each operator adopt internal controls governing user-access controls for all sports pool personnel, the segregation of duties, automated and manual risk management procedures, procedures for identifying and reporting fraud and suspicious conduct, procedures to prevent wagering by prohibited sports pool participants, and a description of AML compliance standards and all integrated third party systems.<sup>532</sup> The Commission also adopted rules governing accounting controls for retail sports wagering in lounge locations. The rules govern the segregation and maintenance of sports wagering inventory, tickets, and funds and the production of separate sports wagering count sheets.<sup>533</sup>

### **Minimum House Rules**

West Virginia's statutes direct each operator to adopt comprehensive, Commission-approved house rules governing sports wagering transactions with patrons. The comprehensive rules must be published as a component of the MICS.<sup>534</sup> The Commission's adopted rules require each operator to submit minimum house rules for approval, including the following: method of calculation and payment of winnings; effect of schedule changes; notification of odds or proposition changes; expiration of any winning ticket one year after the date of the event; description of prohibited sports pool participants; and method of funding a sports wager.<sup>535</sup>

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<sup>530</sup> W. Va. Code, § 29-22D-6(h).

<sup>531</sup> W. Va. Code, § 29-22D-4(c)(2).

<sup>532</sup> W. Va. Code St. R. § 179-9-5.2-5.2.8.

<sup>533</sup> W. Va. Code St. R. § 179-9-10.

<sup>534</sup> W. Va. Code, § 29-22D-11(a).

<sup>535</sup> W. Va. Code St. R. § 179-9-5.5-5.5.8.

### **Record Keeping and Reporting**

Each operator is required to submit to the Commission an annual audit of the financial transactions and condition of the licensee's total operations.<sup>536</sup> Additionally, each operator is required to maintain daily records showing the gross sports wagering receipts and adjusted gross sports wagering receipts of the licensee.<sup>537</sup> For online sports wagering, each operator is required to maintain an indexed log of online sports pool system data and transmissions.<sup>538</sup>

### **Market Parameters and Restrictions**

West Virginia permits any person over 21 years of age to wager on sports events. Wagers are permitted to be placed on any professional sport or athletic event, collegiate sport or athletic event, motor race event, or any other special event authorized by the Commission. West Virginia permits operators to offer multiple forms of wagers, including exchange wagering, parlays, over-under, moneyline, pools, and straight bets.<sup>539</sup>

### **Taxes**

West Virginia imposes a 10 percent privilege tax on an operator's adjusted gross sports wagering receipts. The privilege must be remitted to the state on a weekly basis.<sup>540</sup> West Virginia calculates an operator's adjusted gross sports wagering receipts based on the total sports wagering receipts of the operator, less winnings that are paid to patrons.<sup>541</sup> Operators are prohibited from deducting promotional credits from the adjusted gross wagering receipts for purposes of the tax. All money collected from the privilege tax is allocated to the West Virginia Lottery Sports Wagering Fund. The proceeds of the privilege tax shall annually accrue until \$15,000,000.00 has been deposited for the fiscal year. Once that threshold has been met, additional proceeds must be deposited into the Public Employees Insurance Agency Financial Stability Fund.<sup>542</sup>

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<sup>536</sup> W. Va. Code, § 29-22D-6(i).

<sup>537</sup> W. Va. Code, § 29-22D-12(b)(6).

<sup>538</sup> W. Va. Code St. R. § 179-9-16.

<sup>539</sup> W. Va. Code, § 29-22D-3.

<sup>540</sup> W. Va. Code, § 29-22D-16.

<sup>541</sup> W. Va. Code, § 29-22D-3(1) and (8).

<sup>542</sup> W. Va. Code, § 29-22D-16.

## Wyoming

### Summary Table, Available Reports or Studies, and Brief Overview

Regulatory model	State control or private operators	Authorized wagering platforms	Licensing structure	Degree of legislative involvement
Nevada Model	Private operators	Retail ✓ Mobile ✓ Online ✓ Tribal gaming ✓	New structure. Wyoming issues sports wagering operator licenses to qualified entities that offer online wagering through mobile platforms.	<i>Moderate.</i> The Wyoming sports wagering statutes establish licenses and market parameters. The remainder of Wyoming's market regulations are established through administrative rules.

**Reports:** [Wyoming Online Sports Wagering Revenue](#)  
[Wyoming Gaming Commission Study \(2020\)](#) [NCPG National Survey: Wyoming](#)

**Brief Overview:** Wyoming debuted its mobile sports wagering market in late 2021. The state uses the *Nevada Model* for the regulation of the sports wagering market. Wyoming issues sports wagering operator licenses to qualified gaming entities, which are defined as entities that provide sports wagering in three other US jurisdictions. Wyoming operates a tiered licensing structure, imposes fees for licensure, and applies a tax to the adjusted gross sports wagering revenue of licensees.

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## Analysis

In April of 2021, Wyoming enacted its sports wagering statutes. The state introduced its mobile-only sports wagering market later that year. Wyoming granted the Wyoming Gaming Commission regulatory authority over the sports wagering market.<sup>543</sup>

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<sup>543</sup> West's Wyoming Statutes Annotated, Title 9, chapter 24, article 1 (Online sports wagering).

## Licensing Structure

The Commission issues the following sports wagering licenses: operator, vendor, and occupational.

The Commission issues an operator license to a “qualified gaming entity” that offers online sports wagering through digital platforms or mobile applications. An entity is considered a “qualified gaming entity” if the entity offers online sports wagering in three or more US jurisdictions in accordance with the laws of those jurisdictions.<sup>544</sup>

A vendor license is issued to an entity that provides services to a sports wagering operator for the acceptance of online sports wagers, geolocation services, know your customer services, payment processors, and data providers, among other services.<sup>545</sup> West Virginia’s statutes direct the Commission to issue a permit to a sports wagering vendor that is currently operating in good standing in a similar role in at least three jurisdictions in the United States.<sup>546</sup>

The Commission requires an individual to acquire an occupational permit if the individual’s duties impact the integrity of online sports wagering. Among the enumerated roles within those specified in the occupational permit rule are individuals that have the capability of affecting the outcome of sports wagering through deployment of code to production for any critical components of a sports wagering system, directly manage a sports wagering operation or who directly supervise an individual who directly manages a sports wagering operation, or have the capability to directly affect the outcome of an online sports wager or a payout to a patron.<sup>547</sup>

## License Fees and Renewal Periods

License	Initial permit fees	Renewal permit fees	Initial application fees	Renewal application fees	Renewal periods
Operator	\$100,000.00	\$50,000.00	\$2,500.00	\$2,500.00	5 years
Vendor	\$10,000.00	\$5,000.00			5 years
Occupational permit					

<sup>544</sup> W.S.1977 § 9-24-101(a)(x).

<sup>545</sup> W.S.1977 § 9-24-101(a)(xv).

<sup>546</sup> W.S.1977 § 9-24-103(m).

<sup>547</sup> Wyo. Admin. Code 038.0002.2 § 1.

### **Security, Financial Requirements, and Integrity Monitoring**

The Commission requires each operator to meet generally applicable security and technical standards for the operator's sports wagering system. In general, each operator must comply with the Gaming Laboratories International Standard Series, GLI-33: Standards for Event Wagering Systems.<sup>548</sup> The Commission, by directive, may introduce additional requirements for technical and security standards related to sports wagering systems.<sup>549</sup> The Commission's rules require that an operator's or vendor's primary servers and equipment necessary for the processing and acceptance of wagers be located in secure locations within Wyoming. The Commission may approve the location of servers in secure locations outside the state and may approve the use of cloud-based systems for the hosting of duplicate or extraneous data.<sup>550</sup> On an annual basis, each operator must select a Commission-approved independent professional to conduct an integrity and security assessment of the operator's sports wagering system. The assessment must include an analysis of system vulnerability; penetration tests for digital and mobile platforms; a review of the operating condition of system firewalls; technical security control assessments; and an evaluation of security, payment, cloud, and geolocation services used by the system.<sup>551</sup>

The Commission has adopted a rule to govern the security and integrity of data collected by operators and vendors. The Commission requires each operator or vendor to adopt and comply with a comprehensive information security management system. The system must employ reasonable measures to protect the confidentiality and integrity of personally identifiable information of patrons.<sup>552</sup>

### **Minimum Internal Control Standards**

The Commission requires each operator to adopt a comprehensive system of internal controls for administrative and accounting procedures, which must be submitted to the Commission for approval. At a minimum, the operator's internal controls must address risk management procedures, employee access controls and segregation of duties, procedures for identifying and reporting fraud, regulatory compliance monitoring, anti-money laundering compliance standards,

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<sup>548</sup> Wyo. Admin. Code 038.0002.5 § 1.

<sup>549</sup> Wyo. Admin. Code 038.0002.5 § 6.

<sup>550</sup> Wyo. Admin. Code 038.0002.5 § 4.

<sup>551</sup> Wyo. Admin. Code 038.0002.5 § 5(b).

<sup>552</sup> Wyo. Admin. Code 038.0002.5 § 7.

a description of all software applications that comprise the sports wagering system, procedures for the prevention of the placement of past-post wagers, and a description of all integrated third-party platforms.<sup>553</sup>

### **Minimum House Rules**

Operators and vendors must comply with the Commissions rules governing required audits and reports. On an annual basis, each licensee must submit a financial audit for the preceding fiscal year. The audit must be prepared by an independent certified public accountant.<sup>554</sup> As a general requirement, each licensee must be capable of generating reports to support reported sports wagering revenue, wagering liability, and winnings.<sup>555</sup>

### **Record Keeping and Reporting**

Operators are required to comply with comprehensive requirements for accounting records. For each master accounting record, the operator must maintain related subsidiary records, including detailed general ledger accounts; records of investments, advances, and loans; records of accounts payable; tax work papers; records supporting costs for complimentary services and items provided in the normal course of business; and any records required by the internal control system.<sup>556</sup>

### **Responsible Gaming**

As a component of an entity's application for an operator permit, the entity must submit a responsible gaming plan for approval by the Commission. The plan must provide details of the following: overall goals for responsible gaming, identity of the individuals that will be responsible for implementation and maintenance of the responsible gaming plan, the plan for dissemination of educational materials concerning compulsive and problem gambling, details of responsible gaming training for employees, the particular duties of employees who are responsible for implementing the plan, and procedures to prevent underage gambling.<sup>557</sup> The Commission manages a voluntary and involuntary self-exclusion list that is disseminated to all

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<sup>553</sup> Wyo. Admin. Code 038.0002.7 § 2.

<sup>554</sup> Wyo. Admin. Code 038.0002.7 § 9.

<sup>555</sup> Wyo. Admin. Code 038.0002.7 § 12.

<sup>556</sup> Wyo. Admin. Code 038.0002.7 § 8.

<sup>557</sup> Wyo. Admin. Code 038.0002.8 § 1.



operators and vendors. The operators and vendors must establish a procedure of adding names from the Commission's list to the lists maintained within the operator's or vendor's systems.<sup>558</sup>

### **Market Parameters and Restrictions**

Wyoming permits any person over 18 years of age to wager on sporting events.<sup>559</sup> A person may wager on any professional sports event or athletic event, any Olympic or international sports event or athletic event, any amateur sports event or athletic event, any collegiate sports event or athletic event, or electronic sports.<sup>560</sup> However, a person may not wager on any event where the majority of contestants or athletes in the sporting event are under 18 years of age.<sup>561</sup> Wyoming permits multiple forms of wagers to be placed on sporting events, including single game bets, teaser bets, parlays, over-under, moneyline, pools, exchange wagering, in-game wagering, in-play bets, proposition bets, and straight bets.<sup>562</sup>

### **Taxes**

Wyoming imposes a 10 percent tax on online sports wagering revenue.<sup>563</sup> Online sports wagering revenue is calculated as the total revenue from wagers placed by patrons, less free wagers, promotional plays, payments made to patrons, and any federal excise tax.<sup>564</sup> An operator must remit the tax payments to the Commission on a monthly basis. In each fiscal year, Wyoming designates the first \$300,000.00 of sports wagering revenue to the Wyoming Department of Health for the implementation of county health initiatives for the prevention and treatment of problematic gambling behavior. Any additional revenue is dedicated to the state's general fund.<sup>565</sup>

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<sup>558</sup> Wyo. Admin. Code 038.0002.8 § 4.

<sup>559</sup> W.S.1977 § 9-24-105.

<sup>560</sup> W.S.1977 § 9-24-101(a)(xi).

<sup>561</sup> W.S.1977 § 9-24-101(a)(ix)(A).

<sup>562</sup> W.S.1977 § 9-24-101(a)(vi).

<sup>563</sup> W.S.1977 § 9-24-104.

<sup>564</sup> W.S.1977 § 9-24-101(a)(vii).

<sup>565</sup> W.S.1977 § 9-24-104.

## **B. List and Summary of State Studies**

### **State studies of sports wagering models**

*Indiana (2008)* – The study conducted a broad analysis of sports wagering regulation and applied that research to a market analysis for the Indiana Gaming Commission. The primary findings of the study. The study focused primarily on a revenue forecast and relied on a single model under consideration by the Indiana Legislature in H.1325 (2018). That model proposed that Indiana would issue licenses solely to the state’s 13 licensed casinos. The study found that Indiana’s estimated economic output under that model could be a total of \$465 million by the state market’s fifth year of operation. [2018 Indiana Sports Wagering Study](#)

*New York (2021)* – The study evaluated New York’s gaming market broadly, including one specific research criteria focused on the introduction of retail and online sports wagering. The study provided forecasts for a retail-only model and an expanded retail and online model. For retail-only models, the study estimated that New York could generate between \$19 million to \$28 million of annual tax revenue from retail sports wagering. For online sports wagering, under a statewide tribal model, the study estimated that New York could be \$72 to \$99 million annually after the point of stabilization (five years). [Spectrum Gaming Market Study: NY](#)

*North Carolina (2020)* – The study evaluated the expected economic impacts of authorizing a legal online sports wagering market. The study distinguished revenue estimates between “first mover” and “not first mover” analyses, where “first mover” depends on the state being the first of its neighboring states to authorize legal sports wagering. The study concluded that North Carolina could generate a cumulative \$446.5 million if it was the first mover, and could generate \$336.7 if it was not the first mover. [Spectrum Gaming Study: North Carolina](#)

*Virginia (2019)* – The Virginia Joint Legislative Audit and Review Commission studied proposals for expanded gaming in Virginia. As a component of that study, JLARC evaluated the potential revenue resulting from sports wagering. The study estimated that a fully developed sports wagering market in Virginia could generate up to \$55 million in annual gross gaming revenue taxes for the state. [Joint Legislative Audit and Review Commission: Report on Gaming in the Commonwealth](#)

*Washington D.C. (2018)* – The study evaluated possible revenue for the District based on a split between retail operations and split between the District-run sports book and localized independent sports book operations. The study estimated that the total sports wagering revenue that could be generated in 2019 could be \$23 million. [2018 Economic Impact Study: Operating through DC Lottery](#)

### **State studies of problem gambling and sports wagering**

*Delaware (2002)* – Study evaluated the prevalence of problem gambling in Delaware. At the time the study was conducted, sports wagering was offered in Delaware as a form of lottery game. The study concluded that Delaware’s prevalence of problem gambling was below the national average, but that the prevalence of at-risk behaviors had risen between 1988 and 2002, indicating that the state should prepare for an increase of problematic gambling behaviors. [2002 Delaware Problem Gambling](#)

*Iowa (2021)* – In 2021, Iowa commissioned two independent studies of the socioeconomic impacts of the state’s gambling industry. The two research groups were tasked with answering more than 70 questions concerning the social and economic impacts of the state’s casino-focused gambling industry, including the newly introduced sports wagering market. While the two studies followed a similar analytical thread concerning the correlative data between crime, bankruptcy, and divorce rates in casino v. control counties, the studies came to slightly different conclusions. The Innovation Group Study (Study A below) concluded that there was no significant shift in problem gambling data between 2014 and the 2021 study. The Spectrum Study focused on the more granular questions posed (concerning particular social data points) and found that there was a measurable difference between casino locations and non-casino locations within the state. [Socioeconomic Impact Study A](#)

[Socioeconomic Impact Study B](#)      [Socioeconomic Impact Study B: Summary](#)

*New York (2021)* – The 2021 gaming market study in New York contained an analysis of possible problem gaming impacts. In part, the study found that an increase in the availability of gambling could cause a correlative rise in the prevalence of problematic gambling behaviors.

[Spectrum Gaming Market Study: NY](#)

*North Carolina (2020)* – The 2020 North Carolina study evaluated the responsible gaming resources available from the state and from the entities that offer gambling. While the study concluded that North Carolina was a regional leader in responsible gaming resources, it concluded that there were inequities in both responsible gaming practices and public outreach. The study opined that a lack of a single regulatory body that oversees resources and advertising could lead to further inequity and issues. [Spectrum Gaming Services Assessment: Problem Gambling in NC](#)

## IV. Sports Wagering Revenue Analysis

### Introduction and Context

In the roughly three years since the Supreme Court ended a nationwide prohibition on sports betting, numerous states have rushed to legalize it. As of September 2021, twenty-six states and Washington, DC, have passed legislation legalizing sports betting. Twenty states plus Washington, DC, have operational markets. In addition to this, many other states have put forth legislation to legalize sports betting.

In all states that have legalized sports betting, state governments are collecting revenues. Sports gambling revenues collected in each state are a function of three variables, all of which will be addressed in kind:

- *The maturity of the sports gambling market.* In all states, there is a ramp-up period in betting and revenue collection.
- *The legal and regulatory structure of the market,* meaning the number of operators<sup>566</sup> permitted to take bets in each state, whether it is a private or public system, and whether betting is purely in person or online, or both.
- *The share of revenues collected by the state from the operator.* In many cases, this is a tax on gross revenue, but in others, it is a revenue-sharing agreement with the operator. In states with government-run operators, it is 100 percent of profit.

Before continuing, it is important to understand the various terms in sports betting for measuring total betting, revenue, and profit:

- *Handle:* the amount wagered over a given time period. In other words, the total amount of dollars placed by bettors.
- *Revenue:* the amount of money retained by the operator out of the money wagered, after winning bets are paid out.
- *Hold:* the amount of revenue retained by the operator as a share of the handle.

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<sup>566</sup> An operator in this context refers to the firm or entity who solicits bets on sports. When an individual wants to bet on a sporting event, it is the entity that takes the bet. In the industry, operators are also known as sportsbooks.

## The Maturity of the Sports Wagering Market

In general, states with longer-established sports betting see larger sports betting markets (i.e., greater per capita handle). In states that have legalized sports betting since 2018, in all cases, market size is larger in the second and third years than the first year.

Table 1 shows per capita handle<sup>567</sup> for various states in the first and second years of their operating legal sports gambling markets. Many states' first or second year occurred in 2020 and thus were heavily impacted by the COVID-19 pandemic. Some states closed in-person betting sites during this time and, as a result, saw significantly lower betting for some period of time between March 2020 and October 2020. Even if a state did not close in-person betting, the amount of sporting events available to bet on during this period dramatically decreased, resulting in drastically slower betting. To get a better sense of a normal operating year, JFO adjusted the data by excluding months where per capita handle was below March 2020 until per capita handle recovered to pre-pandemic levels (see Appendix for complete methodology).<sup>568</sup>

State	Date Legalized	COVID-19-Adjusted Per Capital Handle	
		Year 1	Year 2
New Jersey	June 2018	\$318.26	\$630.55
Delaware	June 2018	\$162.17	\$132.62
West Virginia	August 2018	\$81.61	\$24.22
Mississippi	August 2018	\$106.31	\$168.23
Pennsylvania	November 2018	\$65.23	\$354.50
Rhode Island	November 2018	\$178.89	\$323.66
Arkansas	November 2018	\$9.04	\$20.89
Iowa	May 2019	\$145.21	\$402.38
Indiana	May 2019	\$233.93	\$448.06
Oregon	August 2019	\$56.32	\$75.33
New Hampshire	July 2019	\$250.82	\$430.81
Colorado	November 2019	\$507.70	N/A
Michigan	December 2019	\$90.31	\$349.59
Tennessee	April 2019	\$306.56	N/A
Montana	May 2019	\$37.01	\$42.32
Illinois	June 2019	\$389.33	N/A
Virginia	July 2019	\$306.68	N/A

<sup>567</sup> Per-person betting rather than per bettor.

<sup>568</sup> For instance, for a state whose first year began in January 2020 and closed in-person gambling sites from April through August 2020, JFO counted handle and revenues for January, February, and March but skipped April through August and then continued counting the remaining nine months of September 2020 through May 2021.

Notes: Nevada excluded since sports betting has been legal since 1949. For states with more than 4 months but less than 12 months of data in a given year, data were extrapolated for the missing months. “Date legalized” refers to when legislation was passed.

Prior to the Supreme Court striking down the Professional and Amateur Sports Protection Act (PAPSA) in 2018 and legalizing sports gambling, the only state that had full legalized sports gambling was Nevada, which legalized sports gambling in 1949, prior to PAPSA. As a result of this first-mover advantage of sorts, the state became, and still is, a tourist draw for those interested in betting on sports. The state generates significant handle; in 2019, prior to COVID-19 interruptions in in-person gaming, the state generated annual per capita handle of more than \$1,700—more than double the next highest state. In most analyses conducted by JFO, data from Nevada are excluded for this reason.

### **The Legal and Regulatory Structure of the Market**

While sports gambling is legal in thirty-one states and Washington, DC, the legal and regulatory structures of each state differ. Typically, two parameters are important for determining the size of the market:

- the number of operators permitted to operate in the state; and
- whether sports gamblers are permitted to place bets only in person or online, or both.

In general, the easier it is for gamblers to place bets, the greater the size of the market. To the first point above, while states operate different frameworks, they generally fall into two buckets:

1. *Many Operators/Competitive Markets*. These states either permit many operators to take sports bets or they permit one operator but ensure that the betting lines are nationally competitive, either by mandating it from the sole operator or by choosing a nationally reputable firm. These states always permit online and mobile betting and usually have some in-person betting establishments. Moreover, because of the competitive betting landscapes, the operators usually offer not only single-game betting but also in-game betting and proposition bets.<sup>569</sup> As a result, these states generate high per capita handle.

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<sup>569</sup> A single game bet would be one where the bettor bets on the outcome of the game prior to it starting. An in-game bet is a bet taken while the game is being played and is usually placed on an outcome within the game, such as “Will the New England Patriots be leading at half time?” A proposition bet is a bet either in-game or before a game on a specific instance in the game, such as “Will Tom Brady throw for more than 300 yards?”

States with this type of regime with many operators include New Jersey, Indiana, Pennsylvania, Illinois, Iowa, and Colorado. New Hampshire and Rhode Island have one and two operators, respectively, but they are well-known operators who offer promotions, competitive betting lines, and mobile betting.

2. *Few Operators/Less Competitive Markets.* These states permit only limited operators or manage a government-run operator through their lottery systems. Some permit online and mobile betting but others only allow in-person betting, such as at a casino. They do not typically offer many promotions to sports bettors, and the lack of competition generally leads to betting lines that are worse for the bettor than what would be available in Las Vegas.<sup>570</sup> As a result, per capita handle in these states is markedly lower. Examples of these type of states include Mississippi and Arkansas, which only permit on-premises betting, as well as Washington, DC, Oregon, and Montana, whose operators are state-run largely out of their existing lottery.

### **The Share of Revenues Collected by the State from the Operators**

All states with legal sports gambling generate state revenues from sports betting operators. Typically, this is done by either having their own state-run operator and keeping the net profits or applying a tax rate or revenue-sharing agreement to operator revenues.

Oregon and Montana are examples of state-run operators that keep the net profits. This model is similar to Vermont's liquor control market where the State captures profits from liquor sales to support the General Fund.

For the remaining states that do not have a state-run operator, most levy a tax on revenues or have a revenue-sharing agreement with operators in their state. In some states, this is in the 10–20 percent range. However, in Rhode Island, New Hampshire, and Delaware, the revenue split is 50 percent or greater (see Table 2).

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<sup>570</sup> In the sports gambling world, the betting lines offered to gamblers in Las Vegas are seen as the strongest since the competition in Nevada forces operators/sportsbooks to accept lower profits/holds.



<b>State</b>	<b>Tax Rate</b>
Arkansas	13% or 20%
Colorado	10%
Connecticut	13.75%
Delaware	50% of total revenue
Illinois	15%
Indiana	9.50%
Iowa	6.75%
Michigan	8.40%
Mississippi	8% state, 4% local tax
Montana	Net state sportsbook profit
New Hampshire	51% of gross revenue
New Jersey	8.50% or 14.25% if online
New York	10%*
Oregon	Net state sportsbook profit
Pennsylvania	34% tax with 2% local option tax
Rhode Island	51% of revenue
Tennessee	20%
Virginia	15%
West Virginia	10%

\*New York recently expanded online betting, and its law states sportsbook must pay at least 50% of revenues.

**It is important to note that in sports betting markets, based upon other states' experience, higher tax rates do not result in higher costs for gamblers, as they might with more traditional taxes.** The most salient drawback to a higher tax rate is that it may act as a deterrent for an operator to set up in a state. As a result of fewer operators, the bettor may receive less competitive betting lines (e.g., lower winnings for a given bet), fewer promotions, and fewer available betting opportunities. This is not always the case, however. In high-tax rate states like New Hampshire and Rhode Island, though there are only one or two operators, they generally offer competitive betting lines for consumers because the operators are reputable national firms and the agreement with the state requires lines to be nationally competitive.

## **Revenues and Estimates**

### *Overview of State Revenue Collections*

The revenues a state collects will be a function of many variables, including the type of regulatory market, the number of operators, the tax rate or revenue sharing agreement in place, and the population of the state.

As Table 3 lays out, generally, states with larger populations, higher tax rates, and/or a large in-person and online betting market generate more tax revenue in absolute terms. However, states with a robust online betting market and very high tax rate (New Hampshire and Rhode Island) generate very high revenue per capita despite their small size.

<b>Table 3: State Revenues in Calendar Years 2020 and 2021</b>				
<b>State</b>	<b>2020</b>	<b>Per Capita</b>	<b>Jan-July 2021</b>	<b>Per Capita</b>
Nevada	\$17,808,056	\$5.73	\$13,977,766	\$4.50
New Jersey	\$50,891,397	\$5.48	\$46,206,971	\$4.97
Delaware	\$12,043,312	\$12.15	\$3,396,415	\$3.43
West Virginia	\$2,852,172	\$1.59	\$1,609,049	\$0.90
Mississippi	\$3,499,322	\$1.18	\$2,427,355	\$0.82
Pennsylvania	\$76,854,070	\$5.91	\$55,964,071	\$4.30
Rhode Island	\$12,274,413	\$11.18	\$9,616,883	\$8.76
Arkansas	\$583,374	\$0.19	\$676,208	\$0.22
Iowa	\$2,806,655	\$0.88	\$3,698,260	\$1.16
Indiana	\$13,041,325	\$1.92	\$13,018,210	\$1.92
New Hampshire	\$11,012,005	\$7.98	\$9,271,740	\$6.72
Colorado	N/A		\$5,493,562	\$0.95
Michigan	N/A		\$3,715,166	\$0.37
Tennessee	N/A		\$18,800,000	\$2.72
Illinois	N/A		\$40,776,494	\$3.18
Virginia	N/A		\$7,831,050	\$0.90

Note: States are in order of legalization. N/A indicates full year data not available.  
Source: Legal Sports Report.

In general, while these revenue totals are sizeable, they do not represent a major revenue source for most of these states. For instance, while New Jersey collected over \$50 million in sports gambling revenue in 2020, the state's total general fund budget totals over \$40 billion.<sup>571</sup> Even in the highest revenue per capita states, the revenues are not suitable to support major programs:

- In New Hampshire, all sports gambling revenues go to the education trust fund, which in FY2022 was \$1.09 billion. The lottery generates about \$125 million per year in New Hampshire, so sports betting revenues represent about 1 percent of revenues for education and less than 10 percent of total lottery revenues.<sup>572</sup>

<sup>571</sup> <https://www.njlm.org/DocumentCenter/View/9015/RevisedFY21Budget>

<sup>572</sup> "Where the Money Comes From," Transparent New Hampshire. "<https://www.nh.gov/transparentnh/where-the-money-comes-from/index.htm>"

- In Rhode Island, all sports gambling revenues are dedicated to the general fund. Sports gambling revenue represent less than 0.2 percent of total general fund spending.<sup>573</sup>

### **JFO State Revenue Estimates for Legal Sports Gambling**

At the time of publication, there is no legislation available upon which to generate a formal revenue estimate. JFO's work for this report focused on creating a model for sports betting that is flexible and can give legislators a range of possible revenue outcomes depending upon the final legal framework. The market size and potential state revenues will depend heavily on the market structure and tax rate and also on, to a lesser extent, holds for operators.

JFO's revenue estimates rely largely on the experiences in other states. However, as mentioned earlier, gambling markets and state revenues across states vary significantly. In order to generate ranges, JFO made market estimates using a matrix of two parameters, the number of operators and the tax rate, as follows:

- *Many operators, low tax rate.* Under this model, Vermont would contract with many operators and offer in-person and online betting. The tax rate would be less than 20 percent. States with this model include New Jersey, West Virginia, Iowa, Indiana, Michigan, Colorado, Illinois, and Virginia.
- *Many operators, high tax rate.* Under this model, Vermont would contract with many operators or, alternatively, contract with a national operator with competitive lines and well-established betting platforms. Betting could occur in person or online. The tax rate, however, would be significantly higher, at least 35 percent and more likely 50 percent or higher. States under this model include Pennsylvania, New Hampshire, and Rhode Island.
- *Few operators, low tax rate.* Under this model, Vermont would either have a single operator and establish retail betting operations or allow certain retail establishments to have betting operations. Betting would largely be in person, and if there were online

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<sup>573</sup> FY 2021 Operating Budget. Office of Management and Budget, Rhode Island.  
<http://www.omb.ri.gov/documents/Prior%20Year%20Budgets/Operating%20Budget%202021/ExecutiveSummary/0Complete%20FY%202021%20Executive%20Summary.pdf>

betting, it would require the bettor to be on premises. The tax rate would be between 10 percent and 20 percent. States with this model are Mississippi and Arkansas.

- *Few operators, high tax rate.* Under this model, Vermont would either operate a State-run sportsbook and establish retail betting operations or allow certain retail establishments to operate betting operations. Betting could occur online or in person, but because of the limited number of operators, the betting lines are likely to be less competitive. States under this model include Oregon, Montana, and Washington, DC.

Learning from the experiences of other states, JFO made revenue estimates for two years of operations. The first year of operations usually has a three to six month ramp-up period, while the second year is a better reflection of ongoing market size and revenue collections.

Table 4 lays out a range of potential revenue in the first year depending upon the model. JFO estimates revenues would fall between \$640,000.00 and \$4.8 million.

<b>Table 4: Preliminary Potential State Revenues under Differing Frameworks Year 1 of Operations</b>				
	<b>Many Operators</b>		<b>Few Operators</b>	
	<b>Low Tax Rate</b>	<b>High Tax Rate</b>	<b>Low Tax Rate</b>	<b>High Tax Rate</b>
<b>Total Handle</b>	\$198,200,000	\$124,900,000	\$37,900,000	\$57,600,000
<b>Per Capita Handle</b>	\$308	\$194	\$59	\$90
<b>Hypothetical Hold</b>	8.0%	7.7%	11.2%	9.1%
<b>Hypothetical Tax Rate</b>	10%	50%	15%	50%
<b>Potential Revenue</b>	<b>\$1,540,000</b>	<b>\$4,810,000</b>	<b>\$640,000</b>	<b>\$2,610,000</b>

Table 5 lays out JFO's estimates for revenues in the second year depending upon the market. As noted, as betting operations mature and residents become more accustomed to betting on sports, the size of the market grows.<sup>574</sup> The higher-end estimate of \$10.3 million is in line with New Hampshire and Rhode Island for their most recent data. Over the first six months of 2021, these states generated per capita handle of between \$30 and \$35 per month. JFO estimates \$33 per month for Vermont.

<sup>574</sup> The *few operators, high tax rate* overall estimate declines from \$56 million in year 1 to \$52 million in year 2 because Delaware is part of the sample used to calculate this number. In their second year of betting operations, they lost money as a state due to the Superbowl result in 2020.

<b>Table 5: Preliminary Potential State Revenues under Differing Frameworks Year 2 of Operations</b>				
	<b>Many Operators</b>		<b>Few Operators</b>	
	<b>Low Tax Rate</b>	<b>High Tax Rate</b>	<b>Low Tax Rate</b>	<b>High Tax Rate</b>
<b>Total Handle</b>	\$268,500,000	\$255,300,000	\$66,900,000	\$52,200,000
<b>Per Capita Handle</b>	\$418	\$397	\$104	\$81
<b>Hypothetical Hold</b>	7.8%	8.1%	13.8%	10.5%
<b>Hypothetical Tax Rate</b>	10%	50%	15%	50%
<b>Potential Revenue</b>	<b>\$2,030,000</b>	<b>\$10,340,000</b>	<b>\$1,380,000</b>	<b>\$2,740,000</b>

Several factors could make a significant impact on these revenue estimates:

- The most direct variable is the tax rate set by the Legislature or the share committed by an operator as part of a contract with the State.
- Holds (i.e., operator revenues after making payouts) also tend to vary from year to year, which will have an impact on revenues. Typically, robust sports betting markets achieve between 7 percent and 9.5 percent on average. However, if an operator or operators find themselves on the wrong side of a major sporting event, holds could be lower for a given month or year.
- The impact of COVID-19 is ongoing. The primary impact of the pandemic will continue to be its effect on sporting events. For instance, the virus could cause the cancellation of games or cause the outcome of a game to be increasingly random. For example, a late removal of a player due to a COVID-19 close contact. Both of these would depress betting.
- Interstate competition could be important. The core group of customers for sports betting tends to be made up of savvy bettors. This group will almost certainly travel to a neighboring state to take advantage of more favorable betting lines or promotions. JFO's discussions with lottery and sports gambling experts found that New Hampshire's operator generally offers nationwide competitive betting lines and New York's new online betting platforms are likely to offer the same. If Vermont's operator is not offering lines similar to these two states, it could lose bettors not only from Vermont but also from

Massachusetts gamblers.<sup>575</sup> Similarly, if Vermont's operator offers better lines or promotions, it will likely benefit from cross-border gamblers.

The ultimate structure of a legal sports betting market in Vermont is the decision of the Legislature. It is worth noting, however, that Vermont's betting market might make one model more feasible than another. JFO's conversations with stakeholders revealed Vermont's relatively small population could not sustain both a high tax rate *and* many operators like Pennsylvania or New York. The operators would be unable to generate a worthwhile after-tax profit in such an environment.

At the same time, establishing a market with few operators and in-person betting such as Mississippi and Arkansas is also unlikely because Vermont does not have existing casinos or on-premises gambling establishments. If the goal of the Legislature is to maximize State revenues given Vermont's market, the New Hampshire or Rhode Island model appears to be most instructive.

### **Fee Revenue**

Fees in states with legalized sports betting vary significantly. While not strictly the case across states, licensing fees are, in theory, in place to cover the regulatory costs to the state and localities rather than to raise revenues for the state. Table 6 lays out the licensing fee structures across states.

The revenues collected from licensing fees will depend upon whether Vermont chooses to pay for operating costs using sports gambling tax revenues or with fees. States like New Hampshire and Rhode Island have a high tax rate and few operators and therefore cover state operating costs with tax revenue rather than a high fee for a limited number of operators. Other states such as New Jersey or Indiana cover operating costs with fees from many operators.

The Department of Liquor and Lottery has estimated that they will incur approximately \$460,000.00 in ongoing costs for a sports betting market, largely from a sports betting manager position and two customer service positions. This is in addition to an estimated \$55,000 in one-time setup costs for information technology support and office equipment. Should Vermont

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<sup>575</sup> Massachusetts does not have legal sports betting as of September 2021.

choose to have a licensing fee, the size of the fee will depend upon the number of operators permitted to operate in the State.

<b>Table 6: Licensing Fees for Sports Betting Across States</b>	
<b>State</b>	<b>Fee</b>
Arkansas	No licensing fees.
Colorado	The master license fee is \$2,000, and the retail operator fee and mobile operator fee are \$1,200 each. \$2,000, \$1,200, and \$1,200 renewal fees, respectively, every two years.
Delaware	No additional fee for sports wagering.
Illinois	In person: \$10 million initial license fee Online: \$20 million initial license fee \$1 million renewal fee every four years.
Indiana	\$100,000 initial fee; \$50,000 annual renewal
Iowa	\$45,000 initial fee; \$10,000 annual renewal
Michigan	\$150,000 licensing fee; \$50,000 application fee; \$50,000 annual renewal fee
Mississippi	No additional fee for sports wagering.
Montana	\$1,000 annual fee for platform operators; \$100 fee per kiosk.
New Hampshire	No licensing fees.
New Jersey	\$100,000 annual fee.
New York	No licensing fees.
Oregon	No licensing fees.
Pennsylvania	\$10 million initial license fee; \$250,000 renewal fee every five years.
Rhode Island	No licensing fees.
Tennessee	\$750,000 annual fee.
Virginia	\$250,000 3-year license; \$200,000 renewal fee; \$50,000 application fee.
Washington, DC	Up to \$500,000 initial license fee \$250,000 renewal fee every five years
West Virginia	\$100,000 fee; renewed every five years
Source: "The Early Bets Are In: Is Sports Betting Paying Off?" National Conference of State Legislators, March 1, 2021	

## Appendix: Estimation Methodology

*COVID-19 Adjustments.* As noted, JFO’s estimate relied heavily upon the handle, hold, and revenue data from other states gathered by Legal Sports Report. In estimating Year 1 and Year 2 revenues, JFO made adjustments to account for the COVID-19 pandemic, as most states’ first or second year of legal sports betting fell during the pandemic. The impact of the pandemic on sports betting was both through the closure of venues to place bets (such as casinos) but also the decrease in the number of sporting events. For example, the 2019–2020 NBA season was suspended on March 11, 2020, and did not resume until July 30, 2020.

Generally, across all states with legal sports betting at the time, JFO observed that overall betting was depressed from roughly March 2020 through July 2020, sometimes longer. In JFO’s judgement, years that fell during the pandemic would not be representative of normal betting market conditions. To adjust for this, JFO did the following for each state:

- Calculated monthly handle numbers to per capita handle.
- For 2020, excluded all months that had lower per capita handle than March 2020 from calculations of average annual handles for Year 1 or Year 2, depending upon which year was impacted by the pandemic. In other words, JFO excluded all months in 2020 that were below the per capita pre-pandemic level.
- Subsequent months were used to complete the remaining 12-month averages.

For example, suppose a state established a legal sports betting market in January 2020 and had a per capita handle of \$20 by March 2020. Due to the pandemic, its per capita handle dropped to \$3, \$10, and \$17 in April, May, and June 2020, respectively. By July 2020, per capita handle was \$22. In order to calculate the 12-month average and median handle of that state, JFO excluded April, May, and June 2020 from the average, and included the remaining months to create a 12-month average. In this example, the 12-month average would include data January through March 2020 and then July 2020 through April 2021. See the illustration at right.

<b>Hypothetical Example COVID-19 Adjustment</b>		
	<b>Per Capita Handle</b>	<b>Included in Calculation of Year 1 average?</b>
Jan-20	\$9	Yes
Feb-20	\$11	Yes



Mar-20	\$20	Yes
Apr-20	\$3	No
May-20	\$10	No
Jun-20	\$17	No
Jul-20	\$22	Yes
Aug-20	\$30	Yes
Sep-20	\$34	Yes
Oct-20	\$38	Yes
Nov-20	\$42	Yes
Dec-20	\$46	Yes
Jan-21	\$50	Yes
Feb-21	\$54	Yes
Mar-21	\$58	Yes

*Extrapolation of Incomplete Data.* For several states, 12 months of data did not exist to complete a 12-month average handle for either Year 1 or Year 2. In these cases, JFO extrapolated the data, if the state had at least four months' worth of data, by assuming that the months without data would be equal to the average monthly handle for the available data.

JFO acknowledges this imperfect solution may lead to misleading averages if there is seasonality in sports betting. By speaking to stakeholders and examining the data, however, the Office found that clear seasonality across all states was not evident. In theory, sports betting should be lower in the late summer because the number of sporting events tends to wane in August and September (the NBA, NHL, and NFL are all in the off-season). Conversely, sports betting should spike during the NFL playoffs and Superbowl in late January and February. While such a pattern was evident in some states like Nevada and Mississippi, it was not as clear in others. JFO determined that seasonality, while potentially an issue within subsets of the overall sample (some states may exhibit seasonality), it is not evident enough throughout the entire sample, and as such, is not entirely clear whether JFO's estimates would be upwardly or downwardly biased because of the extrapolation.