

Public Safety and Security Committee JOINT FAVORABLE REPORT

Bill No.: HB-5307

Title: AN ACT CONCERNING SPORTS WAGERING IN THE STATE.

Vote Date: 3/16/2018

Vote Action: Joint Favorable

PH Date: 3/15/2018

File No.:

***Disclaimer:** The following JOINT FAVORABLE Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.*

SPONSORS OF BILL:

Public Safety and Security Committee

REASONS FOR BILL:

The Supreme Court of the United States is currently reviewing a challenge to the constitutional validity of the federal Professional and Amateur Sports Protection Act of 1992, also known as the "PAPSA" law, which prohibits states from enacting laws permitting and regulating wagering on sports (*Philip D. Murphy, Governor of New Jersey, et al. v. National Collegiate Athletic Association, et al.*, U.S. 16-476, formerly *Christie v. NCAA*). Many states are preemptively adopting legislation to permit a regulatory structure for sports betting in anticipation of a ruling this year. This bill would amend a Connecticut law passed last session requiring the DCP Commissioner to adopt regulations governing sports betting to the "extent permitted by state and federal law," changing the language to "...extent permitted by state law and when federal law is enacted or repealed or a federal court decision is issued that affirms the authority of a state to regulate such wagering."

RESPONSE FROM ADMINISTRATION/AGENCY:

Jepsen, George, Attorney General, State of Connecticut. Jepsen expressed that it is not clear to his office what the language change is intended to accomplish, but urges caution in regard to any proposals that would legalize sports wagering, as the state's agreement with the Mashantucket Pequot and Mohegan Tribes require meticulous consideration of a number of factors in that respect. In Jepsen's view, because sports betting is a Class III game under federal law and is not an authorized game under the Tribes' compacts, the Tribes would still be prohibited from offering sports wagering, but would be permitted under Section 17 of the Compacts to ask the state to negotiate a new gaming compact. The Tribes could also argue that a state law permitting sports wagering in the state would be a violation of the exclusivity provisions of the MOUs; such a violation would relieve the Tribes of their obligation to pay the

State a portion of their gross operating revenues from the operation of video facsimiles or other commercial casino games, as the question of whether sports wagering constitutes a “commercial casino games” remains open and undecided. Essentially, the legalization of sports betting in Connecticut entails difficult and complex questions with significant fiscal and policy ramifications.

Seagull, Michelle, Commissioner, Department of Consumer Protection. According to Seagull, if the goal of the legislature is to legalize sports betting in the state if SCOTUS rules in favor of the State of New Jersey, DCP would need more statutory guidance before it is able to promulgate state regulations. As one example, Seagull cites the fact that the Department lacks the authority to determine whether or not to require licenses or establish fees. Therefore, DCP has submitted a list of specific questions that the legislature would need to address. DCP also notes that this is a complex issue with a large range of policy options and issues to consider, and that there may be ramifications involving the Tribes. Finally, Seagull notes that the regulation of a new gaming industry would require additional monetary and staff resources, and that its fiscal impact is largely dependent on structural questions.

Wagner, Steve, Director of Information Technology, Connecticut Lottery Corporation. The Connecticut Lottery is supportive of this bill, noting that the prohibition of sports betting has done nothing to actually stop sports betting, and claiming that the majority of people in Connecticut and across the country either personally participate in some form of sports wagering or know someone who does, whether in the form of office football pools, “Super Bowl squares,” “March Madness brackets,” etc. Wagner states that sports betting could be just another option for players in the state, and that while the proceeds from the CT Lottery’s offering of sports betting would be a revenue stream for the state, there is enough variety in the type of sports betters that casinos, off-track betting facilities, and lottery players alike could all participate.

Eskin, Neal, Senior Associate Athletic Director, University of Connecticut. Eskin states that, currently, the NCAA opposes all forms of sports wagering both legal and illegal. They believe that sports gaming undermines the integrity of the sport and jeopardizes the health and welfare of student athletes, which, as amateurs and young adults, may be vulnerable to influence and pressure and to act or share information influencing the outcome of a game. Eskin also notes NCAA Championship policy that states that no session of NCAA championship may be conducted in a state with legal wagering based on single-game betting on the outcome of any event in a sport in which NCAA conducts a championship.

NATURE AND SOURCES OF SUPPORT:

Young, Seth, Executive Director of Online Gaming, Foxwoods Resort Casino. Young highlighted what he called the inaccuracy of some “wild estimates” being heard. He stated that iGaming is a more lucrative opportunity for the state than sports betting, and also clarified for the record that the Tribes’ position is that sports gambling, daily fantasy sports betting, and iGaming would fall squarely under the exclusivity agreement. According to Young, Foxwoods’ estimates coupled with a pragmatic tax rate would translate to roughly \$87 million in tax revenue from iGaming over the first five years; conversely, the American Gaming Association’s \$150 billion estimate of the value of black market sports wagering to be translated to a legitimized, taxable market is actually an estimate of all domestic jurisdictions,

of which Connecticut encompasses only a small percentage. Therefore, Young maintained, a more accurate figure lies in Foxwoods' estimate of \$40 million in new tax revenue over a five-year span – based on a \$75 million to \$105 million annual value of the Connecticut sports gaming market, split between all operators and before operating costs and taxes are contemplated. Young says that even their most ambitious projections cannot reach any plausible scenario matching the \$40 million to \$80 million per-year figure in tax revenue that has been suggested. And in 2017 for example, New York collected just \$3 million in tax revenue for all licensed fantasy sports operators. Further, “loose or bad” regulation for daily fantasy sports operators may embolden companies to conduct what appear to be gambling games under the protection of ambiguous law, without any consumer benefit of protection. Legalization of daily fantasy sports in jurisdictions around the country appear to be acting as a “shoehorn” for fantasy sports companies to transition to offer sport betting, and in domestic jurisdictions where fantasy sports law has passed, there is no backbone to regulation – the fantasy sports sector has been rife with scandal and compliance failures. Lastly, Young addressed the proposition of a royalty fee from the NBA and MLB, which he said goes against the interest of good public policy and social responsibility, pointing out that a league representative conceded that the leagues would not support sports gambling if it did not include a royalty fee paid to the league. Young equated this to an admission by the leagues that regulating black market activity and capturing revenue and tourism opportunities for the state is only supportable if the leagues “get a cut.”

Alroy, Avi, Vice President of Interactive Gaming, Mohegan Sun. Alroy believes the State of Connecticut will benefit from both online casino gaming and sports wagering as it will reduce unregulated betting done locally and off-shore, increasing state revenues. He testified of his belief that the two Tribes are best suited for the job and have the expertise to implement this new gaming type and maximize state income potential. He cites a statistic by the American Gaming Association estimating that four and a half billion dollars were wagered on the 2018 Super Bowl, with 97% of it done illegally and by off-shore companies that pay no taxes. Also, regulating sports betting will allow the industry to more easily identify individuals who are underage or who have gambling problems.

Taylor, Ted, President, Sportech Venues, Inc. As the only licensed gaming operator in the state aside from the two Tribes, Sportech believes it is uniquely positioned to assist the State with a smooth transition to sports betting. Taylor estimates that Connecticut residents already wager more than \$600 million per year with illegal operations that are untaxed and unregulated. He states that taxation rates should be based on Gross Gaming Revenue in line with established markets worldwide, including Las Vegas. It is his testimony that his company and the existing casinos are the only logical way to evolve and deliver sports betting.

Kelly, Thomas N., Spokesman, Shoreline Star of Bridgeport. Kelly testified that he attended the informational hearings and was impressed by the detailed testimony of the experts, noting that distribution will be the key to this legislation, and that it will require a multi-channel, statewide brick-and-mortar provider, which he sees in Sportech. He believes that Sportech – by virtue of its predecessor Scientific Games, which paid the state \$20 million for exclusive rights to pari-mutuel wagering in the state – should become a permitted purveyor of “bookmaking” under their exclusivity agreement once legalized. Further, the State should not have to implement the 1% integrity fee as recommended by the NBA and MLB, as it is a “money grab.”

NATURE AND SOURCES OF OPPOSITION:

None Submitted.

Reported by: Joanna M. Heath, Assistant Clerk Date: 3/26/2018