

# BOYD GAMING

**DATE:** February 8, 2021

**TO:** SENATE FEDERAL & STATE AFFAIRS COMMITTEE

**FROM:** Ryan Soultz, Vice President of Governmental Affairs, Boyd Gaming Corporation

**SUBJECT:** Testimony in Support of SB 84 to legalize sports betting

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Good morning, Chairman Alley, Vice Chairman Hilderbrand, and members of the Committee.

Boyd Gaming is one of the largest casino entertainment companies in the United States, operating 28 casinos in 10 states, including being the Lottery Facility Manager for the Kansas Star Casino in Mulvane, Kansas.

The Kansas Star has helped fulfill the policy goals of the Kansas Expanded Lottery Act (KELA) through job creation, capital investment and generating revenues for government. The Kansas Star has generated nearly \$400 million in revenues for the State of Kansas and local governments since the property opened in 2012 and employs hundreds of Kansans.

The Kansas Star's impact, however, extends beyond generating government revenues and jobs for our team members. The Kansas Star contributes \$1.5 million each year to the Kansas All-Star Scholar Fund. This fund assists families and teachers in buying school and classroom supplies while also providing scholarships to graduating high school seniors in our community. One hundred and eighty-nine members of the Class of 2020 received scholarships of \$1,000 from the Kansas All-Star Scholar Fund to help defray from their post-secondary education costs.

The legalization of sports betting as proposed in Senate Bill 84 would enhance the Kansas Star's ability to generate government revenues, foster economic development, and support the local community by creating a framework that would allow the casinos to offer retail and mobile wagering options.

As you and your colleagues know, sports betting has certainly been a very active topic in state legislatures across the country since the 2018 U.S. Supreme Court ruling that repealed PASPA and upheld the individual States' rights to legalize and regulate gaming within their borders. Today, 25 states (including the District of Columbia) have exercised those rights to legalize sports betting. We support SB 84 that would add Kansas to this growing list.

We offer our testimony in support of SB 84 based upon the knowledge and experience our Company has with legal, regulated sports betting.

Boyd Gaming has operated sports books for over 40 years in Nevada and now has books at our properties in Illinois, Indiana, Iowa, Mississippi, and Pennsylvania as those states have legalized sports betting over the last two years. While we certainly are familiar with on-premise sports books and offering this exciting amenity to our guests that visit the casino, we also offer mobile

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sports betting through our BConnected platform in Nevada and through our partnership with FanDuel in Illinois, Indiana, Iowa and Pennsylvania. Based upon that breadth of experience, we understand and are familiar with the business of sports betting.

Sports betting is a low margin business where the books typically only win about 5% of the actual amount wagered. In other words, for every \$100 wagered by bettors the book only keeps about \$5 and must pay all its operating costs – including federal excise taxes and state wagering taxes – from that small amount of revenue. These operating costs include the ticket writers, kiosks, and televisions that are visible to patrons but there many functions that aren't seen by the public such as risk management, monitoring activity in other markets, technology and weather forecasting services that are a necessary part of running a sports book.

While the margins are thin, sports books are another amenity in offering a compelling casino entertainment experience and helps draw a new, younger demographic to the property. This increase in visitation leads to incremental spending in food and beverage, hotel stays, and other gaming offerings.

Senate Bill 84 recognizes the unique operating costs and thin margins of sports books. If taxes or revenue-sharing requirements are too high, books may not offer an attractive array of bets or prices – reflected through odds – that are necessary to compete with illegal operators or those in surrounding states such as Iowa and Colorado. The 7.5% revenue share paid by the casinos from on-premise sports books will allow Kansas to compete with casinos in surrounding states and illegal markets that pay no taxes.

Moreover, SB 84 recognizes the importance of offering sports betting through digital platforms that are necessary to combat the off-shore sites and to capture revenue. Today, many Kansans place bets via mobile phones and computers with off-shore sites that are unregulated and provide no consumer protections. This is why 15 of the 25 states that have legalized sports wagering have also created a legal, regulated statewide mobile sports wagering market for their citizens.

Senate Bill 84 addresses this issue by allowing casino operators to develop or partner with other firms to offer up three digital platforms to provide Kansans with multiple regulated options to lawfully place wagers via mobile apps or the Internet. This will help facilitate the movement of wagering from off-shore, unregulated sites to regulated ones that serve the public interest in terms of consumer protection, wagering integrity, and revenue-generation.

Not only is mobile necessary to compete against the unregulated, off-shore sites but it is also an option that bettors demand. The recent experiences of New Jersey and Indiana are two great examples of why having a low-tax, competitive market for mobile sports betting is important.

New Jersey moved very quickly to implement sports wagering after PASPA was repealed in 2018. New Jersey, very similarly to the model you are considering in SB 84, allows multiple platforms – or skins – per casino. While the sports books at the properties in New Jersey are a key amenity remain popular even during the current health crisis, mobile betting accounts for

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over 85% of all wagers in New Jersey. The New Jersey numbers are closely mirrored by Indiana where legalized sports wagering launched over a year after New Jersey did.

Legalized sports betting in Indiana began on September 1, 2019, and most of the 13 gaming properties in Indiana have opened their on-premise books. However, with only 10 mobile apps launching so far, mobile sports betting accounts for approximately 80% of all wagering activity.

Just like the need for a modest revenue sharing rate for on-premise books, it is critical that the revenue sharing requirement for mobile sports betting also not be overly burdensome and impede legal, regulated operators' ability to market their product and offer attractive betting options to compete against the unregulated, off-shore sites. This is certainly a reason why New Jersey and Indiana have been successful. The 10% rate in SB 84 is at a rate that will allow Kansas' casinos and their mobile sports betting partners to effectively offer consumers regulated and trusted alternatives to the off-shore sites.

Finally, while there certainly are economic benefits from legalized sports betting, there is also the benefit of bringing illegal, unregulated activity into a legal, regulated market. Senate Bill 84 does this by using the existing KELA framework through the Kansas Lottery and the Kansas Racing & Gaming Commission to implement and oversee sports betting. Legal, regulated operators are required to monitor for suspicious and abnormal activity and report those incidences to regulators. This allows regulators to communicate with the appropriate authorities in law enforcement, their fellow regulators in other jurisdictions, and sports governing organizations if it appears that the integrity of a game or contest is in question. This is in the interest of all those involved – the sports leagues and franchises, the casinos and sports betting operators, and everyday Kansans.

For these reasons, we urge you to join us in supporting SB 84. We appreciate the opportunity to share our thoughts with you regarding this proposal and look forward to the committee's consideration of SB 84.