



**Testimony of Dan Shapiro, Vice President of Strategy & Business Development
William Hill US**

**Senate Committee on Federal and State Affairs
April 4, 2018**

**Senate Bill 455 "AN ACT CONCERNING GAMING; CREATING THE KANSAS SPORTS WAGERING
ACT"**

Chairmen Estes and Honorable Members of the Committee. Thank you for the opportunity to submit testimony on SB 455, "An act concerning gaming; creating the Kansas sports wagering act."

I will begin my testimony by providing you with some background on our company and its business. However, the central theme of my testimony is to encourage you to support sports betting in Kansas when it becomes legal under federal law. When that day comes – hopefully soon – we encourage you to authorize a framework that allows operators to compete effectively with the thriving black market, which won't easily or quickly go away. Reasonable taxes and regulation will be critical to that effort.

William Hill is one of the leading sports betting companies in the world and has been in business for nearly 85 years. The company is headquartered in London and traded on the London Stock Exchange with a market capitalization of approximately \$4 billion. William Hill holds gaming licenses in the United Kingdom, Gibraltar, Australia, Italy,

Spain, the United States and The Bahamas and employs approximately 16,000 people around the world.

William Hill's US business, which employs about 450 people, is headquartered in Las Vegas and is the leading sports betting company in the United States. We operate 108 sports books located within casinos in Nevada, representing more than half the sports books in the state. We are also the market leader as measured by sports betting revenue in Nevada. Our market share is 30% in a disaggregated market.

In addition to sports books in casinos, William Hill operates Nevada's leading mobile sports betting app. In Nevada, customers can sign up for our app in person at one of our sports books. After establishing an account, customers can place bets from anywhere within the state's borders. Currently, mobile represents about 60% of our betting volume in Nevada.

Fueled by television coverage and the Internet, the popularity of sports betting has never been higher. In Nevada, nearly \$5 billion was wagered on sports in 2017. Nevada's sports betting business provides approximately 2,000 jobs, stimulates hundreds of millions of dollars in other economic activity and helps bring more than 30 million visitors to Nevada each year.

Elsewhere, William Hill is the exclusive risk manager for the State of Delaware's Sports Lottery, where parlay wagering on NFL football is permitted at the three racetrack casinos and more than 100 lottery retailers. While the product is limited, this is currently the only significant legal sports betting in the U.S. outside Nevada.

A few years ago, we signed a deal with Monmouth Park racetrack in New Jersey to operate a sports book should it become legal. We have already built the sports

book at Monmouth and we are preparing to take bets as soon as we are legally permitted to do so.

As you know, the U.S. Supreme Court will rule on the New Jersey sports betting case in the coming months. The Court's ruling could have important implications for Kansas. As you consider sports betting legislation, we ask you to consider a few important matters:

- Fees and tax rates;
- Allowing the free market to dictate how sports book operators access and utilize sports data; and
- Sharing of wagering information.

While sports betting will help generate revenue for the state of Kansas, the reality is that sports betting is a low margin business. In Nevada, the average hold – the amount retained by the operator after paying winning customers – in recent years has been around 5%. That margin has been trending downward due to the increase in mobile wagering and InPlay wagering, which is wagering on an event after the event begins. Both mobile and InPlay are lower margin products. The sports betting win percentage is much lower than other casino games and pari-mutuel horse racing. Meanwhile, the complexity and expense of running a sports betting operation is significant, which is why many casinos choose to outsource their sports books to William Hill.

Because of the low margins, it is imperative that the tax rate on sports betting be reasonable. For example, in Nevada, casinos pay a tax rate of up to 6.75% on sports betting revenue. That is in addition to the quarter point of handle in federal excise tax that sports books pay to the IRS. That quarter point of handle equates to an additional

5% tax on gross revenue. Any other taxes and fees would make it difficult for legal bookmakers to price the product competitively with the black-market operators. Ultimately, these illegal operators will be the true competition when legal sports betting comes to Kansas.

Illegal bookmakers not only pay no taxes and fees, but they also have no compliance costs. We must follow numerous state and federal regulations and although the cost to comply is substantial, we fully support regulations that provide transparency and important consumer safeguards. Meanwhile, illegal bookmakers don't concern themselves with Bank Secrecy Act obligations, Suspicious Activity Reports, Currency Transaction Reports and the like.

SB 455 mandates a "sports betting right and integrity fee" of .25% of handle for the benefit of the sports leagues, capped at 5% of revenue. Add this to the minimum 6.75% state tax and 5% excise tax to the IRS, and the taxes and fees add up to at least 16.75% of sports betting revenue before any operating expenses. At this level of taxation, it will be difficult for the legal operators to price the sports betting offerings to compete with the existing black market.

In addition, to the proposed "sports betting right and integrity fee" – which is really just a cut of the action – the sports leagues have much to gain from legalized sports betting. In Europe, sports teams collect millions of dollars in sponsorship revenue from sports betting companies. Their logos are displayed on jerseys and on stadium signage. Increased fan engagement will also increase the value of broadcast rights.

The leagues also would profit from legalized sports betting by selling their data and content to sports book operators. But problematic language in the proposed bill

mandates that sports books purchase “official sports governing body data” for determining the results of certain wagers.

Requiring by law or regulation sports book operators to obtain data from league-approved providers will simply inflate the cost and be an additional revenue source for the leagues without allowing the competitive market to function. The free market should decide which data packages should be purchased and from whom. Sports betting operators should be allowed to pay bets based on the results we see on TV and not be mandated to use league-affiliated data companies for results, no matter what kind of bet. There is no data purchasing requirement in Nevada.

Another problematic section of SB 455 requires operators to share in real-time wagering information with the sports leagues, if they so desire. Not only would this be technically difficult and costly to do so, but this introduces customer privacy concerns. There are no apparent prohibitions on how the sports leagues may use the data. It could be used for commercial purposes or for something else, but no such use is appropriate. Operators should not be required by law to share any wagering information directly with the leagues; it should be up to the Racing and Gaming Commission as to what information, if any, is necessary to be shared with the leagues and we suggest that the Racing and Gaming Commission should be the clearing house for this information. In Nevada, the sharing of customer wagering information is prohibited, except with the Gaming Control Board. We suggest that this should be the model in Kansas as well.

As we look forward to the U.S. Supreme Court’s ruling, we hope to work with Members of the Kansas Legislature, the Lottery and the Racing and Gaming Commission to offer sports betting in Kansas. We appreciate the opportunity to provide testimony and

would be very happy to respond to any questions you may have. Please feel free to contact me at dshapiro@williamhill.us or 702-574-4617.