

FANDUEL GROUP



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Chairman Barker and Members of the Committee,

As a leader in the nascent sports betting marketplace, we would like to express our support for a competitive mobile marketplace for sports betting in the state of Kansas.

FanDuel was founded as a fantasy sports company in 2009. Since that time, FanDuel has developed into a first-class sports entertainment tech company adding mobile sports betting to our list of offerings. Our mobile sports betting product is currently accessible to sports enthusiasts in Indiana, New Jersey, Pennsylvania and West Virginia. Much of our growth can be attributed to our constant investment in cutting-edge mobile technology that makes it convenient and exciting for sports fans to engage with the games and players they love.

It probably comes as no surprise to many Committee Members to hear that illegal sports betting is already rampant in the United States. It is estimated that US customers bet approximately \$150 billion each year through illegal offshore websites. Offshore websites are entirely unregulated, pay no taxes and may put customers' money and personal information at risk of being stolen. Because of the lack of regulation, the underground betting market is also notorious for money laundering. Still, the illegal market will likely continue to retain a significant portion of market share unless states make their legal options for sports betting attractive to new and existing sports betting customers. Addressing all of these issues in a smart and forward-thinking manner will help Kansas defeat the offshore market, protect consumers and maximize state tax revenue and business growth:

Bring sports betting out of the shadows by allowing it to take place online and via mobile devices

The first thing that sports betting customers look for is convenience. Today's customers expect to be able to place a bet from their mobile device at any time. Customers currently have the ability to do this using illegal offshore websites, and in order to get these customers to switch to a legal sports betting alternative, new legal options must be equally convenient. Very few people will go through the hassle of driving to a casino each time they want to place a sports bet when they can use an offshore website from the comfort of their home.

Allowing legal online options will significantly increase tax revenues for the state of Kansas. Oxford Economics has estimated that Kansas will generate only \$54 million in sports betting revenue if sports betting is confined solely to brick and mortar casinos, but revenues will reach nearly \$170 million if online options are

available to Kansas customers. A live case study is currently playing out as we see 84% of all wagers in Pennsylvania and 87% of all wagers in New Jersey are placed through mobile devices

Contrary to the thriving offshore market, FanDuel takes seriously the issues of underage wagering. At FanDuel, we use “know your customer” technology to ensure underage individuals are not able to create an account, deposit, or wager through our website or application. When verifying a customer’s identification, a check is conducted using the following demographic information: first name, last name, physical address, date of birth, social security number, and geolocation of the customer. The verification process is facilitated using multiple vendors and, only upon successful verification, is the customer able to create an account. This cutting edge verification technology has proven reliable and accurate in determining eligibility of those seeking to utilize our platform.

Customers benefit when multiple operators compete for Kansans' business

FanDuel is a business driven to provide the best experience for our customers. Allowing multiple operators to apply for online sports betting licenses or to partner with the Kansas Lottery or existing casino licensees to bring mobile platforms to Kansans will encourage healthy competition that will drive down prices, create a better customer experience and crowd illegal operators out of the marketplace.

We have seen what the power of competition can do in New Jersey, where there are currently sixteen licensed online operators in addition to physical sportsbooks in casinos and racetracks. Because of this competition, gaming revenues continue to beat expectations. In 2019, gaming revenue topped \$300 million and generated over \$36 million in taxes to the state.

This is in stark contrast to Oregon, where the Oregon Lottery is the only sports betting platform and they are slated to lose more than \$5 million in 2020. With no variety, no innovation, and no competition, the Oregon Lottery has failed to capture the hearts, minds and wallets of customers. Likewise, as the sole operator, the state assumes far greater risk than they would under a multi-brand competitive market. A single event such as the Chiefs Super Bowl victory, while great for fans and those who bet on the Chiefs, could be absolutely devastating to the bottom line of the Kansas Lottery. Oregon should serve as a cautionary tale to any state that considers putting all the eggs in one basket, and I strongly urge Kansas not to make the same mistakes.

A reasonable tax rate is necessary to allow legal products to compete

Sports betting is a low-margin business, and most operators pay out between \$93 to \$95 of every \$100 they take in as customer winnings. When you factor in marketing costs, regulatory costs, state and federal taxes and other fixed costs, legal sportsbooks operate on a very narrow margin, yet must be able to compete with illegal offshore websites that pay no taxes and have no regulatory costs. In our view, a tax rate at 10% or less will not hinder

or diminish the success of the sports betting marketplace in Kansas, and will in fact create a robust market, benefitting the state.

Thank you for the opportunity to offer our support of sports betting in a competitive, open marketplace. We hope to continue this conversation and work with legislators and regulators to make Kansas a regional leader in smart and effective sports betting regulation.