

October 31, 2022

Via Email (John.K.Gay@Illinois.gov)

Mr. John Gay
Office of Illinois Governor JB Pritzker
401 S. Spring St.
Springfield, IL 62704

RE: Senate Bill 2973

Dear John:

On behalf of the iDevelopment and Economic Association (iDEA Growth), we thank you for speaking with us over the summer regarding Senate Bill 2973; an iDEA Growth initiative that unanimously passed the Illinois Senate and that is now pending before the Illinois House of Representatives. As promised, we provide additional information herein regarding issues addressed by this bill, and we hope that you and your colleagues come to conclusion that SB 2973 should be enacted into law.

By way of an introduction, iDEA Growth is the leading online gaming trade association in the United States, and our members – 33 companies and growing - are active in online sports betting, online poker and online casino games. iDEA's member companies represent every sector of the online gaming industry and have vast experience operating in numerous regulated gaming jurisdictions across the country.

It is worth noting that many iDEA members are licensed by the Illinois Gaming Board, and a number of them hold supplier licenses under the Illinois Sports Wagering Law. SB 2973 corrects an unusual provision in the current law regarding supplier renewal fees. Supplier licensees are currently required to pay a \$150,000 fee for the first four-year term. After the initial term, rather than reducing the cost for the renewal, the law requires supplier licensees to pay \$150,000 **annually** for over the four-year renewal period, resulting in total renewal costs of \$600,000.¹ SB 2973 would set the renewal fee at \$50,000 for the four-year renewal period, putting the fee in line with other gaming-related renewal fees in Illinois.

¹ The unusual structure of the supplier renewal fee is further evidenced by the fact that in its annual Illinois gaming update over the last three years, the Commission on Government Forecasting and Accountability (COGFA) has repeatedly mischaracterized the fee as “renewal fee of \$150,000 every 4 years.” See page 91 of 2020 report, page 83 of 2021 report, page 81 of 2022 report.

Sports wagering supplier renewal fees are not in alignment with other gaming-related renewal fees in Illinois; each of the other gaming-related renewal fees are either the same amount as the initial fee or a fraction of the amount of the renewal fee. For example, the initial fee for all three types of master sports wagering licenses may be as high as \$10 million, but the renewal fee for each license is set at \$1 million for a four-year renewal period. In other words, the renewal fee could be **as low as 10% of the initial fee**. As another example, the initial fee for a casino located in Cook County is \$30,000 per gaming position. With 1200 positions, the initial fee would amount to \$36 million. However, the renewal fee is \$250,000, which is **less than 1% of the initial fee**. The sports wagering supplier license is the only license with a renewal fee that is larger than the initial fee; and in this case, it is substantially larger.

If we confine our comparisons to only supplier licenses, the unusual nature of the sports wagering supplier renewal fee is even more stark. Casino suppliers pay an initial amount of \$5,000 for a license; the renewal fee is the same amount. That makes the \$600,000 sports wagering supplier renewal fee **120 times higher**. Video gaming suppliers pay an initial fee of \$2,000 for a license; the renewal fee is the same amount. That makes the sports wagering supplier renewal fee **300 times higher** than video gaming supplier license fees.²

Looking at other states offers further perspective regarding the unusual nature of the Illinois sports wagering supplier renewal fee. Michigan's initial fee for suppliers is \$7,500 (a \$2,500 application fee and a \$5,000 license fee). The renewal fee is \$5,000 for a five-year renewal period. Louisiana's initial application and license fees total \$22,500. The renewal, due five years after the initial license is issued, is \$12,500.³ Even with the changes proposed in SB 2973, the Illinois supplier renewal fee would be substantially larger than the renewal fee in other states.

As a final matter, we would like to address the budgetary impact of the change requested in SB 2973. The recently published Wagering in Illinois 2022 Update from the Commission on Government Forecasting and Accountability (COGFA) clearly demonstrates that changing the renewal fees will have no material impact on tax revenue generated from sports wagering. Prior to the enactment of sports wagering, a study from Oxford Economics estimated that Illinois could potentially generate between \$384 million and \$680 million in adjusted gross wagering receipts (AGR), potentially resulting in tax revenues between \$58 million and \$102 million. However, in just the second full year of sports wagering, Illinois saw the AGR increase to a little over \$610 million (a 60.7% increase from the first full year) and tax revenue of \$92 million. This means that

² The table attached as Exhibit A offers an exhaustive comparison of all Illinois gaming-related initial and supplier fees.

³ The table attached as Exhibit B offers an exhaustive comparison of sports wager supplier initial and renewal fees in other states.

the annual AGR and tax revenue figures have already reached **90% of the highest initial projections**. Sports wagering is doing incredibly well from a state fiscal perspective, and the collection of any supplier renewal fees (not one of which has actually been collected yet) will have no material impact on success in Illinois.

In conclusion, with sports wagering suppliers set to begin renewing licenses as early as 2023, it is imperative that the Illinois legislature act now to address the supplier renewal fee issue discussed in this letter by enacting SB 2973 or another piece of legislation that includes similar provisions. We are not aware of any opposition to SB 2973, and the Illinois Gaming Board has filed a statement that they do not oppose the bill. While SB 2973 proposes a reduced renewal fee of \$50,000 over a four-year period, iDEA Growth is certainly open to another number that other stakeholders might feel is more appropriate.

Thank you again for speaking with us about SB 2973, and we look forward to continuing conversations with you as we work to address a very time sensitive matter for businesses that have made the decision to invest substantial time and resources to help Illinois grow its burgeoning sports wagering market.

Sincerely,

The iDevelopment and Economic
Association (“iDEA”)



Jeff Ifrah
General Counsel, iDEA Growth

Cc: Deputy Governor Andy Manar (via email to andy.manar@illinois.gov)
State Representative Robert Rita (via email to robertbobrita@aol.com)
State Senator Bill Cunningham (via email to bill@billcunningham.com)

Exhibit A: Table Comparing Illinois Gaming Initial Fees to Renewal Fees

Type of License	Initial Fee	Renewal Fee
Master sports wagering license issued to an organization licensee	“Except as otherwise provided in this subsection (b), the initial license fee for a master sports wagering license for an organization licensee is 5% of its handle from the preceding calendar year or the lowest amount that is required to be paid as an initial license fee by an owners licensee under subsection (b) of Section 25-35, whichever is greater. No initial license fee shall exceed \$10,000,000. ... For an organization licensee licensed after the effective date of this Act, the master sports wagering license fee shall be \$5,000,000, but the amount shall be adjusted 12 months after the organization licensee begins racing operations based on 5% of its handle from the first 12 months of racing operations.” 230 ILCS 45/25-30(b).	“The organization licensee may renew the master sports wagering license for a period of 4 years by paying a \$1,000,000 renewal fee to the Board.” 230 ILCS 45/25-30(c).
Master sports wagering license issued to an owners licensee	“Except as otherwise provided in subsection (b-5), the initial license fee for a master sports wagering license for an owners licensee is 5% of its adjusted gross receipts from the preceding calendar year. No initial license fee shall exceed \$10,000,000. ... For an owners licensee licensed after the effective date of this Act, the master sports wagering license fee shall be \$5,000,000, but the amount shall be adjusted 12 months after the owners licensee begins gambling operations under the Illinois Gambling Act based on 5% of its adjusted gross receipts from the first 12 months of gambling operations.” 230 ILCS 45/25-35(b)-(b-5)	“The owners licensee may renew the master sports wagering license for a period of 4 years by paying a \$1,000,000 renewal fee to the Board.” 230 ILCS 45/25-35(c)
Master sports wagering license issued to a sports facility	“The initial license fee for a master sports wagering license for a sports facility is \$10,000,000.” 230 ILCS 45/40(d)	“The sports facility or its designee may renew the master sports wagering license for a period of 4 years by paying a \$1,000,000 renewal fee to the Board.” 230 ILCS 45/40(e)
Tier 2 official league data provider license	“The initial license fee for a tier 2 official league data provider license is payable to the Board at the end of the first year of licensure based on the amount of data sold to master sports wagering licensees as official league data as follows:	“The tier 2 official league data provider licensee may renew the license for 3 years by paying a renewal fee to the Board based on the amount of data sold to master

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	<p>(1) for data sales up to and including \$500,000, the fee is \$30,000;</p> <p>(2) for data sales in excess of \$500,000 and up to and including \$750,000, the fee is \$60,000;</p> <p>(3) for data sales in excess of \$750,000 and up to and including \$1,000,000, the fee is \$125,000;</p> <p>(4) for data sales in excess of \$1,000,000 and up to and including \$1,500,000, the fee is \$250,000;</p> <p>(5) for data sales in excess of \$1,500,000 and up to and including \$2,000,000, the fee is \$375,000; and</p> <p>(6) for data sales in excess of \$2,000,000, the fee is \$500,000.” 230 ILCS 45/60(c)</p>	<p>sports wagering licensees as official league data in the immediately preceding year as provided in paragraphs (1) through (6) of subsection (c).” 230 ILCS 45/60(d)</p>
Casino license	<p>“[A] licensee located outside of Cook County shall pay a minimum initial fee of \$17,500 per gaming position, and a licensee located in Cook County shall pay a minimum initial fee of \$30,000 per gaming position.” 230 ILCS 10/7(e-10)</p>	<p>“The fee for the issuance or renewal of a license issued pursuant to this subsection (e-10) shall be \$250,000.” 230 ILCS 10/7(e-10)</p>
Casino suppliers license	<p>“The Board may issue a suppliers license to such persons, firms or corporations which apply therefor upon the payment of a non-refundable application fee set by the Board, upon a determination by the Board that the applicant is eligible for a suppliers license and upon payment of a \$5,000 annual license fee.” 230 ILCS 10/8(a)</p>	<p>“Except as provided by Section 8.1, the initial suppliers license shall be issued for 4 years. Thereafter, the license may be renewed for additional 4-year periods unless sooner canceled or terminated.” 230 ILCS 10/8(a-5)</p>
Racino licenses	<p>“To be eligible to conduct gaming under this Section, a person or entity having operating control of a racetrack must (i) obtain an organization gaming license, (ii) hold an organization license under the Illinois Horse Racing Act of 1975, (iii) hold an inter-track wagering license, (iv) pay an initial fee of \$30,000 per gaming position from organization gaming licensees where gaming is conducted in Cook County and, except as provided in subsection (c-5), \$17,500 for organization gaming licensees where gaming is conducted outside of Cook County before beginning</p>	<p>“An organization gaming license and any renewal of an organization gaming license shall authorize gaming pursuant to this Section for a period of 4 years. The fee for the issuance or renewal of an organization gaming license shall be \$250,000.” 230 ILCS 10/7.7(b)</p>

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	<p>to conduct gaming plus make the reconciliation payment required under subsection (k), (v) conduct live racing in accordance with subsections (e-1), (e-2), and (e-3) of Section 20 of the Illinois Horse Racing Act of 1975, (vi) meet the requirements of subsection (a) of Section 56 of the Illinois Horse Racing Act of 1975, (vii) for organization licensees conducting standardbred race meetings, keep backstretch barns and dormitories open and operational year-round unless a lesser schedule is mutually agreed to by the organization licensee and the horsemen association racing at that organization licensee's race meeting, (viii) for organization licensees conducting thoroughbred race meetings, the organization licensee must maintain accident medical expense liability insurance coverage of \$1,000,000 for jockeys, and (ix) meet all other requirements of this Act that apply to owners licensees.”</p> <p>230 ILCS 10/7.7(c)</p>	
<p>Video gaming</p>	<p>“(g) The Board shall establish an annual fee for each license not to exceed the following:</p> <ul style="list-style-type: none"> (1) Manufacturer.....\$10,000 (2) Distributor.....\$10,000 (3) Terminal operator.....\$5,000 (4) Supplier.....\$2,000 (5) Technician.....\$100 (6) Licensed establishment, licensed truck stop establishment, licensed large truck stop establishment, licensed fraternal establishment, or licensed veterans establishment.....\$100 (7) Video gaming terminal.....\$100 (8) Terminal Handler.....\$100 (9) Sales agent and broker.....\$100” <p>230 ILCS 40/45(g)</p>	<p>“All initial terminal handler, technician, sales agent and broker, licensed establishment, licensed truck stop establishment, licensed large truck establishment, licensed fraternal establishment, and licensed fraternal establishment licenses issued by the Board under this Act shall be issued for 2 years and are renewable for additional 2-year periods unless sooner cancelled or terminated. Except as provided by Section 8.1 of the Illinois Gambling Act, all initial manufacturer, distributor, supplier, and terminal operator licenses issued by the Board under this Act shall be issued for 4 years and are renewable for additional 4-year periods unless sooner cancelled or</p>

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		terminated. No license issued under this Act is transferable or assignable.” 230 ILCS 40/50(c)
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**Exhibit B - Fee Comparisons – Sports Betting
Supplier License**

State	License Type	Renewal Cycle	Initial Fee	Renewal Fee
Arizona	Event Wagering Ancillary Supplier License	1 Year	License Fee: \$1,500	License Fee: \$500
Arkansas	Manufacturer/Distributor's License Casino Gaming	1 Year	App Fee: \$6,000 + License Fee: \$1,000	App Fee: \$6,000 + License Fee: \$1,000
Colorado	Vendor Major Sports Betting License	2 Year	License Fee: \$1,200 + Background Dep: \$10,000	License Fee: \$1,200 Background Dep: TBD
Connecticut	Online Gaming Service Provider License	1 Year	License Fee: \$2,000	License Fee: \$2,000
District of Columbia	Standard Sports Wagering Supplier License	1 Year	License Fee: \$10,000	License Fee: \$2,000
Illinois	Sports Wagering Supplier License (TBD)	1 Year	License & App Fee: \$150,000	License Fee: \$150,000
Indiana	Supplier's License	1 Year	App Fee: \$5,000 + License Fee: \$7,500	License Fee: \$7,500
Kansas	Sports Wagering Supplier License	1 Year	License Fee: \$5,000	License Fee: \$5,000
Louisiana	Sports Wagering Service Provider Permit	5 Year	App Fee: \$10,000 + Permit Fee: \$12,500	Permit Fee: \$12,500
Maryland	Tier 1 Sports Wagering Contractor License	5 Year	App, License, & Investigation Fee: \$6,000	App, License, & Investigation Fee: \$6,000
Maine	Sports Wagering Supplier License	TBD	TBD	TBD
Massachusetts	Sports Wagering Vendor License	3 Years	App fee: \$15,000 License fee: \$5,000	License fee: \$5,000
Michigan	Gaming Related Supplier License	1 Year	App Fee: \$2,500 + License Fee: \$5,000	License Fee: \$5,000 +
	Internet Gaming Supplier License	5 Year	App Fee: \$2,500 + License Fee: \$5,000	License Fee: \$2,500 +
	Sports Betting Supplier License	5 Year	App Fee: \$2,500 + License Fee: \$5,000	License Fee: \$2,500
Mississippi	Manufacturer/Distributor License	3 Year	Manufacturer License Fee: \$1,000 + Distributor License Fee: \$500	Manufacturer License Fee: \$1,000 Distributor License Fee: \$500
New Jersey	Casino Service Industry Enterprise License	5 Year	App Fee: \$5,000	App Fee: \$5,000
New York State	Casino Vendor Registration	1 Year	No fee.	No fee.

Ohio	Sports Gaming Supplier License	3 Year	App Fee: \$10,000 + License Fee: \$15,000	App Fee: \$10,000 + License Fee: \$15,000
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State	License Type	Renewal Cycle	Initial Fee	Renewal Fee
Pennsylvania	Gaming Service Provider Certification	5 Year	App Fee: \$2,500 + Certification Fee: \$5,000	App Fee: \$2,500 + Certification Fee: \$5,000
Puerto Rico	Sports Betting Service Provider License	1 Year	App Fee: \$500 + License Fee: \$5,000	App Fee: 500 + License Fee: \$5,000
Tennessee	Vendor License Registration	1 Year	No fee.	No fee.
Virginia	Sports Betting Vendor Registration	3 Year	Registration Fee: \$500	Registration Fee: \$500
Washington	Mid-Level Sports Wagering Vendor License	1 Year	License Fee: \$10,000	License Fee: \$10,000
West Virginia	Sports Wagering Supplier License	1 Year	License Fee: \$1,000	License Fee: \$1,000
Wisconsin	Gaming-related Contractor Certificate	2 Year	App Fee: \$4,000	App Fee: \$4,000
Wyoming	Online Sports Wagering Vendor Permit	5 Year	Permit Fee: \$10,000	Permit Fee: \$5,000