

February 4, 2022

Rick Anthony  
Deputy Director  
Ohio Casino Control Commission  
100 E. Broad St.  
Columbus, OH 43215

Dear Deputy Director Anthony:

On behalf of the members of iDEA Growth, thank you for the opportunity to speak with you and the Ohio Casino Control Commission (“the Commission”) staff regarding the development of rules and regulations for Ohio sports wagering. Based on our conversation, we have recommendations for the Commission to consider as it evaluates a criterion for the “incremental economic benefit” requirement that a Type A sports gaming proprietor must demonstrate in order to contract with a second mobile management services provider (MMSP).

First, based on the significant interest to participate in Ohio’s sports betting market, we believe that all Type A sports gaming proprietors will have ample opportunity to partner with qualified MMSPs. Therefore, we do not anticipate that granting a second MMSP contract will, in any way, impede the ability of a Type A licensee from securing at least one online sports betting partner.

Since what defines an “incremental economic benefit” is not defined in statute, the Commission has the latitude to determine what factors will receive consideration for said economic benefit. Given the legislative history, it was the clear intention of the General Assembly to establish an open and competitive sports wagering market in Ohio. iDEA Growth provided the state legislature, through testimony and memorandum, with numerous data points showing how more online sportsbooks will provide greater economic impact to the state.

It is worth noting that previous efforts to limit market access opportunities failed to gain sufficient support to even pass a single chamber of the House or Senate. In 2020, the leading bill in the Senate, would have limited online sports betting operators to just eleven. This bill did not clear the Senate committee of origin, with many lawmakers opposing because it lacked competition. On the contrary, House Bill 194, which allowed for unlimited market access opportunities passed the House with overwhelming support. Further, HB 29 which initially passed the Senate in June 2021 authorized Type A licensees that are professional sports teams to contract with just one MMSP. However, the compromise legislation adopted in conference committee (and signed into law) recognized this limitation and increased the ability of sports team licensees to contract with up to two MMSPs. This was done to ensure competitive balance among Type A licensees and so sports teams had the same partnership opportunities afforded to casino and racino Type A licensees.

Again, we believe that the legislative intent has always been to maximize the economic benefit to the state by allowing for robust competition, not limiting the size of the market.

Mobile sports gaming providers provide significant economic benefits to the states where they operate. In every U.S. market, when new sports betting operators are added, it increases the total gross gaming revenue generated by the industry, thereby increasing the tax revenues derived by the state. As illustrated in the table below, the addition of new market entrants does not redirect consumer spending, it only serves to increase overall revenues. Further, Type A licensees and their MMSP partners must pay initial and renewed license fees to the state for the privilege of participating in the Ohio market. These fees increase, incrementally, if a Type A licensee partners with more than one MMSP, thereby on its own, creating a greater economic benefit to the state.

**Growth of New Jersey Online Sports Betting in the Months of September and October Since Launch**

Year	# of Online Brands	Industry Revenue	State Tax Revenue
2018	8	\$35.6 million	\$2.8 million
2019	14	\$84.3 million	\$8.9 million
2020	18	\$103.6 million	\$12.4 million
2021	22	\$166.6 million	\$19.2 million
<b>Source:</b> New Jersey Division of Gaming Enforcement; <a href="https://www.nj.gov/oag/ge/financialandstatisticalinfo.html">https://www.nj.gov/oag/ge/financialandstatisticalinfo.html</a>			

Aside from generating license fees and increased taxable gross gaming revenue and subject to the commercial activity tax (CAT), new online sports betting providers will spend significant sums of money with Ohio media outlets for advertising and marketing. Authorized MMSPs will enter into sponsorship and market access agreements with teams/leagues/casinos/racetracks, and they will also partner with a variety of local businesses such as restaurants, bars and entertainment venues for cross promotional opportunities. This generates additional marketing/advertising spend with Ohio businesses and also creates new employment with those entities who are tasked with promoting the online sports gaming operators. If the market is limited, the need to spend these dollars and invest in on-the-ground support is reduced. However, when new market entrants are added, all of the sportsbooks will need to continue to not only devote resources to marketing/advertising, but also product innovation and promotions to stay ahead of growing competition.

Finally, online sportsbook providers will also need to invest in local IT infrastructure (such as data centers) in order to legally accept and process bets, which will benefit Ohio businesses.

It is our belief that the Commission should allow for the free market to determine which companies are most successful in the marketplace by maximizing the ability to enter the market, so long as the policy is consistent with what is required by statute. Those who seek access to the Ohio market via an agreement

as a second MMSP are already at a disadvantage through the increased licensing fees. The Commission should not increase that disadvantage through overly prescriptive requirements for determining an incremental economic benefit.

Thank you for the opportunity to provide our perspective on this aspect of the rules process. Please feel free to contact our organization for additional information or assistance we can provide to the Commission during this process.

Sincerely,



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