

**Testimony Submitted by the iDevelopment and Economic Association (iDEA Growth)  
to the Senate Appropriation Committee  
March 9, 2022**

Mr. Chairman, and distinguished members of the Senate Appropriations Committee, thank you for holding today's hearing and inviting testimony on this important subject.

iDEA Growth was founded to advocate for responsible internet gaming policies that will spur economic growth and protect consumers. Our membership -- 32 companies and growing -- represents every segment of this emerging industry and has vast experience operating in state-regulated jurisdictions across the United States. From consumer-facing operations to geolocation technology and payments to age verification iDEA Growth members are uniquely positioned to provide a 360-degree perspective into every sports betting policy issue this committee will consider.

We applaud Chairman Hegeman and Senators Hoskins and Luetkemeyer for introducing bills that will authorize and regulate online and retail sports betting in Missouri, and we testify today in support of these measures. We would like to extend additional gratitude to Senator Hoskins for his longtime leadership on this issue and appreciate his determination to bring legal sports betting to Missouri. As has been evidenced in other U.S. jurisdictions, when done correctly, a regulated sports betting market creates a safe alternative for consumers and can drive a significant amount of revenue for the state.

While the purpose of this hearing is to discuss the future of sports betting in Missouri, we hope, that at the appropriate time, the state legislature will explore the benefits of authorizing and regulating other forms of internet gaming, such as poker and casino games (iGaming). Several states have already embraced online sports wagering and iGaming as a way to fully protect consumers from unregulated websites, modernize the gaming industry and increase revenues for their states. Regulation of iGaming has been hugely successful on all fronts in these states and iDEA Growth looks forward to being a resource on this topic as Missouri examines its competitive gaming future.

That said, we are encouraged today to see sports betting have a real opportunity to stand on its own merits for legalization. Now is the time to make legal sports betting a reality in the Show Me State.

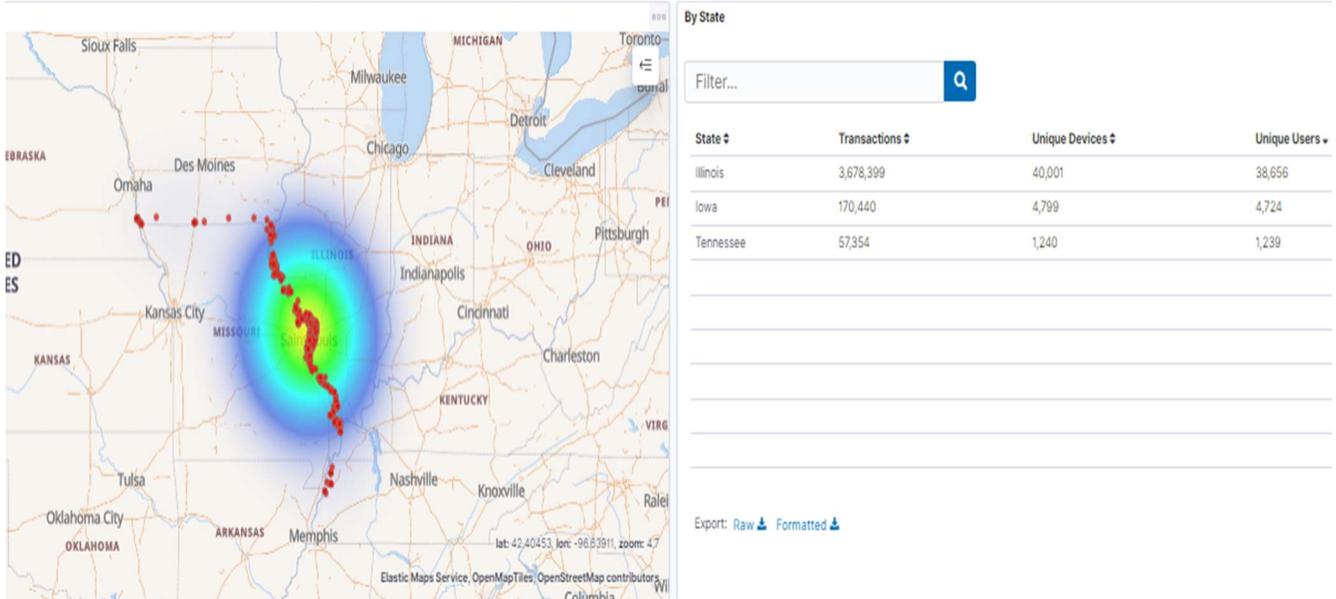
**Sports Betting Is Already Happening**

You are already aware that Missourians are surrounded by legal online betting options in three neighboring states -- Illinois, Iowa and Tennessee -- with online sports betting launching next

month in Arkansas. Based on data from GeoComply, the leading provider of geolocation services for the regulated gaming industry, Missouri’s interest in online betting is significant. Over *Super Bowl LVI* weekend, GeoComply blocked 69,372 attempts made by people within Missouri trying to access betting options in neighboring states where it is legal. Not surprisingly, 85% tried to access online sportsbooks approved in Illinois.

Further, GeoComply analyzed geolocation transaction data **over 60-day period from earlier this year** in Iowa, Illinois and Tennessee. This data revealed that more than 3,906,193 geolocation transactions occurred just 10 miles from the Missouri border in these three states – with the vast majority happening just across the border into Illinois. Based on this data, it is easy to conclude that that Missouri residents are regularly crossing borders to place online bets.

**Geolocation Transactions from Past 60 Days -- Ten Miles from Missouri Border in IL, IA & TN**



Source: GeoComply

But just as the legal market is drawing away residents to wager in other states, there is also a long-established illegal and unregulated market that is attracting Missouri consumers. A simple internet search of “can I bet on sports in Missouri” will direct you to a myriad of websites claiming to offer “legal” online sports betting in the state.

These illegal operators provide little in the way of consumer protections, have a deleterious impact on the state’s legal casino industry, and deprive Missouri from needed tax revenues.

Regulation is about migrating customers away from this illegal market and providing them with a Missouri-based industry that is accountable to regulators and consumers.

## Competition is Critical

The most successful regulatory programs are those that cultivate a market that is as open and competitive as possible, subject to appropriate gaming regulation. iDEA Growth members’ experience in the U.S. and around the world has shown that competition is vital to developing a thriving industry that maximizes customer engagement and tax revenue.

One of the most common ways states have created competition is to promote the ability of “licensed facilities” (defined as state-licensed casinos and designated sports districts in the various bills before the Committee) to offer multiple unique online sportsbook brands (often referred to as skins) as a way to increase consumer choice, and ultimately increase the amount of tax revenue delivered to Missouri.

Research conducted by Eilers & Krejcik Gaming clearly demonstrates the value of a multi-brand model<sup>1</sup>. In summary, the research shows that when licensed operators can offer multiple brands it provides:

- master license holders with additional ways to generate revenue and share fees/costs with their brand partners;
- states with a way to increase tax and license fee revenue and promote a competitive marketplace; and
- consumers with additional options that will compete for their business through innovations and pricing that will make the illegal market an unattractive alternative.

### **Key Reasons Why States Are Considering Multiple-Skin Models<sup>2</sup>**

<b>Market Size</b>	A greater number of available online gambling brands can result in a larger overall market in revenue terms.
<b>Tax Revenue</b>	A larger overall market can result in a larger base of taxable revenue.
<b>License Fee Revenue</b>	The imposition of license fees not only on master license holders, but also on partner brands, can provide states with additional sources of revenue.
<b>Competition</b>	A greater number of available online gambling brands can increase competition in a market, which create benefits for consumers including better product variety and quality, and better product prices and promotions.
<b>Competitive Balance</b>	A multiple-skin model can increase revenue parity between larger and smaller operators in a market.

<sup>1</sup> Eilers and Krejcik Gaming; [Analysis: How The Multiple-Brand Model Impacts State-Regulated Online Gambling Markets](#); February 2019

<sup>2</sup> Ibid; Fig. 1-2

iDEA Growth endorses the approach outlined in all three bills that gives approved “excursion gambling boat” licensees the ability to offer three unique online sportsbook brands. Further, we support the ability of the newly created “designated sports districts” to be eligible for a state-wide mobile offering. We are pleased that several of Missouri-based casinos and sports teams have already publicly voiced their support for SB 1046/SB1061.

### **Sensible Regulatory Framework**

Policymakers should establish a system that allows Missouri’s licensed industry to compete with its neighboring states and with the illegal market. We urge a continued commitment to the reasonable tax rates and licensing fees. Evidence from other regulated markets supports the 10 percent tax rate proposed in SB 1046/SB1061. Increases in tax rates as well as other legislatively mandated costs will make it even harder for the legal business to compete with illegal operators.

iDEA Growth members have successfully launched online sports gaming in multiple regulated jurisdictions, and we believe it is critical that there be a defined set of criteria that is clear and explicit in identifying those individuals that will be subject to licensure. Setting clear expectations helps create an efficient process for both the Missouri Gaming Commission and stakeholders, avoiding administrative complications and simultaneously achieving the desired public policy goal of ensuring integrity in Missouri’s sports gaming industry.

The coronavirus pandemic has redefined “sporting events” and expanded the scope of wagering activities that state regulators should be allowed to consider. Missouri regulators must have the authority to adjust and adapt to an evolving sports landscape and to make sure that professional and amateur events that are available in neighboring states and the unregulated market are not restricted to state-regulated operators.

Furthermore, regulators should be given discretion and flexibility to approve new innovations – from types of games, wagers, and payment options – to keep up with consumer interests and demands.

We are pleased that all of the proposed bills mandate the creation of a sports wagering self-exclusion program. We encourage this Committee to consider increasing the funds dedicated to programs that treat/prevent problem gambling and also promote responsible gambling.

Finally, mobile sports betting is best when it is delivered to consumers like any other form of e-commerce. Remote registration, and the ability to fund and cash out through your mobile device or computer, are essential components of a meaningful online sports wagering market.

## **Conclusion**

In closing, iDEA Growth wants to reiterate our thanks to the Committee for taking a thoughtful approach to sports wagering legislation and providing a forum for industry stakeholders and the public to weigh in on the policy. We are eager to work with all Missouri lawmakers and stakeholders to establish a robust and competitive industry that sparks economic growth, investment, and tax revenues for the state.