

**Testimony Submitted by the iDevelopment and Economic Association (iDEA Growth)
on Sports Wagering Legislation
Senate Committee General Government and Agency Review Committee
November 18, 2020**

Mr. Chairman, and distinguished members of the 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 members represent all sectors of the sports betting industry and are licensed and regulated in the U.S. and jurisdictions throughout the world. iDEA Growth members are involved in every level of the sports betting ecosystem, including operations, development, technology, marketing, payment processing, and law.

We applaud this committee for considering legislation to authorize and regulate sports wagering in the state of Ohio. 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.

iDEA Growth also commends the efforts of Senators John Eklund and Sean O'Brien for their work on this legislation. Together with their colleagues in the Ohio House of Representatives, they have taken input from a variety of stakeholders and have crafted an excellent framework for sports betting. Our comments are in response to the draft legislation that was released on October 30, 2020, and the recommendations provided are based on our association's vast experience operating in state-regulated jurisdictions and our members' unique 360-degree perspective into every segment of the sports betting industry. While we are making specific recommendations to improve the draft bill, we do support many aspects of it, and stand ready to work with lawmakers to overcome any obstacles so a final version can be passed before the end of this year.

Competition is Critical

The most successful regulatory programs are those that cultivate a market that is as free and open as possible, subject to appropriate gaming regulation. One of the most effective ways of creating competition is to promote the ability of "sports gaming agents" (defined as state-licensed casinos and racinos) to offer multiple unique online sportsbooks brands (often referred to as skins) as a way to increase consumer choice, and ultimately increase the amount of tax revenue delivered to Ohio.

Research conducted by Eilers & Krejcik Gaming clearly demonstrates the value of a multi-brand model.¹ 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.
- 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 Models²

Market Size	A greater number of available online gambling brands can result in a larger overall market in revenue terms.
Tax Revenue	A larger overall market can result in a larger base of taxable revenue.
License Fee Revenue	The imposition of license fees not only on master license holders, but also on partner brands, can provide states with additional sources of revenue.
Competition	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.
Competitive Balance	A multiple-skin model can increase revenue parity between larger and smaller operators in a market.

A previous draft of the legislation allowed for *three* skins and mandated that sports gaming agents enter into contracts so that Ohio taxpayers can realize the full value of a highly competitive market. iDEA Growth supported this draft language and would urge lawmakers to authorize a minimum of three (3) online skins per property. Based on our internal research, and a review of other markets, we believe that Ohio could easily support thirty (30) or more online sports betting brands. For instance, the state of Colorado, with roughly half the population of

¹ Eilers and Krejcik Gaming; *Analysis: How The Multiple-Brand Model Impacts State-Regulated Online Gambling Markets*; February 2019

² Ibid; Fig. 1-2

Ohio, launched sports betting in May of this year. As of today, Colorado residents have access to 15 mobile sportsbooks and it is expected that 6-10 more will become available by the first half of 2021.

The current draft bill (released on October 30, 2020) decreased the number of skins to two, effectively reducing the market by at least 33 percent. Unfortunately, the current draft language is also unclear on how the state will treat land-based sportsbook brands and online sportsbook brands. Without clarification, the language could be interpreted to limit the market even more, and would disproportionately impact gaming operators that own more than one property. We urge lawmakers to address this confusion and clearly articulate that each sports gaming entity can offer multiple online brands (up to three), regardless of the brand they operate at their land-based casino or racino.

The evidence is clear that more competition will bring more revenue to the state; revenue that will help pay for education or other critical needs. We urge this committee to support changes to the bill that will help maximize competition and give sports gaming agents, and ultimately the state, the ability to benefit from multiple-skins.

Expand “Sporting Event” Definition

The coronavirus pandemic has redefined “sporting events” and expanded the scope of wagering activities that state regulators should be allowed to consider. State 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 illegal markets are not restricted to state-regulated operators. We recommend the following additions to Section 3775.01 (G)(1) to ensure that popular sporting events, such as e-sports, are expressly allowed under the statute:

Except as otherwise provided in division (G)(2) of this section, "sporting event" means any professional sport or athletic event, any collegiate sport or athletic event, any Olympic or international sports competition event, any motor race event, any e-sports or virtual sports competition event, or any other special event the commission authorizes for sports gaming under this chapter, the individual performance statistics of athletes or participants in such an event, or a combination of those.

Integrity Monitoring

Section 3775.02 (I) (1)(2) seeks to address the important issue of sports betting integrity by establishing a central system, overseen by the Gaming Commission. Having the option for the Commission to manage its own central system would be unnecessary and places a massive

regulatory burden on the Commission. Most importantly, it would actually undermine the effective global approach to integrity monitoring that occurs with regulated sports wagering.

Today, the sports betting industry dedicates a significant amount of resources to protecting the integrity of their wagering markets, but also to monitoring the events themselves to ensure integrity of the sport is safeguarded. Some operators conduct this type of integrity monitoring in-house with teams of sophisticated analysts, and operators also work with certified (and licensed) third-parties to provide comprehensive integrity services.

We recommend that the legislation direct the Commission to partner with the Sports Wagering Integrity Monitoring Association³, or another global sports integrity monitoring service, that already works with U.S. (and global) regulators to report fraud and other illegal or unethical activity related to betting on sporting events in the United States. This will ensure the Commission's necessary oversight, while not creating a redundant and costly new burden.

Data Centers

The current draft of the sports wagering bill contains problematic language with respect to the placement of sports gaming servers. The draft suggests that servers can be placed at a secure third-party location, but that it must be "owned or operated" by the casino/racino or their online sports betting partner. While sports wagering agents and their management service providers will contract with third-party data server providers, they do not necessarily own or operate these entities. Thusly, we recommend a clarification to this provision to ensure that licensed operators in Ohio can independently contract with data centers providers (located in the state of Ohio) that meet the necessary security standards and have been approved by the Commission.

It is worth noting that, while the current draft also allows for servers to be located "within a sports gaming facility," that is not a reasonable option for most casinos and racinos. Given the complexities of properly securing data, it is an industry best practice for sports wagering servers to be stored and managed in a built-for-purpose facility, such as a data center. In fact, every state that has authorized internet sports wagering now allows for operators to store their servers at secure data centers.

Occupational Licensing Requirements

We are concerned that, as currently drafted, the occupational licensing provisions -- found in Section 3775.06 (A) -- do not set clear expectations for licensure because there is no distinction

³ The [Sports Wagering Integrity Monitoring Association](#) is a not-for-profit organization designed to detect and discourage fraud and other illegal or unethical activity related to betting on sporting events in the United States. They work in partnership with gaming operators; federal, state and tribal regulators and law enforcement; and other various stakeholders involved in sports wagering in the United States.

between job functions in the in-person retail context and the online digital space, leading to significant ambiguity as to who would be considered to execute these roles in the online context. This could unintentionally capture broad groups of individuals employed by management services providers without justification, creating significant administrative issues with no corresponding public benefit.

For example, subsections (a) – (c) apply to functions such as accepting wagers, handling money, and providing security—roles that have a clear meaning within a retail sportsbook, but are ambiguous as applied to jobs in online sports betting. We would request tailoring these sections to focus on in-person wagering at a sports wagering facility, since these roles do not have a clear application in the online context and could be applied to a large and overbroad group of individuals employed by management services providers offering an online sports pool in agreement with a sports gaming agent.

Furthermore, it is unclear who would be considered to have the ability to “alter material aspects of sports gaming” in accordance with subsection (d). We respectfully submit that occupational licensure should be limited to those individuals that are truly in positions that have a direct impact on the integrity of the online sports pools in the state of Ohio, and suggest changes to 3775.06(A)(1)(d) to reflect that licensure is required for those who have the ability to “independently” alter material aspects of sports gaming. This will provide the Commission with a clearer understanding of which employees should undergo licensing for online sports betting, such as those employees who ultimately deploy code changing the sports betting platform.

To clarify this provision, we propose the following changes:

Sec. 3775.06(A)(1). An individual whose duties include any of the following shall hold an appropriate and valid sports gaming occupational license issued by the Ohio casino control commission at all times:

- (a) Directly ~~A~~ accepting wagers on sporting events at a sports gaming facility;*
- (b) Handling money as part of operating sports gaming, including a cashier, change person, count team, or coin wrapper at a sports gaming facility;*
- (c) Providing security for the operation of sports gaming, including a guard or observer at a sports gaming facility;*
- (d) Performing other duties such that the individual has the ability to independently alter material aspects of sports gaming.*

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 Commission and stakeholders, avoiding administrative complications and simultaneously achieving the desired public policy goal of ensuring integrity in Ohio's sports gaming.

Conclusion

In closing, we want to reiterate our thanks to the Senate and House sponsors for leadership to bring safe and regulated sports betting to Ohio. iDEA Growth appreciates being part of the stakeholder group and we look forward to continued dialogue to ensure the best possible legislation.

For members of the Ohio General Assembly who are not as intimately involved in this issue, it is important to understand that you are not deciding whether Ohio citizens will bet on sports. In reality, tens of thousands of Ohio residents currently gamble on offshore sites, or with a local bookie, and these options provide absolutely no oversight or protection. However, Ohio lawmakers will decide whether or not to protect these consumers by giving them a safe alternative to bet online and also in-person with regulated operators. You are facing a tremendous opportunity to turn a black market into a regulated industry that benefits the state and its residents.

iDEA Growth members are optimistic about sports betting in Ohio. We look forward to being part of a robust and competitive industry that sparks economic growth, investment, and tax revenues for the state.