

OH Testimony

Mister Chairman, members of the committee, my name is Scott Hoss, last name spelled H-O-S-S.

I am an Interested Party in HB 194.

I am the Director of Products for Intralot. Intralot is a current technology partner of the Ohio Lottery. Intralot is the contractor for 13 other lotteries in the US, of which 7 are in the process of implementing sports wagering legislation. The company's US headquarters is in Duluth, Georgia and employs close to 600 people.

Intralot is also the World's No 1 sports betting operator in government regulated markets, meaning the sports book is under the control of the State/Lottery.

We manage **29 sports betting operations** around the globe. We have a presence on 4 continents, manage over **16,000 points of sale** and accept over **\$6 billion in sports wagers annually**.

Specifically, for the state of Ohio we are making the following recommendation:

The stakeholders are; the State of Ohio, land-based casinos and racinos, the Ohio Lottery and its retailers, online mobile sportsbook providers and the citizens of Ohio who choose to participate in sports wagering. For all stakeholders to benefit from sports wagering in Ohio there should be options available to best serve all parties and maximize funds returned to the state. In the following proposed model, the Ohio Lottery would offer a sports wagering platform through its existing retail networks, either all retailers or a selected number of retailers offering only specific bets such as parlay bets that are very similar to existing Lottery games and less of a burden on traditional Lottery retailers . The Ohio Lottery could also offer sports wagering through its over 2000 age-controlled Keno retailers through self-service terminals.

We propose a model that benefits each of the stakeholders. The State of Ohio benefits from increased revenue generated from sports wagering by offering players the ability to participate at traditional Lottery retailers as well as destination casinos and racinos and online providers. The same can be said for the players who are given a choice in where they can wager, either at their local retail store or in any of the state's casinos. The casinos benefit by adding a sports book that is destination based to help attract players. The Lottery benefits from adding an additional product to their portfolio where all profits generated from sales are transferred to The Lottery Profits for Education Fund. The Lottery's retailers would be earning additional commissions generated from sports wagering as well as increased foot traffic in their stores. This proposal offers the best scenario to the State and its stakeholders while maximizing revenue.

The basis for our position:

There is a precedent for the model we are suggesting. The State of Delaware offers sports wagering to its citizens both through its Lottery retailers and at its 3 destination racetracks/casinos. The Lottery offers parlay betting on only NFL and NCAA football games at 102 of its 600 retailers that are best suited to handle parlay betting in their establishment. The 3 racetrack/casinos offer a full sportsbook with all sports and wager types.

By comparison, the State of New Jersey offers an open market allowing sports betting providers to offer their product either through a casino or online, all sports and markets. The state taxes the net earnings from each of the sportsbooks at 12%.

If we compare the results from Delaware and New Jersey, the model used in Delaware is far more successful in terms of delivering revenue to the state. Delaware is a state with a population of 970,000 residents and their sports betting operations returned \$10.5 million to the state versus New Jersey with a population of 8.9 million who's sports betting operations returned \$25 million to the state. That breaks down to \$10.86 per resident in Delaware compared to \$2.80 per resident of New Jersey. Delaware generated less than 4% of what New Jersey generated through sports betting sales yet turned over 42% of the total that New Jersey returned to the state.

For the State of Ohio, with a population of 11.7 million people, the difference is a return from sports betting operations of \$32.8 million based on the New Jersey model compared to \$127 million based on the Delaware model.

It is becoming evident in the US as Lotteries adopt Sports Betting as part of their product portfolio, like most Lotteries do around the world where it has been legal for more than a decade, that the **best return to the state** is for the State/Lottery to participate in offering a sportsbook.

Benefits of the State or Lottery control of sports wagering:

Impact on Ohio Business. The small businesses that will be offering players the ability to place sports wagers will be positively impacted by increased traffic in their locations and the commissions they earn from the sale of sports wagers. There are nearly 10,000 Lottery retailers that earned over \$200 million in commissions last year. Those small businesses that qualify to be retailers will be able to add jobs to support sports wagering in their establishments creating jobs and even more commissions to small business. The Lottery, through its existing its traditional network, offers a built-in wide area network and existing infrastructure to provide the State with cost efficiencies and speed to market in offering sports wagering.

Responsible Gaming and Integrity. The citizens of Ohio will be presented with a new form of gaming in addition to the other forms of gaming already present in Ohio. If the State or Lottery has oversight of the accounts offered to players, it can control the velocity and amounts that players are able to wager. In addition, the Lottery industry and its organizations follow the best practices and contribute to those causes responsible for the protection of players with gambling problems. Lotteries not only promote responsible gaming but also control advertising and education of players in addition to making funds available for supporting those in trouble and early stages of addiction.

Regulation. The Lottery operates in a highly regulated environment that ensures that all sales are audited and accounted for and that players are ensured that their wagers are processed with the highest amount of integrity just as the Lottery has been doing for 30 years. Lottery regulations state that players with winnings above a predetermined amount must be cleared of owing back taxes or child support before being paid their winnings.

Profits. The Lottery is mandated to return all profits to the State. All profits generated from the sports book are either distributed to small business in the form of commissions or transferred to the State, minus overhead on contractor fees. This mandate will remain with the addition of the sports book dedicating its profits to the Lottery Profits for Education Fund or another cause as determined by the legislature.

Control. The Lottery can determine the payout percentage of its retailers and if the operator of the sportsbook does not maintain the payout at the level the state determines over a predetermined time period, then the operator is obligated to make up the shortage to the state. This does not mean that on certain days the sportsbook will lose money but over time guarantees a return relieving the state from any burden for losses from sports wagering.

Thank you.

| New Jersey 1st full year 8.9 M pop | | Delaware last full year 970,000 pop | | | |
|---|-----------------|--|---------------|--------------|--------------------------|
| | | 3 Casinos | 102 Retailers | Total | |
| Handle (Total Bets) | \$3,200,000,000 | Handle | \$86,981,107 | \$28,370,758 | \$115,351,865 |
| Payout | \$2,992,000,000 | GGR | 8,919,919 | \$6,732,372 | \$15,652,291 |
| GGR | \$208,000,000 | Hold | 10.26% | 23.73% | 13.57% |
| | 6.50% | Return to State | \$4,459,966 | \$6,072,561 | \$10,532,527 |
| Tax (12%) | \$24,960,000 | % of GGR | 5.13% | 21.40% | 9.13% |
| % of GGR | 0.78% | | | \$1,521,786 | Retailer Commissions |
| | | | | 5.36% | 5% on sales 1% on cashes |
| | | | | \$14,919.47 | Per retailer |
| | | | | 970,000 | \$10.86 per resident |
| | | | | | Return to OH based on DE |
| | | | | | \$127,041,820.52 |
| | | | | | Return to OH based on NJ |
| | | | | | \$32,812,584.27 |