

Testimony of Rick Limardo  
MGM Resorts International  
General Government and Agency Review Committee  
Ohio Senate  
S.B. 111, Legalize Sports Gaming  
November 18, 2020

Chairman and Members of the Committee:

My name is Rick Limardo and I am Vice President of Government Affairs for MGM Resorts International. I appreciate this opportunity to provide testimony on behalf of MGM Resorts International and our sports betting joint venture with GVC, BetMGM. I apologize I could not attend in person today to provide my remarks, but out of an abundance of caution and restrictions on travel I felt it was best to submit my remarks for the record.

Before I get into the substance of my remarks, I would like to send my thoughts and prayers to all Ohioans dealing with the impacts of COVID-19 and especially our employees at MGM Northfield Park. From Ohio to Nevada we are all too familiar with the challenges before Americans during these difficult times at home and work. We look forward to brighter days ahead for our employees and industry, but in the meantime, we will continue to do our best to confront these operational challenges on both the personal and business levels.

I am providing remarks in support of S.B. 111 and the proposed changes by Senator Eklund, Senator O'Brien, Representative Greenspan, and Representative Kelly. I commend the sponsors for their diligent work on reconciling the House and Senate sports betting drafts. The most recent version by the sponsors reflects feedback from all sides and is in line with many of the other successful sports betting regimes already implemented across the country, including the states surrounding Ohio. MGM is committed to working with the sponsors and the State of Ohio to provide a cutting-edge sports wagering product that protects integrity and consumers.

MGM is one of the oldest and largest sportsbook operators in the country. We took our first sports wager at MGM Grand in 1979 and now through our sports betting platform, BetMGM, we process more than \$1 billion of sports wagers annually. Currently, we operate 10 physical sportsbooks at each of our properties in Las Vegas, as well as at our properties in New Jersey, Mississippi, and the state up north affectionately known as Michigan by Ohioans. We also operate mobile sportsbooks in Nevada, New Jersey, West Virginia, Indiana, Colorado, and Tennessee. Last, but not least, we operate a retail sportsbook in Oregon in partnership with the Confederated Tribes of Grand Ronde at Spirit Mountain Casino.

Additionally, we operate properties in Michigan, Maryland, Massachusetts, New York, and most recently – and very proudly – here in Ohio. We made a \$1 billion investment in Ohio when we acquired the Hard Rock Rocksino in 2018 and are thrilled to have that property as part of the MGM family. We are hopeful for the opportunity to bring sports betting to MGM Northfield Park and as evidenced by the support in the surrounding states of Indiana, West Virginia, Pennsylvania, and Michigan who have already legalized sports betting, we think our customers are too. For example, in Indiana, a state significantly smaller than Ohio, saw \$231 million wagered in October alone bringing in over \$2 million in tax revenue. At

nearly double the size, these numbers are illustrative of what legalized sports betting can bring to a state the size of Ohio.

As this Committee knows, until recently, Federal law prohibited legalized sports wagering outside of Nevada and a handful of other states which allowed the illegal market to flourish across all mediums – in person, over the internet, and most recently through sophisticated mobile applications. Some estimates put the illegal U.S. sports wagering market at upward of \$100 billion annually.<sup>1</sup>

This illegal market has capitalized on enormous consumer demand while offering no protections to consumers, athletes, or sporting events and providing no revenue to state taxpayers.

Fortunately, this dynamic is changing. To date, 25 states, Washington D.C, and Puerto Rico have legalized sports betting and we expect that number to grow in 2021 as states turn to new revenue sources to recover from the COVID-19 pandemic. Ohio is now at the cusp of catching up with its neighboring states by legalizing sports betting and providing Ohioans with a safe and regulated alternative to move on from the black market.

The following principles are key to our success and fundamental to the legislation before us today.

First, integrity is the bedrock of our business and sports betting.

As a highly regulated gaming company, we must prove that we are suitable for the privilege of holding a gaming license. Our gaming license in any jurisdiction is dependent not only on the integrity with which we operate in that market, but in all markets. As a company with over 20 properties in the United States alone, we have billions of dollars of investment that depend on our ability to conduct our business consistent with the strongest regulatory standards to which we are subject. To put it simply, we are engaged in a race to the top.

This race to the top is evident in every aspect of our business, including sports wagering, and we incorporate the following principles into our products:

- A) We know our customer. We have a sports wagering joint venture (BetMGM) with GVC – one of Europe’s largest sports wagering operators – that allows us to create all of our technology in-house and in a manner that reflects the regulatory requirements of each jurisdiction in which we operate.

A customer must create an account before he or she is permitted to gamble on our mobile app or Internet site. When verifying customer accounts, we use a sophisticated multi-factor identity verification process that uses a customer’s name, social security number, and date of birth to confirm identity across different databases and confirm that the customer is as purported and of legal age.

If after a limited number of attempts, a customer is unable to prove his or her identity through our database verification system, we physically step in and will manually seek physical

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<sup>1</sup> <https://www.americangaming.org/sites/default/files/AGA-Oxford%20-%20Sports%20Betting%20Economic%20Impact%20Report1.pdf>

documentation from an individual and verify that individual's age and identity before a person is permitted to set up an account.

We share concerns about underage gaming and take very seriously our responsibility to ensure that our product is available only to persons of legal age to gamble.

- B) We ensure that the bet or wager remains within state lines. We use an industry standard geolocation technology that can verify that the customer is within state lines. Moreover, we locate our servers within the state in which we operate to ensure that the bet or wager originates and is processed in-state.
- C) We directly and indirectly monitor our betting transactions for aberrant betting patterns on a constant basis. GVC has over 400 traders that are watching betting flows and setting lines. When they see something off, they say something and raise internal flags to assess whether an aberrant betting pattern can be explained by an externality or whether it indicates a problem. We also use third party data companies, such as Sport Radar, that incorporate integrity monitoring into their business model. When we become aware of an integrity issue, we share that information with our regulators and where appropriate, with the relevant leagues.
- D) We invest in responsible gaming. MGM has been an industry leader in responsible gaming in the brick-and-mortar environment and we are carrying that expertise into the mobile environment. We, along with GVC, are working on protocols that encourage responsible gaming on the front-end and use a series of markers to identify when a player may be exhibiting signs of problem gambling. We offer messaging and interaction with players, self-exclusion lists, and wager limits as examples of ways that players may limit their engagement.

Second, mobile is essential.

Ohio residents currently have convenient access to illegal, unregulated mobile sports wagering sites such as Bovada and others. However, they lack a legal, properly regulated alternative. Restricting a legal mobile market will not compel people into brick-and-mortar facilities or prevent them from wagering on sports; it will merely keep people on the existing black market.

The numbers speak for themselves. A recent estimate by the respected gaming analytics firm Eilers & Krejcik finds that total sports wagering revenue in Ohio will more than double if the state decides to adopt mobile wagering.<sup>2</sup>

Third, regulatory decisions should be left up to the discretion of the regulators.

Gaming regulators have deep expertise governing bets and wagers, including by deciding what types of bets or wagers a gaming operator may offer. This is true in poker or blackjack, and should be true for sports wagering, as well.

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<sup>2</sup> Eilers and Krejcik estimates that the legal Ohio sports wagering market will generate approximately \$129 million in retail sports wagering revenues and \$470 million in online sports wagering revenues for a total of nearly \$600 million, if online account sign-up and deposit is permitted.

In some jurisdictions, there has been discussion of legislatively limiting the types of bets that may be offered. We do not believe that such limitations work for the following reasons:

First, customers already have access to all bet types on a robust black market, with little repercussions. To be competitive against this market, regulated gaming operators must be able to provide customers with the product that they want. There is no question that collegiate athletics is extremely popular and in-play wagering is increasingly so. If legal, regulated operators cannot provide these products, consumers will go where they can get them. And, as a result, such wagers will not have the benefit of regulatory oversight, integrity monitoring, or information sharing that can help detect potential integrity risks

Second, each bet or wager is a distinct product with distinct odds and distinct integrity risks. As regulated operators that are responsible for paying out on bets, we have no interest in booking bets that can easily be manipulated or that raise questions about the integrity of our gaming operations. But we recognize that no batter can guarantee a home run in the 7th inning; no basketball player can guarantee a game-winning three-pointer; and no quarterback can guarantee a 60-yard pass completion. As such, overbroad legislation that would restrict categories of wagers is not grounded in a meaningful analysis of integrity risk. We support models recently passed, including in Indiana, that would permit regulators to assess and restrict certain wagers if they determine that doing so is essential to preserving the integrity of the bet or wager.

Overall, this compromise strikes the right balance between creating an open and transparent market while at the same time ensuring the safety of the customer and needs of the state are met. If enacted, this legislation and Ohio will serve as a model for other states looking to legalize sports betting.

Again, thank you very much for offering me the opportunity to present testimony.