

## Louis W. Blessing III

State Senator  
8<sup>th</sup> Senate District  
1 Capitol Square  
Columbus, Ohio 43215  
(614) 466-8068



## Committees

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Chair Manning, Vice Chair Romanchuk, and Ranking Member De Mora, thank you for the opportunity to offer sponsor testimony on SB 199, legislation that would levy a 2% tax on sports betting wagers to fund stadium construction in this state. I pitched this during the budget as an alternative to using unclaimed funds, and you can guess how that went. Still, the tax part of this legislation has merit in all cases, while the expenditure side of this might, should the lawsuits against using unclaimed funds for stadium construction prevail. For now, it's worth focusing on the taxation side.

As you know, Ohio already has a 20% tax on sports gaming receipts to help fund K-12 education – primarily interscholastic sports and extracurricular activities – as well as treatment for gambling addiction. The receipts are essentially a 20% tax on the profits. The 2% tax is in addition to this, and applies to the wagers. In terms of how much this might raise, it was comparable to the governor's proposed tax of 40% on receipts: roughly \$200M/FY in additional revenue on top of the initial 20%. I would be remiss if I didn't point out that this could be improved with a more progressive tax structure. Doing so would foster competition, and most of the burden would fall on the biggest platforms anyway. By progressive, I mean dollar thresholds above which the tax goes up.

This is a good tax; what economists would call a Pigouvian tax. What that means is that not only does it raise revenue, but discourages bad behavior at the same time. Ask yourself this, why should Ohio have a low sports betting tax rate? Do we want to become the sports betting capital of America with low tax rates? I heard a number of legislators actually want to lower the tax. I hope we can appreciate how truly insane that is. Like it or not, sports betting is here. It was here before we legalized it, albeit illegally through Louie the Leg Breaker (a Bill Seitz creation, not mine) and other wise guys, and it will be here even if the General Assembly, as the House is exploring, decides to make it illegal again.

As it currently stands, the General Assembly could enact the taxation part of SB 199, and throw it into the inputs of the Fair School Funding formula. In fact, if you combine it with the governor's tobacco tax in the budget – Indiana literally just did this, and they're a more Republican legislature than we are; a severance tax as found in SB 190, which incidentally modeled the tax after Texas, North Dakota, and Alaska; instituting a 25% excise tax on Kratom as per Mississippi; and increasing the marijuana excise tax to 15%, which would still be less than Montana, and we'd be at roughly \$1.5B/FY in revenue, all while discouraging bad behavior in ways that are still more conservative than other red states. We could close the book on school funding for the foreseeable future, but it seems we're afraid of anti-tax zealots, who have no quarter in mainstream economics camps, and will just continue leaving money on the table.

Perhaps we're afraid of the Big Money folks in the sports betting industry, as a recent news article highlighted their big spending in the upcoming midterms election.

Whether you want to fund further income tax cuts in this state – I don't, but you knew that – or fund our public goods like public education – I do, and you knew that as well – you cannot ignore these other taxes that are insultingly low. You can say I'm wrong, and you wouldn't be the first, but at some point these taxes will have to play a role. In fact, I'll bet you they do.

Thank you for your time and consideration of this legislation. I ask for your favorable support of Senate Bill 199, and I am happy to answer any questions the committee may have.