



Testimony of Rick Limardo
MGM Resorts International
Select Committee on Gaming
Ohio Senate
Sports Betting Legalization
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Chairman Schuring, Ranking Member Thomas, 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 in support of sports betting legalization on behalf of MGM Resorts International, MGM Northfield Park, and our leading sports betting platform, BetMGM. Born and raised in Massillon and a long-suffering Cleveland sports fan, I am thrilled to be here before the newly established Select Committee on Gaming and my hometown senator, Senator Schuring.

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 13 physical sportsbooks around the country – one at each of our properties in Las Vegas, and one and at each of our properties in New Jersey, Mississippi, and the “state up north.” We also operate retail sportsbooks outside of MGM properties. One in Oregon in partnership with the Confederated Tribes of Grand Ronde at Spirit Mountain Casino, and a just announced partnership with the Washington Nationals to open a retail and mobile sportsbook in the District of Columbia.

We also operate mobile sportsbooks in Nevada, New Jersey, West Virginia, Indiana, Colorado, Tennessee, Pennsylvania, Virginia, Iowa, and yes – the “state up north.”

In addition to our resorts in Las Vegas, we operate properties in Michigan, Maryland, Massachusetts, New York, and most recently – and very proudly – here in Ohio, where we made a \$1 billion investment when we acquired the Hard Rock Rocksino in 2018. Now known as MGM Northfield Park, we employed nearly 1,000 employees in 2019 and generated over \$92 million in tax revenue for the state.

We are hopeful for the opportunity to bring sports betting to MGM Northfield Park. 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, Indiana, a state significantly smaller than Ohio, saw \$300 million wagered in December 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 Ohio.

As this Committee knows, until recently, Federal law prohibited legalized sports wagering outside of Nevada, allowing the illegal market to flourish across all mediums – in person, over the internet, and

most recently, through sophisticated offshore mobile applications. Some estimates put the illegal U.S. sports wagering market at upwards of \$100 billion annually.¹

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, 22 states, Washington D.C., and Puerto Rico have legalized sports betting, and in November of 2020, voters in Louisiana, Maryland, and South Dakota overwhelmingly approved sports betting initiatives in their respective states. We only expect that number to grow in 2021, as states turn to new revenue sources to recover from the economic fallout caused by the COVID-19 pandemic. Ohio is at the cusp of catching up with its neighboring states by legalizing sports betting and providing Ohioans with a safe and regulated alternative that will move them away from the black market.

I would be remiss if I did not acknowledge the past sponsors of S.B. 111 and your former colleagues, Senators Eklund and O'Brien, who worked tirelessly to engage stakeholders from all sides to ensure that Ohio would be on par or better than states who have successfully adopted sports betting legislation. The following principles and best practices, many of which were in S.B. 111, are fundamental to a successful sports betting regime.

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 25 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:

- We know our customer. We have a sports wagering joint venture (BetMGM) with Entain – 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.

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

- 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 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 seriously our responsibility to ensure our product is available only to persons of legal age to gamble.
- 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, our servers are located within the state in which we operate to ensure that the bet or wager originates and is processed in-state.
- We directly and indirectly monitor our betting transactions for aberrant betting patterns on a constant basis. BetMGM has over 400 traders that monitor betting flows and set 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 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.
- We invest in responsible gaming. MGM has been an industry leader in responsible gaming in the brick-and-mortar environment and we carry that expertise into the mobile environment. We, along with BetMGM, continue to develop 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 competitive access tied to our brick-and-mortar licensed casinos and racinos 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. Upwards of 90% of wagers in states with legal mobile sports betting are made online because bettors prefer the convenience of betting safely from their phones, which is why it is also critical to allow individuals to register remotely as they do in the illegal market.

The numbers speak for themselves. A recent estimate by respected gaming analytics firm Eilers & Krejcik finds that, if Ohio authorizes mobile sports wagering, including online account sign-ups and deposits, the state's market will generate approximately \$129 million in retail sports wagering gross revenues and \$470 million in online sports wagering gross revenues for a total of nearly \$600 million. In connection with this, establishing a tax rate of 8 percent or less similar to S.B. 111 is critical to stamping out the illegal market. In-state operators have made tremendous investments and are large drivers of economic activity and jobs while illegal bookmakers pay no taxes, which allows them to invest heavily in marketing to drown out the legal operators.

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.

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 in 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 and regulated operators cannot provide these products, consumers will continue to bet in the black market. 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. To that end, Ohio's neighbors in Michigan, Indiana, Pennsylvania, and West Virginia have realized this and have no restrictions on collegiate athletics.
- 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.

Lastly, I would like to take a moment to address an issue that I know the committee plans to tackle, E-bingo. We are supportive of veterans and fraternal organizations charitable efforts, but are very concerned by the unintended consequences of language that could be interpreted to allow slot machines in these venues. Last year, racinos contributed \$275 million to the state education fund. As we have seen in other jurisdictions, those contributions and beneficiaries would be negatively impacted by these unregulated and untaxed machines. I know the committee is committed to working on a solution for veterans and fraternal organizations, and we share that sentiment.

Again, thank you very much for offering me the opportunity to present testimony. We hope to forge a partnership with you and look forward to working with the committee to resolve these matters and move forward with Ohio.