

**Testimony Submitted by the iDevelopment and Economic Association (iDEA Growth)
to the Senate Select Committee on Gaming
February 24, 2021**

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 membership -- 29 companies and growing -- represents every segment of this emerging industry and has vast experience operating in state-regulated jurisdictions across the United States. iDEA Growth is uniquely positioned to provide a 360-degree perspective into every sports betting and internet gaming policy issue this committee will consider.

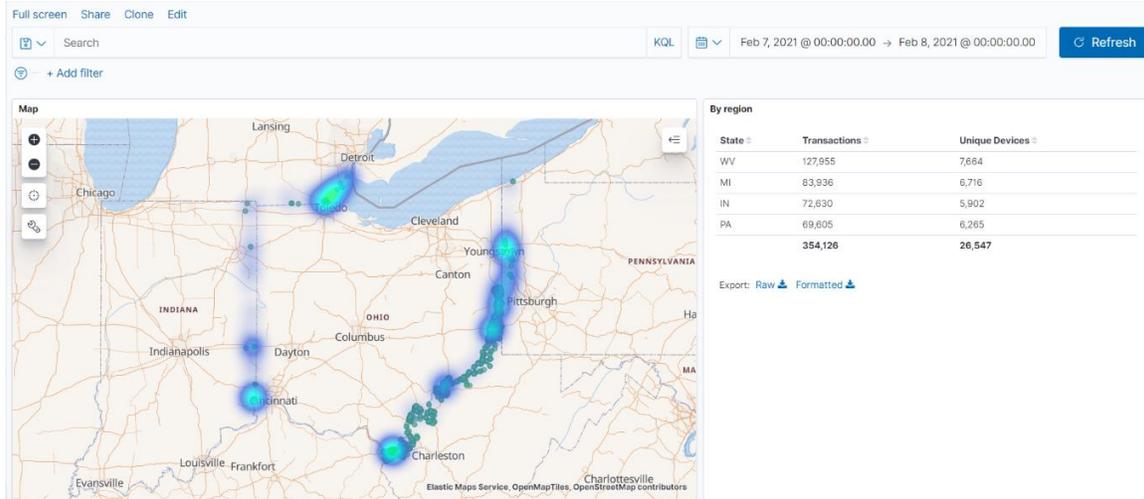
We applaud the committee for taking a thoughtful approach to sports wagering legislation and providing a forum for industry stakeholders and the public to weigh in on the policy. As has been evidenced in other U.S. jurisdictions, when done correctly, a regulated sports betting market creates a safe alternative for consumers, and can drive a significant amount of revenue for the state.

While the purpose of this hearing is to discuss the future of sports betting in Ohio, I hope, that at the appropriate time, this committee will explore the benefits of authorizing and regulating other forms of internet gaming, such as poker and casino games (iGaming). Three of Ohio's neighboring states -- Michigan, Pennsylvania and West Virginia -- have already embraced online sports wagering and iGaming as a way to fully protect consumers from unregulated websites, modernize the gaming industry and increase revenues for their states. Indiana currently only regulates sports wagering, but lawmakers are considering iGaming legislation this session. Regulation of iGaming has been hugely successful on all fronts in these states and iDEA Growth looks forward to being a resource on this topic as Ohio examines its competitive gaming future.

Sports Betting Is Already Happening

You are already aware that Ohioans are surrounded by legal online betting options in four neighboring states. Based on data from GeoComply, betting activity near the Ohio border in the legal states is significant. A snap shot of this past Super Bowl Sunday showed that more than 354,000 geolocation transactions occurred within just 10 miles of the Ohio border from the states with legal online betting. Based on this data, it is easy to conclude that that Ohio residents are regularly crossing the border into the four states to place an online bet.

Geolocation Transactions on 02/03/2021 -- Ten Miles from Ohio Border in IN, MI, PA & WV



Source: GeoComply

But just as the legal market is drawing away residents to wager in other states, there is also a long-established illegal and unregulated market that is attracting Ohio consumers. A simple internet search of “can I bet on sports in Ohio” will direct you to a myriad of websites claiming to offer “legal” online sports betting in the state.

These illegal operators provide little in the way of consumer protections, have a deleterious impact on the state’s legal casino industry, and deprive Ohio from needed tax revenues.

Regulation is about migrating customers away from this illegal market and providing them with an Ohio-based industry that is accountable to regulators and consumers.

Competition is Critical

The most successful regulatory programs are those that cultivate a market that is as open and competitive as possible, subject to appropriate gaming regulation. iDEA Growth members’ experience in the U.S. and around the world has shown that competition is vital to developing a thriving industry that maximizes customer engagement and tax revenue.

One of the most common ways states have created competition is to promote the ability of “sports gaming agents” (defined as state-licensed casinos and racinos in previous bills) to offer multiple unique online sportsbook 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 model¹. 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; and
- 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.

iDEA Growth supports giving approved licensees the ability to offer three unique online sportsbook skins. We are pleased that some of Ohio’s land-based gaming entities have already testified before this committee in support of three skins as well. We also support creating a structure that incentivizes the use of all three skins in a way that guarantees sufficient market access opportunities so that Ohio taxpayers can realize the full value of a highly competitive sports betting market.

The evidence is clear that more competition will capture a greater share of sports wagering activity in the regulated market. We look forward to continuing the dialogue on this important policy consideration.

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

² Ibid; Fig. 1-2

Sensible Regulatory Framework

Policymakers should establish a system that allows Ohio’s licensed industry to compete with its neighboring states and with the illegal market. We urge a continued commitment to reasonable tax rates and licensing fees. Further, it is vital to not mandate additional costs which make it even harder for the legal business to compete with illegal operators.

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.

The coronavirus pandemic has redefined “sporting events” and expanded the scope of wagering activities that state regulators should be allowed to consider. Ohio 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 neighboring states and the unregulated market are not restricted to state-regulated operators.

Furthermore, regulators should be given discretion and flexibility to approve new innovations – from types of games, wagers, and payment options – to keep up with consumer interests and demands.

Finally, mobile sports betting is best when it is delivered to consumers like any other form of e-commerce. Remote registration, and the ability to fund and cash out through your mobile device or computer, are essential components of a meaningful online sports wagering market.

Conclusion

In closing, iDEA Growth wants to reiterate our thanks to the Committee for holding these hearings and promoting an inclusive and transparent process to evaluate many important policy considerations. We are eager to work with all Ohio lawmakers and stakeholders to establish a robust and competitive industry that sparks economic growth, investment, and tax revenues for the state.