

## OH Testimony

Chairman Schuring, Vice Chair Manning and members of the Senate Select Committee on Gaming, thank you for the opportunity to testify today.

My name is Tara Jones, and I am the Director of Government Relations for Intralot. Intralot is a current technology partner of the Ohio Lottery. Intralot is also a contractor for 12 other lotteries in North America, including providing its sports betting platform to three U.S. lotteries and in conversations with policy makers in seven other states contemplating sports wagering legislation. While our US headquarters is in Duluth, Georgia, Intralot employs over 150 Ohioans including but not limited to field service retail support and call center retail support in our Strongsville Ohio office. Intralot also maintains consistent production employees at our worldwide manufacturing facility located in Mason, Ohio.

70% of the worlds sports betting operations are overseen by Lotteries. Intralot is the World's No 1 sports betting operator in government regulated markets, meaning the sports book is under the control of the State and or Lottery.

Intralot manages **29 sports betting operations** around the globe with a presence on five continents.

There are now nineteen states in the United States that offer sports betting, eight of which wholly or partially use the Lottery for agency oversight. What this means for Ohio is that we now have factual data to show which models work in the best interest of the state and which do not. There are states such as New Jersey and West Virginia, where "out of state" operators are collecting up to five to eight times the amount of revenue than what the state is collecting, and the state receives little, if any, additional economic benefit. This is due in part to a low state tax rate and an unmandated handle that have been, in most cases, legislatively set. An 8-10% tax rate, in these instances, is far too low. Keep in mind, the pandemic has changed the way legislators need to be looking at sports betting. The previous models used early on to establish a state's sport betting program, now needs to be reexamined so as to understand what these states may have gotten wrong.

One recent example of a different way to examine the previous models is to look at how Tennessee is structured. I am not here to say Tennessee got everything right, but I am here to say that they came up with, is worthy of your time and consideration.

The state of Tennessee passed sports betting legislation in 2020 that put a mandated hold at 10% and a state tax of 20%. Tennessee decided to get the most out of their charged tax by fixing their hold. Consequently, by taking this approach, the state understands that this is no longer about curing illegal play because no one is changing their offshore accounts to do business with state sports books. The TN model shows us that primarily, those playing, are

those that want to do so for fun. The players going off shore, for the most part, are going to continue to do so. Notably, in the month of January, Tennessee had one fourth the handle (dollars wagered) of New Jersey and returned twice the amount of revenue to the state with 30% less population.

In reference to Tennessee's success, according to [legalsportsradar.com](http://legalsportsradar.com), "From this most recent report, the Volunteer State now holds a national record as being the first state to reach over \$200 million in handle in the shortest time frame from the launch of their market; three months. The 20% on all GGR that at the beginning was said to be too high a number to make for a profitable industry is now no longer an issue. In fact, that percentage has done nothing by way of holding back a flourishing industry for sports gaming in Tennessee."

By looking at the success in Tennessee, it proves to others states the need to set mandates and have higher tax rates on operators. Tennessee however should have taken more for itself in terms of state tax and it should have included retailers, who have suffered from the COVID pandemic. We expect Tennessee and other states, to cure these oversites at some point in the future.

Let's transition the discussion to Ohio and specifically its stake holders.

**Those stakeholders being;** the State of Ohio and the citizens it serves, the retailers of the state as they are the largest employer in the state of Ohio, the third is the Ohio Lottery, land-based casinos and racinos, and finally, sportsbook providers. For all stakeholders to benefit from sports wagering in Ohio there should be options available to best serve all parties with the central theme to maximize revenue to the state and its people.

**Intralot is proposing a model that benefits each of the stakeholders through an Omni-Channel Approach with the main theme of Ohio for Ohio.** In this model, in order to maximize revenue generated from sports wagering we propose to offer players the ability to participate at Lottery retailers, as well as destination casinos and racinos, and online. Simply put, the state of Ohio shall offer the Casino Control Commission and the Ohio Lottery commission each a license to provide sports wagering. These two agencies then can offer unlimited sports betting platform operators with the objection to cover all needs of their constituency.

In this process the Casino Control Commission would allow for destination play at all casinos and racinos and mobile play throughout the state with separate operator(s) providing the sports book platform and the operator(s) assuming all risk.

The Lottery Commission would provide for retail and mobile under the Lottery brand but with a separate operator(s) providing the sports book platform and the operator(s) assuming all risk.

## **I would like to speak to the benefits and solution of the Lottery portion of the model.**

As all of you may know when the Lottery adds games and product to their portfolio (in this case sports betting), one benefit is that all profits generated from sales of those games are transferred to the Lottery Profits for Education Fund, another benefit is to Lottery's retailers who earn additional commissions generated from offering sports betting as a part of their Lottery gaming portfolio and finally increased foot traffic into their stores. There are nearly 10,000 Lottery retailers that earned over \$200 million in commissions in 2019. Lottery commissions for some retailers were down dramatically due to the pandemic, causing complete closure in some retailers and minimized foot traffic in others. Offering sports betting gives these small businesses an opportunity to add jobs, upgrade establishments and more importantly help them get back in the game.

The Ohio Lottery was licensed by the state of Ohio to conduct wagers through the retail environment in 1973. The Ohio Lottery has operated in a highly self-regulated environment for the last 30 years involving over nearly \$50 billion dollars' worth of player transactions, that are constantly audited and accounted for and whose players are ensured that their wagers are processed with the highest amount of integrity and transparency. Today the Lottery conducts over 3.2 billion wagers annually in retail locations across Ohio using a wagering platform provided by a third party, in this case Intralot, that transacts and validates each wager in just under three seconds and contractually provides the Lottery and the state a near risk-free platform.

The Lottery, through its existing 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 at Lottery retail stores. The Lottery will determine the payout percentage of its sportsbook (directed by the legislation) and if the operator of the sportsbook does not maintain the payout at the level the state determines, in the timeframe the state determines, then the operator is obligated to make up the shortage to the state. This does not mean that on certain days the sportsbook will not lose money but over time guarantees a return relieving the state from any burden for daily losses from sports wagering.

The Ohio Lottery follows both state mandates and industry best practices that contribute to the protection of players with social problems. This includes but is not limited to gambling problems, advertising issues, education of players and those players that owe back taxes and child support.

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, and contractor fees.

Specifically, for the state of Ohio, Intralot is humbly making the following recommendations and considerations:

1. The state uses an all-inclusive approach by providing a sports betting license to both the Ohio Casino Control Commission and Lottery Commission.
2. The legislators use their capacity to mandate hold and taxes as a means for maximizing the revenue opportunity for the state of Ohio.
3. Given that sports betting is a monopoly that belongs to the state of Ohio, the theme when considering the distribution of the monopoly should be Ohio for Ohio.

I've included the customer journey as a part of my written testimony so that the senate select gaming committee has a visual on how sports wagering would work in the retail environment through the Lottery. As you may be able to see, most of the infrastructure that will be used for sports wagering is already in place in many retail locations or can be initiated through a mobile device.

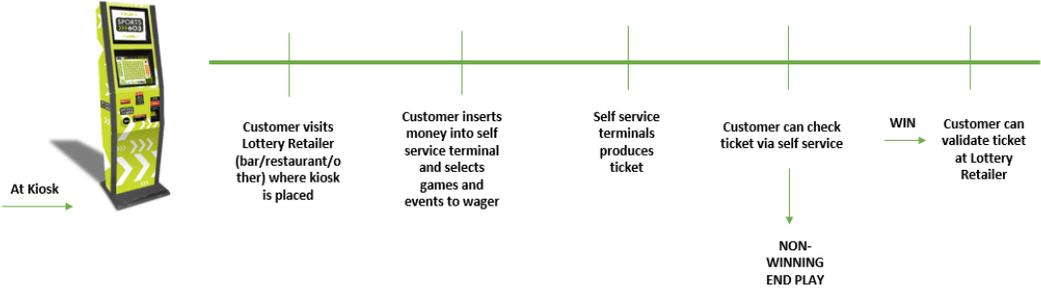
Thank you for your time today and I would be happy to answer any questions.

## Customer Journey: Retail POS

Mobile + In-Store Experience – Using, Player prepares mobile play slip (QR CODE) which is then scanned by the Lottery Retailer.



# Customer Journey: Self-Service Terminal



# Customer Journey: Mobile App

