

BOYD GAMING

DATE: March 24, 2021

TO: SENATE SELECT COMMITTEE ON GAMING

FROM: Ryan Soultz, Vice President of Governmental Affairs, Boyd Gaming Corporation

SUBJECT: Testimony in Support of Legalizing and Regulating Sports Wagering in Ohio

Good afternoon, Chairman Schuring, Vice Chairman Manning, and members of the Committee.

I'm Ryan Soultz, Vice President of Governmental Affairs for Boyd Gaming Corporation. Boyd Gaming is one of the largest casino entertainment companies in the United States, owning and operating 28 casinos in 10 states, including Belterra Park Gaming in Cincinnati.

While we're still relatively new to Ohio – having acquired Belterra Park in late 2018 – we're not new to the gaming industry.

Our Company was founded 45 years ago by Sam Boyd, and his son, Bill, when they formed what was then called the Boyd Group.

After a two-year stint in the U.S. Army, Sam and his family settled in Las Vegas in the 1940s and he went to work as a dealer at the El Rancho. He quickly worked his way up through ranks to eventually become part-owner and General Manager in several successful properties in Las Vegas, including the Mint, Sahara, and Union Plaza. However, Sam wanted to go into business for himself and start his own company.

In 1975, he and his son, Bill – who had established a successful law practice in Las Vegas upon completing after serving two years of Army service in from 1953 to 1955 – co-founded what today is Boyd Gaming when they developed and opened the California Hotel & Casino in downtown Las Vegas. Forty-five years later, Bill Boyd serves as our Executive Chairman and remains involved in our business.

Under Bill's leadership, the Company has grown as gaming has been legalized throughout the United States and has been at the forefront of innovation. That innovation continues today, including here in Ohio, where we launched "BoydPay" at Belterra Park just last month. "BoydPay" is a digital wallet that is a cashless, contactless system that allow patrons to move funds to their favorite gaming device. We're grateful to the Ohio Lottery Commission for providing guests this option, that they've used at Starbucks and other retail locations for years, to help reduce their points of contact given the current health conditions.

Just as our guests are embracing "BoydPay", we know that they are eager to legally wager on sports without leaving Ohio.

Today, 25 states (including the District of Columbia) have legalized sports wagering within their borders since the U.S. Supreme Court repealed the Professional & Amateur Sports Protection Act (PASPA) in 2018. As you know, all of Ohio's neighboring states except Kentucky have legalized sports wagering.

The legalization of sports wagering in Ohio can enhance Belterra Park's ability to generate government revenues and foster economic development by creating a framework that will allow the casinos and racinos to offer retail and mobile wagering options, but only if done in a manner that emulates the successful models employed in other states – including my home state of Indiana.

Boyd Gaming has operated sports books for over four decades in Nevada and now has books at our properties in Illinois, Indiana, Iowa, Mississippi, and Pennsylvania. While we certainly are familiar with on-premise sports books and offering this exciting amenity to our guests that visit the casino, we also offer mobile sports betting through our BConnected platform in Nevada and through our partnership with FanDuel in Illinois, Indiana, Iowa and Pennsylvania. Based upon this experience, we understand and are familiar with the business of sports wagering.

Sports wagering is a low margin business where the books typically only win about 5% of the actual amount wagered. In other words, for every \$100 wagered by bettors the book only keeps about \$5 and must pay all its operating costs – including federal excise taxes and state wagering taxes – from that small amount of revenue. These operating costs include the ticket writers, kiosks, and televisions that are visible to patrons but there many functions that aren't seen by the public such as risk management, monitoring activity in other markets, technology and even weather forecasting services that are a necessary part of running a sports book.

While the margins are thin, sports books are another amenity in offering a compelling casino entertainment experience and helps draw a new, younger demographic to the property. This increase in visitation leads to incremental spending on food and beverages and other gaming offerings.

The bipartisan -17 version of sports wagering legislation that was under consideration at the end of the 2019-2020 session recognized the unique operating costs and thin margins of sports books. If taxes or revenue-sharing requirements are too high, books may not offer attractive prices – reflected through odds – that are necessary to compete with illegal operators or those in surrounding states.

Moreover, the -17 version also recognized the importance of offering sports betting through digital platforms that are necessary to combat the offshore sites and to capture revenue. Today, many Ohioans, especially those that aren't willing to drive to a neighboring state, place bets with offshore sites that are unregulated and provide no consumer protections. This is why 15 of the 25 states that have legalized sports wagering have also created a legal, regulated statewide mobile sports wagering market for their citizens.

States like New Jersey, Indiana, and West Virginia address this issue by allowing casino operators to develop or partner with other firms to offer up three digital platforms, or skins, to provide their residents with multiple regulated options to lawfully place wagers via mobile apps or the Internet. This will help facilitate the movement of wagering from offshore, unregulated sites to regulated ones that serve the public interest in terms of consumer protection, wagering integrity, and revenue-generation.

Not only is mobile necessary to compete against the unregulated, offshore sites but it is also an option that bettors demand. The recent experiences of New Jersey and Indiana are two great examples of why having a low-tax, competitive market for mobile sports betting is important.

New Jersey moved very quickly to implement sports wagering after PASPA was repealed in 2018. New Jersey allows multiple platforms per casino. While the sports books at the properties in New Jersey are a key amenity remain popular even during the current health crisis, mobile betting accounts for over 85% of all wagers in New Jersey. The New Jersey numbers are closely mirrored by Indiana where legalized sports wagering launched a year later than the Garden State.

Legalized sports betting in Indiana began on September 1, 2019, and most of the 13 gaming properties in Indiana have opened their on-premise books. However, with only 10 mobile apps launching so far, mobile sports betting accounts for over 80% of all wagering activity.

Just like the need for a modest revenue sharing rate for on-premise books, it is critical that the revenue sharing requirement for mobile sports betting also not be overly burdensome and impede legal, regulated operators' ability to market their product and offer attractive betting options to compete against the unregulated, offshore sites. This is certainly a reason why New Jersey and Indiana have been successful. A tax rate in the range of 8-10% – on par with those in Indiana, Michigan, and West Virginia – will allow Ohio's casinos and their mobile sports betting partners to effectively offer consumers regulated and trusted alternatives to the offshore sites.

Successful models for sports wagering also allow operators and the providers of data – statistical information related to athletic contests – to facilitate their relationships through commercial agreements instead of statutory mandates. Allowing the parties to negotiate these terms through arms' length transactions has led to several agreements among the operators and the sports leagues – or their designated providers – for statistical information. Moreover, mandates may inadvertently restrict innovation as new firms seeking to provide statistical information would face a statutory barrier to entry. The -17 version that was discussed during the 2019-2020 session recognized that these arrangements were best left to the marketplace and not a statutory mandate.

Finally, the committee has heard from various groups relative to other gambling topics – including electronic bingo and now VLTs outside of gaming venues. We believe that you should go into this “eyes wide open” so that you understand exactly what is being proposed.

While the legal distinction between a Class III slot machine like you see in casinos and racinos versus a Class II electronic bingo machines does turn on whether the device has a Random Number Generator, or RNG; there is no real distinction to a customer.

Casino gaming, and legalized and regulated VLTs at the racinos, all have RNGs which means these devices are Class III slot machines. Many of those devices share game titles and graphics that match those used for Class II electronic bingo machines. These devices are found throughout Native American casinos in much of the United States and have led to charitable bingo halls in Alabama turn into full-fledged casinos with thousands of machines.

If it is the will of the General Assembly to allow these devices to be deployed throughout Ohio, then please understand there will be less activity at casinos and racinos. That will mean less revenue for the State's education budget, less purse money for the State's equine industry, and a less hospitable environment for investment and economic development at Ohio's 11 gaming properties.

We also urge you to carefully consider how to regulate and oversee such a large expansion of gambling if you decide to go down this path. The regulatory oversight necessary to ensure the public's confidence so that only those of lawful age are playing, funds are properly accounted for, machines are tested, and to keep bad actors from becoming involved will be substantial if hundreds or even thousands of locations are authorized.

Thank you for the opportunity to speak with you today. I'm happy to answer any questions you may have.