

FANDUEL GROUP



Chairman Estes and Members of the Committee,

We would like to express our support for Senate Bill 283, which provides a thoughtful framework for the smart and responsible rollout of mobile sports betting in the state of Kansas.

FanDuel has been a pioneer in fantasy sports since 2009, and we have seen tremendous growth from a small startup to a world leader in sports entertainment technology. Much of our growth can be attributed to our constant investment in cutting-edge mobile technology that makes it convenient and exciting for sports fans to engage with the games and players they love. Through our experience with fantasy sports, we have gained a reputation as a leader in consumer protection – through a combination of stringent customer identification requirements and first-class “know your customer” (KYC) verification methods, we are vigilant in safeguarding our customers and our products. We also ensure that our customers are located in a legal jurisdiction through the use of geolocation technology.

As you know, the Supreme Court struck down the federal prohibition on sports wagering in May, 2018. FanDuel now offers mobile sports betting in New Jersey, Pennsylvania, West Virginia, and Indiana, and we are working through the regulatory process in several more states. In total, over twenty U.S. jurisdictions have authorized sports betting and we anticipate that nearly all the rest will explore legislation in 2020.

It probably comes as no surprise to many Committee Members to hear that illegal sports betting is still rampant in states that have yet to provide legal mobile sports betting options. Studies have shown Kansans may wager up to 1.3 billion per year through offshore websites and bookies¹. Offshore websites are entirely unregulated, pay no taxes and may put customers’ money and personal information at risk of being stolen. Because of the lack of regulation, the underground betting market is also notorious for money laundering. Still, the illegal market will likely continue to retain a significant portion of market share unless states make their legal options for sports betting attractive to new and existing sports betting customers. SB 283 addresses all of these issues in a smart and forward-thinking manner that will help Kansas defeat the offshore market, protect consumers and maximize state tax revenue and business growth:

1) SB 283 allows sports betting to take place online and via mobile devices

Today’s customers expect to be able to buy or order anything from their phones, and placing a bet is no different. Customers currently have the ability to do this using illegal offshore websites, and in order to get these customers to switch to a legal sports betting alternative, new legal options must be equally convenient. Very few people will go through the hassle of driving to a casino each time they want to place a sports bet when they can use an offshore website from the comfort of their home. In fact, gaming industry experts have estimated that 71% of sports betting customers will continue to use illegal offshore sportsbooks if their only legal option requires them to visit a physical location to place a bet².

Allowing legal online options will significantly increase tax revenues for the state of Kansas. Oxford Economics has estimated that Kansas will generate only \$54 million in

¹ Oxford Economics, “Economic Impact of Legalized Sports Betting” May, 2017

² Eilers & Krejcik Gaming, “Regulated Sports Betting: Defining the U.S. Opportunity”, 2019

sports betting revenue if sports betting is confined solely to brick and mortar casinos, but revenues will reach \$169 million if online options are available to Kansas customers³. In New Jersey over 84% of all sports wagers in 2019 were placed on a mobile devices, and this number is only growing. Fortunately, SB 283 takes the right approach and allows for widespread mobile access within the state of Kansas.

2) SB 283 allows multiple operators to compete for Kansans' business

SB 283 allows multiple operators to partner with existing casino licensees to bring mobile platforms to Kansans. This will encourage healthy competition that will drive down prices, create a better customer experience and crowd illegal operators out of the marketplace.

We have seen what the power of competition can do in New Jersey, where there are currently 18 licensed online operators in addition to physical sportsbooks in casinos and racetracks. Gaming revenues continue to soar, reaching \$299 million in 2019. This is in stark contrast to neighboring Delaware, where the Delaware Lottery is the only sports betting vendor and there are no online sports wagering options. Delaware generated under \$11 million in revenue in 2019, a mere fraction of the revenue created by New Jersey sportsbooks. This lack of variety and competition means Delaware is losing revenue, both to the offshore market and to nearby states with more robust sports betting options.

3) SB 283 has reasonable taxes

The tax rate in SB 283, 7.5% for in-casino sports bets and 10% for online bets, while not as low as Iowa's 6.75%, is reasonable. Sports betting is a low-margin business, and most operators pay out between \$93 to \$95 of every \$100 they take in bets as customer winnings. When you factor in marketing costs, regulatory costs, state and federal taxes and other fixed costs, legal sportsbooks operate on a very narrow margin yet must be able to compete with illegal offshore websites that pay no taxes and have no regulatory costs. In our view, this reasonable tax rate will not hinder the success of the sports betting marketplace in Kansas.

Thank you for the opportunity to offer our support of SB 283. While we recognize legal sports betting has some challenges due to constitutional constraints, we hope to continue this conversation and work with legislators and regulators to make Kansas a regional leader in smart and effective sports betting regulation.

Stacie Stern
Manager, Government Affairs
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³ Oxford Economics, "Economic Impact of Legalized Sports Betting" May, 2017