



Georgia Senate Study Committee on Gaming and Pari-Mutuel Wagering on Horse Racing and Growing Georgia's Equine Industry
October 8, 2019

Our firm represents DraftKings, Inc. and FanDuel, Inc., the nation's leading innovators in sports entertainment technology. We appreciate the opportunity to submit testimony as the Committee studies the potential for creating a legal, safe, and consumer-friendly sports betting market in Georgia.

With the repeal of the Professional and Amateur Sports Protection Act in May of 2018, states across the country have created legal frameworks for sports betting. Eighteen states and two territories have authorized sports betting, and we anticipate dozens more will explore legislation in the coming year. One of the states which authorized legal sports wagering is Georgia's neighbor to the north, Tennessee, which is in the process of establishing a regulatory framework for an exclusively mobile market. DraftKings and FanDuel have been at the leading edge of these new sports wagering markets. Already, our mobile sports book apps are operating in four of the seven states that have launched mobile sports wagering. We are also preparing for rapid expansion as more states prepare to authorize sports betting.

Illegal sports betting is currently rampant in the United States. Americans bet approximately \$150 billion each year through illegal offshore websites and illegal apps. These sites have no regulations, pay no taxes, have no responsible gambling safeguards, and are fertile grounds for money laundering. Still, the illegal market will persist unless states make it possible for their residents to access equally attractive legal sports betting options. Addressing these issues in a smart and forward-thinking manner will help Georgia stamp out the offshore market, protect consumers, and maximize state tax revenue growth.

First, lawmakers should enact legislation that legalizes sports wagering in Georgia. It is time for Georgians to have legal options where they can engage in sports wagering in regulated marketplaces offered by credible sportsbook operators.

Second, the legislation must meet consumer expectations by providing a convenient way to bet on sports. Legal sports wagering must allow online and mobile wagering. Today's customers expect to be able to place a bet from their mobile device at any time. Customers can already do this through illegal offshore operators. Having to leave home or work to drive to brick-and-mortar sports books will be perceived as an obstacle that will lead many to simply continue using their illegal app or website. In fact, gaming industry experts (Eilers and Krejcik) estimate that 71% of sports betting customers will continue using illegal offshore sportsbooks if their only legal option requires visiting a physical location to place a bet.

Mobile and online wagering is equally important for maximizing tax revenue. In just the first year of online wagering in New Jersey, the state generated approximately \$25 million in new tax dollars. The vast majority of that revenue came from online wagering, which represents 85% of all sports wagering revenue in the state. In Georgia's backyard, officials have estimated that Tennessee will also generate tens of millions in tax revenue from sports wagering in the first year—every dollar of which will come from online wagering, and some of which will inevitably come from Georgians going across the border to Tennessee. By comparison, Mississippi also legalized sports wagering, but has struggled to generate more than a few



million dollars in tax revenue. The difference: New Jersey allows for true mobile sports wagering, and Mississippi does not. Indeed, Mississippi's Gaming Commissioner has explained, "If you want to do something to suppress illegal sports betting, mobile betting is the way to go. . . . New Jersey has done a tremendous job of showing that it works."

Finally, the legislation should encourage competition among operators in the Georgia market. By allowing multiple operators to apply for online sports betting licenses, the law will encourage healthy competition that will drive down prices, create a better customer experience, and crowd illegal operators out of the marketplace. Sports betting is a technology-driven industry. People are no longer content to simply pick winners and losers or guess how many total points will be scored by the end of the game—they want variety and excitement, including in-game betting options. Having a variety of sportsbooks that offer innovative and unique products is the best way to ensure that Georgia consumers choose to engage with the legal sports betting market.

Importantly, the same innovation that generates exciting products also protects consumers. Unlike the thriving offshore market, legal operators like DraftKings and FanDuel take underage wagering and problem gaming seriously. We use "know your customer" technology to ensure underage persons cannot create accounts, deposit funds, or wager through our websites and apps. And for the small segment of the population that struggles with gaming, we provide safeguards that allow customers to set their own deposit and play limits and self-exclude from participation. Online wagering will allow us to identify and flag potentially problematic betting behavior more quickly and accurately than in-person wagering.

* * *

Thank you for the opportunity to provide input. We hope to continue this conversation and work with legislators and regulators to make Georgia a leader in smart and effective sports betting regulation.