

National Indian Gaming Association, Focus on the Future, and GiGse 2018 Conventions & Tradeshows



Report by Chris Stearns, Commissioner
Washington State Gambling Commission

National Indian Gaming Association

- Annual Convention & Tradeshow

The National Indian Gaming Association's (NIGA) annual Convention and Tradeshow is one of the largest in the nation.

NIGA is a non-profit organization of 184 Indian Nations representing organizations, tribes and business engaged in the tribal gaming industry .



American Gaming Association's Tribal Regulator Roundtable



Panel: Sports Betting in Tribal Country: An Operations Perspective



Panel: The Modern Politics of Indian Gaming: Tribes vs. States



Gamblit Game of Skill demo – Pac Man



Fortune Cup by Konami



Sports Betting Panel



Keynote Discussion with Ernie Stevens (NIGA) and Geoff Freeman (AGA)



Tour of William Hill US office in Las Vegas



Meeting with Diane Presson,
Supervisor / Agency Liaison, Investigations Division
Nevada Gaming Control Board



Key Issues

- Sports Betting
- New Technologies –
 - iGaming
 - Skill-Based Gaming
 - Mobile Gaming
- Legal Challenges
- IGRA at 30
- Class II developments
- Tribal Regulators
- Casino Operations

Sports Betting issues

- Pending U.S. Supreme Court decision in Murphy v. NCAA
- If PASPA (Professional and Amateur Sports Protection Act) is struck down, how will it affect Indian gaming?
- Will tribes be able to offer sports betting immediately?
- Is sports betting Class III or Class II?
- If states authorize, how will that affect exclusivity agreements in state laws and tribal compacts?
- How will states and tribes compact for sports betting?
- How will tribes influence bills to authorize sports betting in the state legislatures?
- Will tribes run their own sports books or contract out operations?
- Will tribes offer mobile sports wagering?

Keynote Panel Discussion with Ernie Stevens (NIGA) and Geoff Freeman (AGA)

- How the two organizations work with each other
- Why the AGA believes working with tribes is critical
- Growth of Indian gaming on a global scale
- Fighting sexual harassment, gender disparity in the gaming industry
- Sports betting
- Problem Gambling

Focus on the Future

Problem Gambling Conference

Focus on the Future 2018

- Focus on the Future is the largest and oldest conference on problem gambling awareness in the Pacific Northwest.
- Coordinated by the Evergreen Council on Problem Gambling
- Partners include:
 - WA Division of Behavioral Health and Recovery, Problem Gambling Program
 - Oregon Health Authority
 - Oregon Council on Problem Gambling

Gene Tagaban





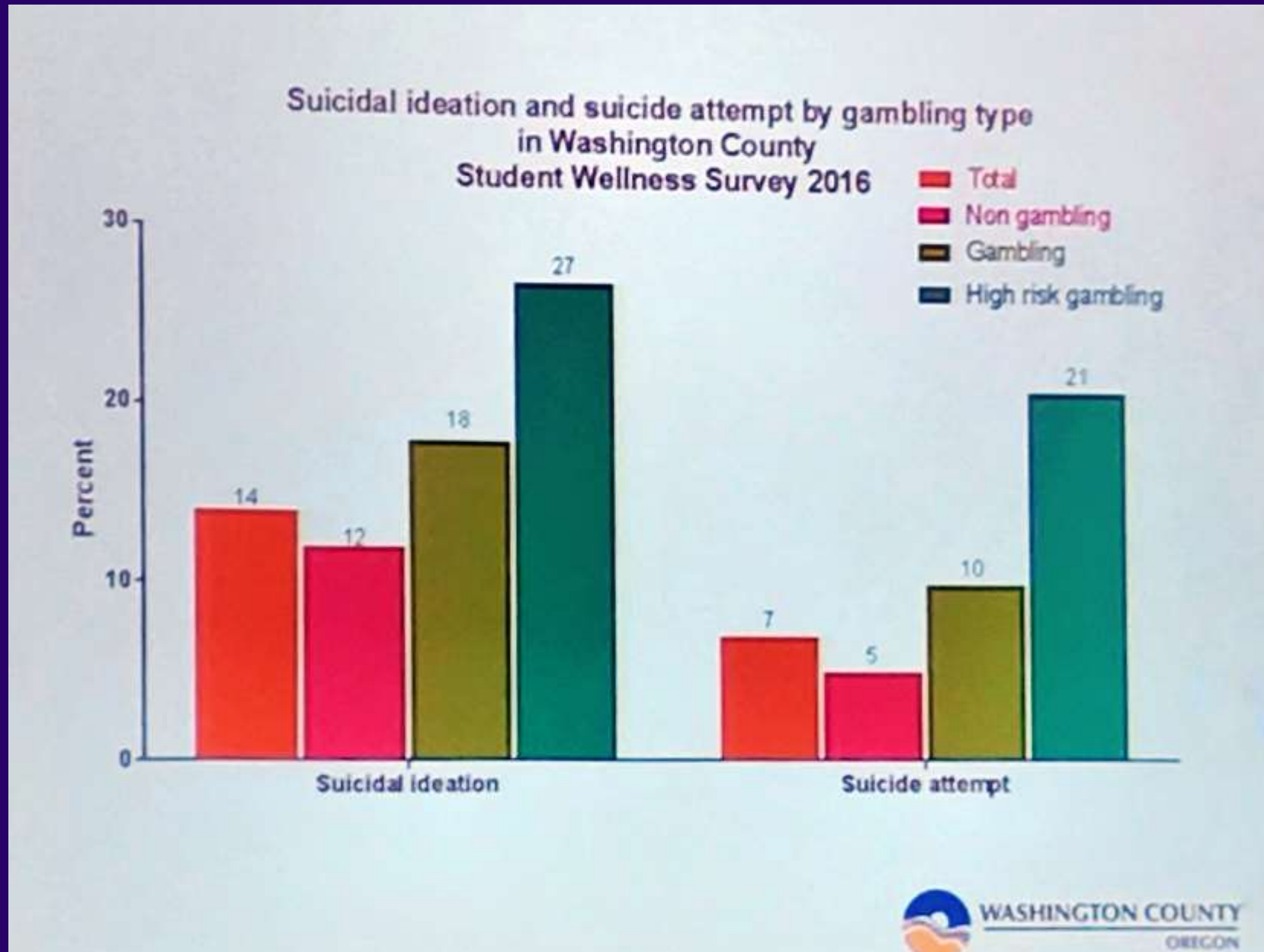
Tulalip Tribes Receive Award



Conference Topics and Panels

- Cannabis and Gambling Disorder
- Existing SUD and Suicide Outreach Efforts
- Challenges Among Veterans and Promising Treatment Approaches
- Taking Control of Impulse Disorders
- Mental Health and Gambling Problems
- Therapy Animals
- Clinical Assessment and Management of Gambling Disorder
- Transition-Age Youth and Sports Betting
- Stable Housing as a Social Determinant of Health
- Problem Gambling and Prevention
- Culturally Responsive Treatment for Problem Gambling

Risk of Suicide Extremely High Among Problem Gamblers



Objective 1:

Understand the relationship between gambling and other risky behaviors

- Problem gambling behavior often occurs with other high risk behaviors including:
 - Illicit drug use
 - Misuse of prescription drugs
 - Tobacco use
 - Alcohol use
- Relationship is bidirectional
 - Students that gamble also engaged in risky behavior
 - Smaller prevalence but need to include in the prevention message because:
 - Students that engage in risky behavior also gamble

Transition-Age Youth and Sports Betting Panel

- Rick Berman, LPC, CGAC-II
- Marc Potenza, MD, PhD
- Chris Stearns, WSGC

Sports Betting in Washington

- The Washington State Constitution prohibits all gambling activities unless the activity is specifically authorized in state law.
- In 1973, when the Gambling Act was first passed, 100-square sports pool boards were authorized.
- NCAA tournament bracket pools, office sports pools, and fantasy sports have never been authorized as gambling activities in Washington State and are illegal.
- The Professional and Amateur Sports Protection Act (PASPA) makes it "unlawful for a governmental entity to sponsor, operate, advertise, promote, license, or authorize by law or compact... gambling or wagering... on amateur or professional athletes."



FOCUS ON THE FUTURE



EVERGREEN

“Times have changed...I believe sports betting should be brought out of the underground and into the sunlight where it can be appropriately monitored and regulated.”

– NBA Commissioner, Adam Silver

State Activity

- Sports betting related bills introduced in 20 States.
- Some are very limited, some very detailed.
- West Virginia 2018 law: Allows WV's five gaming facilities to offer sports betting under the lottery's oversight. \$100,000 fee. Legislature expects tax revenue of at least \$5 million in first-year.
- Connecticut, Florida examples of complex tribal environment.
- Pennsylvania has 36% tax rate, \$10 Million licensing fee but includes online and mobile.

Size of the Black Market

- The AGA estimates that Americans illegally wager \$150 billion on U.S. sports annually.
- Another study estimates Americans bet about \$500 billion worldwide on sports each year.
- Of the estimated \$4.6 billion wagered on 2018 Super Bowl (Eagles WON), 97 percent was done illegally.

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Washington State Law

RCW 9.46.240

“Whoever knowingly transmits or receives gambling information by telephone, telegraph, radio, semaphore, **the internet**, a telecommunications transmission system, or similar means, or knowingly installs or maintains equipment for the transmission or receipt of gambling information shall be guilty of a class C felony subject to the penalty set forth in RCW 9A.20.021.”

Washington State Law

RCW 9.46.071

“Because the state promotes and regulates gambling through the activities of the state lottery commission, the Washington horse racing commission, and the Washington state gambling commission, **the state has the responsibility** to continue to provide resources for the support of services for problem and pathological gamblers.”

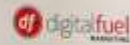
GiGse

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ACADEMY

Prado Room:

**Sportsbook Management Masterclass:
'Introducing Sportsbook Management'**

By Lee Richardson

Wednesday, May 30

9.15am – 5pm

High volume, low margin model...

- ▶ **Casino gaming relies on the Law of Large Numbers**
- ▶ **Where an inbuilt 'house-edge' produces a predictable and expected profit over the long-term**
- ▶ **Fixed-odds sports betting is different**
- ▶ **It is a skill-based activity, pitting the skills of the operator against the skills of the player**

High volume, low margin model...

- ▶ Sports betting essentially offers players 'unfair prices', reflecting an inbuilt 'theoretical' margin
- ▶ The ability to achieve that 'theoretical' margin is impacted by a wide variety of factors
- ▶ With both 'controllable' and 'uncontrollable' aspects to consider

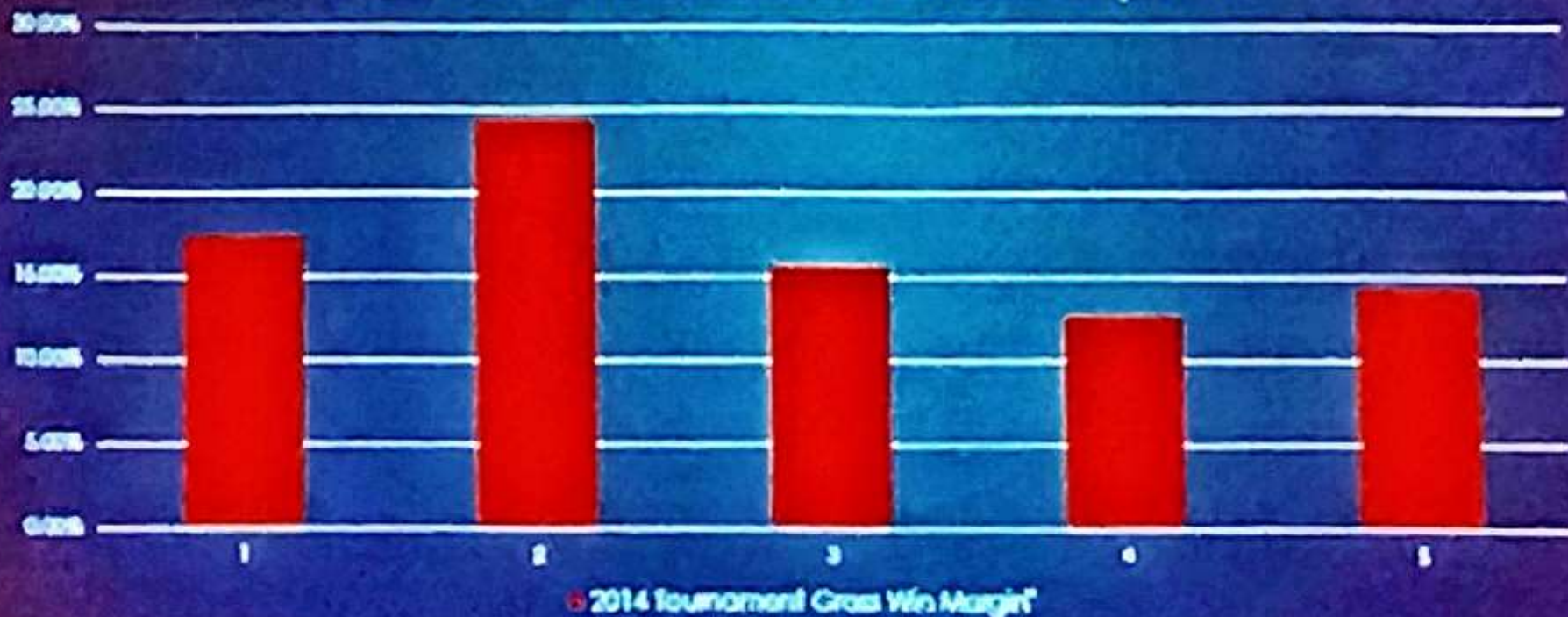
High volume, low margin model...

- ▶ **'Uncontrollable' aspects include...**
 - ▶ **Tax-model and tax rates**
 - ▶ **Pattern of sports results**
 - ▶ **Competitive pressures**
- ▶ **All of which combine to make sports betting inherently 'volatile'**

Not all sportsbooks are equal...

9

Gross Win Performance, FIFA World Cup 2014



Growth curve of IPB

- ▶ Close to maturity in some markets
- ▶ Future growth looks marginal...
- ▶ ...needs more product development ?



Industry Orientation...

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Global online sports betting market (GGY, \$Bn), Regulated and Unregulated, by Region.

Regulated	Reg Share %		Unregulated	Total	All Share %
13	28%	Europe	< 2	15	2%
1	2%	North America	149	150	21%
0	0%	Latin America	< 1	1	0%
30	65%	Asia	500	530	76%
1	2%	Africa	< 1	2	0%
1	2%	Australia	< 1	2	0%
46			654	700	

Source : EGBA (2015), GBGC (2016), Gaming Economics (2017)

Sports Betting - State Legislators Panel

Becky Harris, Chairwoman, Nevada Gaming Control Board

Sen. William Coley II, Ohio, President, Nat'l Council of Legislators from Gaming States

Rep. Brandt Iden, Michigan

Steve Geller, Broward County Commissioner, NCLGS Founder and Special Advisor

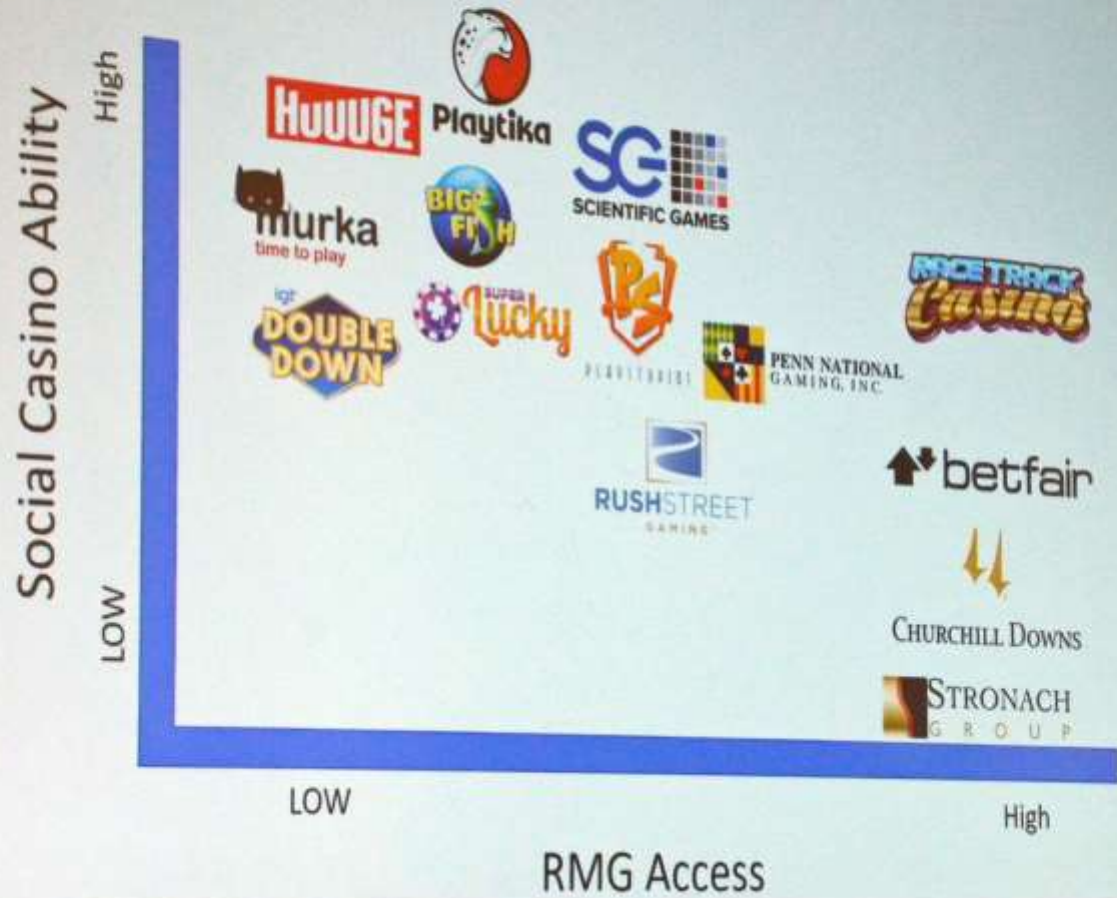


Sports Betting Operators & US Markets Panel

- Kip Levin, CEO, **Paddy Power Betfair US**
- Joe Asher, CEO, **William Hill US**
- Nicholas Menas, VP of Strategy & Government Affairs, **The Stars Group**
- Charles Cohen, Vice President, Mobile, PlaySpot and North America Sports Betting, **IGT**
- Chris Grove, Managing Director, **Eilers & Krejcik Gaming**
- Benjie Cherniak, Managing Director, **Don Best Sports**



Competition

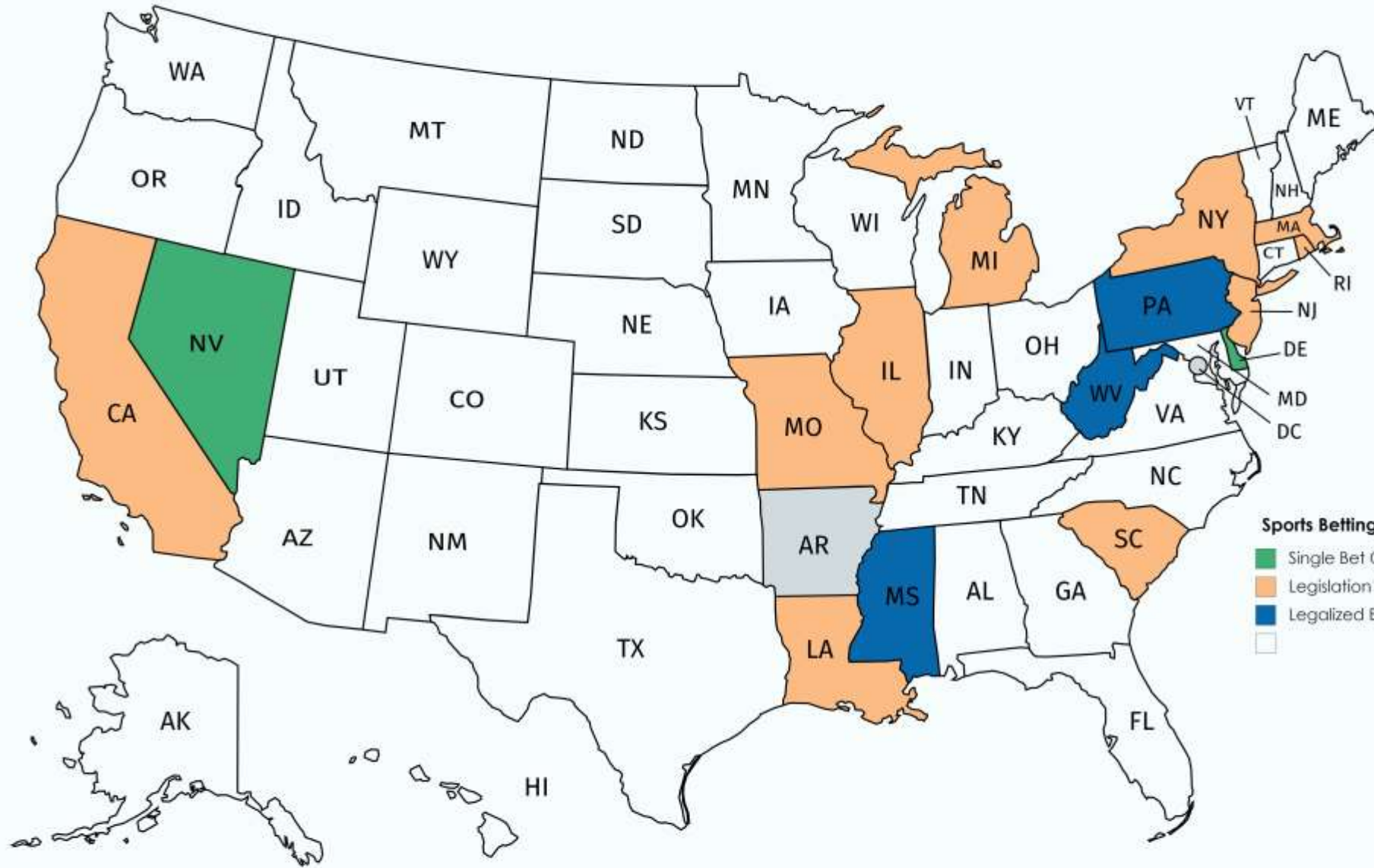


Innovating in Indian Country Panel – Sports betting, Class II, iGaming

- Victor Rocha, Pechanga.net, Victor Strategies
- Chris Stearns, WSGC
- Joe Valandra, VA Advisors
- Stuart Kerr, Chief Data Scientist, Pechanga Resort and Casino
- Derrick Watchman, National Center for American Indian Enterprise Development



Sports Betting Overview



Sports Betting At A Glance

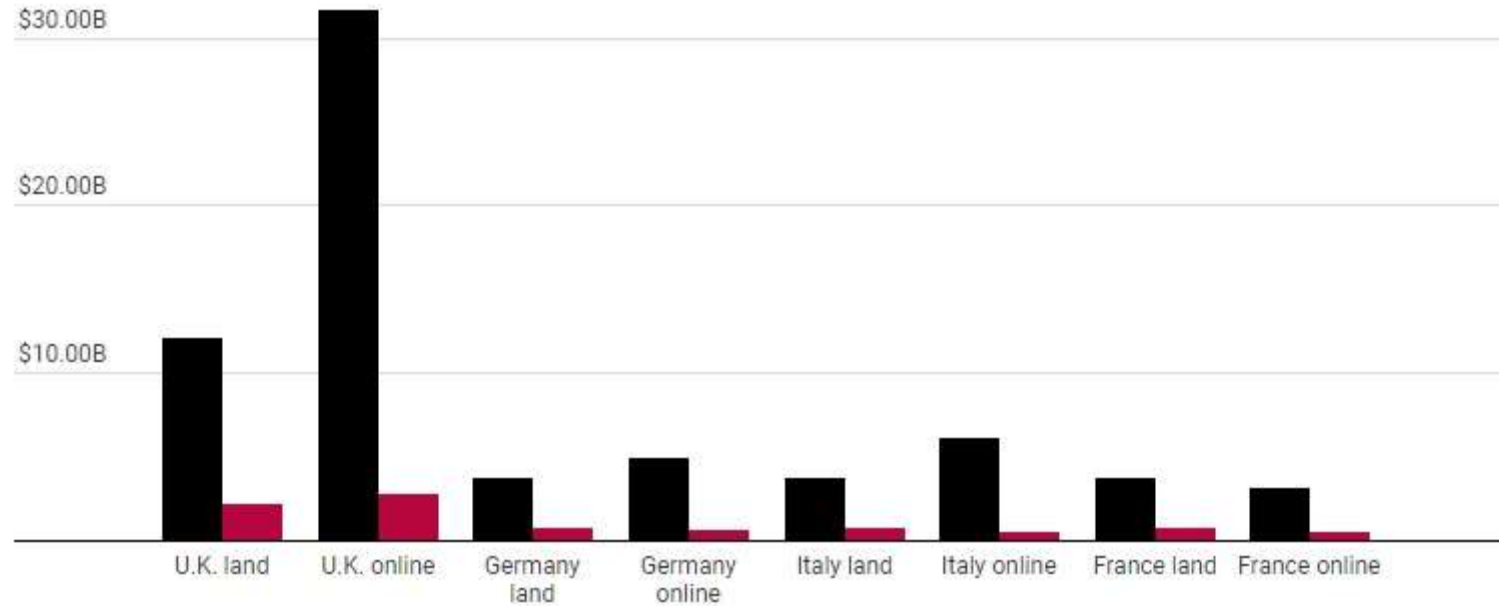
- Single Bet Operational
- Legislation Pending
- Legalized But Not Operational
- Not Operational

Sports betting in Europe

The U.K. is Europe's largest sports betting market due to early liberalization of online gambling and widespread land-based betting with almost 9,000 retail outlets. More than 56 percent of its 2017 total betting market was generated online. Additionally, 11 percent of U.K. residents claimed to have placed a sports bet at a casino last year; more than 6 percent had done so online.

HANDLE VS. REVENUE

■ Handle ■ Revenue



Notes: British pounds converted at a rate of 1 BP = \$1.3515, as of Dec. 31, 2017. Euro was converted to 1 Euro = \$1.2006.

Source: Eilers & Krejcik Gaming • [Get the data](#) • [Created with Datawrapper](#)

Data prepared by Eilers & Krejcik

Chris Grove, Eilers & Krejcik Gaming estimates:

- \$250 Million in total sports betting revenues available in US market today.
- Total will grow to \$6 Billion in a mature regulated US market (32 states).
- Sports betting market moves to 70 / 30 ration of mobile to land-based
- \$60 billion illegal / black market in US today
- Translates to \$2.5 to 3 Billion in potential US revenue today

Major Takeaways

- Most of the reported market size use the handle, rather than gross gaming revenue. GGR is generally around 5 percent of the handle in sports betting. State lawmakers should focus on the GGR not the handle.
- Tax rates structured as a percentage of revenue estimates must be realistic. If they are too high, the less likely state sanctioned sports betting will cut into the black market.
- Most sports-betting operations in the United States will be used as a marketing tool to generate additional gaming and non-gaming revenue, which will in turn generate employment, capital investment, tourism promotion and similar policy goals.
- The illegal sports betting market is the basis for most estimates as to the potential size of the legal market, but it would be profoundly disingenuous to expect that legal sports betting will end the illegal market.

Major Takeaways – Continued

- Experience in the UK, Italy, Nevada shows that in-play betting wagers will easily eclipse pre-game wagers – providing about 70% of revenue.
- Thus, expect operators to request states to approve in-play wagering.
- Most operators and vendors / suppliers oppose federal regulation of sports betting in the U.S.
- Strong correlation between fantasy sports players and sports wagerers means that customer lists from Draft Kings and FanDuel are highly coveted.
- Paddy Power Betfair UK acquires FanDuel.
- Resorts Atlantic City (Mohegan Sun) partners with Draft Kings.

Major Takeaways – Continued

- Operators and Vendors, Suppliers becoming realistic about size of Tribal sports betting market.
- Understand that sports betting will not only require new state laws but also new compacts or compact amendments.
- Understand that exclusivity agreements in certain states will likely slow down adoption of sports betting laws.
- Understand that tribes cannot be taxed under IGRA.
- Understand that in some states, tribes may not be united and may not reach consensus necessary for them to support sports betting bills in the legislature.

Key Regulatory Concerns

- Suitability
- Fair & Transparent Products
- Land-based versus Mobile and Internet products
- Pre-game, in-play, and pari-mutuel wagering products
- Know Your Customer protections
- Anti-Money Laundering protections
- Responsible and Problem Gambling programs

The End



Unregulated
Gambling