



Trends in State Gambling

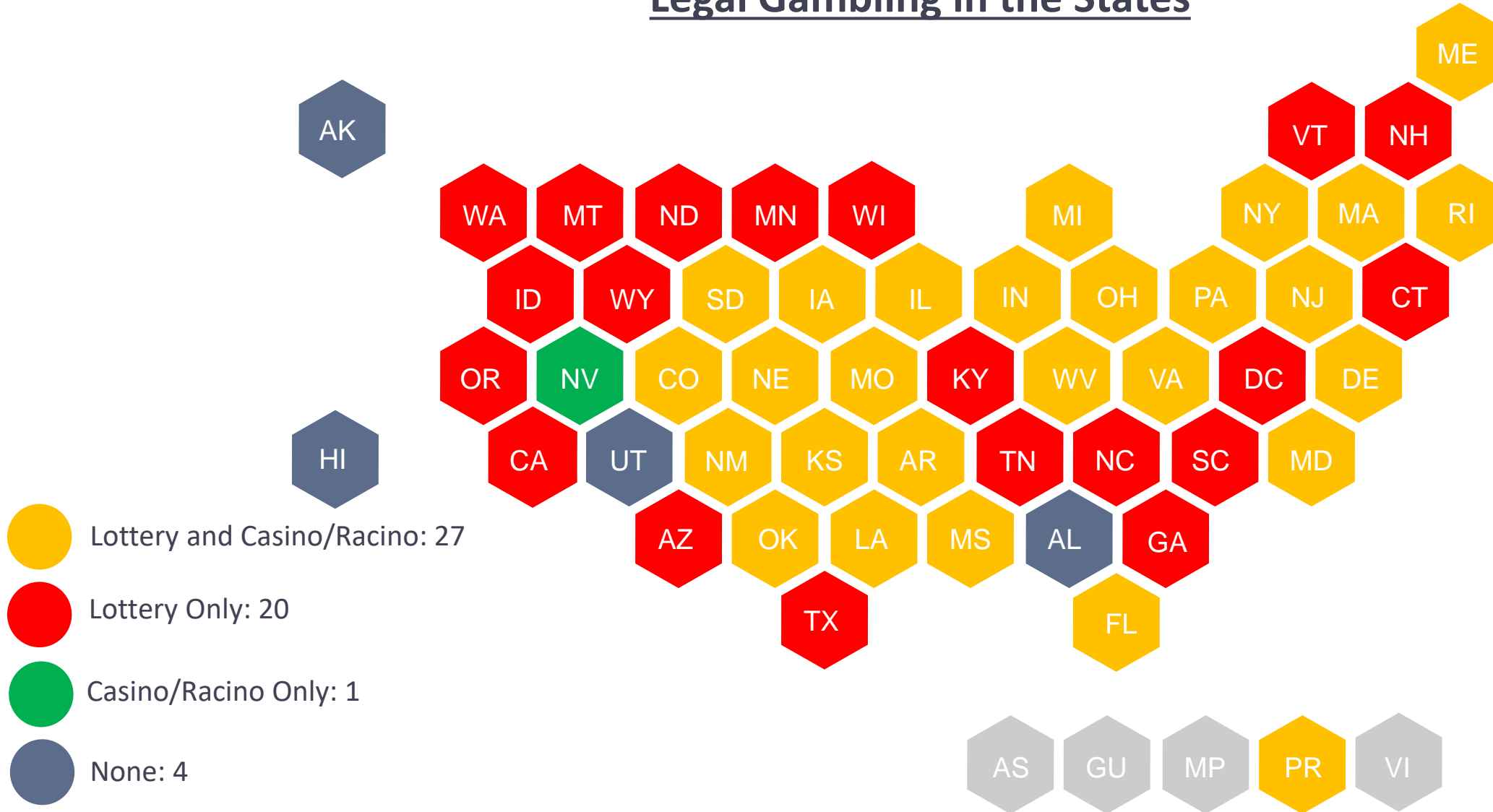
Oregon House Committee on Gambling Regulation

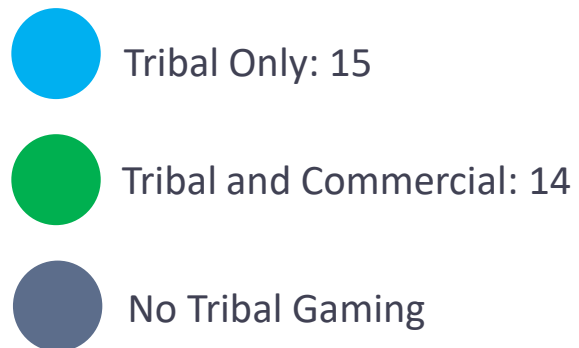
Jackson Brainerd, Program Principal

NCSL Fiscal Affairs Program

January 31, 2022

Legal Gambling in the States





Age Requirements

- For Casino Gambling: At least 21 years old
 - Exceptions: Rhode Island & Oklahoma; 18 years
- For Lotteries: At least 18 years old
 - Exceptions: Louisiana & Iowa; 21 years



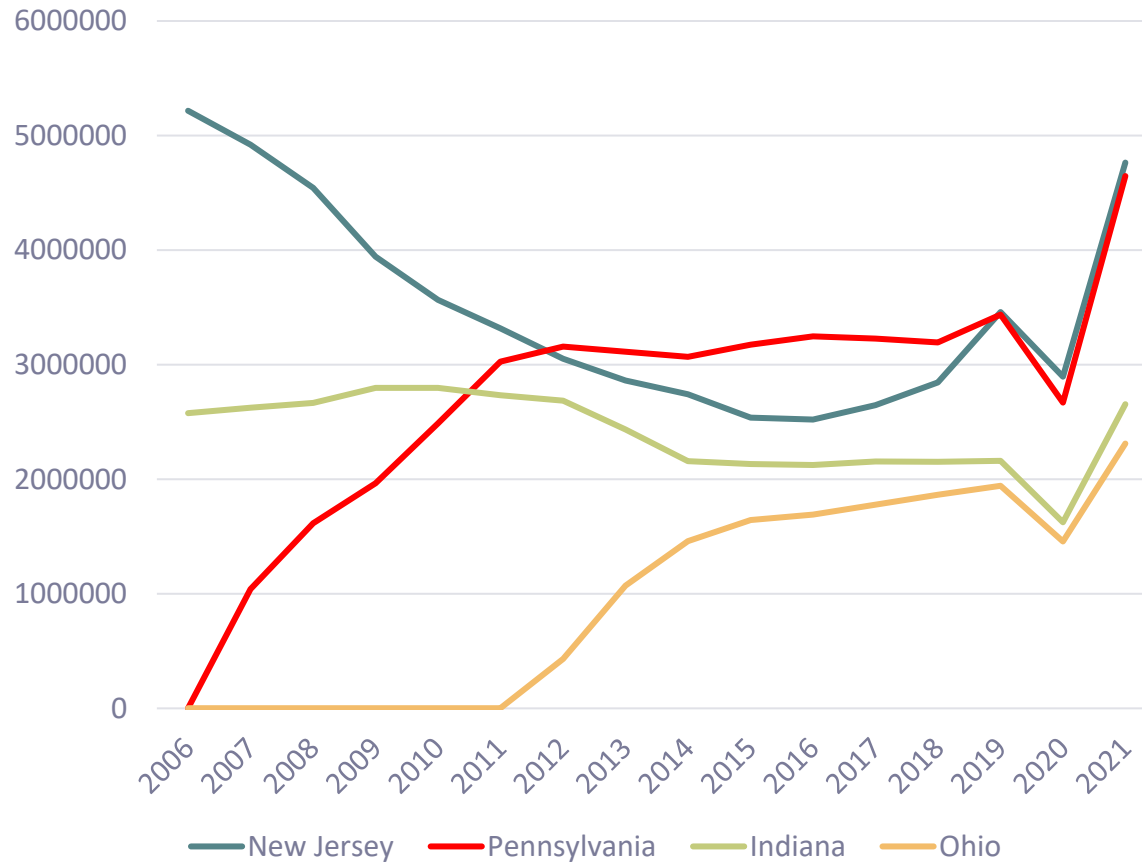
Pre-Pandemic Gaming Trends

- Flat/slow revenue growth nationally
- Signs of cannibalization and market saturation
- Lotteries and casinos looking to broaden appeal to younger gamblers
- Gambling expansion: New games, more locations/opportunities



Casino Revenue Trends

Casino Revenue for Select Neighboring States



Source: UNLV Center for Gaming Research

Commercial Casino Revenues

| State | 2020 YOY %Δ | 2021 YOY %Δ | 2022 YOY %Δ (thru Nov.) |
|--------------|-------------|-------------|-------------------------|
| Colorado | -23.70% | +92.78% | +11.47% |
| Delaware | -26.51% | +46.66% | +3.60% |
| Illinois | -43.76% | +126.94% | +13.05% |
| Indiana | -24.78% | +63.48% | +4.53% |
| Louisiana | -28.50% | +45.48% | +5.59% |
| Nevada | -34.55% | +70.71% | +10.06% |
| New York | -56.63% | +129.01% | +54.56 |
| Pennsylvania | -22.36% | +74.08% | +10.92% |
| Rhode Island | -76.25% | +67.45% | +14.55 |
| South Dakota | -4.37% | +39.71% | +0.92 |

Select State Lottery Proceeds (in thousands)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2016-2021 % change | 2019-2020 % change |
|------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------------|-----------------------|
| National | \$22,829,459 | \$22,055,045 | \$23,206,684 | \$25,019,727 | \$23,384,344 | \$26,860,610 | 17.6% | -6.5% |
| Arizona | \$210,837 | \$196,993 | \$215,657 | \$250,916 | \$243,284 | \$317,136 | 50.4% | -3.0% |
| California | \$1,979,117 | \$1,910,944 | \$2,118,289 | \$2,296,810 | \$1,904,290 | \$2,460,358 | 24.3% | -17.1% |
| Colorado | \$141,371 | \$133,050 | \$140,231 | \$164,032 | \$140,130 | \$167,506 | 18.4% | -14.6% |
| Idaho | \$52,312 | \$48,919 | \$54,603 | \$60,849 | \$55,915 | \$72,550 | 38.6% | -8.1% |
| Illinois | \$717,789 | \$725,980 | \$652,204 | \$747,734 | \$690,984 | \$769,562 | 7.2% | -7.6% |
| Maryland | \$692,928 | \$528,994 | \$579,787 | \$614,150 | \$595,511 | \$698,510 | 0.8% | -3.0% |
| Montana | \$17,968 | \$21,909 | \$19,188 | \$17,970 | \$15,217 | \$9,895 | -44.9% | -15.3 |
| New York | \$3,322,718 | \$3,292,253 | \$3,384,440 | \$3,510,750 | \$3,314,434 | \$3,017,278 | -9.1% | -5.6% |
| Oregon | \$614,724 | \$694,769 | \$722,998 | \$738,944 | \$576,156 | \$630,486 | 2.5% | -22.0% |
| Texas | \$1,402,375 | \$1,343,212 | \$1,465,117 | \$1,624,473 | \$1,674,006 | \$1,988,465 | 41.8% | 3.0% |
| Washington | \$180,811 | \$159,709 | \$181,997 | \$210,502 | \$180,111 | \$227,276 | 25.6% | -14.4% |

Source: US Census Bureau

Select State Lottery Revenue Performance

Arizona: Record sales of \$1.4 billion in FY 2021, an increase of 31% over the prior year. Sales of \$1.37 billion in FY 2022, a decrease of approximately 5% from the prior fiscal year.

Colorado: FY 2021 revenue was a record \$797 million, 21% higher than FY 2020 and 17% higher than in FY 2019. FY 2022 revenue was \$829 million, roughly a 4% increase over FY 2021.

Idaho: Total operating revenues increased 33.9% from FY 2020 to FY 2021. Total operating revenues increased 1.1% from FY 2021 to FY 2022.

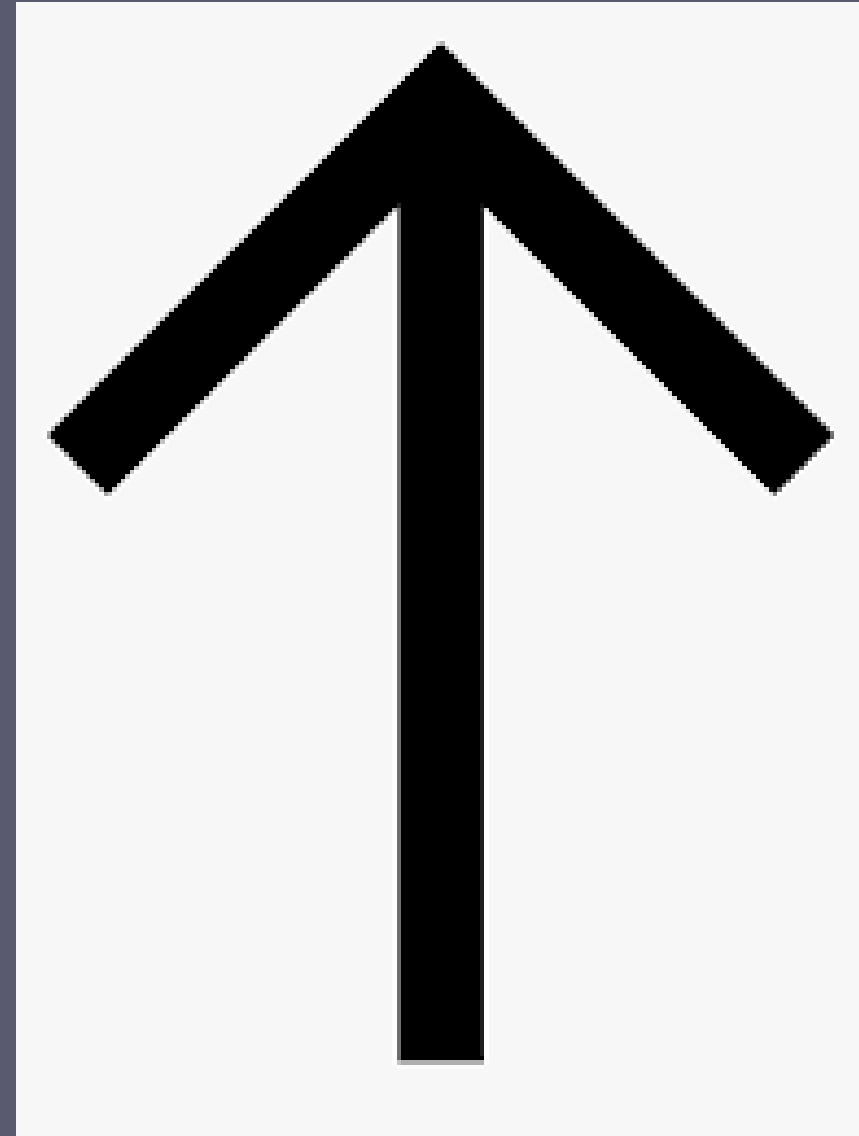
Iowa: Lottery proceeds to state were \$98.0 million in FY 2022, a slight decrease from \$101.7 million in FY 2021

Montana: Transfers to the general fund increased 55.1% from 2020 to 2021, from \$8.6 million to \$13.3 million.

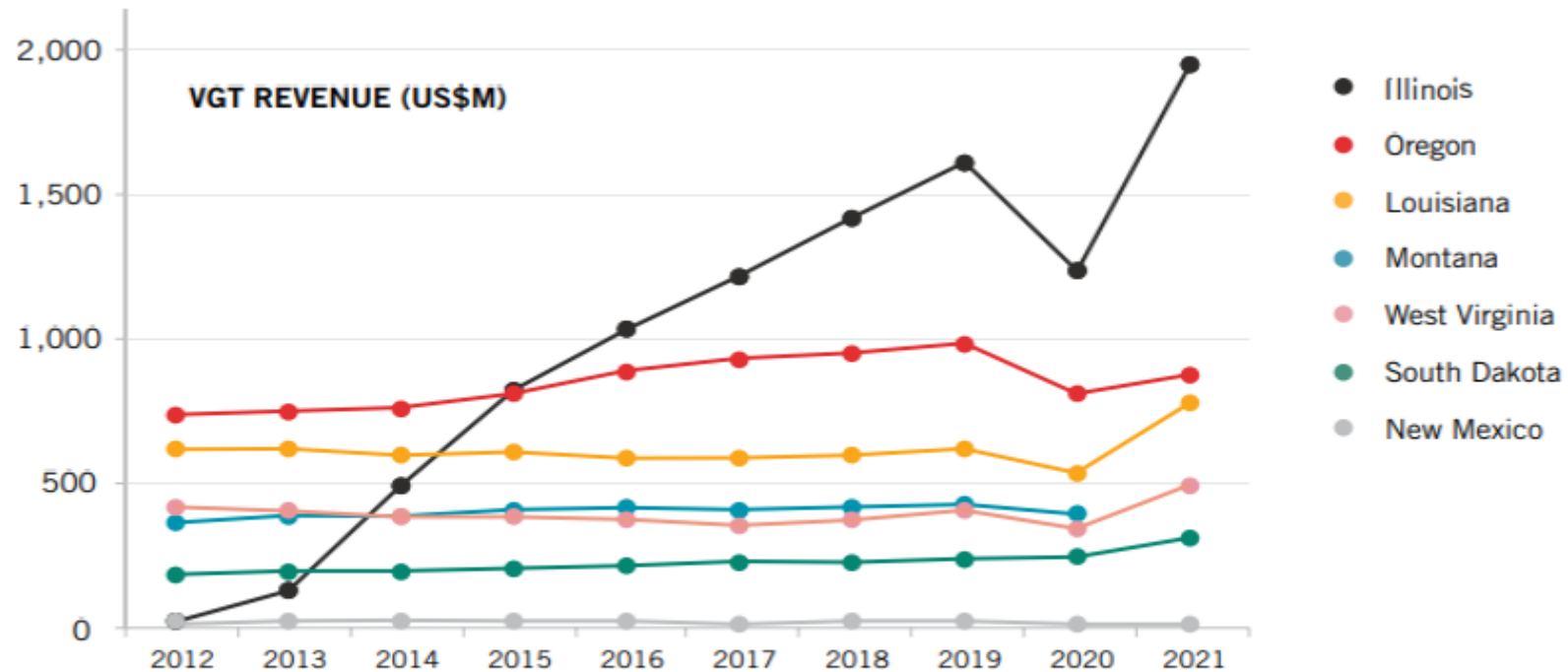
Washington: FY 2021 lottery sales were \$950.7 million, a 16.3% increase from FY 2020 and an 18.4% increase from FY 2019

Wisconsin: Ticket sales increased from \$725.4 million in FY 20 to \$894.5 million in FY 21, or by 23.3%.

Source: Annual State Lottery Reports



Video Gaming Terminal Revenue



SOURCE: IGB, OR Lottery, LGCB, MT DoJ, WV Lottery, SD Lottery, NMGCB

Select State Casino Tax Rates

| State | Casino Tax Rate |
|----------|---|
| Colorado | <p>Tax rate as of July 1, 2014</p> <p>Adjusted gross proceeds (AGP)</p> <p>0.25% \$ 0 - \$ 2 million</p> <p>2% \$ 2 million - \$5 million</p> <p>9% \$ 5 million - \$8 million</p> <p>11% \$ 8 million - \$10 million</p> <p>16% \$10 million - \$13 million</p> <p>20% Above \$13 million</p> |
| Delaware | <p>20% on table game revenue which includes a 15.5% tax on table game licensees and a 4.5% purse supplement</p> <p>57%-58% on electronic gaming device revenue</p> |
| Illinois | <p>Admissions tax: Illinois has an admissions tax of \$2 per person for patrons of Casino Rock Island and \$3 per person for all other casino licensees.</p> <p>Table Game Tax:</p> <p>15% tax rate for up to \$25 million AGR</p> <p>20% tax rate for over \$25 million AGR</p> <p>(All other Gambling Games) Wagering Tax:</p> <ul style="list-style-type: none"> 15% of AGR up to and including \$25 million; Gradually increases up to 50% of AGR in excess of \$200 million. |
| Maine | <p>Net table game income- 16%</p> <p>Casino net slot income- 46%</p> <p>Racino net slot income- 39%</p> <p>Additional 1% of gross slot machine income is levied for administrative expenses</p> |

| State | Casino Tax Rate |
|---------------|---|
| Nevada | <p>Monthly graduated tax on the following amounts:</p> <p>Up to \$50,000 of gross revenue- 3.5%</p> <p>\$50,000-\$134,000 gross revenue- 4.5%</p> <p>All gross revenue over \$134,000 – 6.75%</p> |
| New Mexico | <p>Racinos are taxed at an effective rate of 46.25% of net take. Includes a 26% gaming tax, a 20% tax for racing purses and a 0.25% tax for problem gambling.</p> |
| Ohio | <p>33% on gross gaming revenues</p> |
| Pennsylvania | <p>Casinos are taxed as follows:</p> <ul style="list-style-type: none"> 54%-55% on gross revenues collected from slot machines 16% of daily gross table game revenues 34% of daily gross electronic table game revenue <p>Tax rates for online gaming:</p> <ul style="list-style-type: none"> 16% on peer-to-peer games 16% on non peer-to-peer table games 54% on slot machine games |
| South Dakota | <p>9% effective tax rate</p> |
| Virginia | <p>There is a graduated tax rate on casino revenue in Virginia:</p> <ul style="list-style-type: none"> 18% on the first \$200M 23% on revenue between \$200M and \$400M 30% on revenue exceeding \$400M |
| West Virginia | <ul style="list-style-type: none"> 53.5% on gaming machine revenue 35% of AGR of West Virginia Lottery table games |

Select State Use of Casino Tax Revenue

| State | Casino Tax Rate |
|-----------|--|
| Colorado | <ul style="list-style-type: none"> • 28% to the State Historical Society; • 12% to Gilpin and Teller counties; • 10% to Blackhawk, Central City and Cripple Creek; and • 50% to the State General Fund. <p>Out of the State General Fund, additional appropriations must be made to: travel and tourism promotion; the Advance Industries Acceleration Cash Fund; the Local Government Limited Gaming Impact Fund; the Innovative Higher Education Research Fund; Creative Industries Cash Fund; and the Office of Film, TV, and Media Fund.</p> |
| Illinois | <p>Host local government: 5 % of AGR Horse Racing Equity Fund: 15% of AGR from Rivers Casino Chicago State University Improvement Fund: \$1.6 million School Infrastructure Fund: \$158.36 million annually Horse Racing Equity Fund: \$23 million Capitol Project Funds: remaining funds from racinos</p> |
| Iowa | <ul style="list-style-type: none"> • 0.5% of the AGR shall be remitted to the treasurer of the host city. • 0.5% of the AGR shall be remitted to the treasurer of the host county. • 0.8% of the AGR shall be deposited in the county endowment fund. • 0.2% of the AGR shall be deposited in a state miscellaneous fund. <p>Remaining funds are distributed to the General Fund.</p> |
| Kansas | Gaming taxes in the state are allocated to fund state debt reduction, infrastructure improvements, and property tax relief. |
| Louisiana | The State's portion of the gaming tax is allocated annually at the discretion of the state legislature. The tax is contributed to the State General Fund, public retirement systems, state capital improvements and the state' rainy-day fund |

| State | Casino Tax Rate |
|-------------|---|
| Maine | <p>The biggest recipient of gaming tax revenue goes to higher education through the funding of scholarships to state and community colleges. Gaming tax revenue is also used to support health care, agriculture, the state's horse racing industry, and the local governments that host commercial casinos.</p> <p>A state fund to provide prevention-related services and other healthcare programs for Maine families also receives funds from gaming tax revenue.</p> |
| Maryland | <p>Slot machine taxes are distributed as follows:</p> <ul style="list-style-type: none"> • Education Trust Fund: 32.75%- 47.5% • Horse Racing Purse: 6% • Local Impact Grants: 5.5% • Race Track Facilities Renewal Account: 1% • Maryland Lottery & Gaming Control Agency: 1% • Small, minority and women-owned business: 1.5% <p>Table game taxes are distributed as follows:</p> <ul style="list-style-type: none"> • 15% to the Maryland Education Trust Fund • 5% local grants |
| Mississippi | A majority of state casino gaming tax revenue is directed to Mississippi's General Revenue Fund, with monthly amounts of \$3M distributed to a separate state highway construction fund. |
| Nevada | The majority of revenue goes into the state's general fund and is then redistributed biennially by the legislature to statewide education programs, transportation services and general budgetary needs. Additional funds are allocated to local school systems and county governments |
| New Mexico | State general fund |

Lottery Case Studies: California

Major Games and Net Sales in FY 2021 (in millions)

Scratchers: \$6,409.5 (76.1%)

Mega Millions: \$529.1 (6.29%)

PowerBall: \$408.3 (4.85%)

SuperLotto +: \$261.4 (3.1%)

Hot Spot: \$373.3 (4.4%)

Fantasy 5: \$174.5 (2.1%)

Daily 3: \$186.2 (2.2%)

Daily Derby: \$37.9 (0.5%)

Daily 4: \$37.8 (0.5%)

Apportionment of Funds

Prizes: 66.6%

Costs/Operating Expenses: 11.3%

State Proceeds Available: 22.1%



Lottery Case Studies: Colorado

Major Games and Net Sales in FY 2021 (in millions)

Cash 5: \$15.9

Cash 5 EZ Match: \$2.6

Colorado Lotto+: \$48.0

Lucky For Life: \$15.5

Mega Millions: \$57.1

Pick 3: \$15.9

Powerball: \$66.9

Scratch: \$573.0

Apportionment of Funds

Prizes: 69.7%

Administration: 7.2%

State Proceeds Available: 23.0%



Lottery Case Studies: Idaho

Major Games and Net Sales in FY 2021 (in millions)

| | |
|-----------------------|--------------------------|
| PowerBall: \$26.3 | Scratch Tickets: \$241.2 |
| Pick 3: \$2.7 | PullTab Tickets: \$2.0 |
| Mega Millions: \$19.8 | TouchTab Tickets: \$64.8 |
| Weekly Grand: \$1.7 | |
| Lucky for Life: \$3.3 | |
| Lotto America: \$2.3 | |
| Idaho Cash: \$1.8 | |
| 5 Star Draw: \$2.8 | |
| 2by2: \$0.2 | |
| Pick 4: \$0.6 | |
| Raffle: \$2.5 | |

Apportionment of Funds

| |
|---------------------------------|
| Prizes: 67.8% |
| Operating Expenses: 12.7% |
| State Proceeds Available: 19.5% |



Lottery Case Studies: Washington

Major Games and Net Sales in FY 2021 (in millions)

Scratch: \$701.2 (73.8% of total sales)

MegaMillions: \$70.9 (7.5% of total sales)

PowerBall: \$57.8 (6.1% of total sales)

Lotto: \$39.3 (4.1% of total sales)

Hit 5: \$22.1 (2.7% of total sales)

Match 4: \$14.3 (1.6% of total sales)

Pick 3: \$23.2 (2.4% of total sales)

Daily Keno: \$6.4 (0.7% of total sales)

Apportionment of Funds

Prizes: 63.34%

Administration: 12.64%

State Proceeds Available: 23.47%



Where Do State Lottery Proceeds Go?

| | |
|--|--|
| Capital Construction/Infrastructure | Arizona, Colorado, Iowa, Idaho, Indiana, Illinois, South Dakota |
| Economic Development | Arizona, Kansas, Oregon, Washington |
| Education | Arkansas*, California*, Florida*, Georgia*, Illinois, Louisiana, Michigan, Missouri*, North Carolina*, Nebraska, New Hampshire*, New Jersey, New Mexico*, New York*, Ohio*, Oklahoma*, Texas, Virginia*, Washington, West Virginia |
| Environment | Minnesota, Colorado, Nebraska |
| General Fund | Arizona, Connecticut*, Delaware*, Iowa, Kansas, Kentucky*, Michigan, Maine*, Minnesota, Montana*, North Dakota, Rhode Island*, South Dakota |
| Health/Gambling Addiction | Arizona, Iowa, Kansas, Louisiana, Minnesota, Nebraska, North Dakota, Washington |
| Parks/Tourism | Colorado, West Virginia |
| Senior Programs | Pennsylvania*, West Virginia |
| Property Tax Credit Funding | Wisconsin* |
| Veterans Programs | Iowa, Maryland, New Jersey, Texas |
| Localities | Massachusetts* |

*receives all lottery proceeds

Source: Rockefeller Institute (2016), NCSL Research

Recent Gaming Expansion Enactments

- Connecticut H 6451 (2021): Authorized online casino gaming
- Nebraska: Authorized racinos via ballot initiative in 2020
- Virginia H 1383 (2020): Repeals prohibition on selling lottery tickets over the internet
- Sports Betting



2023 Gaming Proposals

Internet Lottery: Indiana (H 1536): Maryland (S 267) Maryland (HD 3034)

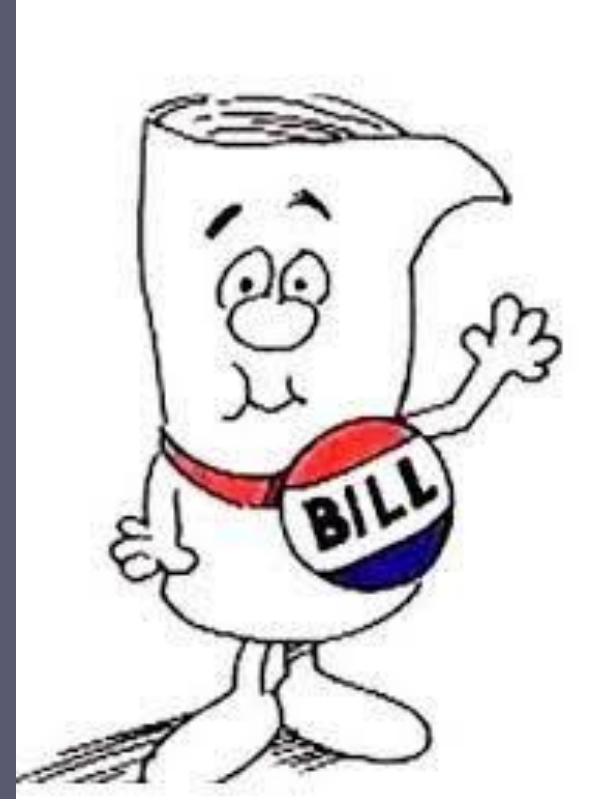
VLT Authorization: South Carolina (H 3333), Missouri (H 699), Mississippi (H 197)

Other Lottery Expansion: South Dakota (S 117), Texas (H 1395), Wyoming

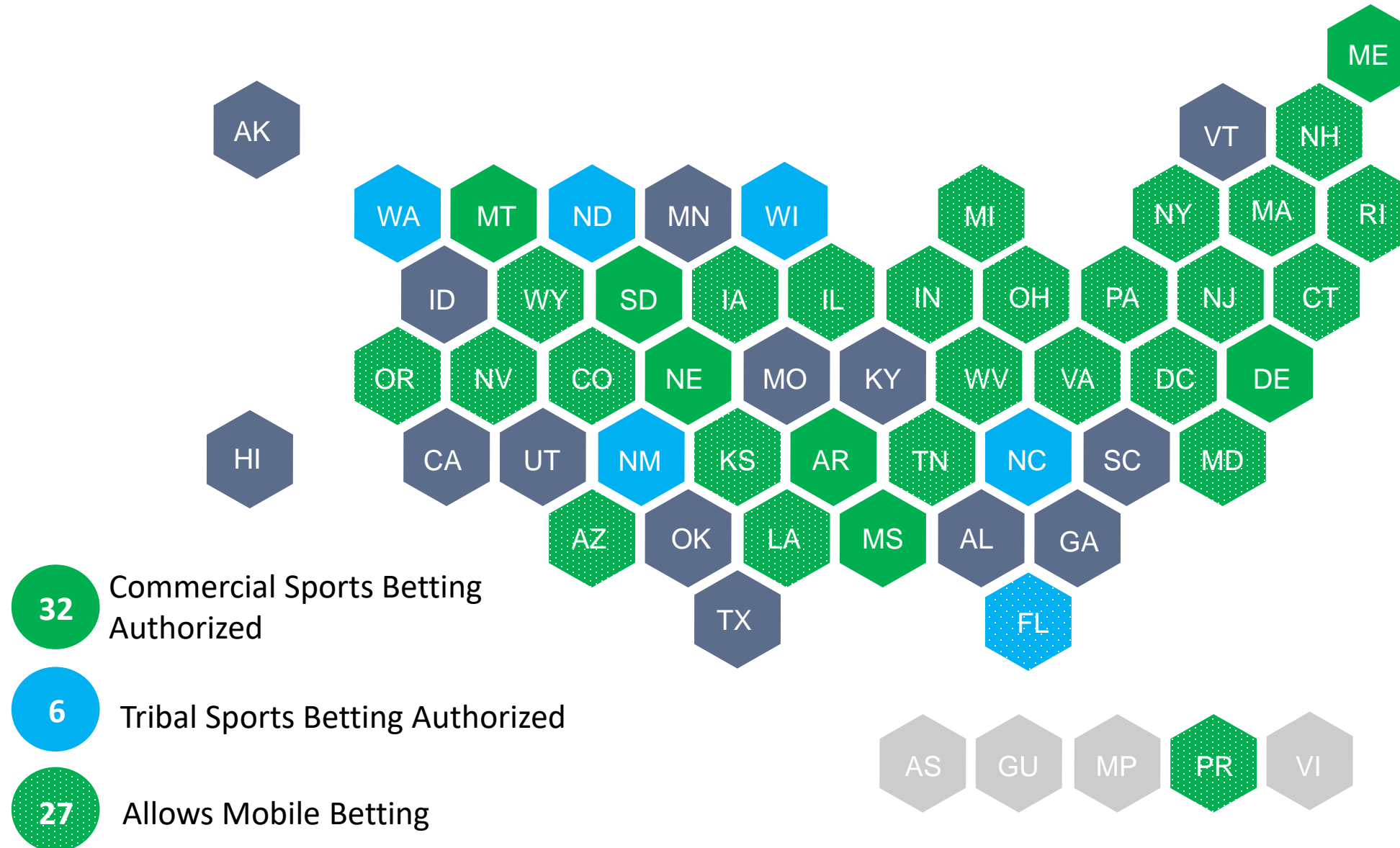
Casino Gambling: Texas (H 1395)

Sports Betting Legalization: Hawaii (H 344), Missouri (S 30), North Dakota (HCR 3002), South Carolina (H 3749).

Authorizing Internet Sports Betting: Delaware (HR 6), Mississippi (H 864)



Legal Status of Sports Betting in the States



2021/2022 Sports Betting Enactments

- **Arizona** (H 2772)
- **Connecticut** (H 6451)
- **Florida** (S 2 a)
- **Louisiana** (H 697/S 142/S 247)
- **Kansas** (SB 84)
- **Maine** (LD 585)
- **Massachusetts** (H 5164)
- **Maryland** (H 940)
- **Nebraska** (L 561)
- **New York** (S 2509)
- **South Dakota** (S 44)
- **Wyoming** (H 133)



Sports Betting Tax Rates

| State | Sports Betting Tax Rate |
|-------------|---|
| Arkansas | 13-20% |
| Arizona | 8% for retail; 10% for mobile |
| Colorado | 10% |
| Connecticut | 13.75% |
| D.C. | 10%; revenue minus expenses for state online lottery operations |
| Delaware | 50% |
| Florida | 13.75% of tribal sports bet revenue |
| Illinois | 15% |
| Indiana | 9.5% |
| Iowa | 6.75% |
| Louisiana | 10% for retail; 15% for mobile |
| Maryland | Retail: 15%; Mobile: 15% on first \$5 million in proceeds, then 17.5% |
| Mississippi | 12% (8% state/4% local) |

| State | Sports Betting Tax Rate |
|---------------|-------------------------------------|
| Michigan | 8.4% for retail; 9.65% for mobile |
| Montana | Collects revenue minus expenses |
| Nebraska | 20% |
| Nevada | 6.75% |
| New Jersey | 9.75% for retail; 14.25% for mobile |
| New Hampshire | 50% |
| New York | 10% |
| Pennsylvania | 36% (34% state/2% local) |
| Rhode Island | 51% |
| South Dakota | 9% |
| Tennessee | 20% |
| Virginia | 15% |
| West Virginia | 10% |
| Wyoming | 10% |

Select State Sports Betting Licensing Fees

| State | Fee |
|-----------|---|
| Arkansas | No more than \$250,000 annually |
| Delaware | No additional fee for sports wagering |
| Illinois | 5% of AGR from prior year, not to exceed \$10 million; \$1 million renewal every four years |
| Indiana | \$100,000 initial fee; \$50,000 annual renewal |
| Iowa | \$45,000 initial fee; \$10,000 annual renewal |
| Louisiana | Application fee: \$250,000 License fee: \$500,000 for five years |
| Maryland | \$250,000 w/\$50,000 annual fee For mobile: \$500,000 w/\$100,000 annual fee |
| Michigan | \$150,000 licensing fee; \$50,000 application fee; \$50,000 yearly renewal fee |

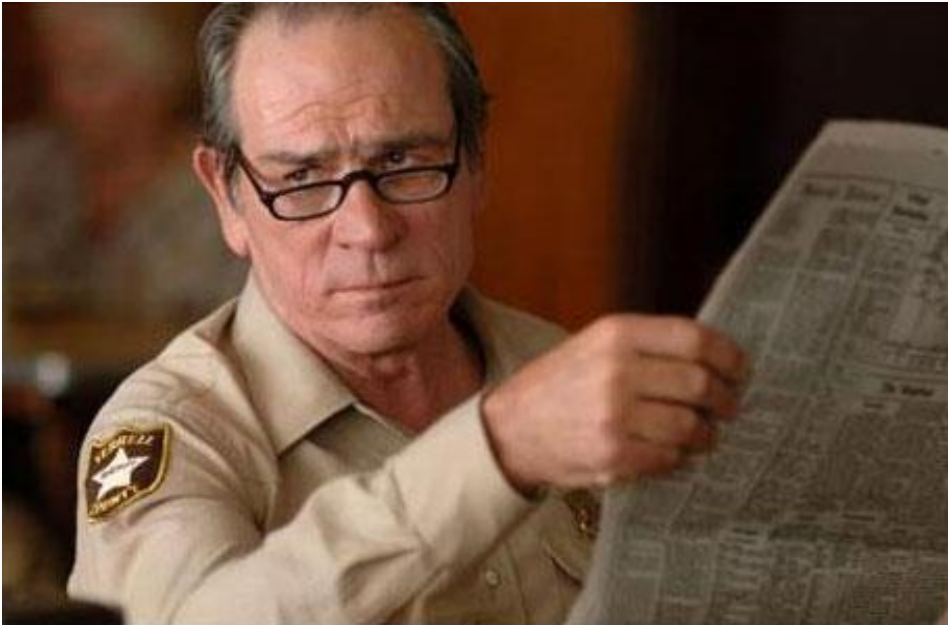
| State | Sports Betting Tax Rate |
|---------------|--|
| Mississippi | No additional fee for sports wagering |
| Montana | \$1,000 annual fee for platform operators; \$100 fee per kiosk |
| New Jersey | \$100,000 annual fee |
| New York | No additional fee for sports wagering |
| Pennsylvania | \$10 million one-time fee |
| Rhode Island | No additional fee for sports wagering |
| South Dakota | \$2,000 license fee, \$2,000 renewal |
| Tennessee | \$750,000 annual fee |
| Virginia | \$250,000 3 yr. license; \$200,000 renewal; \$50,000 application fee |
| West Virginia | \$100,000 fee; renewed every 5 years |

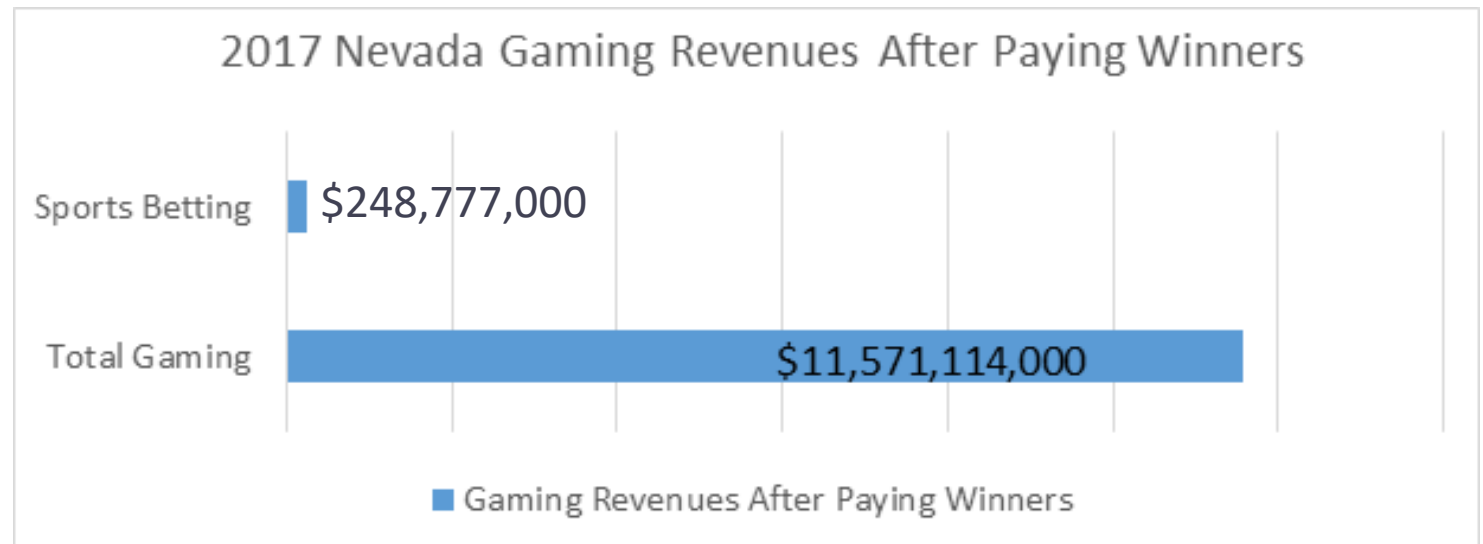
Restricted Events

- All states prohibit betting on high school events
- Treatment of Collegiate Sports Events Varies:
 - Blanket prohibition: DE, NH, NY, RI
 - No betting on any in-state collegiate events and no betting on any in-state teams, regardless of location: IA, NE, SD*, VA
 - Exception for tournaments CT, MA, ME*
 - No prop bets: CO
 - No restrictions: IL, KS, MD, MI, MS, LA, OH, TN, WV, WY



MOBILE BETTING AND KIDS THESE DAYS...





Non-Mobile States' Sports Betting Revenue Performance

Arkansas:

| FY 2020 State Taxes | FY 2021 | FY 2022 |
|---------------------|-------------|-------------|
| \$312,689 | \$1,120,529 | \$1,110,616 |

Source: AR Department of Finance and Administration

Delaware:

| FY 2020 Sports Betting Share | FY 2021 | FY 2022 |
|------------------------------|--------------|-------------|
| \$11,315,301 | \$14,302,112 | \$9,520,810 |

Source: DE Lottery

Mississippi:

| FY 2020 State/Local Taxes | FY 2021 | FY 2022 |
|---------------------------|-------------|-------------|
| \$4,392,978 | \$7,999,874 | \$6,993,086 |

Source: MS Gaming Commission

New York*:

| FY 2020 State Taxes | FY 2021 | FY 2022 |
|---------------------|-------------|---------------|
| \$964,671 | \$1,859,905 | \$308,333,132 |

Source: NY Gaming Commission

*Began offering mobile betting in Jan. 2022

Mobile States' Sports Betting Revenue Performance

New Jersey:

| Calendar Year 2020 | Calendar Year 2021 | Calendar Year 2022 |
|--|------------------------------|-----------------------------|
| Retail Revenue: \$2,732,333 Internet Revenue: \$46,700,068 CY 2020 Revenue: \$49,432,401 | Total Revenue: \$100,050,610 | Total Revenue: \$97,879,592 |

Source: NJ Division of Gaming Enforcement

Pennsylvania:

| FY 2020 | FY 2021 | FY 2022 |
|--|--|--|
| Retail: \$9,646,774 Mobile: \$29,019,644 Total State Tax: \$38,666,418 | Retail: \$16,396,531 Mobile: \$88,612,191 Total State Tax: \$105,008,722 | Retail: \$16,475,397 Mobile: \$90,868,127 Total State Tax: \$107,343,524 |

Source: PA Gaming Control Board

Indiana:

| FY 2020 | FY 2021 | FY 2022 |
|--|---|---|
| Tax Revenue: \$7,457,247 Mobile was 60% of gross receipts | Tax Revenue: \$22,662,070 Mobile was 80% of gross receipts | Tax Revenue: \$31,242,412 Mobile was 88% of gross receipts |

Source: IN Gaming Commission

Mobile States' Sports Betting Revenue Performance Cont.

Nevada:

| FY 2020 | FY 2021 | FY 2022 |
|--------------|--------------|-------------|
| \$17,443,282 | \$27,543,442 | 29, 167,630 |

Source: Nevada Gaming Control Board

Rhode Island:

| | Retail (Book Rev.) | Mobile (Book Rev.) | Total Book Revenue | State Tax |
|---------|--------------------|--------------------|--------------------|--------------|
| FY 2020 | \$14,897,786 | \$3,808,671 | \$18,706,457 | \$9,540,293 |
| FY 2021 | \$17,863,894 | \$18,323,595 | \$36,187,489 | \$18,455,619 |
| FY 2022 | \$17,662,119 | \$22,087,398 | \$39,749,517 | \$20,272,254 |

Source: Rhode Island Lottery

Iowa:

| | Retail (Net Receipts) | Mobile (Net Receipts) | Total | State Tax Revenue |
|---------|-----------------------|-----------------------|---------------|-------------------|
| FY 2020 | \$11,941,612 | \$13,790,229 | \$25,731,838 | \$1,788,198 |
| FY 2021 | \$25,398,407 | \$64,568,477 | \$89,996,884 | \$6,072,763 |
| FY 2022 | \$21,424,459 | \$118,155,907 | \$139,580,366 | \$9,585,341 |

Source: Iowa Racing and Gaming Commission

New Hampshire: FY 2021 Revenue: \$17,956,535 (81% from mobile) ; FY 2022: \$23,916,631 (86% from mobile)

Illinois: FY 2021 tax revenue: \$60,895,949; FY 2022: \$98,307,221

The Future of I-Gaming

- 27 states have legalized mobile sports betting but;
- Only 13 states offer some form of internet lottery pay.
- Only 8 states offer internet casino gambling



State Efforts to Address Gambling Addiction

- Self-exclusion lists
- Toll-Free Hotlines
- Mobile: restrictions on numbers of accounts, allowing users to limit amounts that can be deposited into an account, require operators provide a means to initiate a break in play to discourage excessive play
- Revenue often dedicated to state health department problem gambling programs:
 - **Michigan:** \$1 million annually to Compulsive Gaming Prevention Fund
 - **New Hampshire:** Earmarks 10% of revenue drawn from sports betting for services to support treatment and prevention of gambling addiction
 - **New York:** The new online sports wagering legislation provides \$6 million to responsible gambling programming.
 - **Pennsylvania:** 0.2% of total gross sports wagering revenue goes to Compulsive and Problem Gambling Treatment Fund. Another 0.2% goes to the Department of Drug and Alcohol Programs for similar initiatives related to problem gambling.
 - **Tennessee:** 5% to mental health and substance abuse services
 - **Virginia:** 2.5% to problem gambling

Thank You!

Contact:

Jackson Brainerd

jackson.brainerd@ncsl.org

