



**Testimony of Dan Shapiro, Vice President of Strategy & Business Development,
William Hill US**

**House Committee on Federal and State Affairs
March 27, 2018**

Chairman Barker and Honorable Members of the Committee:

Thank you for the opportunity to submit comments on House Bill 2792, the Kansas sports wagering act.

First, I will give you some background on our business. However, the central theme of this testimony is to ask you to allow the legal sports betting market in Kansas, when it comes, hopefully soon, to compete with the thriving black market, which won't easily or quickly go away. Reasonable taxes and regulation will be critical to that effort.

William Hill is one of the leading sports betting companies in the world. It has been in business for about 85 years. The company is headquartered in London and traded on the London Stock Exchange with a market capitalization of approximately \$4 billion. William Hill holds gaming licenses in the United Kingdom, Gibraltar, Australia, Italy, Spain, the United States and The Bahamas and employs approximately 16,000 people around the world.

William Hill's US business, which employs about 450 people, is headquartered in Las Vegas and is the leading sports betting company in the United States. We operate 108 sports books located within casinos in Nevada, representing more than half the sports books in the state. We are also the market leader as measured by sports betting revenue in Nevada. Our market share is close to 30% in a disaggregated market.

In addition to sports books in casinos, William Hill operates Nevada's leading mobile sports betting app. In Nevada, customers can sign up for our app in person at one of our sports books, which are located inside of casinos. After establishing an account, customers can place bets from anywhere within the state's borders. Currently, mobile represents about 60% of our betting volume in Nevada.

Elsewhere, William Hill is the exclusive risk manager for the State of Delaware's Sports Lottery, where parlay wagering on NFL football is permitted at the three racetrack casinos and more than 100 lottery retailers. While the product is limited, this is currently the only significant legal sports betting in the U.S. outside Nevada.

A few years ago, we signed a deal with Monmouth Park racetrack in New Jersey to operate a sports book should it become legal. We have already built the sports book at Monmouth and we are preparing to take bets as soon as we are legally permitted to do so.

As you think about the legalization of sports betting in Kansas, subject to federal law, we ask you to consider a few important matters: fees and tax rates, allowing the free market to dictate how sports book operators access and utilize sports data and sharing of wagering information.

While sports betting will help generate revenue for the state of Kansas, the reality is that sports betting is a low margin business. In Nevada, the average hold – the amount retained by the operator after paying winning customers – in recent years has been around 5%. That win percentage is much lower than other casino games and pari-mutuel horse racing. Meanwhile, the complexity and expense of running a sports betting operation is significant, which is why many casinos choose to outsource their sports books to William Hill.

Because of the low margins, it is imperative that the tax rate on sports betting be reasonable. By way of example, in Nevada, casinos pay a tax rate of up to 6.75% on sports betting revenue. In New Jersey, we understand the tax rate for land-based sports betting is going to be 9.25%. That is in addition to the quarter point of handle federal excise tax that sports books pay to the IRS. That quarter point of handle equates to an additional 5% tax on gross revenue.

Any other taxes and fees would make it difficult for legal bookmakers to price the product competitively with the black-market operators. Ultimately,

these illegal operators will be the true competition when legal sports betting comes to Kansas.

Illegal bookmakers not only pay no taxes and fees, but they also have no compliance costs. We must follow numerous state and federal regulations and the cost to comply is substantial. Illegal bookmakers don't concern themselves with Bank Secrecy Act obligations, Suspicious Activity Reports, Currency Transaction Reports and the like.

Let's be clear on another point. Any taxes or fees on sports betting, no matter what they are called, should be payable to the state of Kansas to benefit the citizens of Kansas, not to benefit wealthy private parties.

HB 2792 contains a section that mandates a "sports betting right integrity fee" for the benefit of the sports leagues. Now, let's be clear – this is simply cut of the action. There will be plenty of financial benefits to the leagues. There is no need to divert revenue from the citizens of Kansas.

The sports leagues have much to gain from legalized sports betting. In Europe and other parts of the world, sports teams collect millions of dollars in sponsorship revenue from sports betting companies. Their logos are displayed on jerseys and on stadium signage. Increased fan engagement will also increase the value of broadcast rights.

In addition, the leagues will profit from legalized sports betting by selling their data and content to sports book operators. But problematic language in HB 2792 proposed by the sports leagues mandates that sports books purchase “official league data” for determining the results of certain wagers.

Requiring by law or regulation sports book operators to obtain data from league-approved providers will simply inflate the cost and be a revenue source for the leagues without allowing the competitive market to function. The free market should decide which data packages should be purchased, from whom and the pricing. Sports betting operators should be allowed to pay based on the results we see on TV and not be mandated to use league-affiliated data companies, no matter what kind of bet. There is no data purchasing requirement in Nevada.

Another problematic section of HB 2792 requires operators to share in real-time wagering information with the sports leagues, if they so desire. Not only would this be technically difficult and costly to do so, but this raises customer privacy concerns. The information could also be used by the leagues for marketing and commercial purposes. Operators should not be required to share any wagering information directly with the leagues; it should be up to the racing and gaming commission whether as to what information, if any, is necessary to be shared with the leagues.

As we look forward to the Supreme Court's ruling on the New Jersey sports betting case, we hope to work with you and the Lottery to offer sports betting in Kansas. Please feel free to contact me with any questions or concerns.