

FANDUEL GROUP



Chairman Barker and Members of the Committee,

We would like to express our support for House Bill 2068, 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 2010, 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.

With the repeal of the Professional and Amateur Sports Protection Act in May of 2018, we have recently expanded into the realm of sports betting. FanDuel now offers sports betting in casino-based sportsbooks in New Jersey and West Virginia, and an online app in New Jersey. We are preparing for rapid expansion as more states prepare to authorize sports betting. Seven states now have sports betting and we anticipate that dozens more will explore legislation in 2019.

It probably comes as no surprise to many Committee Members to hear that illegal sports betting is already rampant in the United States. It is estimated that US customers bet approximately \$150 billion each year through illegal offshore websites. 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. House Bill 2068 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) HB 2068 allows sports betting to take place online and via mobile devices

The first thing that sports betting customers look for is convenience. Today's customers expect to be able to place a bet from their mobile device at any time. 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 bet.

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 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 customers. We can see a live, case study play out in New Jersey with 75% of all sports wagers placed in the month of December coming via mobile devices. Fortunately, HB 2068 takes the right approach and allows for widespread mobile access within the state of Kansas.

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2) HB 2068 allows multiple operators to compete for Kansans' business

HB 2068 allows multiple operators to apply for online sports betting licenses or to partner with the Kansas Lottery or 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 eight licensed online operators in addition to physical sportsbooks in casinos and racetracks. Gaming revenues continue to soar and beat expectations. This is in stark contrast to neighboring Delaware, where the Delaware Lottery is the only sports betting platform and they generate a mere fraction of the revenue created by New Jersey sportsbooks. This lack of variety and competition means Delaware is losing revenue to nearby states with more robust sports betting options.

3) HB 2068 has reasonable taxes

The tax rate in HB 2068, 6.75%, equals that of Nevada, where sports betting has thrived for many years, in large part due to reasonable tax rates. Sports betting is a low-margin business, and most operators pay out between \$93 to \$95 of every \$100 they take in 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, 6.75% is a reasonable amount that will not hinder or diminish the success of the sports betting marketplace in Kansas.

Thank you for the opportunity to offer our support of HB 2068. 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

FanDuel