

Height Commentary

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Sports Betting

States Enter the Big Leagues

THE TAKEAWAY

The U.S. Supreme Court officially fired the starting gun yesterday on legal sports wagering nationwide. Each state needs to approve legislation to regulate the activity within its borders. So far, there are seven states in which sports betting regulations are likely to be in place by the time the NFL season begins in August. Some of these seven states require additional legislation to expand upon limited regulatory regimes previously approved. Others require nothing but implementation now that SCOTUS fully repealed the Professional and Amateur Sports Protection Act (PASPA). We think it is still likely that one or two states will approve legislation by the end of June to either expand previously restrictive sports gaming regulations or pass entirely new regimes within their borders. We think another one or two states will pass legislation by the end of 2018. We do not think Congress will pass any laws at the federal level any time soon to usurp what is happening at the state level. See our [April 18](#) and [April 4](#) reports for additional background and details.

Federally Legalized Sports Betting?

Retiring Senator Orrin Hatch (R-UT) [announced](#) that he would soon introduce legislation to federally regulate sports betting. The Supreme Court of the United States (aka SCOTUS) issued a decision yesterday giving states the right to regulate sports betting within their borders in the absence of that federal regulation. Senator Hatch appears hopeful that he can help craft policy that avoids what he describes as a "race to the regulatory bottom" when each state is left to its own devices in regulating sports wagering.

With PASPA's complete repeal yesterday, there is now no federal law that regulates sports betting. However, we think it is highly unlikely Hatch's yet-to-be-defined legislation, or any federal sports betting legislation, can become law anytime soon. This year, we expect the appetite across enough Members in both Chambers of Congress to address the issue is extremely low ahead of an election. Next year and in the foreseeable future, we expect continued apathy surrounding the issue will prevent Congress from advancing anything. We do expect

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Members will introduce legislation, however, as policymakers often will introduce bills that never become law either for political reasons or to build what is often a multi-year approach to advancing policies that requires many misses before legislation ever gets a hit. For gaming, which has historically been a state-regulated practice, we simply don't see a clear path forward or an appetite in Congress for new sports betting laws.

The Magnificent Seven

As of today, there are **seven states** in which we expect sports betting will likely be up and running by the time football season begins in August. Some of these states nevertheless are likely to pass additional legislation expanding or refining their sports betting regimes. Some of this legislation is likely to pass this summer while other legislation may take longer to enact.

Our projections for, and current status of, these seven states are as follows. See our [April 18](#) and [April 4](#) reports for additional background and details.

1. Nevada

Covered by PASPA? No - NV was grandfathered out of needing to comply with PASPA and has since continued to allow casinos to offer sports betting.

Expected to pass new legislation? No. We expect NV to continue its existing regulatory regime unchanged.

2. Delaware

Covered by PASPA? Not entirely. Like Nevada, it was also grandfathered out of needing to comply with PASPA.

Expected to pass new legislation? Yes. Unlike Nevada, DE has yet to realize sports betting in all of its casinos, but it is now [expected](#) consider legislation in relatively short order to expand the activity throughout the state.

3. New Jersey

Covered by PASPA? Yes. NJ needed yesterday's SCOTUS decision to move forward with its unregulated sports betting regime.

Expected to pass new legislation? Yes. After PASPA repeal, existing NJ law allows for completely unregulated sports betting. This does not allow NJ to give out licenses. It does not allow for NJ to tax the practice. It gives companies and individuals full rights to do whatever they want (essentially) in brick-and-mortar establishments. This will not last, in our view. The NJ legislature is likely to pass new legislation (which in our view will happen in or before July) to bring the activity under the state's regulatory purview. We also think it is extremely likely this new legislation explicitly allows for mobile sports wagering as well.

4. New York

Covered by PASPA? Yes. NY needed yesterday's SCOTUS decision to move forward with a previously approved but limited sports betting regime.

Expected to pass new legislation? Yes. NY currently allows for sports betting in only four of its commercial casinos (out of 31 casinos total). We think NY lawmakers will likely pass new legislation to expand sports betting to more facilities plus include mobile sports wagering as well. (As an aside, it is possible but not certain that NY lawmakers will also finally approve online poker legislation as part of this package.) We are not yet convinced this new NY legislation will move this summer. The NY state legislature meets throughout the year, however. Therefore, we think it is more likely than not that lawmakers will approve an expanded sports betting package by the end of the calendar year. What this would boil down to if our projections are accurate: limited sports betting in time for the start of the 2018 NFL season with expanded sports betting in place likely by summer 2019.

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5. Pennsylvania

Covered by PASPA? Yes. PA needed yesterday's SCOTUS decision to move forward with its comprehensive casino + mobile sports betting regime.

Expected to pass new legislation? No, it's not necessary.

6. Mississippi

Covered by PASPA? Yes. MS needed yesterday's SCOTUS decision to move forward with its more limited sports betting regime that explicitly prohibits mobile wagers.

Expected to pass new legislation? No.

7. West Virginia

Covered by PASPA? Yes. WV needed yesterday's SCOTUS decision to move forward with its comprehensive casino + mobile sports betting regime.

Expected to pass new legislation? Not, it's not necessary.

Other States We're Watching

We flagged a handful of other states that are currently considering sports betting legislation. Previously, we thought one of these states at most could pass its sports betting bill prior to the SCOTUS decision, which we expected would come in June. We continue to think that one of these states could finalize its intrastate sports betting regime by the end of June. Others are clearly off the table at this point as legislatures have adjourned for the year.

Below we provide an update on all the states we are tracking. See our [April 18](#) and [April 4](#) reports for additional background and details.

Likely / Possible this year

- **Rhode Island - Likely / High Conviction**
 - Legislature adjourns in mid-July (exact date not yet set).
 - Governor Gina Raimondo (D) continues to [advocate](#) for legalized sports betting in the wake of the SCOTUS decision, and lawmakers appear poised to advance legislation by end of June to enable the projected revenues from sports betting be tallied in their FY2018-19 budget that begins July 1.
- **Illinois - Likely / Moderate Conviction**
 - Legislature meets all year.
 - Three of four previously introduced sports betting bills are still alive in the State Senate and could move at any time: [SB3432](#), [SB3125](#), and [SB2478](#).
- **Louisiana - Likely / Low Conviction**
 - Legislature adjourns June 5.
 - The two bills previously introduced in LA remain in play.
- **Missouri - Likely / Low Conviction**
 - Legislature adjourns May 30.
 - The three bills previously introduced in MO remain in play.

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Unlikely this year:

- **California** - despite the fact the state legislature meets through August 31 (and often extends special sessions throughout the fall), we still believe it is unlikely that the state legislature will approve sports betting this year or even next year due to the complex politics of sports betting and other gaming issues.
- **Connecticut** - the state legislature adjourned for the year.
- **Iowa** - the state legislature adjourned for the year.
- **Oklahoma** - the state legislature adjourned for the year.

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COMPANIES MENTIONED IN THIS REPORT

Caesars Entertainment Corp (CZR), MGM Resorts International (MGM), Penn National Gaming Inc (PENN), 888 Holdings Plc (EIHDF), The Stars Group Inc (TSG), Boyd Gaming Corp (BYD), Eldorado Resorts Inc (ERI)

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The legislative and regulatory agendas are subject to change at the discretion of leadership. Unprecedented economic conditions could instigate unanticipated and/or sweeping shifts in policy. Predicting the future is a hazardous endeavor and economic / market forecasting is an imprecise science. Actual outcomes may differ substantially from our forecasts. The predictions and opinions expressed herein are subject to change at any time.

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