

THE JEFFREY S. MOORAD CENTER FOR THE STUDY OF SPORTS LAW PRESENTS

THE BRANDT REPORT:
THE STATE OF SPORTS BETTING



THE JEFFREY S. MOORAD
CENTER FOR THE STUDY OF SPORTS LAW
VILLANOVA UNIVERSITY SCHOOL OF LAW

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HISTORY OF SPORTS BETTING IN THE UNITED STATES



BRANDT REPORT MISSION

THE BRANDT REPORT is an annual White Paper presentation to inform and educate students, sports industry professionals and other interested parties about a current sports law/business/policy topic that has experienced disruption in the prior year. The Report is prepared and constructed with research and analysis by students from the Jeffrey S. Moorad Center for the Study of Sports Law at Villanova School of Law, under the guidance of Executive Director Andrew Brandt. The Moorad Center and Brandt are thought leaders on legal and business aspects of sports and the changing dynamics in sports law, sports business, sports media, sports policy and sports thought. The 2020 Brandt Report focuses on the topic of sports betting, a topic that has undergone a massive disruption over the past two years. The Report will also address potential future issues and projections in sports betting.

Enjoy this inaugural edition; we hope the Brandt Report will become an annual "must-view" for anyone interested in cutting edge issues in the sports world.

FROM THE DIRECTOR

As the Executive Director of the Moorad Center, I wanted to welcome you to the inaugural Brandt Report.

The Moorad Center has, since its inception in 2012, hoped to set a new standard in sports legal and business education. Leading from over 60 years of experience in the business of sports between our founder Jeffrey Moorad and myself, we take deep dives into the most incisive and topical sports content year after year, semester after semester, week after week. We have had a robust curriculum of sports law and business courses and our students are perennial winners at annual student competitions around the country. We have top industry professionals as guest speakers and on our Board of Advisors; and we host an annual Symposium that has become a staple of the sports event calendar.

With this Report, we now add another differentiator to our program: an annual White Paper where our students display their knowledge and research on a central and topical area in sports. The Report serves a wide audience including other students throughout the country and the world as well as sports industry professionals, media and more. Our inaugural topic, presented here, is the State of Sports Betting, now more than two years removed from the historic *Murphy v. NCAA* Supreme Court decision which allowed for state-sponsored legalized sports betting.

We now present our first annual Brandt Report (and we are already at work on the next edition focusing on the Covid effect on Sports in 2020 and beyond).

Enjoy this in-depth look at Sports Betting, we hope you find it a helpful and informative resource. Thank you for your support.

- **Andrew Brandt**, *Executive Director*

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HOW WE GOT TO WHERE WE ARE TODAY

1919

1989

1992

2007

2014

2017

Black Sox
Scandal

Pete
Rose

PASPA

Tim
Donaghy

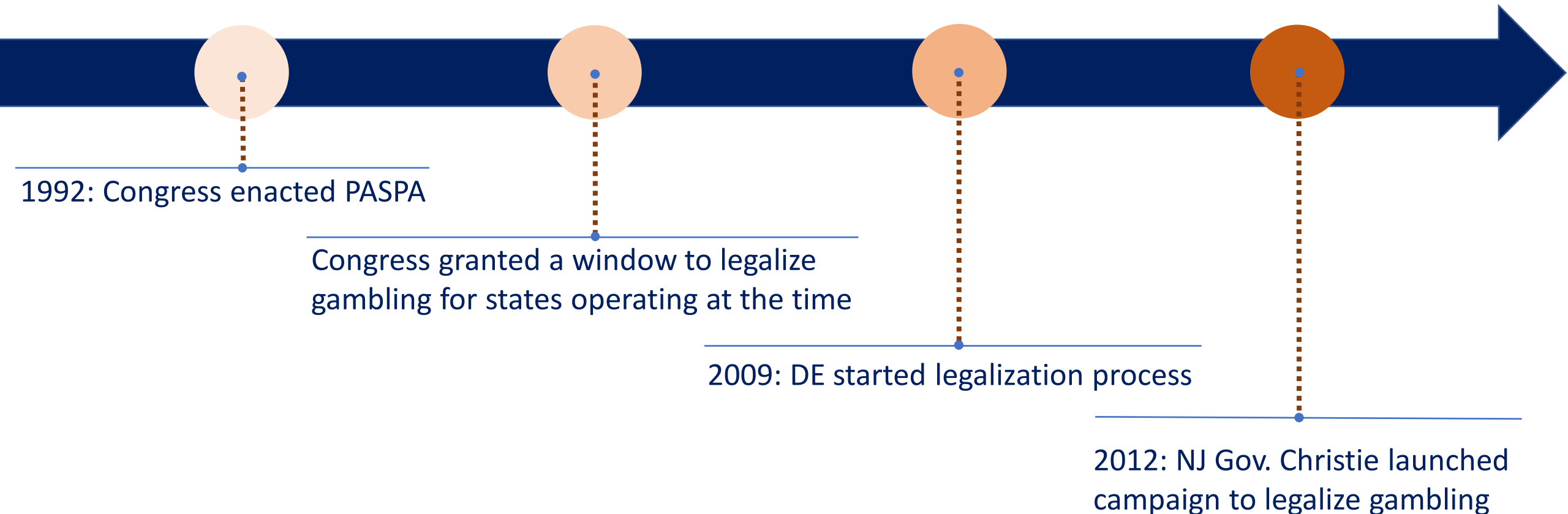
Changing
Attitudes

Murphy
vs. NCAA



PASPA BREAKDOWN

Professional and Amateur Sport Protection Act



NEW JERSEY MAKES BOLD STEPS

MURPHY vs. NCAA



2012: NJ Gov. Christie launches campaign to legalize sport gambling

Third Circuit Court of Appeals noted distinction between “affirmative authorizations” and the act of repealing the state’s law. Court did not read PASPA to prohibit NJ from repealing it’s ban on sport wagering

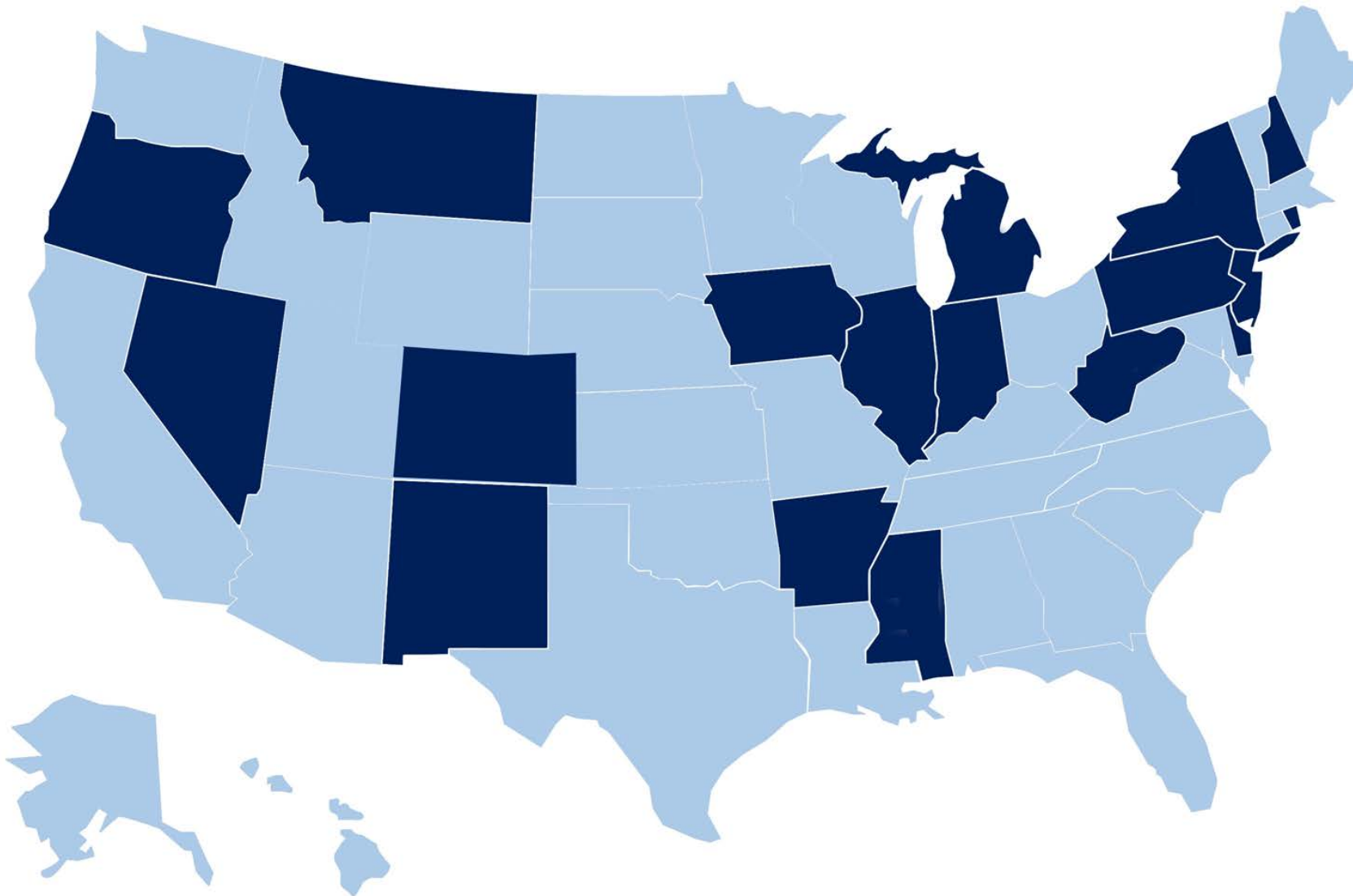
2014: NJ again attempted to implement legislation to legalize sport gambling

2017: Case was combined with NCAA case and called Murphy vs. NCAA

May 14, 2018: Supreme Court ruled that PASPA was unconstitutional, and reversed lower court findings

A STATE-BY-STATE LOOK

at the post-PASPA world of Sports Betting



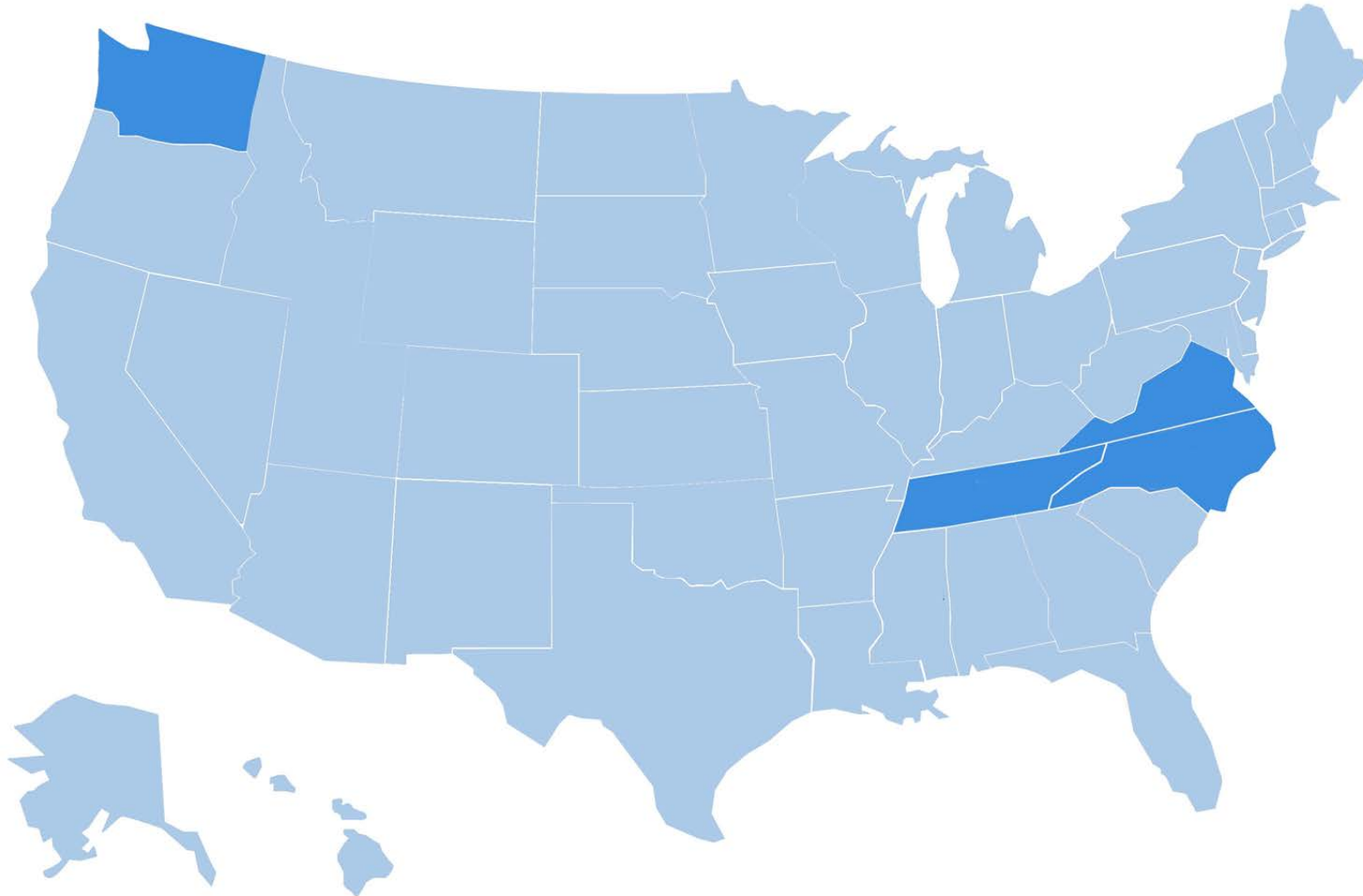
● Live, Legal
Single-Game
Sport Betting

18 states + D.C.:

- Arkansas
- Colorado
- Delaware
- Illinois
- Indiana
- Iowa
- Michigan
- Mississippi
- Montana
- Nevada
- New Hampshire
- New Jersey
- New Mexico
- New York
- Oregon
- Pennsylvania
- Rhode Island
- West Virginia
- Washington D.C.

A STATE-BY-STATE LOOK

at the post-PASPA world of Sports Betting

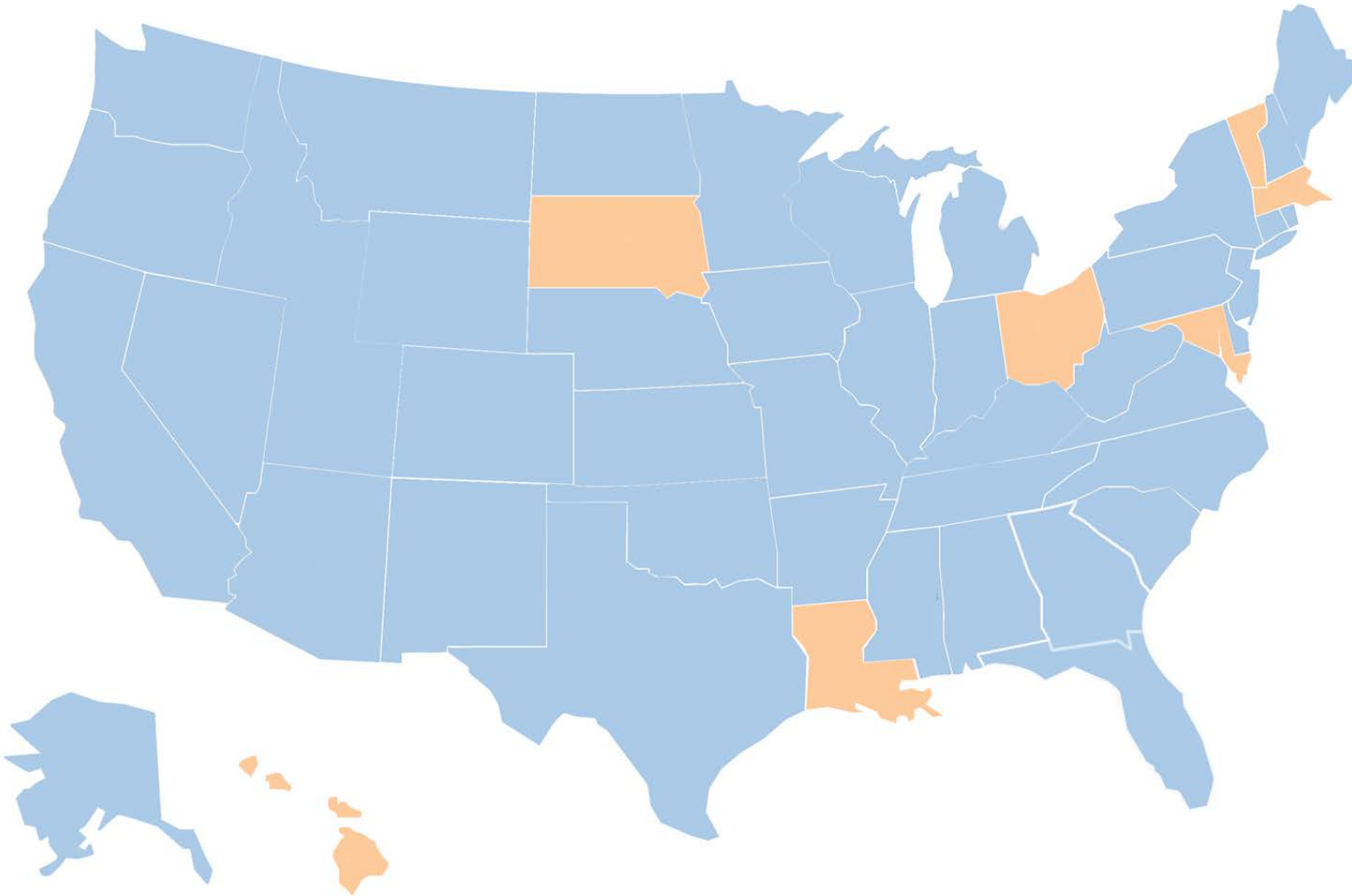


**Authorized
Sports Betting,
Not Yet
Operational**

4 states:
North Carolina
Tennessee
Virginia
Washington

A STATE-BY-STATE LOOK

at the post-PASPA world of Sports Betting

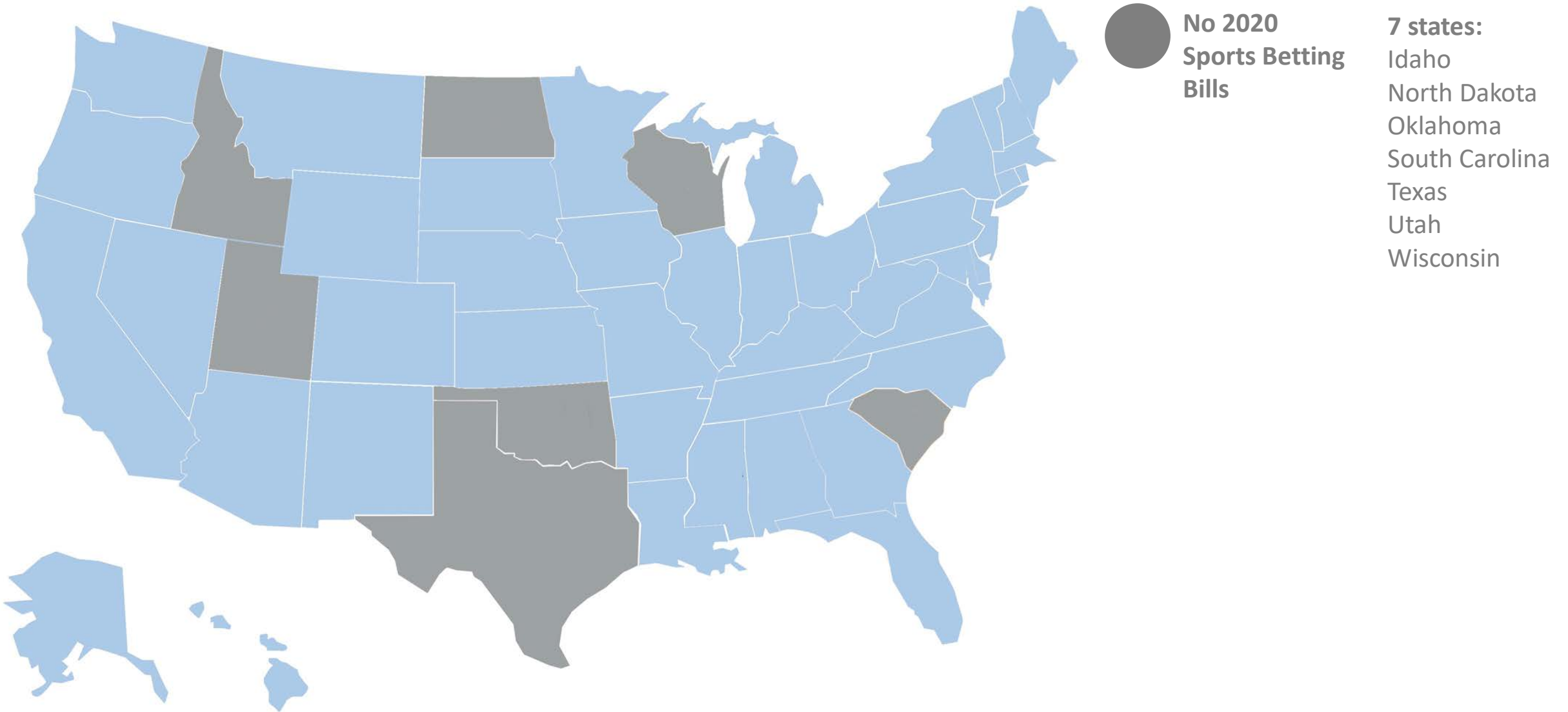


**Active 2020
Sports Betting
Legislation/Ballot**

7 states:
Hawaii
Louisiana
Maryland
Massachusetts
Ohio
South Dakota
Vermont

A STATE-BY-STATE LOOK

at the post-PASPA world of Sports Betting



SPORTS BETTING TERMINOLOGY

- **SKINS/LICENSES**: a permit issued by the state to deal, operate, carry on, or conduct any gambling game, gaming device, slot machine, race book, or sports pool
- **HANDLE**: total amount of money wagered by sports bettors
- **REVENUE**: amount of money kept by sportsbooks from the total amount wagered
- **HOLD %**: how much revenue kept by sportsbooks as a function of handle
- **TAXES/JURISDICTION REVENUE**: state's share of proceeds in revenue-sharing markets



SPORTS BETTING LICENSING EXPLAINED

- **IN ORDER TO OFFER AN ONLINE SPORTSBOOK**, operators must have a license, known as a **skin**, in that state. Skins are given to operators by state governments with legalized sports betting. States decide how many skins PER PROPERTY.
- For example, **PA** gives *one* skin per property, where **IN** gives *three* per property. Casino operators that own more properties have competitive advantages, as they can sell the extra licenses to other operators (typically for revenue sharing and an up-front fee) or hoard the licenses and create scarcity in the marketplace.
 - It is extremely difficult to now open a new casino and become a licensed sportsbook operator, even for large media companies. Therefore, we are seeing a trend of media companies partnering with existing casinos (i.e. Barstool with Penn National Gaming, Fox with Stars Group, Yahoo with MGM, etc.).

IMPACT OF SPORTS BETTING NATIONWIDE

(Eilers)

- **\$17.3 BILLION** total revenue expected to be generated if all 50 states regulate sports betting and allow a robust online sports betting product as well as retail sports betting in the present year
 - 72% of revenue is estimated from online sports betting in markets that authorize both retail and online sports betting
 - An estimated 44 million Americans would actively participate in sports betting if all 50 states legalize both retail and online products
- **\$908.9 MILLION** total revenue generated in US Sports betting industry in 2019
- **39 STATES** have considered sports betting since the Supreme Court invalidated PASPA



STATE-BY-STATE FIGURES

from June 1, 2018 until September 16, 2020 (in Billions)

	HANDLE	REVENUE	HOLD	STATE TAX
NEVADA	\$9,773.1	\$591.1	6.05%	\$39.9
NEW JERSEY	\$7,699.6	\$531.8	6.9%	\$69.6
PENNSYLVANIA	\$2,694.5	\$196.6	7.3%	\$51.7

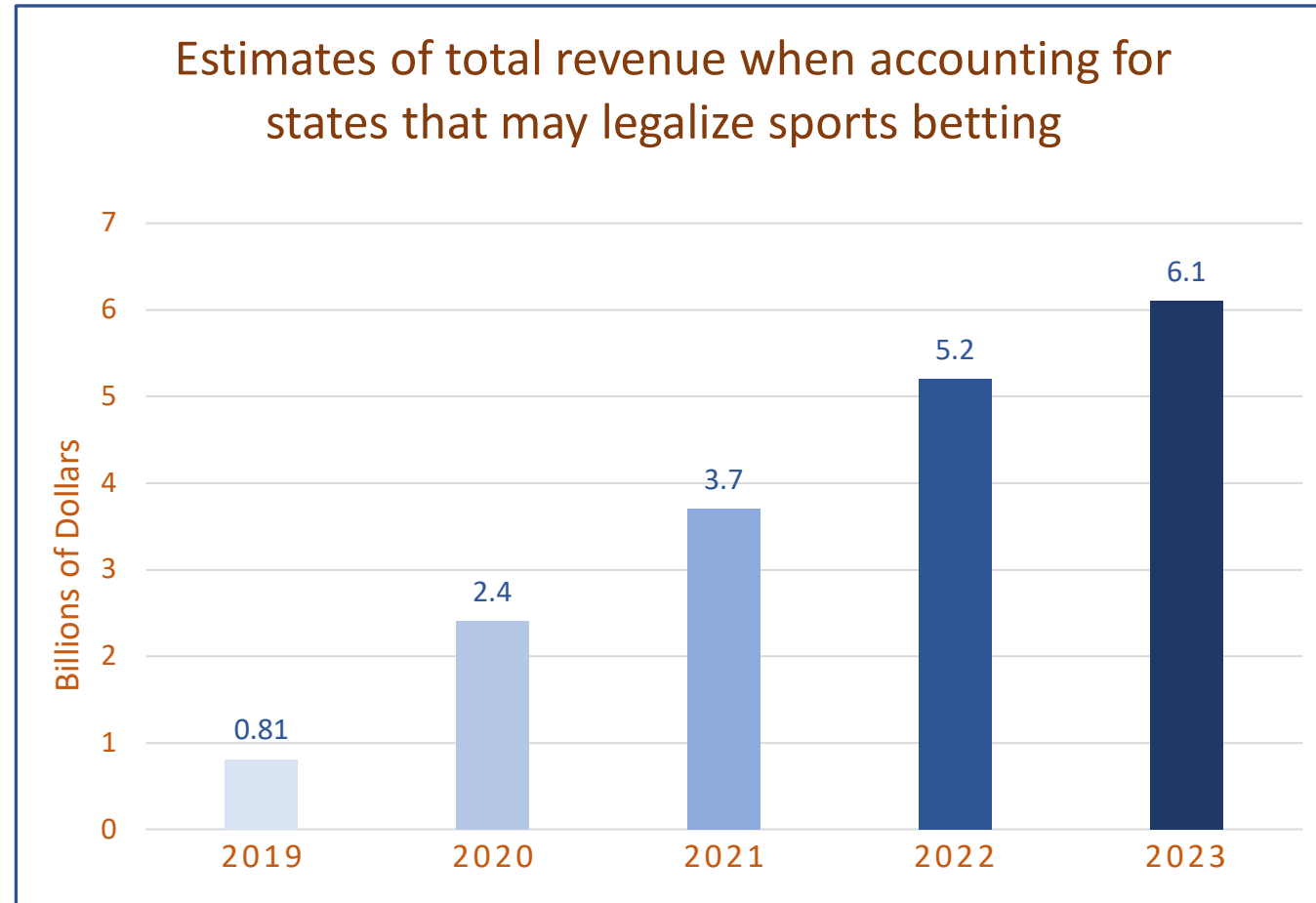
<https://www.legalsportsreport.com/sports-betting/revenue/>

SPORTS BETTING OVERVIEW (*Eilers*)

- **ILLEGAL SPORTS BETTING MARKET** now represents 20% of the potential of the regulated sports betting market
- **8 STATES** that account for 10% of the US population now have live regulated sports betting markets (retail or online)
- **2 STATES** that account for 4% of the US population now have live online sports betting
- **10 STATES** that account for 16% of the US population now have authorized sports betting (online or retail)
- **59% OF AMERICANS** would increase the number of times they bet a year if betting became legal/regulated in their state
- **ONLY ABOUT 30% OF AMERICANS** would increase the size of their bets if legal/regulated in their state



FUTURE PROJECTIONS *(Eilers)*



BETTING ALLOCATIONS BY SPORT

- FOOTBALL MADE UP 36% of the market in 2017, the lowest since 1992
- BASEBALL MADE UP MORE THAN 23% of the market in 2017
- BASKETBALL HAS RANGED FROM 28%-31% of the market over the last six years but is growing. The \$1.48 billion wagered in 2017 was more than double the sports betting market in 2011 overall



MAJOR SPORTING EVENTS

- **SUPER BOWL LIV** in 2020 brought in a \$154.68 million at Nevada sportsbooks, up \$8.74 million from 2019
 - **American Gaming Association** estimated \$6.8 billion in total would be wagered on the game between the Kansas City Chiefs and San Francisco 49ers
- **THE 2019 KENTUCKY DERBY** garnered over \$165.5 million in wagers, up from \$149.9 million in 2018
- **THE 2018 MARCH MADNESS** garnered about \$10 billion in wagers; however the American Gaming Association predicted that only \$300 million of that was bet legally



MARCH MADNESS (AGA)

- **2019 MARCH MADNESS** Estimates
 - 47 million American adults would wager \$8.5 billion
 - \$4.6 billion would be wagered on a collective 149 million brackets by more than 40 million people
 - 18 million more Americans would place \$3.9 billion in bets at either a sportsbook, online, through a bookie, or socially
 - 4.1 million Americans would bet at a casino, sportsbook, or using a legal app
 - 2.4 million Americans would bet illegally through a bookie
 - 5.2 million Americans would bet online, likely at an illegal offshore site
 - There is a direct correlation between entertainment and fan
 - 57% of Americans acknowledged that if a team they bet on reached the Final Four, those games would be more entertaining
 - Sports bettors are a valuable demographic. 24% of men and 27% of those making more than \$100,000 a year will fill out a bracket



SPORTS BETTING ON THE NFL (AGA)

- **SPORTS BETTING** continues to drive excitement among fans
 - Expected bettors are more excited about the upcoming NFL season than U.S. Adults generally as well as avid and casual NFL fans
 - American Gambling Association research shows that the NFL stands to make \$2.3 billion a year from a widespread legal sports betting market
 - Sports bettors are more interested in the NFL than any other professional sports league with 93% of bettors interested in the NFL
- **13% OF AMERICAN ADULTS** (33.2 million) say that they plan to bet on an NFL game this season
- **34% OF AMERICAN ADULTS** (11.3 million) of those who bet, will place a bet through legal an illegal online platforms



THE ILLEGAL BETTING MARKET *(Statista)*

- **AN ESTIMATED \$70 BILLION** flows through the illegal market for sports betting in the US
- **\$3.5 BILLION** in estimated total revenue is generated annually by the illegal market for sports betting
- **14 MILLION AMERICANS** are estimated to be active sports bettors in the illegal market
- **71% OF AMERICANS** say that if sports betting became legal in their states, but only available in the nearest local casino, they would NOT stop placing illegal bets
 - The inclusion of an online option seems to be key in lessening the need for illegal betting
 - William Hill's sports betting app accounts for 38% of the market share in the UK
- **25% DECREASE** in spending with illegal bookies reported in 2019 by past-year bettors



SPORTS BETTING DEMOGRAPHICS (AGA)

- **39% OF AMERICAN ADULTS** (about 100 million people) say they are either current or future sports bettors
 - 69% of core sports bettors are male, and 45% are between 23-34 years old
- **ONLY 56% OF AMERICANS** in states where casino sports betting is legal are aware that it is
- **ONLY 41% OF AMERICANS** know that placing a bet with a bookie is illegal
- **46% OF CURRENT SPORTS BETTORS** in newly legalized states report that legalization has led to an increase in sports betting frequency
- **63% OF CURRENT SPORTS BETTORS** say they would replace or use a different credit card if their payment card rejected for use in sports betting
- **THE ABILITY TO PLACE A SPORT BET SECURELY** is the most important factor that consumers consider regarding future sports bets
- **67% OF CURRENT SPORTS BETTORS** are at least somewhat familiar with esports





SPORTS BETTING AND MEDIA INVESTMENT



SPORTS BETTING ANALYSIS WEBSITES

- **ACTION NETWORK**

- Action Edge - \$5.99/month
- Action Pro - \$59.99/month
- Has variety of podcasts and articles covering fantasy sports, DFS, and sports betting

- **WARREN SHARP**

- \$449.99/year
- Only NFL + CFB
- Provides exclusive data and research regarding bets

- **DK PLAYBOOK**

- Free
- DraftKings created website that has analysts give picks/analysis for both their DFS site and sportsbook
- Has videos and podcasts
- Direct link to DFS and sportsbook



MAINSTREAM BRANDS DIVING INTO SPORTS BETTING

ESPN

- Focus is on programming/advertising
- **DAILY WAGER**
 - Hosted by Doug Kezirian
 - Daily show on **ESPN2**

FOX

- **LOCK IT IN**
 - Hosted by Rachel Bonnetta
 - Stars Sal Iacono, Clay Travis, and Todd Fuhrman
- **FOX BET**
 - Gambling app partnership between The Stars Group and Fox Sports
- **FOX SPORTS SUPER 6**
 - Free to play app that awards cash prizes to players who correctly predict outcomes of sports games



OTHER MAJOR NETWORKS DIVING INTO SPORTS BETTING



- [DAILY LINE](#)
- Free **NBC SPORTS PREDICTOR** by Boom Fantasy
- [Nbcsports.com](#)
 - Provides odds page which lists all of the lines for major sports



- Has deal with **SPORTSLINE**, which is a subscription-based site that gives out sports betting picks
- No free to play betting app yet



- Integrated **BETMGM** into the Yahoo sports app in November 2019
- [YAHOO](#) will send traffic to MGM for sports betting and Yahoo collects a fee

BROADCASTS DISCUSSING SPORTS BETTING

BROADCASTERS MENTIONING THE SPREAD

- **FOX** “If it makes sense and our announcers can organically work it in”
- **ESPN** “No plans to discuss gambling”
- **CBS** Will not mention point spreads, teams covering the spreads, etc. during telecasts this season
- **NBC** Al Michaels, “Most people who have bet on the game don’t have to be told what the point spread is”
- **XFL** League President, Jeffrey Pollack, “We are embracing the spread from the start”

SPORTS BETTING ON SCREEN

ESPN NEWS

- Now modified its screen to include surrounding graphics related to sports betting news, lines and information 24-hours a day, except during live event telecasts

WASHINGTON

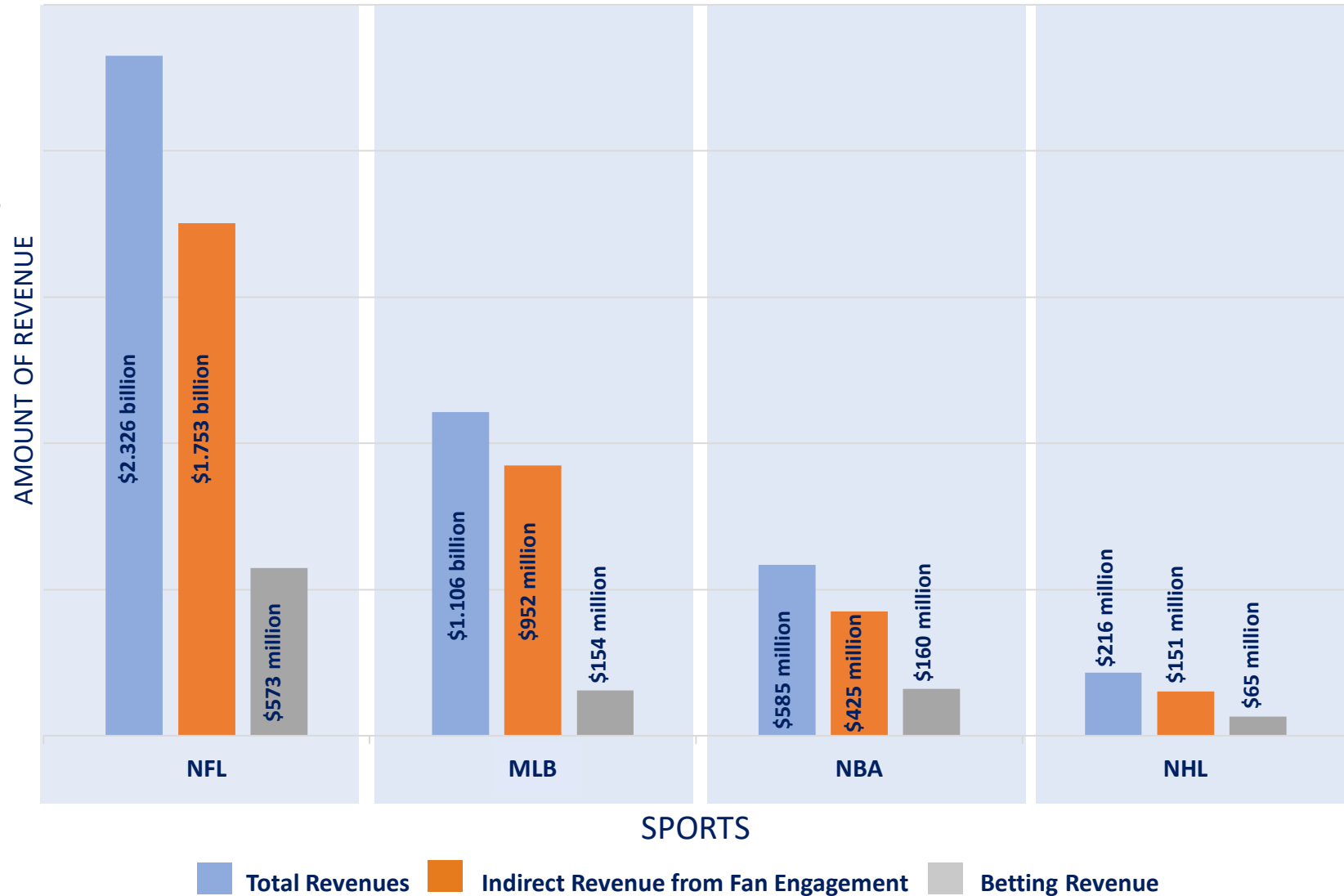
- Second stream broadcast of a Wizards game where:
 - Players stats were displayed in the right-hand column
 - A contest called “Predict the Game” was run at the bottom of screen, where viewers could interactively live bet and winner would win prize

PHILADELPHIA

- There was a tracker in the upper left corner of the spread and the number of points required to hit the over (for the quarter, half, or game)
- Also a “Gambling Glossary” would periodically pop up in the lower left, defining terms like “moneyline,” “live betting,” “ATS,” “mush,” and “push”

2018 NIELSEN SPORTS STUDY

- **THE FOUR MAJOR SPORTS** will make an additional **\$4.23 billion/year** in direct and indirect revenues as a result of legal, regulated sports betting
 - **\$596 million** from direct TV advertising revenue from gaming services
 - **\$267 million** from direct sponsorship revenue from gaming services
 - **\$89 million** from data and video revenue
 - **\$3.28 billion** from indirect revenue from media rights, sponsorships, merchandise, and ticket sales



M&A IN SPORTS BETTING



**PENN NATIONAL
GAMING, INC.**



**BARSTOOL
SPORTS®**



PENN NATIONAL
buys 36% share of
BARSTOOL SPORTS

for \$136M

Gives Penn a brand name and wide reach when marketing upcoming sportsbook

Flutter™



FANDUEL



THE STARS GROUP



FLUTTER
buys
FAN DUEL
STARS GROUP

Creates largest online gaming company with many capabilities and resources



**DIAMONDEAGLE
ACQUISITION**



DIAMOND EAGLES

acquires

DRAFTKINGS and **SBTECH**

Vertically integrates DK with the sports betting supply chain, allowing them to offer sportsbook as well as create odds

DraftKings becomes the first primarily sports betting company to be publicly traded

INVESTMENT FUNDS AND SPORTS BETTING

OVERALL MARKET

- Investors are not too excited to enter sports betting market because of the unknown legislative/regulation aspect of it
- Many investment funds are hard-pressed to find co-investors in sports betting companies
- Investments are mostly in mobile betting sites and sports betting data sites

SEVENTYSIX CAPITAL

- *Shot Tracker* – instantaneous stats company
- *Swish Analytics* – sports predictions company for betting and fantasy
- *VSIN* – sports betting data and analysis, radio network
- *US Integrity* – enforcing integrity, preventing fraud

BULLPEN CAPITAL

- *FanDuel* – sportsbook and daily fantasy sports operator
- *Derby Jackpot* – horserace betting website
- *Jackpocket* – lottery ticket checking app
- *Swish* – sports predictions company for betting and fantasy



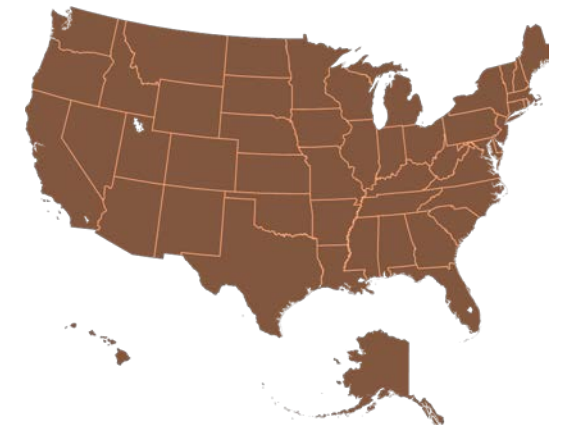


THE LAW OF SPORTS BETTING TRANSMISSIONS AND GEOCOMPLIANCE



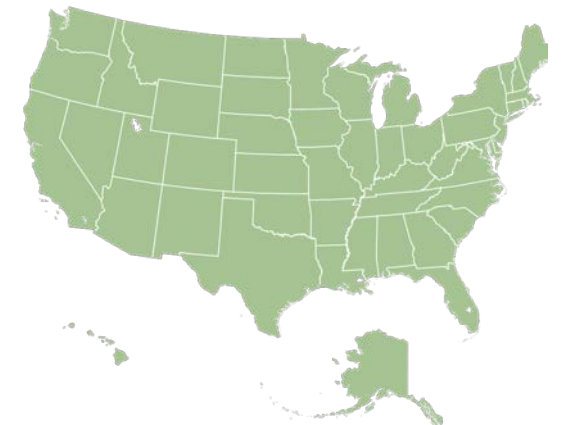
APPLICABLE LAW BACKGROUND: THE INTERSTATE WIRE ACT OF 1961 (“Federal Wire Act”)

- **THE INTERSTATE WIRE ACT OF 1961 (“FEDERAL WIRE ACT”)** prohibits sports betting using “wire communication facilities” (such as telephone or internet) to “transmit” bets or wagers on sporting events—or even “information” relating to bets or wagers—through “interstate commerce,” which generally (but not always) means across state lines.
- Federal courts have consistently concluded that there is no requirement for an underlying violation of state law. Notably, the Fifth Circuit held in 1988 that the Wire Act criminalizes the transmission of wagers in interstate commerce regardless of “whether or not wagering is forbidden by the law of the state where the bet is received.”



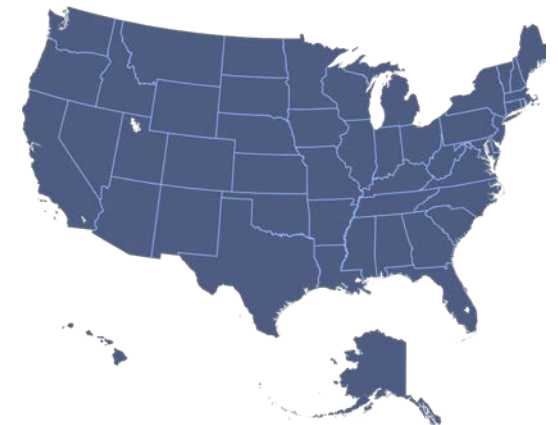
LEGISLATIVE HISTORY/PUBLIC POLICY

- **Part of Attorney General Robert F. Kennedy's war on organized crime**, the Wire Act was intended to address the telegraph wire services used by illegal bookies to obtain horse race results before bettors and legal sportsbooks. (See Nelson Rose; Rebecca Bolin, *Game on for Internet Gambling: With Federal Approval, States Line up Place Their Bets*, 45 Conn. L. Rev. 653, 659 (2012) (quoting David G. Schwartz's *Cutting the Wire: Gaming Prohibition And the Internet*)).
- One of the intended purposes of the Wire Act was to **“assist the various states ... in the enforcement of their laws pertaining to gambling, bookmaking, and like offenses.”** (H.R. Rep. No. 87-967, 1961 U.S.C.C.A.N. 2631; see also *United States v. McDonough*, 835 F.2d 1103, 1104 (5th Cir. 1988)).
- However, the Act's other principal purpose was to **“suppress organized criminal gambling activities”** as a matter of national policy. (See *United States v. Ross*, 1999 WL 782749, at *3 (S.D.N.Y. Sept. 16, 1999) (quoting H.R. Rep. No. 87-967, 1961 U.S.C.C.A.N. 2631)).
- As numerous court decisions have explained, **“assistance to the states” was only “part of the reason” for the enactment of the Wire Act in 1961.** (*U.S. v. Corrar*, 512 F. Supp. 2d 1289 (N.D. Ga. 2007); *Ross*, 1999 WL 782749, at *3).



A LOOK INSIDE HOW COURTS HAVE APPLIED THE WIRE ACT TO GAMBLING

- **Fifth Circuit: In Re Mastercard (2002).** The court ruled “the Wire Act does not prohibit non-sports internet gambling [and therefore] any debts incurred in connection with such gambling are not illegal.”
- **First Circuit: United States v. Lyons (2014).** In Lyons, two individuals were convicted for violating the Wire Act by running a gambling operation in Antigua that accepted wagers on sporting events. The First Circuit summarily stated, “The Wire Act applies only to ‘wagers on any sporting event or contest,’ that is, sports betting.”
- **Opposing precedent, lower courts:**
 - **New York v. World Interactive Gaming Corporation (Sup. Ct. 1999)** ruled that individuals could be prosecuted for operating virtual slots, blackjack, and roulette.
 - **United States v. Lombardo (D. Utah 2007),** in which the District Court of Utah specifically concluded the Wire Act is “not confined *entirely* to wire communications related to sports betting or wagering [emphasis added].”



THE SUPREME COURT'S LANDMARK DECISION IN *MURPHY V. NCAA*; SAFE-HARBOR EXCEPTION

- **CRITICAL DICTA FROM 2018 MURPHY OPINION**

- The Supreme Court's brief discussion of the Wire Act at page 28 of the Murphy opinion compared PASPA to several other federal anti-gambling laws, including the Wire Act and the Travel Act, and observed that such federal laws **"respect the policy choices of the people of each State on the controversial issue of gambling."**

- **SAFE-HARBOR PROVISION OF SECTION 1804(b)**

- The First Circuit in United States v. Lyons provided an example of the safe-harbor provision in the context of horse race wagering, observing that "if New York allows betting on horses at race tracks in New York, and if Nevada allows betting in Nevada on the results of New York horse races, then information may be wired from New York to Nevada without violating the statute."
- The lawyer for Murphy and New Jersey, Ted Olson, told an audience three days following the publication of the Murphy opinion that the Wire Act does not make unlawful the transmission of "information assisting in the placing of bets or wagers on a sporting event or contest" if made from and into states "in which such betting is legal."

- **AKIN GUMP STRAUSS HAUER & FELD ARGUMENT IN "SUPREME COURT AND APPELLATE ALERT"**

- "[The] gaming industry . . . is likely to find comfort in the Court's express recognition that [the Federal Wire Act outlaws] gambling-related activity ***to only the extent that the specified conduct or the underlying gambling is illegal under state or local law.***"

January 2019: DOJ ON “APPLICABILITY OF THE WIRE ACT” TO NON-SPORTS GAMBLING

- Department of Justice stated that the Federal Wire Act **applies to all gambling and not just sports betting**
 - On January 15, 2019, Deputy Attorney General Rod Rosenstein announced that the Department of Justice would delay enforcement of the 2018 Office of Legal Counsel (“OLC”) opinion for 90 days to “give businesses that relied on the 2011 OLC opinion time to bring their operations into compliance with federal law”



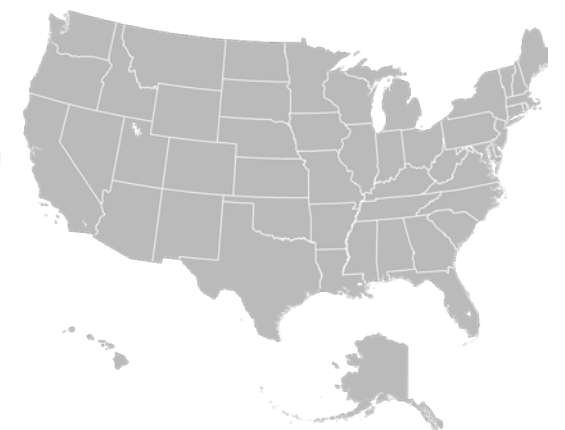
FUTURE LANDSCAPE OF FEDERAL WIRE ACT APPLICATION

- New Hampshire Lottery Commission Case

- The case stems from the OLC's 2018 opinion letter stating that the Federal Wire Act applies to all forms of online gambling, not just sports betting
- The New Hampshire Lottery Commission won its case in the lower federal court in 2019, but the Department of Justice ("DOJ") appealed the decision. It is likely that this case will make it to the Supreme Court before a definitive decision on the scope of the Federal Wire Act is made
- If the Court sides with the DOJ, it could restrict various types of online gambling beyond sports gambling, but if the court sides with the New Hampshire Lottery Commission, it seems nothing will change

- Feds continue fight against online betting, threatening lottery sales

- **Actual language of The Wire Act.** The 1961 Wire Act first mentions "information assisting in the placing of bets or wagers on *any sporting event*" and later talks about "the transmission of a wire communication . . . for information assisting in the placing of bets or wagers"
- **Legal Question.** Whether the word "sporting" carries throughout the entire paragraph even though it is not repeated in later phrases? If not, then the second phrase might concern *all bets and wagers*, even those that don't involve sports (e.g., buying a lottery ticket)



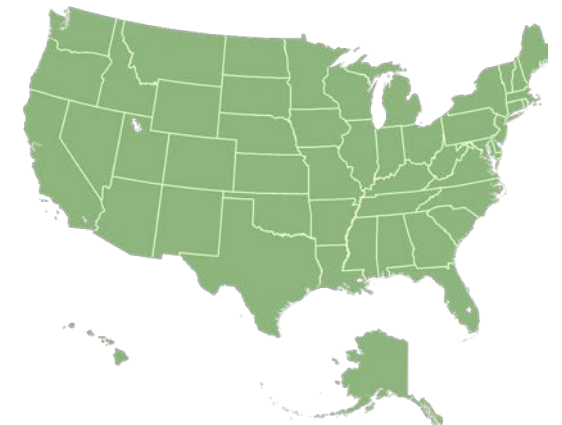
GEOCOMPLIANCE AND GEOLOCATION TECHNOLOGY BACKGROUND

- “**Geolocation**” pinpoints accurate location data from various data sources to determine the location of a user to create a virtual fence
 - Compliance level geolocation technology, like **GeoComply**, works like location services on the built-in GPS of a cell phone
 - Compliance level geolocation technology is interrogated to ensure it is secure and trusted for legal and regulatory application
- Sportsbooks can use this level of compliance level geolocation technology for legal and regulatory compliance purposes
- **GeoComply's** technology upholds states' regulations and the geographic borders through geofencing



GEOCOMPLIANCE AND GEOFENCING TECHNOLOGY

- **GeoComply**
 - Canadian company is the market leader in geolocation compliance technology, used by Georgia Lottery, Delaware Lottery, Caesars Palace, MGM, and Draft Kings, utilized on over 250 million devices and perform more than 10 million verification checks a day.
 - Most online gambling sites have used GeoComply since launch. The company also provides similar services for several U.S. lotteries that have gone online.
 - Other geolocation technology and software companies authorized to provide similar services in states with legal online gambling include:
Central Account Management System (CAMS) **xyVerify** **Locaid**
- **DC's Sports Betting App Issues** [The DC Lottery launched its app in January 2020]
 - The District-wide app will block placing bets within the four professional sports venues: Capital One Arena, Nats Park, Audi Field and the Entertainment and Sports Arena.
 - Because this sports wagering program is being managed by the DC Lottery, it may be considered a lottery product.



NEW JERSEY'S GEOCOMPLIANCE ISSUES



- **CONTEXT:** The state's border extends into the bay off the coast of New Jersey and encompasses New York's Ellis and Liberty islands. But neither are technically in New Jersey, so **GeoComply** must create a virtual "fence" to allow users in the state to place sports bets. In addition, geolocating must be specific enough around state borders to ensure that even those at or near the border are within the "fence."

NEW JERSEY'S GEOCOMPLIANCE ISSUES

- **An in-house study GeoComply did in New Jersey** showed that 80% of the state's sports betting traffic came from within 10 miles of the border and 44% within two miles. So, if geolocation isn't accurate enough, operators might lose access to those customers.
- **Malta-based Gaming Innovation Group (GiG)** — the company that powers Hard Rock Online Casino and Sportsbook — is the latest to be penalized. **The reason:** A customer from Nevada was using an out of state platform. **Penalty:** \$25K fine.
- **Borgata found themselves in hot water** for a couple of incidents involving online wagers. **The reason:** A customer from California was using an out of state platform. **Penalty:** More than \$120K in fines.
- **"GeoComply's solutions** are designed to ... ensure no [doors] are left open, creating vulnerabilities," said Lindsay Slader of GeoComply. "A few [instances have resulted] in fines levied by the [state's Division of Gaming Enforcement], yet the vulnerabilities were easily repaired once identified."



OTHER STATES AND EXPERIMENTING WITH AN “ON-PREMISE MODEL” (*SportsHandle*)

- In addition to Washington D.C., lawmakers in Montana, Arizona and Tennessee are considering legalizing interactive sports betting in smaller spaces like bars, restaurants, convenience stores, and truck stops.
- Slader said that in a much larger space — like an entire state — geolocation methods built into smartphones, which can be accurate to within about 70 meters, can suffice. But in smaller spaces ... smartphone geolocation services don't work for **“an on-premise model at all. Some places may be only 70 meters wide, in the first place,”** Slader said.
- “At a casino, you may have IT professionals, so the challenge of [maintaining geofencing] is fairly straightforward,” Slader said. “Truck stops, convenience stores, you don't have that same on-site staff, maybe not much staff at all in the building. Maybe the only worker is a route technician . . . The hardware has to be turnkey and almost no work. Or route operators have to be trained.”



SPORTS BETTING AND THE PROFESSIONAL SPORTS LEAGUES: INTEGRITY FEES AND BEYOND



INTEGRITY FEES (*SportsHandle*)

- **AN INTEGRITY FEE** is a sum of a money, portioned from the handle, paid to a professional league to reflect the fact that the “product” is the league’s inventory
- **INTEGRITY FEES** are advocated as a way to monitor the “integrity of the game” as sports gambling spreads throughout the United States
- **IN JANUARY 2018, INDIANA HB 1325** first mentioned an integrity fee, advocating for NBA and MLB to gain a portion of money from the sportsbook
 - Resulting in 20-25% of sportsbook profits allocated for these fees
- **NBA AND MLB** are asking for a fee of roughly 1%. The 1% fee would be reallocated to “bet monitoring and investigation along with education”
- **HB 2752**: a bill in Kansas that would allow major professional sports leagues to control the data used



HISTORY OF INTEGRITY FEES (*SportsHandle*)

- **AFTER THE PASPA DECISION IN MAY 2018**

- NBA spokesman Mike Bass: “As the intellectual property creators for this content, our games serve as the foundation for legalized sports betting, providing casinos the ability to earn revenue off our games, while we bear all of the risk that accompanies sports betting and will incur additional expenses to expand our existing compliance and enforcement programs.” He continued, “as a result, **we believe it is reasonable for casinos to compensate the NBA with a small percentage** of the total amount bet on our games.”
- As to the precedent of never having integrity fees in Nevada: [Bryan Seeley](#), who heads MLB’s investigations, said that other states *should not* look to Nevada for guidance on regulation. “**It makes no sense,**” he said, per Reuters. “**We should adopt regulations that fit 2018.**”
- On June 11, 2018, New Jersey Governor Phil Murphy signed into law New Jersey’s sports betting law, absent any royalty or integrity fee for the leagues. New Jersey had amassed \$9 million in legal fees fighting the leagues for nearly a decade in court for the ability to offer sports wagering. Monmouth Park in Oceanport, NJ took its first legal wager on June 14, 2018.



HISTORY OF INTEGRITY FEES (*SportsHandle*)

- **ON DEC. 1, 2018**, Missouri Senator Denny Hoskin's pre-filed a sports betting bill that included a 0.5% integrity fee to be paid **not to the professional sports leagues**, but rather to the state for upkeep, maintenance and potentially building out sports facilities.
- **ON DEC. 3, 2018**, Missouri Representative Cody Smith pre-filed the first sports betting bill in the country to specifically earmark **a payout to the professional sports leagues and to the NCAA**. The bill calls for a 0.75% fee to be paid to the professional leagues, and a 0.25% fee to be paid to the NCAA.
- **ON JAN. 22, 2019**, one of 12 sports betting bills in Massachusetts was introduced, calling for a 0.25% integrity fee to be **paid to the professional leagues** and mandating the sportsbooks buy "official league data."



IMPACT OF INTEGRITY FEES

- These integrity fees would essentially result in passive, or royalty-like, income for both the NBA and MLB
- For example, a \$100 wager accepted by a sportsbook would result in \$1 going to the leagues, with the sportsbook receiving roughly \$3.50 on the same wager
 - Therefore, a 1% fee would transfer 20% of the sportsbook revenue to the leagues
- Currently, sports betting is a \$150 billion industry
 - This valuation, assuming the proposed 1% fee, would result in the NBA and MLB generating \$1.5 billion
- **“I think everyone who owns a top four professional sports team just basically saw the value of their team double” - Mark Cuban**



IMPACT OF INTEGRITY FEES

- **POTENTIAL DOWNSIDES OF INTEGRITY FEES**

- The handle is not tied to revenue and is not the correct metric to tax
- Taking away from potential state revenue and giving it to the sports leagues

- **POTENTIAL UPSIDES OF INTEGRITY FEES**

- For the leagues, a regulated market can help gain proper valuations and metrics for each respective team
- For the states, gaining money from casinos operating within state borders allows for increased revenue



WHAT WOULD THIS LOOK LIKE

STATE	GROSS GAMING REVENUE OF CASINOS TO DATE (as of 2019)	0.5% INTEGRITY FEE	1% INTEGRITY FEE
NEVADA	12,031,500,000	60,157,500	120,315,000
NEW JERSEY	3,468,630,000	17,343,150	34,686,300
PENNSYLVANIA	3,384,390,000	16,921,950	33,843,900
NEW YORK	2,730,980,000	13,654,900	27,309,800
LOUISIANA	2,459,820,000	12,299,100	24,598,200
INDIANA	2,247,040,000	11,235,200	22,470,400
MISSISSIPPI	2,201,330,000	11,006,650	22,013,300
OHIO	1,941,490,000	9,707,450	19,414,900
MARYLAND	1,757,060,000	8,785,300	17,570,600
MISSOURI	1,729,490,000	8,647,450	17,294,900
IOWA	1,486,790,000	7,433,950	14,867,900
MICHIGAN	1,454,270,000	7,271,350	14,542,700
MAINE	1,451,890,000	7,259,450	14,518,900
ILLINOIS	1,354,400,000	6,772,000	13,544,000
COLORADO	833,670,000	4,168,350	8,336,700
MASSACHUSETTS	718,530,000	3,592,650	7,185,300
RHODE ISLAND	668,430,000	3,442,150	6,884,300
WEST VIRGINIA	630,040,000	3,150,200	6,300,400
FLORIDA	574,650,000	2,873,250	5,746,500
DELAWARE	450,810,000	2,254,050	4,508,100
ARKANSAS	426,490,000	2,132,450	4,264,900
KANSAS	416,170,000	2,080,850	4,161,700
NEW MEXICO	244,080,000	1,220,400	2,440,800
OKLAHOMA	140,850,000	704,250	1,408,500
SOUTH DAKOTA	110,280,000	551,400	1,102,800

- *The calculations in this chart represent current gaming revenue per state, as of 2019, and what a 0.5% and 1.0% integrity fee would look like as a result*

<https://www.statista.com/statistics/187926/gross-gaming-revenue-by-state-us/>

NFL TEAM VALUATIONS

NFL TEAM	TEAM VALUATION (in 2019)	.5% INTERGRITY FEE	1.0% INTERGRITY FEE
NEW ENGLAND PATRIOTS	4,100,000,000	4,103,592,650	4,107,185,300
NEW YORK GIANTS	3,900,000,000	3,917,343,150	3,934,686,300
CHICAGO BEARS	3,450,000,000	3,456,772,000	3,463,544,000
NEW YORK JETS	3,200,000,000	3,217,343,150	3,234,686,300
PHILADELPHIA EAGLES	3,050,000,000	3,066,921,950	3,083,843,900
DENVER BRONCOS	3,000,000,000	3,004,168,350	3,008,336,700
PITTSBURGH STEELERS	2,800,000,000	2,816,921,950	2,833,843,900
MIAMI DOLPHINS	2,760,000,000	2,762,873,250	2,765,746,500
BALTIMORE RAVENS	2,750,000,000	2,758,785,300	2,767,570,600
INDIANAPOLIS COLTS	2,650,000,000	2,661,235,200	2,672,470,400
JACKSONVILLE JAGUARS	2,325,000,000	2,327,873,250	2,330,746,500
KANSAS CITY CHIEFS	2,300,000,000	2,308,647,450	2,317,294,900
NEW ORLEANS SAINTS	2,275,000,000	2,287,299,100	2,299,598,200
TAMPA BAY BUCCANEERS	2,200,000,000	2,202,873,250	2,205,746,500
CLEVELAND BROWNS	2,175,000,000	2,184,707,450	2,194,414,900
CINCINNATI BENGALS	2,000,000,000	2,009,707,450	2,019,414,900
DETROIT LIONS	1,950,000,000	1,957,271,350	1,964,542,700
BUFFALO BILLS	1,900,000,000	1,913,654,900	1,927,309,800

- Numbers represent the projected face value of each professional football team located in states which currently allow legalized sports gambling
- Calculations were done by taking the current value of each team, the current value of each respective state's gambling revenue, and adding a hypothetical integrity fee to each valuation
- The projections show the affect a 0.5% or 1.0% integrity fee would have on professional teams operating within states that currently have gambling laws

<https://www.statista.com/statistics/193534/franchise-value-of-national-football-league-teams-in-2010/>

MLB TEAM VALUATIONS

MLB TEAM	TEAM VALUATION (in 2020)	.5% INTERGRITY FEE	1.0% INTERGRITY FEE
NEW YORK YANKEES	5,000,000,000	5,013,654,900	5,027,309,800
BOSTON RED SOX	3,300,000,000	3,303,592,650	3,307,185,300
CHICAGO CUBS	3,200,000,000	3,206,772,000	3,213,544,000
NEW YORK METS	2,400,000,000	2,413,654,900	2,427,309,800
ST. LOUIS CARDINALS	2,200,000,000	2,208,647,450	2,217,294,900
PHILADELPHIA PHILLIES	2,000,000,000	2,016,921,950	2,033,843,900
CHICAGO WHITE SOX	1,650,000,000	1,656,772,000	1,663,544,000
BALTIMORE ORIOLES	1,400,000,000	1,408,785,300	1,417,570,600
COLORADO ROCKIES	1,275,000,000	1,279,168,350	1,283,336,700
PITTSBURGH PIRATES	1,260,000,000	1,276,921,950	1,293,843,900
DETROIT TIGERS	1,250,000,000	1,257,271,350	1,264,542,700
CLEVELAND INDIANS	1,150,000,000	1,159,707,450	1,169,414,900
CINCINNATI REDS	1,075,000,000	1,084,707,450	1,094,414,900
TAMPA BAY RAYS	1,050,000,000	1,052,873,250	1,055,746,500
KANSAS CITY ROYALS	1,025,000,000	1,033,647,450	1,042,294,900
MIAMI MARLINS	980,000,000	982,873,250	985,746,500

- Numbers represent the projected face value of each professional baseball team located in states which currently allow legalized sports gambling
- Calculations were done by taking the current value of each team, the current value of each respective state's gambling revenue, and adding a hypothetical integrity fee to each valuation
- The projections show the affect a 0.5% or 1.0% integrity fee would have on professional teams operating within states that currently have gambling laws

<https://www.statista.com/statistics/193637/franchise-value-of-major-league-baseball-teams-in-2010/>

NBA TEAM VALUATIONS

NBA TEAM	TEAM VALUATION (in 2020)	.5% INTERGRITY FEE	1.0% INTERGRITY FEE
NEW YORK KNICKS	4,600,000,000	4,613,654,900	4,627,309,800
CHICAGO BULLS	3,200,000,000	3,206,772,000	3,213,544,000
BOSTON CELTICS	3,100,000,000	3,103,592,650	3,107,185,300
BROOKLYN NETS	2,500,000,000	2,513,654,900	2,527,309,800
PHILADELPHIA 76ERS	2,000,000,000	2,016,921,950	2,033,843,900
MIAMI HEAT	1,950,000,000	1,952,873,250	1,955,746,500
DENVER NUGGETS	1,600,000,000	1,604,168,350	1,608,336,700
OKLAHOMA CITY THUNDER	1,575,000,000	1,575,704,250	1,576,408,500
INDIANA PACERS	1,525,000,000	1,536,235,200	1,547,470,400
CLEVELAND CAVALIERS	1,510,000,000	1,519,707,450	1,529,414,900
DETROIT PISTONS	1,450,000,000	1,457,271,350	1,464,542,700
ORLANDO MAGIC	1,430,000,000	1,432,873,250	1,435,746,500
NEW ORLEANS PELICANS	1,350,000,000	1,362,299,100	1,374,598,200

- Numbers represent the projected face value of each professional basketball team located in states which currently allow legalized sports gambling
- Calculations were done by taking the current value of each team, the current value of each respective state's gambling revenue, and adding a hypothetical integrity fee to each valuation
- The projections show the affect a 0.5% or 1.0% integrity fee would have on professional teams operating within states that currently have gambling laws

<https://www.statista.com/statistics/193696/franchise-value-of-national-basketball-association-teams-in-2010/>

SUMMARY

- **HISTORICAL BACKGROUND OF SPORTS BETTING IN THE UNITED STATES**
 - Many states have proposed sports betting legislation in recent years
 - There continues to be a large illegal market for sports betting
- **SPORTS BETTING AND MEDIA INVESTMENT**
 - Broadcasters and news outlets have started to openly discuss sports betting and the spread
 - The four major sports have the potential to make millions of dollars indirectly through legal, regulated sports betting
- **LAW OF SPORTS BETTING TRANSMISSIONS AND GEOCOMPLIANCE**
 - While the Federal Wire Act was enacted to fight against organized criminal sports gambling activities, in 2019, the DOJ chose to expand its applicability to all gambling, and not just sports gambling
 - Compliance level geolocation technology can be used by sportsbooks for legal and regulatory compliance purposes
- **INTEGRITY FEES AND BEYOND**
 - Integrity fees would compensate the leagues based on the amount of money wagered in sportsbooks
 - Based on the current revenue of sports betting, the major leagues could generate revenue through integrity fees

LOOKING FORWARD: THE FUTURE OF SPORTS BETTING

- **SPORTS BETTING AND MEDIA INVESTMENT**

- Due to the difficulty of opening a new casino and becoming a licensed sportsbook operator, there will be a trend of media companies partnering with existing casinos and sportsbooks
- Teams will also start signing sports betting official sponsors
 - University of Colorado signed a deal with PointsBet
 - Detroit Lions signed a deal with MGM

- **LAW OF SPORTS BETTING TRANSMISSIONS AND GEOCOMPLIANCE**

- Regardless of how the Supreme Court defines the scope of the Federal Wire Act, the sports betting landscape will not be significantly effected
- Advances in the on-premises model could make sports betting more prevalent in small venues

- **INTEGRITY FEES AND BEYOND**

- As sports betting continues to generate revenue, leagues will likely be more adamant about integrity fees
- If implemented, integrity fees will likely be starting at a rate lower than 1%



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HISTORY OF SPORTS BETTING IN THE UNITED STATES



ACKNOWLEDGMENTS

**THE JEFFREY S. MOORAD
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ABOUT US

The Jeffrey S. Moorad Center for the Study of Sports Law advances a new era of education for sports industry professionals as one of only a handful of institutes in the US dedicated to the study of sports law. The Center takes students behind the games to broader issues through rigorous academic study, innovative programs, internship opportunities, scholarship, and research to lead discourse and provide thoughtful and experienced analysis in the field of sports. Under the leadership of respected and accomplished voices in the industry, the Center educates and inspires students to new heights in sports law and beyond. The Center aims to be a thought leader in not only sports law but also in topical issues and the changing dynamics in sports news, sports business, sports media, sports policy, and more.



LEADERSHIP

Andrew Brandt, Executive Director

Andrew Brandt is a nationally-recognized accomplished sports executive and is Professor of Practice and Executive Director of the Moorad Center for the Study of Sports Law at Villanova Law School. Brandt is guiding the Moorad Center to be a destination for young lawyers interested in a career in sports through curricula including sports law courses and nationally recognized events and lectures. Brandt has been involved with sports at a variety of levels, as an agent, as Vice President of the Green Bay Packers from 1999-2008, and as a consultant for the Philadelphia Eagles. Brandt has become a trusted advisor and asset to the Villanova Athletics Department. Brandt writes weekly columns on legal and business issues in sports for *The Athletic* and *Sports Illustrated*. Brandt served as the Legal and Business Analyst for ESPN from 2011-2017, analyzing business, legal and policy sports issues on programs such as “*Outside the Lines*” and “*SportsCenter*” as well as multiple appearances on ESPN radio programs every week.



Jeffrey S. Moorad, Founder and Chairman

Jeffrey S. Moorad '81 committed \$5 million for the creation of the Jeffrey S. Moorad Center for the Study of Sports Law. Moorad is one of the most recognizable names in professional sport and has been a leader in the sports industry for more than 25 years. The founder of Moorad Sports Management, he began specializing in athlete representation in 1983, focusing mainly on Major League Baseball. Two years later, Moorad joined forces with Leigh Steinberg to form one of the most dynamic partnerships in the history of sports representation, covering both Major League Baseball and the National Football League. In 2004, Moorad was named a member of the executive team of the Arizona Diamondbacks. Moorad has also served as Vice Chairman and Chief Executive Officer of the San Diego Padres.



PROGRAMS

The **Jeffrey S. Moorad Center for the Study of Sports Law** provides students with unique value-add towards careers in amateur and professional sports.

- **SPORTS LAW CONCENTRATION** complements existing programs through the highest level of speakers and symposia, innovative fellowship and internship opportunities, mentorship, and research.
- **SYMPOSIUM** addresses current issues and hot topics in the world of sports law annually. Past symposia have covered issues ranging from concussions in sports, agents, and the media.
- **MOORAD CENTER SPEAKER SERIES** provides interactive, behind-the-scenes look at the workings of the sports industry as the speakers share their knowledge, professional experiences, and career advice.



CASE COMPETITIONS

The **Jeffrey S. Moorad Center for the Study of Sports Law** allows students to attend a variety of sports-related competitions around the country. Our teams have had great success at these competitions.

- **GAMEDAY SPORTS COMPETITION**
 - Annual competition hosted by Villanova Law and UCLA Anderson School of Management
- **TULANE PROFESSIONAL FOOTBALL NEGOTIATION COMPETITION**
 - 2020, 2019, 2017 1st Place
 - 2018 Finalists
- **TULANE PROFESSIONAL BASKETBALL NEGOTIATION COMPETITION**
 - 2020 Finalists
- **TULANE INTERNATIONAL BASEBALL ARBITRATION COMPETITION**
 - 2020 Quarter Finalists





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