From: [redacted]
To: IGB.SportsRuleComments@igb.illinois.gov
Subject: [External] Sports Betting in Illinois
Date: Tuesday, August 27, 2019 2:52:49 PM

Every day you hesitate to implement mobile sports betting in Illinois you are losing money. Mobile sports betting will likely be the greatest revenue generator in the realm of gambling. These days no one is interested in going to a venue to place a bet. The idea that there should be betting windows at Wrigley Field or the United Center is at best arcane, at worst absurd.

I also want to point out that there is a stigma around sports betting that is unwarranted. The idea of a gambler losing his life savings and getting his legs broke by a mobster is a myth in today's climate. I myself have been responsibly betting for 10+ years and have managed to not lose my life savings while increasing the enjoyment of sports spectating.

I think it's a shame that ready made companies like draft kings and fan duel have been barred initially due to a circular ruling from AG Madigan. Much like the current AG is dropping low level marijuana charges because it is now legal, websites banned for proving a daily fantasy application should too be given a clean slate.

Nevertheless, mobile sports betting should be a top priority for lawmakers interested in generating revenue. This weekend I will likely place a bet and I can assure you that the government of Illinois will not see a cent of my money. That bums me out.

Get on it already

Sincerely,
Dan Schiller, Esq.
[redacted]

From: Matt Slade
To: IGB.SportsRuleComments@igb.illinois.gov
Subject: [External] Sports betting comments
Date: Wednesday, August 28, 2019 8:14:51 AM

My name is Matthew Slade and I am a village trustee in the village of Durand but my comments are my own.

I think that the rules should be produced with haste but Make sure they are soundly written so Illinois can be the best run program. Also with the lottery parlay system I think the board should make sure that there is equitable disbursement of the licenses. Making sure that big towns and little towns have access to the lottery parlay pilot program.

Hopefully some bets can be placed before the end of the year, At least by super bowl time.

Also I think setting rules for betting on international sports events such as the 2020 Summer Olympics will be important to.

Thanks,

Matthew Slade
Village trustee
Village of Durand

From: Daniel Boland
To: IGB.SportsRuleComments@igb.illinois.gov
Subject: [External] Sports Betting
Date: Wednesday, August 28, 2019 1:35:48 PM

I would recommend you consult with the Ontario gaming commission to see how they implemented it in Canada . There you can bet at convienance stores and casinos. You can bet all pro sports games and college games. I shouldn't have to go to Indiana to bet on a Northwestern game. Also , look at the straight out system of betting or you will lose to the bookies anyway. Make it easier for people to bet online too . Just because one casino operator has a grudge against Draft Kings doesn't mean we all should suffer

From:	Noah Creekpaum's You
To:	IGB.SportsRuleComments@igb.illinois.gov
Date:	Wednesday, August 28, 2019 3:15:24 PM

Sent from my iPadff

From: Noah Creekpaum's You
To: IGB.SportsRuleComments@igb.illinois.gov
Subject: [External] Tytt
Date: Wednesday, August 28, 2019 6:07:04 PM

Sent from my iPad

From: Noah Creekpaum's You
To: IGB.SportsRuleComments@igb.illinois.gov
Subject: [External] Hu by
Date: Wednesday, August 28, 2019 6:09:35 PM

Sent from my iPad

From: Frank Zachman
To: IGB.SportsRuleComments@igb.illinois.gov
Subject: [External] Public Opinion on Sports Betting
Date: Wednesday, August 28, 2019 6:37:50 PM

To Whom It May Concern:

This is a no brainer....just follow what Nevada has done. They are the experts in gaming. They have very strict rules and regulations. Just follow them and all should be well.

Frank Zachman, Jr

From: Joe P
To: IGB.SportsRuleComments@igb.illinois.gov
Date: Wednesday, August 28, 2019 6:41:39 PM

Mobile betting needs to be done ASAP to keep up with states around us. I'll be making the drive to Indiana in the meantime.

Sent from my iPhone

From: Kenny Ryder
To: IGB.SportsRuleComments@igb.illinois.gov
Subject: [External] Sports Wagering Rule Comments
Date: Wednesday, August 28, 2019 6:46:58 PM

Illinois does not need more gambling of any kind. Gambling already takes millions of dollars out of our state and local economies. Money that most of those individuals wagering cannot afford and money that our local businesses and families need.

Stop adding more gambling to a state that is already foundering.

Sincerely,
Kenny Ryder

Sent from my iPhone

From: Scott Mackenzie
To: IGB.SportsRuleComments@igb.illinois.gov
Subject: [External] Sports Wagering Rule Comments
Date: Wednesday, August 28, 2019 8:18:34 PM

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don't try and reinvent the wheel, ask the experts out in Vegas how to run a sprotsbook…… Ive been waiting my whole life to make wagers LOCALLY instead of wiring my money to some organized crime family in central america

Mac Kenzie

From: Thomas Busby & Stephanie Busby
To: IGB.SportsRuleComments@igb.illinois.gov
Subject: [External] Comments
Date: Thursday, August 29, 2019 7:49:57 AM

Good Morning!

I'm happy and excited that Illinois passed the Sports Wagering Act. However, all the money from this Act along with the money raised from passing the recreational marijuana act should be used to pay down all debt first. After getting the state out of debt then the money should be used for other ventures. I'm extremely disappointed that by the start of football you have to drive to Indiana or Iowa to make a legal wager. How could those two states get it up and running and Illinois can't? Don't tell me it is because they passed it before Illinois. Staff should have been working on the regulations even before it was passed. Wasted revenue the state will never get back.

Tom Busby

From: James Stallons
To: IGB.SportsRuleComments@igb.illinois.gov
Cc: James Stallons
Subject: [External] arlington
Date: Thursday, August 29, 2019 7:32:04 PM

I was very disappointed that Arlington refused to apply for the gambling license that they have sought for years. It seems that Churchill Downs is more interested in the success of their local casino than they are horseracing.

I think the tax argument is bogus. The machines will bring in more revenue. Even if the taxes are high, there is going to be more revenue. Revenue is what the track needs to succeed.

CDI needs to be encouraged to sell Arlington. Cut their racing dates. Make the new Hawthorne the premier racing spot in Chicago even though Arlington has the premier facilities.

Illinois is ready to leap back into relevance, but it is not going to happen if Arlington doesn't help. Churchill Downs is all about money and profits even at the expense of horseracing in Illinois.

Music parties and picnic days aren't going to get people back into horseracing. Big time races with the best horses and finest trainers are the ticket. Money is what is needed. Arlington is given a chance to collect more money, and they take a pass.

Force CDI to play the game fairly or force them out of Illinois.

Jim Stallons
[redacted]

From: Robert
To: IGB.SportsRuleComments@igb.illinois.gov
Subject: [External] Sports betting
Date: Thursday, August 29, 2019 9:06:56 PM

Hello. I would like to see betting kiosks allowed in video gaming establishments as well as the casinos, horse tracks, sports venues. Thank you

Robert Donovan

From:	ron
To:	IGB.SportsRuleComments
Subject:	[External] Just say NO
Date:	Sunday, September 1, 2019 4:41:01 PM

Face the truth, human sports are too susceptible to tampering by bettors that can change the outcome. No fair betting field can ever be established. RON ANDERSON

From: [redacted]
To: IGB.SportsRuleComments
Subject: [External] public comment
Date: Thursday, September 5, 2019 10:44:05 AM

I really think you guys need to step back and take a look at what New Jersey is doing with sports betting. They are going to have 18 different sportsbook operators by the start of football season. Limiting the number of brands/licenses is such a silly decision. Lower the cost of the license like other states have done, get more companies involved and have apps available for online betting immediately. I get you want to punish fanduel and draft kings and give your casinos an advantage to start but in the long run the books that offer the most unique betting options, take large wagers, provide excellent customer service, fair odds and do a good job marketing are going to win out. If you look at the books online that make the most money you will see that pinnacle and bookmaker/betcris by far away make the most revenue and write the most business and its because of that approach.

Also with the cost of your license/tax rate books are not going to be able to offer the same offerings as places in indiana which ultimately will cost you revenue like it currently does with Chicago residents flocking over the border. New Jersey is building a mecca and becoming the vegas of the east. Why would we not try and make Illinois/Chicago the sports betting mecca of the midwest? Right out of the gate you are failing and ultimately costing the state a ton of revenue in the long run.

Sal

From: waychun7
To: IGB.SportsRuleComments
Subject: [External] Sports Wagering Rule Comments
Date: Friday, September 6, 2019 10:38:49 AM

Really am concerned as to who will oversee the racetrack end of casino gaming. In other words how much will track owners keep for their own pockets versus what goes directly into the actual race purses.

From: Daniel Schulz
To: IGB.SportsRuleComments
Subject: [External] If Arlington isn"t going to use their slots/casino rights...
Date: Saturday, September 7, 2019 11:13:23 AM

Then they shouldn't be allowed to take sports bets either.

From: cm cPatricia Forth
To: IGB.SportsRuleComments
Subject: [External] sports betting
Date: Sunday, September 8, 2019 10:00:21 AM

I don't believe in sports betting on any level.

From: [redacted]
To: IGB.SportsRuleComments
Subject: [External] Hold CDI accountable!
Date: Monday, September 9, 2019 9:22:11 PM

Dear IL Gaming Board:

CDI decision to not, that's right, NOT build a casino at Arlington Park is quite telling, to say the least. It is further telling that CDI wishes to build a casino near Waukegan, no where near Arlington. Arlington is one of the 5 most picturesque tracks in the country and CDI is telling us they are more than willing to close it down and replace it with who knows what, despite the expanded sports gaming passage.

Here is an idea: do NOT grant CDI any casino license for Waukegan or anywhere else in IL until they commit to Arlington long term or sell the track to a competent buyer (and I do not mean a real estate developer). And suspend their Rivers license near O'Hare as well while this process continues. Horse racing is a very important sport to the long term health of the IL economy and should be preserved.

And another idea: the sports betting bill will work even better if you place a casino in the Loop area as well. A great deal of tourists pass through the Loop year in and year out and will likely be glad to play in the heart of a world class city such as Chicago.

When these things are done, both the IL casinos, sportsbooks, and the IL thoroughbred industry will benefit in the long term and grow the IL economy in the process. Thank You For Reading.

-mrpro329

From:	Thoroughbred Idea Foundation
To:	IGB.SportsRuleComments
Subject:	[External] Comment - Illinois Sports Wagering Act
Date:	Monday, September 23, 2019 2:41:53 PM
Attachments:	TIF Letter to Illinois Gaming Board.pdf

Please see our attached letter, in PDF format, and also exhibited below, as a comment for your consideration relative to the Illinois Sports Wagering Act.

Sincerely,
Patrick Cummings
Executive Director
Thoroughbred Idea Foundation

Re: Illinois Sports Wagering Act (P.A. 101-0031)

Dear Board Members,

On behalf of the Thoroughbred Idea Foundation, a privately-funded think tank and advocacy group for the thoroughbred industry, I write you today to share comments on the recently passed Illinois Sports Wagering Act for your consideration.

The Thoroughbred and Standardbred industries, as well as associated agribusiness interests in Illinois and the region, have been significantly attentive to the passage of the Illinois Gambling Act and Illinois Sports Wagering Act, yielding expanded gaming across Illinois.

The definition of "sports event," as provided in the legislation, "means a professional sport or athletic event, a collegiate sport or athletic event, a motor race event, or any other event or competition of relative skill authorized by the Board under this Act."

We hope that the Board considers horse racing within the definition of "sports event," falling into the category in the self-underlined portion above. While horse racing has been presented to wagering customers as a solely pari-mutuel opportunity for decades, it can be presented as a fixed-odds product as well. For nearly two decades, Australia has successfully integrated fixed-odds betting alongside pari-mutuel opportunities. Wagers on outcomes of races can be made at fixed-odds, and also can include exchange wagering and proposition bets.

Given all of the growth of sports wagering, leaving horse racing wagering customers with only pari-mutuel options limits the ability of horse racing to maintain competitiveness and awareness in the greater wagering landscape. Furthermore, there is a growing concern of the rise of off-shore, "grey-market" operators which seek to capitalize on the lack of fixed-odds bet-takers in horse racing. Their active marketing attempts attract long-time horseplayers to their offshore sites which return nothing to horse owners, horse breeders and the greater industry.

Should you require more information on this topic, please reach out by return email which accompanied this submission.

Sincerely,

Patrick A. Cummings

Executive Director - Thoroughbred Idea Foundation
RacingThinkTank.com

September 24, 2019

Illinois Gaming Board
160 North LaSalle Street, Suite 300
Chicago, IL 60601

Re: Illinois Sports Wagering Act (P.A. 101-0031)

Dear Board Members,

On behalf of the Thoroughbred Idea Foundation, a privately-funded think tank and advocacy group for the thoroughbred industry, I write you today to share comments on the recently passed Illinois Sports Wagering Act for your consideration.

The thoroughbred and standardbred industries, as well as associated agribusiness interests in Illinois and the region, have been significantly attentive to the passage of the Illinois Gambling Act and Illinois Sports Wagering Act, yielding expanded gaming across Illinois.

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Should you require more information on this topic, please reach out by return email which accompanied this submission.

Sincerely,

[redacted]

Patrick A. Cummings
Executive Director - Thoroughbred Idea Foundation
RacingThinkTank.com

From: Jason Mattis
To: IGB.SportsRuleComments
Subject: [External] Sports Wagering Rule Comments
Date: Tuesday, September 24, 2019 1:45:10 PM

Hello,

Thank you for fielding our questions. Look forward to your responses

1) When will IGB grant licenses? Can companies immediately accept bets once they obtain a license?

2) when will the mobile/online testing period begin?

3) will sports wagering be up and running by Superbowl? Start of MLB?

4) Are there different start dates for in person wagering vs online wagering?

5) when registering in person for online wagering, does that registration allow betting at all casinos or does each casino require its own in person registration?

Thanks!

Jason

From:	John Donahue
To:	IGB.SportsRuleComments
Subject:	[External] Response to request for comments on the Sports Wagering Act.
Date:	Wednesday, September 25, 2019 11:00:33 AM
Attachments:	Letter to Gaming Board.pdf

Dear Gaming Board:

The attached letter is responsive to the Illinois Gaming Board's request for comments on the new Sports Wagering Act. The attached is also being mailed to the Gaming Board Chairman and the Administrator.

Thank you for your attention to this matter.

John Donahue

[redacted]

312-541-1070 (office general)

ROSENTHAL, MURPHEY, COBLENTZ & DONAHUE
LAW OFFICES
30 NORTH LA SALLE STREET
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CHICAGO, ILLINOIS 60602
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PETER D. COBLENTZ
(1953-2018)
JOHN F. DONAHUE
JUDITH N. KOLMAN
JOHN B. MURPHEY
MATTHEW D. ROSE
PETER M. ROSENTHAL
(1950-2010)

AMBER M. SAMUELSON

WRITER'S DIRECT LINE
(312) 541-1075

September 25, 2019

By UPS
Charles Schmadeke, Chairman
Illinois Gaming Board
801 South Seventh Street
Suite 400 – South
Springfield, Illinois 62703

By UPS
Marcus D. Fruchter, Administrator
Illinois Gaming Board
801 South Seventh Street
Suite 400 - South
Springfield, Illinois 62703

By UPS
Charles Schmadeke, Chairman
Illinois Gaming Board
160 North LaSalle
Suite 300
Chicago, Illinois 60601

By UPS
Marcus D. Fruchter, Administrator
Illinois Gaming Board
160 North LaSalle
Suite 300
Chicago, Illinois 60601

By Email
igb.sportsrulecomments@igb.illinois.gov

Re: Village of Rosemont inquiries/comments – Master Sports Wagering License for a Sports Facility

Dear Chairman Schmadeke and Administrator Fruchter:

I serve as the Village Attorney for the Village of Rosemont, which owns and operates the Allstate Arena sports stadium. Under the new Sports Wagering Act, 230 ILCS 45/25-1 *et.seq,* this Village owned facility is a qualifying Sports Facility for which an application can be made for a Master Sports Wagering License for a Sports Facility. A committee has been formed to review this new law and develop a process designed to identify the best suitable candidate that can apply for a Master Sports Wagering License for the Arena and successfully operate this facility. In this regard, we would like to work with the Gaming Board and its staff to make sure our process is compliant with the Gaming Boards regulations and best practices.

To date, our review of the Sports Wagering Act has resulted in a number of questions concerning the application process, the parameters for the location of a Sports Facility wagering facility, and the scope of the allowable wagering. These questions and comments are set forth below. For each question, I have attempted to provide some context by citing or summarizing various parts of the Act that are relevant to the question being asked. This submission is also intended to be responsive to Gaming Board's request for comments and is being forwarded to the igb.sportsrulecomments@igb.illinois.gov website for this purpose. I also trust that these questions and comments will assist the Gaming Board in developing its administrative rules for the Sports Wagering Act.

Questions/Comments

Question 1: The new sports wagering law (230 ILCS 45/25-40(b)) provides that a Sports Facility or "Designee" contracted to operate sports wagering can apply for a Master Sports Wagering License issued to a Sports Facility. Pursuant to Section 25-40(a), the "Designee" can be:

1. A master sports wagering licensee under section 25-30 (230 ILCS 45/25-30);
2. A master sports wagering licensee under section 25-35 (230 ILCS 45/25-35);
3. A master sports wagering licensee under section 25-45 (230 ILCS 45/25-45); or
4. A Management Service Provider licensee (230 ILCS 45/25-55).

Will the Illinois Gaming Board require that a Designee applying for a Master Sports Wagering License at a Sports Facility obtain a Master Sports Wagering License under either Sections 25-30, 25-35, 25-45 or 25-55 before they can apply for Master Sports Wagering License issued to a Sports Facility per Section 25-40? Or, will the Illinois Gaming Board allow a designee to apply for a Master Sports Wagering License for a Sports Facility at the same time that the designee applies for a Master Sports Wagering License under either Sections 25-30, 25-35, 25-45 or 25-55? If both applications can be made at the same time, will there be a joint application form?

Question 2: Section 25-55 states that a Management Service Provider "entity shall obtain a license as a management services provider before the execution of any such contract." (230 ILCS 45/25-55(a)) Since the ordinary meaning of the term "contract" would indicate an enforceable obligation, it would appear that an arrangement that does not become enforceable until the Management Service Provider obtains all the necessary licenses would be acceptable. Also, fundamental contract law provides that a contract must be for a legal purpose. Accordingly, any arrangement with a Management Services Provider can't be a "contract" and would not be for a legal purpose until the Management Services Provider obtains all the necessary licenses. In addition, allowing agreements that are contingent upon obtaining all the necessary licenses would add transparency to the process and allow the Gaming Board to review the terms as part of the licensing process. **Can a Management Services Provider and a Sports**

Facility enter into an arrangement which does not become an enforceable contract until the Management Service Provider obtains the necessary Master Sports Wagering Licenses under both Sections 25-55 and 25-40?

Question 3: Sections 230 ILCS 45/25-40 and 25-65 allow wagering to be conducted within a 5 block radius of the Sports Facility. **What is the definition of a block? How will the measurement be made: (1) using a straight line between the closest parts of the Sports Facility structure and the building where wagers will be taken; or (2) using a straight line between the closest parts of the lot line encompassing the Sports Facility and the lot line encompassing the wagering location; or (3) by some other manner?**

Question 4: The new law defines "Sports event" as a "professional sport or athletic event, a collegiate sport or athletic event, a motor race event, or any other event or competition of relative skill authorized by the Board under this Act." 230 ILCS 45/25-10. **Does this definition include horse racing? In other words, can all the possible categories of "designees" that can obtain a Master Sports Wagering License for a Sports Facility accept wagers on horse racing?**

* * End of Questions/Comments * *

Thank you for your attention to this matter. Your answers to these questions will allow us to develop a process that is consistent with the Gaming Board's expectations and interpretation of the Act. In addition, I would like the opportunity to meet with the Gaming Board staff to obtain its practical advice on how we can best approach and develop a process that is suited to the identification of the best candidate. Please contact me directly at 312-541-1070 if you have any questions concerning this letter.

[redacted]

John F. Donahue

From: Fred Biasiello
To: IGB.SportsRuleComments
Subject: [External] CDI and Arlington
Date: Wednesday, September 25, 2019 12:41:27 PM

Just my two cents here. Churchill Down Inc. entered the gambling market in Illinois via horse racing. They should not be able to operate casinos in Illinois without showing a commitment to help Illinois racing. Having gaming at Arlington is good for Illinois, good for horse racing, and the thousands in that industry affected by these decisions

Thank You

Fred Biasiello

From: Ross Simkins
To: IGB.SportsRuleComments
Subject: [External] Commentary on Sports Gambling
Date: Wednesday, September 25, 2019 12:55:46 PM

Dear Illinois Gaming Board,

I wanted to pass along several comments related to the new gaming rules and what will be allowed/prohibited as currently outlined. To date, I understand that sportsbooks will only be licensed for 18 months to 1. Racetracks 2. Casinos 3. Stadiums, with books being allowed within 500 yards of those. I would encourage the board to consider a larger radius with which books can open and operate. This would generate more opportunities, including those in lower income neighborhoods without any of the 3 approved venues, for work and tax revenue to support those neighborhoods. Furthermore, I would make it as easy as possible for these venues to go-live with their mobile betting apps. The infrastructure and internal controls should already be established from other parent-company applications and there should be no delay in the go-live upon license approval.

Finally, the license approval process should be swift as it has already been established for at least 18 months the only venues that may house sportsbooks. Allow these books to ramp up operations as soon as possible in order to capture the football season market.

Appreciate your considerations!
Ross

From:	Tom
To:	IGB.SportsRuleComments
Subject:	[External] Churchill Downs and Sports Betting
Date:	Wednesday, September 25, 2019 2:31:14 PM

There should be no reason why this is taking so long to get set up. Lets go so I can bet the NCAA tourney

If the IGB allows Churchill Downs to get another license and or doesnt make their life a living hell with Rivers for the stunt they are pulling at Arlington Park, the most beautiful track in the country (ive been to 30 race tracks), the whole gaming board should be fired

Churchill Downs should be allowed to operate in this state after using Arlington Park and horseman as a pawn

Tom Rothstein

From:	T. Swoik
To:	IGB.SportsRuleComments; Fruchter, Marcus; Lorenzini, Agostino
Subject:	[External] Sports Wagering Rule Comments
Date:	Wednesday, September 25, 2019 3:15:28 PM
Attachments:	Scan0043.pdf 2019 Sports Wagering Rules letter.doc
Importance:	High

Please see attached comments/suggestions.

September 25, 2019

Mr. Marcus Fruchter, Administrator
Illinois Gaming Board
160 North LaSalle
Suite 300
Chicago, Illinois 60601

Dear Administrator Fruchter:

Thank you for the opportunity to provide input regarding proposed rules for the Illinois Sports Wagering Act. The information I am providing is a brief overview of what the Association members believe is necessary to implement this Act. The individual members of the Association will also be providing specific input to the rules.

As you are probably aware, there have been instances in the past that the Association and the individual casinos have worked very closely with the staff of the IGB to develop rules from the very beginning of a specific development process and this has worked very well. One recent example is the development of the rules for the Business Enterprise Program. We worked closely early on with staff and, by the time the posting of the first draft occurred, there were virtually no objections. We believe the same type of process should be utilized in the development of the rules for the Sports Wagering Act and look forward to working with staff.

Importantly, several of the casinos currently operating in Illinois have local and corporate staff with extensive expertise related to sports wagering. We offer the IGB the opportunity to utilize this expertise to avoid some of the pitfalls that may be associated with sports wagering and to develop the best rules available.

While the Illinois Sports Wagering Act is significantly different than many of the other recently passed sports wagering acts, there are some similarities with the Iowa, Indiana, New Jersey and West Virginia acts and we suggest these be reviewed to determine what Illinois can incorporate and apply from their best practices for sports wagering.

These states do not have required utilization of league data, have different license and tax payment structures, and different types of venues for licenses, and therefore these are the areas that must be unique to the Illinois rules.

To ensure the promulgated rules adequately address each stakeholder's concerns, we respectfully request ongoing discussions regarding league data, including its necessity, "commercial reasonable" terms, and whether the leagues, as a supplier, require licensure by the IGB.

There are a few specific areas that we would like to address in this document:

1) Carrying forward of losses—It is our understanding that reporting will be carried out daily, to mirror current casino gaming day practices, and paid monthly. As seen in other states, we urge that losses should be permitted to be carried forward to be used to offset future winning days.
2) Expired Tickets—Expired unpaid tickets should revert to revenue and taxes should be paid to the state on these revenues.
3) Mailed Tickets—Winning tickets should be able to be redeemed by mail from a centralized location.
4) Sports Wagering/Kiosks—Sports Wagering/Kiosks should be allowed in locations within a facility not necessarily on the casino floor, that is, outside the turnstiles, and properties should have flexibility to deploy kiosks and/or wagering locations during special events and high-volume periods (subject to appropriate surveillance).
5) Inclusion of Voided Wagers in "Adjusted Gross Sports Wagering Receipts" calculation—The current definition (unlike other states with sports betting) only allows for the deduction of "winnings" from gross sports wagering receipts. Under the current definition, we are not certain that return of funds to patrons a result of canceled games (e.g. rainout in Baseball) would be counted as a deduction, therefore creating an unfair tax burden (inflated gross wagering receipts) to operators.
6) Mandated reserve requirements—Various states have mandated that operators must maintain reserves to cover outstanding sports wagering liabilities. This amount is ever-changing throughout a gaming day, and many wagers that could hit, will not. If 20 patrons each place a $10 parlay and each carry the astronomical odds, (e.g. 10,000 to 1 odds), this would quickly add up, with little-to-no chance of coming to fruition. It could be argued that a liability does not occur until a bet has actually been won; therefore we recommend a mandated reserve not be required.
7) Reporting requirements— reporting is required on winnings that are subject to Federal income tax withholding.
8) Approved events—A list of approved events should be made publicly available and generally applicable to all licensees, in order to promote efficiency and avoid operators having to burden the IGB with duplicative requests (e.g., if one operator requests approval for an event, and approval is granted, such approval will be applicable to all operators). In addition, it would further promote efficiency for approval to be granted by type and governing body (e.g., Major League Baseball, NCAA Division I events, etc.) rather than by individual event and wager type.

Thank you again for the opportunity to provide this information and we look forward to working with staff on these rules.

Sincerely,

[redacted]

Tom Swoik
Executive Director

Pay360 by Capita

Illinois Gaming Board
Marcus D. Fruchter
801 South Seventh Street
Suite 400 - South
Springfield, Illinois 62703

Re: Illinois Sports Wagering Act

Dear Mr. Fruchter

I am reaching out to you regarding the recent passing of the Sports Wagering Act. As you will be aware, this Act provides a unique opportunity for the State to generate tax revenues to support local projects and social needs.

As you may know, there are other parts of the world where online gaming has been legal for many years and I work for a payments and risk management company, called Pay360, which has 15 years of expertise in the online gaming market. Pay360 is part of a $5 billion turnover, publicly traded organization called Capita.

We believe it will be valuable to the Illinois Gaming Board to consider the inclusion of certain requirements to ensure sports betting operators in Illinois offer a safe, reliable and inclusive betting experience for all gamblers. Any online sports betting strategy should incorporate several key strategies in your regulatory requirements.

A. Fraud Mitigation/Risk Management

Most sports betting organizations focus on fraud as a measure of login credential protections or securing card data on their gamblers but a new class of organized fraud rings working collaboratively across the globe pose a major threat. They are using bots to hack into existing accounts or create new ones. In the US alone, foreign criminal enterprises have focused their efforts on taxi/cab credit card processing systems. Additionally, in Illinois, these some criminal enterprises have successfully targeted the state Medicaid and Transportation systems. Pay360 has first-hand experience in helping to block these types of criminal enterprises in the gaming/sports betting industry around the world. We assure the Illinois Gaming Board that these individuals will attempt to breach Illinois gaming and sports/betting operators. Based on industry statistics, 2.1% of all sports betting account logins are now fraudulent, as are 4.6% of new account creations and 3.5% of all payments. This equates to a potential loss of almost $82.5 billion a year.

For this reason, it is critical that sports betting operators require, at a minimum, the following requirements when registering new gamblers:

- ✓ ID Verification
- ✓ Age Verification (this should be a solution that has multiple levels of validation)
- ✓ Device Fingerprinting
- ✓ IP Address and email verification
- ✓ Deposit and Withdrawal monitoring
- ✓ PEPS and Sanctions checks (Politically Exposed Person)
- ✓ Problem Gambler Identification
- ✓ VIP Gambler Identification and Monitoring

Pay360 by Capita

Pay360 has built a risk management solution designed specifically for the online sports betting industry. Our solutions operate to significantly reduce fraud, increase gamblers experience, ensure validation of gamblers age and eligibility to become a gambler (minimization of false negatives) on the system all while offering a powerful rules-based engine to monitor the behaviors of the gamblers.

B. **Helping Detect and Mitigate Harm from Problem Gamblers**

Gambling Addiction is a serious issue in the US. This trend is not limited to individuals who are legally allowed to gamble. Statistics show that 3-5% of all gamblers have an addiction issue and 4-5% of youth ages 12-17, meet with criteria of gambling addiction. It is imperative the Illinois Gaming Board recognize the challenges of controlling and monitoring problem gamblers in an Internet based gaming/sports betting is significantly different then managing problem gamblers in land-based casinos. If the State of Illinois is going to offer online gaming/sports betting it is critical they require any operators to have a set of identity solutions and integrated into their online gaming site manage and audit gamblers actions. These problem gaming tools should track gamblers through IP tracking, cell phone monitoring, geolocation, account profiling and other unique solutions to ensure gamblers are not simply logging into sites from different email addresses, credit cards, etc. Not properly managing problem gamblers can be a quick way for the State of Illinois and its gaming operators to get negative PR.

C. **Global Payment Acceptance**

Sports betting is a global opportunity for Illinois based operators looking to connect with gamblers all around the world, who may be visiting the State of Illinois and wish to wager on sports events or participate in online gaming. Illinois has a population of roughly 10M residents of gambling age and an additional 58 million visitors per year. This offers the State of Illinois a unique position to significantly increase tax revenue through global gaming payment acceptance and place the State of Illinois operators in a unique position to compete against other states in the US.

If the State of Illinois wishes to allow for global gamblers to bet with Illinois licensed operators, then the state will need to include regulations authorizing this option. The State of Illinois will also need to ensure that organizations are available to support this global option through partnerships, such as Pay360, whom already offer this functionality to operators around the world. Note, industry research shows that offering the top three payment methods in any market, rather than only the top one, can increase merchants' conversion rates up to 30 percent. Also noting that credit card brands like Visa/MC may not be available to a large portion of the global population, the offering of International Alternative Payment Methods (APMs) will provide a significant differentiator to Illinois based operators. As online gaming/sports betting has only recently been legalized at the Federal and State levels, most credit card processing companies are not allowing operators to set-up the required merchant accounts to support players ability to make online bets. For this reason, it is critical that the Illinois Gaming Board require operators to work with credit card processing companies who have previous experience in these markets who can also provide the security, risk management and problem gambling services necessary for your operators to launch a successful solution.

In summary, Pay360 feels it is critical the State of Illinois work with operators through regulation to ensure they provide the gamblers the most robust, secure and flexible gaming experience. This will also enable the State of Illinois to be a leader in developing the core

regulations and regulatory environment to ensure the highest potential tax revenues while reducing the possibilities of negative PR. With Pay360's extensive experience in helping countries around the world develop and execute their online gaming/sports betting strategies while providing the security and risk management solutions to manage international criminal elements you can be assured you have the right partner in helping the State of Illinois Gaming Board execute a powerful and secure regulatory environment.

As a number of these key aspects of regulatory, compliance, payment acceptance and security may be new to the Illinois Gaming Board, Pay360 would be honored to schedule a call or set-up a site visit to walk through these discussion points.

We appreciate this opportunity to present this information to you and look forward to serving you and the gaming/sports betting operators in this great State of Illinois. You can learn more at Pay360's website on gaming (https://www.pay360.com/sectors/gaming).

Regards,

Chas Gannon
Senior Partner Manager
Pay360 – US
36 Cooper Square
New York, New York 10003
E: chas.gannon@capita.com
[redacted]

From:	West, Michael
To:	IGB.SportsRuleComments
Cc:	Donaghue, Frank
Subject:	[External] FW: Penn National Gaming Inc."s Comments on Sports Wagering Act
Date:	Thursday, September 26, 2019 3:53:05 PM
Attachments:	19_9_26 PNGI to IGB Ltr.pdf

Administrator Fruchter,

Please find the attached correspondence from Penn National Gaming, Inc.'s Chief Compliance Officer Frank Donaghue on behalf of Penn National, Argosy Casino Alton, Hollywood Casino Aurora, and Hollywood Casino Joliet. The same has been mailed to your attention. Please let me know if you have any issues with the attachment or need anything further.

Thank you,

Michael F. West
Penn National Gaming, Inc.
Deputy Chief Compliance Officer

September 26, 2019

PENN NATIONAL
GAMING, INC.

***Via* Electronic Mail and U.S. Mail**
Mr. Marcus Fruchter, Administrator
Illinois Gaming Board
160 North Lasalle, Suite 300
Chicago, Illinois

Re: Illinois Gaming Board Public and Industry Comment on Sports Wagering Act

Dear Administrator Fruchter:

Penn National Gaming, Inc., Argosy Casino Alton, Hollywood Casino Aurora, and Hollywood Casino Joliet (collectively, "Penn") are grateful to you and the Illinois Gaming Board ("IGB") for the opportunity to provide input regarding the soon to be promulgated rules supporting the Illinois Sports Wagering Act (the "Act"). As a starting point, Penn supports the comments delivered to your attention by the Illinois Casino Gaming Association ("ICGA"). In addition to the IGCA's general industry points of interest, below Penn provides a brief overview of specific items that Penn believes would be helpful to the implementation of the Act and would provide the best environment for both patrons and operators to maximize revenue for the state of Illinois.

By way of background, subject to IGB regulatory approval, Penn Sports Interactive, LLC ("PSI", a division of Penn Interactive Ventures, LLC and wholly-owned subsidiary of Penn) plans to assist Penn's Illinois casinos in launching their own retail sports betting operations. In addition, PSI will operate an accompanying mobile sportsbook product. Penn and PSI have very recently opened retail sportsbooks in Indiana and Iowa and are in the process of doing the same in Pennsylvania, West Virginia, New Jersey, Mississippi, and Nevada.

In the process of these several rollouts, Penn and PSI have developed some thoughts on best practices. Below are a few key points that Penn seeks to bring to the attention of the IGB:

- **One Online Account**: Consistent with New Jersey, Pennsylvania, and West Virginia, for online wagering, Penn respectfully requests and recommends that patrons in Illinois be permitted to utilize a pre-existing online sports betting account that may have been established in another state. This will reduce the need for a patron to have to download a new application, register a new account, and fund that new account. Penn will, of course, ensure all bets placed in Illinois will be treated as such and that its application meets all IGB rules and regulations.

- **Targeted Occupational Licensing**: Penn and PSI seek to hire and utilize highly qualified team members with the requisite technical skills, which are scarce resources. In order to provide the citizens of Illinois with the best product and daily offering, Penn and PSI must be able to quickly fill needs in its sportsbook rollout. With that, Penn

respectfully requests and recommends that the licensure of employees be limited to those employees who interface with patrons and not those acting behind the scenes in roles such as developing software.

- **Stakeholder Meetings**: In Penn's experience, early and frequent communication between the regulatory bodies and various industry stakeholders has encouraged the sharing of best practices and facilitated swift problem-solving opportunities. Penn respectfully requests and recommends the opportunity for scheduled meetings and formal and informal lines of communication with the IGB and its staff to discuss issues that will undoubtedly arise in the sportsbook rollouts. In addition, setting a firm date for Illinois's sports wagering rollout and working backwards with these meetings was very successful in Indiana.

- **Expansive Wagering Options**: Penn firmly believes Illinois can better compete with neighboring states and maximum revenue by permitting wagers on a wide array of sports, including fixed odds horse racing and maximizing the types of wagering options *via* pre-match and in-play wagers.

Penn hopes to discuss these issues and many more with the IGB in the coming months. Please do not hesitate to reach out to us if there is any support we can provide.

Very Truly Yours,

[redacted]

Frank T. Donaghue
Chief Compliance Officer

CC: Steven Peate, General Manger, Argosy Casino Alton (*via* email only)
Gregory Moore, General Manger, Hollywood Casino Aurora (*via* email only)
Lydia Garvey, General Manager, Hollywood Casino Joliet (*via* email only)
Todd George, SVP Regional Operations, Penn National Gaming, Inc. (*via* email only)
Carl Sottosanti, General Counsel, Penn National Gaming, Inc. (*via* email only)

From:	Tony Somone
To:	IGB.SportsRuleComments
Subject:	[External] Sports betting comments
Date:	Thursday, September 26, 2019 4:31:11 PM
Attachments:	Sports Betting Comments.pdf

Thank you for this opportunity. Call me with any questions.

Tony Somone
Executive Director
Illinois Harness Horseman's Association
630-323-0808 office
[redacted]

IHHA
"Racing Into The Future"

Illinois Harness Horsemen's Association

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Suite 432
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www.harnessillinois.com

(630) 323-0808
(800) 572-0213 Toll Free In Illinois
(630) 323-0761 Fax

Illinois Gaming Board

September 26, 2019

The Illinois Harness Horsemen's Association respectfully submits the following comments regarding the Illinois Sports Wagering Act as contained in Public Act 101-0031.

While many parts of the Act had been negotiated over a period of many years and had passed the General Assembly on two occasions, the Sports Wagering Act was finalized at the very end of May with no input from Illinois horsemen. We had been actively participating in all of the hearings leading up to these final days but our opinions on this matter were excluded.

The Illinois Harness Horsemen's Association (IHHA) believes that the drafting of the portion of the Sports Wagering Act pertaining to racetracks offering sports wagering is flawed.

We believe there is clear language in the Illinois Horse Racing Act which explains the symbiotic relationship between racetracks and horsemen. Just a few matters of point:

"Purse account" is referenced 48 different times within the Act.

"an agreement between the organization licensee and the associations representing the largest number of owners, trainers, jockeys, or standardbred drivers who race horses at that organization licensee's racing meeting;" These exact words are used at four different times within the Act.

The Sports Wagering Act provides a mechanism for Illinois racetracks to operate as sports wagering operators but does not spell out the specifics regarding revenue sharing with horsemen.

The Horse Racing Act, which joins racetracks and horsemen at the hip, has always done so and that includes a revenue sharing arrangement regarding slots and table games in the recently passed SB690.

Until this point in time, every wager that is made with a racetrack organization licensee or its affiliate, whether it is a wager on a horse race or a bet on a slot machine or a table game, has allocated the profits of the wager to both racetracks and horsemen. Sports wagering would be the first wager that goes against this philosophy.

This discrepancy is clearly visible.

While we understand and respect this board's role is not to disagree or change law, we do believe that you can write rules in this instance to protect the integrity of the Gaming Act by insuring that the horsemen have some input in the potential new revenue stream that the racetracks are pursuing. This would not be a new idea. When advanced deposit wagering became Illinois law the Illinois Racing Board wrote rules to address a similar concern.

Section 325.20 License to Conduct Advance Deposit Wagering

b) The advance deposit wagering license application shall include: 1) If a third party is utilized, a copy of the contract(s), *including the consent of the horsemen's association*, to provide ADW services by an ADW operator licensed by the Board to an organization licensee licensed by the Board;

Although we would prefer a legislated allocation of the revenue, we understand that is not within your power. So, we are simply looking for a rule which follows the previously established norm of the Illinois Racing Board in which the racetracks must seek our consent to begin sports betting. We look forward to working with you to insure that the racetracks and their sports betting partners continue to act in the best interests of horseracing.

Thank you,

The Illinois Harness Horsemen's Association

From:	Anita Bedell
To:	IGB.SportsRuleComments
Subject:	[External] Sports Gambling comments and concerns
Date:	Thursday, September 26, 2019 4:36:13 PM
Attachments:	Sports Gambling Comments.pdf

Please call if you have any questions or need additional information.

Anita Bedell, Executive Director
Illinois Church Action on Alcohol and Addiction Problems
1132 W. Jefferson St.
Springfield, IL 6272
Phone: 217-546-6871

Comments and concerns about Sports Gambling for the Illinois Gaming Board

By Anita Bedell, Executive Director
Illinois Church Action on Alcohol and Addiction Problems
1132 W. Jefferson St., Springfield, IL 62702

Online gambling firms will target people on their cell phone or home computers at any time, day or night. Gamblers could receive comps, invitations, and ads on social media. Gambling companies can use the GPS facility on cell phones to know when sports gamblers are in or near stadiums, ball parks, or arenas to offer promotions to urge gamblers to place a bet.

While previous legislative bills had some restrictions on advertising to prevent underage gambling, SB 690 only stipulated the age to gamble as 21 for sports betting.

Concern about advertising:
Gambling advertisements will be on social media, computers/cell phones, radio, television, billboards, and newspapers. Even if a gambler moves out of Illinois, gambling companies could continue to send promotions, "nudges", and advertisements to entice more gambling on sports.

Gambling companies are grooming children and young men to gamble by advertising during sporting events. **Children as young as six have been targeted by major gambling companies on the Internet.** "Gambling advertisements were found on websites which offer downloadable coloring-in pages, dressing-up games, traditional children stories and on online homework resource websites". http://www.casinoguardian.co.uk/2019/04/04/asa-finds-five-gambling-brands-to-be-violating-gambling-rules-by-targeting-underage-audiences-online/

Social marketing exposes young people to gambling; sports betting advertising is very aggressive. Twitter users under the age of 18 who follow popular sports accounts in the UK were "bombarded" with online gambling ads, according to an investigation by The Times of London. https://www.thetimes.co.uk/article/children-bombarded-with-twitter-gambling-adverts-lm0cm2wk3 Studies indicate that youth who view these ads are more likely to gamble.

Underage gambling:
Teens and young men watch sports and are constantly checking their cell phones. In the next 5 to 10 years, 90% of all sports betting in the U.S. will be done over mobile phones or the internet. https://www.usnews.com/news/sports/articles/2019-06-13/panel-90-of-us-sport-bets-could-be-online-in-5-to-10-years

Teens will be able to watch family members gamble at home. They could bet with a family member or use/borrow the cell phone, tablet, or computer to place bets. No one will be watching to ID the person to ensure they are 21 years of age or older.

Tech savvy teens and insufficient safeguards could allow minors to gamble online. **Rush Street Interactive was fined $30,000 for permitting underage bettors to gamble online for more than a year**. According to the state's Division of Gaming Enforcement (DGE), a software defect that failed to accurately record patrons' birthdates enabled underage gamblers to place bets

between November 2016 and January 2018, reports the *News & Observer*. **The defect** was discovered in January 2018. It **enabled a three-year variation in a person's date instead of recording the birthdate accurately**. https://www.vegasslotsonline.com/news/2019/01/24/rush-street-interactive-fined-30k-for-underage-bettors/

What kind of tests will the Illinois Gaming Board have I place and how often will the sports betting platforms be tested to prevent "glitches" that allow underage betting?

Protections needed against money laundering
Illinois gamblers have embezzled money and lost it at existing casinos. While gamblers have gone to prison and sold possessions in order to repay the stolen money, Illinois casinos kept the stolen money. What rules will the Gaming Board enact to ensure that stolen money and money from organized crime are not laundered through sports betting apps or sites?

No protection for problem and pathological gamblers
A new study found that because users check their phones frequently throughout the day – referred to as 'snacking' – **mobile gamblers tend to bet more often, even after suffering repeated losses.** https://www.theguardian.com/society/2019/feb/22/gambling-apps-more-dangerous-

Gambling companies are in the business of separating money from their customers. **A gambler bet and LOST $506,000 on a football game last week at a sports book in Atlantic City**. It was easily the biggest wager this season. **"It was a relatively easy decision to take the bet**," Bogdanovich noted. "**The guy is a regular customer with us."**
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Do not allow people to gamble on credit
Illinois residents have the fifth-highest credit card debt in the nation. The total credit card debt last quarter in Illinois was around $42 billion. That was an increase of $1.5 billion over the previous quarter.
https://www.thecentersquare.com/illinois/illinois-residents-have-the-fifth-highest-credit-card-debt-in/article_27784602-dfbb-11e9-8469-93c28ab9dd0c.html?utm_source=Illinois&utm_campaign=ed92350805-ILLINOIS_B2C_NEWSLETTER&utm_medium=email&utm_term=0_3386e99c24-ed92350805-26279251

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Do not rely on gambling companies to police themselves
Even though betting on high school, college and minor league sports is prohibited, how will you prevent casinos, racetracks, and sports venues from accepting bets on collegiate and minor league sports?

Gambling companies in other states have been fined for accepting wagers on sporting events prohibited in New Jersey. State gaming regulators levied the largest sports-betting-related fine to date against PokerStars **for accepting more than 200 bets on prohibited events.** https://www.pressofatlanticcity.com/news/press/casinos_tourism/pokerstars-fined-k-for-taking-illegal-sports-bets/article_839bc3b6-3817-5171-9362-7a36b993e8e0.html

In Denmark, a new code of conduct is aimed at reducing problem gambling. **The amount of marketing for gambling games is to be limited, particularly toward children, who may see a form of entertainment turning into a gambling problem.**

The new regulations will also **force gambling firms to more closely check credit and debit card bets, to ensure they aren't being used by problem gamblers who may have stolen them or are using a partner's without their knowledge.**
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How will you ensure that people are only gambling in IL?
Geotracking is not always accurate. A California man was asked to forfeit $90,000 he won gambling online outside of the state of New Jersey.

How many people have LOST money gambling out of state and not been caught or been reported to state regulators?

Inherent Impracticalities and Weaknesses of Regulatory Proposals
Proponents of expanded legalized commercialized sports gambling ignore or grossly understate the difficulty of effectively regulating online gambling. Proponents tout that online sports gambling will allow a gambler to establish pre-commitment betting limits to control loss exposure; but (just as with falsification of identities, spoofing of geolocation software, and evasion of electronic "fences") **pre-commitment limits can be easily evaded** (and, just as casinos did by sponsoring repeals of state statutes imposing gambling loss limits, eventually this

profit-hungry industry can be expected to successfully lobby to end any required offering of precommitment limits).

Credit provision and misuse/abuse, as well as fraud, money laundering, terrorist financing, and corruption, simply cannot be fully effectively monitored when occurring via computers at lightspeed and mixed in with thousands and even millions of transactions, many of which are sure to be encrypted.

Even assuming computer programs can screen for, filter, or identify violations or patterns associated with addictive behaviors, eventually these events have to be evaluated at human speed, by humans, with follow-up interviews, document acquisition and reviews, and resource-intensive enforcement proceedings. **Given the predicted numbers of sports gambling transactions, there simply are practical limits on the availability of trained, skilled human resources needed to make proposed regulations effective**. ***Source:*** https://www.stoppredatorygambling.org/wp-content/uploads/2018/06/Realistically-Unresolvable-Foreseeable-Problems-Which-Will-Arise-from-Expanded-Legalized-Commercialized-Sports-Betting.docx.pdf

From: centerfor advancedprosecution
To: IGB.SportsRuleComments
Subject: [External] Three documents for the Board"s review and consideration
Date: Thursday, September 26, 2019 4:52:01 PM

Sports Gambling Comments.pdf

spg - geolocation and online gambling

Realistically-Unresolvable Foreseeable Problems...

Michael K. Fagan
Adjunct Professor,
Washington University School of Law

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By Anita Bedell, Executive Director
Illinois Church Action on Alcohol and Addiction Problems
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Proponents of expanded legalized commercialized sports gambling ignore or grossly understate the difficulty of effectively regulating online gambling. Proponents tout that online sports gambling will allow a gambler to establish pre-commitment betting limits to control loss exposure; but (just as with falsification of identities, spoofing of geolocation software, and evasion of electronic "fences") **pre-commitment limits can be easily evaded** (and, just as casinos did by sponsoring repeals of state statutes imposing gambling loss limits, eventually this

profit-hungry industry can be expected to successfully lobby to end any required offering of precommitment limits).

Credit provision and misuse/abuse, as well as fraud, money laundering, terrorist financing, and corruption, simply cannot be fully effectively monitored when occurring via computers at lightspeed and mixed in with thousands and even millions of transactions, many of which are sure to be encrypted.

Even assuming computer programs can screen for, filter, or identify violations or patterns associated with addictive behaviors, eventually these events have to be evaluated at human speed, by humans, with follow-up interviews, document acquisition and reviews, and resource-intensive enforcement proceedings. **Given the predicted numbers of sports gambling transactions, there simply are practical limits on the availability of trained, skilled human resources needed to make proposed regulations effective**. ***Source:*** https://www.stoppredatorygambling.org/wp-content/uploads/2018/06/Realistically-Unresolvable-Foreseeable-Problems-Which-Will-Arise-from-Expanded-Legalized-Commercialized-Sports-Betting.docx.pdf

Geolocation and Online Gambling

Proponents of online commercial gambling make a lot of claims, many of which prove to be half-truths, exaggerations, wishful thinking, or flat-out falsehoods. One such recurring claim is that, if a state will authorize online commercial gambling, the operators of the commercial gambling websites will ensure that only

(1) appropriately-aged people

(2) inside that state's geographic boundaries

will be able to engage in the online gambling. According to the online gambling proponents, the commercial gambling operators will employ technology to screen out or block non-residents and minors from online gambling (and, thus, from being exploited in the same way the operators' online gambling business aims to exploit local adults).

Analysis of online gamblers' IP (Internet protocol) addresses , usually via a process called "geolocation," is the supposedly-protective technology touted by the gambling proponents. The proponents claim this IP address analysis will tell whether the online gambler is in, or out, of the state and will also , with other information, help identify the gambler as being of the state's required age to suffer the social harms and financial losses engendered by commercial gambling.

However, there are more clear-eyed views of these proposals.

Unblinded by the prospects of profits, objective observers outside the commercial gambling industry--unbiased persons, who better understand how devices using the Internet are identified--recognize that entrusting geolocation capabilities to IP address analysis

(1) builds undue risks of error and inaccuracy into the system[1];

(2) masks "gaming" or "spoofing" the system; and

(3) lulls regulators into a false sense of security—wrongly believing the online commercial gambling operators can screen out minors and out-of-state gamblers.

[1] Much of this paper's critique of IP-based geolocation systems (or other IP-based Internet-user location efforts) adopts or re-words the Electronic Freedom Foundation's helpful explanation of the unreliability of IP addresses, alone, when they are employed in law enforcement officers' important tasks of determining the physical locations and identities of users of devices connected to the Internet. See, Mackey, Schoen, and Cohn, *Unreliable Informants: IP Addresses, Digital Tips, and Police Raids* (Electronic Freedom Foundation Sept. 2016)(accessible at www.eff.org). To minimize the number of endnotes (in hopes of maximizing readability), this paper does not cite every such usage from the EFF's paper. Instead, the interested reader is invited to review that informative work, which deserves much credit and from which this paper has extensively drawn.

Testimony before Congressional committees has warned federal legislators of the limitations inherent in reliance upon IP address-based geolocation systems and how easily they can be spoofed,[2] but evidently some state legislators and regulators have either ignored or not heard such testimony. Some, too, may have been buffaloed or bought by lobbyists for online commercial gambling operators, as well as by the operators themselves and the geolocation firms who, seeing money to be made, brazenly oversell their capabilities.

Proponents of online commercial gambling legalization overstate the reliability of IP addresses as "identifiers." IP addresses have a limited technical purpose. These strings of numbers exist to identify a device (i.e., they provide an impermanent "address" for that device) on the Internet and to route traffic to that address. The use of IP addresses provides a simple, machine-readable system for rapid routing of international Internet traffic. Using this technology beyond the context for which it was designed, however, promises varying degrees of failure, since IP addresses identify only an Internet-based electronic destination. The physical location of that electronic destination is something that can be readily changed, spoofed, or misrepresented; furthermore, even absent such tampering, the electronic destination itself may be in motion or may be an IP address assigned to a device using a cellular tower that is inside one state while the device and its user are inside an entirely different state (a common occurrence near state borders).

IP addresses, never designed to uniquely identify a physical location, do not inherently "belong to" a particular country, state, or locality. While blocks of IP addresses are assigned to world regions by a coordinating body (the Internet Assigned Numbers Authority, or "IANA"), network operators known as Internet Service Providers ("ISPs") are usually in charge of further assigning IP addresses. No single standard exists among ISPs by which they assign IP addresses. Thus, an IP address need not be used in or from a particular physical location or area, nor by a particular ISP's end user.

While it is true that geography may factor into an ISP's decision on assigning local IP addresses, this factor (geography) typically only has importance to the ISP when geographic considerations prevail in network efficiency considerations. Since, invariably, the ISP's chief consideration will be creation and maintenance of the most efficient network process to deliver Internet traffic, whether locations near each other have like IP addresses seldom turns on physical geography alone. Rather, where the ISP has its' physical links and routers usually plays a key role in determining IP address allocation.

It is also true, of course, that IP address allocations are recorded in searchable databases—yet it is just as true that these databases widely vary in content and

[2] https://judiciary.house.gov/wp-content/uploads/2016/02/Fagan-Testimony.pdf, pp. 3 & 12; http://docs.house.gov/meetings/JU/JU08/20150325/103090/HHRG-114-JU08-20150325-SD005.pdf, p. 3.

comprehensiveness; moreover, as explained above, the significance of any IP address allocation can vary markedly. This is especially frustrating to efforts to reliably and consistently affix a geographic location to a device using a particular IP address. The frustration becomes even greater upon recognition that, *these days, devices often share a single IP address.* Neither is the situation helped by the fact that no central listing, map, directory, or cross-reference resource exists that pairs IP addresses and particular locations. Even if such a central resource did exist, *as time passes, IP addresses are frequently reassigned to different Internet users.* Neither is there any uniform method based on IP addresses of systematically mapping associated physical locations. While maps using such data can be created and, for some addresses, may prove accurate, necessarily the maps cannot be entirely comprehensive or correct, given the inherently inconsistent linkage between a physical site and IP address information.

Another flaw in use of the geolocation technique as a protective device for online gambling compliance is that users at both ends of the transaction have little motivation to consistently adhere to legal requirements. Each is willing to accept use of a technique that merely looks effective, since even a modest error rate inures to the financial advantage of the participants in online commercial gambling. The online commercial gambling operator wants as many gamblers as possible, to wager as much money as possible, as frequently as possible, and for as long as possible. Simply stated, that is the business model at the foundation of all commercial gambling ventures. At the other end of the online transactions, the gamblers gain the value they ascribe to the use of the online service, whether they win or lose their wagers.

Thus, if out-of-state gamblers or underage gamblers do use the operator's service, in the vast majority of instances the operator financially benefits (since, if playing against the house, it is the nature of the game that the gambler loses far more often than wins; and, if playing against other online gamblers, the operator collects a "rake" or fee from all participants in the wager). Hence, the operator of the online gambling entity is motivated to seek only that compliance technology that allows him to say "I tried," not "I succeeded," when it is later discovered that out-of-state or underage gamblers used the operator's online gambling site.

Likewise, the out-of-state or underage gamblers obviously lack motivation to insist on accurate compliance. They are likely satisfied, for example, that geolocation can be spoofed or when it only works part-time to screen them out. After all, both occasional and addicted gamblers often feel they only need that one successful opportunity to bet what they feel is a sure thing, while sophisticated professional gambling conmen, point-shavers, match-fixers, syndicates, and their "beards" can be satisfied with strategically placing the occasional online bet from outside a jurisdiction, knowing that out-of-state investigations to locate and extradite them are costly and rare to the point of being effectively non-existent. Some legislators, too, hoping to maximize the revenue a state may make from taxing the online commercial gambling operators (whether the tax is based on the gross revenue , or "handle," the number of patrons, or both),

figure that some form of modestly-successful compliance technology is "good enough," especially when the failure rate tends to fatten the state's bank account. Of course, this collection of persons willing to "look the other way" regarding commercial gambling law violations does little to promote respect for law, generally, and much to encourage its violation.

As for use of IP addresses in attempting to identify specific individuals (such as, for example, underage gamblers; persons who are on self-exclusion lists due to gambling addictions; persons suffering from mental illnesses or mental handicaps; persons banned from gambling due to criminal convictions and their associated pre-trial release, probation, or parole conditions; and persons using online gambling to launder money or finance terrorism or other criminal activity), *there is nothing about the IP addresses themselves that identifies anyone.* Again, IP addresses identify only devices or groups of devices on the Internet. With enough additional information beyond a known IP address, one can posit that a single identifiable person can be associated with a particular device connected to the Internet, but real-world contexts often defeat such conclusions.

One of the modern circumstances defeating such conclusions is that in most advanced and Internet-using nations, such as the United States, the most widely-used version of the Internet Protocol, IPv4, lacks sufficient available addresses to assign a unique IP address to each device connected to the Internet—there are simply more devices than there are available unique numeric IP addresses. This means that when an ISP's customers first access the Internet, they often will connect through an IP address that was previously used by someone else—or even through an IP address that is simultaneously being used by someone else! Technologies—particularly those used by mobile carriers providing ISP service and in household routers—now allow multiple devices and users to share a single IP address (e.g., Network Address Translation, or NAT, creates a private network wherein a single public IP address is shared by all the network-using devices).

To these problems, online commercial gambling operators may offer that technology changes, and these future developments may catch up and resolve these problems. Maybe, but maybe not. After all, already there is a new version of Internet Protocol, IPv6. Yet, even with the much greater pool of IP addresses available via IP6, in the United States only thirty percent of Internet users have adopted IPv6 addresses (per measurement available at www.WorldIPv6Launch.org). Given the efficiencies of sharing IP addresses, neither IPv6's technological change nor reasonably-predictable others provide confidence that IP addresses will, in the foreseeable future, no longer be shared by multiple users and devices.[3] IP addresses

[3] Indeed, ongoing research suggests that technical revamping of the overloaded Internet, through development of entirely new, modified, or different addressing or operating systems or designs, such as Named Data Networking (NDN), could undercut or diminish even the limited utility IP addresses presently have in the effort to physically locate or identify users of the Internet. See, https://engineering.wustl.edu/news/Pages/Building-a-better-internet.aspx. Weight assigned to protecting internet

simply are not static, do not identify a particular location on a map, and do not identify a particular person using a device.

Of course, with properly-corroborating information considered in conjunction with an IP address, it is *sometimes* possible to reasonably-reliably identify a particular location or individual. Using billing records obtained from an ISP and/or other location data (such as trace routing analysis, GPS report analysis from mobile devices, and real-world physical investigation to precisely match an IP address with a physical location), close, and sometimes precise, matching of an IP address and a physical location can occur. But online commercial gambling operators lack subpoena power to gain the billing records from ISPs (and citizens presumably would not want to give such powers to private entities), so this kind of data available to law enforcement is unavailable to commercial gambling operators.

ISPs can be expected to balk at bearing the added financial expense (i) of conducting labor-intensive physical investigations; (ii) of verifying, storing, and securing customer-supplied or investigator-discovered identifying information; and (iii) of risking costly privacy intrusions and thefts of these kinds of acquired personally-identifying information, or even that such as would be revealed by GPS and trace routing analyses. In any event, location information acquired from an ISP provider may merely reliably indicate the location of an ISP subscriber but not the specific user (who is gambling via that subscriber's broadband service). Likewise, even when the more complicated technical means of approximating an IP address and a physical location result in a "match," the result may not be an actual street address, and almost certainly would not reliably identify a particular person, his age, or other relevant circumstances.

Complicating the task of matching an IP address to an identifiable person is the widely-available existence of anonymizing services. Perhaps the best-known such service is "The Onion Router," more often referred to by its initials, Tor. As explained at torproject.org, Tor both masks the IP addresses of its users and routes the device's traffic through exit relays that volunteers operate. These volunteers neither control nor have knowledge of the content, senders, or recipients of the Internet communications flowing through their relays. Online commercial gamblers using Tor provide revenue to online commercial gambling operators and minimize to the vanishing point their risk of being identified via IP address.

Further complications in identifying users stem from the now-common employment of open wireless networks operated by countless individuals, companies, and libraries, among others. These services typically have little or no control or knowledge of how the Internet connections they provide are being used, nor do they know the identities of the users. Even-more-complicating the challenge of using an IP address as a proxy for someone's identity

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users' privacy interests, as new technical changes are invented and refined, certainly will impact future identification and compliance tasks.

is the existence of widely-available services such as proxy servers and Virtual Private Networks (VPNs). In short, multiple easily-accessed, often-used services exist to make IP addresses highly unreliable indicators of any particular person's identity and/or location.

Legislators and regulators also need to realize that when a device connected to the Internet is used on a different Internet connection, the public IP address associated with that device most often will change. Thus, as a general rule, one must consider that the IP address assigned to a particular subscriber's device may be temporary or dynamic, may include many other people's traffic, and some of these other people may be hundreds or thousands of miles from the subscriber's physical location. Hence, as a federal judge observed, "[I]t is no more likely that the subscriber to an IP address carried out a particular computer function…than to say an individual who pays the telephone bill made a specific telephone call."[4]

Responsible law enforcement agencies investigating cybercrime or seeking to locate suspects, victims, or witnesses know that an IP address provides merely the starting point of an investigation aimed at determining the person's physical location; typically, this initial clue must be supplemented with numerous pieces of additional information that the agency can acquire with subpoenae, interviews, surveillance, and other investigative techniques. *Responsible* law enforcement agencies do these things because they want to do things right, to ascertain the truth of an event, and to catch or locate the correct person. Mistakes waste their limited resources and can subject them to financial liability and public reproach. Often, their second step in such information-gathering will be to use a reverse Domain Name System (DNS) "lookup" of the IP address they have at hand. By checking this massive DNS database of the Internet's IP addresses and associated website domain names, investigators sometimes can find the name and contact information of the person or entity that registered the domain. This information, with additional investigative effort, may (or may not) provide additional information about a physical address and, if so, still additional investigation may help determine if the address so located is, in fact, relevant to the goal of the agency's investigation.

In contrast, operators of online commercial gambling enterprises have motivations significantly differing from law enforcement agencies. Maximizing revenue and minimizing expenses, while adhering to the above-noted commercial gambling standard business model (to get "as many gamblers as possible, to wager as much money as possible, as frequently as possible, and for as long as possible."), is the overriding goal. Commercial gambling proponents frequently argue that framing the goal as just stated overlooks that protecting any existing legal authorization (license, permit, statutory authority, etc.) to operate their business is as, or more, important than the standard business model (since, if the authorization is lost through misconduct or malfeasance, the profit-making opportunity is entirely lost). Theoretically, that argument might seem valid, but real-world facts (e.g., commercial gambling's history of corruption; its'

[4] BitTorrent Adult Film Copyright Infringement Cases, 296 F.R.D. 80, 84 (E.D.N.Y. 2012).

proven inability to adequately police itself; its' seemingly-magnetic attraction to society's grifters and criminals--both as employees and as patrons; and the actual experience of law enforcement and regulators with the commercial gambling industry's repeated defalcations and organized crime involvement), overwhelmingly establish that, when legal obligations exist that cut into profitability, this industry cuts corners whenever it can.

As observed in uncontradicted Congressional testimony (by a career federal prosecutor with extensive experience in investigating and prosecution online commercial gambling cases),

> At least responsible bricks-and-mortar casino operators can look a gambler in the eye and make the human assessment of whether he's too drunk, mentally unhinged, despondent and desperate, developmentally disabled, or otherwise at a point at which it's simply unfair to take advantage of him any longer. Internet gambling operators not only cannot assess these characteristics among their clientele, in my experience they don't care to, preferring to prey on the weak and the strong equally.[5]

No reasonable observer familiar with the facts expects that online commercial gambling operators will, can, or want to regularly conduct the kind of additional investigation that a responsible law enforcement agency conducts to reliably identify an Internet-user's address or identity and age. Some merely-cosmetic effort at going beyond the IP address--at acquiring and verifying needed information--is all that can be expected on a long-term basis. Indeed, that is all that the effort that presently is being expended in those jurisdictions where some form of online commercial gambling *has* been authorized by incautious governments. And, knowing that states always lack the resources to investigate and compel compliance, *it is the nature of the commercial gambling industry to risk non-compliance, to avoid the expenses of self-conducted investigation, and to maximize revenue.* Industry protests and promises to the contrary are gossamer and short-lived.

> There is no way that the federal government, or any individual or combination of state governments, can expand to the degree necessary to effectively police and regulate the likely scale of legalized Internet casino, poker, and/or sportsbook gambling (i.e., there will be millions of data transactions , informational and financial--involving billions of lines of code in malleable, disguisable formats with anonymizing and proxy tools readily available, use of manipulative techniques and subliminal messages, as well as easily-disguised traditional and electronic collusive and corrupting behaviors). Realistically: No police force/regulatory body will be big enough/skilled enough/funded enough [to effectively police and regulate the users and operators of online commercial gambling enterprises].[6]

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[5] http://financialservices.house.gov/media/file/hearings/111/fagan%2007-21-10.pdf

[6] https://judiciary.house.gov/wp-content/uploads/2016/02/Fagan-Testimony.pdf, p. 3.

Given that reality, and given the equally-certain disinterest of the online commercial gambling industry in conducting costly, comprehensive, and accurate IP address investigation, and given the frequently-misunderstood and limited purpose of IP addresses, no longer can one responsibly believe the online commercial gambling industry's "half-truths, exaggerations, wishful thinking, or flat-out falsehoods" regarding IP addresses.

(And this, of course, is entirely different than the industry's wholesale failure to explain how expanded Internet gambling would, somehow, make the world a better place for anyone--other than the already-wealthy operators of Internet gambling enterprises. That, however, is a topic for another paper.)

--The Predatory Gambling Liability Project,
an effort of Stop Predatory Gambling, a 501(c)(3) organization;
October 6, 2016

Friend of Congress Memorandum of Michael K. Fagan,
Adjunct Professor, Washington University School of Law

Submitted to the Subcommittee on Crime, Terrorism, Homeland Security, and Investigations,
United States House of Representatives Committee on the Judiciary,
Legislative Hearing on Sports Gambling
(submitted for September 27, 2018 hearing, and subsequently updated, January 17, 2019)

Realistically-Unresolvable Foreseeable Problems Which Will Arise from Expanded Legalized Commercialized Sports Betting

A. Loss of Community Control

Commercialized sports gambling's proponents claim that, until the recent U.S. Supreme Court ruling in *Murphy v. NCAA*, it was existing federal law (PASPA) that restricted local freedom to legalize sports betting. That simply is untrue. Federal courts had explicitly (and repeatedly) interpreted PASPA to permit states to allow intra-state sports wagering if their laws were appropriately crafted--but the proponents didn't want to follow these rulings and, ultimately, don't want to allow localities to decide for themselves. With PASPA now set aside by the *Murphy* decision, and if or when expanded commercialized sports gambling is authorized by various U.S. states and territories, this nation will likely have scores of varying laws and regulations to address businesses engaged in commercialized sports gambling. These variances will pose a level of inefficient complexity for the commercialized sports gambling industry. That complexity will drive the industry to ever-more insistently lobby Congress for single national standards (which would increase industry efficiency and, so, profitability)--but at what cost? A more recent force likely to prompt this lobbying is the 2019 US Dept. of Justice, Office of Legal Counsel OLC), recognition that OLC's earlier (2011) re-interpretation of the federal Wire Act (which had limited the Act's scope) was in error. See, https://www.justice.gov/olc/file/1121531/download (re-establishing that most prohibitions in the Wire Act apply to both sports and non-sports gambling).

The foreseeable, inevitable industry push for nationwide legalization necessarily will undercut federalism, eroding local citizens' rights to determine at a local level what kind of vices they will or will not tolerate (and to what degree and at what costs, both tax-wise and social-harm-wise). This loss of local control is an incalculable loss of freedom.

The commercialized gambling industry-and-state-legislator partnership's supposed attempt to "protect" state's rights was fraudulent, for in *Murphy v. NCAA*, **New Jersey's attack on PASPA was but a step *en route* to the industry goal of a single national gambling law authorizing expansion of commercial gambling, nation-wide.** After all, there have long been ample channels already existing for citizens to engage in sports gambling using non-commercialized

means (*e.g.*, social bets among friends and family; non-profit office pools; limited non-profit charitable wagering). Especially since multiple alternative and non-commercialized channels for sports gambling exist, Congress is not required to permit interstate commerce to be used to exploit citizens, whether by states partnering with the commercialized gambling industry or by anyone else. Neither should states through their commercial partners be allowed to enter into compacts with one another in multi-state schemes to increase their aggregate interstate "take" from bettors swayed by sophisticated interstate commerce-based marketing and privacy-invasive tracking tools used by modern commercialized gambling businesses. The power imbalances created by multi-state gambling pacts overwhelm individual choice, and they fund harmful practices, via industry spending in ways that responsible social health advocates can never hope to match. And, beyond the commercialized sports gambling industry's transparent aim to eliminate or restrict local freedoms, there are other significant costs sure to flow from expanded commercialized sports gambling, as discussed, below.

B. Quality of Life/Environmental Degradations

Considering these costs, comparison of the U.S. and other nations' experiences with commercialized sports gambling are largely ill-founded. Differences in history, culture, economies, and healthcare structures make such a comparison of little value.[1] For example, unlike some countries, this nation has the First Amendment and broad interpretations by courts of the expressive freedoms it protects. These interpretations permit both expansive commercialized speech and the associated spending by powerful interests to advance their commercialized interests--spending at levels that most citizens and community organizations can *never* match. This **imbalance of power gives commercialized sports gambling**

[1] Even if such comparisons had modest value, it would be tempered by recent reports and studies from English-speaking legalized-commercialized-sports-gambling nations that reveal massive and growing problems of behavioral addictions and loss of integrity. See, *e.g.*, Phillip W. Newall, How Bookies Make Your Money, 10 Judgment and Decision Making 225-231 (2015); Mark D. Griffiths and Michael Auer, The Irrelevancy of Game-Type in the Acquisition, Development, and Maintenance of Problem Gambling, 3 Frontiers in Psychol., 621 (2013); David Putnam and Ryan Rodenberg, Future of Sports Betting: the Pitfalls, http://www.espn.com/chalk/story/_/id/17910253/the-future-sports-betting-go-wrong-sports-betting-was-legal-united-states,as updated Nov. 1, 2016 ("Today, after what he calls the 'gamblization' of sports in Australia, [Dr.Christopher] Hunt says sports bettors make up one-third of the clinic's patients" at the University of Sydney Gambling Treatment Center.). Regarding sports and non-sports commercialized gambling, a large, recent public health study in New Zealand found that "gambling causes over twice the amount of harm than [do] chronic conditions such as osteoarthritis (2.1x) and diabetes (2.5x), and three times the amount of harm from drug use disorders," and that even "a low risk gambler typically has about 20% of their quality of life 'subtracted' by gambling." The study identified six main areas of harm associated with gambling: "Decreased health. Emotional or psychological distress. Financial harm. Reduced performance at work or education. Relationship disruption, conflict, or breakdown. Criminal activity." New Zealand Ministry of Health, "Measuring the Burden of Gambling Harms in New Zealand" (pub. online 06 July 2017), at https://www.health.govt.nz/publication/measuring-burden-gambling-harm-new-zealand. If its' Commerce Clause powers no longer permit Congress to preclude a renegade state legislature from imposing these harms on the nation's citizens, fatal flaws thought discarded with the Articles of Confederation will have reinfected interstate commerce.

interests a systemic advantage that most people, upon reflection, recognize as unfair. Moreover, expanding and **legalizing the commercialized sports gambling industry promises that gambling advertising will occur at unpleasant, irritating, environmentally-intrusive levels** (such as with the Daily Fantasy Sports gambling ad invasion of 2015-16; only, post-legalization, America will be awash in commercialized sports gambling advertising "on steroids"). Congressional authorization of such environmental intrusions invites voter backlash.

This **onslaught of gambling advertising can be anticipated** to include the display of odds at sporting venues and during event broadcasts of all types (e.g., TV, radio, Internet); of logos and appeals in print media, on billboards, in direct mailings ("junk mail"), and on buses and taxis; ads popping up irritatingly on computer and handheld device screens; announcers and analysts, for pay, kickbacks, or favors, referring to odds, point spreads, and sportsbooks during and in pre- and post-game commentary; with occasional skywriters and blimps and brochures also intruding their forms of commercialized sports gambling ads into daily life; and, in a very short time, all this resulting in the very nature of sports itself being impacted and significantly altered. This converting of sports into a mere vehicle of commerce and greed is yet another incalculable environmental cost. Cf., Tom McMillen and Paul Coggins, Out of Bounds: How the American Sports Establishment is Being Driven by Greed and Hypocrisy--And What Needs to be Done about It (Simon and Schuster 1992), at 202-203.

This is not idle speculation: Industries spend billions on advertising because it *does* shape behavior. **Gambling entities**, such as states operating lotteries, **already "advertise so aggressively in poor neighborhoods**" where poor people view such gambling as "an investment' when, instead, it is "a mirage of the American dream… ." Arthur C. Brooks, "Powerbull: The Lottery Loves Poverty," Wall Street Journal, op-ed (August 27, 2017)(also noting that there is scholarly "evidence that states intentionally direct such ads at vulnerable citizens."). Shaping Americans' behavior into increasing their commercialized gambling on sports and, eventually, on non-sports gambling, as well, all **to advance corporate profitability while escaping corporate responsibility for harms caused, is precisely the unstated object of the commercialized gambling industry and its sports gambling subcomponent**.[2]

To avoid this harm, some have argued for imposing limits on commercialized sports gambling advertising. Imposition of gambling advertising limits, whether by law or by self-regulation, would have to address a kaleidoscope of issues (such as restrictions and standards addressing time and place, frequency, honesty of claims, media types and usage, targeted age groups, transparency regarding originating advertisers and hidden funding, free-play inducements,

[2] It is thus unsurprising that, when *Murphy v. NCAA* was pending, commercialized gambling industry consultants, counting unhatched chickens, promoted that their panel of experts would, via an August 9, 2017, webinar, reveal "how casinos can use sports betting for customer acquisition and retention… ." July 13, 2017, blast email received from "The Innovation Group," of Littleton, Colorado (and citing the American Gaming Association's Senior Director of Research as a panelist) (excerpt from email on file with the author).

bonuses, discounts to new players, and like promotions, endorsements by athletes and celebrities, prohibitions on exploitation of disadvantaged groups, use of tying arrangements with other industries or products, data-mining-based advertising, virtual and augmented reality-based ad techniques, subliminal or subconscious advertising, and the use of sexual-themed or similar psychological appeals). Even assuming no First Amendment challenges to such advertising limits (an unrealistic assumption), government and the industry would have to commit sufficient resources and funds to enforce these advertising limits for them to have any meaning whatsoever--and neither taxpayers nor the industry can be expected to willingly pay for these protections. Further, neither commercialized gambling-reliant state governments nor the industry can be expected to adequately enforce the limits, since the greed of each can be expected to adversely influence enforcement decisions. By enacting PASPA, Congress obviated these expensive and resource-diverting problems, in accordance with its constitutional powers to govern interstate commerce.

Nations where commercialized gambling operators exist and have arguably less expressive protections than provided in the United States by the First Amendment (and, so, which have been able to exert more control over advertising than in the U.S.) nonetheless **are now recognizing how commercialized sports gambling advertising negatively impacts children and promotes undesirable behavior**. See, H. Pitt, S. Thomas, A. Bestman, M. Daube, & J. Derevensky, "What do children observe and learn from televised sports betting advertisements? A qualitative study among Australian children," Australian and New Zealand Journal of Public Health (18 October 2017), at http://onlinelibrary.wiley/doi/10.1111/1753-6405.12728/full# ; T. Kelley, "Match of the Day pundits are 'pushing gambling' to children by promoting betting firms on Twitter…," Daily Mail (19 January 2018, updated 20 January 2018), at http://www.dailymail.co.uk/news/article-5290253/BBC-sports-pundits-slammed-promoting-betting-firms.html ; N. Toscano, "UNICEF urges Turnbull to toughen gambling ads ban," (January 18, 2018) at http://smh.com.au/business/unicef-urges-turnbull-to-toughen-gambling-ads-ban-20180117-p4yyk2.html ; "Gambling laws: Labour MP admits party was wrong to liberalise," (23 October 2017) at http://www.bbc.com/news/uk-wales-politics-41723405 ; J. Reed, "Gambling adverts 'in 95% of TV matches'," (23 October 2017), at http://www.bbc.com/news/business-41693866. The "buyers' remorse" now surfacing in these nations provides a bracing caution, if American judicial and legislative eyes can remain unblinded by industry-funded campaigns. America's sports future may be foretold by a 27-year-old who participated in a recent University of Bath study of commercial gambling's impact in the UK, "...[G]ambling has ruined sport now...You just can't enjoy it [sport] for what it is….All my mates can't watch it without having a bet any more. It has ruined sport….I can't remember the last time I just watched the game like a real fan, without having a bet on it." See, "Revealed: the 'dire consequences' of football's relationship with gambling,"(10 Jan. 2019) at http://www.theguardian.com/football/2019/jan/10/football-gamblig-dire-consequences-young-men-bet-new-study (finding "catastrophic impacts" from the intensity of the online sports gambling experience).

C. Gambling Technology's Adverse Behavioral Implications

Expanded legalized commercialized sports betting, if allowed in the United States, will occur in an era where new technologies, added to existing computer technologies, will equal increased betting availability and convenience. In turn, this **increased online betting availability and convenience provably equals increased risk of and incidence of problem gambling**[3] (and this term, here, refers to both problem gambling and pathological gambling, since both are categorically undesirable and harmful to individuals, families, non-gambling businesses, and communities). The **technological combinations also permit secret and ever-enhanced behavioral tracking and the resultant exploitation of bettor tendencies and weaknesses**. Anyone contending the commercialized gambling industry would never do such things is living in a dream world, as **casinos and online marketers already employ these hidden tactics to induce ever-more gambling.**

Further, **with expanded sports gambling will come** increased availability of exotic bets, teaser bets, proposition bets, real-time in-game micro-bets, and cash-out wagering options (among others)--all of which are **variations designed to increase betting**. Likewise, **betting exchanges will appear and flourish, making it possible to bet on losing outcomes, with even greater corrosion of game integrity sure to follow**. Necessarily, a concomitant increase in risk of and incidence of problem betting will follow--and at extreme rates, since the majority of sports betting will largely be online, eventually, and **studies have established that online gambling promotes problem gambling at rates far above those of casino-based betting**. See, for example, Lia Nower, Rachel A. Volberg, and Kyle R. Caler, "The Prevalence of Online and Land-Based Gambling in New Jersey, Rutgers Center for Gambling Studies," (2017) at https://socialwork.rutgers.edu/centers/center-gambling-studies/research-reports-and-questionna

[3] "[T]he majority of studies show 'a link between the expansion of legal gambling opportunities and the prevalence of problem gambling." Natasha Dow Schull, Addiction by Design (Princeton University Press 2012), endnote 57, at p. 319 (citation omitted). Since "most gambling prevalence screens examine only whether individuals have had a gambling problem in the last year," and since "gambling problems wax and wane over time for individuals,...lifetime prevalence rates are much higher than annual prevalence rates." Id. (citations omitted) Moreover, the type of AGA-supplied "problem gambling prevalence rates expressed as shares of the adult population are misleading measures of the real risks when most of the adult population do not gamble regularly, or do not gamble at all." Id., endnote 58, at p. 320 (citing Productivity Commission, "Australia's Gambling Industries: Draft Report" (2009), a report prepared for the Australian Government). That Prof. Schull largely focuses on electronic gambling machines (EGMs, a/k/a "slot machines") does not undercut her book's utility here, since commercialized sports gambling operators have and will continue to develop EGMs based on both current and completed sports events, and since online gambling, effectively, converts much of commercialized sports gambling into EGM-based activity, with its identified harms. New Jersey's statute at issue permits this "slotification" of sports gambling as a lure to anyone, whether traveling through or residing in the state. "Eventually, though, almost all sports betting will take place online, experts say." David Purdum and Ryan Rodenberg, Future of Sports Betting: the marketplace," at http://www.espn.com/chalk/story/_/id/17892685/the-future-sports-betting-how-sports-betting-legalized-united-states-the-marketplace-look-like. Internet usage invariably involves interstate commerce.

ires/prevalence-gambling-new-jersey. Their study finds that, after adding online (non-sports) commercialized gambling availability in New Jersey, the prevalence rate of both gambling disorder and reported gambling problems increased approximately 300% (id., p. 58). Additional findings were that "more than 31% of online gamblers indicated they gambled online from work or during work hours, 40% gambled one or two days a week and nearly 24% gambled three to five days per week," (id., p. 60); that "a majority of educators and parents are unaware of the severe adverse consequences that can result from [gambling online,] a seemingly harmless activity," (id.); and daily fantasy sports gambling "players also reported higher levels of substance abuse, behavioral problems and mental health issues than other non-DFS gamblers. They were 13 times more likely to report suicidal ideation and nine times more likely to have attempted suicide compared to other gamblers." (id., p. 61)

D. Inherent Impracticalities and Weaknesses of Regulatory Proposals

Proponents of expanded legalized commercialized sports gambling ignore or grossly understate the difficulty of effectively regulating online gambling. Proponents tout that online sports gambling will allow a gambler to establish pre-commitment betting limits to control loss exposure; but (just as with falsification of identities, spoofing of geolocation software, and evasion of electronic "fences") **pre-commitment limits can be easily evaded** (and, just as casinos did by sponsoring repeals of state statutes imposing gambling loss limits, eventually this profit-hungry industry can be expected to successfully lobby to end any required offering of pre-commitment limits). **Credit provision and misuse/abuse, as well as fraud, money laundering, terrorist financing, and corruption, simply cannot be fully effectively monitored when occurring via computers at lightspeed and mixed in with thousands and even millions of transactions, many of which are sure to be encrypted**. Even assuming computer programs can screen for, filter, or identify violations or patterns associated with addictive behaviors, **eventually these events have to be evaluated at human speed, by humans**, with follow-up interviews, document acquisition and reviews, and resource-intensive enforcement proceedings. Given the predicted numbers of sports gambling transactions, **there simply are practical limits on the availability of trained, skilled human resources needed to make proposed regulations effective**. The entirely-predictable industry desire to evade the costs of such resources and training, on an on-going basis, further undercuts industry claims that such regulations would be effective.

Impossible--and **impossibly-expensive--regulatory challenges will not only exist as to the commercialized sports gambling industry's machinery, but also as regards the very sports subjected to commercialized wagering-induced stresses and temptations**. With state-authorized sports wagering, it is a certainty that increases will occur in risks of and instances of match-fixing and point-shaving at every level of sport, amateur or professional, so long as commercialized betting can occur on the event. Vastly-increased numbers of betting transactions necessarily will serve to mask and promote attacks on sport integrity, as players, officials, and staff can hide their own wagers by using family, friends, or others to wager on their behalf--such **"insider trading" cannot be effectively halted**--and this does not even address

the likely increase in organized crime and others' efforts to corrupt game outcomes and player performances or to improperly acquire confidential information having value to bettors. Who will bear the increased costs and massive resources needed to protect each sport's integrity? A proposed AGA-led integrity squad? That's the fox guarding the henhouse. **Given the commercialized sports gambling industry's historic aversion to bearing costs, one cannot realistically expect that industry to pay to ensure game integrity.** This leaves the costs to be borne by the sports teams and leagues who, of course, will pass their increased costs on to the fans, **meaning both non-gamblers and gamblers will lose from from expanded legalization of commercialized sports gambling.** These losses, of course, adversely impact interstate commerce, for they will not be borne only by in-state residents. Some sports gambling proponents claim that **"integrity agreements" at the team and league levels** will protect game integrity, but such agreements **are not self-enforcing and require costly independent monitoring and enforcement if they are to be something more than facades**. Furthermore, it only increases temptations for corruption to give leagues and teams, via these agreements, veto power over what type of bets to offer and what information will be exchanged or provided.

Ineffective, too, would be **"codes of conduct" that some have proposed for potential sports bettors to adhere to when they have access to specialized inside information or have a commercially-valuable association or participation in an event/series/team/league**. These codes **are easily evaded; they are unclear in application** (do they extend to only to Players? Officials? Staff? Spouses? Siblings? Offspring? In-laws? Neighbors? Friends? Co-workers? Investors?); **and they are prohibitively expensive to properly monitor and enforce** (and at whose expense?).

And what of inadvertent or improper release or use of internal or confidential information without the intent to gain untoward advantage or benefit, yet having precisely that effect (e.g., influencing game outcome, pointspread, or odds)? How can the codes prevent these instances, which plainly put other bettors at an unfair disadvantage? How should the instances, if not prevented, be treated? Must the codes cover all intentional, reckless, grossly-negligent, and merely negligent behavior? If not, why not?

Even assuming that adequately detailed and comprehensive codes of conduct could be developed to address all likely eventualities, **who would enforce such codes, where would adequate multi-level resources to do so come from, and who would pay for them**? As noted previously, **the commercialized sports gambling industry will necessarily skimp on compliance, on staff training, and staff skills development, because these obligations cost the industry money. Expecting state or federal government regulators, rather than the industry, to serve these functions is illusory. Government regulators are characteristically underfunded**, **and** the particular history of commercialized gambling regulatory efforts establishes that **regulators are too-often "captured" by and subservient to industry.** (After all, regulators now allow slot machines and video poker machines to be

purposely designed to addict;[4] some regulators even allow industry use of so-called historical horse race machines to evade states' prohibitions on slot machines;[5] these are just two examples of how the commercialized gambling industry *has* captured regulatory bodies.) Nothing about legalized commercialized sports gambling suggests that citizens should expect any different outcome. Indeed, recent attendees at a European sports integrity conference learned that, there, "National gambling regulators are pessimistic about the investigation and enforcement of match-fixing cases, believing that police involvement does not guarantee offenders will be held to account[;]" that "difficulties in finding reliable evidence were among the reasons why organised crime groups are thriving[;]" and data sharing limitations among nations precludes effective enforcement. E. Grabbe, "Operators Told 'Don't Put Money On Police' In Match-Fixing Probes," (13 October 2017), at https://gamblingcompliance.com/premium-content/insights_analysis/operators-told-don%E2%80%99t-put-money-police-match-fixing-probes.

An oft-overlooked aspect of gambling-based corruption in sports is that, typically, the corrupt behavior can be accomplished by one person rather than there being a need to corrupt a group or an entire team to succeed. This **"atomization of risk" makes effective policing of corrupt behavior all the more difficult--and expensive--and impossible, in a purposely-increased market of millions.** Of course, at smaller participation levels, similar risks exist at present; yet, those risks increase geometrically if commercialized sports gambling expands at the levels urged and desired by the corporate gambling operators and their state legislative partners. Increased risks of corruption inherent with expanded commercialized sports gambling simply will not be matched by corresponding and proportionate abilities to regulate, investigate, and enforce at every level and type of sport.

Expanded legalized sports betting will invariably lead to betting on non-sports contests, such as elections, the integrity of which must not be undermined (as underscored by recent shockwaves from news reports of Russian cybermeddling in U.S. elections). Allowing commercialized betting on elections invites possibly large blocks of voters to decide and vote based on considerations other than candidate merit and policy preference. Generally, people quickly understand and **recognize this corruption risk to elective democracy**. Sometimes less quickly understood, but equally true, is that **allowing commercialized sports gambling**

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[4] See Natasha Dow Schull, Addiction by Design, (Princeton University Press 2012), pp. 90-91, 94, 298-299.

[5] *Compare*, *e.g.*, Ky. Administrative Regulation 1:011 §3 to State ex rel. Loontjer v. Gale, 853 N.W.2d 494 (Neb. 2014) and Rodeo Events LLC v. State, 134 P2d 1223 (Wyo. 2006)(where the court, unlike the state's regulatory body, would "not [be] so easily beguiled.") The U.S. Supreme Court, too, would do well to be not easily beguiled by commercialized sports gambling industry claims voiced by New Jersey, a state that once sought to protect, rather than exploit, its citizens. **Using state legislation to call organized harm something other than organized crime does not reduce the harm, especially when the state's action serves to expand the market.** (It is akin to the AGA's continuing euphemistic fraud in calling gambling "gaming" when, in a 21st century world of electronic game platforms, gaming is clearly a different activity than gambling.) Moreover, these "Instant Racing" machines can properly be enjoined under PASPA since they do not offer parimutuel wagering. Liebman, B., "Pari-Mutuels: What Do They Mean and What is at Stake in the 21st Century?," 27 Marquette Sports Law Review 45, 109-110 (2016).

similarly invites sports participants to direct or withhold effort and to make strategic decisions in ways other than in honest pursuit of victory. The naive or greedy downplay this risk, but it is every bit as real as the risk of distorting election results through large-scale commercialized gambling--and since sporting events occur far more frequently than elections, the likelihood of corrupted integrity in sports is all the greater.[6]

Returning to "cyber" issues, online *offshore* ("U.S.-facing") **illegal commercialized sports betting will increase, not decrease, if commercialized sports gambling is "normalized" through expanded legalization in the U.S.** The offshore sites can always offer better odds, anonymity, and tax-evasive opportunities than can legalized onshore commercialized sports gambling venues. The betting market will gravitate to such offshore sites over time, especially as online commercialized sports gambling becomes ever-more normalized and widespread as a foreseeable product of post-*Murphy v. NCAA* state-legalization-of-sports-gambling schemes. Many offshore sportsbooks (which typically utilize shell corporations to hide true ownership) and UK-based sportsbooks recognize this future market shift and therefore support the U.S. commercialized sports gambling industry's efforts to legalize sports gambling, knowing that an initial post-legalization decrease in their U.S. business would be temporary. No regulatory model can halt this foreseeable shift to offshore commercialized sports betting. Presently, onshore commercialized sports betting has not been normalized, because PASPA limited the legal onshore commercialized sports betting, and offshore betting had been at least somewhat limited by prohibitions, ISP bans, and payment bans. That these tools have not been more effective is largely due to insufficient resources being dedicated to their use, not due to the tools being inherently ineffective. A lack of commitment to enforcement permitted the growth of online sportsbooks; but, when enforcement has occurred, the cases have most often been quite successful and paid for themselves many times over via fines, forfeitures, and recoveries of back taxes. **Rather than surrender to the well-funded commercialized gambling lobby, governments must dedicate resources to (i) enforcement of laws against illegal U.S.-facing sportsbooks, (ii) forfeiture of their illegally-generated assets, and (iii) collection of evaded wagering excise and other taxes.**

Even wholly within the United States, cyberbetting on sports events, if legalized, will result in cross-state's-border betting and the need for mechanisms of payment and collection of "product fees" to states allowing or accepting cross-border betting; these interstate transactions simply raise ever-greater and more costly complexities while adding no appreciable benefit, other than to the tiny minority who comprise the commercialized gambling industry. The Commerce and Supremacy Clauses, of course, allow for prohibition of such interstate wagering, Lottery Case

[6] In the 1870s, wagering on elections helped produce a notorious "trifecta of government, corruption, and gambling." Liebman, B., "Pari-Mutuels: What Do They Mean and What is at Stake in the 21st Century?," 27 Marquette Sports Law Review 45, at 71-72 and fn. 148 (2016). Expansion of commercialized gambling beyond sports and elections, to judicial and criminal justice functions, is also more than foreseeable. See Chris Hines, "Gambling website sets odds on O.J. Simpson parole hearing," Chicago Tribune, July 18, 2017, at http://www.chicagotribune.com/sports/breaking/ct-oj-simpson-parole-hearing-betting-20170718-story.html.

(Champion v. Ames), 188 U.S. 321 (1903), and PASPA helped accomplish that aim, until *Murphy v. NCAA* decided the means of achieving that aim had been improperly configured. No state has a right to defy Congress' constitutionally-assigned power, properly configured, in this context.

Relatedly, proponents of expanded legalized commercialized sports betting often speak broadly and in vague terms, as if there were only a few types of bet; but, **where commercialized sports betting occurs, evidence establishes that it swells, evolves, and morphs into wide varieties of schemes--some simple, some complex--to induce bettors to wager more, more often, and at increasing risks.** These schemes often involve betting on losing outcomes ("negative bets," which encourage athletes to underperform), exotic betting, in-play betting (whether on game outcomes or micro-level plays within the game), combination betting (trifectas and the like), and spot betting. One quickly-growing and pernicious form of sports betting, currently metastasizing in Europe, is often called a "cash-out" feature of sports bets. "Cash-out" betting allows bettors to end or increase their already-made wagers while the wagered-on event is underway. The mere existence of this **variation of commercialized sports gambling options is evidence of the commercialized sports gambling industry's deceit and desire to ever-push the envelope to increase profitability without real concern for patrons' health or financial well-being.** Promoted as a way for sports gamblers to increase their winnings or cut their losses, in truth **the commercialized sports gambling industry** uses this cash-out feature to further "engage" the bettor. That is, the **aim is to lure the bettor into a process of on-going multiple gambling decisions and, thereby, to weaken and destroy judgment and down-time for reflection which, otherwise, might prevent problem gambling and gambling addictio**n.[7] Since the commercialized sports gambling industry can be expected, if legalization comes, to follow Europe's lead and to offer and heavily promote (online and otherwise) cash-out commercialized sports gambling here, the risks of increased pathological gambling in the U.S. will increase enormously.

Policymakers familiar only with "straight" bets on sports among friends are often unaware of the multiple types of bets the commercialized sports gambling industry has designed and their purposely-corrosive impacts. The industry and its P.R. spinners gloss over their purpose, comparing the (to some, mystifying) number and varieties of betting variations as merely similar to the variety of products found on shelves in a grocery or department store. Their "spin," of course, deceitfully fails to acknowledge that **the commercialized sports gambling "product" is entirely unlike tangible products found in stores, in that commercialized wagering (i) is a behavior, not a product; (ii) is addictive; (iii) is individually economically harmful in the majority of instances (especially over the long term); (iv) is an increasing negative drag on productivity and the gross domestic product; (v) promotes economic inequality; and (vi) tends to harm families, communities, public health, and to spread corruption, embezzlement, and even violent crime** in private and government settings. Saying the array

[7] Hibai Lopez-Gonzalez and Mark D. Griffiths, "'Cashing Out' in Sports Betting: Implications for Problem Gambling and Regulation," 4 Gaming Law Review 323-326 (May 2017).

of alluring commercialized betting options equates to products on a shelf is comparing apples to oranges, which has never been accurate--or smart (especially when the "apples"--commercialized gambling--provably causes disease, poverty, and even death). **Legalizing a pathogen is never good policy.**

Commercialized sports betting's proponents seldom discuss details of how the actual asset transfers and accounting will occur in the expanded legalized systems they tout: Cash? Check? Credit cards? Debit cards? Stored value cards? eCurrencies, such as Bitcoin or Ethereum? Other virtual currencies under development? Bank transfers? Account wagering (and, if so, subject to banking regulations and Bank Secrecy Act requirements)? Can bettors reverse transactions? Will the vig/rake/commission/fees (etc.) be "capped" or unlimited? Regulated? If credit gambling is offered, at what levels and at what interest rates? What debt collection practices will be allowed? **Who will police these, and at what cost, and who will pay that cost?** Will taxes be taken out at the time of the wager, or at the time the wager is determined to be winning or losing, or only when the bettor claims funds? What accounting principles will apply, and what if those vary from state-to-state? Again, **how and where will government expand to effectively enforce regulations of this type, and is such expansion even realistically possible?** How will disputes be resolved without burdening our already over-burdened courts? Will complex take-it-or-leave-it terms of service lock patrons into arbitration provisions? Who will pay the costs of the massive increases in government obligations stemming from commercialized gambling expansion in an era when many governments are already near bankruptcy? These and a host of further complexities simply are ignored by **the let's-legalize-sports-gambling crowd who, at most, say these problems will be addressed as they arise--but such a failure to plan is, as the saying goes, planning to fail, with the harms from the failures calculated to fall upon the American public** rather than on the commercialized sports gambling industry or its parent, which (as noted, above) unjustly benefits from an undeserved immunity from civil liability for their contributions to social and individual harm.

With PASPA stricken, and if Congress fails to act to re-assert the sensible protective ban on interstate commercialized sports gambling PASPA sought to acheive, **commercialized sportsbooks can be expected to promote themselves (seeking to gain bettors who would, otherwise, never think of commercialized sports gambling) through linkages with so-called "free play" sites, and with casino and poker sites, as well as with non-sports gambling entities' "free play sites.**" Such free play sites often offer unrealistic opportunities to win, as well as point spreads or odds not available at real-money wagering sites, **all of which help create in the novice a false sense of confidence or expertise. This serves as a "come-on" to get that person involved in real money gambling**, whether on sports or otherwise. It is no wonder that the commercialized gambling industry refers to its patrons as "whales" or "fish" (depending on the level of their wagering), for once the industry uses misleading techniques like "free play" sites to hook its prey, many are irrevocably "caught." Of course, the commercialized sports gambling industry does not limit its bait to the use of "free play" sites, since legalized commercialized sports gambling is characterized by intensive

advertising and inducements such as “cash-back” programs, bonuses, giveaways, and junkets. Use of these and like creative “baits” is a certainty, if expanded legalization of commercialized sports gambling comes to the United States.

The commercialized sports gambling industry will also invariably develop enhanced graphics, so-called information-rich betting sites, and more interactive games, with video streaming of events offered to induce ever-more wagering. **All this will be increasingly made available through mobile phones, tablets, and interactive television, so that commercialized gambling opportunities, inducements, and marketing ploys will be effectively inescapable and ever-present, “24/7.”** As virtual reality (VR) and augmented reality (AR) systems are improved and made more affordable, they too will become platforms for the commercialized sports gambling industry to exploit. The intensity of the VR/AR experience and the loss of control VR/AR immersion already invites suggests to gambling industry executives that VR- or AR-based commercialized sports and other gambling is a profit-seeker’s dream. Chasing this dream, **the industry ignores or minimizes the nightmares such exploitation will cause individuals, families, employers, police, and communities.**

The commercialized gambling industry’s experience with electronic gambling machines (also called “EGMs,” and most often referred to as “slot machines,” video lottery terminals (VLTs) or, using a term from abroad, “pokies”) has been proven to encourage and cause the development of gambling disorders. See, *e.g.*, Natasha Schull, Addiction by Design (Princeton Univ. Press 2012). Online commercialized sports gambling services, necessarily, turn computers and so-called smart phones into electronic gambling machines--EGMs that are no longer casino-based but, with few exceptions, will be in Americans’ homes, schools, businesses, pockets, and hands. One can readily foresee that **an industry required by its obligation to investors to maximize profits will ensure that the structural characteristics that make EGMs so harmful will be incorporated into future online commercialized sports gambling applications.** These structural characteristics will “include high event frequencies (enabling continuous play), random ratio reinforcement schedules, near misses, losses appearing as wins, multiline betting, and exaggerated audible and visual reinforcements.” M. Yucel, A. Carter, K. Harrigan, R. van Holst, & C. Livingstone, Hooked on Gambling: A Problem of Human or Machine Design?, 5 The Lancet 20-21 (Jan. 2018) (Correspondence). The harmful effects of these structural characteristics will be compounded by “[r]eady accessibility...and normalisation of gambling via advertising… .” Id. With PASPA undercut by the Supreme Court and by subsequent lobbyist-driven state legislation, “diminished control and increased drive to gamble” will be the result, id., and, unless objective evidence persuasively establishes that the costs of that result would be dwarfed by its societal benefits, governments that exist to protect citizens from predatory business behavior would do well to recognize that social sports gambling provides an entirely-sufficient outlet for those seeking to wager on sports. Commercialized sports gambling is an entirely different animal--and not a friendly one.

If an environment of expanded legalized commercialized sports gambling is permitted to exist, online **“odds comparison sites” will appear. These will promote themselves (with**

gambling industry financial backing) as "consumer aids," but *commercialized sports bettors are, in truth, consuming nothing; rather, the sportsbooks are the only consistent consumers, as they consume the bettors' funds.* Odds comparison sites serve to encourage betting and, so, merely increase the industry's consumption of bettors' funds. Thus, the only consumers such sites truly aid are the already-wealthy interests running the commercialized sportsbooks. Likewise, **"tout services," which purport to have inside information or expertise in sports gambling, also would expand** in an environment of expanded legalized commercialized sports gambling. The commercialized sports gambling industry supports tout services, since **tout services, too, exist to encourage betting, and they typically do so with bluster and salesmanship rather than access to information or expertise. Further, tout services are known to steer patrons to particular sportsbooks or types of bets in exchange for hidden payments or kickbacks from gambling industry figures**. Non-disclosure of these relationships and payments is yet another kind of deceit endemic to the commercialized sports gambling industry, an industry that, nevertheless, seeks--and buys--state government's legislative blessing.

For the foreseeable future, the segment of the U.S. population comfortable with interactive technology will be ever-increasing, over time, such that **commercialized sportsbooks (beholden to investors to maximize returns) will commit to manipulating online operations to increase profit at the public's expense**. One way they will do this is to claim that their online operations are designed to allow only "responsible" gambling. **Claims that sportsbooks will only encourage "responsible" gambling are just that: claims, empty and devoid of meaning**, since what's responsible always varies depending on one's point of view and self-interest. (Liquor and brewing industries' similar "responsible"-practice claims haven't sufficiently halted alcoholism in the U.S.; pharmaceutical industries' "responsible"-practice claims haven't sufficiently halted opioid addiction in the U.S.; "responsible" firearms industry marketing claims haven't sufficiently slowed the explosion of U.S. homicides, suicides, and crippling assaults; thus, why would anyone believe that, by also invoking the "responsible" behavior mantra, there is something special about the commercialized sports gambling industry that would enable it to limit the harms it causes?) Further, **a recent comprehensive survey of studies established that so-called "responsible gambling" programs have little or no scientific support; have remained unstudied in ways that meet criteria for scientific rigor' have few principles or activities that can be considered best practices; and the most that can be said about them is that their "overall effectiveness and impact...remains uncertain."** R. Ladoucer, P. Schaffer, A. Blaszczynski, & H. Shaffer, Responsible Gambling: A Synthesis of the Empirical Evidence, 25 Addiction Research & Theory 225-235 (14 Dec. 2016). "There is little empirical evidence as to whether such strategies work." Editorial, "Science has a gambling problem," 553 Nature 379 (25 Jan. 2018). Industry-financed research has been recognized as "distorted" and aimed to "inappropriately shift[...] responsibility from the industry--which wants to minimize regulations--to individuals." Id.

History shows industry self-interest has *always* prevailed over showy claims of advocating for "responsible" behavior--and, anyway, such claims are purposely designed to distract citizens' focus from the fact that the industry does not pay the industry's share of responsibility for the harm it unleashes. Commercialized sports gambling industry avarice is no different from the avarice that drives the non-sports commercialized gambling industry: both design advertising, marketing, promotions, games, environments, business models, and communication efforts with an end goal of getting the bettor to transfer as much wealth as possible to the gambling entity--and both blame only the bettor when, in truth, the losing bettor often has been manipulated, in whole or part, to act exactly as desired by the far more powerful industry--and by states like New Jersey, which the industry has used as its' stalking horse.

Proponents of expanded legalized online commercialized gambling, sports-based or otherwise, claim that because *online* gambling can record everything, permanently, it creates an electronic trail that makes money laundering impossible or, at least, detectable; that it enables detection of fraud and underage gambling; and that it permits pattern recognition which can identify problem gamblers and lead to their exclusion or getting treatment. However, these claims are plainly false or overstated. Even so-called immutable computer data can be hacked, modified, miscoded, deleted, falsified, time-altered, overwritten, or lost. Geo-fencing and age verification software can be spoofed or evaded. News reports of disturbing breaches of computer security occur almost daily; these involve intrusions into and losses from our nation's most sensitive military and intelligence agency computers, as well as successful attacks upon the IT systems of major U.S. corporations and retailers. There is no reason to think that commercialized sports gambling's computers will somehow be immune from similar attacks, particularly when attackers' motivations are greed and the opportunity for financial gain. **Insider threats and criminality are a certainty in this industry**, whether motivated by self-dealing or by desire to advance corporate profitability at the public's expense, **particularly since the industry is not known for being populated with law-abiding personnel.**

Even if problem sports gamblers could be reliably identified by **betting pattern analysis** and then excluded from gambling, whether through self-**exclusion** or by company policy, predictably, [1] this **will only happen after betting pattern analysis has enabled the sportsbook to exploit the gambler to the absolute closest point of problem gambling that the commercialized entity can get away with**; and [2] a gambler excluded from site A will simply go to sites B, C, D, etc., any of which may be in the U.S. or offshore, to continue the destructive behavior that site A put in motion. (Having started a snowball rolling down a mountainside, why should site A be able to wash its hands of all liability when the predictably-destructive path the snowball takes wrecks lives downhill?) Likewise, self-excluded commercialized sports gamblers from brick-and-mortar sites in state X will simply go to sites in state Y, Z, etc. **Having nationwide and industry-wide exclusion lists to avoid these scenarios might sound like a remedy, but our nation cannot even successfully track or exclude illegal immigrants and visa overstays. What makes anyone think it would do**

better with tracking potentially millions of excluded gamblers' online, interstate, and international activities? Also (and again), who would pay for these enforcement efforts? Who would monitor compliance and bear those costs, as well? What sanctions would be imposed and how would they be resourced? Present taxes cannot pay for already-needed services in many states--why add a need for an array of new, required, expensive enforcement, compliance, investigation, public health, and treatment services, especially when it is plain that no tax rate acceptable to the commercialized sports gambling industry proponents would suffice to pay for these newly-essential services?

E. Decreased Funding of Banks and Investment Funds and Increased Ignorance

Advocates of legalized commercialized sports betting salivate over what they claim will be the many billions of dollars of wagering activity in their expanded marketplace. Yet they fail to point out that, whatever the amount of wagered dollars, those funds are diverted from far more productive and rewarding purposes, such as savings accounts, stocks or bonds investments, insurance or annuity purchases, U.S. savings bonds investments, and similar proven and less-risk laden uses of money. By shrinking--by multiple billion--the pool of funds available for these smarter uses of money, expanded commercialized sports gambling will significantly harm U.S. financial industries, pension funds, and the national economy. Relatedly, this nation spends trillions of tax dollars on education, yet commercialized sports gambling advocates would waste much of these tax expenditures by undoing schools' efforts to increase intelligent financial behavior.

F. Summary of Harms: Commercialized vs. Non-commercialized Sports Gambling

Online commercialized sports gambling, if expanded and legalized, *will* increase social harms and public order problems such as gambling addictions, adverse impacts on the social determinants of health, increased dangers to children, misuse of personal data or credit cards, fraud, crime, eroded integrity--perceived and real--of sporting events, of government officials, and of government, itself. People who want to gamble on sports can already do so via friendly social wagers or non-commercialized office pools, for example, and can do so with minimal risks of widespread social or individual harms, since small-scale non-commercialized gambling tends to police itself through personal relationships and moral obligation. These **commonsense and folk psychological restraints disappear when overwhelmed by large commercialized gambling entities**. And "[t]he trouble is, **gambling and gaming companies are as addicted to their addicts as their addicts are to the companies' products. Doing the right thing is an existential threat…" to commercialized gambling enterprises**.[8]

[8] Nir Eyal, "Tech companies, if you create addicts, you need to help them," at https://venturebeat.com/2017/05/09/tech-compaanies-if-you-create-addicts-you-need-to-help-them/

Recent research even suggests commercialized sports gambling, like the environment of finance, may attract financial psychopaths or encourage and shape psychopathic behavior in those involved in the corporate gambling world, given that individuals and entities in the industry have too often displayed long-time reckless disregard for the safety of others, persistent irresponsibility, lack of remorse, deceitfulness, aggressiveness and irritability, and impulsivity while using "the tools of their trade--computers and financial transactions--to purposefully harm others." Deborah W. Gregory, "Financial Psychopaths," Chapter 9, in Baker, Filbeck, and Ricciardi's Financial Behavior: Players, Services, Products, and Markets (Oxford University Press 2017), pp. 153-167. Of course, not all in the industry fit this description, but Congress and the states are not required to allow some minimally-acceptable number of financial psychopaths or psychopathic behavior to take root in the channels of interstate commerce.

Government-sponsored commercialized sports gambling will contribute to rising economic inequality.[9] In states sponsoring other forms of commercialized gambling, **all taxpayers--including the non-gamblers--end up paying higher taxes for less services and their states end up with a worse budget problem over the long term**. There is no reason to believe commercialized sports gambling would produce some different result. Expansion of commercialized gambling invariably leads to more social costs, which in turn lead to more economic costs--costs paid by all taxpayers (and not just by gamblers). Ultimately, PASPA protected the public fisc, interstate commerce, and local and individual freedoms.

Finally, the need for PASPA or, now, some suitably-designed substitute hearkens back to an ancient observation that speaks a pragmatic truth relevant in today's world (considering the aggregate behavior of the commercialized gambling industry and its state governmental *de facto* partners): "*Quaeritur, ut crescunt tot magna volumina legis? In prompta causa est, crescit in orbe dolus.*" [If you ask why there are so many laws, the answer is that fraud ever increases on this earth.] Lord Coke, Twyne's Case (1601) 3 Co. Rep. 80b, 82a, 76 Eng. Rep. 809, 815-16 (K.B.).[10]

Conclusion

[9] Of course, some economic inequality will always exist and, where rooted in earned reward and just deserts, few would argue against it. But a government policy that fosters inequality rooted in mere chance and driven by commercialized marketing ploys drives an increase in inequality and, recent study shows, that inequality leads to quite serious adverse health and social consequences. See, generally, Keith Payne, The Broken Ladder: How Inequality Affects the Way We Think, Live, and Die (Viking 2017)(excerpted at "How Inequality Shortens Lifespans: Poverty is a Matter of Life and Death," at http://lithub.com/how-inequality-shortens-lifepans/), and Thomas M. Shapiro, Toxic Inequality: How America's Wealth Gap Destroys Mobility, Deepens the Racial Divide, and Threatens Our Future (Basic Books 2017). Given these findings, Congress was prescient to enact PASPA.

[10] It seems unlikely to be a mere coincidence that, in a period during which commercialized sports and other gambling grew markedly in England (which has no PASPA-like statute), fraud there "has risen by more than 500% over the last 15 years… ." "Total value of reported fraud in the UK breaches the £2 billion mark," at https://www.consultancy.uk/news/15491/total-value-of-reported-fraud-in-the-uk-breaches-the-2-billion-mark

Making any government a partner with, or enabler of, the commercialized sports gambling industry simply makes government a tool in the further financial exploitation of its citizens. This inverts the traditional relationship between citizen and government. A government should exist to protect, rather than exploit, its people. As faith and trust in government to do the "right" thing wane, the last thing the federal government needs to do is to cast its lot with an industry that profits from exploitation.

At its core, sport can be pure fun and inspiring and even beautiful. At its core, long-term chasing money through commercialized gambling is none of these things--at least not for **the overwhelming majority of Americans** who **are sure to lose money in the long run or** who **will not wager at all but will experience grossly negative and costly changes in their environment**. Of those taking sufficient time to research and reflect deeply on the issue, **only the already-wealthy commercialized gambling operators see "beauty" (read: *increased profits, without paying for the inevitable harms*) in the legalization of commercialized sports gambling in America.**

Bringing sport down to the level of mere commerce and entangling it with normalized vice will pollute daily life[11]-- a loss for which no amount of money can compensate. Only a Congress that has no capacity for shame would allow this to happen. Does pride still matter in America? Only Congress' re-enactment of a clear, comprehensive ban on interstate sports gambling businesses and dedicating adequate resources to its' enforcement would satisfactorily answer that question. Has Congress, a legislative body not known for integrity, the capacity to resist the integrity-destroying efforts of the commercial sports gambling industry? Will federal and state

---

[11] American observers nearly 150 years ago recognized this, when commercialized pool gambling on baseball was ruining the game: [The Philadelphia Public Record] "deplored the degradation of a National athletic game to the level of turf or other gambling….[adding] The whole system of baseball 'professionals' is a fraud upon the public, and places this so called National game upon the exact level of all mere money-making shows and entertainments." Philadelphia Public Record, June 30, 1870, cited by Anthony P. Lampe, at p. 24, fn. 40, in "The Background of Professional Baseball in St. Louis," Bulletin of the Missouri Historical Society, vol. VII, no. 1 (1951).

Lampe also described "the tendency for professional gamblers to make important games scenes of large scale betting. Eventually this fact would help considerably to bring on the downfall of the first professional organization of baseball players." Id., at p. 11. Some of today's sports league executives ignore this history at their peril.

More recently, ethicist and author Chuck Klosterman saw that most college football bowl games--and sports--are now perceived as mere events to fill TV programming, making non-essential the human participant element, so that future computers can provide something that "would just be a TV show that provides an opportunity for gambling." Chuck Klosterman, But What if We're Wrong (Blue Rider Press 2016), at 192-193. Indeed, so-called historical horse racing machines foreshadow this depressing-to-sports-fans development. If upheld, PASPA would have helped to forestall this grim future. Now, if this grim future is to be avoided, **legislators have to have the backbone, the integrity, and the genuine concern for their constituents to resist the money and spin thrown at them by commercialized gambling industry lobbyists.**

legislators take this opportunity to show they do, in fact, have the best interests of the broader public at heart (and not those of moneyed campaign contributors out to exploit the public)? If we cannot count on federal and state legislators doing the right thing to save sport, rather than further enriching commercial gambling operators and skimming state revenue from desperate citizens' losses, what does that say about 21st Century America?

From:	Bradley Fischer
To:	IGB.SportsRuleComments
Cc:	Copp, Kimberly M.; Froelich, Cezar M.; Eric Frank; Jason Tosches; Nicholas Menas
Subject:	[External] Submission of comment by TSG Interactive US Services Limited
Date:	Friday, September 27, 2019 9:46:51 AM
Attachments:	image001.png

Per the Illinois Sports Wagering Act Sections 25-30(e) and 25-35(e), the following limitation on branding is provided:

> The sports wagering offered over the Internet or through a mobile application can *only* be offered under *either* the same brand as the owners licensee (or organization licensee, applicable) is operating under or a brand owned by a direct or indirect holding company that owns at least an 80% interest in that owners licensee (or organization licensee, as applicable) on the effective date of the Act [June 28, 2019]. [emphasis added].

TSG Interactive US Services Limited suggests that this language be amended by the Illinois General Assembly to provide better clarity that mobile applications may feature the brand of the land-based property and online provider or management service provider. In the absence of such legislative action, TSG would encourage the IGB to promulgate rules that interpret the relevant section in a manner that allows for an online provider ("OP") or management service provider ("MSP") to make use of their brand name in conjuncture with their land-based partner. This interpretation would facilitate greater customer recognition of the sports wagering product being offered while enabling greater transparency for consumers to understand not only the land-based casino but the OP/MSP whose platform they will be interacting with through the use of the service. Allowing use of an OP/MSP's native brand would also facilitate greater participation in the market, as operators have made substantial investments in creating national awareness around their sports-wagering product. Lacking the opportunity to capitalize on highly organized and well-funded marketing campaigns for the OP/MSP's brand would precipitate underwhelming interest by a potential customer base and result in revenue far below state projections. We therefore suggest that, in the absence of legislative action, the IGB set forth a regulatory structure that does not inhibit the ability of a provider to capitalize upon a brand name that is known to Illinois consumers.

Thank you,

Brad Fischer
Regulatory Legal Counsel

[redacted]
W starsgroup.com

THE STARS GROUP

From:	Froelich, Cezar M.
To:	Bradley Fischer
Cc:	IGB.SportsRuleComments; Copp, Kimberly M.; Eric Frank; Jason Tosches; Nicholas Menas
Subject:	[External] Re: Submission of comment by TSG Interactive US Services Limited
Date:	Friday, September 27, 2019 10:29:55 AM
Attachments:	image001.png

Ok

Taft /

Cezar M. Froelich / Partner
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Chicago, Illinois 60601-3713
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On Sep 27, 2019, at 9:46 AM, Bradley Fischer <bradleyf@starsgroup.com> wrote:

> Per the Illinois Sports Wagering Act Sections 25-30(e) and 25-35(e), the following limitation on branding is provided:
>
> > The sports wagering offered over the Internet or through a mobile application can *only* be offered under *either* the same brand as the owners licensee (or organization licensee, applicable) is operating under or a brand owned by a direct or indirect holding company that owns at least an 80% interest in that owners licensee (or organization licensee, as applicable) on the effective date of the Act [June 28, 2019]. [emphasis added].
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Thank you,

Brad Fischer
Regulatory Legal Counsel

[redacted]
W starsgroup.com

From:	Danielle Boyd
To:	IGB.SportsRuleComments
Cc:	Sylvia Tiscareno; Rene Erwin
Subject:	[External] Submission of Comments on Proposed Illinois Sports Betting Rules
Date:	Friday, September 27, 2019 12:02:02 PM
Attachments:	20190926 William Hill Comments on Proposed Illinois Sports Betting Rules.pdf

Hi,

Please find the attached submission from William Hill for consideration by the Illinois Gaming Board.

If I can provide additional information or assistance, please feel free to contact me via email or phone as provided below.

Best,
Danielle Boyd

Danielle E. Boyd
Head of Government Relations
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Mobile: +1 304-549-9338
Email: dboyd@williamhill.us
William Hill US | 6325 S. Rainbow Boulevard #100 | Las Vegas, NV | 89118

William HILL

September 26, 2019

Transmitted via email:
igb.sportsrulecomments@igb.illinois.gov

Illinois Gaming Board
160 North LaSalle
Suite 300
Chicago, Illinois 60601

801 South Seventh Street
Suite 400 - South
Springfield, Illinois 62703

RE: Industry Feedback on Proposed Rules for Illinois Sports Wagering

Dear Mr. Chairman and Members of the Board,

American Wagering, Inc. d/b/a William, Hill US, together with its subsidiaries and affiliates (collectively "William Hill"), appreciates the opportunity to participate in the Illinois Gaming Board's ("the Board") proposed rule making process by offering input on the recently enacted Sports Wagering Act and policy considerations relative to establishing a sound regulatory structure for sports wagering to be offered in Illinois.

Given William Hill's experience operating sports books across the U.S., we feel we can provide valuable insight as the Board prepares to bring legal and regulated sports wagering to the state of Illinois.

As a preliminary matter, we commend the state of Illinois for enacting legislation that will allow legal sports betting through both retail and mobile channels to compete with the thriving black market—which will not easily go away. While these illegal operators will be the true competition when implementing legal sports betting in any state, legal operators, like William Hill, will be able to convert more black market wagering activity into regulated channels that offer consumer protections and the opportunity for the State to collect new tax revenues.

We support the objectives to maximize state tax dollars for the state of Illinois, and offer legal, regulated options for bettors currently placing wagers in black market channels, and, consequently, William Hill respectfully submits the following comments on general operation considerations as well as recommended clarifications specific to the statute.

I. Recommendations on General Operations

The following list reflects recommendations we have made in other jurisdictions related to general operational concerns:

Reciprocity– Allow companies that hold sports wagering licenses in major gaming jurisdictions, such as Nevada or New Jersey, license reciprocity as long as all fees are paid accordingly. Also, as it relates to fees,

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Las Vegas, NV 89118

we request that any operator only be required to pay a single license fee instead of being assessed a fee for each location.

Grace Period – Due to the expedited adoption of sports wagering regulations, it is suggested that licensees be allowed a 270-day grace period to become compliant with any newly-adopted rules. Since it is anticipated that the regulations will be adopted only weeks before go-live, it will be very difficult for an applicant/licensee to be able to comply with all requirements immediately especially if such requirements change post launch. The grace period will give each operator an opportunity to become compliant with any new or changing regulations. The 270-day grace period is being suggested as that amount of time worked well in other jurisdictions, namely West Virginia and New Jersey, that allowed such interim period as long as certain compliance certifications were provided.

Share Patron Data – Subject to applicable law, it is recommended the regulations allow the casino licensee and sports book operator to share player data available through rewards programs and player accounts. This will allow each party to obtain details concerning patrons which will assist in providing federal authorities with the most comprehensive reports to combat money laundering efforts.

Centralize Duties - Allow licensees to continue to centralize business functions so that subject matter experts in areas such as Accounting, Audit, I.T., Compliance, Customer Service, Human Resources, Trading, etc. are allowed to perform their duties regionally.

Technical Certification - In order to expedite technical approvals, accept independent test lab certifications from BMM and GLI instead of creating specific requirements for Illinois lab certifications. Independent test labs can test based on the specifications provided by the Illinois Gaming Board.

AML Guidelines – It is suggested that any requirements or deadlines relative to anti-money laundering reporting (suspicious activity reports, CTR filings, etc.) be consistent with federal law. As an example, requiring a social security number only when wagering over $10,000. There have been jurisdictions that have proposed a different set of requirements and deadlines which is confusing to the employee and an inefficient process.

Sports Book Management – A strong system of checks and balances is extremely important due to the volume of cash exchanged at sports books. To maintain consistency within operations, it is suggested that licensees be allowed to structure their own management and reporting system.

Approval of Wagering Events – For efficiency purposes, it has been best when jurisdictions clearly communicate which events are considered approved well in advance of any event and allow the event to continue to be approved (unless there is a change). Allowing a licensee to send in a list of proposed bets to the Illinois Board upfront, requesting approval for all major events or sports cycles, will help with efficiency and clearly define approvals.

Marketing Sign-ups/Preregistration – During a time designated prior to go-live, allow patrons the ability to register for a mobile account and marketing messages so that at go-live they are in a position to wager. This will provide for a smoother and more successful launch.

Mobile Application – Allow each sports wagering operator the ability to use one software application throughout the state instead of separate applications per property. This will allow for one database of player accounts, making it easier to track player activity for AML purposes.

II. Recommendations specific to the statute:

Requests to prohibit wagers

When considering requests to prohibit wagers pursuant to section 25-15(g), William Hill suggests applying a robust standard that must be met in order to grant such request.

For reference, the law provides in pertinent part:

> *Section 25-15. Board duties and powers.*
>
> *(g) A master sports wagering licensee, professional sports team, league, or association, sports governing body, or institution of higher education may submit to the Board in writing a request to prohibit a type or form of wagering if the master sports wagering licensee, professional sports team, league, or association, sports governing body, or institution of higher education believes that such wagering by type or form is contrary to public policy, unfair to consumers, or affects the integrity of a particular sport or the sports betting industry. The Board shall grant the request upon a demonstration of good cause from the requester and consultation with licensees. The Board shall respond to a request pursuant to this subsection (g) concerning a particular event before the start of the event or, if it is not feasible to respond before the start of the event, as soon as practicable.*

At a minimum, William Hill suggests requiring additional review of how other jurisdictions handle such wagers and seeking input from other jurisdictions and independent integrity monitoring providers (such as the Sports Wagering Integrity Monitoring Association "SWIMA") prior to granting such a request. Offering wagers in a legal, regulated market will promote public interest as opposed to bettors only having the option to bet on certain events through illegal bookies or offshore mobile applications. Therefore, it best serves the public interest to ensure all requests made to limit wagering opportunities are fully vetted, and the party requesting to do so provides sufficient justification for consideration prior to granting any such request.

Furthermore, for consistency, we recommend that Illinois allow the same events to be offered in the State as permitted in Nevada.

Branding

William Hill suggests that the Illinois Gaming Board include a provision in the rule that specifically authorizes cobranding and, in turn, provides additional clarification on how a master license holder may cobrand with a management services provider who the master license holder partners with to operate mobile wagering.

For reference, the law provides in pertinent part:

> *Section 25-30. Master sports wagering license issued to an organization licensee.*
>
> *(e) The sports wagering offered over the Internet or through a mobile application shall only be offered under either the same brand as the organization licensee is operating under or a brand owned by a direct or indirect holding company that owns at least an 80% interest in that organization licensee on the effective date of this Act.*

Allowing cobranding will allow the casino or racetrack to leverage brand recognition of its partner and allow the master sports wagering licensee's mobile application to remain competitive once the additional untethered mobile licensees are authorized to operate.

Of course, if it is within the rule making authority to allow such clarification, we suggest allowing the operator such as William Hill to offer a self-branded product. This will avoid brand confusion in the event that an operator provides sports betting services at more than one location in Illinois.

Tier 2 Official Data

William Hill suggests providing clarification on two (2) aspects of the tier two official data requirements, the first relating to the determination of whether the sports governing bodies are providing commercially reasonable terms and the second relating to which parties are required to be vetted for licensing in order to provide tier 2 official data.

a. "Commercially reasonable terms"

For reference, the law provides in pertinent part:

Section 25-25. Sports wagering authorized.

(g) A sports governing body headquartered in the United States may notify the Board that it desires to supply official league data to master sports wagering licensees for determining the results of tier 2 sports wagers. Such notification shall be made in the form and manner as the Board may require. If a sports governing body does not notify the Board of its desire to supply official league data, a master sports wagering licensee may use any data source for determining the results of any and all tier 2 sports wagers on sports contests for that sports governing body.
Within 30 days of a sports governing body notifying the Board, master sports wagering licensees shall use only official league data to determine the results of tier 2 sports wagers on sports events sanctioned by that sports governing body, unless: (1) the sports governing body or designee cannot provide a feed of official league data to determine the results of a particular type of tier 2 sports wager, in which case master sports wagering licensees may use any data source for determining the results of the applicable tier 2 sports wager ***until such time as such data feed becomes available on commercially reasonable terms****; or* ***(2) a master sports wagering licensee can demonstrate to the Board that the sports governing body or its designee cannot provide a feed of official league data to the master sports wagering licensee on commercially reasonable terms.*** *During the pendency of the Board's determination, such master sports wagering licensee may use any data source for determining the results of any and all tier 2 sports wagers.*

William Hill suggests that as the Illinois Gaming Board considers whether the terms offered by the sports governing bodies are commercially reasonable, it review the number of tier 2 data providers authorized to sell the data at a minimum.

William Hill has expressed concerns with official data mandates throughout the legislative process in each state considering sports wagering because such mandate could result in monopoly pricing power for the leagues. Additionally, William Hill has noted that federal courts have rejected the assertion that the leagues have any intellectual property rights to data, further ruling that this data is public information.

William Hill, like most legal operators, is committed to using accurate data and preserving integrity of its operations, and, except for recent legislation in Illinois and Tennessee requiring "official league data" for in play wagering, these matters have been handled through agreements between private parties. Therefore, it is of utmost importance that the Illinois Gaming Board vet the terms under which sports governing bodies are offering official league data to verify such terms truly are commercially reasonable.

While allowing the free market to dictate the terms and pricing for how operators contract for data is ideal and consistent with federal case law, in this situation, we request that the Illinois Gaming Board consider such court precedent and, at a minimum, review the number of sources available for purchasing official league data when determining whether such terms are commercially reasonable.

We further recommend that the burden be on the sports governing body to prove that such terms are commercially reasonable.

b. Tier 2 Official League Data Provider License

Moreover, in addition to considering whether the sports governing body is offering data on commercially reasonable terms, it is suggested that the Illinois Gaming Board consider vetting the sports governing bodies as well as any approved Tier 2 Official League Data Provider in the event there are a limited number of Tier 2 providers authorized to provide the sports governing bodies data.

For reference, the law provides in pertinent part:

> *Section 25-60. Tier 2 official league data provider license.*
>
> *(a) A sports governing body or a sports league, organization, or association or a vendor authorized by such sports governing body or sports league, organization, or association to distribute tier 2 official league data may apply to the Board for a tier 2 official league data provider license. (b) A tier 2 official league data provider licensee may provide a master sports wagering licensee with official league data for tier 2 sports wagers. No sports governing body or sports league, organization, or association or a vendor authorized by such sports governing body or sports league, organization, or association may provide tier 2 official league data to a master sports wagering licensee without a tier 2 official league data provider license. Notwithstanding the provisions of this Section, the licensing and fee requirements of this Section shall not apply if, under subsection (g) of Section 25-25, master sports wagering licensees are not required to use official league data to determine the results of tier 2 sports wagers.*

If sports governing bodies are controlling the terms and pricing of data that can be sold by tier 2 official league data providers, and such terms limit the number of providers to a very small number of corporate entities, then the Illinois Gaming Board should consider requiring the key personnel and officials from the respective sports governing body to be vetted during the licensing process as well.

A showing of control over a licensee typically triggers the requirement to undergo the licensing process, and, arguably, such showing would be present in the event a sports governing body limits the number of tier 2 official data providers authorized to sell official league data to a few select entities.

Player account registration inside stadiums

A final consideration William Hill recommends be considered by the Illinois Gaming Board is to allow registration of customers inside a sports facility.
For reference, the law provides in pertinent part:

> *Section 25-65. Sports wagering at a sports facility.*
>
> *Sports wagering may be offered in person at or within a 5-block radius of a sports facility if sports wagering is offered by a designee, as defined in Section 25-40, and that designee has received written authorization from the relevant sports team that plays its home contests at the sports facility. If more than one professional sports team plays its home contests at the same sports facility, written authorization is required from all sports teams that play home contests at the sports facility.*

As in-person registration is required for the first 540 days, allowing customers to sign up for accounts inside the sports facilities and the 5-block radius where sports wagering is authorized would be a very valuable resource for any operator providing sports wagering to one of the sports facilities and through any other master license holders elsewhere in Illinois.

Further, in regards to this provision, we recommend that the 5-block radius be calculated based on major streets as opposed to side streets to maximize potential revenue at these locations.

Statutory considerations

We understand that prohibition on placing wagers on Illinois collegiate teams is provided in the statute and, therefore, cannot be amended by legislative rule. If there is an opportunity to open the statute in the future, William Hill recommends removing this provision.

We understand that this requirement may seem benign and may appear to serve the public interest, however, wagering restrictions on collegiate athletics will simply encourage black market wagering. By offering such bets in a legal, transparent market, the public interest is always best served, and legal book makers can assist the NCAA with monitoring any suspicious activity.

Thank you for considering our feedback. We welcome the opportunity to continue to be a resource throughout the legislative process, and offer such comments based on our experience in the U.S. and worldwide sports betting markets.

[redacted]

Sylvia Tiscareno
General Counsel

From:	Max Rosen
To:	IGB.SportsRuleComments
Subject:	[External] NFLPA NHLPA NBPA and MLSPA Comments
Date:	Friday, September 27, 2019 1:17:24 PM
Attachments:	image001.png 2019-09-27: NFLPA NBPA NHLPA MLSPA Sports Wagering Act Comments.pdf

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To Whom it May Concern,

Attached you will find comments to the Sports Wagering Act of the following entities:

National Football League Players Association (NFLPA),
National Hockey League Players' Association (NHLPA), National
Basketball Players Association (NBPA), Major League Soccer Players Association (MLSPA)

Thank you.

Max Rosen
Manager
signal GROUP
O 202 234 1224
1750 K St NW | 2nd Floor
Washington, DC 20006 | signaldc com

Public Comments to The Sports Wagering Act contained in Public Act 101-0031 of:

National Football League Players Association (NFLPA),
National Hockey League Players' Association (NHLPA), National
Basketball Players Association (NBPA), Major League Soccer Players Association (MLSPA)

The Illinois Gaming Board
JB Pritzker – Governor
Charles Schmadeke – Chairman
Marcus D. Fruchter – Administrator
801 South Seventh Street
Suite 400 - South
Springfield, Illinois 62703
General Information: (217) 524-0226
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IGB.SportsRuleComments@igb.illinois.gov

Our Associations represent thousands of athletes who play in North America's major team sports leagues. Combined, these individuals are responsible for creating countless jobs and a significant economic footprint in the State of Illinois. Our Associations applaud the recent passage of the Sports Wagering Act ("Act") in Illinois. In particular, we appreciate the legislature's willingness to work with stakeholders on multiple different issues that made it into the final text of the Act.

The Act contains a robust legislative findings section that will help ensure the safety and security of all involved in sporting contests. The issue of personal biometric data was also addressed in the Act by way of a section that prohibits a licensee from using personal data of a player without permission.

Our Associations are generally supportive of the definition of prohibited conduct and the reporting process for such conduct that is laid out in the legislation. The hotline that is established in section 25-75 is a step in the right direction. However, the language falls short in that the process for reporting prohibited conduct includes a notification of an allegation to the sports leagues rather than a mechanism by which a player can confidentially report an allegation of prohibited conduct. Additionally, a more robust approach must be taken with respect to the investigatory process, which is outlined further below. These are issues that must be addressed via regulation. Lastly, our Associations were also pleased to see that language making player personal health data protections subject to collective bargaining was dropped from the Act. Ensuring that player protections over their personal health and biometric data are never a subject of collective bargaining is a key component of our core issues.

While certain measures in the Act do address some of our Associations' core issues, there is still much more to be done to ensure the sufficient protections of players as the Illinois Gaming Board (IGB) works to prescribe regulations in the near term.

The Act allows betting at sports venues, which is an issue we have been closely monitoring. Now that this Act has paved the way for an environment in which fans can bet on games inside sports

venues, player protections and strictly enforced protocols for fan behavior are of the utmost importance.

The Act does not contain a royalty fee, a fee that some Associations still seek, but also one that has created contention amongst many states working to legalize sports betting. It is important to note that within our Associations, the affirmative request for such a fee is coming only from the NBPA. The Act, however, does require Illinois sports betting operators to purchase official league data from sports leagues. This portion of the Act was a highly positive step in the right direction to ensure data is coming from a reliable source and to ensure the predictability in the outcome of in-state wagers. We were also pleased that Illinois followed the lead of many states who have legalized sports wagering in that wagering on games involving Illinois schools is prohibited.

As the IGB drafts regulations, we ask that it include in its examination all of the concerns of the athletes, both professional and amateur, who play the games on which betting has been legalized. Players are not only the faces of the sports, but they are at the center of the regulatory framework the IGB is beginning to establish. Players are most likely to be directly impacted personally, legally and, in the case of our members, economically, by the choices the states make or choose not to make, with regard to sports wagering.

The concerns and issues our Associations have been advocating for are common to every sport in the United States. We believe that with the enactment of the Act, the IGB is poised to prescribe meaningful regulations that build upon the positive sections of the Act that have been signed into law in an effort to adequately ensure players are protected. Our core issues are as follows:

I. Personal Safety

The protection of players, their families, umpires, referees, club officials, and other personnel is paramount. The likelihood of an adverse incident arising from sports wagering, and involving any of the aforementioned parties, will continue to increase as more and more states enact legislation. Now that legislation has been enacted in Illinois, further steps will need to be taken by the IGB that not only address safety during games and in restricted areas, parking lots, at team events, and where athletes are training, but also where they live their lives as citizens of the state outside of their work environment. These protections must address a broad spectrum of misconduct, including physical or attempted assault, verbal threats, intimidation, and harassment.

While the legislation outlines that all persons who present sporting contests are encouraged to take reasonable measures to ensure the safety and security of all involved, our Associations call on the IGB to prescribe exactly what those measures should look like with the above points in mind. Additionally, fans must be made aware of what constitutes a breach in conduct and what the penalties are through a notice to the public similar to state sponsored impaired and distracted driving campaigns.

In this area in particular, Illinois is well positioned to be a thought leader in ensuring the protection of players in all facets of their lives.

II. Reporting Prohibited Contacts: Structure, Process, and Procedures

There must be a procedure for players and other personnel to confidentially report an incident where he or she is contacted or coerced to impact, influence, or manipulate a game or statistical result. Care must also be given to ensure players are not dissuaded from reporting prohibited contact for fear of any personal, legal, economic, or other ramifications. While there is an approach to address this in the Sports Wagering Act, the Act falls short with respect to which entity a player can confidentially report potential misconduct. Regulations must be crafted surrounding reporting prohibited contact and to include safeguards that ensure:

- Information that may lead to an adverse action against a player is shared with the player's designated representative and his Association as soon as possible; and
- The full safety and protection of the economic standing of those who report prohibited activity.

Properly and swiftly identifying and punishing those who threaten or attempt to coerce players will take total agreement and cooperation of all informed parties. The unions representing players must play a material role in processing and elevating player complaints of misconduct.

The IGB's regulations must be prescribed in a way that provides a streamlined and expeditious approach to punishing those responsible for prohibited conduct while ensuring that all appropriate interests are accounted for as the resolution process begins and unfolds.

III. Investigations and Allegations: Structure, Process, Timing, and Procedures

We believe that a player's legal rights must be protected throughout the investigation and adjudication process. Procedures will have to be established by the IGB to determine what complaints will be investigated, the requisite evidentiary basis to be satisfied before any investigation can occur, and the length of time associated with each stage of the investigation. Rules governing any investigation, required disclosure of investigative files to Associations, and subsequent adjudication must be set as well.

To date, there has been little to no discussion of how to coordinate what could easily become a very complex and complicated multi-state regulatory world, each potentially with its own rules and requirements. For instance, a player residing in state X may be approached in state Y by a person from state Z who threatens to harm his family if he does not do something in particular in a game that is set to be played in Illinois between teams from Illinois and state A. The Sports Wagering Act falls short in how the IGB would navigate any such cross-state investigations. There has been no discussion about the very real probability of overlapping and competing state investigations or whether the outcome of one investigation will or should be binding upon a subsequent inquiry in another jurisdiction. There has also been no discussion of who will bear the cost of legal

and other fees that will derive from inquiries and investigations. These issues must be discussed further and the IGB must prescribe regulations that account for inevitable jurisdictional and investigatory overlap.

These issues will be exacerbated based upon the types of bets that are available to the consumer, which is why the IGB should seek the consent of the players and the leagues in which they play as to the kinds of bets that will be allowed in their particular sport. This is especially true with respect to betting at sports venues, which the Act allows for. In-game and prop bets in particular present a host of problems because of their potential for manipulation and the sheer number of possible bets in any one game or match.

A fair, neutral procedure that ensures due process and proper qualified representation for all parties involved is a necessity.

IV. Use of Personal Data and Other Information Derived Directly from Athletes

The legalization of sports betting should not jeopardize current legal protections concerning the sale or marketing of any personal health information, performance data (including anonymized data) of players, or other personal information (including name/biographical information, likeness rights, or anything else that derives directly from the athletes) of players without the express written authorization of the player (or his designated representative). These basic rights should not be dismissed as a subject of collective bargaining. No one should ever have to bargain, or give something of value up, for the right to keep his personal health or biometric data private.

The definition of personal biometric data in the Sports Wagering Act is robust, but the IGB must continuously update this definition via regulation in order to adapt to the changing times. Biometric data that is derived directly from athletes is personal information and the extent to which the IGB can prescribe regulations that ensure the rights of players with respect to biometric data are never a subject of collective bargaining is a must. These safeguards, coupled with the language in the Act that prohibits the use of personal data without the consent of the player or his representative, will help protect the misuse of personal data derived from athletes.

We are committed to continuing to work with the Illinois Gaming Board as it works toward prescribing meaningful regulations. We ask that it address these core issues in an effort to not only protect the rights of players and other individuals who will be the focus of Illinois' regulatory scheme, but to also uphold the integrity of the games.

Preserving the integrity of the sports and the legitimacy of their contests can only be achieved from the creation of a comprehensive regulatory framework that addresses the totality of legal, practical, and economic challenges that come with the legalization of sports betting.

We look forward to working with the Illinois Gaming Board as it continues moving forward with regulations on sports betting.

From: Kathy Gilroy
To: IGB.SportsRuleComments
Subject: [External] Sports Rules Comments
Date: Friday, September 27, 2019 1:37:44 PM

To whom it may concern:

I'm disgusted that sports gambling, a long-time activity that was profitable for the mob, is now legalized. So, please have strict rules to prevent underage gambling, to limit or prohibit advertising, to address availability at all hours on mobile devices, and to prevent money laundering.

Thank you!
Kathy Gilroy

From:	Owen, Kate
To:	IGB.SportsRuleComments
Cc:	Kudon, Jeremy; Green, Nicholas G.; Seeley, Brian; Spillane, Dan; Andy Levinson
Subject:	[External] Proposed Rules Regarding the Illinois Sports Wagering Act Rulemaking Process: Submitted on Behalf of Major League Baseball, the National Basketball Association, and the PGA TOUR
Date:	Friday, September 27, 2019 1:49:44 PM
Attachments:	image002.png 2019.09.27 Letter from Orrick and Proposed Rules.pdf

Dear Chairman Schmadeke:

Attached please find a letter from our firm, Orrick, on behalf of our clients Major League Baseball, the National Basketball Association, and the PGA TOUR in response to the Board's solicitation of proposed rules to implement the Illinois Sports Wagering Act. Thank you for the opportunity to submit proposed rules, which we have attached to our letter.

Sincerely,
Kate Owen

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September 27, 2019

Via Email (igb.sportsrulecomments@igb.illinois.gov)

Chairman Charles Schmadeke
Illinois Gaming Board
801 South Seventh Street
Suite 400 – South
Springfield, IL 62703

Re: Proposed Rules Regarding the Illinois Sports Wagering Act Rulemaking Process, Submitted on Behalf of Major League Baseball, the National Basketball Association, and the PGA TOUR

Dear Chairman Schmadeke:

I write on behalf of Major League Baseball, the National Basketball Association, and the PGA TOUR in response to the Board's solicitation of proposed rules to implement the Illinois Sports Wagering Act.

As the Board undertakes the rulemaking process, we encourage the Board to identify how it can maintain public confidence in sports wagering and the contests that are the foundation of the wagering marketplace. Indeed, the authorizing legislation gives the Board significant authority and discretion to oversee and regulate sports wagering in the state, and to protect consumers and the integrity of sports. *See*, *e.g.*, Public Act 101-0031, Section 25-15(b) ("The Board may adopt any rules the Board considers necessary for the successful implementation, administration, and enforcement of this Act" including "emergency rules"); Section 25-15(d) ("The Board may exercise any other powers necessary to enforce the provisions of this Act that it regulates and the rules of the Board"); Section 25-15(f) (authorizing the Board to require licensees to share data in real-time with the relevant sports governing bodies); Section 25-15(g) (authorizing the Board to prohibit certain types or forms of wagering on sports events). To that end, we are submitting proposed rules that are designed to protect consumers and the integrity of our athletic events.

Thank you for your consideration. I would of course welcome the opportunity to discuss the leagues' concerns with you further and to provide any additional information that might assist the Board as it develops rules and standards governing sports wagering in Illinois.

Sincerely,

/s/ Jeremy Kudon

Jeremy Kudon

Enclosure

cc: Bryan Seeley, Esq., Major League Baseball
Dan Spillane, Esq., National Basketball Association
Mr. Andy Levinson, PGA TOUR

SUBPART B: SPORTS INTEGRITY & CONSUMER PROTECTIONS

SUBPART B: SPORTS INTEGRITY & CONSUMER PROTECTIONS

Section 1900.210. Restrictions on Types or Forms of Wagers.

a) A master sports wagering licensee, professional sports team, league, or association, sports governing body, or institution of higher education may request that the Board prohibit a type or form of wagering.

b) A request submitted pursuant to this section shall be made in writing on a form as the Board may require, briefly stating the type or form of wagering the requestor seeks to prohibit and the reasons that such wagering is contrary to public policy, unfair to consumers, or affects the integrity of a particular sport or the sports betting industry. A type or form of wagering is contrary to public policy if, among other circumstances, such wagering could erode public confidence in the integrity of sports contests, in the perceived integrity of sports contests, or by creating a heightened risk of threat or injury to any person.

c) The Board shall publish a request submitted pursuant to this section no later than three days following submission. Publication of the request shall constitute notice to master sports wagering licensees that the Board has received a request to prohibit a type or form of wagering. Master sports wagering licensees may submit statements concerning the request to the Board with contemporaneous copies to the requestor within seven days of publication. The requestor may submit a responsive statement to the Board within seven days thereafter.

d) The Board shall issue its final determination seven days after receiving the request if no master sports wagering licensees have submitted statements concerning the request. Otherwise, the Board shall issue its final determination seven days after receiving the requestor's responsive statement or upon the expiration of the time for submitting such statement.

e) The Board shall grant a request submitted pursuant to this section if the requestor has stated good cause that the type or form of wagering sought to be prohibited is contrary to public policy, unfair to consumers, or affects the integrity of a particular sport or the sports betting industry.

f) If the Board denies a request submitted pursuant to this section, the Board shall give notice to the requestor of the denial and the reasons supporting the denial.

g) A requestor may submit a request seeking an emergency determination of the Board with respect to a type or form of wagering. Upon a showing of exigent circumstances, the executive director of the Board shall temporarily grant the request pending the Board's final determination. Exigent circumstances include the availability of information not previously known or available to the

requestor and indicating a risk to the public, consumers, or integrity or perceived integrity of a sports event before the Board can make a final determination.

h) Within seven days of receiving notice of an adverse decision made under this section, a professional sports team, league, or association, sports governing body, or institution of higher education may request a hearing. The hearing shall be held within fourteen days of the request for a hearing. The Board shall issue its post-hearing determination within seven days of the hearing.

Section 1900.220. Official League Data.

a) A sports governing body may give notice in writing in a form as the Board may require that the sports governing body seeks to supply official league data in connection with wagers on its sporting events, either directly or through one or more entities expressly designated by the sports governing body. The notice shall include the contact information of an office at the sports governing body or its designee(s) to which master sports wagering licensees should direct inquiries and that should receive notices pursuant to this section.

b) The Board shall publish a notice submitted by a sports governing body under subsection (a) no later than three days following submission. No later than thirty days after publication of the notice, master sports wagering licensees shall use only official league data to determine the results of tier 2 sports wagers on sports events sanctioned by that sports governing body.

c) A master sports wagering licensee may, within thirty days of the publication of a notice submitted by a sports governing body or its designee(s) under subsection (a), submit a written statement to the Board, with contemporaneous copy to the office at the sports governing body identified in the notice under subsection (a), requesting the Board's approval to use alternative data for tier 2 sports wagers. The master sports wagering licensee's written statement must demonstrate one of the following: (1) the sports governing body or designee(s) cannot provide a feed of official league data to determine the results of a particular type of tier 2 sports wager; or (2) the sports governing body or its designee(s) cannot provide a feed of official league data to the master sports wagering licensee on commercially reasonable terms. A written statement asserting circumstances identified in subsection (c)(2) must also include evidence that the master sports wagering licensee unsuccessfully attempted to obtain official league data on commercially reasonable terms.

d) Upon receiving a master sports wagering licensee's submission under subsection (c), the Board may deny the master sports wagering licensee's request or call for a response by the sports governing body or its designee(s). The Board may set a date for the sports governing body or its designee(s) to submit the response that is at least thirty days after the Board gives notice of the call for a response.

e) The Board will issue its final determination within thirty days after receiving the sports governing body's or its designee(s)'s response, or upon the expiration of the time for submitting such response. During the pendency of the Board's determination, such master sports wagering licensee may use any data source for determining the results of the applicable type of tier 2 sports wagers for submissions made under subsection (c)(1) and for all tier 2 sports wagers on the relevant sports governing body's events for submissions made under subsection (c)(2).

Provided, however, that a sports governing body may seek an interim determination upon showing exigent circumstances why the master sports wagering licensee must use official league data to determine the results of tier 2 sports wagers, which shall constitute the Board's determination pending further action.

f) In determining whether official league data is available on commercially reasonable terms, the Board will consider, among other relevant factors, whether other master sports wagering licensees in the state and sports wagering operators in other legal markets are using the sports governing body's official league data. The availability of an official league data feed from two or more vendors designated by the sports governing body, the use of such a data feed by another master sports wagering licensee in Illinois, or the use of such data feed by two or more sports wagering operators in other legal markets, shall be sufficient but not necessary to establish that the official league data is available on commercially reasonable terms.

g) Within fourteen days of receiving notice of an adverse decision made under this section, a master sports wagering licensee or sports governing body may request a hearing to appeal from such adverse decision. The hearing shall be held within thirty days of the request for a hearing. The Board shall issue its post-hearing determination within fourteen days of the hearing.

h) Master sports wagering licensees may not use a data source in connection with sports wagering that is obtained either directly or indirectly (1) from live, authorized sporting event attendees who collect the data in violation of the terms of admittance to the event or (2) through automated computer programs that compile data from the internet in violation of the terms of service of the relevant website or other internet platform.

Section 1900.230. Cooperation with Sports Governing Body and Law Enforcement Investigations.

Master sports wagering licensees shall provide account-level wagering information and audio or video files relating to persons placing wagers when a sports governing body or law enforcement agency requests such information in connection with its investigation into sports wagering activities. Master sports wagering licensees must maintain the confidentiality of requests for information made under this section and the information provided in response to such requests, unless disclosure is otherwise required by law or court order.

Section 1900.240. Duty to Report Certain Wagering Activity to Sports Governing Bodies.

a) A sports governing body may submit a notice in a form as the Board may require designating its desire to receive wagering activity reports from master sports wagering licensees, the form of report to be made by master sports wagering licensees and the location, whether electronic or otherwise, to which reports of information should be directed. The Board shall publish a notice submitted under this section no later than three days following submission.

b) Upon detecting abnormal wagering activity or patterns that may indicate a concern with the integrity of a sports event; any potential breach of the relevant sports governing body's internal rules and codes of conduct pertaining to sports wagering that a master sports wagering licensee has knowledge of; or any other conduct that corrupts a wagering outcome of a sports event or sports events for purposes of a financial gain, including match fixing, the master sports wagering licensees shall promptly report, but no more than twenty-four hours after detecting such wagering

activity or patterns, the information to the Board and relevant sports governing body at the location designated in the notice submitted under subsection (a).

Section 1900.250. Availability of Sports Wagering Data.

a) Master sports wagering licensees shall maintain records for at least three years after the sporting event occurs of all wagers placed, including personally identifiable information of the bettor, amount and type of the wager, time the wager was placed, location of the wager, including IP address, if applicable, the outcome of the wager, records of abnormal wagering activity, and video camera recordings in the case of in-person wagers, and shall make such data available for inspection upon request of the Board or as required by court order.

b) If a sports governing body has notified the Board that real-time information sharing for wagers placed on its sports events is necessary and desirable, master sports wagering licensees shall share the information with the sports governing body or its designee(s). As used in this section, “real-time” means at least once per day; provided, however, that information must be shared more frequently or contemporaneously to the extent such intervals are commercially reasonable. The sports governing body shall set forth the methods and procedures by which the master sports wagering licensee shall share the information. The information to be shared shall be the data master sports wagering licensees must retain under subsection (a), other than video files, and provided at the account level in pseudonymous form.

c) The Board shall publish a notice submitted by a sports governing body under this section no later than thirty days following submission. Publication shall constitute notice to master sports wagering licensees that they must begin to share the information as specified in the notice within thirty days of publication.

d) A master sports wagering licensee must share information under this section with a sports governing body or its designee(s) in real-time as set forth in subsection (b). A sports governing body or its designee(s) may petition the Board for a determination that a master sports wagering licensee has failed to provide data in real-time and for such orders as may be appropriate to ensure compliance with this section and the Act.

From:	Sarah Johnson
To:	IGB.SportsRuleComments
Cc:	Cathy Beeding (CDI)
Subject:	[External] Comment Letter for Illinois Gaming Board
Date:	Friday, September 27, 2019 1:53:10 PM
Attachments:	image001.png image003.png image004.png Illinois - Comments to Sports Wagering Act - CDIG FINAL 9-27-2019.pdf

Good Afternoon,

Please find attached a comment letter for the Illinois Gaming Board from Arlington International Racecourse in regards to the Sports Wagering Act.

Best Regards,

Sarah Johnson ¦ *Administrative Assistant*
Arlington International Racecourse
2200 W. Euclid Ave. Arlington Heights IL 60005-1004
P 847-385-7739¦F: 847-385-7255¦E: Sarah.Johnson@arlingtonpark.com

ARLINGTON INTERNATIONAL RACECOURSE
A Churchill Downs Company

September 27, 2019

Via Electronic Mail
Igb.sportsrulecomments@igb.illinois.gov

Mr. Marcus Fruchter, Administrator
Illinois Gaming Board
160 North LaSalle, Suite 300
Chicago, IL 60601

RE: Comment Submission - Sports Wagering Legislation
Churchill Downs Interactive Gaming, LLC and Arlington Park Racecourse

Dear Mr. Fruchter:

Churchill Downs Interactive Gaming, LLC and Arlington Park Racecourse (the "Churchill Downs Subsidiaries") submit the following comments regarding the Sports Wagering Act (the "Act"), bulleted by theme, to the Illinois Gaming Board ("IGB").

- **Business and Key Personnel Licensing:** In order to expedite the licensing of entities and individuals to be engaged in legalized sports wagering, we urge the IGB to consider granting temporary licenses or waivers to entities and individuals based on:
  (a) Submission of complete applications to IGB;
  (b) The good standing licensing status of an entity and/or individuals associated with that entity by another Illinois regulatory agency, such as the Illinois Racing Board; and/or
  (c) Recognition of comparable licensure in good standing granted in other US commercial gaming jurisdictions for all potential sports wagering licensees whether as an operator, vendor, service provider, key employee, or qualifier.

- **Supplier Licensing:** Section 25-50 of the Act does not expressly restrict or prohibit an affiliate of a master sports wagering licensee from obtaining a supplier license for the sale or lease of sports wagering equipment. Accordingly, we urge the IGB to consider this in its rulemaking and allow an open market for sports wagering equipment without barriers to entry for any entity seeking a supplier license. Any such restrictions or prohibitions are unnecessary and unwarranted given that, as described herein, self-service sports wagering kiosks are simply boxes, and nothing more, without the accompanied regulated software.

- **Management Services Provider Licensing:** We encourage the IGB to waive or reduce the license and renewal fees for a management services provider licensee that is an affiliated company under common control with the master sports wagering licensee. The applicable license and renewal fees for the conduct of sports wagering will be paid by the master sports wagering licensee. If an affiliated entity will serve as the licensed management services provider, the master sports wagering licensee should be entitled to leverage and benefit from the experience and expertise of its affiliated

companies in the conduct of sports wagering without the burden of additional and substantial licensing and renewal fees.

- **Designation of an Inter-Track Wagering Location:** As a potential applicant for a master sports wagering license as an organization licensee, the legislation provides that Arlington would be limited to offering sports wagering at Arlington as well as three (3) inter-track wagering ("OTB") locations. In determining the locations for offering sports wagering, Arlington urges the IGB to provide significant latitude to the organization licensee in order to provide for changing business volumes and to pursue opportunities that may be present over time. For example, if an OTB in Aurora is selected as one of the three locations for sports wagering and after commencing operations significant road work impeding access to the location or other events beyond the control of the licensee occur, we ask that the IGB consider granting flexibility to re-designate the sports wagering license to another OTB, so long as the alternate location meets all regulatory requirements. The re-designation process would occur with permission of the IGB in a commercially reasonable and streamlined process that allows for continuous operation of the sports wagering licenses at all three OTB locations at any given time.

- **Creation of Sports Wagering Account:** Account wagering is the hallmark of interactive sports wagering and making the process for establishing a wagering account more efficient and patron-friendly is critical to success. However, establishment of an account is not required for sports wagering in a retail environment, and we would urge IGB not to require an account for such activity.

  On the interactive side, experience in other US jurisdictions informs us that a robust process involving the interplay and confirmation between information inputted by the prospective patron directly and checked by a reputable KYC provider is a proven method of verifying identity and critical identification information, such as full name, address, date of birth and full 9 digits of the patron's social security number. Regulations that require the licensee to retain copies of identifying documents we believe creates an unnecessary burden for the patron and an unnecessary hurdle to successful account creation as well as presenting additional risk from an information security standpoint. Furthermore, allowing patrons to pre-register online or on the patron's own mobile device – and, where appropriate, allowing licensees to re-use the patron's KYC verification from another commercial gaming jurisdiction – before visiting a sports wagering retailer for the required in person identity verification would expedite reliable account creation.

- **Gaming Lab Approval Software/Hardware:** Providing proven and reliable sports wagering software to Illinois sports wagering patrons is of paramount concern to operators and regulators alike. We urge the IGB to adopt software requirements based on compliance with critical software functions, which differ somewhat in the retail environment versus the interactive environment.

  For the retail setting, critical components include, but are not limited to, the wagering system's clock function, wagering management, wagering rules and content, displays and information facing the patrons, event monitoring procedures and game integrity, results, settlement and payment as well as reporting and general operational procedures. For interactive software, all of the above

elements are critical, but so too are subjects such as account establishment, KYC, player account controls, geolocation, logging and payment processing.

While gaming labs offer specific certifications for hardware and software, the process for obtaining such certifications can be costly and time consuming with negligible independent benefit over testing that can be accomplished by a regulator's lab in another jurisdiction and recognized by the IGB. Gaming labs such as the Pennsylvania Gaming Control Board that have extensive and sophisticated testing capabilities and professional testing staff should be given due acknowledgement by the IGB when it comes to recognizing the testing conducted on retail and interactive wagering software.

Further, because many self-service sports wagering systems include a kiosk or cabinet portion, the IGB is urged to recognize that these kiosks are simply boxes – sturdy boxes to be sure – but boxes that are not gaming devices and should not be defined or regulated as a "gambling device", "gambling game", or "wagering device" as the kiosk does not determine the outcome of the wager nor is it integral to the placing of a wager as wagers can be placed on a patron's personal device, and unlike a slot machine, a patron does not "play or operate" a kiosk.

These boxes contain many component parts by several different manufacturers, such as bill validator manufacturers, printer manufacturers and scanner manufacturers, to name only a few. Since these boxes are nothing without the accompanied regulated software, we urge IGB consider excusing the suppliers/manufacturers/assemblers of these boxes (or kiosks) from costly and time-consuming licensing requirements. In the alternative, we would urge IGB to consider in its rulemaking a request for the agency to recognize licensure of the kiosk manufacturer (or distributor) from another US commercial gaming jurisdiction or provide for IGB to grant a waiver of the licensing requirement pre-launch for a specific (but abbreviated) length of time.

- **Data Fees:** Regarding the data fees applicable to tier 2 sports wagers, we urge the IGB to organize discussions amongst its sports wagering master licensees to determine the scope of tier 2 wagers that may require a data feed and seek to limit the scope and reach of this requirement to mirror the clearly stated legislative intention to limit data fees to in-play wagers only that are not determined by the final score or final outcome (line, spread, totals) of the sports event.[1]

The purpose of these stakeholder discussions would be to share learning based on the experience and expertise of sports book operators to enable the IGB to make a determination that alternate data sources outside of "official league data" provide sufficient reliability to settle wagers in an accurate and timely manner. Furthermore, since licensees will be required to pay data fees to

[1] Requiring official league data for in-play wagers based on final scores runs afoul of the concept in the Act that official league data is not required for wagers based on final scores that were made prior to game start. Both types of wagers will be settled according to the final score; why is official league data not required for pre-game wagers but it is required for in-play wagers? In a worst-case scenario, the sports wagering licensee would settle pre-game and in-play wagers on final scores in two different ways.

leagues or other sports governing bodies and in order to assure the highest degree of integrity at the top levels of these organizations, consideration should be given to requiring these data providers to submit to licensure from IGB, similar to the licensure requirements for other sports wagering vendors.

- **"Event" and Tier 1 Sports Wagers:** "Tier 1 sports wager" means a sports wager that is determined solely by the final score or final outcome of the sports "event" and is placed before the sports event has begun. We would urge the IGB to provide additional clarification on the term "event" and equate "event" to a wagering "market", such as a market that is based on the final outcome of 1 hole of golf or 1 inning of baseball or 1 half of a football game. An interpretation that equates "event" to "market" will affect the necessity of data feed fees while maintaining the integrity and accuracy of such wagers because the information is readily and reliably available without paying data feed fees.

  We believe that a "final outcome of an event" should include all outcomes that are empirical to the viewer and are based on naturally occurring breaks in the sport such as halves, innings, periods, holes – but not subparts such as shots, errors, or unscientific measurements of distance. In addition, wagers that are made during halftime on the outcome or final score, which would be the outcome of the second half, should not require an official data source as it would be no different than a wager placed prior to start of an event and determined by the final score.

- **Allowed and Prohibited Markets:** We would urge the IGB to adopt the most expansive event offering to enable licensees to offer markets in as many sports and in as many different leagues/countries as allowed under a free market system of supply and demand. Maintaining a robust offering on a 24/7 basis by offering markets available throughout the world with limited restrictions (including data feed fees as discussed above) on player props, collegiate sports and non-US sports is important for a new market to mature into a sophisticated market with accompanying growth in tax collections.

  We also request clarification regarding the visibility that will be given to licensees into the process by which the IGB will accept and entertain requests from institutions of higher learning, professional sports teams, leagues or sports governing bodies to prohibit a type or form of wagering pursuant to Section 25:15(g). Will there be an opportunity for meaningful dialogue between IGB and the licensees on these requests? Will the request and rationale proffered by the requestor be made public?

We also have several requests for clarification on the interpretation of some terms and provisions in the legislation relating to the wagering catalog, as follows:

a. What does the IGB consider to be included in the term "minor league"?
b. What is the IGB's position regarding wagering on the performance of a team or individual athlete that is under 18 years of age, such as Coco Gauff?
c. Does "minor league" in Section 25-25(d) include "collegiate teams"?

d. Will the IGB recognize that several sports have more than one major league, such as football, which has the NFL and CFL and USA Soccer, which has the MLS and USL?
e. How will league-less sports such as the Olympics be viewed?
f. Will wagering on non-traditional sporting competitions such as e-sports be permitted?
g. Will wagering on collegiate sporting competitions that are not affiliated with NCAA or NAIA (National Association for Intercollegiate Athletics) but are nonetheless regulated by a governing body be permitted?
h. Will wagering on competitions that include a mix of "major" and "minor" league affiliated athletes/teams and mixed professional and amateur competitions such as the U.S. Open (golf), U.S. Open Cup (soccer), Olympics be permitted?
i. Is the prohibition contained in Section 25-25(d) on wagers involving an Illinois collegiate team intended to apply only to colleges that have their main campus in Illinois, irrespective of the location of the event? Are non-team wagers (e.g., golf) permitted?

- **Occupational Licenses:** Sections 25-20 and 25-15(e) of the Act state that, "employees who work in a designated gaming area that has sports wagering or performs duties in furtherance of or associated with the operation of sports wagering" must obtain a $250 occupational license. Given that many OTB locations are paired with food and beverage operations that may be under separate ownership and employ bartenders and servers who have no involvement in the sports wagering operations (other than perhaps incidentally serving patrons food and beverage during the patrons' visits), we would urge the IGB to limit the reach of the occupational licensing requirement to those employees *of the licensee* who directly support the sports wagering operation.

- **Tax:** With regard to the additional 2% tax of the adjusted gross sports wagering receipts for wagers placed within a home rule county, we would urge the IGB to interpret this provision with reference to the designation of a home rule county at the time the legislation was passed and therefore limit the applicability of this provision. We also request clarification on the applicability of this provision to wagers placed in Cook County online or using a mobile device for accounts that were created in a non-home rule county and vice versa.

- **Customer Service:** In order to allow licensees to better serve patrons across the entire state, there should be no restrictions on the location of the licensee's customer service call center, e.g., it is permissible to locate the customer service center outside of Illinois.

- **Go Live:** We would urge the IGC to establish a common "go live" date for sports wagering in both the retail setting, as well as online/mobile, in order to properly effectuate the intent to the legislation to create a level playing field among licensees.

- **Self-Exclusion:** The process of assuring that self-excluded patrons are denied access to wagering on interactive platforms has been approached in different ways by different US jurisdictions. We would urge the IGB to adopt an automated process that platforms may integrate into wagering

systems and update at least daily for patrons who have excluded themselves from sports wagering activities only.

On behalf of the Churchill Downs Subsidiaries, we appreciate the opportunity to provide these comments on the Act. Should the IGB have any questions or require clarification on any of the matters commented on herein, please contact Cathy Beeding, VP, Sr. Counsel and Corporate Compliance Officer for Churchill Downs Incorporated at cathy.beeding@kyderby.com or 502-636-4429.

Kindest regards,

[redacted]

Tony Petrillo,
President, Arlington International Racecourse

From:	Sarah Johnson
To:	IGB.SportsRuleComments
Subject:	[External] RE: Comment Letter for Illinois Gaming Board
Date:	Friday, September 27, 2019 2:19:27 PM
Attachments:	image001.png image003.png image004.png

A read receipt was requested, thank you.

From: Sarah Johnson
Sent: Friday, September 27, 2019 1:53 PM
To: igb.sportsrulecomments@igb.illinois.gov
Cc: Cathy Beeding (CDI) <Cathy.Beeding@kyderby.com>
Subject: Comment Letter for Illinois Gaming Board

Good Afternoon,

Please find attached a comment letter for the Illinois Gaming Board from Arlington International Racecourse in regards to the Sports Wagering Act.

Best Regards,

Sarah Johnson ¦ *Administrative Assistant*
Arlington International Racecourse
2200 W. Euclid Ave. Arlington Heights IL 60005-1004
P 847-385-7739¦F: 847-385-7255¦E: Sarah.Johnson@arlingtonpark.com

From:	Mike
To:	IGB.SportsRuleComments
Subject:	[External] Comments Regarding the Sports Wagering Act
Date:	Friday, September 27, 2019 2:20:07 PM
Attachments:	ITHA Letter to IGB.pdf

Please see attached.

Michael B. Campbell - President
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ITHA
Illinois Thoroughbred Horsemen's Association, Inc.

September 27, 2019

Illinois Gaming Board
160 North LaSalle Street
Suite 300
Chicago, IL 60601

Dear Chairman Schmadeke and Members of the Illinois Gaming Board:

Our association submits that **Churchill Downs Inc. has failed the most basic test of honesty and integrity, that it should consequently be denied a sports betting license linked to its Illinois property Arlington Park and that, absent its divestiture of Arlington to a qualified entity that will operate the facility as a racino, should also be denied any sports betting license(s) linked to any other gaming property in Illinois**.

Arlington representatives have for more than a decade lobbied Illinois governors and legislators for authority to offer casino-style games as a means to boost revenue at the track and create more jobs by generating funds to significantly improve the quality of horsemen's purses. In recent years, Arlington intensified that pursuit by insisting that the track be granted the ability to offer table games – in addition to slots – to ensure that its racino would be financially viable.

The track's push to operate a racino was entirely consistent with the intent of the Illinois Horse Racing Act, which was established to help create jobs, promote tourism, ensure that our state's racing industry remains competitive with those in other states, and boost Illinois agribusiness. And indeed, Arlington actively enlisted the cooperation and support of the Illinois Thoroughbred Horsemen's Association and the state's other horsemen's associations in that endeavor precisely because it recognized that partnership with us – our associations advocate for horse owners and trainers, backstretch workers, and other racing professionals whose livelihood depends on live racing – would enhance its own credibility.

But through their recent actions, Churchill and Arlington abruptly reversed Arlington's frequently cited commitment to a stronger future for Illinois horse racing that will bolster the growth of jobs and greater economic opportunity. They showed contempt for the good faith efforts of lawmakers to supply Arlington with the tools it had so ardently demanded. **And they violated the public trust as expressed by the terms of Public Act 101-31, the state's new gaming expansion law**.

By opting not to apply for a license to operate a racino at Arlington, Churchill has, contrary to the intent of the gaming law, denied Illinois government the additional tax revenue that was expected to result from the racino operation at Arlington and denied this state the economic benefits that also were anticipated to occur. Moreover, Churchill, which for generations was regarded as the nation's leading racetrack company but which in recent years has gradually abandoned its commitment to racing in favor of casino

gaming, demonstrated its disdain for the Illinois racing industry by misrepresenting the nature of a racetrack's obligation to the racing community. In an Aug. 28 statement announcing its decision not to apply for the racino license at Arlington, Churchill described the necessary disbursement of some gaming revenue to the horsemen's purse account as a component of its "effective tax rate" that would create a competitive disadvantage relative to the rates paid by casino gaming operations. The notion that a track's required contributions to the horsemen's purse account constitute an unwelcome and unnecessary burden is highly offensive to the thousands of Illinois men and women, from backstretch workers to hay and feed suppliers, who derive their income from live racing. It also shows a fundamental disconnect from the mission of the state's horse racing industry as clearly described by statute.

Our industry exists because it provides economic benefits to Illinois, both at the tracks and throughout agribusiness, that no other form of gaming can provide. Lawmakers, through the development of the Illinois Horse Racing Act, have sought to balance the profit interest of a racetrack owner with the state's interest in promoting the growth of jobs at the track and beyond. A racetrack's contribution of a portion of its revenue to the horsemen's purse account is integral to that balance; it is solely through those funds that racing professionals – from trainers and backstretch workers to blacksmiths and veterinarians – have an opportunity to earn a living. **A racetrack owner's participation in the gaming industry is a *privilege* conferred by the State of Illinois**.

It is now abundantly clear that Churchill, which last October announced that it had secured a majority stake in the Rivers Casino in Des Plaines, the state's top grossing casino, is determined to maximize its shareholder returns (and executive compensation) without regard for the intent of the state's new gaming law to further competition among gaming outlets and across various forms of gaming, enhance the ability of the Illinois horse racing industry to compete with racing in other states, preserve and create jobs in racing, diversify and grow the state's tax revenue base, and serve the best interests of taxpayers.

In our view, Churchill's gambit could not be any more poorly timed in light of the re-evaluation of the purpose of a corporation undertaken by the United States' leading business executives and a renewed, bipartisan push to examine the deleterious effects caused by insufficient regulatory oversight leading to monopolistic practices that benefit particularly narrow interests.

Last month, the Business Roundtable, an association of chief executive officers from major American companies, revised its "Statement on the Purpose of a Corporation" to offer a more inclusive perspective on the obligations that businesses owe to stakeholders and urge "leading investors to support companies that build long-term value by investing in their employees and communities." Among the commitments made by these executives were:

- *Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.*
- *Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.*
- *Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.*

The leaders of Illinois-based corporations are among the 181 signatories from across the country, but Kentucky-based Churchill's CEO William Carstanjen was not. Regardless, we ask that the Gaming Board

take heed of the evolved perspective of the nation's top business leaders when evaluating Churchill's conduct and treatment of Illinois stakeholders – most especially the State of Illinois and its taxpayers.

It is not just the purpose of a corporation that is being reconsidered these days, but also the detrimental practices of some businesses. In recent years, the work of scholars has precipitated the interest of Democrats and Republicans at all levels of government – including Congress, the U.S. Department of Justice, and state attorneys general – to better understand how a handful of companies are coming to control vast swaths of the economy and the risks such dominance creates for economic growth and a level business playing field. And, while much of the focus has been on the tech sector, we believe that similar concerns are very much at play when evaluating the Illinois gaming landscape and that the Gaming Board has an obligation to take them into consideration as it formulates rules to implement Public Act 101-31. It plainly was not the intent of lawmakers and the governor to enable one company to engage in predatory, anti-competitive practices whose harms spill over into other sectors of the economy beyond gaming and that may hurt individuals and businesses located in Arlington Heights and across the state.

Indeed, no one has been so bold as to suggest that an Arlington Park that also offered casino gaming options wouldn't be profitable for the operator and state, even if, perhaps, it would not be as profitable as one particular operator, Churchill, believes. Nor have any suggested that Rivers Casino would be unprofitable if Arlington became a racino. In fact, an Arlington Park with horse racing and casino gaming might be more appealing to those looking for more diverse wagering options, and therefore unwelcome competition for the more limited Rivers. But, while the profit levels of Arlington and Rivers relative to one another are not the Gaming Board's concern, allowing Churchill to operate as a monopoly to the detriment of Illinois taxpayers and other stakeholders surely is.

Lack of Honesty and Integrity

Immediately following Churchill's decision to betray Illinois racing by declining to apply for a license, Arlington Park chairman emeritus Richard Duchossois told the *Daily Herald* that it was incumbent on lawmakers to change the new gaming law to Arlington's liking. The *Daily Herald* focuses its coverage on the Chicago suburbs and, as such, is the Illinois news outlet that most closely covers events relating to Arlington. "Churchill Downs Incorporated will not close Arlington Park," Duchossois asserted, according to the newspaper. "The Illinois state legislature will close Arlington Park. Only its members can change things." The legislature, of course, had just granted to Arlington everything – the authority to operate slots and table games, plus sports betting – that the track had insisted that it required to stay financially viable. It is Arlington, in fact, that had failed to conduct itself, through the legislative process, in good faith.

By early May, the final full month of legislative session, it had begun to appear to proponents of gaming expansion that lawmakers, in concert with the state's new governor, might actually – following years of deliberation – be inclined to approve a major gaming package that would allow racino operations at tracks and otherwise expand the availability of gaming options in this state. But while other proponents at that time grew more optimistic and closely engaged, Arlington, following more than a decade of lobbying for permission to operate a racino, moved to distance itself from that legislative effort. During an appearance before the House Executive Committee in early May, Tony Petrillo, president of Arlington Park, argued that lawmakers should separate the considerations of sports betting and other gaming because, in Arlington's view, there was a clear "pathway" to passage of sports betting but that the "pathway" to approval of a larger gaming expansion deal "seems very obfuscated." He stopped short of describing Arlington as an opponent of gaming expansion but repeatedly cited the "opposition" to gaming expansion,

specifically from incumbent casinos, as a reason to divide from the gaming equation the legislature's push to approve any gaming expansion beyond sports betting. Arlington, he told the committee, "would like … to see those separated so that, if a big gaming bill does not pass, we [do not] walk away with nothing."

Petrillo's equivocation before that committee, especially when viewed relative to Arlington's full-throated pursuit of gaming expansion over more than a decade, was baffling. (His remarks were in stark contrast to those of the heads of the state's other two tracks – Tim Carey of Hawthorne Race Course and Brian Zander of Fairmount Park Racetrack – who expressed their unqualified support for gaming expansion that would provide their respective tracks with the opportunity to apply for racino licenses.) Naturally, any consideration of major gaming expansion attracts opposition from stakeholders who view such a move as adverse to their own interests. But this had previously not deterred Arlington from unambiguously stating its support for gaming expansion, at least in concept, in as much as it could position Arlington to operate the racino it had long desired. In hindsight, when viewed relative to Churchill's decision not to apply for the racino license offered under the new gaming law, Petrillo's comments raise the serious question of whether he was in fact acting as an agent of Churchill with the goal of disrupting any gaming development at Arlington that could potentially compete with the casino gaming operation at the Rivers Casino now controlled by Churchill. When traveling by road, Rivers is approximately 12 miles from Arlington.

Later in May, with Arlington averse to the legislature's advancement of the gaming bill, Rep. Bob Rita, the House point-person on the measure, directed other racing stakeholders to proceed with negotiations over the final language of the bill, as it pertained to horse racing, in Arlington's absence. The other two tracks, in the interest of inclusion, nonetheless extended to Arlington an invitation to join those talks. **Arlington's representatives declined to participate.** Representatives of the other tracks and horsemen proceeded, after two days of negotiations, to reach agreement on the horse racing terms of the bill. Minutes after we had completed those negotiations, Arlington's Petrillo and Jim Stumpf were seen exiting another office building, just doors away from the one at which our talks had occurred, and walking back toward the Capitol. We can only speculate as to why Arlington executives would skip negotiations over the session's most significant measure relating to horse racing – indeed, the legislature's most important horse racing-related measure in years – only to position themselves within such close proximity of the talks they had decided to avoid.

Yet even as Arlington refused to directly engage in discussion concerning the core racing provisions of the bill, its agents did attempt to surreptitiously maneuver language hostile to horsemen, in the form of House Amendment 2, into Senate Bill 690 (the measure that would become Public Act 101-31). Lawmakers did not advance the language that Arlington had covertly positioned in House Amendment 2; House Amendment 3, which became the bill and eventually the public act, rejected that proposal and respected the agreement reached by the other tracks and horsemen. But since adjournment of spring session, Arlington has been actively engaged in pressing lawmakers to approve, as a trailer bill during the fall veto session, the language that it had been unsuccessful in positioning in the final version of Senate Bill 690. (The Arlington-sought language, ostensibly geared to strengthen supports for backstretch workers, is in truth designed to suppress the ability of horsemen's associations to advocate effectively on behalf of our own membership by restraining our ability to allocate our own resources as we determine to be necessary. Approval of this language would in fact harm – not help – the interests of backstretch workers in as much as the horsemen's associations, which fund benevolence programs for backstretch workers and otherwise advocate on their behalf, would be hamstrung in our ability to advocate and, when necessary, push back against track-led efforts to diminish the scope of live racing that is necessary to support the livelihood of backstretch workers and other racing professionals.)

Immediately following session adjournment, Arlington quickly returned to its longstanding public embrace of gaming expansion – casting into question, yet again, the track's true intent and motive. The *Daily Herald* published an article noting that Arlington had "lobbied state lawmakers for two decades for more gambling to boost a struggling state horse racing industry" and reporting that Arlington officials were "pleased with legislation passed over the weekend permitting slots, table games and sports betting at the Arlington Heights-based track." The newspaper quoted Petrillo as saying: "We're thankful to the legislative leaders in the House and Senate and governor for getting this done."

Finally, when discussing the subject of honesty and integrity, or the lack thereof, we would be remiss not to point out that, as best we presently know, contrary to the Gaming Board's direction at the time it approved Churchill's acquisition of a controlling interest in Rivers that "Churchill Downs Incorporated [make] a good faith effort to sell up to 10% of the equity value of Midwest Gaming Holdings, LLC to statutory investors within 90 days of the closing of this transfer upon the same price and terms as the Casino Investors, Inc. received in this transfer," such transactions have not occurred and there is no public evidence that Churchill has, in fact, demonstrated such a good faith effort.

And so, we must point out that at a time when Illinois elected officials have brought renewed scrutiny to the treatment of minorities and the avenues available for them to overcome longstanding prejudices that have prevented their economic advancement, and note that opportunities for minority participation were very much on the mind of state policymakers as legislation authorizing the sale of recreational marijuana and the development of a $45 billion capital infrastructure plan were passed and signed into law, that Churchill appears not to have respected that Gaming Board order and may believe that it is free to act with impunity and without sanction from the Board.

Exploiting the Law, Undercutting the Best Interests of Illinois

Churchill remains in control of Arlington, the state's flagship track, and its continued ownership precludes the possibility of an alternative owner seeking to realize the racing potential of that track while also petitioning the General Assembly to re-open the process to apply for a license to operate a racino there. (Such an amendment may be necessary to authorize a racino at Arlington, now that Churchill has deliberately run out the clock on the application process that was provided by existing state law.)

Yet even as Churchill is squelching the growth of Illinois horse racing, its control of Arlington appears to create a distinct advantage for Churchill, in the sports betting arena, over other casino gaming operations seeking to engage in sports betting. Under Public Act 101-31, each casino may be entitled to use their single location to operate sports betting and also register individuals who wish to engage in sports betting via a mobile application. However, Arlington and the state's other racetracks may be permitted to engage in these activities – operation of sports betting and registration of individuals to make sports wagers via mobile – at up to four locations including the racetrack and three inter-track wagering locations. Thus, by virtue of its continued control of Arlington, Churchill, in addition to the opportunity it may have to operate sports betting and register mobile users at Rivers Casino, is positioned to conduct this activity at four additional and separate locations.

Churchill also is poised to abuse an antiquated provision in state law that permits a track to take funds from the horsemen's purse account to subsidize its own operations. This taking – called "recapture" and unique to the horse racing industry in Illinois – has long undermined the ability of our industry to compete

with racing in other states by depleting the purses available to horsemen here. (Since recapture began in 1995, Arlington has taken $88.9 million from horsemen's purses. In 2019 alone, the track is taking $4.47 million. The state government, as required by law, initially replenished the purse accounts following recapture. But for more than 15 years, Illinois lawmakers have failed to appropriate funds to reimburse the purse accounts.) Illinois lawmakers, as part of the new gaming law, intended to end the practice of recapture and, in doing so, provide an additional boost to our industry. Once a track is deriving revenue from a racino operation, under the new law, the Illinois Racing Board will not again certify recapture for that track. But Churchill, having opted not to pursue a racino at Arlington, could under the new law conceivably continue to take that subsidy – thereby perpetuating the damage to the purse account and the economic opportunity that is intended to result from Illinois horse racing – indefinitely.

Churchill's retreat from any meaningful commitment to live racing in this state stunned the Racing Board, which, in an extraordinary move on Tuesday, Sept. 17, postponed for a week its vote on whether to grant to Arlington a schedule of 2020 racing dates and directed representatives of Arlington to return before commissioners prepared to demonstrate a commitment to Illinois racing. But while Churchill and Arlington representatives refused on Tuesday, Sept. 24 to commit to steps that would promote the growth of Illinois horse racing, the Racing Board granted to Arlington its requested 2020 dates. (As if to underscore the duplicity of its relationship to live racing, Churchill on Sept. 5 announced a plan to invest $200 million in the construction of a new racing facility, called "New Latonia," in northern Kentucky – where the company's proposed track would not be in competition with its own casino.)

Surely, the General Assembly did not intend for one out-of-state corporation to effectively stifle the intended growth of the Illinois horse racing industry, evidently as a means to reduce the competition facing its own casino, while at the same time exploiting state law to dramatically expand its sports betting footprint and continuing to undermine purses through a practice that lawmakers, acting on the assumption that Churchill would develop a racino at Arlington, moved to abolish. Respectfully, we again submit that it certainly is not the role of the Gaming Board to enable to Churchill's efforts to maximize profit to the detriment of competition (both the competition an Arlington racino might pose to the Rivers Casino, and the competition of our state's horse racing industry to those in other states), the state's economic potential, and the best interests of Illinois taxpayers.

As the Gaming Board prepares to develop administrative rules to implement the terms of sports betting and, eventually, consider applications for sports betting licenses, we urge the Gaming Board to:

1. Formulate the test of character and fitness embodied in the rules to emphasize the careful consideration of the honesty and integrity of the license applicant.

2. Deny Churchill's request for a sports betting license linked to Arlington as a demonstration of the Board's commitment to ensuring that a prospective licensee that has shown contempt for the good faith efforts of Illinois lawmakers and has violated the public trust as expressed by the terms of Public Act 101-31 will not be rewarded with the privilege to engage in sports betting.

3. Deny Churchill's request for a sports betting license linked to Rivers Casino or any other gaming property in Illinois until such time that Churchill has divested itself of Arlington, to a qualified entity that will operate the facility as a racino, as a demonstration of the Board's commitment to promoting fairness, honesty and integrity, and competition across the state's gaming landscape.

If the Gaming Board does opt to grant Churchill a sports betting license linked to Arlington, notwithstanding our objections and reasoning articulated above, then we would urge the Board to condition the award of any such license on Arlington's written agreement with the Illinois Thoroughbred Horsemen's Association to distribute an adequate share of sports betting revenue to the horsemen's purse account and to stipulate that the sports betting license may remain in effect only so long as such sharing with purses occurs. This allowance would, despite Churchill's best efforts to skirt any accountability to the Illinois horse racing industry, serve, at least to a degree, to bolster purses and support the interests of Illinois taxpayers. We also would urge the Board to evaluate, as another avenue to advance the intent of Public Act 101-31 as it relates to horse racing, the conditioning of any sports betting license awarded to Churchill on Arlington's commitment to forego recapture for so long as the sports betting license may remain active.

We appreciate the opportunity to share our perspective and, should the Board desire, would be glad to discuss this matter with the Gaming Board's staff or during a public appearance before the Board. Please do not hesitate to contact us if we may act as a resource during the Board's development of the administrative rules and its consideration of sports betting license applications.

Sincerely,

Mike Campbell
Illinois Thoroughbred Horsemen's Association
(847) 577-6464 / mike@itharacing.com

cc: The Honorable J.B. Pritzker, Governor of Illinois
The Honorable Michael J. Madigan, Speaker of the Illinois House
The Honorable John J. Cullerton, President of the Illinois Senate
The Honorable Jim Durkin, Republican Leader of the Illinois House
The Honorable William E. Brady, Republican Leader of the Illinois Senate

From: Johnson, Wendy A. on behalf of Gantz, Bill
To: IGB.SportsRuleComments
Subject: [External] Public Comment - Illinois Sports Wagering Act Rulemaking Process
Date: Friday, September 27, 2019 2:50:30 PM
Attachments: image001.png
IGB Letter 9-27-19_001.pdf

Please see attached letter.

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September 27, 2019

VIA EMAIL
(igb.sportsrulecomments@igb.illinois.gov)

Illinois Gaming Board
160 North LaSalle Street
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Chicago, Illinois 60601

Re: **Public Comment - Illinois Sports Wagering Act Rulemaking Process**

I submit this comment concerning the rulemaking process of the Board relative to the Illinois Sports Wagering Act (the "SWA"). I am an attorney licensed to practice law in the State of Illinois, and I have represented gaming industry clients since 2002. In my practice, I am familiar with the Board's existing regulations as well as the rulemaking procedures mandated in the State of Illinois under the Illinois Administrative Procedure Act ("IAPA"), 5 ILCS 100/10-10 *et seq.*

The Sports Wagering Act Effectively Mandates the Use of Official Data

Under the SWA, "Official league data" means statistics, results, outcomes, and other data related to a sports event obtained pursuant to an agreement with the relevant sports governing body, or an entity expressly authorized by the sports governing body to provide such information to licensees, that authorizes the use of such data for determining the outcome of Tier 2 sports wagers on such sports events. §25-1. A "Tier 1 sports wager" means a sports wager that is determined solely by the final score or final outcome of the sports event and is placed before the sports event has begun. §25-1. A "Tier 2 sports wager" means a sports wager that is not a Tier 1 sports wager. Under these definitions, virtually everything on than a pre-game bet or outcome is a Tier 2 wager which may require extensive use of official data by a licensee.

Section 25-25(g) of the SWA provides every "sports governing body" with the option to require all master sports wagering licensees to use official data supplied by the league:

> (g) A sports governing body headquartered in the United States may notify the Board that it desires to supply official league data to master sports wagering licensees for determining the results of Tier 2 sports wagers. Such notification shall be made in the form and manner as the Board may require. If a sports governing body does not notify the Board of its desire to supply official league data, a master sports wagering licensee may use any data source for determining the results of any and all Tier 2 sports wagers on sports contests for that sports governing body. Within 30 days of a sports governing body notifying the Board, master sports wagering licensees shall use only official league data to determine the results of Tier 2 sports wagers on sports events sanctioned by that sports governing body, unless: (1) the sports governing body or designee cannot provide a feed of official league data to determine the results of a particular type of Tier 2 sports wager, in which case master sports wagering licensees may use any data source for determining the results of the applicable Tier 2 sports wager until such time as such data feed becomes available on commercially reasonable terms; or (2) a master sports wagering licensee can demonstrate to the Board that the sports governing body or its designee cannot provide a feed of official league data to the master sports wagering licensee on commercially reasonable terms. During the pendency of the Board's determination, such master sports wagering licensee may use any data source for determining the results of any and all Tier 2 sports wagers.
>
> §25-25(g).

Assuming a league notifies the Board of its desire to supply official data, within 30 days every sports wagering licensee which desires to offer Tier 2 bets on the events of that league must use only official data to resolve such Tier 2 wagers. Notably there is no definition or standard for what is "commercially reasonable," while at the same time there is no requirement that there be more than one source for such data. Under the SWA a league is free to provide the supply of official data by itself or through its "designee."

The Sports Wagering Act Creates the Potential for Disputes Concerning Use of Official Data and Types of Betting or Events

There are two statutory exceptions provided by §25-25(g) which may relieve a licensee from the obligation to use official data. First, if the sports governing body (or its designee) "cannot provide a feed" of official league data to determine the results of a particular type of Tier 2 sports wager, a master sports wagering licensee may then use any data source. Second, if a master sports wagering licensee "can demonstrate to the Board" that the league (or its designee) cannot provide a feed of official league data to the master sports wagering licensee on "commercially reasonable terms," the master sports wagering license may use any data source during the "pendency of the Board's determination."

These provisions create the potential for disputes between a league and licensees concerning the alleged inability of a league to provide a feed for a particular Tier 2 wager, as well as the alleged inability of a league to provide a feed of official data on "commercially reasonable terms." The implication from the provision (g) allowing a licensee to "demonstrate" that the league at issue cannot (or will not) provide

a feed of official data on "commercially reasonable terms" is that in the case of a dispute over the feed or price, the Board must decide what is "commercially reasonable." The statute also references that the Board will have to make a "determination" concerning the licensee's assertion.

Another determination which the SWA may require the Board to decide is a petition to prohibit a type of betting or event lodged by a master sports wagering licensee, professional sports team, league, or association, sports governing body, or institution of higher education:

> (g) A master sports wagering licensee, professional sports team, league, or association, sports governing body, or institution of higher education may submit to the Board in writing a request to prohibit a type or form of wagering if the master sports wagering licensee, professional sports team, league, or association, sports governing body, or institution of higher education believes that such wagering by type or form is contrary to public policy, unfair to consumers, or affects the integrity of a particular sport or the sports betting industry. The Board shall grant the request upon a demonstration of good cause from the requester and consultation with licensees. The Board shall respond to a request pursuant to this subsection (g) concerning a particular event before the start of the event or, if it is not feasible to respond before the start of the event, as soon as practicable.
>
> §25-15(g).

The SWA does not specify any particular procedure for the Board to follow with respect to a request for a determination regarding official data under §25-25(g) or a request to prohibit a type or form of wagering.

The Disputes Are Subject to the Contested Case Provisions of the Illinois Administrative Procedure Act

The IAPA applies to all administrative rules and procedures of the Board. 230 ILCS 10/17. IAPA defines a "contested case" as "an adjudicatory proceeding . . . in which the individual legal rights, duties, or privileges of a party are required by law to be determined by an agency only after an opportunity for a hearing." 5 ILCS 100/1-30.

A decision of the Board concerning official data or requests to prohibit types or forms wagers would be an agency action that determines the legal rights, duties, privileges, immunities, or other legal interests of one or more specific persons for purposes of 5 ILCS 100/1-50.

Section 25(a) of IAPA states that "[i]n a contested case, all parties shall be afforded an opportunity for hearing after reasonable notice." 5 ILCS 100/10-25(a). Moreover, "due process before an administrative agency requires that a party have an opportunity to be heard." *Macoupon Cnty. Hous. Auth. v. Ill. Pollution Control Bd.*, 123 Ill. App. 3d 1092, 1095 (4th Dist. 1984) (citation omitted).

The IAPA mandates that all agencies adopt rules establishing procedures for contested case hearings, providing Article 10 Administrative Hearing provisions at a minimum. *See* 5 ILCS 100/10-10. The Board's published rules currently lack any provisions for contested case proceedings except for denials of licensure and disciplinary actions. *See* 11 Adm. Code 1800.610 through 690; 11 Adm. Code

1800.710 through 790. The IAPA requires that the Board establish rules which comply with Article 10 of the IAPA, including providing for an appropriate record comprised of pleadings and findings of an Administrative Law Judge (§10-35), discovery and examination of witnesses under the Rules of Evidence (§10-40), and a final Board decision (§10-50). Decisions of the Board are further more subject to Circuit Court review under the Administrative Review Law, 735 ILCS 5/3-101, *et seq*.

The Board should not overlook these important procedural requirements. Under 5 ILCS 100/5-145(b), the Board should adopt rules for proper procedures for contested case hearings in compliance with 5 ILCS 100/10-10, within 30 days of this request. Notably, also, the Board must comply with 5 ILCS 100/5-145(b), which requires that "Each agency shall prescribe by rule the procedure for consideration and disposition of the person's request." Neither the Riverboat Gambling Act nor the Video Gaming Act provide any procedure for disposition of requests for the Board to adopt, amend or repeal a rule. Accordingly, under 5 ILCS 100/5-145(b) the Board should adopt a procedure for consideration and disposition of requests made to the Board for potential rule making.

In its rulemaking process, the Board should also establish firm timelines for the filings and determinations which the SWA requires the Board to make. Under the Board's current procedure for petitions to determine validity of video gaming terminal use agreements (11 Adm. Code 1800.320(b)), petitions have been fully briefed by parties for nearly two years yet the Board has failed to make any decision.

The Board's failure to provide for appropriate procedures for contested case procedures in connection with the Video Gaming Act (230 ILCS 40/1, *et seq.)* is the subject of current litigation matters in the Circuit Court of Cook County. These cases resulted in the Board's development and proposal of amendments to 11 Adm. Code 1800.320. *See Notice of Proposed Amendment to 11 Adm. Code 1800.320* (December 14, 2018 - Illinois Register Volume 42, Issue 50, p. 22336). The Board's proposed rule change is incomplete, particularly because the Board still does not provide for contested case proceedings in compliance with the IAPA to determine the question of use agreement validity.

The advent of the SWA requires that the Board implement contested case procedures in conformity with Article 10 of the IAPA. The Board is presented with an excellent opportunity to develop and adopt contested case procedure for all commercial disputes which it must decide, including those under the Video Gaming Act and the SWA.

Sincerely,

William M. Gantz

WGM/113280571

From:	Peter Jensen
To:	IGB.SportsRuleComments
Subject:	[External] Sports Wagering Rule Comments
Date:	Friday, September 27, 2019 3:00:26 PM

Attention: Mr. Donald Tracy, Chairman. Illinois Gaming Board

Sent from Mail for Windows 10. We have very real concerns about sports gambling that have no limits on advertising, underage gambling, children watching parents gamble in the home, gambling twenty (24) hours non-stop on cell phones, money laundering, money laundering, etc.

It would really be appreciated if Illinois legislature in general and the Illinois Gaming Board in particular would come to realization that gambling is a very, very poor way to finance State government because determining revenue is very impredictable.

Moreover, the costs to community and family far exceeds revenue. According to the Illinois Church Action (ILCAAP) for every one (1) dollar received in revenue there is a seven (7) dollar expense for security, gambling addition recovery, impact on the family, etc.

We strongly urge the IGB to reconsider these issues and do everything you can stop the expansion in gambling in Illinois.

Sincerely,

Peter and Joan Jensen
[redacted]

[redacted]

[redacted]

From:	Peter Jensen
To:	IGB.SportsRuleComments
Subject:	[External] Sports Wagering Rule Comments
Date:	Friday, September 27, 2019 3:02:39 PM

Attention: Mr. Donald Tracy, Chairman. Illinois Gaming Board

Sent from Mail for Windows 10. We have very real concerns about sports gambling that have no limits on advertising, underage gambling, children watching parents gamble in the home, gambling twenty (24) hours non-stop on cell phones, money laundering, money laundering, etc.

It would really be appreciated if Illinois legislature in general and the Illinois Gaming Board in particular would come to realization that gambling is a very, very poor way to finance State government because determining revenue is very impredictable.

Moreover, the costs to community and family far exceeds revenue. According to the Illinois Church Action (ILCAAP) for every one (1) dollar received in revenue there is a seven (7) dollar expense for security, gambling addition recovery, impact on the family, etc.

We strongly urge the IGB to reconsider these issues and do everything you can stop the expansion in gambling in Illinois.

Sincerely,

Peter and Joan Jensen
[redacted]

From:	Paul Hannon
To:	IGB.SportsRuleComments
Cc:	Jill Kelley; Tim Carey
Subject:	[External] Hawthorne-PointsBet Comment on Sports Wagering Act
Date:	Friday, September 27, 2019 3:13:29 PM
Attachments:	PB-Hawthorne_Comments Letter to IGB Sept 27 2019.pdf

Attached please find a response to the request for public and industry comments on the recently enacted Sports Wagering Act in Illinois. We greatly appreciate the consideration of this submission and its content.

JILL KELLEY
General Counsel, PointsBet USA
Phone: (617) 817-9260
Jill.Kelley@pointsbet.com

TIM CAREY
President, Hawthorne Race Course
Phone: (312) 805-9346
timcarey@hawthorneracecourse.com

September 27, 2019

VIA EMAIL
Illinois Gaming Board
Attn: Mr. Marcus Fruchter
160 North LaSalle
Suite 300
Chicago, IL 60601
igb.sportsrulecomments@igb.illinois.gov

Re: Public Comment Period for IL Sports Wagering Act P.A. 101-0031

Dear Mr. Fruchter:

As you may know, PointsBet will serve as a sports book operator to Hawthorne Race Course under its applicable gaming licenses (once permitted under law). PointsBet is excited to enter the Illinois gaming market and intends to work with the IGB to build a relationship based on integrity, transparency and best practices. We understand that your office welcomes input on the Sports Wagering Act (the "Act"), which amends state laws to include sports betting. As such, we'd like to share some observations and recommendations based on our experience in other markets and as a fully regulated global sports book operator. We welcome the opportunity to discuss these and other more general sports betting items if helpful.

Based on the review of the Act, we respectfully submit the following comments:

1. Section 25 – 10: The definition of "*Adjusted gross receipts*" should also include a deduction for any "voided or cancelled transactions" in addition to deductions for winnings paid to wagerers.

2. Section 25 – 35(e): There are compelling legal arguments that this section of the Act, which permits sports wagering offered over the Internet or through a mobile application to only be offered under either the same brand as the owner's licensee is operating under, creates inequitable and discriminatory outcomes to operators that plan to heavily invest in their product and brand (operators that would otherwise invest in promoting their identity through a greater business presence in the Illinois market, resulting in millions of dollars of local marketing expenditures as experienced in the State of New Jersey). We recommend that to the extent permitted under law, future action through legislative amendments and regulations enact greater clarification or exceptions to this business-adverse requirement in order to promote vigorous market competition in the Illinois sports betting environment.

3. Section 25-25(d): We recommend an amendment to this section to allow for sports betting on Illinois collegiate teams. By not allowing these events in the State of Illinois, it drives participants to offshore, unregulated sports books , siphoning tax revenues out of State and jeopardizing the integrity of the event.

4. Section 25-25(g): We oppose the mandated use of league data related to Tier 2 wagers because it creates an arbitrary monopoly over information that is publicly available. Furthermore, certain federal IP laws may reject the "commercially reasonable" status of data that is available to the public. Moreover, the excessive costs of league fees will increase transactional costs of the product, thereby driving customers and their revenue to offshore, unregulated sports books.

5. Miscellaneous:
    a. Technical system requirements. Consider adding regulatory parameters related to the location of technical system assets (i.e., hardware, software, and communications).
        i. For example, what hardware and software will be required to be physically located in Illinois? Defining an "interactive gaming system" adopted from Arkansas regulations would be as follows: "*Interactive gaming system" is a gaming device and means the collective hardware, software, communications technology, and proprietary hardware and software specifically designed or modified for, and intended for use in, the conduct of interactive gaming. The core components of an interactive gaming system, including servers and databases running the games on the interactive gaming system and storing game and interactive gaming account information, must be located in the State of Illinois [including cloud-based data centers such as Azure or AWS as long as the data center is entirely based in Illinois] except as otherwise permitted by the Commission.*"
        ii. For mobile-based operations, will Illinois permit cloud services? If so, will they be required to be located within the State? PointsBet recommends that

cloud-based services be permitted to allow for an optimal operating environment.

iii. Accordingly, consider addition of a definition of data warehouse, which outlines where servers must be located for the purposes of storing transactions received from sports betting.

b. Sports Book retail lounge and kiosk requirements. Will kiosk locations need pre-approval by the IGB, or are there any parameters the IGB may provide about restricted and/or permissible kiosk locations?

We hope our comments are helpful and look forward to discussing these and other topics in greater detail. We can be reached at the contact information above with any questions.

Respectfully Yours

[redacted]

Jill Kelley

[redacted]

From:	John Pauley
To:	IGB.SportsRuleComments
Cc:	Jake Williams; Breard Snellings; Daniel Lobo
Subject:	[External] Sportradar Public Comments - IL Sports Wagering Integrity Act
Date:	Friday, September 27, 2019 3:55:56 PM
Attachments:	Sportradar Public Comments - IL Sports Wagering Integrity Act.pdf

Chairman Schmadeke,

In the attached document, you will find Sportradar's public comments regarding the Illinois Sports Wagering Integrity Act.

Thank you for the opportunity to submit such feedback and we look forward to connecting with you and your team in the near future.

Please feel free to reach out with any questions to usgovernmentaffairs@sportradar.com.

Kind regards,
John

John Pauley
Government Affairs Manager

SPORTRADAR GROUP
office: +1 646-844-5553
[redacted]
e-mail: j.pauley@sportradar.com

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sportradar

September 27, 2019

Illinois Gaming Board
ATTN: Chairman Charles Schmadeke
801 South 7th St., Suite 400
Springfield, IL 62703

Re: Sports Wagering Integrity Act – Public Comments

Dear Chairman Schmadeke,

As the leading supplier for sports data and other related bookmaking services, Sportradar is committed to promoting a competitive, integrity-focused, and sustainable market in every U.S jurisdiction that authorizes legal sports wagering. Sportradar would like to take this opportunity to focus on three important albeit problematic areas – most notably for data service suppliers – within the supplier licensing framework established in SB 690.

Specifically, Sportradar would like to address the following:

1. Requiring data service suppliers to apply and pay for two separate licenses[1] in order to distribute data feeds to Master Licensees;
2. Placing licensed service suppliers on an inconsistent renewal cycle[2] compared to other licensees; and
3. Requiring licensed service suppliers to render disproportionate renewal fees[3] compared to other licensees' fractional renewal rates.

These requirements imposed upon all service suppliers create an aberrant licensing regime that could quickly limit consumer options, stifle tax revenue, and suppress innovation in the Illinois sports wagering ecosystem.

State decision-makers must consider the significant market impact should they decide not to resolve these service supplier concerns in trailer language or during the rulemaking process. An Illinois market without licensed suppliers to distribute data feeds to Master Licensees (e.g., riverboat casinos, race tracks, sports facilities, mobile operators, and the lottery) would undermine the entire sports wagering ecosystem and every stakeholder within it.

Most wagers in the Illinois market will be placed on popular U.S. sports such as football, basketball, baseball and hockey, especially in a state with teams in all four professional leagues. Unfortunately, data suppliers and other service suppliers may decide to forgo market entry because SB 690 implements regulatory costs that outweigh the benefit of conducting business in Illinois. The result of this decision would prevent Master Licensees from offering Tier 2 wagers[4] (i.e. in-play and prop wagers) on these popular U.S. sports.

Of the current 20 U.S. jurisdictions with legal sports wagering, Illinois stands to be the one regulated market without these wagering options for consumers. This potential loss of wagering options runs contrary to the public policy goal of channeling as much wagering as possible under the purview of state regulators, where such activity is visible and monitored, while simultaneously generating meaningful tax revenue. By addressing the issues outlined in this letter, state decision-makers can easily avoid significant pitfalls.

[1] See Section 25-50 (a) and Section 25-60 (a) and (b)
[2] See Section 25-50 (d)
[3] See Section 25-50 (d)
[4] Under SB 690, Section 25-10 a Tier 2 bet is defined as "a sports wager that is not a tier 1 sports wager." A tier 1 sports wager is defined as "a sports wager that is determined solely by the final score or final outcome of the sports event and is placed before the sports event has begun."

Issue I: Dual Licensing Categories for Data Service Suppliers

Based on the licensing requirements set forth in SB 690, data service suppliers must apply and pay for two separate types of licenses in order to sell data feeds to Master Licensees: (1) a Supplier License in order to supply Master Licensees with open-source data and other backend services; and (2) a Tier 2 Official League Data Provider License to supply Master Licensees with official league data.

> Section 25-50 Supplier License, states:
>
> *(a) The Board may issue a supplier license to a person to sell or lease sports wagering equipment, systems,* ***or other gaming items to conduct sports wagering and offer services related to the equipment or other gaming items and data*** *to a master sports wagering licensee while the license is active.*
>
> Section 25-60 Tier 2 Official League Data Provider License, states:
>
> *(a) "A sports governing body or a sports league, organization, or association* ***or a vendor authorized by sports governing body or sports league, organization or association to distribute tier 2 official league data*** *may apply to the Board for a tier 2 official league data provider license."*
>
> *(b) A tier 2 official league data provider licensee may provide a master sports wagering licensee with official league data for tier 2 sports wagers. No sports governing body or sports league, organization, or association* ***or a vendor authorized by such sports governing body or sports league, organization, or association*** *may provide tier 2 official league data to a master sports wagering licensee without a tier 2 official league data provider license.*

Data service suppliers are arbitrarily captured under both licensing categories as suppliers of data and also vendors authorized to provide Tier 2 official league data. No other U.S. or international jurisdiction requires multiple licenses for data service suppliers, nor does any other jurisdiction require separate licensing based on the source of data. In other newly regulated U.S. jurisdictions, a Supplier License is the proper category of licensure, as data service suppliers distribute additional services outside of pre-match and live data including, but not limited to, audio visual services, risk management services, and integrity services.

Furthermore, data feeds that are purchased by Master Licensees could include both official and open-source data from the same data service supplier. All bookmakers rely – to varying extents – on data that is by default considered open-source data and not official league data. In this industry, all major data service suppliers work in both factions of the market (e.g., collecting and distributing both official league data and open-source data to bookmakers). Just as a bookmaker needs live in-play data for the NHL Stanley Cup (official data), the same bookmaker needs live in-play data for the FIFA World Cup (open-source data).

Under the current licensing regime for data service suppliers, the projected ten-year cost of maintaining both licenses in Illinois is 20x the average U.S. jurisdiction's ten-year cost *(see* Table A*)*. If data service suppliers determine that these excessive licensing requirements outweigh the benefits of entering the Illinois market, there will be no incentive to pursue licensing. Here, Master Licensees would lose access to the Tier 2 data that is required by SB 690 to determine in-play and prop wagers, which are some of the more popular wagering options in the emerging U.S. market.

Removal of these wagering options would impair all stakeholders in the downstream market (e.g. riverboat casinos, race tracks, mobile operators, platform providers, lottery vendors, Illinois consumers and the state itself) as it will continue the propagation of illegal wagering via offshore websites, and additionally push legal bettors to visit neighboring states that offer these popular Tier 2 wagering options. All of which results in a loss of tax revenue for the state.

Issue I: Proposed Solution

A clarification should be included at the end of Section 25-60 that exempts licensed data suppliers from also needing a Tier 2 Official League Data Provider License. This exemption would depend on the types of services sold to Master Licensees. For example:

> *Section 25-60 Tier 2 Official League Data Provider License*
>
> *(e) A supplier or vendor authorized by a U.S. sports governing body or U.S. sports league, organization, or association to distribute tier 2 official league data shall not be required to obtain a tier 2 Official League Data Provider License if such supplier or vendor already holds a Supplier License under section 25-50, or if such supplier or vendor has been granted a temporary or conditional authorization to offer any of its services as a Supplier Licensee under section 25-50.*

This clarification would allow data service suppliers to pursue one of two licensing paths: (1) a Supplier License if they contract to offer a wide variety of data and common backend services to Master Licensees; or (2) a Tier 2 Official League Data Provider License if a data supplier enters into a contract to distribute solely official league data to Master Licensees.

Issues II and III: Disproportionate Supplier Renewal Cycle & Renewal Fee

Section 25-50 of SB 690 proposes a licensing structure that is unlike any other available sports wagering license and is inconsistent with the other licenses established in SB 690 in two ways:

1. The Supplier License requires annual renewal fees after the initial four-year licensing cycle—no other license type requires annual renewals; and

2. The Supplier License renewal fee is the same price as the initial application fee—again, no other license type requires a renewal fee at the same price as its initial fee.

Licenses for riverboat casinos, race tracks, sports facilities, and mobile operators all operate under an initial four-year licensing structure. However, these licenses are renewed on a consistent four-year cycle and at a fraction of the initial application fee, between 5-10% of the initial fee *(see* Table B*)*.

Issues II and III: Proposed Solutions

Sportradar encourages Illinois to implement a restructured supplier licensing framework that is (1) renewed on a parallel four-year cycle with these other licenses, and (2) renewed at a similarly fractional fee. The following modification of Section 25-50 (d) should be considered:

> *Section 25-50 Supplier License*
>
> *(d) Applicants shall pay to the Board a non-refundable license and application fee in the amount of $150,000. After the initial 4-year term, the Board shall renew supplier licenses* ~~*annually*~~ ***every four years*** *thereafter … (for) a* ~~***$150,000***~~ ***$15,000*** *renewal fee.*

This revision will put the Supplier License in line with the rest of the licensing regime set forth in SB 690. More importantly, it encourages service suppliers to enter a competitive market where the proportion of regulatory fees does not overshadow service suppliers' share of gross gaming revenue. As a result, this will foster competition and inevitably lower costs for consumers as well as promote more product innovation within the marketplace.

Moving Forward

Sportradar seeks to alert the Illinois Gaming Board of these significant concerns with the current supplier licensing regime in SB 690, which could ultimately limit the success of Illinois' sports wagering ecosystem. Consumers in Indiana, Iowa, and Missouri – potentially as early as 2020 – will have the option to place in-play and prop wagers during sporting events, while consumers in Illinois could be limited to Tier 1[5] wagering on the U.S.'s most popular sports. These limitations on Illinois wagering options would likely push consumers to competing jurisdictions or, even worse, cause Illinois residents to remain in the offshore or black market where these wagering options already exist.

State decision-makers have an opportunity to quell the aforementioned concerns and facilitate data suppliers and other service suppliers' entry into the market by refining the licensing requirements set forth in SB 690. Illinois has an opportunity to create a robust and competitive licensing framework for suppliers, and all entities along the data supply chain, that will ultimately lead to a sustainable market for every stakeholder in the Illinois sports wagering ecosystem.

Sportradar remains committed to providing further insights and assistance in the implementation of a competitive, well-regulated, and successful marketplace in Illinois. Should any questions arise from these public comments and proposed solutions, please contact Sportradar's government affairs team at usgovernmentaffairs@sportradar.com.

[5] See supra note 4.

Table A – Illinois Licensing Cost Comparisons for Data Service Suppliers

Current IL Licensing Framework & Costs			Avg. State's Licensing Framework & Costs[6]		
Period	**Supplier**	**Tier 2[7]**	**Period**	**Supplier**	**Tier 2**
5-year	$420,000	$1,120,000	5 year	$135,000	n/a
10-year	$1,320,000	$2,180,000	10 year	$170,000	n/a
Total 10-year Cost = $3,500,000			**Total 10-year Cost = $170,000**		

Table B – SB 690 Sports Wagering Licensing Framework

Entity	License	Initial Cost	Duration & Renewal
Racetrack Operator	Master	5% prior year handle (max $10mm)	4 years initial; $1mm every 4 years
Casino Operator	Master	5% prior year AGR (max $10mm)	4 years initial; $1mm every 4 years
Sports Facility Operator	Master	$10mm	4 years initial; $1mm every 4 years
Mobile-Only Operator	Master	$20mm	4 years initial; $1mm every 4 years
Service Supplier	Supplier	$150k	4 years initial; $150k annually
	Tier 2 Official League Data Provider	$30k $500k based on sales in first year	3 years initial; $30k $500k every 3 years

[6] The average state's Supplier License entails a $10,000 initial application fee, a four-year renewal cycle, a $5,000 renewal fee, and external legal costs for filing purposes. Applicable states include AR, IN, MS, NJ, NY, PA, and WV.
[7] Assumes that Tier 2 data sales reach the threshold for maximum licensing costs.

From: Captain Jack
To: IGB.SportsRuleComments
Subject: [External] Public Comment on Sports Betting Regulations
Date: Friday, September 27, 2019 4:16:16 PM

Congratulations of having the foresight to be an emerging market in the legalization of sports wagering. It is time to bring this industry into the light. Regulation and taxation benefit all sides of the equation. I am a Professional Gambler who resides in New Jersey. I've carefully followed the growth of this industry in NJ as well as other jurisdictions and I'd like to take this opportunity to give some comments that will help the growth of sports wagering in Illinois.

- **Consumers deserve a competitive marketplace**. I urge you to consider regulations that will make sports wagering in Illinois more competitive both within the state and with respect to competition in neighboring states. Allowing for a diverse blend of operators breeds innovation. Innovation is a key byproduct of capitalistic industries. If you make operators compete with each other, the consumers will benefit. When competition wanes, consumers suffer. In the end, a sustainable sports wagering market produces more volume and more tax dollars. In Pennsylvania, over 40% of the market uses the same odds provider. This means 40% of the market is identical. Consider limitations on the number of operators who can utilize the same backend odds services.

- **Don't permit one-sided markets.** When operators are forced to offer both sides of any market they must provide a more accurate price with fair and equitable margins. A one-sided market often robs consumers by banking in a high margin to the product. As an example of a two-sided market:
  Trubisky over 230.5 yards passing -115
  Trubisky under 230.5 yards passing -115
  Now an example of a one-sided market:
  Will Trubisky pass for 250+ yards -110
  Two-sided markets are more equitable, one-sided markets are unfair to the consumer.

- **Don't permit revenue sharing affiliate models.** You've already been inundated with European companies who will look to corner the affiliate marketing business in Illinois. There are two pricing models for affiliate marketing. Cost Per Acquisition (CPA) or Revenue Sharing. In the CPA model, operators pay an affiliate a fixed fee for each consumer they drive to their site. In the Revenue Sharing model, the affiliates get a percentage of the revenue that consumers they've referred generate at the operator. The Revenue Sharing model presents a vested interest for a site to encourage consumers to lose. Giving unsound gambling advice would be to their benefit. Keeping affiliate marketing in a CPA-only model offers some protection to consumers.

- **Encourage mobile gaming**. As we've seen in other state, consumers prefer to wager on mobile devices. Do what you can to encourage this or at least not get in the way of this. Geolocation and identity verification software has come far enough that it should not be a concern. Online banking enables the easy and safe exchange of money between consumers and operators. The main advantage that offshore illegal sites have is convenience. If you

want to take the revenue away from offshore sites and bring it to Illinois, make your product as convenient.

- **Permit proxy wagering on contests**. Handicapping contests are very popular in Nevada. The state permits out-of-state players to come register in person and then assign a registered betting proxy so they can submit wagers on the contest from out-of-state. New Jersey dropped the ball on this one and prohibits all form of proxy wagering. While proxy or messenger wagering should be rightfully prohibited for regular events. In this case, the season-long nature of the betting contest makes sense to permit it. You'll find a lot of engagement from bettors outside Illinois who want to take a shot to win a large contest only available in Illinois.

Thank you for taking the time to consider my comments. I hope the Illinois sports wagering market is as strong and as vibrant as it has the potential to be.

Respectfully submitted,

Jack Andrews
Twitter: @capjack2000

From:	Kremer, Anne
To:	IGB.SportsRuleComments
Cc:	Jenson, Paul T.; Cordier, Erin Lynch; Pellum, James
Subject:	[External] MGM Resorts International - Sports Wagering Comments
Date:	Friday, September 27, 2019 4:17:05 PM
Attachments:	MGM - Comments Regarding Illinois Sports Wagering Act.PDF

Dear Illinois Gaming Board,

On behalf of MGM Resorts International ("MGM"), attached please find MGM's comments regarding the Illinois Sports Wagering Act and related rulemaking. Please feel free to reach out to us with any questions or if you'd like to discuss the topics presented in further detail.

Thank you,
Anne

Taft /

Anne Kremer / Attorney
Taft Stettinius & Hollister LLP
111 E. Wacker Drive, Suite 2800
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Paul T. Jenson
Direct: 312.836.4046
Direct Fax: 312.966.8484
E-mail: pjenson@taftlaw.com

IN REFERENCE TO: [INSERT]

September 27, 2019

VIA E-MAIL: IGB.SportsRuleComments@igb.illinois.gov
Illinois Gaming Board
160 North LaSalle Street
Chicago, IL 60601

Re: Comments Regarding Illinois Sports Wagering Act

Dear Illinois Gaming Board:

On behalf of MGM Resorts International ("MGM"), a publicly-held gaming company that conducts retail and online sports wagering and other gaming businesses in many jurisdictions, we submit the following comments to the Illinois Gaming Board (the "IGB") regarding Public Act 101-0031, commonly known as the Illinois Sports Wagering Act (the "Act"). MGM appreciates the opportunity to submit comments regarding the Act and believes industry input is critical to ensure that the Act, and any rules promulgated under the Act, will lead to the successful launch of sports wagering in Illinois.

MGM has numerous comments regarding technical issues raised by or addressed in the Act, but at this time MGM desires to focus on two critical issues: (1) restrictions on the branding of sports wagering offered over the Internet or through a mobile application; and (2) restrictions on the creation of accounts by individuals to participate in sports wagering offered over the Internet or through a mobile application. As currently drafted, the Act's treatment of these issues will significantly discourage established industry operators from establishing sports wagering operations in Illinois, inhibit the launch and growth of sports wagering in Illinois, detract from the game play experience of sports wagering consumers, and limit the amount of revenue generated by sports wagering for the State of Illinois.

1. Branding of Sports Wagering Offered over the Internet or Mobile Applications.

Sections 25-30(e), 25-35(e), and 25-40(h) of the Act each impose restrictive branding requirements on sports wagering offered over the Internet or mobile applications that will: (a)

deter established industry sports wagering operators, such as MGM, from entering the Illinois market; and, therefore, (b) limit the ability of certain organization licensees, owners licensees, and sports facilities to offer online and mobile sports wagering. Each section is substantially similar, except that Section 25-30(e) applies to organization licensees, Section 25-35(e) applies to owners licensees, and Section 25-40(h) applies to sports facilities. In effect, each section states that sports wagering offered over the Internet or through a mobile application must be offered under the same brand as the brand used by the applicable organization licensee or its parent, owners licensee or its parent, or sports facility or its designee.

Operating a sports book requires organizational, financial, and technical capacity, resources, the ability to balance risk, and experience. Organization licensees, owners licensees, and sports facilities that do not already participate in sports wagering in other jurisdictions may lack such capacity in the absence of partnering with an experienced sports book operator. This is particularly true for sports wagering platforms delivered over the Internet or through mobile applications, which require significant investment in technology and compliance with the applicable technical and regulatory standards. If the IGB desires organization licensees, owners licensees, and sports facilities to offer sports wagering over the Internet or through mobile applications, as contemplated by the Act, then the regulatory structure set forth in the Act must encourage and facilitate established industry operators who have already developed online and mobile sports wagering platforms to partner with organization licensees and owners licensees.

Rather than facilitate partnerships between established industry operators and organization licensees, owners licensees, and sports facilities, an aggressive interpretation of the branding requirements set forth in Sections 25-30(e), 25-35(e), and 25-40(h) of the Act would discourage and obstruct them. MGM and other established operators have invested significant resources into existing online and mobile sports wagering brands through which those operators deliver sports wagering services in jurisdictions across the country and around the world. These sports wagering brands are critically important because they offer consumers a familiar, high-quality experience, are integrated into the branding of the operators' other gaming businesses, and create opportunities for cross marketing that provide customers with a product that creates incentives to move from the unregulated to the regulated market. Sections 25-30(e), 25-35(e), and 25-40(h) would require established operators to provide online and mobile sports wagering under the brand of another, unrelated company, diminishing the market value that a well-known, competitive brand offers to consumers. That requirement would dramatically alter how established operators view Illinois market opportunities, limit the supply of sports wagering services in Illinois, and reduce the amount of revenue received by the State from sports wagering.

MGM intends to seek amendments to the branding requirements from the General Assembly to allow online and mobile sports wagering to be delivered under brands other than the brands of the organization licensees, owners licensees, and sports facilities. In the meantime, MGM respectfully requests that the IGB adopt rules that would allow sports wagering provided over the Internet and through mobile devices to be offered at least in part under the brand of the sports wagering platform operator.

2. Registration of Individuals to Participate in Online and Mobile Sports Wagering.

The requirement set forth in Sections 25-30(f), 25-35(f), and 25-40(i) of the Act that individuals who desire to engage in online or mobile sports wagering must create an account in person at a brick-and-mortar facility operated by an organization licensee, owners licensee, or sports facility until the first master license for online sports wagering is issued is completely inconsistent with the concept and appeal of online and mobile sports wagering. If this requirement remains in place, it will severely reduce participation in online sports wagering by individuals, further discourage established operators from entering the Illinois market, and undermine the State's efforts to launch and generate revenue from online and mobile sports wagering.

Pursuant to Section 25-45 of the Act, applications for the initial master sports wagering license for online sports wagering operators may not be due until 540 days after the first license is issued under the Act, and the winning bidders may not be announced until 630 days after the first license is issued under the Act. During that time, any individual who desires to engage in online or mobile sports wagering would need to physically visit a facility operated by an organization licensee, owners licensee, or sports facility to establish the necessary sports wagering account. Many potential sports wagering patrons do not reside near facilities where they could establish an account for online and mobile sports wagering. The in-person registration requirement will exclude many people in Illinois from participating in online and mobile sports wagering and significantly reduce the potential market in Illinois.

MGM intends to request that the General Assembly repeal Sections 25-30(f), 25-35(f), and 25-40(i) of the Act. MGM intends to request, in the alternative, that the legislature clarify that the in person account creation requirement will terminate 540 days after the first license is issued under this Act regardless of whether the Board issues a Master sports wagering license to an online sports wagering operator.

We appreciate the opportunity to provide comments on behalf of MGM regarding the Act. Please do not hesitate to contact us if you have any questions or require clarification regarding MGM's position. We are available at your convenience.

Respectfully,

[redacted]

Paul T. Jenson

cc: Ayesha Molino
Erin Lynch-Cordier
Anne Kremer

From:	Jay Curtis
To:	IGB.SportsRuleComments
Subject:	[External] iDevelopment and Economic Association Comments on the IL Sports Wagering Act
Date:	Friday, September 27, 2019 4:27:22 PM
Attachments:	iDEA Comments on Sports Wagering Act-2.pdf

To whom it may concern,

Please accept the attached comments on behalf of the iDevelopment and Economic Association. We genuinely appreciate the opportunity to make this submission.

Best,

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IDEA Growth through regulated online gaming

iDevelopment and Economic Association

Comments of the iDevelopment and Economic Association on the Illinois Sports Wagering Act, Article 25 of Public Act No. 101-0031

September 27, 2019

Introduction

The members of the iDevelopment and Economic Association ("iDEA"), by and through its counsel, submit these comments on the Illinois Sports Wagering Act (the "Act"), set forth in Article 25 of Public Act No. 101-0031, which Illinois Governor J.B. Pritzker signed into law on June 28, 2019. On August 27, 2019, the Illinois Gaming Board (the "Board") announced that it was seeking input from the public, the sports wagering industry, and other stakeholders regarding the proposed rules and any other comments relevant to the Act. The Board requested that all such comments be submitted by September 27, 2019.

iDEA is a trade association organized exclusively to support and conduct research, education, advocacy, and informational activities to increase public awareness of the online gaming industry and the economic benefits. iDEA seeks to "grow jobs and expand online interactive entertainment business in the United States through advocacy and education."[1] iDEA's members represent all sectors of internet gaming and entertainment, including operations, development, technology, marketing, payment processing, and law. Members share the common goal of expanding American consumers' access to secure and regulated online gaming.

As of the date of this submission, iDEA is comprised of twenty-four members: Bet365, Continent 8 Technologies, DraftKings, EML Payments, Gamesys, Global Payments, Golden Nugget, GVC Holdings, Kambi, Kindred Group/Unibet, Net Entertainment, Pala Interactive, Paysafe, Catena Media, Resorts Interactive, SB Tech, SG Digital, Sightline Payments, Sportradar, The Stars Group, Worldpay, 888.com, Ifrah Law, and Saiber.

[1] *Who We Are - Members*, https://ideagrowth.org/our-members/ (last visited Sept. 22, 2019).

iDEA appreciates the opportunity to submit these comments on the Sports Wagering Act. As a preliminary matter, iDEA applauds the General Assembly's decision to legalize sports betting in Illinois following the United States Supreme Court's decision in *Murphy v. National Collegiate Athletic Association*, 138 S. Ct. 1461 (2018) (striking down the federal Professional and Amateur Sports Protection Act ("PASPA") on grounds that it violated the anti-commandeering doctrine). iDEA supports the legislature's efforts to provide for the licensure of online-only sports betting operators as well as land-based providers, such as race tracks, riverboat gambling establishments, brick-and-mortar casinos, and sports facilities. iDEA also supports the legislature's efforts to ensure that residents of Illinois gain access to high-quality sports betting opportunities without sacrificing any of the consumer protections to which they are entitled under Illinois law.

Nonetheless, iDEA submits that the Act can be improved, either through amendments that the legislature may pass in the form of trailer bills during its upcoming veto session, or through implementing regulations promulgated by the Board. Both industry stakeholders and consumers in Illinois will benefit from the removal of unnecessary restrictions on online-only providers—including, for example, the strict cap on licenses that may be issued to online-only operators and the elevated fees prescribed for those licenses. iDEA also supports implementing regulations that permit licensed land-based operators to provide online and mobile games under multiple skins or as products marketed under a combination of the licensee's and operator's brands.

Moreover, among other requests, iDEA urges the legislature to (i) do away with the in-person registration requirement, which is temporary in any event; (ii) legalize and regulate bets on college sports teams and other types of disfavored gambling, which would otherwise be

channeled to offshore providers in the black market; (iii) eliminate the possibility for sports governing bodies to mandate the use of tier 2 official league data; and (iv) establish fees for a supplier license that are commensurate with fees the Act prescribes for other licenses.

Executive Summary

❖ **The Sports Wagering Act places online-only providers at a disadvantage relative to land-based operators.**

- Section 25-45 requires the Board to issue three online-only licenses, which is fewer than the number of licenses available to horse-racing organizations, riverboat and casino establishments and sports facilities.

- The initial licensing fee of $20 million is at least double the initial fee chargeable to land-based operators for the same license.

- Section 25-45 delays the online-only licensees' entry to market by nearly two years or more compared to land-based licensees.

- Together, these provisions in section 25-45 impose significant burdens on online-only operators who want to do business in Illinois. The legislature should ameliorate the burdens by amending the Sports Wagering Act so that it increases or eliminates the cap on licensees, reducing the initial licensing fees and reducing or eliminating the licensees' entry to market.

❖ **The Board should promulgate regulations authorizing the use of multiple skins under one master sports wagering license**.

- iDEA requests that the Board's implementing regulations make clear that land-based licensees may use multiple skins under a single master sports wagering license.

- A multiple-skins approach will promote the growth of online and mobile gaming, encourage innovation and product development, and maximize revenues.

❖ **The Board's implementing regulations should expressly provide for co-branding of online and mobile sports wagering products.**

- The Act expressly provides for co-branding of mobile and online products offered by a sports facility or its designee.

- Co-branding is consistent with the Act and critical to the success of sports wagering in Illinois. Customers seek out sports betting operators they like and trust. When successful online and mobile operators team up with land-based licensees, the licensee and operator should be permitted to trade on the operator's good will.

❖ **The General Assembly should amend the Sections 25-30(f), 25-35(f), and 25-40(f) of the Act by eliminating the temporary requirement for in-person registration and providing for remote registration instead.**

- Customers who play online or mobile games offered under a land-based entity's master sports wagering license should not be required to register for play at the licensee's brick-and-mortar location.

- In-person registration is not essential to a well-regulated market as evidenced by the requirement's limited duration. Requiring in-person registration will make it more difficult for Illinois customers to participate in the State's online and mobile gaming markets. As a result, licensed operators will have more difficulty attracting new players, and the State will be less likely to meet its revenue goals.

❖ **The General Assembly should legalize and regulate bets on collegiate sports teams.**

- iDEA opposes the prohibition against bets on sports events involving an Illinois collegiate team. The ban will not prevent Illinois residents from placing such bets in jurisdictions like Iowa and Indiana, which permit such bets, or with offshore operators who operate without transparency or meaningful regulatory oversight.

- Due to bets placed in other jurisdictions or with providers located offshore, college sports teams and players will still be susceptible to fraud, corruption, and game-fixing.

❖ **The Board should delineate the extraordinary circumstances under which certain sports betting products may be banned at the request of a licensee.**

- For many of same reasons iDEA opposes the ban against bets on college sports, iDEA opposes the section 25-15(g), which authorizes the Board to ban a type or form of gambling at the request of a licensee.

- iDEA urges the legislature to remove section 25-15(g) from the Act. Bans on disfavored types of gambling drive betting activity to neighboring states that permit such betting or jurisdictions that do nothing to enforce laws against it. The losses are felt in Illinois: licensees lose profits, the State loses tax revenue, and Illinois residents lose the benefit of regulatory oversight.

- Alternatively, iDEA requests the Board to promulgate regulations that clarify the relevant substance and procedure. The implementing regulations should define what constitutes "good cause" and flesh out the standards by which it will dispose of requests to prohibit.

❖ **Master sports wagering licensees should not be required to use tier 2 official league data as published by the relevant governing sports body.**

- iDEA supports robust sports-betting markets, and sports betting businesses do better in environments characterized by lower taxes, modest licensing

fees, and deference to private commercial arrangements in lieu of government mandates.

- iDEA opposes the mandated use of tier 2 official league data because it purports to give sports governing bodies a property interest in factual information, which is not copyrightable under federal law.

- Section 25-25(g) interferes with the supply of, and demand for, tier 2 official league data. It then calls on the Board to decide whether agreements formed in that environment are commercially reasonable—a dubious proposition given that the Board must pass on the reasonableness of an agreement that charges fees for information in the public domain.

❖ **Any rules that require licensees to share data in real time must take account of competing interests in the data.**

- Section 25-15(f) of the Act authorizes the Board to require that licensees share, in real time, sports wagering information specific to certain accounts. The statute provides that such information may be provided to a sports governing body in certain cases.

- The information contemplated under section 25-15(f) constitutes proprietary and confidential business information to the licensee and personal sensitive information to the customer. In promulgating rules under section 25-15(f), the Board should carefully weigh these competing interests.

- The Board should also consider a requirement that data provided to sports governing bodies be first provided to the Board in the absence of an agreement for data-sharing between the licensee and sports governing body. In such cases, the licensee could provide the data to the Board, which would then be responsible transmit all or part of the data subject to applicable federal, State, and local laws.

❖ **The Board should delimit the circumstances under which a licensee must report a potential breach of a sports governing body's rules or codes of conduct.**

- iDEA generally supports the reporting obligations imposed under section 25-15(i), but submits that Paragraph 25-15(i)(3) is problematic because it requires licensees to report "potential" breaches of rules and codes of conduct but provides no mechanism by which licensees would learn of such breaches. Accordingly, iDEA urges that the reporting requirement be enforced only in cases where the relevant sports governing body has given the Board a list of prohibited bettors to be excluded from play.

- In the absence of information necessary for identifying and reporting potential breaches—data the sports governing bodies possess—operators will

be hard pressed to identify and communicate potential breaches of the internal rules or codes of conduct to either the Board or the sports governing body.

❖ **Fees for a supplier license should be commensurate with the fees chargeable to other licensees.**

- Under the Act, the renewal fees prescribed for a supplier license are substantially higher than the renewal fees for other licenses.

- The General Assembly should amend the Act to correct this anomaly and put suppliers on the same licensing cycle as the operators they are supplying, such that the supplier license is renewed on a four-year term. Similarly, the renewal cost for a supplier license should, like the operators' licenses, be a percentage of the initial license cost.

- Additionally, the legislature should eliminate the separate licensing fees chargeable to the providers of tier 2 official league data, which are additive to fees the providers already must pay for a supplier license.

- Requiring this type of double licensure overly burdens a single link in the supply chain, threatening the stability and potential offerings of the entire industry.

A. The Sports Wagering Act Places Online-Only Providers at a Disadvantage Relative to Land-Based Operators.

iDEA supports the legislature's decision to provide for the licensure of online sports betting operators that are not affiliated with land-based establishments. However, iDEA opposes a statutory cap on the number of such licenses and other unnecessary burdens the Act imposes on online operators.

Section 25-45 of the Act requires the Board to issue three master sports wagering licenses to online sports wagering operators that are not otherwise authorized to conduct pari-mutuel, riverboat or casino gambling in Illinois.[2] The Board is to issue the license pursuant to an "open and competitive selection process" that concludes within 21 months of the date on which the first license is issued under the Act, a deadline that the Board may extend at its discretion.[3] Awardees must pay an initial licensing fee of $20 million, which is renewable every four years upon payment of a $1 million renewal fee.[4]

While iDEA supports the express provision for licensure of online-only sports wagering operators, iDEA opposes the three-license cap as an arbitrary limit that will restrain competition and disadvantage gaming participants in Illinois. Indeed, iDEA can discern no sound justification for limiting the number of online-only platforms to three, especially given that the Act authorizes up to seven master sports wagering licenses to sports facilities[5] and imposes no limit on the number of master sports wagering licenses awarded to organization licensees (*i.e.*, horse racing tracks)[6] and owner licensees (*i.e.*, riverboat and casino gambling).[7]

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[2] Sports Wagering Act § 25-45(a).
[3] *Id.* § 25-45(a)–(b).
[4] *Id.* § 25-45(a).
[5] *Id.* § 25-40(c).
[6] *Id.* § 25-30.
[7] *Id.* § 25-35.

The law also disadvantages online-only platforms in other ways. First, the initial licensing fee for an online-only master sports wagering license is at least double the initial fee chargeable to land-based operators for the same license. Section 25-45 provides that online operators must pay a nonrefundable fee of $20 million for the first four years.[8] By contrast, a horse racing organization that obtains a master sports wagering license must pay an initial fee equal to (i) 5% of its handle from the previous year, or (ii) the lowest initial fee payable by a riverboat or casino gambling operation—whichever amount is greater.[9] But in no case will a horse racing organization pay more than $10 million for the first four years.[10] Likewise, riverboat and casino gambling operators who acquire a master sports wagering license must pay an initial fee based on their adjusted gross receipts from the previous year, but the initial fee may not exceed $10 million for the first four years.[11] Sports facilities are subject to an initial fee of $10 million for the first four years.[12]

Section 25-45 also disadvantages online-only operators by delaying their entry to market by nearly two years or more compared to land-based licensees. Specifically, section 25-45(b) provides that applications for an online-only master sports wagering license must be submitted to the Board within 18 months of the date on which the first license (which will be issued to a land-based operation) is issued under the Act. The Board must award the online-only licenses within 90 days of the application deadline, which time period may be extended at the Board's discretion. *Id.* § 25-45(b). If the Board conducts the competition based on the deadlines prescribed by statute,[13] online-only licenses will be awarded at least 21 months after the first

[8] *Id.* § 25-45(a).
[9] *Id.* § 25-30(b).
[10] *Id.*
[11] *Id.* § 25-35(b).
[12] *Id.* § 25-40(d).
[13] The Act establishes the maximum amount of time the Board may take to accept applications and award the licenses; it does not preclude the Board from doing those things on a tighter schedule.

master sports wagering license is issued to a land-based operation. If the Board extends the 90-day period at its discretion, market entry for online-only licensees could be delayed by two years or more compared to the first land-based licensee.

Together, the limited number of online-only licenses, cost-prohibitive licensing fees, and delayed entry to market impose significant burdens on online-only operators who wish to do business in Illinois. The Illinois legislature can ameliorate these burdens by amending the Sports Wagering Act to allow for a greater number of online-only licenses—either by raising or eliminating the cap, reducing initial licensing fees so they are comparable with the fees chargeable to land-based operators, and reducing or eliminating delays in the selection of online-only licensees[14]

B. The Board Should Promulgate Regulations Authorizing the Use of Multiple Skins Under One Master Sports Wagering License.

Consistent with the Act, the Board should authorize the use of multiple skins under each master sports wagering license. The Act is completely silent as to the use of skins. In fact, before the General Assembly approved Senate Bill 690—the bill that became the Sports Wagering Act—it considered multiple amendments to the legislation. Some amendments introduced in the House authorized the Board to issue a "sports wagering skin" license, and all of them expressly

[14] Moreover, although section 25-45 requires an open, competitive and transparent selection process, *id.* § 25-45(a)–(b), (c), (e), the statute gives the Board broad discretion in its selection of licensees. For example, to be eligible for an online-only license, applicants must meet certain criteria, including the requirement that they demonstrate "a level of skill or knowledge that the Board determines to be necessary in order to operate sports wagering." *Id.* § 25-45(d). In addition, the Board is authorized to "establish additional qualifications and requirements to preserve the integrity and security of sports wagering in [Illinois] and to promote and maintain a competitive sports wagering market." *Id.* Finally, under the statute, the Board may, but need not, give qualified applicants favorable consideration for economic development, community engagement, and diversity initiatives. *Id.* These provisions, which vest the Board with discretion, also create uncertainty as to how license applicants will be assessed and selected for award. And the uncertainty could discourage would-be applicants from competing for a license, which could result in a less qualified pool of applicants. To prevent that outcome, the Board should minimize uncertainty by promulgating regulations that flesh out how the Board will exercise its discretion under section 25-45(d).

limited licensees to the use of one sports wagering skin per license for online games.[15] Notably, the General Assembly rejected the single-skins approach in the final legislation. The Sports Wagering Act does not even mention the word "skin" much less impose limits on the number that may be used. As such, the Act leaves open the possibility that land-based licensees may offer online sports betting using multiple skins.

iDEA supports the General Assembly's decision to allow for a multi-skins environment and urges the Board to promulgate regulations making clear that land-based licensees may use multiple skins under a single master sports wagering license. A multiple-skins approach, such as that adopted in New Jersey, will promote the growth of online and mobile gaming, encourage innovation and product development to consumers' benefit, and maximize revenues. By contrast, a limited-skins approach will hinder competition in Illinois' sports wagering market and limit the growth of online and mobile gaming and related tax revenues.

iDEA members' experience and the organization's empirical studies have shown that online gaming operators—including sports book operators—will self-regulate to an efficient market size that maximizes operator and state revenue. To achieve such results, operators must have the flexibility to partner with other game providers to operate multiple skins. iDEA therefore urges the Board to promulgate rules making clear that Internet and mobile games may be offered under multiple unique brands so long as the partnership between the online operator and land-based licensee is made explicit to consumers.

If it does so, Illinois can expect to see benefits comparable to those in New Jersey, another multiple-skins environment. Now in its fifth year, New Jersey's online gaming sector produces ten percent of casino revenue and has introduced new customers that were not

[15] *See* Amendment to House Bill 1260 § 5-55, at 41 (stating that all licensees other than online-only licensees shall be limited to one sports wagering skin to provide sports wagering online).

otherwise reachable through brick-and-mortar casinos.[16] During the initial rollout, New Jersey allowed operators to use only one platform provider "to facilitate the completion of all the required licensing and technical reviews." Later, the single-platform limit was expanded so that each licensee could operate up to five skins.[17] Notably, the multiple-skins model proved its worth, driving increases in revenue and innovation. New Jersey currently has five online gambling licensees operating through 17 skins, including casino and third-party brands.

A study commissioned by iDEA proves that a multi-skin environment is better than a single-skin environment.[18] Specifically, analysts reviewed the growth of online gaming in New Jersey and found year-over-year growth after the state introduced the multiple skins model. In particular, the study found:

- An estimated boost of 50% in revenue for the industry and corresponding increase in tax revenue going to the State;[19]
- An estimated $82.5 million in additional local marketing expenditures driven by the adoption of the multiple-skins model,[20]
- Approximately 86,000 new customers that would not have participated in New Jersey's gambling market in the absence of a multiple-skins approach;[21]
- Additional revenue to the state in the form of licensing fees for additional skins;[22]
- Better platform pricing for land-based operators due to increased competition among the platform suppliers;[23] and

[16] *See* David Danzis, *Atlantic City casino revenue up 13% in August*, The Press of Atlantic City (Sept. 13, 2019), https://www.pressofatlanticcity.com/news/casinos_tourism/casino-revenue-up-in-august/article_e9e77fab-cbae-5f29-9d58-85a44289b676 html#1; Steve Ruddock, *New Jersey Online Gambling Revenue Tops $60 Million in August*, Betting USA (Sept. 13, 2019), https://www.bettingusa.com/nj-revenue-august-2019/.
[17] *See* David Rebuck, Letter Re: New Jersey Internet Gaming One Year Anniversary, Jan. 2, 2015 (attached hereto as Exhibit 1).
[18] *See generally* Eilers & Krejcik Gaming, LLC, *Analysis: How the Multiple-Brand Model Impacts State-Regulated Online Gambling Markets* (May 2019) (attached hereto as Exhibit 2).
[19] *See id.* at 2, 22.
[20] *Id.* at 2.
[21] *Id.*
[22] *Id.* at 22.
[23] *Id.* at 24.

- Overall growth of New Jersey's gaming industry as shown by continual annual growth in gaming revenue as more brands entered the market.[24]

For sports betting, New Jersey allows three skins per land-based sports book, including both retail operations at casinos and sports books operated at the State's race tracks. In total, there are 42 skins potentially available in the New Jersey market, increasing market access, consumer choice, industry competition and tax revenue opportunities for the State. Land-based casinos and racetrack license holders also benefit: the multiple-skins approach has given them leverage for partnerships with online operators.[25]

In sum, the Sports Wagering Act's legislative history shows that the General Assembly intended to leave open the possibility for multiple skins to be used under a single land-based license. Consistent with the Act, the Board should authorize the use of multiple skins under one master sports wagering license. A multiple-skins environment will promote a vibrant, free market for online and internet sports wagering and will help to recapture business lost to offshore providers: if operators are allowed to provide games under brands that players recognize, the players will have no need to seek out those same brands for play on the black market. Moreover, a multiple-skins environment will allow for a greater number of online and mobile providers in Illinois, which will help drive competition, innovation and product development to the benefit of consumers in Illinois. The resulting growth will deliver increased revenues to the gaming industry and increased tax revenues to the State.

[24] *Id.* at 13 (Fig. 2.2) (showing annual growth between 20% and 36% after New Jersey implemented five-skins model).
[25] *See, e.g.*, John Brennan, *Monmouth Park Operator After Partnering With TheScore: "I Didn't Ask for Three Skins,"* NJ GamblingOnline.com, Dec. 19, 2018, available at https://www.njonlinegambling.com/monmouth-park-third-skin-thescore/

C. The Board's Implementing Regulations Should Expressly Provide for Co-Branding of Online and Mobile Sports Wagering Products.

iDEA requests the Board to address co-branding in its regulations for the Act. In particular, iDEA requests that the Board authorize co-branding of sports wagering products offered by online and mobile operators under a land-based partner's master sports wagering license. The Act expressly provides for co-branding of mobile and online products offered by a sports facility or its designee,[26] and even allows for such products to be offered solely under the operator's brand. The analogous provisions applicable to horse racing organizations and riverboat and casino operations expressly require that such products be offered under the licensee's brand, but are silent as to co-branding.[27] Although the provisions do not allow the licensee or its mobile or online partner to offer sports betting products exclusively under the operator's brand, they do not preclude the licensee and operator from offering a co-branded product.

Not only is co-branding consistent with the Act, it is critical to the success of Illinois' sports wagering market. As the U.S. sports-betting industry expands in the wake of *Murphy*, sports bettors will continue to seek out products they like from operators they trust. Not surprisingly, customers looking for a regulated sportsbook often seek out operators with a national profile and well-known products. When those operators partner with land-based licensees to offer mobile and online gaming under the latter's master sports wagering license, neither the licensee nor the operator should be prohibited from leveraging the operator's good will. To the contrary, they should be permitted to inform customers that the operator is providing

[26] Sports Wagering Act § 25-40(h) ("The sports wagering offered by a sports facility or its designee over the Internet or through a mobile application shall be offered under the same brand as the sports facility is operating under, the brand the designee is operating under, or a combination thereof.").
[27] *Id.* §§ 25-30(e) (horse racing organizations), § 25-35(e) (riverboat and casino operators).

the services in partnership with the land-based entity. Rules expressly allowing for co-branding in such cases will give customers more complete information about the sports betting products offered. Additionally, broad co-branding rules will help to bring customers of offshore providers to the regulated market in Illinois.

D. The General Assembly Should Eliminate the Temporary Requirement for In-Person Registration.

iDEA opposes the legislature's decision to require players to register in-person for online and mobile sports wagering that occurs pursuant to a master sports wagering license held by a land-based enterprise, *i.e.*, a horse racing organization, a riverboat or casino gambling establishment or sports facility. However, iDEA is pleased that, at a minimum, the in-person requirement will discontinue when the Board issues a master sports wagering license to the first online-only sports betting operator. This planned termination proves what the legislature already knows: in-person registration is not necessary to a well-regulated sports betting market. iDEA therefore urges the legislature to repeal the requirement altogether. By amending the Act to allow for remote registration, the legislature will eliminate an unnecessary barrier to the growth of online sports betting without compromising the integrity of the games or putting players at risk.

It is no secret that online and mobile betting drives the U.S. and global sports betting markets. Both Nevada and New Jersey have seen the impacts in their states. When Nevada legalized mobile betting, consumer interest spiked and the total amount wagered grew from $2.87 billion to $5 billion in the span of seven years. Similarly, ever since New Jersey legalized sports betting, eighty percent of all wagers in that State have been placed via mobile devices and the internet. Illinois could expect to see comparable growth in online and mobile gaming, but the Act's in-person registration requirement may prevent it.

Illinois' in-person registration requirement makes it more difficult for consumers to participate in the State's online and mobile gaming markets—*i.e.*, to participate, players have to travel to the nearest gaming establishment to register in person—which might make it more difficult for licensed operators to attract new customers. And if operators have more difficulty attracting new customers, the State will be less likely to meet its targets for sports betting revenue. Indeed, players who would engage in legal sports betting were there no in-person registration requirement will simply stay out of the market altogether or place their online or mobile bets with an offshore entity that operates in an illegal, unregulated market.

Legislators may have added the in-person registration requirement as a way to drive foot traffic to brick-and-mortar casinos; if so, it is unclear why the requirement survives only until the first sports wagering license is issued to an online-only operator. Brick-and-mortar establishments will always benefit from increased foot traffic, possibly more so after online-only operators enter the market. More importantly though, the in-person registration requirement overlooks that the sports wagering industry uses online channels to attract and service a specific type of customer—that is, a customer who is comfortable using the internet for purchases and entertainment and is, therefore, less likely to be introduced to gaming at a brick-and-mortar location. The Act's inclusion of an in-person registration requirement for online and mobile gaming makes it less likely that these potential customers will be reached online and converted to brick-and-mortar patrons.[28]

[28] *See* iDEA Growth, *Why Internet Sports Betting? Revenue, Consumer Protection, Today's Technology* (explaining that internet betting complements land-based casinos). According to Golden Nugget executives, 92% of the business's online customers are new to Golden Nugget. The other 8% increased their spending at land-based locations after signing up online. *See* Chris Grove, *Regulated Online Gambling: Building a Stronger New Jersey*, at 3 (Oct. 2017). Tropicana reports that 80% of its online customers are new or inactive. Active land-based customers who signed up online increased their spending at land-based casinos following online registration. *See id.*; *see also* Alan Meister & Gene Johnson, *Economic Impact of New Jersey Online Gaming: Lessons Learned* § 4.7 (June 2017) (summarizing evidence that iGaming does not cannibalize brick-and-mortar casino revenues, but complements offline gaming, partly because some new online players are inactive casino-goers who reactivate their involvement; Steve Ruddock, *Five*

To the extent the State of Illinois may contend that in-person registration is necessary to protect the integrity of sports betting and the people of Illinois, we note that the requirement is temporary under the Act. By design, the requirement is to be in force for roughly two years. That would not be the case if in-person registration were essential to a well-regulated market. Moreover, it is a requirement that other successful gaming markets have done without. For example, New Jersey has no such requirement and more than 80% of bets in that State are placed via the internet and mobile devices without any adverse impacts to market integrity or player safety.

In reality, the in-person registration requirement simply causes in-state casinos to compete with other in-state casinos for registrations. Amending the statute to permit remote registration will shift the competition to offshore providers, who will be at a great disadvantage compared to operators licensed in Illinois: if Illinois residents are able to register at home to play a regulated game by a reputable operator licensed in Illinois, they will be much less likely to go to an offshore gaming provider that is subject to little or no government oversight. Put differently, the elimination of Illinois' in-person registration requirement would make offshore gaming less attractive to players in Illinois, which will increase participation in Illinois' sports betting market and improve Illinois' chances of meeting its revenue goals for sports wagering. Eliminating the in-person registration requirement has the added benefit of anticipating the current trajectory in favor of online gaming. As the current population ages, they will be gradually replaced by a new generation of players until the vast majority of game participants are people accustomed to living life online. The sports betting industry must be positioned to provide

Out of Five New Jersey Casino Operators Agree: Regulated Online Gambling Is Good for Business, Online Poker Report (May 8, 2017) (stating that all New Jersey online gambling operators found that online gambling helped casinos to re-engage with lapsed customers who were inactive for at least a year).

an online option for the vast majority of future customers who will be used to shopping, scheduling doctor's appointments, ordering food, and booking transportation online.

E. The General Assembly Should Legalize and Regulate Bets on College Sports Teams.

iDEA members support a free market as the best framework for legalized sports betting, including in Illinois. History shows that unnecessary proscriptions against certain types of gambling do not prevent it; they simply drive participants to operators who offer such gambling in jurisdictions that permit it or do nothing to stop it. To the extent that occurs, Illinois' sports betting revenues will suffer while purportedly harmful types of gaming continue beyond the reach of Illinois regulators.

For these reasons, iDEA opposes the Act's restrictions on bets that involve in-state college teams. Section 25-25(d) provides in relevant part that a sports wagering licensee under the Act "may not accept a wager for a sports event involving an Illinois collegiate team."[29] Faced with the choice to ban or permit-and-regulate, Illinois opted to ban all bets involving in-state college sports teams. In doing so, Illinois has helped to push the college-sports sector and related revenues to states like Indiana and Iowa, which permit such bets, and to offshore providers who operate without transparency or meaningful regulatory oversight. Make no mistake: avid sports fans and bettors will still bet on events involving sports teams from Northwestern and University of Illinois, and those teams and players will still be susceptible to fraud and corruption, including game-altering bribes. From the shadows, black-market bets on college sports will continue to threaten competition, bet integrity, and law enforcement resources.

The most efficient way to avoid these negative impacts is for the legislature to legalize and regulate bets on college sports. Only then will Illinois be able to truly protect college athletes

[29] Sports Wagering Act § 25-25

and consumers in Illinois and recapture money flows to the black market and neighboring states that allow bets on college sports.

F. The Board Should Delineate the Extraordinary Circumstances Under Which Sports Betting Products May Be Banned at the Request of a Licensee.

For many of the reasons set forth in Section E, above, iDEA opposes the Act's provision for future bans at the request of industry stakeholders. Although section 25-15(g) does not prohibit a specific type or form of gaming; it provides a process by which industry stakeholders can petition the Board to ban certain types of wagering:

> A master sports wagering licensee, professional sports team, league, or association, sports governing body, or institution of higher education [the "Stakeholder"] may submit to the Board in writing a request to prohibit a type of form of wagering if the [Stakeholder] believes that such wagering by type or form is contrary to public policy, unfair to consumers, or affects the integrity of a particular sport or the sports betting industry.[30]

By statute, the Board must grant the request on a showing of good cause and "consultation with licensees."[31]

iDEA urges the legislature to support an open and free sports-betting market in Illinois by removing the above-quoted provision from the statute. Restrictions on popular types and forms of betting inevitably drive such betting activity and associated revenues to jurisdictions that allow such betting or do nothing to enforce laws against it. The losses are incurred in Illinois: licensees lose profits associated with the banned activity, the State loses associated tax revenue, and consumers lose the benefit of the Board's regulatory oversight for that type of betting. To recapture that business, Illinois' gambling laws must allow for a well-regulated market that

[30] *Id.* § 25-15(g).
[31] *Id.*

includes land-based gaming, mobile and online gaming, bets on college sports, and wagering on game play while the game is in progress, otherwise known as in-play wagering.

Alternatively, the Board should promulgate regulations clarifying the circumstances under which it would take the extraordinary step of banning a type or form of wagering. The statute requires "[t]he Board [to] grant the request upon a demonstration of good cause from the requester and consultation with licensees."[32] The Board should promulgate regulations that define what constitutes "good cause" for purposes of section 25-15(g). In that regard, the Board should consider language from an analogous provision in Michigan House Bill No. 4916: "For the purpose of this subsection, 'good cause' means the operator has identified suspicious betting activity or the division has begun an investigation regarding suspicious betting activity that, if confirmed, would directly impact the integrity of the sporting event on which the bets are being placed."[33] Similarly, the Board should use the rulemaking process to flesh out the standards by which it will dispose of requests to prohibit, including without limitation (i) how the Board will fulfill its duty "to consult with licensees"—especially those with a direct and/or significant stake in the outcome; (ii) what evidence the Board will consider; (iii) whether "good cause" requires a finding that the gambling activity "is contrary to public policy, [is] unfair to consumers, or affects the integrity of a particular sport or the sports betting industry," as the requestor must implicitly claim when making a request; and (iv) what recourse will be available to stakeholders aggrieved by the Board's disposition of the request.

[32] *Id.*
[33] Mich. H.B. 4916 § 10(8), *available at* http://www.legislature mi.gov/documents/2019-2020/billintroduced/House/pdf/2019-HIB-4916.pdf.

G. Master Sports Wagering Licensees Should Not Be Required to Use Tier 2 Official League Data as Published by the Relevant Governing Sports Body.

Broadly speaking, iDEA supports robust sports-betting markets and, for that reason, advocates for sports-betting legislation that promotes transparency, fosters competition, and encourages innovation. On balance, sports betting businesses do better in environments characterized by lower taxes, modest licensing fees, and deference to private contractual arrangements in lieu of government mandates.

iDEA is therefore leery of the legislature's decision to include Section 25-25(g), which authorizes a sports governing body headquartered in the United States to notify the Board unilaterally that it wants to supply official league data for tier 2 wagers on events within the governing body's jurisdiction.[34] If the governing body provides such notice in the form and manner required by the Board, all master sports wagering licensees must begin using tier 2 official league data within thirty days unless (i) the governing body cannot provide the data, or (ii) a master sports wagering licensee can demonstrate that the governing body or its designee cannot provide the data on commercially reasonably terms.[35] Although it does not expressly mandate the use of tier 2 official league data, Section 25-25(g) empowers sports governing bodies in the United States to decide unilaterally that tier 2 official league data should be used to determine the results of tier 2 wagers. With proper notice to the Board, a sports governing body potentially can force master sports wagering licensee to pay millions of dollars for factual data that will determine the winners and losers of tier 2 wagers.

iDEA opposes the mandated use of official league data for several reasons. First, Section 25-25(g) purports to give sports governing bodies a property interest in factual information,

[34] Sports Wagering Act § 25-25(g).
[35] *Id.*

which is not copyrightable under federal law. Indeed, the United States Supreme Court has explained that the "'fact/expression dichotomy' is a bedrock principle of copyright law that 'limits severely the scope of protection in fact-based works.'"[36] "No author may copyright facts or ideas. The copyright is limited to those aspects of the work—termed 'expression'—that display the stamp of the author's originality."[37] The data necessary for resolving tier 2 wagers consists of factual information regarding players, teams, and the game itself (other than the final score or final outcome). As a matter of federal law, sports governing bodies can have no property interest in such facts.

The General Assembly is on shaky ground with respect to Section 25-25(g). Not only does that provision purport to create a property interest in tier 2 data, it gives the sports governing body a monopoly over the data. The tension between federal law and Section 25-25(g) creates other problems. For example, Section 25-25(g) provides that the Board must suspend the requirement for master sports wagering licensees to use tier 2 official league data if a licensee demonstrates that the sports governing body or its designee cannot provide a feed of the data on commercially reasonable terms.[38] Given federal copyright law, it is difficult to imagine how the Board would find "commercially reasonable" any arrangement that requires licensees to pay for information in the public domain.

Not only does Section 25-25(g) contravene federal law, it puts the Board in the middle of private commercial arrangements between sports governing bodies and their designees, on the one hand, and master sports wagering licensees, on the other. The Act establishes the framework by which sports governing bodies may trigger their monopoly interest in tier 2 official league

[36] *Nat'l Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841, 847 (2d Cir. 1997) (quoting *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 350 (1991)).
[37] *Id.* (quoting *Feist Publ'ns, Inc.*, 499 U.S. at 350) (internal quotation marks omitted).
[38] Sports Wagering Act § 25-25(g).

data and tasks the Board with resolving disputes over whether the data can be provided on "commercially reasonable" terms.

In a free market, private actors make the choice to enter private agreements that will confer a net benefit on both parties. The parties to the contract decide for themselves what terms are acceptable. By contrast, Section 25-25(g) gives sports governing bodies the power to determine whether licensees must contract for the use of tier 2 official league data within the relevant body's jurisdiction. Moreover, under the Act, the sports governing body has monopoly power with regard to its data; as a result, there is little reason to expect that a licensee under a mandate to use tier 2 data will have sufficient bargaining power to contract for the data on terms as favorable as the licensee would get in the absence of a mandate.

The statutory framework creates the above-described problems by interfering with the free-market supply of, and demand for, tier 2 official league data. It then tasks the Board with deciding whether the resulting agreements between industry stakeholders are "commercially reasonable." iDEA opposes the statutory framework as inefficient and ineffective. Decisions regarding the use of official league data—*i.e.*, whether to purchase it, from whom and on what terms—are better left to the private sector. Despite the absence of a legal mandate requiring the use official league data, casinos and sports leagues have executed numerous deals concerning such data, and they have done so on terms the parties deem to be acceptable. For example, Major League Baseball ("MLB"), the National Basketball Association ("NBA") and the National Hockey League ("NHL") have all contracted to provide official league data for their respective sports to MGM Resorts and various sports books. These deals and others like them suggest that Section 25-25(g) is a solution in search of a problem: the statute does not solve an issue the free market is not already solving.

Finally, it is important to note that, among industry stakeholders, questions persist about the utility and reliability of tier 2 official league data. A law that provides for mandatory use of the data will simply ensure that sports books use the same dataset to determine the results of tier 2 wagers. The law will do nothing to ensure that such data is accurate and, therefore, cannot give the sports betting industry the aura of legitimacy that lawmakers hope it will give.

For all of these reasons, the General Assembly should amend the Act so that no sports governing body or designee has the unilateral power to require that other stakeholders use tier 2 official league data to determine the results of proposition and in-play wagers.

H. Any Rules That Require Licensees to Share Data in Real Time Must Take Account of Competing Interests in the Data.

If the Board promulgates rules requiring data sharing in accordance with section 25-15, the Board should carefully weigh the various interests affected by those rules. Section 25-15 of the Act sets forth Board's duties and powers. Under section 25-15(f),

> The Board may require that licensees share, in real time,[39] and at the sports wagering account level, information regarding a wagerer, amount and type of the wager, including the Internet protocol address, if applicable, the outcome of the wager, and records of abnormal wagering activity.

The statute provides further that licensees "may" (but need not) share the same information with the sports governing body or its designee. In such cases, the information "may" be provided in anonymized form and "may" be used by the sports governing body solely for integrity purposes.[40]

As an initial matter, iDEA notes that the issue of integrity is paramount for all stakeholders. That said, the information contemplated under section 25-15(f) is important to

[39] The statute defines "real time" to mean "a commercially reasonable periodic interval." *Id.*
[40] *Id.* § 25-15(f).

different stakeholders for different reasons. To licensees, the data constitute proprietary and confidential business information. To customers, the data constitute sensitive personal information. When establishing a framework for data sharing under section 25-15(f), the Board should carefully consider (i) the privacy interests held by each customer, (ii) the stakeholders' reasonable commercial expectations as reflected in the privacy policies that govern the licensees' end user agreements, (iii) the licensees' proprietary concerns and legitimate business interests in protecting such data, and (iv) the sports governing bodies' need for the data. For the fourth item listed, the Board should consider that sports governing bodies apparently have been able to ensure the integrity of their sport for years without access to licensees' granular, real-time betting data. The Board should also consider a requirement that certain real-time wagering data be channeled through the Board. Under such a rule, the licensee could be required to provide real-time data to the Board in the absence of a data-sharing agreement between the relevant sports governing body and licensee(s). The Board would then be responsible to transmit all or part of the data subject to applicable federal, State and local laws and regulations.

I. The Board Should Delimit the Circumstances Under Which a Licensee Must Report a Potential Breach of a Sports Governing Body's Rules or Codes of Conduct

The Act imposes certain obligations on master sports wagering licensees. Section 25-15(i) requires licensees to make commercially reasonable efforts to promptly notify the Board of information relating to (i) criminal or disciplinary proceedings against the licensee, (ii) abnormal wagering activity or patterns suggesting improper interference with a sporting event, (iii) potential breaches of a sports governing body's internal rules or codes of conduct (iv) game-

fixing, and (v) suspicious or illegal sports betting.[41] The licensee must also report the information described in Paragraphs 2, 3, and 4 to the relevant sports governing body.

iDEA generally supports the reporting obligations imposed under section 25-15(i), but submits that Paragraph 25-15(i)(3) is problematic because it requires licensees to report "potential" breaches of rules and codes of conduct but provides no mechanism by which licensees would learn of such breaches. Accordingly, iDEA urges that the reporting requirement be enforced only in cases where the relevant sports governing body has given the Board a list of prohibited bettors to be excluded from play.

For example, many sports governing bodies prohibit players within their jurisdiction from wagering. Indeed, the NCAA prohibits all of its 400,000 student athletes from any sports wagering whatsoever. Were any of those students to place a wager or attempt to place with an operator in Illinois, the operator would have knowledge of the attempted or potential breach of the NCAA's internal rules. However, in the absence of information necessary for identifying and reporting potential breaches—data the sports governing body's possess—operators will be hard pressed to identify and communicate potential breaches of the sports governing body's internal rules or codes of conduct to either the Board or the sports governing body.

J. Fees for a Supplier License Should Be Commensurate With the Fees Chargeable to Other Licensees

Under the Act, the renewal fees prescribed for a supplier license are substantially higher than the renewal fees for other licenses. In relevant part, Section 25-50 states that the Board may issue a supplier license to a person to sell or lease sports wagering equipment, systems, or other items or to "offer services related to the equipment or other items and data to a master sports

[41] *Id.* § 25-15(i)(3).

wagering licensee."[42] To obtain the license, suppliers must pay an initial fee of $150,000 for the first four years, followed by an annual renewal fee of $150,000.[43] In other words, a supplier must pay an average licensing fee of $37,500 for Years 1–4, and four times that amount ($150,000) every year thereafter.

Compared to the other licensing fees prescribed in the Act, renewal fees for a supplier license are so extraordinarily high, they appear to be an error. For context, a race track that obtains a master sports wagering license must pay an initial licensing fee equal of no more than $10 million and then a renewal fee of $1 million every four years. Thus, at most, a race track would pay an average of $2.5 million for each year of the initial period and $250,000 per year thereafter or 10% of the initial fee.

Similarly, a riverboat or casino establishment that obtains an owner's license must pay an initial fee equal to its adjusted gross receipts from the previous year. As with the organization license, the initial fee for an owner's license is capped at $10 million,[44] and the license is renewable for a term of four years at a cost $1,000,000. Therefore, at most, a riverboat or casino gambling establishment would pay an average of $2.5 million for each year of the initial period and $250,000 per year thereafter or 10% of the initial fee.

Sports facilities that obtain a master sports wagering license must pay an initial fee of $10,000,000 for the first four years and $1,000,000 per year thereafter.[45] Thus, on average, a sports facility will pay $2.5 million for each year of the initial period followed by $250,000 per year or 10% of the initial fee.

[42] *Id.* § 25-50(a).
[43] *Id.* § 25-50(d).
[44] *Id.* § 25-35(b).
[45] *Id.* § 25-40(d), (e).

Finally, online-only licensees must pay an initial fee of $20,000,000 for the first four years, *i.e.*, an average of $5 million per year, and a renewal fee of $1,000,000 for each four-year term thereafter.[46] On average, online-only operators must pay $5 million per year for the first four years, and $250,000 per year thereafter or 5% of the initial fee.

In contrast to these operator licenses, the holder of a supplier license must pay $150,000for the first four years and renew the license every year thereafter at the same price of. Thus, unlike all other renewal fees, which represent 5–10% of the initial licensing fee, the renewal fee for a supplier license is identical to the initial fee, yet lasts one-fourth as long as long. To correct this anomaly and put suppliers on the same licensing cycle as the operators they are supplying, the General Assembly should amend the Act such that the supplier license is renewed on a four-year term. Similarly, the renewal cost for a supplier license should, like the operators' licenses, be a percentage of the initial license cost. To create consistency and fairness across the Illinois licensing regime, the Act should be amended to change the supplier license renewal fee such that it is equal to 5–10% of the initial fee of $150,000, between $15,000–$30,000 every four years.

Moreover, the legislature should eliminate the separate licensing fees for chargeable to the providers of tier 2 official league data,[47] which are additive to fees the providers already must pay for a supplier license. Section 25-60 provides that no industry stakeholder may provide tier 2 data (*i.e.*, data other than the final score or outcome of a sporting event) to a master sports wagering licensee without a "tier 2 official league data provider" license.[48] Under the Act, fees for the initial three-year period run from $30,000 to $500,000 depending on the provider's data

[46] *Id.* § 25-45(a).
[47] *See id.* § 25-60(c).
[48] *Id.* § 25-60(b).

sales during the first year. The renewal fee for each three-year period thereafter is to be based on the provider's sales of tier 2 official league data during the previous year.[49]

The fees prescribed under Section 25-60(c) should be eliminated. No other U.S. gambling jurisdiction requires suppliers of sports data to pay duplicate licensing fees as both a supplier and provider of the same official data. Requiring this type of double licensure overly burdens a single link in the supply chain, threatening the stability and potential offerings of the entire industry. If suppliers of tier 2 official league data are subjected to multiple—and extraordinary—licensing fees for providing the official data necessary for in-play and prop bets, the providers will be discouraged from seeking licensure and doing business in Illinois. If data suppliers avoid doing business in Illinois, sports books in Illinois will lose access to services that are vital for tier 2 wagers, *i.e.*, in-play and prop bets. Without tier 2 wagering, Illinois sports books become less competitive, and bettors in Illinois will take their bets to neighboring jurisdictions with robust markets or to illegal operators located offshore. In either case, the net result will be a loss of gambling opportunities and related tax revenues in Illinois. Illinois will avoid these losses by eliminating the licensing fees for tier 2 official data providers.

[49] *Id.* § 25-60(d).

Conclusion

iDEA thanks the Board and General Assembly for considering its comments concerning improvements to the Illinois Sports Wagering Act. Please do not hesitate to contact the undersigned for additional information or clarification on the issues raised herein.

Respectfully submitted,

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EXHIBIT 1

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January 2, 2015

RE: New Jersey Internet Gaming One Year Anniversary – Achievements to Date and Goals for the Future

New Jersey has reached the one year anniversary of successfully regulating online gaming. On February 26, 2013, Governor Chris Christie signed legislation permitting Internet gambling in New Jersey. The New Jersey Division of Gaming Enforcement was tasked with implementing regulations and performing licensing and technical investigations for this newly approved industry. While Nevada and Delaware decided to offer only more limited forms of Internet gaming, New Jersey's plan for both poker and casino games platforms would be the most comprehensive regulated Internet gaming program in the country. The Division accomplished this unprecedented task in nine months as authorized platforms went live on November 25, 2013.

Even one year into the process with the experience which has been gained, Internet gaming is still in its early stages of development and the industry and the regulators continue to learn from each other. From a regulatory standpoint, our system is working. There have been no major infractions or meltdowns or any systematic regulatory failures that would make anyone doubt the integrity of operations. The issues that have

arisen have been dealt with appropriately just like in the brick-and-mortar casinos. However, we are far from out of the woods; we must continue to be vigilant and ready to take on new challenges as they come our way.

History and Statistics

After the Internet gaming legislation was signed into law on February 26, 2013, the Division's regulations became effective on October 21, 2013. Amendments were then adopted with an effective date of October 28, 2013. Internet gaming soft play launched November 21, 2013 with full Internet gaming operations commencing on November 25, 2013.

New Jersey's Internet gaming operations commenced with seven active Internet gaming permit holders (Resorts as of yet has no platform). By the launch of soft play, the Division's slot lab tested and approved 253 games for play on a total of 16 authorized URLs.

For most of the year, each Internet gaming permit holder was associated with one active Internet gaming platform provider. Originally, each permit holder was only permitted one platform provider to facilitate the completion of all the required licensing and technical reviews by the November launch date. However, once the launch was completed and operations were running smoothly, the Division decided to permit multiple platforms for each permit holder with a limitation of five "skins" or brands per permit.

Internet gaming operations in New Jersey have continued to evolve throughout the year. There are now approximately 423 authorized games. Since Internet gaming operations began in late November 2014, Internet gaming permit holders Caesars, Borgata, Tropicana, and Golden Nugget have offered online gaming on a continuous basis. While Taj Mahal platform provider Ultimate Gaming ceased operations in New Jersey on September 21, Betfair transferred its operations from Trump Plaza to permit holder Golden Nugget on November 20. Pala Interactive was approved for full-time Internet gaming operations as a Borgata platform provider on November 22. As with any

nascent industry, changes and adjustments are a normal and expected part of doing business. The Division looks forward to continuing to work with the permit holders and operators as New Jersey's Internet gaming operations mature.

Accounts Created

Two days after soft play ended and full operations had commenced, as of November 27, 2013, 32,319 accounts had been created. A little over a month later, by December 29, 2013, that number rose to 126,231. The number of accounts has continued to increase each month with 506,172 accounts created as of November 30, 2014.

Revenue

According to a University of Las Vegas Center for Gaming Research study, New Jersey online gaming accounts for over 90% of the legal U.S. online gaming revenue. Although Nevada and Delaware started Internet gaming operations several months before New Jersey, New Jersey's authorized Internet sites, from January 2014 through October 2014, generated $25 million or 75% of the total Internet poker revenue in the U.S. They also generated $78 million or 98% of all Internet non-poker casino revenue. From the inception of New Jersey's Internet gaming operations on November 21, 2013 through November 30, 2014, Internet gaming win was $120.5 million.

Lessons Learned

One surprise from a regulatory perspective was how operationally unprepared the platforms were to implement Internet gaming in a regulated U.S. environment. They thought they would be able to flip a switch and start up their current system here. They quickly found out that was not going to happen. There was definitely a learning curve for the operators to adjust to our regulatory framework but that has improved dramatically. Companies adapted to our new model which we believe has helped improve the industry and raised its standards.

The Division had to ensure that sufficient guidelines were applied for the "Know your customer" (KYC) process. This process ensures that patron identities are known and that the players are old enough to gamble in New Jersey. To date, this system has been working very well with no evidence that underage individuals have been able to establish accounts.

The Division also regularly monitors issues handled by customer service at the platform providers. Furthermore, as May 1, 2014, the Division required that all employees of platform providers performing customer service and fraud detection related functions and with access to confidential player information be located in New Jersey.

Geolocation

Ensuring that all play on authorized websites occurs only within the borders of New Jersey is a critical component of New Jersey's online gaming operations. Geolocation technology enables operators to determine where someone is playing within the state and to block those trying to gain access from outside New Jersey's borders. The Division has worked with the geolocation vendors and casinos to enhance the technology to make it more accurate and reliable and to reduce false negatives. Additionally, the geolocation vendors have provided more detailed information to the casinos whenever a patron fails geolocation; this information is used by the casinos to help customers resolve geolocation problems. We are always in discussion with the industry for improvement, and there have been great strides in enhancing geolocation protocols. Currently, geolocation has approximately a 98% success rate.

Payment Processing

The Division has been in discussions with the New Jersey Department of Banking and Insurance and the U.S. Office of the Comptroller of the Currency (OCC) to address the difficulties related to payment processing. Most recent statistics indicate that about 73% of Visa and 44% of Mastercard transactions are approved**.** A new credit card code has been created for legal online gambling transactions and it is expected to be in effect spring of 2015. It should also be noted that the rate of chargebacks for Internet gaming

is actually less than it is for retail transactions. In addition to increased credit card transaction acceptance rates, payment processing companies such as Neteller are approved to do business with New Jersey Internet casinos and provide convenient and secure methods to fund Internet gaming accounts. As the banking industry becomes more familiar with legalized Internet gaming and patrons become more educated about the various options for funding their accounts, further improvements are expected in this area.

Monitoring

The Division's technical monitoring of Internet gaming systems is unparalleled. The Division has developed monitoring tools that allow us to evaluate activity across all the platforms and quickly determine anomalies that need to be investigated. This type of comprehensive monitoring across platforms is unique to New Jersey. Recent cases have identified possible issues before anyone else was aware and the Division has taken swift action to determine the cause of the issue and the manner in which it will be addressed.

Financial Auditing

The Division has a financial team that is currently auditing to 100%. At this early stage of online gaming, the Division needs to ensure that we have a firm grasp on all variances and their causes. At this point in the learning curve, the Division's reviews are extraordinarily thorough to make sure all financial reporting is as accurate as possible.

Fraud Alerts

The Division has mechanisms in place to detect and fight payment fraud. For example, Internet gaming patron Diana Zolla was arrested on April 30, 2014, by New Jersey State Police and charged with theft by deception for attempting to claim her identity was stolen and that she was not responsible for almost $10,000 worth of credit card charges and banking fees on her Internet gaming account. An investigation by the State Police

Casino Gaming Bureau, Financial Crimes Unit, revealed she had actually made the charges herself.

Marketing Affiliates / Illegal Sites

Recognizing that affiliate marketing companies are important to the growth of Internet gaming, the Division in June issued additional licensing guidance regarding their operations. Affiliates are licensed according to the way in which the affiliate is compensated. Those with flat fee arrangements and directing Internet traffic to specific websites only require a vendor registration. Those with revenue sharing agreements where compensation is tied to player activity require an ancilllary casino service industry enterprise license.

The Division also took action in April by sending cease-and-desist letters to affiliates that were promoting illegal Internet gaming websites along with New Jersey's authorized sites. Efforts in this area are ongoing as online patrons should not be fooled by the promotion of illegal sites in connection with our legal sites and illegal sites should not profit from association with our regulated online gaming industry. Staff will continue to address with the marketing affiliates, recommendations related to improving services to consumers in this new regulated market.

Poker vs Casino Games

At the launch of Internet gaming in New Jersey, there was a perception that online poker would predominate over slots and other online games. This prediction has not been correct. From inception through November 30, 2014, poker accounts for only 25% of New Jersey's Internet revenue while the remaining 75% consists of other authorized casino games. Not all of New Jersey's platforms offer poker, but the percentage breakdown for revenue on platforms that offer both poker and casino games is approximately 40% poker and 60% other authorized games. This presents an opportunity for creators of online games to introduce their products to New Jersey gaming operators.

Responsible Gaming

The Division is very sensitive to the issues of responsible gaming. We understand that while gambling is fun and a form of entertainment for most people, it can result in serious addiction for some individuals. The Division is confident that proper technical solutions are in place to allow patrons to engage in Internet gaming responsibly. In addition to those technical requirements, the regulations mandate Internet gaming permit holders to pay $250,000 annually to be utilized by compulsive gambling programs in the state. Other changes in responsible gaming regulations this year include legislation (Bill A244) which was passed July 30, 2014. This legislation removed from the self-exclusion sign up process any admission of problem gambling activity.

All Internet gaming platform providers are required by regulation to implement various responsible gaming features. Similar to brick-and-mortar casinos, patrons are able to exclude themselves from Internet gaming. Technology is used to verify exclusion status during registration and prior to each log in. Required notifications as to 1-800-GAMBLER are presented during registration, log in and log out, as well as from the player protection page. Mandated features remind patrons of how much time they have played during one session which prevents losing track of time and serves as a “reality” check. Patrons are limited to one account per website gaming brand and have the ability to establish several types of responsible gaming limits or suspend play at any time. Patrons are prohibited from relaxing limits until after the existing limit expires.

Systems must contain logic to identify and report potential problem gamblers to the licensee. Casino permit holders are required to maintain a record of all actions taken regarding patrons identified by the system. A mandatory player protection feature is required once a patron’s cumulative deposits exceed $2,500. Once triggered, the patron is required to acknowledge that he or she has the ability to set the responsible gaming limits discussed above and that 1-800-GAMBLER is available for help. Once met, this notification is enforced annually thereafter. The system provides an on-demand activity statement for a minimum of 180 days of patron gaming activity, and Internet gaming platforms must maintain all records of patron activity for at least ten years.

In addition to all the required responsible gaming features outlined above, New Jersey statute N.J.S.A 5:12-95.18 requires a study to be published on an annual basis to review the impact of Internet gaming in New Jersey. The Division has entered into a memorandum of agreement with Rutgers University and the Department of Human Services to produce four annual reports. The first of these reports is expected in early 2015.

Further, it is anticipated that by the end of January 2015, New Jersey citizens will be able to register for online gaming self-exclusion from the Division of Gaming Enforcement web page at www.njdge.org. Individuals interested in self-exclusion can simply visit the Division's web page to complete the process, instead of physically appearing at a Division office or having to create an online gaming account for self-exclusion. A verification quiz will be generated for citizens to confirm their identity. Initially, this option will be for online only self-exclusions. As of December 1, 2014, 775 online only self-exclusions had been registered either in person or through online gaming accounts.

New Jersey's policies have proven to be in the forefront of responsible gaming regulation. Keith Whyte, head of the National Council for Compulsive Gambling, conducted a survey which showed that New Jersey by far had the most comprehensive responsible gaming policies of all the states with authorized Internet gaming. We always strive, however, to improve, and after consulting with the Council and Mr. Whyte, the Division implemented temporary regulations effective on September 22, 2014, that make our responsible gaming requirements even more comprehensive. These new regulations address areas such as additional information regarding how to reach out for problem gambling assistance and practical tips for staying within safe limits. They also require operators to implement problem gaming training for all of their employees. All Internet gaming platform providers have to implement the requirements in order to be approved to operate in New Jersey. The Division aggressively enforces these regulations, and the sanctions for any violations are handled on a case-by-case basis.

Additional Regulatory Changes

The Division has also implemented regulations that permit expanded uses of Internet gaming accounts. Patrons can now fund social gaming and merchandise purchases from their online accounts. The Division has also clarified rules regarding celebrity endorsements.

Looking Forward

An important area for the future of Internet gaming is Interstate/International compacts. This type of cooperation between jurisdictions is very important for building liquidity in peer-to-peer games such as poker. The legislation that authorized Internet gaming specifically permits the Division to enter into multi-jurisdictional agreements. The Division has been in discussions with other jurisdictions, such as Nevada and the United Kingdom, but no compacts have been entered to date. The Division is open to discussions in this area and always seeks to ensure that any agreements are most beneficial to New Jersey's Internet gaming industry.

In 2015, the Internet gaming industry will be permitted to build data centers outside of casino facilities as long as they are within Atlantic City. As the industry matures, having the most up-to-date and advanced data storage technologies and facilities will be of utmost importance. Other areas for action in 2015 are the implementation of an approved Division seal for use on New Jersey's authorized websites and continued discussions with the United States Department of Treasury, Financial Crimes Enforcement Network to identify and implement best practices to prevent fraud and money laundering activities. Down the road, there might be advances in biometric technology that can even further enhance the security of patron accounts. Other possibilities for Division regulation include online lotteries as technology expands.

David Rebuck
Director
Division of Gaming Enforcement

EXHIBIT 2

Analysis: How The Multiple-Brand Model Impacts State-Regulated Online Gambling Markets

February 2019

IDEA Growth through regulated online gaming

iDevelopment and Economic Association

Eilers&Krejcik Gaming

EXECUTIVE SUMMARY

Numbers to Notice

50%
- The estimated boost the multiple-brand model provides to the revenue generated by a state-regulated online gambling market.

$82.5 million
The estimated additional local marketing spend driven by the adoption of the multiple-brand model in New Jersey's regulated online gambling market.

86,000
The estimated number of unique customers who would not have participated in New Jersey's regulated online gambling market in the absence of the multiple-brand model.

Overview

Policymakers considering the issue of online gambling face a number of key decisions, including the question of how many unique brands (sometimes referred to as "skins") to allow under each individual online gambling license. To date, states participating in the nascent market for regulated online casino, poker, and sports betting have taken a variety of approaches to the multiple-brand question, with the majority of states (including New Jersey, Pennsylvania, and West Virginia) allowing some level of multiple-brand participation under each online gambling license.

Our research examined the impact of a multiple-brand approach on four core aspects of a regulated gambling market: Market size, state revenue, competitive dynamics, and the consumer experience. Following our analysis, we conclude that a multiple-brand approach to regulated online gambling is likely to generate materially positive impacts for the typical U.S. state

Market Size

As part of our analysis, we performed a comprehensive evaluation of New Jersey's regulated online casino market. New Jersey allows up to five unique brands to operate under each online casino license. Only the state's licensed land-based casinos can acquire online casino licenses; those license holders can then partner with external companies looking to bring a brand into the New Jersey online casino market.

Our evaluation of the New Jersey online casino market revealed an overwhelmingly positive connection between the presence of multiple brands per license and market size. Drawing on public revenue figures, stakeholder

commentary, and our proprietary modeling, we estimate that the multiple-brand approach has resulted in a New Jersey online casino market that is roughly 50% larger in terms of total annual revenue than a New Jersey market where only one brand was allowed per license.

State Revenue

A larger overall market obviously generates additional tax revenue for the state. The positive impact for state revenue is bolstered by two other forces we observed at work in New Jersey and in the early days of other state markets.

The first: States can derive additional license fee revenue in the multiple-brand model by charging external brands both upfront and renewal fees for participating in the state market.

The second: States can derive significant additional economic activity through the marketing spend generated by external brands. The typical ratio of marketing spend for an online gambling operator is .25 for every dollar in revenue, and marketing spend is almost entirely local due to the nature of state-based markets. In New Jersey, that has translated to an estimated $82.5 million in additional local marketing spend generated by the multiple-brand model.

Market Dynamics

One of the interesting knock-on effects of the multiple-brand model in New Jersey has been to promote greater competitive parity among the state's casinos. There are few direct parallels between land-based casino market share and online casino market share, a condition driven in part by the presence of multiple brands. Overall, the addition of online gambling revenue has resulted in a tighter distribution of total casino revenue across all license holders.

The multiple-brand model has further allowed land-based license holders to leverage their licenses in order to lower the cost of entry into online gambling, negotiate favorable supplier relationships, and secure valuable content and expertise.

Finally, the multiple-brand also provides land-based casinos with an alternative revenue stream from regulated online gambling, as partner brands typically pay both an upfront fee and an ongoing revenue share for the privilege of sharing a casino's online gambling license.

Consumer Experience

Our analysis reveals clear and positive impacts from the multiple-brand model on the consumer experience. Partner brands in New Jersey have driven a more competitive promotional environment and a more robust selection of games and features than those available at endemic brands alone. We believe that New Jersey's generally favorable return-to-player rates for online slots and table games are supported by the competition fostered via the multiple-brand model.

The depth of the competitive landscape (20 unique brands and counting) in New Jersey has resulted in an environment where brands are highly incentivized to both optimize all aspects of the consumer experience (e.g., banking, customer support, retention bonuses) and to optimize the process of acquiring customers in the first place. We estimate that partner brands have resulted in the activation of some 86,000 unique additional customers in the New Jersey online casino market.

Should a state considering online casino, poker, or sports betting allow license holders to operate multiple brands (skins) under a single license?

New Jersey Online Casino Revenue By Brand Type

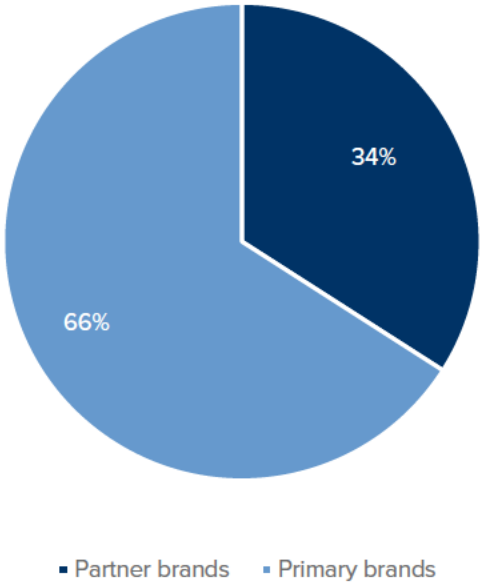


Table of Contents

Section 1. An Introduction To Multiple-Skin Models

This section provides an explanation of how multiple-skin models function from the policy and business perspectives, along with a survey of the varying approaches to skins considered by U.S. policymakers.

Summary:

- A multiple-skin model provides master license holders with additional ways to generate revenue from regulated online gambling.
- States are looking to multiple-skin models as a way to increase tax and license fee revenue and promote a competitive marketplace.
- Several states have enacted – or are considering – multiple-skin models for online casino, online sports betting, or both.

1. Introduction To Multiple-Skin Models: What Are They?

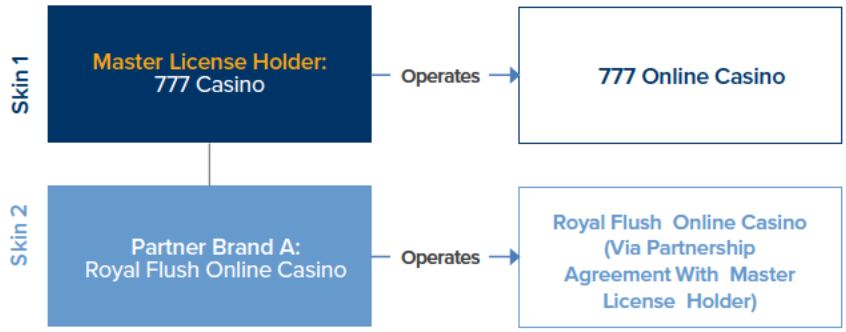
Within the U.S. regulated online gambling industry, "skin" is a term used to refer to a brand instance that exists under a master license. The term first came into play in New Jersey's regulated online casino market.

Under multiple-skin models, you can only operate online gambling if you are a master license holder or a partner brand. Master license holders are typically existing gaming entities in a state, such as casinos. Partner brands are entities that have partnership agreements with master license holders.

In figure 1.1 at right, we illustrate the hierarchical relationship between a fictional master license holder and its partner brand under a multiple-skin model. The chart shows that Partner Brand A has an agreement with the master license holder allowing it to operate its own online gambling site.

Note that each brand operating under the master license holder – 777 Online Casino (the master license holder's own brand) and Royal Flush Online Casino (controlled by Partner Brand A) – is considered a skin.

Fig. 1.1: Illustration Of A Master License Holder-Partner Brand Hierarchy Under A Multiple-Skins Model



The Difference Between A Mulitple-Skin Model And A Single-Skin Model

Under a multiple-skin model, multiple skins – or brand instances – are permitted under each master license. By contrast, under a single-skin model, a single brand instance is permitted under each master license.

1. Introduction To Multiple-Skin Models: Why Are States Considering Them?

Multiple-skin models can have significant impacts on core facets of a state-regulated online gambling market. Those impacts are summarized in figure 1.2 below.

Fig. 1.2: Key Reasons Why States Are Considering Multiple-Skin Models

Market Size	A greater number of available online gambling brands can result in a larger overall market in revenue terms.
Tax Revenue	A larger overall market can result in a larger base of taxable revenue.
License Fee Revenue	The imposition of license fees not only on master license holders, but also on partner brands, can provide states with additional sources of revenue.
Competition	A greater number of available online gambling brands can increase competition in a market, which can create benefits for consumers including better product variety and quality, and better product prices and promotions.
Competitive Balance	A multiple-skin model can increase revenue parity between larger and smaller operators in a market.

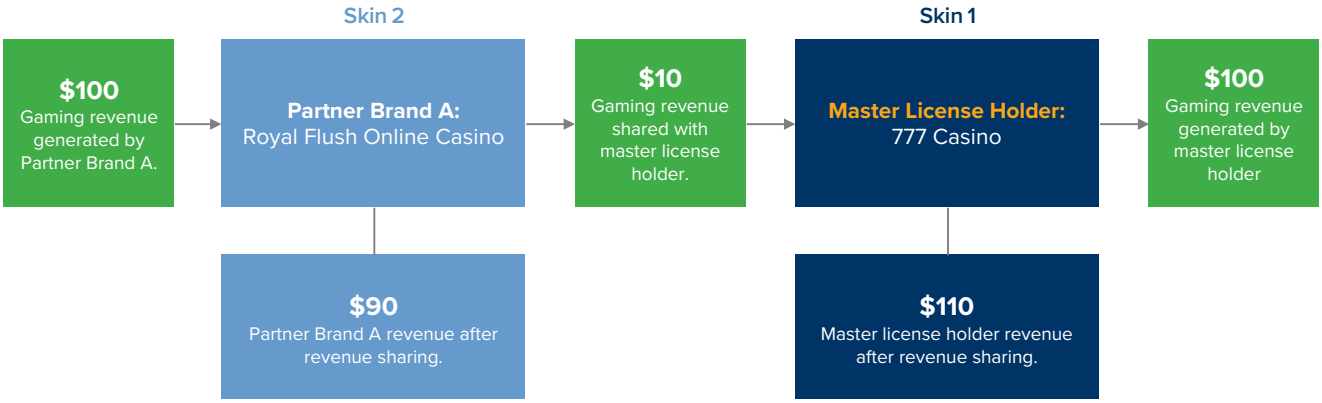
1. Introduction To Multiple-Skin Models: What Do Master License Holders Get From Partner Brands?

Multiple-skin models provide master license holders with additional ways to generate revenue from regulated online gambling. Partner brands typically pay the master license holder some sort of fee in exchange for access to the license. The fee is often, but not always, some share of the revenue that the skin generates.

A typical deal between a partner brand and a master license holder likely involves a revenue share payment of between 3% and 10%. The revenue sharing percentage depends on the strength of the brand attached to the skin, the marketing budget for the skin operator, and the supply and demand dynamics in a given market, among other factors. In figure 1.3 below, we illustrate a revenue sharing arrangement between a master license holder brand and a partner brand under a multiple-skins model.

Fig. 1.3: Illustration Of A Revenue Sharing Agreement Between A Master License Holder And A Partner Brand Under A Multiple-Skin Model (Assumes 10% Revenue Sharing Rate)

The diagram below shows how 10% of the $100 in gaming revenue generated by Partner Brand A (or $10) flows to its master license holder partner.



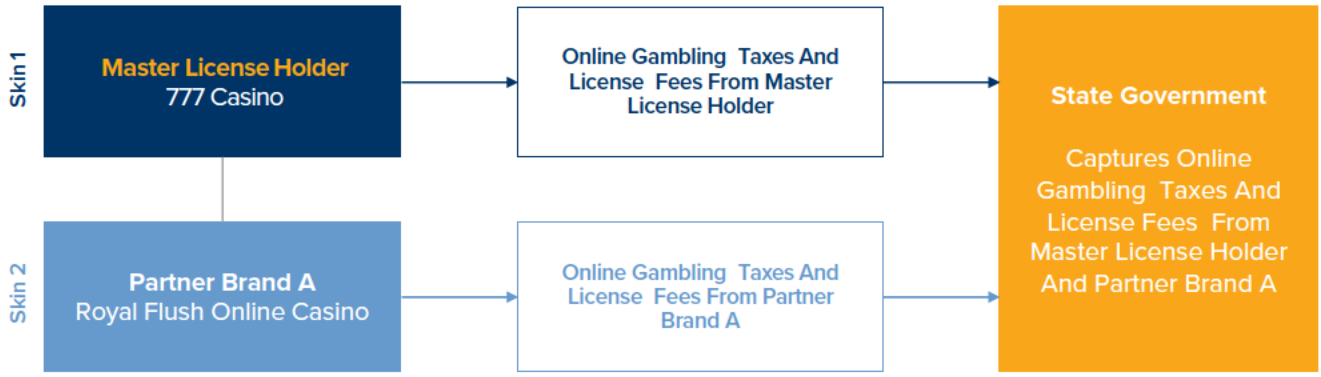
1. Introduction To Multiple-Skin Models: How Do States Benefit From Them?

States are looking to multiple-skin models as a way to increase tax and license fee revenue. That is because partner brands, just like the master license holders with which they are partnered, pay taxes on their gaming revenue and licensing fees.

Taxes vary by state but are generally applied to a partner brand's gross gaming revenue, or the amount it holds after paying out winning wagers to players. Licensing fees also vary by state but are typically composed of an upfront fee and a renewal fee. In figure 1.4 below, we illustrate how tax and licensing fee revenue from online gambling brands operating under a multiple-skin model flows to state governments.

Fig. 1.4: Illustration Of How Tax And License Fee Revenue Flows From Brands To A State Government Under A Multiple-Skin Model

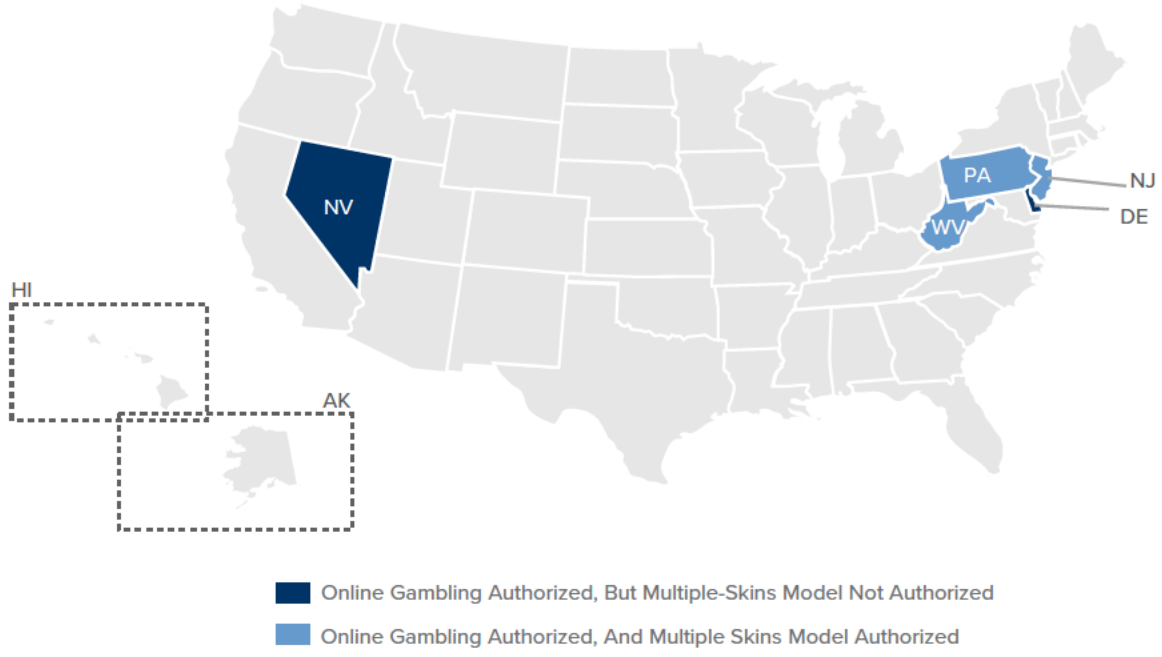
The diagram below shows that a multiple-skin model creates additional opportunities for a state to capture licensing and tax revenue from online gambling.



1. Introduction To Multiple-Skin Models: Which States Have Authorized Them?

Several states have enacted – or are considering – multiple-skin models for online casino, online sports betting, or both. As of this report, online gambling was legal and regulated in five states, three of which – New Jersey, Pennsylvania and West Virginia – have authorized multiple-skin models.

Fig. 1.5: States Where Multiple-Skin Models Are Authorized



1. Introduction To Multiple-Skin Models: How Are States Approaching Implementation?

It is still early days for regulated U.S. online gambling, and no true consensus has yet emerged around how best to implement a multiple-skin model. In figure 1.6 below, however, we have summarized how New Jersey, Pennsylvania and West Virginia – the only states where such models are currently authorized – have approached key facets of implementation.

Fig. 1.6: How States Are Approaching The Implementation Of Multiple-Skin Models

	New Jersey	*Pennsylvania*	*West Virginia*
No. Of Skins Allowed Per Master License Holder	Online Sports Betting (3); Online Casino (5)	Online Sports Betting (1); Online Casino (Unlimited)	Online Sports Betting (3)
No. Of Skins Allowed / Operational Statewide	Online Sports Betting (42, 8 Of Which Operational); Online Casino (45, 22 Of Which Operational)	Online Sports Betting (13, None Of Which Yet Operational); Online Casino (Unlimited, None Of Which Yet Operational)	Online Sports Betting (15, None Of Which Yet Operational)
Tax Rate (Applicable To Master License Holders And Their Partner Brands)	Online Sports Betting (14.25% Revenue); Online Casino (17.5% Revenue)	Online Sports Betting (36% Revenue); Online Casino (16% or 54% Revenue)	Online Sports Betting (10% Revenue)
Revenue Sharing Rate Between Master License Holders And Their Partner Brands	Privately Negotiated Between License Holder And Skin	Privately Negotiated Between License Holder And Skin	Privately Negotiated Between License Holder And Skin
Licensing Fees For Master License Holders	Online Sports Betting ($100k [1-Year Term]); Online Casino ($400k [1-Year Term])	Online Sports Betting ($10mm [5-Year Term]); Online Casino ($10mm [5-Year Term])	Online Sports Betting ($100k [5-Year Term])
Licensing Fees For Partner Brands	$5k (5-Year Term)	$50k or $1mm (5-Year Term)	$1k (1-Year Term)
Notable Restrictions For Partner Brands	Partner brands enjoy considerable flexibility under New Jersey law and regulation. They may operate and market using their own brands, exclusively.	Under Pennsylvania law and regulation, online casino partner brands are not permitted to operate and market using their own brands, exclusively. Rather, such brands must operate and market using both their own brand and the brand of their online casino license holder partner.	Partner brands enjoy considerable flexibility under West Virginia law and regulation. They may operate and market using their own brands, exclusively.

1. Introduction To Multiple-Skin Models: Key Takeaways

Multiple-skin models provide states and master license holders with additional ways to generate revenue from regulated online gambling: States can capture new license fee and tax revenue, and master license holders can capture new revenue by sharing access to their license.

Several states have enacted – or are considering – multiple-skin models for online casino, online sports betting, or both: Since New Jersey became the first state to implement a multiple-skins model for online casino in 2013, two other states – Pennsylvania (2017) and West Virginia (2018) – have followed suit.

Section 2. Multiple-Skin Model Case Study: New Jersey Online Casino Market

This section provides an in-depth examination of the New Jersey regulated online casino model. New Jersey enacted a multiple-skin model at the launch of regulated online casino in 2013. The state provides the best available analogue for appreciating the impact a multiple-skin model would have in other U.S. state-regulated online gambling markets. Our examination spans a walk-through of New Jersey's multiple-skin market, the relationship between multiple skins and market size, and the connection between multiple skins and competitive balance.

Summary:

- New Jersey's online casino market is roughly 50% larger than it would have been under a single skin model.
- Revenue generated by partner brands appears to be largely additive, and the presence of partner brands has not precluded growth at primary brands in New Jersey.
- The multiple-skin model has had a significant impact on competitive balance in New Jersey's online gambling market, and a smaller – but still measurable – impact on the broader competitive balance of the state's total gambling market.

Section 2a: Multiple-Skin Model Case Study Introduction To the New Jersey Online Casino Market

This subsection provides a brief, top-level overview of the New Jersey online casino market.

2a. New Jersey Multiple-Skin Model Case Study: Introduction To The Market

What Is An "Internet Gaming Permit?"

An Internet Gaming Permit (IGP) is the top – or master – level of licensure in New Jersey's online casino market. It is reserved for land-based casino license holders.

Under New Jersey's multiple-skin model, you cannot operate an online casino in without an IGP, or without a partnership agreement with an IGP holder. In figure 2.1 at right, we have provided an example of a typical IGP structure in New Jersey.

Golden Nugget – or the master license holder – operates the Golden Nugget online casino under its IGP. Golden Nugget struck deals with Betfair and SugarHouse – or partner brands – that allow each to operate its own New Jersey online casino under the Golden Nugget's IGP.

Note that each brand operating under the IGP is considered a skin.

Fig. 2.1: Illustration Of A New Jersey IGP Structure

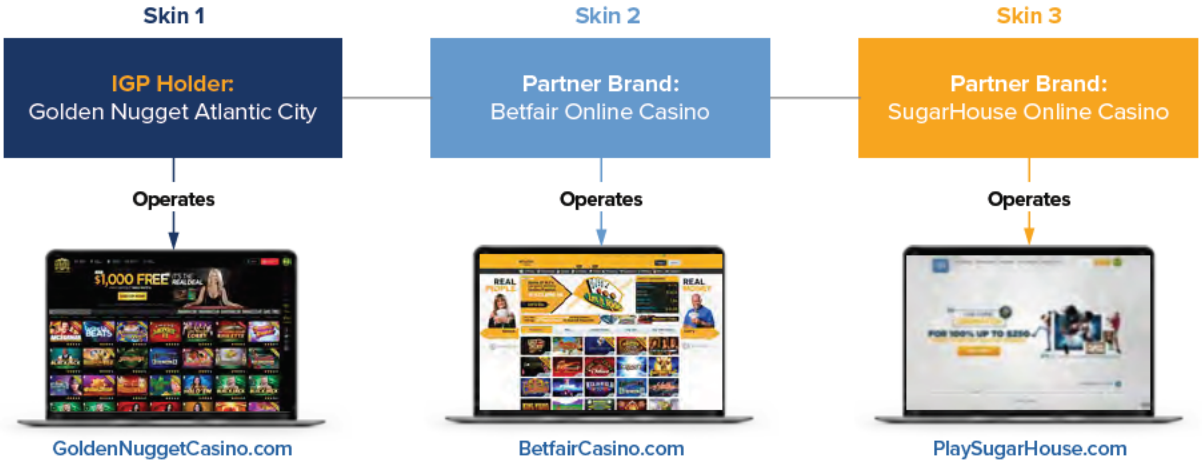


Fig. 2.2: New Jersey Online Casino Market Performance By Year

Calendar Year	Total No. Of Operational Master License Holder Brands	Total No. Of Operational Partner Brands	Revenue Generated By Master License Holder Brands	Revenue Generated By Partner Brands	Total Online Casino Revenue	Year-Over-Year Growth In Total Online Casino Revenue
2013	5	4	$3.3mm	$1.7mm	$5.1mm	
2014	5	5	$67.1mm	$26.6mm	$93.8mm	1719%
2015	6	6	$88.0mm	$37.0mm	$125.0mm	33%
2016	6	8	$114.2mm	$55.9mm	$170.1mm	36%
2017	6	9	$143.0mm	$78.2mm	$221.3mm	30%
2018	8	9	$165.2mm*	$100.8mm*	$266.1mm*	+20%*

Note: 2018 figures are estimates.

Fig 2.3: New Jersey Online Casino Market By The Numbers

8
Total number of operational master license holder brands

9
Total number of operational partner brands

$816MM
Total online casino revenue generated by all brands since launch

86K
Total unique online casino players generated by partner brands

34%
Percentage of total online casino revenue generated by partner brands

$82MM
Total marketing spend generated by partner brands

Fig. 2.4: New Jersey Online Casino Market: Master License Holders And Partner Brands

Master License Holder	Master License Holder Brands	Partner Brands
Borgata	Borgata	Party
		Pala
		MGM
Caesars	Caesars	888
	Harrah's*	
Golden Nugget	Golden Nugget	Betfair
		SugarHouse
Hard Rock	Hard Rock	N/A
Ocean Resort	Ocean	N/A
Resorts	Resorts	Mohegan Sun
		PokerStars
Tropicana	Tropicana	Virgin

Note: The Harrah's brand, and Harrah's Resort Casino Atlantic City, are controlled by Caesars. Caesars operates the Harrah's brand under its master license.

Section 2b: Multiple-Skin Model Case Study The Impact Of Partner Brands On Market Size

This subsection analyzes how partner brands have impacted the size of the New Jersey online gambling market in revenue terms.

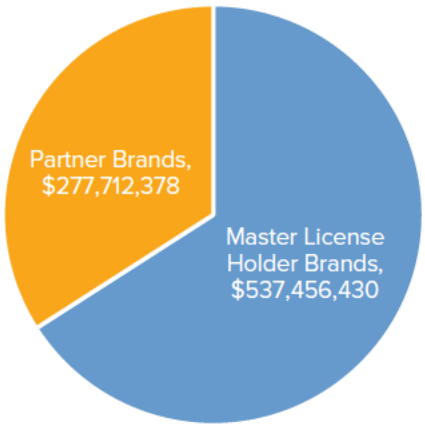
2b. New Jersey Multiple-Skin Model Case Study: Partner Brands And Market Size

What percentage of total New Jersey online casino revenue have partner brands historically accounted for?
Since the New Jersey online casino market opened in November 2013, we estimate that partner brands have generated approximately 34% of total revenue, with master license holder brands accounting for the remaining 66%.

Key takeaways:

- Partner brands have collectively generated significant amounts of revenue since launch, suggesting they are unlocking unique market demand that master license holder brands are unable to unlock.
- The multiple-skin model in New Jersey has attracted a wide array of partner brands, including international online gambling brands, commercial casinos from other states, tribal casinos, and media brands.
- A wide variety of partner brands, and the innovations brought by those brands, has made the market more diversified. That diversity has been key for New Jersey's growth, as the diverse landscape of operators has brought with it unique approaches to product, promotions, and marketing – all of which have broadened the appeal of regulated online gambling in New Jersey.

Fig. 2.5: Partner Vs. Master License Holder Brands: Distribution Of New Jersey Online Casino Revenue Since Launch



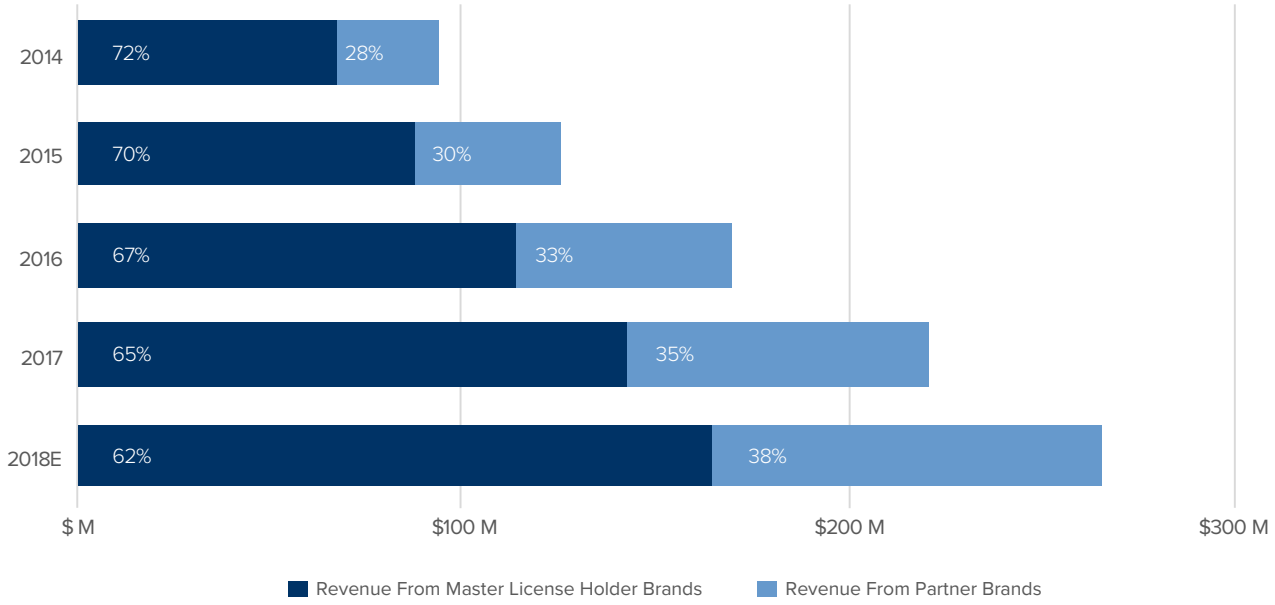
2b. New Jersey Multiple-Skin Model Case Study: Partner Brands And Market Size

How has revenue from partner brands grown over time? Revenue from partner brands has grown at an average annual rate of 29%, and has increased – in absolute dollar terms – in every year since launch. Revenue from master license holder brands, meanwhile, has grown at a 24% average annual rate and has likewise increased in absolute dollar terms year-over-year.

Key takeaways:

- Revenue from partner brands and master license holder brands has increased in tandem in every year since launch, a trend that suggests there is still room for all brands to grow in the market.
- Concurrent, sustained increases in partner brand revenue and master license holder brand revenue also suggests that both brand categories are contributing in unique ways to the market's overall growth.
- Given those observations, we believe that partner brands have generated significant additive growth for the New Jersey online casino market. Partner brand revenue does not appear to have come primarily at the expense of master license holder brands. In sum, the New Jersey online casino market is significantly larger than it would have been under a single-skin model.

Fig. 2.6: Partner Vs. Master License Holder Brands: Distribution Of Annual New Jersey Online Casino Revenue



What role do partner brands play in the revenue mix for master license holders? Partner brands play a material role in the overall revenue of all master license holders.

Key takeaways:

- All master license holders in New Jersey have associated partner brands. The two master license holders not displayed – Hard Rock and Ocean Resort Casino, both of which opened their land-based casinos in the summer of 2018 – have announced or are expected to announce online casino partner brands in the coming months.

- Partner brands launched well after the start of the market (e.g., MGM in July 2017) show no obvious signs of interfering with the performance of the associated master license holder brands.
- The Golden Nugget IGP is home to not only largest master license holder brand (by revenue), but also the two biggest partner brands. We note that the Golden Nugget made the decision to add an additional partner brand (SugarHouse) several years after launch. The market leader in New Jersey sent a very clear signal with that decision: Partner brands – even those who are likely to be strong competitors – are good business for master license holders.

Fig. 2.7: Golden Nugget IGP Revenue By Brand Since Launch

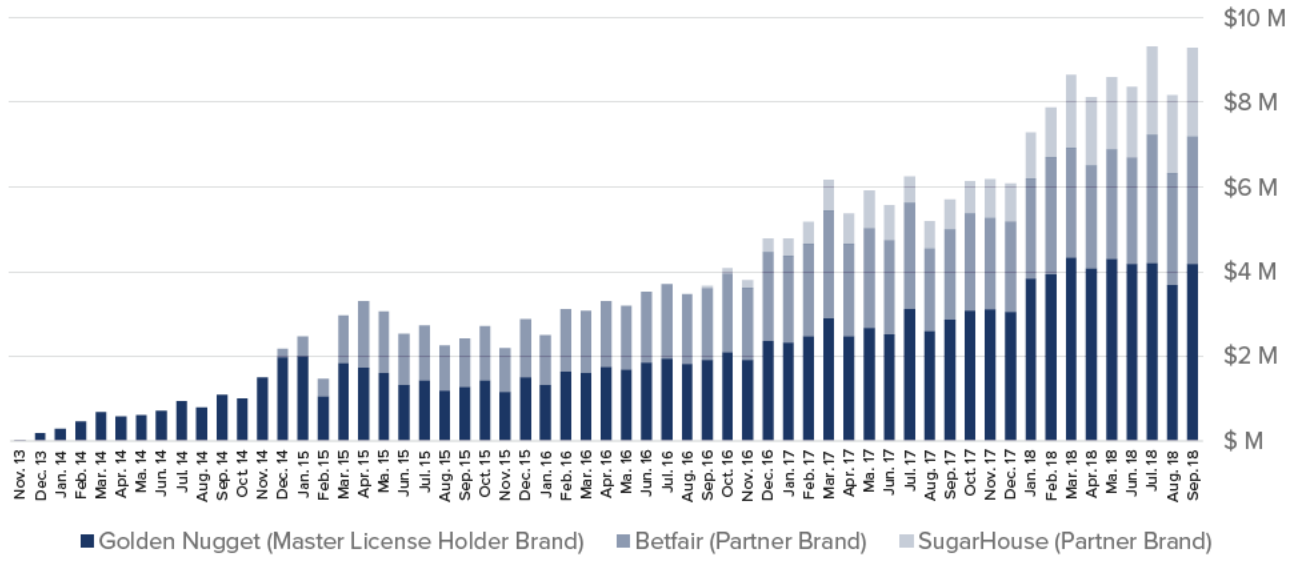


Fig. 2.8 Resorts IGP Revenue By Brand Since Launch

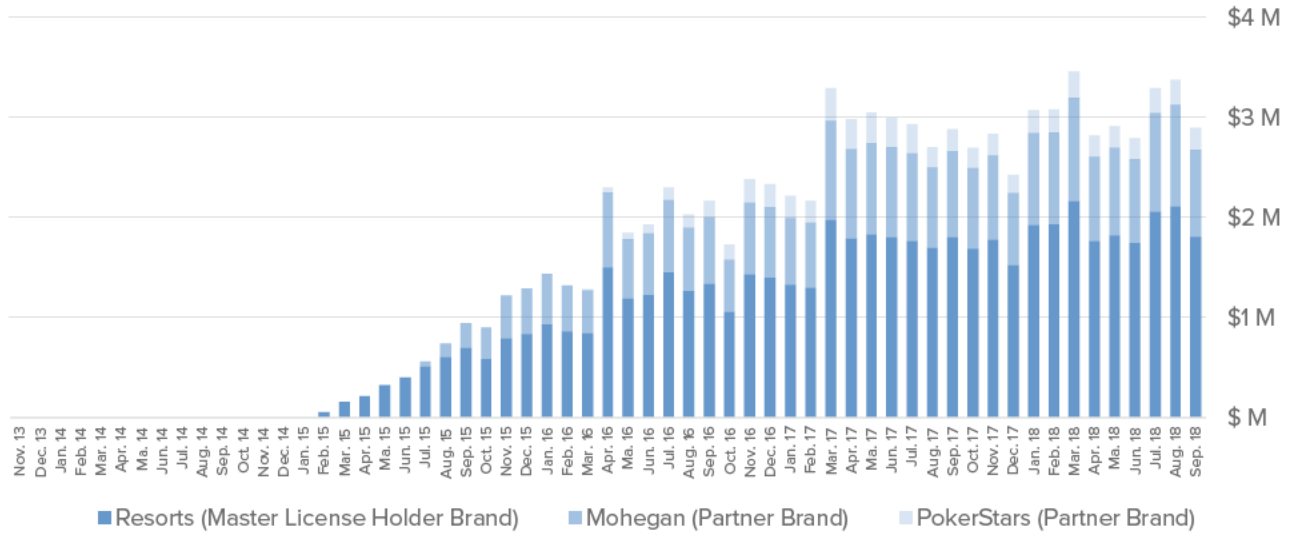
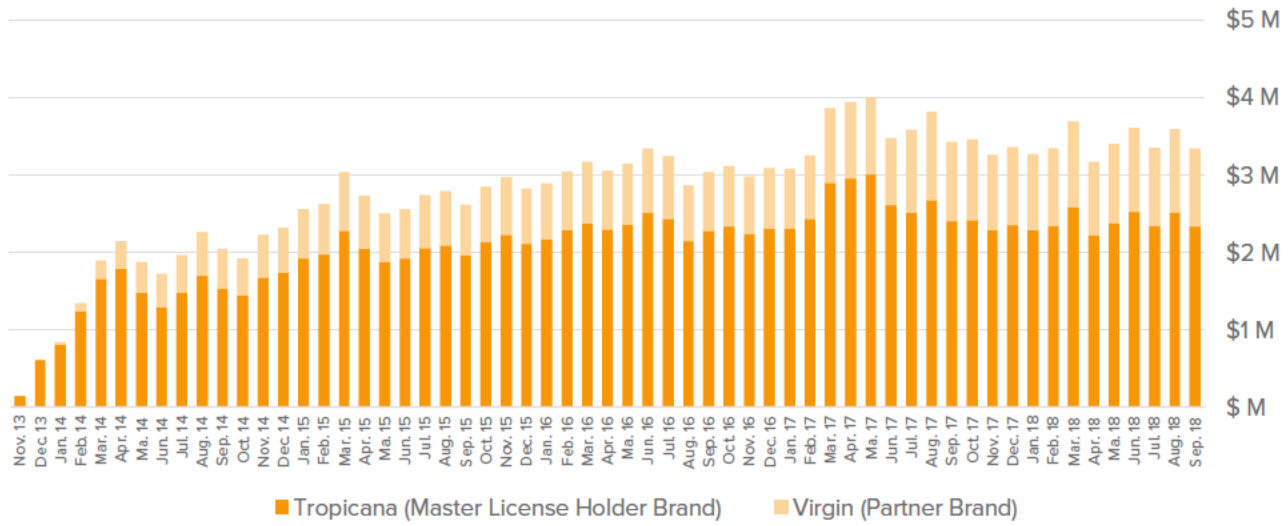


Fig. 2.9: Tropicana IGP Revenue By Brand Since Launch



- There is no clear pattern regarding how much an individual partner brand contributes absolutely or relatively to an IGP's revenue. That lack of uniformity suggests a market that is functioning well and being won by merit. In other words, robust competition appears to be breeding a healthy market that's producing multiple winners.
- Partner brands come in all shapes and sizes. There is no "one-size-fits-all" description of partner brands in terms of revenue. That diversity ensures that partner brands are pursuing unique marketing strategies, unique content strategies, and unique retention strategies.
- The relatively stable distributions of partner brand revenue and master license holder brand revenue suggest that the presence of partner brands does not impede or diminish the willingness of master license holder brands to spend money on marketing.

Fig. 2.10: Borgata IGP Revenue By Brand Since Launch

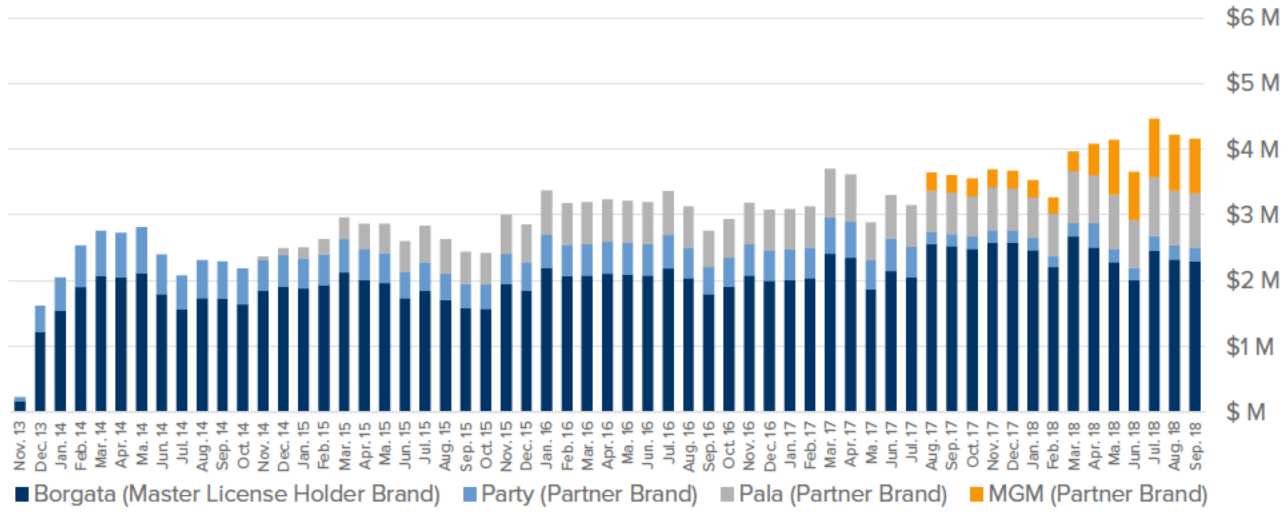
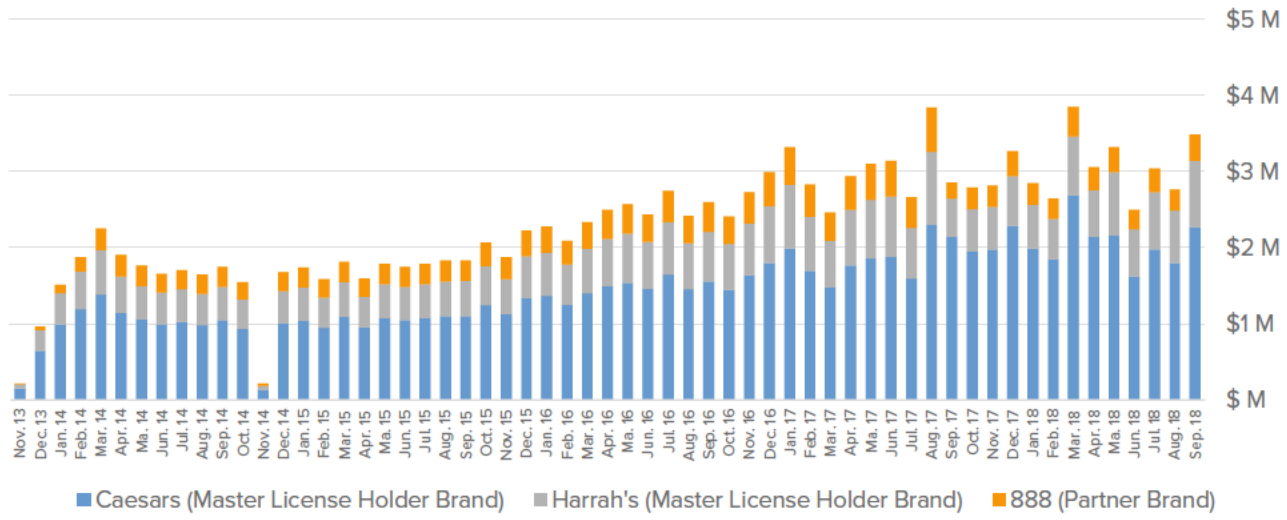


Fig. 2.11: Caesars IGP Revenue By Brand Since Launch



Note: The Harrah's brand, and Harrah's Resort Casino Atlantic City, are controlled by Caesars. Caesars operates the Harrah's brand under its master license.

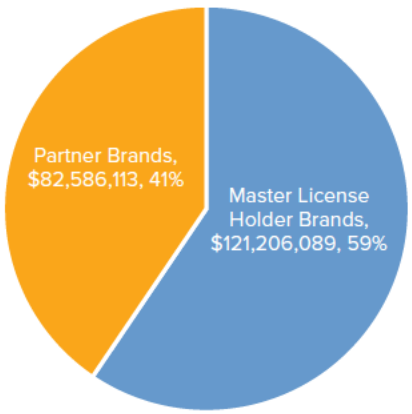
How have partner brands impacted market penetration?

Market penetration is a simple measure of how widely online casino gambling has been adopted in New Jersey. It is the result of dividing the total number of unique online casino players in New Jersey over a given period by the state's total gambling-age population during that same period.

Many factors, ranging from quality of product to ease of access, influence market penetration. But marketing spend – or the amount of money spent by online casino operators to acquire customers and to otherwise promote their offerings – is among the most salient drivers of market penetration.

We believe that in New Jersey's online casino market, partner brands have played a critical role in driving market penetration. We estimate such brands have generated marketing spend of nearly $83mm since launch, and that spend has helped generate around 86,000 unique players.

Fig. 2.12: Partner Vs. Master License Holder Brands Distribution Of New Jersey Marketing Spend Since Launch



86K

No. of unique online casino players generated by partner brands since launch

Section 2c: Multiple-Skin Model Case Study The Impact Of Partner Brands On Competitive Balance

This subsection analyzes how partner brands have impacted competitive balance in the New Jersey land-based and online casino markets.

2c. New Jersey Multiple-Skin Model Case Study: Partner Brands And Competitive Balance

Figure 2.14, at right, compares the land-based market share of New Jersey's casino operators with their share of the online casino market (inclusive of all revenue generated by partner brands).

We note ***that land-based market share has not been predictive of online market share in New Jersey***. The multiple-skin model has been one of the major factors (alongside differences in operational expertise and organizational commitment) that have allowed smaller casinos to overperform in the online gambling market.

We further note that the ***New Jersey online casino market is more evenly distributed across all operators than the state's land based market***. While the online casino market still has a clear winner, there is far less disparity between the next tier of operators.1 That level of parity is enabled by the multiple-skin model.

1 Note: Standard deviation of 1.77 for the online market vs 9.79 for the landbased market when the market leader is removed (2018 YTD revenue).

Fig. 2.13: New Jersey Casinos: Land-Based Vs. Online Market Shares In 2018 YTD

Casino	% Of Land Market	% Of Online Market
Borgata	28.91%	18.46%
Caesars Properties	33.01%	15.41%
Golden Nugget	9.10%	35.06%
Hard Rock*	4.93%	0.68%
Ocean Resort*	2.82%	0.44%
Resorts	7.36%	15.69%
Tropicana	13.87%	14.25%
Total	100.00%	100.00%

* Denotes casino that operates online casino under its own brand, only.

Figure 2.15, at right, shows the impact that online gambling revenue has had on overall gambling market share in New Jersey (i.e., land-based casino revenue plus online casino revenue).

We note that ***online gambling has had a measurable impact on overall market share,*** albeit a relatively limited one. Again, the presence of a multiple-skin model is a key force behind these shifts, as a meaningful amount of revenue for the two largest gainers (Golden Nugget and Resorts) comes from partner brands. It is worth mentioning that the primary Golden Nugget and Resorts online casino both outperform their landbased peers relative to land-based market share.

We further note that ***the impact of online gambling on the distribution of overall market share will increase over time.*** New Jersey's online casino marketplace is continuing to grow. The addition of sports betting – a product we expect to be dominated by online betting – will tip the scales even further. And the broader macro shift of consumers to mobile devices will push a greater amount of all gambling activity through online channels.

Fig. 2.14: New Jersey Casinos: Land-Based Vs. Overall (Land-Based + Online) Market Shares In 2018 YTD

Casino	% Of Land Market	% Of Overall Market
Borgata	28.91%	27.84%
Caesars Properties	33.01%	31.21%
Golden Nugget	9.10%	11.76%
Hard Rock*	4.93%	4.49%
Ocean Resort*	2.82%	2.58%
Resorts	7.36%	8.21%
Tropicana	13.87%	13.91%
Total	100.00%	100.00%

* Denotes casino that operates online casino under its own brand, only.

2. New Jersey Multiple-Skin Model Case Study: Key Takeaways

- ***The multiple-skin model has grown the market in New Jersey:*** In absolute terms, the presence of multiple skins has resulted in a 50% larger online casino market.
- ***The multiple-skin model has been utilized by, and benefited, all casinos in New Jersey:*** All master license holders in New Jersey utilize partner brand skins. Master license holders benefit via direct revenue, defrayed marketing costs, and improved supplier access.
- ***The multiple-skin model has promoted competitive balance in New Jersey:*** New Jersey's online casino market is far more balanced than its land-based market. Additionally, online gambling is starting to drive greater parity in overall market share, a trend likely to accelerate over time.

Section 3. Cost-Benefit Analysis Of A Multiple-Skins Model

This section contains a generalized cost-benefit analysis of adopting a multiple-skin model in a typical state-regulated online gambling market. We consider the cost-benefit question from the state, consumer and operator perspectives.

Summary:

- States gain additional license fee revenue from a multiple-skin model and additional tax revenue thanks to the expanded market size. States also benefit from increased economic activity (e.g., increased marketing spend). On balance, these gains outweigh the additional costs and risks from a multiple-skin model.
- Consumers benefit from the increased pricing competition, product quality, and variety of product driven by a multiple-skin model. There are no material drawbacks for the consumer stemming from the multiple-skin model.
- Master license holders (i.e., current land-based gambling license holders) face the most complicated balance of benefits and costs. Many will find that the economic opportunities and competitive balancing made possible by a multiple-skin model appealing. Some will determine that the threat of disruption to the market share status quo outweighs the upside.

3. Cost-Benefit Analysis Of A Multiple-Skin Model: State Governments

Benefits Of A Multiple-Skin Model

Additional license fee revenue: States can not only collect license fees from master license holders, but also from partner brands. States where demand for online gambling market entry is higher will likely be able to impose higher license fees on partner brands than states where demand for entry is lower. Tier one first-wave sports betting states, in particular, are well positioned to impose higher license fees on partner brands.

Additional tax revenue: A greater number of available brands tends to result in a larger overall market in revenue terms (although that relationship is eventually subject to diminishing returns), directly increasing the tax take under typical structures.

Economic development opportunities: States can require that partner brands establish an on-ground presence within their borders. Such requirements can have positive economic impacts for states, such as the creation of new jobs. States where demand for online gambling market entry is higher will likely be better positioned to establish on-ground requirements for partner brands than states where demand for entry is lower. States also benefit from the additional economic activity generated by partner brands (e.g., marketing spend).

Promotes competitive parity: New Jersey shows that a multiple-skin model can support competitive parity. Parity is of special concern to states where neighboring-state competition is threatening the viability of individual properties.

Diversification through online gambling may well be the life vest for smaller casino operators facing a rising tide of land-based competition.

Costs Of A Multiple-Skin Model

Regulatory cost: Allowing multiple skins will increase regulatory cost. Policy approaches that include a multiple-skin model must allocate a proportional amount of resources to accommodate that increased cost.

Regulatory complexity: Allowing multiple skins will, in most jurisdictions, raise new regulatory issues. Policymakers must tread carefully to avoid triggering unintended consequences through the approval of a multiple-skin model. Enabling legislation that limits regulatory flexibility is especially susceptible to this cost.

CONCLUSION

A multiple-skin model brings a number of direct, tangible benefits to a state, along with a number of indirect benefits. But multiple skins also trigger regulatory costs and complexity, issues that must be carefully considered when shaping online gambling policy. On balance, we conclude that a multiple-skin model brings significantly more benefits than costs to a state.

3. Cost-Benefit Analysis Of A Multiple-Skin Model: Consumers

Benefits Of A Multiple-Skin Model

Increases competition: Generally speaking, the more brands there are in an online gambling market, the higher the level of overall competition is in that market. And a market in which overall competition is higher tends to be more favorable to consumers. Competition not only improves product quality and product variety, but also product prices and related promotions.

The New Jersey online casino market is an apt example of a highly competitive online gambling market. Players there have 17 brands, a fast-expanding base of hundreds and hundreds of unique online slot machines, and a growing stable of niche products – such as live-dealer table games and virtual sports – from which to choose.

Improves pricing and promotions: The presence of 17 brands in the New Jersey market ensures that some brands will resort to better pricing as a way to attract customers, a phenomenon evidenced by the low-hold blackjack and video poker variants available at some New Jersey online casinos.

The promotional environment in New Jersey is similarly favorable to consumers thanks to competition; online casinos attract customers with no-risk free bets, deposit bonuses, cash back bonuses, and land-based crossover offers.

Notably, the pricing and promotional environments have both steadily improved over time.

Costs Of A Multiple-Skin Model

We do not see any material costs to the consumer arising from a multiple-skin model approach to regulated online gambling. We are unaware of any specific incidents or trends in the New Jersey market that suggest a cost to

consumers from the presence of online casino brands above and beyond the land-based casino brands in Atlantic City.

We do acknowledge that increased marketing spend for gambling may intersect with problem gambling but are not aware of any research that has concluded the presence of multiple skins generates any incremental increase in problem gambling issues above and beyond increases stemming from the presence of regulated online gambling.

CONCLUSION

Given the wealth of obvious consumer gains resulting from increased competition, and a lack of any meaningful costs, we conclude that multiple-skin models are, on balance, a clear benefit for gambling consumers.

3. Cost-Benefit Analysis Of A Multiple-Skin Model: Master License Holders

Benefits Of A Multiple-Skin Model

Additional revenue streams: Master license holders typically receive a share of each partner brand's online gambling revenue, often accompanied by an upfront, lump payment. Further, not all master license holders may wish to pursue online gambling aggressively. But a multiple-skin model provides the means for master license holders to passively benefit from online gambling regardless of their level of interest or expertise.

Offset market-entry costs: In some states, the cost of master licensure may be quite high. A multiple-skin model could allow master license holders to share the cost of master licensure across partner brands. Master license holders can also leverage their license to secure technology and services at reduced rates, shortening the distance to profitability.

Better platform pricing environment: Some partner brands, in addition to operating online gambling, also supply online gambling platforms to master license holders. A multipleskin model, therefore, tends to create markets with greater competition among platform suppliers, driving a more favorable platform-pricing environment for master license holders.

Innovation with reduced risk: Through multiple skins, master license holders also gain multiple potential points of entry into an online gambling market. Master license holders may wish to use their own sub-brands to test out-of-the-box or supplemental products, new marketing concepts, or brands designed to capture unique customer segments.

Costs Of A Multiple-Skin Model

Market share disruption: While greater parity may be in the best interest of the state, altering the market share status quo is only of interest to those operators who gain from the disruption. A multiple-skin model certainly has the potential to bring greater benefits to some operators than others, especially operators who are on the minority side of market share.

Fragmented customer base: A multiple-skin model ultimately results in a marginally more fragmented customer base for regulated online gambling over time. This may dampen the ability of land-based operators to realize maximum long-term cross-sell between land-based and online products. This cost is somewhat offset by the

number of new gamblers minted by partner brands, as some of those gamblers will inevitably migrate to the land-based product they would have otherwise ignored.

CONCLUSION

A multiple-skin model will favor some operators more than others. But the ability to launch multiple skins under a master license ultimately brings more benefit than cost to the greatest amount of stakeholders in a typical regional gambling market.

3. Cost-Benefit Analysis Of A Multiple-Skin Model: Key Takeaways

- *Cost-Benefit Analysis Conclusion – State Governments:* A multiple-skin model brings a number of direct, tangible benefits to a state, along with a number of indirect benefits. But multiple skins also trigger regulatory costs and complexity, issues that must be carefully considered when shaping online gambling policy. On balance, we conclude that a multiple-skin model brings significantly more benefits than costs to a state.
- *Cost-Benefit Analysis Conclusion – Consumers:* Given the wealth of obvious consumer gains resulting from increased competition, and a lack of any meaningful costs, we conclude that a multiple-skin model is, on balance, a clear benefit for gambling consumers.
- *Cost-Benefit Analysis Conclusion – Master License Holders:* A multiple-skin model will favor some operators in a market more than others. But the ability to launch multiple skins under a master license ultimately brings more benefit than cost to the greatest amount of stakeholders in a typical regional gambling market.

Section 4. Notes And Methodology

4. Notes And Methodology

Appendices

Eilers & Krejcik Gaming was retained by the iDevelopment and Economic Association (iDEA) to construct a comprehensive analysis of the question of "skins," or individual online gambling brands that operate underneath a single regulated online gambling license.

This report focuses specifically on the impact of a state enacting a "multiple-skin" model that would allow master online gambling license holders to operate multiple brands underneath a single online gambling license.

Our analysis draws on publicly-available data from U.S. markets and other jurisdictions, privately-collected data sourced from regulated online gambling operators, and our professional judgment.

About Eilers & Krejcik Gaming

Eilers & Krejcik Gaming, LLC is a boutique research and consulting firm focused on servicing the gaming equipment, technology, and interactive gaming sectors within the global casino gaming industry. Our products and services include market research, company research, and advisory and consulting services designed specifically for casino operators, equipment and technology suppliers, online and social gaming operators and suppliers, gaming regulators, and investors.

Glossary Of Key Terms

Skin	A brand instance that exists under a master license.
Single-Skin Model	Model under which a single skin is permitted under each master license, and under which you can only operate online gambling if you are a master license holder, or if you have a partnership agreement with a master license holder
Mutliple-Skin Model	Model under which multiple skins are permitted under each master license, and under which you can only operate online gambling if you are a master license holder, or if you have a partnership agreement with a master license holder.
Master License Holder	The holder of a master license to offer online gambling directly to consumers.
Partner Brand	A brand that operates under a master license via a partnership agreement with a master license holder.
Online Gambling	Any form of gambling conducted via the Internet and / or mobile devices.
Online Casino	Casino-style gambling – slots and table games, for example – conducted via the Internet and / or mobile devices. For purposes of this report, poker has been excluded from the definition of online casino.
Online Sports Betting	Sports betting conducted via the Internet and / or mobile devices.

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EXHIBIT 3

AMENDMENT TO HOUSE BILL 1260

AMENDMENT NO. _____. Amend House Bill 1260 by replacing everything after the enacting clause with the following:

"Article 1. Sporting Contest Safety and Integrity Act

Section 1-1. Short title. This Article may be cited as the Sporting Contest Safety and Integrity Act. References in this Article to "this Act" mean this Article.

Section 1-5. Definitions. As used in this Act:

"Athlete" means any current, former, or prospective professional athlete.

"Board" means the Illinois Gaming Board.

"Covered persons" includes athletes; players (current and former); umpires, referees, and officials; personnel associated with players, clubs, teams, leagues, and athletic associations; medical professionals (including athletic

trainers) who provide services to athletes and players; and the family members and associates of these persons where required to serve the purposes of this Act.

"Person" means any individual, partnership, corporation, association, or other entity.

"Personal biometric data" means data, with respect to an athlete or player, that provides any information related to a player's heart rate, blood pressure, perspiration rate, internal or external body temperature, hormone levels, glucose levels, hydrations levels, vitamin levels, bone density, or muscle density. This term may be modified pursuant to an applicable collective bargaining agreement.

"Prohibited conduct" includes any statement, action, and other communication intended to influence, manipulate, or control a betting outcome of a sporting contest or of any individual occurrence or performance in a sporting contest in exchange for financial gain or to avoid financial or physical harm. "Prohibited conduct" includes statements, actions, and communications made to a covered person by a third party, such as a family member or through social media.

"Sporting contest" means a sports event or game on which the State allows sports wagering to occur under the Sports Wagering Act.

Section 1-10. Reporting prohibited conduct; investigations of prohibited conduct.

(a) The Board shall establish a hotline or other method of communication that allows any person to confidentially report information about prohibited conduct to the Board.

(b) The Board shall investigate all reasonable allegations of prohibited conduct and refer any allegations it deems credible to the appropriate law enforcement entity.

(c) The identity of any reporting person shall remain confidential unless that person authorizes disclosure of his or her identity or until such time as the allegation of prohibited conduct is referred to law enforcement.

(d) If the Board receives a complaint of prohibited conduct by an athlete, the Board shall notify the appropriate sports governing body of the athlete to review the complaint as provided by rule.

(e) The Board shall adopt emergency rules to administer this Section in accordance with Section 5-45 of the Illinois Administrative Procedure Act.

(f) The Board shall adopt rules governing investigations of prohibited conduct and referrals to law enforcement entities.

Section 1-15. Personal biometric data. A master sports wagering licensee under the Sports Wagering Act shall not purchase or use any personal biometric data of an athlete unless the master sports wagering licensee has received written permission from the athlete's exclusive bargaining representative.

Section 1-20. Preemption. Nothing in this Act shall be deemed to diminish the rights, privileges, or remedies of a person under any other federal or State law, rule, or regulation or under any collective bargaining agreement or employment contract.

Section 1-900. The Illinois Administrative Procedure Act is amended by changing Section 5-45 as follows:

(5 ILCS 100/5-45) (from Ch. 127, par. 1005-45)

Sec. 5-45. Emergency rulemaking.

(a) "Emergency" means the existence of any situation that any agency finds reasonably constitutes a threat to the public interest, safety, or welfare.

(b) If any agency finds that an emergency exists that requires adoption of a rule upon fewer days than is required by Section 5-40 and states in writing its reasons for that finding, the agency may adopt an emergency rule without prior notice or hearing upon filing a notice of emergency rulemaking with the Secretary of State under Section 5-70. The notice shall include the text of the emergency rule and shall be published in the Illinois Register. Consent orders or other court orders adopting settlements negotiated by an agency may be adopted under this Section. Subject to applicable constitutional or statutory provisions, an emergency rule

becomes effective immediately upon filing under Section 5-65 or at a stated date less than 10 days thereafter. The agency's finding and a statement of the specific reasons for the finding shall be filed with the rule. The agency shall take reasonable and appropriate measures to make emergency rules known to the persons who may be affected by them.

(c) An emergency rule may be effective for a period of not longer than 150 days, but the agency's authority to adopt an identical rule under Section 5-40 is not precluded. No emergency rule may be adopted more than once in any 24-month period, except that this limitation on the number of emergency rules that may be adopted in a 24-month period does not apply to (i) emergency rules that make additions to and deletions from the Drug Manual under Section 5-5.16 of the Illinois Public Aid Code or the generic drug formulary under Section 3.14 of the Illinois Food, Drug and Cosmetic Act, (ii) emergency rules adopted by the Pollution Control Board before July 1, 1997 to implement portions of the Livestock Management Facilities Act, (iii) emergency rules adopted by the Illinois Department of Public Health under subsections (a) through (i) of Section 2 of the Department of Public Health Act when necessary to protect the public's health, (iv) emergency rules adopted pursuant to subsection (n) of this Section, (v) emergency rules adopted pursuant to subsection (o) of this Section, or (vi) emergency rules adopted pursuant to subsection (c-5) of this Section. Two or more emergency rules having

substantially the same purpose and effect shall be deemed to be a single rule for purposes of this Section.

(c-5) To facilitate the maintenance of the program of group health benefits provided to annuitants, survivors, and retired employees under the State Employees Group Insurance Act of 1971, rules to alter the contributions to be paid by the State, annuitants, survivors, retired employees, or any combination of those entities, for that program of group health benefits, shall be adopted as emergency rules. The adoption of those rules shall be considered an emergency and necessary for the public interest, safety, and welfare.

(d) In order to provide for the expeditious and timely implementation of the State's fiscal year 1999 budget, emergency rules to implement any provision of Public Act 90-587 or 90-588 or any other budget initiative for fiscal year 1999 may be adopted in accordance with this Section by the agency charged with administering that provision or initiative, except that the 24-month limitation on the adoption of emergency rules and the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (d). The adoption of emergency rules authorized by this subsection (d) shall be deemed to be necessary for the public interest, safety, and welfare.

(e) In order to provide for the expeditious and timely implementation of the State's fiscal year 2000 budget, emergency rules to implement any provision of Public Act 91-24

or any other budget initiative for fiscal year 2000 may be adopted in accordance with this Section by the agency charged with administering that provision or initiative, except that the 24-month limitation on the adoption of emergency rules and the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (e). The adoption of emergency rules authorized by this subsection (e) shall be deemed to be necessary for the public interest, safety, and welfare.

(f) In order to provide for the expeditious and timely implementation of the State's fiscal year 2001 budget, emergency rules to implement any provision of Public Act 91-712 or any other budget initiative for fiscal year 2001 may be adopted in accordance with this Section by the agency charged with administering that provision or initiative, except that the 24-month limitation on the adoption of emergency rules and the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (f). The adoption of emergency rules authorized by this subsection (f) shall be deemed to be necessary for the public interest, safety, and welfare.

(g) In order to provide for the expeditious and timely implementation of the State's fiscal year 2002 budget, emergency rules to implement any provision of Public Act 92-10 or any other budget initiative for fiscal year 2002 may be adopted in accordance with this Section by the agency charged

with administering that provision or initiative, except that the 24-month limitation on the adoption of emergency rules and the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (g). The adoption of emergency rules authorized by this subsection (g) shall be deemed to be necessary for the public interest, safety, and welfare.

(h) In order to provide for the expeditious and timely implementation of the State's fiscal year 2003 budget, emergency rules to implement any provision of Public Act 92-597 or any other budget initiative for fiscal year 2003 may be adopted in accordance with this Section by the agency charged with administering that provision or initiative, except that the 24-month limitation on the adoption of emergency rules and the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (h). The adoption of emergency rules authorized by this subsection (h) shall be deemed to be necessary for the public interest, safety, and welfare.

(i) In order to provide for the expeditious and timely implementation of the State's fiscal year 2004 budget, emergency rules to implement any provision of Public Act 93-20 or any other budget initiative for fiscal year 2004 may be adopted in accordance with this Section by the agency charged with administering that provision or initiative, except that the 24-month limitation on the adoption of emergency rules and

the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (i). The adoption of emergency rules authorized by this subsection (i) shall be deemed to be necessary for the public interest, safety, and welfare.

(j) In order to provide for the expeditious and timely implementation of the provisions of the State's fiscal year 2005 budget as provided under the Fiscal Year 2005 Budget Implementation (Human Services) Act, emergency rules to implement any provision of the Fiscal Year 2005 Budget Implementation (Human Services) Act may be adopted in accordance with this Section by the agency charged with administering that provision, except that the 24-month limitation on the adoption of emergency rules and the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (j). The Department of Public Aid may also adopt rules under this subsection (j) necessary to administer the Illinois Public Aid Code and the Children's Health Insurance Program Act. The adoption of emergency rules authorized by this subsection (j) shall be deemed to be necessary for the public interest, safety, and welfare.

(k) In order to provide for the expeditious and timely implementation of the provisions of the State's fiscal year 2006 budget, emergency rules to implement any provision of Public Act 94-48 or any other budget initiative for fiscal year 2006 may be adopted in accordance with this Section by the

agency charged with administering that provision or initiative, except that the 24-month limitation on the adoption of emergency rules and the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (k). The Department of Healthcare and Family Services may also adopt rules under this subsection (k) necessary to administer the Illinois Public Aid Code, the Senior Citizens and Persons with Disabilities Property Tax Relief Act, the Senior Citizens and Disabled Persons Prescription Drug Discount Program Act (now the Illinois Prescription Drug Discount Program Act), and the Children's Health Insurance Program Act. The adoption of emergency rules authorized by this subsection (k) shall be deemed to be necessary for the public interest, safety, and welfare.

(l) In order to provide for the expeditious and timely implementation of the provisions of the State's fiscal year 2007 budget, the Department of Healthcare and Family Services may adopt emergency rules during fiscal year 2007, including rules effective July 1, 2007, in accordance with this subsection to the extent necessary to administer the Department's responsibilities with respect to amendments to the State plans and Illinois waivers approved by the federal Centers for Medicare and Medicaid Services necessitated by the requirements of Title XIX and Title XXI of the federal Social Security Act. The adoption of emergency rules authorized by this subsection (l) shall be deemed to be necessary for the

public interest, safety, and welfare.

(m) In order to provide for the expeditious and timely implementation of the provisions of the State's fiscal year 2008 budget, the Department of Healthcare and Family Services may adopt emergency rules during fiscal year 2008, including rules effective July 1, 2008, in accordance with this subsection to the extent necessary to administer the Department's responsibilities with respect to amendments to the State plans and Illinois waivers approved by the federal Centers for Medicare and Medicaid Services necessitated by the requirements of Title XIX and Title XXI of the federal Social Security Act. The adoption of emergency rules authorized by this subsection (m) shall be deemed to be necessary for the public interest, safety, and welfare.

(n) In order to provide for the expeditious and timely implementation of the provisions of the State's fiscal year 2010 budget, emergency rules to implement any provision of Public Act 96-45 or any other budget initiative authorized by the 96th General Assembly for fiscal year 2010 may be adopted in accordance with this Section by the agency charged with administering that provision or initiative. The adoption of emergency rules authorized by this subsection (n) shall be deemed to be necessary for the public interest, safety, and welfare. The rulemaking authority granted in this subsection (n) shall apply only to rules promulgated during Fiscal Year 2010.

(o) In order to provide for the expeditious and timely implementation of the provisions of the State's fiscal year 2011 budget, emergency rules to implement any provision of Public Act 96-958 or any other budget initiative authorized by the 96th General Assembly for fiscal year 2011 may be adopted in accordance with this Section by the agency charged with administering that provision or initiative. The adoption of emergency rules authorized by this subsection (o) is deemed to be necessary for the public interest, safety, and welfare. The rulemaking authority granted in this subsection (o) applies only to rules promulgated on or after July 1, 2010 (the effective date of Public Act 96-958) through June 30, 2011.

(p) In order to provide for the expeditious and timely implementation of the provisions of Public Act 97-689, emergency rules to implement any provision of Public Act 97-689 may be adopted in accordance with this subsection (p) by the agency charged with administering that provision or initiative. The 150-day limitation of the effective period of emergency rules does not apply to rules adopted under this subsection (p), and the effective period may continue through June 30, 2013. The 24-month limitation on the adoption of emergency rules does not apply to rules adopted under this subsection (p). The adoption of emergency rules authorized by this subsection (p) is deemed to be necessary for the public interest, safety, and welfare.

(q) In order to provide for the expeditious and timely

implementation of the provisions of Articles 7, 8, 9, 11, and 12 of Public Act 98-104, emergency rules to implement any provision of Articles 7, 8, 9, 11, and 12 of Public Act 98-104 may be adopted in accordance with this subsection (q) by the agency charged with administering that provision or initiative. The 24-month limitation on the adoption of emergency rules does not apply to rules adopted under this subsection (q). The adoption of emergency rules authorized by this subsection (q) is deemed to be necessary for the public interest, safety, and welfare.

(r) In order to provide for the expeditious and timely implementation of the provisions of Public Act 98-651, emergency rules to implement Public Act 98-651 may be adopted in accordance with this subsection (r) by the Department of Healthcare and Family Services. The 24-month limitation on the adoption of emergency rules does not apply to rules adopted under this subsection (r). The adoption of emergency rules authorized by this subsection (r) is deemed to be necessary for the public interest, safety, and welfare.

(s) In order to provide for the expeditious and timely implementation of the provisions of Sections 5-5b.1 and 5A-2 of the Illinois Public Aid Code, emergency rules to implement any provision of Section 5-5b.1 or Section 5A-2 of the Illinois Public Aid Code may be adopted in accordance with this subsection (s) by the Department of Healthcare and Family Services. The rulemaking authority granted in this subsection

(s) shall apply only to those rules adopted prior to July 1, 2015. Notwithstanding any other provision of this Section, any emergency rule adopted under this subsection (s) shall only apply to payments made for State fiscal year 2015. The adoption of emergency rules authorized by this subsection (s) is deemed to be necessary for the public interest, safety, and welfare.

(t) In order to provide for the expeditious and timely implementation of the provisions of Article II of Public Act 99-6, emergency rules to implement the changes made by Article II of Public Act 99-6 to the Emergency Telephone System Act may be adopted in accordance with this subsection (t) by the Department of State Police. The rulemaking authority granted in this subsection (t) shall apply only to those rules adopted prior to July 1, 2016. The 24-month limitation on the adoption of emergency rules does not apply to rules adopted under this subsection (t). The adoption of emergency rules authorized by this subsection (t) is deemed to be necessary for the public interest, safety, and welfare.

(u) In order to provide for the expeditious and timely implementation of the provisions of the Burn Victims Relief Act, emergency rules to implement any provision of the Act may be adopted in accordance with this subsection (u) by the Department of Insurance. The rulemaking authority granted in this subsection (u) shall apply only to those rules adopted prior to December 31, 2015. The adoption of emergency rules authorized by this subsection (u) is deemed to be necessary for

the public interest, safety, and welfare.

(v) In order to provide for the expeditious and timely implementation of the provisions of Public Act 99-516, emergency rules to implement Public Act 99-516 may be adopted in accordance with this subsection (v) by the Department of Healthcare and Family Services. The 24-month limitation on the adoption of emergency rules does not apply to rules adopted under this subsection (v). The adoption of emergency rules authorized by this subsection (v) is deemed to be necessary for the public interest, safety, and welfare.

(w) In order to provide for the expeditious and timely implementation of the provisions of Public Act 99-796, emergency rules to implement the changes made by Public Act 99-796 may be adopted in accordance with this subsection (w) by the Adjutant General. The adoption of emergency rules authorized by this subsection (w) is deemed to be necessary for the public interest, safety, and welfare.

(x) In order to provide for the expeditious and timely implementation of the provisions of Public Act 99-906, emergency rules to implement subsection (i) of Section 16-115D, subsection (g) of Section 16-128A, and subsection (a) of Section 16-128B of the Public Utilities Act may be adopted in accordance with this subsection (x) by the Illinois Commerce Commission. The rulemaking authority granted in this subsection (x) shall apply only to those rules adopted within 180 days after June 1, 2017 (the effective date of Public Act

99-906). The adoption of emergency rules authorized by this subsection (x) is deemed to be necessary for the public interest, safety, and welfare.

(y) In order to provide for the expeditious and timely implementation of the provisions of Public Act 100-23, emergency rules to implement the changes made by Public Act 100-23 to Section 4.02 of the Illinois Act on the Aging, Sections 5.5.4 and 5-5.4i of the Illinois Public Aid Code, Section 55-30 of the Alcoholism and Other Drug Abuse and Dependency Act, and Sections 74 and 75 of the Mental Health and Developmental Disabilities Administrative Act may be adopted in accordance with this subsection (y) by the respective Department. The adoption of emergency rules authorized by this subsection (y) is deemed to be necessary for the public interest, safety, and welfare.

(z) In order to provide for the expeditious and timely implementation of the provisions of Public Act 100-554, emergency rules to implement the changes made by Public Act 100-554 to Section 4.7 of the Lobbyist Registration Act may be adopted in accordance with this subsection (z) by the Secretary of State. The adoption of emergency rules authorized by this subsection (z) is deemed to be necessary for the public interest, safety, and welfare.

(aa) In order to provide for the expeditious and timely initial implementation of the changes made to Articles 5, 5A, 12, and 14 of the Illinois Public Aid Code under the provisions

of Public Act 100-581, the Department of Healthcare and Family Services may adopt emergency rules in accordance with this subsection (aa). The 24-month limitation on the adoption of emergency rules does not apply to rules to initially implement the changes made to Articles 5, 5A, 12, and 14 of the Illinois Public Aid Code adopted under this subsection (aa). The adoption of emergency rules authorized by this subsection (aa) is deemed to be necessary for the public interest, safety, and welfare.

(bb) In order to provide for the expeditious and timely implementation of the provisions of Public Act 100-587, emergency rules to implement the changes made by Public Act 100-587 to Section 4.02 of the Illinois Act on the Aging, Sections 5.5.4 and 5-5.4i of the Illinois Public Aid Code, subsection (b) of Section 55-30 of the Alcoholism and Other Drug Abuse and Dependency Act, Section 5-104 of the Specialized Mental Health Rehabilitation Act of 2013, and Section 75 and subsection (b) of Section 74 of the Mental Health and Developmental Disabilities Administrative Act may be adopted in accordance with this subsection (bb) by the respective Department. The adoption of emergency rules authorized by this subsection (bb) is deemed to be necessary for the public interest, safety, and welfare.

(cc) In order to provide for the expeditious and timely implementation of the provisions of Public Act 100-587, emergency rules may be adopted in accordance with this

subsection (cc) to implement the changes made by Public Act 100-587 to: Sections 14-147.5 and 14-147.6 of the Illinois Pension Code by the Board created under Article 14 of the Code; Sections 15-185.5 and 15-185.6 of the Illinois Pension Code by the Board created under Article 15 of the Code; and Sections 16-190.5 and 16-190.6 of the Illinois Pension Code by the Board created under Article 16 of the Code. The adoption of emergency rules authorized by this subsection (cc) is deemed to be necessary for the public interest, safety, and welfare.

(dd) In order to provide for the expeditious and timely implementation of the provisions of Public Act 100-864, emergency rules to implement the changes made by Public Act 100-864 to Section 3.35 of the Newborn Metabolic Screening Act may be adopted in accordance with this subsection (dd) by the Secretary of State. The adoption of emergency rules authorized by this subsection (dd) is deemed to be necessary for the public interest, safety, and welfare.

(ee) In order to provide for the expeditious and timely implementation of the provisions of Public Act 100-1172 ~~this amendatory Act of the 100th General Assembly~~, emergency rules implementing the Illinois Underground Natural Gas Storage Safety Act may be adopted in accordance with this subsection by the Department of Natural Resources. The adoption of emergency rules authorized by this subsection is deemed to be necessary for the public interest, safety, and welfare.

(ff) ~~(ee)~~ In order to provide for the expeditious and

timely initial implementation of the changes made to Articles 5A and 14 of the Illinois Public Aid Code under the provisions of Public Act 100-1181 ~~this amendatory Act of the 100th General Assembly~~, the Department of Healthcare and Family Services may on a one-time-only basis adopt emergency rules in accordance with this subsection (ff) ~~(ee)~~. The 24-month limitation on the adoption of emergency rules does not apply to rules to initially implement the changes made to Articles 5A and 14 of the Illinois Public Aid Code adopted under this subsection (ff) ~~(ee)~~. The adoption of emergency rules authorized by this subsection (ff) ~~(ee)~~ is deemed to be necessary for the public interest, safety, and welfare.

(gg) ~~(ff)~~ In order to provide for the expeditious and timely implementation of the provisions of Public Act 101-1 ~~this amendatory Act of the 101st General Assembly~~, emergency rules may be adopted by the Department of Labor in accordance with this subsection (gg) ~~(ff)~~ to implement the changes made by Public Act 101-1 ~~this amendatory Act of the 101st General Assembly~~ to the Minimum Wage Law. The adoption of emergency rules authorized by this subsection (gg) ~~(ff)~~ is deemed to be necessary for the public interest, safety, and welfare.

(hh) In order to provide for the expeditious and timely implementation of the Sporting Contest Safety and Integrity Act, emergency rules to implement the Sporting Contest Safety and Integrity Act may be adopted in accordance with this subsection (hh) by the Illinois Gaming Board. The adoption of

emergency rules authorized by this subsection (hh) is deemed to be necessary for the public interest, safety, and welfare.

(Source: P.A. 100-23, eff. 7-6-17; 100-554, eff. 11-16-17; 100-581, eff. 3-12-18; 100-587, Article 95, Section 95-5, eff. 6-4-18; 100-587, Article 110, Section 110-5, eff. 6-4-18; 100-864, eff. 8-14-18; 100-1172, eff. 1-4-19; 100-1181, eff. 3-8-19; 101-1, eff. 2-19-19; revised 4-2-19.)

Article 5. Sports Wagering Act

Section 5-1. Short title. This Act may be cited as the Sports Wagering Act. References in this Article to "this Act" mean this Article.

Section 5-5. Definitions. As used in this Act:

"Adjusted gross sports wagering receipts" means a master sports wagering licensee's gross sports wagering receipts, less winnings paid to wagerers in such games.

"Affiliate marketing company" means a company engaged in wagerer acquisition for a master sports wagering licensee that receives a fee or revenue share or any other form of compensation from sports wagering for the wagerer acquired. "Affiliate marketing company" does not include a master sports wagering licensee who acquires its own wagerers through the conduct of its own wagerer acquisition marketing efforts and who does not pay a fee or share of revenue or any other form of

compensation to any other company for those acquisitions.

"Board" means the Illinois Gaming Board.

"Department" means the Department of the Lottery.

"Official league data" means statistics, results, outcomes, and other data relating to a sports event obtained pursuant to an agreement with the relevant sports governing body, or an entity expressly authorized by the sports governing body to provide such information to licensees, that authorizes the use of such data for determining the outcome of tier 2 sports wagers.

"Organization licensee" has the meaning given to that term in the Illinois Horse Racing Act of 1975.

"Owners licensee" means the holder of an owners license under the Riverboat Gambling Act.

"Person" means an individual, partnership, committee, association, corporation, or any other organization or group of persons.

"Qualified applicant" means an applicant for a license under this Act whose application meets the mandatory minimum qualification criteria as required by the Board.

"Sports event" means a professional sport or athletic event, a collegiate sport or athletic event, a motor race event, or any other event or competition of relative skill authorized by the Board under this Act.

"Sports facility" means a facility that hosts sports events and holds a seating capacity greater than 20,000 persons.

"Sports governing body" means the organization that prescribes final rules and enforces codes of conduct with respect to a sports event and participants therein.

"Sports wagering" means accepting wagers on sports events or portions of sports events, or on the individual performance statistics of athletes in a sports event or combination of sports events, by any system or method of wagering, including, but not limited to, in person or, 540 days after the effective date of this Act, over the Internet through websites and on mobile devices. "Sports wagering" includes, but is not limited to, single-game bets, teaser bets, parlays, over-under, moneyline, pools, exchange wagering, in-game wagering, in-play bets, proposition bets, and straight bets.

"Sports wagering account" means a financial record established by a master sports wagering licensee for an individual patron in which the patron may deposit and withdraw funds within a gaming facility for sports wagering and other authorized purchases and to which the master sports wagering licensee may credit winnings or other amounts due to that patron or authorized by that patron.

"Sports wagering skin" means the brand used by the master sports wagering licensee as presented through a portal, website, or computer or mobile application through which authorized sports wagering is made available to authorized participants by a master sports wagering licensee.

"Tier 1 sports wager" means a sports wager that is

determined solely by the final score or final outcome of the sports event and is placed before the sports event has begun.

"Tier 2 sports wager" means a sports wager that is not a tier 1 sports wager.

"Wager" means a sum of money or thing of value risked on an uncertain occurrence.

"Winning bidder" means a qualified applicant for a master sports wagering license chosen through the competitive selection process under Section 5-40.

Section 5-10. Board duties and powers.

(a) Except for sports wagering conducted under Section 5-65, the Board shall have the authority to regulate the conduct of sports wagering under this Act.

(b) The Board may adopt any rules the Board considers necessary for the successful implementation, administration, and enforcement of this Act, except for Section 5-65. Rules proposed by the Board before December 1, 2019 may be adopted as emergency rules pursuant to Section 5-45 of the Illinois Administrative Procedure Act.

(c) The Board shall levy and collect all fees, surcharges, civil penalties, and monthly taxes on adjusted gross sports wagering receipts imposed by this Act and deposit all moneys into the Sports Wagering Fund, except as otherwise provided under this Act.

(d) The Board may exercise any other powers necessary to

enforce the provisions of this Act that it regulates and the rules of the Board.

(e) The Board shall adopt rules for licensure of the following:

(1) a license to supply a master sports wagering licensee with sports wagering equipment or services necessary for the operation of sports wagering (supplier license), which shall require a license fee of $150,000 and a renewal fee of $150,000 every 5 years;

(2) a license to be employed by a master sports wagering licensee when the employee works in a designated gaming area that has sports wagering or performs duties in furtherance of or associated with the operation of sports wagering by the master sports wagering licensee (occupational license), which shall require an annual license fee of $250;

(3) a license to provide management services under a contract to a master sports wagering licensee (management services provider license), which shall require a license fee of $500,000 and a renewal fee of $500,000 every 5 years; and

(4) a license to provide a master sports wagering licensee, except a master sports wagering licensee under Section 5-40, with sports wagering online (sports wagering skin license), which shall require a license fee of $5,000,000 and a renewal fee of $1,000,000 every 5 years.

A master sports wagering licensee under Section 5-40 is not eligible for a sports wagering skin license.

A sports wagering skin license may not be issued until 540 days after the effective date of this Act.

The fees paid under this subsection (e) shall be deposited into the State Gaming Fund and used for the administration of this Act.

(f) The Board may require that licensees share, in real time and at the sports wagering account level, information regarding a wagerer, amount and type of wager, the time the wager was placed, the location of the wager, including the Internet protocol address, if applicable, the outcome of the wager, and records of abnormal wagering activity. Information shared under this subsection (f) must be submitted in the form and manner as required by rule. If a sports governing body has notified the Board that real-time information sharing for wagers placed on its sports events is necessary and desirable, licensees may share the same information with the sports governing body or its designee with respect to wagers on its sports events. Such information shall be provided in anonymized form and shall be used by a sports governing body solely for integrity purposes.

(g) A master sports wagering licensee, professional sports team, sports governing body, or institution of higher education may submit to the Board in writing a request to prohibit a type or form of wagering, or to prohibit a category of persons from

wagering, if the master sports wagering licensee, professional sports team, sports governing body, or institution of higher education believes that such wagering by type, form, or category is contrary to public policy, unfair to consumers, or affects the integrity of a particular sport or the sports betting industry. The Board shall grant the request upon a demonstration of good cause from the requester. The Board shall respond to a request pursuant to this subsection (g) concerning a particular event before the start of the event or, if it is not feasible to respond before the start of the event, as soon as practicable.

(h) The Board and master sports wagering licensees may cooperate with investigations conducted by sports governing bodies or law enforcement agencies, including, but not limited to, providing and facilitating the provision of account-level betting information and audio or video files relating to persons placing wagers.

(i) A master sports wagering licensee shall immediately report to the Board any information relating to:

(1) criminal or disciplinary proceedings commenced against the master sports wagering licensee in connection with its operations;

(2) abnormal wagering activity or patterns that may indicate a concern with the integrity of a sports event or sports events;

(3) any potential breach of the relevant sports

governing body's internal rules and codes of conduct pertaining to sports wagering;

(4) any other conduct that corrupts a wagering outcome of a sports event or sports events for purposes of financial gain, including match fixing; and

(5) suspicious or illegal wagering activities, including use of funds derived from illegal activity, wagers to conceal or launder funds derived from illegal activity, using agents to place wagers, and using false identification.

A master sports wagering licensee shall also immediately report information relating to conduct described in paragraphs (2), (3), and (4) of this subsection (i) to the relevant sports governing body.

Section 5-15. Licenses required.

(a) No person may engage in any activity in connection with sports wagering in this State unless all necessary licenses have been obtained in accordance with this Act and the rules of the Board and the Department. The following licenses shall be issued under this Act:

(1) master sports wagering license;

(2) sports wagering skin license;

(3) supplier license;

(4) management services provider license;

(5) occupational license;

(6) affiliate market company license; and

(7) central system provider license.

No person or entity may engage in a sports wagering operation or activity without first obtaining the appropriate license.

The licenses in paragraphs (1) through (4) of this subsection (a) may not offer sports wagering over the Internet or through a mobile application until 540 days after the effective date of this Act.

(b) An applicant for a license issued under this Act shall submit an application to the Board in the form the Board requires and submit fingerprints for a national criminal records check by the Department of State Police and the Federal Bureau of Investigation. The fingerprints shall be furnished by all persons required to be named in the application and shall be accompanied by a signed authorization for the release of information by the Federal Bureau of Investigation. The Board may require additional background checks on licensees when they apply for license renewal, and an applicant convicted of a disqualifying offense shall not be licensed.

(c) Each master sports wagering licensee, licensed supplier, or licensed management services provider shall display the license conspicuously in the licensee's place of business or have the license available for inspection by an agent of the Board or a law enforcement agency.

(d) Each holder of an occupational license shall carry the

license and have some indicia of licensure prominently displayed on his or her person when present in a gaming facility licensed under this Act at all times, in accordance with the rules of the Board.

(e) Each person licensed under this Act shall give the Board written notice within 30 days after a change to information provided in the licensee's application for a license or renewal.

Section 5-20. Sports wagering authorized.

(a) Notwithstanding any provision of law to the contrary, the operation of sports wagering and ancillary activities are only lawful when conducted in accordance with the provisions of this Act and the rules of the Illinois Gaming Board and the Department of the Lottery.

(b) A person placing a wager under this Act shall be at least 21 years of age.

(c) A licensee under this Act may not accept a wager on a minor league sports event.

(d) A licensee under this Act may not accept a wager for a sports event involving an Illinois collegiate team.

(e) A licensee under this Act may only accept a wager from a person physically located in the State.

(f) Beginning 540 days after the effective date of this Act, a licensee offering tier 2 sports wagers must use official league data.

(g) Sports wagering may not be offered over the Internet or through a mobile application until 540 days after the effective date of this Act.

Section 5-25. Master sports wagering license issued to an organization licensee.

(a) An organization licensee may apply to the Board for a master sports wagering license.

(b) Except as otherwise provided in this subsection (b), the initial license fee for a master sports wagering license for an organization licensee is 5% of its handle from the preceding calendar year. An organization licensee licensed on the effective date of this Act shall pay the initial master sports wagering license fee by July 1, 2020. For an organization licensee licensed after the effective date of this Act, the master sports wagering license fee shall be $5,000,000, but the amount shall be adjusted 12 months after the organization licensee begins racing operations based on 5% of its handle from the first 12 months of racing operations. The master sports wagering license is valid for 5 years.

(c) The organization licensee may renew the master sports wagering license for a period of 5 years by paying a $1,000,000 renewal fee to the Board.

(d) An organization licensee issued a master sports wagering license may conduct sports wagering:

(1) at its facility at which inter-track wagering is

conducted pursuant to an inter-track wagering license under the Illinois Horse Racing Act of 1975;

(2) at an inter-track wagering location if the inter-track wagering location licensee that derives its license from an organization licensee that is issued the master sports wagering license;

(3) beginning 540 days after the effective date of this Act, over the Internet through a management service provider; and

(4) beginning 540 days after the effective date of this Act, over the Internet through a sports wagering skin.

Section 5-30. Master sports wagering license issued to an owners licensee.

(a) An owners licensee may apply to the Board for a master sports wagering license.

(b) Except as otherwise provided in this subsection (b), the initial license fee for a master sports wagering license for an owners licensee is 5% of its adjusted gross receipts from the preceding calendar year. An owners licensee licensed on the effective date of this Act shall pay the initial master sports wagering license fee by July 1, 2020. For an owners licensee licensed after the effective date of this Act, the master sports wagering license fee shall be $5,000,000, but the amount shall be adjusted 12 months after the owners licensee begins riverboat gambling operations based on 5% of its

adjusted gross receipts from the first 12 months of riverboat gambling operations. The master sports wagering license is valid for 5 years.

(c) The owners licensee may renew the master sports wagering license for a period of 5 years by paying a $1,000,000 renewal fee to the Board.

(d) An owners licensee issued a master sports wagering license may conduct sports wagering:

(1) at its facility in this State that is authorized to conduct gambling operations under the Riverboat Gambling Act;

(2) beginning 540 days after the effective date of this Act, over the Internet through a management service provider; and

(3) beginning 540 days after the effective date of this Act, over the Internet through a sports wagering skin.

Section 5-35. Master sports wagering license issued to a sports facility.

(a) A sports facility may apply to the Board for a master sports wagering license.

(b) The Board may issue up to 7 master sports wagering licenses to sports facilities that meet the requirements for licensure as determined by rule by the Board. If more than 7 qualified applicants apply for a master sports wagering license under this Section, the licenses shall be granted in the order

in which the applications were received. If a license is revoked or not renewed, the Board may begin a new application process and issue a license under this Section in the order in which the application was received.

(c) The initial license fee for a master sports wagering license for a sports facility is $10,000,000. The master sports wagering license is valid for 5 years.

(d) The sports facility may renew the master sports wagering license for a period of 5 years by paying a $1,000,000 renewal fee to the Board.

(e) A sports facility issued a master sports wagering license may conduct sports wagering at or within a 5-block radius of the sports facility.

Section 5-40. Master sports wagering license issued to an online sports wagering operator.

(a) The Board shall issue 2 master sports wagering licenses to online sports wagering operators for a nonrefundable license fee of $25,000,000 pursuant to an open and competitive selection process. The master sports wagering license issued under this Section may be renewed every 5 years upon payment of a $1,000,000 renewal fee. To the extent permitted by federal and State law, the Board shall actively seek to achieve racial, ethnic, and geographic diversity when issuing master sports wagering licenses under this Section and encourage businesses owned by minorities, women, veterans, and persons with

disabilities to apply for licensure. For purposes of this Section, for a business to be owned by minorities, women, veterans, or persons with disabilities, at least 51% of the ownership of the business must be held by a qualifying person or persons.

(b) Applications for the initial competitive selection occurring after the effective date of this Act shall be received by the Board within 540 days after the effective date of this Act to qualify. The Board shall announce the winning bidders for the initial competitive selection within 630 days after the effective date of this Act.

(c) The Board shall provide public notice of its intent to solicit applications for master sports wagering licenses under this Section by posting the notice, application instructions, and materials on its website for at least 30 calendar days before the applications are due. Failure by an applicant to submit all required information may result in the application being disqualified. The Board may notify an applicant that its application is incomplete and provide an opportunity to cure by rule. Application instructions shall include a brief overview of the selection process and how applications are scored.

(d) To be eligible for a master sports wagering license under this Section, an applicant must: (1) be at least 21 years of age; (2) not have been convicted of a felony offense or a violation of Article 28 of the Criminal Code of 1961 or the Criminal Code of 2012 or a similar statute of any other

jurisdiction; (3) not have been convicted of a crime involving dishonesty or moral turpitude; (4) have demonstrated a level of skill or knowledge that the Board determines to be necessary in order to operate sports wagering; (5) have met standards for the holding of a license as adopted by rules of the Board; and (6) have not been issued a sports wagering skin license.

The Board may adopt rules to establish additional qualifications and requirements to preserve the integrity and security of sports wagering in this State and to promote and maintain a competitive sports wagering market. After the close of the application period, the Board shall determine whether the applications meet the mandatory minimum qualification criteria and conduct a comprehensive, fair, and impartial evaluation of all qualified applications.

(e) The Board shall open all qualified applications in a public forum and disclose the applicants' names. The Board shall summarize the terms of the proposals and make the summaries available to the public on its website.

(f) Not more than 90 days after the publication of the qualified applications, the Board shall identify the winning bidders. In granting the licenses, the Board may give favorable consideration to qualified applicants presenting plans that provide for economic development and community engagement. To the extent permitted by federal and State law, the Board may give favorable consideration to qualified applicants demonstrating commitment to diversity in the workplace.

(g) Upon selection of the winning bidders, the Board shall have a reasonable period of time to ensure compliance with all applicable statutory and regulatory criteria before issuing the licenses. If the Board determines a winning bidder does not satisfy all applicable statutory and regulatory criteria, the Board shall select another bidder from the remaining qualified applicants.

(h) Nothing in this Section is intended to confer a property or other right, duty, privilege, or interest entitling an applicant to an administrative hearing upon denial of an application.

(i) Upon issuance of a master sports wagering license to a winning bidder, the information and plans provided in the application become a condition of the license. A master sports wagering licensee under this Section has a duty to disclose any material changes to the application. Failure to comply with the conditions or requirements in the application may subject the master sports wagering licensee under this Section to discipline, up to and including suspension or revocation of its license, by the Board.

(j) The Board shall disseminate information about the licensing process through media demonstrated to reach large numbers of business owners and entrepreneurs who are minorities, women, veterans, and persons with disabilities.

(k) The Department of Commerce and Economic Opportunity, in conjunction with the Board, shall conduct ongoing, thorough,

and comprehensive outreach to businesses owned by minorities, women, veterans, and persons with disabilities about contracting and entrepreneurial opportunities in sports wagering. This outreach shall include, but not be limited to:

(1) cooperating and collaborating with other State boards, commissions, and agencies; public and private universities and community colleges; and local governments to target outreach efforts; and

(2) working with organizations serving minorities, women, and persons with disabilities to establish and conduct training for employment in sports wagering.

(l) The Board shall partner with the Department of Labor, the Department of Financial and Professional Regulation, and the Department of Commerce and Economic Opportunity to identify employment opportunities within the sports wagering industry for job seekers and dislocated workers.

(m) By November 1, 2019, the Board shall conduct a study of the online sports wagering industry and market to determine whether there is a compelling interest in implementing remedial measures, including the application of the Business Enterprise Program under the Business Enterprise for Minorities, Women, and Persons with Disabilities Act or a similar program to assist minorities, women, and persons with disabilities in the sports wagering industry.

As a part of the study, the Board shall evaluate race and gender-neutral programs or other methods that may be used to

address the needs of minority and women applicants and minority-owned and women-owned businesses seeking to participate in the sports wagering industry. The Board shall submit to the General Assembly and publish on its website the results of this study by December 1, 2019.

If, as a result of the study conducted under this subsection (m), the Board finds that there is a compelling interest in implementing remedial measures, the Board may adopt rules, including emergency rules, to implement remedial measures, if necessary and to the extent permitted by State and federal law, based on the findings of the study conducted under this subsection (m).

(n) A master sports wagering licensee under this Section may not use a sports wagering skin.

Section 5-45. Affiliate marketing company license.

(a) An affiliate marketing company that provided wagerer acquisition services to any sports wagering company located outside the United States before the United States Supreme Court's decision in Murphy v. National Collegiate Athletic Association on May 14, 2018 shall provide the Board, as a part of its application for licensure, a complete history of those activities and any other information required by the Board.

(b) An affiliate marketing company licensee is prohibited from providing wagerer acquisition services to any online gambling company offering gambling products to persons in the

United States who are not licensed under this Act or another State that has authorized sports wagering by law.

(c) The license fee for an affiliate marketing company license is $25,000 and shall be paid to the Board; the license may be renewed annually by paying $25,000 to the Board. The fees collected under this Section shall be deposited into the State Gaming Fund for the administration of this Act.

(d) Annually, as determined by the Board, an affiliate marketing company licensee shall submit a report to the Board identifying all licensees under this Act for whom it provided wagerer acquisition services in Illinois and the aggregate amount of fees received for those services.

Section 5-50. Provisional licenses.

(a) An applicant for a supplier license that holds a valid license to supply sports wagering equipment or services in another United States jurisdiction shall be issued a provisional license to supply sports wagering equipment or services to a master sports wagering licensee under Section 5-25 or 5-30 until issued or denied a supplier license by the Board and may supply sports wagering equipment or services to a master sports wagering licensee under Section 5-25 or 5-30. A provisional license under this subsection (a) may be issued by the Board upon payment of a $15,000 license fee and is valid for one year.

(b) An applicant for an occupational license that holds a

valid license to be employed to work in a designated gaming area that has sports wagering or performs duties in furtherance of or associated with the operation of sports wagering in another United States jurisdiction shall be issued a provisional license to be employed by a master sports wagering licensee under Section 5-25 or 5-30 to work in a designated gaming area that has sports wagering or performs duties in furtherance of or associated with the operation of sports wagering in the State until issued or denied an occupational license by the Board and may be employed by a master sports wagering licensee under Section 5-25 or 5-30 in a designated gaming area that has sports wagering or performing duties in furtherance of or associated with the operation of sports wagering. A provisional license under this subsection (b) may be issued upon payment of a $25 license fee and is valid for one year.

(c) An applicant for a management service provider license that holds a valid license to provide management services for sports wagering in another United States jurisdiction shall be issued a provisional license to provide management services for a master sports wagering licensee under Section 5-25 or 5-30 until issued or denied a management service provider license by the Board and may provide management services for a master sports wagering licensee under Section 5-25 or 5-30. A provisional license under this subsection (c) may be issued upon payment of a $25,000 license fee and is valid for one

year. A licensee under this subsection (c) may not offer sports wagering over the Internet or through a mobile application until 540 days after the effective date of this Act.

(d) The license fees paid under this Section shall be deposited into the State Gaming Fund and used for the administration of this Act.

(e) The amount of the license fee paid for a provisional license issued under subsection (a) or (c) shall be credited against the total amount due for a license issued under paragraph (1) or (3) of subsection (e) of Section 5-10.

(f) Any provisional license issued by the Board may be extended beyond the original term of the provisional license, and a decision by the Board not to renew or extend a provisional license term shall be considered a denial rather than a revocation of the license and shall not be deemed a deprivation of a vested property interest.

Section 5-55. Sports wagering skin. Except a master sports wagering licensee under Section 5-40, each master sports wagering licensee shall be limited to one sports wagering skin to provide sports wagering online. Each sports wagering skin must reflect a brand owned by the master sports wagering licensee or any affiliate of the master sports wagering licensee in the United States. As used in this subsection, "affiliate" means a person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is

under common control with a master sports wagering licensee.

Section 5-60. Sports wagering at a sports facility. Sports wagering may be offered in person at or within a 5-block radius of a sports facility if sports wagering is offered by a master sports wagering licensee under Section 5-35 and that master sports wagering licensee has received written authorization from the relevant sports governing body that plays its home contests at the sports facility. If more than one professional sports team plays its home contests at the same sports facility, written authorization is required from all relevant sports governing bodies of those professional sports teams that play home contests at the sports facility. The unit of local government where the sports facility is located must approve by ordinance or resolution sports wagering being conducted at the sports facility or within a 5-block radius of the sports facility.

Section 5-65. Lottery sports wagering pilot program.

(a) As used in this Section:

"Central system" means the hardware, software, peripherals, and network components provided by the Department's central system provider that link and support all required sports lottery terminals and the central site.

"Central system provider" means an individual, partnership, corporation, or limited liability company that

has been licensed for the purpose of providing and maintaining a central system and the related management facilities.

"Electronic card" means a card purchased from a lottery retailer.

"Lottery retailer" means a location licensed by the Department to sell lottery tickets or shares.

"Sports lottery systems" means systems provided by the central system provider consisting of sports wagering products, risk management, operations, and support services.

"Sports lottery terminal" means a terminal linked to the central system in which bills or coins are deposited or an electronic card is inserted in order to place wagers on a sports event and lottery offerings.

(b) The Department shall issue one central system provider license pursuant to an open and competitive bidding process that uses the following procedures

(1) The Department shall make applications for the central system provider license available to the public and allow a reasonable time for applicants to submit applications to the Department.

(2) During the filing period for central system provider license applications, the Department may retain the services of an investment banking firm to assist the Department in conducting the open and competitive bidding process.

(3) After receiving all of the bid proposals, the

Department shall open all of the proposals in a public forum and disclose the prospective central system provider names and venture partners, if any.

(4) The Department shall summarize the terms of the bid proposals and may make this summary available to the public.

(5) The Department shall evaluate the bid proposals within a reasonable time and select no more than 3 final applicants to make presentations of their bid proposals to the Department.

(6) The final applicants shall make their presentations to the Department on the same day during an open session of the Department.

(7) As soon as practicable after the public presentations by the final applicants, the Department, in its discretion, may conduct further negotiations among the 3 final applicants. During such negotiations, each final applicant may increase its license bid or otherwise enhance its bid proposal. At the conclusion of such negotiations, the Department shall select the winning bid.

(8) Upon selection of the winning bid, the Department shall evaluate the winning bid within a reasonable period of time for licensee suitability in accordance with all applicable statutory and regulatory criteria.

(9) If the winning bidder is unable or otherwise fails to consummate the transaction, (including if the

Department determines that the winning bidder does not satisfy the suitability requirements), the Department may, on the same criteria, select from the remaining bidders.

(10) The winning bidder shall pay $20,000,000 to the Department upon being issued the central system provider license.

(c) Every sports lottery terminal offered in this State for play shall first be tested and approved pursuant to the rules of the Department, and each sports lottery terminal offered in this State for play shall conform to an approved model. For the examination of sports lottery terminals and associated equipment as required by this Section, the central system provider may utilize the services of one or more independent outside testing laboratories that have been accredited by a national accreditation body and that, in the judgment of the Department, are qualified to perform such examinations. Every sports lottery terminal offered in this State for play must meet minimum standards set by an independent outside testing laboratory approved by the Department.

(d) Sport lottery terminals may be placed in no more than 2,500 Lottery retail locations in the State.

(e) A sports lottery terminal may not directly dispense coins, cash, tokens, or any other article of exchange or value except for receipt tickets. Tickets shall be dispensed by pressing the ticket dispensing button on the sports lottery terminal at the end of the placement of one's wager or wagers.

The ticket shall indicate the total amount wagered, odds for each wager placed, and the cash award for each bet placed, the time of day in a 24-hour format showing hours and minutes, the date, the terminal serial number, the sequential number of the ticket, and an encrypted validation number from which the validity of the prize may be determined. The player shall turn in this ticket to the appropriate person at a lottery retailer to receive the cash award.

(f) No lottery retailer may cause or permit any person under the age of 21 years to use a sports lottery terminal or sports wagering application. A lottery retailer who knowingly causes or permits a person under the age of 21 years to use a sports lottery terminal or sports wagering application is guilty of a business offense and shall be fined an amount not to exceed $5,000.

(g) A sports lottery terminal shall only accept parlay wagers. The Department shall, by rule, establish the total amount, as a percentage, of all wagers placed that a lottery retailer may retain.

(h) The Department shall have jurisdiction over and shall supervise all sports wagering operations governed by this Section. The Department shall have all powers necessary and proper to fully and effectively execute the provisions of this Section, including, but not limited to, the following:

(1) To investigate applicants and determine the eligibility of applicants for licenses and to select among

competing applicants the applicants which best serve the interests of the citizens of Illinois.

(2) To have jurisdiction and supervision over all lottery sports wagering operations in this State.

(3) To adopt rules for the purpose of administering the provisions of this Section and to adopt rules and conditions under which all lottery sports wagering in the State shall be conducted. Such rules are to provide for the prevention of practices detrimental to the public interest and for the best interests of lottery sports wagering, including rules (i) regarding the inspection of such licensees necessary to operate a lottery retailer under any laws or rules applicable to licensees, (ii) to impose penalties for violations of the Act and its rules, and (iii) establishing standards for advertising sports wagering.

(i) The Department shall adopt emergency rules to administer this Section in accordance with Section 5-45 of the Illinois Administrative Procedure Act. For the purposes of the Illinois Administrative Procedure Act, the General Assembly finds that the adoption of rules to implement this Section is deemed an emergency and necessary to the public interest, safety, and welfare.

(j) For the privilege of operating sports wagering under this Section, all proceeds minus net of proceeds returned to players shall be electronically transferred daily or weekly, at

the discretion of the Director of the Lottery, into the State Lottery Fund. After amounts owed to the central system provider and licensed agents, as determined by the Department, are paid from the moneys deposited into the State Lottery Fund under this subsection, the remainder shall be transferred in equal amounts to the Pension Stabilization Fund, the Common School Fund, and the State Construction Account Fund.

(k) This Section is repealed on January 1, 2024.

Section 5-70. Supplier diversity goals for sports wagering.

(a) As used in this Section only, "licensee" means a licensee under this Act other than an occupational licensee.

(b) The public policy of this State is to collaboratively work with companies that serve Illinois residents to improve their supplier diversity in a non-antagonistic manner.

(c) The Board and the Department shall require all licensees under this Act to submit an annual report by April 15, 2020 and every April 15 thereafter, in a searchable Adobe PDF format, on all procurement goals and actual spending for female-owned, minority-owned, veteran-owned, and small business enterprises in the previous calendar year. These goals shall be expressed as a percentage of the total work performed by the entity submitting the report, and the actual spending for all female-owned, minority-owned, veteran-owned, and small business enterprises shall also be expressed as a percentage of

the total work performed by the entity submitting the report.

(d) Each licensee in its annual report shall include the following information:

(1) an explanation of the plan for the next year to increase participation;

(2) an explanation of the plan to increase the goals;

(3) the areas of procurement each licensee shall be actively seeking more participation in in the next year;

(4) an outline of the plan to alert and encourage potential vendors in that area to seek business from the licensee;

(5) an explanation of the challenges faced in finding quality vendors and offer any suggestions for what the Board could do to be helpful to identify those vendors;

(6) a list of the certifications the licensee recognizes;

(7) the point of contact for any potential vendor who wishes to do business with the licensee and explain the process for a vendor to enroll with the licensee as a minority-owned, women-owned, or veteran-owned company; and

(8) any particular success stories to encourage other licensee to emulate best practices.

(e) Each annual report shall include as much State-specific data as possible. If the submitting entity does not submit State-specific data, then the licensee shall include any national data it does have and explain why it could not submit

State-specific data and how it intends to do so in future reports, if possible.

(f) Each annual report shall include the rules, regulations, and definitions used for the procurement goals in the licensee's annual report.

(g) The Board, Department, and all licensees shall hold an annual workshop open to the public in 2020 and every year thereafter on the state of supplier diversity to collaboratively seek solutions to structural impediments to achieving stated goals, including testimony from each licensee as well as subject matter experts and advocates. The Board and Department shall publish a database on their websites of the point of contact for licensees they regulate under this Act for supplier diversity, along with a list of certifications each licensee recognizes from the information submitted in each annual report. The Board and Department shall publish each annual report on their websites and shall maintain each annual report for at least 5 years.

Section 5-75. Tax; Sports Wagering Fund.

(a) For the privilege of holding a license to operate sports wagering under this Act, this State shall impose and collect 20% of a master sports wagering licensee's adjusted gross sports wagering receipts from sports wagering. The accrual method of accounting shall be used for purposes of calculating the amount of the tax owed by the licensee.

The taxes levied and collected pursuant to this subsection (a) are due and payable to the Board no later than the last day of the month following the calendar month in which the adjusted gross sports wagering receipts were received and the tax obligation was accrued.

(b) The Sports Wagering Fund is hereby created as a special fund in the State treasury. Except as otherwise specified in this Act, all moneys collected under this Act by the Board shall be deposited into the Sports Wagering Fund and then transferred in equal amounts to the State Construction Account Fund, the Pension Stabilization Fund, and the Common School Fund.

Section 5-80. Compulsive gambling. Each master sports wagering licensee shall include a statement regarding obtaining assistance with gambling problems, the text of which shall be determined by rule by the Department of Human Services, on the master sports wagering licensee's portal, Internet website, or computer or mobile application.

Section 5-85. Voluntary self-exclusion program for sports wagering. Any resident, or non-resident if allowed to participate in sports wagering, may voluntarily prohibit himself or herself from establishing a sports wagering account with a licensee under this Act. The Board and Department shall incorporate the voluntary self-exclusion program for sports

wagering into any existing self-exclusion program that it operates on the effective date of this Act.

Section 5-90. Report to General Assembly. On or before January 15, 2023, the Board shall provide a report to the General Assembly on sports wagering conducted under this Act during the 3 years following the effective date of this Act.

Section 5-900. The Illinois Administrative Procedure Act is amended by changing Section 5-45 as follows:

(5 ILCS 100/5-45) (from Ch. 127, par. 1005-45)

Sec. 5-45. Emergency rulemaking.

(a) "Emergency" means the existence of any situation that any agency finds reasonably constitutes a threat to the public interest, safety, or welfare.

(b) If any agency finds that an emergency exists that requires adoption of a rule upon fewer days than is required by Section 5-40 and states in writing its reasons for that finding, the agency may adopt an emergency rule without prior notice or hearing upon filing a notice of emergency rulemaking with the Secretary of State under Section 5-70. The notice shall include the text of the emergency rule and shall be published in the Illinois Register. Consent orders or other court orders adopting settlements negotiated by an agency may be adopted under this Section. Subject to applicable

constitutional or statutory provisions, an emergency rule becomes effective immediately upon filing under Section 5-65 or at a stated date less than 10 days thereafter. The agency's finding and a statement of the specific reasons for the finding shall be filed with the rule. The agency shall take reasonable and appropriate measures to make emergency rules known to the persons who may be affected by them.

(c) An emergency rule may be effective for a period of not longer than 150 days, but the agency's authority to adopt an identical rule under Section 5-40 is not precluded. No emergency rule may be adopted more than once in any 24-month period, except that this limitation on the number of emergency rules that may be adopted in a 24-month period does not apply to (i) emergency rules that make additions to and deletions from the Drug Manual under Section 5-5.16 of the Illinois Public Aid Code or the generic drug formulary under Section 3.14 of the Illinois Food, Drug and Cosmetic Act, (ii) emergency rules adopted by the Pollution Control Board before July 1, 1997 to implement portions of the Livestock Management Facilities Act, (iii) emergency rules adopted by the Illinois Department of Public Health under subsections (a) through (i) of Section 2 of the Department of Public Health Act when necessary to protect the public's health, (iv) emergency rules adopted pursuant to subsection (n) of this Section, (v) emergency rules adopted pursuant to subsection (o) of this Section, or (vi) emergency rules adopted pursuant to subsection

(c-5) of this Section. Two or more emergency rules having substantially the same purpose and effect shall be deemed to be a single rule for purposes of this Section.

(c-5) To facilitate the maintenance of the program of group health benefits provided to annuitants, survivors, and retired employees under the State Employees Group Insurance Act of 1971, rules to alter the contributions to be paid by the State, annuitants, survivors, retired employees, or any combination of those entities, for that program of group health benefits, shall be adopted as emergency rules. The adoption of those rules shall be considered an emergency and necessary for the public interest, safety, and welfare.

(d) In order to provide for the expeditious and timely implementation of the State's fiscal year 1999 budget, emergency rules to implement any provision of Public Act 90-587 or 90-588 or any other budget initiative for fiscal year 1999 may be adopted in accordance with this Section by the agency charged with administering that provision or initiative, except that the 24-month limitation on the adoption of emergency rules and the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (d). The adoption of emergency rules authorized by this subsection (d) shall be deemed to be necessary for the public interest, safety, and welfare.

(e) In order to provide for the expeditious and timely implementation of the State's fiscal year 2000 budget,

emergency rules to implement any provision of Public Act 91-24 or any other budget initiative for fiscal year 2000 may be adopted in accordance with this Section by the agency charged with administering that provision or initiative, except that the 24-month limitation on the adoption of emergency rules and the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (e). The adoption of emergency rules authorized by this subsection (e) shall be deemed to be necessary for the public interest, safety, and welfare.

(f) In order to provide for the expeditious and timely implementation of the State's fiscal year 2001 budget, emergency rules to implement any provision of Public Act 91-712 or any other budget initiative for fiscal year 2001 may be adopted in accordance with this Section by the agency charged with administering that provision or initiative, except that the 24-month limitation on the adoption of emergency rules and the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (f). The adoption of emergency rules authorized by this subsection (f) shall be deemed to be necessary for the public interest, safety, and welfare.

(g) In order to provide for the expeditious and timely implementation of the State's fiscal year 2002 budget, emergency rules to implement any provision of Public Act 92-10 or any other budget initiative for fiscal year 2002 may be

adopted in accordance with this Section by the agency charged with administering that provision or initiative, except that the 24-month limitation on the adoption of emergency rules and the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (g). The adoption of emergency rules authorized by this subsection (g) shall be deemed to be necessary for the public interest, safety, and welfare.

(h) In order to provide for the expeditious and timely implementation of the State's fiscal year 2003 budget, emergency rules to implement any provision of Public Act 92-597 or any other budget initiative for fiscal year 2003 may be adopted in accordance with this Section by the agency charged with administering that provision or initiative, except that the 24-month limitation on the adoption of emergency rules and the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (h). The adoption of emergency rules authorized by this subsection (h) shall be deemed to be necessary for the public interest, safety, and welfare.

(i) In order to provide for the expeditious and timely implementation of the State's fiscal year 2004 budget, emergency rules to implement any provision of Public Act 93-20 or any other budget initiative for fiscal year 2004 may be adopted in accordance with this Section by the agency charged with administering that provision or initiative, except that

the 24-month limitation on the adoption of emergency rules and the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (i). The adoption of emergency rules authorized by this subsection (i) shall be deemed to be necessary for the public interest, safety, and welfare.

(j) In order to provide for the expeditious and timely implementation of the provisions of the State's fiscal year 2005 budget as provided under the Fiscal Year 2005 Budget Implementation (Human Services) Act, emergency rules to implement any provision of the Fiscal Year 2005 Budget Implementation (Human Services) Act may be adopted in accordance with this Section by the agency charged with administering that provision, except that the 24-month limitation on the adoption of emergency rules and the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (j). The Department of Public Aid may also adopt rules under this subsection (j) necessary to administer the Illinois Public Aid Code and the Children's Health Insurance Program Act. The adoption of emergency rules authorized by this subsection (j) shall be deemed to be necessary for the public interest, safety, and welfare.

(k) In order to provide for the expeditious and timely implementation of the provisions of the State's fiscal year 2006 budget, emergency rules to implement any provision of Public Act 94-48 or any other budget initiative for fiscal year

2006 may be adopted in accordance with this Section by the agency charged with administering that provision or initiative, except that the 24-month limitation on the adoption of emergency rules and the provisions of Sections 5-115 and 5-125 do not apply to rules adopted under this subsection (k). The Department of Healthcare and Family Services may also adopt rules under this subsection (k) necessary to administer the Illinois Public Aid Code, the Senior Citizens and Persons with Disabilities Property Tax Relief Act, the Senior Citizens and Disabled Persons Prescription Drug Discount Program Act (now the Illinois Prescription Drug Discount Program Act), and the Children's Health Insurance Program Act. The adoption of emergency rules authorized by this subsection (k) shall be deemed to be necessary for the public interest, safety, and welfare.

(l) In order to provide for the expeditious and timely implementation of the provisions of the State's fiscal year 2007 budget, the Department of Healthcare and Family Services may adopt emergency rules during fiscal year 2007, including rules effective July 1, 2007, in accordance with this subsection to the extent necessary to administer the Department's responsibilities with respect to amendments to the State plans and Illinois waivers approved by the federal Centers for Medicare and Medicaid Services necessitated by the requirements of Title XIX and Title XXI of the federal Social Security Act. The adoption of emergency rules authorized by

this subsection (l) shall be deemed to be necessary for the public interest, safety, and welfare.

(m) In order to provide for the expeditious and timely implementation of the provisions of the State's fiscal year 2008 budget, the Department of Healthcare and Family Services may adopt emergency rules during fiscal year 2008, including rules effective July 1, 2008, in accordance with this subsection to the extent necessary to administer the Department's responsibilities with respect to amendments to the State plans and Illinois waivers approved by the federal Centers for Medicare and Medicaid Services necessitated by the requirements of Title XIX and Title XXI of the federal Social Security Act. The adoption of emergency rules authorized by this subsection (m) shall be deemed to be necessary for the public interest, safety, and welfare.

(n) In order to provide for the expeditious and timely implementation of the provisions of the State's fiscal year 2010 budget, emergency rules to implement any provision of Public Act 96-45 or any other budget initiative authorized by the 96th General Assembly for fiscal year 2010 may be adopted in accordance with this Section by the agency charged with administering that provision or initiative. The adoption of emergency rules authorized by this subsection (n) shall be deemed to be necessary for the public interest, safety, and welfare. The rulemaking authority granted in this subsection (n) shall apply only to rules promulgated during Fiscal Year

2010.

(o) In order to provide for the expeditious and timely implementation of the provisions of the State's fiscal year 2011 budget, emergency rules to implement any provision of Public Act 96-958 or any other budget initiative authorized by the 96th General Assembly for fiscal year 2011 may be adopted in accordance with this Section by the agency charged with administering that provision or initiative. The adoption of emergency rules authorized by this subsection (o) is deemed to be necessary for the public interest, safety, and welfare. The rulemaking authority granted in this subsection (o) applies only to rules promulgated on or after July 1, 2010 (the effective date of Public Act 96-958) through June 30, 2011.

(p) In order to provide for the expeditious and timely implementation of the provisions of Public Act 97-689, emergency rules to implement any provision of Public Act 97-689 may be adopted in accordance with this subsection (p) by the agency charged with administering that provision or initiative. The 150-day limitation of the effective period of emergency rules does not apply to rules adopted under this subsection (p), and the effective period may continue through June 30, 2013. The 24-month limitation on the adoption of emergency rules does not apply to rules adopted under this subsection (p). The adoption of emergency rules authorized by this subsection (p) is deemed to be necessary for the public interest, safety, and welfare.

(q) In order to provide for the expeditious and timely implementation of the provisions of Articles 7, 8, 9, 11, and 12 of Public Act 98-104, emergency rules to implement any provision of Articles 7, 8, 9, 11, and 12 of Public Act 98-104 may be adopted in accordance with this subsection (q) by the agency charged with administering that provision or initiative. The 24-month limitation on the adoption of emergency rules does not apply to rules adopted under this subsection (q). The adoption of emergency rules authorized by this subsection (q) is deemed to be necessary for the public interest, safety, and welfare.

(r) In order to provide for the expeditious and timely implementation of the provisions of Public Act 98-651, emergency rules to implement Public Act 98-651 may be adopted in accordance with this subsection (r) by the Department of Healthcare and Family Services. The 24-month limitation on the adoption of emergency rules does not apply to rules adopted under this subsection (r). The adoption of emergency rules authorized by this subsection (r) is deemed to be necessary for the public interest, safety, and welfare.

(s) In order to provide for the expeditious and timely implementation of the provisions of Sections 5-5b.1 and 5A-2 of the Illinois Public Aid Code, emergency rules to implement any provision of Section 5-5b.1 or Section 5A-2 of the Illinois Public Aid Code may be adopted in accordance with this subsection (s) by the Department of Healthcare and Family

Services. The rulemaking authority granted in this subsection (s) shall apply only to those rules adopted prior to July 1, 2015. Notwithstanding any other provision of this Section, any emergency rule adopted under this subsection (s) shall only apply to payments made for State fiscal year 2015. The adoption of emergency rules authorized by this subsection (s) is deemed to be necessary for the public interest, safety, and welfare.

(t) In order to provide for the expeditious and timely implementation of the provisions of Article II of Public Act 99-6, emergency rules to implement the changes made by Article II of Public Act 99-6 to the Emergency Telephone System Act may be adopted in accordance with this subsection (t) by the Department of State Police. The rulemaking authority granted in this subsection (t) shall apply only to those rules adopted prior to July 1, 2016. The 24-month limitation on the adoption of emergency rules does not apply to rules adopted under this subsection (t). The adoption of emergency rules authorized by this subsection (t) is deemed to be necessary for the public interest, safety, and welfare.

(u) In order to provide for the expeditious and timely implementation of the provisions of the Burn Victims Relief Act, emergency rules to implement any provision of the Act may be adopted in accordance with this subsection (u) by the Department of Insurance. The rulemaking authority granted in this subsection (u) shall apply only to those rules adopted prior to December 31, 2015. The adoption of emergency rules

authorized by this subsection (u) is deemed to be necessary for the public interest, safety, and welfare.

(v) In order to provide for the expeditious and timely implementation of the provisions of Public Act 99-516, emergency rules to implement Public Act 99-516 may be adopted in accordance with this subsection (v) by the Department of Healthcare and Family Services. The 24-month limitation on the adoption of emergency rules does not apply to rules adopted under this subsection (v). The adoption of emergency rules authorized by this subsection (v) is deemed to be necessary for the public interest, safety, and welfare.

(w) In order to provide for the expeditious and timely implementation of the provisions of Public Act 99-796, emergency rules to implement the changes made by Public Act 99-796 may be adopted in accordance with this subsection (w) by the Adjutant General. The adoption of emergency rules authorized by this subsection (w) is deemed to be necessary for the public interest, safety, and welfare.

(x) In order to provide for the expeditious and timely implementation of the provisions of Public Act 99-906, emergency rules to implement subsection (i) of Section 16-115D, subsection (g) of Section 16-128A, and subsection (a) of Section 16-128B of the Public Utilities Act may be adopted in accordance with this subsection (x) by the Illinois Commerce Commission. The rulemaking authority granted in this subsection (x) shall apply only to those rules adopted within

180 days after June 1, 2017 (the effective date of Public Act 99-906). The adoption of emergency rules authorized by this subsection (x) is deemed to be necessary for the public interest, safety, and welfare.

(y) In order to provide for the expeditious and timely implementation of the provisions of Public Act 100-23, emergency rules to implement the changes made by Public Act 100-23 to Section 4.02 of the Illinois Act on the Aging, Sections 5.5.4 and 5-5.4i of the Illinois Public Aid Code, Section 55-30 of the Alcoholism and Other Drug Abuse and Dependency Act, and Sections 74 and 75 of the Mental Health and Developmental Disabilities Administrative Act may be adopted in accordance with this subsection (y) by the respective Department. The adoption of emergency rules authorized by this subsection (y) is deemed to be necessary for the public interest, safety, and welfare.

(z) In order to provide for the expeditious and timely implementation of the provisions of Public Act 100-554, emergency rules to implement the changes made by Public Act 100-554 to Section 4.7 of the Lobbyist Registration Act may be adopted in accordance with this subsection (z) by the Secretary of State. The adoption of emergency rules authorized by this subsection (z) is deemed to be necessary for the public interest, safety, and welfare.

(aa) In order to provide for the expeditious and timely initial implementation of the changes made to Articles 5, 5A,

12, and 14 of the Illinois Public Aid Code under the provisions of Public Act 100-581, the Department of Healthcare and Family Services may adopt emergency rules in accordance with this subsection (aa). The 24-month limitation on the adoption of emergency rules does not apply to rules to initially implement the changes made to Articles 5, 5A, 12, and 14 of the Illinois Public Aid Code adopted under this subsection (aa). The adoption of emergency rules authorized by this subsection (aa) is deemed to be necessary for the public interest, safety, and welfare.

(bb) In order to provide for the expeditious and timely implementation of the provisions of Public Act 100-587, emergency rules to implement the changes made by Public Act 100-587 to Section 4.02 of the Illinois Act on the Aging, Sections 5.5.4 and 5-5.4i of the Illinois Public Aid Code, subsection (b) of Section 55-30 of the Alcoholism and Other Drug Abuse and Dependency Act, Section 5-104 of the Specialized Mental Health Rehabilitation Act of 2013, and Section 75 and subsection (b) of Section 74 of the Mental Health and Developmental Disabilities Administrative Act may be adopted in accordance with this subsection (bb) by the respective Department. The adoption of emergency rules authorized by this subsection (bb) is deemed to be necessary for the public interest, safety, and welfare.

(cc) In order to provide for the expeditious and timely implementation of the provisions of Public Act 100-587,

emergency rules may be adopted in accordance with this subsection (cc) to implement the changes made by Public Act 100-587 to: Sections 14-147.5 and 14-147.6 of the Illinois Pension Code by the Board created under Article 14 of the Code; Sections 15-185.5 and 15-185.6 of the Illinois Pension Code by the Board created under Article 15 of the Code; and Sections 16-190.5 and 16-190.6 of the Illinois Pension Code by the Board created under Article 16 of the Code. The adoption of emergency rules authorized by this subsection (cc) is deemed to be necessary for the public interest, safety, and welfare.

(dd) In order to provide for the expeditious and timely implementation of the provisions of Public Act 100-864, emergency rules to implement the changes made by Public Act 100-864 to Section 3.35 of the Newborn Metabolic Screening Act may be adopted in accordance with this subsection (dd) by the Secretary of State. The adoption of emergency rules authorized by this subsection (dd) is deemed to be necessary for the public interest, safety, and welfare.

(ee) In order to provide for the expeditious and timely implementation of the provisions of Public Act 100-1172 ~~this amendatory Act of the 100th General Assembly~~, emergency rules implementing the Illinois Underground Natural Gas Storage Safety Act may be adopted in accordance with this subsection by the Department of Natural Resources. The adoption of emergency rules authorized by this subsection is deemed to be necessary for the public interest, safety, and welfare.

(ff) ~~(ee)~~ In order to provide for the expeditious and timely initial implementation of the changes made to Articles 5A and 14 of the Illinois Public Aid Code under the provisions of Public Act 100-1181 ~~this amendatory Act of the 100th General Assembly~~, the Department of Healthcare and Family Services may on a one-time-only basis adopt emergency rules in accordance with this subsection (ff) ~~(ee)~~. The 24-month limitation on the adoption of emergency rules does not apply to rules to initially implement the changes made to Articles 5A and 14 of the Illinois Public Aid Code adopted under this subsection (ff) ~~(ee)~~. The adoption of emergency rules authorized by this subsection (ff) ~~(ee)~~ is deemed to be necessary for the public interest, safety, and welfare.

(gg) ~~(ff)~~ In order to provide for the expeditious and timely implementation of the provisions of Public Act 101-1 ~~this amendatory Act of the 101st General Assembly~~, emergency rules may be adopted by the Department of Labor in accordance with this subsection (gg) ~~(ff)~~ to implement the changes made by Public Act 101-1 ~~this amendatory Act of the 101st General Assembly~~ to the Minimum Wage Law. The adoption of emergency rules authorized by this subsection (gg) ~~(ff)~~ is deemed to be necessary for the public interest, safety, and welfare.

(ii) In order to provide for the expeditious and timely implementation of the provisions of Section 5-65 of the Sports Wagering Act, emergency rules to implement Section 5-65 of the Sports Wagering Act may be adopted in accordance with this

subsection (ii) by the Department of the Lottery as provided in the Sports Wagering Act. The adoption of emergency rules authorized by this subsection (ii) is deemed to be necessary for the public interest, safety, and welfare.

(jj) In order to provide for the expeditious and timely implementation of the Sports Wagering Act, emergency rules to implement the Sports Wagering Act may be adopted in accordance with this subsection (jj) by the Illinois Gaming Board. The adoption of emergency rules authorized by this subsection (jj) is deemed to be necessary for the public interest, safety, and welfare.

(Source: P.A. 100-23, eff. 7-6-17; 100-554, eff. 11-16-17; 100-581, eff. 3-12-18; 100-587, Article 95, Section 95-5, eff. 6-4-18; 100-587, Article 110, Section 110-5, eff. 6-4-18; 100-864, eff. 8-14-18; 100-1172, eff. 1-4-19; 100-1181, eff. 3-8-19; 101-1, eff. 2-19-19; revised 4-2-19.)

Section 5-905. The State Finance Act is amended by adding Section 5.891 as follows:

(30 ILCS 105/5.891 new)

Sec. 5.891. The Sports Wagering Fund.

Section 5-910. The Riverboat Gambling Act is amended by changing Section 13 as follows:

(230 ILCS 10/13) (from Ch. 120, par. 2413)

Sec. 13. Wagering tax; rate; distribution.

(a) Until January 1, 1998, a tax is imposed on the adjusted gross receipts received from gambling games authorized under this Act at the rate of 20%.

(a-1) From January 1, 1998 until July 1, 2002, a privilege tax is imposed on persons engaged in the business of conducting riverboat gambling operations, based on the adjusted gross receipts received by a licensed owner from gambling games authorized under this Act at the following rates:

15% of annual adjusted gross receipts up to and including $25,000,000;

20% of annual adjusted gross receipts in excess of $25,000,000 but not exceeding $50,000,000;

25% of annual adjusted gross receipts in excess of $50,000,000 but not exceeding $75,000,000;

30% of annual adjusted gross receipts in excess of $75,000,000 but not exceeding $100,000,000;

35% of annual adjusted gross receipts in excess of $100,000,000.

(a-2) From July 1, 2002 until July 1, 2003, a privilege tax is imposed on persons engaged in the business of conducting riverboat gambling operations, other than licensed managers conducting riverboat gambling operations on behalf of the State, based on the adjusted gross receipts received by a licensed owner from gambling games authorized under this Act at

the following rates:

15% of annual adjusted gross receipts up to and including $25,000,000;

22.5% of annual adjusted gross receipts in excess of $25,000,000 but not exceeding $50,000,000;

27.5% of annual adjusted gross receipts in excess of $50,000,000 but not exceeding $75,000,000;

32.5% of annual adjusted gross receipts in excess of $75,000,000 but not exceeding $100,000,000;

37.5% of annual adjusted gross receipts in excess of $100,000,000 but not exceeding $150,000,000;

45% of annual adjusted gross receipts in excess of $150,000,000 but not exceeding $200,000,000;

50% of annual adjusted gross receipts in excess of $200,000,000.

(a-3) Beginning July 1, 2003, a privilege tax is imposed on persons engaged in the business of conducting riverboat gambling operations, other than licensed managers conducting riverboat gambling operations on behalf of the State, based on the adjusted gross receipts received by a licensed owner from gambling games authorized under this Act at the following rates:

15% of annual adjusted gross receipts up to and including $25,000,000;

27.5% of annual adjusted gross receipts in excess of $25,000,000 but not exceeding $37,500,000;

32.5% of annual adjusted gross receipts in excess of $37,500,000 but not exceeding $50,000,000;

37.5% of annual adjusted gross receipts in excess of $50,000,000 but not exceeding $75,000,000;

45% of annual adjusted gross receipts in excess of $75,000,000 but not exceeding $100,000,000;

50% of annual adjusted gross receipts in excess of $100,000,000 but not exceeding $250,000,000;

70% of annual adjusted gross receipts in excess of $250,000,000.

An amount equal to the amount of wagering taxes collected under this subsection (a-3) that are in addition to the amount of wagering taxes that would have been collected if the wagering tax rates under subsection (a-2) were in effect shall be paid into the Common School Fund.

The privilege tax imposed under this subsection (a-3) shall no longer be imposed beginning on the earlier of (i) July 1, 2005; (ii) the first date after June 20, 2003 that riverboat gambling operations are conducted pursuant to a dormant license; or (iii) the first day that riverboat gambling operations are conducted under the authority of an owners license that is in addition to the 10 owners licenses initially authorized under this Act. For the purposes of this subsection (a-3), the term "dormant license" means an owners license that is authorized by this Act under which no riverboat gambling operations are being conducted on June 20, 2003.

(a-4) Beginning on the first day on which the tax imposed under subsection (a-3) is no longer imposed, a privilege tax is imposed on persons engaged in the business of conducting riverboat gambling operations, other than licensed managers conducting riverboat gambling operations on behalf of the State, based on the adjusted gross receipts received by a licensed owner from gambling games authorized under this Act at the following rates:

15% of annual adjusted gross receipts up to and including $25,000,000;

22.5% of annual adjusted gross receipts in excess of $25,000,000 but not exceeding $50,000,000;

27.5% of annual adjusted gross receipts in excess of $50,000,000 but not exceeding $75,000,000;

32.5% of annual adjusted gross receipts in excess of $75,000,000 but not exceeding $100,000,000;

37.5% of annual adjusted gross receipts in excess of $100,000,000 but not exceeding $150,000,000;

45% of annual adjusted gross receipts in excess of $150,000,000 but not exceeding $200,000,000;

50% of annual adjusted gross receipts in excess of $200,000,000.

(a-8) Riverboat gambling operations conducted by a licensed manager on behalf of the State are not subject to the tax imposed under this Section.

(a-10) The taxes imposed by this Section shall be paid by

the licensed owner to the Board not later than 5:00 o'clock p.m. of the day after the day when the wagers were made.

(a-15) If the privilege tax imposed under subsection (a-3) is no longer imposed pursuant to item (i) of the last paragraph of subsection (a-3), then by June 15 of each year, each owners licensee, other than an owners licensee that admitted 1,000,000 persons or fewer in calendar year 2004, must, in addition to the payment of all amounts otherwise due under this Section, pay to the Board a reconciliation payment in the amount, if any, by which the licensed owner's base amount exceeds the amount of net privilege tax paid by the licensed owner to the Board in the then current State fiscal year. A licensed owner's net privilege tax obligation due for the balance of the State fiscal year shall be reduced up to the total of the amount paid by the licensed owner in its June 15 reconciliation payment. The obligation imposed by this subsection (a-15) is binding on any person, firm, corporation, or other entity that acquires an ownership interest in any such owners license. The obligation imposed under this subsection (a-15) terminates on the earliest of: (i) July 1, 2007, (ii) the first day after the effective date of this amendatory Act of the 94th General Assembly that riverboat gambling operations are conducted pursuant to a dormant license, (iii) the first day that riverboat gambling operations are conducted under the authority of an owners license that is in addition to the 10 owners licenses initially authorized under this Act, or (iv) the first day that a

licensee under the Illinois Horse Racing Act of 1975 conducts gaming operations with slot machines or other electronic gaming devices. The Board must reduce the obligation imposed under this subsection (a-15) by an amount the Board deems reasonable for any of the following reasons: (A) an act or acts of God, (B) an act of bioterrorism or terrorism or a bioterrorism or terrorism threat that was investigated by a law enforcement agency, or (C) a condition beyond the control of the owners licensee that does not result from any act or omission by the owners licensee or any of its agents and that poses a hazardous threat to the health and safety of patrons. If an owners licensee pays an amount in excess of its liability under this Section, the Board shall apply the overpayment to future payments required under this Section.

For purposes of this subsection (a-15):

"Act of God" means an incident caused by the operation of an extraordinary force that cannot be foreseen, that cannot be avoided by the exercise of due care, and for which no person can be held liable.

"Base amount" means the following:

For a riverboat in Alton, $31,000,000.

For a riverboat in East Peoria, $43,000,000.

For the Empress riverboat in Joliet, $86,000,000.

For a riverboat in Metropolis, $45,000,000.

For the Harrah's riverboat in Joliet, $114,000,000.

For a riverboat in Aurora, $86,000,000.

For a riverboat in East St. Louis, $48,500,000.

For a riverboat in Elgin, $198,000,000.

"Dormant license" has the meaning ascribed to it in subsection (a-3).

"Net privilege tax" means all privilege taxes paid by a licensed owner to the Board under this Section, less all payments made from the State Gaming Fund pursuant to subsection (b) of this Section.

The changes made to this subsection (a-15) by Public Act 94-839 are intended to restate and clarify the intent of Public Act 94-673 with respect to the amount of the payments required to be made under this subsection by an owners licensee to the Board.

(b) Until January 1, 1998, 25% of the tax revenue deposited in the State Gaming Fund under this Section shall be paid, subject to appropriation by the General Assembly, to the unit of local government which is designated as the home dock of the riverboat. Beginning January 1, 1998, from the tax revenue deposited in the State Gaming Fund under this Section, an amount equal to 5% of adjusted gross receipts generated by a riverboat shall be paid monthly, subject to appropriation by the General Assembly, to the unit of local government that is designated as the home dock of the riverboat. From the tax revenue deposited in the State Gaming Fund pursuant to riverboat gambling operations conducted by a licensed manager on behalf of the State, an amount equal to 5% of adjusted gross

receipts generated pursuant to those riverboat gambling operations shall be paid monthly, subject to appropriation by the General Assembly, to the unit of local government that is designated as the home dock of the riverboat upon which those riverboat gambling operations are conducted.

(c) Appropriations, as approved by the General Assembly, may be made from the State Gaming Fund to the Board (i) for the administration and enforcement of this Act and the Video Gaming Act, (ii) for distribution to the Department of State Police and to the Department of Revenue for the enforcement of this Act, and (iii) to the Department of Human Services for the administration of programs to treat problem gambling, including problem gambling from sports wagering.

(c-5) Before May 26, 2006 (the effective date of Public Act 94-804) and beginning on the effective date of this amendatory Act of the 95th General Assembly, unless any organization licensee under the Illinois Horse Racing Act of 1975 begins to operate a slot machine or video game of chance under the Illinois Horse Racing Act of 1975 or this Act, after the payments required under subsections (b) and (c) have been made, an amount equal to 15% of the adjusted gross receipts of (1) an owners licensee that relocates pursuant to Section 11.2, (2) an owners licensee conducting riverboat gambling operations pursuant to an owners license that is initially issued after June 25, 1999, or (3) the first riverboat gambling operations conducted by a licensed manager on behalf of the State under

Section 7.3, whichever comes first, shall be paid from the State Gaming Fund into the Horse Racing Equity Fund.

(c-10) Each year the General Assembly shall appropriate from the General Revenue Fund to the Education Assistance Fund an amount equal to the amount paid into the Horse Racing Equity Fund pursuant to subsection (c-5) in the prior calendar year.

(c-15) After the payments required under subsections (b), (c), and (c-5) have been made, an amount equal to 2% of the adjusted gross receipts of (1) an owners licensee that relocates pursuant to Section 11.2, (2) an owners licensee conducting riverboat gambling operations pursuant to an owners license that is initially issued after June 25, 1999, or (3) the first riverboat gambling operations conducted by a licensed manager on behalf of the State under Section 7.3, whichever comes first, shall be paid, subject to appropriation from the General Assembly, from the State Gaming Fund to each home rule county with a population of over 3,000,000 inhabitants for the purpose of enhancing the county's criminal justice system.

(c-20) Each year the General Assembly shall appropriate from the General Revenue Fund to the Education Assistance Fund an amount equal to the amount paid to each home rule county with a population of over 3,000,000 inhabitants pursuant to subsection (c-15) in the prior calendar year.

(c-25) On July 1, 2013 and each July 1 thereafter, $1,600,000 shall be transferred from the State Gaming Fund to the Chicago State University Education Improvement Fund.

(c-30) On July 1, 2013 or as soon as possible thereafter, $92,000,000 shall be transferred from the State Gaming Fund to the School Infrastructure Fund and $23,000,000 shall be transferred from the State Gaming Fund to the Horse Racing Equity Fund.

(c-35) Beginning on July 1, 2013, in addition to any amount transferred under subsection (c-30) of this Section, $5,530,000 shall be transferred monthly from the State Gaming Fund to the School Infrastructure Fund.

(d) From time to time, the Board shall transfer the remainder of the funds generated by this Act into the Education Assistance Fund, created by Public Act 86-0018, of the State of Illinois.

(e) Nothing in this Act shall prohibit the unit of local government designated as the home dock of the riverboat from entering into agreements with other units of local government in this State or in other states to share its portion of the tax revenue.

(f) To the extent practicable, the Board shall administer and collect the wagering taxes imposed by this Section in a manner consistent with the provisions of Sections 4, 5, 5a, 5b, 5c, 5d, 5e, 5f, 5g, 5i, 5j, 6, 6a, 6b, 6c, 8, 9, and 10 of the Retailers' Occupation Tax Act and Section 3-7 of the Uniform Penalty and Interest Act.

(Source: P.A. 98-18, eff. 6-7-13.)

Section 5-920. The Criminal Code of 2012 is amended by changing Sections 28-1, 28-3, and 28-5 as follows:

(720 ILCS 5/28-1) (from Ch. 38, par. 28-1)

Sec. 28-1. Gambling.

(a) A person commits gambling when he or she:

(1) knowingly plays a game of chance or skill for money or other thing of value, unless excepted in subsection (b) of this Section;

(2) knowingly makes a wager upon the result of any game, contest, or any political nomination, appointment or election;

(3) knowingly operates, keeps, owns, uses, purchases, exhibits, rents, sells, bargains for the sale or lease of, manufactures or distributes any gambling device;

(4) contracts to have or give himself or herself or another the option to buy or sell, or contracts to buy or sell, at a future time, any grain or other commodity whatsoever, or any stock or security of any company, where it is at the time of making such contract intended by both parties thereto that the contract to buy or sell, or the option, whenever exercised, or the contract resulting therefrom, shall be settled, not by the receipt or delivery of such property, but by the payment only of differences in prices thereof; however, the issuance, purchase, sale, exercise, endorsement or guarantee, by or through a person

registered with the Secretary of State pursuant to Section 8 of the Illinois Securities Law of 1953, or by or through a person exempt from such registration under said Section 8, of a put, call, or other option to buy or sell securities which have been registered with the Secretary of State or which are exempt from such registration under Section 3 of the Illinois Securities Law of 1953 is not gambling within the meaning of this paragraph (4);

(5) knowingly owns or possesses any book, instrument or apparatus by means of which bets or wagers have been, or are, recorded or registered, or knowingly possesses any money which he has received in the course of a bet or wager;

(6) knowingly sells pools upon the result of any game or contest of skill or chance, political nomination, appointment or election;

(7) knowingly sets up or promotes any lottery or sells, offers to sell or transfers any ticket or share for any lottery;

(8) knowingly sets up or promotes any policy game or sells, offers to sell or knowingly possesses or transfers any policy ticket, slip, record, document or other similar device;

(9) knowingly drafts, prints or publishes any lottery ticket or share, or any policy ticket, slip, record, document or similar device, except for such activity

related to lotteries, bingo games and raffles authorized by and conducted in accordance with the laws of Illinois or any other state or foreign government;

(10) knowingly advertises any lottery or policy game, except for such activity related to lotteries, bingo games and raffles authorized by and conducted in accordance with the laws of Illinois or any other state;

(11) knowingly transmits information as to wagers, betting odds, or changes in betting odds by telephone, telegraph, radio, semaphore or similar means; or knowingly installs or maintains equipment for the transmission or receipt of such information; except that nothing in this subdivision (11) prohibits transmission or receipt of such information for use in news reporting of sporting events or contests; or

(12) knowingly establishes, maintains, or operates an Internet site that permits a person to play a game of chance or skill for money or other thing of value by means of the Internet or to make a wager upon the result of any game, contest, political nomination, appointment, or election by means of the Internet. This item (12) does not apply to activities referenced in items (6), ~~and~~ (6.1), and (15) of subsection (b) of this Section.

(b) Participants in any of the following activities shall not be convicted of gambling:

(1) Agreements to compensate for loss caused by the

happening of chance including without limitation contracts of indemnity or guaranty and life or health or accident insurance.

(2) Offers of prizes, award or compensation to the actual contestants in any bona fide contest for the determination of skill, speed, strength or endurance or to the owners of animals or vehicles entered in such contest.

(3) Pari-mutuel betting as authorized by the law of this State.

(4) Manufacture of gambling devices, including the acquisition of essential parts therefor and the assembly thereof, for transportation in interstate or foreign commerce to any place outside this State when such transportation is not prohibited by any applicable Federal law; or the manufacture, distribution, or possession of video gaming terminals, as defined in the Video Gaming Act, by manufacturers, distributors, and terminal operators licensed to do so under the Video Gaming Act.

(5) The game commonly known as "bingo", when conducted in accordance with the Bingo License and Tax Act.

(6) Lotteries when conducted by the State of Illinois in accordance with the Illinois Lottery Law. This exemption includes any activity conducted by the Department of Revenue to sell lottery tickets pursuant to the provisions of the Illinois Lottery Law and its rules.

(6.1) The purchase of lottery tickets through the

Internet for a lottery conducted by the State of Illinois under the program established in Section 7.12 of the Illinois Lottery Law.

(7) Possession of an antique slot machine that is neither used nor intended to be used in the operation or promotion of any unlawful gambling activity or enterprise. For the purpose of this subparagraph (b)(7), an antique slot machine is one manufactured 25 years ago or earlier.

(8) Raffles and poker runs when conducted in accordance with the Raffles and Poker Runs Act.

(9) Charitable games when conducted in accordance with the Charitable Games Act.

(10) Pull tabs and jar games when conducted under the Illinois Pull Tabs and Jar Games Act.

(11) Gambling games conducted on riverboats when authorized by the Riverboat Gambling Act.

(12) Video gaming terminal games at a licensed establishment, licensed truck stop establishment, licensed fraternal establishment, or licensed veterans establishment when conducted in accordance with the Video Gaming Act.

(13) Games of skill or chance where money or other things of value can be won but no payment or purchase is required to participate.

(14) Savings promotion raffles authorized under Section 5g of the Illinois Banking Act, Section 7008 of the

Savings Bank Act, Section 42.7 of the Illinois Credit Union Act, Section 5136B of the National Bank Act (12 U.S.C. 25a), or Section 4 of the Home Owners' Loan Act (12 U.S.C. 1463).

(15) Sports wagering when conducted in accordance with the Sports Wagering Act.

(c) Sentence.

Gambling is a Class A misdemeanor. A second or subsequent conviction under subsections (a)(3) through (a)(12), is a Class 4 felony.

(d) Circumstantial evidence.

In prosecutions under this Section circumstantial evidence shall have the same validity and weight as in any criminal prosecution.

(Source: P.A. 98-644, eff. 6-10-14; 99-149, eff. 1-1-16.)

(720 ILCS 5/28-3) (from Ch. 38, par. 28-3)

Sec. 28-3. Keeping a Gambling Place. A "gambling place" is any real estate, vehicle, boat or any other property whatsoever used for the purposes of gambling other than gambling conducted in the manner authorized by the Riverboat Gambling Act, the Sports Wagering Act, or the Video Gaming Act. Any person who knowingly permits any premises or property owned or occupied by him or under his control to be used as a gambling place commits a Class A misdemeanor. Each subsequent offense is a Class 4 felony. When any premises is determined by the circuit court to

be a gambling place:

(a) Such premises is a public nuisance and may be proceeded against as such, and

(b) All licenses, permits or certificates issued by the State of Illinois or any subdivision or public agency thereof authorizing the serving of food or liquor on such premises shall be void; and no license, permit or certificate so cancelled shall be reissued for such premises for a period of 60 days thereafter; nor shall any person convicted of keeping a gambling place be reissued such license for one year from his conviction and, after a second conviction of keeping a gambling place, any such person shall not be reissued such license, and

(c) Such premises of any person who knowingly permits thereon a violation of any Section of this Article shall be held liable for, and may be sold to pay any unsatisfied judgment that may be recovered and any unsatisfied fine that may be levied under any Section of this Article.

(Source: P.A. 96-34, eff. 7-13-09.)

(720 ILCS 5/28-5) (from Ch. 38, par. 28-5)

Sec. 28-5. Seizure of gambling devices and gambling funds.

(a) Every device designed for gambling which is incapable of lawful use or every device used unlawfully for gambling shall be considered a "gambling device", and shall be subject to seizure, confiscation and destruction by the Department of State Police or by any municipal, or other local authority,

within whose jurisdiction the same may be found. As used in this Section, a "gambling device" includes any slot machine, and includes any machine or device constructed for the reception of money or other thing of value and so constructed as to return, or to cause someone to return, on chance to the player thereof money, property or a right to receive money or property. With the exception of any device designed for gambling which is incapable of lawful use, no gambling device shall be forfeited or destroyed unless an individual with a property interest in said device knows of the unlawful use of the device.

(b) Every gambling device shall be seized and forfeited to the county wherein such seizure occurs. Any money or other thing of value integrally related to acts of gambling shall be seized and forfeited to the county wherein such seizure occurs.

(c) If, within 60 days after any seizure pursuant to subparagraph (b) of this Section, a person having any property interest in the seized property is charged with an offense, the court which renders judgment upon such charge shall, within 30 days after such judgment, conduct a forfeiture hearing to determine whether such property was a gambling device at the time of seizure. Such hearing shall be commenced by a written petition by the State, including material allegations of fact, the name and address of every person determined by the State to have any property interest in the seized property, a representation that written notice of the date, time and place

of such hearing has been mailed to every such person by certified mail at least 10 days before such date, and a request for forfeiture. Every such person may appear as a party and present evidence at such hearing. The quantum of proof required shall be a preponderance of the evidence, and the burden of proof shall be on the State. If the court determines that the seized property was a gambling device at the time of seizure, an order of forfeiture and disposition of the seized property shall be entered: a gambling device shall be received by the State's Attorney, who shall effect its destruction, except that valuable parts thereof may be liquidated and the resultant money shall be deposited in the general fund of the county wherein such seizure occurred; money and other things of value shall be received by the State's Attorney and, upon liquidation, shall be deposited in the general fund of the county wherein such seizure occurred. However, in the event that a defendant raises the defense that the seized slot machine is an antique slot machine described in subparagraph (b) (7) of Section 28-1 of this Code and therefore he is exempt from the charge of a gambling activity participant, the seized antique slot machine shall not be destroyed or otherwise altered until a final determination is made by the Court as to whether it is such an antique slot machine. Upon a final determination by the Court of this question in favor of the defendant, such slot machine shall be immediately returned to the defendant. Such order of forfeiture and disposition shall,

for the purposes of appeal, be a final order and judgment in a civil proceeding.

(d) If a seizure pursuant to subparagraph (b) of this Section is not followed by a charge pursuant to subparagraph (c) of this Section, or if the prosecution of such charge is permanently terminated or indefinitely discontinued without any judgment of conviction or acquittal (1) the State's Attorney shall commence an in rem proceeding for the forfeiture and destruction of a gambling device, or for the forfeiture and deposit in the general fund of the county of any seized money or other things of value, or both, in the circuit court and (2) any person having any property interest in such seized gambling device, money or other thing of value may commence separate civil proceedings in the manner provided by law.

(e) Any gambling device displayed for sale to a riverboat gambling operation or used to train occupational licensees of a riverboat gambling operation as authorized under the Riverboat Gambling Act is exempt from seizure under this Section.

(f) Any gambling equipment, devices and supplies provided by a licensed supplier in accordance with the Riverboat Gambling Act which are removed from the riverboat for repair are exempt from seizure under this Section.

(g) The following video gaming terminals are exempt from seizure under this Section:

(1) Video gaming terminals for sale to a licensed distributor or operator under the Video Gaming Act.

(2) Video gaming terminals used to train licensed technicians or licensed terminal handlers.

(3) Video gaming terminals that are removed from a licensed establishment, licensed truck stop establishment, licensed fraternal establishment, or licensed veterans establishment for repair.

(h) Property seized or forfeited under this Section is subject to reporting under the Seizure and Forfeiture Reporting Act.

(i) Any sports lottery terminals provided by a central system provider that are removed from a lottery retailer for repair under the Sports Wagering Act are exempt from seizure under this Section.

(Source: P.A. 100-512, eff. 7-1-18.)

Article 99. Effective Date

Section 99-99. Effective date. This Act takes effect upon becoming law.".

From: Schreiber, Shawn
To: IGB.SportsRuleComments
Subject: [External] Sports Wagering Rule Comments
Date: Friday, September 27, 2019 4:29:22 PM
Attachments: IGT Response IGB Sports Wagering Act.pdf

Via Electronic Mail

September 27, 2019

Illinois Gaming Board
160 North LaSalle Suite 300
Chicago, Illinois 60601

To whom it may concern,

On behalf of IGT, I wanted to thank you for the industry opportunity to provide feedback regarding the Illinois Gaming Board (IGB) Sports Wagering Act contained in P.A 101-0031 proposed rules and any other comments relevant to the Act. When considering regulations to govern the IGT Sports Wagering Act, we suggest a principle-based approach that promotes industry accepted technical and operational best practices with an open-mind to innovative solutions. Based on our experience and diverse product portfolio which includes gambling equipment, lottery and sports wagering industries, IGT offers the following feedback for consideration:

1. As the IGB may accept licensing by another jurisdiction that has similar licensing requirements [Section 25-50(b)], we suggest that accommodations should be made for existing IGB licensees (i.e., supplier, occupational) to not have to undergo duplicative licensing application processes.

2. We suggest a hierarchical licensing framework. For example, a higher-level license (i.e., management services provider) could supply equipment (supplier license) or provide the data feed solution (tier 2 official league data provider license).

3. We suggest harmonization of sports wagering accounts with casino wagering accounts to provide a uniform and unitary patron wagering experience within a casino environment. For example, a patron could place a sports and slot machine wager from their single wagering account.

4. We suggest harmonization of sports wagering instruments with vouchers across the different gaming verticals within a casino environment. For example, a voucher generated by a slot machine could be utilized to fund a sports wager.

Thank you again for the opportunity to comment and please contact me directly should you wish to discuss.

Sincerely,

[redacted]

Shawn Schreiber
Product Compliance, Regional Manager

From:	Stefchek, Jean M.
To:	IGB.SportsRuleComments
Cc:	More, Donna B.
Subject:	[External] Sport Wagering Act Comments
Date:	Friday, September 27, 2019 4:32:06 PM
Attachments:	102719517_1_IGB LETTER 2019.09.27-C2.PDF

Attached please find Ms. More's comments regarding sports wagering act.

Sincerely,

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September 27, 2019

VIA US AND EMAIL
Mr. Marcus Fruchter
Administrator
Illinois Gaming Board
160 N. LaSalle St., Suite 300
Chicago, IL 60601

Re: Comments on Sports Wagering Act, Article 25 of Public Act 101-0031 (the "**Act**").

Dear Mr. Fruchter:

On behalf of the Chicago Bears, Chicago Cubs, Chicago White Sox and the United Center Joint Venture (which is the home venue for the Chicago Bulls and the Chicago Blackhawks) (together the "**Clients**"), please allow this letter to serve as our comments on the Act and the issues and items we believe must be addressed in the Illinois Gaming Board's ("**IGB**") emergency and proposed rules.

We appreciate the opportunity to comment on these issues. We believe the issues below must be resolved to get sports betting operational at Illinois sports facilities and to meet the goals articulated at the IGB meeting on August 8, 2019, including sustaining and promoting tourism and generating revenue for Illinois, in particular, the $10 million license fee for a sports facility license.

I. BRIEF SUMMARY OF THE ECONOMICS.

- Excluding tax revenue and other ancillary return, Illinois intends to generate up to $70 million of licensing fee revenue through the issuance of up to seven master sports wagering licenses to eligible sports facilities or their designees.

- For the State to promptly begin to collect this revenue, there must be an efficient system for licensing/registration.

- At $10 million per license, the sports facility and/or the designee must identify positive economic value associated with the license. The value of the license is inextricably tied to the Act's grant of the exclusive right to authorize sports wagering within the five-block radius of each authorized facility. This five-block exclusivity must be memorialized in the rules adopted by the IGB ("**Rules**").

- Allowing the teams to participate will incentivize them to help Illinois sports wagering succeed. Sports wagering associated with a team/facility, when activated as proposed in this letter, will attract a unique and enthusiastic mix of participants increasing participation and adding sales tax revenue to the State.

II. POLICY MATTERS TO BE ADDRESSED IN THE RULES.

A. Protect Intended Five-Block Exclusivity.

The Act's grant to each sports facility and its designee of the exclusive right to conduct sports wagering within a five-block radius of each sports facility creates the incentive to invest in the license and generate sports wagering revenue at and around major sports facilities. The teams have the most at stake in protection of the community surrounding their facility as well as the successful conduct of sports wagering within that community. The teams have the most experience in operating professional, high-quality operations consistent with the sports experience and are uniquely situated to implement sports wagering in their community in a manner which safeguards the fan experience and promotes continued revenue generating activity in the neighborhood. Protecting the teams' exclusive right to authorize sports wagering activity within the five-block radius both promotes the economic interests of the State and community, and protects the teams' investment in their fans and the quality and integrity of the games. The following items flow from the five-block protection granted by the General Assembly and should be expressly and clearly set forth in the Rules:

1. *Prevent Faux Wagering Locations by Other Licensees*[1].

It would be contrary to any five-block exclusivity protection if the unauthorized combination of Internet-based wagering, advertising and marketing created a faux in-person sports wagering facility within the five-block radius. A faux sports wagering facility would be confusing to customers, contrary to the Act's five-block exclusivity provisions, and hollow out the value of the licenses issued to a sports facility under Section 25-40 of the Act. Within the five-block radius, therefore, the Act should be correctly interpreted to establish other licensees are not allowed to advertise, market or operate (directly or indirectly) without the authorization of the relevant sports team(s). Any other interpretation would render the five-block designation meaningless.

For example, the reported agreement between MGM Resorts and Buffalo Wild Wings to offer sports wagering at Buffalo Wild Wings' locations in New Jersey, if allowed within the five-block radius of a sports facility, would certainly undermine the spirit of the Act's exclusivity (See, article entitled "Buffalo Wild Wings adds sports gambling in partnership with MGM Resorts," attached to this letter).

The combination within the five-block radius of online access to sports betting platforms, along with advertising and marketing in, and of, a sportsbook-type environment, all without coordination with the relevant team(s), violates the spirit and intent of the Act. The only way to prevent this is to bar non-sports facility licensees from advertising or marketing activity within the five-block radius so the faux wagering facilities cannot operate in contravention to the legislatively granted five-block radius restriction.

Washington, D.C. ("**D.C.**") recently adopted similar marketing and advertising restrictions to prevent faux wagering facilities popping up in areas where the particular professional sports facility has been granted a radius of protection. In August 2019, D.C. adopted regulations banning the advertising and marketing of

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[1] The need to prevent ambush by faux wagering locations within the five-block radius underscores the uncertainty around how the Act's provisions regarding exclusivity will be enforced. The Act grants online exclusivity to the sports facility or its designee within the five-block radius and, if enforced as such, will help protect against many of the dangers discussed in this section.

sports betting within the protected radius around each facility, unless affiliated with the team. In responding to comments on the proposed regulations and denying a request to remove the advertising prohibition, the D.C. gaming authority said the advertising restriction coincides with the radius restriction prohibiting non-team-authorized sports betting around sports facilities. In other words, it preserves the exclusivity for D.C. sports teams. Similarly, Illinois sports facilities should have the same protections as the Washington Nationals, Washington Capitals, Washington Wizards or any other sports team where the governing body has adopted and will enforce a true radius restriction.

In short, the Rules should provide: (i) the facility and its designee, as authorized by the relevant sports team(s), have the unilateral and exclusive right to operate in-person sports wagering within the designated five-block radius; and, (ii) no other licensee may infringe on this exclusivity by marketing or advertising wagering products within the five-block radius without the authorization of the relevant team(s). This is consistent with the Act and is the most – perhaps the only - surefire mechanism to protect against faux wagering locations in violation of the radius restriction.

To do so, the Rules should require that other licensees receive authorization from the relevant sports team(s) before directly or indirectly:

- Creating, participating with, advertising or promoting any faux wagering location – a physical location (bar, restaurant or stand-alone kiosk, for example, or an online-operator themed bar) within the five-block radius, which promotes, encourages or highlights sports wagering even if such facility is taking bets online rather than from a physical interaction with the person wagering;

- Displaying, advertising or promoting any licensee or its operation, including without limitation any online platform and/or QR codes leading to internet wagering websites or other sports wagering related online locations other than the internet wagering website or platform of the team, sports facility, or its designee;

- Using or employing persons to recruit fans as new customers.

There is regulatory precedent for IGB rules banning similar activity. In 2015, the IGB promulgated rules to ensure the video gaming industry did not operate "mini casinos" by restricting the number of video gaming facilities seeking to push the boundaries of the law by operating in a mall-type location. The Board should seek to protect the integrity of master sports wagering licenses at sports facilities in the same manner it protected owner licensees from "back-door casinos." Illinois' experience with video gambling should stand as a cautionary tale.

2. *Sports Wagering at Lottery Terminals.*

To protect the exclusivity intended in the Act, the Rules should confirm lottery terminals offering sports wagering of any kind will not be permitted at or within a five-block radius of a sports facility without authorization of the relevant sports team(s). It makes little sense, and would contravene the intent of the law, to ban in-person wagering but allow wagering at a lottery terminal. Allowing lottery terminals to accept in-person sports wagers within the five-block radius would further reduce the value of a sports facility license and lower the chance a sports facility or its designee could justify a $10 million license fee.

The Illinois Lottery Request for Information, issued September 17, 2019, foretells the Lottery's interest in heavy involvement in sports betting. Following the pilot program authorized by the Act, the Lottery intends to expand its operations seeking to entice sports fans to place bets at thousands of lottery terminals statewide. Left unchecked, this could include terminals within five blocks of a sports facility(ies) and result in another major source of wagering saturation in the State.

3. *Sports Wagering at OTB Locations.*

The policy intent of the Act as outlined in Section 25-65, requires written authorization from the relevant sports team to offer in-person wagering at or within a five-block radius of a sports facility. As such, the Rules should confirm organizational licensees may not offer in-person wagering at any affiliated inter-track wagering locations located within the restricted five-block radius of a sports facility unless authorized by the relevant sports team(s).

B. **Provide for Statewide Validity of In-Person Registration.**

The Act requires an individual to create a "sports wagering account" in person at the licensee's facility to participate in online wagering. This requirement is in effect until an online only license is issued under Section 25-45, and then the individual can create a sports wagering account online. Sports betting at sports facilities may be operated by a designee who is required to hold a master sports wagering license (*i.e.,* riverboat or casino companies) and for whom individuals may have created sports wagering accounts at the riverboat or casino location. The Rules should clarify that a sports facility designee may permit ***all*** of its Illinois sports wagering account holders, regardless of the physical location of registration, to access the designee's online or mobile platform without having to register once for the designee's sports facility license and again for the designee's original master sports wagering license.

As long as the designee has a statewide license, the Rules should allow the sports facility and its designee to work together to facilitate Statewide use of registrations collected at a licensed sports facility, i.e., to permit: (i) physical registrants at or within the five-block radius of a sports facility; and (ii) physical registrants at the designee's other locations (*e.g.,* its riverboat facility); seamless access to the designee's online and mobile sports betting platforms.

If Illinois is to effectively compete with illegal sports wagering, the State needs to allow portability of sign-ups with an already-licensed operator. There is no justification for requiring users to register twice with the same designee. Such clarity and facilitation of access helps ease customers move from illegal betting markets to those the State has authorized and will therefore enhance revenues to the State.

As a corollary to this, the designee need only operate one online platform. If, for example, the designee is Casino A, then Casino A need not have separate online sports wagering for individuals who register at the sports facility and those who register at Casino A's casino. Rather, an individual who registers with Casino A at either location can, assuming the relevant sports team has approved as it relates to those who registered at the sports facility, place a sports wager on Casino A's online platform. No legitimate purpose is served by requiring Casino A to maintain two separate online platforms and the Act does not require such separation. This will also avoid customer confusion if the designee's brand is associated with both registration locations and offer the practical efficiency to both the designee and the customer so one registration with a particular licensee is sufficient.

C. **Permit Multiple Outposts within a Sports Facility's (or its Designee's) Footprint.**

The Rules should confirm a licensed sports facility or its designee is permitted to place physical wagering locations in any space owned, leased or otherwise controlled by the sports facility or its designee within the five-block radius. Allowing multiple wagering locations is important to the stadium experience and doing so creates no risk to the public since the facility has the greatest incentive to protect the integrity of the fan experience and determine the optimal number of locations. Like an integrated casino resort, where the operator can decide how to optimize wagering locations to appreciate traffic flows, sports facilities have multiple gates and adjacent spaces highly integrated with the game day experience. Much like a casino would approach the layout of its gaming floor; sports teams know how to best manage the fan experience and affording them this flexibility will help maximize the experience and therefore the revenue to the State.

D. **Sports Facility Branding for Internet Operations.**

A sports facility or its designee operating under the Section 25-40 license must conduct internet operations "under the same brand as the sports facility is operating under, the brand the designee is operating under, or a combination thereof." Section 25-40(h). The Rules should confirm the sports facility brand may be the team name, the name of the facility naming rights designation or any other name designated by the sports facility.

E. **Biometric Data Use.**

No master sports wagering licensee may use an athlete's biometric data without permission from the athlete's "exclusive bargaining representative" (Section 25-80). Because the teams will use biometric information in the regular course of business and conduct of team operations, the Rules should clarify a team's otherwise legal use of biometric data in its non-sports wagering business is not a violation of the Act, even if a team becomes a licensee. For example, if a team were to hold a master sports wagering license, the Rules should clarify the team is not precluded from use of an athlete's biometric data (*e.g.*, heart rate, blood pressure, etc.) in the ordinary course of its business and athletic performance and evaluation. Such use would of course not involve the transfer of any such data in a way which could intentionally impact sports betting in practice. Legal use of biometric data does not violate the Act and nothing in the Act should limit, restrict or hinder in any away, each team's respective collectively bargained rights, workers compensation laws and/or any other rights emanating from its player contracts, releases and/or settlements.

III. **TECHNICAL LICENSE CONSIDERATIONS.**

A. **Designees.**

The Act permits a master sports wagering license to be issued to a sports facility or its designee. But importantly, the designee may act only pursuant to permission of the team (Section 25-65). Under the Act, "sports facility" means a facility which hosts sports events and holds a seating capacity greater than 17,000. Because this definition references a "facility" and not the legal entity operating the facility, it leaves open the question of who controls the right to own and renew a master sports wagering license granted to a "sports facility" under the Act. Sections 25-40 (b) & (e). The Rules should clarify:

1. *Sports Teams' Authority to Choose/Change the Designee.*

The Act permits a master sports wagering license for a sports facility to be issued to a designee. The need for a designee arose because of potential league restrictions on a team's holding a gaming license. In other words, the Legislature's decision to allow *designees* to hold the sports facility license reflects its intention to accommodate the restrictions placed upon the team(s) operating the sports facility and not the owners of a sports facility which were never subject to league restrictions. In any event, the Act provides that a "sports facility" may apply for a license (Section 25-40(b)), however a sports facility is not a legal entity and cannot hold a license. We believe the intention of the Act was for teams to hold the license if the leagues allow and otherwise for the teams to select and direct all designees. The Rules should clarify the entity entitled to hold the master sports facility license under Section 25-40 is the team(s) operating at the sports facility.

2. *Management Services Provider License.*

A master sports wagering licensee, such as a sports facility or its designee, may enter into an agreement with a management services provider ("**MSP**") to conduct its operations. Section 25-55(a). Sports facilities (in our view the teams) are allowed to contract with a "designee" to hold the license in large part due to potential restrictions on the teams holding such license. The MSP provisions further state "a person who shares in revenue shall be licensed under this Section", i.e. licensed as a management services provider. Section 25-55(d). This provision was intended to require management service provider licenses for those who provide technical services to the facility or its sports betting operation, not to require additional licenses or IGB license level reviews of a team or sports facility which has not otherwise applied for a master sports wagering license. The Rules should confirm this.

Moreover, if the team or facility operates as a landlord and allows a designee to rent space, but is not otherwise involved in the sports betting operation, there is little need to research or regulate the facility or team ownership. In fact, it would be contrary to the intent of the Act to require the team/facility to pay an additional license fee to obtain a management services provider license when: (a) it is not providing any management services; and, (b) the facility or its designee has already paid $10 million to obtain a master sports wagering license. The Rules should clarify Section 25-55(d) does not apply to sports teams/facilities.

3. *Transfer of License to a New Designee.*

The sports facility/team owner must have the ability to replace the designee from time to time or, if league rules eventually permit, to hold the license itself. Of course, for any such change, the IGB must be notified and permitted to conduct appropriate investigations and grant any necessary approvals. This type of change, however, should not affect the ongoing validity of the license. In particular, this type of change should not result in the IGB permitting another applicant to apply for the license (*i.e.* losing the sport facility's original place in line), nor should it require payment of any additional fee. Rather, this type of change should be handled like a change in equity interests in a licensee, even if the license itself is transferred. Unlike the Video Gaming Act, the Act does not prohibit the transfer of licenses and a transfer is not a statutory basis for beginning a new application process under Section 25-40(c).

4. *Transfer of License in the Event of Team Sale or Relocation.*

In the event the sports facility is no longer used or the team relocates (either permanently or temporarily) to a new facility within the State, the license should follow to the location within the State where the team is playing a majority of its home games. It makes no sense to tie a license to a facility which is no longer used for professional sports or other major sporting events. Nor does it make sense to require a new, $10 million license fee for use of an existing license in a new location. The Rules should clarify this.

Further, for the avoidance of doubt, if a team moves to a new location within the State, its license should move with it without the need for an additional $10 million license fee and without risk of losing the license under the first-come, first-served provisions.

B. **Determine When an Application is Complete for Purposes of "First-Come, First-Served" Rule.**

The Act permits the issuance of seven master sports wagering licenses for sports facilities. The Act further provides, if "more than 7 qualified applicants apply" for the licenses, "the licenses shall be granted in the order in which the applications were received." Section 25-40(c). At the time an application is submitted, the IGB may not know with certainty whether an applicant is "qualified." Given the time and cost to the IGB of investigating an application, an application should be considered "received" for the purpose of securing a place in line once the application is substantially complete, *i.e.* the applicant has provided a response to all questions in application. An applicant should not lose its place in line because the IGB asks for additional or clarifying information.

C. **Determine Timing for Payment of the License Fee.**

The "initial license fee" for a master sports wagering license, valid for four years, is $10 million. Unlike other instances in the gaming statutes, the Act does not specify when or under what conditions this fee is to be paid. The initial license fee should be payable in full only upon the licensed facility being operational and the removal by local jurisdiction of applicable restrictions on sports wagering operations. In addition to the license fee, a refundable deposit (or a deposit credited against the $10 million fee) may be appropriate to defray investigative costs.

This is consistent with the terminology used throughout the gaming statutes. The gaming statutes differentiate between "application fees," which are generally due with filing an application, and "license fees." For example, as revised by P.A. 101-0031, Section 6(d) of the Illinois Gambling Act (formerly the Riverboat Gambling Act) requires payment of a non-refundable application fee of $250,000 and an additional $50,000 to defray investigative costs, which are paid at the time the application is submitted. By contrast, other "licensee fees," including initial reconciliation payments owed by new owners' licensees under Section 7 of the Illinois Gambling Act, are due upon issuance of the license. To maintain consistency with this distinction, the initial license fee charged to a master sports wagering licensee should be paid upon issuance of the license, removal by local jurisdictions of applicable restrictions on sports wagering operations and the licensed facility being operational.

If the IGB opts to require an initial deposit, it is critical for any such deposit to be credited to the ultimate license fee and, if for some reason the license cannot be issued (other than fault of the applicant), the initial

deposit be refundable, particularly as a separate "application fee" is not authorized by the Sports Wagering Act.

D. **Zoning and Local Approvals.**

It is anticipated local governments will enact or amend various ordinances to permit gaming activities. Because the Act did not preempt home rule authority, these ordinances are necessary for the conduct of gaming activities, regardless of whether the IGB issues a license. For example, the City of Chicago currently bans sports wagering and other gaming and would need to change its local ordinance to allow the sports facility licensee to operate.

Recognizing the State's desire to implement the Act as expeditiously as possible, the IGB should accept applications and proceed with the investigative process while, concurrently, the local government is moving forward with ordinances.

The license itself would be contingent on local government removal of any applicable restrictions and a licensee would not be operational until and unless these local restrictions are removed. Once the local restrictions are removed, the license fee should be due and paid, and then the license should automatically issue. This is another reason the license fee should be payable upon the licensee being operational.

E. **Definition of a Block.**

The Act defines a sports facility's territory as being "within a 5-block radius" of the sports facility. The Act does not define "block." This could also lead to confusion because while a "radius" is a circular dimension, a block is typically a square dimension. Clearly, the Act intended the curved dimension as the radius or it would just have said "within five blocks" of a sports facility. Nonetheless, leaving "block" open to interpretation would give rise to confusion and potential enforcement challenges. While some might consider a block to be the space between streets, streets are not uniform in direction or frequency. Consider, for example, the area around Wrigley Field and the United Center: Diagonal streets like Clark Street and Ogden Avenue create numerous "stub" or partial blocks.

It would be easiest on the IGB, local governments, licensees, and other stakeholders to have a common and consistent definition of a block applied universally for purposes of the Rules regardless of the specific sports facility. The City of Chicago, for example, defines a standard city block as 660 feet, which would work well when applied to this circumstance. (See, e.g., Chicago Department of Transportation definition https://www.chicago.gov/content/dam/city/depts/cdot/Public%20Way%20Regulations/RegsForOpenings ConstRepairPublicWay.pdf). Zoning ordinances also typically prescribe limitations by feet, and feet can be universally measured and applied in all directions. So applied here, the five-block radius would be 3,300 feet from the sports facility property in any direction. For the avoidance of doubt, any building or structure located all or partially within this radius would be excluded from sports betting without authorization of the relevant team(s).

The IGB solved a similar challenge by rule when counting "positions" for riverboats and casinos: The IGB set uniform measurements for each slot and table game, irrespective of the actual number of seats, which would necessarily be peculiar to the type of game and therefore difficult to administer. Additionally, the prohibition of VGT proximity to restricted locations is measured in feet, in order to ensure consistent application of the rule.

CONCLUSION

We appreciate the opportunity to submit our comments and suggestions as to what should be included in your emergency and proposed rules. We are happy to discuss further. If you have any questions regarding our suggestions, please let us know and we can follow up with additional information.

Thank you again for your time and consideration.

[redacted]

Donna B. More

DBM:j
Enclosures

BUSINESS

Buffalo Wild Wings adds sports gambling in partnership with MGM Resorts

Restaurant chain will test sports wagering in some of the chain's New Jersey locations.

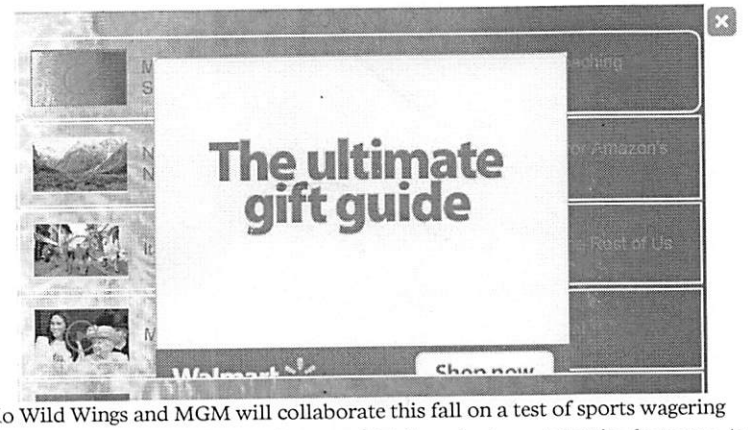
By John Ewoldt (http://www.startribune.com/john-ewoldt/10644811/) Star Tribune

SEPTEMBER 5, 2019 — 6:12PM

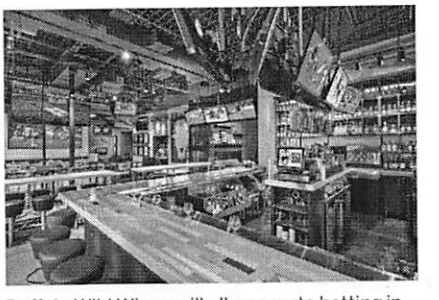
Buffalo Wild Wings, one the country's largest sports bars, is adding sports betting to the menu.

The Golden Valley-based restaurant chain on Thursday said it is working with MGM Resorts International and its Roar Digital venture to bring sports betting to locations in states where it is allowed.

Customers will be able to start playing as soon as Thursday with a mobile-based, football-themed game that offers free trips to Las Vegas and Atlantic City.



Buffalo Wild Wings and MGM will collaborate this fall on a test of sports wagering inside some of its locations in New Jersey, which launched sports betting last year. And also this football season, Buffalo Wild Wings will begin showing custom sportsbook content on TVs in some locations, with live odds provided by Roar Digital's BetMGM service.



Buffalo Wild Wings will allow sports betting in some of its restaurants this fall, relying on a partnership with MGM Resorts International.

"Our partnership with Buffalo Wild Wings is an important development in MGM and Roar's position as the leader in sports entertainment and betting," Jim Murren, chief executive of MGM Resorts, said in a statement. "With more than 1,200 sports bars across the country, Buffalo Wild Wings is firmly established as a 'go to' venue for sports viewing."

As part of the deal, Buffalo Wild Wings will open at least three restaurants in MGM properties or in partnership with BetMGM as more states legalize sports betting.

Buffalo Wild Wings has a long history of capitalizing on the popularity of sports on TV, the internet and cellphones. Shortly after a Supreme Court ruling last year opened the door for states to allow sports betting, executives at Buffalo Wild Wings said they would look for ways to incorporate it (http://www.startribune.com/buffalo-wild-wings-signals-interest-in-sports-betting/490501811/) into their restaurants.

Since that ruling, 18 states have legalized online sports betting, including Illinois, Indiana, New Jersey, New York and Montana. It began in Iowa (http://www.startribune.com/iowa-baby-iowa-legal-sports-betting-begins-across-the-border-today/544699482/) last month. Another 18 states are expected to pass it in 2020 or 2021.

Minnesota does not yet allow it and is among a dozen states not yet considering it, according to the Action Network (http://www.actionnetwork.com) , a sports analysis media company. Legislators briefly considered it (http://www.startribune.com/some-lawmakers-want-legal-sports-betting-in-minnesota-but-opposition-will-be-fierce/504771992/) earlier this year but the Minnesota Indian Gaming Association opposed any action.

Buffalo Wild Wings was purchased last year for $2.9 billion by Atlanta-based Inspire Brands, which also owns Arby's.

John Ewoldt is a business reporter for the Star Tribune. He writes about small and large retailers including supermarkets, restaurants, consumer issues and trends, and personal finance.

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From:	Corey Wise
To:	IGB.SportsRuleComments
Cc:	Laura McAllister Cox
Subject:	[External] Sports Betting Comments
Date:	Friday, September 27, 2019 4:35:15 PM
Attachments:	Sports Betting Comments.pdf

Please see the attached comments from Rivers Casino on Sports Betting.

Thank you,
Corey Wise

RIVERS CASINO

September 27, 2019

Marcus Fruchter
Administrator
Illinois Gaming Board
160 North LaSalle, Suite 300
Chicago, IL 60601

Re: Industry Comments on Recently Enacted Sports Wagering Act

Dear Mr. Fruchter:

On behalf of Midwest Gaming & Entertainment, LLC d/b/a Rivers Casino ("Rivers"), we thank you for the opportunity to provide input regarding proposed rules and other comments relevant to the Illinois Sports Wagering Act (the "Act") rulemaking process. Rivers is affiliated with three casino properties in Pennsylvania and New York which are currently operating retail sportsbooks and in the case of Pennsylvania, mobile sportsbooks as well. Rivers is also affiliated with Rush Street Interactive, an online platform provider, which operates mobile sports wagering in New Jersey, Pennsylvania, Colombia South America and, soon, in Indiana. Rivers has been able draw upon the experience of these affiliates to provide the following comments.

Account Signups

While the Act provides for wagering on sports "over the internet or through a mobile application," Section 25-35(d)(2), it requires that individuals must create a sports wagering account in person at a facility licensed to conduct sports wagering before participating in sports wagering. Section 25-35(f). This requirement could result in a negative customer experience for those individuals who have time sensitive schedules or an aversion to lines and/or crowds, especially if they seek to create such an account at a facility on particularly popular days, such as a Sunday during football season or before a high profile event like the Super Bowl or NCAA Tournament. For the state of Illinois to maximize revenues, we feel it is important to reduce as much friction as possible from the account creation process. Accordingly, Rivers suggests that the Illinois Gaming Board (the "Board") permit sports wagering license holders to establish certain procedures designed to expedite the customer account creation process. Specifically, Rivers asks that the Board allow customers to pre-populate and submit the information needed to set up their accounts over the internet or through a mobile application, as well as allow licensees to use their existing players card system data to pre-populate account information for those customers who elect this option. Doing so would make the process more efficient for patrons once they arrive at the licensed facility where they will have their

identification validated before creating the actual sports wagering account. Ultimately, this will offer a better customer experience for all involved and lead to better results for the industry and the state. In all cases, the pre-populated information submitted could not be activated to create an account until the customer visits the facility to get validated and complete the account-creation process, thereby complying with the requirements set forth in Section 25-35(f).

Wagering Locations

In the Act, the legislature provided that sports wagering may be conducted by a licensee anywhere "at its facility in this State that is authorized to conduct gambling operations under the Illinois Gambling Act" Section 25-35(d)(1), and wisely did not limit the locations where such wagering may be conducted. Rivers agrees that the flexibility to allow ticket writing and redemption in various areas of the casino facility will better ensure an optimal customer experience during high-traffic days and times. Accordingly, Rivers asks that the Board allow licensees the ability to conduct sports wagering throughout the facility, including: (1) through electronic kiosks placed anywhere on the gaming floor; (2) through electronic kiosks placed inside the facility but off of the gaming floor, subject to the Board's permission; (3) by allowing ticket writers to work at the players card or other satellite locations; and (4) by allowing the cage cashiers to redeem winning tickets and accept cash deposits/withdrawals when necessary.

Lab Approvals and Certifications

Rivers believes that the Board should implement a process which allows for the expeditious yet rigorous testing and certification of all technology central to a licensee's sports wagering operation, including lab certification to the GLI-33 standard. Because many industry platforms have already met these criteria and achieved such licensure in other states, Rivers believes that the Board should accordingly allow for an expedited approval process for any platforms or other technology that has already achieved the certification level required by the Board.

As sports wagering is a real-time offering that requires real-time changes and updates to odds and wagering options, Rivers suggests that the Board implement procedures that allow for licensees to have the necessary flexibility to properly conduct this operation. Specifically, Rivers asks that the Board implement a flexible Change Management Process that would allow for expedited approvals of release notes, software updates and upgrades. The process would also allow licensees to make immediate and emergent changes to the platform as necessary to ensure the integrity of the product and a positive customer experience. Given the timeliness with which these actions must take place, it is recommended that lab approvals not be required for such updates or changes.

Wagering and Bonus Approvals

The Board will be maintaining an approved list of events on which wagering is possible and the types of wagers allowed on such events. Accordingly, Rivers asks that the Board create a process that streamlines these approvals and post a list of all approved events and wagering options, similar

to the "Approved Games" list that can be found within the "Casino Gambling" section of the Board website, allowing for a system in which approval for one licensee's submission allows any licensee to conduct such wagering. This would streamline the process, resulting in reductions in approval requests and allowing for same-day approvals.

Similarly, it is recommended the Board create a process that streamlines approvals of promotional bonuses offered to customers. Specifically, the Board should allow for these promotions to be approved once and made applicable to any permissible sports event, especially since online operators frequently need to react in near real time to sporting event outcomes to ensure the players' expectations are met. Rivers also suggest the Board not require additional system testing prior to authorizing specific promotions.

Finally, it is recommended the Board make clear that the Act's restriction on wagers on "a sports event involving an Illinois collegiate team" applies only to actual contests involving such a team, rather than an entire tournament or other event involving multiple games.

Betslips

It is recommended The Board allow for betslips to contain multiple wagers if licensees choose to do so. Such an allowance would: (1) reduce paper usage; (2) reduce the likelihood of a customer losing a betslip; and (3) expedite the in-person betting process, thereby creating a better customer experience.

Licensing

a. Vendors

Insofar as the technology and services that they provide, sports wagering vendors (as defined in Section 25-20(a)(2)-(6)) are quite distinct from other gaming vendors who supply other gaming equipment. For example, vendors who supply payment processing technology, digital marketing services, or affiliate referrals need not be treated identically to other gaming vendors. The Board may consider the creation of new levels of licensure to reflect this reality. The Board should consider: (1) undertaking an expedited initial review of each vendor applicant's offerings to quickly determine the level of licensure required; (2) granting licensure to vendors who have been licensed in other jurisdictions with equally stringent licensing requirements (see Sections 25-50(b), 25-55(b)); and (3) limiting the licensure of individuals to those with significant responsibility, rather than requiring individual software engineers to be licensed. These online vendors may have dozens of engineers with access to various parts of sensitive systems. To require licensing of each one could create an administrative and unnecessary burden for the Board.

b. Employees

Because employees will be learning an entirely new line of business, Rivers recommends the Board allow for sports wagering employees to train (including the set up and use of temporarily authorized gaming equipment) while their licensure is pending. Rivers further asks that the Board structure

employee licensure in a manner that allows for operational flexibility once sports wagering has commenced, including allowing for dual-rate ticket writers and supervisors as well as allowing cage cashiers to work as ticket writers if and when necessary.

Hiring

Rivers asks the Board to provide the option for the licensee to hire management roles for the sports wagering operation in advance of the approval of sports wagering internal controls. Based on experience in other markets, having leadership for this specific channel of wagering in place well in advance of launch provides for a more effective and efficient development, training and implementation process.

Training

Rivers believes that the Board should allow for ticket writing terminals and kiosks to be used for training purposes while pending approvals. In order to timely train staff to properly implement this new line of business, licensees shouldn't be made to wait until the platform has been certified and all necessary vendors licensed. Such an approach would be consistent with the treatment of point of sale systems, given that the equipment will not be used for actual wagering purposes until all licenses and certifications are obtained. Further to this effort, the Board should create a temporary certification process that would allow for in-person trainers from certain vendors to train employees on the gaming floor and on real equipment prior to final certification.

Financial requirements

Rivers asks that the Board require cash audits and reconciliation to occur on a weekly or monthly basis to allow for efficient settlement of sporting outcomes for a duration longer than a single day. Moreover, Rivers asks that the Board permit a licensee to establish a single cash reserve for the combined online and retail sports wagering channels, with the bank account being held by the licensee to ensure maximum comfort/confidence to players and to insure for the state of Illinois that the funds necessary will always be on hand in a bank account controlled fully by the licensee.

We appreciate this opportunity to provide our comments and we look forward to working further with the Board on the rulemaking process.

[redacted]

Corey Wise
Senior Vice President and General Manager

From:	Leonard, Bart (Capita Software)
To:	IGB.SportsRuleComments
Subject:	[External] Sports Wagering Act - Public Comment
Date:	Friday, September 27, 2019 4:56:00 PM
Attachments:	image001.png image002.png Illinios Gaming Board - Sports Wagering Act.pdf

Hello

We wanted to submit a brief commentary about our experience in the betting sector and items which should be considered if not already.

Thank you

Best regards,

Pay360
Bart Leonard
Sales Director
Cell: [redacted] **(US) Mobile: +44 (0)7740 530 479 (UK)**
Pay360, part of Capita Software

Visit the website | Follow us on Twitter | LinkedIn
Watch: https://www.youtube.com/watch?v=E6AHz6zDecM&feature=youtu.be

To: Illinois Gaming Board

Re: Illinois Sports Wagering Act

Pay360 is a payments and risk company which has supplied the European gaming market with services for over 10 years. We wanted to take the opportunity to ensure the Board considers the areas, which are causing the most public concerns in Europe as they will translate to the US.

You might be aware that in Europe:

- Based on industry statistics, 2.1% of all sports betting account logins are now fraudulent, as are 4.6% of new account creations and 3.5% of all payments.
- Statistics show that 3-5% of all gamblers have an addiction issue and 4-5% of youths aged 12-17 meet the criteria of gambling addiction.

Any online sports betting strategy should incorporate several key strategies.

A. Player authentication and fraud management

Most sports betting organizations focus on fraud as a measure of login credential protections or securing card data on their gamblers, but a new class of organized fraud rings working collaboratively across the globe pose a major threat. They are using bots to hack into existing accounts or create new ones. Worldwide, Russian, Ukrainian and Iranian criminal elements are already attacking online betting sites.

For this reason, it is critical that sports betting operators robustly authenticate online and in-app users to help avoid money laundering and fraud.

B. Problem Gambling

Gambling addiction is a serious issue in the US and around the world. Approximately 2 to 3% of the gamblers in America have an addition problem and this is set to grow as betting becomes legal across the US. In the UK, where gambling has been legal for many years, a recent study found that problem gamblers are 15X higher risk of suicide.

It is imperative that Illinois private operators recognize the challenges of controlling and monitoring problem gamblers in an Internet based gaming/sports environment, where betting is significantly different than managing problem gamblers in land-based casinos. Furthermore, that they be proactive in their monitoring so they can detect issues before they become serious problems. A reactive strategy is not nearly as effective.

You can learn more at Pay360's website on gaming (https://www.pay360.com/sectors/gaming).

From: Mike Roselli
To: IGB.SportsRuleComments
Subject: [External] Input on Illinois Sports Wagering Act
Date: Friday, September 27, 2019 6:19:06 PM

Hi,

I am a Chicago-based attorney and current member of the inaugural class of the University of New Hampshire School of Law's Sports Wagering and Integrity program.

Throughout the past several years I have familiarized myself extensively with the sports betting industry from a legal and operational perspective. After learning from various industry leaders and studying the intricacies in different states' sports betting laws, there are several concerns I have with the Illinois Sports Wagering Act.

The main point that I want to make here is that there seems to be a widespread misunderstanding by lawmakers around the country (Illinois included) regarding how low-margin of a business sports betting really is. With a low hold percentage on bets and the need to pay operational and labor costs, sports wagering is not as much of a big-money business that many believe it to be. Taking a look at the monthly Nevada casino figures illustrates this point.

By restraining future sportsbook operators here in Illinois through exorbitant licensing fees and burdensome tax rates, I am afraid that with the way the current Illinois law is written, operators here in Illinois will be hamstrung, especially early on when it is most important to grow and innovate. This is an exciting and burgeoning market, and restricting operators early on here in Illinois will have less-than-ideal consequences down the line.

With more restrictive regulations making it difficult for operators to function, the consumer is going to suffer as a result. Perhaps the oddsmakers will offer more vigorish on betting lines or perhaps they will be less likely to offer more innovative betting options to consumers, but something will have to give. As a result, Illinois customers will continue to look elsewhere in the black market and on offshore websites as they have done in the past (or even by traveling across state lines to neighboring Indiana and Iowa, two states with less restrictive laws). This will only serve to thwart additional revenue for the state.

Even more importantly, since restricting operators is going to harm the consumer, it is also going to impact game integrity. By driving action away from the legal, regulated market via higher taxes and burdensome regulations for operators to follow, more money will continue to be wagered on games in the black market. It is extremely difficult to track this type of action, as data integrity monitoring services are not be able to catch on to irregular betting patterns in wagers made in the black market. By driving more action to the regulated market, the Board will be able to more effectively monitor betting patterns and spot potential match-fixing issues, which is next to impossible when the action is driven offshore and into the black market.

An 18-month in-person mobile registration requirement is also a troubling aspect of the Illinois bill. This restriction does not serve a useful purpose and instead will only curb potential consumers (particularly young ones) from signing up and participating in the regulated market. One only needs to look at the impressive handle in the state of New Jersey

(which has no in-person registration requirement) as an example. It is naive to think that young adults are not going to find other, easier avenues on their mobile devices to place bets, whether it be on offshore websites or via the black market. The 18-month in-person registration requirement is only going to hamper state revenue.

I also believe that language in the bill calling for the use of official league data to settle certain types of wagers is a mistake. By all accounts, this aspect of the bill was taken from the haphazard Tennessee law without much thought. There is no precedent for something like this and it will only serve to create a Pandora's Box.

The state of Nevada has been offering legalized sports betting within their borders for decades and serves as the perfect model for new states to follow. The Illinois Sports Wagering Act is too complicated the way it is written. There are too many hands in the cookie jar and as a result, operators are not going to be afforded enough wiggle room to operate successfully, especially early on when it is most important for them to launch and attract new customers. This is only going to continue to drive action out of the state and into the offshore and black markets, which is not only going to increase integrity issues in our games, but also keep valuable state revenue away from the citizens of Illinois.

I strongly urge the Illinois Gaming Board to craft rules and regulations that allow operators with more leeway, and to reconsider some of the aspects that I have highlighted above.

Thank you very much for your time and consideration.

Best regards,

Michael R.

--
Michael M. Roselli
Attorney at Law
mroselli3@gmail.com
630.254.6706

From:	winkofskye@gtlaw.com
To:	IGB.SportsRuleComments
Subject:	[External] Illinois Sports Wagering Regulations
Date:	Friday, September 27, 2019 7:42:18 PM
Attachments:	image001.png Illinois - Sports Wagering Regulations Memo 9 27.docx

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All –

I am attaching here a memorandum on sports wagering regulation submitted jointly by FanDuel and DraftKings. I have had the good fortune to work with both of these companies over the years and have had the privilege of watching them evolve from true technology startups to mature, robust, compliance- and consumer- committed regulated sports wagering and daily fantasy sports operators. They have lead the way in the regulated markets since the Murphy decision, and I hope you take the opportunity to consider the value of their recent experience and depth of expertise. They are happy to answer any follow up questions and hope to be a resource to the Board staff as the Illinois market comes into view. Have a good weekend everyone.

Kind Regards,

Ed

Edward R. Winkofsky
Shareholder

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GT GreenbergTraurig

Illinois Sports Wagering Regulations Memo

On June 28, 2019, Governor J.B. Pritzker signed into law a comprehensive gaming bill that became Illinois Public Act 101-0031.[1] In accordance with Section 25-15, the Sports Wagering Act ("Act"), of Public Act 101-0031, the Illinois Gaming Board ("Board") was vested with the authority to regulate the conduct of sports wagering in the state of Illinois. In order to carry out this duty the Board may "…adopt any rules the Board considers necessary for the successful implementation, administration, and enforcement of this Act . . . ."[2]

On behalf of DraftKings Inc. ("DraftKings") and FanDuel Group Inc. ("FanDuel" and collectively, the "Companies"), we provide the below recommendations for appropriate, reasonable regulations for the Illinois sports wagering market. The Companies have established themselves as leaders in the United States sports wagering industry and these comments are provided based on their respective experiences in multiple regulated sports wagering markets. The Companies appreciate the opportunity to provide these insights to the Board on critical issues that can be effectively and efficiently addressed through rulemaking and stand ready to be a resource for the Board should it desire further input.

Consistency Among Regulations

To date eighteen (18) states and jurisdictions have authorized sports wagering in the United States. Sports wagering operators, including DraftKings and FanDuel, work to give their customers a high quality, uniform user experience across jurisdictions – particularly in the mobile sports wagering market – by offering a single application and user account across jurisdictions while ensuring compliance with federal and state-specific laws and regulations. Consistency of regulations across state lines is critical to ensuring that operators have the ability to enter a new market, go live in a timely manner, and offer a product that the customers expect and to which they have grown accustomed. This consistency helps ensure strong customer participation in the regulated sports wagering market, maximizing tax revenue to the jurisdiction, while at the same time ensuring that the platform has established and tested consumer protection, data protection, and general compliance and security features an engaged regulatory authority would demand.

Illinois is positioned to be an early sports wagering adopter while simultaneously having the benefit of learning from the experience of other jurisdictions that have already implemented sports wagering programs. The Board can look across the country at other state regulatory frameworks and adapt those successful regulations that have been effectively implemented elsewhere into the Illinois regulatory framework.

It has become clear, in just over one year of operation, that New Jersey has established itself as a leader in the sports wagering space. Accordingly, New Jersey's sports wagering regulations provide a useful baseline when establishing regulations in Illinois. Other states also provide strong regulatory frameworks for the Board, as demonstrated in this memo, but as the first regulated online commercial sports betting market to open following the Supreme Court's May 2018 ruling invalidating the Professional and Amateur Sports Protection Act of 1992, and the state with the deepest experience regulating online gaming, New Jersey's regulations were specifically designed with a mobile sports

[1] Sports Wagering Act, 230 ILCS 45/25-1 (2019).
[2] 230 ILCS 45/ 25-15(b).

wagering market in mind. The New Jersey market has proven to be safe, secure, engaging for customers, and helped New Jersey maximize its tax revenue in connection with sports wagering.

Sportsbook Branding

As the United States sports wagering industry continues to expand, many customers seek out preferred national sports wagering operators when selecting a regulated sportsbook. As New Jersey has demonstrated, through partnerships with casinos and racetracks, these operators have come into the market and offered attractive products to customers that help maximize customer participation. The ability to offer a sportsbook product using well-established and familiar operator brands, such as DraftKings and FanDuel, is a critical tool in driving customers away from the illegal to the regulated market. The Legislature appears to have acknowledged the importance of branding in the Act in Section 25-40, as it applies to master sports wagering licenses issued to sports facilities:

> *(h) The sports wagering offered by a sports facility or its designee over the Internet or through a mobile application shall be offered under the same brand as the sports facility is operating under, **the brand the designee is operating under**, or a combination thereof.[3] (emphasis added)*

While sportsbook operators have the ability to offer their mobile products exclusively under their own brand names as the designee of a sports facility, the Legislature did not grant unrestricted use of a sports wagering operator's brand in Section 25-30 (master sports wagering license issued to an organization licensee) and Section 25-35 (master sports wagering license issued to an owners licensee) of the Act:

> ***Section 25-30***
> *(e) The sports wagering offered over the Internet or through a mobile application shall only be offered under either the same brand as the organization licensee is operating under or a brand owned by a direct or indirect holding company that owns at least an 80% interest in that organization licensee on the effective date of this Act.[4]*

> ***Section 25-35***
> *(e) The sports wagering offered over the Internet or through a mobile application shall only be offered under either the same brand as the owners licensee is operating under or a brand owned by a direct or indirect holding company that owns at least an 80% interest in that owners licensee on the effective date of this Act.[5]*

A plain reading of the statute indicates that the Legislature was concerned with the possibility of a master licensee using its online offering as an independently branded "skin" without featuring the facility's own brand, as has been permitted in other jurisdictions. In those regulated markets, including New Jersey, licensees can partner with individually branded mobile operators to offer products under the mobile operator's brand name with no clear nexus identifying the licensee to the consumer. The co-branding of mobile and retail sportsbooks at casinos and racetrack facilities with their associated

[3] 230 ILCS 45/ 25-40(h)
[4] 230 ILCS 45/ 25-30(e)
[5] 230 ILCS 45/ 25-35(e)

management services provider is permissible under the Act and should be explicitly provided for by regulation. Co-branding has been a model embraced by other jurisdictions, such as West Virginia, Pennsylvania, and Nevada, and has helped strengthen the sports wagering market by attracting customers to nationally known brands that customers have grown to know and trust, while making clear that there is a partnership and affiliation with a local facility. As an example, see the below screenshot of a co-branded sportsbook application in the state of West Virginia, featuring the local facility while also using the mobile operator's brand:

Regulations confirming that sports wagering operations may be co-branded, and in doing so, further clarifying the rules and standards governing permissible co-branding will help ensure the success of the Illinois sports wagering market. Absent the adoption of this clarification, only the brands under which the casinos and racetracks choose to operate their core businesses (or a brand the owners of those businesses otherwise own) would be permitted for sports wagering, a limitation that no other state has imposed to date. We suggest that Illinois' sports wagering regulations explicitly provide for co-branding as follows:

> ***Branding of Websites and Mobile Applications.***
> *(a) Each organization licensee issued a master sports wagering license may provide a website for sports wagering, and an accompanying mobile application, which may clearly and prominently display the branding of its management services provider, so long as the website or application also conspicuously displays either the same brand as the organization licensee is operating under or a brand owned by a direct or indirect holding company that owns at least an 80% interest in that organization licensee on the effective date of this Act.*
>
> *(b) Each owners licensee issued a master sports wagering license may provide a website for sports wagering, and an accompanying mobile application, which may clearly and prominently display the branding of its management services provider, so long as the website or application also conspicuously displays either the same brand as the owners licensee is operating under or a brand*

owned by a direct or indirect holding company that owns at least an 80% interest in that owners licensee on the effective date of this Act.

(c) Each sports facility issued a master sports wagering license, or its designee, may provide a website for sports wagering and an accompanying mobile application offered under the same brand as the sports facility is operating under, the brand the designee is operating under, or a combination thereof.

(d) Each online sports wagering operator issued a master sports wagering license may provide a website for sports wagering, and an accompanying mobile application, under the brand of the online sports wagering operator, a brand owned by a direct or indirect holding company that owns at least an 80% interest in that online sports wagering operator, its management services provider, or a combination thereof.

Licensing and Background Check Reciprocity

It is likely that many of the applicants seeking to enter the Illinois sports wagering market as management services providers and master sports wagering licensees will also be operating in other states where sports wagering has been legalized. As a condition of commencing operations, these management services providers and master sports wagering applicants will have in many instances been thoroughly vetted by other gaming jurisdictions. In order to conserve regulatory resources at a time when gambling expansion is putting these resources to work, Illinois should consider offering licensing reciprocity for these companies already approved to conduct business in other states that the Board deems to be acceptable jurisdictions. The Act provides the Board the flexibility to embrace the concept of licensing reciprocity:

Section 25-45. Master sports wagering license issued to an online sports wagering operator.
(d) To be eligible for a master sports wagering license under this Section, an applicant must:
(1) be at least 21 years of age; (2) not have been convicted of a felony offense or a violation of Article 28 of the Criminal Code of 1961 or the Criminal Code of 2012 or a similar statute of any other jurisdiction; (3) not have been convicted of a crime involving dishonesty or moral turpitude; (4) have demonstrated a level of skill or knowledge that the Board determines to be necessary in order to operate sports wagering; and ***(5) have met standards for the holding of a license as adopted by rules of the Board****.*

The Board may adopt rules to establish additional qualifications and requirements to preserve the integrity and security of sports wagering in this State and to promote and maintain a competitive sports wagering market. *After the close of the application period, the Board shall determine whether the applications meet the mandatory minimum qualification criteria and conduct a comprehensive, fair, and impartial evaluation of all qualified applications.*[6] *(emphasis added)*

Further, the concept of license reciprocity is specifically contemplated in the Act for certain license classifications:

[6] 230 ILCS 45/ 25-45(d)

Section 25-55. Management services provider license.
(a) A master sports wagering licensee may contract with an entity to conduct that operation in accordance with the rules of the Board and the provisions of this Act. That entity shall obtain a license as a management services provider before the execution of any such contract, and the management services provider license shall be issued pursuant to the provisions of this Act and any rules adopted by the Board.
(b) Each applicant for a management services provider license shall meet all requirements for licensure and pay a nonrefundable license and application fee of $1,000,000. The Board may adopt rules establishing additional requirements for an authorized management services provider. ***The Board may accept licensing by another jurisdiction that it specifically determines to have similar licensing requirements as evidence the applicant meets authorized management services provider licensing requirements.***[7] *(emphasis added)*

Section 25-50. Supplier license.
(a) The Board may issue a supplier license to a person to sell or lease sports wagering equipment, systems, or other gaming items to conduct sports wagering and offer services related to the equipment or other gaming items and data to a master sports wagering licensee while the license is active.
(b) The Board may adopt rules establishing additional requirements for a supplier and any system or other equipment utilized for sports wagering. ***The Board may accept licensing by another jurisdiction that it specifically determines to have similar licensing requirements as evidence the applicant meets supplier licensing requirements.***[8] *(emphasis added)*

The Board should embrace the concept of license reciprocity to ensure the efficiency of the sports wagering industry in Illinois. This was the route used by West Virginia in implementing its sports betting law. Rather than submit a full application and duplicate the same suitability review sports wagering operators had undertaken in New Jersey, West Virginia granted New Jersey operators initial reciprocity, affording the West Virginia regulators the ability to focus their efforts on state-specific product and technical requirements, as opposed to repeating the same suitability review process.

An efficient means of implementing this reciprocity through Rule definitions which the Board should consider is one that was included in the sports wagering bill that passed the Legislature in the state of Maine, which defined a "qualified gaming entity."[9] We recommend adding the following language:

Qualified management services provider. "Qualified management services provider" means a management services provider that conducts sports wagering in any jurisdiction in the United States pursuant to a state regulatory structure.

Qualified vendor. "Qualified vendor" means a vendor that sells or leases sports wagering equipment, systems, or other gaming items to conduct sports wagering and offer services

[7] 230 ILCS 45/ 25-55(a)-(b).
[8] 230 ILCS 45/ 25-50(a)-(b).
[9] L.D. 553 (129th Legis. 2019).

related to the equipment or other gaming items and data in any jurisdiction in the United States pursuant to a state regulatory structure.

Qualified online sports wagering operator. "Qualified online sports wagering operator" means an online sports wagering operator that offers online sports wagering in any jurisdiction in the United States pursuant to a state regulatory structure.

By providing an expedited licensing process for qualified gaming entities, the state can conserve valuable administrative resources while assuring appropriate suitability and minimizing delays in launching sports wagering. These pre-vetted entities would be eligible to promptly begin operating in Illinois, without needing to repeat the burdensome suitability demonstration prior to launch. This approach is an efficient way to license entities while maintaining confidence that they are suitable to operate. Nothing about this licensing process abrogates the Board's authority post-licensure.

Additionally, since many entities that will be seeking licensure in Illinois will already be licensed in other states, many of which have recently completed the licensing process, these entities will have already undergone extensive background investigations. This would serve to ease the administrative burden on applicants and the Board by accepting the investigation that was conducted in another jurisdiction and supplementing only where necessary. Relying on that investigation, which in most instances will have included fingerprinting, along with requiring an applicant affidavit attesting that there have been no material changes since the time of the investigation will ensure that the Board does not jeopardize the integrity of the Illinois sports wagering market in any way. Throughout a licensing process, applicants are required to provide accurate representations and if an applicant is found to have been misleading regulators, that can disqualify the applicant from licensure.

Temporary Licensing

In addition to license reciprocity, the Board should allow for temporary licensing. As Illinois establishes its sports betting marketplace, temporary licensing plays an integral role in appropriately vetting potential operators and giving regulators discretion to swiftly remove actors found unsuitable while simultaneously ensuring a timely launch to meet market and revenue demand in the State. By way of example, Indiana embraced the concept of temporary licensing for the equivalent of a management services provider in Illinois.

Similarly, temporary licensing has also been successfully implemented in New Jersey and Pennsylvania, which issue transactional waivers or conditional licenses to allow sports wagering operators to offer retail and online sports wagering in the state after an initial vetting process, but before the full licensing investigation is complete. This allows sportsbook operators to enter the market expediently, while providing the Board time to thoroughly evaluate applicants without the pressure of delaying the launch of the sports wagering market. As is standard with most forms of a temporary license, any sports wagering operation must operate in compliance with the state laws and regulations and must cease operations if found to be unsuitable for licensure. Further, by embracing temporary licensing the Board will remain in alignment with the Act and help ensure that the Illinois sports wagering market avoids unnecessary delays.

Multiple Partnerships

The Act provides several opportunities for management service providers to partner with master sports wagering licensees to provide sports wagering in Illinois. Potential management service providers, such as the Companies, may wish to partner with more than one master sports wagering licensee to provide sports wagering in brick-and-mortar or mobile environments. We recommend adding the following language:

> *A management service provider may contract with more than one master sports wagering licensee to provide online and/or in-person sports wagering. Such management service provider may operate a single sports wagering platform and/or account and wallet system on behalf of more than one master sports wagering licensee provided that such platform and account and wallet systems are consistent with this chapter.*

Multijurisdictional Forms

If the Board chooses to require full applications from management services providers and master sports wagering licensee applicants, one way to streamline the application process is to use the Multi-Jurisdictional Business Form (MJBF) created by the International Association of Gaming Regulators (IAGR). The MJBF allows business entities to complete a single form (with relevant riders that are applicable to a particular jurisdiction) that is accepted in multiple jurisdictions. Regulators in major gaming markets across the United States, including New Jersey, Michigan, Mississippi, and Nevada, accept the MJBF and it will serve to ease the administrative burden on the Board and avoid unnecessary delays in launching the Illinois regulated sports wagering industry. This is a useful tool even outside of the sports wagering market.

Suitability Review

The Act requires the Board to adopt licensing standards for all license categories. The Act requires that the Board establish rules in accordance with the following:

> *(b) An applicant for a license issued under this Act shall submit an application to the Board in the form the Board requires. The applicant shall submit fingerprints for a national criminal records check by the Department of State Police and the Federal Bureau of Investigation. The fingerprints shall be furnished by the applicant's officers and directors (if a corporation), members (if a limited liability company), and partners (if a partnership). The fingerprints shall be accompanied by a signed authorization for the release of information by the Federal Bureau of Investigation. The Board may require additional background checks on licensees when they apply for license renewal, and an applicant convicted of a disqualifying offense shall not be licensed.*[10]

Suitability reviews should be limited to those individuals that have control of the entity that is seeking licensure in Illinois, or at a minimum, in line with the Supplier Licenses Key Person currently required by the Board pursuant to Board Rule 3000.222. Requiring an excessive number of individuals that do not control the business operations to undergo the licensing process is an administrative burden for companies and the Board that will significantly slow the licensing process, with no corresponding benefit to the state of Illinois.

[10] 230 ILCS 45/ 25-20(b).

Occupational Licenses

In accordance with the Act, the Board is required to adopt rules for the licensing of employees that work in a designated gaming area that has sports wagering or perform duties in furtherance of or associated with the operation of sports wagering by the master sports wagering licensee (occupational license).[11] Additionally, this license requires the payment of a $250 annual licensing fee.[12]

The requirement to obtain an occupational license should be limited to those individuals that are directly involved in the operation of sports wagering in the state. Further, for those individual employees that must obtain an occupational license, the employer should be able to pay the $250 annual fee on the employee's behalf. This would be consistent with other regulated jurisdictions, such as West Virginia:

> ***§29-22D-9. Occupational licenses.***
>
> *(a) All persons employed to be **engaged directly in sports wagering-related activities**, or otherwise conducting or operating sports wagering, shall be licensed by the commission and maintain a valid occupational license at all times and the commission shall issue such license to be employed in the operation of sports wagering to a person who meets the requirements of this section. (emphasis added)*
>
> *…*
>
> *(c) Application and fee. — Applicants shall submit any required application forms established by the commission and pay a nonrefundable application fee of $100. **The fee may be paid on behalf of an applicant by the employer.** (emphasis added)*
>
> *(d) Renewal fee and form. — Each licensed employee shall pay to the commission an annual license fee of $100 by June 30 of each year. **The fee may be paid on behalf of the licensed employee by the employer.**[13] (emphasis added)*

New Jersey also follows a similar model in requiring only those individuals that are directly involved in sports wagering to be licensed, while reserving the right to require that other employees not directly involved with sports wagering register with the Division, but not obtain a license.

> ***13:69N-1.5 Individual license or registration***
>
> *A person **directly involved in sports pool or online sports pool wagering** shall either be licensed as a casino key employee or registered by the Division as a casino employee as determined by the Casino Control Commission. All other persons employed by a sports pool operator not directly involved in wagering may also be required to register with the Division as a casino employee, if appropriate, consistent with the registration standards applied to persons not directly involved in casino gaming.[14] (emphasis added)*

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[11] 230 ILCS 45/ 25-15(e).
[12] *Id.*
[13] W. Va. Code § 29-22D-9 (2018).
[14] N.J.A.C. § 13:69N-1.5 (2018).

In implementing regulations that limit licensure to only those individuals directly involved in sports wagering and allowing employers to pay the fee on behalf of their employees, the Board will be embracing common sense regulations that help avoid unnecessary administrative burdens for the operators and Board.

Supplier Licensing

Administratively, there is benefit to limiting the scope of review to those suppliers providing services enabling the functionality of a sports wagering platform. We consider such suppliers to be "integrated suppliers" and they provide:

- Betting platforms;
- Account and wallet services;
- Geo-location services;
- Know Your Customer checks; and
- Event pricing/odds

Such suppliers generally specialize in the gaming industry and are accustomed to licensing processes. However, due to the digital nature of the products, operators also work with a host of suppliers that have no role in the functionality of the wagering platforms or gaming generally, but rather provide industry-agnostic standard services such as digital advertising and marketing, creative production, and the like to a wide array of customers. We suggest that the Board limit supplier licensing to integrated suppliers that enable platform functionality while not requiring licensing of other non-gaming suppliers providing more ancillary services. This is the approach taken by West Virginia,[15] and as the language in the Act closely mirrors that of West Virginia, it is reasonable to follow the same process. This will allow Illinois to fully review companies that will have some role in sports wagering in the state, while also allowing operators to work with the very best non-gaming vendors who might otherwise avoid doing business in the state due to unfamiliar licensing requirements. This approach will ultimately lead to a higher quality product from all operators and a better user experience.

Prohibited Wagers

In various subsections of the Act certain events are listed as prohibited wagering events. Notably, licensees are not permitted to accept wagers on "minor league sports event"[16], "sporting event involving an Illinois collegiate team,"[17] and "kindergarten through 12th grade sports event."[18]

In establishing regulations for permitted wagering activities, the Board should look to other jurisdictions such as New Jersey for guidance. Most notably, when addressing the restriction on wagers involving an "Illinois college team" the Board should allow for wagering on tournaments and other events that may involve an Illinois college, so long as the specific game that involves the Illinois college is not offered for

[15] W. Va. Code § 29-22D-9.
[16] 230 ILCS 45/ 25-25(c).
[17] 230 ILCS 45/ 25-25(d).
[18] 230 ILCS 45/ 25-25(h).

wagering or selection. New Jersey has a similar prohibition and carves out such tournaments and events from the prohibition:

> *A "prohibited sports event" **does not include the other games of a collegiate sports or athletic tournament in which a New Jersey college or university team participates**, nor does it include any games of a collegiate tournament that occur outside New Jersey even though some of the individual games or events are held in New Jersey.*[19] *(emphasis added)*

Further, the Act does not define "minor league sports event." The term "minor league sports event" can be interpreted in many ways and can be far reaching, for example in some ways the Premiere League is considered a minor league event in comparison to Champions League play, or is the Canadian Football League or other say "second tier" international leagues considered "minor." As such, it would be prudent for the Board to adopt a standard for "minor league" that clearly limits that restriction only to true developmental leagues and excludes independent leagues or associations.

> *"Minor league" means a league or association of professional sports teams whose sole or primary purpose is to develop and prepare athletes for promotion to another, more senior, league. "Minor league" shall not include leagues where entire teams are either promoted or demoted upon the performance of the team.*

Additionally, it would be prudent for the Board to limit by rule those sports events that are prohibited to kindergarten through high school sports events and leave other amateur events up to the Board's discretion to determine if it is an appropriate wagering event. Looking to New Jersey for guidance on this point is prudent:

> *A "prohibited sports event" includes all amateur sports events, including all high school sports events but does not include international sports events in which persons under age 18 make up a minority of the participants. A "prohibited sports event" includes all high school sports events, including high school electronic sports events and high school competitive video game events, and any electronic sports event in which any participant is 17 years old or younger.*[20]

Lastly, the Act allows master sports wagering licensees, sports governing bodies and others to request the prohibition or restriction of wagers "upon a demonstration of good cause." We suggest adopting the following language, which is similar to that utilized by Indiana, to clarify the "good cause" standard:

> *To demonstrate good cause, the requester must provide information that indicates a specific and credible threat to the integrity of sports wagering which is beyond the control of the requester to preemptively remedy or mitigate.*

Successful sports wagering markets such as New Jersey allow for expansive wagering menus in order to appeal to all types of bettors and shutter the illegal market while maintaining appropriate control to ensure the integrity of sporting events. The New Jersey Division of Gaming Enforcement ("DGE") freely grants permission for operators to accept bets on new sports, leagues, or types of wagers once properly vetted by the regulator. For the approval of new events or betting types the DGE requires operators to provide them with seventy-two (72) hour notice, the name of the sports governing body in charge of the

[19] N.J.A.C. § 13:69N-1.1.
[20] *Id.*

event, and a description of the policies and procedures regarding the event or wager's integrity. The sports wagering industry is constantly evolving and regulated markets need to keep pace with the wager types offered in illegal markets to be competitive. In avoiding an overly broad prohibition, while retaining the ability to apply the Board's informed discretion, the Board will ensure the regulated sports wagering industry is able to operate efficiently.

Prohibited Conduct

The Act takes a proactive approach to preventing conduct that negatively impacts the integrity of a sporting event. However, some of the definitions from the Act create a burden where the class of people required to be monitored in relation to prohibited conduct is so broad that it may be nearly impossible to achieve the Act's intentions.

> ***Section 25-10. Definitions. As used in this Act:***
>
> *"Athlete" means any current or **former professional athlete** or collegiate athlete. (emphasis added)*
>
> *…*
>
> *"Covered persons" includes **athletes**; umpires, referees, and officials; personnel associated with clubs, teams, leagues, and athletic associations; medical professionals (including athletic trainers) who provide services to **athletes** and players; and the family members and associates of these persons where required to serve the purposes of this Act. (emphasis added)*
>
> *…*
>
> *"Prohibited conduct" includes any statement, action, and other communication intended to influence, manipulate, or control a betting outcome of a sports contest or of any individual occurrence or performance in a sporting contest in exchange for financial gain or to avoid financial or physical harm. "Prohibited conduct" includes statements, actions, and communications made to a **covered person** by a third party, such as a family member or through social media. "Prohibited conduct" does not include statements, actions, or communications made or sanctioned by a team or sports governing body.[21] (emphasis added)*

By including former professional athletes in the definition of athlete, the class of people associated with prohibited conduct is voluminous and nearly impossible to accurately identify and monitor. We recognize that this point is legislative, but to the extent that the Board staff is able to participate in discussions during the veto session to amend and improve the Act, we wanted to ensure that this provision was noted. Furthermore, we suggest that when the Board draft regulations restricting wagering by athletes, that they be specifically tailored to apply only to current athletes so that an overbroad class including former athletes is not restricted.

Treatment of Promotional Play and Taxable Deductions

The treatment of promotional play is a critical component to the sports wagering industry in the United States. Public Act 101-0031 amended the state's gaming law, addressing the treatment of promotional

[21] 230 ILCS 45/ 25-10.

play for casinos, riverboats and organization gaming facilities. Section 230 ILCS 10/13(a-9) reads as follows:

> *(a-9) Beginning on January 1, 2020, the calculation of gross receipts or adjusted gross receipts, for the purposes of this Section, for a riverboat, a casino, or an organization gaming facility shall not include the dollar amount of non-cashable vouchers, coupons, and electronic promotions redeemed by wagerers upon the riverboat, in the casino, or in the organization gaming facility up to and including an amount not to exceed 20% of a riverboat's, a casino's, or an organization gaming facility's adjusted gross receipts. The Illinois Gaming Board shall submit to the General Assembly a comprehensive report no later than March 31, 2023 detailing, at a minimum, the effect of removing non-cashable vouchers, coupons, and electronic promotions from this calculation on net gaming revenues to the State in calendar years 2020 through 2022, the increase or reduction in wagerers as a result of removing non-cashable vouchers, coupons, and electronic promotions from this calculation, the effect of the tax rates in subsection (a-5) on net gaming revenues to this State, and proposed modifications to the calculation.*

While the above language does not have a direct impact on the Illinois sports wagering industry, the Board is not prevented from establishing by rule that promotional play may be deducted from the adjusted gross sports wagering receipts of a sports wagering operator. Promotional play is a critical customer acquisition tool used by sportsbook operators in the regulated sports wagering industry and a way in which these companies can compete with the illegal sports wagering market. It is appropriate for the sports wagering industry to be treated similarly to other forms of gaming within the same state when it comes to promotional play. Given the prevalence of the illegal sports wagering market, there is no offering in the gaming space where promotional play is more critical at this moment in time than sports wagering. As the research firm Eilers & Krejcik noted in 2018 in a report prepared in connection with the prospective Indiana sports wagering market:

> *Sports betting is a low-margin business that appeals to a broad audience, suggesting that promotional play will be widely claimed but will not result in the same sort of revenue returns as free slot play. A failure to account for the unique dynamics of free play sports betting promotions will have the impact of forcing operators to choose between significantly increased effective tax rates and significantly decreased marketing effectiveness.*

States that have legalized sports wagering have recognized the importance of accounting for promotional play in the taxable revenue calculation. Notably, Colorado is a jurisdiction that allows for the deduction of promotional play and the federal excise tax that sports wagering operators are subject to:

> *(7) "Net Sports Betting Proceeds" means the total amount of all bets placed by players in a sports betting operation or internet sports betting operation, excluding free bets, less all*

payments to players and less all excise taxes paid pursuant to federal law. Payments to players include all payments of cash premiums, merchandise, or any other thing of value.[22]

Additionally, Nevada, New Jersey, and Pennsylvania, states considered sports wagering trailblazers, already allow these types of deductions for sports wagering operators. These states have recognized the investment sports wagering operators have made to enter the regulated market and how difficult it is to compete with and shutter an illegal sports wagering market that pays no licensing fees or taxes to the states.

It is appropriate to establish a regulatory framework that incentivizes sports wagering operators to invest and spend in building an attractive product that will result in customers entering the regulated industry and in turn, maximizing the tax revenue to the jurisdiction as has been done on in the existing casino market in Illinois. Without the necessary level of participation in the regulated market, the state of Illinois will not reach its maximum revenue potential nor adequately protect a vulnerable group of consumers. Allowing for the deduction of promotional play from the taxable revenue definition will be key in ensuring the successful implementation of the Illinois sports wagering industry.

Account Registration

In adopting the Act, the Legislature determined that until the first license is issued under section 25-45 (master sports wagering license issued to an online sports wagering operator) registration for mobile applications must be established in person at a facility. However, for a management services provider a situation may arise where the sportsbook product is offered on a statewide basis through a partnership with a casino or racetrack, but also offered on a limited geographical basis through a partnership with a sports facility. Customers should have the ability to register for both mobile wagering accounts at the same location. The Act does not prohibit this approach and it serves no public policy purpose to restrict the registration process to one physical location if the management service provider has an affiliation with another facility. Additionally, customers should be able to provide their information in advance of their personal appearance in order to expedite account registration processing when they arrive at the facility. We suggest the following language regarding account registration to achieve these goals:

Account registration. A person must have an established account to participate in sports wagering offered over the internet or through a mobile application. Prior to the issuance of the first master sports wagering license pursuant to section 25-45 of the Act, an account shall be established at a facility as required by sections 25-30(f), 25-35(f) and 25-40(f) of the Act. However, in order to expedite the process of account establishment, master sports wagering licensees and management service provider licensees may receive all information necessary for account establishment electronically, and complete any identity verification processes, prior to the patron's physical appearance at a facility to establish the account. Additionally, a master sports wagering licensee or management service provider licensee may contract with multiple facilities that are authorized for the establishment of sports wagering accounts pursuant to sections 25-30(f), 25-35(f) and 25-40(f) of the Act, to allow patrons to establish their accounts.

[22] Colo. Rev. Stat. Ann. § 44-30-1501 (2019).

This interpretation would not jeopardize the security of the registration process as the facility would already be equipped to accommodate the account registration process, will serve the purpose of the in-person registration by driving foot traffic to those facilities that have invested in a license, but will ease the burden for customers of having to visit multiple physical locations and wait in long lines for routine data entry to be conducted. The more obstacles that are placed in front of the consumer, the more likely it is that they will choose not to participate in the regulated market and will continue to wager in the illegal industry. The ability to register a mobile sports wagering account at multiple physical locations that share a common operator licensee is a common sense regulation that will help maximize participation in the regulated sports wagering industry, and in turn generate more tax revenue for the state of Illinois.

Marketing Regulations

The marketing of sports wagering products is a critical customer acquisition tool, especially when looking to convert customers away from the thriving illegal market. In order to bring players into the regulated market, thus providing consumer protections for players and revenue for the state, operators need the flexibility to offer strong marketing and advertising campaigns which can be adapted as necessary. For instance, what is an appropriate advertisement or promotional offer during week one of the National Football League (NFL) season may not be an effective advertisement or promotional offer by week four of the NFL season. Any advertising and marketing requirements implemented by the Board should allow operators flexibility to adapt their campaigns without seeking regulatory approval, but rather the Board should work with operators to ensure operators have implemented internal processes to the Board's satisfaction.

The DGE reviews promotional fact sheets and gives silent approval, allowing operators to operate agilely. This process has produced results, as sports betting, particularly mobile, is thriving in New Jersey. As the Act contains minimal requirements and restrictions for advertising and marketing and leaves that to the discretion of the Board, there is an opportunity to implement smart, fair regulations that follow the process in New Jersey.

Information Sharing with the Board and Sports Governing Bodies

Multiple provisions of the Act require master sports wagering licensees to share information with the Board and sports governing bodies. By providing additional clarity on these provisions through regulation, the Board will assist master sports wagering licensees in complying with these provisions and providing useful, timely information to the Board and sports governing bodies.

Licensees are required to provide information related to any potential breach of a sports governing body's internal rules and codes of conduct. We suggest the following language to address this issue:

> *A master sports wagering licensee shall promptly report to the Board any information related to any potential breach of the relevant sports governing body's internal rules and codes of conduct pertaining to sports wagering, as they have been provided by the sports governing body to the master sport wagering licensee.*

The internal rules and codes of conduct may vary drastically between sports governing bodies and master sports wagering licensees need access to these documents in order to comply with this provision. For example, one league may prohibit its athletes from wagering on any sport events at all, while another only restricts their athletes from wagering on that specific sport, and a third may only limit their athletes from wagering on events where they are direct participants. This information is critical for master sports wagering licensees to ensure compliance.

Additionally, master sports wagering licensees may be required to share wagering data in "real-time" on a "commercially reasonable periodic interval." We suggest the Board adopt the following language to provide clarity on what compliance with this provision entails:

> *Licensees shall:*
>
> *1. Work with the Board and sports governing bodies to determine the commercially reasonable periodic interval, which shall be no more frequent than once every 48 hours.*
>
> *2. Determine the format of such reports so long as they reasonably include the subset of the account level information that the Board or sports governing body has requested.*

By providing greater clarity to master sports wagering licensees on these provisions, the Board will enable the effective sharing of timely and useful information between licensees, the Board and the relevant sports governing bodies.

Conclusion

By implementing reasonable regulatory requirements which are consistent with other recently regulated sports wagering jurisdictions, as demonstrated above, Illinois will be able to efficiently set up a safe, regulated sports market that most effectively meets consumer demand, generates maximum tax revenue for the state and has the maximum impact on shutting down the illegal sports betting market.

From:	Derek Brookmeyer
To:	IGB.SportsRuleComments
Subject:	[External] Letter on the Illinois Sports Wagering Act for the Illinois Gaming Board
Date:	Monday, September 30, 2019 11:35:57 AM
Attachments:	Illinois Gaming Board Letter Charles Gillespie Gambling.com Group.docx

Hello: below and attached is a letter / industry statement from my CEO Gillespie of Gambling.com Group with regards to the Sports Wagering Act for the Illinois Gaming Board.

Please let me know if you have any questions. And if you can provide a heads up when all comments have been posted, please do share.

Thank you,
Derek

Derek Brookmeyer
Director of Communications
Gambling.com Group
derek.brookmeyer@gambling.com
+1 415-672-3995

Chairman Schmadeke, Administrator Fruchter and members of the Illinois Gaming Board,

On behalf of Gambling.com Group Plc, we would like to commend you for your efforts to regulate online sports betting in Illinois. As an American-born entrepreneur having spent more than 10 years building a regulated business in the online gambling industry in Europe, I am uniquely positioned to provide insight into the future of online sports betting in Illinois.

Gambling.com Group is what is known in the global online gambling industry as an affiliate. The group is not an online gambling company itself, but rather a media company that publishes a series of websites to inform online gamblers and enable them to conduct comparison shopping of online gambling sites as they would do for other services available online like home loans or car insurance. Affiliate marketing is also known as performance marketing due to the nature of the commercial model used to compensate the affiliates. Typically, an affiliate invests its own money in building an audience and sending traffic to its advertising partners and only gets paid when it creates value for those partners. In the case of online gambling, the affiliates' advertising partners are the online gambling firms that actually operate an online gambling service (known within the trade as the operators). The operators pay the affiliates on a performance basis, meaning based on the quality and performance of the traffic actually sent to the operator. This is usually a flat fee per new depositing customer (NDC) known as a cost per action (CPA). Alternatively, or in combination with a CPA, the advertisers may compensate the affiliate with a portion of the gross or net gaming revenue generated by the players referred by that affiliate.

The importance of affiliates within the online gambling ecosystem cannot be overstated. In mature, regulated markets like the United Kingdom, we estimate that upwards of 40% of the NDCs for online casino operators come via the affiliate channel. For sports betting operators the portion tends to be less, but still in excess of 25%. Of course, the percentages differ by operator but virtually every active operator works with affiliates. In certain cases, affiliates can be responsible for more than 90% of the customer database of operators who rely heavily on the affiliate channel for customer acquisition. Historically some gaming regulators tackling online gambling for the first time have made the mistake of confusing affiliates with junket operators. Affiliates are not junket operators, and in most cases have little or no contact with the individual gamblers as they traverse their way through an affiliate's website on their way to an operator.

The American online gambling market is unique as it is the world's most vibrant and successful black market for online gambling, entirely supplied by offshore operators until the advent of regulated, American online gambling spearheaded by New Jersey in 2013. Even six years later in 2019, relatively few states are up and running with regulated online gambling, meaning the offshore market remains the only option for most Americans. The offshore market may seem like a distant concern, but this is a thriving and successful multi-billion dollar market that supplies polished products and services to millions of American consumers. It is a confusing state of affairs made worse by the fact that major news outlets and noteworthy journalists regularly confuse offshore operators with regulated ones. American affiliates therefore have a unique, additional responsibility which is not a part of the normal life of being an affiliate in other markets like the United Kingdom. U.S.-focused affiliates must drive their visitors toward the regulated operators instead of the offshore operators that do not operate in compliance with state or federal law. The affiliate channel is the key channel in the marketing mix where the consumer is educated and directed toward the regulated, onshore market. This challenge is exclusive to the United States as the prevalence of a variety of high quality, regulated operators in Europe created a marketplace where there was no meaningful consumer demand for offshore operators.

To ensure that online gambling thrives in Illinois and meaningfully recaptures action from the offshore market, the gaming board needs to embrace regulated affiliate marketing. We therefore recommend that the gaming board:

1) speak firsthand with the large affiliate organizations to inform themselves adequately about the key role affiliates play in the marketplace;
2) require all affiliates doing business with operators licensed in Illinois to seek a registration or basic license from the gaming board; and
3) explicitly forbid all affiliates licensed by the gaming board from cooperating or working with any offshore operators illegally supplying the US market.

I would like to bring your attention to relevant enforcement actions taken by the New Jersey Division of Gaming Enforcement in this regard. On June 4, 2015, the division issued an advisory bulletin stating that online affiliates could be prosecuted for offering or promoting unlicensed gaming websites, and that those affiliates could face fines, criminal prosecution and risk ineligibility for future licensing and registration in the state. With the recent proliferation of online sports betting in New Jersey, the division again took decisive action against a non-compliant affiliate. On Feb. 6, 2019, upon learning that popular gaming website Oddsshark was advertising on behalf of regulated New Jersey gaming operators as well as illegal offshore operators, the division issued a cease and desist and threatened further legal action for failure to comply. I believe this framework, and the types of actions taken by the division are not only appropriate, but necessary to bring the action back onshore where it can be monitored and taxed.

Last but certainly not least, I'd like to mention that efforts to reduce gambling related harm are far more effective when the activity is onshore and able to be monitored. Any such efforts are made nearly impossible when the action is occurring offshore. Bringing the action back onshore will be fantastic for the Illinois economy and an overdue gift for local sports fans. But most importantly, by bringing the action back onshore, the gaming board and other groups working to reduce gambling related harm will have better access to player information and activity reports to intervene early and meaningfully to act in order to protect local gamblers at risk.

A healthy affiliate market with sensible regulation will facilitate the development of Illinois' legal online gaming market by increasing the proportion of consumers who choose a regulated option over offshore. If requested by the board, I would be pleased to provide additional information on these issues or the role of affiliates.

Thank you for your consideration of these important issues,

Charles Gillespie
Founder and CEO
Gambling.com Group

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