

HB-736

Submitted on: 2/9/2021 7:44:06 AM

Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ellen Godbey Carson	Individual	Oppose	No

Comments:

I write in opposition to HB736. I strongly oppose bringing gambling into Hawaii.

We do not need more societal problems, gambling addiction, crime and related problems, including preying on those who often have the least control over their finances. In the end, the damage to society is much greater than the alleged lofty ideas of income.

Thank you for your consideration.

Ellen Godbey Carson, Honolulu, Hawaii



Chair Quinlan, Vice-Chair Holt, and members of the Committee on Economic Development, thank you for your time this morning. My name is Rebecca London and I am here today to provide testimony for DraftKings in support of HB 736, relating to sports betting. We appreciate the opportunity to participate in today's hearing—and additional conversations—to discuss the importance of Hawaii embracing a competitive, fully mobile sports wagering market.

DraftKings is a digital sports entertainment and gaming company created to fuel the competitive spirit of sports fans with products that range across daily fantasy, regulated gaming and digital media. Headquartered in Boston, and launched in 2012, DraftKings is the only U.S.-based vertically integrated sports betting operator. DraftKings' Sportsbook is live with mobile and/or retail sports betting operations in 14 states.

DraftKings supports a sports wagering framework in Hawaii that protects consumers, generates revenue for the state, and stamps out the pervasive illegal market.

It is important to recognize that sports wagering is already taking place in Hawaii on a massive scale, with an estimated 276,000 people betting over \$669 million in illegal wagers each year.¹ Nearly all the sports wagers in Hawaii are placed online through websites in the robust illegal market. Across the country, states are bringing this activity into a legal, regulated market that mandates robust consumer protections. To date, 21 states have legalized sports betting and 14 have authorized mobile sports betting allowing customers to place bets conveniently from their mobile phones and other devices.

To create an effective legal market, legal operators must be able to compete with pricing from illegal, offshore sportsbooks that do not face the same taxation and regulatory costs. Barriers to market entry, such as high taxes and fees, cut into an operator's profit and reduce their ability to offer competitive pricing, a significant factor for consumers when making the decision on where to spend their money. On that note, we suggest that the current license fee of \$30 million for the pilot program is enough to deter regulated operators from entering the market and offering the opportunity to begin to eradicate the illegal market.

It is crucial to allow for multiple operators to serve the market. A marketplace with multiple choices for consumers will lead to a much better consumer experience that forces operators to innovate and to continue to offer new and exciting products to Hawaii and to compete with one another to provide reasonable pricing. Multiple operators will also increase the overall economic impact that sports wagering has in the state through license fees, advertising, and promotional events.

A pilot program in the state of Hawaii that is well regulated and encourages Hawaiians and tourists alike to participate in the legal market will allow the state to see the potential that legal

¹ <https://www.americangaming.org/wp-content/uploads/2018/12/AGA-Oxford-Sports-Betting-Economic-Impact-Report1-1.pdf>



sports wagering has, but the structure must make it feasible for legal operators to enter the market. West Virginia, a state with a similar population to Hawaii, is now in its second full year of legal sports wagering. In the first 12 months of legal sports wagering in West Virginia, the state collected more than \$2.8 million in taxes.

We would respectfully suggest that the licensing fees in HB 736 more closely align with revenue numbers seen in West Virginia and suggest a fee of \$3 million per each of the 5 licensees for the duration of the program. Alternatively, the pilot program could charge a relatively small licensing fee (most states charge a number that covers the cost of investigations and running the sports wagering program) and include a tax on licensees' adjusted gross revenue, which is how most states realize revenue from their legal sports wagering markets.

We would also respectfully suggest that HB 736 include a start date for the pilot program to add certainty to the term of the license and so the state can maximize its opportunity and properly understand the potential for a legal sports wagering market.

A competitive mobile market provides steady tax revenue and consumers benefit from a variety of competitive and innovative products, as well as the robust problem gaming resources and consumer protections offered by these regulated companies that are not available in illegal markets.

Regulated operators, like DraftKings, take the issues of underage wagering and problem gambling seriously. At DraftKings, we use "know your customer" technology to ensure underage individuals are not able to create an account, deposit, or wager through our website or application. When verifying a customer's identification, a check is conducted using the demographic information including first name, last name, physical address, date of birth, social security number, and geolocation of the customer. The verification process is facilitated using multiple vendors and, only upon successful verification, is the customer able to create an account. DraftKings works with leading companies to monitor users' location through, including, but not limited to, cell phone location data.

Additionally, for the small segment of the population that struggles with gambling, we provide safeguards that allow customers to set their own deposit and play limits and to self-exclude from participation should they choose. A user also always has their entire transaction history available to them in their account information. The account history provides detailed information regarding all bets placed, all winnings and losses, and summary of their play over the last month, three months, year, and lifetime.

Finally, as Hawaii considers a legal sports wagering pilot in the state, we would suggest that your committee consider bringing regulated daily fantasy sports to your state, as well. While these product offerings are two different forms of entertainment, consumers who use either product would benefit from robust consumer protections and additional opportunities to engage with the sports they love.



Thank you very much for your time today, and I would be happy to answer any questions you may have.

LATE

DEPARTMENT OF THE PROSECUTING ATTORNEY
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THE HONORABLE SEAN QUINLAN, CHAIR
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT
Thirty-First State Legislature
Regular Session of 2021
State of Hawai`i

February 10, 2021

RE: H.B. 736; RELATING TO SPORTS BETTING.

Chair Quinlan, Vice Chair Holt, and members of the House Committee on Economic Development, the Department of the Prosecuting Attorney of the City and County of Honolulu ("Department") submits the following testimony in strong opposition to H.B. 736.

The purpose of H.B. 736 is to create a pilot program within the Department of Business, Economic Development, and Tourism to license businesses in the State to operate digital sports betting platforms and to amend section 712-1220, H.R.S. to allow for digital sports betting on platforms created through the pilot program. Given the serious public safety and wellness issues that inevitably accompany legalized gambling, the Department is strongly opposed to any legislative changes—such as this one—that would open the door to legalizing gambling in Hawaii.

Currently, Hawaii's gambling laws include a substantial exception for "social gambling" (see Section 712-1231, Hawaii Revised Statutes), which allow, for example, a typical "poker night" or Super Bowl "betting pool" at the home of a friend or family member. If conducted in this manner, "sports wagering" can already be enjoyed legally by Hawaii residents, and the Department has no problems with such activity. Once gambling starts to involve large-scale operations, business corporations or other money-making entities, however, the Department is extremely concerned about the known risks and societal costs associated with legalized gambling. Our laws currently list "gambling" within the definitions of "organized crime" and "racketeering" for good reason.

With regards to the potential revenue that the State may gain from licensing fees, the Department strongly urges the Legislature to consider the "costs" to the State in broader terms, and pursue other sources of revenue.

The Department strongly believes that Hawaii's current gambling laws provide a good balance between protecting the interests and safety of the public, while at the same time providing

reasonable and sufficient exceptions. The gambling laws do not require any further amendments or additions.

For all of the foregoing reasons, the Department of the Prosecuting Attorney of the City and County of Honolulu opposes H.B. 736. Thank for you the opportunity to testify on this matter.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of
MIKE MCCARTNEY
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

Wednesday, February 10, 2021
9:30 AM
State Capitol, Conference Room 312

In consideration of
HB 736
RELATING TO RELATING TO SPORTS BETTING.

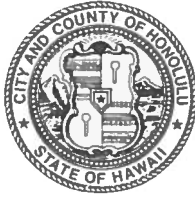
Chair Quinlan, Vice Chair Holt and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) opposes HB736 that would require the Department of Business, Economic Development, and Tourism to develop a pilot program to operate a digital sports betting platform.

I am in opposition of this bill because the benefits would not exceed the social costs of gambling in the State of Hawai'i. After many years of studying this issue, I don't see the economic value to our community.

Thank you for the opportunity to testify.

POLICE DEPARTMENT
CITY AND COUNTY OF HONOLULU

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OUR REFERENCE PJ-GK

February 10, 2021

The Honorable Sean Quinlan, Chair
and Members
Committee on Economic Development
House of Representatives
Hawaii State Capitol
415 South Beretania Street, Room 312
Honolulu, Hawaii 96813

Dear Chair Quinlan and Members:

SUBJECT: House Bill No. 736, Relating to Sports Betting

I am Major Phillip Johnson of the Narcotics/Vice Division of the Honolulu Police Department (HPD), City and County of Honolulu.

The HPD opposes House Bill No. 736, Relating to Sports Betting.

The HPD opposes the legalization of gambling in Hawaii. Numerous studies have confirmed that gambling causes problems such as bankruptcy, theft, embezzlement, suicide, child abuse and neglect, divorce, incarceration, and homelessness. Studies have also demonstrated that gambling schemes are essentially regressive taxes on low-income people, those who can least afford to participate.

The financial burden associated with these problems will far outweigh any benefit realized in the name of community betterment.

The HPD urges you to oppose House Bill No. 736, Relating to Sports Betting, and thanks you for the opportunity to testify.

APPROVED:

A handwritten signature in cursive script that reads "Susan Ballard".

Susan Ballard
Chief of Police

Sincerely,

A handwritten signature in cursive script that reads "Phillip Johnson".

Phillip Johnson, Major
Narcotics/Vice Division