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LATE

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 344, Relating to Sports Wagering

BEFORE THE:

House Committee on Economic Development

DATE: Wednesday, February 8, 2023

TIME: 10:15 a.m.

LOCATION: State Capitol, Room 423

Chair Holt, Vice-Chair Lamosao, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 344 for your consideration.

H.B. 344 seeks to add a new chapter to the Hawaii Revised Statutes (HRS) to regulate sports wagering. The Department of Business, Economic Development and Tourism (DBEDT) will be responsible for administering licenses (mobile sports wagering operator license and the sports wagering supplier license), conducting of criminal background checks, and imposing fines for civil violations on operators covered by the chapter.

H.B. 344 also seeks to amend section 237-13, HRS, by imposing general excise tax at an unspecified rate on the gross receipts of any person engaged in sports wagering as a licensed sports wagering operator or sports wagering supplier in the State.

The measure is effective on July 1, 2023.

The Department defers to DBEDT as to its ability to administer section 1 of the bill, but requests that the effective date of the bill be amended to January 1, 2025 to allow sufficient time to update the appropriate forms and instructions and update the

Department of Taxation Testimony
H.B. 344
February 8, 2023
Page 2 of 2

computer system to account for the new general excise tax business activity.

Thank you for the opportunity to provide comments on this measure.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKA'I

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LATE

Statement of
CHRIS J. SADAYASU
Director

Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

Wednesday, February 8, 2023
10:15 AM
State Capitol, Conference Room 423

In consideration of
HB344
RELATING TO SPORTS WAGERING.

Chair Holt, Vice Chair Lamosao, and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) offers **comments** on HB344, which allows for the regulation of sports wagering by DBEDT and establishes licensing requirements for sports wagering operators and sports wagering suppliers.

DBEDT is open to collaborating with the Committee and participating in any discussions as it relates to sports wagering and the potential role and responsibilities of the Department.

Thank you for the opportunity to comment.

CITY AND COUNTY OF HONOLULU

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RICK BLANGIARDI
MAYOR

ARTHUR J. LOGAN
CHIEF

KEITH K. HORIKAWA
RADE K. VANIC
DEPUTY CHIEFS

OUR REFERENCE PO-HR

February 8, 2023

The Honorable Daniel Holt, Chair
and Members
Committee on Economic Development
House of Representatives
Hawaii State Capitol
415 South Beretania Street, Room 423
Honolulu, Hawaii 96813

Dear Chair Holt and Members:

SUBJECT: House Bill No. 344, Relating to Sports Wagering

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

The HPD opposes House Bill No. 344, Relating to Sports Wagering.

The HPD opposes the establishment of regulations for sports wagering and the proposal to specify that sports wagering shall not be considered gambling. Numerous studies have confirmed that gambling, to include sports wagering, 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 whom 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. 344, Relating Sports Wagering. Thank you for the opportunity to testify.

APPROVED:

A handwritten signature in black ink, appearing to be "A. Logan", written over a horizontal line.

AR
Arthur J. Logan
Chief of Police

Sincerely,

A handwritten signature in black ink, appearing to be "Paul Okamoto", written over a horizontal line.

Paul Okamoto, Acting Major
Narcotics/Vice Division

OFFICE OF INFORMATION PRACTICES

STATE OF HAWAII
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To: House Committee on Economic Development

From: Cheryl Kakazu Park, Director

Date: February 8, 2023, 10:15 a.m.
State Capitol, Conference Room 423

Re: Testimony on H.B. No. 344
Relating to Sports Wagering

Thank you for the opportunity to submit testimony on this bill, which would legalize sports wagering as authorized by the Department of Business, Economic Development, and Tourism (DBEDT). The Office of Information Practices (OIP) takes no position on the substance of this bill, but offers comments and suggests an **amendment** to an overly broad confidentiality provision on bill page 8.

Proposed subsection __-3(e) would require DBEDT to keep confidential “any trade secret, proprietary information, confidential commercial information, or confidential financial information pertaining to any applicant or licensee.” This is a broad and vague collection of information – a business might consider any information not sent out in a press release to be “proprietary” – and should be narrowed and clarified. The Uniform Information Practices Act (UIPA), chapter 92F, HRS, provides a suitable standard since its exception to public disclosure for information whose disclosure would frustrate a legitimate government function applies to confidential commercial and financial information, as analyzed in numerous OIP opinions, as well as to trade secrets. **OIP therefore recommends amending the sentence from page 8 line 19 to page 9 line 2 to instead**

require DBEDT to keep information about applicants and licensees confidential only to the extent it would not be publicly disclosable under the UIPA, as follows:

The department shall also keep confidential information pertaining to any applicant or licensee to the extent such information falls within an exception to public disclosure under chapter 92F.

Thank you for considering OIP's testimony.

LATE



Hawaii House of Representatives Committee on Economic Development – Testimony in Support of HB 344

February 8, 2023

Chair Holt, members of the House Committee on Economic Development:

Thank you for the opportunity to provide testimony in support of HB 344. And thank you to Representative Mizuno and the other supporters championing this legislation.

My name is Pat Gibbs. I am an attorney with the law firm Orrick, Herrington & Sutcliffe. It is my pleasure to serve as national Public Policy Counsel for the Sports Betting Alliance (or, “SBA”). The SBA is a trade organization comprised of many of the top operators in the mobile sports betting industry—DraftKings, FanDuel, BetMGM, and Fanatics. Together, our members advocate for competitive mobile sports betting in the United States.

The SBA has been involved in nearly every state legislature’s conversations on this topic since 2018, when the Supreme Court struck down the Professional and Amateur Sports Protection Act, an unconstitutional federal law that prohibited states from deciding for themselves whether to authorize sports betting. Currently, 35 states plus the District of Columbia and Puerto Rico authorize some form of sports betting; and a majority of these allow for statewide mobile sports betting. We look forward to continuing to work with legislators and stakeholders in Hawaii to serve as a resource for data, insight, and best practices learned from studying the various frameworks in other states.

When considering the policies and impacts of regulating sports wagering, it is important to recognize that this would not bring a new activity to the state that the people of Hawaii have never seen before. Studies estimate that ~276,000 people bet a combined total of ~\$670 million in illegal sports wagers each year in Hawaii using bookies or offshore sites on their phones and computers.¹

¹ Ernst & Young, American Gaming Association

Unregulated, offshore websites like Bovada and MyBookie.com are accessible anywhere, and process bets from Hawaii despite having no regulatory oversight or consumer protection accountability by the state. And they use ambiguous language to lull users into a false sense of security. According to the Fantasy Sports Gaming Association, 81% of these websites' users are unaware that the sites operate illegally in their state.

And unregulated sports betting operations run through bookies provide their own set of additional consumer protection and public safety concerns.²

These illegal betting platforms do not care whether users placing a bet do so responsibly or whether they are extending themselves beyond a point they are comfortable with. They don't use the best available technology to ensure that their users aren't underage. And they do not pay taxes to—or cooperate with—the state to assure best practices are carried out diligently.

Alternatively, operators in the regulated mobile sports wagering markets in the United States take public safety and responsible gaming seriously. We want to provide the excitement of feeling a little extra invested in the outcome of the game, while instituting the guardrails to do so responsibly.

And regulated mobile sports wagering operators provide revenue to the state through license fees and tax on sports wagering revenue. According to Eilers & Krejcik, Hawaii could see \$6.8 million in annual tax revenue from regulated mobile sports betting once the market has reached maturity.

With a regulated, competitive mobile sports betting market, Hawaii looks to develop a safer environment for its ~276,000 existing sports bettors to operate within. This brings in the best known brands with top of the line consumer protections and state compliance to replace the predatory illegal platforms already here. And does so in a way that generates revenue for the state and is *popular*. According to a poll conducted by Anthology, 73% of Hawaii residents support legalizing and regulating online sports wagering in Hawaii for adults 21 years of age or older to generate annual tax revenue which can be used to fund critical priorities for the islands.

Thank you for allowing me the opportunity to provide testimony. I would be happy to answer any questions you may have.

² See, e.g., <https://www.nbcnews.com/id/wbna14509349>



LATE

Chair Holt, Vice-Chair Lamosao, and members of the Committee on Economic Development, thank you for your time this morning. My name is Rebecca London, Government Affairs Manager for DraftKings, and I am here today to provide testimony on behalf of DraftKings in support of HB 344, 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 22 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, 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, where sophisticated illegal operators capitalize on the popularity of this form of entertainment. Across the country, states are bringing this activity into a legal, regulated market that mandates robust consumer protections. To date, thirty-six states have legalized sports betting, including the twenty-one that 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.

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.

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



Legal sports wagering in the state of Hawaii that is well regulated and encourages the people of Hawaii and tourists alike to participate in the legal market will allow the state to fully realize the potential of legal sports wagering. West Virginia, a state with a similar population to Hawaii collected more than \$2.8 million in taxes in the first 12 months of legal sports wagering in the state.

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 and other members of the SBA, 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 require additional resources to ensure wagering is for entertainment purposes only, 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 has access to their 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 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

HB-344

Submitted on: 2/8/2023 6:38:21 AM

Testimony for ECD on 2/8/2023 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Diann Lynn	Individual	Support	Written Testimony Only

Comments:

I'm not sure I understand "Specifies that sports wagering shall not be considered games of chance or gambling" (how is sports wagering *not* gambling??) - but in general the idea that Hawai'i residents should be able to place sports bets (online or otherwise) is good, with appropriate guardrails in place. Hawai'i is one of only two states in the union where I cannot place a bet in the Kentucky Derby, for instance, which is overly restrictive.