

OFFICE OF INFORMATION PRACTICES

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To: House Committee on Economic Development

From: Cheryl Kakazu Park, Director

Date: February 2, 2024, 10:30 a.m.
State Capitol, Conference Room 423

Re: Testimony on H.B. No. 2765
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 pages 8-10.

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 20 to page 9 line 2 to instead**

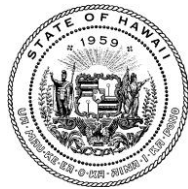
require DBEDT to keep information about applicants and licensees confidential only to the extent it would not be publicly disclosable under the UIPA, as follows:

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.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2765, Relating to Sports Wagering.

BEFORE THE:

House Committee on Economic Development

DATE: Friday, February 02, 2024

TIME: 10:30 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. 2765 for your consideration.

H.B. 2765 seeks to add a new chapter to the Hawaii Revised Statutes (HRS) to legalize and regulate sports wagering. The Department of Business, Economic Development, and Tourism (DBEDT) would be responsible for administering new licensure provisions for sports wagering operators and suppliers, conducting criminal background checks, and imposing fines for civil violations on operators covered by the chapter.

Section 2 of the measure amends section 237-13, HRS, to impose general excise tax (GET) at an unspecified rate on the adjusted gross sports wagering receipts of a licensed sports wagering operator and the gross receipts of a sports wagering supplier. The term "adjusted gross sports wagering receipts" is defined as a sports wagering operator's gross receipts from sports wagering excluding free bets and promotional credits, less the total of all winning paid to patrons, including the cash equivalent of merchandise or value awarded as a prize, and less excise tax payments remitted to the federal government.

The measure is effective on July 1, 2024.

The Department defers to DBEDT as to its ability to administer section 1 of the bill, but requests that the effective date of section 2 of the bill be postponed until January 1, 2026. This will allow sufficient time to make the necessary form, instruction, and computer system changes and to provide taxpayer education about this new GET provision.

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'IKĀ'I

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

JAMES KUNANE TOKIOKA
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

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Statement of
JAMES KUNANE TOKIOKA
Director
Department of Business, Economic Development, and Tourism
before the
House Committee on Economic Development

Friday, February 2, 2024
10:30 AM
State Capitol, Conference Room 423

In consideration of
HB2765
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 HB2765 which allows for the regulation of sports wagering by DBEDT and establishes licensing requirements for sports wagering operators and sports wagering suppliers.

DBEDT is generally supportive of sports wagering through computers, mobile applications, or digital platforms, notably if the state will benefit from the tax revenue. The department is not a regulatory entity, however, DBEDT is supportive of having regulation to protect consumers.

Thank you for the opportunity to comment on this measure.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

POLICE DEPARTMENT
KA 'OIHANA MĀKA'I O HONOLULU
CITY AND COUNTY OF HONOLULU

801 SOUTH BERETANIA STREET • HONOLULU, HAWAII 96813
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RICK BLANGIARDI
MAYOR
MEIA



ARTHUR J. LOGAN
CHIEF
KAHU MĀKA'I

KEITH K. HORIKAWA
RADE K. VANIC
DEPUTY CHIEFS
HOPE LUNA NUI MĀKA'I

OUR REFERENCE ML-HR

February 2, 2024

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

Dear Chair Holt and Members:

SUBJECT: House Bill No. 2765, Relating to Sports Wagering

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

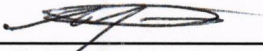
The HPD opposes House Bill No. 2765, Relating to Sports Wagering.

The HPD believes that all forms of gambling are associated with a great amount of social ills and financial ruin for many people. Gambling greatly affects a person's job, family, and overall life. Additionally, gambling creates a substantial negative impact on public safety and welfare in our community.

Numerous studies have confirmed that gambling causes problems such as bankruptcy, theft, embezzlement, suicide, child abuse and neglect, divorce, incarceration, and homelessness.

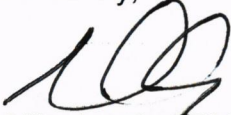
The HPD urges you to oppose House Bill 2765, Relating to Sports Wagering. Thank you for the opportunity to testify.

APPROVED:



Arthur J. Logan
Chief of Police

Sincerely,


Mike Lambert, Major
Narcotics/Vice Division



Chair Holt, Vice-Chair Lamosao, and members of the Committee on Economic Development, thank you for your time today. My name is Rebecca London, Senior Government Affairs Manager for DraftKings, and I am here today to provide testimony on behalf of DraftKings in support of HB 2765, 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 be the Ultimate Host and 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 26 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 \$277 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-eight states have legalized sports betting, including the thirty, plus DC, 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, reduce their ability to offer competitive pricing, effectively market and innovate, all significant factors for consumers when making the decision on where to spend their money.

It is crucial to allow 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, offering new and exciting products to Hawaii, and to compete with one another to provide consumers the best odds. A market with multiple operators increases the overall economic impact that sports wagering has in the state through license fees, advertising, and promotional events. Further, a competitive mobile market provides steady tax revenue.

¹ *Sizing the Illegal and Unregulated Gaming Markets in the United States*, American Gaming Association, November 2022. Available at americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf



West Virginia, a state with a similar population to Hawaii, and one of the first states to legalize sports betting, collected more than \$2.8 million in taxes in the first 12 months of legal sports wagering in the state and collected \$4.9 million in 2022, the last full year for which data was available. In our experience, states reach market maturity more quickly than first-mover states did, allowing new jurisdictions to realize tax benefits more quickly.

In a well-regulated market, 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 Sports Betting Alliance, take the issues of underage wagering and problem gaming 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 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.



**Hawaii House of Representatives
Committee on Economic Development**

Testimony in Support of HB 2765

February 2, 2024

Chairman Holt and members of the House Committee on Economic Development, thank you for the opportunity to provide testimony in support of HB 2765.

My name is Kathleen (Kate) Owen, and I am an attorney with the law firm Orrick, Herrington & Sutcliffe LLP. I represent the Sports Betting Alliance (“SBA”), and I am submitting this testimony on their behalf. The SBA is a trade organization comprised of many of the top sports betting operators in the country—BetMGM, DraftKings, Fanatics, and FanDuel. Taken together, our membership is active in the majority of the 32 U.S. jurisdictions¹ with legal online sports betting.

Nearly four-fifths of the states now offer some form of sports betting, which is a remarkable development since sports betting was restricted to only a handful of states prior to 2018. However, the rapid adoption of sports betting by state legislatures since the Supreme Court struck down that restriction comes as no surprise. Allow me to highlight three reasons why.

First, there is a robust illegal sports betting market that thrives in the absence of a legal, regulated framework. The American Gaming Association estimates that Americans wager \$63.8 billion dollars each year in the illegal sports betting market²—which works out to over \$277 million wagered in Hawaii alone. This money is being wagered with offshore websites and illegal bookies with no oversight, consumer protections, or revenue generated for the state.

Second, sports wagering is offered safely and responsibly by reputable operators in jurisdictions where it is legal. These operators implement robust measures with regard to identify verification, consumer protection, responsible gaming, and game integrity that are not present in the illegal market.

¹ Thirty states plus the District of Columbia and Puerto Rico.

² *Sizing the Illegal and Unregulated Gaming Markets in the United States*, American Gaming Association, November 2022. Available at americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf

Third and finally, states stand to generate significant revenue by putting a regulatory framework in place around this activity. By channeling this activity into the legal market and building a robust and responsible market for sports betting, Hawaii stands to gain \$9 million per year in additional tax revenue.³

A regulated, competitive mobile sports betting market would replace the predatory, illegal platforms already operating in Hawaii and generate new revenue for the state through a policy that has the support of constituents. According to a 2022 poll conducted by Anthology Research, 73% of Hawaii residents surveyed support legalizing and regulating online sports wagering in Hawaii for adults 21 years of age or older to generate annual tax revenue.⁴

The SBA supports HB 2765 and the framework that it would establish to regulate sports betting in Hawaii. Thank you again for the opportunity to testify, and I am happy to answer any questions.

³ Estimate based on average 2023 mobile sports betting revenue per 21+ adult in Colorado, Connecticut and Maryland—three states similarly situated to Hawaii in terms of education levels and household income.

⁴ Specifically, the Anthology Research survey inquired whether participants support this legalization “to generate annual tax revenue which can be used to improve Hawaii schools and to fund other critical priorities for the islands.”

HB-2765

Submitted on: 1/30/2024 1:04:54 PM

Testimony for ECD on 2/2/2024 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Andrew Crossland	Individual	Oppose	Written Testimony Only

Comments:

I **oppose** this Bill.