

MGC Research Snapshot

Sports Betting in Massachusetts: 2023 Economic Impacts Report

June 2025

What you need to know

This early research on sports wagering shows that, in every respect, the positive impacts to the Commonwealth generated by this new industry are dwarfed by the positive impacts generated by other forms of gambling in the state. Casino gambling remains by far the larger driver of economic activity in Massachusetts. While the amount of money wagered, won, and lost in sports betting is significant, the legalization of sports betting has not led to significant new levels of employment in the Commonwealth, and mobile operators spent about 4% of payments overall on Massachusetts businesses in contrast to 45.8% of payments by casinos. Sports betting's positive impact on the economy is largely due to the revenue it generates for the Commonwealth and the subsequent expenditure of those funds.

What is this research about?

The purpose of this report, prepared by the University of Massachusetts Donahue Institute (UMDI) as part of the Social and Economic Impacts of Gambling in Massachusetts (SEIGMA) project, is to catalog as accurately as possible the ways in which the Massachusetts economy has been changed by the legalization of sports betting. Legalization introduced three retail sports betting operators, operating within the three existing casino locations, and nine mobile or online sports betting operators (six of which operated through 2023) into the Commonwealth's gambling industry.

What did the research do?

To estimate economic impacts, three key sources of data have been collected: casino and mobile sports betting operations (spending on vendors, employees and government entities), gross gaming revenues, and patron spending behavior. Taken together, these measures of economic activity can be quantified and used as inputs to inform the SEIGMA team's REMI PI+ economic model. The output from this model allows for capturing the "ripple effects" that are caused by these direct impacts and therefore make conclusions about the total impacts of these changes on the Massachusetts economy.

Important to note is that though the economic impacts of the casino industry have been modeled thoroughly in the past, the sports betting industry, and specifically mobile sports betting, is quite different from the casino industry in almost every way, except that they both involve gambling. The economic activities these operators engage in, and the degree to which they engage in these activities in Massachusetts, differs from casino operators. As such, new methods were developed, and the data used to understand these impacts are different.

What did the researchers find?

Key findings include:

Employment:

- As a technology-based activity, mobile sports betting does not require nearly the same levels of hiring to operate that the casinos required when they opened. It is also less important that those jobs be physically located in Massachusetts.
- In 2023, mobile sports betting operators employed an average of 10,265 employees across the U.S. industry in a quarter.
- Nearly twelve percent of those employees, an average of 1,185 in a quarter, were employed in Massachusetts. However, most of that employment either existed in Massachusetts prior to the legalization of sports betting or was remote work that was not necessarily tied to the expansion of gambling in Massachusetts.

Vendor Spending:

- In terms of business-to-business spending, Category 3 operators made a total of \$1.74 billion in payments to vendors across the state and nation in 2023.
- About four percent of those payments, \$70.8 million, were made to Massachusetts firms.
- As a result of initiating operations in Massachusetts, sports betting operators reported spending needs in several key sectors. Major spending areas related to setting up and maintaining data centers in a new location, new spending on marketing, advertising, and promotions, and new spending on professional technical services related to legal and regulatory requirements.



Revenues

- The mobile sports betting industry grossed a total of \$465.1 million in 2023. Of that total, individual operators earned between \$4.6 million and \$237.4 million.
- We estimate that 29 percent of spending on mobile sports betting, or just under \$137 million, was recaptured from out-of-state or “gray market” betting.
- Taxes on gross gaming revenue in this sector generated a total of \$90.8 million for the Commonwealth in 2023. When considered with casino gross gaming revenue taxes, sports betting taxes represented 22 percent of all non-lottery gaming tax revenue that year.
- Gross gaming revenue has increased 155 percent over the past decade while gaming tax revenues only increased 72 percent, due in part to the lower tax rates on each new form of gambling introduced.
- Casino revenue declined by 0.9 percent in FY2024, the first year on year decline since Plainridge Park Casino opened in 2015. It is possible that the declines between FY2023 and FY2024 were only minor fluctuations in what will prove to be relatively stable year-to-year revenue. However, the immediate leveling off of casino revenue once sports betting was introduced is striking.

Patrons: Consumer Spending

- In 2023, bettors placed \$4.7 billion worth of online sports bets in Massachusetts and approximately \$4.25 billion was paid out in prizes to gamblers, resulting in over \$450 million in revenue.
- An estimated \$136.9 million dollars or 29 percent of mobile sports betting revenue came from patrons who reported that they would have spent their money on some other type of sports betting if mobile sports betting had not been legalized in Massachusetts.
- An estimated \$333.7 million dollars (71 percent of revenue) were reallocated away from other types of economic activities and towards mobile sports betting. In other words, we estimate that these funds would have been spent elsewhere in the economy if not for legalized sports betting, a trend that we refer to as consumption reallocation.

Total Impacts

- All casino and sports betting impacts considered, the legalization of gambling in Massachusetts created and supported an estimated net of 15,459 jobs across the Commonwealth. Of these jobs, almost all of them are the result of the casino industry, and almost half are the result of Encore Boston Harbor alone.

About the researchers

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- The mobile sports betting industry, taken as a whole, creates or supports approximately 118 jobs. This number represents the estimated number of jobs created through the operations of sports betting firms (722) and the number of jobs created through new state government spending of sports betting revenue (1,861) minus estimated jobs lost through consumption reallocation (2,465).
- Legalized gambling also supports almost \$3.6 billion in Output (sales), with \$2.5 billion of that being Value Added (gross state product). Only 2.0 percent of Output from legalized gambling is generated by mobile sports betting. Mobile sports betting’s relatively small share is likely a result of its limited in-state vendor spending and limited direct employment.
- Sports betting’s positive impact on the economy is largely due to the tax revenue it generates for the Commonwealth, and the subsequent expenditure of those funds.

Conclusion

The results of this economic modeling exercise indicate that the net economic impact of sports betting is slightly positive, but it is important to note that these results do not account for social impacts that may have “downstream” economic impact, such as bankruptcies and should be viewed with some degree of caution.

Citation

Peake, T., Breest, K., McKenzie, R., (2025). Sports Betting in Massachusetts: 2023 Economic Impacts Report. Hadley, MA: University of Massachusetts Donahue Institute, Economic and Public Policy Research Group.

Key Words

Research Related to Sports Wagering, Economic Impacts

About this Snapshot

MGC Snapshots are intended to translate lengthy and sometimes technical reports into an easily understandable overview of the research. The findings and recommendations in the Snapshot are those of the researchers and do not necessarily reflect the position of the MGC.

Funding

Financial support for this study came from the Massachusetts Gaming Commission through the Public Health Trust Fund.

