



IN PARTNERSHIP WITH THE MASSACHUSETTS COUNCIL ON GAMING AND HEALTH

FEASIBILITY STUDY:

Prospective Sports Wagering Kiosks in Massachusetts

Prepared for the Massachusetts Gaming Commission
May 2, 2024



200 Lakeside Drive, Suite 250
Horsham, PA 19044 USA
+1.609.926.5100
spectrumgaming.com

Executive Summary

The Massachusetts Gaming Commission (“Commission” or “MGC”) retained Spectrum Gaming Group (“Spectrum,” “we” or “our”) to “conduct a study into the feasibility of allowing retail locations in the commonwealth to operate sports wagering kiosks. ... As required by the new law, this study should address the feasibility, and the potential economic, public health, and safety impacts of such a decision. It should include a discussion and/or evidence-based recommendations that address whether to do so and how to do so in a way that will maximize benefits and minimize negative consequences, including ways to understand and incorporate diversity, equity and inclusion considerations for retailers, consumers, and communities.”

The purpose of this feasibility study is to provide the MGC with information it can provide to the legislature for use in its consideration of implementing retail kiosk sports wagering. Spectrum approached this project from a commercial feasibility perspective, determining whether retail sports kiosk wagering would, in the big picture, be financially beneficial for kiosk hosts and for the Commonwealth, then weighing any potential financial benefits against anticipated social impacts brought by the kiosks. Because Spectrum determined that kiosks would not be economically viable (see Recommendations chapter below), the primary focus of this report is on the analysis of commercial feasibility from which that conclusion was drawn.

A. Experiences in Other Jurisdictions

For comparative purposes in this report, Spectrum focused on the three jurisdictions where self-service sports wagering kiosks are offered in retail locations on a widespread basis – similar to what may be contemplated in Massachusetts: Montana, Ohio and Washington, DC (“the subject jurisdictions”). There are significant differences among the subject jurisdictions:

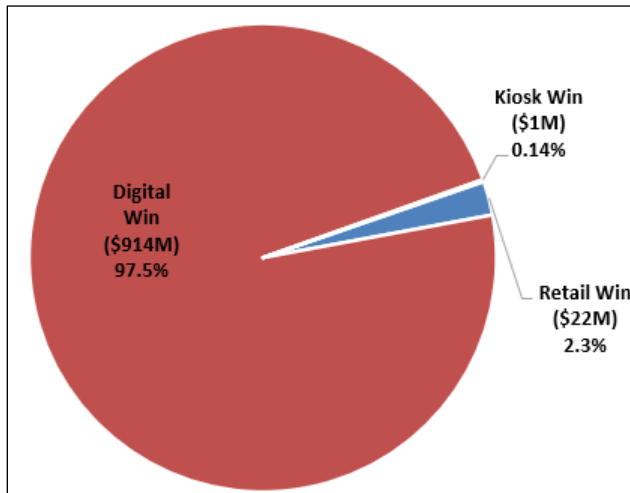
- Montana sports wagering is limited to kiosk locations; digital betting¹ is allowed only on the premises of a kiosk establishment – known as “on-site mobile.” The first approved retail sportsbook at a tribal casino has yet to open.
- Ohio sports wagering is offered at the 11 casinos throughout the state and via digital channels, as well as at retail kiosk locations.
- Washington, DC, sports wagering is offered (1) by the DC Lottery through one digital channel and at kiosks at authorized retail locations and (2) by two classes of private operators: Class A, which is limited to four major sports venues and their associated “near-site mobile” channels within a two-block radius from the sports venues via an associated third-party app, and Class B venues, which are other qualifying business that have kiosks and offer on-site mobile betting.

In Ohio – which would be most like Massachusetts if the Commonwealth were to implement kiosk wagering – kiosks generate only a sliver of total statewide sports wagering gross gaming revenue

¹ Digital = wagering that takes place via internet or mobile channels; also called “online” or “mobile.”

(“GGR”).² This should not be surprising, as bettors find it more convenient to use the phones in their pockets – for which they have an established wagering account via their preferred apps/providers – than go to a kiosk to place sports bets. In 2023, the kiosks in Ohio generated only \$1.3 million in GGR from an average of 892 kiosks available throughout the state. The retailer’s share of this was less than \$200,000, amounting to an average of less than \$225 in revenue per retailer on an annual basis.

Figure A: Ohio sports wagering GGR by segment, 2023



Source: Ohio Lottery, Ohio Casino Control Commission, Spectrum Gaming Group

There are two critical factors about retail kiosk sports wagering to keep in mind when reading this report:

- Kiosk sports wagering is young in the United States; in two of the subject jurisdictions (Montana and DC) it is only four years old, and in the other it is less than two years old.
- Wagering via kiosks, as noted above, is a relatively minor revenue generator, with digital wagering having essentially obviated the need for, and attraction of, kiosks in those jurisdictions where digital wagering is authorized.

Accordingly, Spectrum found that kiosk wagering has generated relatively little attention among regulators, the gaming industry, law enforcement and researchers compared to other forms of gambling.

Looking ahead to potential implementation of kiosk sports wagering in Massachusetts, Spectrum expects that kiosks would have a de minimis impact on statewide sports wagering performance and would have varying minimal impacts on the host establishments themselves. Whereas in Ohio kiosks and digital sports wagering launched on the same day and the kiosks there still barely register on the statewide performance scale, in Massachusetts digital sports wagering will have been well entrenched in consumer behavior before the first kiosk is installed, perhaps further limiting the upside potential for kiosk hosts.

² Gross gaming revenue is the amount of money players wager minus the amount players win, before any expenses or taxes have been deducted. It is the amount of players’ net losses.

Despite low volumes of wagering at kiosks in the subject jurisdictions, Spectrum found that most of the 60 kiosk hosts interviewed in the subject jurisdictions had a favorable opinion of the devices. The rules in the three jurisdictions vary considerably, which could impact their reception:

- In Montana, where digital sports wagering is allowed only on the premises of a kiosk establishment, 15 of 20 interviewed kiosk hosts said the kiosks have been an asset for their business and 4 of the businesses said they regretted the installation of a kiosk.
- In Ohio, digital betting is available anywhere in the state and provides a wider range of betting options compared to kiosks. Several kiosk hosts said those are among the reasons the kiosks are little used. Most hosts said they view the kiosks as an amenity to generate additional patrons or to keep their existing patrons on premises longer. Although hosts, generally, said they had not seen many more customers, they still thought the kiosks were worth keeping because they provide their guests with another amenity that may lead to some staying longer.
- In Washington, DC, 13 of the 20 interviewed hosts said the kiosks had added value to their operations. Among those regretting the kiosks, some said the machines were unreliable and take up too much space. Hosts said that the kiosks tend to attract a younger demographic, which they said is a positive.

In general, none of the hosts in the subject jurisdictions said they had hired additional employees due to the implementation of kiosks or that the kiosks had brought trouble with underage betting or customer behavior.

B. Operational Considerations

1) Eligibility

In the subject jurisdictions, eligibility to operate a sports wagering kiosk is subject to the retailer having licenses to conduct restricted sales of other products including alcohol, lottery and gaming. From a licensing and suitability perspective, any kiosk host applicant will have submitted multiple applications that have been reviewed by one or more state agencies prior to being eligible to apply for a kiosk host license.

The standards of operation governing retail lottery sales and lottery kiosks share a high level of consistency with the operation of sports wagering kiosks in terms of cash handling and the ability to aggregate the sale of the products. Considering that the controls for sports wagering kiosks have been modeled to complement existing operations from other activities, it is important to note that sports wagering is a more complex product with more variables and rules governing settlement to consider than those of standard lottery products. Therefore, retailers and their staff may require an additional level of training.

The placement of the kiosks within the retail location is important to their potential success; however, due to the differences in sports wagering vs. traditional lottery products, these kiosks would likely require more supervision and expanded physical and asset security considerations, depending on volume of sales. The IT infrastructure needs of sports wagering kiosks may be different compared to some lottery devices; however, those requirements are not recognized as net new systems or functions and are likely already available in eligible locations. The structural requirements for sports wagering kiosks are consistent with lottery kiosks and other licensed activities the retailer is already conducting.

Sports wagering redemptions are nearly identical to redeeming lottery products; however, it is a roughly 90%-payout-ratio-product that experiences spikes in sales associated with popular sporting events and subsequent spikes in redemptions at the end of such events.

In consideration of the above, Spectrum found that the suitability, operational standards, infrastructure, and cash-handling capabilities of existing lottery retailers would appear to be sufficient to handle the additional sales from sports wagering kiosks.

2) Types of Retailers Best Suited for Kiosks

Creating benchmarks for suitability to offer sports wagering kiosks should go beyond only the capacity to operate compliantly. They should also assess a retailer's suitability – with an emphasis on capacity to generate sales.

Retailer locations of the same theme can differ drastically in their ability to generate sales. As one kiosk host told Spectrum, "We have some locations doing \$50K to \$80K in handle a month and some doing \$1K to \$3K per month." Simply making the kiosks available is not enough. Last year in Ohio, more than half of all sports wagering kiosk host partnerships that ended did so due to lack of sales.

The active sports wagering demographic is narrow, and mass market interest in sports wagering has seasonal bursts, fueled by expanded media coverage and content for a few highly publicized events each year. While considered mainstream as far as availability, Spectrum does not believe sports wagering to be as applicable to a wide range of demographics as are traditional lottery products.

Lotteries and kiosk gaming system providers report that those kiosk hosts able to provide patrons with an atmosphere that incorporates social interactions with viewing sports for a duration perform better than those kiosk hosts that do not. So, a kiosk in a sports bar is likely to do better than a kiosk in a grocery store or gas station, where patron visits are short and sporadic. This is not to say that those retailers unable to replicate this experience due to location type will be unsuccessful; however, their levels of success likely will be measured to correspond with their primary purpose of business and sales of other age-gated products. Retailers that are considered successful at generating sports wagering sales actively program sports wagering into the patron's experience.

If a retailer is successful at programming sports wagering into the patron experience, it still must recognize the likelihood that patrons are wagering via digital means. In states where both digital and retail sports wagering are available, the digital channel generates roughly 90% of the total GGR. This is a challenge for the retailer that they can overcome only by leveraging their location and patron experience to create a value add to the act of betting on kiosk.

While sports wagering can be effectively used as an amenity for some retailers to encourage longer visits or incorporate into a patron's daily routine for incremental sales, it is unlikely that all current lottery retailers are suitable for sports wagering. However, the absence of sports wagering is also unlikely to be of any material consequence to the retailer's primary purpose of business.

3) Regulatory Costs

For an authorizing state, the costs associated with regulating sports wagering kiosks are confined to staffing expenses of the state’s gaming regulatory agency: employees’ salaries, pension payments, and health benefits. Other than staffing, there are no significant operating expenses to regulate sports wagering kiosks. The staffing involves the designation of specific employees to the regulation and oversight of the sports wagering kiosks and their locations. In Spectrum’s experience in gaming regulation, their respective duties and responsibilities include licensing investigations, enforcement, audit functions, administrative duties, financial reviews, technology support, and operational oversight. In addition, at the outset, the staff would draft appropriate regulations and establish relevant policies and procedures for implementing and overseeing sports wagering kiosks.

In evaluating the projected regulatory costs for Massachusetts to implement sports wagering kiosks, Spectrum examined the experience of the most comparable state, Ohio, which implemented the kiosks in January 2023. The Ohio Lottery Commission is entrusted with the responsibility of overseeing the operations of sports wagering kiosks. In this regard, the Lottery Commission is responsible for establishing rules and regulations of the program and ensuring compliance with them. The same would naturally apply to the Massachusetts Gaming Commission’s Enforcement Bureau.

In January 2023, Ohio’s statewide program went into effect. At year end, Ohio reported regulatory costs of \$650,000 – as compared to \$305,000 in state revenue realized from the kiosks. Thus, the regulatory costs exceeded the revenue from the kiosks. Spectrum believes Ohio’s regulatory costs should remain consistent in the forthcoming years.

For Massachusetts, the MGC staffing necessary to implement and oversee sports wagering kiosks would depend on the number of authorized establishments. The addition of hundreds or thousands of sports wagering kiosks into the field – which would require quarterly and intermittent audits of their cash-handling transactions – would likely require significantly more resources to effectively regulate the kiosk program than exist within the Commission today. The Commission’s Investigations and Enforcement Bureau has experienced staff with the expertise needed to oversee this operation. Based on Spectrum’s experience in gaming regulatory matters, we believe the transition from regulating casino operators to regulating wagering kiosks would be relatively seamless.

C. Impacts of Kiosks

1) Social and Community Impacts

A key purpose of this study is to consider the social and economic costs and benefits to groups historically marginalized from economic opportunities in the Commonwealth. In two interviews, it was mentioned that if there was a sincere interest in benefiting small businesses, a sports wagering kiosk program should have been considered as part of the Commonwealth’s 2011 Expanded Gaming Act or, at the very least, before the launch of sports wagering last year. Retroactively working to fit small businesses into a possibly saturated sports wagering market – when the public is not clamoring for this type of gambling – seems “too late,” according to some of the people interviewed. Spectrum observed that the most prominent group advocating for kiosks are restaurant owners in western Massachusetts – i.e., in the

area around the MGM Springfield casino – who felt overlooked during the initial efforts to expand gaming in the region.

During our one-on-one interviews with Massachusetts trade associations, the majority of those interviewed did not believe that sports wagering kiosks would receive an enthusiastic response from their members. Spectrum observed that there was an exception: A group called NE Games LLC, representing roughly 100 majority minority-owned retail establishments in the Commonwealth, wrote a letter expressing that they felt overlooked during the initial efforts to expand gaming in the region and hoped to benefit from any future expansion.

If retail kiosks were pursued, the inclusion of minority business owners could employ the models of Washington, DC, and Maryland, where businesses owned by members of communities of color were prioritized for technical assistance and licensing to become sports wagering hosts or operators. The economic benefit of these kiosks to marginalized communities is unclear, and the public health cost is even less clear.

Key informant interviews were done with 15 people representing public health and human service interests, and they were unanimous in their expression that the public health impact of expanded gambling to sports wagering kiosks would have a negative impact on public health. Despite impoverished and economically fragile communities already bearing the disproportionate burden of gambling disorder, it was noted that in Black and Latino communities, religious organizations provide many of the services in response to these gambling crises, and they are not eligible for community mitigation funds and other sources of funding collected through gaming revenues. The pervading sense from the experts interviewed is that the most vulnerable community members will bear the burden of expanded gaming, with any economic benefits being unlikely to reach those who are doing the helping. Several stated that kiosks would be beneficial only if they replaced users' digital or casino sports wagering activity.

Gambling expansion cannot be unlinked with an increase in a prevalence of gambling problems. The literature points to sports wagering as being a particularly problematic form of betting, with a higher percentage of players experiencing mental distress and gambling addiction than some other forms of gambling. Studies of problem gambling sports bettors suggested that they were more likely to experience substance use issues and face unstable housing situations, pointing to additional risk factors already present in this population. National studies have reported higher risks for problem gambling among sub-groups, including young males, ethnic minorities, veterans and individuals with mental health or substance use disorder issues.

A primary concern among the 15 people representing public health and human services interests of retail kiosks was that the three subject jurisdictions had not integrated voluntary self-exclusion systems with the retail kiosks. Ohio reported that it would be cost-prohibitive to have retailers consult a self-exclusion database. In all three states, people on the self-exclusion lists can gamble using retail sports kiosks. With the priority that the Massachusetts Gaming Commission puts on self-exclusion, this would need to be an issue that is carefully considered when weighing economic and social costs. At a time when the Commonwealth is looking to expand and streamline self-exclusion, it could be harmful to proceed with retail kiosks without this protection in place.

Similar to lottery kiosks, sports wagering kiosks could offer easy accessibility to gambling, potentially attracting vulnerable populations like youth and those who are managing recovery from disordered gambling and other types of addiction. Kiosks in public places are likely to increase youth exposure to gambling behavior among family members and other role models. Integration of gambling kiosks in public spaces would shrink the number of gambling-free spaces for families and people in recovery, and it would increase youth exposure to gambling advertisements. These factors are understood to increase the risk of future gambling harm for those exposed youth.

Furthermore, understanding the co-occurrence of gambling and alcohol consumption in retail settings such as sports bars, and its impact on public health, is also crucial for developing effective regulation and harm-minimization strategies.

To address and prevent the risks and harms associated with gambling in public retail settings, it would be essential for the Commonwealth to consider a range of individual, socio-cultural, environmental, and industry conditions. In particular, how social norms, peer influences, and immediate settings intertwine to influence risky gambling behaviors, particularly among young men, who are most likely to bet on sports.

2) Security Impacts and Considerations

There are distinct differences between lottery products and sports wagering products that current retail operators may not be familiar with and that present new considerations for cash handling, volume of transactions and wager statuses that go beyond merely win or lose. Creating more venues for cash wagering may create more risks of robbery for patrons carrying amounts of cash that could be defined as extraordinary for that location or time of day.

The introduction of additional financial instruments such as vouchers, whose use and redemption are anonymous up to a certain amount, creates increased risk of financial crimes related to money laundering. This risk is further heightened due to the mechanics involved with sports wagering and the ability to structure wager outcomes for a cost via early cash-out or wagering heavy favorites with low returns meant only to launder the risk amount. Utilizing a network of patrons to conduct such activities – with wager placement and redemption occurring in different locations – further exacerbates the potential for such activities to go undetected unless the gaming system provider’s own security team is employing sophisticated measures of detection and prevention.

These risks appear inconsequential when analyzing the responses from Spectrum interviews. However, the current process in Ohio of detecting and reporting incidents relies on multiple parties working in sync. In a retailer-supplier setting this is likely not always the case, thus it is reasonable to expect at the very least there is a failure to report 100% of such incidents.

Nearly all of the aforementioned risks can be deterred with the proper restrictions and wager/redemption limits; however, in doing so, there is an expectation that the utilization of sports wagering kiosks would deteriorate in favor of a licensed mobile or black-market operator where the experience is more convenient and increased options and products are available.

With the understanding that the intended placement of sports wagering kiosks would be at any retail location that is approved for selling lottery products (as current retailers are practiced in monitoring gaming machines), the same risks and potential for criminal activity regarding lottery sales that is present today is expected to be amplified with the introduction of sports wagering.

3) Impacts on Other Forms of Gambling

Lottery

There are no studies directly examining the effect of sport betting kiosks on lottery revenue, as the kiosk industry in the United States is in its infancy. A study published in December 2023 examined the effects of sports wagering (both digital and retail) on casino gambling and lottery, focusing on Iowa, Pennsylvania and Rhode Island for the lottery impacts. (None of those states has retail sports wagering kiosks). The study did show an insignificant association with retail sports wagering and lottery revenue while finding a positive association between digital sports wagering and lottery sales.

Thus far, the effect of sports wagering on lottery sales is neutral, or at least unclear. Based on lottery sales over the last several fiscal years, sports wagering does not appear to be having an impact on lottery sales in the three subject sports wagering kiosk jurisdictions (Montana, Ohio and Washington, DC). However, given the rapid expansion of gaming overall across the country – be it casinos, internet casino gaming, sports wagering, or new lottery channels – it difficult to attribute any change in lottery sales to a new form of gaming.

In Massachusetts, sports wagering kiosks are a potential consumer option to keno because they have similar sales locations; i.e., bars and restaurants. Keno is the second most productive game for the Massachusetts Lottery, accounting for 20% of all Lottery sales over the last two fiscal years. The strongest Massachusetts keno sales occur in bars and restaurants. If sports wagering kiosks were to have a negative impact on Massachusetts Lottery sales, Spectrum believes it would be on keno at bars and restaurants.

Over the last two fiscal years, Massachusetts keno had \$1.2 billion in sales. Given that keno has a lower prize payout percentage than other lottery products – i.e., a greater percentage is returned to the Commonwealth from keno wagers – the impact on the net revenue transferred to cities and towns as unrestricted local aid could decline if a significant number of players were to choose sports wagering over keno.

Black Market

Sports wagering kiosks and their placement in locations where lottery products are sold are often used as an opportunistic approach to drive increased revenues from sporting events that receive a high amount of publicity, such as a team rivalries, national/league championships, or pay-per-view events. Sports wagering itself is not the sole or primary purpose for the patron to be in the vicinity of a sports wagering kiosk in the first place; more likely, it is a viewing party at a sports bar or other socially driven activity.

These types of players are part-time recreational at best, likened to lottery players who buy only when jackpots reach a highly publicized amount, and these players would not necessarily need the services of the black market. Therefore, their wagering activities could be assumed to have little to no

impact on market share recapture from the black market, as these same patrons likely do not participate with black market operators today.

The premeditated nature of engaging with a black-market operator for one reason or another is unlikely to be influenced by the presence of a local sports wagering kiosk, as the players have already established a line of credit, have a funded account that does not require cash, and enjoy the convenience of using their mobile device for all wagering activities.

Sports wagering naturally attracts a younger demographic, however as the proliferation of the “Internet of Things” continues to replace in-person or tangible interactions, use of kiosks would appear to be a high barrier to entry for younger patrons accustomed to utilizing their mobile phones for everything from their wallet to placing food orders to gaming.

In short, the amount of black-market recapture that can be expected with the introduction of sports wagering kiosks is expected to be nominal at best and likely immaterial to reducing the use of black-market operators.

D. Primary Recommendation

Based on the totality of the research and analysis for this report, and based on the extensive experience of the experts contributing to this report, Spectrum recommends that the Commonwealth of Massachusetts not implement kiosk sports wagering. We conclude that, in the big picture, there is little to no economic upside for kiosk hosts and the Commonwealth itself while there is an increased risk of negative social impacts. In Ohio, which is most similar to Massachusetts among comparison jurisdictions, kiosk wagering last year generated only 0.14% of total, statewide sports wagering revenue – despite being launched at the same time as digital and in-casino retail wagering. Although kiosks could provide modest economic benefits to some small businesses, given the de minimis results in Ohio (an average of less than \$225 in direct kiosk revenue per retailer annually) it is uncertain whether kiosk program participants in Massachusetts – consumers, hosts and vendors – would experience the economic benefit needed to justify the costs and efforts that we believe would be required to support such a program and ensure its commercial viability.

Recommendations

Based on the totality of the research and analysis for this report, and based on the extensive experience of the experts contributing to this report, Spectrum recommends that the Commonwealth of Massachusetts not implement kiosk sports wagering because we conclude that, in the big picture, there is little to no economic upside for kiosk hosts and the Commonwealth itself while there is an increased risk of negative social impacts.

In Ohio, which is most similar to Massachusetts among comparison jurisdictions, kiosk wagering last year generated only 0.14% of total, statewide sports wagering revenue – despite being launched at the same time as digital and in-casino retail wagering. In Massachusetts, the introduction of kiosk wagering would likely occur two years or more after the introduction of digital wagering, which has become well entrenched; it would be the first jurisdiction to introduce kiosk wagering after digital wagering. Further, it is uncertain whether the Commonwealth’s share of kiosk revenues would even cover the associated increase in regulatory costs; in Ohio last year, they did not. Although kiosks could provide modest economic benefits to some small businesses, given the de minimis results in Ohio (an average of less than \$225 in direct kiosk revenue per retailer annually) it is uncertain whether kiosk program participants in Massachusetts – hosts, vendors and the Commonwealth – would experience the economic benefit needed to justify the costs and efforts that we believe would be required to support such a program and ensure its commercial viability.

Furthermore, the implementation of kiosk sports wagering would require additional vigilance by the Commonwealth in terms of public health (such as underage and problem gambling), societal impacts (such as crime), and regulatory burden, which may not be rationalized by the expected low participation and minimal revenues associated with kiosk wagering. The implementation of kiosks would require navigating several inherent challenges to achieve economic feasibility, particularly when balancing promotional efforts with social responsibility goals. Aggressive marketing tactics used to enhance consumer engagement and drive sales could conflict with social and ethical responsibility goals of the Commonwealth. There are specific social impacts to consider, such as the potential influence on minors and the exacerbation of problem gambling behaviors. The Commonwealth would also have to consider the broader social implications of kiosk placement and operation, such as near schools or in communities at higher risk of gambling harm. Ensuring that promotional strategies and kiosk placement and operation do not unintentionally target vulnerable groups, like minors and individuals struggling with gambling addiction, would be crucial for maintaining ethical standards.

If the Commonwealth were to proceed in implementing kiosk sports wagering, Spectrum recommends the following actions:

- Keep expectations realistic. Massachusetts residents who are interested in sports wagering will likely have had two years or more to become accustomed to wagering via their smartphones, on which they have established accounts and a wider array of betting options than kiosks in other states currently offer. Expecting them to change their habits to bet at a kiosk in a bar or restaurant is unrealistic. Sports wagering kiosks may be a modest source of direct or indirect revenue for some host establishments, but they are unlikely to generate

significant direct income. Ultimately, the public will decide with their wallets whether a kiosk program is successful.

- Consider ways to prompt retailers to encourage patrons to use the kiosks rather than their phones. This could be done by allowing a bet type that is not available on mobile devices, or by providing an incentive to use a kiosk. At the very least, do not disincentivize patrons by prohibiting kiosk bets that are available on their phones. (Ohioans, for instance, can bet on horse racing on their phones but not on a kiosk.)
- Employ a slow rollout of kiosks – perhaps in designated phases by number of locations or number of machines – to regularly measure any impact on Massachusetts Lottery sales, with a specific eye on keno sales. Such a rollout would further allow the Commission to monitor issues relating to social and community impacts.
- Retailer licensing eligibility should be dependent on existing licenses required to conduct cash sales of age-gated products, such as alcohol and lottery, and that are found to be in good standing.
- Mandate a single gaming system provider be licensed by the Massachusetts Gaming Commission to provide sports wagering hardware and wagering services to the proposed network of licensed retailers. This would ensure consistency in the settlement of all winning wagers that can be redeemed with any retailer regardless of where the wager is made within the network. The Commonwealth should create a strict set of product requirements and service-level agreements to which the selected provider would have to adhere, and may require continual investment in new product functions and features. With the provider receiving access to 100% of the market, the economics are much easier to manage from an investment in technology perspective.
- To help ensure retailer buy-in and success:
 - Establish a minimum amount of lottery and/or alcohol sales required to qualify for a sports wagering kiosk license. This is intended to ensure reasonable revenues are derived that would justify the regulatory, public health and social impacts monitoring required of such regulated products.
 - Commission the creation of a Location Viability Assessment used to profile an applicant's potential to meet minimum sales goals based on location of sports wagering kiosks within the premises, average purchase per patron per visit, retailer's physical location and infrastructure, and addressable demographics. Should a retailer not be able to generate minimum sales due to the profile and infrastructure of their location, the risk associated with making additional regulated products available in that location is likely unjustified.
 - Require each retailer to provide a marketing and business plan to support sales, including a floor plan for placement of kiosks and marketing assets with logical access to patrons.
 - Require a minimum amount of sports wagering sales for each retailer within a 90-day period that takes into consideration the seasonality of US sports wagering.
 - Require sports wagering kiosk providers to maintain multiple products and functions to curate patron engagement campaigns by retailers through the use of contests and sweepstakes promotional tools and second-chance-to-win opportunities, similar to methods used by lotteries today.

- Create a loyalty program for retailers to promote that is in line with mobile sports wagering operators to provide added value to sports kiosk wagering.
- Ensure that sports wagering kiosk gaming system providers are offering a competitive product packaged specifically for consumption in a retail setting, whether it be for consistent, sustained visits or for a short, occasional visit.
- To ensure regulatory integrity and security:
 - Create thresholds for security and surveillance requirements based on a kiosk host location's size, floor plan and maximum patron capacity.
 - Establish cash-management requirements based on wagering and settlement volumes of the individual retailer to ensure adequate anti-money-laundering procedures are in place.
 - Require detailed anti-money-laundering initiatives from the sports kiosk gaming system provider for proactively detecting and deterring potential risks of money laundering and tracking suspicious activity.
 - Commission the use of third-party data analysis to conduct detailed analysis of wagering and settlement activity among retail locations to detect potential organized betting activity among multiple individuals or retail locations.
 - Mandate sports wagering gaming system providers provide a mobile redemption method for patrons to claim winnings electronically and remove the need for cash transactions.
 - Establish operational and auditing functions required of any sports wagering kiosk gaming system provider that are consistent with the MGC's retail wagering minimal internal controls.
 - Mandate a Commonwealth-approved training program for all retailer employees designed to educate on identifying potential criminal activities that could be facilitated with the sports wagering kiosks.
- To compete with other channels of sports wagering, including the black market:
 - Ensure that sports wagering kiosk gaming system providers are offering a competitive product packaged specifically for consumption in a retail setting, whether it be for consistent, sustained visits or for a short, occasional visit.
 - Work with the Massachusetts Lottery to cross-sell lottery products with sports wagering to provide value-add opportunities that no other sports wagering operators can match.
 - Create a loyalty program for retailers to promote that is in line with mobile sports wagering operators to provide added value to sports kiosk wagering.
 - Require sports wagering kiosk providers to support mobile redemptions of winning wagers.
- Invite public/stakeholder comment regarding the potential restriction of kiosks in geographic areas around casinos that offer their own sports wagering products, given the casinos' substantial capital investment in their facilities.
- To ensure that kiosk wagering is implemented in a responsible manner:

- As the Massachusetts Lottery did in initially restricting the placement of keno near schools and allowing for local objection to the presence of the game, the Massachusetts Gaming Commission should consider developing restrictions regarding the placement of sports wagering kiosks near schools while also providing host municipalities an opportunity to object to the placement of sports wagering kiosks in certain locations. These provisions will help to protect vulnerable individuals while also fostering community involvement and investment.
- Retail kiosks should be restricted to establishments that cater to adults, such as bars and nightclubs and avoid family-friendly venues such as bowling alleys and grocery stores.
- Kiosks would need to have automated age ID verification systems and be in the line of sight of employees. Employees would require training in age verification, and we would recommend compliance checks to ensure that people under the age of 21 are not able to access these machines.
- Retail kiosks should tie into appropriate IT systems to ensure that integrity of the Massachusetts Voluntary Self Exclusion (“VSE”) Program. This would require a valid ID that can be assessed for age appropriateness, match to debit card, and VSE status.
- Kiosks should display responsible gaming and problem gaming messaging to keep players safe and offer precommitment tools such as PlayMyWay that allow players to set play and budget limits.
- Any decision that would allow kiosks in communities at higher risk of gambling harm should have additional measures put in place to ensure that burden of gambling harm on local social service systems is addressed.
- Applications for licenses, employee training and regular compliance checks for age and VSE compliance could be managed by the MGC or a vendor, and human resources capacity would be dependent on the number of venues throughout the state.
- Reassessment of the cost on the cost/benefits ratios of retail kiosks should be done annually to identify areas for improvement.
- Betting behavior using retail kiosks should be included in future Massachusetts prevalence studies.

Contents

EXECUTIVE SUMMARY	II
A. EXPERIENCES IN OTHER JURISDICTIONS.....	II
B. OPERATIONAL CONSIDERATIONS	IV
1) Eligibility	iv
2) Types of Retailers Best Suited for Kiosks	v
3) Regulatory Costs	vi
C. IMPACTS OF KIOSKS	VI
1) Social and Community Impacts.....	vi
2) Security Impacts and Considerations.....	viii
3) Impacts on Other Forms of Gambling.....	ix
Lottery.....	ix
Black Market	ix
D. PRIMARY RECOMMENDATION.....	X
RECOMMENDATIONS.....	XI
INTRODUCTION	1
A. SCOPE OF STUDY	1
B. METHODOLOGY	3
C. DEFINITION OF TERMS.....	6
D. ABOUT SPECTRUM GAMING GROUP	7
E. ABOUT THE MASSACHUSETTS COUNCIL ON GAMING AND HEALTH.....	8
1. OVERVIEW OF SPORTS WAGERING AND KIOSKS	9
A. STATES’ SPORTS WAGERING PROGRAMS	12
B. EXPERIENCES OF KIOSK HOSTS IN OTHER STATES	14
1) Montana.....	16
2) Ohio.....	19
3) Washington, DC.....	23
4) Conclusion	26
C. ESSENTIAL REQUIREMENTS FOR A SPORTS WAGERING KIOSK HOST.....	26
1) Licensing Requirements	27
2) Internal Controls	27
3) Infrastructure	29
Placement	29
Security	30
Internet and Power	30
4) Cash Handling.....	31
5) Insights from Interviews	31
D. RETAIL SETTINGS BEST SUITED TO HOST SPORTS WAGERING KIOSKS.....	33
1) Demographic of Patrons	34
2) Programming of Sports Wagering Into Patron Experience.....	36
Convenience Store	36
Sports Bar.....	36
3) Insights from Interviews	37
2. COSTS FOR REGULATING SPORTS WAGERING KIOSKS	40
3. POTENTIAL KIOSK SPORTS WAGERING IN MASSACHUSETTS	43

A.	LEVEL OF INTEREST.....	43
B.	ANTICIPATED SOCIAL AND COMMUNITY IMPACTS	45
	1) Benefit to Small Businesses	46
	2) Impact on Minors.....	48
	Increased Exposure to Marketing.....	49
	Impacts of Normalization of Sports Wagering.....	51
	3) Public Health Impacts	52
	Sports Betting and Problem Gambling	54
	Lottery Kiosks and Problem Gambling.....	57
	Sports Bars as Gambling Settings and Problem Gambling.....	59
	4) Implications for Policy and Practice	62
C.	CONCERNS ABOUT SECURITY, SAFETY AND CRIME AT KIOSK LOCATIONS.....	64
	1) Lottery Products vs. Sports Wagering Products	64
	Vouchers	64
	Voids.....	64
	Early Cash-Out.....	65
	Velocity and Volatility	66
	2) Security	67
	Devices that Accept and Store Cash	67
	Increased Cash Handling and Reserve Amounts.....	67
	3) Safety	68
	Cash Wagering and Redemption of Winning Bet Slips	68
	4) Crime.....	69
	Reported Crimes Related to Betting and Wagering.....	69
	Types of Crimes Associated with Betting and Wagering	71
	Insights from Interviews	75
	Analysis of Interviews	77
4.	POTENTIAL IMPACTS OF KIOSKS ON LOTTERY, BLACK MARKET BETTING.....	78
A.	IMPACTS ON MASSACHUSETTS LOTTERY	78
	1) Benchmarking Lottery Impact.....	81
	2) Lotteries’ Sports Wagering Kiosks Implementation/Licensing Restrictions	82
	Montana.....	82
	Ohio.....	83
	Washington, DC	84
	3) Potential Impact on Lottery Contributions	84
B.	ANTICIPATED MARKET RECAPTURE FROM THE BLACK MARKET.....	85
	1) Patron Use of Black-Market Operators in Legalized Jurisdictions	87
	Convenience.....	87
	Product Offering	87
	Pricing.....	89
	Anonymity.....	90
	2) Current Black-Market Consumption	90
	3) Caution with Kiosks.....	92
5.	ECONOMIC IMPACTS OF SPORTS WAGERING ON MASSACHUSETTS ESTABLISHMENTS THAT SERVE ALCOHOLIC BEVERAGES	93
	APPENDIX: INTERVIEW GUIDES	96
A.	KIOSK HOSTS IN MONTANA, OHIO AND WASHINGTON, DC.....	96

B. RESTAURANT/BAR OWNERS OR MANAGERS IN MASSACHUSETTS	97
C. ANTICIPATED SOCIAL AND COMMUNITY IMPACTS	97
D. KIOSK SUPPLIERS/DISTRIBUTORS IN OHIO.....	98
E. KIOSK REGULATORS IN OHIO, MONTANA AND WASHINGTON, DC.....	99

Figures

Figure 1: Ohio sports wagering GGR by segment, 2023	10
Figure 2: Washington, DC, sports wagering GGR by provider type, 2023	11
Figure 3: State-by-state overview of authorized sports wagering.....	12
Figure 4: Overview of sports wagering kiosk programs in Montana, Ohio and Washington, DC	14
Figure 5: Locations of retail sports wagering kiosk hosts in Montana, Ohio and Washington, DC.....	15
Figure 6: Comparing administrative rules, minimal internal controls for the subject jurisdictions	28
Figure 7: Ohio sports wagering kiosks performance statistics, 2023	34
Figure 8: Results of online survey of Massachusetts residents regarding use of sports wagering kiosks..	44
Figure 9: Likelihood of Massachusetts gamblers using a sports wagering kiosk, by gambler type.....	44
Figure 10: Summary of evidence about impact of gambling marketing on young people.....	50
Figure 11: Location types of betting/wagering crimes in 2022	70
Figure 12: Gross and net lottery revenue for states offering sports wagering, FY 2020-FY 2023.....	80
Figure 13: Comparison of products offered by sports-wagering kiosk states, black-market operators	88
Figure 14: Ohio statewide Type C vendor revenues and breakdown, calendar year 2023.....	89
Figure 15: Percentage of sports bettors who bet in legal vs. illegal channels, 2022.....	91
Figure 16: Ohio sports wagering handle by channel, 2023	91
Figure 17: Massachusetts sports wagering GGR by segment, 12 months ending March 2024	93

Introduction

The Massachusetts Gaming Commission (“Commission” or “MGC”) in January 2023 issued a request for response (“RFR”) to

... conduct a study into the feasibility of allowing retail locations in the commonwealth to operate sports wagering kiosks. For the full text, please visit <https://www.mass.gov/info-details/mass-general-laws-c23n-ss-20>. As required by the new law, this study should address the feasibility, and the potential economic, public health, and safety impacts of such a decision. It should include a discussion and/or evidence-based recommendations that address whether to do so and how to do so in a way that will maximize benefits and minimize negative consequences, including ways to understand and incorporate diversity, equity and inclusion considerations for retailers, consumers, and communities.

The Commission selected Spectrum Gaming Group (“Spectrum,” “we” or “our”) after a competitive RFR process and in August 2023 formally retained us to undertake the study.

The purpose of this feasibility study is to provide the MGC with information it can provide to the legislature for use in its consideration of implementing retail kiosk sports wagering. Spectrum approached this project from a commercial feasibility perspective, determining whether sports kiosk wagering would, in the big picture, be financially beneficial for kiosk hosts and for the Commonwealth, then weighing any potential financial benefits against anticipated social impacts brought by the kiosks. Because Spectrum determined that kiosks would not be economically viable, the primary focus of this report is on the analysis of commercial feasibility from which that conclusion was drawn.

A. Scope of Study

The RFR (#2023-MGC Kiosk) requires the kiosk study to, at a minimum, answer the following questions:

1. What is the economic impact of the existing sports wagering market on retail establishments that serve alcoholic beverages for on premises consumption, such as restaurants and bars?
2. What are the essential requirements for a retail setting to host a sports wagering kiosk?

Including but not limited to:

- Capacity to comply with social responsibility and other regulatory requirements, including monitoring and data collection requirements
 - Applicability of pre-existing licenses and related compliance infrastructure in retail locations that provide restricted products such as alcohol for on-premises consumption
 - Money-handling capacity and methods for accepting wagers and providing payouts and winnings
 - Human resources capacity and requirements, including skills and training
3. What types of retail settings may be best suited to hosting sports wagering kiosks?
 4. What are the anticipated economic impacts of sports wagering kiosks at retail locations?

- On various types of retail locations? For example, retail establishments that serve alcoholic beverages for on premises consumption, such as restaurants and bars; retail establishments that sell alcohol for off-premises consumption, such as package stores; veterans' and fraternal organizations, or retail establishments that do not sell alcohol?
 - For other population groups such as minority communities, or those living far from in-person wagering locations?
 - For minority-owned businesses?
 - For the Commonwealth?
 - For retail locations that do not offer sports wagering kiosks?
5. What are the anticipated impacts on the Massachusetts Lottery, particularly in the context that many of the potential retail locations would likely offer both lottery products and sports wagering?
 - Is there evidence indicating that cannibalization of the lottery by sports wagering kiosks may occur?
 - What is the projected impact on the Lottery's contribution to unrestricted local aid to cities and towns?
 - What are recommendations to mitigate adverse impact to the Lottery's contribution to unrestricted local aid (if adverse impact is projected)?
 6. What are the anticipated public health impacts of sports wagering kiosks at retail locations, and particularly public health impacts for populations most at-risk for problem gambling?
 - What kinds of measures should be considered to promote responsible gaming in order to minimize gambling-related harm and maximize player choice?
 - What kinds of measures should be considered to restrict access to kiosks for people on the Voluntary Self-Exclusion list?
 7. What are the anticipated security, safety, and potential crime-related impacts of sports wagering kiosks at retail locations?
 - Crime related to cash transactions both within retail locations and in the community?
 - For consumer protection and enforcement of age restrictions?
 8. What are the costs associated with regulation, monitoring, investigation, and enforcement related to sports wagering kiosks?
 - For the MGC Investigations and Enforcement Bureau?
 - For other agencies in the Commonwealth?
 9. What is the anticipated market recapture from the black market if sports wagering kiosks are available at retail locations?
 - What are the anticipated economic and public health impacts of market recapture, particularly in communities far from authorized in-person sports wagering?
 10. What is the anticipated impact on minors of sports wagering kiosks at retail locations which allow persons under the age of 21 to enter?

- What measures should be considered to prevent persons under the age of 21 accessing a sports wagering kiosk in a restaurant or bar which permits persons under the age of 21 to enter?
11. What if any, are the anticipated cannibalization effects on casino and sports wagering operators licensed by the MGC?
 12. If kiosks are implemented in retail settings, how frequently should public health, safety, and economic impacts of sports wagering kiosks be reassessed by the Commission?

Spectrum worked closely with the Massachusetts Council on Gaming and Health (“MACGH” or “Council”) to complete this study. In addition to its resident expertise in gambling-related public health, the MACGH has extensive research capabilities and has had a working relationship with the Commission for 12 years.

B. Methodology

The Spectrum project team of 10 professionals relied on the following primary methodologies and resources in undertaking this study:

- **Interviews:** Spectrum interviewed 123 people for this study, including regulators, kiosk hosts in other states, sports betting operators and suppliers, Massachusetts restaurant and bar owners and managers, public health experts, faith leaders, and 13 people in recovery from disordered gambling. We found that their insights and experiences were perhaps the most valuable results of our study.
- **Secondary research:** Spectrum sought and analyzed academic, professional and industry research related to all aspects of retail kiosk sports wagering.
- **Data analysis:** We collected and analyzed data from relevant jurisdictions and research sources, including kiosk performance results, from state gaming and lottery regulators.
- **Our experience:** Each of the lead Spectrum professionals working on this project has multiple decades of experience in gaming-related regulation, operation, analysis, health and welfare, advisory work, gaming-related consulting, or journalism. We relied heavily on our experience in preparing this report. Our expertise provides a level of depth to this study that cannot be found in studies that lack such first-hand experience.

The data used in this report are believed to be reliable. This study includes estimates, assumptions, and other information developed by Spectrum from its independent research efforts and general knowledge of the gaming industry.

Specific methodologies used in this report are as follows:

Experiences of Kiosk Hosts in Other States: Spectrum interviewed 20 kiosk hosts by telephone in each of Montana, Ohio³ and Washington, DC. We sought a mix of urban, suburban and rural hosts in Montana and Ohio and as diverse a sampling as possible in Washington. We believe that interviews with 20 hosts in each jurisdiction provided us with a sufficient range of opinions and insights. We asked each

³ Some interviews in Ohio were conducted in person.

host a set of scripted questions (see Appendix), plus follow-up questions when warranted. Our interviews were designed to elicit qualitative insights regarding how the kiosks have impacted business volumes, customer behaviors, and the cost of doing business, as well as to glean their general experiences and viewpoints regarding this gambling segment. We believe the insights that follow will prove valuable for the Commonwealth of Massachusetts and its prospective kiosk hosts as it considers implementing this sports wagering channel. Spectrum found that few kiosk hosts in the subject jurisdictions were willing to discuss their experiences on the record for this study, for whatever reason. It was not until we assured them that neither they nor their establishments would be identified in this report that we received our desired level of cooperation from kiosk hosts. The assurance of anonymity, we found, also resulted in them speaking more candidly, which is of benefit to this report. Not all hosts answered or were asked all questions – some because they chose not to, some because Spectrum sensed they were eager to end the call, and with others Spectrum abbreviated the questioning if they initially indicated that the kiosks were being little-used. Where we received at least 10 responses to yes/no questions (see Appendix for interview guides), we have quantified the responses in the narrative discussion. In Ohio, we further interviewed an additional six kiosk hosts by phone with questions of a more technical nature, using the same methodologies described above.

Impacts of Sports Wagering on Massachusetts Establishments that Serve Alcoholic Beverages:

Spectrum interviewed 20 restaurant and bar owners or managers across the state by telephone. We believe that interviews with 20 restaurants/bars provided us with a sufficient range of opinions and insights into how existing sports wagering has impacted their business. We asked each restaurant/bar a set of scripted questions (see Appendix), plus follow-up questions when warranted. Where we received at least 10 responses to yes/no questions, we quantified the responses in the narrative discussion. Our interviews were designed to elicit qualitative insights regarding how legal sports wagering has impacted business volumes and customer behaviors. To be consistent with our interviews in other states, we anonymized the responses.

Regulatory Costs: Spectrum relied on its vast experience in gaming regulatory matters to evaluate regulatory costs. In addition, Spectrum reviewed the experiences in Ohio for comparison purposes. Spectrum accessed media accounts regarding the regulatory costs in Ohio. We also contacted Ohio regulatory officials to confirm the information we had obtained.

Impacts of Sports Wagering on Public Health: Sports wagering kiosks are a new frontier in gambling expansion in the United States and because of this, a literature review was conducted that considered existing research relevant to the implementation of sports wagering kiosks in Massachusetts. To this end we considered data looking at potential harm from sports betting behaviors in the United States in general and Massachusetts in particular. We also looked at literature from countries where gambling kiosks have been legal for some time and where there is more literature available on the impact on youth, both in terms of exposure to advertising as well as the normalization of gambling in this manner. In addition, we reached out to a wide range of leadership from various sectors that might be impacted should sports wagering kiosks be authorized. This included community-health-related organizations, business and trade associations that might be impacted, and lotteries that have sports wagering kiosks as part of their gaming portfolios. We asked each executive director scripted questions plus follow-up

questions when warranted. Our interviews were designed to elicit qualitative insights regarding how the kiosks might impact the health and well-being of the communities they serve. The interviews were not presented as confidential, and those interviewed spoke as representatives of their organizations. Finally, a group interview was conducted with the Recovery Advisory Board for the MACGH. This is a group of 13 individuals who have lived experience of gambling harm. In addition to the group discussion, members submitted written responses to some key questions. No identifiers were used in collecting the written information.

Online Kiosk Survey: The Massachusetts Council on Gaming and Health conducted an online survey investigating the likelihood of use of retail-located sports wagering kiosks in Massachusetts, among those who have gambled within the past year. To obtain a quality sample, the survey utilized Symmetric, an online sampling services company that specializes in high-value representative samples with scientific sampling methods and advance fraud-detection systems.

- The total sample controlled for the following criteria:
 - 100% of the sample was residents of Massachusetts.
 - 100% of the sample was adults 21+ years of age (sports betting minimum age).
 - 100% of the sample had to have played at least one of the following activities in the past year: Lottery (scratch), Lottery (daily numbers and other drawing games), Casino (slots), Casino (table, roulette, poker), Sports betting (using an app) or Sports betting (at casino sportsbook).
 - An attempt was made to be able to collect useful samples from both genders, stratified across age groups.
- In total, 167 respondents were included in the screened sample.

Interviews with Regulators and Suppliers in jurisdictions currently offering Sports Wagering Kiosks: Using the same methodologies described in the Kiosk Host interviews, Spectrum took a similar approach to its interviews with the regulators in Ohio, Montana and Washington, DC, with a focus on sustainability, compliance, and value the kiosks generate. While Montana and Washington, DC, utilize a single supplier for all of their kiosks state-wide, Ohio is the only free market in terms of who can supply and distribute kiosks. Spectrum chose to interview the two suppliers who only serve the Ohio market to understand the economics of kiosk distribution and operational considerations that materially impact their business.

Impacts of Kiosks on Potential Crime and Black-Market Recapture: There are no verified statistics related to crime associated with sports wagering kiosks, nor the black-market penetration in Massachusetts. Instead, Spectrum professionals used their experience in the industry related to best practices, criminal detection and deterrence in gaming using standard regulations and procedures as a baseline for comparing risks associated with regulated gaming products made available outside standard regulated gaming establishments. When analyzing the anticipated black-market recapture, consumer trends and commercial viability were taken into account, along with activities that Spectrum knows to occur today in most jurisdictions despite the availability of regulated gaming products.

Considerations for Compliance and Commercial Success: Per the statements offered by Spectrum related to the reasonings for exploring expanded gaming distribution in Massachusetts, Spectrum took a strictly commercial and compliance sustainability approach. While Spectrum may not agree that all existing retailers that are eligible to offer kiosks should be allowed to, an unbiased and logical analysis was performed using what Spectrum believes to be best business practices from an operator perspective meant to ensure viability and commercial success that justifies the potential added risks they present to societal health and criminal activity.

Impact of Sports Wagering on Lottery Sales: Spectrum interviewed the Massachusetts Lottery Executive Director, the President of DC09 (operator of sports betting for the DC Lottery), and the Connecticut Lottery’s Director of Legal and Business Affairs – Sports Betting to gather information, perspective and available data on the impact of sports betting on lottery sales and operations. We also reviewed the limited studies available on the issues of the introduction of sports betting on other forms of gaming and lottery sales. We also reviewed public reports and news reports on sports betting and lottery with a focus on annual and financial reports issued by the target lotteries.

C. Definition of Terms

The following terms are used in this report:

- **Age-Gating:** Any number of methods used by the offeror of age-restricted products or activities to confirm the user’s age.
- **Digital:** Any type of gaming (casino, sports betting, poker, lottery) that takes place via internet or mobile channels; as opposed to retail gaming. Also called “online” or “mobile.”
- **Gross Gaming Revenue (“GGR”):** The amount of money players wager minus the amount players win, before any expenses or taxes have been deducted. Viewed another way, it is the amount of players’ net losses.
- **Handle:** The amount of money wagered.
- **Hold:** The percentage of money wagered “held,” or won, by the gambling device or gambling provider.
- **Igaming:** Casino-style games played via the internet, whether on a mobile device, personal computer, or other online device. For the purposes of this report, igaming excludes digital sports betting. Also called “icasino” or “online casino.”
- **Ilottery:** Lottery games offered via digital channels.
- **Kiosk:** An automated, self-service terminal that allows players to wager on sporting events. Also called a “self-service betting terminal,” or “SSBT.”
- **Kiosk Host:** As used in this report, an establishment offering one or more sports wagering kiosks. Can also refer to a proprietor with multiple kiosk establishments.
- **Kiosk Supplier:** A licensed distributor of certified gaming equipment required to conduct kiosk sports wagering.
- **Racino:** A portmanteau from “racetrack casino,” where casino games are offered in a pari-mutuel wagering facility.

- **Retail:** Gaming that takes place in person at a facility open to the public, including at a physical casino or retail outlet; as opposed to digital gaming. Sometimes called “brick-and-mortar” or “land-based.”
- **Return to Player, or Payout Percentage:** The percentage of a wager that, on average, is won by the player.
- **Sports Wagering Kiosk Provider:** State-licensed suppliers of the kiosk hardware and software solutions distributed to kiosk hosts.

D. About Spectrum Gaming Group

This report was prepared by Spectrum Gaming Group, an independent consultancy founded in 1993 that specializes in the economics, regulation and policy of legalized gambling worldwide. Our principals have backgrounds in operations, economic analysis, law enforcement, regulation, research and journalism.

Spectrum holds no beneficial interest in any casino operating companies or gaming equipment manufacturers or suppliers. We employ only senior-level executives and associates who have earned reputations for honesty, integrity and the highest standards of professional conduct. Our work is never influenced by the interests of past or potential clients.

Each Spectrum project is customized to our client’s specific requirements and developed from the ground up. Our findings, conclusions and recommendations are based solely on our research, analysis and experience. Our mandate is not to tell clients what they want to hear; we tell them what they need to know. We will not accept, and have never accepted, engagements that seek a preferred result.

Spectrum serves as Executive Director of the non-partisan National Council of Legislators from Gaming States, a testament to the credibility, quality and independence of our work

Our clients in 44 US states and territories, and in 48 countries on 6 continents, have included government entities of all types and gaming companies (national and international) of all sizes, both public and private. In addition, our principals have testified or presented before the following governmental bodies:

- Brazil Chamber of Deputies
- British Columbia Lottery Corporation
- California Assembly Governmental Organization Committee
- Connecticut Public Safety and Security Committee
- Florida House Select Committee on Gaming
- Florida Senate Gaming Committee
- Georgia House Study Committee on the Preservation of the HOPE Scholarship Program
- Georgia Joint Committee on Economic Development and Tourism
- Illinois Gaming Board
- Illinois House Executive Committee
- Indiana Gaming Study Commission
- Indiana Horse Racing Commission
- International Tribunal, The Hague

- Iowa Racing and Gaming Commission
- Louisiana House and Senate Joint Criminal Justice Committee
- Massachusetts Gaming Commission
- Massachusetts Joint Committee on Bonding, Capital Expenditures, and State Assets
- Michigan Senate Regulatory Reform Committee
- National Gambling Impact Study Commission
- New Hampshire Gaming Study Commission
- New Jersey Assembly Regulatory Oversight and Gaming Committee
- New Jersey Assembly Tourism and Gaming Committee
- New Jersey Senate Legislative Oversight Committee
- New Jersey Senate Wagering, Tourism & Historic Preservation Committee
- New York Senate Racing, Gaming and Wagering Committee
- New York State Economic Development Council
- North Dakota Taxation Committee
- Ohio House Economic Development Committee
- Ohio Senate Oversight Committee
- Pennsylvania Gaming Control Board
- Pennsylvania House Gaming Oversight Committee
- Puerto Rico Racing Board
- US House Congressional Gaming Caucus
- US Senate Indian Affairs Committee
- US Senate Permanent Subcommittee on Investigations
- US Senate Select Committee on Indian Gaming
- US Senate Subcommittee on Organized Crime
- Washington State Gambling Commission
- West Virginia Joint Standing

E. About the Massachusetts Council on Gaming and Health

MACGH serves as a private, non-profit (501c3) public health agency offering a range of services and supports to those impacted by gambling and video gaming in Massachusetts, as well as nationally and internationally. MACGH balances public health priorities, such as the operation of the GameSense program for the Massachusetts Gaming Commission with a people-first model for gambling and gaming expansion through education, treatment support, and research. Founded in 1983 by Tom Cummings, who translated his lived experience into the Council’s focus and attention on inadequacies present for people at high risk and struggling with gambling disorder, the Council also continues to serve as the primary advocate for the Commonwealth regarding safer gaming practices, legislation, and regulation.

For the purposes of this report, it is important to note that MACGH works as a subcontractor to Spectrum Gaming Group. These joint projects with Spectrum allow the Council to offer its longtime expertise through qualitative and quantitative research and data analysis, and to offer its viewpoint on policy, programs, and developments related to gambling projects nationally and abroad. In addition, MACGH has lent its knowledge to projects initiated by the National Council of Legislators from Gaming States (“NCLGS”), a non-partisan group for which Spectrum serves as executive director.

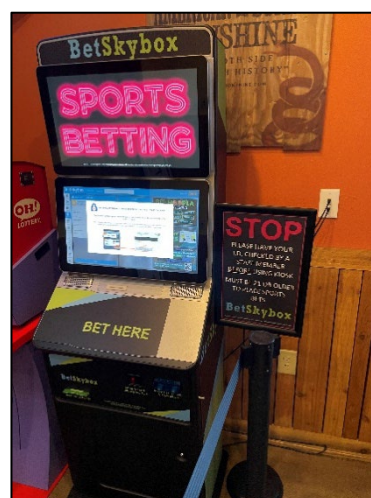
1. Overview of Sports Wagering and Kiosks

Legal sports wagering in the United States was limited to Nevada⁴ until the May 2018 US Supreme Court ruling that overturned the federal Professional and Amateur Sports Protection Act. In the six years since that decision, 37 states and Washington, DC, have joined Nevada in offering sports wagering. No other form of legal gambling in the United States has spread so wide and so quickly.

Sports wagering is offered via two primary channels: retail (at a physical location) and digital (online/mobile). Like most states, Massachusetts offers sports wagering via both channels: retail since January 31, 2023, and digital since March 10, 2023.



In some states, the retail channel has two types of outlets: casinos and non-casino locations such as sports venues, bars and taverns, and grocery stores. Sports wagers in retail locations can be placed at a full-service sportsbook window staffed by a person (common in casinos), a point-of-sale terminal staffed by a person (similar to lottery sales at a store), or at self-service kiosks placed in authorized locations. (These images of retail



sports wagering kiosks were taken in Ohio taverns).

Sports betting performance is primarily measured by two key metrics:

- Handle: The amount wagered by bettors
- Win: Also called gross gaming revenue (“GGR”), it is the amount the sports wagering provider collects after all winning wagers have been paid. Viewed another way, it is the net amount of gamblers’ losses.

In this report, we focus on win/GGR because this is the net amount consumers are spending on sports wagering and it is from these amounts that host states collect their gaming tax.

In 2023, nationwide sports wagering GGR totaled \$9.6 billion in state-regulated jurisdictions (an increase of 49% over 2022); this excludes hundreds of millions more in GGR at tribal sports wagering operations (many of which are not publicly reported). In states where sports wagering is offered via both retail and digital channels, the digital channel dominates – typically accounting for between 85% and 98% of GGR.

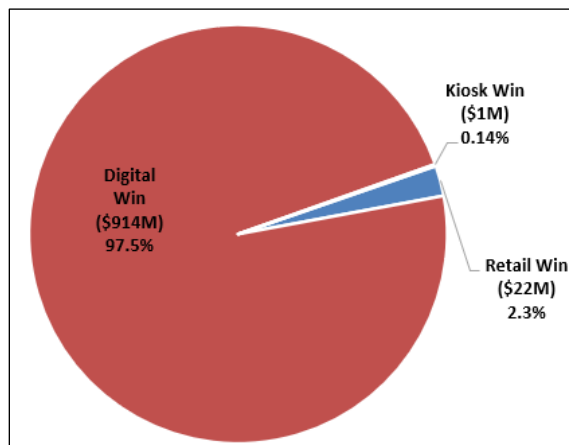
⁴ The 1992 Professional and Amateur Sports Protection Act restricted sports wagering to those states that already legalized the activity: Delaware, Montana, Nevada and Oregon. Only Nevada offered true sports wagering.

In assessing the commercial feasibility of retail kiosk wagering, Spectrum focused on the three jurisdictions where such kiosks are offered in retail locations on a widespread basis⁵ – similar to what is contemplated in Massachusetts: Montana, Ohio and Washington, DC (“the subject jurisdictions”). There are significant differences among the subject jurisdictions:

- Montana sports betting is limited to kiosk locations; digital betting is allowed only on the premises of a kiosk establishment – known as “on-site mobile.” The first approved retail sportsbook at a tribal casino has yet to open.
- Ohio sports betting is offered at the 11 casinos throughout the state and via digital channels, as well as at retail kiosk locations.
- Washington, DC, sports betting is offered (1) by the DC Lottery through one digital channel and kiosks at authorized retail locations and (2) by two classes of private operators: Class A, which is limited to four major sports venues and their associated “near-site mobile” channels within a two-block radius from the sports venues via an associated third-party app, and Class B venues, which are other qualifying business that have kiosks and offer on-site mobile betting.

In Ohio – which would be most like Massachusetts if the Commonwealth were to implement kiosk wagering – kiosks generate only a sliver of the state’s total sports wagering GGR. This should not be surprising, as bettors find it more convenient to use the phones in their pockets – for which they have an established wagering account via their preferred apps/providers – than go to a kiosk to place sports bets.

Figure 1: Ohio sports wagering GGR by segment, 2023



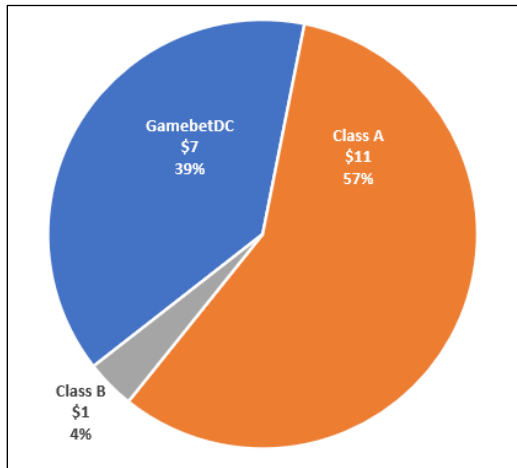
Source: Ohio Lottery, Ohio Casino Control Commission, Spectrum Gaming Group

Sports wagering kiosks and digital gaming started on the same day in Ohio – January 1, 2023 – but digital gaming was heavily promoted via television, radio and internet advertising. Would-be gamblers were welcomed with bonuses and “free money” with which to bet. There was nothing like that for the kiosks; in fact, regulations prohibit kiosk operators from offering such inducements.

⁵ Sports wagering kiosks are also found in many other states that allow sports betting, most notably at gambling facilities such as casinos. Connecticut, for instance, utilizes kiosks at off-track betting facilities. But none of the states beyond the subject jurisdictions have kiosks in widespread retail settings, as Massachusetts is considering.

In Washington, DC, the Lottery breaks out the kiosk sports betting win only by provider type, with the four sports venues and their associated digital apps grossing nearly 60% of the total GGR.

Figure 2: Washington, DC, sports wagering GGR by provider type, 2023



Source: DC Lottery, Spectrum Gaming Group. Results include digital + kiosk; result for kiosks alone are not available.

In Montana, there is no reported distinction between wagering at a kiosk itself and wagering via a mobile device at a kiosk location. Total sports wagering revenue for 2023 was \$8.4 million.

There are two critical factors about retail kiosk sports wagering to keep in mind when reading this report:

- Kiosk sports wagering is young in the United States; in two of the subject jurisdictions (Montana and DC) it is only four years old, and in the other it is less than two years old.
- Wagering on sports via kiosks, as noted above, is a relatively minor revenue generator, with digital wagering having essentially obviated the need for, and attraction of, kiosks in those states where digital sports wagering is authorized.

Accordingly, Spectrum found that kiosk sports wagering generates relatively little attention among regulators, the gaming industry, law enforcement and researchers compared to other forms of gambling.

Looking ahead to potential implementation of kiosk sports wagering in Massachusetts, Spectrum expects that kiosks would have a de minimis impact on statewide sports wagering performance and would have varying impacts on the host establishments themselves. Whereas in Ohio kiosks and digital sports wagering launched on the same day and the kiosks there still barely register on the statewide performance scale, in Massachusetts digital sports wagering will have been well entrenched in consumer behavior before the first kiosk is installed, perhaps further limiting the upside potential for kiosk hosts.

Despite the low volumes of wagering at kiosks in the subject jurisdictions, Spectrum found that the majority of interviewed kiosk hosts in the subject jurisdictions had a favorable opinion of the devices. It is therefore important to understand how this particular gaming segment is impacting gambling behavior, alcoholic beverage consumption, lottery sales (primarily keno), visitation patterns, and expenditures at the host establishments. It is also important to note the importance of the retail kiosks to

the hosts and the value they place on being able to access some of the gaming revenue for their jurisdiction.

A. States' Sports Wagering Programs

It seems that no two states offer the same sports wagering programs. As noted above, only Ohio, Montana and the District of Columbia offer sports wagering kiosks in widespread retail settings. As shown in Figure 3 below, casinos – both commercial and tribal – are the primary retail option for a customer to place a bet. It should be noted that not all forms of authorized sports wagering have been implemented. For example, the Louisiana Lottery is authorized to offer sports wagering kiosks in bars and restaurants; to date, its lottery has not and, apparently, will not soon act upon this authorization due to the unfavorable economics with potential operators.⁶

Figure 3: State-by-state overview of authorized sports wagering

State	Authorized Operators
Arizona	Ten tribal casino operators and ten professional sports venues/teams
Arkansas	Commercial casino, racino and online operators
Colorado	Commercial casino, tribal casino and online operators
Connecticut	Tribal casinos and online operators and CT Lottery through retailers and online
Delaware	DE Lottery through racetrack casinos
District of Columbia	DC Lottery online, stadium and online operators, and other brick and mortar facilities outside a two-block radius of stadiums
Florida	Seminole Tribe of Florida and online operators. Further, the Seminole Tribe is to negotiate in good faith with pari-mutuel operators to allow the operators to market and provide similar sports wagering services on behalf of the tribe
Illinois	Commercial casino, racetrack, sports arena and online operators
Indiana	Commercial casino, racino, off-track betting and online operators
Iowa	Commercial casino, tribal casino and online operators
Kansas	Casinos and online operators
Kentucky	Racetracks, OTBs and online operators that have an agreement with a racetrack
Louisiana	Commercial casino, tribal casino, racetrack and online operators. LA Lottery through online and kiosks in local bars and restaurants. If not all commercial casinos and racetracks apply for a license, licenses could also be issued to video poker, off-track betting, and fantasy sports establishments. All wagering restricted to 55 state parishes.
Maine	Casinos, off-track betting sites and online operators
Maryland	A1 and A2 Licenses: Commercial casinos, racetracks, sports arenas and online operators. B1 and B2 Licenses: State Fairgrounds, off-track betting, and commercial bingo facilities permitted to operate at least two hundred electronic bingo machines or electronic tip jar machines.
Massachusetts	Commercial casinos and online operators
Michigan	Commercial casino, tribal casino and online operators
Mississippi	Commercial and tribal casino operators
Montana	MT Lottery through bars and restaurants that hold a liquor license, through a mobile phone at licensed locations
Nebraska	Racino operators
New Hampshire	NH Lottery through online and retail agents

⁶ Pat Evans, "Why Louisiana Sports Betting Will Not See Lottery Option," *Legal Sports Report*, May 2, 2023. [Why Louisiana Sports Betting Market Will Not See Lottery Option - Legal Sports Report](#)

State	Authorized Operators
New Jersey	Commercial casino, racetrack and online operators
New Mexico	Tribal casino operators
New York	Commercial casino, tribal casino and online operators
Nevada	Casinos
North Carolina	Tribal casino operators and online operators and sports stadiums that partner with an online operator
North Dakota	Tribal casino operators
Ohio	Commercial casino and online operators, sports teams, stadiums, bars, and restaurants
Oregon	OR Lottery through kiosks, retailers and online as well as tribal casino operators
Pennsylvania	Commercial casino, racino off-track betting and online operators
Rhode Island	RI Lottery through commercial casinos and online
South Dakota	Commercial and tribal casino operators
Tennessee	Online operators
Virginia	Commercial casino and online operators
Vermont	Online operators
Washington	Tribal casino operators
Wisconsin	Tribal casino operators
West Virginia	Commercial casino, racino and online operators
Wyoming	Online operators that operate in at least three US regulated jurisdictions

Source: American Gaming Association, Spectrum research

With the exception of Nevada, all states that have legalized sports wagering also operate a lottery that offers traditional lottery games. Some state lotteries also offer ilottery games and video lottery terminals.

B. Experiences of Kiosk Hosts in Other States

The following table provides an overview of the kiosk programs in the subject jurisdictions.

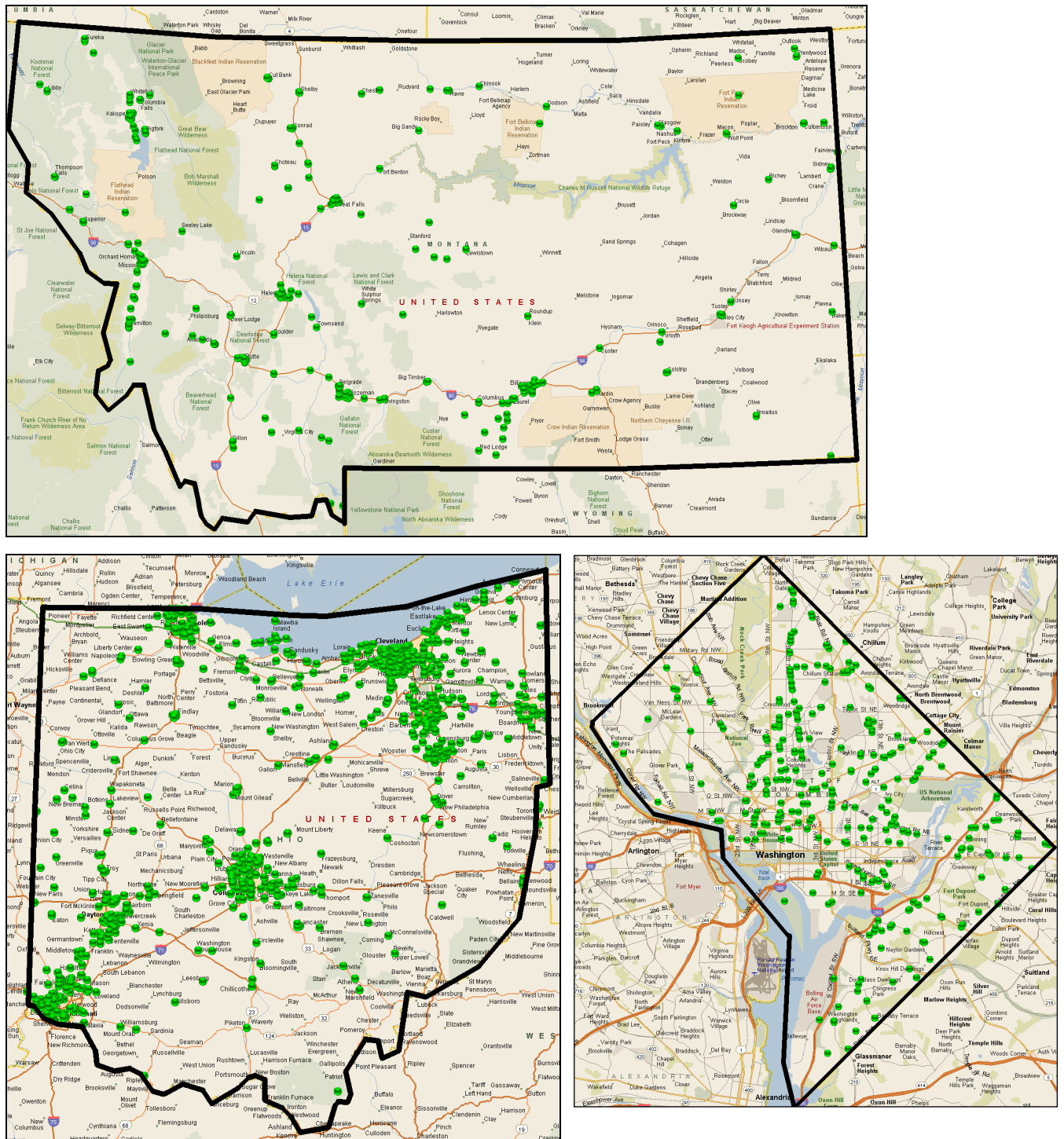
Figure 4: Overview of sports wagering kiosk programs in Montana, Ohio and Washington, DC

	Montana	Ohio	Washington, DC
Regulator	Lottery	Casino Control Commission and Ohio Lottery	Office of Lottery and Gaming
Application Fee	\$50	\$1,000	\$5,000
Revenue Retained by Kiosk Host	3% of GGR	Depends on deal between Host and Vendor. Interviews suggest 10%-25% of GGR.	5% of GGR
Types of Authorized Facilities	Car washes, casinos, bars, saloons, American legion posts and restaurants	For-profit businesses that are licensed to sell lottery tickets and that hold a liquor permit. (Bars, restaurants, gas stations, bowling alleys, convenience stores, grocery stores)	Sports bars, restaurants, gas stations, convenience stores, grocery stores
Number of Locations (as of March 2024)	995 lottery only 514 sports only 300 sports + lottery	9,000 lottery 900+ sports	300+ lottery 60+ sports
Legalization Date	May 2019	December 2021	May 2019
Launch Date	March 11, 2020	January 1, 2023	July 31, 2020
Maximum Bet	\$250 at kiosk; \$1,000 through on-site mobile app	\$700 per bettor per week	\$600 per transaction
Age / ID required?	Age 18, ID required	Age 21, ID required	Yes (18 in some; 21 in others); no ID required

Source: State regulators, Spectrum Gaming Group

Kiosks are well distributed throughout the subject jurisdictions, as shown in the following maps.

Figure 5: Locations of retail sports wagering kiosk hosts in Montana, Ohio and Washington, DC



Source: State regulators, Microsoft MapPoint; as of December 2023

Spectrum interviewed 20 kiosk hosts by telephone⁷ in each of Montana, Ohio and Washington, DC. Where we received at least 10 responses to yes/no questions, we have quantified the responses. We sought a mix of urban, suburban and rural hosts in Montana and Ohio and as diverse a sampling as possible in Washington, DC. Our interviews were designed to elicit qualitative insights regarding how the kiosks have impacted business volumes, customer behaviors, and the cost of doing business, as well as to glean their general experiences and viewpoints regarding this gambling segment. Spectrum found that the different rules, circumstances, and geography resulted in different opinions about the kiosks in the three subject jurisdictions.

1) Montana

Montana sports betting is limited to kiosk locations;⁸ digital betting is allowed only on the premises of a kiosk establishment – known as “on-site mobile.” Therefore, in effect, kiosk host establishments are the only places in the state where one can legally bet on sports.

Even before the US Supreme Court overturned a federal sports betting ban in 2018, Montana was one of only four states that had been exempt from the wagering prohibition passed by Congress in 1992. Like Delaware, Nevada and Oregon, Montana earned its exemption by enacting legislation to allow basic forms of sports betting before the federal ban went into effect. On March 11, 2020, Montana began installing sports wagering kiosks at bars, taverns, gas stations and even car washes. By the end of 2023, there were 509 kiosks at 502 locations throughout Montana. The state’s sports betting revenue rose to \$8.4 million in 2023, a 17.8% increase from 2022.

Of the 20 Montana kiosk hosts interviewed by Spectrum, 15 said sports wagering kiosks have been an asset for their business. “Absolutely, it’s been worth it just because I’ve seen different people come in that might not have before,” said a bar manager in southeastern Montana. “Once they come in; they’ll come back, you know,” she said. Or as a bartender in Great Falls said, sports wagering kiosks “make it funner. I think they’re a benefit to whoever gets them.”

Four of the businesses interviewed regretted the installation of a kiosk, and one was undecided. “If the kiosks had worked properly from the start, I would be more positive, but the state’s vendor (Intralot) had a lot of flaws in the system and our customer base was discouraged,” said a bar manager in northeastern Montana. Even so, he said, he is excited about the Montana Lottery’s efforts to develop a hybrid kiosk model that would include lottery tickets.

Except for five high-volume businesses that have two kiosks each and one business that has three, the rest of Montana’s kiosk hosts have one machine each, according to Daniel Iverson, a former content manager for the Montana Lottery who now works for Intralot.

While kiosks seem to have carved a niche for themselves in the Montana sports betting market, even kiosk supporters realize the machines are not going to produce huge amounts of revenue. “It’s just another aspect; another thing for people to do if they’re looking into sports betting,” said a bar and grill

⁷ Some interviews in Ohio were conducted in person.

⁸ The first approved retail sportsbook at a Montana tribal casino has yet to open.

manager in northwestern Montana. A bar manager in northeastern Montana estimated his kiosk adds about \$250 to \$300 a month to his bottom line.

As for the impact of kiosks on customer behavior, 14 hosts said there have been no changes. Five said they have noticed customers are more attentive to games and one declined to comment.

The use of mobile phones for sports betting has not increased because patrons use kiosks instead, according to 12 hosts. Four said mobile phones are being used more frequently. Three said they did not know and one did not respond.

Seven businesses reported longer stays by customers because of kiosks compared to five who said stays are the same or shorter. Two said they did not know, and six declined to comment.

Customers became more animated during games on television, according to 13 of the hosts interviewed. Five said the games did not increase customer engagement and two did not respond.

Thirteen hosts said televised games increased spending by customers on wagers, food and drink while four said there was no impact. Three businesses declined to comment and another said it did not know if revenue had increased or decreased.

Bars in larger towns have seen about 20 new customers per week because of the kiosk, while smaller towns are more likely to see about five new customers per week, representatives told Spectrum.

Lottery machines are frequently located next to the sports wagering kiosks in Montana's sports bars. "So, most people that walk up to the two machines – they'll see how easy it is to put \$3 into the lottery machine and try to win \$20 million as opposed to trying to figure out how to use the betting kiosk, which is not easy," said the manager of an establishment in southwestern Montana.

The Montana Lottery regulates sports wagering kiosks in Montana. The maximum bet at a kiosk in Montana is \$250. On a mobile phone, the maximum wager is \$1,000.

"Everybody just uses the kiosk. They don't do their mobile phones," said a bar manager in the central part of the state. "That's probably because the kiosk is anonymous and the mobile phone tracks you. I think that's what everybody thinks."

None of the 20 businesses interviewed said they have experienced problems with kiosk customers who show signs of gambling or alcohol problems. "We've got more issues with our video gaming than the kiosk ever brings in," said one bar manager.

Video games and keno in particular are popular among other forms of gambling offered by Montana's sports bars. Kiosk customers in Montana must be 18 years old before they can place a bet. "We have bouncers," said a manager of a fraternal organization facility in Bozeman. "Customers are carded at the front door before they even come in," he said. However, that fraternal organization appears to be an outlier. None of the other Montana businesses interviewed by said they had hired additional employees to check the ages of customers. Kiosks include software that checks the age of customers to ensure they are 18.

Businesses with kiosks receive a 3% commission on all bets, whether placed on a machine or a mobile app. Iverson, the content manager of the Montana Lottery, said a very small number of sports bars

and restaurants do not have a kiosk and are licensed to accept bets placed only on a mobile app. Those licensees receive a 1.5% commission on all wagers. Kiosk hosts are allowed to pay customers up to \$599 on winning bets. Winning wagers of \$600 or more must be collected from the Montana Lottery.

A sports wagering kiosk can take pressure off a bar's staff, according to a bar manager in Missoula. "Kiosks are really out of our control. If somebody is upset, they're going to call somebody else (like the Montana Lottery)," he said. "It really helps the staff not having to know every little thing about kiosks."

As successful as kiosks have been so far in Montana, there seems to be a yearning among the state's bars and restaurants for a more expansive law to allow the legalization of sportsbooks. The state may be headed in that direction after the US Department of the Interior in February approved the first tribal casino sportsbook in Montana. The sportsbook will be in the Silver Wolf Casino in the northeastern Montana town of Wolf Point. The casino is owned by the Assiniboine and Sioux tribes of the Fort Peck Indian Reservation.

"Up to now, all sports betting in Montana has to go through these kiosks, and that is the biggest issue because nobody likes the way they (the Montana Lottery) run it," said one bar manager. "People who bet on sports in this state would rather bet on any platform we wanted, but Montana didn't do it that way, so here we are."

What Montana Kiosk Hosts Are Saying

"People would rather buy a lottery ticket that scores \$10 million for three bucks than do a sports bet." – *Kiosk host at a bar in southwestern Montana.*

"I mean, I think (a sports wagering kiosk is) a benefit to whoever gets them. They make it funner." – *Bartender in Great Falls*

"I get \$3 out of every \$100 that goes in. That's not a bottom-line changer." – *Hotel owner in northwestern Montana*

"The way I look at it is it's free money regardless. It doesn't matter if I make \$100 or \$10,000 in a month, you know; it's free. They're (the Montana Lottery) covering everything on it, you know." – *Kiosk host in Bozeman*

"Up to now, all sports betting in Montana has to go through these kiosks, and that is the biggest issue because nobody likes the way they (the Montana Lottery) run it. People who bet on sports in this state would rather bet on any platform we wanted, but Montana didn't do it that way, so here we are." – *Kiosk host at a bar in central Montana*

"Absolutely, it's been worth it just because I've seen different people come in that might not have before." – *Kiosk host at a bar in southeastern Montana*

"It's just another nice aspect. We've got a few keno machines and (our kiosk) is another thing for people to do if they're looking into sports betting." – *Kiosk host at a bar in northwestern Montana*

“I know a lot of people were loving it because before we got (the kiosk) they would have to go outside of town (to bet). They were willing to drive to use (a kiosk). But now, it’s in town at our place, so it’s a lot better for them.” – *Kiosk host at a bar in southeastern Montana*

“About 90% of our sports betting business is kiosk-driven. I think mobile (betting) is going to go higher.” – *Kiosk host at a sports bar in Missoula*

“The Montana Lottery is considering a hybrid model that would combine a sport betting kiosk with a lottery ticket machine. I would be interested because that would probably be more efficient for space.” – *Kiosk host at a bar in northeastern Montana*

2) Ohio

Sports wagering kiosks were legalized by the Ohio Legislature in 2021 and were launched on January 1, 2023. Digital sports wagering and retail sports wagering (in casinos, racinos and at professional sports venues) were launched that same day.

Ohioans who bet on kiosks have a more limited range of betting options than those who do digital betting or those who participate in retail sports wagering. Kiosk bettors can bet only on the point spread, moneyline, over/under, and parlays of four legs or fewer. They cannot make in-game bets, futures bets or prop bets. Kiosk bettors cannot bet on horse racing. And while bonuses and promotions enticed many Ohioans into trying digital gaming, no bonuses or promotions are allowed to be offered to people betting on kiosks.

Kiosk hosts must be Ohio Lottery retailers and must have a license to sell liquor. Kiosk hosts pay a \$1,000 fee for a three-year license and can negotiate with one of the sportsbook vendors (whom Ohio identifies as “proprietors”). The vendor is responsible for installation and upkeep of the kiosks. Kiosk hosts can negotiate to get a share of the vendor’s profit; our interviews suggest many kiosk hosts get 10% to 25% of GGR. There are self-serve kiosks and clerk-operated kiosks. Most of the kiosks are of the self-serve variety.

The minimum age for betting is 21. There is a \$700 weekly limit on wagers by any individual. The Ohio Lottery oversees the operations of the sports wagering kiosks, with licenses issued by the Ohio Casino Control Commission. Winning bets of \$600 or more must be cashed out through the kiosk operator or an Ohio Lottery office. But a business that hosts a kiosk can set a limit on the amount they will pay out so as not to deplete their cash supply or necessitate keeping an excessive amount of cash on site. Players may have these options for claiming winning tickets:

- Cashing prizes at the host location where the wager was placed or at an affiliated host location of the same vendor (if offered)
- Mailing claims directly to the sportsbook vendor for payment (address on the back of each ticket)
- Claiming at an Ohio Lottery office
- Placing the winnings back on the terminal as a credit voucher to play again

- Crediting the winnings to a credit card, debit card, or electronic payment account used to place the wager (if those cashless options are offered)
- Cash winnings using the Ohio Lottery Mobile Cashing App (if offered by the select vendor)⁹

Spectrum interviewed hosts of 20 kiosk establishments in Ohio, including two who oversee multiple establishments. A few of these interviews were done in person so that Spectrum could get a better idea of how and where the kiosks were placed within the establishment. We also found interviews with kiosk hosts done by various media outlets during the kiosks' first year of operation or around the first anniversary of their launch. The general consensus was that sports wagering kiosks have had no significant effect on the bottom line of the host establishments, but they have served a role in entertaining customers. Only one kiosk host indicated that the kiosk had substantially improved the establishment's bottom line. None of the 20 hosts indicated that having the kiosks caused any problems with customer behavior.

One host we interviewed indicated that they were considering getting rid of the kiosk; that host said they would wait until after "March Madness" – the NCAA men's and women's basketball tournaments – to make that decision. A couple news stories included hosts who had decided not to keep their kiosks. Spectrum found no noticeable difference of opinion between urban and rural hosts. There was perhaps a slightly better performance at establishments where people gather to watch sports on television rather than places people go to enjoy a meal or conversation – i.e., sports bars might do better than restaurants and other bars.

"It's hit or miss. It depends on the time of year," said the manager of a sports bar in Cincinnati. "More people use it during big games," another host said. Fred Kobzowicz, vice president of Winking Lizard Tavern, which has 15 locations in northeast and central Ohio, said his chain planned to get rid of the kiosks because people prefer to bet on sports on their phones. "I thought they might be a little better," Kobzowicz said of the kiosks. "Just because of the fact that if you win, you can get your cash. But it hasn't been the case for us."¹⁰ Ed Gaughan, who owns a Columbus sports bar called The O on Lane, said he had high hopes when he installed a kiosk but he had it removed after less than a year. "If expectations were 100, it was a 0," he said. "With the apps on the phones and people betting on that and getting used to it at that point, it just never really took off." He said his agreement with the kiosk vendor allowed him to make a commission off of bets placed in his restaurant. He said when they removed the kiosk in the late summer of 2023, his commission was \$0.¹¹

Of the 20 Ohio hosts interviewed by Spectrum, 19 said the kiosks had had no substantial effect on the bottom line of their establishments. The only kiosk host who indicated that his establishment's bottom line had been substantially affected was a manager of a bar, restaurant and leisure facility in northeast Ohio. The manager estimated that the kiosk had helped the bottom line, perhaps by as much as 5%. The

⁹ Ohio Lottery, "How to Play." <https://www.ohiolottery.com/Sports-Gaming/Sports-Gaming-How-to-Play> (accessed March 14, 2024)

¹⁰ Steve Maugeri, "Impact of sports betting on casinos, bars and restaurants," spectrumnews1.com, January 16, 2024. <https://spectrumnews1.com/oh/columbus/news/2024/01/05/sports-betting-impact-on-business->

¹¹ Kyle Beachy, "Small businesses reflect on first year of legal sports betting in Ohio after failed expectations," yahoo.com, December 22, 2023. <https://news.yahoo.com/small-businesses-reflect-first-legal-041128566.html>

manager said patrons who use the kiosk are buying “a little bit” more food and alcohol. “They stay around longer if it’s a close game.” The manager said business improved during March Madness and when college and pro football games are being televised. “It was different than in past years. We got lots of business. As long as they made their bets here, we could pay them off here.” The manager said having a kiosk was worthwhile: “Absolutely. We’ve had no problems, it’s been pretty easy to have here, easy to operate, and provided a little bit of extra business. There have been no negative implications.” Tome Jolevski, kitchen manager at Patrick’s Sports Bar & Grill in Cincinnati, told wcpo.com that revenue had gone up since sports wagering was legalized, but that may or may not be related to their kiosk. “More people are coming in that didn’t come in before. ... Some people are staying longer, especially when the games are on” Jolevski said. Another Cincinnati kiosk host, Billy Watson of Kitty’s Sports Grill, told wcpo.com he had gained business from nearby Kentucky in the eight months between Ohio legalizing sports wagering and Kentucky doing the same. But he indicated that most of those who had crossed the Ohio River to visit his bar were using their phones and not his kiosk.¹²

Of the 20 hosts interviewed by Spectrum, 18 said there had been no noticeable change in food and beverage sales since the kiosks were installed; two said there had been a slight increase. No kiosk hosts said there had been any costs associated with installing, monitoring or operating the kiosks, other than the \$1,000 fee paid for a three-year license. The consensus was that the kiosks did not draw in extra business but were one more activity for their regular clientele. A few of the hosts volunteered that their customers spent a lot more time playing keno – a longstanding tradition at Ohio bars and taverns – than they did using the sports wagering kiosk.

In general, hosts indicated that there had been no change in the number or type of customers their establishment had attracted, nor was there a difference in behavior among the clientele. Other than the northeast Ohio restaurant manager’s comment about patrons sticking around longer if the score of a televised game was close, no hosts indicated that patrons were staying longer. Hosts said they assumed patrons were using their mobile phones to bet on games or monitor games, but because people use their phones to do so many things, it was hard to know. Of the 14 hosts questioned about whether the kiosks played any role in people drinking more than they should, none said they had seen any evidence of that.

People who use a self-serve kiosk in Ohio must scan a driver’s license or state ID to prove that they are at least 21 years of age. Of the 15 kiosk hosts asked, none indicated that there had been any problems with underage people trying to use the machines. One said they sometimes have to shoo underage people away from the machines who are either accompanying a parent or other legal-age patron who is placing a bet or just exploring the establishment. One establishment Spectrum visited had a sign indicating that patrons should have their ID checked by a staff member before using the kiosk. But the manager said that was mostly to keep underage patrons away from the machine and was not strictly enforced.

No kiosk host indicated that they had seen any evidence of the kiosk contributing to problem gambling. That includes a restaurant manager in northwest Ohio who offered anecdotal evidence of the

¹² Madeline Ottilie, “More people are coming in’: A look back on one year of legal sports betting in Ohio,” wcpo.com, January 3, 2024. <https://www.wcpo.com/news/local-news/more-people-are-coming-in-a-look-back-on-one-year-of-legal-sports-betting-in-ohio>

opposite. “I have two regulars who come in almost every day to place bets. It’s a form of self-control. They don’t want a betting app on their phone so they can’t be sitting at home drinking beer at 11:30 at night and making stupid bets.” One Cincinnati bettor, Mike Dasenbrock, told wcpo.com that he preferred to bet on the kiosks rather than the online apps. “I don’t have to give a debit card or credit card,” Dasenbrock said. “Keeps me in control.”

None of the 20 hosts interviewed said there had been problems with the kiosks, and none said they had to spend much time monitoring the machines. A manager or bartender will occasionally need to pay a customer who has won a bet or shoo curious youngsters away from the machine, hosts said.

The restaurant manager in northwest Ohio was the only kiosk host to report a problem, and that came because an employee stole some money from the machine. He said the kiosk was not the problem – that the now-former employee would have taken money from the cash register or someplace else if the kiosk was not there. “She thought stealing money from the kiosk was her best chance of not getting caught. She was wrong.”

None of the hosts Spectrum interviewed said they had any problems with the kiosks malfunctioning or taking up too much space. A manager at a sports bar in Cincinnati said they had switched providers “because the new company is more user-friendly.”

What Ohio Kiosk Hosts Are Saying

“It’s not something that you’re going to draw in lots and lots more people, but it is a boost for our regular clientele because it gives them something else to do while they’re here. ... Some people are keno players, some people are bettors, and some do both.” – *Kiosk host at a bar and grill southwest Ohio*

“People might be buying a little bit more food. They stay around longer if it’s a close game.” – *Manager of a bar/restaurant/leisure facility in northeast Ohio*

“We’ve talked about getting rid of it, but the past few months it has gotten more use. We’re going to wait until after March Madness to make a decision.” – *Kiosk host at a sports bar in Cincinnati*

“When it comes to sports, there are other quicker, easier ways to bet.” – *Kiosk host at a sports bar in the Columbus area*

“It hasn’t brought us any new business. Everybody can do it on their phone.” – *Kiosk host at a bar/restaurant in Cleveland*

“We don’t have as much business as we thought. Only during big games like the World Series or the Super Bowl.” – *Kiosk host at a pub in the Akron area*

“I’ve noticed more people using it during big games. But we definitely have a lot more people playing keno.” – *Kiosk host at a brewery in Youngstown*

“It hasn’t done much for us.” – *Kiosk host at restaurant in Zanesville*

“Like 95% of them are betting on their phone.”¹³ – *Billy Watson, owner of Kitty’s Sports Grill in Cincinnati*

“Honestly, it hasn’t been overly popular at our particular location. We do have a lot of lottery traffic as far as keno goes and Mega Millions and things of that nature. I wouldn’t say sports betting has taken off tremendously.”¹⁴ – *Deanna Bryant, the general manager of the Fricker’s restaurant/bar in Dayton*

3) Washington, DC

Sports wagering kiosks made their debut in Washington on July 30, 2021, and by the end of 2023, there were 101 GamebetDC machines in 67 locations. A license to operate a sports wagering kiosk in Washington, DC, costs \$5,000. But so far, the revenue produced by the poorly received GamebetDC app has been disappointing. For the fiscal year that ended September 30, 2023, wagers on GamebetDC totaled \$69.6 million compared to \$116.2 million at the five sportsbooks in Washington, DC. As a result, the city’s Office of Lottery and Gaming has decided to switch from GamebetDC to FanDuel, which is expected to almost double income from sports wagers. The contract for Intralot, the vendor for the DC Lottery, is up for renewal in July 2024, and renewal is by no means assured.

Despite this uncertainty, interviews with kiosk hosts in 20 bars, pubs, liquor stores, restaurants and one gasoline station revealed significant support for sports wagering kiosks. Thirteen of the 20 businesses interviewed said the kiosks have added value to their operations. Six said they regret the installation of the kiosks, with complaints including that they are unreliable and take up too much space. There was only one undecided response. This breaks down to a 65% vote in favor of kiosks. However, it should be emphasized that the overwhelming consensus – even among advocates of kiosks – is that sports wagering machines are not a game-changer when it comes to revenue.

Shortly before the Christmas holidays in 2023, owners of a sports bar in the upscale neighborhood of Chevy Chase in Washington, DC, asked the DC Lottery to remove three sports wagering kiosks. Repeated malfunctions by the machines infuriated customers, and the restaurant’s owners decided enough was enough. But one of the owners did not hesitate when asked if he regretted allowing the kiosks to be installed in the first place. “Absolutely not,” he told Spectrum. “Just having the license (for sports wagering kiosks in Washington, DC) increases the value of our restaurant by another \$115,000 to \$120,000 if we ever decide to sell it.” Moreover, the owner and his partners also own commercial real estate nearby that they hope to develop into a sports bar with a horse-racing theme. They can still use their license to install kiosks if and when their new sports bar opens.

¹³ Ibid.

¹⁴ Eric Schwartzberg, “Ohio sports betting revenues exceeding expectations,” *Dayton Daily News*, December 19, 2023. <https://www.daytondailynews.com/what-to-know/ohio-sports-betting-revenues-exceeding-expectations/GY4RVUGPERHGJIMCEGVOBQWIWE/>

A DC restaurant interviewed by Spectrum reported sports wagering income from its two kiosks ranges from \$5,000 to \$100,000 per week. The disparity is likely linked to mega-events such as the Super Bowl and March Madness, which usually spark a frenzy of activity on sports wagering kiosks.

The largest amount that can be wagered on a DC kiosk is \$1,000. Gamblers who win less than \$600 can pick up their winnings at the business where they purchased their ticket. Payoffs for winning bets of \$600 or more must be picked up at the office of the DC Lottery. DC sports bars and restaurants receive a 5% commission on each bet placed on one of its kiosks whether it's a winner or loser. The 5% commission is based on handle, or the total amount wagered. An additional 1% commission goes to businesses that pay off a winning ticket. "I always will pay (off winning tickets) because you get a commission off of that, so I want to take advantage of that," said the manager of a sushi restaurant. But managers of two other businesses said there have been times when they have had to tell customers they do not have enough money to pay off winning tickets, even if the total was less than \$600. "I just tell them to come back the next day or go to the DC Lottery's office to get paid," one of the managers said.

Sushi restaurant Abunai made news in September 2023 when one of its customers, a 27-year-old former data scientist, made thousands of wagers totaling more than \$1 million at the restaurant after discovering GamebetDC offered more favorable betting lines than national sportsbooks. After finding out about this, the DC Lottery took what it called "emergency action" to limit bets at kiosks in order "to curb excessive wagering and ensure responsible play at retail locations." The manager at Abunai told Spectrum the excessive betting incident was an aberration and has not happened again.

The GamebetDC sports wagering kiosks accept only cash for wagers, and the owner of a sports bar in the Chevy Chase neighborhood said he is glad he installed an automated teller machine ("ATM") near each kiosk on the three floors of his establishment. "We made \$5 almost every time somebody used that (ATM) machine and it actually gave us pretty much as much money as the gambling did," he said.

At best, kiosks appear to be merely another weapon in the marketing arsenal of sports wagering. Many sports bars in the nation's capital already have digital gaming machines, with keno being among the most common. As one sports bar manager in northwest DC put it, a sports wagering kiosk is "just one more bright screen for people to look at and play with (and) my customers appreciate having the option of putting money into the kiosk."

Of the 20 kiosk hosts interviewed by Spectrum, 13 said kiosks have not had an impact on customer behavior. Four said they have noticed customers appear to be more attentive to games shown on television at the bars and restaurants, and three did not respond.

Ten said they have not seen an increase in the use of mobile phones. Eight reported customers using their phones more frequently. One did not notice an increase or decrease and another did not respond.

When games are shown on television at their establishments, 12 hosts said they have not noticed increased animation among their customers while five said their customers appear to be more excited; three did not respond.

Televised games have led to increased revenue from bets, food and beverages at eight bars and restaurants; five reported no change. Four said they didn't know about any financial impact and three declined to comment.

Although a large majority of kiosk customers appear to be regulars, the betting machines also tend to attract a younger demographic. "The kiosks have added an extra dimension to our clientele with the younger people coming in," said a manager of a restaurant in northeast DC. Newer and younger customers seem to be more prone to leave quickly after they purchase a kiosk ticket, while regular customers tend to stay and buy drinks and food. The minimum betting age in DC is 18 while the minimum age for consuming alcohol is 21.

Managers of two liquor stores with kiosks said older customers sometimes resent young kiosk customers. "They don't like to see them come in with their backpacks," one liquor store manager said.

None of the 20 businesses interviewed by Spectrum reported any cases of kiosk customers creating problems because of gambling or alcohol excesses. There also were no reports of additional employees being hired to monitor sports wagering kiosks. One bar manager said the DC Lottery offers training to current employees on how to operate kiosks.

Enforcement of the mandatory age of 18 for sports wagering appears to be haphazard. "Most of the kiosk customers are regulars who we know, but if somebody looks like they're 16, we'll card them," one bar manager said.

What Washington, DC, Kiosk Hosts Are Saying

"We still haven't recovered from COVID, and our business is really slow here. We're in a government zone where many federal employees work from home. So I really don't know what the full potential of our sports betting kiosk can be." – *Kiosk host at a bar in northwestern Washington, DC*

"It's been worth it to have a sports betting kiosk just because it's one more bright screen for people to look at and play with and my customers appreciate the option of putting money into the kiosk." – *Kiosk host in northwestern Washington, DC*

"It depends. I mean some people come in and want to bet a lot, so it ranges from either \$5,000 a week or it could go up to even like \$100,000 a week." – *Kiosk host at a sushi restaurant in Washington, DC*

"It can cause more trouble than it's worth. Like the other thing is advertising. We have to be really careful. If we promoted it more, I'm sure we could get more of a crowd in here. But we kind of just got it, and left it as is. So, with that being said, I would probably say no, our kiosk hasn't been worth having." – *Kiosk host at a bar in northwestern Washington, DC*

"I'm not going to give you a number, but it's worth it for us." – *Kiosk host at an Irish pub in Washington, DC*

"Sometimes, there are money issues. That's the hardest part of it all. When somebody says they put a certain amount in and it doesn't pop up on the screen." – *Kiosk host at a gas station in northeastern Washington, DC*

“We do get an extra demographic of folks who come in that are strictly bettors and deal only with the Gamebet machine.” – *Kiosk host at a grill in northeastern in Washington, DC*

“If someone looks like they are underage, first we follow them and actually ask them, ‘Hey, are you 18?’ If they say, ‘Yes,’ then we check their ID. If they say, ‘No,’ we say ‘Well, you can’t play.’ It’s rare that you find someone who is not 18.” – *Kiosk host at a restaurant in northeastern Washington, DC*

“All the people that use the sports bet, they talk to each other and try to figure out what’s the best team or person to bet on. So, everybody – they talk to everybody. So, everything’s good.” – *Kiosk host at liquor store in southeastern Washington, DC*

“What a business would want is for customers to come to the bar and drink as well as gamble (at a sports wagering kiosk). But I don’t know if that is happening.” – *Kiosk host at a bar and grill near the Potomac River in Washington, DC*

4) Conclusion

Kiosk hosts in Montana were more enthusiastic about having the machines because all sports wagering must take place at a kiosk host establishment, whether on a patron’s phone or on a kiosk itself. Kiosk hosts in Ohio and Washington, DC, were less enthusiastic, as patrons have the option of wagering online from almost anywhere.

If Massachusetts were to implement kiosk sports wagering in retail locations, Spectrum expects there would be no measurable cannibalization on casino sportsbooks and digital sports wagering operators. Kiosks in retail establishments would be no substitute for patrons who can wager on their phones from anywhere in the state, and they are unlikely to materially dent casino sportsbook revenues, where patrons wager as part of an immersive entertainment experience.

Ohio would most closely resemble Massachusetts in that it has both casino sportsbooks and statewide digital sports wagering. Even with the benefit of having launched the same time as casino sportsbooks and digital wagering, Ohio kiosk wagering in 2023 accounted for only 0.14% of total sports wagering GGR. If implemented in Massachusetts, kiosk wagering would lag wagering via the casino and digital channels by perhaps two years or more – a long period in which bettor behavior will be well entrenched.

C. Essential Requirements for a Sports Wagering Kiosk Host

In the subject jurisdictions for this study (Montana, Ohio and Washington, DC), the lotteries govern and regulate sports wagering kiosks in retail locations. In all cases, retail lottery sales predated the availability of sports wagering, which is classified as an expanded product offered by the lottery. As such, there are substantially similar requirements in place that govern both products.

From a commercial feasibility perspective, Spectrum focused on four essential factors identified as consistent across both the sale of lottery products and sports wagering via kiosk: licensing requirements, internal controls, infrastructure, and cash handling. From these factors, Spectrum believes that applicability of existing administrative rules and regulations that govern licensed lottery retailers can

be accurately assessed for compatibility and capability to govern sports wagering. Additionally, the assessment will identify any considerations unique to sports wagering, compared to the considerations applied to other types of restricted products sold in retail locations.

1) Licensing Requirements

The eligibility to be a sports wagering kiosk operator varies state by state, but the key theme in all states was the ability to meet existing requirements for retail lottery sales as a baseline. This baseline is emphasized in Ohio, where it is required that the retailer conduct lottery sales for a probationary period prior to being granted a license to conduct sports wagering sales.

Another common theme observed is that the sale of lottery products and/or sports wagering products cannot be the retailer's sole purpose or reason for business. Accordingly, those businesses and their primary function can range from convenience stores to restaurants to American Legion posts. All of these types of locations sell alcohol or other restricted products that require additional state-issued licenses and their own list of eligibility requirements.

As such, a retailer should expect to hold multiple types of licenses, each with its own specific requirements and review processes conducted by multiple state agencies. For example, in Montana a permanent gambling license granted from the Gambling Control Division is required to offer sports wagering kiosks, whereas in Ohio, a Type C Sports Gaming Host license from the Casino Control Commission must be obtained. In these instances, sports wagering is treated as both a gambling product and a lottery product requiring oversight from the State's gaming regulators in addition to the Lottery. To be granted these types of licenses, it can be assumed that retailers undergo adequate screening and review, ensuring that the sports wagering applicant does meet the State's standards and is found suitable by the Massachusetts Gaming Commission to conduct sports wagering sales.

Finally, from an expert viewpoint, the Massachusetts Council on Gaming and Health would expect all jurisdictions to require a basic level of commitment to socially responsible gaming practices and problem gambling information. Typically this involves staff training on signs and symptoms of gambling problems, offering the Helpline on common points of access (point of sale, point of cash access, etc.), and assembling a responsible gambling committee to focus on responsible gambling activities and awareness campaigns throughout the year, but most importantly during Problem Gambling Awareness Month.

2) Internal Controls

Conditions of any license required to conduct sports wagering include references to the compliant operation of sales and minimal internal controls ("MICs") under which the retailer must conduct themselves.

As stated previously, it is expected that to be eligible for a sports wagering license the retailer is already conducting compliant operations in view of the lottery and various state agencies that regulate the retailer's other activities. With this in mind, Spectrum conducted a side-by-side summary analysis of minimal internal controls and administrative rules that lottery and sports wagering kiosk operators must adhere to, and we compared them to the requirements of Type B Retail Operators in Ohio, which are

standalone sportsbooks like casinos, racetrack casinos (“racinos”), and professional sports venues. Spectrum believes that, should sports wagering kiosks be successful, they will require a high volume of transactions be conducted. As such, comparing the sample’s current requirements to that of a retail setting in a casino, racetrack or professional sports venue where many transactions occur should illustrate any additional considerations that may be warranted of kiosk hosts.

Figure 6: Comparing administrative rules, minimal internal controls for the subject jurisdictions

Administrative Rules and Minimal Internal Controls	OH Casino/ Retail	OH Lottery	OH Sports	MT Lottery	MT Sports	DC Lottery	DC Sports
Maintain Good Standing w/License Requirements	✓	✓	✓	✓	✓	✓	✓
Design Plan for Placement of Gaming Equipment	✓	✓	✓	✓	✓	✓	✓
Cashiering Windows Behind Secure Entry	✓						
Surveillance and or Age-Gating Plan	✓	✓	✓	✓	✓	✓	✓
Security Plan for Physical Safety and Assets	✓	✓	✓	✓	✓	✓	✓
Security Staff Present at All Times of Operation	✓						
Enterprise Surveillance System and Coverage	✓						
Title 31 AML for Currency Transaction Reports	✓				✓		
Procedures to Prohibit Structured Wagering	✓				✓		
Training to Report Suspicious Activity	✓	✓	✓	✓	✓	✓	✓
Cash Handling & Inventory Management	✓	✓	✓	✓	✓	✓	✓
Variance Reporting & Investigations	✓				✓		
Secure Vault Room On-Premises	✓				✓		
Must Employ Use of ID Verification on Kiosks			✓		✓		
Digital KYC Examination of Patron ID	✓						
Procedures for Prohibiting Excluded Players	✓				✓		
Max Anonymous Wager at Counter or Kiosk	\$1,000/ wager		\$700/ week		\$250/ wager		\$600/ wager
Max Payout By Host	DBO ¹		DBO ¹		\$599.99		\$599.99
Max Win Available	DBO ¹		DBO ¹		\$100,000		\$150,000

Source: State regulators, Spectrum Gaming Group. ¹Decided by operator

While the MICs for sports wagering were not all-encompassing in some cases, the references to other licenses required of the retailer and subsequent investigation into those MICs indicate a clear intent to utilize existing retailer activities and controls to govern their sports wagering kiosk sales. These existing activities are primarily related to alcohol sales and ability to age-gate. Montana sports wagering is an outlier when comparing controls due to the requirement that the retailer also hold a Gambling Operator License, which itself requires an alcoholic beverage license for which to be eligible.

The Massachusetts Gaming Commission's Investigations and Enforcement Bureau¹⁵ told Spectrum that, based on the current casino sports wagering activities conducted in the commonwealth, retail sports wagering kiosks would require a level of control and procedure that Spectrum asserts are significantly more complex than what current Massachusetts Lottery retailers are familiar with. As such, the consideration for how lottery retailers could meet the Commission's requirements in relation to operating a sports wagering kiosk would likely require a new set of MICs be drafted.

3) Infrastructure

Sports wagering products require more consideration be placed on the infrastructure compared to those needs of some lottery products. With a higher payout ratio than most lottery products, sports wagering requires high volumes of wagers to mitigate volatility and be profitable for the retailer. From this, we can infer that increased cash transactions should occur at both the kiosk and at the redemption center. Strategic placement is required in what may be a confined space or under-trafficked area in order to facilitate this increased activity without interfering with existing operations. Sports wagering also requires a stable IT infrastructure; this is due to the constant change in wager availability and pricing and odds coupled with cash vouchers and cash transactions. As such, placement of the kiosk, security of the premises, and internet reliability are the primary infrastructure components Spectrum believes are essential to operating sports wagering kiosks.

Placement

From a security and practicality perspective, it is essential that the retailer places its kiosks in a location where they can be easily monitored by staff while still accessible to patrons. Large areas where the kiosk may be blocked from supervision due to crowds or blind spots in the line of sight due to physical characteristics of the location would amplify any risks associated with anonymous cash transactions on kiosks that dispense cash vouchers. While minimal internal controls account for this, there are also commercial considerations that retailers must make that will impact their success with sports wagering.

The placement requirements for sports kiosks indicate a commonality in that they must always be visible to the retailer's staff – with the ability to conduct the appropriate age-gating as a baseline measure. The three lotteries interviewed indicated that compliance issues regarding placement of kiosks were either not a material issue or did not occur in the last 12 months.¹⁶ However, as the business profile of a sports kiosk host could vary from car washes to convenience stores to restaurants, bars and grocery stores, it is reasonable to assume that just as with any other type of licensed activity, there is the propensity for non-compliance to go undetected and unreported.

Interviews conducted with Ohio kiosk vendors indicate that the success of a kiosk host is directly tied to the placement of the kiosk. Those hosts that placed the kiosk in an area deemed compliant but not ideally placed as a focal point for patrons do not perform well. That has led to 150 sports kiosks being

¹⁵ Interview with Massachusetts Gaming Commission.

¹⁶ Interviews via email with representatives from the Ohio, Montana, Washington, DC, lotteries, at various times in 2024; subject: Massachusetts Gaming Commission Sports Kiosk Study.

removed in Ohio since January 2023 due to lack of sales.¹⁷ However, the kiosk hosts who put an emphasis on kiosk placement to ensure patron interaction easily outperformed the baseline average of all retailers, according to the Ohio kiosk vendors interviewed by Spectrum.

Additional interviews conducted with Ohio kiosk hosts indicate a mix of feelings segmented by net-positive, indifference, and regret in terms of sports wagering kiosks. It was evident that those hosts not satisfied with the performance of the kiosks did not have proper space for the kiosks in the first place and in some cases had to replace seats which would normally have served patrons and generated far more revenue. This occurrence, while not the sole reason, has led to 275 kiosk host partnership cancellations in Ohio since January 2023.¹⁸ Other retailers that expressed neutral sentiment on the kiosks did not feel negatively impacted by the placement of the kiosks and saw them as a “why not” with only upside. Those retailers that expressed net-positive sentiment on the kiosks had programmed sports wagering as a theme in their location and only lamented that the revenues generated could always be better.

Security

From a security perspective, the main points of concern are supervising who is transacting with the kiosks and the handling of increased cash transactions. In addition to age-gating, the retailer is expected to maintain a reasonable amount of supervision over the transactions being conducted and report suspicious activity. Suspicious activity may include cash stuffing the kiosks to replace with vouchers, structured wagering to exceed limits, and wagers placed on behalf of others. As transaction volumes increase, so would the need for enhanced supervision of the kiosks.

The payout percentage of sports wagering kiosks is about 90%, per comparative markets, therefore the number of winning wagers sold is likely to be much higher than those of current lottery products sold. While the maximum amount that a kiosk host will typically redeem is less than \$600 depending on the jurisdiction, a patron can easily hold multiple winning wagers and/or cash vouchers that in aggregate total thousands of dollars for redemption that may not typically be experienced with lottery redemptions.

Internet and Power

Due to the nature of sports wagering and the constant updating of the product in terms of event/market availability, pricing updates, advent of live in-play, and same-game parlays, a reliable internet connection and power source to the kiosks is required. Unlike the sale of over-the-counter instant win games and some other lottery kiosk products, sports wagering kiosks are 100% dependent on communication with a central platform system that updates the entire menu of betting products and performs wager acceptance in real-time via internet connection. An unstable internet connection could create delays in wager placement and acceptance or display outdated pricing and availability, all of which are detrimental to the patron experience. In some jurisdictions, redundant power supply is required for

¹⁷ Interview via email to Ohio Lottery, February 29, 2024; subject: Massachusetts Gaming Commission Sports Kiosk Study.

¹⁸ Interview via email to Ohio Lottery, February 29, 2024; subject: Massachusetts Gaming Commission Sports Kiosk Study.

the kiosk to reduce the risk of data loss in the case of the kiosk losing power. This requirement also mitigates the risk of patron balance being stuck on the kiosk with no way to retrieve it via voucher.

4) Cash Handling

Continuing with the thesis that all eligible kiosk hosts are currently compliant and in good standing as a retailer of other regulated products and services, it would be logical to assume that compliance with cash handling is adequate for the volumes they experience today with the capacity to handle incremental increases. Should the lottery allow for a licensed third-party kiosk vendor to contract directly with a lottery retailer, this would likely create the need for a separate cash drawer apart from lottery sales and therefore duties and processes related to compliant cash management could be considered double the efforts required currently.

As previously described, the payout ratio in sports wagering is expected to be significantly higher than current lottery products with the potential to be in much higher amounts. This would indicate that a certain volume of transactions must be realized by the retailer to generate any material profits.

Considering that sports wagering allows for more transaction types apart from just a winning or losing wager and that are governed by complicated house rules specific to sports and wager type, the retailer may require additional accountability measures and staff training to ensure compliance with increased cash-handling duties. Despite this, the process of redemption is largely identical to that of lottery products, and no fundamental changes should be required beyond accounting for the potential for increased cash reserves and larger transaction amounts.

5) Insights from Interviews

Spectrum interviewed officials with three lotteries, two sports wagering kiosk vendors and three retail kiosk hosts. (These interviews with kiosk hosts were separate from those discussed in Chapter 1.B of this report.) The questions asked were meant to illustrate the essential requirements of a retail sports wagering kiosk host and any issues related to eligibility based on the licensing, internal controls, infrastructure and cash-handling activities required.

Kiosk Host Questions

- *How long have you been offering lottery products/kiosks?*
 - All hosts indicated they had been offering lottery products for more than 12 months.
- *When did you start offering sports wagering kiosks?*
 - Two hosts indicated they had been offering the sports kiosks since they were made available in January 2023, with one host indicating they had since returned their kiosk for lack of performance. In any case, no host had been offering the kiosks for longer than 12 months.
- *Please describe the licensing process for approval to offer sports wagering kiosks*
 - All hosts indicated that the licensing process was standard with no indication of an overly burdensome process.

- *Are the sports kiosks intuitive or do patrons constantly have questions about them fielded to the staff? If so, what are the most frequent questions asked?*
 - None of the hosts reported commonly asked patron questions; in fact, they stated that there were few to no questions at all.
- *Do sports kiosks require additional processes beyond what is practiced for lottery products? If so, what are these additional processes?*
 - None of the hosts indicated that sports wagering required increased efforts to operate as compared with lottery products.
- *What is the biggest winning bet you can recall being cashed out?*
 - Three different answers were given: \$3,000, \$500, and \$100 as the highest amounts ever paid out.
- *Do you ever have to reject paying a winning sport bet due to not enough cash on hand? If so, what is that conversation like with the patron?*
 - None of the hosts indicated that they had ever rejected a redemption due to lack of cash on hand.
- *Does operating the kiosks incur any new hard costs for your business in order to be compliant?*
 - None of the hosts indicated any new hard costs associated with compliance.
- *Which product do you feel is easier to operate – sports or lottery – and why?*
 - Two hosts indicated that lottery was easier to operate while a third host stated they were both equally easy to operate.
- *On average, are more than 100 wagers per week placed on your kiosks?*
 - All hosts indicate they do not sell an average of 100 wagers per week.

Kiosk Vendor Questions

- *Have you ever been approached by an existing lottery retail agent inquiring for sports kiosks and you declined to do business with them? If so, for what reasons?*
 - Both kiosk vendors stated they routinely decline to do business with existing retail lottery hosts due to various reasons related to inadequate infrastructure, potential for performance and operational standards.
- *How often does a host have their sports kiosk license removed due to compliance issues?*
 - Neither kiosk provider had ever removed a sports wagering kiosk due to compliance issues, however one vendor had suspended operations for some locations at the direction of the lottery due to delinquent payments related to lottery products.
- *How often does a host have their sports kiosk license removed due to financial issues?*
 - Both kiosk vendors indicated that removal of kiosks due to non-performance was a routine exercise, with one vendor indicating they had relocated close to 50% of their kiosks over the course of the year due to financial performance.
- *Do kiosk hosts have frequent operational questions that your support teams have to field? If so, what are the most common questions asked?*

- There was contrast between the answers, with one vendor stating more questions around technical issues for operating the kiosks and point of sale systems, while the other vendor indicated that most questions regarded financial transactions between host and patron for payouts and the commissions earned by the host.

Lottery Questions

- *How often does a host have their sports kiosk license removed due to compliance issues?*
 - Two of the lotteries interviewed said that no kiosks had been removed due to compliance issues. While another lottery indicated that a very limited number of kiosks had been removed due to compliance issues.
- *Do kiosk hosts have frequent operation questions that your support teams have to field?*
 - All lotteries reported that the most common questions come from untrained kiosk host staff and were primarily related to hardware malfunctions and basic functions related to redemptions of winning wagers and sports wagering rules.
- *Is there a specific type of kiosk host that is better equipped for offering sports kiosks than others?*
 - None of the lotteries indicated any studies had been performed on profiling kiosk hosts based on compliance or performance. But they all confirmed that the hosts that performed the best were those in social settings with the ability to program sports viewing within their locations and create a focus on the availability of the sports wagering itself. Hosts that operate in a non-social setting (such as gas stations and liquor stores) did not perform well.

D. Retail Settings Best Suited to Host Sports Wagering Kiosks

The availability of statewide digital sports wagering within a jurisdiction is likely to influence patron wagering habits at retail kiosks and should be factored into the projected sales a retailer can expect. However, with or without statewide digital wagering, it is likely to require more effort by the retailer and more emphasis on featuring sports wagering on the kiosks if it is to generate meaningful sales.

Interviews with state lotteries, kiosk vendors and kiosk hosts indicate that eligibility to host sports wagering kiosks from a commercial feasibility standpoint does not equate to suitability in terms of sales simply because the retailer currently sells lottery products. An analysis of the aggregated key performance indicators (“KPIs”) from kiosk host sales in Ohio was used as the primary baseline for consideration as it is the most similar to Massachusetts in that casinos, horse racing, retail sports wagering and digital sports wagering are all available to the patron. Their performance in calendar year 2023 – coupled with comments from the Lottery and kiosk vendors – uncovered trends and other factors that may further provide indications of those best suited to host sports wagering kiosks. Regardless of the jurisdiction, Spectrum believes there are consistent factors that should be considered when comparing the suitability of one retail location to another and their ability to be successful.

Figure 7 below illustrates the fluctuation in Ohio in monthly kiosks available in the field, host net revenues, and average performance.

Figure 7: Ohio sports wagering kiosks performance statistics, 2023

Month	Number of Kiosk Hosts	Month-Over-Month Change	Host Net Revenue (after Lottery Share)	Average Revenue Generated per Host
January	772	-	\$87,664	\$114
February	866	12%	\$48,332	\$56
March	940	9%	\$135,202	\$144
April	926	-1%	\$100,774	\$109
May	935	1%	\$89,601	\$96
June	939	0%	\$33,461	\$36
July	940	0%	\$95,000	\$101
August	908	-3%	\$38,545	\$42
September	914	1%	\$73,081	\$80
October	873	-4%	\$123,494	\$141
November	852	-2%	\$67,026	\$79
December	843	-1%	\$95,666	\$113
Total Gross Revenues from Host Sales			\$987,846	
Average Number of Hosts Monthly			892	
Average Monthly Revenue Generated per Host			\$93	

Source: Ohio Lottery

Of note, the trends in Ohio indicate a reduction in kiosks in the field during the busiest quarter of the sports wagering calendar (Q4), when all major sporting leagues are in season. This is a clear indication that simply making sports wagering available is not enough to induce sales.

Spectrum assumes the intent is to utilize existing minimum internal controls governing retailers' other regulated activities in addition to lottery sales to create the compliance requirements for sports wagering kiosks. Therefore, commercial considerations are the primary components that factor into any retailer's suitability and performance. Spectrum believes these components to be demographic of patron and degree of sports wagering programming into the patron experience.

1) Demographic of Patrons

In 2023, 150 Ohio kiosk hosts who already satisfied lottery sales quotas had their sports wagering kiosks removed by the vendor due to lack of sales¹⁹ (an average of 12.5 locations per month). It is logical to deduce in these cases the retailer's patron demographics did not find sports wagering relevant to their experience with the location.

According to a 2019 report by the American Gaming Association,²⁰ the average sports bettor skews to younger males with a higher income and higher education who are also sports fans. Since that report was published, the maturation of markets and spread beyond Nevada to 37 states plus

¹⁹ Interview with Ohio Lottery.

²⁰ American Gaming Association, "Consumer Movement Toward Sports Betting," 2019. <https://www.americangaming.org/wp-content/uploads/2019/03/Consumer-Research-One-Pager.pdf>

Washington, DC, has created a mainstream awareness of sports wagering,²¹ and it is logical to expect that the relevant patron demographics have expanded. However, Spectrum believes this expansion to be tempered. Rather, the opportunities to appeal to a wider demographic are very much dependent on specific events and the media campaigns launched around them. More often than not, these campaigns are focused on the home team and its upcoming events which are considered to be applicable to the average active sports bettor. However, the opportunities for spikes in sales among a wider set of demographics is likely only to be experienced with high-profile events that are heavily emphasized in the media. (Super Bowl, NCAA basketball tournaments, etc.)

Another factor in defining the value of the patron is the average time in location. Assuming that wagering on kiosks is not the patron's primary activity, their motive for patronage needs to be understood to assess the relevancy of sports wagering to their interaction with the retailer. Those retailers where the average visit is short and meant to be transient may experience less sales for smaller amounts. Any winnings will be redeemed upon the next visit as part of the patron's routine need for goods or services the retailer provides. As the wagers are either considered a low chance of winning or are of a value that does not warrant waiting for settlement, the patron puts less emphasis on the actual outcome and more on the participation in viewing the outcome. In contrast, Spectrum expects those retailers who provide a service and setting for more prolonged patron visits to see an increase in sales for higher amounts where the patron is likely to wait for their wager to settle on the event they are viewing and redeem any winnings prior to leaving the retailer's premises. These scenarios represent two very different sports wagering experiences whose perceived value is expected to directly impact the value and volume of sales a retailer can reasonably expect.

To create benchmarks for expected patron spend, retailers should consider the costs of goods and services that they offer today and consider that the average revenue from a patron visit is likely to influence the amount of wagering that clientele can be expected to conduct. An interview with one Ohio kiosk vendor generating 25% of statewide host revenue reported an average sports wager of between \$40 and \$45. This range indicates a high likelihood of pre-match markets being wagered at -110 odds for a wager of \$44 to win \$40 (\$84). When factoring in daily draws, instant scratch tickets, keno every few minutes and jackpot games, Spectrum believes the multitude of opportunity to play lottery products over the course of a patron's daily routine would make the average single-purchase lottery sale much lower than what is being observed in sports wagering.

Those retailers that can attract footfall from the target patron profile and curate programming and experiences that are complementary to sports wagering are expected to generate longer patron visits, more volumes of wagers, and wagers at higher values. While retailers that do not facilitate these experiences are still expected to sell sports wagers, it is believed to be at a lower degree and in amounts that are similar to typical single-purchase lottery products.

²¹ Kindbridge Behavioral Health, "Problem Gambling to Become Even More Mainstream?" August 11, 2023.

<https://kindbridge.com/gambling/problem-gambling-to-become-even-more-mainstream/>

2) Programming of Sports Wagering Into Patron Experience

It is Spectrum's expectation that access to statewide digital sports wagering likely creates a scenario in which a high percentage of the sports wagering occurring within a retailer's location is, in fact, on digital platforms and not using the retailer's sports wagering kiosks. It is relevant to note that a precursor to legalized sports wagering was the realization of its widespread activity already occurring via unregulated online digital operators, therefore it is logical to assume that with legal options, digital wagering would proliferate. Therefore, in a retail setting, wagering on kiosks is a choice rather than a requirement for patrons. To sway a patron's choice to utilize the kiosks, there must be an actual or perceived value add to the sports wagering experience.

A retailer's primary business purpose should be the key consideration in determining a suitable level of programming that is achievable and effective at promoting sports wagering on kiosks. Using the examples of a sports bar and a convenience store, it is fair to say there are significant contrasts between each retailers' experience with their patrons. Understanding the retailer's demographic and patron experience is essential to identifying the opportunity to incorporate sports wagering into the routine of the patron's interaction with the retail setting to the extent that current lottery products are.

Convenience Store

From a demographic perspective, most convenience stores are likely to see a wide range of patrons based on the variety of goods they sell. Despite this access to a constant flow of patrons, their visits are likely to be short, and average purchase amounts are expected to be less than \$100. In this scenario, the retailer must assume that the same positioning and signage that helps sell lottery products needs to be adapted to sports wagering. The only material consideration in this case is space to position an additional kiosk with ever-changing signage that is current in reference to sports leagues' seasonality and high-profile events. In addition, the retailer should consider working with their provider to pre-package sports wagering options for home-team and pre-match markets that can be easily understood and adopted by a wide range of patron profiles. Simplifying the wagering menu creates an ease of consumption that short visits – coupled with routine or impulse purchases – often require.

Any retailer that does not have sufficient space to strategically place the kiosks and does not maintain up-to-date marketing materials is unlikely to be successful in encouraging sales in a setting where the patron likely spends very little time considering purchases.

Sports Bar

The demographics of a sports bar patron would appear to be much more relevant to sports wagering due to the existing age-gating of the location and its primary business purpose of facilitating the sales of food and beverage while viewing sports events live on the premises. The motivation for this consumer is extremely well defined by the fact that they opted to come to the location for the purpose of interacting in a social environment where the primary activities are consuming food and alcohol and viewing sports events on television. Depending on the location, size of party and food options, the average spend could be around \$100. As such, sports wagering would appear more relevant and be complimentary to the patron's experience, which is expected to last over two hours based on the average duration of a

US professional sporting event. This time on premises creates more consumable sports wagering opportunities for the patron to engage in that enhance their entire visit.

If the sports bar setting is configured to accommodate and encourage staying on premises, sports wagering on live events can be leveraged as an amenity to the primary business and drive longer visits. By promoting sports wagering in combination with sports viewing, each wager placed on a kiosk creates a varying level of commitment from the patron to stay until the wager they placed on the event they are watching has settled to a win or loss. Assuming most patrons would stay to watch the settlement of their wager, the retailer should expect opportunities for additional food and beverage sales.

As mentioned previously, in markets with statewide digital wagering available, it is probable that a material percentage of patrons in a sports bar who are actively betting will be placing wagers via mobile devices vs. use of the kiosks. This channelization is due primarily to the amount of market penetration and adoption the licensed digital sports wagering operators have achieved. To overcome this, retailers must identify opportunities to leverage the patron's primary motivation for being on the premises, which Spectrum considers to be a tangible experience mixed with social elements in a high-energy setting. Digital wagering is not a tangible experience that can be consumed as a group and therefore could be replaced by kiosk wagering based on the retailer's programming of it. Creating content around wagering and prominently displaying it with tie-ins to the retailer's core curated experience is essential for awareness, call to action and added value that Spectrum believes is required to maintain consistent sports wagering sales in those markets where digital wagering is firmly established as the primary channel.

If the retailer is unable to capture attention from the mobile bettor, their pool of applicable patrons for kiosk wagering will be reduced further to those that only wager on highly publicized events. If the retailer's setting is not conducive to the ideal sports viewing experience, incurring longer visits and social interactions, they are unlikely to attract enough of the target patron demographic to meet sales quotas.

As described below, the summary of our interviews indicates that unless the retailer features and actively works to sell sports wagering, they are unlikely to be successful.

3) Insights from Interviews

Spectrum performed interviews with three lotteries, two sports wagering kiosk vendors and six retail kiosk hosts. The hosts interviewed were an assortment of various food and beverage establishments with the term "grill," "pub" or "tavern" in the retailer's name. The questions asked were meant to illustrate the suitability of a retailer based on their potential for sales.

Kiosk Operator Questions (Restaurant/Sports Bar/Other/etc.)

- *Are you happy with the performance of the sports kiosks to date? Yes or No*
 - The responses were a mix: 17% yes, 33% indifferent, and 50% no.
- *On average, are more than 100 wagers placed per week on your kiosks? Yes or No*
 - 100% of those interviewed replied no.
- *Do you have "regulars" that come to watch sports and bet on the kiosks routinely? Yes or No*

- 32% responded yes, they did have regulars that placed wagers with the kiosks, while 68% did not.
- *Do patrons have many questions on placing wagers and redeeming winning bets? Yes or No*
 - 100% of respondents stated that patrons generally did not have any questions on wager placement, nor redemption of winning ticket.
- *Are you actively promoting the kiosks and availability of sports wagering kiosks? Yes or No*
 - 17% of respondents stated they did promote the sports wagering kiosks, while 83% responded there was little to no promotion of the kiosks.
- *Have you seen any change in retail lottery sales since making the sports kiosks available?*
 - 100% of hosts responded that there was no detectable impact to lottery sales with the introduction of sports wagering kiosks.

Kiosk Vendor Questions

- *What type of retail location performs the best in terms of wagering volumes?*
 - The responses conveyed a common theme that the best performing locations are those that are programming sports wagering into the patron experience and making concerted efforts at generating sales. These efforts and experiences are going to be of varying degrees of effectiveness, but the very act of putting effort into sales seems to be the simplest explanation for why one location would do better than another.
- *What type of retail location performs the worst in terms of wagering volumes?*
 - A summary of the descriptions indicates that locations that present a non-sports-oriented atmosphere lack a relevant patron demographic for sports wagering. Once the retailer recognizes this, they do not attempt to maximize the positioning and programming of the kiosks, and thus sales suffer.
- *Have you ever been approached by an existing lottery retail agent inquiring for sports kiosks that you declined to do business with? If so, for what reasons?*
 - Both vendors confirmed that they do decline host partnerships where the costs of deploying the kiosk is not considered to be recoupable. Additional requirements and standards related to minimum number of televisions, promotional commitments and location programming have been adopted in order to further filter out those locations unlikely to produce adequate sales.
- *How often does a host have their sports kiosk license removed due to financial issues?*
 - Both kiosk vendors indicated that removal of kiosks due to non-performance was a routine exercise. One vendor indicated they had relocated close to 50% of their kiosks over the course of the year due to financial performance.

Lottery Questions

- *Is there a type of kiosk host location (bar/grocery/restaurant/etc.) that performs inherently better than others in terms of wagering volume? If so, who and why?*

- All three lotteries indicated that the atmosphere the location is able to create for patrons that find sports wagering relevant is likely the most important factor in considering their success.
- *How often does a sports betting retailer have their sports kiosk removed due to financial issues?*
 - The two lotteries that employ a single-vendor sports wagering monopoly system stated they had never removed a kiosk for financial reasons. Ohio, which employs an open-market vendor system, did report that since inception there had been 275 kiosk hosts cancel their vendor partnerships for a variety of reasons related to host switching vendor partner, sale of business/business closing, host decision not to go forward with sports betting, lack of sales, etc. Of those 275 cancellations, 54.5% (150) were due to lack of sales.

2. Costs for Regulating Sports Wagering Kiosks

Spectrum examined what the regulatory costs would be for sports wagering kiosks if they are implemented in Massachusetts. In this regard, Spectrum reviewed the experiences in Ohio, which implemented sports wagering kiosks located at restaurants, bars, and grocery stores in January 2023. The results of the examination provided a benchmark to project for Massachusetts. Spectrum relied on its vast experience in gaming regulatory matters to evaluate regulatory costs. In addition, Spectrum reviewed the experiences in Ohio for comparison purposes. Spectrum accessed media accounts regarding the regulatory costs in Ohio. We also contacted Ohio regulatory officials to confirm the information we had obtained.²²

Our analysis presupposes that the Massachusetts Gaming Commission would be responsible for the regulation of sports wagering kiosks, but admittedly, that has not yet been determined. If the regulatory responsibility is assigned to another agency without similar regulatory expertise, that would naturally increase the costs of regulation.

The regulatory costs for sports wagering kiosks involve staffing expenses, which are dependent on the number of employees assigned to oversee the implementation and operation of sports wagering kiosks. In interviewing members of the Commission's Investigations and Enforcement Bureau regarding their current activities,²³ Spectrum found that fewer than 150 persons are assigned full time to the Bureau's current investigation and enforcement activities. Adding hundreds or thousands of sports wagering kiosks into the field – which would require quarterly and intermittent audits of their cash-handling transactions – would likely require significantly more resources to effectively regulate the kiosk program than exist within the Commission today.

It is axiomatic that the casino gaming industry requires strong regulatory oversight and vigilance to preserve and foster public confidence and trust in the integrity of gaming operations. The costs of that regulation are generally borne by the casino operators and other license applicants. The same principles apply to the fledgling sports wagering industry.

It is a well-established practice in the global casino gaming industry to require casino operators and other applicants to pay for all costs associated with regulatory oversight, including licensing administration, gaming-related investigations, audits, and special investigations. In addition, the operating costs of casino gaming regulatory agencies are generally funded by the casino operators through license application fees and additional assessments as needed. This requirement allows the regulatory agency to undertake complex and multi-faceted entity and other investigations without having the taxpayers pay for these types of investigations.

Casino operators pay the operational expenses of the Massachusetts Gaming Commission. In Massachusetts, Section 57 of the casino gaming statute established a Gaming Control Fund, from which

²² Ohio Lottery Commission, March 26, 2024.

²³ Interviews with Caitlin Monahan, Director, MGC Investigations and Enforcement Bureau, and Michael Leo, Detective Lieutenant, Massachusetts State Police.

the operating expenses of the Commission are to be paid. License application fees are to be deposited into this fund. In addition, pursuant to Section 56(b) of the gaming statute, the Commission shall establish fees for any investigation into a violation of the statute or regulations by a gaming licensee to be paid by the gaming licensee including, but not limited to, billable hours by commission staff involved in the investigation and the costs of services, equipment or other expenses that are incurred by the Commission during the investigation. Pursuant to Section 56(c) of the gaming statute, any remaining costs of the Commission necessary to maintain regulatory control over gaming establishments shall be assessed annually on gaming operators in proportion to the number of gaming positions at each gaming establishment. It is reasonable to expect the same regulatory framework for sports wagering kiosks in Massachusetts.

The costs associated with regulating sports wagering kiosks are confined to staffing expenses of the state's gaming regulatory agency, in terms of paying for employees' salaries, pension payments, and health benefits. Outside of staffing to oversee the operations of the sports wagering kiosks, there are no significant operating expenses to regulate sports wagering kiosks. The staffing involves the designation of specific employees to the regulation and oversight of the sports wagering kiosks and their locations. In Spectrum's experience in gaming regulation, their respective duties and responsibilities include licensing investigations, enforcement, audit functions, administrative duties, financial reviews, technology support, and operational oversight. In addition, at the outset, the staff would draft appropriate regulations and establish relevant policies and procedures for implementing and overseeing sports wagering kiosks. One noteworthy area concerns the implementation and administration of an effective self-exclusion program, to be integrated into the current procedures for casino gaming operations.

In evaluating the projected regulatory costs for Massachusetts to implement sports wagering kiosks, it is informative to examine the experience of a comparable state, Ohio, which recently implemented sports wagering kiosks. The Ohio Lottery Commission is entrusted with the responsibility of overseeing the operations of sports wagering kiosks approved at restaurants, bars, and grocery stores. The Ohio Lottery Commission further regulates thousands of video lottery terminals at seven racetrack casinos throughout the state. In this regard, the Ohio Lottery Commission is responsible for establishing rules and regulations of the program and ensuring compliance with them. The same would naturally apply to the Massachusetts Gaming Commission's Enforcement Bureau.

A spokesperson for the Ohio Lottery advised that, other than staffing, there are no significant operating expenses to regulate the program. As would be the case in Massachusetts with its Gaming Commission, there are certain specified employees who are assigned to oversee and regulate the sports wagering kiosks.

In January 2023, Ohio's statewide program went into effect. For calendar year 2023, Ohio had regulatory costs in the amount of \$650,000, which notably was substantially more than the reported annual revenue for the year of \$303,589 generated by sports wagering kiosks for the Lottery Commission. That is, the kiosks performed so poorly that the state's share of the \$1.3 million in GGR did not cover the regulatory costs. These regulatory costs should remain consistent in the forthcoming years. In addition, according to a spokesperson for the Lottery, there were startup costs totaling \$335,000. Despite issuing licenses to more than 1,000 businesses and hosts across the state, the Lottery is losing money on sports

gaming kiosks, as the regulatory costs far outweigh the revenue being generated.²⁴ The Lottery's share of revenue has yet to approach what is needed to cover the Lottery's administrative costs.

For Massachusetts, the staffing necessary to implement and oversee sports wagering kiosks will depend on the number of authorized establishments. Notably, the Commission's Enforcement Bureau has experienced staff with the expertise needed to oversee this operation. Based on Spectrum's extensive experience in gaming regulatory matters, the transition from regulating casino operators should be far less daunting than what confronted the Ohio Lottery Commission – but nonetheless would require additional resources based on the number of retail sports wagering kiosk locations. As noted, these regulatory costs would likely be paid by the kiosk operators and other licensees involved in sports wagering operations.

Although not strictly a gaming regulatory function, there is also a component of governmental oversight involving state and local law enforcement authorities. Thus, the gaming enforcement unit of the Massachusetts Attorney General's Office would be responsible for enforcement of criminal laws pertaining to gambling. This would involve protecting and ensuring public safety and investigating and prosecuting criminal activity onsite at sports wagering kiosks. The regulatory costs involved would be for staffing, akin to the Gaming Commission. Local police would be responsible for enforcing the laws regarding other criminal activity at the various locations.

The regulatory costs associated with detecting and preventing money laundering would depend upon the priorities given to the regulatory oversight of kiosks. A more proactive approach in regulatory oversight would result in higher regulatory costs.

²⁴ Gordon, Clay, "Ohio Lottery lost money on sports gambling kiosks in 2023," 10tv.com, February 12, 2024. <https://www.10tv.com/article/news/local/ohio/ohio-lost-money-on-sports-gaming-kiosks/530-c450a46e-fa3b-479a-8434-f2c3d7f44842>

3. Potential Kiosk Sports Wagering in Massachusetts

A. Level of Interest

The question remains about the degree to which sports wagering kiosks would be utilized, outside of casinos, by the public. To this end, the Massachusetts Council on Gaming and Health conducted an online survey investigating the likelihood of use of retail located sports wagering kiosks in Massachusetts, among those who have gambled within the past year. To obtain a quality sample, the survey utilized Symmetric, an online sampling services company that specializes in high-value representative samples with scientific sampling methods and advanced fraud-detection systems.

The total sample controlled for the following criteria:

- 100% of the sample was residents of Massachusetts.
- 100% of the sample was adults 21+ years of age (sports wagering minimum age).
- 100% of the sample had to have played at least one of the following activities in the past year: lottery (scratch), lottery (daily numbers and other drawing games), casino (slots), casino (table, roulette, poker), sports wagering (using an app) or sports wagering (at casino sportsbook).
- An attempt was made to be able to collect useful samples from both genders, stratified across age groups.

In total, 167 respondents were included in the screened sample. The focus of the survey was addressed in the following question:

Massachusetts is considering offering sports betting kiosks. This would be in addition to sports betting on mobile apps such as DraftKings and FanDuel. If approved, sports wagering kiosks could exist in retail locations, such as in convenience stores, bars, restaurants, and other public places.

Patrons would be able to place a wager with cash or a debit card and collect winnings through the retailer. Currently Montana, Ohio and Washington, DC, have sports betting kiosks in public venues. This survey will measure the interest of regular gamblers in Massachusetts and their likelihood of placing a wager using a sports betting kiosk.

Respondents were asked, “How likely would you be to place wagers using a sports betting kiosk in a retail location if offered?”

Demographically, 20% of gamblers say they would be “very likely” to place wagers using a sports wagering kiosk (32% of males and 10% of females). Also, 26% of gamblers say they would be “somewhat likely” to place wagers using a sports wagering kiosk (30% of males and 23% of females). Younger respondents, especially males, appear to be most likely to utilize the sports wagering kiosks, as shown in Figure 8 below.

Figure 8: Results of online survey of Massachusetts residents regarding use of sports wagering kiosks

Break % Respondents	Total	Male - Age				Female - Age			
		21-34	35-49	50-64	65+	21-34	35-49	50-64	65+
Base	167	29	20	12	16	6	24	35	25
How likely would you be to place wagers using a sports be...									
Very Likely	20%	45%	40%	33%	-	33%	21%	3%	4%
Somewhat Likely	26%	28%	20%	17%	56%	17%	42%	23%	8%
Somewhat Unlikely	18%	21%	15%	17%	6%	17%	13%	23%	24%
Very Unlikely	35%	7%	25%	33%	38%	33%	25%	51%	64%

Source: Symmetric, MACGH

Figure 9 below presents the likelihood that various types of gamblers would use a sports wagering kiosk.

Figure 9: Likelihood of Massachusetts gamblers using a sports wagering kiosk, by gambler type

Break % Respondents	Total	Gamblers					
		Lottery -Any Game	Keno	Casino	Sports Appl players	Sports Book (casino)	Non-sports betters
Base	167	159	68	85	72	43	93
How likely would you be to place wagers using a sports be...							
Very Likely	20%	21%	35%	36%	42%	65%	4%
Somewhat Likely	26%	27%	32%	26%	36%	23%	18%
Somewhat Unlikely	18%	17%	7%	13%	13%	9%	23%
Very Unlikely	35%	35%	25%	25%	10%	2%	55%

Source: Symmetric, MACGH

As many as 65% of those who currently place wagers at a casino sportsbook stated they would be very likely to place a wager using a retail sports wagering kiosk. Among those who utilize sports wagering apps, 42% indicate that they would be very likely to utilize a retail kiosk if offered. Conversely, among those who do not bet on sports but do gamble, only 4% indicate they would be very likely – and just 18% might be somewhat likely – to place a bet with a retail kiosk.

Among those who said that they would be “likely” to use a sports kiosk, they expressed a willingness to try it, as they like the convenience and spontaneity of betting with it. Many of those who place sports bets at a casino sportsbook and who do not have a phone app appear most likely to want to use it. Among those who said that they would be “unlikely” to use a sports wagering kiosk, many of them stated that they already have a sports wagering app on their phone, which is more convenient, and they do not need to leave their home. The vast majority of those who were not interested in the sports wagering kiosk, and who did not have an app, stated that they are just not interested, nor do they enjoy sports wagering.

Of those using mobile sports wagering apps who were not initially likely to use a sports wagering kiosk, 6% were more willing to consider using it when made aware that there was an economic benefit to the local business that had it installed.

The frequency difference between sports bettors who use a mobile app versus those who go to a casino sportsbook to bet is significant:

- Among sports bettors using a mobile app, 73% play greater than once per month; 44% play greater than once per week.
- Among sports bettors not using a mobile app, 41% play more than once per month; 24% play more than once per week.

In conclusion, those who indicate that a sports kiosk would be more convenient are more often those utilizing casino sportsbook, and playing less frequently than those with a mobile app. While those using a mobile app indicate that they would play with a sports kiosk if offered, many also addressed the lack of need, because their mobile apps are more convenient and useful than a sports kiosk. Most gamblers who are not currently betting on sports indicate they do not have an interest in using a sports wagering kiosk, so it might not address a need not currently served.

B. Anticipated Social and Community Impacts

The commercial feasibility of prospective kiosk wagering – like any new form or channel of gambling – should be weighed against the anticipated social and community impacts it may bring about if the Commonwealth were to implement them. To that end, MACGH conducted 15 interviews in three jurisdictions (Montana, Ohio and Washington, DC) where sports betting kiosks are currently in operation to assess their level of planning and engagement regarding consumer safety and player health.

Interviewees included representatives from organizations that support communities and vulnerable populations that may have been impacted by the social harms of implementing sports betting kiosks in their jurisdictions. These organizations included minority business owners, kiosk vendors, lottery associations, church groups, and professionals and entities representing public health and human services, such as recovery health experts and anti-underage gambling advocacy groups. Additionally, MACGH interviewed several Massachusetts-based trade associations representing restaurants, retail, and convenience stores to understand their perspectives on how their businesses may be affected by an expansion of gaming into their retail spaces. Refer to Appendix C for interview guide.

Based on MACGH’s qualitative analysis and relevant literature, this section explores several social and community aspects including:

- The potential benefits and risks of kiosks to small businesses in Massachusetts;
- The impact on minors of implementing kiosks, including increased exposure to marketing and the normalization of sports wagering; and
- The public health impacts of implementing kiosks.

Given the limited research specifically addressing problem gambling and kiosks, this section examines related literature on problem gambling associated with similar technologies. This includes

studies on the public health impacts of sports betting and lottery kiosks, as well as the effects of sports bars as a potential retail setting for the kiosks.

1) Benefit to Small Businesses

In the interviews with the trade associations that would be most affected by community-based sports wagering kiosks in Massachusetts, it was mentioned that if there was a sincere interest in benefitting small businesses, this should have been a conversation before the expansion of casinos and the launch of digital sports wagering last year. Retroactively working to fit small businesses into a possibly saturated sports wagering market when the public is not clamoring for this type of gambling seems “too late” to some of the people interviewed. Indeed, the representatives of the business associations seemed unenthusiastic about such an expansion, and they had no expectation that it would be something that would benefit their members. None of them seemed interested or engaged enough in this topic to poll their members or to have an ongoing dialogue on this topic.

One important exception was a group of minority-owned businesses representatives that felt they had been at best left out of the economic development and, at worst, negatively impacted by the opening of the casinos; they believe that sports wagering kiosks might be a way to bring additional revenue into their establishments. Additionally, because digital sports wagering is also part of the sports wagering landscape in Massachusetts (and, in fact, accounted for 98.5% the statewide sports wagering segment in its first 12 months), many felt that kiosks may now not be as profitable and/or desirable. One interviewee felt that kiosks should replace access to online gambling, not expand it.

A consideration when discussing the economic impact on minority-owned businesses is whether they could benefit economically from the kiosks. If indeed there would be a benefit, two interviewees emphasized that it would then need to be weighed against the potential of gambling harm to those same communities. These entities also alluded to this being an afterthought. To benefit minority-owned businesses, there would need to be social equity efforts that would either prioritize the awarding of kiosk licenses to minority-owned businesses or otherwise include these communities.

The retail and restaurant communities in Massachusetts appeared neutral on sports wagering in general. Kiosks are not something that their members are asking for, with the exception of Western Massachusetts when the expansion was being considered.

One organization that works to promote opportunities for racial and ethnic minority groups across New England shared that it was involved in the construction process of casinos, but less so when it came to sports wagering. They would potentially be interested in business opportunities that would help to partner minority businesses with sports wagering operators, whether that be through kiosks or some other means. A trade organization for retailers expressed that “we consider gaming along the same lines as fatty foods, cigarettes, alcohol. Want to learn more about sports betting, but it’s not a sweet spot for us,” and “[Lottery] retailers get 0.5\$ on every lottery ticket sold and this hasn’t changed in years. Retail is a human interactive business. The notion of the kiosk is somewhat unappealing.”

It is important to acknowledge the limitations of these interviews and data-collection efforts regarding the benefits of sports wagering kiosks on small businesses. Trade associations and retail and

restaurant communities, with the exception of minority-owned business representatives, were largely uninterested in participating in the sports wagering kiosk discussions. Consequently, there is limited evaluative data to demonstrate the effectiveness of these efforts in Massachusetts. To address this gap, we provide examples from other jurisdictions that have incorporated social equity considerations into their planning and implementation of sports wagering, and encouraging equity in participation in their sports betting programs.

Washington, DC: Efforts are made to ensure that license holders (Lottery licenses and Private Operated Sports Wagering licenses) reflect the racial demographic of the District. This is done primarily through community education and outreach. “The Office of Lottery and Gaming (OLG) created a strategic partnership with the Mayor’s constituency offices to reach diverse communities. In the Fall of 2021, OLG partnered with the Mayor’s Office on African Affairs (MOAA) and hosted three events that introduced the DC Lottery to business owners and potential players in the Amharic-speaking community. OLG also works with the Mayor’s Office of Latino Affairs (MOLA) and the Mayor’s Office of Asian and Pacific Islander Affairs (MOAPIA) to host outreach events to community businesses. These opportunities involved a series of four recruitment sessions entitled ‘Betting on Small Business Power Hours.’ In partnership with the University of Nevada Las Vegas’ International Gaming Institute (UNLV IGI).”²⁵

DC has kiosks at larger sportsbook locations (currently five) and at retail locations (approximately 72).

Maryland: “The Sports Wagering Application Review Commission (“SWARC”) was established in Maryland’s sports wagering law (HB 940 of the 2021 Regular Session). In accordance with the law, the SWARC is authorized to conduct a competitive process to award up to 30 retail sports wagering licenses to entities that were not designated in the law, and up to 60 digital sports wagering licenses. To the extent permitted by federal and state law, the SWARC shall actively seek to achieve racial, ethnic and gender diversity when awarding licenses.” In this particular effort, applicants were expected to submit a “diversity plan” that reflected a commitment to racial and gender equity in their business practices with stated benchmarks and timelines to meet those benchmarks. Licensees were expected to make a good faith effort but no penalties were set for license holders that failed to meet those benchmarks after the license was granted. This process required sports wagering licensee applicants to “seek out minority investors, to use the State’s nationally recognized minority business enterprise program in contracting and submit a substantive diversity plan will help achieve that goal.” While racial and gender diversity were mentioned, SWARC defined diversity as the following: “SWARC will consider any type of diverse group where an Applicant can demonstrate that an individual has been disadvantaged and, therefore, inclusion of the individual as a participant in the Diversity Plan would be beneficial,” according to the addendum.²⁶

²⁵ Office of the Chief Financial Officer, Office of Lottery and Gaming, Committee on Business and Economic Development Performance Oversight Hearing on March 3, 2022.

²⁶ William J. Ford, “Sports betting commission adds diversity requirement for applicants to receive mobile sports betting licenses,” Maryland Matters, September 3, 2022. <https://www.marylandmatters.org/2022/09/03/sports-betting-commission-adds-diversity-requirement-for-applicants-to-receive-mobile-sports-betting-licenses/>

In Massachusetts, it may be helpful to examine the social equity efforts put forth by the Cannabis Control Commission (2024) through its Social Equity Program (“SEP”). The SEP is not a license type but rather a job training and technical assistance program that helps “social equity applicants.” These applicants need to identify as being from one of the 30 Disproportionately Impacted Areas – geographic areas that have been disproportionately harmed by marijuana prohibition and enforcement. There are two tracks:

1. The first helps participants help apply for a license through the Cannabis Control Commission if they are interested in owning a Marijuana Establishment or Medical Marijuana Treatment Center. There is no guarantee of licensure.
2. The second track is essentially a program that helps participants to become a manager or worker, or provide contract services to the industry and does not require a license application to the Commission. SEP benefits include free technical assistance and training through vendors certified by the Commission, and expedited license application review for individuals who maintain 10% ownership in the business.²⁷

2) Impact on Minors

Key informant interviews were done with 15 people representing public health and human service interests; those interviewed were unanimous in their expression that the public health impact of expanded gambling to sports wagering kiosks would have a negative impact on minors. There were concerns about increased modeling and normalization of gambling behavior for young people and that places once fit for all-ages activity will become dominated by gambling. Suggestions were made that if kiosks were made available in public places that they be restricted to 21-plus venues such as bars and nightclubs. The pervading sense is that the most vulnerable community members, including youth, will bear the burden of expanded gaming. Interviewees mentioned it being “reminiscent of the cigarette vending machines” and that “it should only be sold where alcohol is sold” due to the necessity for monitoring.” Laura Everett, of the Massachusetts Council of Churches, stated, “Minors already have a burden of exposure to gambling. This will increase socialization of gambling that is already at problematic levels. Sports betting is already highly accessible to kids and teenagers. They have highly susceptible brains, are prone to impulsive behavior. Why would we expand into areas where teens could be present? We are asking to create a new generation of gambling addicts with the government's blessing.”

The literature speaks to the impact of additional gambling advertising on youth, the increase of adults’ modeling of gambling behavior to youth, the impact of normalization of sports wagering, and integration into non-gambling-related recreational activities. We will also look at the most recent available information on gambling behaviors among youth in Massachusetts. As we looked to other jurisdictions in the United States where kiosks have been placed outside of casino settings, there is no published research available at the time of writing to speak to changes in youth gambling.

²⁷ Cannabis Control Commission, “Social Equity Program.”
<https://masscannabiscontrol.com/equity/social-equity-program/> (accessed April 29, 2024)

With any expansion of gambling, there is an increase in public awareness about that expansion. This can come in the form of paid advertising by the gambling industry or by businesses hosting gambling machines. It can come in the way of unpaid media or by way of community members discussing their experiences with this new form of betting. All of these types of exposure impact youth, but we first look at industry-generated marketing.

Increased Exposure to Marketing

Sports wagering companies have marketed aggressively since the wave of legalization began across the country in 2019. Online gambling now ranks 11th among 1,200 product categories for television “spot” advertising dollars in the United States, accounting for a 2.1% share, with Nielsen (2021) describing it as a “golden goose” for the local television industry.²⁸ Nationally, an estimated \$1.8 billion was spent on paid advertising in 2022.²⁹

International research strongly suggested that exposure to gambling marketing during youth causes harm. Samantha Thomas, et al., defined contemporary gambling marketing as the following: The full range of direct and indirect advertising, promotion, sponsorship, incentives, public relations, lobbying, and donations that are strategically used by the gambling industry to promote its products, gain publicity, attract new customers, shape social and cultural attitudes, and build corporate and product image and support.³⁰

²⁸ Nielsen, “Online Gambling Ad Spend is Bolstering the Local TV Market, May 2021.

<https://www.nielsen.com/insights/2021/online-gambling-ad-spend-is-bolstering-the-local-tv-market/>

²⁹ PGRI Gaming, “iGaming, Sports Betting Advertising Soaring to \$1.8 Billion in 2022,” August 20, 2022.

<https://publicgaming.com/news-categories/igaming-mobile-sports-betting/10011-igaming-sports-betting-advertising-soaring-to-1-8-billion-in-2022>

³⁰ Samantha Thomas, May C.I. van Schalkwyk, Mike Daube, Hannah Pitt, Darragh McGee, Martin McKee, Protecting children and young people from contemporary marketing for gambling, Health Promotion International, Volume 38, Issue 2, April 2023, daac194, <https://doi.org/10.1093/heapro/daac194>

Figure 10: Summary of evidence about impact of gambling marketing on young people

Table 1: Examples of evidence relating to the impact of gambling marketing on children (under 18 years of age)

Category	Evidence
Gambling marketing content that appeals to young people	<ul style="list-style-type: none"> • Celebrity endorsements—particularly the use of athletes and sporting personalities. • Humour • Inducements and risk reducing promotions. • Winning • Music, jingles and catchy voiceovers.
Exposure and recall	<ul style="list-style-type: none"> • Most young people can recall seeing gambling marketing. • Most commonly recall marketing on television, during sport and on social media. • Can recall specific examples of different types and placement of marketing strategies.
Brand awareness	<ul style="list-style-type: none"> • Can name multiple gambling brands. • Have demonstrated a depth of knowledge and awareness by recalling brand colours, specific promotions and advertisements.
Perceptions and approval	<ul style="list-style-type: none"> • Perceive gambling is a normal or common part of sport due to the marketing that they observe. • Gambling attitudes are positively influenced by marketing aligned with sport. • Influenced by portrayals of gambling as fun, social and easy way to win money. • Inducement marketing reduced perceptions of risk associated with gambling products. • Celebrity endorsement increases trust of brands and the markets that are offered.
Gambling intentions and engagement	<ul style="list-style-type: none"> • Indicate wanting to try gambling in the future. • Marketing and promotions, perceived knowledge of sport, alignment with culturally valued activities, and family and peers influence consumption intentions.
Support for restrictions	<ul style="list-style-type: none"> • Support curbs on gambling marketing. • Support education campaigns to explain risks of gambling and gambling products. • Are sceptical of responsible gambling initiatives. • Perceive that governments and sporting organizations have responsibility in protecting young people. • Are sceptical that industry will implement meaningful measures to protect young people.

Source: Thomas et al. 2023³¹

Figure 10 above, from Thomas et al.’s 2023 study, summarized the impact of gambling marketing on children and young people. Multiple forms of marketing played a role in positively shaping, influencing, and normalizing young people’s gambling attitudes and future consumption intentions.³²

While all gambling has the potential to be addictive, there is evidence that sports wagering is one of the riskier types of betting.³³ The fact that the kiosks would be sports wagering kiosks is another cause of concern due to elevated risk of this particular type of play.

According to Mestre-Bach (2022), “Sports betting, relative to non-sports betting, has been more strongly linked to gambling problems and cognitive distortions related to illusion of control, probability control and interpretive control.”³⁴

³¹ Ibid.

³² Ibid.

³³ Delfabbro, P., & Parke, J. (2021). Empirical Evidence Relating to the Relative Riskiness of Scratch-Card Gambling. *Journal of Gambling Studies*, 37(3), 1007–1024. <https://doi.org/10.1007/s10899-021-10033-2>

³⁴ Cooper, A., Olfert, K., & Marmurek, H. H. C. (2021). Predictors of Problem Gambling for Sports and Non-sports Gamblers: A Stochastic Search Variable Selection Analysis. *Journal of Gambling Studies*, 1–17.

Mestre-Bach, G., Granero, R., Mora-Maltas, B., Valenciano-Mendoza, E., Munguía, L., Potenza, M. N., Derevensky, J. L., Richard, J., Fernández-Aranda, F., Menchón, J. M., & Jiménez-Murcia, S. (2022). Sports-betting-related

Impacts of Normalization of Sports Wagering

Research suggested that exposure to gambling at an early age can lead to an increased interest in gambling in later life and an increased likelihood of experiencing gambling harm. The introduction of sports wagering kiosks into non-gambling-related recreational activities and “all-ages” spaces presents a challenge in terms of protecting children from early exposure.

Engaging with gambling or gambling-style activities during childhood is common, but participation is primarily passive. It is typically a product of being present or involved with other people’s gambling, rather than actively faking one’s age to gamble underage. The UK Gambling Commission (2021) found that witnessing other people’s big wins or big losses, active encouragement by parents to gamble, and having parents who gamble frequently are also influential to developing a gambling problem.³⁵

According to Nower et al.’s 2022 analysis, the fastest-growing group of sports gamblers in New Jersey were between 21 and 24 years old. New Jersey legalized sports gambling in 2018.³⁶ Compared with other kinds of gambling, the in-game betting offered during sports games was highly dependent on impulsivity.³⁷ Seeing parents, siblings, or other members of the household gamble also normalized gambling for kids, making them more likely to engage in gambling and other risky behaviors, including alcohol and drug use.³⁸

The earlier kids get exposed to gambling through online games and other avenues, studies suggested, the more severe their gambling problems are likely to be later on. Rahman (2012) showed that children introduced to betting by age 12 were four times more likely to engage in problem gambling later in life.³⁹

“We believe that the risks for gambling addiction overall have grown 30% from 2018 to 2021, with the risk concentrated among young males 18 to 24 who are sports bettors,” Keith Whyte, Executive Director of the National Council on Problem Gambling, said in an interview. The Council is a nonprofit group that advocates for helping people with gambling problems but is neutral on legalized gambling.

The percentage of high school students with a gambling problem is double that of adults, research has found. About 5% of all young people between 11 and 17 meet at least one of the criteria for a gambling

gambling disorder: Clinical features and correlates of cognitive behavioral therapy outcomes. *Addictive Behaviors*, 133, 107371. <https://doi.org/10.1016/j.addbeh.2022.107371>

³⁵ UK Gambling Commission, “Exploring the gambling journeys of young people,” August 5, 2021. <https://www.gamblingcommission.gov.uk/statistics-and-research/publication/exploring-the-gambling-journeys-of-young-people>

³⁶ Nower L, Anthony WL, Stanmyre JF. The intergenerational transmission of gambling and other addictive behaviors: Implications of the mediating effects of cross-addiction frequency and problems. *Addict Behav.* 2022 Dec;135:107460. doi: 10.1016/j.addbeh.2022.107460. Epub 2022 Aug 11. PMID: 35995016.

³⁷ Ibid.

³⁸ Ibid.

³⁹ Rahman, Ardeshir S et al. “The relationship between age of gambling onset and adolescent problematic gambling severity.” *Journal of Psychiatric Research*, Vol. 46, No. 5, 2012. 675-683.

problem, such as liking the rush felt when gambling, writing IOUs to stay in the game, and wanting to win “the big one” so much that they keep playing even when losing a great deal.⁴⁰

The presence of sports wagering kiosks in all-ages public locations is likely to increase marketing exposure, increase the number of children witnessing family members having big wins and losses, and further normalize gambling overall. The fact that the type of gambling at kiosks is sports wagering – one of the highest-risk types of betting, and one of the most appealing to young adults – is an additional concern to be weighed when looking at this issue.

The gambling-harm landscape for youth is already concerning both in Massachusetts and nationally. About 50% of middle and high schoolers have gambled in the past year in Massachusetts.⁴¹ Approximately 4% to 5% of youth, ages 12-17, meet one or more criteria of having a gambling problem. Another 10% to 14% were at risk of developing an addiction, which means that they already show signs of losing control over their gambling behavior.⁴² These facts should be considered when engaging in a cost-benefit analysis of public-facing sports wagering kiosks.

3) Public Health Impacts

As previously mentioned, MACGH conducted interviews with professionals and entities representing public health and human services. Interview questions for public health officials were based on data from the UMass Amherst’s School of Public Health’s recently conducted Social and Economic Impacts of Gaming in Massachusetts (“SEIGMA”) studies.

The SEIGMA 2023 Follow-up General Population Survey (“FGPS”) reported 1.4% (ci 1.0% to 2.1%) of adults 18-and-older were classified as people affected by a gambling problem. The hypothesis that problem gambling would increase with expanded gambling from 2013 to 2021 was not supported. The percentages of the population that became non-gamblers significantly increased, recreational gamblers significantly decreased, and people at risk of, or affected by, gambling problems remained about the same. It should be noted that the two most-recent years of the study were impacted by the COVID-19 pandemic, which may have influenced the outcomes.

Similarly to the 2013 Baseline General Population Study (“BGPS”) study, the 2023 FGPS follow-up study indicated that people affected by a gambling problem are more likely to be:

- Males
- Under 35-54
- People of color

⁴⁰ Marsha Mercer, “States Tackle Teenage Gambling as Sports Betting Grows,” Stateline.org, July 13, 2022. <https://www.edweek.org/leadership/states-tackle-teenage-gambling-as-sports-betting-grows/2022/07>

⁴¹ Massachusetts Department of Elementary and Secondary Education and Department of Public Health, “Spring 2019 Student Survey Result Highlights,” 2019. <https://www.mass.gov/doc/health-and-risk-behaviors-of-massachusetts-youth-2019/download>

⁴² Problem Gambling Coalition of Colorado, “Youth and Problem Gambling,” 2022. <https://www.problemgamblingcoalitioncolorado.org/youth-problem-gambling>

- High school education or less
- Income of less than \$50,000 a year
- Never been married

The recent FGPS 2023 study indicated as many as 35.5% of people affected by a gambling problem reported having fair to poor health compared with 18.4% of people at risk of gambling problems and 15.5% of recreational gamblers. These percentages were all higher within each gambling category, compared with the 2013 BGPS results.

Similarly, the recent FGPS 2023 study indicated 35.5% of people affected by a gambling problem reported having experienced depression in the past year, compared with 31.7% of people at risk of gambling problems and 25.5% of recreational gamblers. These percentages were all higher for depression within each gambling category, compared with the 2013 BGPS results.

The 2023 FGPS indicated that as many as 36.9% of people affected by a gambling problem used tobacco in the past year, up from the 2013 BGPS. On the other hand, tobacco use was 18.1% among people at risk of gambling problems, and 11.9% among recreational gamblers, presenting a significant decrease since the 2013 BGPS.

The 2023 FGPS indicated that as many as 40.5% of people affected by a gambling problem participated in illegal drug use in the past year, up from 23.8% in the 2013 BGPS study. The 2023 FGPS indicated that as many as 40.5% of people affected by a gambling problem participated in illegal drug use in the past year, up from 23.8% in the 2013 BGPS study. Illegal drug use rose significantly from the 2013 BGPS, up 20.0% among people at risk of gambling problems and 21% among recreational gamblers, respectively.⁴³

After consideration of the story that the baseline data is offering, the public health impacts and tools should be considered. Although there are many ways to do that, for the purposes of this study, it seemed important to focus on responsible gambling as one unified effort, and the inclusion of voluntary self-exclusion (“VSE”). Montana, Ohio and Washington, DC, are providing RG programs to varying success levels. All require a basic level of training for their lottery sales staff members, but not all felt comfortable with the level of training their retailers are receiving. Based on the expertise of MACGH and decades’ worth of training with lotteries, this is traditionally true. With high rates of turnover – and lower rates of literacy – it is often a conundrum how to offer strong content to community-based retailers.

The other factor that dramatically changes the likelihood that many of the RG tools would be offered is the costs and availability of connecting the kiosks back to central databases. In Montana, the lottery said the anonymity of the kiosks “really works” as 90% of their revenue comes from kiosks; however, they did mention that their geofenced digital betting does allow them to choose deposit and/or wager limits, as well as cooling-off periods.

⁴³ Volberg, R. A., Williams, R. J., Zorn, M., Evans, V. (2023). *Gambling and Problem Gambling in Massachusetts: Results of a Follow-up Population Survey*. Amherst, MA: School of Public Health and Health Sciences, University of Massachusetts Amherst.

In Ohio, the lottery team talked about the efficacy of tying the campaigns together regardless of where the player sees or accesses it. They mentioned RG/PG campaigns that would run on the digital screens in the casinos, on social and traditional media, and on the kiosk screens.

Although not mentioned in any of the current jurisdictions' interviews, one trade association member mentioned that they thought there were opportunities for responsible gambling in 21+ venues: "One thing about kiosks in bars and restaurants that's positive is that there's a natural stop when the restaurant closes. With cell phones [and casinos] you can just keep playing and playing."

Public health and human service interviewees were unanimous in their expression that the public health impact of expanded gambling to sports wagering kiosks would have a negative impact on public health. There was concern that with this expanded gambling infrastructure, the kiosks could later be turned converted into machines that offer other forms of gambling such as slots and electronic card games, as is the case in the United Kingdom and other countries. There were concerns about a lack of public space free of betting triggers for those in gambling recovery and a concern about the enforceability of voluntary self-exclusion at these retail venues.

The Executive Director of the Massachusetts Council of Churches spoke about the burden born by churches in communities impacted by gambling disorder, particularly among communities of color where churches provide a wide array of social services. The mental health and financial crisis resulting from the impacts of expanded gaming in the Commonwealth reverberate through these communities. Despite impoverished and economically fragile communities already bearing the disproportionate burden of gambling disorder and despite the fact that in Black and Latino communities, religious organizations provide many of the services in response to these gambling crises, they are not eligible for Massachusetts Gaming Commission's Community Mitigation Funds. The pervading sense is that the most vulnerable community members will bear the burden of expanded gaming, with any economic benefits being unlikely to reach those who are doing the helping.

Sports Betting and Problem Gambling

While one of the interviewees questioned the morals of the operators ("industry likes kiosks because they can get around the VSEs"), others did not believe it was their place to get involved in the intricacies of gambling problems and exclusions: "We don't want retailers to play a role. Members don't enforce this law. This should be the state's job." More importantly, one interviewee just didn't think it was something they could accommodate, stating "[We] don't feel like VSEs really work. And we don't have the staff power [to manage them]."

The literature pointed to sports wagering as being a particularly problematic form of betting, with a higher percentage of players experiencing gambling addiction than some other forms of gambling. Shao and Sagoe's (2020) analysis of survey data collected from 2017-2019 found that nearly 95% of "compulsive sports bettors" reported mental distress, compared to 10% of non-sports gamblers.⁴⁴ Wickwire, Williams,

⁴⁴ Shao, W., & Sagoe, D. (2020), "Internet gambling among treatment-seeking online gamblers: A latent class analysis of mental health comorbidity and gambling severity. *Journal of behavioral addictions*, 9(2), 393–406. <https://doi.org/10.1556/2006.2020.00029>

Mychasiuk and Bugbee (2020) found sports bettors in Nevada estimated a problem gambling rate of 13% and found people affected by a gambling problem were more likely to also battle substance abuse issues and unstable housing than recreational sports gamblers.⁴⁵

Gambling expansion cannot be unlinked with an increase in gambling prevalence. Certain types of expansion may increase risk disproportionality, and the evidence suggests that sports wagering falls into this category. Kong et al. (2020) noted that Black, Hispanic and Asian individuals in the United States tend to exhibit significantly higher rates of problem or pathological gambling than White people.⁴⁶ Using Massachusetts-specific data, Xuan et al. (2020) found higher rates of disordered gambling among current sports bettors (~5%) compared to the general population.⁴⁷

In addition, national studies have reported higher risks for problem gambling among particular sub-groups like young males, ethnic minorities, and individuals with mental health or substance abuse issues.⁴⁸ The SEIGMA research team (Zheng et al. 2021) provided an overview of the potential impacts that may occur once legal sports wagering became available in Massachusetts. Zheng et al. launched a multi-phase study in 2021, which is still ongoing, assessing the economic, social, and public health impacts of legalized sports wagering in Massachusetts.⁴⁹

As part of the SEIGMA literature review (2021), they included several sports wagering research studies from Australia,⁵⁰ where legal sports gambling has existed for more than 20 years. Booth et al.

⁴⁵ Wickwire Jr, E.M., Williams, R.J., Mychasiuk, R., & Bugbee, C.A. (2020), "Commentary on Howard et al. (2020): Further evidence that sports betting is associated with problem gambling," *Addiction* 115(12), 2376-2377. <https://doi.org/10.1111/add.15232>

⁴⁶ Kong, G., Tsai, J., Pilver, C.E., Tan, H.S., Hoff, R.A., Cavallo, D.A., Krishnan-Sarin, S., Steinberg, M.A., Rugle, L., & Potenza, M.N. (2020). A bibliometric analysis of the 100 most-cited journal articles on gambling disorder. *Journal of Gambling Studies* 36, 779–803. <https://doi.org/10.1007/s10899-019-09916-1>

⁴⁷ Xuan, Z., Shaffer, H.J., Boudreau, D., Donney, C., Labrie, R.A. & Wildman, R.W. (2020). Evaluating risk factors of disordered gambling in the context of legalized sports betting: using baseline data from the Massachusetts Gambling Impact Cohort (MAGIC) Study. *Journal of Behavioral Addictions*, 9 (1). doi: 10.1556/2006.2020.00022

⁴⁸ Williams, R. J., Volberg, R. A., & Stevens, R. M. (2012). The population prevalence of problem gambling: Methodological influences, standardized rates, jurisdictional differences, and worldwide trends. Ontario Problem Gambling Research Centre and the Ontario Ministry of Health and Long Term Care. <https://opus.uleth.ca/handle/10133/3068>

Nelson, S. E., LaPlante, D. A., Peller, A. J., Schumann, A., LaBrie, R. A., & Shaffer, H. J. (2007). Real limits in the virtual world: Self-limiting behavior of Internet gamblers. *Journal of gambling studies*, 24(4), 463-477. <https://doi.org/10.1007/s10899-007-9080-0>

⁴⁹ Zheng, R., Williams, R.J., Wolgast, N., Lee, J.A., Pinheiro, S., Sebastian, A., & Volberg, R.A. (2021). SEIGMA: A Multi-Phase Study Examining the Economic Impacts, Gambling Attitudes, and Best Practices for Sports Wagering Policy in Massachusetts. *Journal of Gambling Issues*, 47. doi: <https://doi.org/10.4309/jgi.2021.47.3>

⁵⁰ Booth, L., Anderson, A. S., White, V., Pierce, H., Moodie, R., & Pettigrew, S. (2021). Public perceptions of harm for nine popular gambling products. *Journal of Gambling Studies*, 37, 1113-1126. doi:<https://doi.org/10.1007/s10899-021-10014-5>

Armstrong, A. R., & Carroll, M. (2017b). Sports betting in Australia. Retrieved from Melbourne: Australian Gambling Research Centre, Australian Institute of Family Studies

(2021) indicated that as many as 41% of regular sports bettors experienced at least one gambling problem in the past year, and almost half of dollars spent on sports gambling came from regular sports bettors with moderate to severe gambling problems.⁵¹ In addition, other research indicated that the majority of gambling harm is associated with those exhibiting low to moderate gambling risk.

“Sport gamblers tend to be overwhelmingly young men in the 18-34 years age range,”⁵² however research (Hing et al. 2016) indicates females appear to be a key demographic group targeted by the sports wagering industry. “In 2019, the American Gaming Association found that 31% of core sports wagering customers are women, while another study (Yakowicz 2022) found that women make up 47% of all sports fans. Those who consider themselves fans are more than twice as likely to bet on sports, meaning there’s a willing customer base of women who are likely to become future sports gamblers.” As such, online sports operators are changing their advertising strategies in hopes of expanding their customer base to include more women.⁵³

Gambling research (Gemini Research 2024) completed in Connecticut during 2023 indicated that 10.2% of adults (adults are defined as 18+, although to legally bet on sports they are required to be 21+) took part in sports wagering (76.0% football, 46.9% basketball, 23.4% baseball, 16.2% horse racing, 15.9% fantasy sports). The population survey showed that 75% of all reported gambling expenditure was accounted for by 5.1% of Connecticut gamblers (3.5% of Connecticut adults). Relative to their proportion in the general population, the following demographic groups made a disproportionately high contribution to Connecticut gambling revenue: males, ages 35-49, non-White people (i.e., Black people, Hispanic people, Asian people, and people of Other Ethnicity), and people with high school or lower educational attainment.⁵⁴

The Connecticut Lottery has added self-service sports wagering kiosks to almost all of the state’s off-track betting parlors:

- Eight at Winners venues (in Bradley/Windsor Locks, Hartford, Manchester, Milford, New Britain, New Haven, Stamford, and Waterbury)

Russell, A. M. T., Hing, N., Li, E., & Vitartas, P. (2019). Gambling risk groups are not all the same: Risk factors amongst sports bettors. *Journal of Gambling Studies*, 35, 225-246. doi:<https://doi.org/10.1007/s10899-018-9765-z>

⁵¹ Booth, L., Anderson, A. S., White, V., Pierce, H., Moodie, R., & Pettigrew, S. (2021). Public perceptions of harm for nine popular gambling products. *Journal of Gambling Studies*, 37, 1113-1126. doi:<https://doi.org/10.1007/s10899-021-10014-5>

⁵² Hing N, Russell AMT, Vitartas P, Lamont M. Demographic, behavioural and normative risk factors for gambling problems amongst sports bettors. *J Gambli Stud.* (2016) 32:625–41. 10.1007/s10899-015-9571-9

⁵³ Will Yakowicz, “Women Are Signing Up For Mobile Sports Betting Apps At A Faster Rate Than Men,” *Forbes*, May 12, 2022. <https://www.forbes.com/sites/willyakowicz/2022/05/12/women-are-signing-up-for-mobile-sports-betting-apps-at-a-faster-rate-than-men/?sh=71306da9fef9>

⁵⁴ Gemini Research. (2024). Impacts of Legalized Gambling in Connecticut. Report commissioned by the Connecticut Department of Mental Health and Addiction Services (DMHAS). January 2024.

- Two at Bobby V's Restaurant and Sports Bars (in Bradley/Windsor Locks and Stamford)⁵⁵

The revenue from these kiosks was not broken out separately in this study.

Compared with overall gamblers in Connecticut, sports wagering was higher among males, people ages 18-49, people with higher educational attainment, people with middle or higher household income, and non-immigrants.⁵⁶

In the Connecticut study, overall, 1.8% of the adult population was classified as people affected by a gambling problem, but as much as 21.5% of estimated gambling revenue was attributable to people affected by a gambling problem. The percentage of gambling revenue from people affected by a gambling problem varied significantly by gambling type. It was estimated that people affected by a gambling problem were responsible for 12.4% of lottery revenue, 21.4% of digital casino revenue, 36.6% of retail casino revenue, and as much as 51.0% of sports wagering revenue.⁵⁷

Interviews with helpline and treatment personnel conducted in the study indicated that the majority of helpline calls are now from younger male adults betting on sports (or the parents of those younger male adults).⁵⁸

In-game play and the perception of sports wagering as a skills-based game are two aspects of sports wagering that make it particularly problematic. This holds true for minors and young people who are particularly sensitive to gambling advertisements and other inducements to play. Marchica et al. (2017) found: "Although males participate more frequently in these activities, females who participate have a stronger likelihood of being at-risk. Students aged 16-19 years old are at a higher risk for developing a gambling problem compared to younger adolescents when regularly engaging in sports-related gambling. Moreover, regularly participating in daily fantasy sports is the strongest predictor of at-risk gambling behavior in 13-15 year old students."⁵⁹

Lottery Kiosks and Problem Gambling

Lottery gambling – including scratch cards, instant tickets, and number draws – is widely accessible due to its availability in high-traffic public venues such as gas stations, retail outlets, newsstands, and supermarkets.⁶⁰ These products are also affordable, contributing to their accessibility.⁶¹ Despite their widespread availability, lottery gambling is perceived to be lower risk compared to other

⁵⁵ Ibid, p. 27.

⁵⁶ Ibid, p. 66.

⁵⁷ Ibid, p. 118.

⁵⁸ Ibid, pp. 75, 78.

⁵⁹ Marchica, L., Zhao, Y., Derevensky, J., & Ivoska, W. (2017). Understanding the Relationship Between Sports-Relevant Gambling and Being At-Risk for a Gambling Problem Among American Adolescents. *Journal of gambling studies*, 33(2), 437–448. <https://doi.org/10.1007/s10899-016-9653-3>

⁶⁰ Maurício, D., & Rodrigues-Silva, N. (2022). The scratch card gambler: A hidden reality. *Journal of Gambling Studies*, 39(3), 1099–1110. <https://doi.org/10.1007/s10899-022-10136-4>

⁶¹ Ibid.

forms of gambling; less than 2% of treatment-seeking gamblers reported issues specifically related to lottery-style products.⁶² However, lottery players are not exempt from disordered gambling. Greater frequency of purchasing lottery tickets is associated with higher levels of problem gambling, particularly among youth.⁶³

Despite age restrictions, lottery gambling is the most prevalent and widespread form of gambling among youth.⁶⁴ Lotteries' low cost and easy availability in retail settings, combined with the practice of adults purchasing tickets as gifts for children, contribute to its prevalence among young people.⁶⁵

As of 2011, approximately 49% of individuals over age 14 reported participating in lottery gambling in the United States.⁶⁶ A significant proportion of adults who gamble reported having gambled on scratch cards (48.3%) and lotteries (11.3%) before the age of 16.⁶⁷ Many young lottery gamblers started as early as 12 years old, despite knowledge of age restrictions.⁶⁸ In fact, many believed there should be no age restrictions to purchase a lottery ticket.⁶⁹

Zhai et al. (2021) conducted a study among 1,517 Connecticut high-school adolescents examining the relationships between lottery purchasing, problem gambling severity, gambling attitudes, and

⁶² Delfabbro, P., & Parke, J. (2021). Empirical Evidence Relating to the Relative Riskiness of Scratch-Card Gambling. *Journal of Gambling Studies*, 37(3), 1007–1024. <https://doi.org/10.1007/s10899-021-10033-2>

⁶³ Booth, L., Thomas, S., Moodie, R., Peeters, A., White, V., Pierce, H., Anderson, A. S., & Pettigrew, S. (2020). Gambling-related harms attributable to lotteries products. *Addictive Behaviors*, 109, 106472.

⁶⁴ Jaisooraya, T. S., Beena, K. V., Beena, M., Ellangovan, K., Thennarassu, K., Bowden-Jones, H., Benegal, V., & George, S. (2017). Do High School Students in India Gamble? A Study of Problem Gambling and Its Correlates. *Journal of Gambling Studies*, 33(2), 449–460. <https://doi.org/10.1007/s10899-016-9651-5>

Liu, L., Luo, T., & Hao, W. (2013). Gambling problems in young people: Experience from the Asian region. *Current Opinion in Psychiatry*, 26. <https://doi.org/10.1097/YCO.0b013e328361ebbf>

⁶⁵ Ariyabuddhiphongs, V. (2011). Lottery Gambling: A Review. *Journal of Gambling Studies*, 27(1), 15–33. <https://doi.org/10.1007/s10899-010-9194-0>

Shed, N. W., Derevensky, J. L., & Gupta, R. (2010). Risk and protective factors associated with youth problem gambling. *International Journal of Adolescent Medicine and Health*, 22(1), 39.

⁶⁶ Barnes, G., Welte, J., Tidwell, M.-C., & Hoffman, J. (2010). Gambling on the Lottery: Sociodemographic Correlates Across the Lifespan. *Journal of Gambling Studies* / Co-Sponsored by the National Council on Problem Gambling and Institute for the Study of Gambling and Commercial Gaming, 27, 575–586. <https://doi.org/10.1007/s10899-010-9228-7>

⁶⁷ Tomei, A., Tichelli, E., Ewering, N., Nunweiler-Hardegger, S., & Simon, O. (2014). A Descriptive Study of Gambling Among Emerging Adult Males in French-Speaking Switzerland. *Journal of Gambling Studies* / Co-Sponsored by the National Council on Problem Gambling and Institute for the Study of Gambling and Commercial Gaming, 31. <https://doi.org/10.1007/s10899-014-9447-4>

⁶⁸ Felsher, J. R., Derevensky, J. L., & Gupta, R. (2004). Lottery Playing Amongst Youth: Implications for Prevention and Social Policy. *Journal of Gambling Studies*, 20(2), 127–153. <https://doi.org/10.1023/B:JOGS.0000022306.72513.7c>

⁶⁹ Ibid.

parental approval.⁷⁰ They found that adolescents who engaged in lottery purchasing demonstrated higher levels of problem gambling severity compared to their non-lottery-purchasing peers.⁷¹ Youth participants also reported more permissive attitudes toward gambling and greater parental approval of their gambling activities.⁷²

MACGH interviews reflected concerns in the literature regarding underage lottery gambling. Lottery associations in Washington, DC, and Ohio offered suggestions to address these concerns in Massachusetts for potential sportsbook kiosk operators. This included restricting kiosk licenses to those who already have liquor licenses, as these establishments are already under strict regulations regarding serving minors, or having Liquor Control Boards enforce these regulations. Interviews with Massachusetts-based trade associations revealed that prospective kiosk retailers would anticipate that responsible gaming measures and practices would replicate what is currently done with the Massachusetts Lottery, such as voluntary self-exclusion (“VSE”) programs, ID checks for minors, and training programs.

Sports Bars as Gambling Settings and Problem Gambling

Multiple socio-cultural, environmental, and industry factors interact to shape risky gambling behaviors and gambling-related harms.⁷³ The interplay between perceived social norms, peer influences, and the settings where gambling occurs – along with other risky activities within these environments – can significantly affect gambling behavior.⁷⁴ As previously mentioned, sports bars are a recommended location for sports betting kiosks if Massachusetts proceeds with their implementation. However, it is important to consider the associated public health concerns. Here, we examine the social and physical contexts of sports bars as potential settings for kiosks, highlighting how this environment may impact risky gambling behavior.

A co-occurrence of drinking and gambling in sports bars may increase the risks of problem gambling and gambling harm in Massachusetts. The association between disordered alcohol use and

⁷⁰ Zhai, Z., Hoff, R., Howell, J., Wampler, J., Krishnan-Sarin, S., & Potenza, M. (2021). Lottery-Purchasing Adolescents: Gambling Perceptions, Problems, and Characteristics. *Journal of Gambling Studies*, 37. <https://doi.org/10.1007/s10899-021-10004-7>

⁷¹ Ibid.

⁷² Ibid.

⁷³ Deans, E. G., Thomas, S. L., Daube, M., & Derevensky, J. (2016). “I can sit on the beach and punt through my mobile phone”: The influence of physical and online environments on the gambling risk behaviours of young men. *Social Science & Medicine*, 166, 110–119. <https://doi.org/10.1016/j.socscimed.2016.08.017>

⁷⁴ Ibid.

problem gambling in both general⁷⁵ and treatment-seeking⁷⁶ populations is well established in the literature. However, there is limited research on the co-occurrence of drinking and gambling at the same time and place.⁷⁷ The social environment is a crucial determinant of both risky alcohol use and gambling behavior.⁷⁸

One significant setting where sports betting and alcohol consumption may intersect is sports bars.⁷⁹ Internationally, sports fans have been recognized as a heavy drinking subculture.⁸⁰ Nelson and Wechsler (2003) found that American sports fans consumed more alcohol, were more likely to engage in heavy episodic drinking, and reported more alcohol-related problems compared to non-sports fans.⁸¹ American⁸² and Swedish⁸³ studies found that more than 40% of sports fans at baseball and football games had a blood alcohol concentration higher than 0.08%.

⁷⁵ Lorains, F. K., Cowlshaw, S., & Thomas, S. A. (2011). Prevalence of comorbid disorders in problem and pathological gambling: Systematic review and meta-analysis of population surveys. *Addiction*, 106(3), 490–498. <https://doi.org/10.1111/j.1360-0443.2010.03300.x>

Petry, N., Stinson, F., & Grant, B. (2005). Comorbidity of DSM-IV Pathological Gambling and Other Psychiatric Disorders: Results From the National Epidemiologic Survey on Alcohol and Related Conditions. *The Journal of Clinical Psychiatry*, 66, 564–574. <https://doi.org/10.4088/JCP.v66n0504>

Welte, J., Barnes, G., Wieczorek, W., Tidwell, M. C., & Parker, J. (2001). Alcohol and gambling pathology among U.S. adults: Prevalence, demographic patterns and comorbidity. *Journal of Studies on Alcohol*, 62(5), 706–712. <https://doi.org/10.15288/jsa.2001.62.706>

⁷⁶ Crockford, D. N., & el-Guebaly, N. (1998). Psychiatric Comorbidity in Pathological Gambling: A Critical Review. *The Canadian Journal of Psychiatry*, 43(1), 43–50. <https://doi.org/10.1177/070674379804300104>

McCormick, R., Russo, A., Ramirez, L., & Taber, J. (1984). Affective disorders among pathological gamblers seeking treatment. *Am J Psychiatry*, 141(2), 215–218. <https://doi.org/10.1176/ajp.141.2.215>

⁷⁷ Markham, F., Young, M., & Doran, B. (2012). The relationship between alcohol consumption, gambling behaviour and problem gambling during a single visit to a gambling venue. *Drug and Alcohol Review*, 31(6), 770–777. <https://doi.org/10.1111/j.1465-3362.2012.00430>

⁷⁸ Ibid.

⁷⁹ Pennay, A., Livingston, M., Cook, M., Room, R., Dwyer, R., MacLean, S., O'Brien, N., Nicholson, M., & Kuntsche, E. (2021). Sports bars: Environmental design, drinking, and sports betting. *Addiction Research & Theory*, 29(4), 316–326. <https://doi.org/10.1080/16066359.2020.1830071>

⁸⁰ Pennay, A., Van Egmond, K., Anderson-Luxford, D., Wright, C. J., Caluzzi, G., Livingston, M., Dickson, G., Nicholson, M., & Kuntsche, E. (2023). Social and contextual factors associated with drinking before, during and after watching Australian Football League games: A pilot ecological momentary assessment study. *Drug and Alcohol Review*, 42(6), 1349–1357.

⁸¹ Nelson, T. F., & Wechsler, H. (2003). School spirits: Alcohol and collegiate sports fans. *Addictive Behaviors*, 28(1), 1–11.

⁸² Erickson, D. J., Toomey, T. L., Lenk, K. M., Kilian, G. R., & Fabian, L. E. (2011). Can we assess blood alcohol levels of attendees leaving professional sporting events? *Alcoholism: Clinical and Experimental Research*, 35(4), 689–694.

⁸³ Durbeej, N., Elgán, T. H., Jalling, C., & Gripenberg, J. (2017). Alcohol intoxication at Swedish football matches: A study using biological sampling to assess blood alcohol concentration levels among spectators. *PLoS One*, 12(11), e0188284.

There is limited research on sports bars as potential sites for risky drinking and gambling behavior.⁸⁴ Emerging research⁸⁵ suggested that alcohol consumption may encourage sports betting. The availability of alcohol and sports betting in the same physical location may lead some individuals to gamble more than they typically would.⁸⁶ An Australian study (Pennay et al., 2021) reported that almost half of sports bars patrons had placed sports bets in the past year.

Pennay et al. (2021) explored the environmental design of sports bars to determine whether these spaces “nudge” customers into risky drinking and sports betting behaviors.⁸⁷ Most research on the design of gambling spaces has focused on electronic gaming machines (e.g. slot machines or “pokies”), highlighting how ambiance or room arrangement may encourage gamblers to stay longer and overspend.⁸⁸ In sports bars, visible and accessible sports betting terminals and prominent gambling promotional materials were identified as potential nudges towards risky gambling behavior. Although alcohol use and gambling behavior often occurred simultaneously, Pennay et al. (2021) found no strong reciprocal relationship between alcohol and gambling.

Deans et al. (2016) found that pubs were common spaces for young men to engage in various forms of land-based gambling in Australia.⁸⁹ These environments, coupled with social influences and alcohol consumption, contributed to risky gambling behaviors, including exceeding pre-set limits.⁹⁰ Participants reported that their local pubs had become places primarily for gambling rather than

⁸⁴ Pennay, A., Livingston, M., Cook, M., Room, R., Dwyer, R., MacLean, S., O’Brien, N., Nicholson, M., & Kuntsche, E. (2021). Sports bars: Environmental design, drinking, and sports betting. *Addiction Research & Theory*, 29(4), 316–326. <https://doi.org/10.1080/16066359.2020.1830071>

⁸⁵ Deans, E. G., Thomas, S. L., Daube, M., & Derevensky, J. (2016). “I can sit on the beach and punt through my mobile phone”: The influence of physical and online environments on the gambling risk behaviours of young men. *Social Science & Medicine*, 166, 110–119. <https://doi.org/10.1016/j.socscimed.2016.08.017>

Jenkinson, R., de Lacy-Vawdon, C., & Carroll, M. (2018). Weighing up the odds: Young men, sports and betting,. Victorian Responsible Gambling Foundation,. <https://responsiblegambling.vic.gov.au/resources/publications/weighing-up-the-odds-young-men-sports-and-betting-394/>

⁸⁶ Deans, E. G., Thomas, S. L., Daube, M., & Derevensky, J. (2016). “I can sit on the beach and punt through my mobile phone”: The influence of physical and online environments on the gambling risk behaviours of young men. *Social Science & Medicine*, 166, 110–119. <https://doi.org/10.1016/j.socscimed.2016.08.017>

⁸⁷ Pennay, A., Livingston, M., Cook, M., Room, R., Dwyer, R., MacLean, S., O’Brien, N., Nicholson, M., & Kuntsche, E. (2021). Sports bars: Environmental design, drinking, and sports betting. *Addiction Research & Theory*, 29(4), 316–326. <https://doi.org/10.1080/16066359.2020.1830071>

⁸⁸ Finlay, K., Marmurek, H. H., Kanetkar, V., & Londerville, J. (2007). Assessing the contribution of gambling venue design elements to problem gambling behaviour. University of Guelph.

Schüll, N. D. (2012). *Addiction by Design*. In *Machine Gambling in Las Vegas* (pp. 35–51). Princeton University Press. <https://doi.org/10.1515/9781400834655-005>

⁸⁹ Deans, E. G., Thomas, S. L., Daube, M., & Derevensky, J. (2016). “I can sit on the beach and punt through my mobile phone”: The influence of physical and online environments on the gambling risk behaviours of young men. *Social Science & Medicine*, 166, 110–119. <https://doi.org/10.1016/j.socscimed.2016.08.017>

⁹⁰ Ibid.

drinking.⁹¹ Dean et al.'s (2016) findings suggest that pubs, and potentially sports bars, are risky gambling environments where various factors interact to increase the chances of gambling-related harm.

The MACGH interviews revealed that Massachusetts-based trade associations representing bars and restaurants echoed concerns found in the literature, particularly related to serving minors. Participants emphasized that restaurant and bar owners in Massachusetts take underage drinking seriously. They have implemented precautionary measures, such as alcohol training programs, to prevent serving minors, as violations could jeopardize their liquor licenses. These preventative measures would be extended to include wagering should sports betting kiosks be implemented in their establishments.

4) Implications for Policy and Practice

Research confirms the elevated harm of sports betting as a method of gambling, particularly for young people. This begs the question of whether further expansion of this form of betting into public retail spaces in Massachusetts, such as convenience stores or sports bars, can be justified by any potential economic gain for retailers.

Similar to lottery kiosks, sports wagering kiosks could offer easy accessibility to gambling, potentially attracting vulnerable populations like youth and those who are managing recovery from disordered gambling and other types of addiction. Retail sports wagering kiosks would increase the number of young people being exposed to the modeling of gambling behavior and the further integration of gambling into previously gambling-free recreational spaces. The inherent features of lottery and sports betting kiosks – variety, anonymity, ease of payment, and visual stimuli – could heighten the risk of pathological gambling for adolescents.⁹² In St-Pierre et al.'s (2021) study of lottery vendors in Montreal, Canada, only 60% of vendors adhered to minimum-age requirements for lottery purchases by asking for IDs or refusing the sale, indicating a potential compliance challenge for sports wagering kiosks.⁹³

To address and prevent the risks and harms associated with gambling in public retail settings, it is essential for regulators to consider a range of individual, socio-cultural, environmental, and industry conditions. In particular, they need to consider how social norms, peer influences, and immediate settings intertwine to influence risky gambling behaviors, particularly among young men, who are most likely to bet on sports.⁹⁴

If Massachusetts proceeds with sports wagering kiosks, preventative measures should include educating parents about the risks associated with adolescent gambling, enhancing social support

⁹¹ Ibid.

⁹² Delfabbro, P., & Parke, J. (2021). Empirical Evidence Relating to the Relative Riskiness of Scratch-Card Gambling. *Journal of Gambling Studies*, 37(3), 1007–1024. <https://doi.org/10.1007/s10899-021-10033-2>

⁹³ St-Pierre, R., Derevensky, J., Gupta, R., & Martin, I. (2011). Preventing lottery ticket sales to minors: Factors influencing retailers' compliance behaviour. *International Gambling Studies*, 11, 173–191. <https://doi.org/10.1080/14459795.2011.579142>

⁹⁴ Deans, E. G., Thomas, S. L., Daube, M., & Derevensky, J. (2016). "I can sit on the beach and punt through my mobile phone": The influence of physical and online environments on the gambling risk behaviours of young men. *Social Science & Medicine*, 166, 110–119. <https://doi.org/10.1016/j.socscimed.2016.08.017>

networks, and enforcing stringent age verification measures at kiosks.⁹⁵ Such measures, including ID checks and the option for self-exclusion, could effectively mitigate the identified risks.⁹⁶

Furthermore, understanding the co-occurrence of gambling and alcohol consumption in retail settings such as sports bars is also crucial for developing effective regulation and harm-minimization strategies.⁹⁷ Specific recommendations include prohibiting facilities that implement sports betting kiosks from serving alcohol for free or at greatly subsidized prices and ensuring that visibly intoxicated gamblers are not served alcohol.⁹⁸ Additionally, patrons should be informed of the risks associated with drinking while gambling through responsible gaming warnings, guidelines, and media strategies.⁹⁹

Some of the measures that should be considered to promote responsible gaming in order to minimize gambling-related harm and maximize player choices are:

- Staff and retailer training
- Responsible gambling (“RG”) and problem gambling (“PG”) messaging and materials, at point of sale advertising and/or in a prominent place
- RG and PG messaging inside the retail restrooms, in high-traffic areas, and near ATMs
- Easily accessible information and self-limiting tools within the kiosk
- Age verification on all kiosks
- Connections to central databases to check player identification for VSE and other reasons

A key tool within responsible gaming is voluntary self-exclusion programs. Typically managed through statute and/or regulation, some type of VSE programs exists in most jurisdictions; however, the terms and content of these programs vary dramatically. Some of the measures that should be considered to restrict access to sports wagering kiosks for people on the VSE list are:

- Easily accessible information for people to learn about the differences between tools such as harm-related messaging, cooling-off periods, and VSEs

⁹⁵ Zhai, Z., Hoff, R., Howell, J., Wampler, J., Krishnan-Sarin, S., & Potenza, M. (2021). Lottery-Purchasing Adolescents: Gambling Perceptions, Problems, and Characteristics. *Journal of Gambling Studies*, 37. <https://doi.org/10.1007/s10899-021-10004-7>

⁹⁶ Maurício, D., & Rodrigues-Silva, N. (2022). The scratch card gambler: A hidden reality. *Journal of Gambling Studies*, 39(3), 1099–1110. <https://doi.org/10.1007/s10899-022-10136-4>

Zhai, Z., Hoff, R., Howell, J., Wampler, J., Krishnan-Sarin, S., & Potenza, M. (2021). Lottery-Purchasing Adolescents: Gambling Perceptions, Problems, and Characteristics. *Journal of Gambling Studies*, 37. <https://doi.org/10.1007/s10899-021-10004-7>

⁹⁷ Markham, F., Young, M., & Doran, B. (2012). The relationship between alcohol consumption, gambling behaviour and problem gambling during a single visit to a gambling venue. *Drug and Alcohol Review*, 31(6), 770–777. <https://doi.org/10.1111/j.1465-3362.2012.00430>

⁹⁸ Smit, K., Jiang, H., Rockloff, M., Room, R., MacLean, S., & Laslett, A.-M. (2023). Associations Between Heavy Episodic Drinking, Drinking While Gambling, and Risky Gambling. *Journal of Gambling Studies*, 39(4), 1597–1610. <https://doi.org/10.1007/s10899-023-10235-w>

⁹⁹ Ibid.

- A sign-in prompt on the kiosk that requires players to self-identify whether they are on the VSE list before being allowed to set up an account and/or wager
- Software within the kiosks that prohibits an individual from logging into the account if they are on the VSE list

Overall, incentives for retailers to advertise sports betting kiosks would occur in an environment that is already saturated with millions of dollars in media buys by sportsbook operators. Whether communities can “afford” the anticipated harm of this form of gambling expansion is a decision that is in the hands of regulators. However, in doing so, it calls into consideration what new types of additional mitigation, particularly in economically impoverished communities and communities of color, may be needed to address these harms.

C. Concerns about Security, Safety and Crime at Kiosk Locations

When considering that there are standard risks that come with any retail location selling products that can be redeemed for cash or voucher – including employee theft, robbery, and various financial crimes – it is only natural to anticipate that introducing additional forms of gaming that involve more mechanics for winning and settlements, there will be the potential for both increased existing risks and new types of risk specific to the new product being offered.

1) Lottery Products vs. Sports Wagering Products

There are specific differences between lottery and sports wagering that must be identified and described in order to give context to any discussion on the potential of increased risks in offering sports wagering in retail settings.

Vouchers

Lottery kiosks do not provide cash vouchers. Once a patron inserts cash into the kiosk, typically it must all be spent, and no vouchers are available for redeeming any unspent credits for cash. Sports wagering kiosks do provide the function of redeeming unspent credits into vouchers that can be redeemed for cash or used to place additional wagers in the future.

Voids

While not constant across all states, typically when lottery products are purchased all sales are final with no returns or voids unless due to technical issue or misprint. These voids are required to occur at the moment of purchase and processed by the same agent who performed the sale of the ticket. Spectrum is unaware of any known caveats that would allow a patron to void a lottery purchase after the purchase is complete and the patron has accepted the ticket. As there is a preset value of the product sold where there is no room for error in determining the cost of such product or at which odds it will pay out, voiding tickets is not a function that typically occurs or is considered to be of material occurrence.

In sports wagering, the function of voids is a common occurrence due to constant changes in pricing and odds that govern the payout amounts and terms of winning a wager and the various settings and configurations that kiosk operators employ to manage their liability and the integrity of the wagers they offer and accept. Due to the various factors that go into pricing and odds and how those are

ultimately provided to the player at the time of making a wager, there is an acceptable amount of human error that can play a role in all of the above-mentioned functions. As such, it is customary for all operators to provide relief of those errors via their house rules. In Ohio, data show that in 2023, 1% of all wagers were voided across all sports wagering channels combined. If voiding wagers is allowed, the examples of reasons for voids are as follows:

- Bets have been offered, placed and/or accepted due to an error
- Bets placed while the system/kiosk was encountering technical problems, that would otherwise not have accepted the bet
- Influence betting
- Syndicate betting. A result has been affected by illegal activity – directly or indirectly
- Any erroneous pre-game wagers accepted after the scheduled start time
- Any erroneous live-game wagers accepted at an incorrect price due to delayed or failing of the “live” coverage

Early Cash-Out

The nature of lottery products is a finite result: win or lose. Once a lottery product is purchased, the transaction is final until a result is confirmed; there is no option for a patron to surrender their purchase prior to confirming the result in exchange for a portion of their original purchase amount.

In the case of sports wagering, early cash-out is a function widely adopted by the industry¹⁰⁰ and gives patrons the choice to redeem their current unsettled wager for a calculated percentage of the original wagering amount. This calculation is dependent on the current status of the wager and its probability of winning or losing as determined by the sports wagering provider. In the instance that a wager is probable to win, a patron may use early cash-out to lock in guaranteed winnings and avoid any potential upsets or scenarios in a sporting event that could otherwise cause the wager to lose. Should a wager be probable to lose based on the current status of the wager in relation to a sporting event, the patron has the option to minimize their losses prior to the event ending. In any case, Spectrum believes the use of early cash-out is designed to give patrons more control over the outcome of their wagers, with the thesis that it will actually induce the patron to place more wagers with either guaranteed winnings outside their originally intended wagering budget or reduced losses by allowing the patron to place another wager while staying within their originally intended wagering budget. Although Spectrum does not advocate for the use of early cash-out as a responsible gaming tool, it is a function that is approved for use today in multiple jurisdictions (including Massachusetts) and could be manipulated for criminal intent if not properly monitored.

¹⁰⁰ Tyler Maher, “Sportsbook Early Cash-Out Betting: How Does It Work,” *Forbes*, January 19, 2024.

<https://www.forbes.com/betting/guide/early-cash-out/>

Velocity and Volatility

Excluding scratch tickets and keno, lottery ticket sales are typically for a single event occurring no more than one time within a 24-hour period, to be settled on or near the date of ticket purchase. As jackpots increase beyond specific thresholds, both the lottery and the media increase publicity of the jackpot amount, which naturally drives increased sales velocity. These spikes may create an increase in liability for the retail operator in terms of the number of tickets redeemed; however, the low return-to-player ratio of lottery products would not necessarily cause a spike in the value of the redeemed tickets. Additionally, Spectrum believes that a large majority of ticket redemptions are used to purchase additional lottery products rather than taking the redemption in cash without further purchase. As such, the retailer's cash liability can be somewhat projected with reasonable accuracy to ensure no shortages of cash on hand.

With sports wagering, there are seasonality and event popularity components that when coupled with a high rate of return to player (90%) may create velocity and volatility scenarios that some retail operators may not be accustomed to.

Retailers can lose due to volatility: On a Sunday afternoon during football season, a highly trafficked sports bar may be able to sell enough wagers on its kiosks to mitigate a low hold and still make a profit due to high wagering volumes; however, during slower periods throughout the year when there is less wagering or less patronage of the retail location, the volatility that a single patron can create for a retailer presents the real possibility of net losses. For example:

- The average sports kiosk wager in Ohio is estimated at \$44, based on interviews with kiosk vendors.
- At an average 10% hold through 2023, a kiosk is expected to profit \$4.40 per wager.
- This means that to make \$600 in a given month, the kiosk would need to sell an average of 136 wagers for a total of \$6,000 in handle.
- If a retailer's house rules indicated that the max payout they would make is \$600 as is the case in Ohio,¹⁰¹ one patron need only place a \$54.50 wager on four selections priced at -110 in a parlay at 11-to-1 odds to produce a payout of \$599.50. While 11-to-1 odds is difficult to overcome, it is in Spectrum's opinion that these types of wagers can and do routinely win on the basis that maturing sports wagering markets are trending toward 25%+ of all wagers as parlays.

In terms of the volatility related to one-off events such as pay-per-view, Super Bowl, NCAA basketball tournaments, hometown hero, local rivalry, etc., these highly publicized events do drive increases in wagering volumes; however, the critical mass of wagers required by a retailer to achieve profitability regardless of the outcome of the event does not appear to be achievable and thus they are susceptible to drastic swings in wins and losses. Furthermore, the impact of a betting bias toward the

¹⁰¹ Ohio Lottery, "How to Cash." <https://www.ohiolottery.com/sports-gaming/sports-gaming-how-to-cash> (accessed March 1, 2024)

home team creates more volatility due to lack of proportionate wagering on both sides of a result and thus a win streak by the home team could result in substantial and sustained losses for the kiosk operator.

Velocity of winning tickets can be constant: There can be hundreds of events available to wager on throughout the day, including live in-play markets that settle within hours and or minutes and can create numerous winning bet slips in amounts that the average lottery products do not. Couple this with the way wagers can be placed on heavy favorites for lower payouts and it is conceivable that a retailer could be the target of an organized network of patrons who all wager on heavy favorites for the max amount in order to take slim profits with low risk. For example: During live in-play wagering (which is limited in Ohio), should a clear or highly likely winner be identified and is still available to wager on at odds of -1000, this means that a max wager of \$700 (as is the case in Ohio) would produce a win of \$770 for a net profit of \$70. An organized group of patrons could expose this for their own benefit and create “micro wins” that in aggregate in short periods of time will create net losses for the retailer if performed at scale by multiple individuals. While this scenario is not illegal, it does create the potential need for larger cash reserves on site.

Due to the differences in wagering on lottery products vs. sports wagering products and the anticipated increase in cash handling and redemptions, Spectrum has identified the potential for increased or net new risks based on the nature of anonymous sports wagering on kiosks combined with cash-handling procedures conducted in locations that typically employ more basic measures for security and compliance for products that require less consideration due to their simplified nature of purchase and settlement.

2) Security

Devices that Accept and Store Cash

The associated risks of placing additional kiosks that accept cash in a highly trafficked place of business shall only be expected to introduce more security risks and considerations as there are now more touch points for security issues to occur. Devices that accept and store cash that can be physically removed from the premises or whose access controls can be compromised are a constant risk that cannot be overcome save for removing the presence of the device altogether.

In Ohio, there is an example of a kiosk vendor offering both lottery and sports wagering products on the same kiosk¹⁰² and thus the above-mentioned additional touch points are now mitigated, containing the additional risk within a retailer’s existing internal controls related to securing the kiosks while expanding the wagering options offered.

Increased Cash Handling and Reserve Amounts

If sports wagering kiosks are to be successful, it will require a considerable increase in cash-handling activity beyond what is experienced with other lottery products due to three main factors:

¹⁰² As seen in this photo from provider Sports Bet Ohio, a unit of Intralot: <https://sportsbetohio.us/> (accessed March 22, 2024)

- The return to player ratio for retail sports wagering kiosks is estimated at 90% vs. the 20%-60% range that various lottery products offer. As such, there may be as much as 4.5 times more winning bet slips to redeem by the retailer.
- As with any device that accepts cash, it must be emptied routinely to preserve the device's functions as well as recycling the cash used for placing wagers to pay out winning bet slips and vouchers. Should a kiosk experience an inordinate amount of usage due to a major sports event, it may be likely that an impromptu emptying of the cash box on the kiosk would be required during busy operating times to ensure continued wagering can take place or to pay winning bet slips in the event of depletion of the cash reserves maintained specifically for sports wagering payouts.
- As the value of the average sports wager is expected to be larger than the average lottery product purchase (per interviews with Ohio kiosk vendors), the cash boxes within these kiosks are estimated to be much more valuable and the reserve amounts that kiosk operators must maintain to facilitate payouts is expected to be larger than that maintained for lottery. As such, it is reasonable to deduce additional risk to the retailer's operational security caused solely by the presence of more cash on the premises.

The above scenarios can be mitigated to an extent with the introduction of a kiosk capable of dispensing cash for self-redemption of winning bet slips and vouchers. However, it would most certainly require that the kiosk maintain a level of know-your-customer ("KYC") and surveillance functions that would negate the anonymity aspect of retail sports wagering and likely cost the vendor considerably more to procure and provide to retailers, thus hindering distribution.

From a security perspective, the primary consideration is having more cash on premises with more cash transactions being conducted, utilizing technical devices and humans performing manual processes in what is expected to be a minimally secure setting compared to a casino or racetrack.

As such, it would be logical to require retailers to adhere to different levels of security solutions based on the volume of sports wagering being conducted by the retailer to ensure that security risk solutions and their costs are proportionate to the wagering activity that creates the risk in the first place.

3) Safety

Cash Wagering and Redemption of Winning Bet Slips

Due to the relatively non-private and easily observed actions of placing sports wagers on a kiosk and redeeming winning bet slips within retailer locations, there is a natural concern for patrons' safety once they leave the retailer's premises. Criminals looking to commit robbery of any individual need only observe that individual's interaction with a sports wagering kiosk to deduce any value in targeting them for criminal activity.

This risk exists in any retail setting where patrons can wager on and redeem winnings from gaming activities, including typical lottery products. However, in Massachusetts gaming activity beyond typical lottery products is confined to specific locations with solutions meant to deter criminal activity (i.e., casinos and racetracks). Allowing for widespread sports wagering among the lottery's network of retailers increases the potential for that same criminal intent to be realized in numerous locations without the same criminal deterrent solutions in place.

Present controls and requirements imposed on lottery retailers may be deemed adequate relative to the volume and value of their current lottery sales. But, as described in this section, sports wagering's propensity for more transactions with higher return-to-player ratios may create winning sums that in the aggregate would exceed amounts typically won with traditional lottery products. As such, the safety of patrons in absence of robust security solutions may be called into question.

As described in various sections of this report, sports wagering has the propensity for more transactions with higher return-to-player ratios that may create winning sums that in the aggregate would exceed amounts typically won with traditional lottery products. As such, patrons would require a choice in the redemption process with an alternative to carrying larger amounts of cash.

There are solutions available to patrons for redeeming winning bet slips while avoiding the risks associated with carrying cash on one's person. These include mailing in vouchers and scanning winning bet slips to mobile wallet apps for electronic transfer; however, these forms of redemption would negate the patron's ability to create more wagers with the retailer and thus their wagering would end in the absence of cash redemptions for that specific visit to the retailer. Per interviews with a sports wagering kiosk vendor in Ohio, only 0.2% of winning bet slips are mailed in for redemption via paper check.

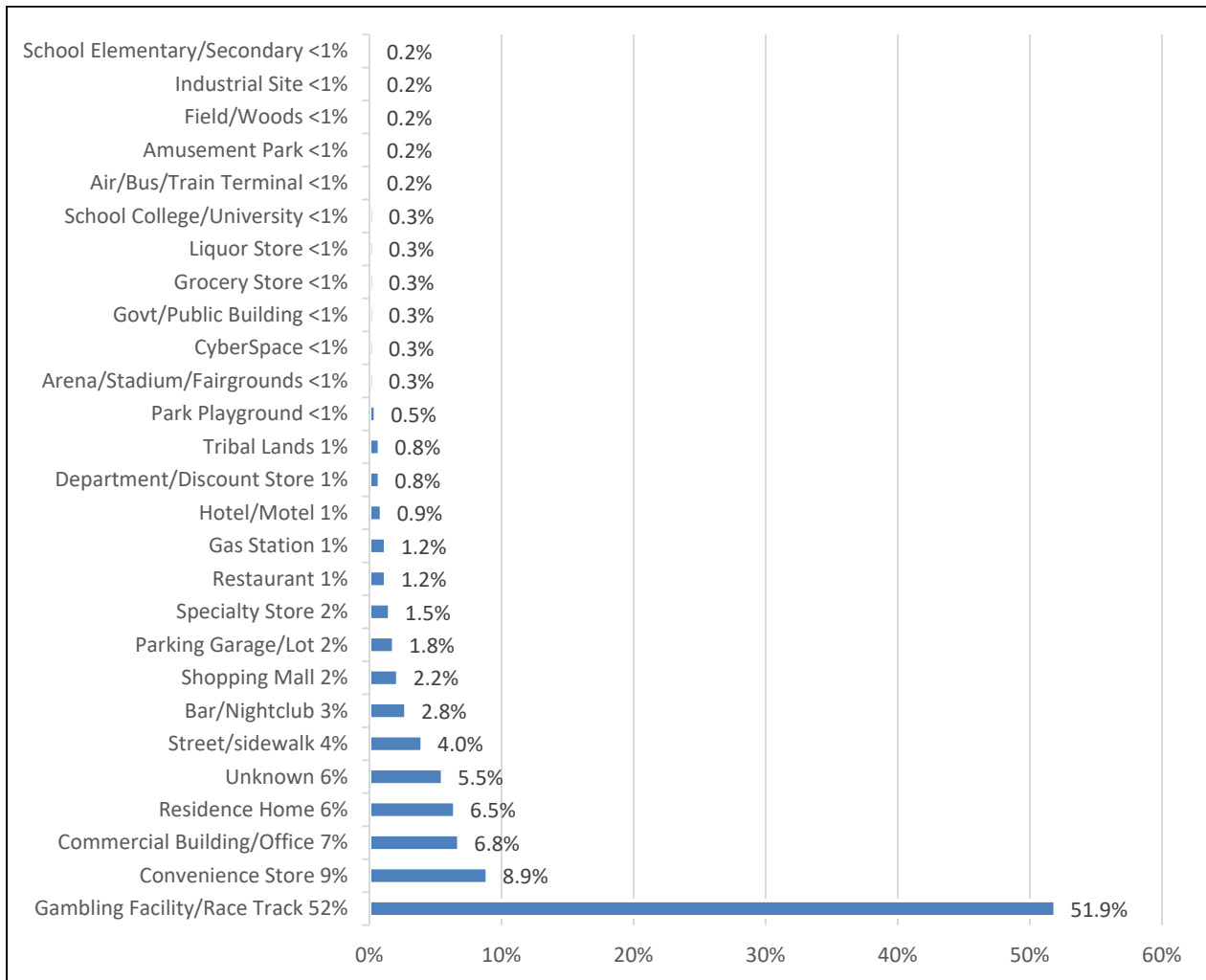
4) Crime

Reported Crimes Related to Betting and Wagering

According to the Federal Bureau of Investigation's National Incident-Based Reporting System,¹⁰³ nationwide, 649 individual offenses related to Betting and Wagering for the calendar year of 2022 were reported by 13,293 law enforcement agencies covering 75% of the US population. The key demographic considered is the types of locations where these incidents were reported to have occurred, which is shown in Figure 11 below.

¹⁰³ Federal Bureau of Investigation Crime Data Explorer.
<https://cde.ucr.cjis.gov/LATEST/webapp/#/pages/explorer/crime/crime-trend> (accessed March 15, 2024)

Figure 11: Location types of betting/wagering crimes in 2022



Source: FBI National Incident-Based Reporting System

This chart indicates that most crimes related to betting and wagering are occurring in those locations where the primary reason for patronage is betting and wagering. This evidence validates what Spectrum believes to be consistent with why these types of facilities are required to maintain enhanced security and safety solutions to deter these types of crimes from happening.

Of the location types classified by the FBI’s database, apart from Gambling Facility/Racetrack, Spectrum identified six additional location types where lottery products and sports wagering kiosks may be eligible to conduct sales. These location types account for >14% of the location types where betting and wagering crimes have been reported to occur:

- Convenience Store 9%
- Bar/Night Club 3%
- Restaurant 1%
- Gas Station 1%

- Grocery Store <1%
- Liquor Store <1%

While the occurrences reported are somewhat limited in relation to the availability of regulated lottery and gaming products outside of a gambling facility/racetrack, there is a logical correlation that may be drawn between increased availability of gaming products and an increase in criminal activities at locations that sell those gaming products.

Types of Crimes Associated with Betting and Wagering

In Spectrum's experience, the potential for criminal activity related to betting and wagering is ever-evolving and increasingly sophisticated. However, there are a set of criminal activities that, while not specific to sports wagering kiosks, are easily facilitated by sports wagering and the nature of the product. While these activities can be deterred with the applicable minimal internal controls, there are activities that require enhanced consideration due to the mechanics of sports wagering and the use of kiosks and vouchers.

Underage Wagering

As mentioned in other sections of this report, sports wagering via its association with sports and professional athletes is likely to attract a younger demographic that may not be of legal age to bet and thus the same risks of underage consumption/participation are as relevant as those associated with the sales of alcohol and tobacco. The crime itself can be false identification to pass KYC measures for age verification, a third party placing a wager on behalf of the underage patron, or simply unmonitored wagering on the sports kiosks in an area accessible by minors.

As with all locations that are age-gated, there are mandatory processes such as physical ID checks that are considered the primary deterrent to underage access to restricted products. However, with the expectation that sports wagering kiosks will be made available in any location approved to sell lottery products, not all locations will be age gated. In these instances, there is technology that can be installed on kiosks referred to as "driver's license dips." By forcing the patron to insert their driver's license into the kiosk to verify their age prior to transacting, a significant amount of underage wagering via false identification and unsupervised kiosks can be deterred. However, as sports wagering on kiosks is anonymous in nature, the potential for a third party to place a wager or redeem a winning ticket on behalf of a minor is a risk that cannot be 100% deterred by technology. Vigilant human observation and execution of minimal internal controls designed to detect underage wagering will always be required to effectively deter crimes related to underage wagering.

Employee Theft

Spectrum believes there is ample cause to consider that sports wagering kiosks present a unique opportunity for employees to engage in embezzlement, collusion, falsifying claims, and petty theft.

Kiosk host embezzlement risks can be described as an employee accepting cash for a transaction without documented receipt of goods sold and then loading that cash into a sports wagering kiosk to create credits which are then vouchered out and redeemed at a different location. Depending on the

surveillance of the kiosks and inventory accounting procedures of the location, this type of crime could go unnoticed for long periods if no pattern of irregularities is detected by the employer or kiosk vendor.

Vendor embezzlement risks are more technical in nature and typically involve a vendor's employee who has access to systems that allow them to falsify reporting and create false transactions resulting in the redemption of cash adjustments and voided wagers which otherwise should not have occurred.¹⁰⁴ These types of embezzlement can be detected due to the auditing requirements that regulated sports wagering platforms must adhere to; however, the onus is on the vendor to detect and investigate such activities.

Collusion in a sports wagering kiosk setting is normally defined as either an employee facilitating the structuring of wagers by patrons to avoid max bet limits, allowing black market operators to use the kiosks as "layoff mechanisms," or working with an employee of the kiosk vendor to void losing tickets and/or create false adjustments and falsify reporting. These actions can all be detected through the use of compliant auditing controls within the sports wagering platforms, but it is the responsibility of the kiosk vendor to conduct such investigations and work with law enforcement to prove and stop such activity.

Falsifying claims is considered an edge case scenario but is defined as a patron presenting a winning ticket to an agent at a point of sale only to have the agent convince the patron the ticket is a loser and keep the ticket for themselves to redeem at a different location. While this phenomenon may sound far-fetched when selling lottery tickets, the nature of sports wagering is far more complicated and requires an extensive set of House Rules¹⁰⁵ that govern the numerous scenarios that can occur with a sports wager. These range from rain delays that cut events short, to minimal durations of participation to deem a player prop wager valid or canceled, to settling payouts in ties and event cancellations. As sports wagers can carry a settlement of net \$0 where only the original wager amount is redeemed, this presents yet another settlement classification beyond win or lose. An agent may employ an interpretation of the house rules to deceive a patron into believing they are only due their original wager amount back and thus the agent can siphon winnings from an unsuspecting patron who is not knowledgeable in such determinations.

Petty theft is a constant threat in any cash-handling operation. With the addition of more cash-handling transactions and the need to manage multiple cash drawers and cash inventories with the requirement to empty more cash boxes from additional kiosks, the natural risk of petty theft attributed to cash drawer variance is something that cannot be deterred beyond the efforts employed today to safeguard operations related to lottery sales.

All of the above-mentioned criminal activity related to employees can be detected and deterred, however it is likely that it would take a concerted effort by the kiosk vendor and the kiosk operator to conduct such investigations and implement appropriate safeguards. This would take a considerable

¹⁰⁴ An example of this type of crime was reported in Nevada in January 2024:

<https://www.8newsnow.com/investigators/las-vegas-sports-betting-kiosks-targeted-in-embezzlement-scheme-gaming-board/>

¹⁰⁵ Sports Bet Ohio, "House Rules." <https://sportsbetohio.us/house-rules/> (accessed March 10, 2024)

amount of time, education, investment in technology and a far less anonymous approach to sports wagering kiosks.

Money Laundering

The potential for undetected money laundering is a grave concern relating to sports wagering kiosks. The kiosk operators will be required by gaming regulators to establish effective procedures to prevent money laundering by gaming patrons, with careful attention given to implementation and enforcement of Know Your Customer (“KYC”) processes and policies to verify the identity of the gaming patrons. The enforcement of anti-money-laundering procedures and the attendant costs rest with the operators.

While lottery sales are not necessarily considered at risk of money laundering due to the simple nature of purchase and game play, sports wagering presents a much different set of circumstances. As described above, sports wagering kiosks afford many more scenarios related to their settlement instruments and options such as vouchers, early cash-out, and betting overwhelming favorites, which can be used to facilitate money laundering in controlled and discrete amounts that could go undetected in a high-volume, mass distributed network of kiosks. Furthermore, anonymous play in a retail location with staff not trained in Title 31 AML processes nor to detect structured wagering or be accountable for Currency Transaction reports or Suspicious Activity Reports does present a fairly high risk that these activities could occur undeterred and undetected.

Scenario 1: Vouchers: The bluntest form of money laundering via sports wagering kiosks would be to simply load kiosks throughout the vendor’s network and instead of placing a wager, the entire balance is cashed out via voucher and then redeemed at different locations prior to the expiration date, which is normally 180 days from issue. Stuffing a kiosk with \$600 and then vouchering out to an easily concealed and distributable instrument the size of a convenience store receipt creates an efficient form of laundering that can be replicated at scale. While kiosk vendors and sports wagering platform providers do have tools to detect this type of activity if actively looking for suspicious behavior and patterns, the fact remains that it could go undetected in a large network of kiosk locations performing a high volume of wagering and redemption transactions. Moreso, should it be detected, it would take considerable coordination and cooperation of multiple parties to catch individuals performing these actions due to the anonymous nature of the transactions being tracked.

To combat this, the simplest action is to severely limit the amount of cash that can be loaded into a kiosk at any time. The efforts involved in attempting to launder micro-transactions could be in itself a credible deterrent, however, it would also severely lower the amount of wagers that legitimate patrons could make and likely limit overall wagering activity on sports kiosks.

This can also be deterred by retailers refusing to redeem any vouchers or wagers not originating from their own kiosks. However, this could be seen as detrimental to the redeem/repurchase cycle that is commonly seen with lottery products and their sports wagering sales would likely suffer.

Scenario 2: Early Cash-Out: In this scenario – similar to the simplicity of a cash-in, voucher-out scheme – early cash-out functions can be used to represent legitimate wagers made well in advance of

the event's scheduled start time and redeemed to voucher prior to the event starting or completing. An example of this could be described as:

On a Monday, a patron inserts \$660 in a kiosk and wagers on the spread -110 odds to win \$600 for an event that is scheduled to take place the following Sunday. On Friday, the patron can scan their bet slip at a kiosk in a different location with the option to perform an early cash-out and receive \$600 back from their original wager.

This function incurs a cost that is commonly referred to as the "vig," short for vigorish, and whose amount will fluctuate based on when the early cash-out occurs in relation to the probability the wager will win. This cost has been observed at 10% of the wager amount and higher, but depending on the wager type and vendor's preferences the cost could be lower. While this could be a costly form of money laundering compared to the amounts that can be laundered via kiosk in a single transaction, it is an action that could be hard to detect in a large network of kiosk locations performing a high volume of transactions. More so, should it be detected, it would take considerable coordination and cooperation of multiple parties to catch individuals performing these actions due to the anonymous nature of the transactions being tracked. This can be deterred by retailers refusing to redeem any vouchers or wagers not originating from their own kiosks, but this could be seen as detrimental to the redeem/repurchase cycle that is commonly seen with lottery products, and their sports wagering sales would likely suffer.

Scenario 3: Betting Overwhelming Favorites: This form of money laundering utilizes real wagers that settle naturally. In this scenario, a patron will look for wagers on events or markets that are priced in a manner that the wager is a highly probable outcome. For example, if the moneyline in a professional football game has the favorite priced at -1000, it means that a patron would need to risk \$1,000 to win \$100. Due to max wagering limits on kiosks, it is more likely the wager amount would be \$500 to win \$50. In the aggregate, this can be an extremely effective solution to laundering money by a network of agents working in sync where bets are purchased in one location and redeemed for cash or voucher in a different location. This behavior does come with risk of major upset on the bet and complete loss of the wagered amount, but the vast catalog of wagering options made available by most sports wagering suppliers affords patrons multiple markets and alternative pricing to reduce the risk of loss. The goal of this activity is to launder the wagered amount via real wagering activity, and any winnings on top of that would be used to offset any major losses due to upsets.

In a digital wagering or a retail casino sportsbook setting, this type of behavior is easily detected, and steps can be taken to refuse to accept such wagers. However, in a retail kiosk network with anonymous wagering and cross retailer redemptions, it would be extremely difficult to identify the patrons engaging in such activity and even more difficult to prevent them from doing it. The only way to effectively prevent such activity is to limit the max wager to an amount that would make the efforts to launder micro-transactions a credible deterrent and much easier to detect based on wagering volumes vs. wagering amount. However, it would also severely lower the value of wagers that legitimate patrons could make and likely limit overall wagering activity on sports kiosks.

The above-mentioned scenarios are not illegal, per se; however, they are behaviors that are recognized as associated with money laundering. Gambling facilities where many of these behaviors take place train their employees and conduct sophisticated surveillance operations to catch and deter

individuals engaging in these activities. The minimal internal controls analyzed from three state lotteries governing sports wagering kiosks indicate that while the standards and controls are similar in spirit and intent to gambling facility internal controls, it is hard to argue that the lottery retailer holds their employees to the same high standards that licensed casino employees are held to with internal audits performed regularly.

Insights from Interviews

Spectrum performed interviews with three lotteries, two sports wagering kiosk vendors and six retail kiosk operators. The questions asked were meant to illustrate the current criminal incidents being observed and reported.

Kiosk Operator Questions

- *Have you had any criminal incidents involving the sports kiosks in the last 12 months related to:*
 - *Underage wagering? If so, how many instances?*
 - All operators indicated no instances of underage wagering due to the KYC measures installed on the kiosks
 - *Money laundering or suspicious transactions?*
 - All operators indicated no instances of money laundering or suspicious transactions. Spectrum asked what was the largest bet slip redemption that could be recollected? There was a single instance of a \$3,000 winning bet slip, while the average largest redemption value was \$100.
 - *Vandalism? If so, how many instances?*
 - All operators indicated no instances of vandalism had taken place in relation to the sports wagering kiosks.
 - *Employee or patron theft? If so, how many instances?*
 - All operators indicated no instances of employee nor patron theft had occurred in relation to the sports wagering kiosks.
- *When incidents do occur, what is the chain of responsibility related to the filing and notification process to the Lottery?*
 - Per standard minimal internal controls, all operators indicated they would report any instances either to their direct manager or the kiosk vendor. No operators interviewed indicated direct contact with the Lottery in the event a reportable incident was to occur.

Kiosk Vendor Questions

- *With what frequency and main themes have criminal incidents occurred involving the sports wagering kiosks in the last 12 months? Are the incidents similar to those that occur with Lottery kiosks? If not, what are the main differences?*
 - **Ohio Vendor 1:** There have been no criminal incidents involving sports wagering kiosks in the last 12 months.

- **Ohio Vendor 2:** There have been no criminal incidents involving sports wagering kiosks in the last 12 months. There was an incident involving the destruction of a digital odds display in a television, however due to the value of the asset, it was not reported to the Lottery as it was not a regulated product.
- *When incidents do occur, what is the chain of responsibility related to the filing and notification process to the Lottery? Does proprietor keep a database of these incidents and, if so, how is it used to profile higher-risk retail locations for sports wagering kiosks?*
 - **Ohio Vendor 1:** Per their minimal internal controls mandated by the Lottery, they have processes in place to notify Lottery of incidents, however, none have occurred to date and there is no indication that profiling would occur should incidents be reported in the future.
 - **Ohio Vendor 2:** Relies on the retail kiosk operator to report incidents to them, which they then report to the lottery. There is no indication of profiling would occur should incidents be reported in the future. However, the vendor has stated that due to the television incident and low handle, college bar locations should be avoided when distributing sports wagering kiosks.

Lottery Questions

- *With what frequency and main themes have criminal incidents occurred involving the sports wagering kiosks in the last 12 months? Are the incidents similar to those that occur with Lottery kiosks? If not, what are the main differences?*
 - **DC Lottery:** Incidents are not considered to be frequent with more incidents occurring with lottery kiosks and products due to the distribution difference of 300 lottery retailers vs. just 60 that provide sports wagering kiosks.
 - **Montana Lottery:** Incidents are infrequent, two to three occurrences of criminal activity, incidents not classified as being similar to those that occur with lottery products or locations. Cash kiosk vouchers tampered with or patrons taking advantage of software/hardware failures or bugs. Bettors taking advantage of these failures for financial gain. More incidents related to sports wagering kiosks than those associated with lottery kiosks.
 - **Ohio Lottery:** States no major criminal incidents in the last 12 months
- *When incidents do occur, what is the chain of responsibility related to the filing and notification process to the Lottery? Does Lottery keep a database of these incidents and if so, how is it used to profile higher risk retail locations for sports wagering kiosks?*
 - **DC Lottery:** Lottery relies on their third-party contractor who supplies and manages the kiosks and sports wagering products to report all incidents reported from the retail kiosk operators. While the Lottery's security team does keep a record of all incidents and investigations, it does not perform retail location profiling based on reported incidents occurring.
 - **Montana Lottery:** Lottery requires their sales agents to report all incidents reported from the retail kiosk operators. These reports go to one of two criminal investigators in their Security Department. If needed, they will involve other departments such as Technology and Accounting. All reports are provided to the Lottery Director. All

records are kept by the Department of Security with no indication of retail location profiling based on reported incidents occurring.

- **Ohio Lottery:** Lottery requires the kiosk vendors to submit incident reports that they receive from the kiosk operators for any activity deemed to be significant per their standards and are kept on file with any necessary investigation performed by the Lottery's security team. No indication of retail location profiling based on reported incidents is being performed.

Analysis of Interviews

The kiosk operators were consistent in response to questions regarding incidents and that no crimes had occurred. Although, only one operator stated that the kiosks were meeting their expectations in terms of transactions with zero operators reporting an average of more than 100 wagers placed per week. Overall, it would appear there is insufficient volumes being performed on the kiosks today to present measurable increases in crime.

The lotteries and kiosk vendors have not experienced any material uptick in criminal activity or incidents related to the sports wagering kiosks.

The process for reporting incidents appears consistent across all three jurisdictions and understood to be as follows:

- Kiosk operators must observe a criminal incident occurring either with the sports wagering kiosks at point of wager placement or during redemption of vouchers or winning bet slips.
- Kiosk operators must make the decision on how to react to the incident
- Kiosk operator submits a report to the kiosk vendor or sales agent
- Kiosk vendor or sales agent then submits the report to the Lottery's security team for investigation.
- The Lottery Security Team will investigate, take any appropriate action, and prepare a report on the outcome of the investigation for internal review.

4. Potential Impacts of Kiosks on Lottery, Black Market Betting

A. Impacts on Massachusetts Lottery

The effect of legal sports wagering on states' lottery sales is neutral or unclear. There have been few studies conducted examining the impact of US sports wagering on lottery sales, likely because the domestic legal sports wagering industry is young and still growing rapidly. Spectrum examined lottery sales over the last several fiscal years as more states have legalized sports wagering. There does not appear to be an impact in the three subject jurisdictions where retail sports wagering kiosks are present (Montana, Ohio and Washington, DC), and according to at least one study there could be a positive correlation between overall sports wagering and lottery sales.

However, it should be noted that in this era of significant expansion of gaming across the United States, it is exceedingly difficult to determine with any degree of certainty the effect of a new form of gaming on lottery revenue. Gaming options vary from state to state. The American Gaming Association lists 1,011 casinos in the United States, resulting in more than \$53 billion in tax or shared payment revenue.¹⁰⁶ Similarly, in 2022, US lotteries supported designated good causes and government with \$28.7 billion in lottery profits.¹⁰⁷ Moreover, several states now offer iLottery and iGaming options to players in addition to traditional lottery products, which further muddies the analysis of how one new form of gaming may effect existing forms of gaming.

There have not been any US studies directly examining the effect of sport betting kiosks on lottery revenue. A study published in December 2023 examined the effects of sports wagering (both online and retail) on casino gambling and lottery.¹⁰⁸ In this study, the research team provided panel regression evidence of the effects of sports wagering on casino gambling and lottery. The study produced mixed results with respect to the effects of digital sports wagering and retail sports wagering on casino gambling. Specifically, retail sports wagering led to an increase in casino revenue and digital sports wagering resulted in a decrease in casino gambling. The study examined the effects of sports wagering on lottery performance in Iowa, Pennsylvania and Rhode Island. The study showed an insignificant association with retail sports wagering and lottery revenue. The study found a positive association between digital sports wagering and lottery sales. The study's conclusion is supported by the revenue results in fiscal years ("FY") 2020-2023, as shown in the table below for the US lotteries with active sports wagering. Several of the states have only had active sports wagering for a year or less, so those results are far from conclusive.

¹⁰⁶ American Gaming Association, "Gaming By The Numbers: Gaming's National Impact," 2023 <https://www.americangaming.org/wp-content/uploads/2023/10/2023-National-Economic-One-Pager-Final.pdf>

¹⁰⁷ LaFleur's 2023 World Lottery Almanac, 31st ed., (2023) at p.2.

¹⁰⁸ Ege Can, Mark W. Nichols and Vaseleios Pavlopoulos, "The Effects of Sports Betting on Casino Gambling and Lottery," JEL Classification: H71.L38.L83 (December 8, 2023).

The SEIGMA study conducted in August 2022 identified mixed evidence regarding the question of substitution or cannibalization of existing forms of gaming when a new form of gambling is introduced.¹⁰⁹ The study states that maximizing revenue from sports wagering is not the same as maximizing the economic benefits for the Commonwealth. The report goes on to state that sports wagering can only have limited net economic benefit to Massachusetts, because it could be the result of the redistribution of existing money that exists in the state rather than new discretionary spending from out of state. This potential factor should be examined should sports wagering kiosks be deployed in Massachusetts.

Figure 12 below provides the gross lottery revenue and net lottery revenue for FY 2020 through FY 2023 for states that offer sports wagering and operate a lottery. These financial results support the conclusion that the impact of sports wagering has been mixed and possibly revenue neutral. Most of these lotteries have experienced some level of growth over this time period. Some states may have experienced slight decreases in gross revenue, but there are no data that can attribute any decreases in revenue to the introduction of sports wagering. As stated previously, in the era of expanded gaming a decrease in revenue could be attributed to a multitude of reasons.

The Connecticut Lottery has installed 10 self-service sports wagering kiosks at the state’s off-track betting parlors.¹¹⁰ Andrew Walter, Director of Legal & Business Affairs-Sports Betting for the Connecticut Lottery, said he felt that the sports wagering kiosks did not negatively affect lottery sales at this type of location and, in fact, supported the notion that sports wagering kiosks may have a positive association with lottery sales.¹¹¹ He did, however, believe that it was more likely that the introduction of igaming had at least a temporary negative effect on lottery sales. He based this on his personal observation when igaming was introduced in Connecticut.

Since the inception of sports wagering in 2020, the DC Lottery has experienced its typical growth pattern for its lottery games – slight increases with occasional decreases in gross revenue year to year. The Montana Lottery has experienced sales increases over the last several years. In January 2023, sports wagering started in Ohio with both the introduction of online and in retail operators, including sports wagering kiosks in retail establishments. While only six months of available data, the Ohio Lottery experienced an increase in sales in FY 2023 while it suffered a decrease in FY 2022 prior to the introduction of sports wagering. The Connecticut Lottery has experienced a steady increase in lottery sales, as evidenced in Figure 12 below.

¹⁰⁹ Rachel Volberg, Valerie Evans, Marth Thorn and Robert J. Williams, “Legalized Sports Betting in the United States and Potential Impacts in Massachusetts,” SEIGMA University of Massachusetts School of Public Health and Health Sciences, August 22, 2022, at p. 7. <https://massgaming.com/wp-content/uploads/SEIGMA-Sports-Betting-Impacts-Report-9.8.22-1.pdf>

¹¹⁰ Gemini Research, “Impacts of Legalized Gambling in Connecticut,” report commissioned by the Connecticut Department of Mental Health and Addiction Services (DMHAS), January 2024. <https://portal.ct.gov/-/media/DMHAS/Publications/2023-CT-FINAL-REPORT-Jan312024.pdf>

¹¹¹ Andrew Walter (personal communication), February 29, 2024.

Figure 12: Gross lottery revenue, net lottery revenue for states offering sports wagering, FY 2020-FY 2023

State (Amounts in Billions)	Gross Rev. 2020	Gross Rev. 2021	Gross Rev. 2022	Gross Rev. 2023	Net Rev. 2020	Net Rev. 2021	Net Rev. 2022	Net Rev. 2023
Arizona	\$1.09	\$1.44	\$1.37	\$1.57	\$0.22	\$0.29	\$0.27	\$0.32
Arkansas	\$0.53	\$0.63	\$0.58	\$0.61	\$0.09	\$0.11	\$0.10	\$0.12
Colorado	\$0.66	\$0.80	\$0.83	\$0.89	\$0.14	\$0.17	\$0.17	\$0.20
Connecticut	\$1.35	\$1.50	\$1.60	\$1.70	\$0.35	\$0.42	\$0.40	\$0.40
Delaware	\$0.19	\$0.23	\$0.23	\$0.25	\$0.22	\$0.26	\$0.29	\$0.30
District of Columbia	\$0.21	\$0.23	\$0.22	\$0.22	\$0.38	\$0.05	\$0.04	\$0.03
Florida	\$7.26	\$9.08	\$9.32	\$9.80	\$1.85	\$2.24	\$2.33	\$2.45
Georgia	\$4.95	\$6.03	\$5.80	\$6.13	\$1.24	\$1.54	\$1.47	\$1.52
Illinois	\$2.84	\$3.46	\$3.40	\$3.61	\$0.69	\$0.77	\$0.83	\$0.88
Indiana	\$1.30	\$1.74	\$1.70	\$1.75	\$0.31	\$0.38	\$0.32	\$0.34
Iowa	\$0.37	\$0.45	\$0.43	\$0.48	\$0.08	\$0.10	\$0.09	\$0.11
Kansas	\$0.33	\$0.31	\$0.34	\$0.31	\$0.07	\$0.08	\$0.08	\$0.09
Louisiana	\$0.51	\$0.63	\$0.58	\$0.65	\$0.18	\$0.21	\$0.18	\$0.21
Maryland	\$2.19	\$2.61	\$2.70	\$2.76	\$0.59	\$0.63	\$0.64	\$0.65
Massachusetts	\$5.53	\$5.80	\$5.83	\$6.15	\$0.98	\$1.11	\$1.19	\$1.19
Michigan	\$4.20	\$5.00	\$4.88	\$4.90	\$1.18	\$1.42	\$1.25	\$1.35
Missouri	\$1.51	\$1.81	\$1.78	\$1.79	\$0.33	\$0.35	\$0.40	\$0.43
Mississippi	\$0.34	\$0.51	\$0.43	\$0.46	\$0.07	\$0.14	\$0.12	\$0.12
Montana	\$0.06	\$0.11	\$0.12	\$0.15	\$0.01	\$0.01	\$0.02	\$0.02
Nebraska	\$0.18	\$0.21	\$0.20	\$0.21	\$0.04	\$0.05	\$0.05	\$0.06
New Hampshire	\$0.39	\$0.50	\$0.50	\$0.55	\$0.10	\$0.14	\$0.15	\$0.19
New Jersey	\$3.20	\$3.68	\$3.48	\$3.72	\$0.94	\$1.10	\$1.10	\$1.13
New Mexico	\$0.15	\$0.16	\$0.14	\$0.17	\$0.04	\$0.05	\$0.04	\$0.05
New York	\$9.74	\$8.59	\$10.29	\$10.55	\$3.34	\$3.59	\$3.47	\$3.69
North Carolina	\$2.88	\$3.80	\$3.81	\$4.34	\$0.73	\$0.73	\$0.67	\$1.00
North Dakota	\$0.02	\$0.03	\$0.03	\$0.04	\$0.01	\$0.01	\$0.01	\$0.01
Ohio	\$4.30	\$4.33	\$4.29	\$4.50	\$1.13	\$1.36	\$1.15	\$1.46
Oklahoma	\$0.35	\$0.35	\$0.35	\$0.38	\$0.08	\$0.08	\$0.08	\$0.09
Oregon	\$1.15	\$1.30	\$1.68	\$1.68	\$0.55	\$0.65	\$0.90	\$0.90
Pennsylvania	\$4.47	\$5.30	\$4.50	\$4.98	\$1.14	\$1.30	\$1.21	\$1.10
Rhode Island	\$0.88	\$1.07	\$1.43	\$1.49	\$0.28	\$0.30	\$0.40	\$0.43
South Dakota	\$0.18	\$0.30	\$0.24	\$0.25	\$0.12	\$0.16	\$0.18	\$0.18
Tennessee	\$0.84	\$2.08	\$1.81	\$2.10	\$0.43	\$0.50	\$0.43	\$0.52
Virginia	\$2.15	\$3.26	\$3.75	\$4.60	\$0.60	\$0.77	\$0.78	\$0.87
Washington	\$0.25	\$0.91	\$0.80	\$1.00	\$0.19	\$0.23	\$0.19	\$0.25
Wisconsin	\$0.73	\$0.90	\$0.89	NA	\$0.27	\$0.07	\$0.08	NA
West Virginia	\$0.21	\$0.35	\$0.29	\$0.30	\$0.45	\$0.51	\$0.47	\$0.58
Wyoming	\$0.02	\$0.03	\$0.03	\$0.04	\$0.00	\$0.00	\$0.00	\$0.01

Sources: *La Fleur's 2023 World Lottery Almanac*, 31st edition; lottery financial statement and annual reports

1) Benchmarking Lottery Impact

Benchmarking is frequently employed to determine the cannibalization of existing lottery games caused by a new gambling offering. This analysis involves a review of overall revenue, operating costs and return to the designated causes that each lottery is benefiting. The review requires not just the benchmarking of this data, but an analysis of the unique cost and operational issues that affect cost and cash flow.

The difficulty in performing this analysis is that there are differences in availability of information. In the United States, lotteries are subject to open records requirements, resulting in most of the information being made available through regular reporting. However, in reviewing published financial data, the data at times are not broken down in the same manner by each lottery, which makes it difficult to achieve an apples-to-apples comparison.

Financial benchmarking during years affected by the global pandemic has been difficult given the different effects the pandemic had in different parts of the world and even within the same regions. The extent to which retail establishments were completely closed or partially closed varied greatly. Moreover, the manner and speed in which states reopened for business appears to have dramatically skewed the increase in lottery revenue after the pandemic. For example, Texas realized double-digit increases in gross revenue while other states such as Massachusetts realized smaller, more typical year-to-year increases. We have found that financial comparisons are skewed as well and do not necessarily reflect the accurate level of performance. The fact that the growth of sports wagering in the United States coincides with the post-pandemic economy contributes to the difficulty in making an accurate assessment of the impact of sports wagering.

In selecting which states to use in benchmarking, we selected peer states that offer similar characteristics to Massachusetts. Some of the characteristics considered are:

- The state has similar demographics.
- The lottery in this state has a well-developed game portfolio.
- The lottery in this state focuses on lottery performance as a key revenue generator for the state.

In determining the benchmarking value of Ohio, Delaware, and the District of Columbia for the purposes of lottery performance, only the Ohio Lottery offers value as a benchmark because it has similar demographics, a similar game portfolio and similar emphasis on lottery as a revenue generator. The DC Lottery is not an acceptable comparison due to two unique factors:

1. First, the District of Columbia is a city form of government and does not approach its administration of its lottery operation in a similar fashion. Specifically, the District government does not necessarily rely on its lottery as a revenue generator.
2. Second, the DC Lottery is not an acceptable benchmark example for Massachusetts is the District's commuter factor. The District's market has 1 million adults – comprised of 569,000 resident adults and 450,000 daily commuters. Tourism also adjusts the size of the market for the DC lottery. Including the daily commuters, the number of adults in the District may

increase significantly due to the estimate of a daily weekday pool of 700,000 non-residents who work in, or visit, the District.¹¹²

The Montana Lottery does not provide a suitable benchmark for Massachusetts. The Montana Lottery is a low-performing lottery, and the state does not utilize it as a primary revenue generator. Secondly, Montana's demographics and geographic setting are substantially different than those of Massachusetts.

The Ohio Lottery has a more robust game offering than Massachusetts, but it provides other similarities that make it a suitable benchmark. The issue with conducting a more granular analysis with the Ohio Lottery is the limited sample size of sports wagering kiosks in Ohio. At the end of FY 2023, Ohio had only put 930 sports wagering kiosks in the field.¹¹³ With this limited record of performance, it is difficult to state with certainty the impact of sports wagering kiosks. As shown in Figure 12 above, the Ohio Lottery experienced a sales increase in FY 2023, which would cover the first six months of operation of sports wagering kiosks.

2) Lotteries' Sports Wagering Kiosks Implementation/Licensing Restrictions

Montana, Ohio, and Washington, DC, have offered sports wagering kiosks under different strategies to implement sports wagering. Montana employed sports wagering kiosks as the primary driver to offer the game to consumers. The Ohio and DC lotteries utilized a broader strategy that included broad online offerings as well as a targeted introduction of sports wagering kiosks or self-service terminals.

Montana

Legislation authorizing the Montana Lottery was passed in 1986 with initial ticket sales starting in June 1987.¹¹⁴ The Montana Lottery has offered a traditional US lottery product portfolio consisting of instant tickets, the multistate jackpot games, in-state draw and jackpot games, and a single VLT game, Treasure Play, offered on terminals in taverns and casinos.

From 2008 until 2021, the Montana Lottery offered a fantasy football product line, Montana Sports Action, on behalf of the Board of Horse Racing. The game operated similarly to other fantasy football games where the player chooses five eligible offensive players and one defensive unit. Players could play an amount varying from \$5 to \$100.

The Montana Lottery oversees the operation of sports wagering.¹¹⁵ Sports Bet Montana is the latest addition to the Montana Lottery's game portfolio. In 2019, the legislature passed legislation

¹¹² Based on US Census data of 450,000 daily out-of-state commuters and 250,000 daily tourists (estimated from Destination DC visitor data at https://washington-org.s3.amazonaws.com/s3fs-public/2017_dc_visitation_and_impact_fact_sheet.pdf)

¹¹³ Ohio Lottery Commission: An Enterprise Fund of the State of Ohio Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2023 at p 10.

¹¹⁴ Montana Lottery Financial Statements, et. seq.

¹¹⁵ Ibid.

legalizing sports wagering. The Montana Lottery went live with sports wagering in March 2022 with players placing bets at sports wagering kiosks in authorized locations or on a cell phone application while the player is located at an authorized location.

Players can place bets on a kiosks anonymously or from their phone from a registered account set up by the player.¹¹⁶ Players can place a minimum bet of \$2 with a maximum bet of \$1,000 and a maximum prize of \$100,000.

Ohio

The General Assembly legalized sports gaming in 2021 with the passage of legislation (HB 29) that established a comprehensive licensing and regulatory framework under the jurisdiction and rulemaking authority of the Commission.¹¹⁷ The bill also created the Ohio sports gaming lottery, operated by the Ohio Lottery Commission. Sports gaming in Ohio is operated by private businesses in three categories:

- Type-A Sports Gaming: Online sportsbooks (including mobile)
- Type-B Sports Gaming: Physical sportsbook facilities
- Type-C Sports Gaming: Kiosks at eligible liquor permit establishments

These businesses partner with digital management services providers, management services providers and suppliers, all of which must be licensed.

House Bill 29 limits the number of vendors licenses the Commission may issue to 25 Type-A and 40 Type-B, and further requires Type-B Sports Gaming facilities to be located in counties based on their population in the 2010 federal census. In addition, preference for Type-A and Type-B Sports Gaming licenses is given to Ohio’s casinos, racinos, professional sports teams, and a PGA event and NASCAR event held within the state.

Starting in January 2023, the Ohio Lottery placed 772 sports kiosk locations and by June this number had grown to 939 kiosks locations. As of February 2024, the Ohio Lottery had issued all 1,500 Type-C licenses authorized by the legislation.¹¹⁸ It was reported that the Ohio Lottery lost money on Type-C sport betting kiosk with a cost of operate the kiosks at \$650,000 annually as compared to \$305,000 in revenue realized from the kiosks in 2023.¹¹⁹

¹¹⁶ Ibid.

¹¹⁷ “2023 Ohio Casino Control Commission Annual Report,” pp. 12-13.
<https://dam.assets.ohio.gov/image/upload/casinocontrol.ohio.gov/annual-reports/2023%20OCCC%20Annual%20Report%20-%20Final.pdf>

¹¹⁸ Clay Gordon, “Ohio Lottery Lost Money on Sport Betting in 2023,” 10WBNS, February 12, 2024.
<https://www.10tv.com/article/news/local/ohio/ohio-lost-money-on-sports-gaming-kiosks/530-c450a46e-fa3b-479a-8434-f2c3d7f44842>

¹¹⁹ Ibid.

Washington, DC

The DC Lottery partnered with its gaming technology company, Intralot, to implement sports wagering in the district. The DC Lottery launched sports wagering in 2020. It also introduced lottery in 2021. Sports wagering kiosks were introduced in August 2021. The enabling law for sports wagering authorizes two classes of licenses for sports wagering.¹²⁰ The two classes of licenses are Class A, which are centered on the local sports arenas, and Class B, which are the retailer-based kiosks or self-service betting terminals.

The DC Lottery has 72 retailers who are authorized to operate 91 self-service betting terminals (“SSBTs”), which are another term for sports wagering kiosks. Similar to Montana, the terminals allow the player to submit wagers on lottery games and sports wagering. Convenience stores are only permitted to offer self-service sports wagering.

The DC Lottery has approved five Class A brick-and-mortar sites that are operational. The SSBTs are located in these sites as well. Capital 1 Arena has 19 SSBTs. Private operators are permitted to restrict lottery mobile apps within a two-block radius of the sportsbook’s locations. This restriction means that a significant percentage of DC residents do not have access to online apps because they are located within the two-block radius of a sports arena.¹²¹

There are specific guidelines around the placement of kiosks. It is a very specific review involving placement, sightline, and distance from where the employees congregate. There must be good visibility.

The DC Lottery must include SDOs (supplier diversity organizations) in its operation of sports wagering. The DC Lottery is also required to find opportunities for minority-owned and women-owned businesses to participate in sports wagering operation.

3) Potential Impact on Lottery Contributions

Although the impact of sports wagering on lottery sales and operations is unclear, Spectrum believes that if sports wagering kiosks are introduced at bar and restaurant locations, then the impact may be felt by the Massachusetts Lottery’s second-most popular game, keno.

The Massachusetts keno game is stronger than in most other states; this is particularly true when comparing it to the few states that also have retail sports wagering kiosks. Although there are no data to support this as a conclusion or a finding, based on our experience in Massachusetts we believe the impact of retail kiosk sports wagering on keno is a real possibility that would need to be monitored.

The Massachusetts Lottery’s keno game represents approximately 20% of all lottery games over the last two fiscal years. In FY 2023, keno grossed approximately \$1.226 billion, or 19.9% of total sales.¹²²

¹²⁰ See 30 DCMR Lottery and Charitable Games Section 2100, et. seq.

¹²¹ Emmanuel Bailey (personal communication), November 17, 2023.

¹²² Massachusetts State Lottery Commission: Statement of Operations-Lottery and Arts Lottery Funds, June 2023. https://assets.ctfassets.net/45roy5e8ztfdf/68KO95kYzZcYIGhpwruTu7/3be3c4d32172a694231ad049cfbbb049/Statement_of_Operations_FY_2023.pdf

Given that keno has a lower prize payout percentage than other high-performing games such as instant tickets, the impact on the net revenue transferred to the cities and towns as unrestricted local aid could be disproportionate. The Massachusetts keno game is one of the most productive keno-style games in the US lottery market.¹²³

While keno is now available in all lottery retail locations, its genesis and success is attributable to its growth in the bar and restaurant setting. When it started in 1993, keno was available in all types of lottery locations.¹²⁴ Due to some backlash over the effect of the game, the Massachusetts Lottery limited new keno locations to pouring establishments – i.e., bars and restaurants – and had a cap of approximately 2,000 locations for many years. Starting in approximately 2007-2008, the Massachusetts Lottery began the gradual process of offering keno to all lottery retailers in various forms. Keno or “Keno to Go” is now offered in all 8,500 lottery retail locations. Keno is still a popular game in the bars and restaurants of the Commonwealth. In any event, if sports wagering kiosks will have a negative impact on the Massachusetts Lottery games, it will be in the keno game sold at the bar and restaurants of the Commonwealth.

Given the lack of benchmarking data available, it is difficult and not prudent to estimate the potential impact, if any, on the Massachusetts game of keno. This section simply identifies an area that bears observation should sport betting kiosks be offered in the Commonwealth and are offered in the bars and restaurants where keno is so popular. Accordingly, based on our experience, we believe the potential impact of retail sports wagering kiosks on keno would need to be monitored.

B. Anticipated Market Recapture from the Black Market

When considering the level of market share that retail sports wagering kiosks can be expected to recapture from black-market operators, it is important to understand the various black-market options available to patrons in Massachusetts today. It is also important to understand the motivations for those patrons in regulated markets to continue to use black-market operators. Understanding these variables is crucial in creating the context required for responsibly projecting any applicable recapture of black-market activity with the use of sports wagering kiosks.

In Spectrum’s experience there are three typical forms of black-market operators found in most any jurisdiction. They are as follows:

Retail Credit:¹²⁵ An individual or group of individuals taking wagers from patrons on a line of credit and documenting all wagering and financial activity by hand, in-person, and without use of digital means or process. Patrons of these types of operators normally have a higher net worth and minimum lines of credit, and wager amounts that would otherwise exclude the average player from participating. These

¹²³ LaFleur’s 2023 World Lottery Almanac, 31st ed., (2023) at p. 345.

¹²⁴ “Mass Lottery History.” <https://masslottery.com/about/the-lottery/history> (accessed March 11, 2024)

¹²⁵ Sera Congi, “Police Bust Alleged Illegal Backyard Gambling Ring in Milford, Massachusetts,” WCVB, August 31, 2023. <https://www.wcvb.com/article/police-bust-alleged-illegal-backyard-gambling-ring-in-milford-massachusetts/44967352>

operators maintain a smaller list of clients that can be easily managed and maintained. They are not generally considered to be a mass market operator.

Sports wagering kiosks are not likely to be relevant or applicable to recapturing wagering from this type of patron demographic due to the player's consumption habits, wagering amounts and preference for convenience and personal service.

Retail Credit + Mobile:¹²⁶ An individual or group of individuals taking wagers from patrons on a line of credit whereas all wagering and financial activity is documented via digital channels (i.e., mobile wagering) with financial settlements being made either in person or via other means between the patron and the operator. With the advent of the "pay per head"¹²⁷ model, those retail credit operators that previously managed all activities by hand can now procure software specifically built for the purpose of providing credit for mobile wagering at scale. The size of these operators can vary from a few to a few thousand as they provide the ease of wagering on credit coupled with the convenience of a mobile platform. Patrons of these operators can range the full financial spectrum, with the operator determining the type of player base they would like to extend lines of credit to. The convenience of wagering on credit via mobile is ultimately the key differentiator for this type of operator and factors heavily into a patron's decision to wager in this manner.

Sports wagering kiosks likely do not present an attractive alternative due to the cash-in-hand, physically present nature of wagering on sports kiosks.

Online Advance Deposit: These are typically offshore enterprises specializing in acquiring players through various marketing channels and requiring that players advance deposit by electronic means¹²⁸ including credit card, ACH, bank wire and cryptocurrency. They maintain sophisticated infrastructures to support large-scale operations and reach in terms of player base and offering. These operators are the primary competitors to licensed digital wagering operators in any regulated market and provide the most similar experience for the patron, with key distinctions. Online advance deposit operators can offer larger bonuses and more payment methods including crypto currency; regulated operators must factor in costs of promotions to their tax liabilities and are not approved to offer crypto currency transactions. They also present a lower barrier to entry as a social security number is not required for registration, thus avoiding exposure to government taxes on large wins and entry into regulator databases.

Online advance deposit offers a certain level of anonymity due to light and inconsistent KYC processes coupled with extensive deposit and withdrawal options and a wagering menu that is more extensive than legalized operators. Patrons who prefer this type of wagering service are primarily

¹²⁶ Office of the Attorney General, "33 Individuals Indicted in Connection with Multimillion Dollar Sports Betting Operation," Mass.gov, November 13, 2015. <https://www.mass.gov/news/33-individuals-indicted-in-connection-with-multimillion-dollar-sports-betting-operation>

¹²⁷ "What Is Pay Per Head," *Ace Per Head Blog*. <https://aceperhead.com/blog/pph-guide/what-is-pay-per-head/> (accessed January 4, 2024)

¹²⁸ "Financial-FAQ/Deposit-Methods," Bovada.LV Help. <https://www.bovada.lv/help/financial-faq/deposit-methods> (accessed January 4, 2024)

concerned with the benefits of convenience and ease of use, which negates the perceived risks of wagering with a black-market operator. However, studies also suggest that these types of operators are so similar to legal operators that half of patrons that use them believed they were wagering legally.¹²⁹

Sports wagering kiosks, in their current iteration, are not able to provide incentives or patron experience that compete with the perceived value proposition that black-market operators make available.

1) Patron Use of Black-Market Operators in Legalized Jurisdictions

Convenience

As described above, the main theme Spectrum has identified for a patron’s continued use of a black-market operator is convenience. Whether they have a long-standing relationship with the operator, are recruited/referred, or are acquired through digital marketing means, patrons playing with black-market operators place a premium value on convenience and – in the case of online advance deposit – may not even know they are playing with a black-market operator. Although a wide network of regulated sports wagering kiosks would create a level of accessibility, they do not offer any convenience related to the actual placing and settlement of the wagers when compared to retail credit + mobile and advance deposit wagering operators.

Further negating the convenience of sports wagering kiosks are the maximum payouts that can be claimed in cash vs. having to mail in winning bet slips. Normally, the patron’s only options are to wait to receive a paper check or register online for a bank transfer as opposed to instant settlement via crypto currency or bank transfer as is available with most any digital wagering operator – both regulated and black-market.

The Montana Lottery does offer digital wagering and redemption; however, patrons must be physically located within a licensed location where a sports kiosk already exists in order to place wagers from the mobile app. This requirement dilutes the convenience factor of mobile wagering and accounts for merely 10% of all wagering activity per statements from Montana Lottery.¹³⁰ The DC lottery supports mobile wagering and redemptions district-wide, however they are viewed as a more traditional digital operator and would not be applicable to compare to Montana and Ohio. In Ohio, the Lottery does not offer digital wagering.

Product Offering

Spectrum’s research of sports wagering kiosks in the comparative markets of Montana, Ohio and Washington, DC, found wagering menus that, while similar in terms of offering to those of retail credit + mobile and online advanced deposit operators (as described above), include distinct variables that further hinder the sports wagering kiosks’ ability to compete with the product offering of the black-market.

¹²⁹ “Sizing the Illegal and Unregulated Gaming Markets in the U.S.,” American Gaming Association, November 30, 2022. <https://www.americangaming.org/resources/sizing-the-illegal-and-unregulated-gaming-markets-in-the-u-s/>

¹³⁰ Interview with Anne Charpentier, Marketing & Sales Director, Montana Lottery, via email, February 2, 2024.

Black-market operators often specialize in offering betting options that cannot be found in regulated markets. For example, the coin toss on the Super Bowl was not permitted to be wagered on via licensed operators in Massachusetts.¹³¹ But black-market operators offered multiple ways to bet on the coin toss to entice first-time bettors to sign up and wager on an overly simplistic yet highly publicized prop bet.

It should be noted that sports wagering kiosks in Washington, DC, and Montana are operated by the same vendor whereas Ohio allows licensed kiosk suppliers and operators to dictate what they make available if it is approved by the Ohio Casino Control Commission. This creates a narrow comparison of product offering, and any future considerations regarding what products and considerations are made available to sports wagering kiosk patrons should be gauged against a wider sample set that includes various forms of black-market operators.

Figure 13: Comparison of products offered by sports-wagering kiosk states, black-market operators

Bet Types & Options	State Lotteries			Offshore Sportsbooks		
	OH Lottery	MT Lottery ¹	DC Lottery ¹	Bovada	MyBookie	PP Head
Spreads	✓	✓	✓	✓	✓	✓
Totals	✓	✓	✓	✓	✓	✓
Moneyline	✓	✓	✓	✓	✓	✓
Straights	✓	✓	✓	✓	✓	✓
Parlays	✓	✓	✓	✓	✓	✓
Teasers				✓	✓	✓
Round Robin	✓	✓	✓	✓	✓	✓
In-Play	✓	✓	✓	✓	✓	✓
Player Props		✓	✓	✓	✓	✓
Max Parlay Selections	4	15	15	20	16	+152
Same Game Parlay	✓	✓	✓	✓	✓	✓
Early Cashout	✓	✓	✓	✓	✓	✓
Futures		✓	✓	✓	✓	✓
Politics Betting				✓	✓	✓
Entertainment Betting				✓	✓	✓
Casino Games				✓	✓	✓
Horse Race Betting				✓	✓	✓
Max Bet (single wager)	\$700	\$1K	\$600	+\$10K	+\$10K	+\$10K ²
Max Payout	+\$600 ²	\$100K	\$150K	\$250K	\$100K	+\$100K ²

Sources: DC Lottery, Montana Lottery, Ohio Lottery, Bovada, MyBookie, PayPerHead. ¹ Same provider/offering for lottery monopolies and comprises ~50% of revenue in Ohio. ² Configured to operators' risk tolerance

Key differences to note are max limits on transactions and payouts; black-market operators do not carry the burden of Title 31 AML considerations and thus are able to be more liberal with transaction amounts. The addition of non-traditional wagering events like elections and awards shows and the availability of casino gaming and horse racing with black-market operators creates a large gap in offerings

¹³¹ Peter Eliopoulos, "Some Super Bowl 58 bets are off-limits in Massachusetts," WCVB, February 9, 2024. <https://www.wcvb.com/article/some-massachusetts-super-bowl-58-bets-not-permitted/46690491#>

that further amplifies the convenience factor of having all gaming options accessible from a single digital account vs. the use of sports wagering kiosks.

Pricing

The pricing standards used by the retail sports wagering operators appear to be dictated by their vendors and suppliers rather than by administrative rule or statute. Spectrum has observed these prices as being, in many cases, more expensive than the same market pricing offered by the black-market operators by up to 25% or more.

Due to lower expected wagering volumes, there is an inherent need for both the vendors and the lotteries to protect themselves from liabilities related to large wins and low hold percentages. The most effective way to manage this is by charging more to place wagers or by reducing payout amounts. This is in stark contrast to the regulated and black-market operators that use promotions such as odds boosts¹³² or reduced pricing¹³³ to assist in selling wagers. This level of promotion is available to sports kiosk vendors; however, the kiosk hosts typically do not have such control or capability to leverage such tools to compete in a meaningful way nor does it appear that vendors can afford to squeeze their margins any further.

Figure 14: Ohio statewide Type C vendor revenues and breakdown, calendar year 2023¹³⁴

Handle	Prizes	Voids	GGR	Avg. Percent Payout	Avg. Host Locations
\$13,233,382	\$11,876,740	\$49,581	\$1,307,064	90.34%	892

Source: Ohio Lottery

Based on the numbers in Figure 14 and interviews with Ohio sports kiosk vendors, we have calculated the following figures:

- Average handle of \$14,835 per year (or \$1,236 per month) for each host location
- Average wager amount reported to be \$44.¹³⁵ That means there are 337 wagers per year (or 28 wagers per month) for each host location
- Average percent payout of 90.34% on \$44 = \$4.25 profit per wager
- Average GGR of \$1,465 per year (or \$122 per month) for each host location
- Average revenue split between a kiosk vendor and host can be up to 80/20,¹³⁶ indicating that for every \$122 in gross gaming revenue, the host of that kiosk will earn 20% of the revenues. In the case of Ohio, an example of the model appears as follows:

¹³² “Odds Boost & Promotions,” FanDuel Massachusetts. <https://ma.sportsbook.fanduel.com/promotions> (accessed March 3, 2024)

¹³³ “Pay Per Head Tour,” Pay Per Head. <https://payperhead.com/tour/> (accessed March 3, 2024)

¹³⁴ “Sports Gaming Revenue Reports,” Ohio Lottery, <https://www.ohiolottery.com/About/Index/Financial/Sports-Gaming-Revenue> (accessed February 11th, 2024)

¹³⁵ Confidential Source No. 1, Ohio sports kiosk vendor, phone interview with Spectrum Gaming Group, February 19, 2024.

¹³⁶ Confidential Source No. 2, Ohio sports kiosk vendor, email interview by Spectrum, February 27, 2024.

Handle - Prizes Paid - Voids = \$122 GGR * 20% (Host Rev Share) = \$24.40

Due to the estimated losses by sports wagering vendors in Ohio, there is likely no appetite for reducing their margins further by means of odds boosts and reduced pricing. In fact, depending on the supplier and vendor of the sports wagering kiosks and their pricing in comparison to the wider market, there is the risk of anonymous kiosk wagering becoming a liability when used by patrons experienced in sports wagering.¹³⁷ Experienced bettors can identify pricing discrepancies that create a value proposition to exclusively bet via kiosk. While this can be seen as a potential value proposition for wagering on kiosks, it can quickly create material impact to the lottery's revenue projections. In fact, the DC Lottery was forced to enact an emergency rule to limit bettors due to a single patron who was able to win substantial amounts material to the bottom line of the sports wagering division's balance sheet.

Anonymity

While it can be claimed that wagering with black-market operators is not anonymous, it does afford patrons a way to hide their activities from law enforcement and other parties that may otherwise have claim to a patron's financial activity (child support, liens, court settlements and the like).

Wagering via kiosk does afford players anonymity at the point of wagering, however, depending on the size of a winning wager, that anonymity can be forfeited should the patron be required to receive a paper check vs. cash settlement because of the size of the winnings.

Those individuals who opt to bet exclusively with sports kiosks in a jurisdiction where legal digital options are available would appear to be making concerted efforts to avoid having their identity known either due to a previous self-exclusion, a regulatory ban, or an operator ban due to malicious behavior or limiting of wagering allowed to the patron for one reason or another. In other words, sports kiosks present an ideal option for wagering by patrons who otherwise may be restricted from doing so with other legal options.

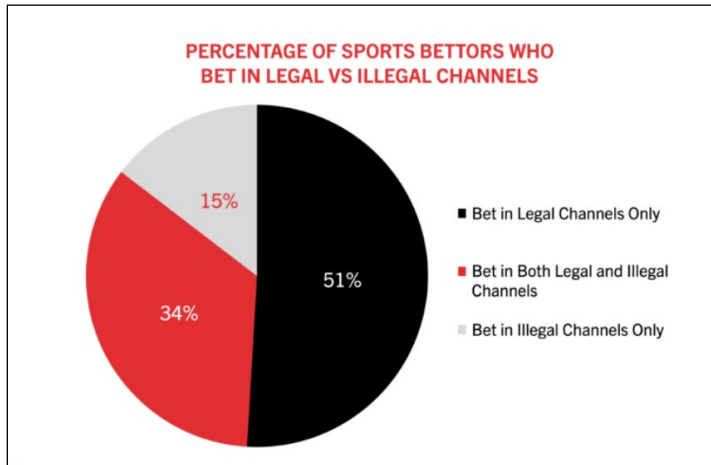
2) Current Black-Market Consumption

According to the American Gaming Association's November 2022 report on the size of the illegal and unregulated market,¹³⁸ consumption of black-market operators by patrons in jurisdictions where legal options are available is roughly split, with 51% of those polled playing exclusively with legal channels while 49% still patronized black-market operators at least some of the time.

¹³⁷ Bennett Conlin, "D.C. Lottery Limits Retail Wagers After Restaurant Bettor Wins Big," Sports Handle, September 19, 2023. <https://sportshandle.com/dc-lottery-limits-retail-bettors/>

¹³⁸ "Sizing the Illegal and Unregulated Gaming Markets in the U.S.," American Gaming Association, November 30, 2022. <https://www.americangaming.org/resources/sizing-the-illegal-and-unregulated-gaming-markets-in-the-u-s/>

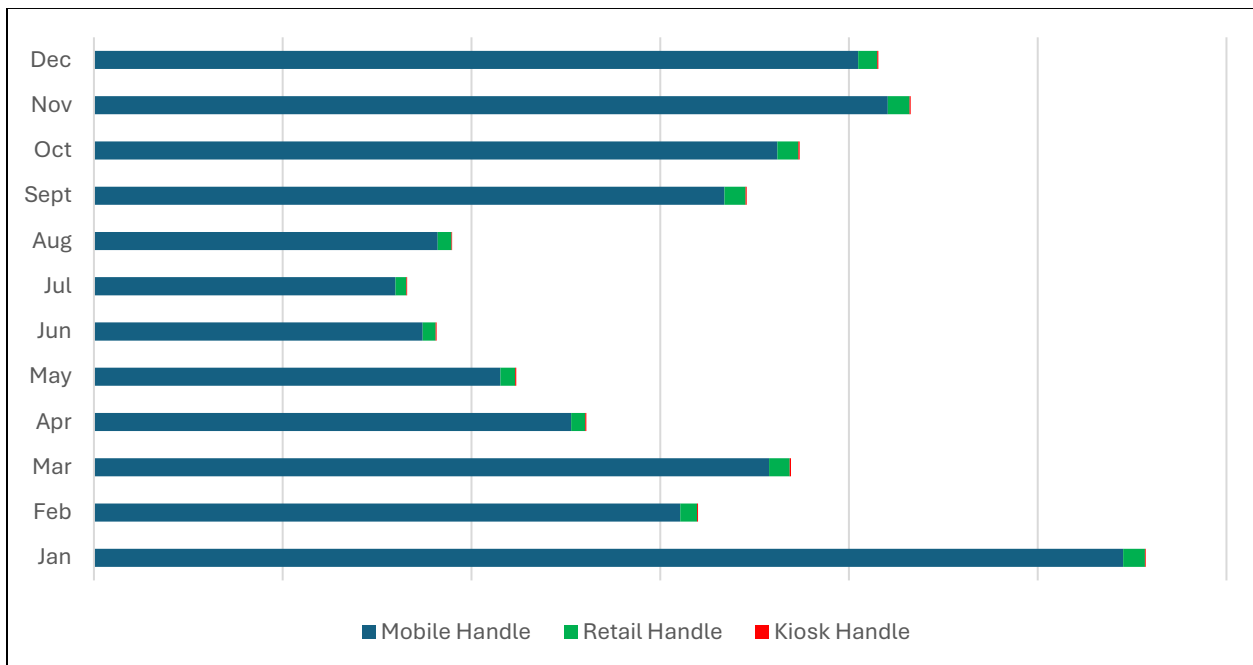
Figure 15: Percentage of sports bettors who bet in legal vs. illegal channels, 2022



Source: American Gaming Association

Spectrum expects that with market maturity, there will be a reduced patronage of black-market operators, however, this patronage will most certainly trend toward legal digital operators rather than a retail or kiosk channel for wagering. This is best represented by the aggregated stats of state-published handle by channels. For example, in Ohio, regulated sports wagering launched on January 1, 2023, and the rate of channelization is consistent with the national landscape of how patrons place their wagers, with more than 90% being made via digital.¹³⁹

Figure 16: Ohio sports wagering handle by channel, 2023



Source: Ohio Lottery, Ohio Casino Control Commission

¹³⁹ "Revenue Reports," Ohio Casino Control Commission, <https://casinocontrol.ohio.gov/about/revenue-reports> (accessed January 30, 2024)

As shown in Figure 16, the vast majority of Ohio sports wagering handle is via the digital handle (blue), with the retail channel (orange) contributing less than 10%. The kiosk handle (green) is almost invisible.

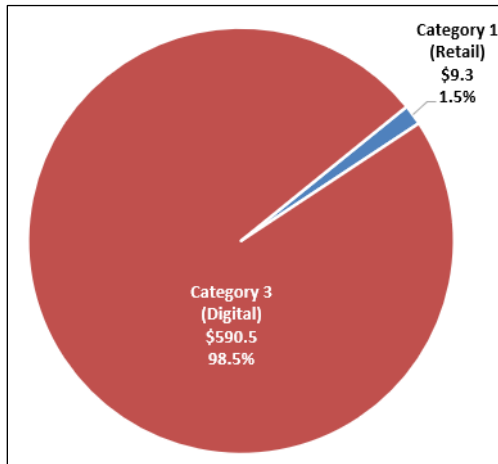
3) Caution with Kiosks

While the focus of this section is to identify the anticipated recapture of the black market, Spectrum believes it is important to point out that the introduction of sports wagering kiosks is susceptible to use as a tool by black-market operators. Utilizing a network of agents using different kiosks throughout the state working in concert to essentially lay off or hedge their own exposure to wagers they have taken, can be both a positive and a negative depending on the quality of product the kiosk vendor is making available and whether their odds and pricing are competitive enough as not to provide a value add of arbitrage for the black-market operator to profit from. Additionally, those black-market operators offering Retail Credit and Retail Credit + Mobile may find the use of sports kiosk vouchers as an effective measure to launder cash proceeds and issue cash settlements to their players.

5. Economic Impacts of Sports Wagering on Massachusetts Establishments that Serve Alcoholic Beverages

The Commonwealth of Massachusetts legalized sports wagering on August 10, 2022, and launched the activity via casinos less than six months later (January 31, 2023) and via digital channels seven weeks after that (March 10, 2023). Through its first 12 full months of combined retail and digital sports wagering (i.e., through March 2024), statewide sports wagering gross gaming revenue was \$599.8 million.

Figure 17: Massachusetts sports wagering GGR by segment, 12 months ending March 2024



Source: Massachusetts Gaming Commission

The Commonwealth as part of this study seeks to understand the impacts this suddenly large industry has had on retail establishments that serve alcoholic beverages for on premises consumption, such as restaurants and bars.

In February, the Massachusetts Gaming Commission reported that sports wagering had produced \$108.4 million in total taxes and assessments from the operations of licensed operators since wagering began at brick-and-mortar casinos on January 31, 2023, and online on March 10, 2023. Those numbers far exceed the \$60 million projected in annual revenue when then-Governor Charlie Baker, who is now president of the National Collegiate Athletic Association, signed the Massachusetts sports wagering bill into law on August 10, 2022. But none of the money came from sports wagering kiosks at bars and restaurants in Massachusetts.

“This is something we are pushing for, especially in kiosk form, but that is still under consideration from the (Massachusetts) Gaming Commission,” Stephen Clark, president and chief executive officer of the Massachusetts Restaurant Association, told Spectrum.

Spectrum interviewed managers or owners of 20 Massachusetts sports bars and restaurants to glean their insights about the impact of legal sports wagering on their businesses. Of the 20 interviewed, 18 said the introduction of legal sports wagering had not had any discernible impact on their revenue or operations. Only two of the businesses interviewed said they have noticed an uptick – in excitement, not

revenue – surrounding events sponsored by DraftKings and FanDuel as well as Ultimate Fighting Championship matches.

Although they cannot place bets via kiosks at restaurants and bars, customers with mobile phones tend to stay longer to see the results of games on which they have wagered, according to 12 of the businesses interviewed. Those 12 were evenly split whether customers are using their mobile phones more frequently, although the six that said they have noticed an increase said they were uncertain if sports betting was the reason for the surge.

Two of the 20 businesses interviewed strongly supported the proposition of kiosks in their operations, and five more said they were inclined to welcome kiosks but would need to confer with their superiors before endorsing the concept. Two businesses opposed kiosks, eight said they did not have an opinion, and three did not respond.

“I think that the sports betting kiosk is a great idea, and I think it’s a great way to bring in business,” said a manager of a Gloucester restaurant. “It would definitely improve traction, you know, in and out of the business after the (Covid-19) pandemic definitely took (a toll) on a lot of businesses, especially in towns like ours. Kiosks would definitely be a positive impact.” The Gloucester manager said it is a common sight on Friday and Saturday nights at the bar to see “younger kids like the ones who are 23 or 24 years old always yelling at their phones and doing bets.”

A manager in Franklin who opposes kiosks said the machines could be a distraction. “I think it (a kiosk) would be more the staff using it than the customers. And we wouldn’t want that,” the manager said. The manager said their restaurant has keno machines, but it asked the Massachusetts Lottery to remove a scratch-ticket machine from the premises. “The machine really wasn’t doing much, and we didn’t sell enough tickets,” the manager said.

While the legalization of sports wagering in Massachusetts has not yielded measurable income yet for bars and restaurants, it “definitely motivates more people to come out,” said a manager of a Springfield bar and grill. “I would say that sports attract more people to our new restaurant (which celebrated its first anniversary on March 29), and that’s important especially with the MGM (Springfield Casino) right down the street.”

A pub manager in Lowell also cited the competitive dimension a kiosk could bring to his business. “People wouldn’t have to go to the Encore (Boston Harbor, a Wynn Resorts casino about 30 miles southeast of Lowell in Everett),” the manager said. “They could just stay home.”

A manager of a Westfield bar and grill said its customers “never really get too crazy for the games” despite the sports theme of his business. Nevertheless, the manager said sports wagering kiosks could potentially become a valuable asset in Massachusetts’ booming sports wagering market. “Obviously, I would imagine the Boston-Worcester area is probably a bigger market than Western Mass outside of Springfield,” the manager said. “But I definitely think (kiosks) would be beneficial for the state.”

What Restaurant and Bar Owners/Managers Are Saying in Massachusetts

“I think it would be more the staff using it (a sports wagering kiosk) than the customers. And we wouldn’t want that.” – *Manager of a Franklin bar*

“It (kiosks) would definitely improve traction, you know, in and out of the business after the (COVID-19) pandemic definitely took (a toll) on a lot of businesses, especially in towns like ours. Kiosks would definitely be a positive impact.” – *Manager of a Gloucester bar*

“I would say that sports attract more people to our new restaurant, yes, especially with the MGM (Springfield Casino) right down the street.” – *Manager a Springfield bar and grill*

“We have the biggest screen on the East Coast, so yeah, I would say people are definitely betting on the side while games are happening.” – *Manager of a Boston bar*

“People wouldn’t have to go to the Encore (Boston Harbor, a Wynn Resorts casino about 30 miles southeast of Lowell in Everett). They could just stay home.” – *Manager of a Lowell pub.*

“Obviously, I would imagine the Boston-Worcester area is probably a bigger market than Western Mass outside of Springfield. But I definitely think (kiosks) would be beneficial for the state.” – *Manager of a Westfield bar and grill.*

“We were still busy (in 2023), but not crazy like previous years when the (New England) Patriots (of the National Football League) were better. We don’t get a ton (of business) for baseball. Basketball and hockey are pretty big.” – *Manager of a Plymouth bar and grill.*

Appendix: Interview Guides

Spectrum developed and employed the following question guides for use in interviewing informants for this study.

A. Kiosk Hosts in Montana, Ohio and Washington, DC

- For how long have you been a kiosk host?
 - What type of establishment are you?
 - Restaurant
 - Full service
 - Fast-casual
 - Quick service
 - Bar or pub
 - Package-goods stores (i.e., for off-premises consumption)
 - Retail establishments that do not sell alcohol?
 - Veterans and fraternal organizations?
 - What costs are associated with adding kiosks?
 - Any that you did not anticipate?
 - Have you changed staffing levels at all due to the sports wagering kiosk?
 - Have you attracted more patrons since becoming a kiosk host?
 - Have you attracted a different clientele since becoming a kiosk host? Explain ...
 - Are patrons spending more time or money in your establishment since you became a kiosk host?
 - Are they purchasing more food?
 - Are they purchasing more alcohol?
 - Have you noticed patrons drinking more than they should as a result of staying longer on the premises due to sports betting?
 - How have the kiosks impacted your bottom line?
 - Aside from spending, what changes in patron behavior have you noticed since becoming a kiosk host?
 - Have you seen, or sensed, patrons using their mobile phones for sports betting purposes while on premises despite you having kiosks?
 - Are patrons staying for longer or shorter durations?
 - How has your business changed when showing college or pro football games?

- Have they changed their behavior, such as becoming more animated when watching sports on TV?
 - If so, how has that affected your business?
- Have the kiosks solved any problems or created any benefits for your establishment?
- Have you noticed or sensed patrons gambling beyond their means?
- What other forms of legal gambling do you offer in your establishment?
- Does your staff monitor ages of people using the kiosk? If so, how?
- Finally: Has it been worth your while to be a kiosk host?

B. Restaurant/Bar Owners or Managers in Massachusetts

- What type of establishment are you?
 - Restaurant
 - Full service
 - Fast-casual
 - Quick service
 - Bar or pub
- Are patrons spending more time or money in your establishment since sports betting was legalized?
- Aside from spending, what changes in patron behavior have you noticed since the implementation of sports betting?
 - Have you seen, or sensed, patrons using their mobile phones for sports betting purposes while on premises
 - Are patrons staying for longer or shorter durations?
 - Have they changed their behavior, such as becoming more animated when watching sports on TV?
 - If so, how has that affected your business?
- If sports betting kiosks were to be legalized in Massachusetts, would you be interested in being a host?
 - Why or why not?
 - What benefits would you expect from being a kiosk host?

C. Anticipated Social and Community Impacts

1. Do you have a formal policy on casinos, gaming, or expansion of gaming? If yes, what is it?

2. If you take a stance on good public health policy, what are elements that determine good public health policy? What would it take for kiosks to be considered positive?
3. If you take a stance on good economic policy, what are the elements that determine good economic policy? What would it take for kiosks to be considered positive?
4. Do you have membership? If so, could/would you take a poll/survey on this issue?
5. How did you determine the input of communities of color on your policy/stance?
6. Do you consider social equity in your policy/stance? If so, how?
7. What considerations do you give to children/minors access on your policy/stance?
8. What considerations have you given to offering gambling products in the community? Is access to physical and community-based gambling important to you?
9. Do you benefit from gambling advertising/earned media? Are you able to measure uptake of advertising/earned media? Do you research/measure its impact?
10. Do you have any concerns about payment processing? How would you measure the responsibility of a payment processor? Do you worry about money laundering re: payment processing? Any other payment-related concerns?
11. Do you know about voluntary self-exclusion in Massachusetts (or your own state)? How would you give people access to VSEs and is that important to you? How would you make sure someone is positively identified?
12. If you are doing work in Montana, Ohio, or Washington, DC, what has worked well in terms of your model? What would you improve/change? Any advice for jurisdictions, such as Massachusetts, that is considering kiosk implementation?
13. Other topics or concerns?

D. Kiosk Suppliers/Distributors in Ohio

- Please describe the licensing process to become a Type C supplier
- How often does a host have their sports kiosk license removed due to compliance issues?
- How often does a host have their sports betting kiosk removed due to financial issues?
- Have you ever been approached by an existing lottery retail agent inquiring for sports kiosks and you declined to do business with them? If so, for what reasons?
- Do sports betting kiosk hosts have frequent operational questions that your support teams have to field? If so, what are the top 3 most common questions asked?
- What type of retail location performs the best in terms of wagering volumes?
- What type of retail agent performs the worst in terms of wagering volumes?
- With what frequency and main themes have criminal incidents occurred involving the sports wagering kiosks in the last 12 months? Are the incidents similar to those that occur with Lottery kiosks? If not, what are the main differences?

- When incidents do occur, what is the chain of responsibility related to the filing and notification process to the Lottery? Does Distributor keep a database of these incidents and if so, how is it used to profile higher risk retail locations for sports wagering kiosks?

E. Kiosk Regulators in Ohio, Montana and Washington, DC

- How often does a host have their sports kiosk license removed due to financial issues?
- How often does a host have their sports kiosk license removed due to compliance issues?
- How often do supply route operators fail or decline to distribute products?
- **MT/DC specific:** Is everything that is available online also available on the kiosks? If not, what is the difference in offering between the kiosks and the mobile website?
- What are the most prominent issues related to crimes that occur involving sports kiosks? How do these issues compare with Lottery kiosks?
- Is there a specific type of kiosk host location that is better equipped for offering sports kiosks than others?
- Is there a type of kiosk host location that performs inherently better than others in terms of wagering volume? If so, who and why?
- Do kiosk hosts have frequent operational questions that your supports teams have to field? If so, what the most common questions asked?
- With what frequency and main themes have criminal incidents occurred involving the sports wagering kiosks in the last 12 months? Are the incidents similar to those that occur with Lottery kiosks? If not, what are the main differences?
- When incidents do occur, what is the chain of responsibility related to the filing and notification process to the Lottery? Does Lottery keep a database of these incidents and if so, how is it used to profile higher risk retail locations for sports wagering kiosks?
- **MT specific:** Besides the description found at: <https://rules.mt.gov/Gateway/RuleNo.asp?RN=23%2E16%2E1703> is there a standardized list of internal controls that retail agents receive to govern the operations related to lottery sports pools?
- **OH specific:** Besides the description found at: <https://casinocontrol.ohio.gov/licensing-renewal/02-sports-gaming/type-c-host-licensing/type-c-host-licensing> is there a standardized list of internal controls that Type C Hosts receive to govern the operations related to lottery sports pools?
- **DC specific:** Besides the description found at: <https://dclottery.com/online-gamessports-betting/sports-betting-retailers> is there a standardized list of internal controls that Sports Lottery Retailers receive to govern the operations related to lottery sports pools?