

FEASIBILITY STUDY: PROSPECTIVE SPORTS WAGERING KIOSKS IN MASSACHUSETTS

Prepared for Massachusetts Gaming Commission

November 21, 2024



PROJECT SCOPE

- Sports wagering/retail kiosk overview and experience in other jurisdictions (MT, OH, DC)
- Requirements to be a retail kiosk host, retail settings best suited to be a host
- Costs to regulate
- Societal impacts – public health, crime, safety
- Impacts on lottery, black market wagering
- Impacts of existing sports wagering on establishments that serve alcohol

DISCLOSURE: SPECTRUM CLIENTS 2021-PRESENT

1/ST Racing & Gaming
Acorn Environmental
Alberta Charitable Casino Operators
Attorney General of Virginia
Bally's Corporation
Baystate Racing (formerly Commonwealth Racing)
Bose McKinney & Evans
Buchanan Ingersoll & Rooney PC
Caesars/Pamunkey Indian Tribal Gaming Authority
Casino Association of New Jersey
Casinos Austria International
City of Norfolk, VA
City of Petersburg, VA
Coeur d'Alene Casino Resort
Colorado Department of Revenue
Commonwealth of Kentucky/Kaplan Johnson Law
Commonwealth Racing
Confederated Tribes of the Colville Reservation
Cordish
Creston Corp.
Downstream Casino Resort
Duane Morris
Ebro Poker Room & Racebook
Edgar Law Firm
Evolution Gaming
Experian
FisherBroyles
Gateway Casinos
Genting Americas
Georgia COAM operators
Gordon Rees Scully Mansukhani
Grand Ho Tram Casino Resort

Greater Carolina
Hard Rock International
Hilton Ponce Golf & Casino Resort
idPair
Indiana Gaming Commission
Intralot
Invincible GG
Iowa Racing and Gaming Commission
Jack Entertainment
Jackpocket
Las Vegas Sands
Lewis Roca
Massachusetts Gaming Commission
McCarthy Tetreault
McConnell Valdes
McKool Smith
MGE Niagara Entertainment
MGG Investment Group
MGM/ORIX
Miami Valley Gaming
Miccosukee Tribe
Millbank
Mille Lacs Corporate Ventures
Mohawks of Kahnawá:ke
MUFJ Bank
NeoPollard
New Jersey Lottery
New York VGM consortium
NH Charitable Gaming Study Commission
Peebles Kidder
Peninsula Pacific Entertainment
Penn National Gaming/Fanatics

Playtech
Pyramid Hotel Group
Resorts World New York City
Riverfront Entertainment
Royal Comm. into Casino Operator & Licence (Victoria)
San Manuel Band of Mission Indians
Scotia Bank
Sega Sammy
Singapore Tote Board
Sokha Hotel Group
Sports Betting Alliance
Taft
TCBC Development Co.
Tennessee Sports Wagering Advisory Council
Teton Ridge
TransUnion
Tri-State Partners
United Gaming
Virginia Racing Commission
Welcome Home LLC
Western Regional OTB (Batavia Downs)
Wilmorite
Wind Creek Hospitality
WOW Lottery Ventures
Wyoming Gaming

(Also: one undisclosed Asian client)

DISCLOSURE: MACGH PRESENT CONTRACTS/AGREEMENTS

Michigan Association on Problem Gambling
National Council of Legislators from Gaming States (NCLGS)
National Voluntary Self-Exclusion Program (NVSEP) for idPair/Spectrum
North American Association of State and Provincial Lotteries (NASPL)
Playtech for the Gambling Recovery Information Network (GRIN)
SharpRank (as subcontractor for work for the Arizona Department of Gaming)
Spectrum Gaming Group: We subcontract on the following projects: MGC Kiosk Feasibility Study, New Hampshire Lottery Study
Springfield (Mass.) Department of Health and Human Services: We subcontract on work for MGC Community Mitigation Fund
Texas Tech University: We subcontract on work for MGC for community-based research
Vermont Department of Mental Health

PRIMARY RECOMMENDATION

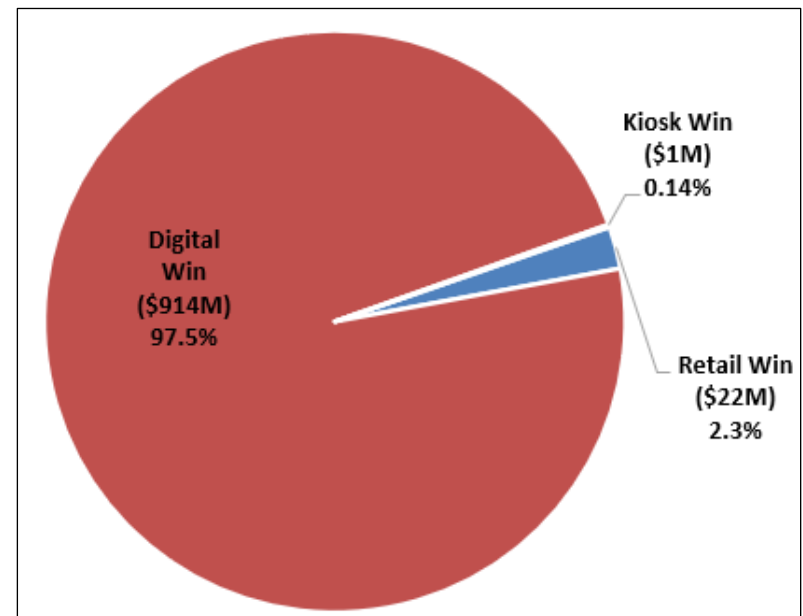
- Spectrum recommends that the Commonwealth not implement kiosk wagering
 - Small economic benefit not rationalized by additional risks and required additional vigilance by the Commonwealth



KEY POINT

- Convenience of digital wagering has overtaken the retail kiosk opportunity in MA
 - OH offers valuable insight:
 - ✓ Kiosk gross gaming revenue (or 'win') in 2023 barely registers in big picture: \$1.3M from 892 retailers
 - ✓ Retailers averaged less than \$225 in direct kiosk revenue
 - ✓ Digital, casino and kiosk sports wagering were all launched at same time

Ohio sports wagering GGR by segment, 2023



RETAIL KIOSKS IN PERSPECTIVE

- Retail kiosks are a young segment of US sports wagering industry, which itself is young (2018)
- In the United States ...
 - No research specific to this channel of wagering
 - Little attention within the gaming industry, or among regulators and legislators
 - ✓ Digital sports wagering gets almost all of the attention; casino sportsbooks get some attention
 - Jurisdiction-wide retail sports wagering kiosks offered in only three jurisdictions: MT, OH, DC

THREE JURISDICTIONS HAVE RETAIL WAGERING KIOSK PROGRAMS

- Montana, Ohio and Washington, DC, have retail wagering kiosk programs
 - Ohio most like what Massachusetts has/would likely have:
 - ✓ Sports wagering offered online and in casinos
 - ✓ Retail kiosks at hundreds of businesses throughout the state
 - ✓ However ... kiosk program offered via Ohio Lottery, not Casino Control Commission
 - Montana sports wagering limited to kiosk locations – even online wagering must take place at a kiosk location
 - DC limited to Lottery-approved retail locations and sports venue areas; online offering has changed since our report was completed

EXPERIENCE OF KIOSK HOSTS IN OTHER JURISDICTIONS

- Most of the 60 kiosk hosts interviewed in MT, OH and DC had moderately favorable opinions despite low volumes
 - Advantages: Provide another amenity, some guests stay longer
 - Disadvantages: Little direct revenue, machines take up space
- Kiosk hosts are essential to place bets in Montana; had been more important in DC before new online wagering structure (implemented post-study for MGC)

SOCIAL, COMMUNITY & PUBLIC HEALTH IMPACT IN MASSACHUSETTS

- **Overall Impact:** Gambling expansion, including sports wagering, is closely linked to significant social, community, and public health impacts, including various gambling-related harms
- **Public Health Risks and Community Well-Being:** The expansion of sports wagering kiosks may increase public health risks by making gambling more accessible, potentially drawing in vulnerable populations such as youth and individuals in recovery from gambling or other addictions
- **Impact on Small Businesses:** The introduction of sports wagering kiosks might alter economic dynamics for local small businesses, potentially presenting both opportunities and challenges, particularly for minority-owned small businesses
- **Youth Protection:** The presence of sports wagering kiosks raises concerns about increased youth exposure to gambling and the development of gambling disorders among youth

SOCIAL & COMMUNITY IMPACT IN MASSACHUSETTS: SMALL BUSINESS OWNERS

- **Overall Sentiment:** Trade associations representing small businesses generally viewed sports wagering kiosks as “too little, too late.” They showed limited enthusiasm about the expansion, low expectations that kiosks would benefit their members and were reluctant to engage in these discussions
- **Minority-Owned Businesses:** One exception is an organization representing ~100 minority-owned retail establishments that supported the kiosks, seeing them as a potential source of additional revenue for their members
 - Expressed that minority-owned businesses felt previously excluded from the economic benefits of the expansion of land-based gaming in MA and viewed kiosks as an opportunity to address this gap
 - However, there were concerns about the heightened risk of gambling-related harms to their communities; thus, **social equity** must be a priority in planning and implementing kiosks to uplift communities of color
 - *Lessons learned from other jurisdictions:* Ensure that social equity is a core consideration, encourage minority-owned business participation, and address community concerns in the rollout of sports wagering kiosks

SOCIAL & COMMUNITY IMPACT IN MASSACHUSETTS: YOUTH

- **Overall Risk to Youth:** The implementation of sports wagering kiosks could heighten the risk of underage gambling and the risk of youth developing pathological gambling disorders and related harms by increasing their exposure to gambling-related influences and behaviors
- **Increased Exposure to Marketing & Normalization:** Kiosks in retail and public spaces may elevate risks for minors by increasing their exposure to gambling marketing and normalizing sports wagering
- **Integration into Recreational Activities:** Placing kiosks in recreational, all-age public spaces previously free from gambling could potentially expose youth to gambling-related activities and marketing
- **Behavioral Modeling:** The presence of sports wagering kiosks may lead to more adults gambling around youth, normalizing gambling behavior and increasing the risk of youth developing gambling problems
- **Kiosk Features:** Similar to lottery kiosks, the potential design features of sports wagering kiosks—such as variety, anonymity, ease of payment, and visual stimuli—could attract youth and escalate the risk of underage gambling and pathological gambling developing among youth

SOCIAL & COMMUNITY IMPACT IN MASSACHUSETTS: PUBLIC HEALTH

- **Unanimous Concern:** Interviews with 15 public health and human service organizations revealed a consensus that expanding gambling in MA to include sports wagering kiosks would negatively impact public health, particularly affecting minors
- **Sports Wagering and Problem Gambling:** Sports wagering is viewed as a particularly problematic form of gambling, with a higher percentage of participants experiencing gambling addiction compared to other gambling forms
- **Comparison to Lottery Gambling:** Similar to lottery products, sports wagering kiosks could be widely accessible due to their placement in high-traffic public venues. This ease of access and affordability may attract vulnerable populations, including youth and individuals in recovery from gambling disorders
- **Sports Bars as Gambling Settings:** If sports wagering kiosks are introduced in sports bars, it's crucial to consider public health concerns. The co-occurrence of alcohol and gambling in these settings may increase risks of problem gambling and associated harms, as individuals might gamble more when alcohol is available, as well as other influential environmental factors

OVERVIEW OF PROGRAMS IN MT, OH AND DC

<i>As of March 2024</i>			
	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	<ul style="list-style-type: none"> • 995 lottery only • 514 sports only • 300 sports + lottery 	<ul style="list-style-type: none"> • 9,000 lottery • 900+ sports 	<ul style="list-style-type: none"> • 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

IF AUTHORIZED: ELIGIBILITY TO HOST, TYPES OF RETAILERS BEST SUITED

- Lottery retailers are logical kiosk hosts based on previously measured standards for:
 - Suitability
 - Operations
 - Infrastructure
 - Cash-handling capabilities
- Focus on those that can generate sales
 - Sports market is narrower than lottery market
 - ✓ Not all lottery retailers would make good kiosk hosts
 - ✓ Seasonality and availability of digital sports wagering creates inconsistent sales
 - Hosts that incorporate social interactions with sports wagering and viewing perform best

IF AUTHORIZED: REGULATORY COSTS

- MGC's IEB well-suited to regulate retail sports wagering kiosks
 - Existing processes and procedures likely applicable to kiosks
 - Expansion in force dependent on multiple factors:
 - ✓ Number of licensees
 - ✓ Number of kiosks distributed
 - ✓ Administrative rules and audits
- Additional MGC resources would be required due to likely widespread scope of retail kiosk program

IF AUTHORIZED: REGULATORY COSTS [CONT.]

- Ohio Lottery 2023 retail sports wagering kiosk program financial overview:
 - Lottery startup costs: \$335,000
 - Cost of regulation: \$650,000
 - State revenue: \$305,000
 - Year 1 performance: **(\$680,000)**
 - ✓ Ohio Lottery says no significant operating expenses to regulate kiosks other than staffing

IF AUTHORIZED: CONCERNS ABOUT SECURITY, SAFETY, CRIME

- Criminal activity that maybe unique to, or heightened by, presence of sports wagering kiosks includes:
 - Money laundering
 - Underage gambling
 - Employee or vendor theft (embezzlement, collusion, falsifying claims)
- More points of gaming and cash transactions equals higher risks for retailer and patron safety:
 - Crimes related to wagering occurs overwhelmingly in facilities whose purpose is wagering;
 - ✓ Higher chances of patron theft due to increase in cash redemptions
 - ✓ Increased avenues for money laundering using short odds to wager on
 - Increasing number of facilities where wagering occurs may increase risk
 - Combining sports wagering + lottery kiosks into one may reduce risk

IF AUTHORIZED: CONCERNS ABOUT SECURITY, SAFETY, CRIME (CONT.)

- Lottery retailers and staff typically not held to same standards as licensed casinos/employees:
 - Detecting and deterring money laundering or suspicious behavior
 - ✓ Not realistic to expect consistency among retailers save for vigorous audits
 - Higher volumes and values of redemptions
 - ✓ Sports wagering produces more redemptions due to hold percentage vs. traditional lottery
 - ✓ Increased cash handling increases opportunity for both internal and external risk of theft and non-compliance
 - Security, surveillance capabilities will differ in degree, effectiveness
 - ✓ Safety of patrons, post-redemption determined by location

POTENTIAL IMPACTS: BLACK MARKET WAGERING

- Kiosks unlikely to dent black market wagering
 - Most, if not all, wagering occurs on mobile
 - If in-person, amounts not applicable to kiosk play
- Black market offers:
 - Convenience
 - Product offering
 - Pricing
 - Anonymity

Bet Types & Options	State Lotteries			Offshore Sportsbooks		
	OH Lottery	MT Lottery	DC Lottery	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

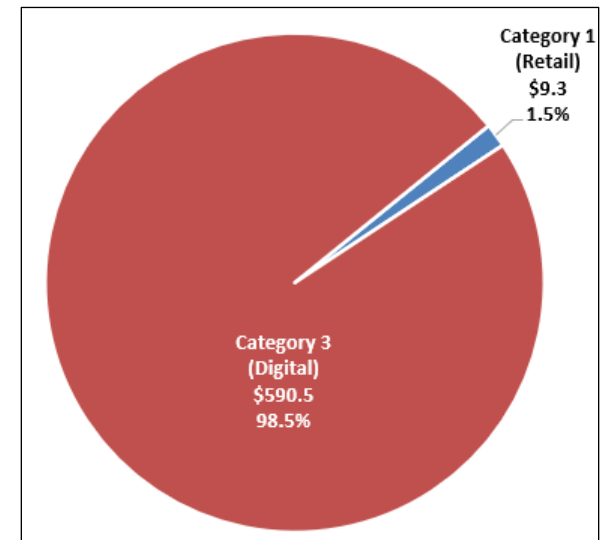
POTENTIAL IMPACTS: MASSACHUSETTS LOTTERY

- No studies regarding impact of kiosks on lottery revenue
- Overall sports wagering appears to have no affect on lottery revenues
- If kiosks implemented, impact on keno sales bears watching
 - Both keno and kiosks would be offered in similar sales locations

IMPACT OF EXISTING MASS. SPORTS WAGERING ON ESTABLISHMENTS THAT SERVE ALCOHOL

- Of 20 Massachusetts sports bar and restaurant hosts interviewed, 18 said no discernable impact
 - 2 said sports wagering had generated more excitement in their establishments – but not more revenue
- Looking forward: 7 of 20 were supportive of adding retail sports wagering kiosks, 2 rejected the idea (11 no opinion/did not respond)

MA sports wagering GGR by segment, LTM March 2024



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