



THE GAME INSIDE THE GAME.

Testimony Before the Alaska Legislature – Senate State Affairs Committee
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Chairman Revak, Members of the Committee:

My name is Chris Cipolla and I am the Senior Manager of Government Affairs at DraftKings Inc. (“DraftKings”). DraftKings was founded in 2012 as a daily fantasy sports company with the goal of bringing sports fans closer to the games they love. Since that time, DraftKings has evolved into a global sports entertainment company with more than ten million customers throughout the world.

In May 2018, the United States Supreme Court invalidated the Professional and Amateur Sports Protection Act of 1992 (“PASPA”), which paved the way for states to legalize sports wagering within their borders. Shortly thereafter, DraftKings entered the newly expanded sports wagering industry and in August 2018, we made history as the first company to offer a mobile sports wagering application outside the state of Nevada, when we launched in New Jersey. As the operator of a top mobile sportsbook in the state of New Jersey, and a regulated operator in multiple jurisdictions, we appreciate the opportunity to participate in today’s hearing—and additional conversations—to discuss the importance of Alaska embracing a competitive, fully mobile sports wagering market.

DraftKings supports a sports wagering framework in Alaska that protects consumers, generates maximum revenue for the state, and stamps out the pervasive illegal market. That means a robust mobile sports betting market without an artificial limit on mobile competition and no unnecessary hurdles for consumers to bet in the regulated market.

It is important to recognize that sports wagering is already taking place in Alaska on a massive scale, with an estimated 138,000 people betting over \$348 million in illegal wagers each year.¹

¹ See <https://www.americangaming.org/wp-content/uploads/2018/12/AGA-Oxford-Sports-Betting-Economic-Impact-Report1-1.pdf> (noting that approximately 28% of U.S. adults currently bet on sports).

Nearly all the sports wagers in Alaska are placed online through offshore websites in the robust illegal market. Across the country, states are trying to bring this activity into a legal, regulated market.

Mobile sports betting allows customers to place bets conveniently from their mobile phones and other devices. States that don't allow mobile sports betting have seen much lower revenues, growth, and penetration of the existing illegal market. An examination of New Jersey and Mississippi, and Rhode Island presents a compelling case study as to the importance of a mobile sports wagering market in the post-PASPA world.

New Jersey has established itself as the leader among the states that have chosen to regulate sports wagering following the invalidation of PASPA due to the state embracing the mobile sports wagering market. New Jersey has had more than \$3.2 billion wagered since launching in August 2018 and over 85% of total bets are placed via the online/mobile medium.²

Conversely, Mississippi chose to limit the availability of sports wagering to on casino premises only. Following an August 2018 launch, Mississippi generated far less than the market potential with statewide mobile wagering. Allen Godfrey, Executive Director of the Mississippi Gaming Commission, acknowledged the importance of mobile sports wagering while testifying during a Louisiana Senate Judiciary hearing in October 2018 stating, "If you want to do something to suppress illegal sports betting - mobile betting is the way to go."³

As you begin to consider implementing gaming in the State of Alaska, there are a few factors to consider in order to build the strongest, most effective regulatory regime, while encouraging Alaskans to join the legal market.

First, legal operators are not just competing with other legitimate entities in the United States, they also must remain competitive to pricing from illegal, offshore sportsbooks that do not face the same taxation and regulatory costs. Barriers to market entry, such as high taxes and fees, cut into an operator's profit and reduce their ability to offer competitive pricing, a significant factor for consumers when making the decision on where to spend their money.

Second, not only must the state consider a mobile market, particularly in a rural state like Alaska, it is crucial to allow for the ability to register and fund an account via a mobile device. Creating artificial barriers for consumers, such as requiring them to drive hours to register a mobile sports betting account in person, is anachronistic in a time when people file their taxes via mobile applications on their phones. We have also seen the reality bear out that mobile markets encourage wider participation and, thus, reduction of the black market.

Finally, it is crucial to allow for multiple operators to serve the market. A marketplace with multiple choices for consumers will lead to a much better consumer experience that forces

² New Jersey Division of Gaming Enforcement Revenue Reports - <https://www.nj.gov/lps/ge/swrtaxreturns.html>

³ <https://www.legalsportsreport.com/25267/louisiana-sports-betting-hearing>

operators to innovate and to continue to offer new and exciting products to Alaska and to compete with one another. Multiple operators will also increase the overall economic impact that sports wagering has in the state.

Contrary to the thriving offshore market, DraftKings takes seriously the issues of underage wagering and problem gambling. At DraftKings, we use “know your customer” technology to ensure underage individuals are not able to create an account, deposit, or wager through our website or application. When verifying a customer’s identification, a check is conducted using the following demographic information: first name, last name, physical address, date of birth, social security number, and geolocation of the customer. The verification process is facilitated using multiple vendors and, only upon successful verification, is the customer able to create an account.

Additionally, for the small segment of the population that struggles with gambling, we provide safeguards that allow customers to set their own deposit and play limits and to self-exclude from participation should they choose. A user also always has their entire transaction history available to them in their account information. The account history provides detailed information regarding all bets placed, all winnings and losses, and summary of their play over the last month, three months, year, and lifetime.

If Alaska wants to best protect consumers, eliminate the thriving illegal offshore sports betting industry, and provide the state additional revenue streams it can best be achieved through the creation of a competitive, fully mobile sports wagering market.

Thank you for the opportunity to testify today. I am happy to answer any questions.